

# Current issues in Labour's economic policy

## 6. Housing

14 November 2024

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‘Labour will legislate where the Conservatives have failed, overhauling the regulation of the private rented sector. We will immediately **abolish Section 21 ‘no fault’ evictions**, prevent private renters being exploited and discriminated against, empower them to **challenge unreasonable rent increases**, and take steps to decisively **raise standards**.... Labour will... finally **bring the feudal leasehold system to an end**. We will enact the package of **Law Commission proposals on leasehold enfranchisement, right to manage and commonhold**. We will take further steps to **ban new leasehold flats** and ensure commonhold is the default tenure.’

- Manifesto p. 79-80

“Labour will get Britain building again, creating jobs across England, with **1.5 million new homes over the next parliament**.... restoring mandatory housing targets. We will... ensure that planning authorities have up-to date Local Plans and reform and strengthen the **presumption in favour of sustainable development**... Labour will further **reform compulsory purchase compensation rules to improve land assembly, speed up site delivery, and deliver housing, infrastructure, amenity, and transport benefits in the public interest.**”

- Manifesto p. 37-39

# (1) Pledges – in summary

- (a) **Renters rights**: right to reasons for eviction (abolish s.21), challenging ‘unreasonable rent increases’, ‘raise standards’
  - (b) **Feudal rights**: abolish long leaseholds in favour of commonhold and freehold
- (c) **Homeowners**: 1.5 million homes, sustainable development, reform compulsory purchase in public interest

(2) Human rights (3) Legal background (4) International rank, data (5) Reform models (6) Benefits, costs

## (2) Human rights

- **‘Everyone has the right to housing.’** European Social Charter 1996 article 31
- ‘Every natural or legal person is entitled to the **peaceful enjoyment of his possessions**. No one shall be deprived of his possessions **except in the public interest** and subject to the conditions provided for by law and by the general principles of international law.’ European Convention on HRs Prot 1, art 1.
- *Lithgow v UK* [1986] ECHR 8, A1P1 **‘does not, however, guarantee a right to full compensation’** if there are legitimate ‘public interest’ objectives. Nationalising an industry ‘is in itself a far more complex operation than... the valuation of land’. There must be a ‘fair balance’... **‘wide margin of appreciation’**.

## (3) Legal background

(a) Rent, security and standards

(b) Leasehold

(c) Compulsory purchase, right to buy, and  
building

## (a) Rent...

- 94.7% of renters have 'shorthold', 4.5% have 'assured' tenancies, 0.9% have Rent Act 1977 rent control.
- No right against above inflation rent hikes. Can only apply to First Tier Tribunal if **rent 'significantly higher' than similar dwellings in locality**: Housing Act 1988 s 22(3).
- A landlord council can demand 'such reasonable charges as they may determine': HA 1985 s 25
- Renters' Rights Bill 2024 ss 7-8, **scraps shorthold**, so tenancies 'assured' and if tenants face above market rent rises, they may go to a Tribunal, which determines the rent that '**might reasonably be expected to be let in the open market**'. (HA 1988 ss 13-14)
- Rent must be advertised, and this is the rent to be agreed (ss 55-6)

## ... security...

- Landlords may get court order to evict without a reason at the end of 'shorthold tenancy', with 2 months notice: Housing Act 1988 **section 21(1)**.
- Renters' Rights Bill 2024 ss 1-2 requires 'assured tenancies', which must be **open-ended, rent payments monthly, lasting at least 1 year**: HA 1988 s 4A, scraps shorthold and s 6A, 19A-23.
- Reasons must be given for eviction of assured tenant, Sch 1 → 2, eg
  - unreasonable rent arrears (usually two months),
  - breach of contract,
  - nuisance or violence,
  - damage to premises or furniture
  - live-in landlord chooses
  - mortgagee (usually a bank) enforcing security
  - ... and Bill adds grounds, eg need of landlord/family to live there.



... and standards.

- Home must be **'fit for human habitation at the time the lease is granted'** and right to **repair 'structure and exterior', 'water, gas and electricity' and 'heating and heating water'**; have regard to 'repair, stability, freedom from damp, natural lighting':  
Landlord and Tenant Act 1985 ss 9A-11
- Renters' Rights Bill 2024 s 98, minister can write rules for state of repair, 'things to be provided for use by, or for the **safety, security or comfort of dwellers**, + temperature.

## (b) Leasehold

- Leasehold Reform Act 1967 s 1, after two years living in a house, tenants with leases over 21 years have the right to acquire the freehold.
- Leasehold and Freehold Reform Act 2024 (not yet in force):
  - s 1, bans leaseholds over 21 years
  - s 27, creates a right to buy without waiting 2 years
- Housing Act 1985 s 126, secure tenant can buy freehold from council, discount of 60% or 70% flats. Can't sell in 5 years. The 'right to buy'.

