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Housing, Communities and Local Government Committee

Affordability of Home Ownership

Second Report of Session 2026–27

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Housing, Communities and Local Government Committee

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Contacts

All correspondence should be addressed to the Clerk of the Housing, Communities and Local Government Committee, House of Commons, London SW1A 0AA. The Committee's email address is hclgcom@parliament.uk.

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Summary

For decades, skyrocketing house prices, slow wage growth and unnecessary barriers in the market have contributed to a deterioration in the affordability of home ownership in England. The vast majority of people in this country want to own their own home (more than four fifths in recent years) but some are unable to do so. Not being able to afford a home of their own can have a significant impact a person's finances, and on their physical and mental health.

Successive governments have tried to tackle the problem and failed to measurably improve the situation. It is an exceptionally complicated issue, affected by numerous factors that must be addressed in parallel to have any hope of success. It is also a problem aggravated by a central tension: we want homes to be cheaper and more people to own them, but policies focused on helping people to buy homes often make homes more expensive by diminishing the remaining supply. Government interventions to spur home ownership have partly contributed to the current problem, leading to a situation today in which a person's chances of owning a home is determined most by whether their parents own their own home and are able to support their children to do so.

There are no easy solutions, but there are things that can be done which will help alleviate some of the challenges. Increasing the supply of homes by stimulating housebuilding is a vitally important component, and the government is right to prioritise it by working with builders, developers and especially local government bodies. Unfortunately, even meeting the hugely ambitious homebuilding target of 1.5 million new homes by the end of this Parliament will not improve affordability by itself. Demand-side policies to help people into home ownership remain necessary, but must be carefully used so as not to worsen affordability in the long term.

In some areas, the government is already taking steps in the right direction, and it must be bold enough to advance its plans quickly and push them further. We support the government's drive to increase the rate of homebuilding, but it must do more to empower councils to contribute, including by providing greater clarity around discounted rates of borrowing for council homebuilding.

We support the replacement of the Lifetime ISA with a new product focused solely on homebuying, as long as the replacement product lacks both the punitive withdrawal charge of Lifetime ISAs and the static property price cap that made Lifetime ISAs useless in some parts of the country. We also

support the government easing some restrictions on mortgage finance while retaining oversight of the system. Lastly, we support the government's commitments to make improvements to the shared ownership model and to replace the leasehold system with commonhold.

However, the government also needs to move faster and be bolder in other areas where it has so far been less proactive, including: reforming Stamp Duty Land Tax so that it does not continue to slow the whole housing market and damage the economy; making it easier to bring empty and under-occupied homes back into residential use; and supporting SMEs to access available finance to provide affordable housing.

1 Introduction

1. Rates of home ownership in England have declined over the last two decades, from a high of 71% in 2003 to 62.5% as of the 2021 Census.[1] The rates of decline have been particularly stark among young adults. The Institute for Fiscal Studies showed that 25% of 27-year-olds owned their home in 2018, compared to 33% in 2013 and 43% in 2008.[2] The UK also has low rates of home ownership by international standards. In 2024, 65.2% of all households in the UK (around 16 million people) owned their own home, a lower percentage than in many European neighbours, including Spain and Italy.[3]

2. For decades, house prices have risen faster than average incomes and UK inflation.[4] The average house price at the end of 2025 was £273,077, over double what the average house price (adjusted for inflation) had been at the end of 1975 (£125,582 in 2015 prices).[5] In 1997 across England, the median house price (£59,995) was 3.54 times the median workplace-based earnings; in 2024 across England, the median house price (£289,995) was 7.71 times the median workplace-based earnings.[6]

1 House of Commons Library, Extending home ownership: Government initiatives, Briefing Paper 03668, 30 March 2021; Office for National Statistics, Housing, England and Wales: Census 2021, 5 January 2023

2 Institute for Fiscal Studies, The decline of homeownership among young adults, 2018; House of Lords Library, Housing needs of young people, 7 March 2024

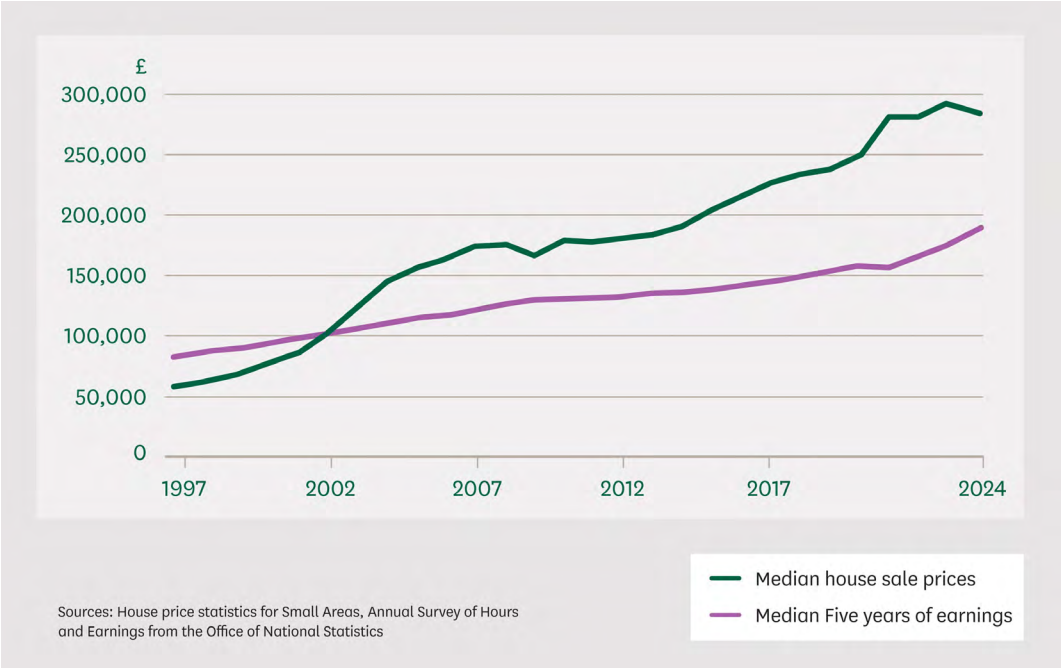
3 Nationwide Building Society (AHO0032). In the same year, 68% of people in the European Union (EU) owned their home, and the highest rates among EU nations (in countries like Romania and Slovakia) were over 90%. Per Eurostat, Housing in Europe – 2025 edition, November 2024

4 Dr Tariq Umar (University of the West of England) (AHO0007); Rentplus-UK (AHO0013); Chartered Institute of Housing (AHO0019); Ministry of Housing, Communities and Local Government and HM Treasury (AHO0053); The Guardian, "How UK house prices left the middle class behind", 28 July 2023

5 Nationwide Building Society, Nationwide House Price Index News - Data & Resources, "UK house prices adjusted for inflation" (accessed 9 March 2026)

6 Office for National Statistics, House price to workplace-based earnings ratio, tables 1a and 1c (accessed 9 March 2026)

Figure 1: Median house sale prices and 5 years' worth of earnngs, England and Wales, 1997 to 2024



3. Despite the recent low home ownership rates, adults in the UK consistently report that they want to own their own homes (over 80% want to according to some recent sources), and that proportion is growing.[7] What is more, being unable to buy a home for extended periods of time can have negative impacts on economic wellbeing (for example because of high rents) and mental health (for example because of insecurity).[8]

4. **CONCLUSION**

The price of homes in England has risen faster than wages and inflation, and the average home now costs more than seven times the average income; in the 1990s, the average home cost less than four times the average income. Over the long term, the ratio between wages and house prices needs to return to a more reasonable level. Many people in England who want to buy a home of their own are unable to do so because homes in this country are simply not affordable enough. Being unable to own your own home can have a damaging effect on the economic and mental wellbeing of those unable to do so.

7 Dr Peter Williams (Department of Land Economy, University of Cambridge) (AHO0006); Own Homes (AHO0058); HomeOwners Alliance, Buying Vs Renting: Benefits Of Buying, 2023 (accessed 23 February 2026); Credit Connect, "Third of renters aged 25–44 expected to own home by now", 28 July 2025

8 Q2 [Vicky Spratt]; Financial Times, "Why are young adults in the English-speaking world so unhappy?", 25 July 2025

Our inquiry

5. We launched our inquiry on 17 July 2025. We wanted to examine and highlight the challenges faced by first-time buyers, and the many obstacles that young people and those on lower incomes must overcome to get on the housing ladder. We received 57 pieces of written evidence and held four oral evidence sessions. Those we have heard from have included academics and think tanks; journalists; representatives of lenders, mortgage intermediaries, housing associations, home builders, property agents and conveyancers. We also ran an online survey aimed at people who had used, or attempted to use, any government-backed scheme to support first-time buyers. The survey launched on 29 October 2025 and ran for one month.[9]

6. Getting more people on the housing ladder will require joined-up and collaborative policymaking across government and we therefore wanted to scrutinise the government's efforts in an appropriately cross-cutting way. At our ministerial session, we sat concurrently with the Treasury Committee and heard from the Minister of State for Housing and Planning (Matthew Pennycook MP) and the Economic Secretary to the Treasury (Lucy Rigby KC MP), along with officials from both departments.

7. We would like to thank all the witnesses who spoke to us, and everyone who submitted written evidence, for their contributions. We also thank our colleagues in the Treasury Committee for their support on this important topic.

8. In addition to this report, and based on evidence we received for it, we have sent a letter to the Minister for Housing and Planning setting out our findings and recommendations with respect to changes in the buying and selling process specifically, and the impact these can have on the housing market.

9. We concluded our inquiry before the beginning of the Iran war in February 2026, and before the subsequent increases in mortgage rates and other housing costs.[10] Data we have used in this report predate February 2026, but our findings still apply.

9 HCLG Committee, Affordability of Home Ownership survey analysis, January 2026

10 BBC News, "Mortgage rates rise and deals pulled over Iran war turmoil", 11 March 2026; The i Paper, "Mortgage hikes 'slam brakes' on home purchases, adding £1,200 a year to buyer costs", 24 March 2026

2 A complex challenge

10. The affordability of home ownership is a complex issue with no easy solutions.[11] The Landmark Information Group, a leading provider of property and land data, told us that:

> Affordability is a multilayered and complex challenge, shaped by house price inflation, constrained wage growth, limited access to mortgage finance and systemic inefficiencies across the home-buying and selling process.[12]

11. The ways that governments can, and have, attempted to influence housing affordability can be divided into two main approaches: interventions to boost supply (bringing down prices by putting more homes onto the market), and interventions to boost demand (helping more people to access the homes that are already there). Some interventions can have both supply-side and demand-side effects (for example, enhancing demand for new-build homes can encourage an increase in supply by building to meet that demand).[13] The Community Land Trust Network, who represent non-profit community land trusts, categorised the main policy options to help first-time buyers as introducing market subsidies and building new affordable homes.[14]

12. Neither approach will work on its own.[15] However, because a combination of supply-side and demand-side interventions are applied at any time, it can be difficult to assess which measures are most effective.[16] Some of the issues relating to the supply side and the demand side are discussed below.

Supply-side interventions: Impact of new homes on affordability

13. The primary supply-side intervention in the housing market is to stimulate the construction of new homes. The government has promised that there will be 1.5 million new homes (specifically, net additional dwellings) by

11 Dr Tariq Umar (University of the West of England) (AHO0007)
12 Landmark Information Group (AHO0038)
13 Chartered Institute of Housing (AHO0019) section 2
14 Community Land Trust Network (AHO0015)
15 Landmark Information Group (AHO0038); Generation Rent (AHO0045)
16 Chartered Institute of Housing (AHO0019) para 3.1

the end of this Parliament.[17] However, evidence we heard was divided on the extent to which building new homes will improve affordability, with Vicky Spratt, Housing and Society Correspondent for *The i Paper*, calling it "One of the most contentious topics in housing at the moment".[18]

14. A few stakeholders told us that any amount of housebuilding would reduce prices.[19] Research by James Gleeson of the Greater London Authority found that building new homes in London, even at market rate, would improve affordability through chains of vacancies that "improve the availability and affordability of housing throughout the range of prices and rents, including for low income households."[20] In its Economic and Fiscal Outlook March 2025, the Office for Budget Responsibility also stated that it expected "the 0.5 per cent increase in the housing stock as a result of the planning reforms will reduce the average house price by around 0.8 per cent in 2029".[21]

15. Many other stakeholders, however, have said that increasing the supply of houses will not reduce prices (although it may make house prices rise less quickly), either because not enough houses are being built or because the impact is outweighed by the effect of demand pressures (such as access to finance).[22] For example, Dr Peter Levell, Deputy Research Director of the Institute of Fiscal Studies, told us:

> Even if you build loads of houses, they are still going to be very expensive. That is not saying that building houses does not help. It is saying that the problem is really big.[23]

16. Several stakeholders said that building new homes is "necessary but not sufficient". The developer Gleeson Homes said, "Without addressing mortgage access, deposit challenges, or insecure employment, many first-time buyers will still be locked out, regardless of how much supply increases."[24] Any increase in supply would need to be greater than the

17 HM Government, Plan for Change – Milestones for mission-led government, 5 December 2024, page 24

18 Q4 [Vicky Spratt]

19 Bright Blue (AHO0012); Leeds Building Society (AHO0016); Homes for Scotland (AHO0020); Pocket Living (AHO0023)

20 James Gleeson, Evidence on the affordability impacts of housebuilding, 30 October 2025

21 Office for Budget Responsibility, Economic and Fiscal Outlook March 2025, March 2025

22 Q29 [Sophie Hale]; Home Builders Federation (AHO0009); Gleeson Homes (AHO0018); Chartered Institute of Housing (AHO0019); UK Finance (AHO0030); Santander UK (AHO0031); Cllr Ramsay Ross (Rutland County Council) (AHO0003); Mr Peter Hendry (AHO0008); Mr Nigel D Cook (AHO0021); Mr Anthony Codling (AHO0025); Association of Mortgage Intermediaries (AHO0035); Mr Valentin Dirzu (Capgemini) (AHO0001); Community Planning Alliance (AHO0010); G15 (AHO0039); Generation Rent (AHO0045)

23 Q29 [Dr Levell]

24 Gleeson Homes (AHO0018); Dr Peter Williams (Department of Land Economy, University of Cambridge) (AHO0006); Chartered Institute of Housing (AHO0019); Home Builders Federation (AHO0009); Land, Planning and Development Federation (AHO0022);

increase in demand for housing (such as that due to population increase) to have any effect on prices or affordability.[25] Sophie Hale, Principal Economist of the Resolution Foundation, also argued that even if the government's ambitious house building targets are met, this will only bring housing per-person levels back to those of 2021. She said: "It would take maybe 10 years of building at that much higher level before you would see a real material impact on affordability."[26]

17. When we questioned the Minister of State for Housing and Planning, Matthew Pennycook MP, on the impact of new homes, he said:

> Two things can be true at the same time: there is strong evidence to attest to the fact that building homes of any tenure, including for private market sale, makes other housing more affordable in the short term and in a localised sense. […] Such is the mismatch between supply and demand over many decades under successive governments that it will take some time, even if we had high and sustained rates of house building of the kind that we hope the reforms we are making will secure, to see house prices drop – and we would not want them to drop sharply. The best scenario we can expect is a sustained levelling-off of house price growth and then a gradual easing of it over time.[27]

18. Of the specific impact of supply on prices, he said:

> In aggregate, the best analysis we have is departmental analysis, based on academic research, that estimates that a 1% increase in housing stock should, everything else being equal, decrease prices by 2%.[28]

19. One other factor that can affect the extent to which building new homes can bring down the cost of housing is the cost to build these new homes. If the cost of new homes is too high, then new homes entering the market will have a high sale price and this will limit the impact of the increase in supply.

