Prosperity begins at home:

Disruptions to improve Scotland's housing system

Duncan Maclennan
and Jocelyne Fleming

September 2025

Table of Contents

Part 1. Better Housing, Stronger Economy

This introduction outlines the core issues and the ways in which housing and economic narratives have been disconnected in Scotland as the housing 'polycrisis' has emerged. This section concludes by outlining the policy framing and actions to be discussed in subsequent Parts of the paper.

1.1 Housing and Economic Stories

The project had two goals. First, to suggest better ways of delivering Scotland's housing. Second, to create a clear economic story about housing — something that has been missing from government thinking and the public debate. Housing doesn't just affect social outcomes, it shapes climate change, productivity, jobs, and wellbeing across Scotland's cities, towns, and villages.

1.2 The Housing Economy Story in Scotland

Over the last decade, the Scottish Government has evolved multiple competing, and often disconnected, policy narratives (Maclennan, 2024). Multiple strategies, usually big on vision and virtue but weak on evidence and delivery plans, have been published. Emphases have been, in different documents, variously placed on green, blue, inclusive, sustainable, and community-wealth oriented growth to enhance more evenly-distributed 'wellbeing', with productivity usually a footnote.

In the academic and public policy debate, different, disconnected models for change may signal a creative, thinking policy community. Governments, however, responsible for strategy, mission formation, and delivery of progress are unlikely to be effective if their 'economic story' is not coherently 'joined up' and consistently told across all Ministries. Multiple 'Adjectival' growth frameworks confuse rather than create.

There has been a relentless disregard for housing as a major economic system in Scottish policymaking. There has been no direct Scottish Government statement on how housing, which represents a quarter of household spending, an increasingly important source of wealth and debt for most Scots, and a sector touching directly on 10-15% of jobs, impacts growth and productivity. That emphasis is repeated across subnational policy making too as 'local economic development' professionals and agencies focus on skills, skills, more skills, and innovation.

The Intelligence Hub of the Glasgow City Region produce much useful thinking for the city-region and a high-quality quarterly commentary. However, reading review after review would lead one to the conclusion that the housing system played no role in the city-region's growth and change. The widespread approach in Scottish policy and planning that sees housing as a 'merit good' best left to social policy thinking and little to do with economic development, is a damaging carryover from policymaking of half a century ago. Housing, it is argued below, is best seen as **critical economic infrastructure** for all households with social, environmental and economic effects that is primarily produced, allocated and owned with a market system.

Picking out the Scottish Government's narrative, which links housing outcomes to the economy is not easy from the strategic smorgasbord of the last decade. In some important areas of policy priority, this narrative almost disappears when one might expect it to be highlighted. For instance, non-profit housing providers are amongst Scotland's strongest community wealth anchors and major promoters of social inclusion but received scant mention in the highly profiled Scottish Government 'Inclusive Growth' and 'Community Wealth' strategies.

Within the housing sector, non-market housing lobbies have essentially seen 'economics' as a hostile perspective. In part, this view has arisen from the post 1970's decline in public budgets for housing. The sector's sense was that it was the 'Treasury' that dashed their housing investment hopes. The Chartered Institute of Housing (CIH) and Scottish Federation of Housing Associations (SFHA) have tried, from time to time, to develop 'economic' cases for more housing investment, but they seldom added up to a convincing growth narrative and were mostly filed rather than acted upon.

The 'economy' narrative framework developed through this paper is not intended to displace housing policy actions to support social and environmental goals. It is not 'an enemy' for the housing sector but rather an 'ally,' seeking a more effective understanding of how better housing outcomes can contribute to, and in part be defined by, the core goals of economic policy. In broad terms, those can be summarised as pursuing economic and financial stability, attaining societal goals for the fairer distribution of incomes and wealth, and ensuring rising productivity to best foster national growth and wellbeing.

At the CIH 2024 Annual Conference in Glasgow, sharing a plenary platform, Duncan Maclennan asked the then Housing Minister (facing an impossible remit) if his briefings included a summary paper on housing connections to the economy and, if not, would the Scottish Government provide such a briefing paper for the Scottish housing and economic policy sectors. If such a paper exists, it is not in the public domain. If it does not, it is valid to ask why it does not exist?

Economic cases for framing and resourcing housing policies have been made for decades (Maclennan, 1994) and in different places (Maclennan, et al., 2021). In this project, an economic perspective is adopted not to support lobbying for particular policy instruments, nor more public spending, nor regulatory tweaks to support the existing Scottish 'business as usual'(BAU) models of governing and delivering housing policies. That will not resolve, nor even stem, the spreading and deepening housing difficulties now afflicting almost two thirds of Scots. Instead, an economics perspective underpins our arguments for a changed thinking and delivery framework that will permanently raise the effectiveness of housing system management in Scotland to address the worsening polycrisis in Scottish housing.

1.3 The Housing Narrative: More than an 'Emergency'?

As adverse housing outcomes deepened, thirteen of Scotland's thirty-six local authorities had, by June 2025 declared 'Housing Emergencies' (mostly with a sense of indignation and attribution of blame to others). The Scottish Government similarly declared a 'National Housing Emergency' in May 2024. In early September 2025, the Cabinet Secretary made a Parliamentary Statement 'Tackling the Housing Emergency.' It contained some useful, but

small, policy changes and a significant, but still widely agreed inadequate, increase in the budget for affordable housing.

'Emergency', is a poor framing for what Scotland's housing system faces. Dictionary definitions state that an 'Emergency is a serious, unexpected, and often dangerous situation requiring immediate action'. The housing difficulties of Scotland in 2025, discussed below, are indeed serious. They do require immediate, and longer term, action. But they are by no means sudden. They have been steadily, and obviously, accumulating throughout this millennium.

The label 'crisis' is perhaps applied too liberally in our polity and press but it seems more apposite in this case. Dictionaries tell us that 'A crisis is a time of great disagreement, confusion, or suffering'. Clearly Scottish housing is at a time of crisis, even polycrisis. Too many Scots, often the poorest and youngest, are suffering.

There is, as this report discusses, confusion at the core of policymaking about what housing is and does. This confusion goes well beyond politics. For instance, on September 11th 2025, a national Scottish newspaper headlined the intensifying difficulties of coping with rising homelessness; the environmental section had an uplifting report on how garnering wind energy (to contribute to net zero) in a remote Shetland Island had raised community income, wellbeing and affordable housing; and the real estate correspondent announced with some joy that Scottish house prices were, hurrah, rising ahead of the UK average. That confusion over what housing is and does is spread across our debates and disagreements, and public policymaking at Scottish and local authority levels.

Our starting narrative for this paper is that Scottish housing does not face an emergency but rather a long evolving polycrisis that will take fundamental system change to diminish and end.

The polycrisis is serious. It undermines Scottish wellbeing, social inclusion and social mobility. It diminishes multiple aspects of environmental quality and slows the shift to net zero. It has negative effects on stability, growth, productivity and the distributions of income and wealth.

This is quite a charge sheet for Scottish housing policymakers to face and to seek solutions for a better system. But they need to seek major, system change. For if Scottish politics does not change the housing system, another Parliamentary term of the polycrisis will change Scottish politics.

As Scottish politics fails to grasp the meanings and causes of the housing crises, housing outcomes may now be fuelling the substantial erosion of public trust in mainstream political parties and processes. Housing outcomes are at the core of discontent in the left behind places, not just of western Scotland but the western world. Similarly, with age-specific home ownership rates falling for every age decile under 50, younger households are recognising they are being left behind the wealth and wellbeing levels their parents enjoyed at similar ages.

Sorting the Scottish housing system is not just essential to more effectively attaining net zero, wellbeing and productivity objectives, but also to supporting a stable, well-functioning political system. But what can be done to forestall further descent into housing difficulties (for that is where the system is heading) and reverse the effects of past outcomes?

Current housing policy thinking and 'Business as Usual' approaches are not going to unravel the now 'wicked system'. Can we cope with the housing polycrisis?

1.4 Resolving Housing Crises is Not Impossible; we've done it before

Scottish housing policymakers, in different eras, have faced, diminished, and then resolved major housing crises. A century ago, John Wheatley led UK efforts to begin to put in place widely provided, municipal, affordable housing. That drive was reinforced, after 1950, in major waves of investment in public housing to meet housing needs induced by wartime damage, poverty, and then urban renewal.

By the early 1970's around 10% of annual public spending in Scotland was devoted to such programmes. These were crises, and the responses were, in terms of national fiscal effort, intense. Some of the mindset of these times still resonates in Scottish debate, in calls for more largescale reinvestment in council housing, in ways that 'needs' are assessed, and in the focus on housing as a near-exclusively 'social policy' interest (see above). Even if there were consensus that mass municipal investment is the appropriate vehicle for the coming decades, it is hard to believe that 10% of Scottish public spending will be devoted to housing until 2040.

The first 'Oil Shock' and the (widely held) view that the UK and Scottish economies were too dependent on the public sector to raise productivity spilled over into housing policy thinking by diminishing public resource support for public housing. Many now assume that Scottish housing provision began to change because of 'Thatcherism'. By the mid-1970's, there was already an emerging view of the need for a more pluralistic housing policy approach as household incomes and aspirations grew. It emphasised the need to grow home-ownership, that a larger, better quality private rental sector may have some role to play, and that housing associations deserved increased support.

By the time the Scottish Parliament was restored, in 1999, it was the drive to home-ownership and the growth in the non-profit sector that dominated housing change in Scotland. The 'system' arguably operated more effectively in 1997 than it had two decades earlier because governments, including councils, changed 'business as usual'. There was no jurisdiction within the UK that changed its housing tenure structure more between 1975 and 2000 than Scotland.

The first administration in the Scottish Parliament did adopt some different policy approaches. The Scottish Office after 1997 and before 1999 embraced the mantra of 'Community ownership of homes in the cities, community ownership of land in the rural areas'. Some of these policy approaches survived into the new parliament, and the Glasgow Housing Stock Transfer that led to the evolution of Wheatley Homes.

Since the early 2000's, the share of overall Scottish resources devoted to housing has fallen. Municipal tax rates have been frozen/controlled for much of that period. The national housing agency was scrapped, control over housing actions have been recentralised to Victoria Quay, and multiple changes in policy (including major UK shifts in the mid-2010's) appear to have disempowered what was, at the start of this millennium, a thriving non-profit housing sector. The private rental sector, as for the rest of the UK sector, housed an increasing share of households. There may have been some real demand growth for private renting. However, the sector has largely grown, without any clear policy strategy, because of major policy failures to maintain growth in both non-market provision (with the Scottish Government doing more to avoid this than English counterparts) and entry to home-ownership. Until this year, the standing of Housing Ministers appears to have fallen along with their real budgets.

Now we have a polycrisis, not an emergency. And as in 1925, 1955, 1977 and 1997 it is time for a reframing Scottish housing policy. We learn from past crises that radical policy change can diminish them. History also suggests that housing crises have been resolved by adopting policy positions less centred on ideology alone. In Hume's terms, this is a time for less passion and more reason about the means by which we pursue (passionately) a better housing system. Business as usual will merely prolong the polycrisis.

1.5 Changing Housing Outcomes, Disrupting Governance

Reversing the housing polycrisis requires a number of major policy shifts.

First, there needs be a recognition that Scottish housing budgets and regulatory frameworks have, for decades, been inadequate palliatives, which failed to stem the negative housing consequences of both wider policy actions and broader socio-economic shifts.

Second, it is unlikely that with 'Business As Usual' approaches the Scottish and UK Governments will be able to fund 'palliative' actions that will dent totals of outstanding needs and other difficulties.

Third, government needs to bring housing in from the margins of siloed social policy thinking and to recognise housing as one of the core integrative systems in society and the economy and to rethink what housing is and does for Scottish wellbeing.

And finally, in recognising housing as a key integrative system for people and communities, Scottish Government must redefine what constitutes 'housing policy.' This definition must extend beyond the remit of the Housing Ministry to encompass the full range of government actions, across policy siloes and levers, that shape housing outcomes. Change will not be easy, but it is essential.

1.6 The Paper

The next section, Part 2, outlines the housing polycrisis prevailing in Scotland and discusses the entrenched housing difficulties, their systemic nature, the difficult fiscal contexts for their resolution, and the consequent imperatives for housing governance 'Disruption'. Part 3, to begin building a case for reforming housing system governance in Scotland, explores

and defines what 'housing' is and sets out how to frame what 'housing' does for society, the environment and, particularly, the economy.

Part 3 also makes the case for why it is imperative to think of housing as economic infrastructure and to construct policy governance that recognises the systemic, relational nature of housing and its critical significance in national wellbeing. With that framework of ideas in place, Parts 4, 5, 6, and 7 explore key areas for policy change (supply side change; demands and change in the market sectors; potential changes in non-market provider roles; abating homelessness). The report concludes, in Part 8, by setting out a revised framework for housing-policy formation and delivery.

Reshaping the Scottish housing system to deliver faster, fairer, and greener growth is, given the depths of the crises, a long and difficult journey. It is time to start.

Part 2. From Virtue Signalling to Virtually Impossible?

2.1 A Difficult Decade: Growth Challenges and Fiscal Difficulties

Difficult housing system outcomes and their consequences have manifested themselves as a polycrisis at the worst of times for national and local policymakers. Households and nations still show often record levels of public and private sector indebtedness, lower productivity growth, and slow-growing incomes in the catastrophic concatenation of the Global Financial Crisis, the Covid pandemic, Brexit for Britain, the Ukraine war and, now widely rising global tensions further fuelled by US trade policy chaos. Slow growth, trade disruption, increased uncertainties and still-high real interest rates prevail.

The 2020's have leaden echoes of a century ago. The deep and spreading crisis in Scotland's housing awaits resolution within a particularly adverse fiscal setting. Weak growth forecasts for the UK economy suggest that Westminster fiscal pressures will be acute for the five years ahead. With the UK government committed to increasing tax rates on its major sources of revenue, allied to a commitment to reduce the public debt to GDP ratio over the Parliament, the pressures will be focussed on containing public spending. Rising health and social care spending (arising from population ageing), and defence spending (to raise national security) doubling towards 5% of GDP will put downward pressure on other spending budgets.

Scotland receives its Barnet share 'consequentials' (from other than 'reserved' spending) as an important element of its budget. The Scottish Fiscal Commission noted in August 2025 that budgetary pressures are likely to be more acute in Scotland as Holyrood had settled public sector wage claims more generously than in England and had made forward social security commitments not linked to Westminster spending programmes. Further, they highlighted that as long as Scottish GDP per capita growth lies below the UK average, as it currently does, then Scottish budgets are likely to more pressured than at UK levels.

The UK spending review in June 2025 allocated significant additional funding for housing in England, essentially doubling the budget for the non-profit housing sector. Some of the 'consequentials' of these Whitehall increases have allowed the Scottish Government, in the recent Cabinet Secretary's statement, to similarly increase the 'affordable housing' budget for Scotland (by close to half).

It is fairly clear, however, that UK public borrowing capacity is limited and new sources of tax revenues may have to be found to sustain any further spending increases.

The remainder of the 2020's will be an extremely difficult context for whomsoever governs in the Scottish Parliament.

Holyrood faces a range of other 'wicked' system difficulties (in health, elder care, policing, infrastructure, and more) that have been long recognised but often displaced from policy action by short term priorities, until finances or politics presented better opportunities for change. Often these 'wicked' system problems have occurred because governments, whilst embracing new goals and missions, have aspired to maintain past performances in health,

policing, education, and social housing, but without being prepared to face the tax consequences of doing so. There are significant elements of non-means tested programmes (for instance, free prescriptions for all, free university education for residents, free bus passes for young and old) that make a contribution to middle- and upper-income wellbeing that could be redirected into a more than doubling of the housing budget.

So, there are resource choices Scottish Parliament could make. Other difficulties have accumulated as short political horizons de-emphasise preventative actions to forestall the longer term 'wicked' consequences and higher costs of meeting longstanding merit goals. This includes, for instance, policy (in)actions to diminish carbon emissions or the failure to build the infrastructures, including housing, required to support metropolitan and rural growth.

2.2 Undoing the housing polycrisis will require more public resources

But policy also has to look to more effective ways to delivering clear housing goals. Scottish Parliament has tax powers relating to land and property and there is a case for assessing how changes within these spheres could both produce revenue as well as diminish activities that damage housing outcomes. However, policymakers must give regard to whether non-market housing is effectively priced and managed. Government will need to become more effective in incentivising private capital to invest, in well-regulated fashion, in Scotland's homes and communities. Further, we should be scanning for insights and lessons in what other jurisdictions are doing. These and other 'Fresh Starts' are discussed below.

2.3 Scotland is Not Alone, Nor Exceptional

Patterns of higher long-term costs and lost real growth opportunities can be seen in different forms and to different extents in other countries, as can spreading housing system difficulties (OECD, 2021: Licchetta, 2025). They vary across the UK. In Scotland, there is, in the press and public debates and attitude surveys, a litany of reported difficulties regarding public service and investment inadequacies. These include delays in the NHS, falling performance and rising violence within schools, major uncertainties in the financing of higher and further education, costly and difficult-to-access public transport, seemingly unending major road investments, ferries that don't ferry, and creative industries redirected to lobbying for public resources. These all make for unwelcome experiences for many Scots and even more unwelcome headlines for politicians. Under-performance in traditionally strong areas of public policy in Scotland, including health, education, and housing progress, raise difficult questions.

Across Scotland, many support the 'big missions' embraced by Scottish Parliaments in this millennium. Inclusive growth, raising 'wellbeing' and not just per capita incomes, and seeking 'net zero' sooner rather than later, are all broadly supported by Scots. But progress on these main 'missions' appears to be, at best, stalled. Most inequalities in Scotland are rising, not falling. Policy design, let alone implementation, for the transition to net zero has been opaque and slow. Productivity in Scotland barely makes the UK average. This is a historically difficult time for framing and delivering policy solutions for deteriorating core public policy outcomes. Policy often seems moved from virtue signalling to virtually impossible.

2.4 The Connected Crises of a Troublesome Trinity

The 'Housing System Crisis' that Scotland faces, with public concern at a half century high, is not simple nor has it emerged suddenly. The evolution of the different strands of the current crisis has been apparent in Scotland, and the rest of the Anglosphere, for all of this millennium, and longer. The current crisis is a connected 'troublesome trinity'.

- **Rising Levels of Homelessness:** with some remission in the noughties, and during the Covid pandemic when intense policy efforts were deployed (policy spending works!), homelessness rates in Scotland have been rising as affordable social housing options and social security support levels have been squeezed since the mid-1990's. Homelessness applications in Scotland after 2005, fell from 32,294 through a minimum in 2015 and then rose steadily to 40,685 in 2023-24. That total included households with some 15,474 children. There are currently 16,634 households housed in temporary accommodation, including 10,360 children. That temporary total had risen from circa 10,500 households, that included approximately 4,500 children, in 2014. In March of the same year, 3438 rough sleepers were recorded. Every case of homelessness and rough sleeping is, for the people experiencing them, an emergency.
- **Pressures in Renting:** Payment burdens in both the social and private rental sectors have reportedly increased throughout the 21st century. Average rent-to-income ratios for PRS tenants stood at 28% in early 2025, below the UK average of 32.5%. Social sector rent-to-income ratios more typically comprise around 22% of incomes. Most sources suggest shares of tenants with excess rent burdens (in excess of 30%) have increased substantially since 2020, though no systematic series of statistics is actually available.
- **Rising Pressures and Falling Entry Rates in Ownership:** Home ownership rates for the under 40's have been falling for a quarter century. For first time buyers, the average house price-to-income ratio rose sharply after the Global Financial Crisis (GFC), from 2.75 in 2005, then rose steadily to 3.2 by 2022 before falling sharply during Covid. A more useful indicator, including mortgage rate effects, shows that the share of mortgage capital repayments and interest for new loans to first time homeowners fell steadily from 20% just after the GFC, bottoming out at 15.6% in later 2021, then rising sharply back to 20.5% in late 2023. The role of wealth, savings and deposits in entering ownership became more important through that decade and explains, along with rising prices, much of the fall in young ownership rates.