## (c) Home building

- **Councils may only compulsorily purchase land with minister approval:** Local Government Act 1972 s 120
- **'Real Estate Investment Trusts'** over £20m with 3 properties are **exempt from corporate tax on their profits and capital gains** – only one property needs to be rented, no need for building on empty property: Corporation Tax Act 2010 s 529.
- **'Additional council tax' only after 1 year for empty home.** 3 months 'empty property relief' from Business Rates. Local Government Finance Act 1992 s 11A. Local Government Finance Act 1988 s 45. **This inflates prices.**
- **New buildings must be 'nearly-zero energy',** energy must be to a 'very significant extent by energy from renewable sources... produced on-site or nearby', and Energy Performance Ratings: Building Regulations 2010 regs 22-25B (BA 1984 s 1). Energy Performance of Buildings Directive 2024/1275 arts 4-11.
- **Bank of England's inflation measures** - Consumer Price Index or CPI+Housing (CPIH) - **exclude mortgage costs** (unlike RPI), which go up when the Bank puts up the base rate: Bank of England Act 1998 s 11. This encourages BoE to raise rates even if people face high inflation in house prices: this **makes housing more unaffordable**, and potentially raises inflation (if causes of inflation are mainly external to the UK).

## (4) International rank and data

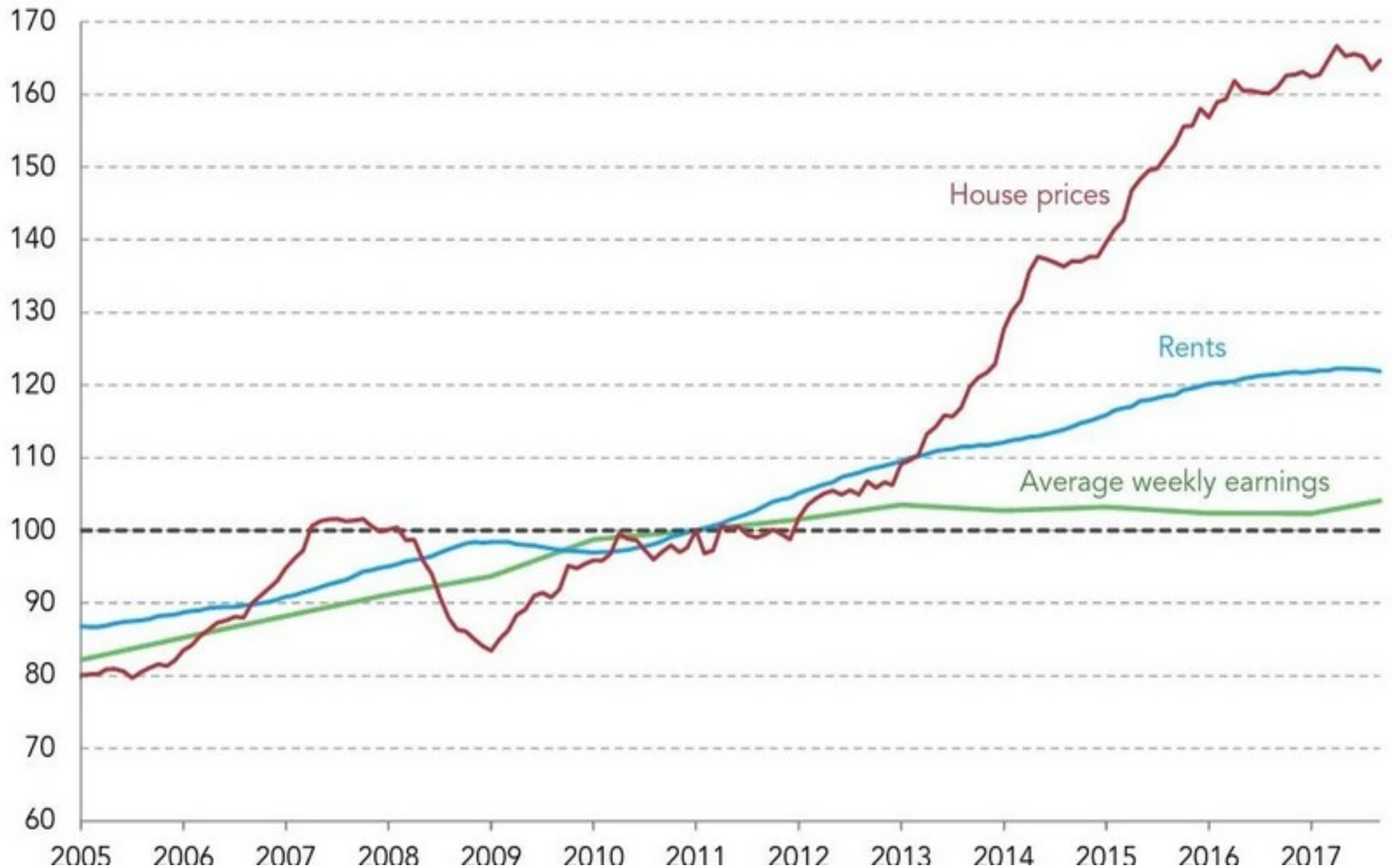
(a) High rents, high prices, serious disrepair