20. We consider supply-side interventions, including homebuilding, in Chapter 3.

Women's Budget Group (AHO0026); Places for People (AHO0028); Royal Institution of Chartered Surveyors (AHO0029); Landmark Information Group (AHO0038); Intergenerational Foundation, Necessary but not sufficient: Why boosting the supply of housing won't solve the housing crisis, 27 May 2025

25 Propertymark (AHO0027); Building Societies Association (AHO0036); Mr Peter Hendry (AHO0008)

26 Q6 [Sophie Hale]

27 Q158 [Matthew Pennycook]

28 Q164 [Matthew Pennycook]

Demand-side interventions: Encouraging ownership, not affordability

21. Everyone needs housing. It is a basic necessity to which everyone has a right.[29] And as discussed in Chapter 1, the UK population has a strong preference for home ownership over other alternatives, such as renting.[30] However, economic demand for home ownership is not a measure of the population's preference, but of their ability and willingness to buy homes at certain prices.[31] As such, the goal of demand-side interventions by government is not to influence people's desire for housing, but to convert latent preferences into effective demand by giving people who want to buy a property a better chance of being able to afford one.

22. There is an inherent contradiction in this approach. Although this inquiry is considering the *affordability* of home *ownership*, affordability and ownership are not always correlated. Improving affordability can lead to higher levels of home ownership by making it easier for people to own a home. However, increasing levels of home ownership will reduce the available supply, and therefore increase prices and reduce affordability.

23. Government could seek to improve affordability through demand-side interventions to *reduce* the underlying demand for home ownership, perhaps by redirecting the demand to other forms of housing, like the rental sector.[32] Some stakeholders told us they want the government to improve access to housing of all types, not just home ownership. For example, the Women's Budget Group said, "the primary focus of housing policy should be on ensuring that all people have access to good quality, secure, affordable housing, of whatever tenure."[33]

24. However, governments in the UK have not typically favoured these types of interventions and have instead sought to increase effective demand for home ownership by helping people to afford homes. Such policies, though increasing levels of home ownership and having a relatively fast impact, can reduce affordability of homes by pushing up prices.[34] As Professor Paul

29 FasterCapital, Rent: Home Economics: The Inelastic Nature of Housing Costs, 5 April 2025; United Nations, Universal Declaration of Human Rights, Article 25

30 Dr Peter Williams (Department of Land Economy, University of Cambridge) (AHO0006); Own Homes (AHO0058); HomeOwners Alliance, Buying Vs Renting: Benefits Of Buying, 2023 (accessed 23 February 2026); Credit Connect, "Third of renters aged 25–44 expected to own home by now", 28 July 2025

31 The Business, What is Demand in Economics? Determinants, Types, Definition (accessed 24 February 2026)

32 Financial Times, "Could the renters' rights bill cue a rethink of home ownership?", 4 July 2025

33 Women's Budget Group (AHO0026); Generation Rent (AHO0045)

34 Chartered Institute of Housing (AHO0019) para 3.1

Cheshire of the London School of Economics wrote in 2016, "No policy which inflates demand can do much more than increase house prices given how inelastic the supply is."[35]

25. In 2022, a report on Meeting housing demand by the Built Environment Committee concluded that "The Government's home ownership schemes […] inflate prices by more than their subsidy value" and "do not provide good value for money, which would be better spent on increasing housing supply."[36]

26. Demand-side interventions that have been used by government include tax incentives (for example, by relaxing stamp-duty land tax), subsidising deposits (for example, through the Help to Buy schemes), incentivising savings (for example, with financial products like the Lifetime ISA), and supporting the mortgage market (for example, by providing mortgage guarantees).[37]

27. We consider demand-side interventions later in this report. For example, Chapter 5 focuses on government's support for the provision of mortgages and other financing.

28.

CONCLUSION

The affordability of home ownership is a complicated and multivariant problem, with no easy or straightforward solutions. Demand-side solutions cannot work in isolation (as they often counterproductively increase house prices as a secondary effect), but supply-side solutions also are not sufficient (homebuilding cannot happen at the necessary speed to have a significant effect). While the affordability of home ownership is a challenging problem, there are some approaches which can begin to tackle this complex issue. We set these out in the remainder of our report.

Sector-wide problems require cross-government solutions

29. Although "housing" sits within the ministerial portfolios of the Ministry of Housing, Communities and Local Government (MHCLG), many aspects and factors influencing the housing crisis are wider economic issues that are beyond the remit of MHCLG. For example, house prices and housing costs are not unaffordable merely because they have increased, but because they

35 Written evidence received for the House of Lords Economic Affairs Committee's inquiry into Economics of the United Kingdom housing market, Professor Paul Cheshire, London School of Economics (EHM0028), February 2016

36 House of Lords Built Environment Committee, First Report of Session 2021–2, Meeting housing demand, HL 132, para 50

37 Chartered Institute of Housing (AHO0019) para 2.2

have increased faster than average incomes and inflation.[38] Affordability challenges are exacerbated for first-time buyers, for example, because of high rental costs.[39]

30. Wider economic matters are generally the responsibility of HM Treasury, and Treasury ministers also have some specific responsibilities for demand-side interventions in the housing market, including overseeing the mortgage market and the availability of financial incentives like Lifetime ISAs. Yet issues relating to affordability of home ownership are not restricted even to MHCLG and HM Treasury. As Lucy Rigby KC MP, the Economic Secretary to the Treasury, told us when asked about the connection between mortgages and the government's work on mutuals, "That work is not only in the Treasury, but in DBT [the Department for Business and Trade] and other areas of government, including MHCLG."[40]

31. Housing support benefits are provided by the Department for Work and Pensions (DWP), both in the form of housing benefits and the housing element of Universal Credit. These support low-income households towards the cost of renting a home. In the financial year 2024–25, DWP estimated spending £36 billion on these two forms of housing support.[41] Of this, £12.7 billion was paid to support renters in the private sector and £22.0 billion was paid to support renters in the social rented sector.[42] Investing in measures to address housing affordability by one part of the government, particularly homebuilding, can lead to savings elsewhere, including in housing support paid out by DWP.

32. Another way that departments can cooperate to address housing issues is in the use of surplus public land. Surplus land is held across government, and could be used to build more homes. On 27 March 2025, the Chancellor announced a partnership between Homes England and the Ministry of Defence to unlock surplus defence land that could be used for 100,000

38 Dr Peter Williams (Department of Land Economy, University of Cambridge) (AHO0006); Dr Tariq Umar (University of the West of England) (AHO0007); Home Builders Federation (AHO0009); Rentplus-UK (AHO0013); Leeds Building Society (AHO0016); Chartered Institute of Housing (AHO0019); Homes for Scotland (AHO0020); Pocket Living (AHO0023); Places for People (AHO0028); UK Finance (AHO0030); Santander UK (AHO0031); The Association of Mortgage Intermediaries (AHO0035); Building Societies Association (AHO0036); Landmark Information Group (AHO0038); Ministry of Housing, Communities and Local Government and HM Treasury (AHO0053); The Guardian, "How UK house prices left the middle class behind", 28 July 2023

39 Anonymous (AHO0005); Rentplus-UK (AHO0013); Generation Rent (AHO0045); VIVID (AHO0051)

40 Q224 [Lucy Rigby]

41 Department for Work and Pensions, DWP annual report and accounts 2024 to 2025, 10 July 2025, page 51

42 Department for Work and Pensions, Outturn and forecast tables: Autumn Budget 2025, 18 December 2025, tab Housing_benefits, rows 17 and 18

homes and a Network Rail property company that could unlock 40,000 homes over a decade.[43] While work continues to be done in these areas, progress is slow and more could be done.

33. **CONCLUSION**
Many government departments have roles to play in tackling housing affordability in this country. We support the cooperation we have seen to date between the Ministry for Housing, Communities and Local Government (MHCLG) and HM Treasury, including in response to this inquiry, but tackling home affordability in the long-term requires a holistic approach by the whole of government.

The 'bank of mum and dad'

34. One way that affordability of home ownership is influenced by the wider economy can be seen in the way that many first-time buyers rely on financial support from their families, the so-called "bank of mum and dad".[44] Some statistics have been provided by the Home Builders Federation which illustrate the extent of this financial support:

> According to the English Housing Survey, 40% of last year's first-time buyers used inheritance or money gifted from family towards a deposit for a house. Gifts and loans from the Bank of Mum & Dad (BOMAD) totalled £9.6 billion in 2024. According to Savills, 173,500 first-time buyers received assistance last year, receiving on average £55,572. This equates to just over half (52%) of all first-time buyers. Overall, Bank of Mum & Dad has provided £38.5 billion of assistance over the past four years. This is 71% more than the previous four years (£22.5 billion), as a result of a more stringent mortgage market and higher mortgage rates.[45]

35. Dr Ricky Kanabar, a researcher at the University of Bath focusing on intergenerational wealth inequality, showed that parental resources are increasingly important for explaining inequalities in homeownership, even after accounting for the offspring's own education and earnings.[46] While access to the bank of mum and dad is increasingly necessary to get on

43 HM Treasury, Ministry of Defence, The Rt Hon Rachel Reeves MP and The Rt Hon Angela Rayner MP, Public land unlocked for the next generation of home owners, 27 March 2025
44 Home Builders Federation (AHO0009); G15 (AHO0039); Savills, Bank of Mum & Dad paid out £9.6 billion in gifts and loans in 2024, 6 May 2025
45 Home Builders Federation (AHO0009)
46 Dr Ricky Kanabar (University of Bath) (AHO0002)

the housing ladder, it is not an option for most people.[47] According to Mr Anthony Codling, a researcher who contributed to the Letwin and Redfern Reviews:

> This intergenerational wealth transfer has, in my view, divorced house prices from underlying wages. Increasingly if you don't have bank of mum and dad, you won't be able to get on the housing ladder. Today your chance of homeownership has more to do with whether or not your parents own their home than what you do or how much you earn.[48]

36. **CONCLUSION**

Support from family, often called the bank of mum and dad, is a major part of the current housing market for first-time buyers. This entrenches inequality in the sector, with home ownership resembling an inherited characteristic: a young person's chance of homeownership depends more on parental home ownership than on personal earnings. More should be done to ensure that everyone has a fair chance of buying a home if they want to, regardless of their family background.

47 G15 (AHO0039)

48 Mr Anthony Codling (AHO0025)

3 Increasing supply and homebuilding

37. As discussed in Chapter 2, building new homes to increase the supply in the market is necessary, even if it is not sufficient on its own. Homebuilding is a very broad topic, and we are unable to cover all aspects of it in this report. Instead, we have focused on a few areas that have been identified as particularly relevant, or of particular concern, to this inquiry.

Ambitious homebuilding targets

38. Homes can only be affordable if there is a sufficient supply of them. Unfortunately, as we were told by Matthew Pennycook MP, the Minister of State for Housing and Planning: "As a country we have failed, pretty miserably, to build enough homes of all tenures to meet housing demand."[49] To address this long-term under-supply of homes, as MHCLG and HM Treasury told us in written evidence, "the Government has committed itself to an ambitious target of building 1.5 million new homes by the end of this Parliament."[50] Such is the ambition that stakeholders, including the Home Builders Federation, have expressed doubts that it is achievable.[51]

39. Over a five-year Parliament, the target would require an average of 300,000 homes per year, but in the year to 31 March 2025 (which covers the end of the previous government as well), there were only 208,600 net additional dwellings.[52] However, government ministers have been clear when speaking to us that they expect low levels of completions in the first few years of the Parliament, below 300,000 per year, and that, according to Minister Pennycook, "we need to significantly ramp up supply in the later years of the Parliament" to meet the overall goal.[53]

49 Q164 [Matthew Pennycook]
50 Ministry of Housing, Communities and Local Government, HM Treasury (AHO0053)
51 The Times, "Labour to miss 1.5m homes target, housebuilders warn OBR", 28 October 2025
52 MHCLG, Housing supply: net additional dwellings, England: 2024 to 2025, 20 November 2025
53 Oral evidence taken on 15 July 2025, Qq99–100 [Matthew Pennycook]

40. In its latest published indicators of housebuilding, the government estimated that there had been 342,100 net additional dwellings between the start of the Parliament in July 2024 and March 2026.[54] This leaves around 1,157,900 homes still to be completed by the latest possible end of the Parliament in August 2029, an average of around 338,900 per year, which will need to be exceeded by the end of the Parliament if new completions continue to be below this level in the near future.

41. In July 2025, we asked Minister Pennycook how many homes the government expected to be built in each year of the Parliament, and how we could know whether the government was on track to achieve its overall target. The minister said that it would be possible to track progress using published data on planning applications, starts and completions. He also said:

> I am not going to give you rough interim annual targets or precise interim annual targets. We are not setting interim annual targets. It is a whole-of-Parliament standard.[55]

42. **CONCLUSION**

We support the government's aims to improve rates of homebuilding to address historical under-supply of homes and address the chronic unaffordability of home ownership, but we remain concerned that at current rates the government will not hit its target of 1.5 million new homes by the end of the Parliament. We acknowledge that annual targets can be overly simplistic, but provisional interim targets are nevertheless a useful way for the government to demonstrate whether it is on track to meet its 1.5 million new homes target before the end of the Parliament. Delivering the new homes needed to improve affordability will require the combined efforts of the government, private sector and local authorities.

54 MHCLG, Housing supply: indicators of new supply, England: October to December 2025, 19 March 2026

55 Oral evidence taken on 15 July 2025, Qq100–101 [Matthew Pennycook]

43. **RECOMMENDATION**
To demonstrate its progress to improving the affordability of home ownership, MHCLG should, before the start of the summer parliamentary recess publish annual homebuilding targets for each remaining year of the Parliament. These should show how government expects homebuilding to ramp up over the session and allow us and other analysts to assess whether the government remains on track to deliver its target of 1.5 million new homes before the end of the Parliament. As well as homebuilding targets for the total number of homes, MHCLG should publish annual homebuilding targets for affordable housing and social housing.

