



Stockpiling Space:

How the pandemic has increased housing inequalities between older and younger generations

**By Colin Wiles for The Intergenerational Foundation
with a foreword by Kate Barker**



The Intergenerational Foundation (www.if.org.uk) is an independent, non-party-political charity that exists to protect the rights of younger and future generations in British policy-making. While increasing longevity is to be welcomed, our changing national demographic and expectations of entitlement are placing increasingly heavy burdens on younger and future generations. From housing, health and education, to employment, taxation, pensions, voting, spending and environmental degradation, younger generations are under increasing pressure to maintain the intergenerational compact while losing out disproportionately to older, wealthier cohorts. IF questions this status quo, calling instead for sustainable long-term policies that are fair to all – the old, the young, and those to come.

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Foreword by Kate Barker

The argument presented here is a provocation to the conscience of many a baby-boomer. The pandemic has affected all of us in ways previously unthinkable. It is unclear how far we will go back to previous habits. COVID-19 has been particularly adverse for younger people – many of whom feel their start in working life is being held back by the lack of contact with colleagues and potential mentors.

For those who chose to live in cities, near their work, sacrificing space at home in exchange for a shorter commute and access to restaurants, theatre, and other amenities, the past year has been especially stressful. Some are now being asked not to return to the office full-time, or in some case not to return at all. Their lack of housing space is being felt acutely and so the moral challenge for older under-occupiers, so well-illustrated in this paper, has also become more acute.

The issue of housing space – which is often rather different to counting the rooms in a house – can be problematic to measure well. Perhaps the best insight here is the research by the Greater London Council indicating that in London housing space per person has risen for owner-occupiers between 1996 and 2018 (despite being eye-wateringly expensive), whereas for social and private renters it has declined. It is rather shocking to note that owner-occupiers on average have almost twice the space of a social renter. This strengthens the case for one of the key recommendations here – which is that we should build far greater numbers of social rented homes.

Ensuring the young are well-housed is not just an intergenerational problem. It is also between those fortunate enough to have parents able to help with a deposit. For those without such help, the prospect of accessing satisfactory housing space in more affluent areas is bleak indeed.

How to solve this problem – beyond the long-term solution building a greater number of larger units (the environmental concern here is lessened if these are flats) – is by no means simple. The recommendations in this paper are all possible steps towards an answer. I have a couple of caveats. Using higher council tax and lower benefits to encourage people to move will bear the hardest on the least well-off owner-occupiers. Many others will be able to afford to stay put. And purely personally a home designed for the elderly, but not in a retirement community, would be strongly preferred. There is quite a bit of evidence that the generations gain from mixing, not separation. Better designed homes to move to (the infill idea is attractive) and support with the trauma of moving are however sound ideas. Our younger son moved out two months ago. We now have two spare bedrooms – indeed a double spare room for the first time ever. But should it be time to sell up?



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Executive summary

This report looks at the growing inequalities in housing assets and housing space between renters and owners, between rich and poor and, most significantly, between older and younger generations.¹ These inequalities have grown over the past decade, but have been exacerbated by the pandemic of 2020–2021. The report considers the implications of these inequalities for health, wellbeing, and political stability and explores the failures in housing policy that have led to this inequality, the problems raised by an ageing population, and the need for government action to promote and encourage downsizing from under-occupied properties. The policy proposals that conclude the report are sensible and realistic.

Key points:

Since our 2011 report “Hoarding of Housing” under-occupation in the UK’s housing stock has continued to increase, driven primarily by older people buying up properties larger than they need.

Over 50% of owners now under-occupy their homes.

Housing space and assets are passing from renters to owners and from younger generations to older generations.

Owners are less overcrowded than they were in 2011 and renters are more overcrowded.

The number of second homes increased significantly, by 50%, between 2011 and 2020. There are now 5.5 million second homes.

¹ All figures are for England unless otherwise stated.



On average, owner-occupied homes are larger and are more likely to have outside space than rented homes. This has been an important factor in health outcomes during the pandemic.

The pandemic has exacerbated these growing inequalities in housing space and assets. Renters and people living in overcrowded homes have suffered more, both from COVID-19 itself, but also from the economic consequences of the pandemic.

The pandemic has also exposed two housing nations. Those living in the first nation – well-housed, often well-off and with space to work and self-isolate - have found the experience bearable, in some cases enjoyable. Those living in the second housing nation – in cramped flats with no access to outside space, or in shared houses – have suffered the most.

During the pandemic, there has been a premium on country and larger properties at the expense of flats and smaller properties in the cities. Londoners have been on a spending spree outside the capital.

Older and well-off people have also been buying up larger and more expensive properties in greater numbers.

Meanwhile:

Home ownership is a receding dream for increasing numbers of young people. Over the last decade the UK's housing stock has been increasing in value by £750 million a day and the ratio of wages to house prices has doubled.²

One estimate suggests that the population has recently fallen by up to 1.3 million as a result of Brexit and COVID-19, and, although some commentators have disputed this figure, if correct, it will further increase the proportion of elderly people in the UK³

² Bowles, L. & Laming, S. (Savills 2020): UK housing stock now worth a record £7.39 trillion after decade of gaining £750 million a day: <https://www.savills.co.uk/insight-and-opinion/savills-news/294601/uk-housing-stock-now-worth-a-record-£7.39-trillion-after-decade-of-gaining-£750-million-a-day>

³ O'Connor, M. & Portes, J. (The Economic Statistics Centre of Excellence 2021): Estimating the UK population during the pandemic: <https://www.escoe.ac.uk/estimating-the-uk-population-during-the-pandemic>



The population is ageing. By 2069 the ONS estimates an additional 7.5 million people aged over 65 years will live in the UK – an increase from 12.3 million now to 19.8 million people. Over a quarter of the UK's estimated population will be over 65 by 2069.⁴ Despite this, less than 3% of the UK's housing stock is geared towards retired people, and we are failing to build enough retirement properties that will incentivise older people to downsize.

The council tax regime is not only deeply unfair and regressive, with wide disparities in charges across the country for the same type of property, but it also encourages people to under-occupy their properties and adds to the inequalities in housing assets described in this report.

These inequalities are underpinned by years of failure in housing policy: a failure to build affordable homes, to release land for housing, to intervene sensibly in the housing market. A failure to put in place effective local plans, to tackle the green belt, to tackle the “oligopolistic” housebuilding industry and encourage smaller housebuilders, and a failure to encourage and incentivise downsizing.

This report argues that there is no single solution to the housing crisis. As a country we need to build many more homes. But the ways that the existing stock of housing is used, or misused, are important aspects of any sensible policy approach. It would be wrong to use coercion against people who are under-occupying their homes, but we need to do much more to encourage and incentivise under-occupying owners to downsize, and also to make them believe that it is the “right” and “moral” thing to do. This report explores the factors that encourage people to under-occupy their homes and the current barriers to downsizing. The policy proposals listed in the conclusion of the report include:

- Addressing the market failures that have led to so few retirement homes being provided.
- Finding ways to support and encourage bespoke retirement providers.
- Reforming stamp duty to encourage downsizing.
- Reforming the unfair council tax system so that it does not incentivise under-occupation.
- Investing in 100,000 social rent homes each year, in order to improve the affordability of housing generally.
- Reforming the planning system to give a greater voice to the homeless and badly housed.
- Reforming the National Planning Policy Framework to put a duty on local authorities to audit under-occupation in their area and plan for retirement housing.
- Reforming the planning system to encourage retirement homes.

⁴ Office for National Statistics (2021): Overview of the UK population: <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/articles/overviewoftheukpopulation/january2021>



1. Introduction

In 2011 the Intergenerational Foundation published a report called “Hoarding of Housing” which set out how housing wealth had been slowly transferred from younger to older generations. The report found that the ongoing housing crisis was not solely about crude housing supply and the need to build thousands of new homes, but also about the way existing housing space is shared between rich and poor and between older and younger generations.

It found that:

- There were 25 million surplus bedrooms in England.
- The “hoarding” of living space was increasing, with under-occupation,⁵ rising by 45% between 2003 and 2011, from 20% of all households to around 33%.
- 16 million people lived in under-occupied properties in England. This was equivalent to 37% of the total English housing stock.⁶
- The housing divide was increasingly dominated by age, with increases in housing wealth among the older generation broadly matched by a big increase in mortgage debt for younger people.
- 50% of single households where the owner was aged over 60 (3.7 million people) in 2011 had 3 spare bedrooms or more.
- The decline in home ownership among young people had been matched by a huge increase in private renting, up by 50% between 2003 and 2011.
- Meanwhile downsizing among older people to free up space had stagnated mainly due to the under-supply of suitable properties.
- Almost a fifth of people between 50 and 59 years of age owned a second property. According to the English Housing Survey, around 57% of these are in the UK.⁷

⁵ Under-occupation is defined as having two or more extra bedrooms than required.

⁶ 16 million people lived in under-occupied properties in England. This was equivalent to 37% of the total English housing stock.

⁷ Ministry of Housing, Communities & Local Government: English Housing Survey data on owner occupiers, recent first time buyers and second homes; Table FT261: <https://www.gov.uk/government/statistical-data-sets/owner-occupiers-recent-first-time-buyers-and-second-homes>



Our report argued that this asset divide was unfair and politically destabilising, and that these inequalities were supported by an unfair tax system. The report called for a new tax system to balance income taxes and wealth-related taxes in order to reflect the social costs of the over-consumption of housing. Policy options included abolishing stamp duty for those downsizing, changes to the planning rules to increase supply for those wishing to downsize, “nudge” policies such as the withdrawal of some “universal” benefits for those living in houses worth over £500,000, a property value tax and the abolition of council tax concessions for single occupation.

Sadly, none of these proposals has been implemented, and, as this present report shows, the situation has not improved since 2011. Indeed it has become worse.



2. Under-occupation and ownership – an update

Under-occupation in our housing stock has increased, and it is older owners who are under-occupying the most:

- In 2011, when “Hoarding of Housing” was published, 48.7% of owner occupiers under-occupied their homes.
- By 2019 this had increased to 52%.⁸
- Conversely, in 2011, 10.3% of social renters and 16.6% of private renters under-occupied their homes but by 2019 this had decreased to 8.7% and 14.4% respectively.
- Over this same period, although the proportion of owner-occupied homes has declined from 66% to 63.8%, the proportion owning outright has increased from 32 to 34.4%. This is an increase in real numbers from 7,009,000 to 8,096,000.⁹ These are mostly older owners who have managed to pay off their mortgage.
- In 2011 7.3% of social renters and 5.6% of private renters were overcrowded¹⁰ but by 2019 this had increased to 8% and 6.2% respectively.¹¹ Only 1% of owner-occupied homes are overcrowded.

Figure 1 shows the percentage of homeowners by age between 2003 and 2020. It shows a long-term decline in the number of younger owners (aged 44 and under) over time, albeit with a slight uptick in the last few years, but that ownership among the 55 and over age groups has held steady over the same period.

Figure 2 shows that it is the 65 and over age group alone that has increased its share of owned property since 2003, with younger age groups seeing their share decline the most.

⁸ Op. cit. English Housing Survey: Table FA1422.

