

# **Unlocking England's "Hidden Homes":**

How subdividing large homes could solve the housing crisis

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# Foreword

How can we fix Britain's broken housing system? The government has committed to building one million new homes over the next five years but sites need to be identified and purchased, plans need to be commissioned, produced and approved, investment needs to be secured, builders need to build and build fast, and local communities need to buy into large scale building in their local area. Just building our way out may be an unattainable goal in so short a timescale. It is also very easy to build new homes and not ease the housing crisis as illustrated most simply in the extreme examples when luxury developments are built in London with some apartments being brought solely for investment purposes and not even let out. Young adults in London and South East England have never had to pay so much just to have a bed; and most new building is not for them.

At the other end of the housing market a "last time" buying crisis is unfolding. More than one third of Britain's homeowners are now aged 65 years or older and live in under-occupied homes with more than two extra bedrooms. One in five of these older homeowners would like to downsize, totalling 3.3 million people. The barriers preventing them from doing so may also appear insurmountable. Many older people simply do not have enough housing wealth to be able to downsize and retain what they consider to be an acceptable amount of living space. Many more cannot afford to downsize and remain in their local area, and still more simply cannot contemplate the emotional loss of the family home or upheaval involved. This means that close to £1 trillion worth of equity is locked up in bricks and mortar. Furthermore, the need to pay Stamp Duty on purchasing a smaller home, combined with a lack of supply in retirement developments, mean that many older people put off the decision to move until it is forced upon them due to lifetime shocks such as bereavement, lack of savings, illness or frailty.

But there may be a way that we can help older generations to remain in their homes and in their own communities while also delivering new homes for other generations. This is called "downsizing-in-situ". This report demonstrates that with the right kind of policy support we could deliver more new homes than the entire number of new homes currently delivered each year and help to address the housing crisis for all generations. Many different solutions are needed and this is part of the answer that has been over-looked for too long.

**Danny Dorling**

Halford Mackinder Professor of Geography, Oxford University



# Executive summary

## What are “hidden homes”?

- “Hidden homes” are the new homes that we could potentially unlock by encouraging more people who live in big properties to subdivide them into smaller ones.
- This report argues that there are 4.4 million owner-occupied households in England that have two or more spare bedrooms, potentially enough space to be divided into at least two flats that would comply with the new National Space Standards.
- Even if just 2.5% of these 4.4 million households subdivided their properties into two flats, it would produce more new housing than the entire private sector currently builds each year.

## Why is converting “hidden homes” a good idea?

- The government needs new approaches to reach its target of building a million new homes by 2020; the evidence shows that these homes would be in the “right” places: predominantly areas with the highest future demand for new housing, and surrounded by existing communities, jobs and infrastructure.
- Homeowners would benefit from unlocking a proportion of their housing wealth, reduced household bills and lower Council Tax without having to leave their current areas.
- We need to adapt our existing housing stock to match the trend towards a rapidly growing population where more people live in small households.

## Could “hidden homes” meet the needs of our ageing population?

- Making it easier for people to convert large homes could help older homeowners “downsize-in-situ”, adapting our housing stock to the needs of the 4.26 million over-65s who own at least 3 bedrooms and reducing the housing inequalities between young and old.
- Evidence suggests that 1 in 5 older homeowners would like to downsize, and there are 1.8 million living with health problems that could make larger homes unsuitable for them, but the vast majority either don’t want to leave their existing communities or can’t find suitable homes to downsize into.
- Adaptations such as converting the downstairs area of a large property into a smaller dwelling while creating a new flat upstairs for the owner to rent or sell could help them remain independent for longer and make them financially better-off.

## How could people be encouraged to convert their properties?

- Fewer than 4,500 houses are currently being subdivided each year, which suggests it is too difficult; this is partly because planning and tax policies encourage people to use England’s housing stock inefficiently.
- Planning reforms – granting a new householder permitted development right allowing people to subdivide their homes into multiple dwellings with only prior approval, rather than planning permission, would simplify the process while still ensuring that the units are of sufficient size and quality.
- Tax reforms – a number of relatively minor tax reforms would “nudge” people towards subdividing, such as removing the single-person Council Tax discount, granting Private



Residence Relief from Capital Gains Tax on the sale proceeds of all the subdivided units, and zero-rating for VAT the necessary building works to create a subdivision.

- Some of the £7.6 billion that is being spent on the New Homes Bonus scheme could be redirected to provide soft loans for subdividing households to help them pay for the conversion works.



# 1. Introduction – Why should subdividing homes be encouraged?

There is widespread agreement that Britain suffers from an acute shortage of new homes. The Conservative government recently adopted an official target of building a million new homes in England during the current parliament<sup>1</sup> in an attempt to spread the benefits of home-ownership more widely, but reaching this target would entail delivering 200,000 new units per year, a level which has rarely been reached since the cessation of large-scale local authority housing development in the early 1980s (Fig.1).

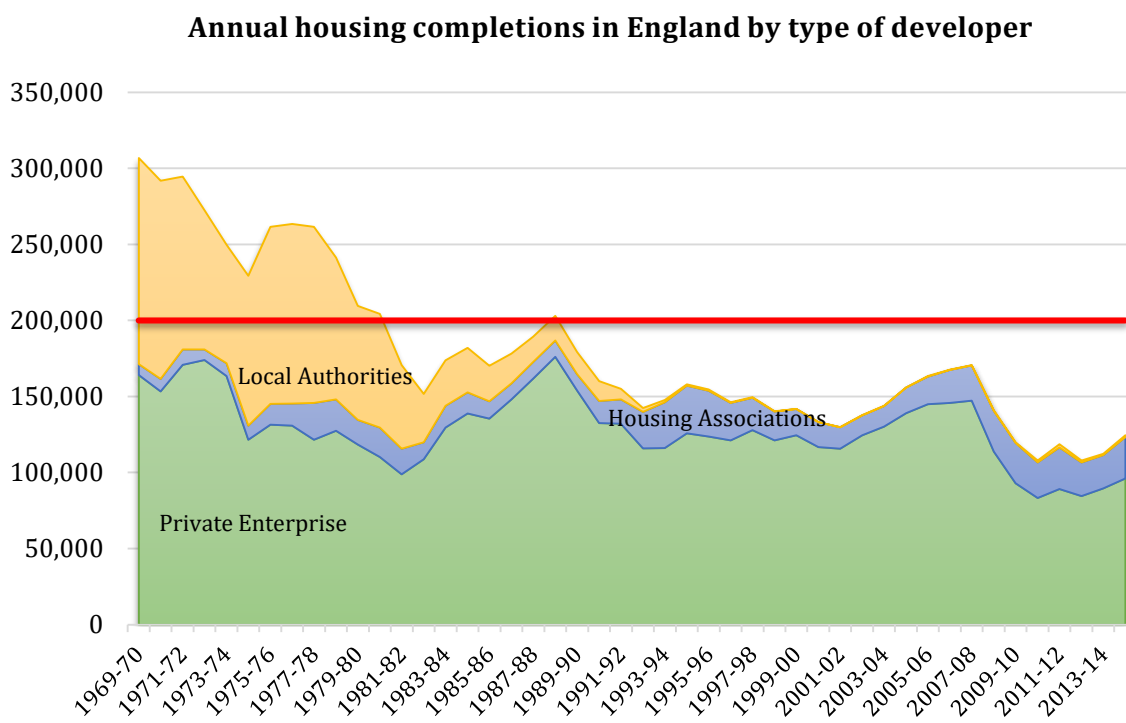


Fig.1 Annual housing completions in England, 1969/70–2014/15, compared to the Conservatives’ new target<sup>2</sup>

Other sources suggest that the need for new housing is even greater: the latest estimate from the Town and Country Planning Association is that England would actually need 310,000 new homes each year until 2020 to keep up with household growth.<sup>3</sup> At the heart of this persistent failure to deliver enough new homes is the crucial debate over where they should be located. Developing in the Green Belts on the edge of cities remains politically controversial, and would also run counter to the increasing trend towards city-centre living which appears to be in fashion, particularly among the current younger generation.<sup>4</sup> The government announced its intention earlier this year to introduce planning reforms which would make building housing on brownfield

<sup>1</sup> BBC News (2015) “Million new homes aim declared by minister Brandon Lewis” *BBC News* 21 September 2015

<sup>2</sup> DCLG (2015) *Table 209: Permanent Dwellings Completed, by Tenure and Country* London: DCLG

<sup>3</sup> TCPA (2015) *Press Release: We are only building half the homes we need – and younger couples are suffering most* London: TCPA

<sup>4</sup> Thomas et al. (2015) *Urban demographics: Where do people live and work in England and Wales?* London: Centre for Cities



sites much more straightforward,<sup>5</sup> but the actual potential of brownfield land to deliver enough new homes is disputed. Different sources suggest that there may be enough suitable brownfield sites in England to provide between 226,000<sup>6</sup> and 1,000,000<sup>7</sup> new homes, but the fact that less than a quarter of new housing is currently built on brownfield sites implies that significant obstacles exist to realising its potential.<sup>8</sup> Previous research suggests that these include the relatively high cost of building on brownfield land once factors such as site remediation are taken into account,<sup>9</sup> the problem that these sites are often already being used for a different purpose<sup>10</sup> and the barrier that many of England's identified brownfield sites are in areas with relatively low housing demand.<sup>11</sup> Building at higher densities than has been the case in the past is often suggested as a way of delivering more housing on previously developed land,<sup>12</sup> but "high density" is often interpreted to mean "high-rise", which tends to provoke objections from local residents.

In short, it appears the only solution to England's housing crisis, which would please everyone, would be to get lots more housing out of the same area of developed land without increasing building heights. Of course this is unrealistic, and the reality is that no ideal solution exists. However, something close to this outcome could potentially be achieved by encouraging many more people to subdivide larger homes into smaller ones, an option which currently seems to be overlooked. One analysis of England's housing crisis suggests that it is less a problem of a lack of housing *per se*, but more one of how England's housing supply is distributed.<sup>13</sup> Access to living space is extremely unequal: at least 62,000 people in England are homeless,<sup>14</sup> 40% of 20–45 year olds say they would like to buy a home but are currently unable to<sup>15</sup> and 1.1 million households suffer from overcrowding, yet almost 7 million owner-occupied households have enough space to have at least two spare bedrooms (which is the government's official definition of "under-occupying").<sup>16</sup> Given the scale of the country's housing problems and the difficulty of increasing supply, policy-makers should pay more attention to Britain's inequalities in living space and the factors that shape them.

Previous research by IF drew attention to how living space is becoming less efficiently and equitably distributed because of the population dynamics of an ageing society.<sup>17</sup> The two largest groups of "under-occupiers" by type of household were couples living without children (who would be mainly older "empty-nesters") and single-person pensioner households; it called for more attention to be given to addressing barriers which may prevent such households from downsizing into smaller accommodation when they might wish to. A qualitative follow-up study, *Understanding Downsizing*, suggested that downsizing into smaller accommodation had had

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<sup>5</sup> HM Treasury (2015) *Fixing the foundations: Creating a more prosperous nation* London: HM Treasury

<sup>6</sup> RICS (2015) *Making More Brownfield Land Available for Housing* London: RICS

<sup>7</sup> Sinnett et al. (2014) *From wasted spaces to living places: The availability of brownfield land for housing development in England* London: Campaign to Protect Rural England

<sup>8</sup> Savills (2015) *Housing Market Note: Land for New Homes* London: Savills Research

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

<sup>11</sup> Nathaniel Lichfield and Partners (2014) *Brownfield Land Solution?* London: NLP

<sup>12</sup> London First (2014) *Home Truths: 12 Steps to Solve London's Housing Crisis* London: London First

<sup>13</sup> Dorling, D. (2014) *All that is Solid: The Great Housing Disaster* London: Penguin

<sup>14</sup> Wilson, W. (2015) *House of Commons Briefing Paper: Statutory Homelessness in England* London: House of Commons

<sup>15</sup> Halifax (2015) *Five years of Generation Rent: Perceptions of the first-time buyer housing market 2015* London: Halifax

<sup>16</sup> ONS (2014) *2011 Census Analysis, Overcrowding and Under-occupation in England and Wales* Newport: ONS

<sup>17</sup> Griffith, M. (2011) *Hoarding of Housing: the intergenerational crisis in the housing market* London: IF





practical benefits (such as lower bills and reduced maintenance) for most of the sample group of downsizers who were interviewed, but among a different sample group of older people who hadn't downsized the attachment to living in their current home was found to be the biggest factor preventing them.<sup>18</sup> Although this would be far from its only benefit, one of the main ways in which encouraging people to subdivide could lead to more efficient use of our existing housing stock would be if it enabled willing older homeowners to “downsize in-situ”, for example by turning two or three surplus rooms within a large house into a one-bedroom flat that they could rent or sell.