Building by the private sector

44. Most housebuilding is done by the private sector. In 2024–25, 114,420 out of 152,040 completions in England (75%) were delivered by private enterprise, as opposed to housing associations or local government.[56] Representatives of large private sector home builders have acknowledged, including in correspondence with us, that homebuilding output is low by historical standards and trending downwards.[57]

45. Many stakeholders told us that they were concerned that housebuilders intentionally reduce the number of homes they build to maintain higher prices.[58] This concern echoes the Competition and Markets Authority's 2024 Housebuilding market study, which warned that:

> housebuilders' incentives lead them collectively to build fewer homes than the socially optimal amount and to build them at a rate that is consistent with the local absorption rates—the rate at which homes can be sold without housebuilders needing to reduce their prices—rather than as quickly as possible.[59]

46. Other stakeholders disagreed with this characterisation. The affordable homes provider Heylo said, "Homebuilders have demonstrated a readiness and capacity to build at scale, and to deliver large volumes of new

56 Office for National Statistics, Indicators of house building, UK: permanent dwellings started and completed by country, 17 February 2026, Table 2b

57 Letter from Bellway to the Chair regarding development viability and build-out rates, 19 January 2026; Letter from the Home Builders Federation to the Chair regarding development viability and build-out rates, 20 January 2026; Letter from Taylor Wimpey to the Chair regarding development viability and build-out rates, 2 February 2026

58 Dr Peter Williams (Department of Land Economy, University of Cambridge) (AHO0006); Community Planning Alliance (AHO0010); UK Collaborative Centre for Housing Evidence, Why have the volume housebuilders been so profitable?, September 2023

59 Competition and Markets Authority, Housebuilding market study final report, 26 February 2024

homes."[60] Several homebuilders told us that they are, as described by David O'Leary of the Home Builders Federation, "constrained by affordability and viability. […] If the economics of building the homes does not stack up, they will not be built unless the state comes along and puts a hell of a lot of money into it."[61] Mr O'Leary highlighted the research report *The viability of homebuilding and how we're taking action* by Zoopla, which showed that "Building homes is not currently financially viable across 48% of England and deemed challenging across almost two-thirds of it (64%)."[62]

47. A significant issue is inflation in the cost of building homes, and it is more expensive to build a home in the UK than in neighbouring countries such as France and Germany.[63] Since 2022, the cost of building a new home has risen 17%, while house prices have risen just 1%.[64] According to the Home Builders Federation, the additional cost to build a home since 2020 is about £76,000 per home. Of this, the largest increase is £37,000 of material and labour cost inflation, followed by £23,000 of regulatory costs (of which £10,200 relates to the Future Homes Standard) and £7,000 of taxes and levies (including £2,320 from the Building Safety Levy).[65]

48. The Community Planning Alliance, a coalition of local planning campaigners, highlighted a 2023 report by the UK Collaborative Centre For Housing Evidence (CaCHE) that reviewed the profitability of the three largest homebuilders (Taylor Wimpey, Barratt Redrow and Persimmon). The review showed that, in the decade to 2021, the largest housebuilders "consistently reported supernormal levels of profitability", and that they had operated a margins-over-volume business model (a model that benefitted larger homebuilders over smaller ones). The report also criticised the role of the state in limiting housebuilding over the same period "because it perceived itself as a

60 Heylo (AHO0048) para 40

61 Qq117, 130 [David O'Leary]; Letter from Bellway to the Chair regarding development viability and build-out rates, 19 January 2026; Letter from the Home Builders Federation to the Chair regarding development viability and build-out rates, 20 January 2026; Letter from Vistry Group to the Chair regarding development viability and build-out rates, 20 January 2026; Letter from Taylor Wimpey to the Chair regarding development viability and build-out rates, 2 February 2026; Letter from Barratt Redrow to the Chair regarding development viability and build-out rates, 3 February 2026

62 Zoopla for Business, The viability of homebuilding and how we're taking action, 26 September 2025

63 Building Cost Information Services (BCIS), European construction costs comparison, 15 January 2021; Q131 [David O'Leary]

64 Zoopla for Business, The viability of homebuilding and how we're taking action, 26 September 2025

65 Oral evidence taken on 14 April 2026, Qq246–247 [Steve Turner]; Home Builders Federation, New taxes and policy costs add £76,000 to the cost of building a new home, 6 May 2026

necessarily passive actor in the production of housing". The report concludes that, to meet social and environmental needs, the government must assume a larger and more active role in the housebuilding and land market.[66]

49. The developers have presented a different perspective, with Vistry Group telling us, "viability cannot be addressed by expecting increased policy costs to be covered solely by reduced land values and housebuilder profits."[67] Furthermore, the profit margins for at least some homebuilders have dropped in recent years, since the most recent data considered by UK CaCHE. In correspondence to us, Barratt Redrow said that their operating margins had fallen from around 17% in 2021 to 5.1% in 2025; Taylor Wimpey's operating margins fell from 19.3% in 2021 to 11.5% in 2024 (and around 11% in 2025). Bellway has an operating margin of 10.9% in the 2025 financial year, which is below the 18.5% margin from 2022 (its year of peak volume output) and its highest margin of 22.3% from 2017.[68]

50. In an interview with the *Financial Times* published 30 January 2026, the Minister of State for Housing and Planning, Matthew Pennycook MP, criticised the current business model of big housing developers, saying it "does constrain supply" because developers "can't afford to build and sell homes too quickly". Developers disagreed, saying "Homebuilders are very keen to build at pace" but are held back by a "tortuous" planning process and "lack of affordable mortgage lending and any government support scheme for buyers" for low demand.[69] When the minister appeared before us, he clarified his position by saying that this was not an indication of bad behaviour by specific developers, but rather a systemic problem with the framework in which they operate:

> Developers under that model cannot build too fast or it will affect their margins, and that is an inherent constraint. It leads to bad outcomes in some instances, but it is also an inherent constraint on supply. Lots of studies have attested to this. The Letwin review is very clear on this. The market absorption rate problem is one of the binding constraints in the housing market. The way that we get around that is partly through transformation, and partly through market reform. […] We need some of them [developers] to contemplate a slightly

66 Community Planning Alliance (AHO0010); UK Collaborative Centre For Housing Evidence, Why have the volume housebuilders been so profitable?, 26 September 2023

67 Letter from Vistry Group to the Chair regarding development viability and build-out rates, 20 January 2026

68 Letter from Bellway to the Chair regarding development viability and build-out rates, 19 January 2026; Letter from Taylor Wimpey to the Chair regarding development viability and build-out rates, 2 February 2026; Letter from Barratt Redrow to the Chair regarding development viability and build-out rates, 3 February 2026

69 Financial Times, "London's high land prices need 'market adjustment', says housing minister", 30 January 2026

different business model, hopefully working in a partnership that gets more affordable and quicker build-out, and then all of those different entrants coming through with a more diversified and healthy house building system.[70]

51. **CONCLUSION**

Most homebuilding is currently done by private sector builders, primarily the larger organisations. Homebuilders have been criticised for not building homes at the socially optimal rate, which they have said is because of high costs (some caused by government policies) and a weak market for new-build properties, and ultimately underpinned by their need to remain profitable. This means developers can take a long time to build out sites, even when planning permission was granted some time ago. Nevertheless, we believe that the homebuilders are valuable partners in delivering the necessary new homes that are needed, and we agree with the Minister for Housing and Planning that this is not an indication of bad behaviour. However, when the framework and economic model of private sector homebuilding constrain builders from building at their maximum capacity or at the socially optimal level to maintain their profits, then that framework and model are wrong and must be changed. We are glad to hear that MHCLG is considering transformation to address this issue, as nothing less is likely to be adequate. The Minister did not give us much detail of what such a transformation will look like and how it will be delivered, so we would welcome more information in response to this report. Reform of the planning system alone will not address the affordability of housing.

52. **RECOMMENDATION**

MHCLG must write to us before the summer parliamentary recess, and then six-monthly thereafter, setting out what actions it has taken to increase homebuilding rates by private developers, its progress so far, and the levels of cooperation it has received from the housebuilding industry.

70 Q168 [Matthew Pennycook]

Building by local government and social housing sector

53. The government's ambitious homebuilding target is only likely to be achieved if councils are enabled to deliver some of these homes.[71] When Dan Turnbull, Senior Director of Markets at the Competition and Markets Authority, spoke to us in March 2025 about the capacity of the construction sector to deliver this target, he told us:

> We have not hit those numbers of buildings on an annual basis in the last 50 years. The only times that we have ever hit those numbers, we have had very significant contribution from local authority building, so it is a huge challenge to the industry.[72]

54. Homes England told us that one of the goals of the Social and Affordable Homes Programme is to support an increase in council housebuilding.[73] In the 1950s, councils built on average 147,000 homes per year. In the 2010s, they built on average 1,400 homes, less than one per cent of the peak.[74] This is increasing but only slowly, with almost 3,200 planning applications submitted by local authorities in 2024 and an average of 18,000 homes per year expected to be paid for by the Social and Affordable Homes Programme over its lifetime.[75]

55. To support council housebuilding, the government provides a discounted interest rate for Housing Revenue Account (HRA) borrowing through the Public Works Loan Board (PWLB), a facility operated by the Debt Management Office. The HRA is a local authority statutory account that contains all the spending and income related to the housing stock owned by the council. The HRA rate means councils can currently borrow for new housing delivery at 0.4% above gilt yields (0.6% below the standard PWLB rate).[76] The Autumn Budget 2024 extended the availability of this rate to March 2026.[77] Financial advisors such as Arlingclose have said that having an extension for one year offers medium-term clarity but long-term policy

71 Treasury Committee, Fifth Report of Session 2017–19, Autumn Budget 2017, HC 600, para 88; Oral evidence taken by the Treasury Committee on 28 November 2017, Q2 [Nick Forbes]
72 Oral evidence taken on 4 March 2025, Q2 [Dan Turnbull]
73 Homes England (AHO0054)
74 Local Government Association, The future of council housing, June 2019
75 Glenigan, Council housebuilding ramps up to hit new targets, 10 February 2025; The Guardian, "Opinion column by John Harris", 25 January 2026
76 United Kingdom Debt Management Office, Concessionary Rates (accessed 19 January 2026)
77 United Kingdom Debt Management Office, Concessionary Rates (accessed 19 January 2026)

risk. As a result, they have started to recommend that local authorities borrow loans with shorter terms than would otherwise be optimal, which would be a period long enough to cover two financial year-ends.[78]

56. On 28 January 2026, the Minister for Housing and Planning announced that the HRA rate would be extended one further year to March 2027.[79] When we asked him why the HRA rate had only been extended for one year, he said: "We will set out a position for future years at the appropriate point, but I well understand the point about local authorities needing as much certainty as possible."[80]

57. **CONCLUSION**
At their peak, local authorities contributed over 40 times as many home completions per year as they do now, but the homebuilding landscape has fundamentally changed since then and we consider those former levels of local government homebuilding will be practically impossible to return to. We support MHCLG's stated goal of supporting local authorities to increase their homebuilding, including through the Social and Affordable Homes Programme and by encouraging borrowing for homebuilding through the discounted Housing Revenue Account rate of borrowing from the Public Works Loan Board.

58. **RECOMMENDATION**
The government must provide local authorities with the necessary clarity for future borrowing by extending the Housing Revenue Account rate of borrowing from the Public Works Loan Board at least two years into the future on a rolling basis.

The right homes in the right places

59. Many stakeholders have said that an overall increase in housing supply is necessary, but it is important to consider the types, prices, and locations of homes being built. For example, in its written evidence Places for People said:

> The Government's target of 1.5 million new homes over this Parliament is welcome, but achieving genuine affordability for first-time buyers requires specific intervention to ensure an appropriate proportion of

78 Arlingclose, How Should Authorities Approach HRA Borrowing Ahead of March 2027?, 24 February 2026
79 Social and Affordable Housing Renewal: Progress Update HCWS1283, 28 January 2026
80 Q179 [Matthew Pennycook]

> new supply is accessible to lower-income households. This means not just building more homes, but building the right homes in the right places at prices that working households can afford.[81]

60. This echoes findings from the 2018 Letwin Review, which argued that the main driving force behind slow rate of homebuilding on large sites was "the homogeneity of the types and tenures of the homes on offer on these sites, and the limits on the rate at which the market will absorb such homogenous products". As a result, the government said in its Planning Reform Working Paper: Speeding Up Build Out in May 2025 that it wanted to bring forward policies to support mixed-tenure developments. Over one year later, the government has not yet published its response to feedback on this working paper.

61. Steve Collins of Rentplus-UK told us that different types of homes, from one-bedroom flats to five-bedroom houses, are needed in every single area in the country, and that the real question is about affordability and tenure, and "how they enter the market and are marketed to meet the needs of that particular local population", which are not captured by housing needs surveys.[82] He argued that the government needed to be clearer about what types of housing it wanted to be built in different areas, saying:

> It has been many governments over many, many decades who seem to avoid the subject of asking local authorities to do something. They say, "The local authority should make its own determination on what type of housing it needs, where it should be built and so on." This has been many, many decades of what I would consider not local authority failure but policy failure, both national and local. Somebody needs to take the bull by the horns and actually develop a policy that gives a very clear set of guidelines about what is expected to be delivered.[83]

62. Paul Rickard of Pocket Living gave a contrary view, saying that while 'right homes in right places' mattered in theory, in practice not enough homes of any type are being built for these distinctions to matter.[84]

63. Homes England told us that the appropriate mix of affordable housing provided through the Social and Affordable Homes Programme was a decision for MHCLG.[85] We consider affordable housing further in Chapter 4. The Minister for Housing and Planning told us, however, that tenure mix was the responsibility of local authorities. He said:

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81 Places for People (AHO0028); Rentplus-UK (AHO0013); Chartered Institute of Housing (AHO0019) para 3.3; Women's Budget Group (AHO0026); Royal Institution of Chartered Surveyors (AHO0029)

82 Q143 [Steve Collins]

83 Q143 [Steve Collins]

84 Qq145–146 [Paul Rickard]

85 Homes England (AHO0054)

> In general terms, we want affordable housing targets to be in place in local plans, with as much uncertainty as possible taken out of viability negotiations on a site-by-site basis, so that homes can be delivered. […] A local planning authority needs to ensure that, on individual sites and across its authority area, it is getting the mix of tenures it wants.[86]

64. The minister also discussed the government's aims to diversify developments and encourage the provision of affordable housing:

> We need to encourage more mixed-use development on larger sites. We have made changes in the NPPF to try and focus on that approach on sites above 150 units. […] The more affordable you get into a site, the quicker it builds this inelastic demand for social and affordable homes for first-time buyers.[87]

65. MHCLG is currently producing guidance to support local authorities who are producing local plans. The guidance that has been published so far, or announced as of 2 March 2026, is designed to help local authorities prepare their local plans, but it does not cover advice to make local plans consistent with national plans or best practice.[88]

66. **CONCLUSION**
Government bodies and developers will not be able to maximise the increase to the supply of homes through homebuilding unless they also consider the types, tenures, prices and sizes of homes being delivered. While it is true that many areas of the country do not have enough of any type of home, even in such areas a diverse mix of new properties, especially affordable properties, can improve absorption in the market and make it more viable to build the more homes that are needed.

67. **CONCLUSION**
While it is right for planning decisions to be driven primarily by local authorities through the production of local plans, MHCLG still has an important role in ensuring that new homes being built are sufficiently varied by type, tenure, size and price, in line with the government's national aims and with best practice.

86 Qq249–250 [Matthew Pennycook]
87 Q168 [Matthew Pennycook]
88 MHCLG Digital, New draft guidance published to support faster and clearer local plan-making, 8 December 2025; MHCLG, New local plan-making system roadmap, 2 March 2026

68. **RECOMMENDATION**
MHCLG's new and upcoming guidance on local plan-making is welcome, but in addition to guidance for how local plans should be prepared it should provide guidance for what local plans should include, which local authorities can then interpret for their local areas.

69. **RECOMMENDATION**
MHCLG should initiate a review into different mixes of home around the country, including by tenure, type and price, to assess what impact different mixes have on local absorption rates. This review should consider developments for sale since the start of this Parliament and be updated as new developments are completed and go on sale. MHCLG should use data from this review to determine guidance and best practice examples of areas with effective mixes of homes, and add these to its new guidance for local plan-making.