(b) 6<sup>th</sup> worst in Europe for ownership

(c) 1m unbuilt + 1.45m vacant + 2.1m second

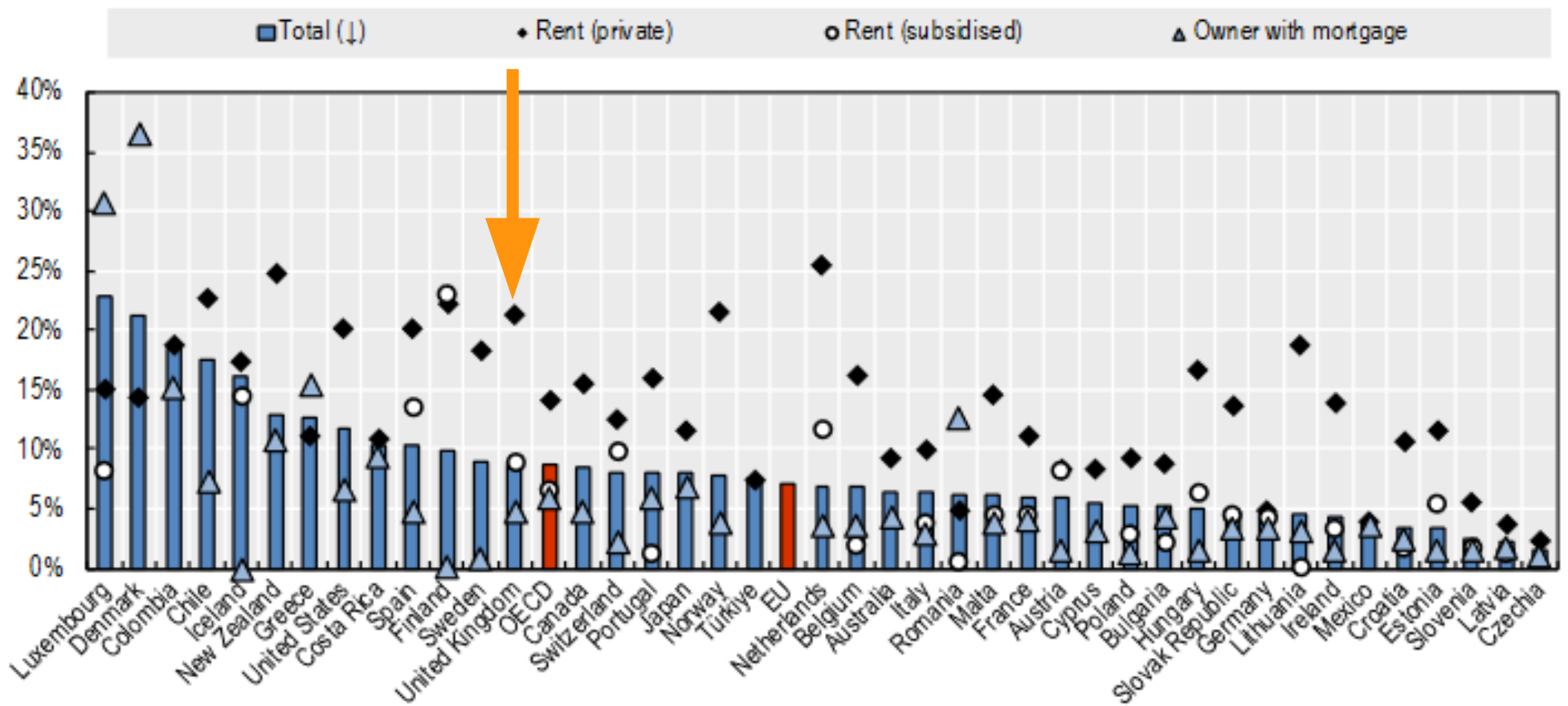
# (a) Rent super-inflation

Indices (April 2011 = 100) of average earnings, private rental prices and house prices (all nominal)



# 6th worst in OECD for renters spending over 40% of disposable income on rent: OECD, HC1.2.3

B. Share of population spending more than 40% of disposable income on mortgage and rent, by tenure, in percent, 2022 or latest year <sup>1,2,3,4,5</sup>