This radical solution would not involve trampling upon homeowners' individual rights to use their own property as they wish to, nor would it be a panacea – the housing challenge is so great that it will require a mix of extra building on both greenfield and brownfield land, *and* more innovative approaches to get the homes we need. However, as with any other economic good the way in which we consume housing is strongly influenced by the incentive framework of tax rates and housing policies surrounding it, and if a suitable range of incentives could be devised to encourage people to use living space more efficiently then this would satisfy some of the need for extra new build. This report will argue that encouraging subdivisions deserves greater attention than it has previously received from policy-makers because of the scale of the demand which has to be met, and the difficulty of building extra homes using the alternative options, and because it would create new homes in areas which can already offer newcomers the established communities, jobs and infrastructure that people want. The rest of this report will provide estimates of how many new units subdividing properties could create and propose a range of policy interventions that could make the concept more popular.

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<sup>18</sup> Leach, J. (2012) *Understanding Downsizing* London: IF



## 2. What stops people from subdividing?

Data on housebuilding suggest that relatively few new homes are currently being created through subdivisions. Fig.2 demonstrates that the contribution to the housing stock (the net addition) which is made by converting existing homes each year (shown in red) is virtually negligible in comparison to the other sources of new housing:

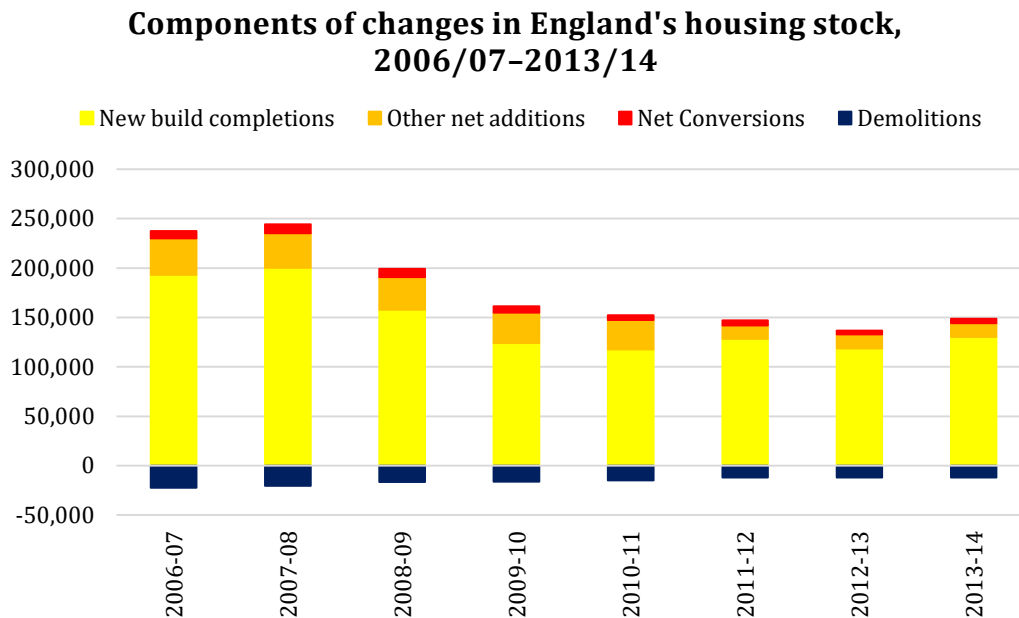


Fig.2 Sources of net additions to England's housing stock, 2006/07-2013/14<sup>19</sup>

Since 2006/07, the number of net additional dwellings created through subdivisions in England has averaged 6,294 a year, although as Fig.2 demonstrates, it has been declining since the recession and was only 4,470 last year.<sup>20</sup> To put these figures in context, this means that subdivisions normally account for just 3-4% of all net new dwellings.

Another way of looking at this issue is the number of existing properties which are being subdivided (as opposed to dwellings created by subdivisions). The valuation lists for Council Tax which are maintained by the Valuation Office Agency show that only around 7,000 existing properties have been removed from them due to being subdivided in each of the last few years for which data are available (Fig.3). Given that there are over 23 million properties which are registered for Council Tax, this equates to just 0.03% of England's existing housing stock each year.<sup>21</sup>

<sup>19</sup> DCLG (2014) Table 120: Components of net housing supply, England 2006-07 to 2013-14 London: DCLG

<sup>20</sup> Ibid.

<sup>21</sup> DCLG (2015) Table 1: number of chargeable dwellings 2005 to 2014 London: DCLG



### Number of existing properties being subdivided in England each year

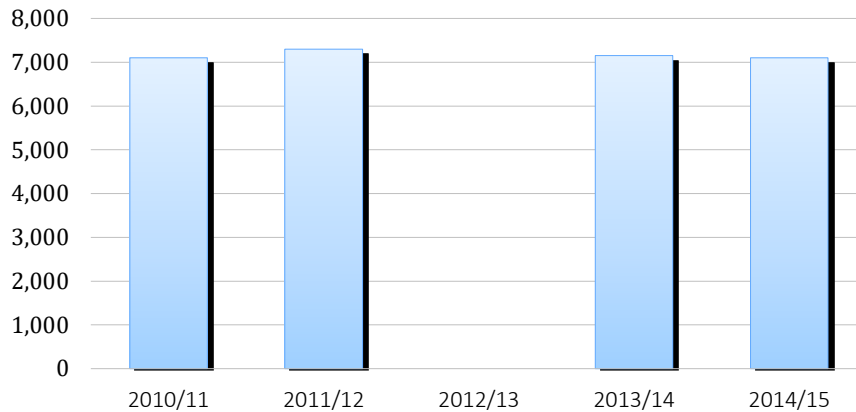


Fig.3 Number of properties being subdivided each year (no data is available for 2012/13)<sup>22</sup>

This seems like an extremely small number, so why aren't more homes being subdivided? Given how high house prices are in many parts of the country, owner-occupiers could potentially unlock substantial amounts of equity without having to move by subdividing part of their homes. However, there are likely to be a number of potential reasons why more people aren't taking advantage of this opportunity. First and foremost, many people simply prefer living in large houses because they want to have more space, and are willing to pay a premium for this benefit even if living in a smaller home would be more efficient. Alongside this, the psychology of housing is also hugely significant; the home has great emotional value as the backdrop against which private family life takes place, so many people are too sentimentally attached to their homes to be willing to divide them up and share them with strangers. Among those who do find the idea of subdividing their property appealing, the cost and hassle it would involve probably puts many off.

It is well understood that how any societal good is consumed is strongly affected by the framework of incentives which surrounds it; in the case of housing, some aspects of this incentive framework encourage the inefficient use of space. For example, the main tax on property occupation, Council Tax, accounts for a smaller share of a property's value for more expensive properties and includes a 25% relief for single-occupant households, both of which encourage single people to occupy larger homes than they would otherwise.<sup>23</sup> Property taxes in the UK are high by international standards, but they are unbalanced towards taxing transactions, via Stamp Duty, rather than occupation, which also encourages inefficiency by reducing the incentive to sell high-value homes.<sup>24</sup> Selling properties which have been created through subdivisions may also incur Capital Gains Tax, which acts as another disincentive. The government's recent changes to Inheritance Tax will also discourage older people from unlocking the equity in their homes by subdividing if the new "Family Home Allowance" means that housing wealth effectively enjoys a higher inheritance tax threshold than money which is held as cash.

For people who do want to subdivide property, two particular obstacles which have been identified are obtaining planning permission and borrowing finance to perform structural

<sup>22</sup> VOA (annual release) *Council Tax: Challenges and Changes in England and Wales* London: VOA

<sup>23</sup> Institute for Fiscal Studies (2015) *The IFS Green Budget: February 2015* London: IFS

<sup>24</sup> Slack, E. (2013) *International Comparison of Global City Financing* London: London Finance Commission



alterations.<sup>25</sup> The two are likely related, as difficulties with obtaining planning permission may make lenders reluctant to fund these types of project. Many homeowners may be confused that subdividing a property normally requires a full planning application, even if the only works being carried out on the building are internal.<sup>26</sup> Even though they have housing targets to meet, some planning authorities may be inclined to resist allowing subdivisions because of concerns over issues such as increased traffic and parking levels or because they think it will harm the character of an area. Given how little new housing is currently being created through subdividing existing properties, it seems that there should be significant scope for designing an incentive framework based on tax and planning reforms, which would encourage more people to take advantage of the opportunity which it presents.

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<sup>25</sup> Howard, L. (2010) "Tough times call for splitting a home in two" *The Independent* 25 July 2010

<sup>26</sup> Planning Inspectorate (2014) *Planning Practice Guidance* Bristol: Planning Inspectorate



### 3. How many “hidden homes” could subdividing unlock?

The number of new homes which could potentially be created through subdivisions will depend on a number of variables, including take-up of the new incentive structure, whether it makes economic sense for an individual homeowner to subdivide based on local house prices, and practical factors such as the difficulty of installing the necessary walls, kitchens, bathrooms and so on. However, an analysis of the available data suggests that there is enormous potential to dramatically increase the number of properties that are being subdivided from today’s extremely low levels, as this section will explain.

#### What type of homes could be suitable for subdividing?

Converting large houses into smaller flats has been particularly associated with certain housing typologies in the past, such as large Victorian townhouses that were designed to include servants’ quarters.<sup>27</sup> However, in principle any large home could be subdivided: whether this is practical would depend on its internal layout and the cost and architectural complexity of making the necessary changes, which would vary from case to case. The fundamental question regarding suitability is whether a home contains enough space to create multiple decent-sized properties after it has been converted.