A recent report from Homes for Scotland (2024), though reporting a wider range of difficulties than conventional estimates of Scottish housing need, usefully highlights the variety and scale of the difficulties reported. It identified that two out of three households have some housing issue they wished to address. More conventional, and narrower, measures of housing need used by Marshall et al. (2025) for UK Collaborative Centre for Housing Evidence (CaCHE) estimate that the level of affordable housing need in Scotland had risen by half since 2020 and implies a forward annual production requirement of 15,693 units per annum. They note that the estimated 'needs' total had risen because of increased homelessness, inadequate quality of stock in the Private Rented Sector (PRS) and rent pressures within that sector. They estimate the Affordable Housing Programme needs to

rise substantially to 10,000 homes per annum with a budget increase to, around, £1.8bn per annum required.

These are not sudden emergencies induced by one or two simple causes. Their antecedents can be detected before the GFC and they have steadily progressed towards the current polycrisis not just because of Scotland's relatively poor economic progress over the last decade but also because (as is evidenced by parallel emerging crises across much of the OECD) they hint at the mismatch of contemporary housing policy approaches with major processes of social and economic change.

The 'troublesome trio' are connected crises. They reflect the now-systemically interacting consequences of almost three decades of the sustained inadequacies of housing expenditure and regulation policies to offset the housing consequences of not just social and economic change but also the wider policy settings of governments. Fiscal policies, monetary policies, prudential regulation, infrastructure spending, immigration policy, environmental actions and even higher and further education policy have played key demand and supply side roles in exacerbating present housing difficulties - and, municipal planning and housing efforts have been problematic in some places too. That said, the 'polycrisis' is not, as Scottish Ministers are right to point out, entirely made in Scotland. It will it be entirely solved here either, and that poses housing policy governance questions to be addressed later.

2.5 What is Housing Policy?

An important step in addressing current difficulties is to recognise that the housing policy of a government is much more than the spending programmes, enabling tools and regulatory powers of the Housing Ministry. This observation applies to all orders of government (including devolved administrations and municipalities). Housing Policy is the purposive whole of government actions that an administration takes across all the policy silos and with all the policy levers for which it is responsible. This obvious observation is often ignored in UK and Scottish housing policy action (Maclennan and Gibb, 2025). A clear example is the ways in which the market rental sector in the UK has grown over the last three decades. It has been primarily propelled not by purposive policy decisions to grow an effectively managed and financed market rental sector but as ad hoc response to failing policy outcomes in homeowner and social rental sectors. Another example, in the Scottish Government Housing Vision to 2040 strategy, is the absence of any discussion of how monetary and fiscal policies might shape the development of the market sectors that house now house three out of four Scots.

The evident crises in other areas of Scottish public policy, allied to the likely bleak fiscal future, means that expanding housing rights (that may well be desirable but will primarily add to unmet socially-defined housing needs) and much augmented public spending on housing will not be the routes to better future housing outcomes in the 2020's. Nor will the combination of increased regulation of rental housing markets, and the deregulation of planning processes to facilitate more flexible supply, drive the housing output levels so desperately needed.

Scotland has to find better ways to manage the whole housing system, and not just bits of it. And it has to do so with the clear purpose of delivering better economic and environmental outcomes as well as meeting the merit good needs for social justice and social inclusion. Scottish policymakers need to think beyond housing need, homeownership rates, and affordability for all. They must also consider how to think practically about what housing is, how the housing system functions, and how housing outcomes contribute to the wider missions of government and the National Performance Framework.

Housing is a core system in how Scotland's economy functions. The quality, location, and construction of homes not only drive a large share of greenhouse gas emissions but also reflect and reinforce socio-economic inequalities in significant ways. Yet, in Scottish Government thinking, until the appointment of a Cabinet Secretary in summer 2025, 'housing' has been relegated to a modest budget line, managed by a Minister without Cabinet rank. As noted above, 'housing' seems, at least to the housing sector, to have played marginal roles in polices such as inclusive growth, community wealth and wider economic policy thinking within the Scottish Government, and has been similarly overlooked by Regional Economic Partnerships.

Scotland will not take housing forward by sticking with current policy framings, by finding a 'single indicator' to feed into the National Performance Framework, nor seeking a single definition of 'affordability'. The Scottish Government should work urgently on articulating and evidencing the 'wiring diagrams' connecting policy levers to policy outcomes and reveal how they believe housing actions and outcomes contribute to every single sector of the NPF.

Creating the Housing-Growth Narrative

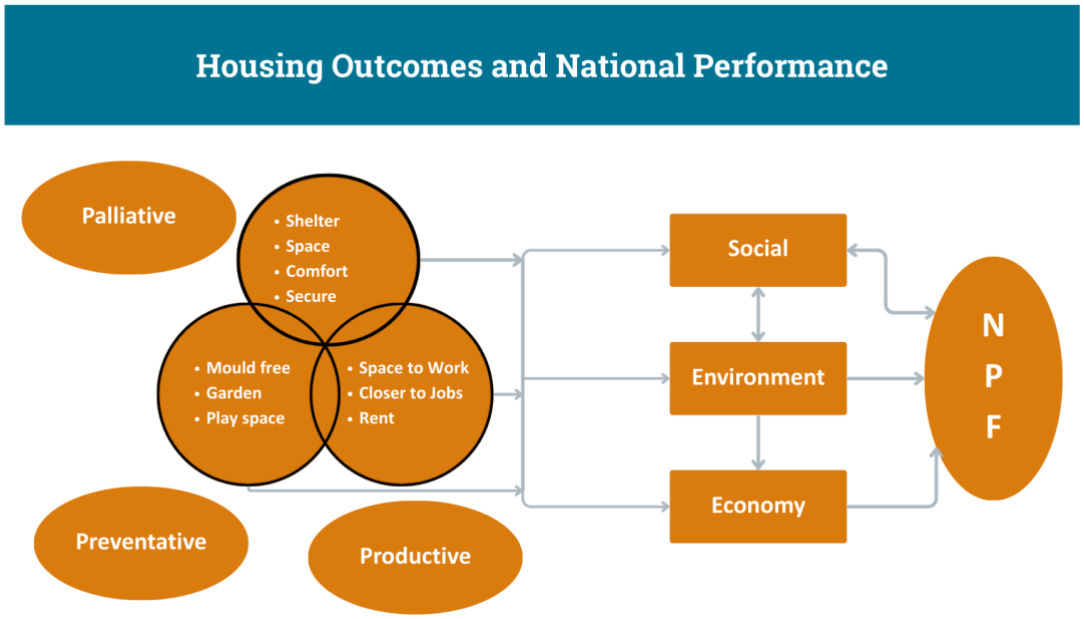
Within Scottish economic policy thinking, the effects of housing on economic and financial stability (the conventional wisdom) need to be augmented by new thinking on how housing is driving housing wealth, wealth driving the housing system, and, of course, how housing outcomes drive growth and productivity.

The UK Treasury and the Office for Budgetary Responsibility (Maclennan and Gibb, 2025) now recognise that housing may have growth effects. Yet, these links are seldom mentioned in Scottish economic thinking. These impacts are not primarily about productivity in the construction sector (which does need to rise) but about how housing outcomes impact the productivity of different kinds of capital such as human, physical, business, financial, social and place capital.

This is not just an issue for disadvantaged areas low in human capital, nor is it limited to the challenges of constrained housing supply in pressured, prospering suburbs and towns (as CBI Scotland have recently argued). It is becoming blindingly obvious that an inability to think about the limits of housing market information, and the inadequacy of housing planning for thin rural housing markets, has needlessly denuded rural localities of younger and skilled workers. This market failure has remained unrecognised in housing policy and planning since Scottish Homes/Communities Scotland were abolished two decades ago.

In developing narratives and actions for the future, governments must consider how the housing system functions and establish effective governance to manage that system to shape better outcomes for major missions. In the housing sector, lobbies and providers have to emphasise the major palliative effects (in the sense of meeting agreed merit needs) of the adequate and affordable housing they produce. They must highlight how preventative investments today shape better needs and market outcomes tomorrow and also make clear their positive impact on the productivity of people and places. Palliative, Preventative and Productive investments need to be their focus (see Figure 1).

Figure 1: Housing Outcomes and the National Performance Framework



Beyond Housing Business as Usual

Successive governments invariably make multiple changes to housing provision. Many of these changes are fine-tuning, with the main frameworks for forming strategies and main policy instruments for delivery marginally altered and with some wide agreement about how the policy and delivery systems should run. An era of municipal-led new provision and strict controls on private landlords prevailed from the end of post-war restrictions in the early 1950's until the end of the 1970's. For the next 3 decades, home-ownership growth and the purposive replacement of municipal provision and ownership by not-for-profit providers were the constant, dominant themes of Scottish housing policy. From 1980 to 2010 the Scottish housing system changed more than in any other part of the UK, from dominant municipal to a majority market system (the pros and cons of these shifts are not discussed in this paper).

Present day, housing policy at both the UK and Scottish levels has lost any coherence. As noted earlier, politics assumes that the main tenure sector largely functions and delivers outcomes much as it did 30 years ago. In a subsequent policy note, the significant changes

in the system, and how it moved from a steady savings to speculation system are discussed. In Scotland, the non-profit sector has arguably been much lauded but relatively underestimated, and underfunded, in its capacities to tackle emerging system difficulties. Municipalities are offered some new roles but diminished resources. The private rental sector has filled the gaps in the Scottish housing system left by sluggish provision in the main sectors but now faces unclear control proposals that are already diminishing new investment.

This approach does not 'add-up' and it does not offer a coherent system of governance for exiting the housing crisis that is, in mid-2025, still deepening. With an inadequacy of public resources to halt deterioration in housing outcomes, let alone remedy them, major, not marginal, change in how Scotland understands and manages the housing system is required. It is time for policy Disruption. Five key areas for disruption are outlined below. The Housing Supply System (Part 4), Managing the Market Sectors (Part 5), Revitalising Non-Profits (Part 6), Abating Homelessness (Part 7), and Changing Governance (Part 8). Before doing so it is important to have a grasp of what the housing system is and does.

Part 3. What housing is and does.

Readers seeking practical solutions might consider bypassing this rather academic chapter, skipping straight to 'Disruptions'. However, we decided to include it because redefining housing as a multifaceted system is crucial if we are to address the current polycrisis effectively.

Without reimagining what housing is, how the system functions, and its interactions with other systems, Governments will persist in making superficial policy adjustments rather than tackling the root causes of these crises. This chapter provides a conceptual, but necessary, foundation for informed policy change.

3.1 Defining Housing (the status quo)

Discussions of housing policy typically use aggregate notions of what housing is. Social policies focus on totals of some measure of 'Housing need' or 'Affordable Housing Requirement'. Scottish economic commentators use single number measures such as aggregate housing starts and shares of residential investment in GDP. For policy debates, housing is often represented as a single, aggregate bundle of capital. More nuanced, but still aggregative, attributes of housing such as regional location, dwelling age, room size, dwelling type and tenure are recorded at sub-national scales and, typically, in census data. These broad categories of housing are then usually associated with similarly broad measured categories of households (the elderly, first-time buyers, single parents).

These measures are in reality crude, imprecise categorisations of 'housing' and they reveal little about what housing means for households, and how, and why they choose and use housing attributes. In consequence, it is difficult to link these major policy-shaping variables to the plethora of significant outcomes that will arise from raising housing starts or meeting more housing needs. They impose a bureaucratically-determined view of what aspects of housing are important for both households and policymaking.

Housing policy, in consequence, has an outdated focus on broad categories of housing outputs as related to broad social (merit good) categories rather than the major wider outcomes it influences.

Governing housing systems more effectively has to start from understanding and defining what housing means.

3.2 (Re)defining housing (the way forward)

Maclennan and Miao (2015) outlined a definition that emphasises the aspects/attributes of housing that influence household activities. These attributes should factor into descriptions of housing stock, whether existing, under construction, planned, or desired in order to understand outcomes created.

Housing does not function in isolation. The attributes of homes have to be used with other goods and services to produce the 'services' that households want and need. For example, a

home in a premium location still requires access to shoes, or bikes, or buses or cars to transform a good location into an 'accessibility' service.

A second consideration arises because housing is a complex commodity. To deliver the services that households need, housing cannot and does not rely solely on spending within the housing sector but also by investments and decisions across multiple (siloed) policy portfolios. We have tended to view infrastructure supports, such as transport links, social services, or wrap-around care for vulnerable households, as optional extras or special cases.

In reality, these connections greatly impact housing outcomes. Similarly, once produced, housing also influences outputs and outcomes across a wide range of policy sectors. As such, a relational view of housing must be the rule rather than the exception. Recognising this 'relational' nature of housing has key implications for how housing is governed.

Another inherent feature of housing is that constructing housing involves a slow and complex supply system so that housing market strategy always has to balance short term market demands (fast system) with feasible long-term supply chain outcomes (slow system). Good governance and policy thinking need to start from understanding how real housing systems actually function. Too often, Scottish housing policy debate ensues between housing lobbies with no real economic knowledge and bureaucracies with no real sense of housing systems actually work.

3.3 Housing: the Noun

Housing is both a noun (an object) and a verb (an activity) and it impacts major missions as both. Outlining what it is as an object helps understand why it also matters as an activity. The definition presented below is used to help make a more effective link to the economic outcomes of housing choices.

Maclennan and Miao (2015) emphasise that Housing:

Is a complex commodity that has multiple important attributes (size, type, location). The variety of housing within a market invariably means that standardisation of housing values is required (Malpezzi, 2003). While this standardisation makes housing easier to study, it does not account for important differences in housing attributes that affect affordability, productivity, and well-being. Some housing attributes are necessities (a roof over one's head) and others are luxuries (a jacuzzi under one's roof).

Considering these fundamental attributes, it is proposed that housing is:

usually (excepting tents and mobile homes), like infrastructure spatially fixed in place, and embedded in land, and shapes access to the geographically spread activities that all members of a household pursue. In consequence, there is logic in regarding housing as infrastructure, not only because it is spatially fixed and embedded in land but because it is used with other infrastructures and services that shape wellbeing for people and create effective places (as argued in Maclennan and Long, 2024).

Housing policy outcomes are more effectively recognised when housing is regarded as household infrastructure:

- The focal spatial point of the geographically diverse daily/weekly time-space activity patterns (Hagerstand,1962) of multiple household members, so that the location of homes, and not just relative to workplaces, matters.
- Fixed in a place, and that means choice of home inevitably implies choice of neighbourhood. Dwelling characteristics are only a subset of the attributes of a home that are valuable to households. Building homes is always also building places.
- Fixed in place because it is comprised of multiple capital structures of walls and ceilings and roofs and functional systems that provide heating, cooling, water supply and waste disposal; building that complex capital structure usually involves not just planning, designing and financing processes but multi-phased sequences of onsite production requiring multiple-trade skills and material assemblies. Housing supply is an inherently slow system.
- Is, in consequence of its durable nature, a capital asset that households may trade and incur capital gains and losses. Households have asset as well as consumption demands for housing; these demands may not always match.
- Is a major source of multiple effects on not just the resident/owner but on immediate neighbours (the visual effects of the built environment) or more widely dispersed populations (such as the effect of smog and acid rain effects far from dwellings using coal for heating). Housing is a major source of positive and negative spill-overs, or what economists label externalities.
- Variety, Location, Fixity, Complexity in Construction, Durability, Asset Choices, and Externalities are key features of housing that challenge the lump of 'need' or 'capital' and 'well-functioning market' notions currently used in housing policy. It also highlights, as governments begin to talk of 'mission based' approaches to strategy, the absence of strong evidence on how the diverse attributes embedded in housing shape the housing outputs that play into major economic, environmental, and social outcomes.

Before considering these wider effects in Part 4, it is important to also highlight the activity (verb) effects of housing.

3.4 Housing: the Verb

Housing and economic policymakers have recognised some of the effects of housing activities, not least cases to boost housing production as a counter-cyclical (stabilisation) policy action. The long housing supply chains identified above involve investment, employment and income, and export effects for the economy with multiplier effects of housing investment typically estimated with values of 2 to 3.

Housing also has to be sold, maintained, renovated and improved, financed, leveraged, let, and sold. Although housing construction may typically involve 5-7% of employment, in fast growth localities this wider set of housing activities may involve 15-20% of the metropolitan economy (and this will differ markedly between, say Edinburgh and Dundee). House price

changes may also, through pro-cyclical equity withdrawal, increase the amplitude of business cycles. These issues are discussed further below.

3.5 What Housing Does: An Economic Emphasis

Housing, as explained above, is not only a 'complex good', with many attributes that affect different aspects of household comfort and wellbeing, but it is 'relational', in the sense that multiple influences interact with housing attributes to create good and bad housing 'service' outcomes for a household.

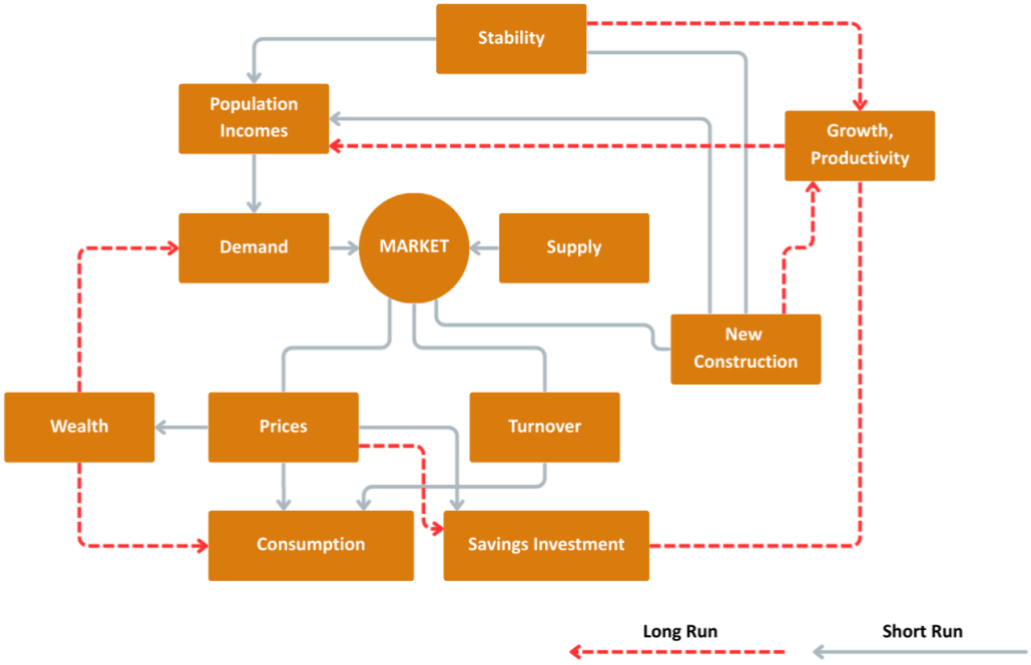
In turn, these housing outcomes for the household interact with other goods, services, and infrastructures to drive wider outcomes. A house of a given size and type will have different impacts on carbon emissions if it is well insulated and fitted with solar panels. The same house, made available and affordable to a less affluent household but in a mixed neighbourhood, may generate different social capital and mobility than if it comprised part of an all-affluent suburb. Further, the same structure will have different implications for the growth of savings, incomes, and wealth of its occupants if it is owned rather than rented and if it is sited accessibly to areas rich in employment opportunities.

This study does not discount these environmental and social aspects of housing outcomes. They are valued and 'merited' and are often unrecognised influences on the growth of human and social capitals. Chief Medical Officers in the 1860's were early advocates for major housing reform in Scottish cities and towns. They understood that poor housing conditions were not only detrimental to health, but also undermined people's ability to work, earn and fight effectively for their country! They drew a direct line between housing, health, human capital, and economic outcomes.

These connections have weakened in today's, social-justice based policy debate. Yet, much evidence highlights positive housing quality to good health outcomes. So 'invisibly' and more obviously housing (the noun) can impact economic performance. Better recognising this link is essential, especially given the long-standing, prevalent view of finance/Treasury Ministries that housing has limited impacts on the economy and that 'well-functioning' housing markets can be left to function on their own.

