

# Empty homes tax may be more effective than new builds at making housing more affordable

February 13 2019

---



Credit: CC0 Public Domain

Empty homes tax has the potential to generate income for local governments, reduce demand from foreign investors and increase

housing affordability, a study suggests.

Housing affordability has decreased substantially in the UK between 1997 and 2016, due to a rapid increase in prices relative to earnings. This may be due in part to ownership of properties by [foreign investors](#) in cities such as London, or second home ownership by British citizens in [rural areas](#), reducing the availability of affordable [housing](#) for [local residents](#).

Researcher Jonathan Bourne at University College London investigated the relationship between the percentage of properties which do not have a permanent resident (low-use properties), and housing affordability in different parts of England and Wales. His findings are published in the journal *Palgrave Communications*, which is part of the Springer Nature portfolio.

"One of the goals of this research was to get an idea of the fraction of the population of England and Wales living in areas where low-use properties are more expensive than homes occupied by full time residents, which suggests that the most desirable properties are being bought for purposes other than use as a home, for example as investment opportunities or holiday homes," Bourne explained.

"Some of the most surprising findings were the sheer value and quantity of low-use properties in some areas, amounting to £21 billion in the London borough of Kensington and Chelsea alone, and £123 billion in the entire dataset. We estimate that in England and Wales, 39-47% of the population lives in areas where low-use properties are more expensive than permanently-occupied homes."

The researcher collected data from 112 local authorities, representing 32% of total local authorities in England and Wales, and covering 40% of the population of England and Wales (23.2 million people). This

dataset included 340,000 low-use properties. Analysis revealed that low-use properties were worth £363,000 on average, which is 18.5% more expensive than the average [home](#) (£306,000). This was the case for the majority of properties included in the dataset.

Bourne also aimed to identify areas that could be responsive to one of two ways of reducing house prices; increasing the supply of housing, or decreasing property demand, for example by introducing an empty homes tax.

The author said: "The data shows that low-use properties are very concentrated in small numbers of desirable areas. In such cases simply building more homes is not going to solve the problem, as the issue is intense competition for property, not a lack of places to live. An empty homes tax may be more effective, with the potential to generate a not inconsiderable income for [local authorities](#), whilst taxing people who are typically not eligible to vote in local elections, or encouraging them to rent out their properties."

Based on these findings and the current council tax base, the author suggests that an empty homes tax of 1% would raise an additional £1.2 billion in taxes, which is equivalent to 11% of the council tax currently collected in the areas included in the dataset. An empty homes tax has been applied to domestic properties with no regular occupant by the city of Vancouver since 2018.

The author cautions that the empty homes tax would not be evenly distributed: "There are substantial differences in how much income individual areas would gain from an empty homes tax. For example, for individual boroughs in London, while the City of London would gain an additional £2100 per resident—the equivalent to 260% of current council tax—the boroughs of Kensington and Chelsea, and Barking and Dagenham would raise an additional £2000 per resident (201% of

current council tax), and £3.60 per resident (1% of the current council tax), respectively."

The study shows that it is possible to provide a detailed analysis of housing at a local and national level using publicly available data. The method developed here could be implemented for the UK and other countries to help inform housing policy, according to the author.

**More information:** *Palgrave Communications*, [DOI: 10.1057/s41599-019-0216-y](https://doi.org/10.1057/s41599-019-0216-y)

Provided by Springer

Citation: Empty homes tax may be more effective than new builds at making housing more affordable (2019, February 13) retrieved 19 April 2024 from <https://phys.org/news/2019-02-homes-tax-effective-housing.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.