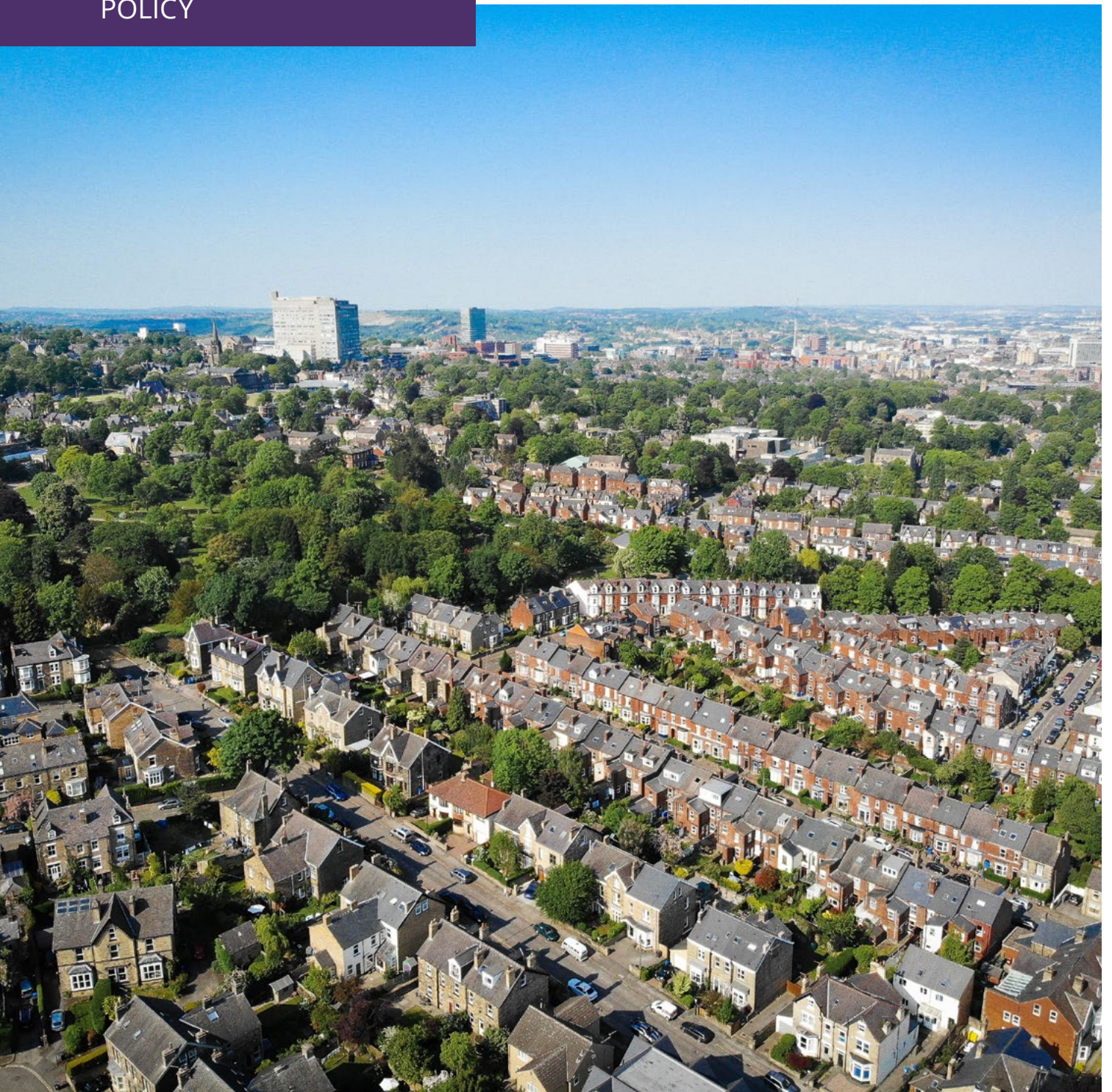




Delivering the homes we need: actions for change

POLICY



Delivering the homes we need: actions for change

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Introduction

The UK is facing a serious and growing housing crisis.

Housing sits at the heart of so many policy objectives. From addressing the major challenges in our health system to longstanding problems with productivity in the broader economy – and even educational achievement – all start with an affordable, safe and secure home.

Established in 1868, RICS is the largest organisation of its kind, with 80,000 members operating across the UK's built and natural environment. Our members support the housing sector, including in planning, development, management, valuations and home surveys. Surveyors are dedicated to ensuring everyone has a safe, sustainable and affordable place to call home.

Monthly RICS UK Residential Market Surveys consistently show how demand for homes, across all tenures, is outstripping supply.

It will be crucial for future governments to develop a coherent and stable plan to address this crisis. Housing is a sector that relies on certainty; above all else, that is what policymakers must provide.

This paper builds on the extensive insight and recommendations RICS members, industry experts and consumer representatives have given us over recent months and years, as we work with policymakers and the sector to overcome some of its biggest challenges.

In particular, we would like to thank those members who have helped to shape this work by participating in roundtables, market surveys and consultation workshops.

Recommendations summary

Recommendation 1

Create a dedicated Secretary of State for housing. Housing needs leadership – it influences health, wealth and quality of living. The department should be equivalent to a great office of state, unlike recent housing ministers who have not been at the cabinet table.

Recommendation 2

Incentivise affordable build-to-rent. The UK government should encourage the build-to-rent development sector, especially where it supports the increase in affordable rent supply. This could include a temporary fiscal incentive to encourage investment due to the rental crisis, such as cutting VAT and improving conditions in the private rented sector as they meet an existing emergency need.

Recommendation 3

Deliver local infrastructure to support housing and communities. Reform and properly resource the application of existing Section 106 agreements and the Community Infrastructure Levy (CIL) to deliver infrastructure locally, while still providing a clear route to building affordable homes.

Recommendation 4

All future housebuilding to benefit from low-carbon technology, in order to be net-zero-ready and adhere to the Healthy Homes Principles. The Decent Homes Standard must be applied and enforced across the rental market, with strict viability and exemption guidance.

Recommendation 5

Review green belt policy. Undertake an evidence-led review of existing green belt policy, in order to transparently consider the benefits and tradeoffs that apply to its current operation.

Recommendation 6

Require local planning authorities to publish housebuilding target justifications, alongside ensuring local plans are up to date. With 60% of existing local plans out of date and critical to delivering new homes and economic growth, the government should expand the powers of the Secretary of State for Housing, or a body like the Social Housing Regulator to 'call in' those who fail to provide adequate plans.

