

House of Lords Built Environment Committee
Call for Evidence - Meeting the UK's housing demand
Response from Propertymark
September 2021

Background and introduction

1. Propertymark is the UK's leading professional body for estate and letting agents, inventory providers, commercial agents, auctioneers and valuers, comprising nearly 17,500 members. We are member-led with a Board which is made up of practicing agents and we work closely with our members to set professional standards through regulation, accredited and recognised qualifications, an industry-leading training programme and mandatory Continuing Professional Development.
2. Propertymark welcomes the opportunity to respond to the House of Lords Built Environment Committee's call for evidence on meeting the UK's housing demand. Our members are important intermediaries in a healthy, fair, and functioning housing system. Operating across both the residential sales and lettings industries, property agents are at the interface between consumer demand and supply so have valuable insight into emerging and stubborn challenges to meeting housing demand.
3. Property agents are therefore well positioned to help deliver government objectives in relation to housing in both the owner occupation and privately renting sectors.
4. Housing is a devolved matter with systems in Scotland, Wales and Northern Ireland growing increasingly diverged from England. The scope of the inquiry is limited to England, so while Propertymark operated across all UK nations, this submission will focus on England.

Questions

Question 1: What is the current composition of the UK's housing sector? How is the sector structured in terms of private ownership, privately rented accommodation and social housing?

5. The current composition of the UK's housing sector is essentially a system, built on a framework of tenure and which is delivered via local markets by a mixture of public, non-profit, or private sector providers. The most basic distinction of tenure is between owning and renting but there are different and often overlapping forms of both. Across private ownership, privately rented accommodation and social housing we see the structure of the sector made up of many direct actors on both the supply and demand sides – with many operating in both - including developers, the construction industry, surveyors, institutional investors (e.g. build-to-rent, Real Estate Investment Trusts), local authorities, registered providers of social housing, lettings and estate agents, consumers, and the UK Government via legislation and policy interventions that subsidise people's ability to purchase or rent homes.

6. Within the structure and composition of the UK's housing sector, private ownership should be looked at in terms of leasehold, freehold and specialist arrangements for older people. Rented housing can be delivered by private individuals or organisations, or local authorities and private registered providers of social housing,¹ as well as specialist arrangements for older people. Renting can be further broken down depending on the needs or requirements of those being housed e.g., supported housing for specific groups like young people, those with mental health conditions and people fleeing domestic abuse. Housing for older people spans both ownership and renting and is provided in a range of ways including sheltered, warden assisted or retirement housing for rent or sale.
7. Owners –as leaseholders or freeholders - can occupy their home themselves, they can rent it to other households as a private landlord or they can let it out as a short-term/holiday let. Owned homes will either be with a mortgage or outright and will either be new build or second-hand homes already in the market. There are also hybrid tenures such as rent-to-buy and shared ownership which serve to support people wishing to move from renting towards home ownership.

Question 2: What social and demographic factors shape housing demand in the UK? What are the expected future trends in housing demand?

8. Propertymark would categorise the social and demographic factors that shape housing demand in the UK into two groups. Firstly, income and affordability. Secondly, age and composition of households. We think there are two expected future trends in housing demand. Firstly, meeting the anticipated housing needs of older people. Secondly, due to the pandemic and people continuing to work from home the desire for outside space, good broadband connectivity and dedicated workspaces have accelerated and will continue to heighten demand for housing that meets these needs.
9. When looking at social and demographic factors that shape housing demand in the UK, it is crucial to first recognise an important distinction between housing need and housing demand. The former represents a range of household circumstances where suitable and decent housing, at an affordable price relative to income, is unlikely to be both available and accessible without some form of external intervention. Housing need represents a shortfall of adequate accommodation in this context. Housing demand is essentially driven by choice, preference, income and willingness and ability to pay. The means of purchase, payment and affordability, i.e., someone or a household's purchasing power, will vary considerably and the cost of housing in any given area will be influenced heavily by whether homes are in a seaside town, a rural or urban area or a university city, and relative levels of deprivation in the area, the availability and quality of employment and other important local infrastructure such as education, transport, healthcare provision and amenities.
10. Age and household composition are significant drivers of housing demand, and the most prominent ones are reflected in recent tenure shifts. Younger people are increasingly likely to

¹ Regulator of Social Housing, 2019: <https://www.gov.uk/guidance/regulatory-standards-procedures-and-guidance>

rent for much longer periods of time, often at the lower end of the private rented market as they are most likely to be on the lowest incomes and paying the lowest rent.² At the same time, there is an increasing number of families with children living in the private rented sector, a demographic for whom affordability, security and stability are key factors.³