Both beliefs are misplaced and may now be changing. The 'limited impacts' argument was never credible (see: Figure 2) There are key linkages between housing and the economy: housing is the largest component of household spending; housing is now both a critical asset for the majority of Scottish households; and mortgages comprise the major debt of the majority of Scots.

Figure 2: Simplified Housing Market Impact on the Economy



3.6 Stability

Leaving aside all the complex effects of housing outcomes on household micro-behaviours, the sheer scale of the housing sector in the economy alone should have merited the attention of policymakers. Mostly it has not, but a traditional interest has been, as noted earlier, in using housing investment to 'stabilise', through multiplier effects, aggregate demand in the economy. For instance, in periods of potential downturn in the 1990's, Scottish Homes, with approval from the Scottish Office, would devote a larger share of its budget to GRO-grants supporting market investments, at roughly a 25% grant rate, and away from non-profit rehabilitation schemes with grant rates of 60-75%, hence boosting 'output' from a given budget total.

There is nothing innovative in these ideas; they merely need to be applied. They relate to the macro-stability aspects of economic policy. They are long recognised, though the actual values of multipliers are likely to be quite limited in growing and inflationary economies.

3.7 Income and Wealth.

A second core concern of economic policy is the distribution of income and wealth. In this aspect of debate, government has often lagged behind the key housing lobby groups and the focus has been on incomes rather than wealth. Higher housing costs reduce residual incomes (the incomes that households have available for consumption and savings after paying housing costs). Housing shortages have substantially exacerbated inequalities and have had, despite the social security system, the severest effects on low income renters. Interest rate strategies to contain inflation also substantially impact younger homeowners

with larger mortgages (with limited mortgage rate fixes). While these patterns are known, their wider effects on consumption and savings, and spending in local and metropolitan economies – that far outstrip the effects of 'community wealth building' initiatives – have received scant attention in Scottish policy research and debate.

Even more importantly, since the 1960's, housing wealth has grown steadily in scale in Scotland and, until recently, the growth of homeownership diminished overall wealth inequalities. Research on Scottish housing wealth patterns until 2018 by the Resolution Foundation (Bangham and Judge, 2019) describes and explains that pattern clearly. Further research by Soatia et al. (2019) examined the implications of these wealth patterns for economic, social, and old age care. Despite this evidence base, changes in housing wealth patterns and their social and economic effects attract little attention in housing policymaking. This is a fundamental omission.

The presumption in housing policy is that growth in incomes and household numbers is what drives the housing market demands. In reality, it is becoming increasingly clear that wealth, predominantly already-accrued housing wealth, is driving the housing market, not least by transfers from parents and grandparents to young first-time buyers. Rising inequality within the ownership sector is emerging and the children of renting parents and with multiple siblings have diminished prospects of easy entry into home ownership. At present, around two thirds of housing wealth in the UK is owned by retired households. Over the next 20 years, that wealth will flow into inheritances, unless it is absorbed by rising old age care costs. This transfer will have significant impacts on the housing sector. Further, the distribution of this (mostly unearned) wealth will reinforce inequalities. This represents a major opportunity for policymakers to rethink how accumulated housing wealth is managed, distributed and taxed; these choices must ultimately be made at the UK level.

How a nation chooses to reward effort, entrepreneurship and innovation lies at the heart of creating a competitive and prospering economy. Ensuring more effective management of the housing market, working on both supply and demand sides of the system to minimise real house price changes, will contribute to a better balanced allocation of national savings and capital to the productive economy (producing tradeable goods and services).

Basing national wealth growth on scarcity-induced inflation in the price of existing assets, in this case bricks and mortar, creates and rewards a rentier economy rather than an economy based on effort, innovation, and entrepreneurship. Where shortages prevail in a rentier economy, wealth growth means that those who own the scarce resource are the gainers and that those who do not are the losers.

There is much protest in Edinburgh social life at the moment on the 'scalping' behaviour of touts selling tickets for Oasis concerts. But there is little recognition that successive cohorts of over 50's households having been giving the under 30's a housing 'haircut' for the last half century (after the Barber boom of 1972). Someday, to rebalance the Scottish housing system and economy, the role of housing wealth, and how it might be used and taxed, will need to be reassessed unless real house price inflation withers away.

This project flags several key issues. There is not yet real momentum in Scottish, or UK, political economy to address the accumulation, uses and consequences of housing wealth,

but home-ownership rates in Scotland are now falling for every age decile under fifty. More electoral wards and parliamentary constituencies are moving towards electorates with a majority of renters rather than owner-occupiers. Allied to the discontent of the 'left behind', sorted by the housing system into particular localities, the failure to address the roots of the 'troublesome trinity' will only exacerbate the current crises in the Scottish housing system. Housing wealth, and how it is accumulated, used, and changing is a major concern for Scottish economic policy today and the decade ahead.

The next Parliament should seek to understand what housing wealth does. Scottish economic policy debate and research is almost entirely focussed on labour markets, with endless studies of skills and innovation behaviours. In a city-region like Glasgow, one can sit through a year of economic policy discussion and see no signs of a coherent infrastructure strategy. Even harder to find is any informed debate or evidence on how the housing system (a key integrative system for the economy) is impacting short- or long-term economic growth. In Edinburgh's case, it's just as challenging to find any assessment of how accumulated housing shortages are diminishing growth and increasing inequality. Scottish politics, at all levels, needs, like King Edwards's army, to go home and think again.

3.8 Productivity and Growth.

The economic consequences of housing wealth have often been overlooked or dismissed. In contrast to transport infrastructure, the conventional wisdom has been that housing investment has no major implications for productivity and growth. However, there now seems to be the beginnings of a shift in policy thinking that heralds an end of the conventional view of housing as simply a 'merit good'.

At the 2015 Shelter Annual Lecture in Edinburgh, Danny Alexander MP, then the Chief Secretary for the UK Treasury acknowledged a crucial cap in policy, when asked (by Maclennan) whether spending reviews accounted for the longer term benefits of better housing on health, education, and productivity outcomes. While Alexander agreed that evidence of these outcomes existed, also intimated that they were not 'measured' or reported by officials, and consequently not included. Housing spending was, he noted, determined to be a redistribution issue, confirming Maclennan's experience whilst working in governments in Scotland, Australia, and Canada as a senior economic adviser.

Rachel Reeves has set growth effects from housing investment, accelerated by faster planning decisions, as central to raising the performance of the UK economy. As noted above, caveats about faster planning driving augmented housing output need to be noted (Maclennan and Gibb, 2025). In addition, faster growth and productivity for the long term does not arise through simply building more homes. Indeed, given that the productivity of the construction industry lies below national industrial averages, rapidly increasing output could actually reduce productivity in the short term.

Until now, the Treasury has not articulated the long-term productivity mechanisms arising from housing investment. They are difficult to identify (and so was the Higgs-Boson particle) and past (now widely discarded) econometric approaches to disaggregating the growth effects of national infrastructure investments cannot be appropriately applied to macroeconomic data. Maclennan and Long (2024) identify a number of causality chains

running from housing attribute outcomes (including prices) to different kinds of capital (human, business, social) that impact growth.

They report research micro-studies that demonstrate some significant effects. However, in their global literature review, they identified only one piece of rigorous economic research for Scotland, sponsored not by the Government but by Shelter. Boyle et al. (2024) highlight how rising homelessness (that increasingly includes people in or recently in employment) reduces labour productivity. There is a strong likelihood that pushing younger owner-occupiers to the edge of metropolitan labour markets distorts effective labour market-matching mechanisms. This, in turn, could lead to significant reductions in productivity. These effects, as estimated by Maclennan et al. (2021) for Sydney, arise in the labour markets around Edinburgh and, possibly, Glasgow.

Perhaps the litany of skills budgets and studies in Scotland are, in part, required because the evidence from elsewhere in the world applies here too. Namely, that poor quality, overcrowded, temporary housing in poverty-dominated neighbourhoods diminishes human capital formation, and its use, from early childhood through the transition into work or further education. There is not one coherent, credible quantitative study of how better housing improves human capital formation in Scotland.

Disappointingly, the much-vaunted ESRC-funded Productivity Institute, despite sponsoring impressive research on the construction sector, has shown no serious interest in the question of how housing attributes subsequently impact productivity. Nor has the Scottish Government. While their 2018 review of infrastructure in the economy does note that housing is part of their wider definition of infrastructure, and they do review literature on growth effects of infrastructure, none of this work looks at housing effects.

3.9 We all want Scotland to flourish.

For most people across Scotland, 'flourishing' means having the growth in economic and material capabilities to pursue individual and collective wellbeing (albeit to different extents and through different routes). But in most policy framings of the route to prosperity and wellbeing, there is little attention to what role the large housing system with its complex outcomes plays. Economic policy thinking in Scotland appropriately considers skills and innovation processes and outcomes, makes less-than-impressive efforts to explore the economics of infrastructure missions, and fails to see housing as a sector of economic interest.

This glaring omission is difficult to reconcile with the dominant role housing plays in how we spend and save and the reality that present-day house price changes frequently shift the distribution of wealth across and within generations, much more than the application of our skills and innovations. It is time for Scotland to seriously review what housing does for the economy.

3.10 Housing Policy, Altruism and Growth.

Merit good provision by an altruistic nation now supports, however inadequately, low-income housing provision. Altruism, like charity, may begin at home. However, there is a

case to consider that many aspects of productivity, like charity, also begin at home. The quality and comfort of home, its accessibility to where we work, learn and play, how it absorbs our incomes, and shapes our asset choices all appear to influence economic productivity and growth.

Can we better integrate these possible effects into housing policies that will facilitate better housing outcomes and, in turn, shape fairer and faster growth for Scotland? This issue is addressed in the concluding Part 7.

Part 4 Housing Systems and a Supply Side Focus

4.1 The Polycrisis and its causes

Many commentators, in Scotland and elsewhere, suggest multiple causes for the ongoing housing polycrisis. At a broad 'meta' level, two distinct drivers can be identified. The first of these is a moral/political choice made by governments, and the voters they represent. Since 2000, average house prices (294%) and weekly rents (143%) have risen ahead of average weekly earnings (59%) and the household incomes of the poorest fifth of Scots and labour market entry wage rates have lagged further behind. An unchanging commitment to meeting the housing 'merit good' needs of all disadvantaged Scots should have seen a matching increase in the provision of deeply subsidised rental housing (probably in the non-market sector) as incomes fell behind rents. Through most of this millennium – as average Scottish incomes, and the budget of the Scottish Parliament, have increased – the provision of new non-market housing has barely risen. Though, to the credit of the Scottish Government, non-market provision has not fallen as far behind housing need in Scotland as in other parts of the UK. Further, the social security system for poorer households has become less generous.

Failing to increase investments into non-market housing and the social security system have been both a political and moral judgment on the part of Scots, and our Parliament. We have, in some collective sense and through these political choices, created the crisis of homelessness and low-income housing shortages. Policymakers have prioritised middle class welfare programmes rather than more intensively supporting the poorer people and left-behind places in Scotland. As Scots, we collectively care less about Jock Thompson's Bairns than we did when we were poorer. Turning this societal shift back toward ensuring low-income households can access decent homes will be an important – and fiscally expensive – part of ending Scotland's polycrisis.

The strategic questions we need to ask in order to improve access to decent homes are quite simple: how much investment is needed, and over what period, to meet housing need? The recent announcements on the Scottish Government's future spending intentions fall well short of independent needs estimates. Therefore, the difficult questions, explored further below, are how this limited investment can be most effectively delivered and financed in ways that best stretch housing output from the funds committed.

The second set of causes are fundamentally different than the first, and they arise from dysfunctional outcomes arising within the housing system, particularly the housing market. In particular, we have no coherent approach to managing the housing market (at national or local scales). Further, despite the market now providing four out five of Scots with their homes, there is little clear sense of how the market functions. This lack of information and understanding reflects badly on housing industries as well as governments. What is the very best the next Scottish Parliament can achieve?

However, important, planned resource changes may be less important than other housing system changes that will impact middle-income households. In some regards, the Affordable Social Housing Programme (that is the focus of public debate) may be the tail that wags the difficult dog that is the housing market system.

Critics of government intervention in housing markets usually adopt a simplified textbook version of how the housing market works. They believe it to be a well-functioning market system free from market failures and monopoly distortions. That view of how housing markets function, as the previous section suggests, is an unrealistic framing for real housing market research and policy. It has also been widely prevalent in finance ministries and the financial press since the mid-1990s and as the polycrisis has developed. It is important to have real-system policies not rooted in reductionist theory. Policy needs to be based on understanding and reforming market provision systems and the policy tools used to shape them. These points are made at length because early efforts, from the start of the 2020s, to improve housing system outcomes by speeding up planning may have been necessary, but were never sufficient to achieve augmented output.

4.2 Supply, and Strengthening the New Conventional Housing Policy Wisdom

After 2020, many governments and international agencies, declared that emerging housing crises arose because rising house prices and rents (ahead of incomes) had made housing widely unaffordable (as indeed it had become in many countries).

Market outcomes, including house prices, always reflect the interplay of demand and supply processes. However, the 'housing crisis narrative' continued to assert that these increased housing costs arose because housing supply failed to respond to demand and was 'inelastic' because of restrictive municipal land use planning and development permission systems. The prevailing solutions have focused on accelerating municipal planning processes and relaxing restrictive land-use rules, with the expectation that these measures would boost housing supply, stimulate growth, and ease upward pressure on prices.

This rhetoric is evident in the first speech of the new UK Chancellor of the Exchequer in 2024 (Maclennan and Gibb, 2024), in Housing Minister speeches in Canada (from 2023 onwards), and was most recently reiterated by the Australian Housing Minister at the Commonwealth Government Productivity Summit in August 2025.

These narratives, and wider policy stances, are wrong and harmfully simplistic. The announcement of major increases in housing budgets in the UK Spending Review of June 2025 and the launch of significant new housing investments through Build Canada Homes in September 2025, indicate that both the UK and Canadian governments are quickly recognising that more flexible housing planning will not be enough to drive increased housing output and ease the polycrisis. Real housing policy is now in play.

There is no doubt that faster and easier planning will raise the stock of development permissions and, in some places, boost housing output. But a fuller market system perspective has to prevail in shaping new policies. First, demand side influences have to be considered and it is a key role of government to align fast housing demand shifts and inherently slow supply systems.

There is quite clear evidence for the need to manage demand, as can be seen in the way Scottish rent surges since 2015 (excluding the Covid period) have now abated following government measures (often at the UK level) to manage housing demand, such as restricting immigration and reducing international student numbers.

Similarly, there is a need for a whole-system approach to the supply side of the housing system. This approach must include the effects of the planning system, beyond permissioning processes, as well as all the other elements that impact the long, complex supply chains that are required to develop housing. In Scotland, as in so many other places, research on housing supply has been minimal. In the policy/system management sphere the official systems for monitoring and analysing housing local housing markets focus on needs and demands. We do not have parallel local housing supply system audits, nor statements of strategy to enhance the volume and flexibility of housing stock. In many regards, what we need to know most to make the housing market system more effective we know the least. We have a HONDA (Housing Needs and Demand Analysis) that urgently needs a SCAN (Supply Chain Audit Numbers). The remainder of this section, focusses on key issues for a housing supply system strategy.

4.3 Shifting Scottish Supply Systems.

In the UK and Scotland, as in Australia, and Canada, governments have promised greatly augmented housing output totals for 2030. In all of these jurisdictions, reflecting global uncertainties and a continuing high cost of capital and sluggish demand growth (not, one may observe, caused by local authorities!), 2025 housing start levels are static or declining. Yet, official statements continue to aim for output targets that surpass peak housing construction achievements of the last half century. In the past, there was no all-tenure housing target for Scotland, but a doubling in annual output of new homes to around 30,000 homes per annum is a widely accepted ballpark figure. Indeed, Homes for Scotland have argued for a minimum of 25,000 units per annum, replicating the best three years of post-millennium production before the GFC. Peak housing output in Scotland of 43,000 homes was recorded in 1970. The overall total and the public/private sector balance has sharply declined since then. There is, as discussed in Part 6, no case for returning to the era of mass public housing provision. It is nonetheless important to note that some of the concepts and processes that shaped that public production effort (where municipalities planned, built, and owned the stock) still linger in current planning approaches.

While these boosted supply announcements make headlines and capture public attention, there is reasonable scepticism as to whether the underlying systems are sufficiently resourced, managed, and coherently interlinked to achieve these laudable aims. The work of this project suggests that the cultures, processes and performance of the Scottish housing supply system needs to be urgently disrupted and a new collaborative government-industry approach put in place. Policy thinking, not just housing supply, needs to be more flexible and elastic.

In Scotland's current system, the challenges to scaling up housing are complex and span multiple policy portfolios, supply chains, and resource limitations. Increasing housing supply will be a necessary part of addressing Scotland's housing challenges. However, a simple "more supply, faster" focus, even when coupled with an increase in financial resource, will not be sufficient to tackle supply-side limitations and challenges.

The Scottish Government already recognises this. The Cabinet Secretary has stressed that a "bold and coordinated response" that tackles immediate pressures while laying the

foundations for lasting, systemic change is required (Cabinet Secretary for Housing, Scottish Government, 2025a). We agree.

In September 2025, the Scottish Government proposed an all-tenure delivery ambition to increase housing delivery across all sectors by at least 10% each year over the next three years (Scottish Government, 2025a). Increasing housing output by a third within three years would make a timely intervention, if still insufficient, in stemming the polycrisis and a timely boost to a near static economy. However, there must be a concern that policy and political responses have failed to identify and remove the significant barriers that prevent delivery at the scale and pace necessary to meet these targets without significant cost pressures emerging. And this will become more important in the long term and requires more than additional money.

Scotland's supply response must be strategic, systemic, and cross-sectoral, not just numeric. It requires a change in the way we approach housing, writ large. It will require policy reform in non-housing departments across Scottish Government, and indeed, in areas outwith devolved powers.

4.4 The Supply Challenge

The depth of the supply challenge should not be understated. There is increasingly a recognition that Scotland's ambitious "Housing to 2040" programme, which notably lacked a delivery supply strategy, faces significant difficulty in achieving its objectives (Gibb et al., 2024)). The Chartered Institute of Housing (CIH), the Scottish Federation of Housing Associations (SFHA), and Shelter estimate that approximately 15,000 affordable homes will be required per year from 2026 to 2031 to meet housing need (Marshall et al., 2025). Achieving these outputs, they further estimate, would require an indicative Annual Social Housing Programme (ASHP) budget of £1.4 billion annually, totalling circa £8.2 billion over the next Scottish Parliament in today's prices (*ibid.*) These figures stretch far beyond even the recent increases in financial commitment from Scottish Government. And, of course, the supply system will likely be required to produce an even greater number of homes for the market sector lying beyond the ASHP.

So what are the challenges to larger-scale delivery that fall outwith the government spending realm? How can the capacity and resilience of the supply system be improved? Four key sets of issues emerged in discussions: working towards a more stable growth of the sector; creating an integrated planning, infrastructure, housing and place policy framework that is co-produced with the construction sector and communities; ensuring skills availability; and driving modern methods of construction.

4.5 Stabilising Growth in Housing Output

Part 3 highlighted that developing and constructing housing, even in efficient systems, is a protracted and risky process. Aside from good forecasting and planning, which will always be important and never certain, construction firms need internal resilience mechanisms and

management capabilities to navigate change as they make major financial commitments before their revenue streams are realised through sales.

This is particularly pertinent for modular/factory housing producers who have made major fixed capital investments and trained and employed their own workforce. However, the external environment for the construction sector is relatively, cyclically unstable. The sector will face significant cost increases if demand growth is too rapid; conversely, when demand falls, the resulting drop in housing starts (and volume of work more broadly) destroy the complex network of multiple sub-contractors involved in projects that may take time to reassemble when recovery begins.

Scottish economic and housing policy must aim to increase stability and lower risk for the housing supply sector. The sudden cut in the ASHP in 2023 was ill-advised and damaging. The now-planned, and welcome, expansion of the programme needs to be shaped in consultation with the sector to minimise cost pressures. The supply chain disruptions suggested below should aim for similar goals but may take time to implement.