Recommendation 7

Unblock grid blocks to housing. The government, National Grid and energy providers to commit to expanding energy infrastructure, prioritising areas where the Network Capacity Map is blocking future development.

Recommendation 8

Develop a Built Environment Skills Taskforce to map future labour needs to meet housebuilding, retrofit and net zero requirements. This will include a review of early-years education engagement, including the introduction of a Built Environment GCSE in England, and an analysis of public sector skills retention and recruitment, including shared service planning models.

Recommendation 9

Planning to deliver with a focus on recruitment, retention and standards in local authority building control and planning teams. Embed the importance of innovative, low-carbon housebuilding solutions, including modern methods of construction (MMC), in planning authorities and procurement frameworks. This also needs to expand to infrastructure planning, to ensure clear strategies exist to deliver on developer contributions.

Recommendation 10

Commit to financing affordable and social housing by ringfencing a set amount of stamp duty collected for the provision of affordable and social housing delivery and reviewing priority investments for public sector pension funds to commit to investment in priority housing needs.

1 Not enough housing

It is the view of RICS, demonstrated in our UK Residential Market Survey, and of many of the participants at our roundtables that the housing crisis is most fundamentally a crisis of supply, across all tenures. For decades, we have not built enough homes, for a diverse range of occupier needs, in the right locations. Despite repeated promises over the last decade, this problem persists and is in fact getting worse.

1.1 Decades in the making: a long-term lack of supply

Housebuilding in England peaked at 352,540 homes in 1967, before experiencing a steady and then sharp decline from which it has never recovered – a picture seen across Scotland, Wales and Northern Ireland as well. Viewed with hindsight, the 1950s to 1970s represent a golden age for housing supply in the UK, with the number of new homes only twice dropping below 250,000 a year and exceeding 300,000 for six consecutive years between 1964 and 1969; see the UK government’s research briefing [Tackling the under-supply of housing in England](#) (May 2023).

However, this was a very different model of housebuilding. The successful post-war new town programmes were in full swing, benefiting from active development corporations, proactive land assembly and large amounts of social housing. It was also bolstered by a very active public sector, with private enterprise typically contributing around 50% of the homes built, and many of the remainder built by councils using public borrowing and generous rates of public grant.

Since this model was disrupted by the introduction of right to buy and the removal of grants in the 1980s, [we have never again achieved such highs of housebuilding](#), with a recent peak of 248,590 net additions in 2019/20 being the high watermark of the modern era, and the majority of other years recording less than 200,000.

This lack of supply is insufficient to meet demand and has a knock-on effect on affordability. This has long been understood by policymakers, with the challenge exacerbated by policies such as Help to Buy that relied on only new-build property. The Treasury-commissioned [Barker Review](#) in 2004 found that the housing supply needed to increase by 70,000 homes a year to keep house price rises to 1.8% a year, and by 120,000 to keep rises to the European average of 1.1%.

But this rise has not been met, with [recent analysis](#) suggesting we have missed targets by between 1.5m and 2.5m homes. In the same period, the average house price across the UK has risen from £150,734 to £282,776 – [far outstripping earnings](#) and pushing the dream of homeownership out of reach of many.

This has happened despite regular interventions from politicians, up to the level of prime minister, repeatedly acknowledging the problem and promising to take steps to increase supply.

Successive governments have promised to build the homes that the country needs but have failed to deliver. If we are to address the housing crisis the country faces, strong leadership is required.

1.2 A perfect storm: current pressures

[Current forecasts](#) project housing delivery to fall to an average of 170,000 a year in England in the second half of the 2020s, with just 100,000 of those for private sale. If correct, this would see us fall short of the new government's target of 1.5m homes by 780,000. This is on top of the existing backlog that has built up due to decades of undersupply. This would be a disastrous outcome for those in need of new housing and would further exacerbate the pressures on the housing market.

A vibrant, high quality and affordable housing sector requires confidence and leadership.

Between 2010 and 2024, the UK government had no fewer than 16 different housing ministers, with no dedicated Cabinet-level position despite its great importance to national wellbeing. With this came ever changing housing and planning priorities, varying targets and new building safety and sustainability requirements. We also need to consider the additional challenges – a global pandemic, the UK leaving the EU and then a war in Europe – with the additional energy and refugee crisis that followed.

The [end of Help to Buy](#) in March 2023 has decreased builders' appetites for new development, while well-publicised [delays in the planning system](#) are discouraging developers, particularly smaller, less-well-capitalised players, from bringing forward schemes.

On top of this, heightened interest rates have depressed the appetite from buyers, while build cost inflation has increased following the war in Ukraine. Despite [inflation easing](#) in recent quarters, the cost of developing new homes spiraled compared to its position in the late 2010s. This is on top of longstanding issues in the housebuilding sector, such as a lack of skilled tradespeople.

While much of the supply focus is on the sales side, we are also facing significant challenges when it comes to a lack of homes in the private rented sector. The shortfall here has been exacerbated by constant tinkering with policies, interest rate rises and the uncertainty of rental reform.

In recent years, this uncertainty has coincided with increasing property values and the introduction of Section 24 to tax changes, meaning that, for many landlords who own one or two properties as a small investment or retirement pot, the motivation to sell has never been higher. Over the years, the private rental sector has increasingly depended on small landlords to be the backbone of the private rental supply, and with landlord confidence at some of the [lowest on record](#) to provide this vital service, this creates pressure, but also opportunity for the build-to-rent sector.

Ensuring that renters live in safe, good-quality homes is crucial, but for people to have a choice (not everyone can or wants to buy a home), we need a flourishing private rented sector. Regardless of the approach, landlords, renters and investors need certainty.

Recommendation 1

Create a dedicated Secretary of State for housing. Housing needs leadership – it influences health, wealth and quality of living. The department should be equivalent to a great office of state, unlike recent housing ministers who have not been at the cabinet table.

Recommendation 2

Incentivise affordable build-to-rent. The UK government should encourage the build-to-rent development sector, especially where it supports the increase in affordable rent supply. This could include a temporary fiscal incentive to encourage investment due to the rental crisis, such as cutting VAT and improving conditions in the private rented sector as they meet an existing emergency need.

In previous housing market downturns, the social rented sector has kept up delivery due to the counter-cyclical nature of social housing. Following the 2008 global financial crisis, a large package of affordable housing funding from Gordon Brown's government provided vital activity in the market, and has been credited with keeping the supply chain operational as private builders retreated.

However, some participants in our roundtables from large developing housing associations were less positive about their ability to do so this time. One large and developing association, which completed more than 1,000 homes this year, said it has started none.