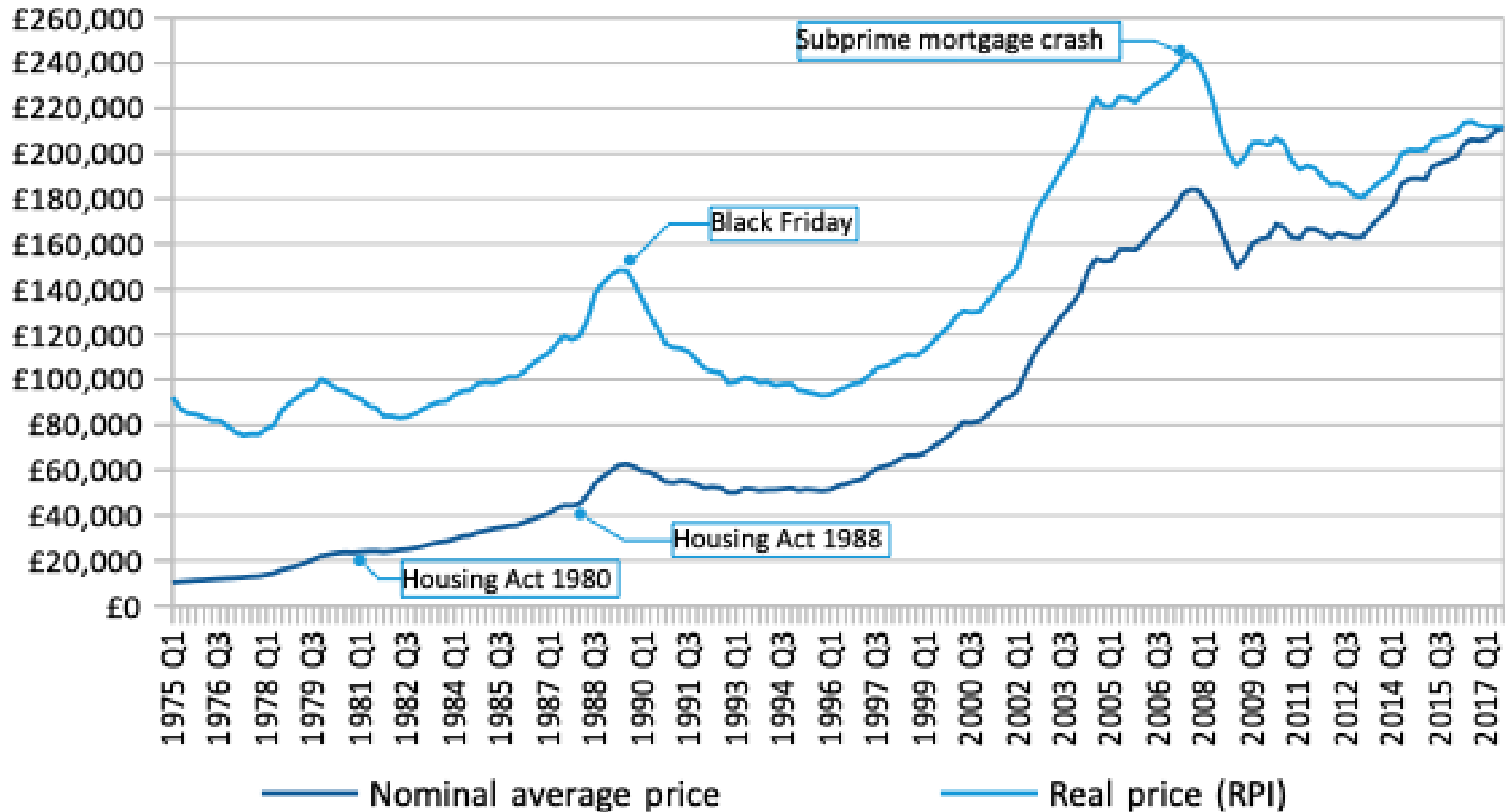


Behind Chile, Finland, Norway, Holland, and NZ

# Long-term real house price inflation

## UK house prices, nominal and real, 1975-2017

Sources: ONS, All UK Properties; nationwide.co.uk/hpi



# Dingy, damp, in disrepair, and cold

- New **UK homes smallest on average** compared to all EU member states: (2014) 42(6) Building Research & Info 710, Table 1. 76 m<sup>2</sup> vs. 109.2 m<sup>2</sup> in Germany.
- In 2017, **24.5% of private rented houses in England were 'non-decent', 19% in 'serious disrepair', 7.2% damp**: MHCLG, *English Housing Survey* (2019)
- In 2003 it was estimated to cost £14bn to make all homes decent = £24.88bn today.
- In 2018, **5.4% UK home dwellers unable 'to keep home adequately warm'** vs 2.3% in Germany: Eurostat (2020)





## (b) Leasehold

- In 2023, 4.77m leaseholds in England, 19% housing stock, of which 3.4m were flats, 1.3m were houses.
- 2.65m leaseholds are owner occupied, 1.82m private rented, 299,000 social landlords.
- Rise in leaseholds from 4.2m in 2015 to 4.77m in 2023.