This relational nature underscores that housing policy cannot simply measure success by unit numbers. It must consider the systemic effects of housing on communities, climate targets, transport networks, and social cohesion. Strategic delivery, therefore, requires aligning housing with wider infrastructure, labour markets, and environmental objectives.

4.6 Planning, Infrastructure and Housing

Whilst 'slow planning' has not singlehandedly brought the Scottish housing system (and the economy) to its knees, it is clear that the present approach inhibits faster and fuller housing output. It does so in three ways. First, we heard of multiple, credible instances of slow, costly approval decisions. Therefore, there are clearly process issues to address. Second, there are major concerns regarding the disconnect of national plans and the National Planning Framework 4, from both economic and housing goals that lead to under-supply of developable land, especially in places for growth. Third, there is a long-inherited planning system approach in Scotland's local and national governments, arguably a carryover from Scottish spatial planning approaches of the 'municipal' age, which seems uncomfortable with economic change issues. This approach takes a bureaucratic view of the functioning markets and seems to regard them as 'controllable' by regulation to meet social and environmental goals. As a product of this perspective, there is an array of supporting planning tools, such as Local Housing System Analysis, HONDAs, and MATLER that have little-evolved since being developed by Scottish Homes 30 years ago. Each of these three issues is worthy of further discussion.

The different 'sides' of the planning/housing developer interface are often characterised in quite adversarial terms. This view is much too extreme. There is much useful dialogue between 'planners' and 'developers, 'though it could hardly be described as collaborative. The Scottish Government could work to close these gaps in understanding whilst recognising that public interest and private profitability are not always secured by market actions. The nature of housing (fixed in place, requiring connected infrastructure, with construction processes that have to anticipate demand shifts, and public interests in design and environmental quality) requires good strategic planning of what is built and where. Often, the state has less knowledge than the market sector about the 'what' and the

'where' questions. Conversely, the market may struggle with 'what next' questions that Governments may know well (where major infrastructures might evolve, for example).

Marianna Mazzucatto (2018) has advised the Scottish Government. She argues that the key role of the state is to provide the infrastructure, innovation and other supports to create 'the platforms' on which the market sector, with geography uncertainties reduced, can play their role. Arguably, the Scottish Government could adopt an approach to spatial planning that creates the 'platforms' of zoned, ready-to-develop land with commitment to, if not already provided, connecting and community infrastructures. These connections, underpinned by good spatial planning are critical to support the role housing plays in community regeneration, the creation of well served neighbourhoods, and transport-oriented developments. To be flexible in the face of change, the planning mission should not treat 'platforms' as a fixed blueprint for the national economic, social, and net zero missions but as place missions that are constantly monitored and assessed, allowing plans to be adapted to pressures and opportunities. Plans, missioning statements, and KPI's should be treated as starting points that require regular updating as places and communities evolved. Fixed plans are a drag on creative evolution. Flexible planning can support the creative evolution of places, rather than constraining them.

The age of siloed government approaches to planning, housing, infrastructure, placemaking and the major missions is over. The governance of future economic geographies has to change, as discussed in Part 8. But, how do we make planning progress now?

We need to speed up the planning system in conjunction with increasing developable land supply in order to meet output targets. There is no question that challenges within the framework of NPF4 are negatively impacting construction projects in Scotland. In a recent industry survey, 46 per cent of Scottish builders reported delays of diverse kinds caused by planning (Chartered Institute of Building and Federation of Master Builders, 2025). The Scottish Government would respond that they have devoted resources to strengthening local authority planning departments to speed up skills and processes, though the housebuilding industry feels this has been too focussed on net zero planning rather than improving housing system outcomes. In addition, the Scottish Government have commenced working with Homes for Scotland to unlock output (of up to 20,000 homes) from stalled sites. However, developers still claim that NPF4 is hampering, some say crippling, the industry. Development is now only permitted on, and relies upon, Plan 'Allocated sites.' Further, onerous submission processes, and multiple infrastructure provisions, have to be negotiated with delay, cost, and uncertainty for firms. Within the housebuilding industry, there is an appetite to work with government to simplify and speed up these processes.

Within the project discussions, developers were of a firm view that allocated sites are not coming forward rapidly enough to generate enough supply to meet the more ambitious housing output targets for 2030. The latest published land audits (NHBC, 2025) indicate that Scotland's largest nine developers (who produce 3 out of 4 homes, predominantly in urban greenfield locations) hold land with detailed planning consent for 53,000 homes, or 3 years of land supply for them at current completion rates. They argue that, given current planning and infrastructure approval processes and timelines, an allocated land supply of 5 to 6 years is necessary to support orderly, strategic business planning processes. Representatives from

the housebuilding sector noted that bringing 'Plan-Unallocated Sites' may take up to 8 years from first interest to actual housing output. Therefore, NPF4, they argue, has ended their ability to organise effective pipelines for development. In effect, matching demand and supply at some future point is rendered nearly impossible.

The Scottish Government says that they will assess land supply adequacy in detail when new local authority Housing Development Plans are available in 2028. There is a widely held view, and not just in the development industry, that this approach, compelled by NPF4, only reinforces the long term propensity for the Scottish planning system to under-provide stocks of developable land. Therefore, they argue that it is the lack of zoned, developable land, rather than permissioning speeds, has underpinned the long-term upward shift in housing and land prices in Scotland.

There is likely to be merit in this argument. However, there is not, at least in the public domain, any incontrovertible econometric evidence (or indeed any econometric evidence) of land price and land market effects on housing prices. The Scottish Government and the Land Commission should urgently address that important knowledge gap. These arguments also touch upon the thorny question of land banking, where developers accrue the capital gains they make from early purchase and later development of land. There is a need for further evidence on the strategies that larger developers may engage as housing demand rises and falls. Leishman, Watkins and Adams (2014) suggest larger Scottish developers may choose longer-term output stability rather than profit maximisation when demand surges: in effect smaller and middle sized firms have minimal choices.

The Scottish Government appears to hold that the NPF4 approach – aimed at strengthening plan-led development through Minimum All-Tenure Housing Land Requirement (MATHLR) method – was also intended to provide an evidence-based approach to zoning land for housing provision, with an extra 30% to the initial MATHLR estimates to ensure flexibility. The MATHLR approach grew out of HONDA, which evolved from (Local Housing System Analysis (LHSA). However, LHSA was never intended by its creators (including one of the authors) to be a forecasting tool, and there were early warnings that the approach was not suitable for 'thin' rural markets or for major new sites where past transactions would be minimal and demands would remain 'latent'. The LHSA/HONDA system needs to be reviewed, supply side audits added, connections to local economies articulated (and wherever possible estimated), and supplementary modes of analysis need to be developed in fast or new areas of economic change.

Most urgently, current applications of these techniques are limiting the housing responses to new economic opportunities arising in the Highlands and other rural areas of Scotland. Outside of the HONDA framework, Highlands and Islands Enterprise have estimated that the workforce required to build and maintain £100 billion of energy infrastructure over the next 25 years will create 34,000 jobs by 2040 and Highland Council estimate 24,000 new homes (probably double the HONDA estimated number) will be required in consequence. There may be a strong case to quickly support the development of a modular construction facility within that region to support fast supply.

Undoubtedly, the current approach misses scattered, smaller economic change-led latent demands for housing interests in rural and small town Scotland. It also misses communities

with new housing demands. In the Highlands alone there are more than 30 community groups who, invisible to the HONDA scan, have not been captured by a supportive network from the non-profit sector. This issue is revisited in Part 6.

We suggest the Scottish Government should urgently review LHSA/HONDA and develop a fit-for-purpose framework of housing system analysis to underpin their housing and planning reflections. This framework might be as simple as councils keeping geographically precise 'latent housing demand lists'. Scottish Government might also devolve the operation of the system away from Victoria Quay and back to a more local level (Regional Economic Partnerships). These systems were originally located locally to encourage municipalities to take a wider, strategic interest in their local housing systems and develop capacity to understand its functioning. With a few exceptions, this ambition has been lost in the post Scottish-Homes era.

It is clear that the balance of NPF4, having placed a strong emphasis on attaining net zero in both the spirit and the details of the plan, is a major success if attaining net zero is the only goal of the Scottish Government. But the approach does not enable a new economic geography of Scotland to evolve, even one based on producing and consuming alternative energy sources. Nor does it allow a housing system to evolve that will be available and affordable to all.

There needs to be an immediate, collaborative effort between the government and the housebuilding sector to unlock more sites with the policy urgency and flexibility used in other policy areas through the Covid pandemic. A revised 'Building Scotland's Homes and Places Plan' needs to be placed before the next Scottish Parliament for immediate action. That Plan should contain infrastructure plans, conjoined to housing investment plans. Infrastructure gaps and shortages, our conversations revealed, often frustrate development, even for already-permitted sites. There was a similar sense that the housing opportunities, including the uplift gains from planning and infrastructure provision, need to be more effectively captured than in the past. We continue focus on the costs of infrastructure and planning rather than their combined creative capacities. The 'Building Scotland's Homes and Places Plan' should contain a coherent narrative for creating 'new platforms' for places, in the shape of a number of New Towns or major expansion of existing towns in the larger, pressured city-regions. These would be places for growth led (unlike the 1960's New Towns) by private investment in market and not-for-profit providers.

In 1999, the new Parliament promised a spirit of working together to deal with the big issues and make Scotland forward-looking and flexible in the face of change. This spirit is now needed more than ever. Beyond the short term measures noted above, the emphasis should be about not just, or even, deregulation, but about making our planning system market savvy and market sensitive. Presently it is not.

Governance changes for the housing system are brought together in Part 8. A central part of that proposed structure is to devolve budgets for housing, infrastructure and place making, to a regional level within Scotland, possibly via Regional Economic Partnerships. Whilst retaining an overview of policy, budgets, and performance a Scottish Government Group for Housing, Infrastructure, Planning and Place, would devolve delivery on housing, infrastructure, better places, and planning to the regional scale. If we are serious about

addressing supply, planning must be understood as both a gatekeeper and a strategic tool. It can unlock land, coordinate infrastructure, and ensure new housing is aligned with wider economic and social priorities, but only if done properly. That needs to be done regionally, collaboratively, and urgently, ideally within the first 6 months of the new Parliament.

The regional entities over the longer term, using principles and practices agreed with the Scottish Government, would develop mission-oriented regional spatial strategies (with a recurrent re-missioning design) that would shape housing land use, housing resources and infrastructure support to deliver chosen place changes. These 10-year strategies would have annual delivery plans. The regional entity would consult on its housing planning with a Regional Housing Supply Council (RHSC), with members appointed from development, non-profit, community, and finance sectors. These stakeholders would advise on the progress of housing supply and the identification of barriers to construction, outlining how they might be removed. The RHSC's would drive the insight and collaboration so obviously missing in the sector at present.

4.7 Skills, Supply Chains, and Costs…oh my

The RHSC's would have to have regard to more than housing, infrastructure and planning issues. Supply chain fragility is a defining challenge in Scotland's construction sector. Delays, material shortages, and rising costs are widespread and, arguably, worsening. Ensuring the construction industry has a steady supply of labour with the necessary skills continues to be one of the biggest issues for the industry. Recent reporting from Skills Development Scotland noted supply challenges have worsened across Scotland, with vacancies in the construction sector becoming harder to fill. The Construction Industry Training Board (CITB) (2024) estimate 5,220 new entrants will be needed in Scotland annually between 2024 and 2028 to meet workloads. The impact of these shortages is significant. Seventy-two per cent of firms surveyed in Scotland reported skills shortages, resulting in project delays (Chartered Institute of Building and Federation of Master Builders, 2025). There is an inherent labour market failure involved as few firms are willing to pay to train labour that could easily move to other firms. The development of industrialised methods of construction may significantly improve training and job stability for younger, indeed all, employees.

Addressing these ongoing shortages, as widely argued by the industry, will take significant resources and changes to the education and apprenticeship systems in Scotland. At present, only 15% of FE College students taking construction courses enter the Scottish sector and only 2% are women. With English housing and infrastructure programmes now ramping up, there is a fear of more skills leakage to south of the border. Scottish Government must adopt a long-term, strategic view of the sector's workforce needs to ensure the programmes to deliver the people to take on this work are well-funded, well-advertised, and accessible to the students who want to enrol in them. We note with interest the (Withers) proposals to devolve skills budgets to regional partnership levels, which could play into a more productive training approach in conjunction with the proposed RHSCs.

Supply chain challenges are similarly catalysing significant delays nationally. In the same industry survey, more than half of Scottish builders experienced project hold-ups due to materials or equipment shortages (Chartered Institute of Building and Federation of Master Builders, 2025). Similarly, rising costs are widespread, with 69% of Scottish SMEs reporting price increases in the first half of this year (*ibid.*). Construction and labour costs are rising,

and will likely continue to do so. Fragmented policy and regulatory efforts, which are often short-term and rapidly changing, not only contribute to the boom-and-bust nature of the construction sector, they also undermine the sector's ability to plan long-term, which hinders efforts to expand and optimise supply chains, causes projects lose out on economies of scale, and limits strategic, place-based development efforts. There is also a real warning to the next Scottish Government that rents, or subsidies, may need to rise to ensure that projects 'pencil-out'.

Construction is a key sector in delivering the Scottish Government's housing objectives. While a willing partner in achieving increased supply objectives, without addressing these skills pipelines, productivity constraints, and contractor capacity, even significant increases in funding will not translate into meaningful supply. Addressing these issues requires interventions beyond housing policy alone, including education, apprenticeships, and procurement reform.

4.8 Modern methods of construction: Promising Prospect or Just Promises, Promises?

Modern Methods of Construction (MMC), have been hailed as a means of rapidly increasing supply, and contemporary MMC practices have been shown to potentially offer better building quality, improved construction speed, increased labour productivity and reduced environmental impact (Zhang et al., 2018).

While innovative models and technologies may proffer some hope for the industry and the environment, emerging studies show that it is not the answer to all our housing supply prayers. Even defining 'MMC' presents challenges: a vast number of different terms are used to describe innovation in housing construction that uses manufacturing methods to speed up building. Across the UK, there is indication that governments and industry have broadly settled on the term 'modern methods of construction', or MMC, and, as such, this term is used here.

There are numerous challenges and barriers that must be mitigated if the MMC sector is to grow. Many of these challenges mirror those that mar supply efforts in traditional housing construction. Planning systems have been identified as the fifth most significant barrier to offsite MMC use among the top 100 housebuilders. Extra costs for certificates has been cited as a negative influence (Pan et al., 2008, pp.61–62) as has coping with multiple differences in product and building standards across different municipal jurisdictions (Maclennan, 2025). The Scottish Government should encourage councils towards a single set of standards. Supply chain fragmentation also hampers MMC implementation (Zhang et al., 2014; Wuni et al., 2020).

Existing literature has cited the relative risk aversion of the construction sector as a barrier to the uptake and implementation of MMC at scale. While this reticence is not denied, it is important to understand the ecosystem within the sector that perpetuates the hesitations in venturing into the world of MMC. MMC requires substantial investment in fixed capital, especially when robotic processes are involved, and also involves direct employment of skills rather than subcontracting in diverse skills. This raises the risks of unstable and shifting patterns of demand.

Even traditional construction development entails significant risks. Each development is unique and requires significant upfront investment; projects are subject to delays from weather, planning, and supply chain challenges; workloads in the sector can be cyclical and, as such, firms are at often put at risk of insolvency (Kilroy, 2024). Given the unavoidable risks present within traditional models of development and construction programmes, it is understandable that some firms are reluctant to take on additional risk to trial MMC. It is nevertheless essential that some do.

Therefore, if MMC is to offer benefits in addressing skilled trade shortages, environmental impact, carbon emissions, and construction waste, system-wide change is required. There is a leadership role to be played by government at various levels to not only create a policy and regulatory environment to facilitate this change, but also to directly shoulder some of the financial risks of implementing MMC. There seems to be no coherent 'infant industry' support for the sector in Scotland. This is marked contrast, for instance, to Canada where the Prime Minister has just launched a new agency to speed local MMC building, with an intention to create 20 major MMC production centres. Increased production for the non-profit sector will be a major factor getting firms up to the 2000-3000 units per annum required to generate the range of benefits the sector can bring. MMC is expected to revolutionise housing production in rural and small-town Canada. Industry collaborations with Sweden are already emerging (where around 40% of housing output is modular).

MMC is not a quick fix for the plights of the construction sector, nor a 'silver bullet solution' to our dearth of housing supply. Policy narratives which paint MMC as a rapid solution risk misleading expectations and under-delivering on potential (). A holistic and long-term approach is needed to expand MMC *in addition to* continued delivery through conventional housing construction (Payne and Serin, 2023). But where is the Scottish strategy on MMC? Ministerial visits and kind words for the sector are not enough.

4.9 Increasing supply: it's more than just a numbers game and Business as Usual

Addressing Scotland's housing supply challenges requires a shift from a purely numerical focus to a more strategic and system-wide approach. While urgent increases in supply are necessary, tackling the housing polycrisis is not just about building more units faster; it requires careful consideration of the type of supply needed. A 'Building Scotland's Homes' strategy needs to be clear on where homes should be built; what type of homes are needed; for whom; at what price: what infrastructure needs to be provided; how can skills gaps be filled; what services are needed; and what collaborative ventures will best deliver?

The rhetoric of "build more homes, faster" is easy, but it is insufficient. While recent Scottish Government commitments to increased, multiyear funding are welcome (Scottish Government, 2025a) public budgets are, alone, unlikely to scale to address the existing challenges. Disruption in how we think about and govern housing and planning, build places, train a workforce, and use new technologies will be key to better future housing outcomes.

Facilitating such a change an approach will require disruption across multiple fronts: planning and investment, skills and workforce development, planning and infrastructure integration, and construction design and delivery. Many of the necessary structural changes are within Scotland's gift, but they require a vision and starting missions for change that may involve cross-portfolio reforms, and indeed cross-party collaborations.

'Solving' Scottish housing problems will require strategic prioritisation, innovative funding mechanisms, alignment with private investment, and, ultimately a complete overhaul of the way we think about and 'do' housing. The challenge is substantial, but not insurmountable. Scotland must move toward governing housing supply differently, developing an inter- and cross-governmental policy and regulatory ecosystem that emerges from cross-sector collaborative discussion that sets the foundation for a supply strategy, agreed by government and the industry, that is capable of delivering better housing outcomes for Scotland. We need to start now.

Part 5: Managing Market Change

5.1 The Scottish Housing Market System

Although usually analysed and managed in well-defined policy siloes, Scotland's housing comprises a series of interconnected local (regional) housing systems and (type and tenure) sectors. They are connected with broader, bigger systems of land, construction, and finance provision as well as sectoral, regulatory, monetary, and fiscal policies. Whether a particular sub-system thrives depends not only on sector-specific policies, controls, and incentives that shape it, but also how it is favoured by wider system changes in policy, especially at the UK level, regarding taxation, interest rates, and social security. In many respects, the predominant market system is as much, if not more, influenced by these Westminster-driven policy levers.

Scotland's Housing to 2040 strategy failed to address this fundamental influence. The housing system, with local differences, is widely assumed to be driven by demographic change and rising incomes. However, the role of wealth in driving choices and outcomes within this system has become prominent since the Global Financial Crisis (GFC).

Policy debates and choices reflect the embedded views about how the housing market works. The researched reality of how the Scottish housing market actually functions, however, does not always match these stylised, sometimes outdated, views that underpin policy debates. Until recently, there has been a presumption that the home-owner market was still expanding steadily (as it had in the second half of the last century) as rising average incomes transformed the widespread aspirations of younger Scots into the reality of homeownership. In reality, rates of homeownership have been struggling and slowing for at least 20 years, and particularly since the GFC. Over the last decade, the decline in younger households entering homeownership has now more than offset the increases in ownership rates that occurred as older Scots, usually homeowners, lived longer.