This results from the huge funding pressures on the sector from fire safety costs and dealing with cases of historic disrepair and decarbonisation, while at the same time costs inflate, interest rates rise and the money that can be made from private developments to cross-subsidise activity shrinks. The result is that some providers are struggling to maintain compliance with loan covenants and must scale back development activity to focus on existing stock management.

Overall, the housing sector faces an existential crisis that requires urgent policy intervention if we are to recover and deliver the homes the country so desperately needs.

2 Consequences

2.1 Unaffordability

[Recent research](#) shows that the UK's housing stock offers its buyers the worst value for money of any advanced economy. Despite being among the most expensive places to buy, British households are also offered the least floorspace, the oldest homes and the most expensive heating bills compared to other economies.

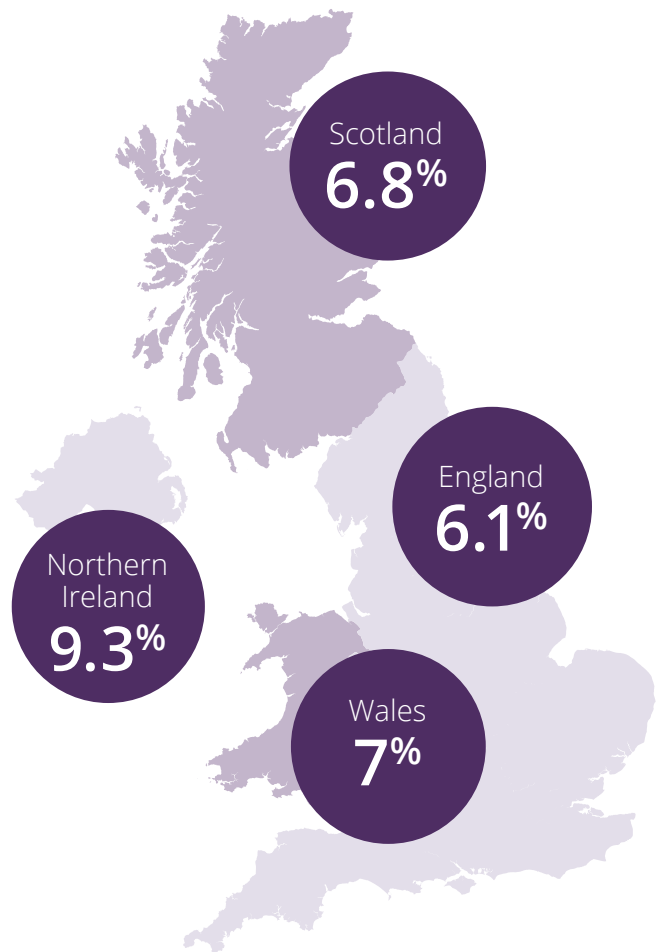
Recent research commissioned by The Building Societies Association showed that it is [currently more expensive](#) to become a first-time buyer in the UK than it has been for at least 70 years. The report concluded that home ownership was increasingly becoming the exclusive preserve of those households with two above average incomes and the ability to access financial help from family members. This process risks deepening UK inequality, leaving single households and those from poorer backgrounds in the rented sector and limiting their ability to save or acquire assets for their retirement.

However, the 2022–2023 English Housing Survey showed that 30% of private renters expect to purchase a home in the next five to ten years, up from 26% the prior year.

The [average age](#) at which UK households now buy their first home is 36, a rise of four years since 2004. This is limiting life choices, such as starting a family, for many young couples. Recent census data from 2021 revealed that the most common living arrangement for young people aged between 18 and 34 is living at home with their parents.

Average annual private rent increases

January 2023 to 2024



Sources:

[Index of Private Housing Rental Prices, UK: January 2024](#)

[Housing Executive rent levels set for 2023/24](#)

[At a Glance: Private Rental Market Performance 2023](#)

Previously, it had been living in their own home with their children. The housing crisis is rapidly changing the experience of being a young person in this country.

This growth in unaffordability is not limited to those who are seeking to buy their own home. Renters are also facing an increasing struggle to pay for a roof over their heads. Our recent market survey reported that the challenges to supply were leaving renters tackling ever-rising living costs and plummeting affordability levels.

At the same time, a less generous benefits system for private tenants introduced in 2010 means private tenants – whether in work or unemployed – can claim far less support with their housing costs from the state. By 2022, before a recent and temporary unfreezing of benefits, the gap between benefit rates and real-world rents had [reached £1,655](#) for a three-bedroom home.

Even in the social housing sector, there are affordability pressures. The decision to cut grant rates for new-build in the early 2010s has seen a new generation of homes built to ‘affordable rent’ levels linked to market rates, rather than the social rent formulas used in previous decades. In parts of London, this has resulted in rents that are [almost £10,000 a year more expensive](#) than they would have been under the old regime. Even historic social rents have been climbing, with an inflation-linked rent settlement resulting in an average rise of £832 a year in two years, even with the rise in one of those years capped by the government.

All these increasing costs have impacts for renters, driving a reliance on food banks and forcing well-publicised dilemmas such as choosing between heating and eating for poorer families. [Recent statistics](#) show 4.3m children in the UK – 30% of the total – are growing up in poverty, up from 3.6m in 2010/11. This is widely linked to housing costs by analysts.

2.2 Homelessness

The affordability pressures described above are inevitably going to become too extreme for some households, meaning they are simply no longer able to afford to keep a roof over their heads.

The housing shortage has driven a depressing rise in homelessness over the last 14 years. In 2010, there were 51,310 ‘priority need’ households in temporary accommodation, including 74,160 children. By the end of 2024 this had [more than doubled](#) to 112,660 households and 145,800 children.

This rise is often linked to the gap between the affordability of the private rented sector compared to the amount that can be claimed in benefits for housing costs under the current regime. As rents continue to rise, this problem only becomes more acute. It is also linked to a serious lack of social housing, with [1.3m households on waiting lists](#) but only 236,928 vacancies each year.

Homelessness has many causes, not all of them related to a lack of places to live. The pressure this creates through the mismatch between supply and demand bleeds through the rest of the system in higher rents and fewer options for those who need them, with homelessness the ultimate consequence. It is the most acute symptom of the housing market's broader sickness.

The average wait in England for social housing is five and a half years, extending to more than a decade in high-demand areas of London. For those needing a larger home, [the wait can be even longer](#).

The consequences of such prolonged stays in temporary accommodation are well documented. [Recent research](#) into the impact on children found temporary accommodation 'affects the psychological well-being of both parents and children, leading to feelings of guilt, unhappiness and a loss of agency'.