In 2010, the Commission for Architecture and the Built Environment (CABE) undertook a survey of the average dimensions of different-sized homes in England which, although it was based on a relatively limited sample, provided a useful set of estimates of their gross internal areas (GIA):

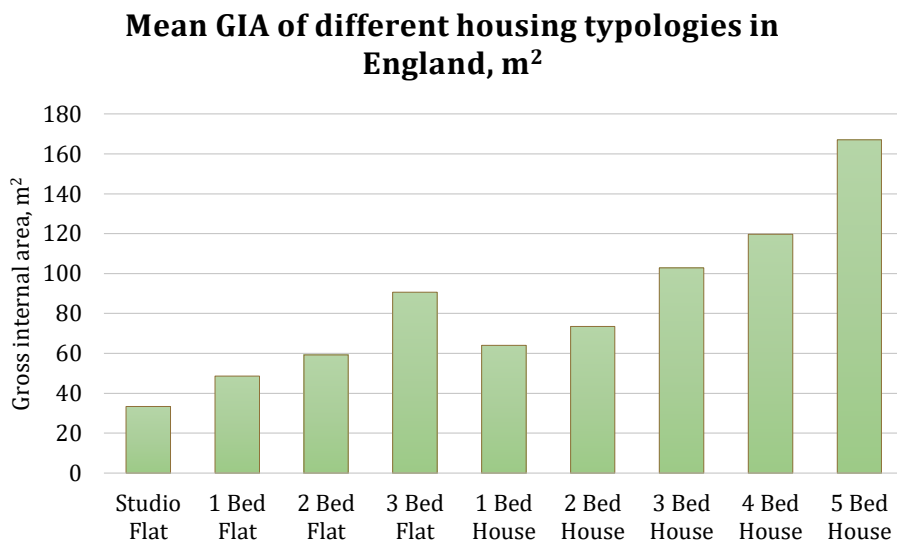


Fig.4 Average GIA of different-sized English dwellings, m<sup>228</sup>

Data taken from the English Housing Survey suggest that larger properties predominate within the owner-occupied sector: over half of all owner-occupied homes have a GIA bigger than 90m<sup>2</sup> (Fig.5), which is around the size of a typical 3 bed house. These houses potentially contain

<sup>27</sup> Clark, R. (2004) “A question of conversion” *Daily Telegraph* 29 August 2004

<sup>28</sup> Wilson, S. (2010) *Dwelling Size Survey* London: CABE



sufficient living space to make subdividing them feasible if their owners have the right incentive framework to encourage them.

Share of English owner-occupied dwelling stock by floor area, m<sup>2</sup>

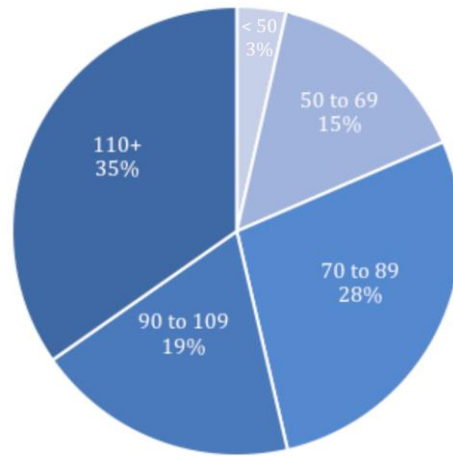


Fig.5 Share of England's owner-occupied dwelling stock by floor area, m<sup>2</sup><sup>29</sup>

The potential ways of subdividing any given property would be numerous, so a property owner would need to discuss their options with an architect and an estate agent. To give an example of what could be possible, Fig.6 shows the threshold levels of space that would be required to convert a home into **two flats** based on the new National Space Standards:

### GIA thresholds for creating two flats, m<sup>2</sup>

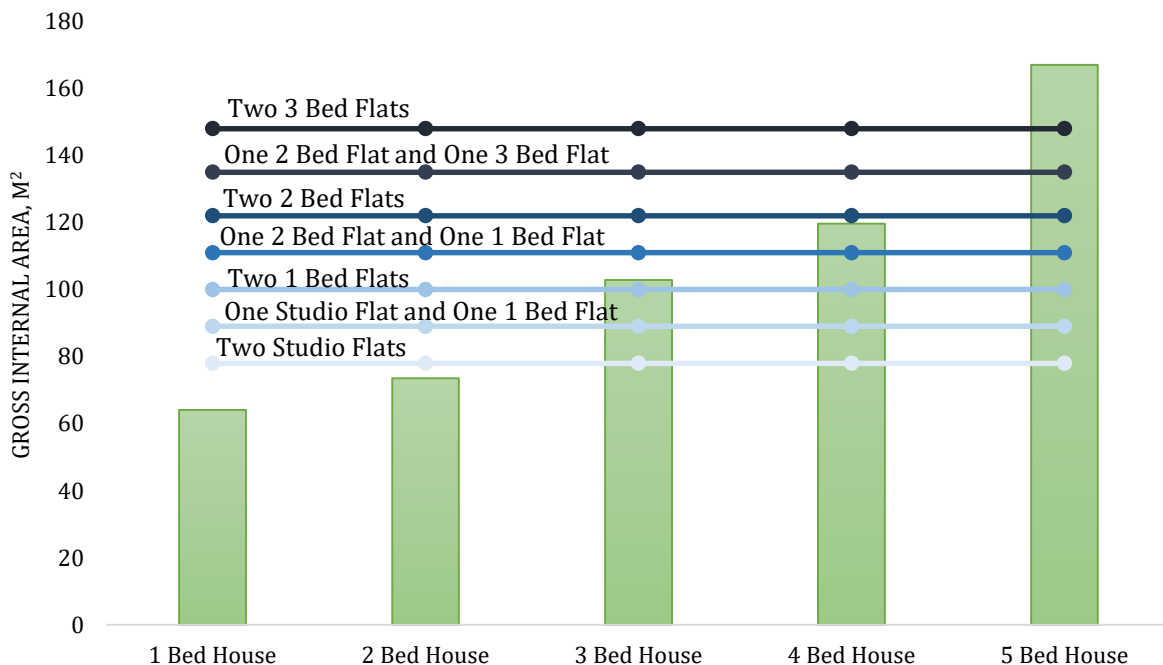


Fig.6 GIA Thresholds for different types of subdivision based on the National Space Standards

<sup>29</sup> DCLG (2015) *English housing survey 2013 to 2014: headline report* London: English Housing Survey



Of course, in reality it would be up to individual property-owners to decide how they wanted to divide up their homes; they may want to create more than two units, or make them larger than the size stipulated by the National Space Standards, depending on their particular set of circumstances. However, the useful point which Fig.6 demonstrates is that there would be sufficient space within a fairly typical 3 bed home to make it suitable for subdividing into at least two smaller units, so the idea of subdivision isn't only relevant to very large, as many people might imagine.

The type of household who would be likely to respond to the new incentive framework which is proposed in the next section would be those who have control over where they live and are using their current housing inefficiently. Therefore, households who could subdivide would predominantly be **individuals and couples who are owner-occupiers, living in homes with at least 3 bedrooms**, who would be in a position to either undertake the conversion work themselves or sell it to a property developer, to whom their home would now be more valuable.

Data from the 2011 census suggest that **there could be as many as 4.4 million households in England who might be encouraged to subdivide**, as they have at least 3 bedrooms and are either individuals or couples who live without children (Fig.7):

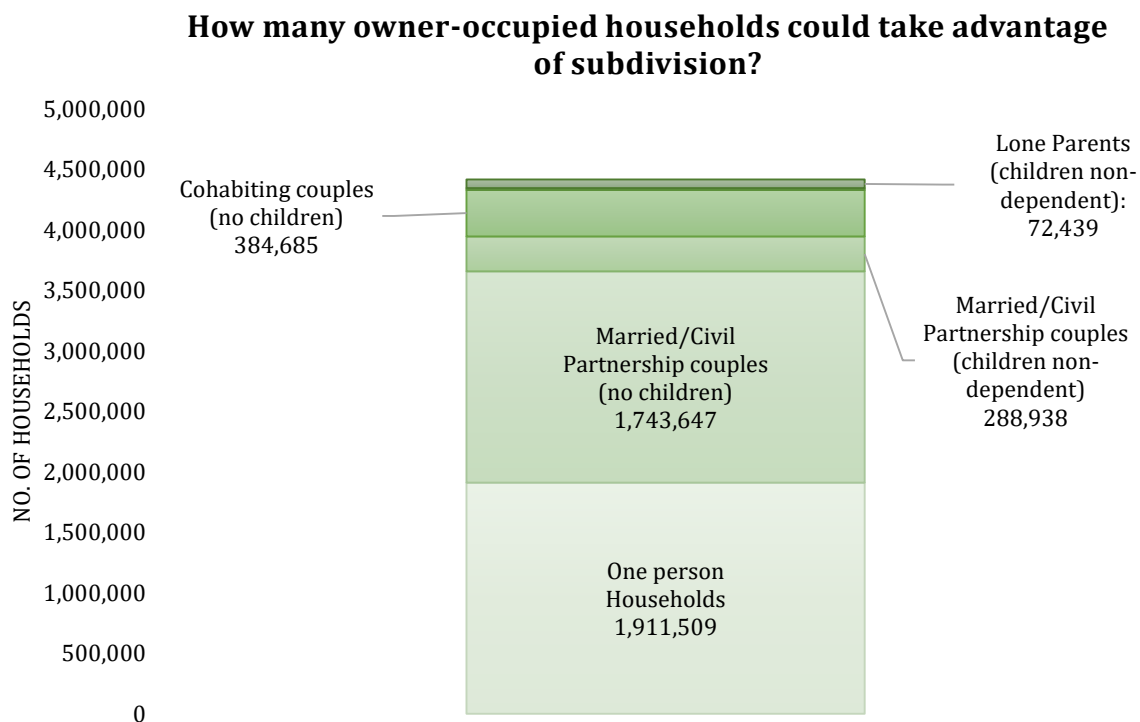


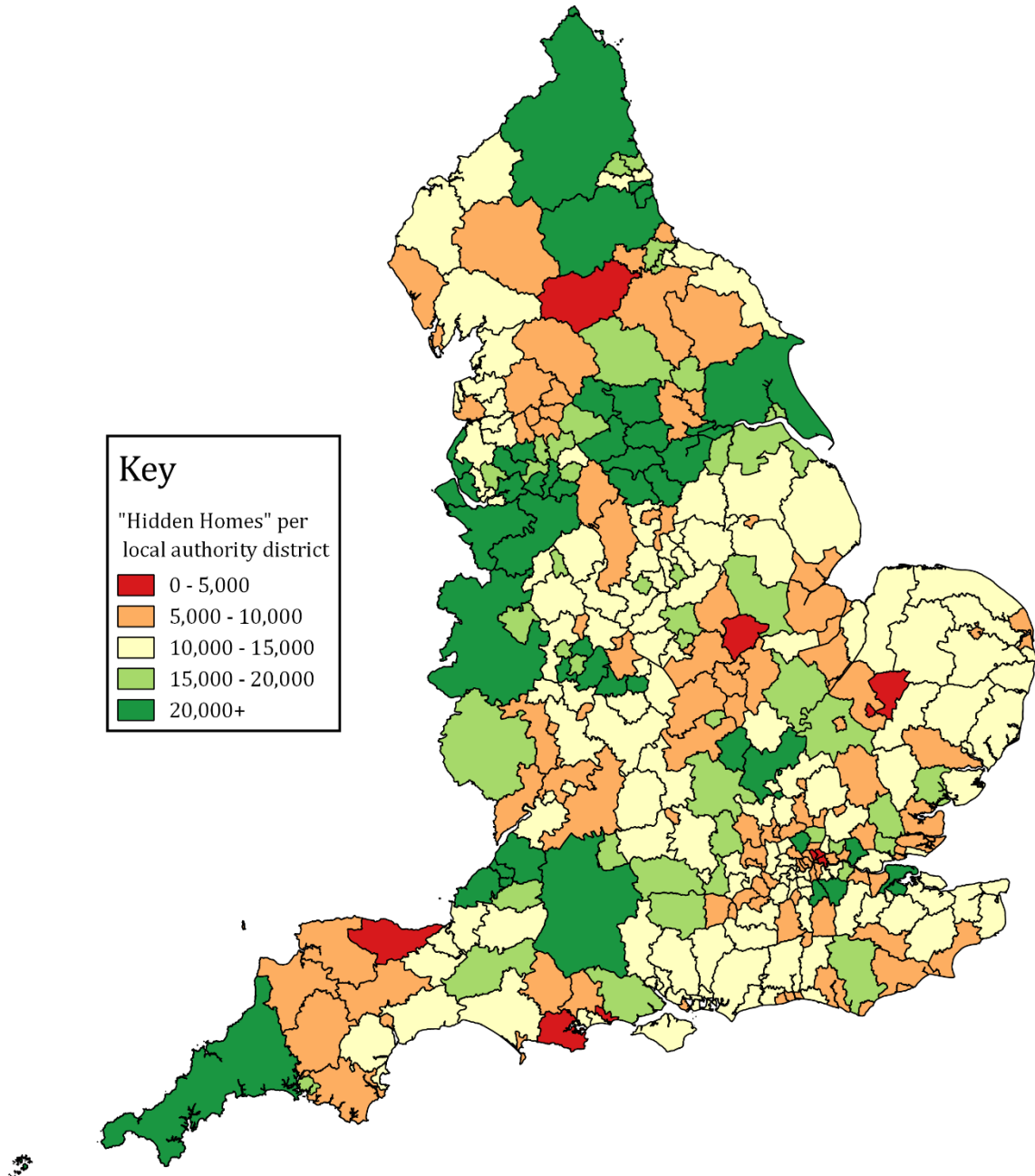
Fig.7 Number of owner-occupied households with at least 3 bedrooms occupied by a single person or couple living without children in England, 2011<sup>30</sup>

Of course, it's unlikely that all of these households would be interested in subdividing even if they were offered better incentives to do so, but **if only 2.5% of them created one extra dwelling it**

<sup>30</sup> ONS (2011) 2011 Census: DC4105EW1a - Tenure by occupancy rating (bedrooms) by household composition Newport: ONS

would add more new housing units than the entire private development sector currently builds in England each year.