This shift has had major implications for both supply and demand in the rental sectors. This trend, together with rising real house prices and acute affordability issues in both sectors, has had a major, decades-long impact on the Scottish economy. The pre-1970s home ownership system worked as a system of steady savings: households saved for deposits, and bought homes with regular mortgage payments to secure a rent-free asset for retirement. This system shifted the households' savings-consumption patterns over their lifetime. By the late 1980s, driven by changes in financial markets, monetary and tax policies, had become an active speculation system with households embracing proactive investment and movement strategies to increase capital gains, and often, equity withdrawal.

In a similar (and damaging) fashion, badly informed preconceptions shape much of the debate about the Private Rented Sector (PRS) in Scotland. Arguably, the absence of a research- and data-informed understanding of the sector is even more damaging, as it renders policy debate largely 'ideological'. Unfortunately, the lack of an evidenced-based perspective has characterised PRS policymaking in Scotland for much of the 2020s.

The key question now is whether the market system serves our national goals, and, if not, how might it be changed. This Part first looks at the market rental sector and then home-ownership.

5.2 Changing Rental Markets

A half a century ago, Scotland had a state-dominated housing system. Social and market rental housing outstripped home ownership in scale, with three out of five Scots renting their homes. Now, as home-ownership rates peaked almost a decade ago, three out of five Scots own their own homes; a third of these owners having exercised the right to buy their municipal homes.

Over the same period, the longstanding decline of the private rental sector to 6% of homes in the early 1970s was further diminished by the extension of the Fair Rent system to the furnished (usually short-term) lettings sector in 1974. With a subsequent shift to a more market-oriented letting regime after 1988, the Scottish PRS re-expanded. It added 210,000 residents between 1999 and the present (whilst the ownership added 260,000), to comprise 17% of homes by 2016. Although the PRS has fallen back in scale and share since 2016, it has been the growth story in Scotland's housing system in this millennium: the PRS has increased by 179% whilst ownership grew by only 19%. This outcome was never anticipated by policymakers in the 'new' Scottish Parliament and, arguably, the issue remained neglected until after 2015. This growth was not guided by any clear strategic housing policy purpose, but was instead driven by inflation, taxation, and interest rate policy.

5.3 Devilish Details meet Dominant Ideologies

Typically, the policy discussion regarding these two tenures is separated. Here, we necessarily discuss them together (as the 'housing market system') as their fortunes are strongly and systemically linked. Often, there is an assumption that the two market sectors are joined by steps in household careers: the PRS is often viewed as an early housing career stage of saving and family/relationship formation that leads onto some 'ownership' escalator. If this view was ever an adequate characterisation of how households move through the market sector, it is most certainly not now.

Rented housing owned by private landlords, the PRS, is simply an ownership category and not a description of the functional nature of the sector. Typically – as has been recognised as an international, long-established pattern – the PRS comprises at least five distinct 'submarkets', and sometimes as many as seven (Priemus and Maclennan, 1998). In a market system with no or inadequately scaled social housing available, the PRS becomes home to those who cannot currently, and may never be able to, afford to buy. It houses, as above, young households launching housing careers heading to ownership. The PRS is also, rationally, home to those who flow into a place for an envisaged short period, which has important economic roles in most city economies. Students seek rental housing. Increasingly, the sector also comprises one of the partners from a dissolving marriage or relationship. Immigrants, even with substantial resources, live in rental homes until they explore the housing and neighbourhood opportunities they have come to live among. And, unfortunately, there are growing numbers of households, of all ages, whose precarity as homeowners has come to an end in a return to renting.

The complexity of the PRS does not end with the variety of well-defined consumer groups in the sector. Landlord ownership also became more diversified. In addition to large professional landlords providing reasonable quality accommodation, there are still moderate- to large-scale property companies milking old assets and providing inadequate homes. Since the 1990s, there has also been a major inflow of Buy to Let (BTL) investors in the PRS. They are predominantly individuals extending their home-ownership appetite for housing capital to (often) single property rental portfolios. Large-scale, long-term investors

seek to make investments on net income streams from the activity of letting homes. However, small-scale BTL investors, usually operating with inefficiently sourced capital and at inadequate scale for efficient property management costs, have relied on property value uplifts to make their investment returns. Looking ahead, with a policy imperative to contain future house price inflation, there is a strong public policy case for shaping a PRS provided by effective large-scale providers and driving out ownership by rentier speculators (whilst offering an alternative 'rental index' investment), and actually enforcing compliance with quality and energy standards.

Key policy questions about the rental sector in Scotland are: What is the structure of producer and consumer groups within the rental sector in Scotland? What structure best serves housing market policy goals of quality, variety, stability and affordability? Who will provide and own housing in this sector, and on what terms? Will increased BTL investment, as governments have hoped for a decade, increase the supply of properties available to the home-owner sector? And what effect will this have on the construction sector?

Clearly managing a housing sector as diverse and dynamic as the PRS requires a subtle, nuanced approach that adequately considers the wide variety of sector roles and provider groups. Some of these consumers are very poor and some are in the upper income deciles. Not all landlords are wealthy either. Unfortunately, there is very little hard evidence available in Scotland to explore these key policy questions. This information gap is somewhat surprising, given the Scottish Government has been reforming and re-controlling parts of the sector since 2015. While there is a scattering of research and some government-commissioned literature reviews, there is little evidence that any independent thinking has underpinned a decade of policymaking in this space.

The Scottish policy narrative that has shaped post-2015 changes within the PRS has been heavy on ideology and weak on the use of evidence, at least until 2025. Policy change has reduced the stock of landlords and privately let property nationally and has demonstrably deterred large-scale Build to Rent (BTR) investors from investing in Scotland. As a result, the loss of supply of private rental housing has outweighed any increases to supply within the social rental sector. Policymakers introducing 'unreasoned' measures too often hide behind 'unintended consequences.' In reality, these impacts are more accurately described as 'unexplored outcomes' or 'ignored downsides' with which Ministers do not wish to contend.

Across the world of housing investment and private property ownership in Scotland, many revile the notion of rent controls, just as some lobbies uncritically embrace the idea. In practice, the role and effectiveness of rent controls depend on the policy aims and, of course, the devilish details involved. There are now signs that the Housing (Scotland) Bill, which appears to have been much improved in content, and even spirit, since its earlier iterations, will heavily influence of housing policy after the May 2026 elections. It is useful to review policy developments for the PRS over the last decade (on the part of both the Scottish and UK governments) to see what additional or altered policy measures for the PRS could generate a significant (and necessary) step-up in PRS provision.

5.4 From Making a Mess to Making Amends

Making a Mess

The substantial, largely unmanaged, growth of the Scottish PRS, like the rest of the UK, was primarily driven by failures in policies to grow the homeowner and social rental sectors. It reflected a long period of low real interest rates (disrupted by the shock of the GFC), the subsequent austerity and (over) prudential regulation of the UK mortgage market, and the UK tax treatment of housing capital gains. This expansion was largely driven by 'Buy-to-Let'(BTL) landlords with small portfolios and, as discussed below, which was facilitated by growing housing wealth of homeowners and changing mortgage lending patterns. In essence, the PRS became the release valve for pressures in these two major parts of the housing system.

In the middle of the 2010s, the UK government became concerned: the Chancellor of the Exchequer raised stamp duty (SDT) on sales to BTL purchasers in 2016 to 3%. The Scottish Government, with jurisdiction over the equivalent Scottish Land and Buildings Transfer Tax (LBTT), also set a higher tax rate of tax. When Rachel Reeves raised SDT in 2024, the Scottish Government raised their LBTT by even more. UK Chancellors continued to raise tax bills for BTL landlords by ending mortgage interest tax relief for BTL investors in 2017 and reduced their capital gains tax allowances in the 2023 budget. These fiscal changes made BTL less attractive to investors and, after 2016, Scotland was the most expensive part of the UK in which to be a rental investor.

Scottish policy actions after 2015 not only reinforced this direction of policy travel for the BTS sector but also swept wider types of landlords (especially larger, commercial investors) into a downward shift in PRS supply. The 2016 Private Housing (Tenancies) (Scotland) Act ended the creation of new 6-month Short Assured Tenancies, removed the 6-month tenancy limit that allowed tenants to stay longer, and abolished 'no fault' notices to quit, which had made it easier for landlords to regain possession of their homes when agreed tenancy times had elapsed. The Rent Better Wave 2 Report (Evans et al., 2022), undertaken to review the effects of the 2016 change, concluded that the short-letting sector had contracted by 8000 units and that half of remaining landlords were considering leaving the sector within 5 years. Meanwhile, reported shortages continued across the PRS in Scotland, and rents continued to grow.

The Covid pandemic led to restrictions on rent increases and other aspects of tenancy change. In 2022, the Scottish Government, in contrast to the rest of the UK, introduced short-term rent restrictions. These emergency Scottish rent caps, introduced to deal with the cost-of-living crisis, limited rent rises to 3% annually. They were subsequently extended until 2025. Rent controls introduced for temporary reasons tend to become more permanent. For instance, the temporary wartime rent controls of 1915 lasted (in amended form) until 1989. A similar 'cementing' process started in Scotland, but not England, three years ago with Ministerial declarations of intent to introduce long-term rent controls. Other, parallel policy changes that BTL landlords were not part of the Scottish Government's vision for its Housing to 2040 objectives. These shifts included doubling council tax rates for second homeowners paying taxes outside of Scotland and the imposition of an earlier date by which to meet new energy efficiency standards. This long (and clumsy) period of policy change announcements significantly damaged Scotland's ability to attract large-scale, professional renter investment. This negative effect that may take some time to reverse.

The evidence of a mass exodus of landlords exiting the Scottish PRS (highlighted by the Wave 2 study) was reinforced by data from across the UK. Increasing tax payments, rising

costs and, post-Covid, rising interest rates were hastening landlord exits and reducing new BTL purchases, despite increased real rents (until after 2024). In Scotland, the 2020s have been marked by years of rental sector exit – 'Rexit' – as well as Brexit. The Scottish Housing Survey reports that the number of PRS tenants fell by around 40,000 between 2017 and 2022. The Register of Landlords showed a decrease of 23,500 landlords over the same period. There is wider evidence not only that PRS sector provision peaked in Scotland in 2015/16 but also that, across the UK, remaining BTS sector is problematic for many landlords: Finance UK indicated that BTL mortgage repossessions rose 11% in 2024. Estate agents' and Capital Gains tax records similarly highlight increased rates of BTL landlords selling up and out. Costs are rising and expectations falling for BTS providers across the UK, and especially in Scotland.

Governments, in both Westminster and Holyrood, need to more actively manage declining sector provision. 'Selling up' at scale must not tip stagnating housing markets and prices in some UK and Scottish housing markets into a wider downswing as the overall economy teeters on near zero growth (the notion of allowing a sharp 'correction' in prices as a credible approach to restoring affordability is discussed below), even if more purchase opportunities (as the government's tax changes intended) for first time buyers arise. A second, and key, consideration for Government (in a context where PRS demand continues to drive up rents in most major Scottish housing markets) is ensuring that reductions in BTL supply are replaced by other sources of PRS provision.

It is important to distinguish between the way Scottish Government announced/trialled/formed its nascent, permanent rent control policies and the longer-term implications of having some form of controls. For almost a decade, the Scottish Government signalled to the BTL sector that the future of the sector would be increased taxes, unspecified rent controls, and increased tenants' rights. One then wonders, in such an environment, what policymakers expected would happen. If unclear threats and actions unfold in a struggling market, then there is only one likely set of outcomes. The exit flow of landlords will increase, and the inflow of new landlords will fall. This characterisation accurately describes the changes in the sector in Scotland, which were policy induced. Put bluntly, Scottish policymaking contributed directly to the decline in PRS landlords. Even more damaging, the slow unfolding of potential permanent control measures has stopped the entry of potentially more efficient and stable landlords into Scotland.

Industry sources, (in the absence of official statistics and independent research) are the best available measure of the estimated scale of reduced new investment from large-scale, commercial landlords. With a robust demand for investment in the PRS in major English cities, investment funds and developers quickly diverted investment interest away from Scotland. Rettie (Boyle, 2024) estimates that potentially £3.5 billion of investment for Build to Rent (BTR) was diverted away from Scotland. Savills (2024) report that, across the UK's main university cities/towns, Glasgow had the largest deficit of Purpose-Built Student Housing (PBSH), with Edinburgh also substantially underinvested.

By the start of 2025, Scottish Government PRS policy, with anti-landlord 'passion' clearly displacing 'reason' in coping with the polycrisis, was facilitating the end of BTL and excluding a new 'Commercial Rental Sector' (CRS). The result was reduced housing opportunities for a range of rental consumer groups, which in turn raised their costs and limited their choices. Policymakers also failed to recognise that market shortages give 'scarcity power' to

landlords over tenants, which, in the absence of the enforcement of standards, lowers sector quality as rents rise.

Badly designed rental sector policies make a mess of policy, of poorer people's housing, and result in poorer places. One can laud the bravery and political effectiveness of poorer Glaswegians who led the rent strikes in the early years of World War 1. Their rent controls made lives just a bit more tolerable. Half a century later, in 1961, I went to school in Townhead and walking up the hill from George Square you could smell the awful conditions of the rotting tenements (slumlord-owned, rent-controlled, unmaintained and unimproved since 1915) before you could see them.

Scottish policymakers should hold onto these images as they decide PRS policy towards 2030 and beyond. We are at the precipice of a new mess for housing provision. Scottish Government, and those who lobbies against the existence of any freer part of the rental housing market, must recognise the potential for a repeat of historical problems caused by ineffective rent control systems. By the 1930s, the well-intentioned 1915 Rent Acts had begun to drive down the value and quality of the controlled stock. By the 1960s this control-induced decline had necessitated the massive municipal housebuilding programmes of the 1970s (which required 10 per cent of Scottish public spending). Correcting these problems also required more than a quarter century, after 1974, of housing association investment to buy out the owners of the depreciated stock. These impressive community regeneration efforts, in many respects, saved much of older Glasgow. Given the likely economic conditions and limits on public spending and government housing budgets over the decade ahead, imposing tight rent controls imposed across the entire PRS will potentially repeat the consequences of past rent controls.

Making Amends

In recent months, the Scottish Government have indicated they are prepared to make amends. They have published a useful paper on attracting private finance into Scottish rental housing. Though the report contained no novel 'silver bullets,' it outlines useful possibilities for keeping routes for investment into parts of the PRS open and for wider non-profit investments opportunities (discussed in the next PART). We believe that, in order to separate the investment of Scottish household savings into housing assets (for those not directly owning or living in them), there is a case for promoting a Scottish Real Estate Investment Trust to attract Scottish savings into large-scale PRS housing, provided by commercial investors.

The new Cabinet Secretary for Housing introduced, in September 2025, important amendments to previously announced housing policy proposals. Indeed, Citylets Quarterly Review (2024) noted that 'under new leadership…there have been signals that the Scottish administration understands that there is a legitimate problem with proposed full market rent controls impacting on large scale investor sentiment' and have changed tack. In brief, the draft Housing (Scotland) Bill now proposes rent control legislation will be: introduced in 2027; only be introduced where local authorities make a case to the Scottish Government that their rental sectors are unreasonably pressured; allow rent increases (both within tenancies and at change of tenancy) that are limited to the CPI plus 1 %, to a maximum of 6 % (average market rent increases are currently running below this figure in Scotland); and will exempt Middle Market Renting and PBSR sectors from the controls.

These proposals will no doubt be subject to further refinement and scrutiny. Are housing market areas, rather than local authority boundaries, a better policy boundary? Does the CPI provide a useful index for landlord costs or does a letting-cost index need to be developed? What is the definition of MMR? Has demand for PBSH peaked? These important questions (and possible amendments) notwithstanding, current proposals seem to represent a more reasoned way ahead. Laurie MacFarlane (2024), in a thoughtful pro-control essay, noted that not all economists are anti rent-controls. We agree. Whether rent controls should be introduced depends on the policy objectives, the other policy tools available, and the specific design of controls. Pro/anti-control positions adopted ex ante are a statement of ideology rather than serious intention to deal with the substantive housing issues. There is a wide literature that highlights the negative outcomes of crude rent controls. Equally, however, much evidence from Europe and North America demonstrates that well-designed rent controls, usually with some conduits for new investment left open, can make positive contributions to housing outcomes.

MacFarlane (2024) continued his reflection by citing John Stuart Mill's observation that *'Landlords grow rich in their sleep without working, risk or economising…if some of us grow rich in our sleep, where do we think this wealth is coming from….It comes from the fruits of others' labours which they don't receive'.* Mill's insight provides a useful foundation for rethinking the future basis for Scottish – and UK – housing policies. However, it applies more readily to the future of homeownership than a PRS with exiting BTL landlords. MacFarlane asserts that *'The truth is that landlordism is an unproductive and extractive form of economic activity. It is a zero-sum game: every pound earned by landlords comes directly from the pockets of tenants.* But this is far from truth. Every pound that tenants pay for groceries or the internet (or going to the football) is a transfer from the individual to a business. As long as provision is contestable and flexible, the consumer payment supports efficient production. If some households cannot afford to be homeowners and are not seen as priorities for scarce social housing, then the efficient assembly of capital to deliver reasonable homes and services for them is neither an extractive nor a zero-sum process.

Given the current extent of rental housing pressures in Scotland, with more on the horizon there are limits to how government can fund, whether through non-market provision or wider, enhanced housing benefit payments, better rental housing outcomes. As the attempt to move beyond the speculation-based BTL sector intensifies, it is apparent that the Scottish Government can reduce rental system pressures in three strategic ways: an enhanced budget for non-market, deeply affordable housing, which removes pressures at the bottom-end of the income distribution; an enhanced flow of sales of BTL stock, which will provide purchase opportunities for better resourced, younger renters aiming to become home-owners; and, finally, a significant injection of new MMR stock, which could reduce the middle-market pressures that spread into the lower-rent sectors of markets.

Policy needs to recognise the different niches that exist within the mosaic of the Scottish PRS. It must adopt a cross-system strategy that offers the possibility of sector growth and a reduction of rental pressures. With a quarter of PRS tenants paying over 40 % of their incomes for rent, system pressures still need to fall. It is imperative that this perspective on the role and aims for the PRS underpins any strategic housing investment plans that could emerge in the regional strategic housing, infrastructure and spatial plans noted above and discussed in the concluding chapter.

These plans, and policy writ large, will also have to look to the future of the home-ownership sector in conjunction with the rental sector as their development are inextricably and intricately linked. Overall market system outcomes, and not single tenure changes, must drive policy design and implementation for the future. We now turn our attention to some key aspects of the home-owner sector in Scotland.

5.5 Owning Up to Ownership Down: How Much, Why, and Does it Matter?

The switch from a steady savings to speculative homeownership sector is no more pronounced in Scotland than the rest of the UK. Indeed, Scotland is statistically average in terms of UK house prices and price-inflation rates over cycles. However, there are marked geographic differences in prices between different regions of Scotland. For example, Edinburgh and the Lothians is one of the highest-priced and inflation-prone regions in the UK. Other areas, however, such as the south-west, have lower and steadier prices. In many respects, housing market policy for Scotland would be better strategised and delivered at these sub-Scottish levels, but it is not.

Every Party that has run the Scottish Executive, then Government, has been committed to expanding homeownership in Scotland. In so doing, they have invariably adopted the 'historic' understanding of the sector as meeting aspirations, building family wealth through savings, and spreading this wealth more widely across the population. With this reified view of the sector, it is unsurprising that the fallback in the overall ownership rate from 66%, a historic peak, in 2009 to 61% in 2024 (the same level as 1991) has caused some policy concern.

There are now quite divergent views about the future roles of the homeownership sector and how to manage it for the future. The sector is struggling with a series of affordability issues: house-price to income ratios and loan-to-value ratios have soared since the 1990s and remained high post-GFC. As such of these 'views' is that government should let housing markets slump, and prices fall back in a sharp market correction, to address these affordability challenges. We do not explore that view further as it fails to take account of the longer-term damage to investment and consumption in the economy. We do, acknowledge, though, that there should be an intention to keep house prices more stable as incomes rise (though this will largely rely on UK fiscal and monetary policy changes). A second view is that our understanding of the role of the homeownership sector must change as we now face demographic, economic, and social futures in which rental housing will come to play, and often in a positive way, much more significant roles. However, two major challenges complicate this perspective: the Scottish rental sectors are, as a result of policy choices, struggling to expand in scale; and, importantly, social attitude surveys over the last decade still show four out of five young Scots aspire to be homeowners.