The Local Government Association estimates that English local authorities spent £1.74 billion on emergency accommodation between 2022-2023. This exacerbates financial challenges for councils that are already facing significant funding pressures, with some, including Birmingham who have had to suspend all non-essential spending to prioritise on areas including social services and housing.

In Northern Ireland, the housing authority spent over £27m on temporary housing, representing an increase of over 500% since 2016/17 and depriving the body of funds that could have otherwise been used to build new homes. In Scotland, a recent report (Scotland Monitor 2024) found that 'core homelessness would be likely to increase by 24% (4,300 extra households) by 2024 and 33% (6,100) by 2026' without significant policy changes. Meanwhile, in Wales, which has 246,000 social homes, [over 90,000 households are on the waiting list for a social home](#), with almost 10,000 currently in emergency shelter accommodation.

2.3 Health

The crisis in the UK's health service is intimately linked to the crisis in its housing market. This manifests itself in several ways.

Inappropriate housing is actively worsening health outcomes for many. Poor housing conditions have a [direct impact on physical health](#); for instance, asthma, wheezing, headaches and respiratory illness can be caused by damp and mould, while infectious diseases spread more quickly in overcrowded conditions.

During the first wave of the COVID-19 pandemic, a [clear correlation](#) was found in research that compared overcrowding rates to deaths. Council leaders in Newham, the East London borough with both the highest rates of overcrowding and COVID-19 deaths, described the illness as a '[housing disease](#)'.

The condition of the UK's housing stock is a major contributing factor here. The two most prevalent Category 1 hazards in English housing stock are excessive cold and falls associated with stairs – both of which cause [significant A&E admissions and slow recovery periods](#) for other health conditions.

Recent research carried out by the [Building Research Establishment](#) estimated that it costs the NHS £1.4bn a year to treat patients who are admitted to hospitals due to inadequate housing. However, when the definition is expanded to include all homes with a significant Housing Health and Safety Rating System (HHSRS) hazard, the figure is believed to rise to £2bn per year in England. This research suggested the cost of fixing these hazards would be recouped through NHS savings alone in 7–13 years, depending on the tenure of the housing.

A lack of available, suitable housing also costs the health system money because it slows discharge from hospital. The Crisp Report in 2016 found that 16% of patients on acute wards were delayed discharges, and 49% of these patients could not be discharged due to a lack of suitable housing. This [costs the NHS money directly](#) and also denies beds to other patients with acute needs.

In short, there is no solution to the health crisis that does not also involve a solution to the housing crisis. It is no coincidence that some of the most influential housing policies in this country were introduced by health ministers such as Dr Christopher Addison in 1919 and Aneurin 'Nye' Bevan in the aftermath of World War II – who, as Minister for Health, had the Housing Department sit under him. The success of health policy is intimately linked to housing, and this will only become truer as the population ages and the need for climate adaptation increases.

Under Section 106 and CIL obligations, housing also has an important role to play in delivering critical services, including the creation of new community infrastructure including healthcare and education facilities. There is also the wider infrastructure integration including transportation and utilities – which in many cases a developer does contribute towards but should not be expected to solely deliver without greater involvement and ultimate responsibility sitting at a government level.

There is also the challenge of a disjointed approach towards developer contribution investment. In most cases, the developer is simply putting forward funding, with the local authority the delivery body. This leads to challenges with many local authorities not holding a suitable, long-term infrastructure strategy. The [Home Builders Federation](#) estimated that as of 2023, £2.8 billion in unused Section 106 sits with councils.

Recommendation 3

Deliver local infrastructure to support housing and communities. Reform and properly resource the application of existing Section 106 agreements and the Community Infrastructure Levy (CIL) to deliver infrastructure locally, while still providing a clear route to building affordable homes.

Recommendation 4

All future housebuilding to benefit from low-carbon technology, in order to be net-zero-ready and adhere to the Healthy Homes Principles. The Decent Homes Standard must be applied and enforced across the rental market, with strict viability and exemption guidance.

2.4 Economic impact

The UK economy has faced a [serious productivity challenge](#) for at least a decade and a half. While this has many causes, the housing crisis is a major contributor.

House prices are highest in high-productivity areas of the economy: the centres of major cities, where more jobs are located and wages are higher. When there is a shortage of affordable housing in these places, it [prevents potentially capable workers](#) from moving there to take up jobs.

Higher house prices and rents are also impacting keyworkers (and not just in our major cities) who are finding themselves travelling greater distances from home to workplace to fill essential roles such as nurses, firefighters and police officers.

Productivity also suffers when we build housing in the wrong places, without the right infrastructure. In major European cities, 67% of the population can reach the centre by public transport in 30 minutes, an option [only open to 40% of people in large UK cities](#). This reflects poor decisions about where to locate housing as much as it demonstrates the limits of our transport infrastructure.

Rising homelessness also impacts productivity; those with no permanent address can often find themselves locked out of the labour market, with [consequential implications for growth](#).

High house prices can also limit entrepreneurial investment in other areas of the economy that may prove more productive, the so-called 'crowding out' model. The theory is that investors will chase easy or high returns in the housing market when their money might otherwise have been invested in creating or growing new businesses. As the [Economic Observatory](#) writes: 'The higher, less volatile rates of return in housing could induce even the most productive non-real estate companies to invest in property, thus limiting investment in other higher-productivity (but lower return) activities'.

The [high cost of private renting](#) also impacts economic growth. Single renters in the UK spend 38% of their income on rent, rising to 52% in London. This is money that might otherwise have been invested or spent in other areas of the local economy in a way that would have produced growth.

In short, the productivity challenge in the UK economy requires a comprehensive solution to the housing crisis if it is to be meaningfully and permanently addressed.

2.5 Broader societal impacts

The ripple effects of the housing crisis throughout society are too numerous to list in full. But in addition to the factors cited above, it is widely accepted that housing is a major factor in educational attainment and child development.

[Research by Shelter](#) has shown that children living in overcrowded conditions struggle to get a good night's sleep and complete homework, with obvious consequences for their ability to succeed at school. [Research from the US](#) has shown that children who live in a crowded household at any time before age 19 'are less likely to graduate from high school and have lower educational attainment at age 25'. [Research carried out by Shelter and YouGov](#) in 2020 polled teachers who worked with children experiencing homelessness. They said children living in these circumstances were more likely to miss school days, come to school hungry and tired, and lack adequate space or privacy at home to complete their schoolwork.

Housing is also an immediate and pressing challenge to our ageing population. Pensioners who own their homes face the challenge of potentially wanting to downsize for comfort, affordability and family reasons, yet are held back by upfront costs and the lack of suitable accommodation for older generations.

