How Many Homes Does the UK Need?

By Ben Hopkinson

The UK has a housing shortage. Decades of low building combined with a growing population have made homes unaffordable for many, in particular in and around our major cities. In 1980, the average home in London cost just £25,700 (or £89,000 controlling for inflation). In 2021, the average house went for £530,000, a six-fold increase even after inflation.

High housing costs have a devastating social impact with people unable to have the freedom to choose where they build their life. But they also have an economic cost. They mean working people are priced out of the places where they could earn higher salaries and work more productively. Strikingly, the median London worker earns 17% more than the median UK worker, but once the rent of a one-bed flat is taken into account, they are actually 3% worse off. To put that another way, many people could earn significantly more in London, but are better off staying in a worse-paying and less productive job because of unaffordable housing.

High housing costs also sap innovation, increase inequality – both intergenerationally and between different regions – and can even lower the fertility rate.

Getting more homes built is therefore one of the defining problems of our age. But first, we need to know how large the UK's housing shortage actually is.

The UK's 6.5 million home shortage

In 2023, the Centre for Cities released a report arguing that the UK is short by 4.3 million homes compared to similar European countries. But that analysis had a cut-off date of 2015 and was based on historical build rate and stock size, not contemporary comparisons. A turbulent decade on, the UK's housing shortage has only worsened.

As of 2023, the latest year comprehensive numbers are available, there were approximately 30.4 million homes in the UK to house 68.2 million people. That is 446 homes per 1,000 people, which is the second worst rate among other comparable European countries. Only Ireland has fewer homes per 1,000 people than the UK does.

Taking a weighted average of similar European countries results in 542 homes per 1,000. This implies that the housing shortage has risen to a shocking 6.5 million homes.

The UK has an extremely low rate of homes per capita

The UK's housing shortage is concentrated primarily in England, which has only 440 homes per 1,000 people, the lowest rate of any of the four nations. Of our 6.5 million missing homes, England accounts for 5.85 million.

Within England, the region with the fewest homes per capita is London, which has just 427 homes per 1,000 residents. That implies a shortage of 1.1 million homes, compared to the weighted average of European countries. Of course, that figure just relates to its current population. It does not include the extra homes that would be needed given the pent-up demand from the considerable number of Britons who would like to move to London but are currently priced-out.

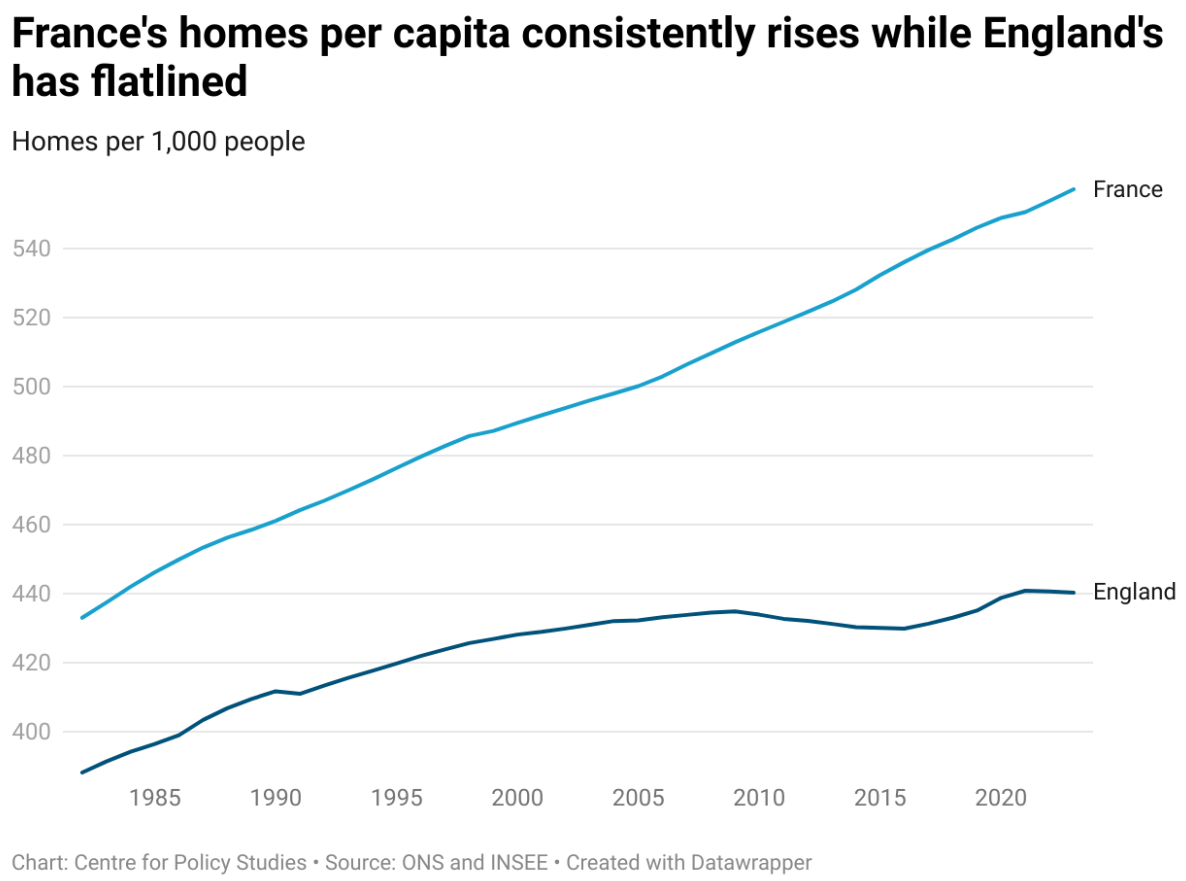
The housing shortage is primarily due to underbuilding