## Where are England's "Hidden Homes" located?



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*Fig.8 Map showing the number of existing homes which could potentially be encouraged to subdivide by local authority district, 2013<sup>31</sup>*

The households identified in Fig.7 are not distributed evenly across the country. There appear to be more households which are likely to subdivide in the north than in the south, with particularly

<sup>31</sup> Ibid.





significant clusters in the large cities of Lancashire and Yorkshire, as well as in the east Midlands and parts of the south-west. This means that subdividing larger properties could be a particularly useful source of new housing in these areas, which are generally ones where private developers may be less inclined to invest in large new-build developments because house prices are lower than in the South East.

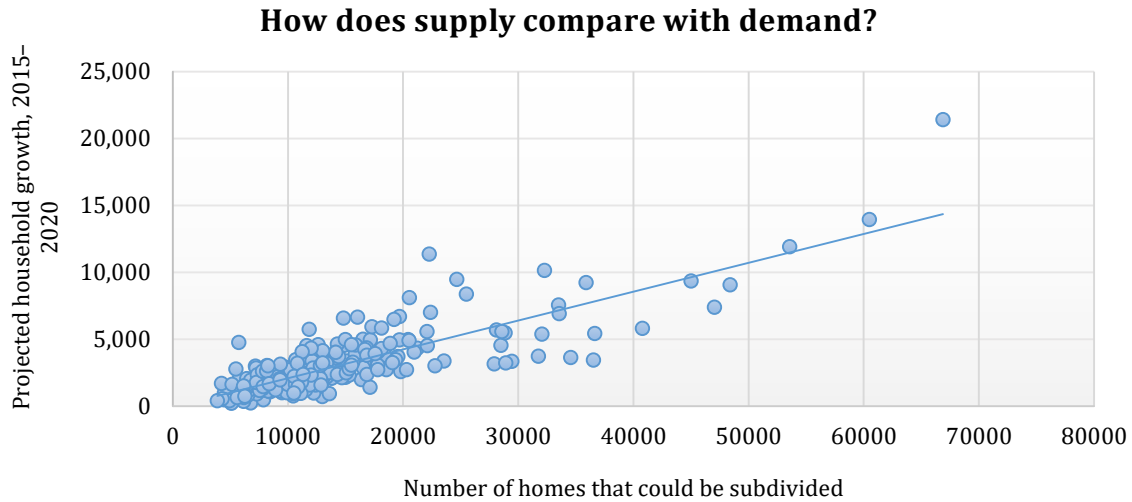


Fig.9 Comparison between the number of households that could be subdivided and forecasts of housing need by district (excluding Greater London)<sup>3233</sup>

Fig.9 shows how the distribution of these homes that could be subdivided compares with forecasts of housing need in each local authority district outside London. Each dot represents an English local authority area (excluding Greater London, which is examined separately below). This comparison suggests that there is broadly a positive correlation between the number of households in an area which could subdivide and each area’s forecast demand for new housing during the current parliament, represented by DCLG projections of growth in the number of households. Of course, this isn’t particularly surprising: more populous areas generally contain more people who could subdivide than less populous ones, and these areas have greater demand for new housing because of natural increase and agglomeration (the fact that people are drawn towards areas where other people are already).

This last point is demonstrated even more powerfully if we isolate the data for England’s largest cities outside London, shown in Fig.10. What this emphasises is that encouraging the subdivision of existing large properties would be especially beneficial because it could provide significantly more housing within England’s largest cities without them needing to expand into the countryside beyond their borders. The area covered by Birmingham City Council, which is currently the UK’s biggest local authority by population, particularly stands out for having both the largest forecast growth in new households and the greatest number of households which could subdivide.

<sup>32</sup> Ibid.

<sup>33</sup> DCLG (2015) *2012-based household projections in England, 2012 to 2037* London: DCLG

## What effect could subdividing have on England's biggest cities?

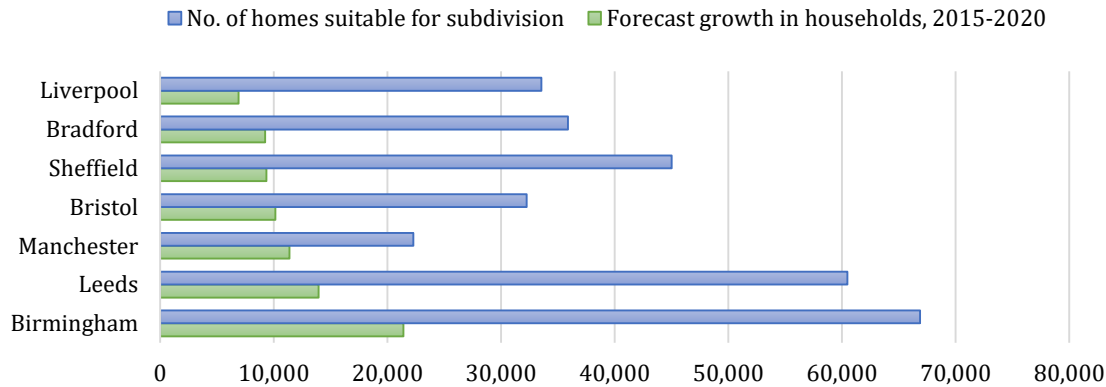


Fig.10 Comparison between households that could be subdivided and forecast demand for new housing for England's largest cities (excluding London, see below)<sup>34</sup>

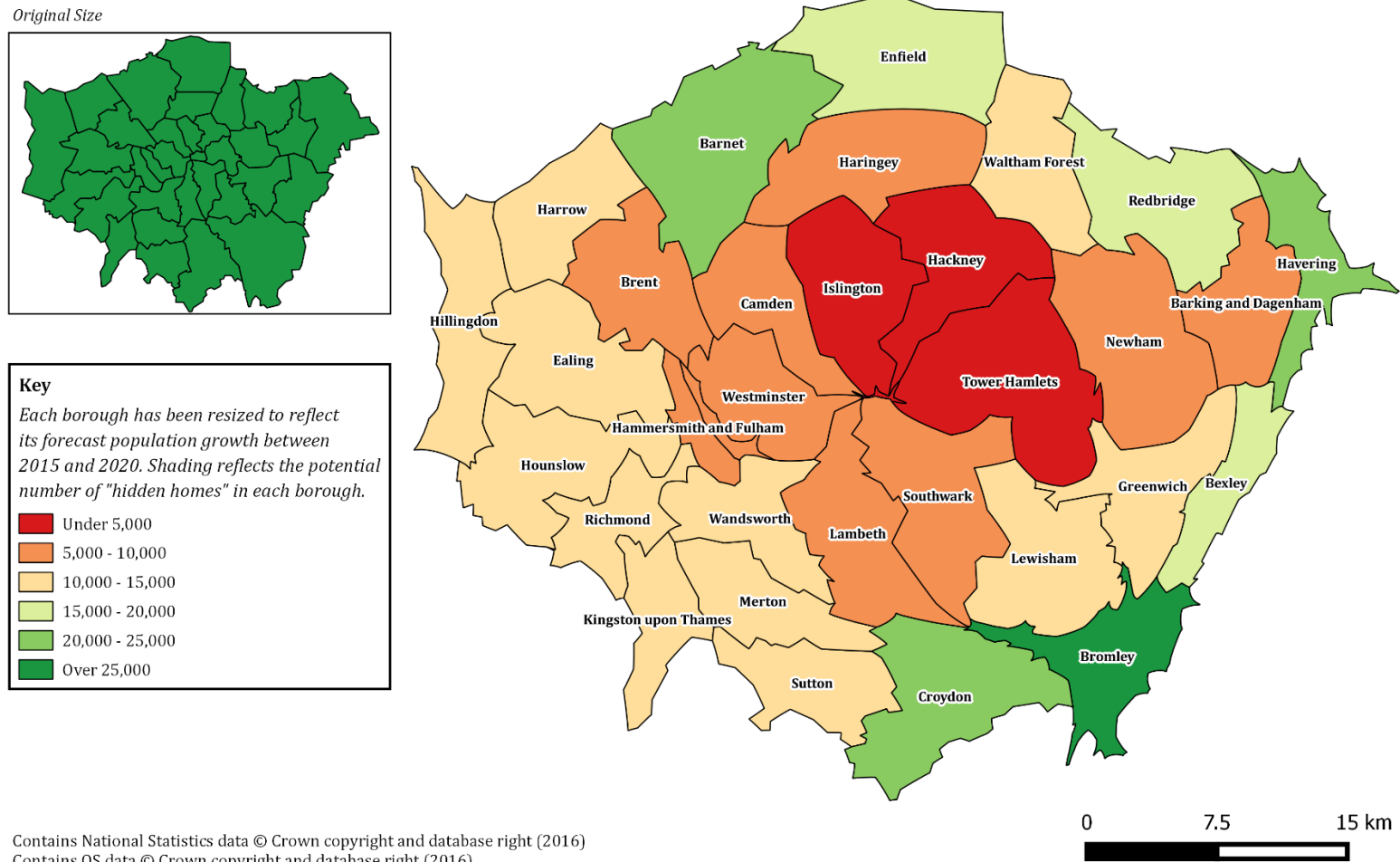
Of course, it would be misleading to suggest that any of these places could meet the whole of its need for new housing simply by subdividing larger homes, but it demonstrates that enabling people to subdivide their existing homes more easily could be a valuable part of the government's response to the housing crisis because it would create more homes in the places that have the greatest need for them, and where there will already be infrastructure and jobs.

Making it easier for people to subdivide larger homes could also be a useful tool in addressing London's housing crisis. Fig. 11 (shown overleaf) is a map of London in which each borough has been resized in proportion to its forecast need for new homes between 2015 and 2020, and then shaded to reflect the number of homes it currently contains that could make suitable candidates for subdividing. **In total, there are roughly 374,000 homes in London which could be subdivided, in comparison to a forecast growth of 282,000 households during this period.**<sup>35</sup> People may be more willing to take advantage of the new incentives to subdivide in London than in other parts of the country because of the capital's high house prices and abundant demand for smaller properties, which is created by it hosting large numbers of young people and single households. What Fig.11 reveals which is particularly interesting is that most of the city's population growth is forecast to occur in Inner London boroughs such as Islington, Hackney and Tower Hamlets, whereas the largest concentrations of existing homes that could be subdivided are found in more suburban Outer London boroughs such as Bromley and Croydon. While this is another indication that subdivisions can't solve London's housing crisis on their own, this does suggest that making it easier to subdivide large homes could be a useful means of expanding the housing supply in Outer London boroughs without having to build on the Green Belt, which remains hugely controversial, and it could also potentially help to reduce some of the population pressures facing Inner London boroughs by making it easier for smaller households to migrate outwards.