A large cohort of pensioners now rent privately, a number that is set to rise very sharply given the number of renters in their 50s with no prospect of buying a home before retirement. The charity [Age UK](#) projects that the number of people aged 65 and over living in private-rented accommodation in London could double between 2014 and 2039, with a central projection of 122,000 households in 2039.

This poses huge challenges, as the private rental market will not be affordable to those on state pensions, forcing people to keep working well beyond retirement age. Pensioners will also struggle with the regular moves associated with private renting and are unlikely to be able to force their landlord to carry out any necessary adaptations. Unaddressed, the housing crisis could have a profound impact on our view of what it means to grow old.

Climate change also brings new challenges to housing policy. Homes that are prone to overheating will become rapidly less livable in the hotter summers the UK is likely to experience by mid-century. In a similar vein, the UK's cold and draughty housing stock is not currently well placed to maximise the potential of clean heating systems such as heat pumps. Homes at risk of flooding also risk becoming uninsurable as flooding becomes more frequent, and the decarbonisation of our housing stock remains one of the biggest challenges in our journey to net zero, with no clear strategy or funding model yet identified.

RICS has been at the forefront of driving sustainability in the built environment with our work on [whole life carbon](#) and [decarbonising real estate](#). In January 2024, the RICS [Residential Property Monitor](#) asked extra questions to gauge the impact of energy-efficient properties on market trends. When survey respondents were asked whether they had seen greater interest from buyers in homes that are more energy efficient, 39% said they had noticed an increase in demand, up from 34% when this question was asked in June 2023.

However, homeowners are struggling to understand how to make their homes more environmentally friendly. In July 2023, RICS carried out a consumer survey in conjunction with YouGov that revealed 36% of homeowners would not know how to go about making their homes more environmentally friendly. However, 78% of respondents said that they would find it helpful if their surveyor could offer retrofitting advice when purchasing a property. In response, we published our [residential retrofit standard](#) to ensure that homeowners can receive retrofitting advice from a trusted professional.

The challenges outlined above show that a long-term housing strategy is of critical importance to the UK's success over the next century, and it can't just be left to the sector to identify solutions. The housing crisis is woven into all our major policy challenges, and will not fix it without a clear vision, a clear direction and strong leadership.

3 Causes

The causes of the lack of new housing supply in the UK are manifold and cover both systemic long-term failures and shorter-term pressures. We cannot cover all of them, but these are the factors we, and the experts we spoke to, felt were particularly significant.

3.1 Land supply

RICS shares the view of many experts that for the UK to reach an equilibrium – where people earning median incomes can afford to buy – we need to increase supply rather than continue to simply rely on measures such as Help to Buy, mortgage guarantee schemes and other incentives that simply increase demand. We need to increase housebuilding to 300,000 homes a year and sustain it at that level for at least a 10-year period.

RICS' [UK Construction Monitor](#) regularly highlights that developers are struggling to meet existing order books, rather than struggling to attract new customers. In Q1 2024, 55% of developers told RICS that they were struggling to meet housing delivery due to planning constraints, and 44% had labour issues. This means policies such as Help to Buy add to supply pressures and risk inflating prices further.

While there is increasing consensus on this need, there is little consensus on how to achieve one of the most fundamental parts of it: identifying and allocating the land on which these new houses could be built.

The UK is not short of land. In England, 23.5m acres are allocated to agriculture – the largest share being for cattle farming – while 7.5m acres are for forestry, open land and water. [Only 3.25m acres](#) (8.7%) of the country's land is developed.

Where land within existing urban areas is not suitable or available for further development, there is a need to acquire land in suburban, semi-rural locations. Policies have not encouraged enough of this land to be put forward for residential development when required. This is not sustainable if we are to meet housing needs, and the ongoing densification of inner cities increases the value of land in these places to such an extent that sites are often not affordable for developers of anything other than the highest-end for-sale housing projects, or to build increasingly tall towers that come with their own challenges, especially around service charges.

Green belt and classifications around urban areas prevent good, developable sites near transport infrastructure from being converted to residential use in a way that would significantly ease the burden on cities. These classifications are also widely misunderstood. Planning designations of National Parks, Areas of Outstanding Natural Beauty or public recreation protect valuable open green spaces from development. In fact, all 'green belt' designated areas contain areas of 'grey belt': previously-developed brownfield sites that are ruled out of residential use simply due to being located in a green belt area – despite potentially sitting alongside suitable transport links and local infrastructure needs. The purpose of green belts is to prevent urban sprawl, but they represent a different housebuilding era when the rapid creation of new towns saw vast swathes of non-green belt land allocated to new housing.

Recommendation 5

Review green belt policy. Undertake an evidence-led review of the existing green belt policy, in order to transparently consider the benefits and tradeoffs that apply to its current operation.

The lack of supply of new land has been exacerbated by the failure of the existing system. Under housing targets, which have changed over the years and leading to uncertainty, local planning authorities are supposed to identify land for sufficient residential development through local plans, but more than 60% of these plans are out of date, meaning land is not properly being identified even within the constraints imposed by green belts.

Recommendation 6

Require local planning authorities to publish housebuilding target justifications, alongside ensuring local plans are up to date. With 60% of existing local plans out of date and critical to delivering new homes and economic growth, the government should expand the powers of the Secretary of State for Housing, or a body like the Social Housing Regulator to 'call in' those who fail to provide adequate plans.

This means that the envisaged system of local communities democratically deciding which areas their allocation of necessary housebuilding would go is broken. Local politicians are simply able to dodge the issue to avoid awkward political debate, but without a clear supply of land, we cannot hope to increase housebuilding to the levels required.

Also, the tax system does not always encourage the development of new housing. The value of developable land is set by house prices. When house prices are high, land on which houses can be built will have a high value. When land changes use to allow residential development, this provides a substantial financial gain to the landowner.

But rather than tax this gain, the current system places the tax burden on the developer through planning gain. Not only is this a lost opportunity for the Exchequer, but it also discourages and delays development as some private developers will naturally seek to reduce the tax burdens placed on them as much as they can.

The impact of planning policy on land values is also important. Development plan policies that need to be met to achieve planning permission and ensure that development is sustainable, are fully reflected in land values in line with national policy. This helps to ensure that the costs of planning gain are met by the landowner rather than the developer, while reducing delay and conflict in the planning process.

A serious and growing problem is also the electrical grid capacity and how this relates to available land. This manifested in West London in 2022 when the lack of capacity (partly due to a large concentration of energy intensive data centres) resulted in an [effective moratorium on house building](#). The National Grid have published a [Network Capacity Map](#), but historically, this had little consideration given to it during the development of local plans.