The problems of the homeownership in Scotland are predominantly for those trying to get into the sector, rather than for those already in it. Taking the sector as a whole, just over a third of owners now do so without a mortgage. Mortgage-free owners are usually older and more affluent and are the long-term beneficiaries of the housing polycrisis. Two thirds of owners aged over sixty-five do not have a mortgage and, in contrast to the old 'savings for retirement' model, many are increasing their net wealth as they age as house prices rise. They are, in effect, the surviving successful speculators. For owners with a mortgage, monthly payments are typically lower than for those in the rental sector. This disparity exists because monthly mortgage payments are moderated by historic prices paid, interest rates, mortgage types, and own-equity injections, which reduce mortgages required. As a

result, monthly mortgage-to-income payments have long run at around half the 25-28% figure paid by renters. This is a crude comparison. It nonetheless emphasises the point that the home-ownership sector is not in crisis, and historically low rates of mortgage arrears and repossession prevail. These rates may, however, reflect the prudential regulation mortgage stress tests, set after the GFC.

Therefore, the sector's problem is primarily entry. Homeownership in Scotland is not declining in overall tenure share because all age and income groups are quitting. It is declining because the share of younger households, particularly those aged 25 to 35, entering homeownership has almost halved in this millennium. Covid led to significant rises in household savings, and ownership entry rates rose in 2022/23. However, they have now fallen back with an annual flow of around eight thousand first-time buyers (FTBs).

There are multiple causes of these problems. Prices of homes purchased by FTBs have risen by over 50 % whist entry wages have stagnated. A range of other factors have been associated with the falling rate of FTBs, including higher residual student debt (though this effect should be much less significant in Scotland), the cost of weddings, and more complex living and relationship preferences. Price-to-income ratios for FTB's of 5 to 6 (double their pre-2000s ratio) are common. However, new mortgage types, more fixed-rate mortgages and some periods of lower interest rates have ameliorated price burdens.

The critical difficulty for many potential entrants has been that prudential regulation policy measures in the wake of the GFC substantially raised the deposit that borrowers had to find. In Scotland, in recent years, deposits of 20% have been required. In Edinburgh, for instance, where the average FTB price is £250,000, means that prospective homeowners require a deposit of £50,000. The Nationwide Foundation recently reported, for the UK as a whole, that around four out of five FTB's receive substantial deposit support from parents/grandparents. While more evidence is needed, research published in the UK since the 2010s continues to highlight that parents and grandparents make such gifts based on their own housing wealth.

These trends of inter-generational housing wealth redistribution pose several questions. How does this pattern play out for the youngest of four siblings? Even more important, what if young aspiring households have parents who rent (with many plausible assumptions)? In this context, two identically qualified economics graduates may pursue the same career with equal success but, ceteris paribus, it is likely that the child of social rental tenants will accrue a deposit to purchase 5 years after the child of owners. What about public sector workers who have to live in city centres or expensive small towns? There are real barriers to social mobility emerging from these deposit-based inequalities, which block the access of the upwardly mobile to a critical pathway to saving and wealth accumulation.

Governments, at both UK and Scottish levels, have tried to raise entry rates with a long history of first-owner support schemes such as Help to Buy. Whilst they are invariably successful in a short-term sense, these programmes ultimately fail in the long run. Each wave of support increases demand in markets with limited supply, so policy subsidies are largely capitalised into higher house prices, ultimately raising the barriers for the next entry cohort. Therefore, the policy challenge is to better link FTB support to augmented supply. The next Scottish Parliament will need to face up to the discontent of those who feel unfairly left behind on the journey to homeownership. The UK government also needs to

revisit its prudential borrowing rules that are clearly too restrictive in relation to current housing markets conditions.

There are further policy measures for the homeownership sector that could help improve Scotland's housing system. The Scottish Parliament has powers that could more effectively use the housing wealth accumulated (largely by sleeping rather than working!) by existing owners. Domestic energy standards have been more urgently and onerously imposed on landlords than owner-occupiers. Why not move faster towards net zero residential energy in Scotland's homes by imposing the same standards on owners and make a housing-equity loan scheme available to all? Further, free personal care is a costly element in the Scottish budget. With so many poorer Scots badly housed, is there a case for revisiting the ways in which accumulated housing equity may ease these budgetary pressures? Indeed, are there new ways of exploring the interplay of health and social care in old age through the flexible use of housing assets? This issue is discussed in the next Part.

Finally, housing wealth seriously distorts the functioning of the housing market. Elderly owners often remain in their family homes long after their children have departed and even after their partners have passed away. There is in consequence a substantial underutilisation of the Scottish housing stock. Current rental legislation discourages its utilisation. In some of these cases of elderly over-housing, stock condition often deteriorates, and individual lives can be an isolated struggle. Survivors nonetheless hold on to the home, sometimes out of sentiment, but predominantly because it is their 'bequest'. Housing, they believe, is the best investment (and often has been). But what if they could invest in housing as an asset without living in it or renting it? In a previous section, we promoted the concept of a Scottish REIT. Equally, a financial instrument, a tradeable index-based asset, could be developed that was based on Scottish or Edinburgh house prices. Older households could sell up, invest in smaller, appropriate homes and purchase housing property index shares with their surplus.

Scotland needs to think more flexibly about managing housing assets. Housing wealth now represents almost half the wealth of two thirds of Scots. Looking to the longer-term, the Scottish government needs to determine how to reduce house price inflation and the sustained speculative gains in housing, which reduce productivity and distort wealth patterns. By 2030, this question will be internationally significant and on the urgent agendas of most advanced economies. Parliament needs to address it now. So, how should we tax housing?

5.6 Taxing Solutions

For much of the twentieth century, the growth of homeownership was prioritised, although it raised wealth gaps between owners and renters, because it led to a more equal wealth distribution within the ownership sector. This equitable redistribution process appears to have ended in this millennium, with housing wealth rising rapidly but reinforcing differences within ownership. With falling entry rates for younger age cohorts, intergenerational differences are becoming stark and a source of discontent. At the same time, governments face increased difficulty in raising revenue from increased income and spending taxes. The UK is not alone in this regard. However, there are growing calls to revisit housing and land taxes as a source of enhanced national and local fiscal revenues. There is much speculation that the Chancellor of the Exchequer is considering some form of taxation of housing assets in the forthcoming budget.

In June, the BBC quoted Scottish Minister for Public Finance, Ivan McKee, who noted that "*A revaluation of Scotland's council tax bands is "absolutely needed,"* that plans were being worked on, and that there would *"be winners and losers*". Unfortunately, the Scottish Government quickly announced, that despite the current tax being based on 1991 property values (when the average house price was a quarter of present-day levels), it would not be holding a revaluation.

This reaction, consistent across parties since the establishment of the Scottish Parliament, represents a continuing fear to 'do the right thing' regarding property taxation, despite the clear negative effects on economic growth, productivity, and inequality. While they may not amount to tangible reforms, current discourse within Westminster is welcome. The Citizens' Jury views recently reported by Gibb and Leishman (2025) indicate that a review of the Council Tax would be widely welcomed in Scotland. For this reason, there are multiple important arguments for Parliament to consider new tax arrangements for housing. Some suggestions for new arrangements are outlined below.

Politicians fear that the public will resist change or that reforms will produce too many 'losers' to keep public favour. Further, they may be concerned about the onslaught of critique from the property sector. David Alexander wrote in his Scotsman column about the Chancellor's idea that housing may be a revenue source. He said, '*there seems to be only one source available to them and that is the hard-pressed, hardworking people who have bought a home and therefore must be punished for it.'*

This response ignores both the massively regressive Council Tax that disadvantages Scotland's poor and that the majority of rising housing wealth in Scotland was secured primarily (with reference to John Stuart Mill) by snoozing than through hard work. Indeed, in recent decades, the housing wealth of Scotland's retired population (holding more valuable and more second homes) saw their wealth grow faster than those (working hard) in employment. Any well-crafted scheme to tax housing wealth would seek to separate out the savings from the unearned gain elements therein.

It is unlikely, given the perceived political and 'professional' reactions, that a single political party will take on this issue. However, a priority for the next Parliament as a whole should be to establish a Cross Party – or Independent – Commission to review and make suggestions to revise the taxation of housing. This review would include Council Tax, the transaction tax of LBTT, and potential mechanisms to tax accumulated, unearned housing wealth. The remit of the Commission should be to explore how present arrangements: reduce Scottish economic performance by raising returns to rentier, rather than entrepreneurial, investments; inhibit mobility; are regressive in impact; and contribute to the polycrisis in Scottish housing. This Commission should also consider how a new housing tax system could be designed in order to reduce housing problem formation and also raise revenues to deal any problems that do arise.

We would not propose this notion if it were likely that ideas for better feasible options would emerge. New data and statistical techniques can quickly produce housing stock valuations and Gibb and Leishman (2025) illustrate how proposed options for change can be adequately modelled. Moreover, there are important new ideas that highlight how lower-income households (even if they are asset rich) can be protected from the negative effects of change. Muellbauer (2025) sets out an array of housing and land taxes that could yield significant revenues, have beneficial effects on housing market functioning (including

increased supply), and affect relatively limited numbers of the population (primarily in the top two council tax bands). Scotland's political class can choose to divert their gaze from the wreckage of current housing tax arrangements to a wider wreckage of underfunded public services. But we recommend they act now, not least because the structure of any changes could affect how the overall base for housing tax revenues would be split between Westminster and Holyrood. This issue needs to be aired, addressed, and advanced sooner rather than later.

5.7 Keep Right on to the End of the Road

It is important not to be unduly pessimistic about Scotland's market housing systems. The signs of shifts towards a workable PRS are more apparent than a year ago. However, the crisis of entry into homeownership does need urgent attention. Further, addressing the consequences of unearned housing capital gains could correct the imbalances between older and younger Scots. These changes to the tax system could be a source of revenue from unearned incomes that could help address the continuing problems of housing poorer Scots. For that radical – but necessary – change, we offer the Parliament the advice of Harry Lauder 'Though the way be long, let your heart be strong' (and do use the support of the non-profit sector)!

Part 6. Spanning Boundaries, Fixing Problems: New Associations

6.1 Shifting Associations

An intrinsic and important aspect of systems are their connections to and interactions with other sub-systems. **Part 3** emphasised the relational nature of housing. **Part 8,** below, discusses the way in which housing policies are typically organised within government siloes. One consequence of a siloed government is that the delivery vehicles created within them to tackle 'wicked system' problems are typically tied to a single sponsoring Ministry. This structure limits their scope to a narrow set of functions, which can, in some cases, be addressed by collaborative partnerships.

Housing policy delivery vehicles tend to have narrowly-defined housing objectives, often focused on a single housing tenure, rather than adopting broader 'housing with-' or 'housing and' approaches that link housing to other policy areas. Both local authorities and the non-profit housing sector struggle to escape the straitjackets of roles, regulation, and resources historically imposed on them. However, rising challenges make clear that addressing homelessness, supporting neighbourhood renewal, and providing homes for growing places all require a coordinated 'system' of measures, rather than isolated, siloed initiatives. Similarly, and to the point of this Part, restoring affordable housing output to counter the polycrisis and create a more effective housing system will require stronger, wider-reaching roles for non-profit providers.

This Part examines whether the non-profit sector in Scotland, already an important, collaborative actor in the nation's housing system, could take on strengthened housing system roles. Could non-profit organisations improve system-wide outcomes by using their connecting capacities to cross boundaries, both sectoral and geographic, of provision in more widely recognised and resourced roles? Some of these ideas were discussed over ten years ago in a reflection on how new times needed new businesses in the Scottish non-profit sector (Maclennan et al, 2013). However, policy has not embraced an expansion of the scope of non-profit action over the last decade. With this policy context some non-profits operating in Scotland have still developed their scope and scale, though many others have not (and for good reasons). Despite its long record of innovation, probity, customer care, and community involvement, the sector has often played marginal, rather than central, roles in reshaping Scotland's homes and places. The polycrisis now demands a reassessment of the potential roles the sector could play.

Important parts of the diverse non-profit sector neither seek nor have the capabilities or resources for a wider, relational role. There are also council housing providers who deliver effective services and adequate homes for less-affluent Scots. Although these parts of the sector are not examined here, they nonetheless need to be adequately resourced (at present they are not) in order to maintain their housing stock and their reputations. The focus here is on how Scotland might evolve a 'fit-for-purpose' associational sector that delivers better outcomes across the Scottish housing system.

6.2 A Long, Successful Evolution of Purpose and Performance.

There are often long debates about what a 'non-profit' housing provider is, and indeed whether the term itself is helpful when engaging capital market finance providers. Two clarifications of terminology might help in this discussion. First, we suggest that a Registered Affordable Housing Provider (RAHP) should have a well-defined stream of activities, with

clear activity accounts, delivering homes of good quality, with affordable rents, both of which meet regulatory standards.

A RAHP could either be a non-profit or Registered Social Landlord (where surpluses are not distributed and are used for defined, agreed social purposes related to housing) or a for-profit provider (we are interested in the homes and rents provided rather than the use of surpluses from the activity). This chapter makes the case for promoting organisations that ultimately have a non-profit, non-distributing aim but that may deliver a range of housing options, some of which may generate surpluses, and support other activities that contribute to their agreed social goals and that may generate surpluses contributing to these wider goals. That is, a contestable provision system involves both allowing private provision of 'Regulated Affordable Housing' and non-profit providers of RAH, as part of a wider set of activities to generate profits, or surpluses, in other areas of activity that support their core affordable housing and stronger community roles.

There is a case for more boundary-spanning local housing agents, such as non-profit RAHPs, to have augmented roles in changing the Scottish housing system. These roles could include: replacing the speculative BTL landlord system in the middle-market rental sector; providing a contestable alterative to large-scale commercial providers (taking a lesson from the Swedish system); and providing new, stable routes into homeownership for younger and lower income Scots. Arguably, if Scotland's housing policy over the last fifty years had evolved through Development Trusts rather than housing associations (with their more narrowly-defined regulatory frameworks) then more such organisations might already exist.

The housing association sector (and we include co-ops in that broad sweep) has undergone three important (positive) evolutions in the last fifty years. Prior to the 1974 Housing (Scotland) Act, housing associations in the country had a minor presence, either meeting specialised housing needs or involved in co-ownership housing societies. After 1974, under highly-active leadership from the Scottish Board and senior officials Housing Corporation officials, associations were assigned key roles in Housing Action Areas, tasked with improve the Below Tolerable Housing Standard (mostly tenement) stock.

Glasgow, extensively damaged by the Great Storm of 1969, became the site of major change and one of Europe's leading community-led renewal programmes, developed by housing associations in most older neighbourhoods. The idea of the programme spread, with associations emerging in all major Scottish cities. There was, however, an East/West split with special needs associations (for instance developing housing for the elderly) having greater presence in the East than in the west.

Another major evolution within the sector followed the formation of Scottish Homes in 1989. Its community ownership programme expanded the development of community-oriented 'cooperatives' (essentially similar to associations) into areas of rundown public housing. Importantly, Scottish Homes ramped up interest and investment in rural Scotland and smaller towns too. Associations took on some wider roles, promoting low-cost home ownership and shared equity schemes. In 1997, Scottish Homes launched its 'Wider Action' scheme that supported (still regulated) expenditures on non-housing activities that supported housing-led place change.

Scottish Homes also promoted, throughout the 1990s, the transfer of public housing to non-profits, including 90,000 units of its own stock, to create local, community vehicles, most of which were still thriving twenty years later. This experience prompted the Scottish Executive

to adopt community ownership via stock transfer as a core policy programme, marking a third evolution of the model.

Arguably, the experience of Glasgow tenants seeing how community associations had so demonstrably improved the lives of their neighbours contributed to almost two-thirds voting to join the association sector. It was out of this period of crisis in Scottish housing that the GHA and the Wheatley group emerged. A century on from 1925, John Wheatley's name still leads the development of affordable homes in Scotland, albeit through a different vehicle, which is more appropriate for these times.

Since the end of Scottish Homes/Communities Scotland, coinciding with the GFC-based disruption of housing business in the UK, there has been a diverse evolution of housing association provision in Scotland. This shift, however, has unfolded in the absence of any coherent strategy to grow or evolve the sector. There are now 160 housing association in Scotland. Many smaller associations continue to operate with much the same scale, focus, and community ethos that they have always had. They still work in Scotland's most difficult places; this is important work for which they deserve continued recognition and support. Many community-based associations would prefer to continue to focus on the key neighbourhood roles they have undertaken (some for almost half a century) and not be consolidated into some wider ownership group. Policy should respect these community choices.

However, policy must also consider how it can harness both the collective strength and embedded resources of its housing associations more broadly. Some associations hold substantial assets, but there seems to be little policy interest in leveraging these resources for community purposes. However, a number of middle-sized and larger associations, including the Scottish divisions of some larger, UK-wide associations, have a different, if complementary view of the future. The roundtable conversations underpinning to this report revealed previously-unheard ideas, energies, and capacities within the non-profit sector for identifying new approaches, roles, and relationships with private construction and financing providers. Sector representatives frequently noted the absence of the 'umbrella of research, information, support and policy connection' that Scottish Homes – with long-term and housing-oriented staff – had previously given the sector. Associations operating in England as well as Scotland emphasised the critical support that the Homes and Communities Agency in England provides for the sector. These supports no longer exist in Scotland. This absence is hindering Scotland's housing policy response: the Scottish Homes of a quarter century ago would have long been focused on aligning these capable, expert organisations as local housing agents to reverse the housing polycrisis. That milk is well and truly spilt; the question now is how Scotland moves forward. This issue is addressed in the next Part.

6.3 A Future Sketch Plan

The next Scottish Government should prioritise the creation a well-defined Larger Scale, Wider Role (LSWR) for the non-profit sector, with regulatory and resource frameworks that facilitates the consolidation and expansion of its housing roles. Across Scotland, there are already around twenty large-scale associations (those with 10,000+ homes, a strong, regional presence of 3000+ homes, or a dominant role in rural housing provision) that are seeking a more diverse and robust future. They are all committed to their core roles of providing non-profit, affordable rental housing and see greater scale as a source of managerial and financing economies. Scale imparts financial strength and efficiency and by

no means necessarily reduces community and tenant engagement. As such, these associations view additional activities (of a non-housing nature) as opportunities to strengthen their existing communities with for-profit activities (for example leisure facilities).

Even more importantly (again with organisational scale economies), most envisage the development of two primary 'for-surplus' housing activities that would increase their resource base for affordable housing action. The first, as trusted providers, is to significantly increase their roles in Mid-Market Rental Investment. The second, still underdeveloped, idea is to create a rent-to-mortgage entry scheme, particularly aimed at key workers in rural and urban areas facing acute worker shortages. In essence, any small subsidy provided to the association for producing a unit would be transferred to a purchasing tenant as a deposit. In effect, this model could reduce the capitalisation of the first-time buyer support into land and prices. Beyond these two centrally-emerging concepts, a wider range of ideas prevail. Larger associations, in particular, reflected on the potential of Special Purpose Vehicles developed with private developers and new financial sources, including pension funds, to provide opportunities for growth at scale.

There is interest and capacity within the sector to take on additional roles and mechanisms have been identified to enable these changes. So, what would take to deliver such a new sector, and to do so urgently? The following sections will consider the changes needed, first from the government and then the sector itself, to facilitate system-wide change.