### Duke's death hands property empire to 25-year-old son

Westminster estate grew from swamp to multibillion business

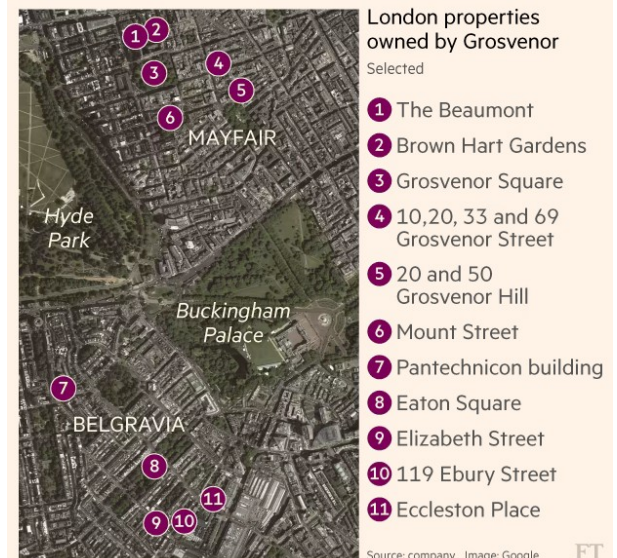


The new Duke of Westminster © PA

Judith Evans, Andrew Bounds and Hugo Greenhalgh AUGUST 10 2016



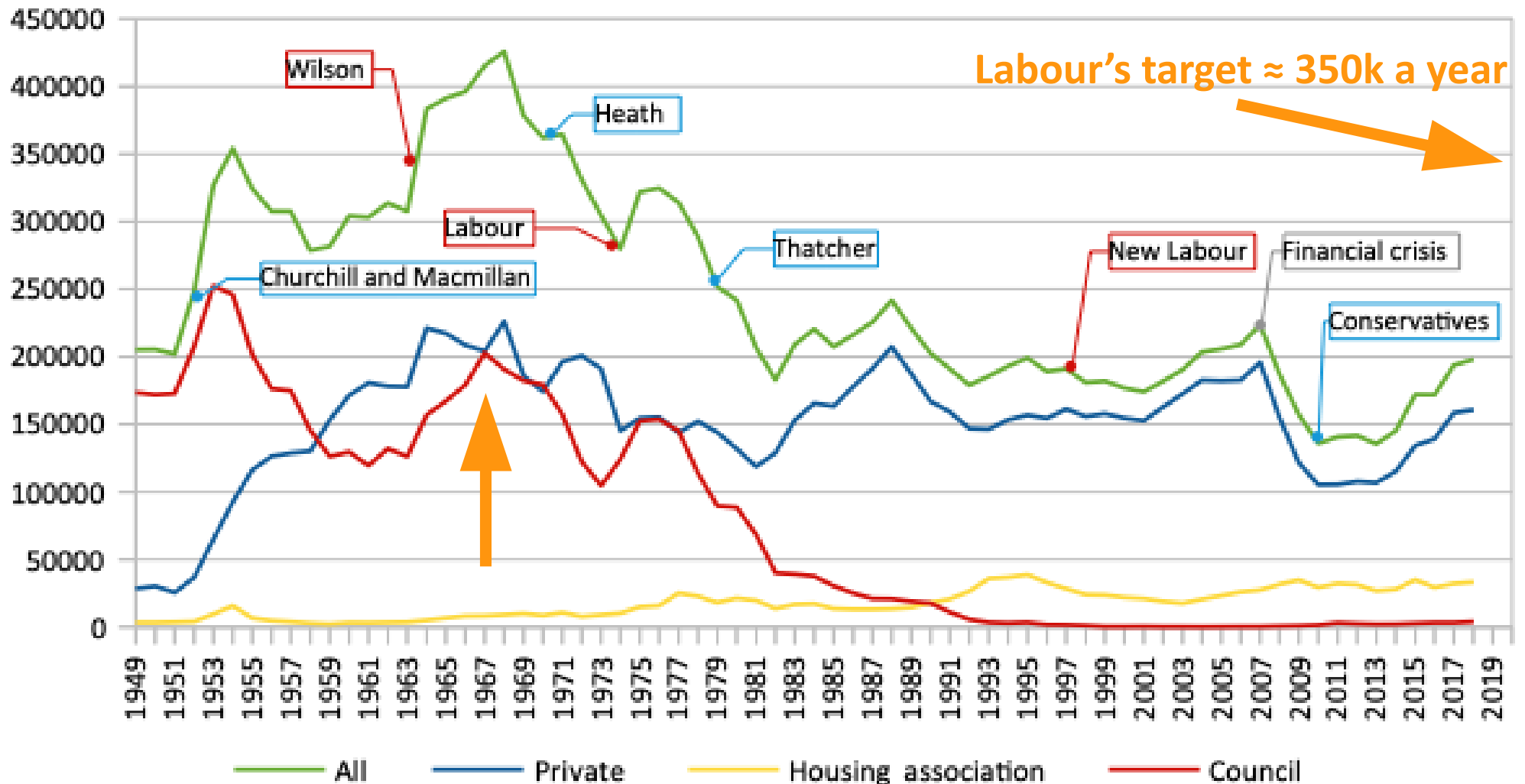
In 1677, Sir Thomas Grosvenor married the 12-year-old heiress Mary Davies and came into possession of 500 acres of swamp, pasture and orchards to the west of London.