Recommendation 7

Unblock grid blocks to housing. The government, National Grid and energy providers to commit to expanding energy infrastructure, prioritising areas where the Network Capacity Map is blocking future development.

As we move towards a Net Zero future, the electricity requirements for new homes are increasing: as heat pumps and EV chargers become mandatory for new developments, they will add to the energy requirements of the grid. This is a growing problem which requires a major policy response.

One of the participants at our roundtable said: 'Electricity capacity and power is a major challenge coming up.' Another added, 'Electricity capacity is one challenge that I'm really looking into and raising up to Secretary of State level at the moment'.

3.2 Planning delays

As well as difficulties with land supply, the simple operation of the planning system can be a major blocker to development occurring, even on sites where the land is available.

It is now widely acknowledged that the planning system is under-resourced, slow and struggling to cope with the volume of work – prolonging the application and appeals process. An increase in housebuilding – particularly the major and sustained increase required to start addressing the crisis – would naturally make this problem worse.

[It is estimated](#) that at least 50% of planning applications are currently facing delays. While housebuilding has stalled in recent years, pressure on the planning system has come from other directions. For example, a rise in applications for home improvements following the pandemic has placed pressure on the same planning teams who consider and decide major residential projects. This has come at a time when budget constraints in local authorities have seen them strip back and reduce staffing numbers.

[A report by the Home Builders' Federation](#) in January 2024 concluded that planning delays were the 'greatest obstacle' to housebuilding in the UK, with the problem particularly acute for SME builders. The report found that 93% of SMEs cite delays in securing planning permission as a major barrier to growth, with 91% saying that under-resourced planning departments in local authorities are hindering their growth of SME home builders.

Participants in our roundtables were scathing about the impact of planning delays on their development plans. A growth director at a large housing association said planning delays 'stop us from getting anything built and anything done'. For large sites, participants said it 'takes years to go through planning' with 'unnecessary cost and inefficiency [...] particularly when you're looking at large-scale schemes'.

Deciding to develop a site for housing is essentially an investment decision. Developers are making a bet on their ability to deliver a profit from selling the homes they will ultimately build. But to make these decisions with confidence, developers require as much certainty as possible – and with planning delays and some planning authorities declining up to 47% of applications on average, it is unsurprising that some developer and investor confidence, whether an SME or volume house builder, is low.

Any investment decision contains risk, but the delays that can be imposed by a poorly functioning planning system, and the potential for any scheme to ultimately be refused, mean starting a development is too much of a risk, particularly for smaller builders with less capacity to absorb risk.

3.3 Industry capacity

Building a new housing development requires a large workforce – both those engaged in the physical act of building the home and the other professionals required at every stage, from design to financing.

The UK's ability to build new housing will only ever be as large as the maximum capacity of this workforce. A sizeable workforce does already exist, as demonstrated by 2023 having the [highest number of new homes begin construction in a decade](#) in England at 172,000, compared with 103,000 in 2013. However, the [RICS UK Construction Monitor](#) regularly shows between 30-50% of construction firms struggle with skills shortages.

Just to keep up with projected growth across the construction sector, [it is estimated](#) the UK will need an additional 251,500 construction workers by 2028.

However, [more people are leaving the industry than joining](#), with just 19% of workers aged under 25, and 25% aged between 45 and 59. Participants in our roundtables raised serious concerns about the 'massively ageing workforce in construction'.

The industry is failing to attract talent, despite many jobs that offer reasonable levels of pay and access to employment. Research by the Chartered Institute of Building suggests there are reputational problems with construction careers among young people, with many erroneously perceiving it as 'low-paid, dirty and for people with poor academic skills'. Post-Brexit immigration rules – despite some relaxation on visas for construction workers – have [further added to this problem](#), with firms less able to rely on an immigrant workforce to fill their skills gap.

It is also important to remember that a lack of skilled workers extends across housebuilding, from bricklayers to electricians, planners to surveyors and technical specialists, including environmental impact assessors and building control officers.

Recommendation 8

Develop a Built Environment Skills Taskforce to map future labour needs to meet housebuilding, retrofit and net zero requirements. This will include a review of early-years education engagement, including the introduction of a Built Environment GCSE in England, and an analysis of public sector skills retention and recruitment, including shared service planning models.

Recommendation 9

Planning to deliver with a focus on recruitment, retention and standards in local authority building control and planning teams. Embed the importance of innovative, low-carbon housebuilding solutions, including modern methods of construction (MMC), in planning authorities and procurement frameworks. This also needs to expand to infrastructure planning, to ensure clear strategies exist to deliver on developer contributions.

It was hoped that a transition to MMC would be the ultimate solution to the skills shortage that has been a longstanding problem in the housebuilding industry. However, MMC – particularly fully volumetric systems where entire houses are made in factories before being assembled onsite – has proved difficult. Despite verbal backing and policy support from repeated Secretaries of State, the industry has stuttered, with major failures including [Ilke](#) and [L&G](#) in recent years.

The future of this method of housebuilding remains uncertain; it requires policymakers to work with MMC developers to understand the constraints and identify practical solutions. In the meantime, MMC will certainly not replace traditional housebuilding in the short or medium term. To scale up housebuilding, we will therefore need to scale up our traditional skills base.

3.4 Housebuilding models

As mentioned in the introduction, the only period during which the UK delivered an adequate amount of new housing was during the post-war era, when a major contribution was made by the state via a large and centrally-funded programme of council housebuilding.

Since council housebuilding dropped away in the 1980s as a result of changed financial settlements from the Treasury and the introduction of the right to buy, the private housebuilding market has never been able to meet demand on its own.

In addition to the challenges and restraints mentioned above, this is because the model of private housebuilding – particularly the dominance of volume housebuilders, which characterises the modern era – is targeted towards delivering value to its shareholders, not meeting the nation's housing needs. While the private developer market will play a significant role in addressing the supply crisis, without greater government intervention, especially to focus on affordable and social housing, the private sector won't bridge demand and instead only benefit consumers who have accumulated enough capital to purchase.

This is not a criticism of volume housebuilders, who would be a crucial part of any genuine solution to the supply crisis, but is a simple description of their business model.

As reported by the government-commissioned [Letwin Review in 2018](#), private housebuilding models result in the slow build-out of large sites, by the builders' calculation of the local absorption rate – the rate at which properties can be sold while maintaining high house prices. Many commercial lenders also require profit margins on average of 15-20% of Gross Development Value on projects, meaning developers must factor this into its pricing strategy – although it is common for that amount to drop to 6% for affordable housing projects.