11. Meeting the anticipated housing needs of older people is an expected future trend in housing demand. The number of people aged over 65 in England is expected to rise from 11.7 million to 14.3 million by 2025 - a 22 per cent rise⁴, but just 2 per cent of the country's housing stock has been designed with pensioners in mind.⁵ Only 0.6 per cent of over 65s live in housing with care in the UK, comparatively low in global terms.⁶ This means that the vast majority of over 65s currently live in the mainstream housing market. The UK Government need to therefore ensure that we are planning for a range of products and policy levers that facilitate and enable movement within existing supply. In 2017, Propertymark responded to the House of Commons Communities and Local Government (CLG) inquiry, looking at the shortage of suitable housing for over 55's in the UK, where we highlighted that one of the main barriers for older people looking to relocate is the lack of suitable choices.

12. Throughout the pandemic our members working in residential sales have seen many homeowners living in urban and city areas reconsider their lifestyle and reprioritise how and where they want to live, especially with working from home becoming the new normal. More space has been the most common reason for people moving, but also popularity of a rural or coastal life, confidence in improving broadband, and the attraction of more indoor and outdoor space can be linked to the lockdowns and changing consumer habits. Expedited by the pandemic, the increase in employers offering a balance of home and office working means that home movers are increasingly prioritising properties with good remote working facilities, including a dedicated workspace and strong internet connectivity. To this end, research has revealed that 57 per cent of homebuyers place more importance on office space than they did pre-pandemic and 48 per cent are prioritising speedier internet connections.⁷

Question 3: Does the Government's target of 300,000 new homes per year accurately reflect housing demand? Is this target achievable?

13. We do not believe that the UK Government's target of 300,000 new homes per year accurately reflects housing demand. We think this for two reasons. Firstly, because the target has not been modelled to outline what is needed for each tenure across the country. Secondly, the

2 Rugg, J., Wallace, A., 2021, Property supply to the lower end of the English private rented sector: <https://www.york.ac.uk/chp/news/2021/rented-sector-supply/>
 3 MHCLG, 2021, English Housing Survey, 2019 to 2020: private rented sector: <https://www.gov.uk/government/statistics/english-housing-survey-2019-to-2020-private-rented-sector>
 4 LGA, 2017, Housing our ageing population: https://www.local.gov.uk/sites/default/files/documents/5.17%20-%20Housing%20our%20ageing%20population_07_0.pdf
 5 Propertymark, 2017, Response to the House of Commons CLG Committee's inquiry – Housing for Older People: <https://www.propertymark.co.uk/resource/clg-committee-housing-for-older-people.html>
 6 LGA, 2017, Housing our ageing population: https://www.local.gov.uk/sites/default/files/documents/5.17%20-%20Housing%20our%20ageing%20population_07_0.pdf
 7 Savills, 2020: <https://www.savills.co.uk/insight-and-opinion/savills-news/304421-0/uk-s-prime-housing-markets-set-fair-for-autumn-after-red-hot-summer>

target does not consider affordability including welfare entitlement and wage growth. Based on the current rate of progress, the UK Government is unlikely to meet its target of building 300,000 new homes per year until at least 2028. For 2019-20 total new build completions was 220,600, only 6,190 more than for 2018-19 and 65,520 more than five years earlier. Total net additional dwellings for 2019-20 was 243,770, almost 23,000 of which were delivered through conversions and change of use under permitted development rights.⁸

Question 4: What is the balance of demand for new housing between homes for private ownership, privately rented homes, and social housing? How does this affect the type and tenure required of new homes?

14. Propertymark believes that there is equally high demand for new housing between homes for private ownership, privately rented homes and social housing. Our monthly Housing Market and Private Rented Sector reports corroborate a growth in demand against a backdrop of undersupply across both the sales and lettings markets, albeit to different extents across the country. Our most recent Housing Market Report for July 2021 revealed that the volume of new listings coming onto the market is in continued decline, while demand remains high. The average number of properties available to buy per Propertymark member branch was 28, meaning there was an average of 15 buyers for every available property on the market during the month, a finding mirrored by other similar sector-based surveys.⁹ And our most recent Private Rented Sector Report for July 2021 revealed the average numbers of prospective tenants continues to grow while managed stock levels are in sustained decline.¹⁰ Again, our insight is corroborated by other industry commentators pointing to a decline in the number of homes available to rent against a backdrop of strong demand.^{11,12} Furthermore, the figures for the number of households on waiting lists for social housing in England provides a helpful indication of housing demand. The most recently available data tells us that almost 1.2 million households have requested rehousing assistance from their local authorities¹³ because their housing needs are not being adequately met by the private market, although real need is expected to be higher.¹⁴ Ultimately, this means that a healthy housing mix of tenures is important, and each part of the housing system has an important role to play.

