

Boosting affordable housing

Housing investment in the UK has been low by international standards for several decades. The lack of flexibility in the housing market has led to an ineffective supply-side response and a rise in house prices and rents.

A number of policy initiatives - often short-term, small-scale and overlapping - have been initiated through government spending reviews and budget cycles. As well as a lack of continuity and simplicity for housing providers, this has resulted in a continued failure to address under-supply.

Most independent studies conclude that fundamental policy changes are required, but funding and investment are generally underplayed as important issues compared with factors such as infrastructure shortfalls, an inadequate planning system and lack of land.

Building on previous research, the ESRC-funded research project 'Boosting the supply of affordable rented housing: learning from other countries' has examined policy initiatives in several countries across Western Europe and North America, in order to identify useful lessons for domestic housing policy.

The researchers built on a previous study of 27 high-income OECD member countries, focusing on affordable housing policies within nine countries. Only two of these countries, France and the USA, have long-established tax incentives that are thoroughly documented and not complicated by other non-specific tax measures. The study focused particularly on evidence from supply-side incentives in these two countries.

The findings show that selective supply-side support, based on tax incentives, to boost affordable rented housing has proved successful.

These measures are effectively conditional financial incentives - ie conditions are imposed that keep rents below market levels and the incomes of eligible tenants below defined thresholds, over a specified long-term time period.

Key findings

- A direct transfer of housing policies from other countries to the UK is impractical and unwise, due to differences in economic, political and social context. However, evidence from other countries can provide valuable lessons for domestic policy.
- Production, allocation, quality and affordability are key points that are frequently stressed in reports on tackling the UK housing supply crisis, and are crucial in developing a new approach.
- Evidence from France and the USA suggests that targeted tax incentives have the potential to boost the supply of rental housing of an acceptable quality and to improve affordability.
- Conditional tax incentives operate effectively across countries with different cultures on tenure, including those with a commitment to owner occupation like the UK.
- Policies can be designed to focus on individual or corporate investment.
- Schemes can be developed so that they can address other themes, eg 'green' agenda, urban regeneration, tackling macro-economic problems etc.

Policy relevance and implications

- A new and different model should be introduced for the delivery of affordable housing in the UK, based on conditional tax incentives for housing suppliers.
- New regulation of tax incentives, investors and projects would be required.
- Other policies (for example, the 'green' agenda) could either be linked to conditions or applied directly to projects.
- This policy approach would need to be 'EU-proofed' to take account of areas such as state aid and competition policy.

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BRIEF DESCRIPTION OF THE PROJECT

The ESRC-funded research project 'Boosting the supply of affordable rented housing: learning from other countries', led by Professor Michael Oxley, built on a knowledge exchange partnership between the housing management organisation Places for People and the Centre for Comparative Housing Research at De Montfort University. The project explored how financial incentives have affected construction of affordable rented housing in a number of other countries, primarily the USA and France.

Web: www.esrc.ac.uk/my-esrc/grants/ES.K007564.1/read

FOR MORE INFORMATION

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