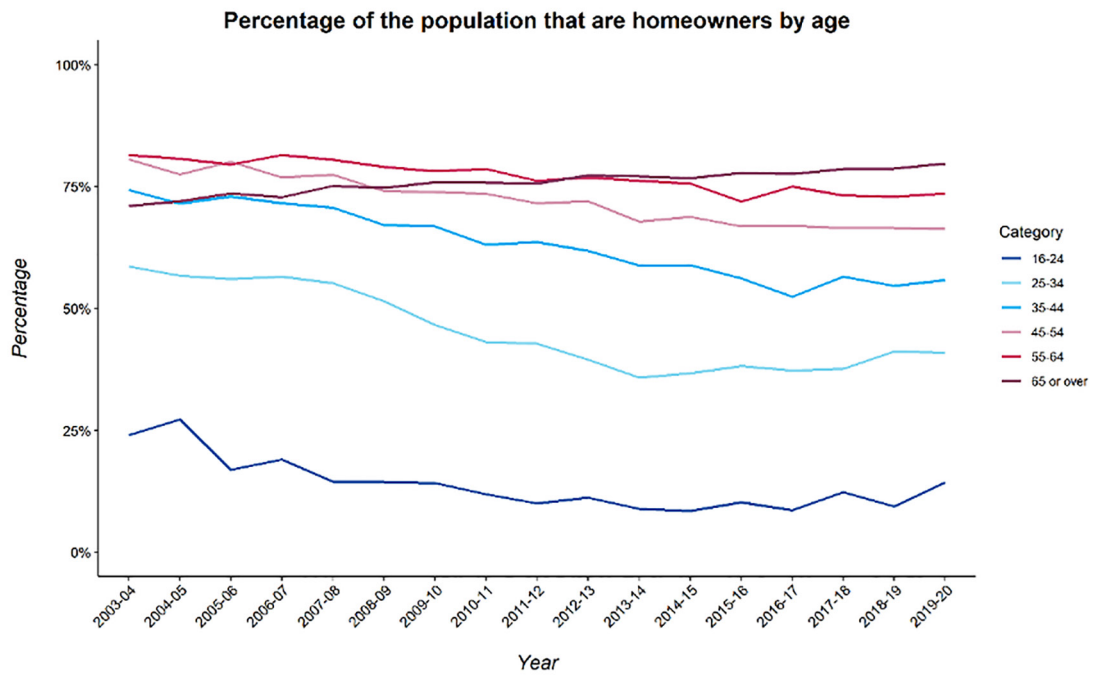
⁹ Op. cit. English Housing Survey: Table FT1101.

¹⁰ Levels of overcrowding and under-occupation are measured using the bedroom standard. This is essentially the difference between the number of bedrooms needed to avoid undesirable sharing (given the number, ages and relationship of the household members) and the number of bedrooms actually available to the household.

¹¹ Op. cit. English Housing Survey: Table FA1422.

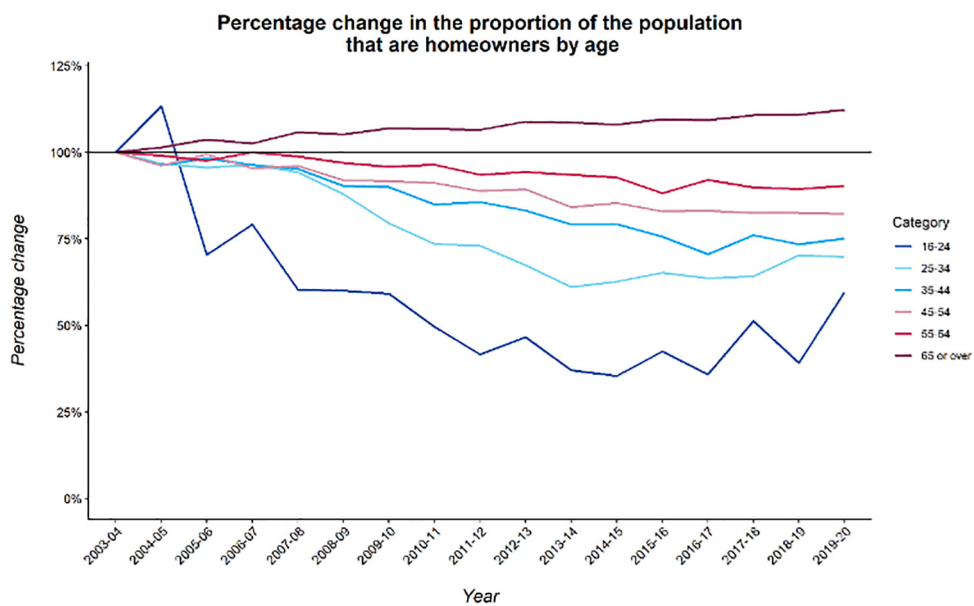


Figure 1



Source: English Housing Survey
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Figure 2

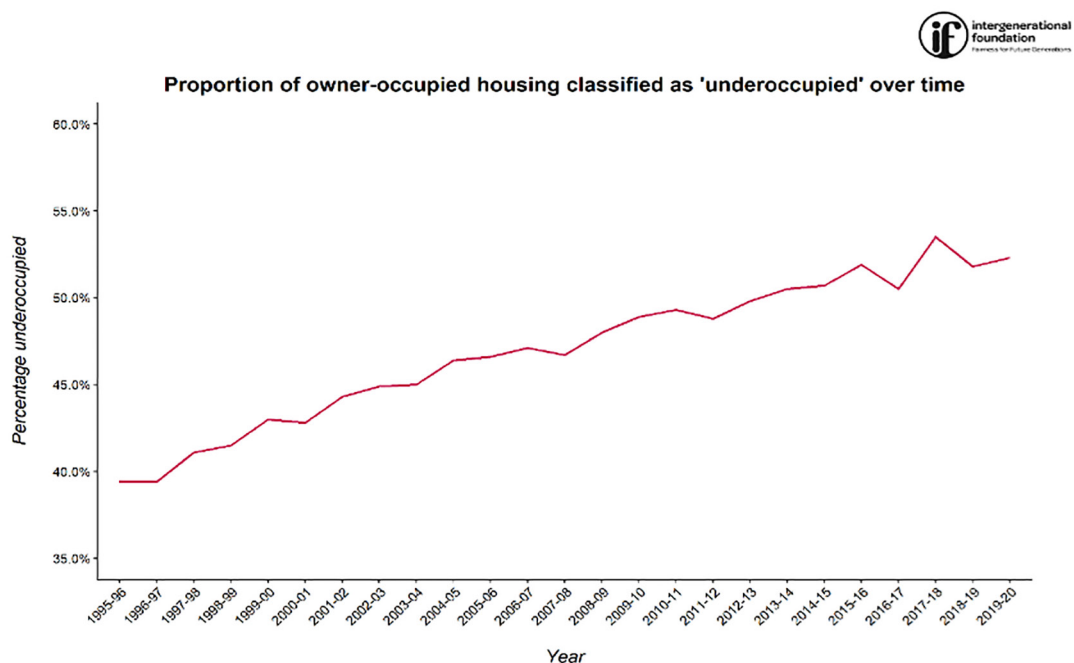


Source: English Housing Survey
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Figure 3 shows the long-term increase in levels of under-occupation in owned properties, from under 40% in 1996 to 52% in 2020.

Figure 3



Source: English Housing Survey
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Figure 4 looks at the more recent picture and shows that the proportion of under-occupied owned houses has increased between 2003–04 and 2019–20, from 45% to 52% of all owned properties. Figure 5 shows that average homeowner age has increased during the same time period, from around 52 in 2003–04 to over 57 by 2019–20. Taken together, these graphs indicate a correlation, suggesting that the increase in under-occupation of owned housing is related to the increase in the average age of homeowners.

On average, owner-occupied homes are larger and are more likely to have outside space than rented homes. The average (mean) usable floor area of dwellings in 2019 was 95m². Homes in the social sector tended to be smaller (66m²) than homes in the private rented sector (76m²). Owner-occupied homes (108m²) were, on average, larger than social and private rented homes, yet owner-occupied homes are more likely to be under-occupied.



Figure 4

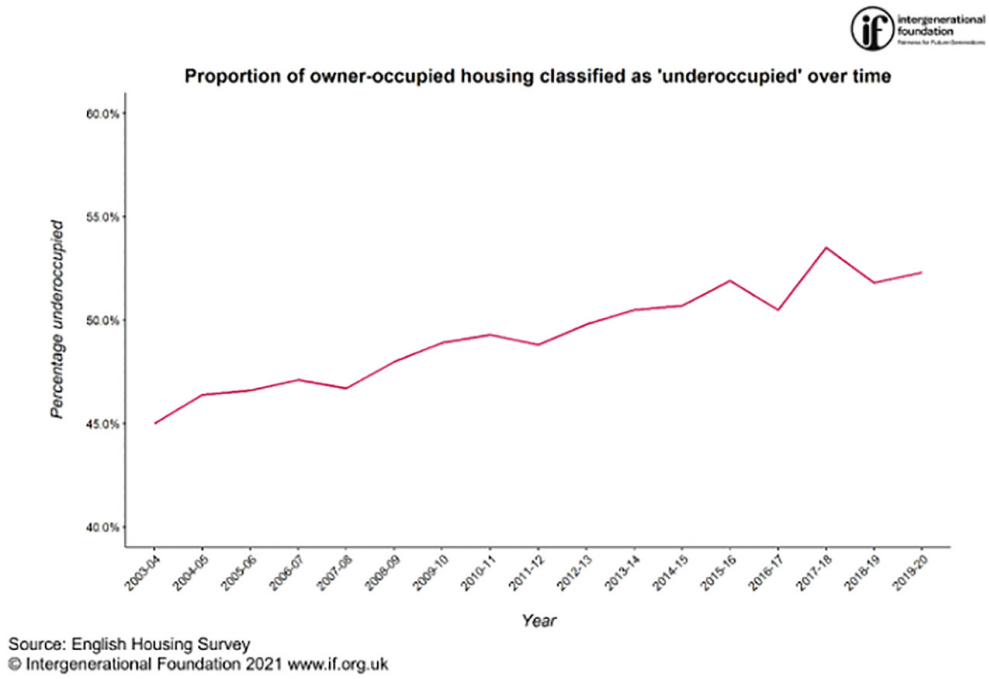
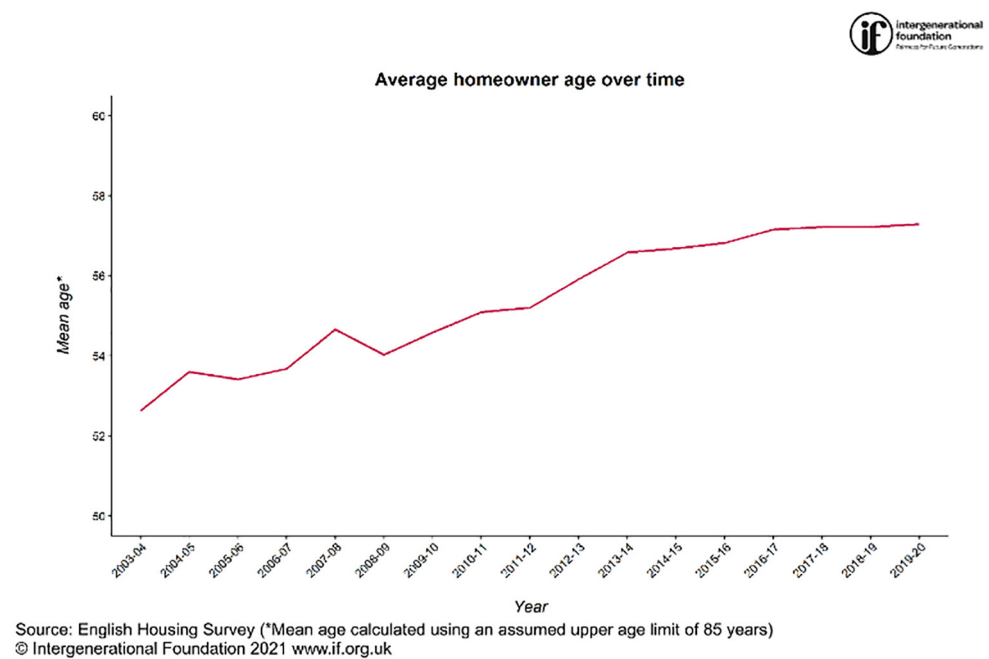


Figure 5





One interesting aspect of these changes is the analysis of floorspace per person over time. Research by the Greater London Authority shows that, in 2018, households that owned their home outright occupied an average of 53.9m² per person.¹² This compares to 35.9 m² for those with a mortgage, 28.6 m² for private renters and 27.5 m² for social housing tenants. But the historical picture shows that, since 1996, floorspace per person has increased for all owners, whereas the average floorspace enjoyed by social housing residents fell from 28.4 m² in 1996 to 27.5 m² by 2018 and from 34.1 m² to 28.6 m² for private sector tenants.