Comparing France and England over time shows how the failure to build can compound a housing shortage, with disastrous consequences.

Over the past four decades, France has expanded its housing stock by around 1.1% a year. Consequently, every single year, it has increased the rate of homes per capita. England, however, has only averaged an 0.8% growth in its housing stock over the past four decades. Strikingly, there has not been a single year that France has built that little.

This seemingly small difference, of just 0.3%, compounds aggressively over the years. If England had matched France's housebuilding rate since 1982, it would have built 2.9 million more homes, or the equivalent of an additional 50 homes per 1,000 people, roughly closing half of our housing gap.

This does not even account for the fact that French homes are significantly larger than homes in England. The average French property is roughly 1,200 square feet or 111 m^2, compared to an average of just 1,000 sq ft (94m^2) in the UK.



Immigration has not caused the shortage, but it has worsened it

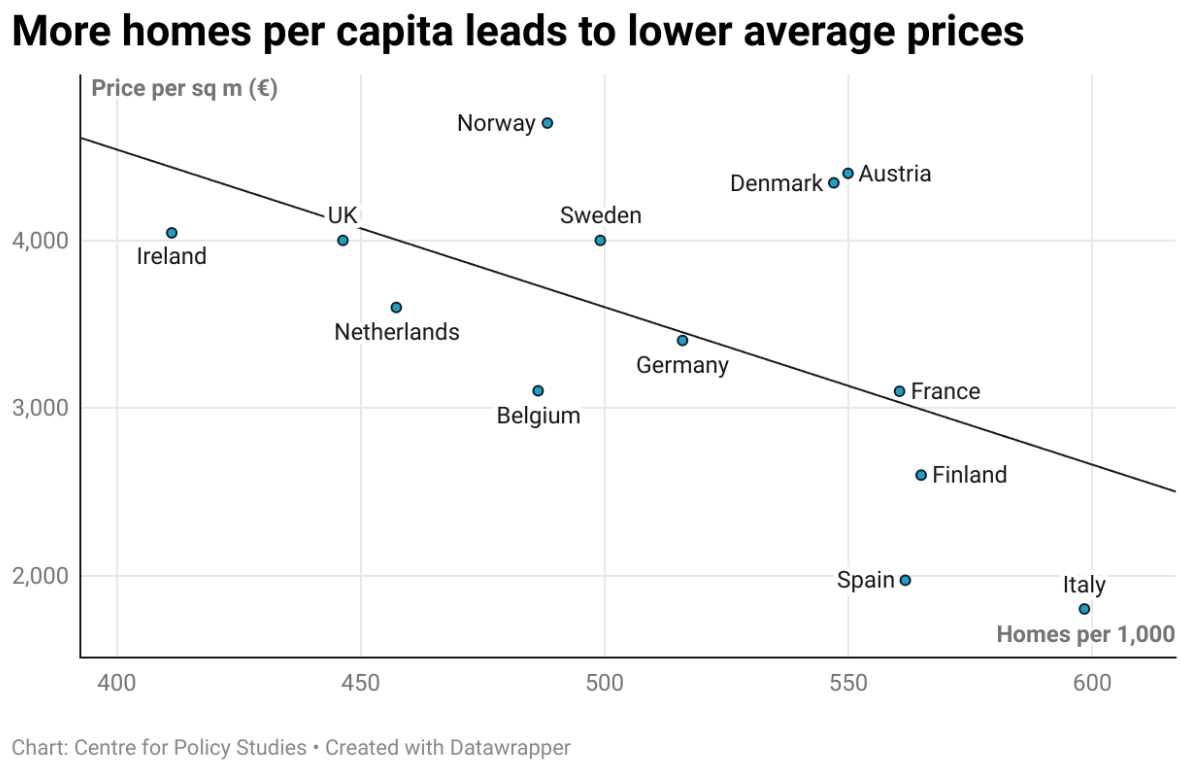
It is often argued that the UK's housing shortage has been driven by the recent rise in migration. And there is some truth to that. Looking at the chart above, the English line has effectively flatlined since the financial crisis, while France's continues to rise. An increasing population, caused by migration, has caused the housing gap to widen. In the years 2021-2023, the peak of the recent migration wave, the number of homes per capita actually fell in England, something that has not happened in France since at least 1982, the first year statistics are available. Despite England expanding its housing stock by 470,000 homes over that period, record high migration lowered the number of homes per head.