Using empty homes

70. Building new homes is not the only way to increase the supply of homes on the market. There are properties that have already been built that could be used as dwellings that currently are not. Empty homes, also called void properties, have no tenants and generate no income.[89] As the Minister for Housing and Planning told us, "In general, the government want to see more empty homes brought back into use across the country. That is a very clear and simple message."[90]

71. There are several sources of data on the number of vacant homes, but these give a range of answers from 542,000 (according to Council Taxbase data) to 720,000 (according to estimated changes since the last 10-year Census) to 1,200,000 (according to analysis by Volterra of English Housing Survey data).[91]

72. In February, representatives of organisations across the housing sector, including housing charities, social investors, and some local government councillors, co-ordinated by the charity Resonance, wrote an open letter to the Minister for Housing and Planning pushing for further action on

89 BBC News, "Empty homes: Families 'living in limbo' on Lambeth estate", 10 February 2026
90 Q187 [Matthew Pennycook]
91 Empty Homes Network, Empty Homes Numbers Rise Again – 2025 Council Taxbase Figures Released, 7 November 2025; Action on Empty Homes, Empty Homes Data, (accessed 11 March 2026); MHCLG, Council Taxbase 2025 in England, 6 November 2025; Gov.uk, How Council Tax works: Second homes and empty properties (accessed 11 March 2026); MHCLG, Dwelling Stock Estimates, England: 31 March 2024, 22 May 2025; BBC News, "Empty home crisis: Why aren't they being used to solve shortages?", 20 August 2025; Spring (AHO0057); Q183 [Matthew Pennycook]

making use of empty homes. The letter recommended that the government develop "empty homes-specific enforcement powers", apply a "fully funded local authority duty to investigate and act on long-term empty homes complaints", and establish a "national acquisition fund".[92]

73. In written evidence, retired project manager Mr Nigel Cook said that, although councils already have access to Empty Dwelling Management Orders (EDMOs) and Compulsory Purchase Orders (CPOs) to take over empty properties and renovate them for social housing, councils are not currently using them because of the onus on councils to prove the properties are empty. Authorities would also need to return properties to the owners on demand, making it too risky for councils. Instead, Mr Cook recommended an expansion of The Dormant Assets Scheme to cover long-term empty residential properties, which would be taken into ownership by government and then assigned to councils as new social housing units. If the original owners of properties taken into government ownership (through council Orders or the Dormant Asset Scheme) subsequently make a claim, they can be reimbursed the market value at the time of transfer into public ownership.[93]

74. The Minister for Housing and Planning told us:

> Local authorities already have strong powers and incentives to tackle empty homes. […] I think there is a degree of councils being either unaware or unwilling—or unable; perhaps it is a resource issue—to use the existing powers they have. Obviously, we want to ensure that they are maximising those existing powers before we introduce others, but we have recognised that there is a case for looking at how we strengthen those to bring properties back into use.[94]

75. **CONCLUSION**

There are at least hundreds of thousands of residential properties that are currently empty, many of which have been empty for many months or years. While the number of empty homes is much smaller than the total number of new homes that the government intends to build, bringing them back into residential use (either to sell or as social homes) could nevertheless benefit home supply in this country and improve the affordability of home ownership overall.

92 Resonance, Charities Join Resonance In Empty Homes Plea (accessed 2 March 2026); BBC News, "Housing sector leaders call for action to fill empty homes", 23 February 2026

93 Mr Nigel D Cook (AHO0021)

94 Q183 [Matthew Pennycook]

76. **RECOMMENDATION**

Government must make it easier for councils to take control of empty properties in their local authorities. This should include clarifying councils' existing powers, such as Empty Dwelling Management Orders and Compulsory Purchase Orders; making the existing powers less risky by amending the conditions that must apply for councils to take and give up control of empty homes; or providing new options such as an extension of The Dormant Assets Scheme to long-term empty residential properties.

4 Affordable housing

77. For decades, UK governments have made homes available for purchase at discount for people on low incomes, who otherwise would not be able to buy a home, using a wide variety of models and programmes.[95] Today, most of the affordable housing provided through government subsidy is delivered through the Social and Affordable Homes Programme, which launched earlier this year and is run by Homes England. This programme is a successor to the previous Affordable Homes Programme.

78. It is widely acknowledged that there is a shortage of affordable housing.[96] In August 2025, the property legal data firm Search Acumen reported a potential shortfall of 297,000 affordable homes in 2024 to cover the historically high increase in the non-working population in that year, which was twelve times higher than the number of new social homes provided.[97] Furthermore, this shortfall only relates to the population growth in 2024, but the overall gap between the non-working population and the number of social homes available to house them has been rising by over 100,000 every year since 2020:[98]

Table 1: The difference between the annual change in the UK's non-working population against the count of new additional social housing being delivered in England

Year	New social homes (England)	Increase/ (decrease) in the non-working population	Shortfall/ (surplus) of social housing numbers against need in year	Shortfall of social housing numbers against need since 2016
2017	5,564	129,796	124,232	124,232
2018	5,125	2,733	-2,392	121,840
2019	15,479	-42,715	-58,194	63,646
2020	9,821	223,569	213,748	277,394

95 Dr Peter Williams (Department of Land Economy, University of Cambridge) (AHO0006)
96 House of Commons Library, Affordable housing in England, 16 July 2024
97 Search Acumen, The Social Housing Gap: need could be outpacing housing delivery 12 to 1, August 2025; Mortgage Solutions, England has a potential social and affordable housing shortfall of 297,000, research suggests, 14 August 2025
98 Search Acumen, The Social Housing Gap: need could be outpacing housing delivery 12 to 1, August 2025; Mortgage Solutions, England has a potential social and affordable housing shortfall of 297,000, research suggests, 14 August 2025

Year	New social homes (England)	Increase/ (decrease) in the non-working population	Shortfall/ (surplus) of social housing numbers against need in year	Shortfall of social housing numbers against need since 2016
2021	13,802	403,229	389,427	666,821
2022	14,914	333,179	318,265	985,086
2023	19,738	128,516	108,778	1,093,864
2024	26,705	323,311	296,606	1,390,470

Source: Search Acumen's analysis of Ministry of Housing, Communities and Local Government data and Labour Force Survey from the Office for National Statistics

79. The latest official statistics on affordable housing supply, for 2024–25, were released on 20 November 2025. These show that 64,762 affordable homes were completed in 2024–25 (the highest since 2014–15) but only 45,418 affordable homes started construction (3% higher than the previous year, but the second-lowest value on record since 2016).[99] Both of these numbers (high completions and low starts) can be explained by the end of the last Affordable Homes Programme in 2023: starts that took place at the end of that programme translate to completions now, but starts in 2024–25 were low because of a lack of an equivalent programme.[100] Bidding for the replacement Social and Affordable Homes Programme began in February 2026.

Definition of affordability

80. There is no single widely accepted definition of what makes housing affordable, nor a statutory definition of what affordable housing is.[101] The most official definition is from the National Planning Policy Framework (NPPF), which is produced by MHCLG and sets out the government's planning policies for England and how they are expected to be applied. The NPPF defines affordable housing for planning purposes as housing that is "for those whose needs are not met by the market" and is one of four types:[102]

- Social rent
- Other affordable housing for rent, with rent up to 80% of local market rents

99 MHCLG, Affordable housing supply in England: 2024 to 2025, 20 November 2025
100 MHCLG, Affordable housing supply in England: 2024 to 2025, 20 November 2025
101 House of Commons Library, What is affordable housing?, Research Briefing 07747, 20 July 2023, pages 4–6; Affordable Housing Commission, Making Housing Affordable Again: Rebalancing the Nation's Housing System, March 2020, page 65
102 MHCLG, National Planning Policy Framework - Annex 2: Glossary (accessed 10 March 2026)

- Discounted market sales housing, sold for up to 80% local market value
- Other affordable routes to home ownership, such as shared ownership, relevant equity loans, other low-cost housing, or rent to buy.

Stakeholders such as Places for People have told us that, in some areas, "even properties marketed as 'affordable' remain beyond the reach of local working households."[103] The charity Shelter has said "Social rent homes are the only genuinely affordable type of home because their rents are set by a formula tied to local incomes."[104] The 2020 report by the Affordable Housing Commission, Making Housing Affordable Again, went further to say that many of the options classified as affordable housing "are clearly unaffordable to those on mid to lower incomes" and that the definition of affordable rent as up to 80% of local market value "broke with any common-sense definition of affordability."[105]

81. Types of affordable housing other than social rent are sometimes referred to as "intermediate housing", because they cost more than social rent and less than private tenancy or ownership. Intermediate housing still requires subsidy or support to be sustainable, and is "part of a crucial set of solutions to the affordability crisis", according to research by LSE London and stakeholders like Paul Rickard of Pocket Living.[106]

82. Another way to assess affordability is to measure regular outgoings after purchase compared to income. A home can be considered affordable if the subsequent regular accommodation-related outgoings (including rent, mortgage payments, service charges, repair costs, etc.) are one third of the buyer's net income or less.[107]

83.

CONCLUSION

There are mixed views about what makes housing affordable, and no statutory definition of affordable housing. The main official definition, in the National Planning Policy Framework, is not reflective of the housing needs in the country. While we support the recent separate identification of Social Rent as its own category of affordable housing, other forms of so-called affordable housing are not truly affordable for many people.

103 Places for People (AHO0028); Community Land Trust Network (AHO0015); Mr Nigel D Cook (AHO0021)

104 Shelter, What is social housing? (accessed 2 March 2026)

105 Affordable Housing Commission, Making Housing Affordable Again: Rebalancing the Nation's Housing System, March 2020, page 65

106 LSE London, Intermediate Housing in Hackney: Finding a Way Forward, 17 November 2025; Q124 [Paul Rickard]

107 Q7 [Professor Milcheva]; Shared Owners' Network (AHO0052)

84. **RECOMMENDATION**
The government should clearly and officially define affordable housing in a way that can be used for all relevant purposes, not just as part of the planning system. The definition should refer to local average income levels instead of just the local market values of rent or house prices. The definition should acknowledge the different affordability pressures faced by people in different situations and in different locations around the country.

Shared ownership

85. Shared ownership allows buyers to purchase a percentage of a dwelling while paying rent on the unpurchased percentage. They then have the option of buying more of the dwelling, which is called 'staircasing'. Shared ownership is one of the schemes included in the current Social and Affordable Homes Programme.[108]

86. There are mixed views about shared ownership. Many stakeholders highlighted shared ownership's success as a viable route into homeownership, while acknowledging its weaknesses, especially in high-value areas like London. Will Jeffwitz of the National Housing Federation called shared ownership a "tried and tested model" and a "really important tenure", that made home ownership accessible to people who would otherwise not be able to buy a home in the current market. Sage Homes highlighted UCL research that called shared ownership "the main gateway to home ownership for households on incomes between £30,000–47,000".[109]

87. However, several shared owners wrote to the Committee to complain about their situations. Difficulties include staircasing, inability to sell, high service charges, poor customer service by housing associations and management companies, and owners' sole responsibility for repairs.[110] Since shared owners pay both rent and mortgage costs, they can also have higher monthly housing costs than either renters or full owners, with the Joseph Rowntree Foundation finding that 36% of low-income shared owners fell behind on other bills to prioritise their rent or mortgage costs, a rate over twice as high as other groups.[111] Some shared owners cannot sell their homes, for instance because they have less than 80 years left on their lease

108 Ministry of Housing, Communities and Local Government, Delivering a decade of renewal for social and affordable housing, 2 July 2025 (accessed 3 March 2026)

109 For example: Q40 [Will Jeffwitz]; Dr Peter Williams (Department of Land Economy, University of Cambridge) (AHO0006); Royal Institution of Chartered Surveyors (AHO0029); UK Finance (AHO0030); Association of Mortgage Intermediaries (AHO0035); Building Societies Association (AHO0036); Sage Homes (AHO0047)

110 anonymous (AHO0011); anonymous (AHO0017); Mr Francisco J Pereira (AHO0040); Ms Hunt (AHO0042); anonymous (AHO0046)

111 Q43 [Sue Phillips]; Pocket Living (AHO0023)

and buyers cannot get a mortgage; some shared owners have incurred arrears of £30,000 or more.[112] The Shared Owners' Network was particularly critical, saying shared ownership should not be marketed as affordable housing, because while it helps people to buy an initial share, shared ownership homes do not remain affordable after the initial purchase.[113] In our survey of people who had tried to buy a home through an affordable housing scheme, shared ownership was found to be the most successful scheme for getting people into home ownership, but respondents also said it was the most difficult to use and the least useful, partly because of affordability issues after moving in.[114]

88. As part of the Social and Affordable Homes Programme, the government has announced there will be targeted improvements to the shared ownership model to improve the experience of shared owners. Funding distributed through the programme will come with conditions requiring shared ownership housing providers receiving the funding to give greater consideration to long-term customer affordability, be fairer and more transparent on costs, and let customers opt out of fees for services that are optional.[115] These improvements will not directly apply to existing shared owners.

89. **CONCLUSION**

Shared ownership is a useful tool for getting people into home ownership, but it is not a long-term affordable option for many of the buyers to whom it is marketed. We welcome the government's announcement of improvements to the shared ownership model, but it must not be the primary form of affordable housing offered through government programmes like the Social and Affordable Homes Programme. These improvements should include the most efficient and equitable way of dealing with properties when the shared owner has passed away.

112 Qq43, 60 [Sue Phillips]; SAM Conveyancing, Buying a Short Lease Property in 2025, 12 November 2025

113 Shared Owners' Network (AHO0052)

114 HCLG Committee, Affordability of Home Ownership survey analysis, January 2026

115 Ministry of Housing, Communities and Local Government, January 2026 progress update: Delivering a decade of renewal for social and affordable housing, 28 January 2026; Homes England, Social and Affordable Homes Programme (SAHP) 2026 to 2036, 24 February 2026

Affordable and intermediate housing not provided through the government

90. While shared ownership is perhaps the most prominent model of intermediate home ownership funded by the government today, there are other models and providers that receive less attention and less support from government.

91. Several such providers of affordable or intermediate housing have contacted us during our inquiry, describing a variety of different models. For example, providers such as Rentplus-UK, Fairview New Homes, Karbon Homes and Own Homes offer variations on the Rent to Buy model. Under this model, there is little to no upfront cost to occupying a home, occupants initially pay rent or other regular payments (often discounted), and when the occupants want to buy the home outright they can use money they have already paid as rent towards the purchase.[116] Providers like Pocket Living instead offer Discount Market Sale housing, which are offered for at least 20% (sometimes up to 40%) below local market value and locked into resale covenants to ensure that homes remain affordable for future buyers. Pocket Living makes its homes affordable by focusing on small, one-bedroom flats in London, with communal areas run by a managing agent.[117]

92. Many of these schemes receive little direct financial support from government, despite filling a need for intermediate homes. Most operate in the Section 106 affordable homes market, in which local authorities make binding agreements with developers to deliver affordable homes. The schemes therefore benefit from cross-sector subsidy, described by Steve Collins of Rentplus-UK as "effectively a discount" paid by the developer.[118] However, Section 106 agreements make homes ineligible for government grant funding, and many are instead primarily funded by the private sector through institutional investment funds, pension funds and bonds.[119] Section 106 homes are also not being bought at sufficient pace by registered providers of social housing, with many remaining unsold even after construction.[120] In a Treasury Minute dated December 2025, MHCLG agreed

116 Rentplus-UK (AHO0013); Rentplus, FAQs (accessed 3 March 2026); Fairview New Homes (AHO0041); Fairview New Homes, Save To Buy (accessed 3 March 2026); Karbon Homes (AHO0050); Karbon Homes, Rent to Buy (accessed 3 March 2026); Own Homes (AHO0058)

117 Pocket Living (AHO0023); Pocket Living, Frequently Asked Questions (accessed 3 March 2026)

118 Qq114–117 [Steve Collins, David O'Leary]

119 For example: Qq115, 127 [Steve Collins]; Rentplus, FAQs (accessed 3 March 2026); Pocket Living, Partners (accessed 3 March 2026)

120 Fairview New Homes (AHO0041) para 21; Qq124–126 [David O'Leary]; Committee of Public Accounts, Forty-Sixth Report of Session 2024–26, Improving local areas through developer funding, HC 886, conclusion 6

with a recommendation from the Public Accounts Committee to "set out how it will diagnose the extent of the Section 106 affordable housing problem more confidently". MHCLG's response said:

> The government is progressing work at pace on a holistic policy package, to be confirmed shortly, that will deal with the legacy problem of existing uncontracted S106 units and also, prevent the problem recurring. Through these measures, the department will deepen its understanding of the underlying issues in the S106 market, with an intention to have a clearer picture in the next few months […] and lay the foundations for a simpler, more transparent, and more resilient system whilst protecting social and affordable housing delivery.[121]

93. **CONCLUSION**
The government is right to prioritise social rent as the main form of truly affordable housing, but this should not lead to it entirely neglecting intermediate housing such as Rent to Buy and Discount Market Sales, which are intended to benefit those who do not need social rent homes but still cannot afford homes on the open market. Intermediate housing, especially as delivered by Small and Medium-sized Enterprises, can also contribute significantly to the increase in supply of housing in general and home ownership specifically, and for relatively little investment from the government.