In summary, the evidence shows that renters are becoming more crowded in their homes and owners are becoming less crowded. Between 2011 and 2020 housing space continued to be transferred from renters to owners, and from younger people to older owners who have paid off their mortgage in particular.

These disparities in the amount of space available to different groups have been a crucial factor during the pandemic, and we explore this in greater detail below.¹²

¹² Greater London Assembly (2021): Housing Research Note 6: An analysis of housing floorspace per person: <https://data.london.gov.uk/housing/research-notes>



3. Asset inequality has widened since 2011

Over this same period (2011 to 2020) there has been a significant increase in second homes, up by 50%, amounting to 5.5 million homes. 1 in 10 people now own a second property and these are primarily older owners.

The value of additional property wealth (second homes, buy-to-lets and overseas properties) is now almost £1 trillion, out of a total UK housing value of £7.4 trillion. One in six baby boomers – people born between 1946 and 1964 – reported owning extra property.

The rise in second homes and buy-to-let home ownership has led to the increasing transfer of wealth across the generational divide, with younger private renters, unable to buy their own home, being forced to pay rent to older landlords. In a 2017 report, the Resolution Foundation found that younger people are around half as likely to own their home at the age of 30 as baby boomers.¹³

This report also found that the generation born around the time of the second world war receives more than half of all rental income in Britain.

¹³ Corlett, A. & Judge, L. (Resolution Foundation, 2017): Home Affront: Housing across the generations: <https://www.resolutionfoundation.org/app/uploads/2017/09/Home-Affront.pdf>



4. Home ownership is a receding dream for many young people

The rapid growth in house prices, well beyond normal inflation rates, has made home ownership a receding dream for many first-time buyers. The Office for National Statistics (ONS) in a 2019 report found that:¹⁴

- In the early 1990s the average full-time worker could expect to pay about 3.5 times their annual earnings to buy a home. By 2019 this had increased to 7.8 times their annual earnings. The ratio of wages to house prices continues to grow and makes home ownership increasingly difficult for younger people.
- Half of people in their mid-30s to mid-40s had a mortgage in 2017, compared with two-thirds 20 years earlier.
- 55.6% of all owners were aged over 55.
- Almost three-quarters of people aged 65 years and over in England own their home outright but younger people are less likely to own their own home than in the past and more likely to be renting.

As revealed by Figure 5, the average age of homeowners has increased significantly, from around 52 in 2003–04 to over 57 in the 2019–20 financial year. Although there had been a decline in the rate of increase in house prices over the past four years the pandemic year has seen a marked increase in house price inflation, as demonstrated by Figure 6, fuelled partly by the recent stamp duty holiday introduced in July 2020.

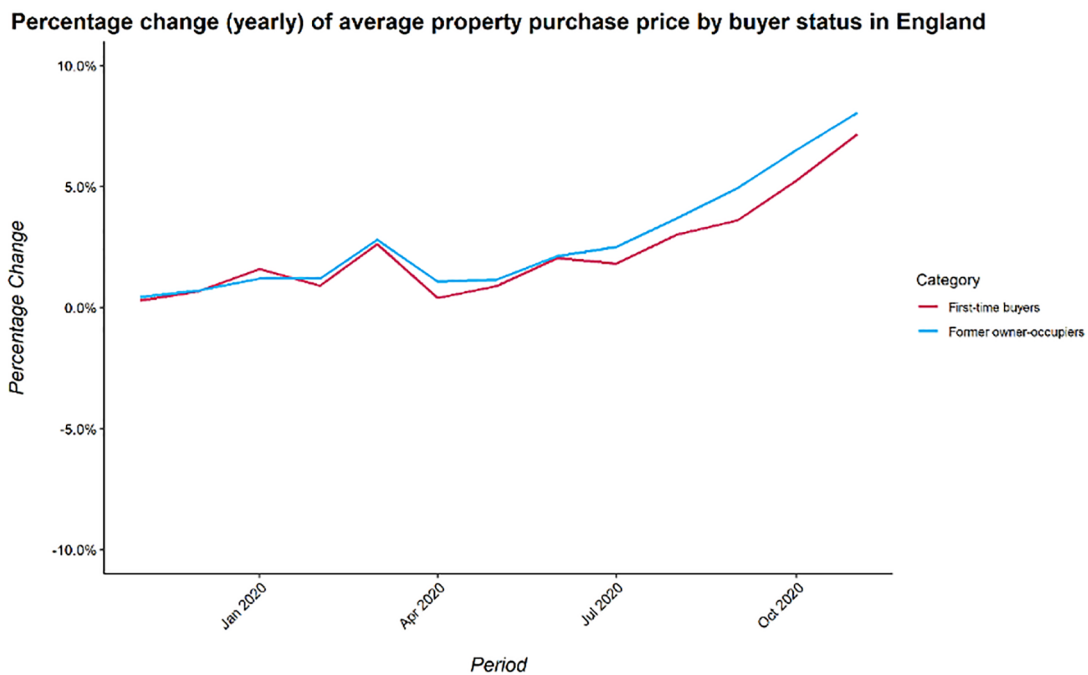
The increase in property wealth among older age groups is highlighted by an analysis of ONS data. In 2006 in Great Britain 15.87 million people aged 55 and over owned some form of property, amounting to 27.36% of the total population of 58 million. By 2018 this had increased to 18.72 million, or 29.74% of the population of 62.93 million. By contrast, in 2006, 23.12 million people aged 16–44 owned some form of property (39.9% of the total) but by 2018 this had fallen to only 36.96% (a slight increase in real terms to 23.262 million).¹⁵

¹⁴ Office for National Statistics (2019): Housing Affordability in England and Wales 2018: <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/housingaffordabilityinenglandandwales/2018>

¹⁵ Office for National Statistics (2019): Property wealth: wealth in Great Britain: <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/datasets/propertywealth-wealthingreatbritain>



Figure 6



Source: UK House Price Index
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The fact that younger people are holding a smaller share of property wealth, and that home ownership has become increasingly unaffordable, has led to a steep increase in renting among younger age groups.

In 2020 the ONS found that a third of 35 to 44-year-olds in England were renting from a private landlord in 2017, compared with less than one in 10 in 1997.¹⁶ In the past, renting from a private landlord was common for younger people but declined with age. However, the ONS reports that people in every under-65 age bracket are now far more likely to rent privately than 10 or 20 years ago. If this trend continues, younger renters will find themselves living in rental properties into old age, and this will have massive implications for society, not least the impact on the benefit system.

¹⁶ Office for National Statistics (2020): Living Longer: Changes in housing tenure over time: <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/ageing/articles/livinglonger/changesinhousingtenurevertime#what-would-be-the-implications-of-an-increase-in-older-people-renting-privately>



This is not to suggest that the private rental sector is universally a bad tenure: it is right for young people when they are starting out in life and it can also be right for older people who have downsized from owned properties, where they have released equity in their homes and can live in relative safety without the worry of maintenance and other property ownership responsibilities. The point is that the private rented sector should not be a place where people are forced to live against their will.

The British Social Attitudes survey shows that renters are more likely to be dissatisfied with their accommodation. In 2019 the English Housing Survey found that 2.6% of owners were dissatisfied with their homes, compared to 13% for social renters and 8.7% for private renters.¹⁷

The receding dream of home ownership for younger generations is driven by the extraordinary increase in property values over the past few decades. In January 2020 Savills reported that the UK housing stock was worth a record £7.39 trillion and had been rising by £750 million a day over the previous decade.¹⁸ This amounted to four times the value of all the companies in the FTSE 100 index. They reported:

“Established home owners have been the among the greatest beneficiaries of house price growth over the last decade, many of whom have paid down their borrowing. The value of unmortgaged owner occupied homes has risen 67% over the last ten years. This leaves an unprecedented 46 % of home owner wealth in the hands of the over-65s.”

London's housing stock alone was worth more than twice the total value of homes in Scotland, Wales, and Northern Ireland. Homes in just two boroughs, Westminster and Kensington & Chelsea, are worth more than all the homes in Wales. More recently, Halifax reports that the average first-time buyer deposit rose by £10,000 in 2020. The average deposit was £57,278, up from £46,449 the year before, and in London the average deposit went up from £110,145 to a staggering £130,357. That is a huge sum of money to find if you are a young person who has been furloughed or who faces losing your job as a result of the pandemic, and it is not likely that this will be sustainable if house prices continue to rise over the long term.

This receding dream of home ownership for younger people is underpinned by decades of failure in housing policy and we touch on some of these failures in Section 8. below.

¹⁷ Op. cit. English Housing Survey; Table FA5401: <https://www.gov.uk/government/statistical-data-sets/attitudes-and-satisfaction>

¹⁸ Op. cit. Savills (2020).



5. COVID-19 has shone a spotlight on the dangers of bad housing

So far, we have outlined the gross inequalities that exist in our housing system, both in terms of asset ownership and space, and that these inequalities not only favour well-off people at the expense of the poor but also favour older people at the expense of the young. We have shown that younger generations face increasing problems in climbing onto the property ladder.

These inequalities have consequences in terms of health, wellbeing and life expectancy. They expose a deep divide between the two housing nations that we comment on below. Even before the pandemic struck, it was known that that the most well-off people lived almost a decade longer than the least well-off. People living in more affluent areas live significantly longer than people living in deprived areas. In 2016–18 males living in the least deprived 10% of areas in England lived to 83.4 years, almost a decade longer than males in the least deprived areas.¹⁹ By definition, poorer people are more likely to live in housing with less space, of poorer quality, and with access to fewer amenities.

On a country level, previous IF analysis of the English Housing Survey, as shown in Figure 7, demonstrates that before the pandemic there were more than 1 million children living in households with one bedroom less than the bedroom standard. Add a pandemic and these families will have experienced less household space to move around in than more privileged families.

If we look at usable floor area in domestic properties by age pre-pandemic, as shown in Figure 8, the over-65s enjoy substantially more space per person on average than any other age group. In terms of overall median floor space, the over-65s still have access to around the same proportion of space as the 45–64 age group, an age when households are still likely to include children and young adults.

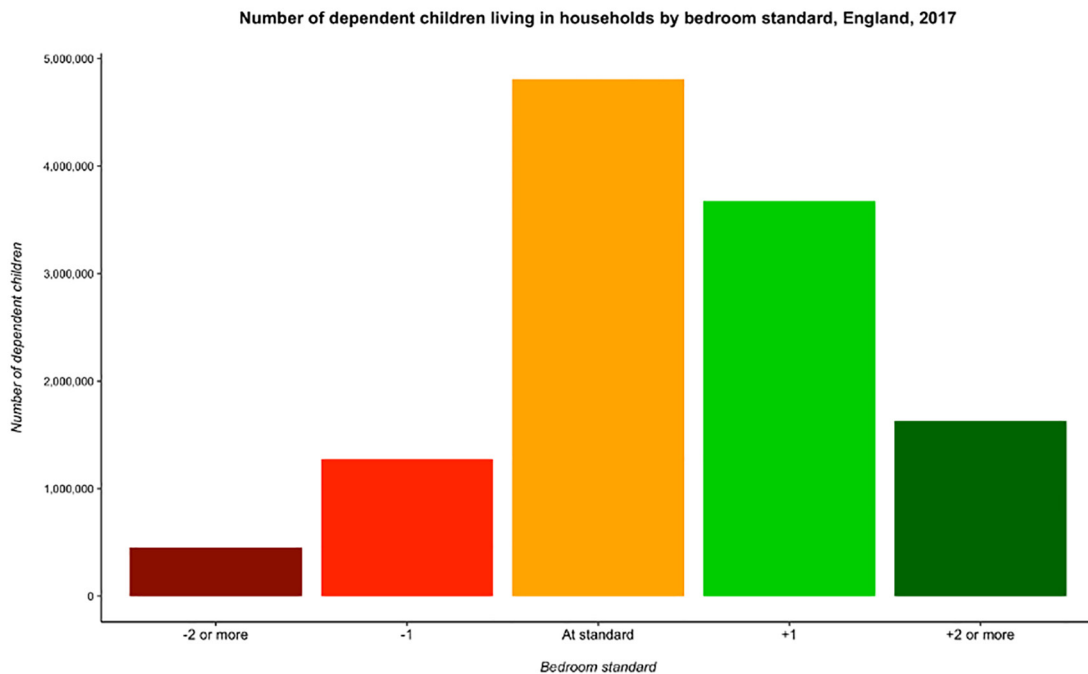
From March 2020, when the first lockdown was announced, these inequalities in the distribution of housing space and wealth became even more pronounced. The pandemic exposed the reality that bad housing is a major factor in the suffering caused by COVID-19. The Office for National Statistics in May 2020 reported that deprived areas had experienced double the mortality rate of well-off areas and the death rate was six times higher in major cities than in rural areas.