<sup>34</sup> Ibid.

<sup>35</sup> DCLG Op.cit.

## How could "hidden homes" help solve London's housing crisis?



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*Fig.11 Cartogram showing possible subdivisions by London borough (excluding the City of London)*

## 4. Would subdividing enable older homeowners to “downsize-in-situ?”

Apart from simply increasing the housing supply, subdividing larger homes could specifically address some of the housing issues surrounding England’s ageing population. The profile of England’s owner-occupiers is ageing; over the last six years the number of households which either owned their property outright or were buying with a mortgage headed by someone aged 65 or over increased by almost 800,000 (Fig.12). Overall, there are now nearly 5 million owner-occupying households where the Household Reference Person (HRP) is over 65 in England:

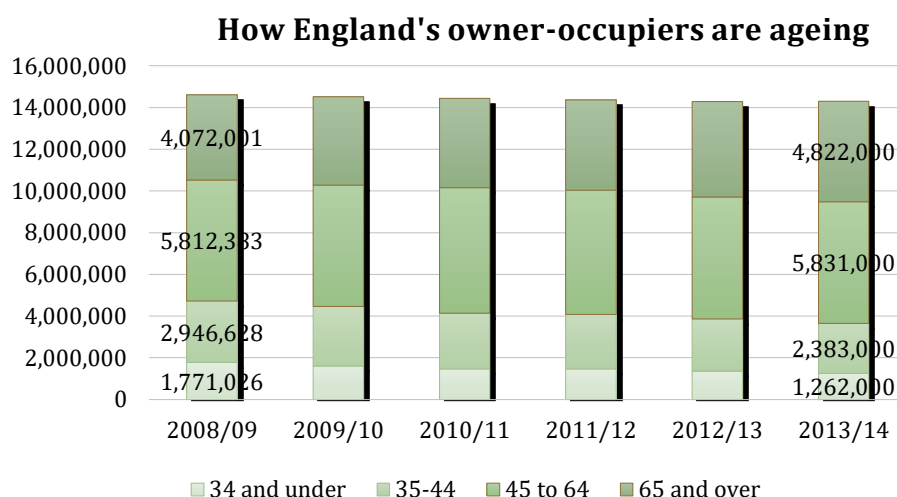


Fig.12 Changes in the age distribution of owner-occupying households, by age of Household Reference Person (HRP), 2008/09–2013/14<sup>36</sup>

Data from the 2011 census also suggests that older owner-occupiers are particularly likely to live in the types of large property which would be especially suitable for being subdivided, most of which are currently being “under-occupied” – they contain a substantial surplus of space compared with what the household needs to accommodate all the people who usually live there. Fig.13 shows that while households where the HRP is above 65 account for 27% of all owner-occupied households they represent over a third of those that have at least 3 bedrooms, which, it has been suggested, is the minimum amount of space necessary to successfully create two separate flats through subdividing a larger property.

### Why should older homeowners subdivide?

There is a growing acknowledgement that the trend towards having large numbers of ageing homeowners raises some important questions for public policy. A recent policy review identified four distinct policy agendas surrounding housing for older people, all of which could potentially be addressed to some extent by encouraging older people to subdivide large houses: the need to create more specialised housing for older people and adapt the housing stock to deal with the physical consequences of ageing; the inefficiency of having large numbers of older people under-occupying family homes which have lots of empty space; the opportunity for older property-owners to use housing wealth to fund their retirements; and the potential for older peoples’

<sup>36</sup> DCLG (2015) FA2301 (S318): *age of household reference person by type of ownership* London: DCLG



housing wealth to be a source of tax revenue, given that the uplift in housing values over recent decades has been a largely untaxed windfall for homeowners.<sup>37</sup>

### Could older homeowners particularly benefit from subdividing?

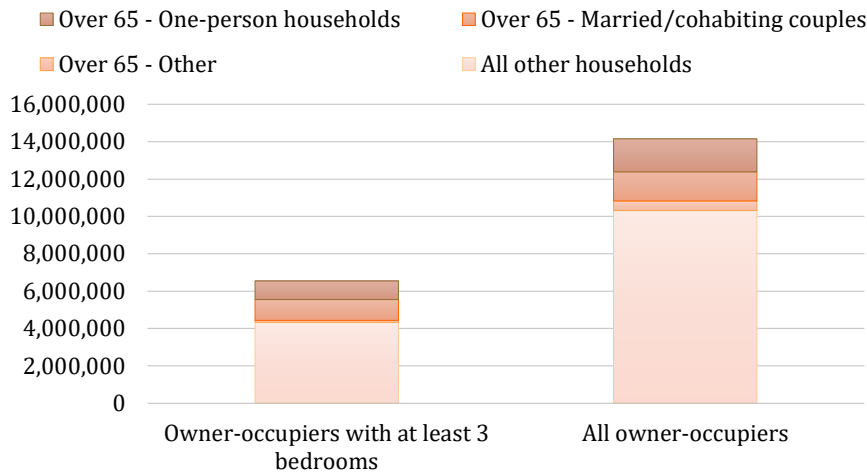


Fig.13 Owner-occupied households where the HRP is above 65 as a share of all owner-occupied households and those with at least 3 bedrooms in England, 2011<sup>38</sup>

The need to adapt our housing stock to cater to the needs of an ageing population was also highlighted as one of the major challenges facing Britain’s cities by the Government Office for Science’s recent “Future of Cities” project. That project’s research on housing suggested that increasing the flexibility with which neighbourhoods can adapt to meet the changing needs of their communities will be a crucial part of the solution to this challenge:

*“One of the most interesting challenges we face is how to invent and foster a more diverse set of housing choices and living arrangements for the next century, getting beyond the very narrow choices we presently have. Among the issues to be considered here are meeting the needs of an ageing population, many of us currently remaining as one- or two-person households in family-sized housing...we can foresee the extension of the concept of ‘lifetime neighbourhoods’ – localities where people of all ages can meet their immediate requirements with minimum need for travel, especially by car: basic shops, places to meet and play, medical care and a mix of housing which enables them to meet changing needs without being forced to move away from established networks of friendship and support.”<sup>39</sup>*

It is apparent that there would be significant benefits for both the individuals concerned and broader society if older homeowners could be encouraged to downsize. In terms of the benefit for individuals, it is clear from the census that a significant number of the over-65s who are living in large homes suffer from health problems and disabilities which limit the activities of daily life. Fig.14 demonstrates that of the 4.26 million over-65s who live in homes that have at least 3 bedrooms in England, 1.8 million report that their general level of health is either only “fair” or is

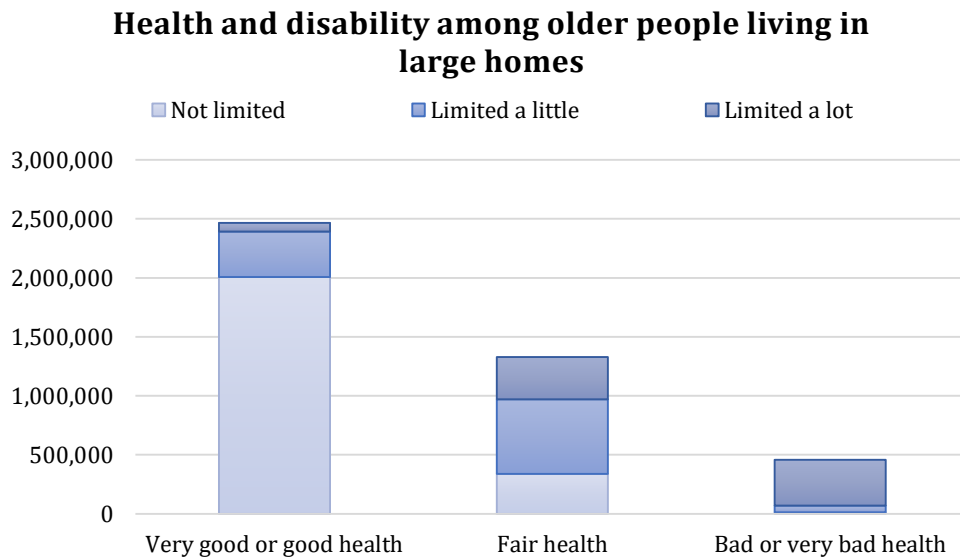
<sup>37</sup> Lloyd, J. (2015) *Open Plan: Building a strategic policy towards older owners* London: Strategic Society Centre

<sup>38</sup> ONS (2011) *2011 Census: DC4105EW1a – Tenure by occupancy rating (bedrooms) by household composition* Newport: ONS

<sup>39</sup> Edwards, M. (2015) *Prospects for land, rent and housing in UK cities* London: Government Office for Science



“bad or very bad” and 1.9 million say that their daily lives are limited to some extent by a disability. Many of these people could benefit from moving to accommodation which is either simply smaller in size and/or has been suitably adapted for their needs, but the existing supply of such housing is generally reckoned to be inadequate.



*Fig.14 Number of over-65s living in a home with at least 3 bedrooms by their general level of health and the extent to which their daily lives are limited by disability, England, 2011<sup>40</sup>*

Individual downsizers could also benefit from unlocking some of their housing equity in order to help fund their retirements. This may be an attractive option for those who lack an adequate pension income to fund the lifestyle they desire, but it is often difficult for would-be downsizers to find a suitable property at a price which is low enough to leave them with a big enough financial surplus once they have factored in the full cost of buying a new home and moving. This is partly because of a trend which they could take advantage of if they subdivided their existing property instead: data from Nationwide Building Society show that smaller properties tend to sell for a higher price per square metre than larger ones do, which means that a large property may be worth more overall if it has been subdivided than it would have been as a single unit (Fig.15).

For wider society, the potential benefits of encouraging more homeowners to subdivide could potentially include reduced spending on health and care costs if people can carry on living independently in more age-appropriate accommodation for longer; an increase in the supply of housing caused by achieving a more efficient use of the housing stock, as previously discussed; and possibly an additional benefit in the form of higher tax revenues from more property transactions taking place when the newly-created units are bought and sold, although this would be affected by the structure of tax incentives which is used to encourage people to subdivide.