A recent major report by the [Competition and Markets Authority](#) found that the speculative model of housebuilding, through which 60% of our homes are delivered, is a 'significant reason behind under-delivery of homes'. It said private developers 'produce houses at a rate at which they can be sold without needing to reduce their prices, rather than diversifying the types and numbers of homes they build to meet the needs of different communities'.

This situation is exacerbated by the major capacity problems currently affecting the social and affordable housing sector.

Since 2010, large housing associations have been encouraged to raise more private finance to develop, while turning a profit from their core business of letting social homes and branching out into the private sales market to raise further profit to cross-subsidise the development of new affordable homes. This was to make up for reduced government grants.

But this model has come under enormous strain in recent years, due to the rise in interest rates and construction costs landing at the same time as these housing providers face enormous costs to repair fire safety defects, deal with longstanding maintenance issues and begin the mammoth project of decarbonising their homes.

The result is that many are stepping back from development entirely, simply due to a complete lack of capacity in their business models – certainly in the short term. This reflects comments from RICS professionals working in the social housing sector who say that political investment in private home ownership to meet supply and important building safety matters has come at an additional cost to housing association funding. This has been exacerbated by the important need to focus on current asset improvement on safety and sustainability and the impact the Local Housing Allowance freeze had on additional revenue.

Participants at our roundtables warned that virtually all large London landlords will see costs rise above their income in the coming years, putting pressure on their agreements with funders. Outside of London the picture is less bleak, but housing associations are still facing challenges – from planning to skills – in building much-needed affordable homes.

'Housing associations don't have the financial capacity to deliver anything like what's needed', said one sector leader – adding that his organisation would complete more than 1,000 homes this year but started none. Affordable housebuilding has previously served as a counter-cyclical force in the housing market (continuing to develop even when the private market retreated), but that will not be the case if we hit a prolonged downturn this time.

4 Solutions

If these are the causes of our long-term undersupply of housing, then our package of solutions must answer them. Particularly, RICS emphasises that policymakers must think short- and long-term. There are things that need to be done immediately to make the existing systems function as efficiently as they can; there are also things we need to do in the longer term to reform our housing models, and provide more certainty and stability to those who will ultimately deliver the new housing we need.

4.1 Land

Any sustainable housing strategy must, as a starting point, work to identify the land required for the housing we need. In the short-term, the housing targets that were made advisory in 2023 must be made mandatory again. Local authorities must be given the necessary resources and legal powers to make clear local plans that identify areas for sustainable housing development in their local areas.

Local Planning Authorities could be held to account for producing updated plans and justifying housing targets by the potential to amend legislation and use the Secretary of State's authority to call-in plans deemed to be falling short.

This will at least create a short-term pipeline of sites where there is a degree of certainty for developers about their ability to bring forward development.

In the longer-term, we believe a review of green belt policy is required. This should transparently consider the benefits and tradeoffs that apply to its current operation, including land currently earmarked as green belt that is more suited for regeneration as a residential development (grey belt). Failure to review green belt policy removes the opportunity to consider the most logical and sustainable option for increasing housing in and around towns and cities. With any land reclassification or designation, there is the risk that values will change as speculative interest grows.

One sustainable option would be to explore the idea of 'fingers' of urban development in designated green belt land, particularly around existing transport infrastructure such as railway stations with good connections to town centres. [Research by the Centre for Cities](#) recommended the release for development of all green belt or agricultural land within 800 meters of stations that have a service of 45 minutes or less to a major city, if – but only if – that land has no marker of amenity or environmental value. According to the research, this approach would unlock 47,000 hectares of land for development, enough to increase the country's housing stock by almost 10%.

Political leaders have increasingly talked about the removal of hope value on land through compulsory purchase. With RICS Registered Valuers as an essential part of the valuation process, it is critical that all parties involved in the acquisition of land can rely on a fair market value determined by professional judgment. Few transactions occur at hope value, with a more realistic option for government to explore the existing use value for land designated for affordable and social housing.

4.2 Planning delays

The planning system requires more resources to develop and retain the expertise it needs in order to handle its workload efficiently, as well as cope with the higher volume of complex applications in the years to come if we are to scale up housebuilding to the volumes required.

As well as delays, the planning system must also provide a degree of certainty to the developers and funders who are making investment decisions. The focus of any government must be to get the existing system working before attempting any further root and branch reform. As such, we call for a reform of current land value uplift schemes, such as S106 agreements and CIL, rather than wholesale changes such as the introduction of an Infrastructure Levy.

In addition, the proper resourcing of the planning system is essential. The government recently committed to providing a £29m Planning Skills Development Fund, with £14m provided to 180 local authorities and £13.5m allocated for the 'super squad' planning team, as well as recognising the important role of planners in England. This is a good start on which to build, but more needs to be done to ensure that local planning departments have the necessary resource to ensure they can continue to operate effectively while also delivering new policy objectives such as biodiversity net gain and design codes.

4.3 Industry capacity

Building up the skills in the industry will have to be part of a long-term housing strategy, as it will necessarily take time for these new staff members to train, gain their skills and enter the workplace.

Policymakers must also address the skills shortage, otherwise the UK will be unable to deliver any future housing targets and its £805bn infrastructure pipeline.

RICS has called for the creation of a cross-department Built Environment Skills Taskforce to develop a skills route map and identify future needs, early-education engagement, upskilling and international recruitment.

However, no time should be wasted in getting started. Participants in our roundtables said that while construction is often not an immediate choice for young people they speak to, the things a career in construction can offer are. They also want to join industries with a social purpose, where there is a focus on inequality and the climate crisis.

Forty years ago, SME housebuilders were responsible for around 40% of housing delivery annually, but by 2024 that number is below 10%. To make matters worse, the number of SME housebuilders has decreased by 80% over the last 30 years.

Construction, despite its reputation, can offer jobs fulfilling these criteria in abundance. The challenge for government and the industry is to explain this to young people who might be interested in joining the sector, and to offer them clear and easily accessible pathways to training and a job.

In doing this, we must take a multifaceted approach to address the skills crisis and ensure greater diversity, equity and inclusion.

We urgently need to address the green skills shortage, as professionals with expertise in environmental sustainability, renewable energy and green technologies will be increasingly in demand. Similarly, growth in the digital economy will naturally stimulate demand for skilled professionals, unlocking jobs and enabling greater diversity by including those not traditionally represented in the industry. These are careers many young people are currently seeking.

In the short term, the government must actively monitor the Shortage Occupation List to ensure that employers can proactively recruit international workers to fill acute gaps in our labour market. Even then, the salary threshold means many employers will struggle to meet the minimum level, resulting in them having focus on domestic recruitment in an already competitive hiring market.