¹⁹ Radleigh, V. (2020) The King's Fund: What is happening to life expectancy in the UK?: <https://www.kings-fund.org.uk/publications/whats-happening-life-expectancy-uk>



Black and Minority Ethnic (BAME) households had suffered most of all, with a third of all deaths.²⁰

Figure 7



Source: English Housing Survey, 2017 - Housing Stock Data
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During the first lockdown, up to the 17 April 2020, in England and Wales, 36 people in 100,000 died from COVID-19. But there were huge local and regional variations. In South Hams in Devon the death rate was four per 100,000, but London's death rate was 22 times higher with 86 deaths per 100,000. But even within London there were also wide disparities, from 43 per 100,000 in Kingston to 144 per 100,000 in Newham. These differences are attributable to population density – Kingston has 4,700 people per square kilometre, Newham has more than double that at 9,700 – but also due to the fact that 64% of homes in Kingston are owned and 9.5% are rented from a social landlord, whereas in Newham, 42% are owned and almost three times as many (27%) are rented from a social landlord.

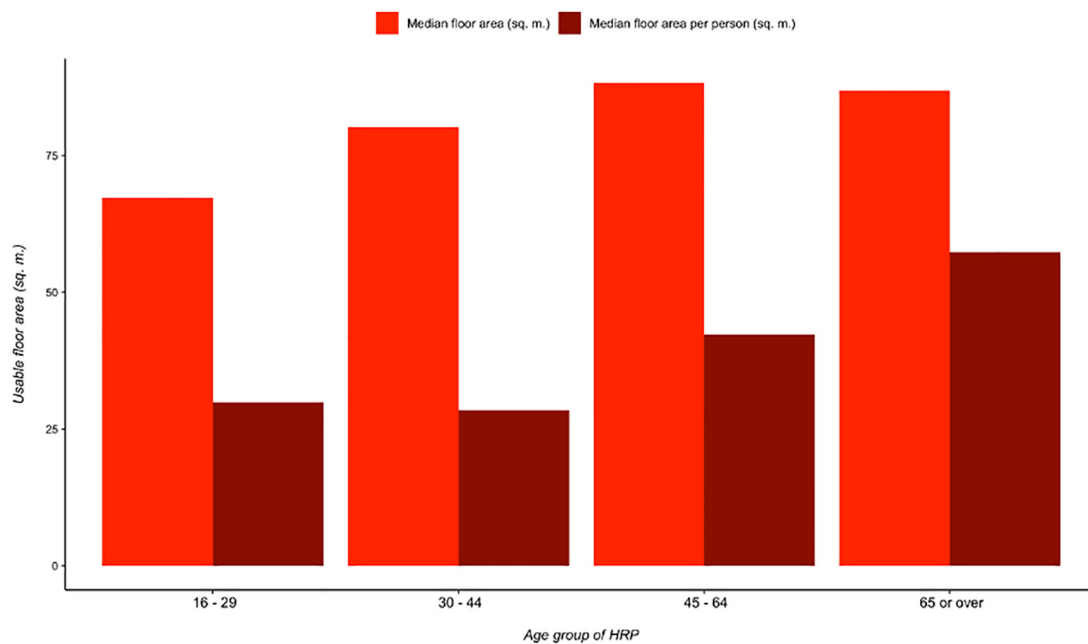
²⁰ Office for National Statistics (2020) Deaths involving COVID-19 by local area and socioeconomic deprivation: deaths occurring between 1 March and 17 April 2020: <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/bulletins/deathsinvolvingcovid19bylocalareasanddeprivation/deathsoccurringbetween1marchand17april#main-poi>



Figure 8



Size of usable floor area in domestic properties by age group of Household Reference Person (HRP), England, 2017



Source: English Housing Survey, 2017 - Housing Stock Data
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Within London as a whole, almost 15% of social homes are overcrowded compared with just 2.5% of owner-occupied households. The latest available figures show that overcrowding in Newham is almost three times worse than in Kingston – 18% compared with 6.7% respectively.²¹

Of course, other factors are involved. Many poor people in Newham will work in risky occupations like care, retail and taxi-driving, and evidence to date shows that poorer people are less able or willing to self-isolate due to the economic pressures of losing income. Scientists agree that a significant degree of transmission of the virus (up to 70% of cases) occurs within the home and if you bring it home to an overcrowded flat or house it is much more likely that you will pass it on to other household members than if you live in a generously sized property with space to self-isolate and socially distance.²²

²¹ Trust for London (2021): Proportion of households in London that are overcrowded by tenure (2007/08–2018/19): <https://www.trustforlondon.org.uk/data/overcrowding>

²² Haroon, S., Chandan, J., Middleton, J. & Cheng, K. (British Medical Journal, 2020): COVID-19. Breaking the chain of household transmission: <https://www.bmj.com/content/370/bmj.m3181>



More recently, during the third lockdown in early 2021, several reports have confirmed these discrepancies in the impact of COVID-19.

A January 2021 study by the Institute for Fiscal Studies found that:²³

- The pandemic has exacerbated inequalities between the high- and low-paid and between graduates and non-graduates, and between those with safe jobs and the self-employed.
- Through 2020, pensioners have on average reported becoming financially better-off, whilst the young have borne the brunt of job and income loss.
- Pupils at private schools were twice as likely as state-school pupils to receive daily online lessons during lockdown, causing a widening gap between those in the state and private systems.
- Between March and July 2020, mortality rates from COVID-19 were twice as high in the most deprived areas as in the least deprived.
- Mortality rates from COVID-19 among some black groups have been twice those among the white British. This is in part related to occupational differences. More than 20% of black African working-age women are employed in health and social care. Some ethnic groups have also had their livelihoods disrupted to a much greater extent, being much more likely than the population as a whole to work in locked-down sectors or to be self-employed.

Another report from the Health Foundation (December 2020) also confirms the fact that, even before the pandemic, health outcomes were worse for those living in poor housing.²⁴ Three factors – the quality of homes, their security, and their affordability – all interlink to impact upon physical and mental wellbeing. Families living in overcrowded rental homes and young people living in shared housing are more likely to suffer the triple whammy of these three factors. The private rented sector has the poorest quality housing, with 25% of homes considered non-decent compared to 15% in the social housing sector. Overall, 7.5 million households in England in 2016/17 (32% of all households) experienced either overcrowding, or an affordability problem, or lived in a non-decent home.

²³ Johnson, P., Joyce, R. & Platt, L. (Institute for Fiscal Studies, 2019): The IFS Deaton Review of Inequalities: a New Year's message: <https://www.ifs.org.uk/publications/15241>

²⁴ Tinson, A. & Clair, A. (The Health Foundation, 2020): Better housing is crucial for our health and the COVID-19 recovery: <https://www.health.org.uk/publications/long-reads/better-housing-is-crucial-for-our-health-and-the-covid-19-recovery>



One million households experienced more than one housing problem, with around 700,000 of those experiencing high housing costs relative to income while living in a non-decent home. A relatively high proportion of households facing overcrowding also faced one or more other problems.

The Health Foundation also considered the intergenerational unfairness caused by inadequate housing, with a lack of space and facilities being experienced by younger people.²⁵ 21% of those aged 25–34 lacked any access to outdoor space within their home, compared to only 7% for those aged 55–65.²⁶

Research by the National Housing Federation in 2020 found that 30,000 people lived in a home consisting of only one room during the pandemic and more than 3,600 children are spending lockdown in a home made up of two rooms.²⁷

The NHF's research found that these housing conditions were impacting upon mental, and physical, wellbeing:

- Nearly a third (31%) of adults in Britain – 15.9 million people – experienced mental or physical health problems because of the condition of their home or lack of space during lockdown.
- More than half of people (52%) who said their home was not big enough said they had experienced health problems during lockdown.
- More than 1 in 10 (11%) of all British adults said they felt depressed during lockdown due to a lack of space in their home.
- 1 in 20 (5%) of those who said their home was not big enough said this had caused them to seek medical help during lockdown or to take medication for their mental health.

Almost a fifth (19%) of those who said their home was not big enough said they had not been able to sleep properly during lockdown because of the lack of space.

²⁵ Leavey, C., Eastaugh, A. & Kane, M. (The Health Foundation, 2020): Generation COVID-19: Building the case to protect young people's future health: <https://www.health.org.uk/publications/long-reads/generation-covid-19#lf-section-93336-anchor>

²⁶ Office for National Statistics (2020): One in eight British households has no garden: <https://www.ons.gov.uk/economy/environmentalaccounts/articles/oneineightbritishhouseholdshasnogarden/2020-05-14>

²⁷ National Housing Federation (2020): Housing issues during lockdown: health, space and overcrowding: <https://www.housing.org.uk/globalassets/files/homes-at-the-heart/housing-issues-during-lockdown---health-space-and-overcrowding.pdf>



Younger people are also finding the lockdown experience harder. According to YouGov nearly one in ten of the population are unhappy about current living arrangements but positivity increases with age. Four in five over 65s felt positive (83%) whereas only 56% of younger people felt positive.²⁸

Living in the type of homes described in our report on micro-homes in 2020, some smaller than 15 square metres, would have been unbearable over the past year.²⁹

Research by the Resolution Foundation in October 2020 also found that both private and social renters are more likely to have lost their job, more likely to be furloughed, and to be more anxious about struggling to meet their housing costs than homeowners during the pandemic.³⁰

There is, therefore, a clear divide between tenures in terms of the pandemic's impacts. Renters and owners often tend to live in separate housing nations and we comment on this more below.

In summary, the pandemic has exacerbated existing inequalities in health outcomes between people in different tenures. Those living in rental properties are more likely to have experienced ill health, depression, unemployment and other negative impacts upon their wellbeing.

Not surprisingly, all of the key decisions made during the pandemic have been made by those living in spacious homes with safe jobs.

²⁸ Abraham, T. (YouGov, 2020): One in five alone during COVID-19 lockdown: <https://yougov.co.uk/topics/politics/articles-reports/2020/03/30/one-five-alone-during-covid-19-lockdown>

²⁹ Wiles, C. (Intergenerational Foundation, 2020): Rabbit Hutch Homes: the growth of Micro Homes: <https://www.if.org.uk/research-posts/rabbit-hutch-homes-the-growth-of-micro-homes/>

³⁰ Judge, J. & Pacitti, C. (Resolution Foundation, 2020): Coping with housing costs, six months on: <https://www.resolutionfoundation.org/app/uploads/2020/10/Housing-costs-spotlight.pdf>



6. During the pandemic, inequalities have widened further

In the previous sections we have described how housing inequalities widened between 2011 and the onset of the pandemic early in 2020, with housing space and wealth moving from younger to older generations.

During 2020 and the early part of 2021 there has been plenty of anecdotal evidence of people fleeing London, buying up larger homes in the countryside and in coastal towns, and purchasing more housing space in general. According to press reports, London has been “hollowed out”, freeing up millions of square feet of office space for other uses. The world of work has also changed markedly with millions of people now working from home, and there is speculation that this will have a profound impact upon the housing market in the future.

Below, we seek to assemble the available evidence to show that the pandemic has indeed exacerbated the inequalities described in earlier chapters, with housing space and wealth being accumulated by older and wealthier people at the expense of the less well-off and the young.

6.1 Londoners are leaving the capital and buying larger properties

The London property market has often been the engine room of England’s property market. During the pandemic London has continued to drive the market.

According to research by the estate agent Hamptons, in the final six months of 2020, Londoners bought £18.4bn worth of property outside the capital, more than in any full year between 2008 and 2013. Hamptons estimates that departing Londoners bought 73,950 homes outside the capital in 2020, the highest number since 2016, and the highest proportion of sales outside of London since before the financial crisis.