Government. Delivering a new LSWR for the non-profit sector will require strong government leadership. The removal of the Scottish Homes umbrella and changes in the Edinburgh-based civil service, have left Scotland's housing system with limitations in its ability to deal with complex system issues. During discussions, it was felt that generic training and limited housing-specific expertise, coupled with relatively high staff turnover and a weak evidence base undermines the capacity of the civil service to manage Scotland's housing system effectively. Whether these perceptions are real or not, they prevail amongst experienced, long-term housing professionals. As such, they must be addressed quickly. Poor decision-making increases costs and diminishes surpluses for both the non-profit and for-profit sectors. There needs to be a high-quality, expert, dedicated team of civil servants producing a new blueprint for the LSWR non-profit sector.

Non-Profits. Discussions, not least with non-profits themselves, highlighted concerns regarding the scale and composition of their boards. Non-profit boards are often largely composed of members with strong backgrounds in social and community issues but limited experience of public and private finance. These boards, often large and consequently cumbersome, are generally better at mitigating than taking risks, and often unfamiliar with the strategic management of change. The challenges for the sector, therefore, are to evolve their governance structures without losing their community ethos and sense of social purpose. An LSWR evolution will require smaller boards with wider financial and technical skills, capable of assessing the economic and environmental impacts of their work as well as traditional social measures of progress.

LSWR non-profits will have to continue to build strong relationships with potential large-scale investors in Scottish housing. This process could be facilitated by the Scottish Government, through major projects using an SPV approach, which enables large non-

profits working to work collaboratively with major funders. For instance, the sector could address the evident, energy-provision-induced housing shortages in the Eastern Highlands or develop a New Town to address shortages in the Lothians at scale. Further, housebuilders advised that the sector should engage with them earlier in their planning-delivery processes to ensure the suitability and cost-effectiveness of non-profit projects. More widely, the LSWR sector could lead demands for modular construction at scale.

Clearly, the development of this new emphasis on non-profits working in Scotland – and building on the traditional roles of the sector – will require a revised regulatory framework to facilitate these tenure- and activity-spanning roles. This type of sector-wide reform would also benefit from a different framework of funding for the LSWR non-profit. A major success in the Scottish housing sector is the LAR Housing Trust, developed as an idea and funded by the Scottish Futures Trust to provide MMR housing. Its rapid delivery of high-quality output has been widely recognised across the housing sector. It is important to note that the public funding of LAR was different from other non-profit providers. In effect, LAR had a five year £55million block budget to fund and develop. This funding model is vastly different from the funding models for other associations, who have to bid project-by-project and year-by-year to local authorities. The existing, piecemeal approach to funding non-profit development must change. Instead, Scottish Government must support frameworks for the strategic allocation of funds for housing provision at the sub-national scale, as further discussed in the concluding section. Programme budgets for LSWR providers in wider housing investment partnerships may become a key feature of Scottish housing investment in the next decade.

6.4 Maximising the impact of non-profits

The evolution of and recommitment to Scotland's non-profit housing sector could meaningfully support, and help deliver on, Scottish Government's net zero, social, and economic missions across the length and breadth of Scotland. In the Borders, Eildon housing association could do much more if the Local Housing Allowance was calculated more locally. Wages vary significantly between towns and sparsely-populated rural areas. The current LHA system to support low-wage renters strips support from truly rural places. In other rural areas, LHSA-based resource allocations lose sight of the new economic opportunities and housing demands and needs of the 2020s. In the town-dominated landscapes of much of Aberdeenshire and Fife, the LHSA also understates the potential roles for MMR and other policy investments. Grampian Housing and Kingdom (in Fife) have clear potential to deliver MMR, and other housing and non-housing investments. In urban and wider, national settings, Wheatley Homes (evolved from resolving the crisis of Glasgow's council housing a quarter century ago) manages its homes with record levels of tenant satisfaction, already supports 2,500 MMR units, and provides an 'umbrella' of technical, strategic and financial support to four 4 non-profit providers. In many respects, it has become a housing market 'agency' for parts of the West of Scotland.

Scotland now needs a strategy to foster these agents for change, enabling them to address key challenges in the housing system. The question remains: where next?

Chapter 7: Homelessness

Homelessness, like housing, does not exist in a vacuum (and therefore shouldn't be understood as such). It is the result of challenges and limitations across a variety of policy systems. Just as there are different drivers of homelessness, there are equally different expressions of these experiences, these include(Fleming, 2022):

- Street homelessness
- People who are officially homeless and counted in the system and for whom the state has a duty to help
- People experiencing multiple exclusion homelessness who need multidisciplinary support to both address their housing situation but also make progress with their other challenges
- Women and children experiencing homelessness because they are fleeing domestic abuse
- People at risk of imminent homelessness or in insecure accommodation
- People relying on informal arrangements such as 'sofa surfing' but without a permanent address
- Households stuck in temporary accommodation because of a lack of permanent housing supply that can be provided to meet their needs
- People, often asylum seekers, with no recourse to public funds

It is a housing focussed problem that requires a systems understanding of both its causes and the governance of solutions. The resolutions to each of these challenges will inherently be varied and span different policy portfolios. As such, ending (and preventing) these experiences in Scotland will require shifts in way we frame and understand homelessness and its relationship to other systems. As will be argued further there are two 'types' of homelessness, for which two different changes in thinking will be needed.

Fundamental takeaways from this chapter are:

- 'Ending' homelessness will require two parallel shifts in thinking:
    - First, aligned to the wider arguments in this report, is in the way we understand, define, and legislate for housing in order to tackle the housing-related drivers of homelessness.
    - Second is the adoption of a 'public health' approach to homelessness to adequately account for drivers in non-housing spheres.
- This reform must be cross- and inter-governmental. There are changes outwith the Scottish Government's gift that will be required to achieve our homelessness objectives.

Unlike some of the other sections of this report, while there are persistent, worsening (Scottish Government, 2025b), and often life-threatening challenges across the country, there is also much to note positively in Scotland's homelessness legislation and political discourse. The following section briefly considers the existing, and forthcoming, policy context in Scotland. From there, this chapter will consider the discrete, and then system-wide, reforms needed to end experiences of homelessness in Scotland.

7.1 Political and policy context

Broadly speaking, Scottish policy and politics understands homelessness as a phenomenon produced by intersectional structural inequalities, with socio-economic disadvantage viewed as the primary driver (Reid, 2021). Arguably reflecting this (rather exceptional) political willingness to centralise poverty and structural drivers of these experiences, Scotland is distinctive in its approach to homelessness, offering some of the strongest rights anywhere in the world.

Crucially, the 'right to housing' is in Scotland, unlike in places like Canada, a legally-entrenched, enforceable right with government agencies bearing responsibility and statutory duties to uphold it. However, leaning into rights-based arguments is not the best lens through which to lobby for effect homelessness policy reforms (it is nonetheless noteworthy that these frameworks and statutory responsibilities exist).

As we have seen from recent statements from the newly-appointed Cabinet Secretary for Housing, the related commitments outlined Housing Emergency Action Plan, and the proposals contained within the Housing (Scotland) Bill, ending homelessness is a priority for government; this priority is welcome. The Scottish Government, relative to other jurisdictions, has indicated a progressive and holistic recognition of the structural drivers of homelessness both within and outwith the housing sphere.

There are positive policy developments that signal Scottish policymakers not only understand, but are prepared to take action to address the complex structural drivers of homelessness. These include:

- Establishing a Ministerial oversight group on homelessness, bringing together ministers outwith the housing portfolio, such as the Minister for Public Health and Women's Health, the Minister for Drugs and Alcohol Policy, the Minister for Public Finance, and the Minister for Social Care, Mental Wellbeing and Sport.
- Allocating resource to address relationship breakdown and domestic abuse as a driver of homelessness via the 'National Fund to Leave'.
- Recognising the need for non-housing, wraparound supports and investing in a Housing First expansion scheme through a £3 million capital grant fund.

While these are positive developments, they do not go far enough. There are further system-wide shifts in thinking and policy design (and in particular in implementation) that need to be addressed. Some of these changes are within Scottish Government's gift; others are not.

7.2 What does it mean to end homelessness? Getting to 'Functional Zero'

'Ending' homelessness is both a lofty and laudable aim. However, in a system and society where sudden, emergency circumstances will continue to cause people to abruptly lose their housing it is nigh-on impossible to completely eliminate homelessness nationwide. As such, this paper adopts the 'functional zero' approach espoused by Crisis, the Centre for Homelessness Impact, and homelessness agencies internationally.

'Functional Zero' is achieved when no one in an area is sleeping rough and when any experience of homelessness in a community is rare, brief, and non-recurring. That means there's enough appropriate housing for people entering homelessness to rapidly move into, permanently (Turner et al., 2016). Functional Zero is achieved when there are enough services, housing, and shelter beds for everyone who needs them. While the focus, as argued further below must be on *preventing* instances of homelessness in the first place, this may not always be possible. In such cases, a system that is responsive and acts quickly is essential (*ibid.*)

7.3 Two types of homelessness

Homelessness is not *just* a housing problem, but it is *always* a housing problem (Dolbeare, 1996). Homelessness is complex, and scholarship has rightly challenged simplistic binary approaches to understanding these experiences. Any such framing is necessarily reductive. That said, binaries can be useful heuristics, helping to highlight the areas where reform is most needed. Recent research into housing and homelessness challenges in Canada (Fleming, 2025), following Dolbeare's arguments, identified a (also necessarily reductive) binary, suggesting that homelessness can be understood as manifesting in two distinct ways:

The first is purely economic. In these cases, experiences of homelessness occur as a household's income was simply insufficient to maintain their housing. The second type is more complex. Here, poverty is still central, but it is compounded by other drivers such as substance use, poor mental health, domestic abuse, or relationship breakdown. These are the kinds of cases more often reflected in political and media discourse. Crucially, the line between these two types is not fixed. What begins as an economic problem can, over time, develop into the second, more complex expression of homelessness as the stigma, stress, and the impacts of experiencing homelessness undermine wellbeing.

This binary suggests two important things:

- There will be two types of disruptions needed to get to the 'functional zero' of ending homelessness: those within the housing sphere, and those outside of it.
- Preventing instances of homelessness and shortening those experiences that are unavoidable will be critical to halting the flow of people into these positions. Moreover, the longer experiences of homelessness last, the more services and supports may be needed to end them.

The remainder of this chapter considers the two necessary policy disruptions (and the policy shifts with them) in turn.

7.4 Changing our thinking: Housing

The first side of the affordability equation: housing supply

As outlined above, homelessness is inextricably tied to housing. Failings in the housing system that have undermined affordability will continue to drive housing precarity and, from there, homelessness. Further, this year's homelessness figures indicate a significant challenge in getting households experiencing homelessness into permanent, settled accommodation: individuals living in temporary accommodation hit a record 17,240 in 2024-2025, including over 10,000 children (Scottish Government, 2025b). Clearly, there are serious challenges with our housing system. Therefore, 'turning off the taps' of the flow into homelessness will require the same system-wide reforms to housing that we argue for throughout this research. What is good for housing will be good for lowering national rates of homelessness. Increasing supply will be needed, particularly in the social rented sector, where there is the best chance of delivering more housing that is affordable for those exiting, or indeed at risk of, experiences of homelessness.

However, 'more affordable supply' is not a silver-bullet solution. Recent research, focused on Glasgow, highlighted that it was primarily issues of system management and matching people with appropriate housing, rather than simply a shortage of supply, that posed challenges to the city meeting its statutory homelessness requirements (Fleming, 2022). Stakeholders working within the sector noted the complexity inherent in the system of matching individuals in need with the housing available in the city and, further, that the size and location of available stock was often unsuitable to meet this housing need.

These findings underscore three important points made elsewhere in this paper:

- Firstly, for myriad reasons, we cannot simply build our way out of the housing emergency
- Secondly, we need to consider the attributes within the supply we are developing to ensure increases in our housing stock fit the housing need we have now and into the future
- Thirdly, that there will be variations in the challenges within different cities and regions of Scotland, which require different policy interventions.

All of these points further support the central argument of this research: fundamentally shifting our approach to housing will be at the heart of tackling our homelessness challenges.

7.5 The other side of the affordability equation

Affordability has two sides: housing prices and income levels. For some people, homelessness is a purely economic proposition, housing becomes unaffordable to maintain. Increasing the supply of housing available with rent levels that are accessible for low-income households, as above, is one means of addressing affordability problems. However, this is a long-term, costly mechanism. There are two sides of the affordability equation. A much faster means of increasing the supply of housing that is affordable to low-income groups is to increase the level of resource available to them to put towards their housing costs. This is where things get constitutionally complex.

A series of UK government policy changes to Local Housing Allowance (LHA) rates has eroded the support people on low incomes receive to help cover the cost of their rent (Crisis, 2019). As highlighted by the then Housing Minister in his letter to the UK government:

> *"Three successive years of freezing LHA rates is making the private rented sector more unaffordable for some households. Latest Scottish Government analysis estimates that the frozen rate is now below the current 30th percentile for 84% (76 out of 90) of LHA rates, and is below the bottom 10th percentile for 10 of the rates. It is therefore clear the gap between the cost of renting and the LHA rate is too wide and is growing. As private rented housing becomes increasingly less accessible to low-income households, it substantially increases their risk of homelessness, which is unacceptable" (Minister for Housing, Scottish Government, 2023).*

As argued elsewhere, changes to the LHA would make significant improvements to housing affordability challenges (Crisis, 2019; Gibb, 2024) and therefore stop the flow of households into the first type of homelessness. However, changes to the LHA are outwith Scottish Government's gift. Reform must come from Westminster. Increases to LHA could, in very short order, significantly reduce and prevent cases of homelessness in Scotland. However, as is central to the arguments within this paper, these policy reforms and their impacts should still be considered within the wider housing system.

7.6 Changing our thinking: outwith housing

The second type of homelessness, while inclusive of housing challenges, is accompanied by other, compounding factors. Some (but not all) of these cases can be categorised as 'multiple exclusion homelessness' (MEH), meaning, in addition to facing homelessness, individuals have also experienced one or more of the following other domains of 'deep social exclusion': 'institutional care' (prison, local authority care, mental health hospitals or wards); 'substance misuse' (drug, alcohol, solvent or gas misuse); or participation in 'street culture activities' (begging, street drinking, 'survival' shoplifting or sex work)" (Johnsen and Fitzpatrick, 2012)

In Scotland, non-housing drivers of homelessness are prevalent: one of the primary reasons cited in homelessness applications is relationship breakdown, and for women, specifically domestic abuse. Scottish Government has taken steps to address these catalysts, through measures like the recently announced 'National Fund to Leave' for survivors of domestic abuse, and via the *Domestic Abuse (Protection) Scotland Act,* aligned with the 'stay put' agenda, which supports victim-survivors to remain in their homes. These are positive steps. Importantly, they also underscore the need for system-wide thinking. The 'Stay Put' legislation is a welcome step in preventing homelessness for victim-survivors of domestic abuse. Nonetheless, this legislation will still result, in some cases, in the displacement of people from their homes, and as such, supports across the wider system will still be needed. All legislation, regardless of how positive and well-intentioned, will have wider implications across housing and related sectors that need to be understood and addressed to achieve 'functional zero' across Scotland.

Beyond relationship breakdown and familial issues, links between mental health, substance use, and homelessness are well documented. Housing First has emerged as a holistic and well-evidenced means of addressing complex experiences of homelessness and supporting successful tenancies. Housing First is predicated on the rapid provision of safe, long-term, unconditional housing, coupled with a resource system that "provides flexible support for as long as an individual needs it" (Homeless Network Scotland, 2019). In particular, Housing First models have been proven effective in supporting individuals experiencing multiple exclusion homelessness (Watts et al., 2021). The unconditionality of housing is central to the model, as is providing support for as long as it is needed. In Scotland, the Housing First Pathfinder programme piloted in five cities saw 85% of the 500 tenancies sustained (Watts et al., 2021, pp. 51–52). Despite this positive evidence, challenges remain around inconsistent fidelity to the core principles of Housing First (Watts et al., 2021) and compel programming that ensures adherence to the pillars of Housing First models.

Beyond scaling up Housing First response (part of the Scottish Government's Housing Emergency Action Plan), and perhaps controversially (though firmly rooted in evidence), there will also need to be reforms for how we understand, and treat, substance use challenges. While there have been comprehensive proposals for introducing harm reduction approaches in Scotland (Scottish Government, 2023). some of the critical policy reforms are outwith the Scottish Government's jurisdiction. The simplest and quickest way for these policies to be enacted would be for the UK Government to use its existing powers to change drug laws (*ibid.*) International best practice supports harm reduction approaches, and national and UK-wide reform is needed to support these programmes if Scotland is serious about addressing homelessness and supporting the well-being of all of its residents.

7.7 Managing demand: No Recourse to Public Funds

Under current legislation, those with No Recourse to Public Funds (NRPF) (including migrants, EEA, and asylum seekers without access to social support) cannot access the same housing supports as other individuals and households in Scotland. As such, increasing enquiries from these groups present challenges to homelessness and housing systems (Glasgow Health & Social Care Partnership, n.d.). Some individuals with NRPF experience prolonged financial insecurity and homelessness due to the restricted access to public funds, which would normally provide a safety net. Changes in policy, the labour market, and the economy can significantly affect people subject to NRPF, increasing their risk of destitution (Scottish Government, 2021).

As has been highlighted by the most recent national homelessness figures, NRPF cases continue pose significant challenges for Scotland's homelessness response. Scottish Government statistics show a 15-16% increase in homelessness applications for those with refugee and leave to remain status and increases among Ukrainian nationals lawfully presenting through the Ukraine Family Scheme or Homes for Ukraine visa scheme (from 4,320 to 4,960). Over half of these cases are in Glasgow, accounting for a third of all applications there, and one-fifth in Edinburgh, accounting for over a quarter (Scottish Government, 2025b).

The reforms need to address these cases of homelessness largely fall outside Scottish Government's jurisdiction. There is an immediate and long-term need for the UK Government to implement reforms in order to better managing the demand implications of immigration NRPF policy. Recognising this need for better management and strategic policy intervention is **vehemently not** an argument against immigration. It is a call for the UK government to enact reforms to ensure joined-up, systems thinking to ensure that limitations and gaps within system, infrastructure, and social support programmes do not literally leave people out in the cold.

7.8 Moving upstream: prevention is the name of the game

Research, commissioned by Crisis, found that the failure to deal with homelessness early significantly impacts the severity of people's support needs, with 56% of people who had faced five or more periods of homelessness also reporting five or more life experiences likely to result in a support need (Mackie and Thomas, 2014). It is therefore imperative, both from a human rights and moral perspective, and in terms of responsible management of public resources, to prevent instances of homelessness before they occur and ensure unavoidable experiences are short and non-recurring.

Very helpfully, and somewhat extraordinarily, since 2019, homelessness policy in Scotland has focused on prevention. The Homelessness Prevention Review Group (PRG), convened by Crisis at the invitation of the Scottish Government, proposed legislative reform supporting a prevention focus across a range of drivers, including domestic abuse (Reid, 2021). The Housing (Scotland) Bill (currently at Stage 3) proposes to extend this prevention focus further through measures like the 'duty to ask and act' and the requirement for public bodies to consult and cooperate with each other in relation to these new statutory responsibilities.

Scottish Government, in line with their work in other areas, has set out ambitions for tackling housing and homelessness that are both laudable, and in relative terms, progressive. These visions are easy to endorse – who doesn't want to end and prevent homelessness in Scotland? – but the devil, as always, is in the detail. Often, Scottish Government plans for policy design and implementation are at best, lacking. If we are to realise the significant promise that is possible through some of these proposed changes, focus on implementing these visions will be imperative. There is promise to be found in the 'Duty to ask and act' proposals within the forthcoming Housing Bill. However, we need significant engagement and planning with the relevant sectors and homelessness organisations to ensure these legislative reforms (very welcome) are actionable in order to ensure the significant promise they hold can materialise.

7.9 Disrupting our ways of thinking and changing our focus

All of the changes and legislative developments outlined above are important, but they do not go far enough. As in the other sections of this report, there is a need to shift our understanding of what housing is, and how the housing system works. As we argue elsewhere, housing does not exist in a policy vacuum. It is relational, necessarily linked to other policy portfolios, and will require reforms therein in order to grapple with our housing woes. Homelessness is no different. In addition to these sweeping changes to the ways we

understand housing (homelessness is *always* a housing problem) as well as parallel, fundamental shifts in the ways we view homelessness as a wider social and policy issue (homelessness isn't *just* a housing problem).