# (c) Housebuilding

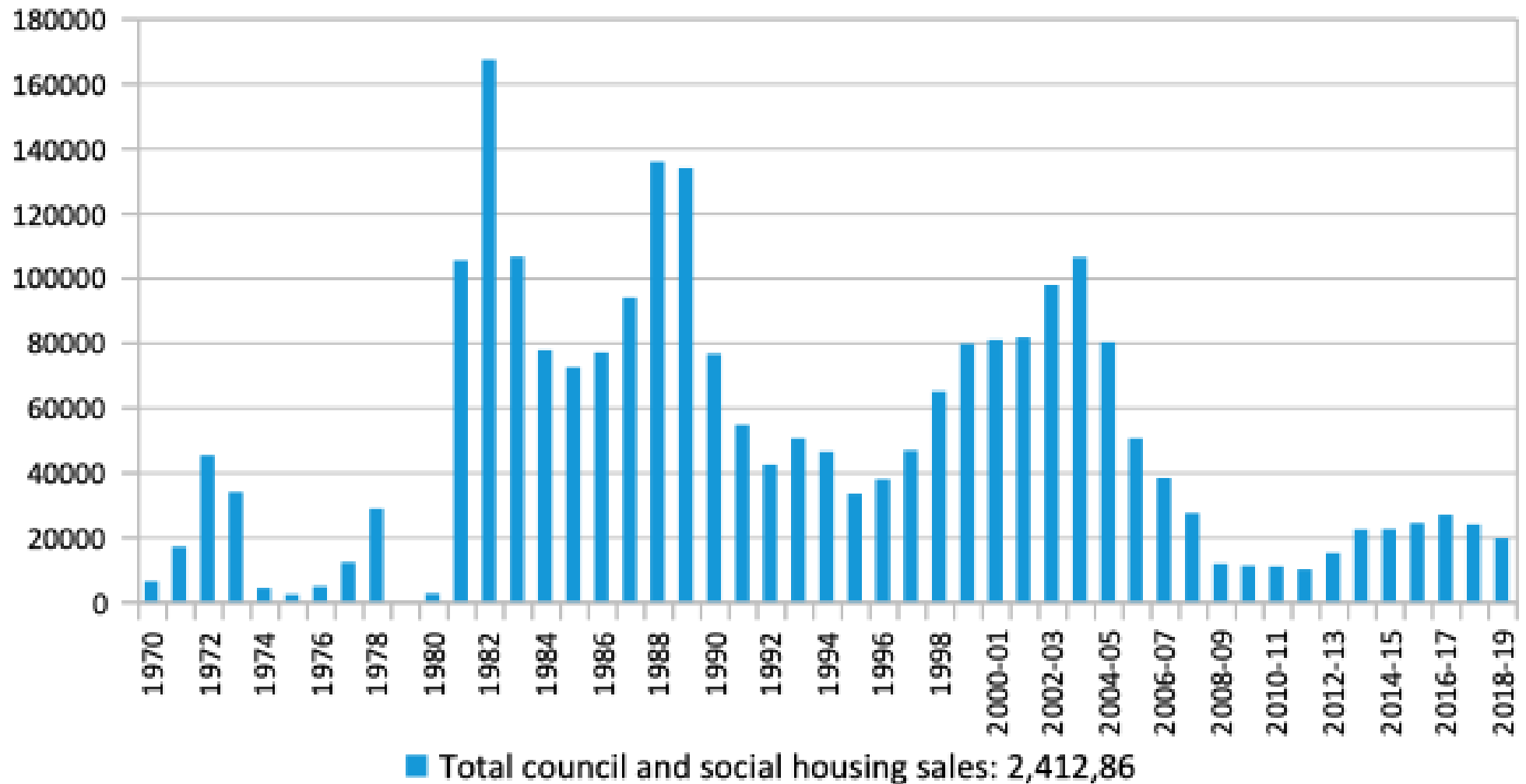
## Housebuilding in the UK 1949 to 2019

Source: ONS, UK house building: permanent dwellings completed by sector, Table 3a