This spending spree by Londoners has had a big impact on housing markets in the Home Counties. In 2020 62% of homes in Sevenoaks were bought by Londoners, 39% higher than in 2019. Windsor and Maidenhead and Oxford also showed big increases – up 27% and 17% respectively.



The prospect of increased levels of homeworking has also meant that London leavers are moving longer distances than ever before. The average London leaver moved 10 miles farther in 2020 than in 2019 as buyers favoured space over commutability.³¹

According to YouGov nearly one in seven (13%) of Londoners say they have moved out of their home during the pandemic or are living elsewhere and 8% have had someone else move into their home.³² This has undoubtedly impacted upon the transmission of the virus and highlights the links between housing conditions and the public health issues that we describe below.

These behavioural changes are already having an impact on rents, with asking prices for inner and outer London flats falling in January 2021 by 16.2% and 6.7% respectively compared to May 2020, according to data company TwentyCi.

6.2 Purchases of second homes have increased

During 2020, according to research by Knight Frank, the number of London-based buyers purchasing second homes in the country increased by 309% over 2019, as Londoners sought to provide a bolt hole in the countryside.³³

The number of London-based buyers as a proportion of all second-home sales outside the capital also increased. In 2017 they made up 10.4% of the total but in 2020 this increased to 34.6%. This suggests that Londoners have indeed been buying up properties outside the capital in large numbers.

Second-home purchases in the country also increased by 58.5% in total in 2020 over 2019. Knight Frank report that the reduction in the opportunities for international travel as a result of the pandemic meant buyers were seeking UK properties as holiday homes and investments.

6.3 The sale of country properties and larger properties has increased

Knight Frank also report that sales in the country market were up 11% last year compared to 2019 as people sought an escape from the cities. In addition, the

³¹ Hamptons (press release, 2020): London leavers buy 73,950 homes outside the capital in 2020: <https://www.hamptons.co.uk/research/pr/2020/London%20Outmigration%20-%20December%202020.pdf/>

³² Op. cit. (YouGov, 2020).

³³ Druce, C. (Knight Frank, 2021): Pandemic leads to leap in second home purchases by London-based buyers: <https://www.knightfrank.co.uk/research/article/2021-02-09-pandemic-leads-to-leap-in-second-home-purchases-by-londonbased-buyers>



pandemic has placed a premium on detached properties. The average price of detached properties increased by 8.5% in the year to November 2020. Over the same period flats and maisonettes increased by 5.4%.³⁴

In 2020, stamp duty data shows that sales of £1 million-plus properties increased by 11% to 19,800 compared with 17,900 in 2019.

6.4 People are seeking and buying more space

Knight Frank's survey of its clients in August 2020 found that buyers of second homes are prioritising outdoor space, a home study and greater privacy post-lockdown. Almost one in three respondents (32%) was more likely to want a second home that they can extend, and 29% were more likely to seek a property offering secondary accommodation.³⁵

The pandemic has also triggered behavioural changes. Zoopla analysed searches by buyers and found that open-plan living was sharply down in popularity – as more people worked from home – while a home office or study and gardens became the priority. “Detached”, “rural” and “secluded” became Zoopla's fourth, fifth and sixth most common search terms, as greater numbers of people sought to escape city living.

6.5 Housing inequalities are becoming entrenched

Zoopla found that in 1988 buyers moved house on average every 8.6 years. In 2020 Zoopla estimated the average was every 22 years. When the property market stagnates in this way it becomes much harder for people to improve their circumstances and for younger people to access the property market.

6.6 The pandemic has also been a “lost” policy year

The housing market shut down between March and May 2020, but even when it reopened many older owners were unwilling to market their homes due to safety concerns. The pandemic has therefore delayed older people downsizing, causing stagnation within the housing market and further exacerbating the housing under-occupation crisis, denying younger people the chance to trade up or buy.

³⁴ Office for National Statistics (2021): UK House Price Index 2020: <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/november2020>

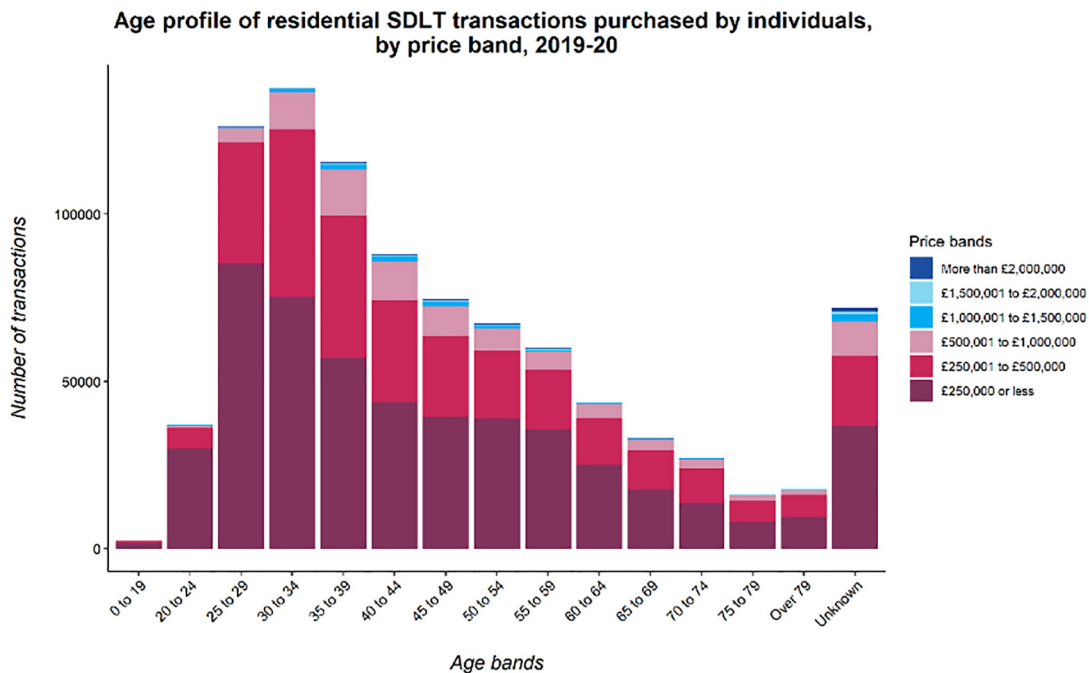
³⁵ Everett-Allen, K. (Knight Frank, 2020): What impact has Covid-19 had on the demand for second homes?: <https://www.knightfrank.co.uk/research/article/2020-08-26-global-buyer-survey-second-homes>



6.7 Older people are buying more space

For the purposes of this report, the key question is this: who has been buying this additional housing space? Is there an intergenerational aspect, with older people buying up a greater share of the housing assets? The answer is yes. Figure 9 and Figure 10 use data from Stamp Duty Land Tax (SDLT) transactions.

Figure 9



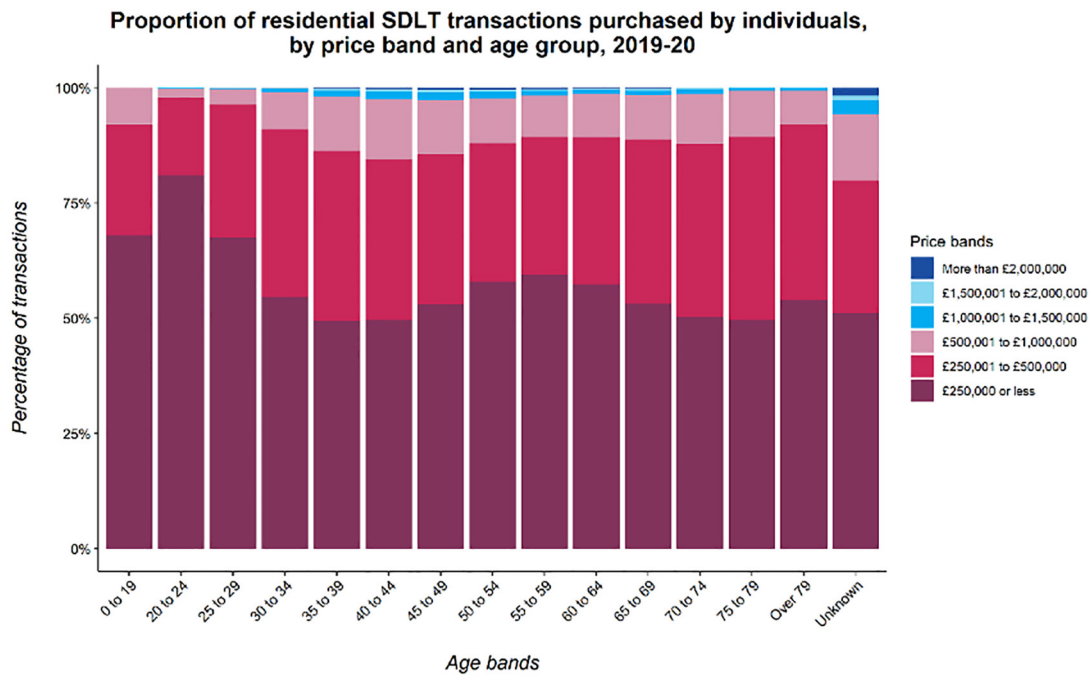
Source: HMRC UK Stamp Tax statistics 2019 to 2020
© Intergenerational Foundation 2021 www.if.org.uk

As to be expected, younger age groups tend to purchase lower-value residential properties, with people aged 0–29 being most likely to purchase residential properties valued at £250,000 or less. People in the older age groups, between 39 and 69, are more likely to purchase higher-value properties above £500,000 and £1,000,000 as a proportion of all the homes bought in their age group.³⁶

³⁶ HMRC (2020); UK Stamp Tax statistics: Table 6c: <https://www.gov.uk/government/statistics/uk-stamp-tax-statistics>



Figure 10



Source: HMRC UK Stamp Tax statistics 2019 to 2020
 © Intergenerational Foundation 2021 www.if.org.uk

The highest number of transactions were made by people aged between 25 and 39, with a steady decline from 39 onwards. This potentially reflects the fact that these age groups are the most likely to be first-time buyers, or be moving to a new house due to changes in household size like having children. While the number of transactions does decline by age, this decline is fairly slow, and there is still a considerable amount of older people from the “boomer” generation (aged approximately 55–75) purchasing higher-value properties.



7. The pandemic has exposed two housing nations

The facts outlined in this report provide evidence that Disraeli's notion of "two nations" still exists, but not only in terms of the "rich and the poor" but also in terms of two housing nations. For those living in spacious homes the lockdown has been bearable. For some it has been close to enjoyable. These people have the space to work and to self-isolate within their home if necessary. Many have access to outside space. Many have safe jobs or a regular income and can benefit from home deliveries of healthy food. This housing nation also contains the people who have been making all the big decisions about lockdown rules.

The second housing nation comprises people living in cramped homes, in shared houses, or in flats with no gardens. Many people living in flats will share access space – corridors, lifts and stairs – with others and this increases the risks of transmission. Many have inadequate internal space to work peacefully or to self-isolate, and less space outdoors to play or exercise. Some councils shamefully closed parks during the first lockdown – Victoria Park and Burgess Park, two of the largest parks in London's densest residential areas, were closed for several weeks.

For this second housing nation the three lockdowns have been hard. Many people, particularly private renters, spent lockdown in homes where they felt unsafe.³⁷ Younger people living in shared houses have also experienced difficulties. In London, this led to a mass exodus to other parts of the country in search of more living space, with parents, friends or in rented houses. As mentioned previously, it is estimated that 13% of Londoners moved out of their usual home during lockdown, and this contributed to the spread of the virus.³⁸ Many of these were young people living in shared properties or cramped flats. We know of one young couple living in a tiny flat in Camden who rented a cottage in the Lake District during the first lockdown. The press was also awash with stories of celebrities who had fled their London homes to boltholes in the country. Indeed, this was even the case for the Minister in charge of housing: during the first lockdown Robert Jenrick MP moved his family to one of his three homes in Herefordshire, even though his London property was technically his primary residence (his children went to school in London).