Question 5: What can be done to ensure there is a good balance of new homes where they are needed across the UK?

8 MHCLG, 2020, Live tables on housing supply: net additional dwellings: <https://www.gov.uk/government/statistical-data-sets/live-tables-on-net-supply-of-housing>

9 RICS, 2021, UK Residential Market Survey July 2021: <https://www.rics.org/globalassets/rics-website/media/knowledge/research/market-surveys/7. web - july 2021 rics uk residential market survey tp.pdf>

10 Propertymark, 2021, Private Rented Sector Report July 2021: <https://www.propertymark.co.uk/news-reports.html>

11 Buy Association, 2021: <https://www.buyassociation.co.uk/2021/03/17/uk-rental-market-rents-on-the-rise-as-demand-remains-high/>

12 HomeLet, 2021, HomeLet rental index report, August 2021: https://mk0homeletlettingsmrv.kinstacdn.com/wp-content/uploads/2021/09/HomeLet_Rental_Index_August_21.pdf

13 MHCLG, 2021, Live tables on rents, lettings and tenancies: <https://www.gov.uk/government/statistical-data-sets/live-tables-on-rents-lettings-and-tenancies>

14 Households who are successful with gaining access to local authority waiting lists are those who can demonstrate a housing need of some kind but not all those in housing need will gain access to waiting lists. Since the Localism Act 2011 local councils were able to introduce criteria that disqualified persons from consideration based on local connection or previously unacceptable behaviour like rent arrears or anti-social behaviour.

15. We believe there are five things that can be done to ensure a good balance of new homes where they are needed across the UK. Firstly, the long-term solution to address the lack of affordability in the private rented sector is to ensure that more social housing is built to ensure that renting is more affordable and secure for renters in all tenures. Secondly, removing surcharges on purchases of additional homes will encourage further investment in the private rented sector. Thirdly, build housing for older people and provide incentives to downsize. This should include requiring local authorities to have a plan for retirement housing, including identifying appropriate sites and design specifications across a mix of housing tenures for older people to rent and buy. Fourthly, more action is needed on empty homes as they can lower land values and make it harder to sell other properties nearby. Bringing empty homes back into use can also ease the pressure on existing housing stock and help improve local communities. The latest UK Government data shows that vacant dwellings account for almost 3 per cent of the total dwelling stock in England. Over 250,000 homes in have been empty for over six months and in total, there were 665,600 vacant homes more than double the UK Government's annual housebuilding target.¹⁵ Fifthly, review the impact of the increasing number of short-term lets in certain parts of the country that are removing much needed homes to rent and buy.

Question 6: Is the construction sector able to deliver the UK's housing demand? What barriers are facing the sector?

16. Currently, PropertyMark does not think that the construction sector is able to deliver the UK's housing demand. We think this for two main reasons. Firstly, the continued impact and potential future implications of a shortage and increased costs of vital materials. To this end, materials price rises and shortages have been blamed for a fall in construction output for the three consecutive months to August and the Coronavirus pandemic has had a knock-on effect on certain supplies.¹⁶ For instance, a heightened demand for timber, on a global scale, caused by people staying at home and deciding to renovate their homes has pushed up prices as supply becomes increasingly difficult to come by.¹⁷ Secondly, the short term impact of the UK's departure from the European Union (EU) has reduced capacity in the workforce to deliver with low levels of new sufficiently skilled people entering the industry causing concern for the longer term. In the third quarter of 2020 there was 28 per cent less EU born workers in the UK's construction industry (30 per cent in London) when compared with the same period in 2019 – a decrease that was disproportionate to the 7 per cent fall in total construction employment. This issue is compounded by low levels of new sufficiently skilled people joining the industry which has prompted the Home Builders Federation to launch a major campaign to futureproof the construction workforce by attracting a young and more diverse workforce into the industry.¹⁸

15 MHCLG, 2021, Dwelling stock estimates in England: 2020: <https://www.gov.uk/government/statistics/dwelling-stock-estimates-in-england-2020>

16 Construction Enquirer, 2021: <https://www.constructionenquirer.com/2021/08/12/materials-and-labour-shortages-sink-construction-recovery/>

17 Homebuilding & Renovating, 2021: <https://www.homebuilding.co.uk/news/timber-shortage>

18 Homebuilders Federation, 2020, 2020s Vision for the Homebuilding Industry: A strategy for a new decade and beyond: <https://www.hbf.co.uk/policy/strategy-2020/>

Question 7: The Government has published its proposals for reform of the planning system. How can the planning system be shaped to meet housing demand?