As explained in the Introduction, previous IF research has shown that a focus group of older home-owners who had downsized had found that it improved their quality of life, but their counterparts who hadn't downsized perceived a number of obstacles which discouraged them from doing so. This finding was supported by another recent study which found that nearly 20% of older homeowners wanted to downsize to more age-appropriate housing, but just 4% expected

<sup>40</sup> ONS (2011) *2011 Census: DC3404EW - General health by long-term health problem or disability by occupancy rating (bedrooms) by age* Newport: ONS



to do so in the next year, with attachment to their current neighbourhood appearing to be the most powerful countervailing force.<sup>41</sup>

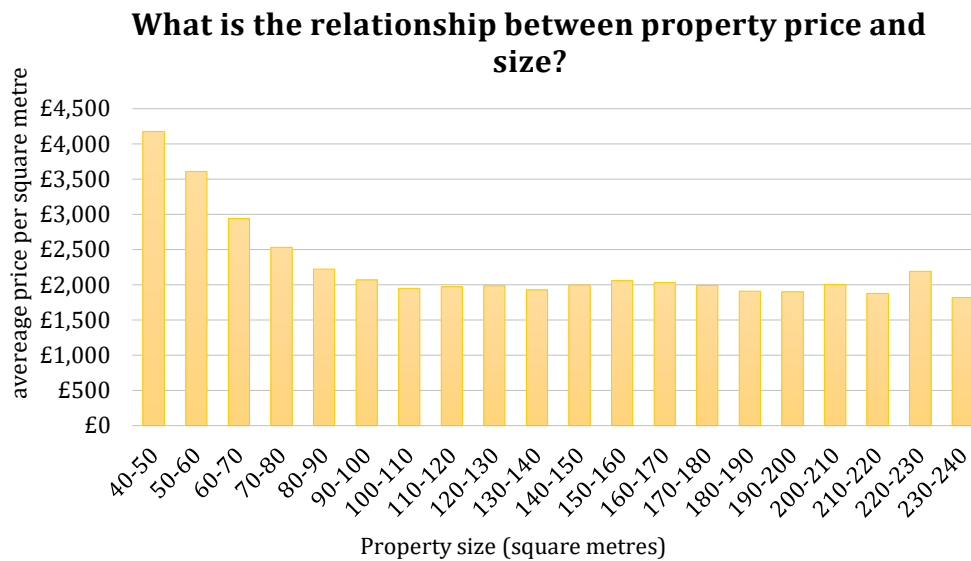


Fig.15 Relationship between property size and average price per square metre, England, 2014<sup>42</sup>

A severe lack of supply of suitable accommodation for older people to move into has also been cited as a major reason why there isn't more downsizing, with a recent report suggesting that there are only around 130,000 purpose-built retirement properties in the private sector, and that supply is currently only increasing by about 7,000 new units per year.<sup>43</sup> Clearly, many older homeowners who might want to downsize either for health reasons or to free up some of their housing equity would be put-off by the idea of having to move away from their existing community and social network. This suggests that more people might be willing to downsize if it was easier for them to "downsize-in-situ" by converting an existing large home into one that is more suited to their changing needs as they get older.<sup>44</sup>

Over two million retired owner-occupiers currently live in homes which could be big enough to subdivide, and although downsizing-in-situ wouldn't be the ideal solution for all of them, a policy which helps older people achieve their desire of moving into more age-appropriate accommodation while also boosting the overall supply of housing could be seen as an attractive "win-win" solution for policy-makers.

<sup>41</sup> Lloyd, J. and Parry, W. (2015) *Older Owners: Research on the lives, aspirations and housing outcomes of older homeowners in the UK* London: Strategic Society Centre

<sup>42</sup> Nationwide Building Society (2014) *What adds values to your home?* Swindon: Nationwide

<sup>43</sup> Savills (2015) *Spotlight: Housing an Ageing Population* London: Savills World Research

<sup>44</sup> Lloyd, J. (2015) *Open Plan: Building a strategic policy towards older owners* London: Strategic Society Centre

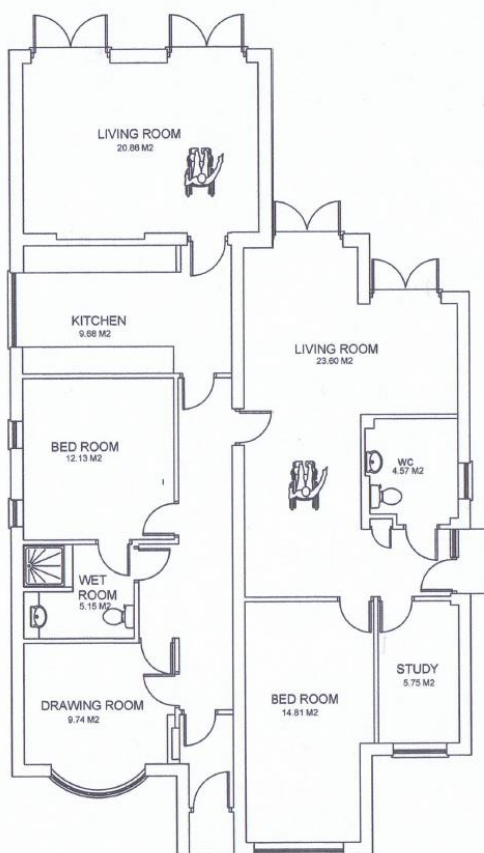
## 5. Subdivision case studies

In practice, whether subdivision is a suitable option structurally will vary from property to property. That said, in order to demonstrate the possibilities, this section provides a series of real-life architectural case studies of housing subdivisions which have been either proposed or completed recently.

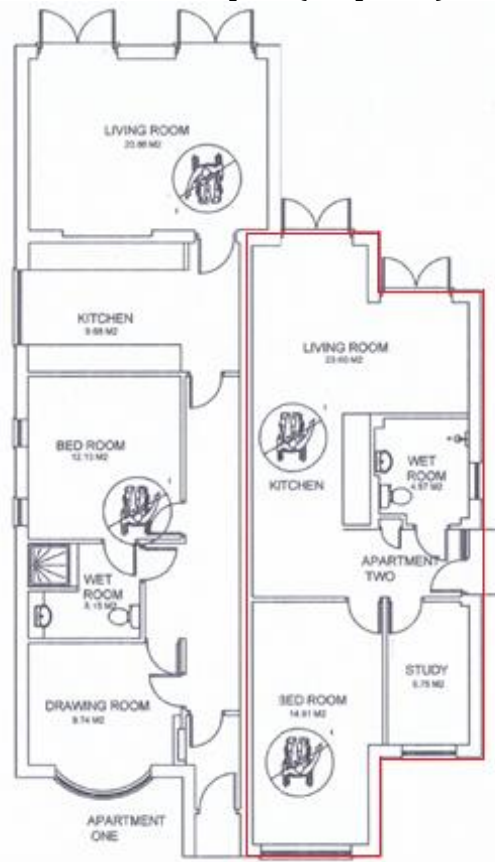
### i. 20 Addison's Close, Croydon

*Subdividing a 2 bedroom bungalow into one 2 bedroom and one 1 bedroom flats*

**Original Floorplan**



**Subdivided Floorplan (Proposed)**



*Plans courtesy of Michael Lane (RIBA FRSA MFPW) and Simon Berlin*

This innovative project from Croydon seeks to subdivide an existing two-bedroom bungalow into two flats by blocking an existing door to create a partition wall. It was conceived by the family of the current owner, a woman in her nineties, as a way of creating two renovated flats which would meet modern accessibility requirements and therefore be suitable for elderly or disabled people who require a compact, efficiently-arranged living space to downsize into. The current owner's son, who helped design the project, believes there could be many similar properties which would benefit from being subdivided in the same fashion:

*"I think there are many detached bungalows from the 20s, 30s and 50s that are on plots wide enough to subdivide into two semi-detached bungalows with some moderate enlargement and judicious reworking of internal walls. This addresses what I believe must be an enormous demand for elderly*





*couples and single people to move into smaller properties, if not for younger (especially disabled) persons to do so. Of course, the movement of the relatively property-rich, often pension poor, elderly into smaller, accessible, cheaper-to-run property, liberates the otherwise under-occupied larger properties. In addition, the conversion of these kinds of properties, typically bungalows, offers not just a very attractive alternative to older people unused and unwilling to live in flats, but an opportunity to concurrently convert older properties to a standard that meets current building regulations.”*

## **ii. 17 Warbank Close, Croydon**

*Subdividing a 4 bedroom semi-detached property into one 3 bedroom house and one 1 bedroom flat*

As shown overleaf in the accompanying plans (courtesy of Svetlana Popov and DesignNote Consultants), this project was an attempt to convert a semi-detached 4 bedroom house, which had previously been extended down one side, into a 3 bedroom house and a 1 bedroom flat by separating the extension from the original dwelling to make it self-contained. This would have required fairly minimal structural adjustments, as the extension was already largely physically separate from the original dwelling; all that needed to occur was the creation of a new main entrance in one side of the front porch and the erection of a minor wall to separate this from the existing entrance, which would have become the main entrance of the new flat instead. The property also has a large garden (not shown in these plans) which would have been subdivided through the construction of a fence to give the new flat its own private amenity space.

This proposal was rejected by the local planning authority, principally because it was deemed that creating a new unit with a much narrower frontage than the existing semi-detached property has would look out of keeping with the surrounding homes. While of course visual amenity is an important issue in relation to housing, such concerns need to be considered in proportion to the urgent need to create new housing. The proposal was also rejected because of two other objections which could be resolved relatively straightforwardly: firstly, the bedroom in the new flat would not have its own window, which could potentially be overcome through the installation of a skylight, and secondly, the internal area of the subdivided dwelling was deemed to be slightly below the minimum level required by the London Plan Space Standards, but this could be addressed through some minor modifications to its layout. The local planning authority also determined that the proposal would have no negative impacts on the amenity of the neighbouring dwellings or the local road network, so (with the suggested modification) this proposal would have been acceptable under the prior approval process which is outlined in the next section.

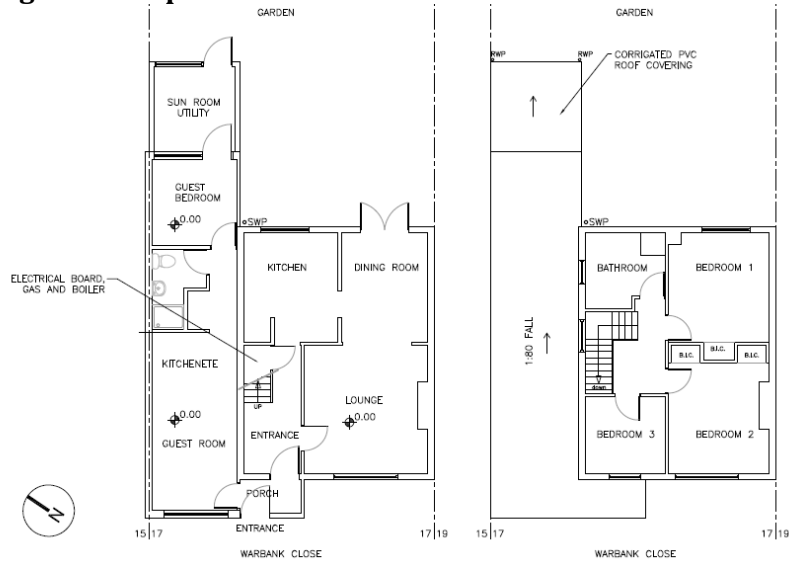
## **iii. 7 Widdecombe Road, Bromley**

*Subdividing a four-bedroom semi-detached house into 2 two-bedroom houses*

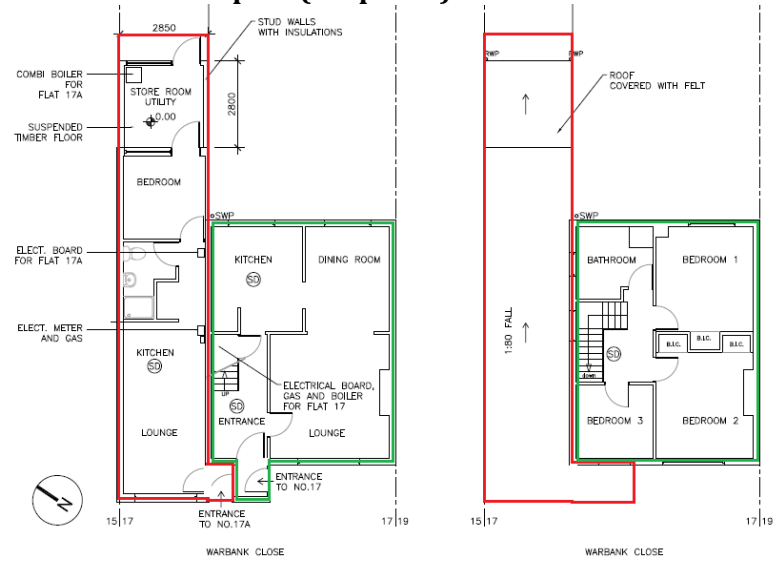
This proposal, which was granted planning permission in 2004, essentially involved splitting a large 4 bedroom house down the middle in order to create a pair of 2 bedroom dwellings in its place (plans, shown overleaf, are courtesy of Jeremy Sparrow and JS Designs). This was achieved architecturally through the removal of doors on both the upper and lower floors to create a solid partition wall running across the middle of the original property. A new front doorway was also created adjacent to the existing one, and the previous ground floor living room was modified to install a small kitchen and a new staircase to access the upper floor. An existing shower room on the upper floor was also expanded to create a proper bathroom.