In summary, poor housing has public health impacts. The unfair distribution of housing space can lead to illness and death.

Put simply, bad housing kills.

³⁷ Bhangal, S. (Shelter, October 2020): Building our Way Out: https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/regional_briefings_building_our_way_out

³⁸ Op. cit. YouGov (2020).



8. These inequalities are built upon decades of failure in housing policy

The inequalities in housing outlined in this report show that the housing market works against the interests of younger people. The way the market, and the housebuilding industry, work also means that not enough homes of the right type and quality are being built. But the wider tax and fiscal framework also encourages under-occupation and discourages owners in large properties from downsizing and releasing more space for younger buyers. We go on to explore these issues in this section. These inequalities result from failed national policies: a failure to invest in affordable housing, a failure to understand how housing markets work, a failure to tackle a planning system that is unresponsive to local needs and gives too much weight to the opponents of housebuilding, a failure to tackle a housebuilding industry that has many of the characteristics of a cartel, a failure to tackle the tax and benefits system in a way that promotes greater equality between rich and poor and between young and old, and a failure to consider the way that existing homes are occupied.

As a result, we have been building some of the smallest and shoddiest homes in Europe.³⁹ We also face a mammoth task in retrofitting our existing stock to meet climate change targets. On top of this, the government's relaxation of planning rules to allow permitted development rights means that many commercial units are being converted to tiny, unsuitable homes that will worsen the overall quality of the nation's housing stock and impact upon mental health and wellbeing. Our report on micro-homes covered this at some length.⁴⁰

We list below some of the policy failures in housing that have led us to this position and start to outline the recommendations that are summarised in the concluding chapter.

8.1 A failure to meet housing targets

In 2017 the government set a target (since downgraded to an “ambition”) of building 300,000 new homes a year in England but this has consistently been missed. In 2017 162,480 homes were built in England. In 2019 this had increased slightly to 178,310. In the 12 months to September 2020 this had fallen to 145,430, a decrease of 18% compared to the previous year, largely as a result of the COVID-19 restrictions.⁴¹

³⁹ Op. cit. Wiles, C. (Intergenerational Foundation, 2020).

⁴⁰ Ibid.

⁴¹ Ministry of Housing, Communities and Local Government (2021) Housing supply: indicators of new supply statistics: <https://www.gov.uk/government/collections/house-building-statistics>



Recommendation: The government should reconfirm a target of 300,000 homes a year in England and use all available policy levers to stick to it.

8.2 A failure to invest in social housing

The government has consistently reduced programmes to provide affordable housing, and funding has been redirected away from affordable social rent (where rents are typically 50% of market rents) to less affordable schemes such as shared ownership, “affordable rent” (at rents of up to 80 percent of market rents) and other forms of intermediate renting.

In 2020 the Communities and Local Government parliamentary committee concluded that “There is compelling evidence that England needs at least 90,000 net additional social rent homes a year.”⁴² However, last year, fewer than 2,000 social rent homes were funded, down from a peak of 57,000 in 1995/6.⁴³ This supports the calls of the SHOUT campaign (The Campaign for Social Housing) for 100,000 social rent homes a year.⁴⁴ Over the course of a decade this would produce a million social rent homes and this would begin to have a real impact on housing affordability. It would allow many people living reluctantly in the private rented sector to trade up to a safe, secure and affordable home and this would start to have a deflationary impact upon private sector rents and house prices.

Recommendation: The government should commit to a programme of 100,000 social rent homes each year and provide funding and land to make this happen, diverting funds from Help to Buy and other failed policies where necessary.

8.3 The subject failure of Help to Buy

Billions of taxpayer pounds have been pumped into schemes that prop up the failing housing market. Over £16 billion has been directed at the questionable Help to Buy programme, which, many critics argue, merely inflates house prices. Help to Buy began in 2013 as a short-term fix to prop up the market, yet it is now being extended to 2023. Help to Buy requires first-time buyers to provide a 5% deposit, and the government provides a 20% equity loan (40% in London).

⁴² Parliament.UK (2010): Building more social housing: <https://publications.parliament.uk/pa/cm5801/cmselect/cmcomloc/173/17302.html>

⁴³ Ministry of Housing, Communities and Local Government (2020) Affordable Housing Supply: April 2019 to March 2020, England: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/940517/AHS_2019-20.pdf

⁴⁴ SHOUT – The Campaign for Social Housing (2020); Facebook group: <https://www.facebook.com/SHOUT-The-Campaign-for-Social-Housing-584137758345466>



The remaining 75% has to come from a mortgage or savings. Because the loan is set as a percentage of the value of the property, it can go up or down in value dependent upon house prices. The loan book of £14 billion sits on the balance sheet of Homes England. If prices start to fall during 2021 then the loan book will fall by a corresponding amount. The government has in effect taken a massive punt on house prices continuing to rise. In 2013 there were 19,700 loans provided to house buyers in England. In 2020 this rose to 51,500. In total, 272,811 households have bought homes with a Help to Buy equity loan.

There has been a great deal of criticism of Help to Buy, not least from the National Audit Office⁴⁵ and the Commons Public Accounts Committee.⁴⁶ Between them they accepted that there had been some boost to supply, but found that the scheme inflated house prices, that most buyers (63%) could have bought without the equity loan, and that people earning more than £80,000 a year had seen the most benefit. The NAO concluded that the price of new-built homes rose 41% between 2013 and the end of 2018, above the prices of existing properties. This is the so-called “new-build premium”, which has been artificially created despite the frequently shoddy quality of new homes. Help to Buy highlights the fact that the government, despite being run by the party of free enterprise, does not understand how housing markets work. Pumping money into the demand side of the market without a corresponding increase in supply will merely inflate prices. The laws of supply and demand make this inevitable since housing supply is inelastic: that is, it takes builders several years to respond to rising demand with completed homes, so any money pumped in on the demand side will be competing for a fixed stock of homes. This just makes it harder for younger people to climb onto the housing ladder.

Artificial interventions in the housing market rarely turn out well: they usually inflate house prices and exacerbate inequality. It is time that Help to Buy was scrapped. If this funding had instead been used to invest in social housing it could have funded up to 300,000 new, high-quality social rent homes. It is known that social housing pays for itself many times over; that it creates jobs, boosts the economy, and eases pressure on the private market, so allowing house prices and rents to become more affordable over time. It repays the taxpayer handsomely and, above all, it benefits the people who need it most, rather than those earning the most.

Recommendation: Help to Buy should be scrapped and the funds diverted to support programmes of affordable housebuilding.

⁴⁵ National Audit Office (2019): Help to Buy: Equity Loan scheme – progress review: <https://www.nao.org.uk/press-release/help-to-buy-equity-loan-scheme-progress-review>

⁴⁶ The Committee of Public Accounts (2019): House of Commons; Help to Buy: Equity loan scheme One Hundred and Fourteenth Report of Session 2017–19: <https://publications.parliament.uk/pa/cm201719/cmselect/cmpubacc/2046/2046.pdf>



8.4 Many housebuilders have become dependent upon Help to Buy

Many housebuilders rely heavily upon the Help to Buy scheme for their sales. In recent times, 50% of Persimmon's sales involved Help to Buy. Pre-pandemic, many of the largest housebuilders were posting huge profits (£1.04bn at Persimmon, £901m at Barratt, and £821m at Taylor Wimpey, for example). Many were paying out dividends to shareholders and also paying eye-watering levels of remuneration to senior staff. In 2019 Taylor Wimpey paid its chief executive a package of £3.03m in total, and two of its directors received well over £1m. All this was funded with the support of the taxpayer. We have effectively nationalised some of the largest housebuilders.

8.5 The major housebuilders now dominate the market

In 1960 the ten biggest UK house builders built almost one in ten new homes. By 2016, this had increased to almost 50%. A series of mergers has produced a number of mega-companies churning out thousands of pattern book homes. A recent House of Lords inquiry found that the housebuilding industry has "all the characteristics of an oligopoly".⁴⁷

Recommendation: The government should commission a parliamentary review into the state of the housebuilding industry to assess whether it is meeting the nation's needs.

8.6 Smaller housebuilders are declining

Meanwhile, record numbers of smaller housebuilders are going bust: 368 went to the wall in 2019 compared with 312 in 2018, and 207 in 2016.⁴⁸ This is despite the pledge in the recent Planning White Paper to encourage and support smaller housebuilders. If the number of smaller housebuilders could start to increase they would be in a good position to build the small-scale retirement properties that respond to local needs, as advocated elsewhere in this report.

Recommendation: The government should seek to support smaller housebuilders, and encourage new entrants to the housebuilding industry, by a package of fiscal and other measures, including measures to reduce bureaucracy and make land available to smaller providers.

⁴⁷ Lords Select Committee on Economic Affairs (House of Lords, 2016): Building more homes: <https://publications.parliament.uk/pa/ld201617/ldselect/ldeconaf/20/2002.htm>

⁴⁸ Credit-Connect (2020): Housebuilder insolvencies increases by 80% in three years: <https://www.credit-connect.co.uk/commercial-news/housebuilder-insolvencies-increases-by-80-in-three-years>



8.7 Housebuilders are building larger homes, when there is a greater need for smaller homes

In 2008/9 one in five homes built by the private housebuilders had five or more bedrooms, by 2017/18 one in three did. This is despite the average UK household size not increasing.⁴⁹ This has been characterised as meeting housing demand rather than housing need.

Recommendation: The National Planning Policy Framework should require local authorities to plan for housing needs rather than demand, and require the housing mix in new schemes to reflect local demographics.

8.8 The planning system has also failed to provide enough homes, for downsizers in particular

Research by law firm Irwin Mitchell in 2017 and 2019 found that fewer than 10% of local authorities had clear policies on housing needs for older people, including the number of dwellings required and how to provide them.⁵⁰

This reflects wider problems with the planning system. Around 50% of local authorities have no up-to-date local plan. Despite the requirement of the National Planning Policy Framework, many councils have dragged their feet, many being scared of the nimby protests that will plague any planning inquiry.

The current methodology for producing housing targets was adopted in 2018 in the National Planning Policy Framework. It uses household projections and affordability data to provide a target for each planning authority area. This target is capped to prevent any big increases. Most councils have failed to meet their target. However, household projections do not forecast future need, they just project past trends into the future and are often distorted by concealed households.

In 2020 the government announced a new methodology for assessing housing need in local plans. This was based on an algorithm that factored in local house prices (“market signals”) so that councils with high value to income ratios would be expected to build more homes. This would have resulted in many more homes being built in leafy south-eastern Shire districts. Unsurprisingly this led to an outcry from many

⁴⁹ Jayanetti, C. (Inside Housing, 2019): Size matters: why do developers build larger homes: <https://www.insidehousing.co.uk/insight/insight/size-matters-why-do-developers-build-larger-homes-61912>

⁵⁰ Irwin Mitchell (press release, 2020): Survey By National Law Firm Reveals Shocking Lack Of Preparation For Homes For UK’s Ageing Population: <https://www.irwinmitchell.com/news-and-insights/newsandmedia/2019/october/45-percent-of-the-uks-local-authorities-still-not-planning-ahead-for-elderly-persons-housing>



Conservative MPs and the methodology was subsequently scrapped, replaced by a new method that will see many more homes being built in urban areas, further cramming younger people into less space.

Yet, as we have discussed previously, the fallout from the pandemic suggests that large numbers of people no longer want to live in cities. They want houses with gardens where they can be safe should another pandemic strike. And if millions of people can carry on working mostly from home, then they will have much more choice about where they live.

Recommendation: Local plans should include specific targets for retirement housing, providing quotas within larger schemes, in the same way that quotas for affordable housing are set.

8.9 Planning consultations are dominated by older homeowners

The government calculates that only 1% of people engage in the local plan process, and responses are often skewed towards the views of older homeowners. The government wants to increase the level of public participation significantly.