94. **CONCLUSION**
We echo concerns voiced by the Committee of Public Accounts that an unacceptable number of homes constructed through Section 106 agreements remain unsold to registered providers of social housing, and welcome the fact that MHCLG is developing a policy package to identify and address the underlying issues.

95. **RECOMMENDATION**
Before the summer parliamentary recess, MHCLG must update us on its progress in developing and implementing its new policy package to address issues in the Section 106 market.

121 HM Treasury, Treasury Minutes - Government Response to the Committee of Public Accounts on the Forty-third to the Forty-sixth, Forty-eighth and Forty-ninth reports from Session 2024–26, CP 1469, December 2025

5 Mortgage finance and other lending

96. According to Dr Peter Williams of the Department of Land Economy at the University of Cambridge, the historical pattern in the UK shows that it has been the availability of high loan-to-value (LTV) mortgages that have underpinned higher levels of first-time buyer numbers rather than specific low-cost home ownership schemes.[122] This chapter therefore considers the role of mortgage financing in the housing market, as well as financial products made available by the government such as the Lifetime ISA and Help to Buy.

Lack of accessibility of mortgages

97. Mortgages are offered by lenders (usually banks or building societies) and may be arranged by mortgage intermediaries (brokers). Lenders and intermediaries both operate under rules by the Financial Conduct Authority (FCA). There are criteria that borrowers must meet before they can qualify for a mortgage, including:

- Borrowers must have enough money for a deposit (that is, the value of the property not covered by the mortgage), and
- Borrowers must pass an income-based affordability assessment.

These can both be challenging to overcome for first-time buyers. For example, high rent payments can make it difficult to save towards a deposit, and affordability assessments disproportionately impact low earners, as well as people with variable or non-traditional income, such as the self-employed, freelancers, or seasonal workers.[123] High interest rates have led to higher mortgage payments, making affordability assessments stricter. Affordability assessments also consider the possibility of future interest rate rises.

98. The affordable homes provider Heylo estimated that "over 600,000 renting households have the financial capacity to afford homeownership through shared ownership schemes but are effectively locked out of the full housing

122 Dr Peter Williams (Department of Land Economy, University of Cambridge) (AHO0006)
123 Association of Mortgage Intermediaries (AHO0035)

market due to deposit requirements."[124] Many stakeholders said that the need for a deposit was one of the biggest hurdles, if not the biggest, to getting a mortgage.[125] According to the English Housing Survey, the average deposit of a first-time buyer in 2024–25 was £78,131.[126] Generation Rent pointed out that renters on incomes low enough to qualify for Universal Credit will lose access to that entitlement if they accumulate savings (limited access at £6,000; ineligible at £16,000).[127]

99. Others cited affordability assessments as being more challenging, especially in the recent high-interest rate environment. Analysis by the think tank Public First said that it was the affordability assessment that most people failed, "with just 17% of people having a high enough income to meet lenders' affordability rules at prevailing prices and interest rates."[128] According to the Home Builders Federation, monthly mortgage payments (on a 90% LTV mortgage) increased from 47% of average income to 67% of average income in the decade from 2014 to 2024.[129]

100. Some private renters can fail affordability assessments even when their monthly rental payments are higher than their mortgage repayments would be. While some mortgage products do directly account for history of rental payments as part of affordability checks (such as Skipton Building Society's Track Record mortgage), most only do so indirectly by excluding accommodation costs from the significant outgoings deducted from an applicant's assessed income. As such, mortgage payments must be paid out of the same net income that rent is paid out of.[130] Several stakeholders thought that using rental history in affordability assessments could help first-time buyers.[131] Some also highlighted difficulties around issues such as the lack of robust data, the added administrative burden slowing down

124 Heylo (AHO0048) para 6

125 Generation Rent (AHO0045); anonymous (AHO0005); Dr Tariq Umar (University of the West of England) (AHO0007); Rentplus-UK (AHO0013); Gleeson Homes (AHO0018); Homes for Scotland (AHO0020); Mr Nigel D Cook (AHO0021); Mr Anthony Codling (AHO0025); Women's Budget Group (AHO0026); Propertymark (AHO0027); Places for People (AHO0028); Moneybox (AHO0034); Association of Mortgage Intermediaries (AHO0035); G15 (AHO0039); Shared Ownership Resources (AHO0044); Heylo (AHO0048); Own Homes (AHO0058)

126 MHCLG, English Housing Survey 2024–25, Chapter 2: Housing costs and affordability, 4 December 2025

127 Generation Rent (AHO0045)

128 Public First (AHO0049); Leeds Building Society (AHO0016)

129 Home Builders Federation (AHO0009)

130 Chartered Institute of Housing (AHO0019) para 5.1; Generation Rent (AHO0045); Building Societies Association (AHO0036); Online Mortgage Advisor, How Do Mortgage Affordability Checks Work?, 10 December 2025

131 Training for Professionals (AHO0004); Home Builders Federation (AHO0009); Leeds Building Society (AHO0016); Gleeson Homes (AHO0018); Homes for Scotland (AHO0020); The Association of Mortgage Intermediaries (AHO0035); G15 (AHO0039)

transactions, and the risk of renters receiving worse assessments through no fault of their own (for example because of issues in joint tenancies).[132] In 2025, the Financial Conduct Authority consulted on the possibility of reflecting rental history in affordability standards, or introducing a rent-based affordability assessment. After reviewing feedback, they concluded that, while they were pleased for market-led innovation on rent-based assessments, they would not introduce new requirements in this area.[133] During our inquiry, the credit rating agency Experian also changed their rules to incorporate rental history as standard, although credit ratings do not always feed into mortgage affordability assessments.[134]

101. To address this, some lenders have begun to offer new and innovative types of mortgages targeted at first-time buyers. The Building Societies Association and Association of Mortgage Intermediaries mentioned several examples in their written evidence, including some, like Skipton Building Society's Track Record mortgage for consistent renters (mentioned above), offering up to 100% LTV.[135] The Royal Institution for Chartered Surveyors told us that it supports high-LTV products (including 99% LTV mortgages), but only if combined with robust affordability checks. They noted that such mortgages must also be designed to make a realistic difference, and that some current products on the market have higher interest rates and come with affordability challenges.[136]

102. **CONCLUSION**

Mortgages are a vital part of the housing market in this country, and as such a necessary component of improving access to home ownership to first-time buyers. The increased availability of high-Loan to Value mortgages can make it possible for people to purchase homes at higher values, but it is a risk to borrowers if mortgage rates rise and subsequently make the purchases unaffordable through high mortgage repayments.

132 Mr Valentin Dirzu (IT Architect at Capgemini) (AHO0001); Home Builders Federation (AHO0009); Leeds Building Society (AHO0016); Gleeson Homes (AHO0018); Land, Planning and Development Federation (AHO0022); Women's Budget Group (AHO0026); UK Finance (AHO0030); Santander UK (AHO0031); The Association of Mortgage Intermediaries (AHO0035); Building Societies Association (AHO0036); G15 (AHO0039)

133 Financial Conduct Authority, FS25/6: Mortgage Rule Review: Feedback to DP25/2 and Roadmap, December 2025, paragraphs 2.57 to 2.64; Ministry of Housing, Communities and Local Government, HM Treasury (AHO0053)

134 BBC News, Experian: Credit scores to include rental payments for first time, 3 November 2025

135 Building Societies Association (AHO0036); Association of Mortgage Intermediaries (AHO0035); Money Saving Expert, Skipton launches UK's first 100% no-deposit mortgage since 2008, 9 May 2023

136 Royal Institution of Chartered Surveyors (AHO0029)

103. **RECOMMENDATION**
Government must work with mortgage providers and regulators to ensure that renters cannot be denied a mortgage on the grounds of affordability despite evidence of consistent payment of rent at higher monthly values than they would be paying in mortgage repayments.

Mortgage Guarantee Scheme ("Freedom to Buy")

104. Mortgage guarantee schemes are intended to encourage lenders to offer riskier mortgages, including high-LTV mortgages. In 2025, the government introduced a permanent Mortgage Guarantee Scheme after a temporary one introduced by the previous Conservative government expired.[137] The scheme is a form of insurance, with lenders paying a percentage fee to HM Treasury for specific loans in exchange for a guarantee that HM Treasury will cover potential losses if the borrower cannot make repayments.[138] Dr Peter Williams said that mortgage guarantees have been, globally, the most common policy solution to encourage home-buying. He called the government's permanent scheme "a very sensible step forward".[139]

105. Some stakeholders told us that mortgage guarantee schemes have had limited effect in recent years. The Home Builders Federation pointed out that high-LTV mortgages are already available without the need for a guarantee scheme.[140] Very few lenders, including no building societies, chose to participate in the previous government schemes, generally because they judged the pricing was too high and they preferred to manage the risk themselves.[141] As a result, very few households benefitted from the previous mortgage guarantee after the increase in interest rates.[142] In written evidence, retired surveyor and former real estate agent Mr Peter Hendry said:

> A permanent mortgage guarantee scheme with increased availability of high loan-to-value mortgage products simply cannot improve general affordability and cannot lower rent and price bid levels.[143]

137 HM Treasury, 2025 Mortgage Guarantee Scheme, 15 July 2025
138 HM Treasury, 2025 Mortgage Guarantee Scheme Rules, 3 July 2025; Moneyfacts compare, The Mortgage Guarantee Scheme Explained, 17 July 2025
139 Dr Peter Williams (Department of Land Economy, University of Cambridge) (AHO0006)
140 Home Builders Federation (AHO0009) section 4
141 Association of Mortgage Intermediaries (AHO0035); Dr Peter Williams (Department of Land Economy, University of Cambridge) (AHO0006)
142 Generation Rent (AHO0045)
143 Mr Peter Hendry (AHO0008)

106. The new Mortgage Guarantee Scheme can be used for mortgages with LTV between 90% and 95%.[144] However, some private sector lenders are currently offering even higher LTV mortgages without using the scheme. The largest of these is Santander, who has launched a 98% loan-to-value mortgage for first-time buyers, with strict rules.[145] Other lenders offering higher LTV mortgages include Newcastle Building Society (up to 98% LTV for first-time buyers) and April Mortgages (up to 100%).[146]

107. Professor Stanimira Milcheva, Professor of Real Estate Finance at University College London, said that more high-LTV mortgages would not demonstrate the success of the Mortgage Guarantee Scheme, as those could be available even without the guarantee. Instead, the real measure of success for the scheme would be if rates for high-LTV mortgages reduced.[147]

108. Lucy Rigby KC MP, the Economic Secretary to the Treasury, told us that the intention of the Mortgage Guarantee Scheme was as protection in the event of an economic slowdown, to encourage lenders not to take their high-LTV mortgages off the market.[148] She later told us that the two Mortgage Guarantee Schemes (the permanent one set up under the current government, and its predecessor set up in 2021 under the previous government) together had a contingent liability (and predicted costs) of £1.1 billion at the end of September 2025, and are capped at £3.2 billion.[149] While there are quarterly publications of official statistics on the Mortgage Guarantee Scheme, these only relate to the activity of the scheme, not its costs.[150]

109. **CONCLUSION**

The Mortgage Guarantee Scheme, made permanent by the current government, is having a negligible effect on the availability of high-Loan to Value (LTV) mortgages in the current market and on the affordability of home ownership. It may have a benefit in the event of an economic downturn, which could encourage more lenders to use it.

144 HM Treasury, 2025 Mortgage Guarantee Scheme Rules, 3 July 2025, para 7.1

145 The fixed-rate loan is not available on flats and new-builds, must be no more than 4.45 times salary, and requires a deposit of at least £10,000. Per Financial Times, "Santander launches 98% mortgage for first-time buyers", 3 February 2026

146 Association of Mortgage Intermediaries (AHO0035); The Telegraph, "Mortgage lender bans deposits from Bank of Mum and Dad", 10 September 2025

147 Qq14–15 [Professor Milcheva]

148 Q199 [Lucy Rigby]

149 Letter from the Minister of State for Housing and Planning and the Economic Secretary to the Treasury to the Chairs of the HCLG and Treasury Select Committees following up oral evidence given on 10 February, 27 February 2026

150 HM Treasury, Official Statistics on the mortgage guarantee scheme (accessed 8 April 2026)

110. **RECOMMENDATION**
HM Treasury must monitor, and annually publish, the costs of maintenance of the Mortgage Guarantee Scheme, as well as the impact that it is having on mortgage rates, to ensure that it remains value for money. These could be included in the official statistics of the scheme, or published separately. If costs of the Mortgage Guarantee Scheme rise without it keeping mortgage rates low enough for ordinary people to access, the scheme should be closed.

Mortgage finance limits and regulation

111. After taking office in 2024, the Chancellor of the Exchequer, Rachel Reeves MP, announced a new approach to financial and prudential regulation that would focus on encouraging growth, as opposed to managing risk.[151] One resulting regulatory change, intended to stimulate mortgage lending and support first-time buyers, was implemented in July 2025 by the Prudential Regulation Authority (PRA, part of the Bank of England) and the Financial Conduct Authority (FCA). This amended the Loan-to-Income (LTI) "flow limit rule", which permits no more than 15% of annual mortgage lending to be for loans exceeding 4.5 times the borrower's income, so that it applied to the industry as a whole, rather than to each lender individually. Individual lenders can now apply to exceed the 15% limit on mortgages above 4.5-times income, provided the industry does not exceed 15% as a whole.[152] The result is that many more buyers can have access to mortgages for homes that cost more than 4.5 times their income.