**17 Warbank Close  
Original Floorplan**



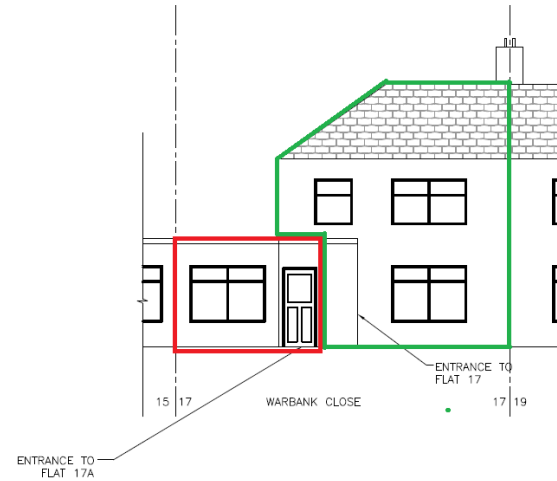
**Subdivided Floorplan (Proposed)**



**Original Frontage**

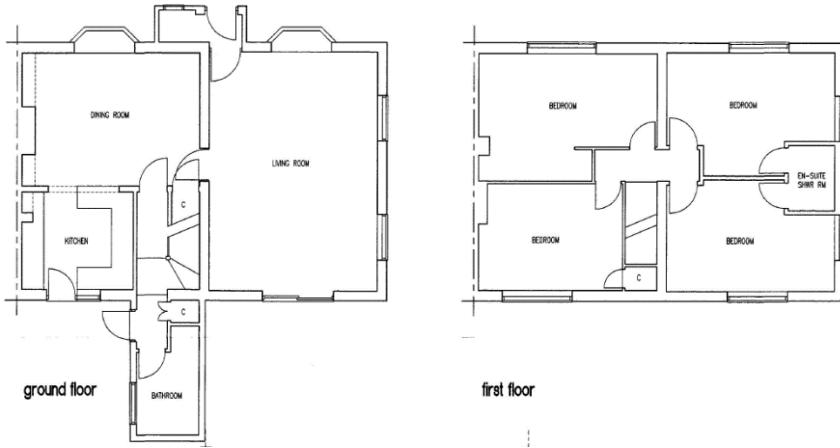


**Subdivided Frontage (Proposed)**

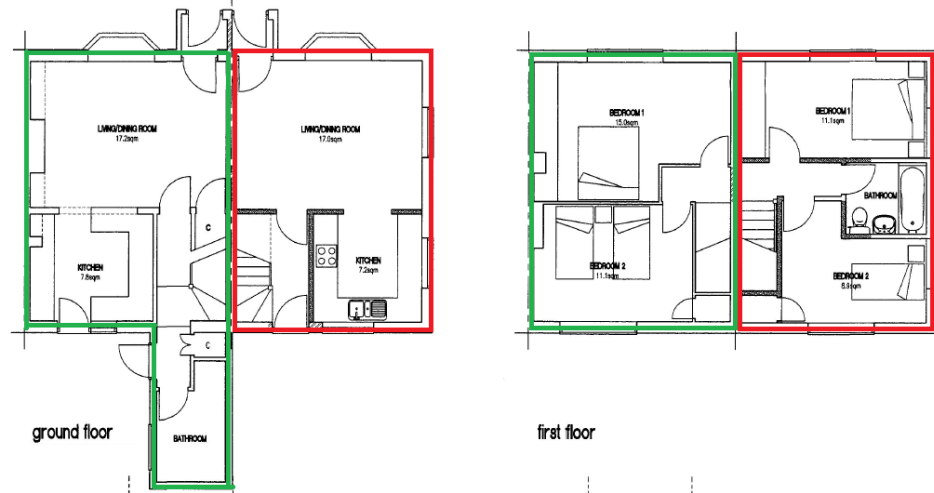




**7 Widdecombe Road  
Original Floorplan**



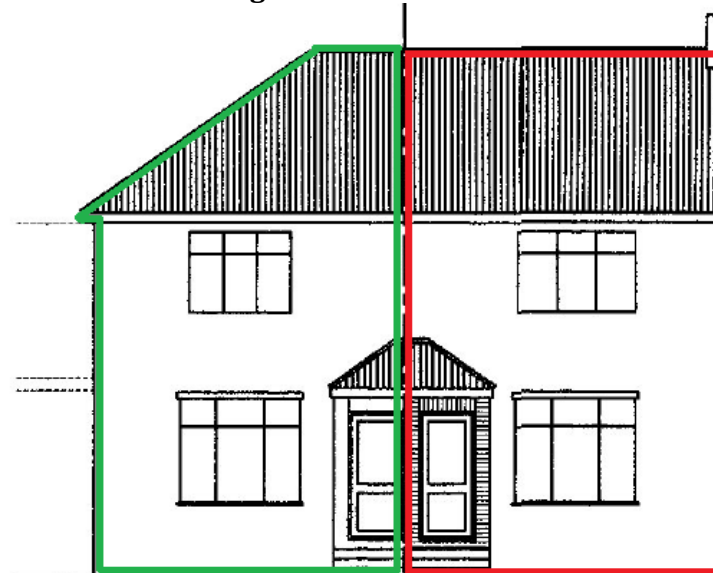
**Subdivided Floorplan**



**Original Frontage**



**Subdivided Frontage**





## 6. How could households be incentivised to subdivide?

The planning and tax systems together play a very influential role in shaping how people choose to use and invest in property. Currently, they both contain a number of features which appear to discourage people from subdividing larger homes, so this section will outline some possible reforms that could reverse this situation.

### How could planning reforms make subdividing a home easier?

Subdividing a large property into smaller ones is explicitly categorised as “development” under section 55 (3) (a) the Town and Country Planning Act 1990, which means that a property owner must submit a full planning application to their local authority and receive planning consent in order to do so. In order to receive permission, an applicant’s proposal must be in compliance with the relevant authority’s Local Development Plan, which may include specific policies that are intended to resist such conversions in order to satisfy other planning objectives. For example, several London boroughs aim to resist the subdivision of large residential units in order to ensure there remains an adequate supply of family-sized housing locally; they often have policies that impose limits on the minimum sizes of properties which can be converted and require conversion projects to create at least one family-sized unit which has direct access to a garden.<sup>45</sup> Common reasons for refusing to allow subdivisions include parking impacts, concerns about the quality of the accommodation which would be created, the impact on the amenity of neighbouring properties and changes to buildings’ exterior appearance.<sup>46</sup>

Although the wider planning goals which these policies seek to achieve may be valuable in their own right, given the need to create new housing it is worth questioning whether the system which we currently have is too restrictive. There are several good reasons to argue that this is the case. First and foremost, as has already been pointed out, there is currently a severe shortage of new homes in England, and the present government considers creating more new homes to be one of its most important policy objectives. Therefore it does not seem unreasonable to suggest that the goal of creating new homes should be given significantly greater weight in the planning process than other material considerations. Secondly, as is clear from the data presented earlier in this report, current levels of subdivision are extremely low and the distribution of living space is highly inefficient, for which the planning system must take at least some of the responsibility as the primary arbiter of land use. Thirdly, planning policies which aim to “protect” family-sized units are usually based on assessments of the development needs of an area which are produced by Strategic Housing Market Assessments (SHMAs). Although this approach is enshrined in the National Planning Policy Framework, basing planning policy on demographic projections has been criticised for conceptual and methodological limitations.<sup>47</sup> There is also recognition that this approach is often ill-suited to marrying up the demographic characteristics of households with how they actually use living space (under-occupation being a case in point), and the fact that

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<sup>45</sup> London Borough of Brent (2013) *Flat Conversions Background Report* London: Brent Council

<sup>46</sup> *Ibid.*

<sup>47</sup> Ferrari et al. (2011) “Planning and the housing market: reflections on strategic housing market assessment in England” *Town Planning Review* 82,4, 393–423



people usually have to compromise in some way on the type of housing they would ideally want.<sup>48</sup> Given that current levels of property conversion are so low, and the potential benefits which this report has emphasised, a degree of planning liberalisation appears to be justified.

The government has made a number of attempts to liberalise the planning system over recent years, particularly through the creation of new permitted development rights under the Town and Country Planning (General Permitted Development) (England) Order, which grants automatic planning permission for certain types of development, subject to some specific caveats and restrictions. Under the 2010–15 Coalition government, permitted development rights were expanded with the intention of both increasing the supply of new homes by making it easier to convert other types of buildings (such as vacant shops and offices) into housing units, and also to give householders greater freedoms over what they could do to their own properties, such as building larger one-storey extensions. Therefore, **creating a new householder permitted development right to subdivide a single dwellinghouse into multiple properties, subject to prior approval**, would be consistent with these earlier planning reforms, and should encourage more people to subdivide their homes by taking much of the uncertainty and bureaucracy out of the process.

The key to achieving a successful balancing act between the need to increase the supply of housing and other planning objectives, particularly preventing the creation of substandard accommodation or unsafe traffic situations, would be a well-designed prior approval process that enables potential conversions to be refused against a limited set of specific criteria. The benefits of employing prior approval, a “light-touch process that applies where the principle of development has already been established,”<sup>49</sup> are that it is simpler for the applicant to comply with, the scope for refusing an application is far more limited, and permission is automatically granted if a prior approval application is not determined within the statutory 42-day determination period – which reduces delays and uncertainty and places the onus very much upon the local authority to justify why a development should not go ahead, rather than on the applicant to demonstrate why it should.

The possible prior approval criteria for assessing householder subdivision applications should be developed by the government in consultation with local planning authorities, but the following items could be worthy of consideration:

- Transport and highways impacts of the proposed conversion;
- Accordance with appropriate dwelling-size standards;
- Neighbour consultation;
- Whether the property being subdivided is listed or falls within a Conservation Area;
- The accordance of the conversion works with the Building Regulations.

Ensuring that the new dwellings which are being created comply with dwelling-size standards is particularly important to protect against the danger of unscrupulous developers or landlords creating unpleasantly small dwellings that would be harmful to their inhabitants’ quality of life. However, any other design matters – including whether a subdivided home would be in keeping with the prevailing character of its surroundings – should be excluded, as it does not seem a

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<sup>48</sup> Local Housing Requirements Assessment Working Group (2013) *How many homes? A companion guide* London: Local Housing Requirements Assessment Working Group

<sup>49</sup> DCLG (2014) *Planning Practice Guidance* London: DCLG



convincing argument that a subdivided home should automatically be regarded as “bad design” simply because it doesn’t resemble its neighbours.

Local authorities would also retain their normal ability to impose conditions on a proposed conversion under this process. For example, as previously mentioned, transport impacts are one of the most frequently cited reasons for rejecting proposed conversions, but this could be addressed by imposing a condition that any new dwellings should be car-free or have off-street parking. In exceptional circumstances, local authorities would still be able to apply to the Secretary of State to designate specific areas under Article 4 directions where the permitted development right would be suspended if they could demonstrate it was having a harmful impact. Finally, given that one of the key aims of this initiative would be to increase the flexibility of the way we use the country’s housing stock, all new dwellings that would be created under this permitted development right should automatically carry a matching permitted development right to be de-converted back into a single unit if a future owner wished to do so. This would make the housing stock more responsive to changes in the size of households.