Experience shows that it is always the usual suspects that are the most involved. A report by Policy Exchange in 2020 covered this in greater detail. To begin with, older homeowners are more likely to vote in local elections and to engage with the planning system. The report notes that 58% of private renters are registered to vote compared to 91% of homeowners. Their polling also showed that homeowners and older people are more likely to believe that too many homes are being built in their area compared to renters and younger people. The truth is that the well-heeled, the well-housed and those who want fewer homes to be built dominate planning consultations. The homeless and the badly housed are less involved and have less influence. The Policy Exchange report concludes that “The planning system has been captured by the noisy minority.”⁵¹

IF investigated the relationship between the age, wealth and vested interest of councillors in local planning back in 2012.⁵² In 2020 we updated the figures and found that there has been very little progress since 1997 on reducing the age of those participating in the planning system.

⁵¹ Airey, J. & Doughty, C. (Policy Exchange, 2020): Rethinking the Planning System for the 21st Century: <https://policyexchange.org.uk/wp-content/uploads/Rethinking-the-Planning-System-for-the-21st-Century.pdf>

⁵² Kingman, D. (Intergenerational Foundation, 2012): How the Localism Act hands power to older generations, London: https://www.if.org.uk/wp-content/uploads/2012/09/Localism_IF_defin.pdf



The recent Planning White Paper seeks to address this issue by making the planning system more accessible and open. Whether this succeeds we shall have to wait and see.

Recommendation: The government should ensure the proposals in the recent Planning White Paper are followed through to make the planning system simpler and more transparent. It should explore ways to open up the system to a wider range of views, both for strategic planning and for individual planning applications, using new technologies and other methods that will reach out to under-represented groups, especially the young.

8.10 The National Planning Policy Framework is weak on retirement housing – it needs to be strengthened

The National Planning Policy Framework sets out the “national plan” for all forms of development. It contains the parameters and policies that local authorities must follow when putting in place their local plans. Regrettably, the NPPF says very little about the issues in this report: the growth of the older population, the inefficient distribution of existing housing stock, the need for downsizing and the need to build many more purpose-built retirement homes.

Paras 59 to 79 of the NPPF are headed “Delivering a sufficient supply of homes”. Paragraph 60 and 61 requires each local authority to carry out a local housing need assessment, which

“reflects current and future demographic trends and market signals... the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies (including, but not limited to, those who require affordable housing, families with children, older people, students, people with disabilities, service families, travellers, people who rent their homes and people wishing to commission or build their own homes.”

The NPPF says a great deal about the need for new housebuilding but makes no mention of the inefficient use of the existing stock of housing or how this could vary from area to area. We believe the NPPF should include a duty on local authorities to review the existing stock of homes within their area to assess the extent of under-occupation, to assess the demand for downsizing and set targets for the provision of bespoke retirement properties that will meet this demand. Given that many older people who wish to downsize will prefer to stay within the immediate neighbourhood, the planning system needs to be responsive to this by looking at infill sites and other



localised responses. Developers should be required to provide an agreed proportion of retirement homes within all major developments, in the same way that they are required to provide a percentage of affordable homes.

Recommendation: The NPPF should include a new requirement that local authorities assess the degree of under-occupation within their existing housing stock and include measures in local plans to provide bespoke retirement housing, and other measures to incentivise downsizing.

8.11 The failure of Permitted Development Rights

The government's relaxation of planning laws has allowed the conversion of office and other business premises to residential, something that we covered at length in our previous report on micro-homes.

A 2020 report commissioned by the Ministry of Housing, Communities and Local Government found that Permitted Development Rights schemes were about eight times "more likely to be located in primarily commercial areas (like business parks) and primarily industrial areas than planning permission schemes" and "Our site visits found that some of these locations offered extremely poor residential amenity." To be clear, this means families with children being stuck in "homes" far from shops and schools, and having to negotiate busy and dangerous roads to get anywhere. Almost three quarters of the "dwelling units" created under Permitted Development Rights only had single aspect windows, compared to 30% created under normal planning permissions. This means for example, homes that have only a north-facing aspect with no sun entering the property. This is not right.

The study also found that ten "units" had no windows at all, compared to none in schemes where planning permission had been required. The study found that Permitted Development Rights appeared to create worse quality residential environments than those created under formal planning permission.⁵³

Permitted Development Rights also represent an assault on local democracy, taking decisions away from locally elected representatives who know their areas and can make judgements based on local knowledge and experience. It highlights an obsession within government that planning is somehow to blame for our failure to build enough homes. It is not.

⁵³ Clifford, B., Canelas, P., Ferm, J. & Livingstone, N. (Bartlett School of Planning, University College London, 2020): Research into the quality standard of homes delivered through permitted development rights: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/902220/Research_report_quality_PDR_homes.pdf



Recommendation: Permitted Development Rights should be scrapped. All proposals for change of use from commercial to residential should be considered within the normal planning procedures, open to local democratic scrutiny.

Below we consider some other changes to policy that could help to encourage downsizing.

8.12 The concept of rural exception sites should be extended to include retirement homes, for both villages and urban areas

At present, rural exception sites allow affordable homes to be built outside village envelopes on land that would not otherwise gain planning permission. The price of the land is discounted accordingly to reflect the sub-market rents or lower sale price that can be achieved. This concept could be extended both to put retirement housing on a par with affordable housing for rural exception sites but also to define exception sites within urban areas so that borderline or marginal land, including infill sites, that would otherwise not receive planning permission, could receive consent if they are developed exclusively for retirement housing. Covenants could be put in place to ensure that the properties could only be resold to older people who are downsizing. In villages, parish councils could oversee the nomination process in the same way that they do for affordable housing.

One of the key barriers to downsizing is that people often prefer to stay within their immediate neighbourhood, and this proposal would allow a localised response, particularly if the number of smaller, locally-focused housebuilders can be increased, as mentioned in 8.6 above. The table below shows how this could be viable, both for people downsizing but also for builders, who could still make a profit due to the discounted land price, knowing also that they have a guaranteed pool of potential buyers.

Typical 2 bed house	Unfettered market sale (£)	Exception (£)
Land price	150,000	85,000*
Build cost	130,000	150,000**
Fees etc	20,000	20,000
Sale price	330,000	285,000***
Profit to builder	30,000	30,000

* Lower value reflects the fact that the site is restricted to affordable or retirement housing only.

**Higher build costs recognise need to build to a higher Lifetime Homes Standard and allow for future adaptations.

*** Lower sale price reflects the fact that the property is restricted to a particular client group, or, in the case of rented properties, to a sub-market rent.



Recommendation: The notion of rural exception sites should be extended both to put retirement housing on a par with affordable housing for rural exception sites and to define exception sites within urban areas so that borderline sites, such as infill sites, that would otherwise not receive planning permission, could receive permission if they are exclusively for retirement housing.

8.13 Stamp duty discourages downsizing; it could be tweaked to encourage it

If an older owner occupier wishes to move to a smaller property they will have to pay 2% stamp duty (once the present holiday is over) on any purchase above £125,000 up to £675,000. For a property priced at £400,000 this would amount to a tax of £8,000. This has undoubtedly discouraged older owners from downsizing and caused some level of stagnation in the housing market. Paul Johnson from the Institute for Fiscal Studies, in evidence to the House of Lords Select Committee referred to above, said he would put stamp duty “high on the list of suspects” for the lack of turnover in the secondary housing market.⁵⁴ The Council for Mortgage Lenders, in evidence to the Committee, said that stamp duty contributed to higher transaction costs and had “a detrimental impact on activity levels, market liquidity and labour mobility”. They thought this was particularly so amongst people looking to downsize, which was “restricting the choice of larger homes for younger families”.

Recommendation: Stamp duty should be scrapped for any purchase where an owner is moving from a larger to a smaller property, assessed by bedroom size.

8.14 The Council tax regime is unfair and encourages under-occupation

The system of council tax in England has been untouched since 1991 and is fundamentally unfair and regressive. The present system is based on house valuations made in April 1991, arranged in eight bands:

Band	Value at 1 April 1991
A	up to £40,000
B	£40,001 to £52,000
C	£52,001 to £68,000
D	£68,001 to £88,000
E	£88,001 to £120,000
F	£120,001 to £160,000
G	£160,001 to £320,000
H	Above £320,000

⁵⁴Op. cit. Lords Select Committee on Economic Affairs (2016).



(In Wales, properties were revalued in 2003 and an additional Band (Band I) was added.) The average Band D property in England pays £1,750 per year. For all bands, there is a 25% reduction if only one person occupies the property. The number of properties in each band for England is as follows:⁵⁵

Band	Number of homes
A	5,938,710
B	4,791,270
C	5,333,400
D	3,785,700
E	2,344,640
F	1,239,760
G	857,960
H	144,430
TOTAL	24,435,870

But the level of council tax varies widely across the country. Taking three local authorities as examples, the annual charge for the largest Band H properties is as follows:

Local Authority	Annual charge Band H (£)
Westminster	1,561
Peterborough	2,796
Dover District	3,899*

*Figure shown is for Sandwich parish, the highest in Dover district. The lowest Band H rate in the District is £3,712

Peterborough, without being unkind, is not the prettiest city in England, so how can it be fair that its Band H residents pay much more than those in wealthy and (mostly) attractive Westminster? An annual charge of £1,561 for a multi-millionaire living in a multi-million Westminster mansion is mere pocket money. Dover district contains areas of great poverty and great affluence but how can it be fair that its Band H residents pay more than double the rate of Westminster Band H residents? This disparity, repeated all over the country, means that under-occupying residents living

⁵⁵ Valuation Office Agency (Council Tax: Stock of properties 2019): The stock of properties by Council Tax Band and property attributes in England and Wales; Table CTSOP1.0_2019: <https://www.gov.uk/government/statistics/council-tax-stock-of-properties-2019>



in larger properties in areas like Westminster pay low levels of charges and have no real incentive to downsize.

The council tax regime is also regressive. People in the lower bands pay proportionately more than people in the higher bands. The bands should be amended so that owners of more expensive properties contribute more than owners of less expensive properties. This can be done in a revenue neutral way, although it would be a good opportunity to allow cash-strapped local authorities to raise more money from those who can afford to pay. The single person discount should also be scrapped for people in larger properties as it incentivises under-occupation. It would encourage single people to trade down into smaller properties. Of course, some older residents will complain that they are asset rich and cash poor and cannot pay more in council tax. If this is the case, they should be encouraged to cash in some of their assets and downsize to a smaller property. One way to do this would be to remove some universal benefits for people in this category and we comment on this below.

Recommendation: A national revaluation of properties should be carried out together with a review of the council tax regime in order to create a fairer system where people in larger properties pay proportionately more. At the very least, an additional Band I should be added, as in Wales. The single person discount should also be abolished for those in Bands E–H.

8.15 The benefits and taxation system also encourage under-occupation

In addition to the withdrawal of the single person discount there are other aspects of the tax and benefits system that could be utilised to encourage downsizing. Is it fair, for example, that someone living alone in a million-pound house should receive all universal benefits, even if they are asset rich but cash poor? At present, if you have more than £16,000 in cash savings you are not entitled to means-tested benefits, but property assets are not included in this calculation. One initiative would be to introduce “nudge policies” that withdraw some “universal” benefits for those living in houses worth more than a certain amount. This would give a signal of the value of housing to society and encourage downsizing, at the same time limiting expenditure on high net-worth individuals in a simple and understandable way. Other areas that should be on the table include the introduction of a land value tax, and reviewing capital gains tax and inheritance tax. These are major topics that go beyond the scope of this report.

Recommendation: The government should institute a general review of the tax and benefits system to see if there are any tweaks or reforms that could discourage under-occupation and encourage people, and older people in particular, to downsize.



9. The misguided stamp duty holiday

The stamp duty holiday was announced in July 2020. It cut the rate of stamp duty to zero per cent for all properties priced below £500,000 until 31 March 2021. As with previous interventions in the housing market there is evidence that this has had an inflationary impact upon house prices. It is certainly the case that house prices rose during 2020 when most experts predicted, prior to the holiday, that they would fall.

This arises for the simple reason that if you reduce the overall cost of buying a house then, other factors being equal, people will buy larger properties. Effectively, you load the demand side of the equation without a corresponding increase on the supply side.