112. This easing of the flow limit rule was welcome. Several financial institutions and other stakeholders told us that the 4.5-times flow limit is too low and prevents people who could afford mortgage repayments from even taking out the necessary mortgage.[153] Some, like the affordable homes provider Pocket Living, recommended removing the 4.5-times cap for first-time buyers or increasing the cap.[154] Since the flow limit rule was amended, affordability pressures on mortgage finance have lifted. This has enabled the wider availability of high-LTV mortgages, mentioned above.[155]

151 HM Treasury and The Rt Hon Rachel Reeves MP, Mansion House 2024 speech, 14 November 2024

152 Bank of England, Prudential Regulation Authority announces review of the Loan to Income (LTI) flow limit rule and offers interim modification by consent, 9 July 2025

153 anonymous (AHO0005); Bright Blue (AHO0012); Leeds Building Society (AHO0016); Pocket Living (AHO0023); Nationwide Building Society (AHO0032); Association of Mortgage Intermediaries (AHO0035); Building Societies Association (AHO0036)

154 Pocket Living (AHO0023)

155 Leeds Building Society (AHO0016); Land, Planning and Development Federation (AHO0022); UK Finance (AHO0030); Nationwide Building Society (AHO0032); Building Societies Association (AHO0036)

113. Further changes are expected. Long-term plans for the flow limit rule are currently under review.[156] The FCA confirmed in a letter to the Prime Minister in December 2025 that the FCA "began once-in-a-generation mortgage reform" in 2025 and will "further overhaul mortgage rules so more people get on the housing ladder" this year.[157] The FCA's Mortgage Rule Review aims to simplify mortgage rules. The FCA is exploring changes to support first-time buyers and underserved groups, including updating guidance on interest-only lending, regulated bridging loans and recognition of rental payments.[158]

114. Despite this, the Economic Secretary to the Treasury told us that the government was easing regulations in a measured way. She said:

> There continue to be very important restrictions on how much consumers can borrow, and indeed how much lenders can lend. We are not talking about anything that resembles deregulation. […] We have the consumer duty as well. There are very important safeguards in place.[159]

115. **CONCLUSION**
We support the efforts of the government and regulators to ease prudential and financial regulations, encourage growth and support first-time buyers, as long as adequate care is taken when doing so. In particular, limiting mortgages to 4.5 times a borrower's income locks too many people out of owning their own home by preventing them from accessing mortgages large enough to cover the current level of house prices, so it is a welcome step for the government, the Prudential Regulation Authority and the Financial Conduct Authority to ease the 15% flow limit rule so that it applies industry-wide instead of to individuals lenders.

The Lifetime ISA and its replacement

116. The Lifetime Individual Savings Accounts (Lifetime ISA or LISA) is a financial savings product that was launched in April 2017 with the goal of both helping people save for a first home and helping people save for retirement. The government provides a 25% bonus on contributions to the scheme. The balance on the account, including the bonus, can be withdrawn for specified eligible

156 Bank of England, Prudential Regulation Authority announces review of the Loan to Income (LTI) flow limit rule and offers interim modification by consent, 9 July 2025
157 FCA, Letter to the Prime Minister, Chancellor and Secretary of State, 9 December 2025
158 FCA, FS26/6 Mortgage Rule Review: Feedback to DP25/2 and Roadmap, December 2025
159 Q226 [Lucy Rigby]

reasons, one of which is the purchase of a first home worth up to £450,000. However, ineligible withdrawals incur a charge of 25%, which eliminates the government bonus, accrued interest and some of the saver's contribution.[160]

Criticisms of Lifetime ISA

117. Several stakeholders have told us that the Lifetime ISA is flawed. In our survey of people who had tried to buy a home through a government-backed scheme, over half of respondents who were unsuccessful in attempts to buy a home had tried to use the Lifetime ISA.[161]

118. We have heard that one of the most common issues people have with using the Lifetime ISA for buying a first home is the LISA's £450,000 cap on the prices of houses it can be used for, which has not increased in line with house prices or inflation. This cap renders it almost useless to buy a home in some areas, especially London, and several stakeholders have recommended it be raised or removed.[162] The UK House Price Index for December 2025, updated on 23 February 2026, shows that the average price for a new-build property in London (£508,533), the South East (£511,960) and the East of England (£457,518) are all above the LISA price cap of £450,000.[163]

119. Another common criticism with the Lifetime ISA was that the withdrawal penalties for taking money out before retirement without buying a home are too punitive and have led to people losing a portion of their own contributions. According to HMRC's response to a Freedom of Information request from MPowered Mortgages, over 185,000 LISA savers had, collectively, been fined £127 million for making unauthorised withdrawals of their own savings. In written evidence, Propertymark said:

> [A]n increasing number of people are making unauthorised withdrawals and incurring the withdrawal charge, which may indicate that the Lifetime ISA is not working as intended. In 2023–24, 99,650 people made unauthorised withdrawals while only 56,900 people used

160 Treasury Select Committee, Eighth Report of Session 2024–25, Lifetime Individual Savings Account, HC 607, page 2

161 HCLG Committee, Affordability of Home Ownership survey analysis, January 2026

162 Home Builders Federation (AHO0009); Leeds Building Society (AHO0016); Chartered Institute of Housing (AHO0019); Homes for Scotland (AHO0020); Pocket Living (AHO0023); Propertymark (AHO0027); Royal Institution of Chartered Surveyors (AHO0029); UK Finance (AHO0030); Moneybox (AHO0034); The Association of Mortgage Intermediaries (AHO0035); Building Societies Association (AHO0036); G15 (AHO0039)

163 HM Land Registry, UK House Price Index England: December 2025, 23 February 2026

their Lifetime ISA to buy a home. The proportion of individuals making unauthorised withdrawals has increased from 45% in 2018–19 to 64% in 2023–24.[164]

120. On 13 January 2026, Cerys McDonald, Director of Individuals Policy at HMRC, told the Treasury Committee:

> The current model of having a hybrid product either for people to use it for pension or later-life purposes, or for first-time buyers, does cause quite a lot of confusion and can mean that people inadvertently end up with the withdrawal charge, which can be seen as punitive.[165]

121. In the summary of its 2025 report into the Lifetime ISA, the Treasury Committee said:

> We endorse the Government ambition to support first-time buyers and encourage long-term retirement savings. However, the Lifetime ISA may not be the most efficient use of taxpayers' money to achieve those disparate objectives. Given the scale of demand on public finances, the Treasury must carefully consider whether significant spending on the Lifetime ISA is the best way of achieving policy objectives.[166]

Replacement of Lifetime ISA

122. Paragraph 4.230 of the Budget 2025 announced that the government will consult on reforming the Lifetime ISA.[167] HMRC gave more information in its tax-free savings newsletter for November 2025:

> The government will consult on introducing a new, first time buyer only product that will provide the bonus when a person uses it to buy a house, removing the need for a withdrawal charge and giving savers flexibility in case their circumstances change.[168]

164 Propertymark (AHO0027); Home Builders Federation (AHO0009); Chartered Institute of Housing (AHO0019); Homes for Scotland (AHO0020); Places for People (AHO0028); UK Finance (AHO0030); Moneybox (AHO0034); Building Societies Association (AHO0036); G15 (AHO0039); MPowered, £127m in penalties for Lifetime ISA savers, 13 June 2024

165 Oral evidence taken by the Treasury Committee on 13 January 2026, Q504 [Cerys McDonald]

166 Treasury Select Committee, Eighth Report of Session 2024–25, Lifetime Individual Savings Account, HC 607, Summary

167 HM Treasury, Budget 2025: Strong Foundations, Secure Future, HC 1492, November 2025, page 120

168 HMRC, Tax-free savings newsletter 19 - November 2025, 22 December 2025

123. Cerys MacDonald, Director of Individuals Policy at HMRC, said:

> The position that ministers came to, supported by advice from us [HMRC], was that a new product that was much more focused on the first-time buyer market would be preferable, but ministers have been clear that the existing LISA product will continue for those holders. I think that that strikes the right balance.[169]

124. **CONCLUSION**
The Lifetime ISA has helped many first-time buyers to own a home, but aspects of its design have limited its effectiveness in tackling housing affordability. These aspects include the Lifetime ISA's nature as a hybrid product supporting both homebuying and retirement savings, its punitive withdrawal charge, and a property price cap that has not increase in pace with house prices. We support the government's decision to replace the Lifetime ISA.

125. **RECOMMENDATION**
The announced replacement product for the Lifetime ISA must focus specifically on supporting home ownership, should not risk people losing their initial investments in the event of changing situations, and should not have a price cap that prevents its use in parts of the country.

Help to Buy

126. After the 2008 financial crash, the government started offering financial products to homebuyers, including an equity loan as part of its Help to Buy (HTB) scheme. It was delivered through Homes England. It offered shared equity loans of up to 20% (or 40% in London) on new build homes. The scheme ended on 31 March 2023.[170] It had two main goals: to support people into home ownership and stimulate the housebuilding sector during the recession.

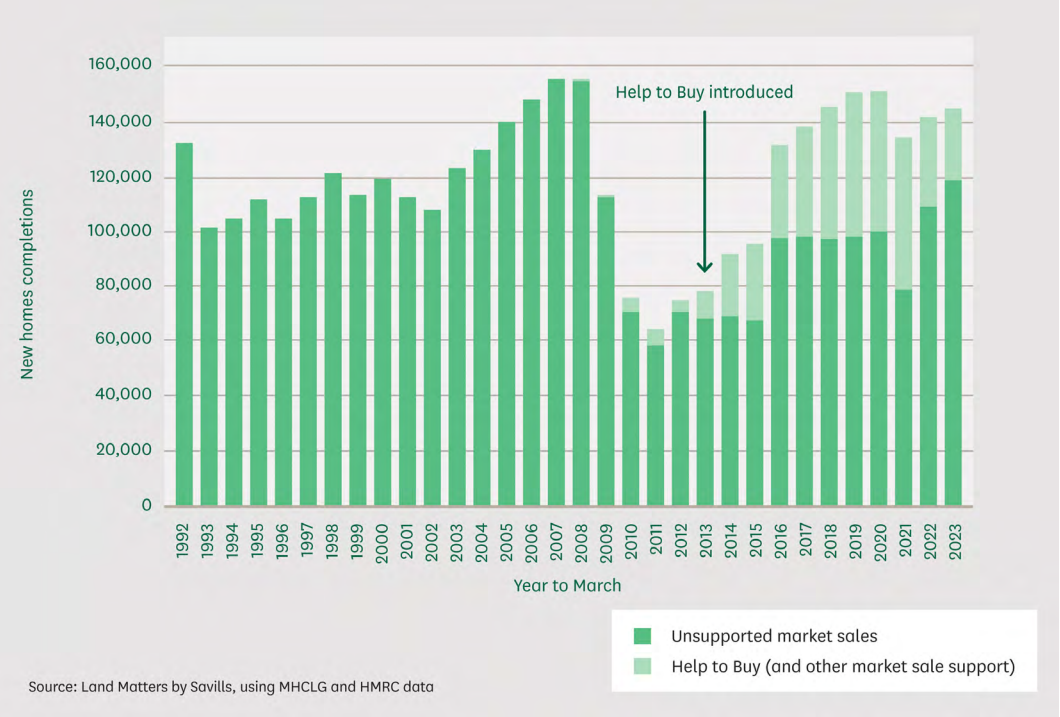
127. Views of Help to Buy are mixed. Robin Fieth of the Building Societies Association called it a "qualified success", as did Charles Roe of UK Finance and Stephanie Charman of the Association of Mortgage Intermediaries. On one hand, Help to Buy succeeded in increasing the supply of new homes in the 2010s, and it helped many first-time buyers into homeownership. According to the UK Housing Review 2024, 70,000 first-time buyers who used Help to Buy would otherwise not have been able to buy a home. On the

169 Oral evidence taken by the Treasury Committee on 13 January 2026, Q504 [Cerys McDonald]
170 Haysto, Help To Buy Explained, 28 October 2024

other hand, it increased new-build house prices overall.[171] Price increases of new-build homes were estimated between 3.2% and 3.9% by a team from UCL's Bartlett School of Construction and Project Management.[172] Generation Rent noted that price inflation for new-build homes could leave owners in negative equity once the prices had stabilised to the level of existing local homes.[173] An April 2026 report by the Institute for Fiscal Studies found that Help to Buy was mainly beneficial to people on higher incomes, allowing them to buy their first home sooner but making little difference between becoming a homeowner or not in the long term.[174]

128. The main benefit of Help to Buy is to bridge the affordability gap to acquiring a mortgage, helping borrowers to meet deposit requirements. During its lifetime, it filled a gap in the market for higher loan-to-value mortgages, which were restricted after the financial crash.[175]

Figure 2: Sales of new homes in England, with and without market sale support, 1992 to 2023



171 Qq70–73 [Robin Fieth, Charles Roe, Stephanie Charman, Henry Jordan]; Dr Peter Williams (Department of Land Economy, University of Cambridge) (AHO0006); Dr Tariq Umar (University of the West of England) (AHO0007); Home Builders Federation (AHO0009); Chartered Institute of Housing (AHO0019) para 2.6; Women's Budget Group (AHO0026); Landmark Information Group (AHO0038); Sage Homes (AHO0047)

172 Felipe Carozzi, Christian Hilber and Xiaolun Yu, The Economic Impacts of Help to Buy, 22 June 2018; Community Land Trust Network (AHO0015)

173 Generation Rent (AHO0045)

174 Institute for Fiscal Studies, Who benefits from 'Help to Buy' schemes?, 15 April 2026

175 Land, Planning and Development Federation (AHO0022); Q73 [Henry Jordan]

It is inefficient for the homebuilding sector to see such variation in the number of homes built each year. This variability is a barrier to the sector becoming more efficient. A good demand-side intervention would be one that attempts to reduce variability.

129. Its effectiveness has varied by region. A study showed that HTB had pushed up prices and had little effect on supply in London, whereas on the Welsh border it successfully boosted supply without much impact on prices.[176]

130. The withdrawal of Help to Buy in 2023, at a time of soaring interest rates and tighter lending restrictions, contributed to a significant reduction in the numbers of first-time buyers of new-build properties. For example, the developer Gleeson Homes said, "As a business who maintained 80% of customers being first time buyers, we saw this plummet to 30% and it is now only hovering just under 50% thanks to significant but unsustainable incentives and deposit contributions financed ourselves."[177]

131. Some stakeholders like the Association of Mortgage Intermediaries and Home Builders Federation (HBF) want a new Help to Buy-style product.[178] HBF has called Help to Buy "a housing policy that worked" and criticised the lack of any equivalent support (targeting both home ownership and home building) available today. They recommended the introduction of "a targeted equity loan scheme for a new generation, partly financed through developer contributions to fill the gap left by Help to Buy". To back up this view, HBF has recently published research saying that Help to Buy helped 387,195 households into homeownership (including 328,346 first-time buyer households) and generated a net return on investment of £1.38 billion for the government, equivalent to £1.2 million per day in 2024–25 alone. The research does not discuss increases in house prices.[179]

132. Other stakeholders, while acknowledging that Help to Buy solved a problem in the past, do not support a return to Help to Buy. Henry Jordan of Nationwide said, "It was right at the time but, for the various reasons

176 Chartered Institute of Housing (AHO0019) para 3.1.1; Felipe Carozzi, Christian Hilber and Xiaolun Yu, "On the economic impacts of mortgage credit expansion policies: Evidence from help to buy", Journal of Urban Economics, Vol 139 No 103611, 2 December 2023 [via ScienceDirect]

177 Gleeson Homes (AHO0018); Pocket Living (AHO0023); Association of Mortgage Intermediaries (AHO0035)

178 Association of Mortgage Intermediaries (AHO0035); PBC Today, "HBF call for return of Help to Buy scheme to support housebuilding", 19 November 2025

179 Home Builders Federation, Payback Time, 19 November 2025; Home Builders Federation, Help to Buy generates £1.38bn for taxpayers, as nearly half of the loans are repaid, 19 November 2025

outlined, had probably run its course." Dr Peter Williams of the Department of Land Economy at the University of Cambridge said, "Efforts to re-instate Help to Buy should be resisted – it served its purpose."[180]

133. In correspondence with us, the homebuilder Vistry Group recommended a new demand-side stimulus for the new-build private housing market, but said that it should be linked to the levels of affordable housing that homebuilders deliver. They said, "This approach would ensure that higher profits from the sale of private homes would need to be directed towards subsidising affordable housing delivery and not simply enhancing the profitability of traditional housebuilders."[181]

134. The Minister for Housing and Planning told us that:

> We have no current plans—just to be clear—for a replacement help to buy scheme or equity loan scheme, but we will continue to have those discussions. The house builders are very clear that they want to see a demand-side stimulus.[182]

135. **CONCLUSION**

The Help to Buy programme helped many people into home ownership, and encouraged housebuilding, but contributed to higher home prices and therefore exacerbated the housing affordability crisis overall. While some form of demand-side incentive may be necessary, it would not be appropriate to recreate Help to Buy as it was done before in the current environment. Any future demand-side interventions should aim to reduce year-on-year variability in homebuilding, as opposed to just a short-term fix to increase effective demand.