17. To meet housing demand an effective planning system must be shaped in three key ways. Firstly, it must prioritise the delivery of the right types of homes in the right places, making affordability a fundamental consideration. Secondly, the planning system must deliver the infrastructure needed to support housing demand and provide good transport, employment, education, health services to create thriving communities. Thirdly, the planning system must remove known barriers to maximising delivery. Overall, there must be a balance of new supply across all tenures in line with relative need and demand.
18. The planning system must prioritise the right types of homes being built in the right places. The right types of homes will ensure local housing need is met while giving home movers a variety of products and options to help facilitate and enable movement in and across the market. Additionally, encouraging and supporting private sector retirement housing development that is well designed is an important part of helping to create housing diversity and help meet the future housing needs of older homeowners. New supply targets must therefore be informed by a careful assessment of housing need and market demand, informed by data that reflects what is needed in terms of tenure and costs/affordability in the first instance, followed by size of indoor and outdoor space, the number of bedrooms, office space and internet connectivity as well as accessibility, parking and energy efficiency rating.
19. The planning system must deliver the infrastructure needed to support housing demand and provide good transport, employment, education, health services and to create thriving communities. Developer contributions made via section 106 (s106) agreements and the community infrastructure levy (CIL), play an incredibly important role in ensuring that development impacts are appropriately mitigated and that the right infrastructure is in place to support it. S106 is also a major mechanism for delivering new affordable homes to rent and buy. We know that a considerable amount of new affordable housing is delivered via the current s106 system, currently accounting for more than half of all new social homes in England and have delivered more social housing over the last decade than any other route.¹⁹ The planning system must therefore continue to ensure that infrastructure delivery is valued at an individual local authority level rather than a nationally set value-based charge.
20. The planning system must remove known barriers to maximising delivery. Maximising the number of built permissions must be a central focus to ensure a strong pipeline of sites is secured but currently it can take an unreasonable amount of time to go from application to completion. Research has highlighted that large schemes with outline permission for more than 500 homes can take an average of approximately three years to deliver its first home and up to five to eight years from the date at which an outline application is validated.²⁰ Furthermore, nine in 10 planning applications are approved by councils and more than a

¹⁹ MHCLG, 2021, Live tables on affordable housing supply: <https://www.gov.uk/government/statistical-data-sets/live-tables-on-affordable-housing-supply>

²⁰ Lichfields, 2020, Start to Finish. What factors affect the build-out rates of large scale housing sites?: https://lichfields.uk/media/5779/start-to-finish_what-factors-affect-the-build-out-rates-of-large-scale-housing-sites.pdf

million homes that have been given planning permission in the last decade are not yet built.²¹ There is also land for more than one million homes already allocated in Local Plans which developers have not yet brought forward to planning application stage.²² Consequently, there must be a focus on identifying and understand the factors that affect the build-out rates of large-scale housing sites.

Question 8: What can be done to improve the quality of new homes? How can the design and aesthetics of new homes be improved?

21. Propertymark believes there are two things that can be done to improve the quality of new homes and one additional measure that can improve the design and aesthetics of new homes. Firstly, the New Homes Quality Board code of practice will go some way to improving quality in the home building industry and improve protections for buyers.²³ The New Homes Quality Board have recently consulted on a draft Code of Practice, which outlines the guiding principles and practical steps that new homes builders across the UK must follow. Secondly, the introduction of a New Homes Ombudsman for developers to provide effective redress for new home buyers. The New Homes Ombudsman Scheme should only cover complaints in relation to a purchaser's new build home where redress cannot be sought elsewhere. This would prevent unnecessary double redress. Where solicitors, estate agents and managing agents are already required to register with an ombudsman scheme the consumer has access to independent redress. Additionally, freeholders of leasehold properties who are not using a managing agent should also be required to belong to the New Homes Ombudsman Scheme. To improve the design and aesthetics of new homes, the UK Government should introduce finishing standards and engage with industry to design agreed guidelines to tackle snagging.