So how much of an impact has migration had overall? Well, if net migration had been kept to tens of thousands since 1997, and housebuilding had kept the same rate, England would have roughly 475 homes per 1,000. That is an improvement over the current English rate of 440. But it only covers about a third of the housing shortage – indeed, even this scenario would still leave England as the third worst major European country in terms of homes per capita. In short, limiting immigration is not the silver bullet to ending the housing shortage – but dismissing it as irrelevant is also incorrect.

The housing shortage makes homes more expensive

Calculating the scale of the housing shortage in England and the UK matters not just as an academic exercise, but because that housing shortage it makes housing unaffordable. Yes, there are other factors affecting house prices, not least monetary policy. But if you compare the number of homes per head with average house prices per square metre, there is a very clear and completely predictable trend across Europe: the higher the supply, the cheaper housing tends to be.

Today, the median house in England costs nearly eight times the median full-time salary. At the same time, the median house in England is smaller than in any comparable country in Western Europe. Our failure to build has meant that despite the price of housing outstripping inflation and wages, what that money buys has only become smaller.



Based on the chart above, adding one home per 1,000 people lowers average house prices per m^2 by €9.27 or £7.95. This implies that, if the UK were to eliminate its housing shortage compared to its neighbours, average house prices would fall by roughly £800 per m^2. For the average house size of 94m^2, that represents a £75,000 fall.

Closing the housing gap

Closing the housing gap will require both policy actions that boost supply further and decisions on immigration to make sure that net levels are more sustainable – and certainly do not outstrip new building, as has happened in the period from 2021-2023.

The ONS predicts that the UK will have long-run net migration of 340,000 people a year. Given this number, eliminating the UK's housing shortage by 2040 will require building 565,000 homes per year. That is equivalent to expanding the housing supply by 1.9% each year.

This has been done before: during the interwar period, England and Wales expanded their housing supply by an average of 2.3% a year, peaking at 3% in 1936. Yet reaching this level of housebuilding would require a dramatic increase compared to today. England has only expanded its housing stock by more than 1% in two of the last 35 years – in sharp contrast to France, where they do it year after year.

And whatever happens in terms of immigration policy, we really do need to build. Even slashing net migration to zero does not solve the UK's housing shortage, as the country is already missing 6.5 million homes. For example, if we assume that net migration is cut to zero and the UK's population remains stable, closing the UK's housing shortage by 2040 would still require expanding the housing stock by 380,000 homes a year. The UK has not built at that rate since the 1960s, so while it is possible, reaching that level of housebuilding will still require further policy changes.

And what if we stay on the current course? Assuming that the UK continues expanding the housing stock by approximately 255,000 homes a year, the average for the last decade, combined with the ONS prediction of long-run net migration of 340,000 people per year, then we will not reach the European weighted average of 542 homes per 1,000 people until 2115 – and that's assuming our European neighbours do not up their rate of housebuilding. Clearly, more must be done to boost supply through planning reform and to make sure that immigration levels are more aligned with housing delivery.

The 6.5 million missing homes should be a wake-up call to enable more housing in the UK. It is possible to eliminate the shortage, boost wages, increase disposable income, and make the UK a fairer country generationally and regionally. But we need a step-change in our policies on planning, and migration, to do so.

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