180 Q73 [Henry Jordan]; Dr Peter Williams (Department of Land Economy, University of Cambridge) (AHO0006); Royal Institution of Chartered Surveyors (AHO0029); Association of Mortgage Intermediaries (AHO0035)

181 Letter from Vistry Group to the Chair regarding development viability and build-out rates, 20 January 2026

182 Q169 [Matthew Pennycook]

6 Stamp Duty Land Tax

136. In this final chapter of our report, we focus on one issue that stakeholders have told us has a strong bearing on the affordability of home ownership: Stamp Duty Land Tax.

Impacts of Stamp Duty Land Tax

137. Stamp Duty Land Tax (stamp duty or SDLT) is a transaction tax on buyers of property or land. It has a direct impact on housing affordability simply by increasing how much people must pay to buy a home.[183] For first-time buyers of residential properties, no stamp duty is paid on purchases up to £300,000, then 5% on the portion from £300,001 to £500,000. First-time buyers purchasing a home worth above £500,000 do not count as first-time buyers for stamp duty purposes and must pay the usual rates of stamp duty for a single property, which are much higher, being incurred on purchases above £125,000, and at least 5% on purchase values above £250,000.[184]

138. Despite the relief for first-time buyers, Professor Stanimira Milcheva, Professor of Real Estate Finance at University College London, told us: "The most disadvantaged people for this transaction tax are the first-time buyers."[185] Several stakeholders told us the current tax thresholds are not in line with house prices, especially in London and the South East, where average house prices are above the £500,000 threshold.[186] Because the relief is taken away entirely on more expensive properties, a first-time buyer who purchases a house costing £500,000 pays £10,000 in stamp duty, but one who purchases a house costing £500,001 pays over £15,000.[187] The bandings do not increase in line with property prices, so more homes and more people are drawn into paying stamp duty, and paying higher rates of stamp duty, over time.[188] Furthermore, the bandings had been higher before

183 Q90 [Timothy Douglas]
184 Gov.uk, Stamp Duty Land Tax: Residential property rates (accessed 9 April 2026)
185 Q25 [Professor Milcheva]
186 Dr Peter Williams (Department of Land Economy, University of Cambridge) (AHO0006); Home Builders Federation (AHO0009); Santander UK (AHO0031); Association of Mortgage Intermediaries (AHO0035)
187 Gov.uk, Stamp Duty Land Tax: Residential property rates (accessed 9 April 2026)
188 Oral evidence taken by the Treasury Committee on 12 November 2025, Q312 [Richard Donnell]

April 2025 (for first-time buyers, nil up to £425,000 and 5% above that up to £625,000), but the current government did not retain these increased thresholds, leading to an increase in stamp duty paid from that date.[189]

139. Besides the direct impact on home costs, SDLT is widely criticised for the impact it has on the housing market more widely. Joe Pepper from PEXA UK called it "a massive barrier to activity in the marketplace."[190] On 12 November 2025, Kate Willis from the Chartered Institute of Taxation said to the Treasury Committee: "I think economists are almost universally agreed that [Stamp Duty Land Tax] distorts economic activity." In the same session, Professor Tim Leunig, Director of Economics at Public First Consulting, said: "Every single person in the country is a loser from Stamp Duty Land Tax, because it restricts people from moving."[191]

140. As well as the reliefs for first-time buyers, mentioned above, there are around 49 exemptions or reliefs that could apply to SDLT in different circumstances. Beth Rudolf of the Home Buying and Selling Council called this "a nightmare for people to work through."[192] The property trader Spring told us in written evidence that the existing reliefs on SDLT are misaligned with the government's goals, and that the current structure specifically prevents property traders (who buy properties to sell on, without living in them) from operating in parts of the housing market where they could otherwise improve liquidity by reducing the reliance on chains.[193]

141. The government considers SDLT an important source of revenue.[194] Revenue from SDLT is tied to house prices and number of house purchases. According to accredited official statistics, SDLT raised £13,885 million in 2024–25, of which £10,380 million was from residential transactions. The total is up from £11,615 million in 2023–24 but down from the peak of £15,360 million in 2022–23.[195] Lucy Rigby KC MP, Economic Secretary to the Treasury, told us:

> The starting point is that stamp duty is a very important source of revenue. It raised in the region of £14 billion last year and will do going forward.[196]

189 Q90 [Timothy Douglas]; HM Revenue & Customs, Stamp Duty Land Tax rates: 31 October 2024 to 31 March 2025 (accessed 9 April 2026)
190 Qq90, 95 [Timothy Douglas, Joe Pepper]
191 Oral evidence taken by the Treasury Committee on 12 November 2025, Q312 [Kate Willis, Professor Leunig]
192 Q96 [Beth Rudolf]
193 Spring (AHO0057)
194 Stamp Duty Land Tax PQ 78956, 20 October 2025
195 HM Revenue & Customs, Annual Stamp Tax Statistics, Table 1b
196 Q233 [Lucy Rigby]

Options to address the concerns

142. The Association of Mortgage Intermediaries told us "A review of the stamp duty regime is long overdue."[197] Nationwide Building Society said that the government should commission a full-scale review of the property tax system, including stamp duty, council tax and capital gains tax.[198] Generation Rent says it supports "reform of property tax that removes stamp duty and sees more valuable properties taxed more every year."[199] Dr Peter Levell of the Institute for Fiscal Studies said: "If I had to pick how I would relax credit constraints for first-time buyers, it would be reforms to the tax system to make it fairer and more efficient."[200] Dr Levell added:

> Stamp duty is progressive, but council tax is heavily regressive. If you do a switch and cut down stamp duty rates and make the council tax system much more progressive, those two things will offset each other. We are pushing for proper property taxation so that there is no free lunch there.[201]

We previously called for government to "begin the process of overhauling or replacing council tax" in our report on The Funding and Sustainability of Local Government Finance.[202]

143. Some stakeholders have pointed out that removing or providing further exemptions to stamp duty without replacing it with another tax would just lead to an increase in underlying house prices.[203] The Landmark Information Group warned that removing up-front SDLT on purchases could lead investors to buy additional properties more cheaply until the market adjusts, further intensifying competition for limited housing stock.[204] Professor Tim Leunig said:

> Of all the taxes that should be abolished in Britain, [Stamp Duty Land Tax] would be very high on the list. However, if we just abolished it and did not replace it with another property tax, all that would happen is that property prices would rise, because people would be able to put down bigger deposits and that is how the market works.[205]

197 Association of Mortgage Intermediaries (AHO0035)
198 Nationwide Building Society (AHO0032)
199 Generation Rent (AHO0045)
200 Q24 [Dr Levell]
201 Q26 [Dr Levell]
202 Housing, Communities and Local Government Committee, Second Report of Session 2024–25, The Funding and Sustainability of Local Government Finance, HC 514, para 158
203 Mr Anthony Codling (AHO0025)
204 Landmark Information Group (AHO0038)
205 Oral evidence taken by the Treasury Committee on 12 November 2025, Q312 [Professor Leunig]

144. One radical option would be to replace SDLT entirely with another form of taxation, such as an annual charge. Joe Pepper of PEXA UK told us that France has an annualised tax instead of SDLT, which is charged on the owners of property on 1 January each year based on a notional rental value.[206] Beth Rudolf of the Home Buying and Selling Council told us that switching to an annual charge would need to be balanced carefully.[207] Suggestions for such alternatives that protect the government's revenue from SDLT are possible. For example, Professor Tim Leunig of the think tank Onward proposed a revenue-neutral alternative to council tax and stamp duty that would replace council tax with a local proportional property tax on house values up to £500,000 and replace stamp duty with an annual national levy on house values above £500,000.[208] Mitchell Palmer of the Adam Smith Institute calculated that "a recurrent tax of only 0.1% of the underlying land value of dwellings in private ownership could replace the lost revenue of [abolishing] SDLT".[209]

145. Short of a full-scale reform, Timothy Douglas of Propertymark said that reduced SDLT across the board could actually lead to higher SDLT receipts overall because of increased homebuying activity.[210] Similarly, the property trader Spring said that a new blanket exemption for purchases by residential property traders, separate from existing conditional exemptions for property traders (for example, purchase of new-build properties, from the representatives of a deceased individual, or after a chain of transactions has already broken down), could lead to an increase in SDLT receipts for government of £1.1 billion by increasing the number of housing transactions by 14%, according to research by Volterra.[211]

146. Beth Rudolf said that to help people get on the property ladder, "it would be a really good idea to regionalise it" by, for example, changing SDLT thresholds so they are different in different parts of the country, based on local property prices.[212] Timothy Douglas said "there probably needs to be a better conversation around more regular updates to stamp duty bands so they are reflective of wage and house price growth."[213]

206 Q95 [Joe Pepper]; The French Tax Representative, Understanding French Land Tax (Taxe Foncière) (accessed 7 April 2026)
207 Q99 [Beth Rudolf]
208 Oral evidence taken by the Treasury Committee on 12 November 2025, Q312 [Professor Leunig]; Onward, A Fairer Property Tax, 17 August 2024
209 Adam Smith Institute, Stamped Out: The Economics of Abolishing Stamp Duty on Primary Residences
210 Q95 [Timothy Douglas]
211 Spring (AHO0057)
212 Q97 [Beth Rudolf]
213 Q95 [Timothy Douglas]

147. Witnesses like Vicky Spratt, Housing and Society Correspondent for *The i Paper*, emphasised that any amendments to SDLT must "be done so carefully and probably long-term, not on, off, on, off". Referring to stamp duty holidays that were applied during the Covid pandemic, she said:

> It is impossible to overstate the damage that the brief "We are going to do this for a bit" messaging in 2020 did to the market. […] We saw some of the highest, fastest house price inflation ever that year.[214]

148. Because SDLT is an important source of revenue for the public finances, the government has said any changes to it would need to be carefully considered.[215] When asked about SDLT, Lucy Rigby KC MP, Economic Secretary to the Treasury, told us:

> Obviously, the Treasury keeps all taxes under review but [abolishing SDLT] is not directly on the agenda.[216]

149. **CONCLUSION**
Stamp Duty Land Tax is a transaction tax that puts barriers in front of people seeking to buy a new home. Despite a discount for first-time buyers, Stamp Duty Land Tax reduces the affordability of home ownership, slows the property market, and ultimately damages the economy. While it is a valuable source of revenue for public finances, Stamp Duty Land Tax must not be maintained in its current form and needs to be reformed.

150. **RECOMMENDATION**
MHCLG and HM Treasury must begin the process of reforming Stamp Duty Land Tax to improve affordability. Before the end of the calendar year, the government should launch a consultation into potential alternatives to the current tax, which should consider factors including revenue-raising power, impact on friction in the property market, progressiveness, and fairness. Options to consider could include: a full replacement with a revenue-neutral alternative; a reduction in rates to stimulate transaction numbers; an overhaul of banding thresholds to tie more closely with local property prices and remain relevant over time; and an update to reliefs and exemptions so that they better meet the government's goals. The reform of Stamp Duty Land Tax should be done alongside a review of other property taxes, including council tax as we previously recommended in our report on The Funding and Sustainability

214 Qq25–26 [Vicky Spratt, Professor Milcheva]
215 Stamp Duty Land Tax PQ 78956, 20 October 2025
216 Q233 [Lucy Rigby]

of Local Government Finance, to ensure a fair and consistent approach to property taxation. Importantly, all changes considered must be intended to apply for the long term, without short-term “fixes” that can exacerbate the problem by distorting market behaviour.

Conclusions and recommendations

Introduction

1. The price of homes in England has risen faster than wages and inflation, and the average home now costs more than seven times the average income; in the 1990s, the average home cost less than four times the average income. Over the long term, the ratio between wages and house prices needs to return to a more reasonable level. Many people in England who want to buy a home of their own are unable to do so because homes in this country are simply not affordable enough. Being unable to own your own home can have a damaging effect on the economic and mental wellbeing of those unable to do so. (Conclusion, Paragraph 4)

A complex challenge

2. The affordability of home ownership is a complicated and multivariant problem, with no easy or straightforward solutions. Demand-side solutions cannot work in isolation (as they often counterproductively increase house prices as a secondary effect), but supply-side solutions also are not sufficient (homebuilding cannot happen at the necessary speed to have a significant effect). While the affordability of home ownership is a challenging problem, there are some approaches which can begin to tackle this complex issue. We set these out in the remainder of our report. (Conclusion, Paragraph 28)

3. Many government departments have roles to play in tackling housing affordability in this country. We support the cooperation we have seen to date between the Ministry for Housing, Communities and Local Government (MHCLG) and HM Treasury, including in response to this inquiry, but tackling home affordability in the long-term requires a holistic approach by the whole of government. (Conclusion, Paragraph 33)

4. Support from family, often called the bank of mum and dad, is a major part of the current housing market for first-time buyers. This entrenches inequality in the sector, with home ownership resembling an inherited characteristic: a young person's chance of homeownership depends more

on parental home ownership than on personal earnings. More should be done to ensure that everyone has a fair chance of buying a home if they want to, regardless of their family background. (Conclusion, Paragraph 36)

Increasing supply and homebuilding

5. We support the government's aims to improve rates of homebuilding to address historical under-supply of homes and address the chronic unaffordability of home ownership, but we remain concerned that at current rates the government will not hit its target of 1.5 million new homes by the end of the Parliament. We acknowledge that annual targets can be overly simplistic, but provisional interim targets are nevertheless a useful way for the government to demonstrate whether it is on track to meet its 1.5 million new homes target before the end of the Parliament. Delivering the new homes needed to improve affordability will require the combined efforts of the government, private sector and local authorities. (Conclusion, Paragraph 42)

6. To demonstrate its progress to improving the affordability of home ownership, MHCLG should, before the start of the summer parliamentary recess publish annual homebuilding targets for each remaining year of the Parliament. These should show how government expects homebuilding to ramp up over the session and allow us and other analysts to assess whether the government remains on track to deliver its target of 1.5 million new homes before the end of the Parliament. As well as homebuilding targets for the total number of homes, MHCLG should publish annual homebuilding targets for affordable housing and social housing. (Recommendation, Paragraph 43)

7. Most homebuilding is currently done by private sector builders, primarily the larger organisations. Homebuilders have been criticised for not building homes at the socially optimal rate, which they have said is because of high costs (some caused by government policies) and a weak market for new-build properties, and ultimately underpinned by their need to remain profitable. This means developers can take a long time to build out sites, even when planning permission was granted some time ago. Nevertheless, we believe that the homebuilders are valuable partners in delivering the necessary new homes that are needed, and we agree with the Minister for Housing and Planning that this is not an indication of bad behaviour. However, when the framework and economic model of private sector homebuilding constrain builders from building at their maximum capacity or at the socially optimal level to maintain their profits, then that framework and model are wrong and must be changed. We are glad to hear that MHCLG is considering transformation to address this issue, as nothing less is likely to be adequate. The Minister did not give us much detail

of what such a transformation will look like and how it will be delivered, so we would welcome more information in response to this report. Reform of the planning system alone will not address the affordability of housing. (Conclusion, Paragraph 51)