The government should also not give up on MMC. While recent troubles have shown the vulnerability of the industry, it still offers a great deal in terms of precision engineering, the potential for rapid and large-scale delivery, and an answer to the ongoing skills crisis in the traditional sector.

RICS, in giving evidence to a Parliamentary inquiry into MMC, highlighted [concerns over the need for large-scale MMC production](#) to deliver profitability during manufacturing – a challenge given planning concerns and a lack of diversification away from traditionally-built properties.

The government should look to integrate MMC into broader policy programmes such as NPPF, building standards and procurement. In devolved nations, it is not uncommon to see some procurement notices encourage or even give additional weighting to those developers who commit to part, or whole developments being focused on MMC. It must also recognise that the industry is still at a development stage and assist with research and development to learn what works and the required level of standardisation.

Some of the problems faced by the industry in recent years have been to do with a lack of certainty in a business model that is only really feasible with a large-scale and assured order book. Answering this could include investment guarantees to allow the industry to survive in the short term while economies of scale are developed. It could also involve a presumption in favour of MMC during public procurement where feasible.

4.4 Social capacity

In the short-term, effort needs to be directed to ensuring critical infrastructure for new housing supply, and to meet the demands of an increasing population, is put in place. This is something that the planning system, and contributions from developers and new taxes on landowners, ought to be able to provide.

There is also potential to incentivise investment in sustainability through tax credits, reduce the administrative burden on businesses with a digital system and provide appropriate resourcing for the Valuation Office Agency to ensure property valuations provide accurate data.

As mentioned above, a particularly critical challenge is the capacity of the grid. This will only grow as electric vehicles and heating systems become more common in new-build housing. RICS is aware of cases where the National Grid has intervened in planning applications for housing developments due to local grid capacity. The next government must work with National Grid to increase capacity, including that of renewable sources, while also focusing on the importance of reducing the high use of energy in homes.

4.5 Housebuilding models

A good housing strategy would not seek to disrupt or break down the model of the volume house builders – who remain highly efficient and professional developers of new housing – but to diversify the market to allow other players to thrive as well.

A good housing strategy requires a diverse supply chain of developers, creating homes to meet various needs. This needs to encompass volume developers, SMEs, and custom builds, who will support the delivery of our wide range of housing needs including affordable and social housing, life-long homes, build-to-rent and more.

We need to focus on bringing forward SME and custom builders, who currently represent a very small part of the housebuilding landscape but have the potential to grow significantly if the conditions, in terms of access to developable land and certainty from the planning system, were made to work in their favour.

RICS' [UK Residential Market Survey](#) has consistently shown that a lack of rental properties is pushing up rental prices, creating a rental crisis. The UK government should look to encourage the build-to-rent development sector, which has promised much over the last decade and a half but is yet to deliver at scale. This could include a temporary fiscal incentive in the right locations, to encourage investment due to the rental crisis, such as cutting VAT and removing S106 obligations, as they meet an existing emergency need, so long as critical infrastructure is already in place to support such development.

Build-to-rent also operates with a different delivery model from the traditional volume builders, and is less reliant on an absorption rate. Properly deployed, it could meet the needs of young professionals who are not yet ready to buy. This would in turn reduce their dependence on renting converted family-sized homes and increase the availability of these properties, which are desirable to first-time buyers.

The build-to-rent sector should also be a natural partner of the many institutional investors looking to deploy long-term, patient capital into the housing market. For these investors, the quick profits available in the build-to-sell market are far less attractive.

'A lot of those pension funds don't want development risk', one participant in our roundtable explained. 'They want long-term stable capital income; they don't want the capital from profit from the development. So the traditional build-to-sell business model doesn't really work for them and isn't particularly of interest to them, but a long-term cash flow is.'

What is required here – as is the case for many other questions – is certainty. A long-term housing strategy that provided certainty over the delivery of build to rent and certainty over rental increases, particularly if they were inflation-linked, may prove extremely attractive to these investors, unlocking a great deal of capacity for investment.

We urgently need to provide a settlement to the social housing sector. As mentioned, the financial model for large social housing providers is currently severely strained, with virtually no capacity remaining for the long list of policy objectives that the sector is being asked to deliver, including:

- fixing fire safety defectives
- returning to higher levels of investment in existing stock
- decarbonisation and
- upping the amount of social rented housing being built.

Stamp duty has been suggested as one route to exploring new investment streams for social and affordable housing – a Treasury revenue that currently has no ringfenced spending requirements.

While the financial climate makes it unlikely that high levels of new investment will be forthcoming, there are policy levers government can and should pull; certainty over rent levels would at least allow these providers to make financial plans, and longer-term certainty over affordable housing investment would have the same impact.

In the long term, it is important to understand where the tradeoffs in public spending exist. Upfront expenditure in social housing is recorded as debt on the UK balance sheet, but in other forms of accounting would appear as a capital investment as it creates an asset that generates revenue over time.

Currently we are spending enormous sums of money on temporary housing, which is pure revenue spent and creates no return for the public purse. Similarly, the [large amounts spent on benefits in the private sector](#) (£9.75bn in 2022/23 and a projected £58.2bn over the next five years) is money that does not provide the state with an asset or the economic growth associated with new housing development. Rebalancing expenditure from benefits to new supply would be a complex and long-term challenge, but it would produce far better value for the public purse and better outcomes for residents.

Recommendation 10

Commit to financing affordable and social housing by ringfencing a set amount of stamp duty collected for the provision of affordable and social housing delivery and reviewing priority investments for public sector pension funds to commit to investment in priority housing needs.

5 Conclusion

The importance of an affordable, high-quality and vibrant housing market is well established.

The economic, social and environmental well-being of the country is influenced heavily by a well-functioning housing market. With parts of the country facing record-high waiting lists for homes, renters facing ever-increasing costs and a lack of new homes coming onto the market, the health of the housing sector has never been so volatile.

That said, green shoots are appearing. 2023 saw the highest number of new build homes start construction in a decade – well below what is needed, but a step in the right direction. Interest rates and inflation are starting to stabilise, bringing with it welcomed news for mortgage customers and the construction industry. Finally, and a central theme throughout this report, planning reform is getting the political attention it needs.

The recommendations set out in this report outline a clear vision for what is needed in housing; strong leadership and an ambitious vision, that brings planning reform, infrastructure needs and financial commitment together. Unlocking land, regenerating towns and densification will support the location of our future homes, but we also need the skills and capital to deliver as well.

Developers want to develop. Buyers want to buy. Everyone has a right to live in a safe, comfortable, affordable home. The country can deliver its housing needs, but only if the institutional structure, set by policymakers, enables it.

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