Public health perspectives provide a crucial framework for this shift, positioning homelessness as a complex, multi-dimensional problem rooted in broader societal structures. This approach moves beyond the narrow view of homelessness as an individual or housing issue, emphasising the role of factors like mental health, substance use, and the impact of policies and systemic inequalities. It underscores that homelessness is not simply the result of personal failings, but the cumulative outcome of these factors, and recognises the bidirectional relationship between homelessness and health outcomes (Aitken, 2024; Marshall and Bibby, 2020; Mosites et al., 2022).

By framing homelessness through a public health lens, we can embed prevention-based solutions that focus on addressing the root causes of housing instability and homelessness, rather than just treating the symptoms. This shift calls for a more coordinated, cross-sector response, going beyond siloed housing policies to a shared responsibility across sectors (Aitken, 2024). Fundamentally, and much aligned with our arguments that 'housing policy' must be understood as the 'purposive whole of government actions that impact upon housing', ending homelessness will similarly require a fundamental shift in the public sector's understanding of its role in ending homelessness (across all departments). Per Aitken (paraphrasing the work of the Scottish Government's Task and Finish Group): transformational change on homelessness prevention could be possible, but only if solving the housing crisis is accepted as everyone's business (*ibid.*).

7.10 Conclusions

Addressing homelessness requires system-wide reform and a fundamental rethinking of how we respond. The two types of homelessness framework, while necessarily reductive, highlights the dual disruptions needed to reach 'functional zero' in Scotland. Homelessness is not an isolated social problem, and isolated policy solutions will not suffice.

Scotland has been progressive and ambitious in its efforts to 'end' homelessness and the wider housing emergency, but real progress will depend on properly resourced implementation and a society-wide shift in understanding. Only by combining radical housing reform with parallel cross-government and coordinated, cross-sector support can homelessness become rare, brief, and non-recurring.

Part 8: A Route Map to a Better Governance of The Scottish Housing System

8.1 Tackling the Polycrisis

This report has adopted a systems perspective to assess the problems and possibilities for improving the outcomes of the Scottish housing system and to understand how they impact the stability, growth, and fairness outcomes of the Scottish economy. Important issues for reform, including the land market, social security system, and council-owned housing were touched upon rather than explored. Further, a synthesis of the evidence-based housing-economy narrative for Scotland remains to be written.

The systems perspective adopted for this research facilitated the identification of several important issues, from which this report has drawn the following major conclusions:

1. Scotland's widespread and deepening housing difficulties are not best described as an emergency. They have evolved through this millennium into a polycrisis. As such, resolving it will take at least a decade of restorative, transformative policies to resolve.

2. The Scottish Government, given the severe fiscal constraints, sustained high economic uncertainty, and low growth facing the nation in the short- to medium-term will not have the fiscal resources or borrowing capacity to reverse difficulties in the next Parliament if present spending and tax policies are pursued. Politics must be honest about the limits of 'business as usual' fiscal approaches to stem the country's housing difficulties.

3. The outcomes of the housing system in Scotland, which have remained largely unconsidered, unexplored, and unevidenced by the Scottish Parliament since 1999 are major shapers of economic stability, wealth and income distributions, as well as growth and productivity. The Scottish Government should publish summary papers setting out how its housing affects Scottish economic wellbeing, progress towards net zero, and Government's wider social objective.

4. Building on the above, the Scottish Government should attempt to measure the impacts of this major socio-economic system on the National Performance Framework by a single indicator. Instead, Government should identify and publish a clear system map and logic chain of how major housing outcomes impact multiple aspects of the NPF. The housing sector, in turn, should develop its own bottom-up equivalent, articulating not only the Palliative but also its Preventative and Productive contributions to a well-functioning housing system.

5. There needs to be recognition that many of Scotland's housing difficulties (echoed widely across the OECD), are partly made in Scotland and not all imported from Westminster or elsewhere. Two essentially different meta-processes have shaped present conditions.

    i) First, since the 1990s Scottish Governments (and Scotland more broadly) have weakened their moral and political commitments to providing decent housing for all as a merit goods. As a result, public budgets for the provision of decent, affordable housing have declined steadily for half a century, even as the country

has become richer. Put bluntly, collectively, we now have exactly the housing system we paid for. Recently announced budgets to support affordable housing provision in Scotland for the next five years, while welcome, will barely stem, let alone reverse, the polycrisis. However, the reallocation of spending from 'middle class welfare' programming, by circa £1.5 billion per annum, to the recent housing budget uplift would represent a more significant step towards genuine crisis-resolution programming.

ii) The second, and potentially more costly failure, is that Scotland's housing systems do not function effectively. Regardless of the level of resources available, housing outcomes would be improved by dispensing with siloed governance in favour of thinking of (and legislating for) Scottish housing as a system, with policy aiming to improve its overall performance. Major system-effectiveness gains could be made by:

    (a) Strengthening the planning capabilities of Scottish governments at all levels, after decades of cutbacks. Rebuilding planning capacity could simplify and speed up approval processes as well as develop regional strategic spatial plans that take account of economic change drivers and wider outcomes of proposed plans. As an urgent part of this reform, the National Planning Framework 4, currently a significant barrier to housing delivery, could be replaced with a national *Building Scotland's Homes and Places Plan* (without losing net zero commitments) More planners with stronger training and expertise in economics and the real estate development are required.

    (b) Developing informed regional housing market assessments of supply side inflexibilities (outside of planning), including shortages of developable land, essential infrastructure, construction workforce capacity, and finance. These assessments should complement a revised approach to Housing Needs and Demand Analysis, especially for rural areas, to provide more integrated market assessment and the identification of supply-side bottlenecks to be removed.

    (c) Rapidly developing of an industrial strategy to markedly boost housing development using modern (largely modular) methods of construction. Policymakers have been naïve to expect the sector to expand MMC production sustainably when housing policies have been unstable and underfunded. MMC could support cost reductions and increase the output of fast, flexible supply, but only if firms can grow sustainably to efficient scales. The need for a sector growth strategy has been largely ignored to date.

    (d) Policy for the rental sector needs to develop a regulatory framework that decreases the speculative BTL sector and ensures it is more than offset by large-scale commercial and middle market rental investment, delivered at scale and pace by affordable housing providers. A reframed role for innovative, ambitious not-for-profit providers is essential to ensuring all rental sector submarkets operate more effectively.

(e) Policy must continue in its ambition to support the aspirations of the vast majority of younger Scots to progress to home-ownership. Government efforts should focus on facilitating entry for those with limited family support and, crucially, to reinvent a sector of steady saving rather than large-scale, intentional speculation that rewards 'sleeping' rather than working.

(f) Housing taxation contributes to worsening outcomes in the polycrisis, while foregoing revenues that could help address it. Policymakers must collectively recognise this reality and take action to shape future, more effective tax choices. This complicated, politically-challenging terrain involves rethinking the Council tax, the LBTT, the taxation of housing capital gains, and charging for a range of public services, such as old age care. Currently, political parties across Holyrood, assume an ostrich-like position at the mention of housing tax reform, and wait for commentators to go away. This era of housing policy avoidance is coming to an end. If politics does not urgently change housing policy, then housing outcomes may soon change Scottish politics. The still-left-behind places of the 1980s, further immiserated by longstanding underinvestment in affordable housing, and the disaffected younger Scots struggling to save for homeownership while renting at life stages when their parents were already owners, could become powerful, unintended drivers in the politics of discontent. If housing challenges are left unaddressed, this discontent has the potential to reshape Parliament for the worse. And for a long time.

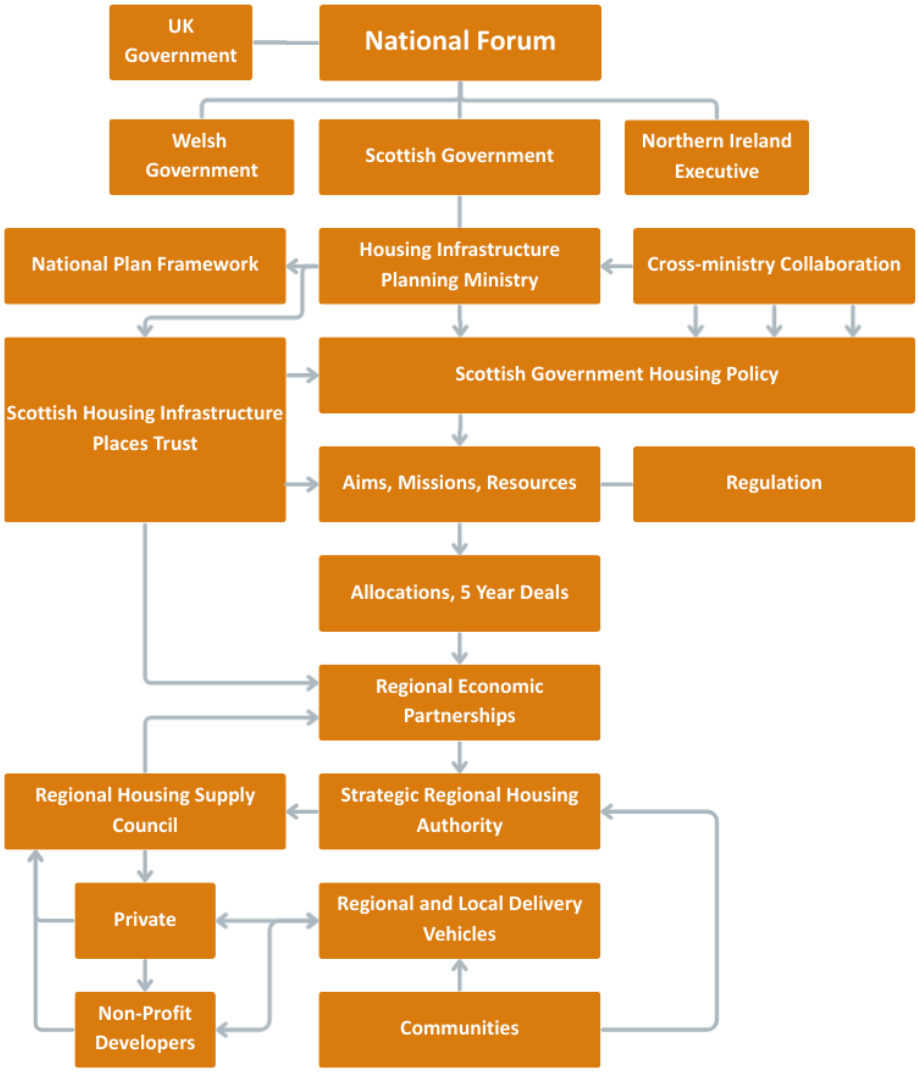
(g) Scotland's housing system urgently requires a significantly revised governance framework. In a context where the Scottish civil service may no longer have the capacities necessary to effectively govern this system, policymakers must replace the current, increasingly centralised approach.

All of these conclusions carry significant implications. The last observation (5ii(g)) requires further elaboration. As such, the last words of this report now set out, in summative form, a framework for the fast, fundamental reform of the Scottish housing system governance.

8.2 Governing Scottish Housing: From Old Silos to the Now Real Systems

Part 3 of this report set out the notion of a housing system. It outlined the need for a new definition of housing policy; the policy changes required ensure an effective, integrated approach; and the financial and regulatory mechanisms and approaches required to effectively deliver long-term change. It also emphasised the importance of embedding housing within broader economic governance. This section summarises (see Figure 3) key shifts for the Scottish Government of the Parliament to consider.

Figure 3: Governance Structure for the Scottish Housing System



1. Better integrated housing analysis, supply and economic and environmental outcomes could be achieved by moving the housing policy and strategy function from social policy to a strengthened Infrastructure Ministry that includes housing and spatial planning – all the key sectors shaping the supply side of the housing system. Ministers should consider how a similar shift has improved housing policy in Canada since 2022.
2. Long-term strategies and public expenditure decisions should be guided by 'a whole of government' assessment of cross-portfolio impacts on housing outcomes. This assessment, and the wider framing of housing policy intentions and outcomes, should be explicitly mapped, using multiple indicators of housing outcomes across all key dimensions of the National Performance Framework. Policy statements should stress the palliative, preventative, and productive effects of housing system outcomes. Housing spending budgets should then be adjusted to reflect their effects on other areas of

activity (such as health, education, and local economic performance). The Deputy First Minister should chair that process as long as the polycrisis prevails.

3. Cross-expenditure assessments of the implications for housing arising from proposed policy changes should be undertaken for all relevant departments and at all levels of government, including local authorities.

4. Housing policy for Scotland is shaped not only by Scottish Government actions (even broadly defined), but also by wider UK policies. Decisions on taxation, public spending, and financial regulation taken at Westminster, as well as the actions of the Bank of England are critical influences on Scottish housing markets. Discussions of overlapping Holyrood and Westminster policy effects have been largely absent since the reintroduction of the Scottish Parliament and have damaged housing system performance. This gap reflects narrowly focused political interests (which persisted in Labour/Liberal Executive times too). Scottish strategy must be developed with a clear understanding of where England is heading and the potential impacts on this trajectory for Scotland. For example, will fast expansion of housing and infrastructure spending in England in 2025-26 absorb much needed, newly trained Scottish construction labour.

5. There must be coordination of housing strategy and delivery decisions from the local to the Scottish level. Radical changes are needed in this area of governance, not only because the present system has become more centralised but also because it has failed, especially in relation to the supply. The present discoordination of Scottish housing policy partly arises from the abolition of Scottish Homes. Scottish Homes excelled in two key areas. First, it provided an internationally recognised base of technical, financial, research and planning approaches for the housing system with a specialised housing staff. This public-sphere capacity, with the exception of some important aspects of financial innovation at the SFT, has disappeared. Secondly, Scottish Homes also connected Scottish Ministers to local authorities, partnerships, communities, and local delivery vehicles in ways that no longer occur. While this may not be the time to resurrect a national housing agency, these two separate functions could be resurrected by modifying existing structures as outlined below.

6. The Housing Ministry is the appropriate locus for developing policy, setting general national strategy, allocating resources, monitoring progress, and ensuring effective system regulation processes. However, responsibility for system innovation in finance, partnerships, planning, technology, and research should be delegated to Scottish Futures Trust (SFT), which has a blend of skills and local and global knowledge that is missing elsewhere in the system. Imperatively, SFT is also closer to professional practice in housing and infrastructure than the civil service.

7. Homelessness is not *just* a housing problem, but it is ***always*** a housing problem. Addressing Scotland's homelessness challenges will therefore require both system-wide housing reforms – restoring affordability by expanding social housing supply and increasing Local Housing Allowance – and coordinated shifts in related systems, including scaling up Housing First programming and reforming health and social services. Truly 'ending' homelessness (reaching functional zero) will require a fundamental shift to a public health perspective, supported by an evidence-based, integrated policy approach.

8. Connections between national and local scales must be urgently reset, replacing the Local-Ministerial links that existed during the Scottish Homes era. Current housing failures are, in part, the result of governance misalignment: housing systems do not operate at the level of local authorities nor at the Scotland-wide scale, but these are levels where present governance systems exist. Strategic aspects of land, infrastructure, and housing systems function at metropolitan or rural, regional labour market scales, while operational and social effects are experienced at neighbourhood scales. Scotland should develop strategic, regional housing authorities to govern strategy and delivery, as most local authorities are too small to undertake these broader, system-level responsibilities. Implementing this reform will require several important steps for a new, collaborative governance of Scottish housing.

    1. The Scottish Government, in collaboration with local authorities, regional economic partnerships, and city deal entities, should establish a structure of regional governance (not governments) to form a coherent spatial framework for future sub-national housing policy governance. Regional economic partnerships, responsible for developing coherent regional infrastructure, housing and spatial strategies would, at first glance, seem the most effective level to receive these 'devolved' functions from the Scottish Government.

    2. As part of this process of devolution, Combined Housing Authorities (similar to those that evolved readily in England alongside City Deals) would become the Combined Strategic Housing Authority (CHSA)for the region. They would align housing plans with the overall regional partnership strategy and their regional spatial strategy.

    3. An essential component of the new governance arrangements would be the formation of Regional Housing Supply Councils, led by supply-side experts from both private and non-profit developers. These councils would have responsibility for identifying regional supply-side gaps and advising the regional economic partnership how they might be resolved.

    4. The Scottish Government would allocate the majority of its housing and local infrastructure investment budgets to support Homes and Places Collaborative Partnerships with the Combined Strategic Housing Authority and the Regional Economic Partnership. In bidding for this support, partnerships would outline their strategies to enable better planning, coherent infrastructure charging, and increase housing provision, in particular through MMC. They would set out milestones to advance progress towards net zero, stimulate economic growth and promote social inclusion. Critically, bids would highlight investment partnerships with non-profits – potentially designating a larger non-profit as the delivery lead – private construction firms, potential equity investors and innovative special purpose vehicles. Public land could be an important resource to incentivise local investments. Much 'technical' support from the strengthened SFT would be required.

    5. In unleashing the potential for local system change through new local delivery vehicles and special purpose vehicles, the Scottish Government must recognise that it cannot control this system through traditional siloed approaches. These new structures are system 'dynamos' and must be allowed discretion and flexible

funding for innovation and evolution, as seen with LAR. While regional and national missions and initial KPIs should be agreed, Scottish Government must recognise that these long-term investments will require 're-missioning 'and frequent KPI revisions over time. In effect, the Scottish Government's new role will be to govern the high-level intent and monitor progress through regional partnerships and their housing authorities. A recent review for the Government of Canada (Maclennan and Miao, 2025) concluded that the Scottish Government, Parliament, and local authorities, had successfully managed City Deals. This is a positive precedent for the changes proposed here. By adopting the system-wide approach at the regional scale championed herein, Scotland could achieve not only better housing outcomes but also, at last, a clear and measurable connection between these housing outcomes and Scotland's broader economic progress. A change is going to come!

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Thank you

With thanks to everyone who contributed their knowledge and expertise to this research through interviews and roundtables, as well as those who hosted discussions, including:

Ann Leslie
Andy Nichol
Alacho
Azets UK
Bank of Scotland
Barrat Homes
Barry White
Brett Saler
Bruce Walker
Bryony Willet
Callum Chomczuk
Calum Murray
CCG (Scotland) Ltd
Chartered Institute of Housing
City of Edinburgh Council
Clare Reid
Craig McLaren
Craig Sanderson
Craig Stirrat
Cruden Group
Dan Blake
David Bookbinder
David Horne
David McAllister
David Stewart
Debbie Mackay
Eildon Housing Association
Eli Harji
Falkirk Council
Fiona Simpson
Fionna Kell
Glasgow Council
Glasgow City Region
Grampian Housing Association
Gordon McCrae
Improvement Service
Jane Wood
John Boyle
John Hamilton
Jon Turner
Jonathan Hunt
Katie Kelly
Ken Gibb
Ken Ross
Kevin Murphy
Kevin Reid
Kim Fellows
Kingdom Housing Association
Lar Housing Trust
LGIU Scotland
Linda Christie
Link Housing Group
Lloyds Banking Group
Highlands and islands Enterprise
Homes for Scotland
Home Group
Malcolm Bennie
Matthew Benson
Matthew Quinn
Maria Franke
Melanie Russell
MF Planning
Morven Fancy
NatWest
Nile Istephen
Noble & Co
Pamela Woodburn
Peter Reekie
Places for People
Planning Aid Scotland
Prosper
Queen Margaret University
RDRL Ltd
Rettie & Co
Ross Nimmo
Royal Bank of Scotland
Sally Thomas
Samantha Bett
Sarah Shaw
Savills
Scottish Enterprise
Scottish Federation of Housing Associations
Scottish Futures Trust
Scottish Government
Scottish Land Commission
Scottish Youth Parliament
Sharon Chisholm
Shelly Hutton
Shelter Scotland
Stephen Blackman
Stephen Henderson
Stuart Black
Tom Barclay
Tony Cain
West Highland Housing Association
Wheatley Group
Winchburgh Homes

The David Hume Institute

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