Question 9: Is the workforce equipped with the professional, digital and other skills required to meet housing demand, for example in the construction, planning and design sectors? What can be done to overcome skills shortages?

22. Propertymark believes that not enough of the current workforce is sufficiently equipped with the range of skills required to meet housing demand. Within home buying and selling, and letting of property, we think there are two things that can be done to overcome skills shortages. Firstly, full mandatory regulation of letting agents in England and sales agents working across the UK. Secondly, extending the recommendations of the Regulation of Property Agents (RoPA) Working Group to developers' sales staff. Within these sectors, regulation offers huge potential to professionalise the sector, drive up standards, upskill our workforce and stamp out bad practice.

23. Propertymark has long called for the UK Government to commit to regulating property agents and taking forward the recommendations of the Regulation of Property Agents (RoPA)

21 LGA, 2021: <https://www.local.gov.uk/about/news/over-1-million-homes-planning-permission-waiting-be-built-new-lga-analysis>

22 LGA, 2020: <https://www.local.gov.uk/publications/local-plan-housing-allocations-survey-research-report>

23 New Homes Quality Board, 2021: <https://www.nhqb.org.uk/>

Working Group chaired by Lord Best.²⁴ The recommendations include the introduction of an independent Regulator, mandatory qualifications, and a Code of Practice. This is important for two reasons. Firstly, there is currently no overarching statutory regulation of private sector letting or managing agents in England, nor is there any legal requirement for them to belong to a trade association. Secondly, whilst estate agents across the UK are principally regulated by the Estate Agents Act 1979²⁵ and the Consumer Protection from Unfair Trading Regulations 2008²⁶, estate agents are currently not required by law to be licensed or qualified. To this end, full mandatory government regulation of sales and letting agents is the quickest and most effective method to eliminate unprofessional, unqualified and unethical agents from the property sector. There is no statutory regulation to ensure agents are suitably qualified. Additionally, agents who are not members of a professional body do not have to meet minimum competency standards.

24. To overcome skills shortages and help meet housing demand, the UK Government must extend the requirements under the Estate Agents Act 1979 to housebuilders' sales staff and include the sales staff of housebuilders in the requirements for sales agents to be qualified as set out in the RoPA report. Ensuring that everyone involved in the house buying and selling process are suitably qualified, meet minimum competency standards and the consumer has the same levels of protection is the only way to drive up standards of service. This is important because the Estate Agents Act 1979 regulates work as an estate agent. It ensures that agents work in the best interests of their clients. This includes making sure that both buyers and sellers are treated honestly, fairly, and promptly. Furthermore, if estate agents do not comply with the law, they could be banned from working and if they ignore a ban they could be prosecuted and fined. The requirements of the Act cover estate agents working across the UK and help to ensure that selling activities they are engaging in are of a consistently high standard. In order to reduce complaints against housebuilders about their sales services and the contents of their leases and sale agreements, it's vital that they fall under the Estate Agents Act. Without consistency in entry requirements to work in the sector, consumers moving between property on the existing market and purchasing new build property or vice versa will face different service levels and standards. Whether consumers are purchasing property via an estate agent in a high street branch, online or a sales agent in an office on a development site, staff must be trained to an appropriate level with clear oversight arrangements in place.

**Question 10: How does the Government interact with Local Authorities to deliver more homes?
How can this relationship be improved?**

25. Propertymark does not have anything to comment on in relation to the interaction between the UK Government and Local Authorities to deliver more homes.

24 MHCLG, 2019, Regulation of Property Agents: working group report: <https://www.gov.uk/government/publications/regulation-of-property-agents-working-group-report>

25 legislation.gov.uk, 2021: <https://www.legislation.gov.uk/ukpga/1979/38/contents>

26 legislation.gov.uk, 2021: <https://www.legislation.gov.uk/uksi/2008/1277/contents>

Question 11: What are the main opportunities and areas of innovation for meeting the UK's housing demand?

26. The main opportunity in helping to meet housing demand is to use the impact of the pandemic in order to bring about two areas of innovation. Firstly, the UK Government should review property taxes in light of Covid-19 and the movement and affordability created by the Stamp Duty Land Tax holiday, to help more people buy and sell their home. Secondly, to ensure that landlords stay in the private rented sector and continue to provide much needed homes for people who rent, the UK Government should review all relevant buy-to-let taxes and the impact of recent legislation, such as the changes to mortgage interest relief, on the sector.