# Council and social housing sales in Great Britain, 1970-2019

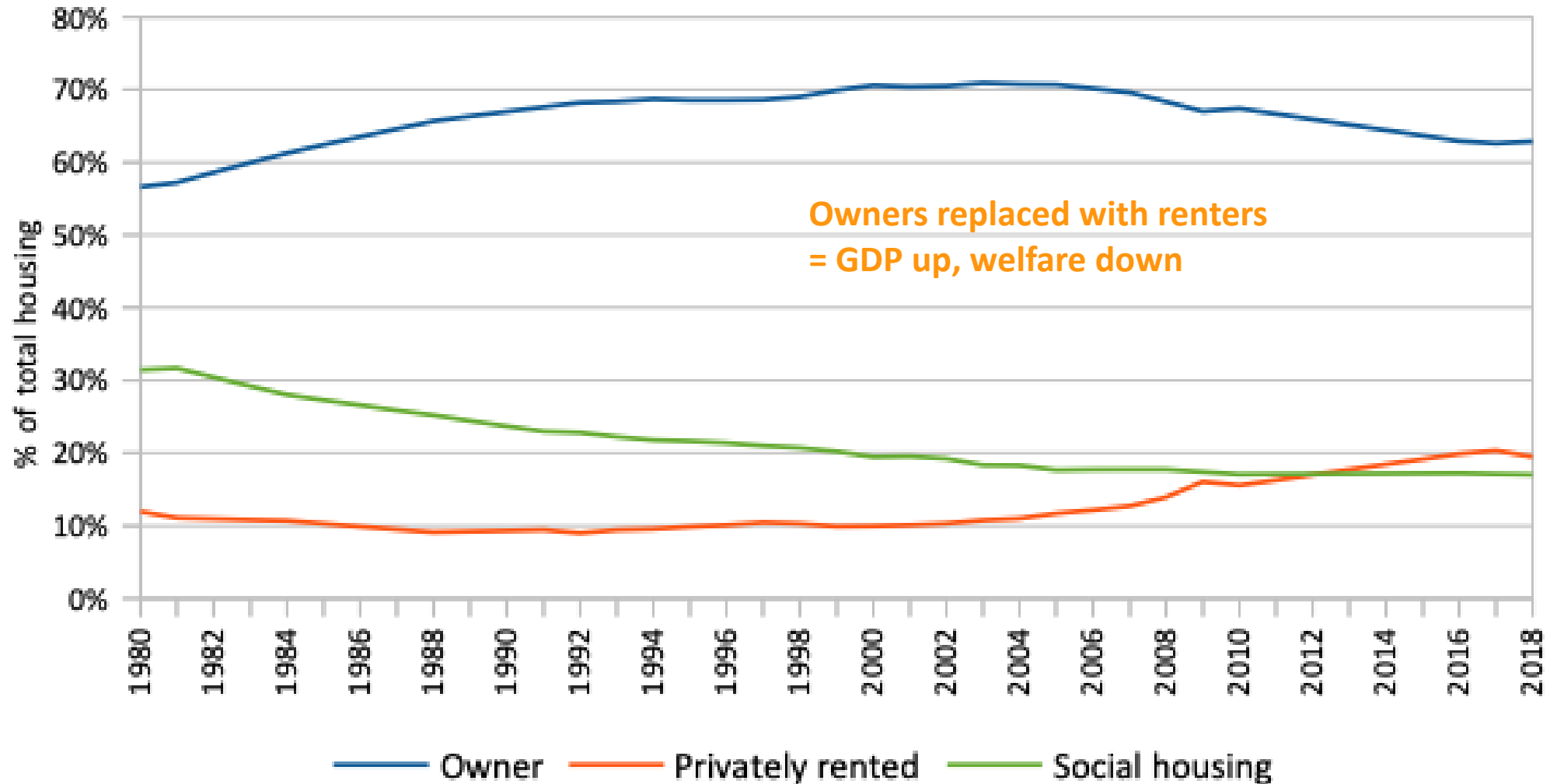
Sources: P Balchin and M Rhoden, *Housing Policy* (2002) Table 8.1 and 8.5 (1970-1998). ONS, Table 678, *Social Housing Sales for England*. Scottish Government, *Housing statistics: Sales of social sector housing* (1999-2019)