The Chancellor has announced that the stamp duty holiday will now be extended until the end of June 2021, with no tax payable on any property sold for under £500,000. From 30 June until the end of September the starting price for the duty will be £250,000 and it will then revert to £125,000. Unless, of course, the holiday is extended again.

In January 2021 it was estimated that between 70,000 and 100,000 (Zoopla and Rightmove respectively) transactions would be unable to complete by the end of March 2021. It would have made far more sense to have extended the holiday only for these uncompleted transactions. Instead, there will now be another cliff edge in June with thousands of transactions failing to meet the deadline and further calls for the holiday to be extended again.

This is another example of an intervention in the housing market causing inflated house prices. However, as we note in 8.13 above, the stamp duty regime could be tweaked to encourage downsizing, by removing the tax on any purchase where the buyer is downsizing from a larger property.

Recommendation: The stamp duty holiday should not be extended beyond June 2021 other than for existing transactions.



10. Support for specialist retirement providers

There are several specialist retirement housing providers building across the country. It is estimated that there are around 725,000 retirement properties in the UK out of a total stock of 28 million. That means less than 3% of the nation's housing stock is geared exclusively to retired people.

The total value of these homes is estimated to be around £29 billion.⁵⁶ The potential for growth is thus enormous given the growing proportion of elderly people, projected to amount to almost 30% by 2040. Yet this sector is not co-ordinated and receives little support from government. For example, the rules on the Community Infrastructure Levy and section 106 with regard to retirement housing vary by local authority. As we mention above, under the National Planning Policy Framework, the government could do more to tweak national planning policy to ensure that local authorities pay greater attention to the needs of retirees and potential downsizers within their areas.

Within the not-for-profit sector, the ExtraCare Charitable Trust provides a number of retirement villages with a mix of properties for sale and rent, and including homes that provide nursing and other forms of care and support.⁵⁷ These villages often include shops, cafés, hairdressing salons, and other community assets. Aston University carried out a study of villages provided by the ExtraCare Charitable Trust and found that the saving for the NHS amounted to £1,115 per resident per year, on account not only of residents living in safe, warm and healthy housing, but also of the ability to concentrate services in a single location.

Recommendation: The government should consider what support could be provided to the retirement housebuilding sector to allow it to grow and increase significantly its output of new homes. The government should also review the NPPF to ensure that there is a national and co-ordinated approach to planning issues that impact upon the retirement housing sector.

⁵⁶ Knight Frank (2018): Retirement Housing Market Update Q1 2018: <https://content.knightfrank.com/resources/knightfrank.co.uk/retirement-housing-market-update-q1-2018.pdf>

⁵⁷ The ExtraCare Charitable Trust (website 2021): <https://www.extracare.org.uk>



11. The problem of an ageing population and the barriers to downsizing

In this section we consider the problems caused by an ageing population and review some of the additional barriers that either prevent people in larger homes moving to smaller ones or encourage them to stay in larger homes.

In January 2021 it was reported that the UK population had fallen by 1.4 million as a result of EU nationals returning home (a combination of Brexit and COVID-19) and a falling birth rate as couples delayed committing to children during the pandemic.

Those returning home are mostly younger workers, and this will mean the proportion of older people increases even further.

Over the next two decades, the number of people aged over 65 is expected to increase significantly. These households will be smaller than average, with most older people living alone or in couples, and this will exacerbate the mismatch between our housing stock and the population as a whole. As we note above, less than 3% of the UK's housing stock is geared towards the retirement market, amounting to around 700,000 homes.

The House of Lords committee referred to above considered this issue in some depth. Witnesses told the committee that there was much unmet demand to downsize but it was often difficult for older people to find a suitable home to move into. The Building Societies Association reported a survey of people aged over 55 by Legal & General that found 32% had considered moving to a smaller property in the last five years but only 7% had actually done so. Partly this was because typical retirement properties did not always suit the needs of people looking to downsize. One witness summed this up:

“The only way to get older people to downsize is to ensure that there are products which are desirable and meet their needs. People living in rural suburban areas will not give up large detached properties with gardens and parking for high density properties with limited parking and little in the way of amenity land. The typical ... 1 or 2 bedroom sheltered flat do[es] not meet this need.”⁵⁸

Nationwide Building Society also reports that homeowners aged 55 to 64 have been in their current properties on average for 17 years. That is ten years longer than homeowners between 35 and 44.

⁵⁸ Op. cit. House of Lords Select Committee on Economic Affairs (2016).



Older owners have remained in their homes even as their children have moved out, resisting “downsizing” amid economic uncertainty. Consequently, a growing portion of homes now have two or more spare bedrooms.

This stagnation in the use of housing space is morally wrong, but it also has wider societal impacts:

- It freezes up the secondary housing market and prevents first-time buyers entering at the bottom end of the market.
- People spend more time in hospitals and care homes because their homes do not meet their needs.
- When older people are able to live in retirement communities it makes GP and healthcare visits more efficient. More people can be cared for together, thus saving the NHS money.

This report argues that downsizing is both necessary and desirable. It should also be seen as morally the right thing to do.



12. Looking forward – 2021 and beyond

This report has outlined the problems caused by current housing policies and highlighted the bias and barriers faced by younger people seeking to enter the housing market. The pandemic has had a significant impact upon the housing market, the world of work and the behaviour of buyers.

According to the Office for National Statistics, house prices rose by 5.4% in 2020, largely on the back of the stamp duty holiday. But it is predicted that house prices could start to fall from March 2021, by up to 5%. Four factors make this possible. On the 31 March 2021 the Help to Buy equity loan scheme will be open to first-time buyers only. At the same date the Stamp Duty holiday was due to end, although it has now been extended until June. This will merely cause sales to spurt in the short term but will only extend the cliff edge. Overseas buyers will also be required to pay an additional 2% in stamp duty on homes in England. At the end of April 2021 the furlough scheme also ends, which will likely lead to lower earnings and a spike in unemployment. All of these factors may combine to suppress housing market activity.

The coming possible fall in prices has to some extent been preceded by falls in private sector rents across the country, with a 1.2% reduction in 2020 and an 8.3% reduction in London.⁵⁹ Average rents in prime central London areas fell by 13% in the year to January amid high levels of supply.

In the March 2021 budget the Chancellor announced a new mortgage product that will allow first-time buyers to take out a 95% mortgage on properties up to a value of £600,000. The strapline to this initiative is to turn “generation rent” into “generation buy”, with the Treasury offering guarantees to lenders, similar to the Help to Buy mortgage guarantee scheme. It remains to be seen if this will help to further stimulate the market, although we must remember that it is the younger generation that has been most impacted by furlough and redundancies.

If the market does see a correction it is potentially good news for first-time buyers, assuming they have a job or funds to proceed with a purchase. However, over the longer term it is likely that house prices will continue to increase and the changes described above will not address the structural problems that have been highlighted in this report. That is why government action is required to tackle the myriad of problems we have identified.

⁵⁹ Hometrack (2021): Retirement Housing Market Update: <https://www.hometrack.com/media/653090/uk-rental-market-december-2020-hometrackfinal-2.pdf>



13. Conclusions and policy recommendations

This report has described in some detail the unfair distribution of housing space in the UK, between owners and renters, and between older and younger generations. The pandemic has made things worse. The well-off, many of them older people, are stockpiling housing space at the expense of the young.

We have outlined many of the systemic failures of housing policy over recent decades and made the case for looking not just at new housebuilding but at the way that present housing space is distributed across tenures and age groups. We have argued in this report that these inequalities in housing assets and space between older and younger generations are unhealthy and unfair and will be politically destabilising in the long run.

This report is not arguing that a more balanced use of our existing housing stock is the only solution to the housing crisis. There is no single solution to the housing crisis and any commentator who believes so is misguided. Building new homes is, of course, part of the solution, but it is clear that a better use of existing stock will also help to redistribute housing space more fairly.

Surveys have shown that up to a third of older households are amenable to downsizing, but that only a small minority actually do so. The key reasons for this include a lack of suitable properties and anxiety about the disruption of moving. Personal decisions to downsize are also affected by financial factors, such as asset cash release and potential pressure from children and grandchildren who may be concerned that their inheritance will disappear.

There are other disincentives that encourage people to stay put, such as the unfairly low level of council tax on larger properties in many parts of the country, as well as the stamp duty regime. According to Les Mayhew of the Cass Business School, "If people lived in homes more suited to their needs, 50,000 fewer homes would need to be built each year."⁶⁰ To make downsizing an attractive option, the supply of good-quality age-friendly housing needs to increase substantially. But other incentives need to be considered, alongside those disincentives that discourage people from trading down.

⁶⁰ Cass Business School (2020): Downsizing is crucial to tackling the UK's skewed housing market: <https://www.cass.city.ac.uk/news-and-events/news/2020/june/downsizing-is-crucial-to-tackling-the-uks-skewed-housing-market>



The policy recommendations that we have set out will achieve three clear aims:

- Improve the affordability of homes for younger buyers, allowing more people to step onto the housing ladder.
- Make better use of our existing housing stock, both by discouraging under-occupation and encouraging people to downsize from larger to smaller properties.
- Encourage more new homes for older downsizers, freeing up larger properties for those who need them.

13.1 Policy recommendations

- The government should re-confirm a target of building 300,000 homes a year in England and use all available policy levers to stick to it.
- The government should commit to a programme of building 100,000 social rent homes each year and provide funding and land to make this happen, diverting funds from Help to Buy and other failed policies where necessary.
- Help to Buy should be scrapped and the funds diverted to support programmes of affordable housebuilding.
- The government should commission a parliamentary review into the state of the housebuilding industry to assess whether it is meeting the nation's needs.
- The government should seek to support smaller housebuilders, and encourage new entrants to the housebuilding industry by a package of fiscal and other measures, including measures to reduce bureaucracy and make land available to smaller providers.
- The National Planning Policy Framework should require local authorities to plan for housing needs rather than demand, and ensure that the housing mix in new schemes reflects local demographics.
- Local plans should include specific targets for retirement housing, providing quotas within larger schemes, in the same way that quotas for affordable housing are set.



- The government should ensure the proposals in the recent Planning White Paper are followed through to make the planning system simpler and more transparent. It should explore ways to open up the system to a wider range of views, both for strategic planning and for individual planning applications, and make use of new technologies, including social media and other methods that will reach out to under-represented groups.
- The National Planning Policy Framework should also include a new requirement that local authorities assess the degree of under-occupation within their existing housing stock and include measures in local plans to provide bespoke retirement housing, and other measures to incentivise downsizing.
- The government should consider what support could be provided to the retirement housebuilding sector to allow it to grow and increase significantly its output of new homes. The government should also review the NPPF to ensure that there is a national and co-ordinated approach to planning issues that impact upon the retirement housing sector.
- The concept of rural exception sites should be extended both to put retirement housing on a par with affordable housing for rural exception sites, and to define exception sites within urban areas so that marginal and borderline land, such as infill sites that would otherwise not receive planning permission, could receive permission if they are exclusively for retirement housing.
- Permitted Development Rights should be scrapped. All proposals for change of use from commercial to residential should be considered within the normal planning process, under local democratic control.
- The stamp duty holiday should not be extended other than for existing transactions.
- Stamp duty should be scrapped for any purchase where an owner is moving from a larger to a smaller property, assessed by bedroom size.
- A national revaluation of properties should be carried out together with a review of the council tax system in order to create a fairer system where people in larger properties pay proportionately more. At the very least, an additional Band I should be added, as in Wales.
- The single person council tax discount should be abolished for those in Bands E–H.



- The government should institute a general review of the tax and benefits system to see if there are any tweaks or reforms that could discourage under-occupation and encourage people, and older people in particular, to downsize.
- The government should consider what support could be provided to the retirement housebuilding sector to allow it to grow and increase significantly its output of new homes. The government should also review the NPPF to ensure that there is a national and co-ordinated approach to planning issues that impact upon the retirement housing sector.

We submit these proposals for serious consideration. We owe it to the millions of people, and particularly younger people, living in expensive, often overcrowded and squalid conditions to change the way housing wealth is distributed in this country. If this and future governments do not pursue these policy changes, we believe that young people and future generations will be right to regard our behaviour as both selfish and short-sighted.



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