8. MHCLG must write to us before the summer parliamentary recess, and then six-monthly thereafter, setting out what actions it has taken to increase homebuilding rates by private developers, its progress so far, and the levels of cooperation it has received from the housebuilding industry. (Recommendation, Paragraph 52)

9. At their peak, local authorities contributed over 40 times as many home completions per year as they do now, but the homebuilding landscape has fundamentally changed since then and we consider those former levels of local government homebuilding will be practically impossible to return to. We support MHCLG's stated goal of supporting local authorities to increase their homebuilding, including through the Social and Affordable Homes Programme and by encouraging borrowing for homebuilding through the discounted Housing Revenue Account rate of borrowing from the Public Works Loan Board. (Conclusion, Paragraph 57)

10. The government must provide local authorities with the necessary clarity for future borrowing by extending the Housing Revenue Account rate of borrowing from the Public Works Loan Board at least two years into the future on a rolling basis. (Recommendation, Paragraph 58)

11. Government bodies and developers will not be able to maximise the increase to the supply of homes through homebuilding unless they also consider the types, tenures, prices and sizes of homes being delivered. While it is true that many areas of the country do not have enough of any type of home, even in such areas a diverse mix of new properties, especially affordable properties, can improve absorption in the market and make it more viable to build the more homes that are needed. (Conclusion, Paragraph 66)

12. While it is right for planning decisions to be driven primarily by local authorities through the production of local plans, MHCLG still has an important role in ensuring that new homes being built are sufficiently varied by type, tenure, size and price, in line with the government's national aims and with best practice. (Conclusion, Paragraph 67)

13. MHCLG's new and upcoming guidance on local plan-making is welcome, but in addition to guidance for how local plans should be prepared it should provide guidance for what local plans should include, which local authorities can then interpret for their local areas. (Recommendation, Paragraph 68)

14. MHCLG should initiate a review into different mixes of home around the country, including by tenure, type and price, to assess what impact different mixes have on local absorption rates. This review should consider developments for sale since the start of this Parliament and be updated as new developments are completed and go on sale. MHCLG should use data from this review to determine guidance and best practice examples of areas with effective mixes of homes, and add these to its new guidance for local plan-making. (Recommendation, Paragraph 69)

15. There are at least hundreds of thousands of residential properties that are currently empty, many of which have been empty for many months or years. While the number of empty homes is much smaller than the total number of new homes that the government intends to build, bringing them back into residential use (either to sell or as social homes) could nevertheless benefit home supply in this country and improve the affordability of home ownership overall. (Conclusion, Paragraph 75)

16. Government must make it easier for councils to take control of empty properties in their local authorities. This should include clarifying councils' existing powers, such as Empty Dwelling Management Orders and Compulsory Purchase Orders; making the existing powers less risky by amending the conditions that must apply for councils to take and give up control of empty homes; or providing new options such as an extension of The Dormant Assets Scheme to long-term empty residential properties. (Recommendation, Paragraph 76)

Affordable housing

17. There are mixed views about what makes housing affordable, and no statutory definition of affordable housing. The main official definition, in the National Planning Policy Framework, is not reflective of the housing needs in the country. While we support the recent separate identification of Social Rent as its own category of affordable housing, other forms of so-called affordable housing are not truly affordable for many people. (Conclusion, Paragraph 83)

18. The government should clearly and officially define affordable housing in a way that can be used for all relevant purposes, not just as part of the planning system. The definition should refer to local average income levels instead of just the local market values of rent or house prices. The definition should acknowledge the different affordability pressures faced by people in different situations and in different locations around the country. (Recommendation, Paragraph 84)

19. Shared ownership is a useful tool for getting people into home ownership, but it is not a long-term affordable option for many of the buyers to whom it is marketed. We welcome the government's announcement of improvements to the shared ownership model, but it must not be the primary form of affordable housing offered through government programmes like the Social and Affordable Homes Programme. These improvements should include the most efficient and equitable way of dealing with properties when the shared owner has passed away. (Conclusion, Paragraph 89)

20. The government is right to prioritise social rent as the main form of truly affordable housing, but this should not lead to it entirely neglecting intermediate housing such as Rent to Buy and Discount Market Sales, which are intended to benefit those who do not need social rent homes but still cannot afford homes on the open market. Intermediate housing, especially as delivered by Small and Medium-sized Enterprises, can also contribute significantly to the increase in supply of housing in general and home ownership specifically, and for relatively little investment from the government. (Conclusion, Paragraph 93)

21. We echo concerns voiced by the Committee of Public Accounts that an unacceptable number of homes constructed through Section 106 agreements remain unsold to registered providers of social housing, and welcome the fact that MHCLG is developing a policy package to identify and address the underlying issues. (Conclusion, Paragraph 94)

22. Before the summer parliamentary recess, MHCLG must update us on its progress in developing and implementing its new policy package to address issues in the Section 106 market. (Recommendation, Paragraph 95)

Mortgage finance and other lending

23. Mortgages are a vital part of the housing market in this country, and as such a necessary component of improving access to home ownership to first-time buyers. The increased availability of high-Loan to Value mortgages can make it possible for people to purchase homes at higher values, but it is a risk to borrowers if mortgage rates rise and subsequently make the purchases unaffordable through high mortgage repayments. (Conclusion, Paragraph 102)

24. Government must work with mortgage providers and regulators to ensure that renters cannot be denied a mortgage on the grounds of affordability despite evidence of consistent payment of rent at higher monthly values than they would be paying in mortgage repayments. (Recommendation, Paragraph 103)

25. The Mortgage Guarantee Scheme, made permanent by the current government, is having a negligible effect on the availability of high-Loan to Value (LTV) mortgages in the current market and on the affordability of home ownership. It may have a benefit in the event of an economic downturn, which could encourage more lenders to use it. (Conclusion, Paragraph 109)

26. HM Treasury must monitor, and annually publish, the costs of maintenance of the Mortgage Guarantee Scheme, as well as the impact that it is having on mortgage rates, to ensure that it remains value for money. These could be included in the official statistics of the scheme, or published separately. If costs of the Mortgage Guarantee Scheme rise without it keeping mortgage rates low enough for ordinary people to access, the scheme should be closed. (Recommendation, Paragraph 110)

27. We support the efforts of the government and regulators to ease prudential and financial regulations, encourage growth and support first-time buyers, as long as adequate care is taken when doing so. In particular, limiting mortgages to 4.5 times a borrower's income locks too many people out of owning their own home by preventing them from accessing mortgages large enough to cover the current level of house prices, so it is a welcome step for the government, the Prudential Regulation Authority and the Financial Conduct Authority to ease the 15% flow limit rule so that it applies industry-wide instead of to individuals lenders. (Conclusion, Paragraph 115)

28. The Lifetime ISA has helped many first-time buyers to own a home, but aspects of its design have limited its effectiveness in tackling housing affordability. These aspects include the Lifetime ISA's nature as a hybrid product supporting both homebuying and retirement savings, its punitive withdrawal charge, and a property price cap that has not increase in pace with house prices. We support the government's decision to replace the Lifetime ISA. (Conclusion, Paragraph 124)

29. The announced replacement product for the Lifetime ISA must focus specifically on supporting home ownership, should not risk people losing their initial investments in the event of changing situations, and should not have a price cap that prevents its use in parts of the country. (Recommendation, Paragraph 125)

30. The Help to Buy programme helped many people into home ownership, and encouraged housebuilding, but contributed to higher home prices and therefore exacerbated the housing affordability crisis overall. While some form of demand-side incentive may be necessary, it would not be appropriate to recreate Help to Buy as it was done before in the current environment. Any future demand-side interventions should aim to reduce year-on-year variability in homebuilding, as opposed to just a short-term fix to increase effective demand. (Conclusion, Paragraph 135)

Stamp Duty Land Tax

31. Stamp Duty Land Tax is a transaction tax that puts barriers in front of people seeking to buy a new home. Despite a discount for first-time buyers, Stamp Duty Land Tax reduces the affordability of home ownership, slows the property market, and ultimately damages the economy. While it is a valuable source of revenue for public finances, Stamp Duty Land Tax must not be maintained in its current form and needs to be reformed. (Conclusion, Paragraph 149)

32. MHCLG and HM Treasury must begin the process of reforming Stamp Duty Land Tax to improve affordability. Before the end of the calendar year, the government should launch a consultation into potential alternatives to the current tax, which should consider factors including revenue-raising power, impact on friction in the property market, progressiveness, and fairness. Options to consider could include: a full replacement with a revenue-neutral alternative; a reduction in rates to stimulate transaction numbers; an overhaul of banding thresholds to tie more closely with local property prices and remain relevant over time; and an update to reliefs and exemptions so that they better meet the government's goals. The reform of Stamp Duty Land Tax should be done alongside a review of other property taxes, including council tax as we previously recommended in our report on The Funding and Sustainability of Local Government Finance, to ensure a fair and consistent approach to property taxation. Importantly, all changes considered must be intended to apply for the long term, without short-term "fixes" that can exacerbate the problem by distorting market behaviour. (Recommendation, Paragraph 150)

Formal Minutes

Tuesday 2 June 2026

Members present:

Florence Eshalomi, in the Chair

Andrew Cooper

Chris Curtis

Maya Ellis

Mr Will Forster

Mr Gagan Mohindra

Sarah Smith

Affordability of Home Ownership

The following declarations of interests relating to the inquiry were made:

> 18 November 2025
>
> Mr Lee Dillon declared an interest in that he previously worked at Sovereign Housing Association while Ann Santry was Chief Executive.
>
> Andrew Lewin declared an interest in that he previously attended meetings relating to the Shared Ownership Code when he worked for Clarion Housing Group.

Draft Report (*Affordability of Home Ownership*) proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 150 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Second Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Adjournment

Adjourned till Tuesday 9 June at 9.30am.

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee's website.

Tuesday 28 October 2025

Vicky Spratt, Housing and Society Correspondent, The i Paper; **Peter Levell**, Deputy Research Director, Institute for Fiscal Studies; **Sophie Hale**, Principal Economist, Resolution Foundation; **Stanimira Milcheva**, Professor of Real Estate Finance, University College London Q1–37

Tuesday 18 November 2025

Sue Phillips, Founder, Shared Ownership Resources; **Will Jeffwitz**, Head of Policy, National Housing Federation; **Ann Santry**, Chair of Shared Ownership Code, New Homes Quality Board Q38–63

Henry Jordan, Director of Mortgages, Nationwide; **Robin Fieth**, Chief Executive, Building Societies Association; **Stephanie Charman**, Chief Executive, Association of Mortgage Intermediaries; **Charles Roe**, Director of Mortgages, UK Finance Q64–88

Tuesday 6 January 2026

Beth Rudolf, Co-Chair, Home Buying and Selling Council; **Joe Pepper**, Chief Executive, PEXA UK; **Timothy Douglas**, Head of Policy & Campaigns, Propertymark Q89–111

David O'Leary, Executive Director, Home Builders Federation; **Steve Collins**, Chief Executive, Rentplus-UK; **Paul Rickard**, Chief Executive, Pocket Living Q112–147

Tuesday 10 February 2026

Matthew Pennycook MP, Minister of State for Housing and Planning, Ministry of Housing, Communities and Local Government; **Lucy Rigby KC MP**, Economic Secretary to the Treasury, HM Treasury; **Alanna Barber**, Deputy

Director of Banking and Credit, HM Treasury; **Melanie Montanari**, Director for Housing Markets and Strategy, Ministry of Housing, Communities and Local Government Q148–251

Published written evidence

The following written evidence was received and can be viewed on the inquiry publications page of the Committee's website.

AHO numbers are generated by the evidence processing system and so may not be complete.

1	Anonymised	AHO0005
2	Anonymised	AHO0011
3	Anonymised	AHO0017
4	Anonymised	AHO0046
5	Bright Blue	AHO0012
6	Building Societies Association	AHO0036
7	Chartered Institute of Housing	AHO0019
8	Codling, Mr Anthony (Managing Director, Royal Bank of Canada)	AHO0025
9	Community Land Trust Network	AHO0015
10	Community Planning Alliance	AHO0010
11	Cook, Mr Nigel D	AHO0021
12	Dirzu, Mr Valentin (IT Architect, Capgemini)	AHO0001
13	Fairview New Homes	AHO0041
14	G15	AHO0039
15	Generation Rent	AHO0045
16	Gleeson Homes	AHO0018
17	Hendry, Mr Peter	AHO0008
18	Heylo	AHO0048
19	Home Builders Federation	AHO0009
20	Home Buying and Selling Council	AHO0055
21	Homes England	AHO0054
22	Homes for Scotland	AHO0020
23	Hunt, Ms	AHO0042

24	Kanabar, Dr Ricky (Senior Lecturer, University of Bath)	AHO0002
25	Karbon Homes	AHO0050
26	Land, Planning and Development Federation	AHO0022
27	Landmark Information Group	AHO0038
28	Leeds Building Society	AHO0016
29	Ministry of Housing, Communities and Local Government; and HM Treasury	AHO0053
30	Moneybox	AHO0034
31	National Housing Federation	AHO0037
32	Nationwide Building Society	AHO0032
33	Orbit	AHO0033
34	Own Homes	AHO0058
35	PEXA UK	AHO0056
36	PEXA UK	AHO0043
37	Pereira, Mr Francisco J	AHO0040
38	Places for People	AHO0028
39	Pocket Living	AHO0023
40	Propertymark	AHO0027
41	Public First	AHO0049
42	Rentplus-UK	AHO0013
43	Ross, Cllr Ramsay (County Councillor, Rutland County Council)	AHO0003
44	Royal Institution of Chartered Surveyors	AHO0029
45	Sage Homes	AHO0047
46	Santander UK	AHO0031
47	Shared Owners' Network	AHO0052
48	Shared Ownership Council	AHO0014
49	Shared Ownership Resources	AHO0044
50	Spring	AHO0057
51	The Association of Mortgage Intermediaries	AHO0035
52	Training for Professionals	AHO0004
53	UK Finance	AHO0030
54	Umar, Dr Tariq (Senior Lecturer, University of the West of England, UK)	AHO0007

55	VIVID	AHO0051
56	Williams, Dr Peter (Hon Departmental Fellow, Department of Land Economy, University of Cambridge)	AHO0006
57	Women's Budget Group	AHO0026

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee's website.

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Number	Title	Reference
1st	Pre-legislative scrutiny of the draft Commonhold and Leasehold Reform Bill	HC 40

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Number	Title	Reference
5th	Housing Conditions in Temporary Accommodation	HC 1831
4th	Housing Conditions in the Social Rented Sector	HC 1154
3rd	Delivering 1.5 million new homes: Land Value Capture	HC 672
2nd	The Funding and Sustainability of Local Government Finance	HC 514
1st	England's Homeless Children: The crisis in temporary accommodation	HC 338
7th Special	Housing Conditions in the Social Rented Sector: Government Response	HC 1853
6th Special	Delivering 1.5 Million New Homes: Land Value Capture: Government Response	HC 1781
5th Special	The Funding and Sustainability of Local Government Finance: Government Response	HC 1355
4th Special	England's Homeless Children: The Crisis in Temporary Accommodation: Government Response	HC 979
3rd Special	The Finances and Sustainability of the Social Housing Sector: Government Response	HC 762

Number	Title	Reference
2nd Special	Disabled People in the Housing Sector: Government Response	HC 761
1st Special	The finances and sustainability of the social housing sector: Regulator of Social Housing response	HC 457