# 6th worst in Europe for home ownership, **73%** in 2007 down to **65%** in 2018: Eurostat ilc\_lvho02

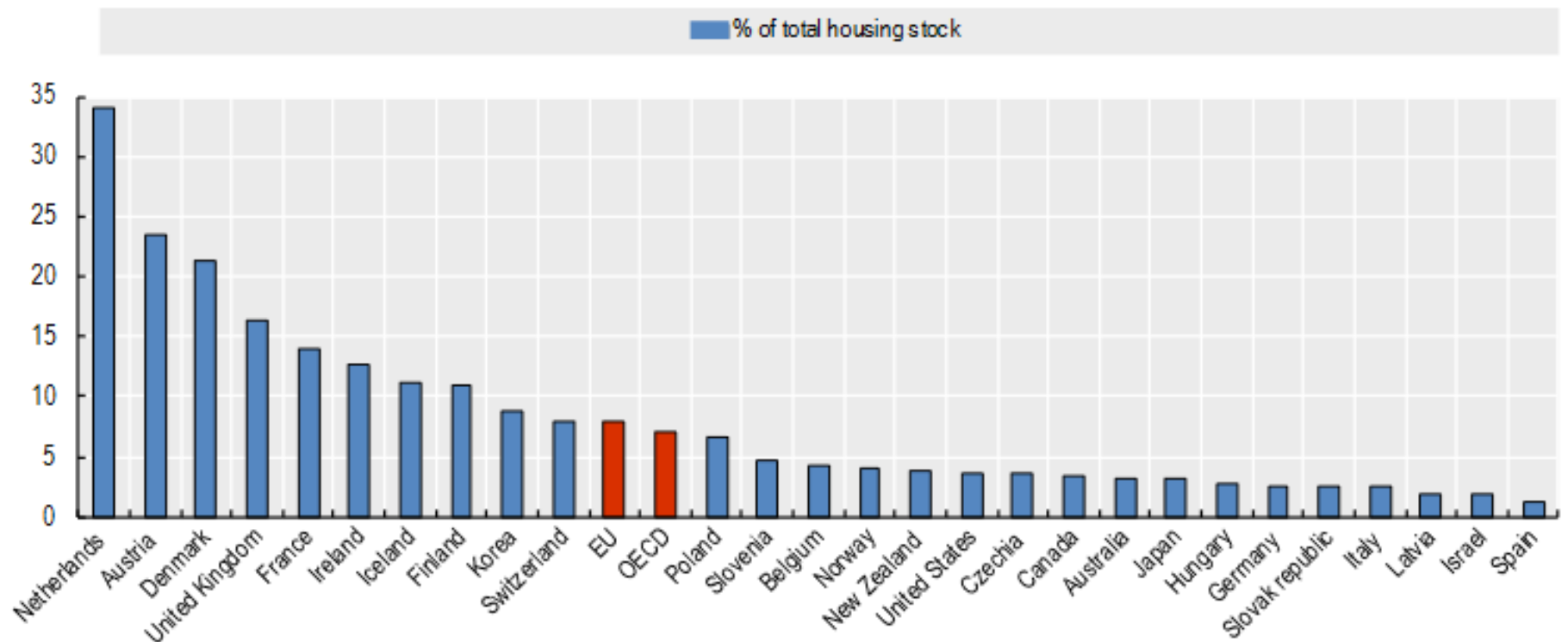
## UK housing ownership and rent 1980-2018

Sources: English Housing Survey



## Figure PH4.2.1 Relative size of the social rental housing stock

Number of social rental dwellings as a share of the total number of dwellings, 2022 or latest year available<sup>1,2,3,4,5,6,7,8,9,10,11</sup>



# 1m unbuilt homes + 1.45 vacant homes + 2.1m second homes

- ‘Housing backlog – more than **a million homes with planning permission not yet built**’ (2020)  
Local Government Association
- In 2021, **1.45 million vacant homes**:  
ONS, Census 2021 (27 Oct 2023)
- **Plus prime estate derelict property**
- **2.1 million households with one or more second properties**: DLHC,  
*English Housing Survey 2021 to 2022:  
second homes - fact sheet* (17 Jul 23)



## (5) Models and options to meet goals

(a) Rents, security, habitability

(b) Leasehold right to buy

(c) Home ownership, compulsory purchase  
at fair value, planning

## (a) Rents, security, standards

- **Right to fair rent**, not just 'reasonably expected in open market':
  - ex-RA 1977, RA Order 1999, still exists for 0.7% of homes;
  - German Civil Code, BGB §§557-8, rents cannot be increased beyond what is 'customary in the locality' (rent mirror), and no more than 20% in 3 years;
  - Berlin: rent freeze in 2020, max 1.3% rises after 2022, but BVerfG held Berlin had no power to do this, void in 2021.
- **Security**: eviction only for fair reasons, as in Renters' Rights Bill, but unregulated rents = little security, as unpayable rent hikes =
- **Standards**: raise sizes, further energy efficiency, bill cutting, in building regulations, requiring solar, batteries, heat pumps.



## (b) Leasehold reform

- Tenant right to buy all leaseholds at a fair value, on same or more favourable basis than the Council 'right to buy'. Remove council RTB discounting.
- Note, Grosvenor Estate only now does 20 year leases, given right of leasehold purchase.

## (c) Home building and ownership

- Autumn Budget (2024) 69, 92: '£500 million boost to the Affordable Homes Programme to build up to **5,000 additional affordable homes**' total £3.1bn p.a. = 30k affordable homes. (Just 320k extra p.a.)
- Let councils **purchase vacant, derelict, unbuilt property w/planning at fair value** without minister approval: Local Govt Act 1972 s 120
- Remove all tax exemptions for vacant and undeveloped buildings, as well as car parks or urban properties
- **Remove tax breaks for corporate real estate landlords** in the Corporation Tax Act 2010
- Remove exemptions of housing costs from inflation calculations: Bank of England Act 1998 s 11A
- Require **new buildings are carbon-negative**, and for landlords to insulate homes, install solar: Building Regulations 2010

## (6) Benefits and costs of reform

- 93.5% of economists surveyed agreed: 'A ceiling on rents reduces the quantity and quality of housing available.' Arnott, 'Time for Revisionism on Rent Control?' (1995) 9(1) JEP 99, but evidence against.
- 'Rent controls will not deter housing investment, US mega-landlord says' (15 Sept 2024) FT
- Fair rent, and standards, will make the UK's housing market more stable, and produce better results, like most other countries.

# Discussion questions

- 1. What is the best method of rent regulation?
- 2. What are the best reforms to achieve fairly priced, affordable homes?
- 3. What is the right balance between public and private housing to achieve good quality and affordable homes?