## How could tax reforms encourage people to subdivide?

How property is taxed has an enormous impact on how people use it.<sup>50</sup> By international standards, the tax treatment of domestic property in the UK is somewhat unusual; OECD data suggest that the UK levies the highest taxes on property as a share of GDP of any OECD member,<sup>51</sup> but they are structured so that a higher tax burden falls on transactions (Stamp Duty) rather than occupation (Council Tax), which (all things being equal) should incentivise people to stay put instead of moving, even if they are using their housing inefficiently. Furthermore, given that subdividing a home requires an up-front capital investment to undertake the necessary building works, which also create a certain amount of noise and disruption, homeowners would probably need to have an additional financial incentive beyond simply the capital they can release to encourage them to take advantage of the new permitted development right outlined above. Therefore, the following tweaks to the tax system are suggested to encourage people to subdivide:

### Council Tax

The current Council Tax system in England encourages people to use housing inefficiently because the tax is higher as a proportion of the property’s value for smaller, cheaper properties than it is for larger, more expensive ones: the average rates amount to 2.4% for a property that was worth £40,000 in 1991 (absurdly, this is still the last time property values were assessed for Council Tax in England), but 1.8% for a property valued at £100,000 in 1991, and just 0.3% for a property worth £1 million in 1991.<sup>52</sup> This incentive to use property inefficiently is amplified by the 25% discount which adults who live on their own receive, a concession which disproportionately benefits older people as they are more likely to live alone than younger ones, meaning they are discouraged from downsizing. The overall effect of the way the tax is designed is that older, wealthier households living in large properties effectively receive a lower rate than younger, poorer ones who live in smaller homes.<sup>53</sup>

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<sup>50</sup> Johansson et al. (2008) *Economics Department Working Paper No.620: Tax and Economic Growth* Paris: OECD

<sup>51</sup> OECD (2014) *Revenue Statistics 2014 – United Kingdom* Paris: OECD

<sup>52</sup> Lawton, K. and Reed, H. (2013) *Property Wealth and Taxes in the UK: The Context for Reform* London: IPPR

<sup>53</sup> Evans, A.W. *Optimal Taxation Theory and the Taxation of Housing* Reading: Centre for Spatial and Real Estate Research, Reading University



In theory, choosing to subdivide a property should already give homeowners a benefit in relation to their Council Tax as the part of the property which they continue occupying after they've split it will be smaller and should therefore have a lower banding (although, as explained above, this means the rate they are paying will probably be higher). There are two potential ways in which they could be given extra incentives. Firstly, removing the single person discount would encourage people living alone in larger homes to downsize, which could include downsizing-in-situ; the problem that this would penalise asset-rich but cash-poor households could be remedied by allowing individuals who wanted to carry on living in large homes to defer their tax liability to be paid as a charge against their estate at death (a similar system currently operates in Denmark), although the rolled-over charge could carry interest in order to make this option less desirable than downsizing or subdividing. Secondly, an alternative option would be to give households that subdivide a Council Tax holiday for a certain number of years afterwards, as long as they remain living at their original address throughout this period.

### **Inheritance Tax**

The introduction of an additional nil-rate band for people who pass on family homes to their direct descendants from 2017, announced in the 2015 summer Budget, could potentially discourage people from subdividing if it creates an incentive for people to hold wealth in the form of housing rather than as cash. However, the government has announced that it intends to include a specific provision in the 2016 Finance Bill which will enable households that have downsized to keep the exemption for a sum of wealth equal to the amount that would have been exempt if it was still held as housing equity, in order to mitigate this problem.<sup>54</sup> The government must ensure that such a measure makes it into the final legislation in order to avoid creating an additional incentive for people to use housing inefficiently.

### **Capital Gains Tax**

Capital Gains Tax (CGT) could potentially discourage people from subdividing if they are unable to claim Private Residence Relief on the disposal of the part of their home they have subdivided into a separate residential unit, on the grounds that it is no longer part of their main residence and effectively represents a second home. The official guidance provided by HMRC<sup>55</sup> appears to be somewhat unclear on this point, so it would be useful if the government clarified that the disposal of such properties would not be liable for CGT, as seems reasonable. However, if the original homeowner lets the new unit which they have subdivided to a paying tenant for a period of time before they come to sell it, then it would be reasonable for them to have a CGT liability in accordance with the existing rules on rental properties.

### **Value-Added Tax**

The current regime for Value-Added Tax treats various types of building work differently: the development of new homes from scratch is zero-rated, whereas the renovation of existing properties incurs VAT at the Standard Rate of 20%, which creates a disincentive against refurbishment.<sup>56</sup> The conversion of existing dwellinghouses into multiple self-contained dwellinghouses is again treated differently, being charged at the "Reduced Rate" of 5%. The system is actually somewhat more complicated than this, as there are specific exemptions which relate to particular services, such as carpet-fitting and the hire of goods used during the

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<sup>54</sup> HM Revenue and Customs (2015) *Policy Paper – Inheritance Tax: main residence nil-rate band and the existing nil-rate band* London: HM Revenue and Customs

<sup>55</sup> HM Revenue and Customs (2015) *Capital Gains Tax: HMRC manuals* London: HMRC

<sup>56</sup> National Landlords Association (2014) *Autumn Statement: NLA Submission 2014* London: NLA



conversion work, that still carry the Standard Rate.<sup>57</sup> It would give homeowners an additional incentive to subdivide their properties if the VAT regime for conversions was aligned with the one for building new dwellings from scratch, so that same construction services were zero-rated in both cases. This would be consistent with the recognition that conversions are an important means of providing new housing units.

### **Stamp Duty**

By enabling households that want to downsize to do so without actually purchasing a new property, downsizing-in-situ avoids the disincentive of having to pay stamp duty that is faced by households who want to downsize in the conventional way. Many economists, and the Mirrlees Review of Taxation, have argued that Stamp Duty is extremely inefficient because it discourages housing transactions, which reduces population mobility and encourages people to live in homes which are either too large or too small for them (problems which the recent reforms to the tax's structure, although beneficial in other respects, did nothing to address).<sup>58</sup> Research has suggested that providing purchasers with a Stamp Duty holiday is an effective means of stimulating larger numbers of transactions,<sup>59</sup> therefore a possible incentive in this area would be to give one to people buying properties which have been created through subdivision – although the impacts of this would probably be fairly minimal as the rates of Stamp Duty on smaller, cheaper properties are now so low.

### **Other incentives**

If the government wanted to go further than simply trying to “nudge” people towards subdividing through the tax system then it could introduce direct financial incentives. The most obvious way of doing this would be to provide grants or soft loans to help cover the conversion costs, or alternatively giving people who do so a bonus payment – although as this would be going to households which are already wealthy in terms of housing equity – the distributional impacts of direct financial giveaways may make this option unappealing. A possible source of funds for such schemes would be for the government to redirect some of the money they are currently spending on the New Homes Bonus, which gives local authorities a grant as a reward for each new home that they give planning permission for. Given that the recent investigation by the Public Accounts Select Committee warned that the total level of resources committed to this scheme through to 2018/19 has now reached £7.5 billion without it being proven that these are not homes that would have been built anyway, redirecting some of this money directly to individual homeowners in this way could be a more effective means of spending it.<sup>60</sup>

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<sup>57</sup> HM Revenue and Customs (2014) *VAT Notice 708: buildings and construction* London: HMRC

<sup>58</sup> Mirrlees et al. (2011) *Tax by Design* Oxford: Oxford University Press

<sup>59</sup> Best, M. and Kleven, H. (2013) *Housing Market Responses to Transaction Taxes: Evidence From Notches and Stimulus in the UK* London: LSE

<sup>60</sup> Public Accounts Committee (2013) *The New Homes Bonus* London: House of Commons





## 7. Conclusion – a route towards more flexible cities?

This report has argued that, in view of the enormous shortfall in housing delivery which England currently faces, more attention needs to be paid to the amount of surplus space within our existing housing stock which could be used as a source of new homes. Given the amount of energy and political capital which the Conservative Party has expended on trying to increase the supply of housing since it came to power in 2010, the measures proposed in this report deserve to be considered, as they represent a logical continuation of the planning reforms and financial incentives the government has introduced.

It has been shown that incentivising people who live in larger homes to subdivide them has the potential to create large amounts of new housing in areas with high housing demand. This strategy would avoid the political controversies that often accompany building on virgin land, and would centre on areas that already benefit from existing transport, infrastructure and employment opportunities. It would also give people who want to downsize but are attached to their existing community the option of “downsizing-in-situ”, which would enable older homeowners to unlock some of their housing equity and remain in their own homes for longer, while creating a housing stock which would be better-adapted to the needs of our ageing population.

At their heart, the measures which have been proposed in this report are about giving us a housing stock which we can use more flexibly. One of the fundamental problems with the housing system as it stands is that the dwelling stock changes much more slowly than the ways in which people use it: over a third of English homes date from before World War Two, and one in five was built before the end of World War One, a period in which typical domestic arrangements have changed enormously.<sup>61</sup> For example, many Victorian homes were designed to include accommodation for live-in domestic servants; very few of the families who live in these homes today use these spaces for that purpose. Reforming the planning system to make it easier for homes to be made bigger or smaller more easily would make the built environment much more responsive to changes in how people live, increasing the efficiency of the housing stock and reducing some of the demand for new homes.

Data suggest that household size is currently trending downwards (Fig.16); almost 76% of the total household growth recorded in England between 1996 and 2015 consisted of one- and two-person households, which suggests that the future of our housing stock should be smaller than it has been in the past. Polling overwhelmingly indicates that young people still dream of getting on the housing ladder, but perhaps the form this takes will need to be significantly different than it was for previous generations.

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<sup>61</sup> DCLG (2015) *English housing survey 2013: profile of English housing report* London: DCLG



## How has household size changed over time?

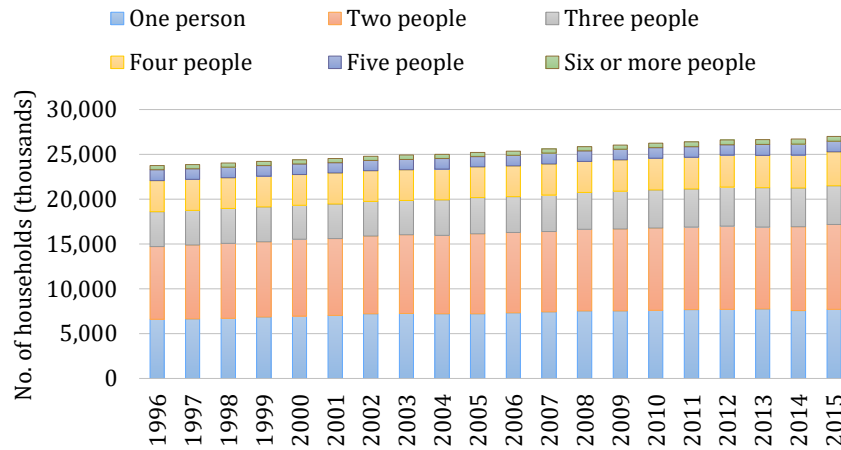


Fig.16 Changes in household size in England, 1996–2015<sup>62</sup>

Is the dream of owning a large home in leafy suburbia still relevant for today's young people? Or do the trends towards smaller households, city centre living and not learning to drive point towards something else – living at higher densities in smaller homes, closer to the shops and public services and with good public transport connections?

While it seems very unlikely that encouraging the owners of large properties to subdivide them would produce enough new housing to solve the housing crisis by itself, this could be an important weapon in winning the war on housing need.

<sup>62</sup> ONS (2015) *Families and Households, 2015* Swansea: ONS

