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Solving Britain's Housing Crisis: Where and how to build 1.5 million homes

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Overview

Over the past three decades the UK has seen housing affordability plummet. In 1997, the average house price was approximately three times the average annual salary. Today is it more than **eight times the average salary** in England, and six times in Wales with borrowing costs at a 16 year high over the past two years.

The shortage of housing supply, and critically, the misallocation of where homes are built, are central to this issue. In response, the UK government has pledged to build **1.5 million homes over five years.**

Using data on over 20 billion housing searches from Rightmove - the UK's most popular housing platform - together with the full history of rental and sales listings from 2019–2024, this report provides insight into **where and how** these homes should be built to meet actual demand.

Accompanying this report, we introduce a new mapping tool to help guide policy makers and stakeholders to build houses where they are demanded: wheretobuild.warwick.ac.uk

How Britain builds

The report classifies housing development into four categories:

- **New Rural Developments** – Development of small villages and rural areas.
- **Small Town Extensions** – Development in and around small towns.
- **Urban Extensions** – Building in the outer part and outskirts of a large town or city.
- **Densification** – Building in the inner part of a large town or city.

Key trends:

- Great Britain has built **too little densification** while building **too many new rural developments and urban extensions** relative to what is demanded.
- Most new homes are built in areas with **low demand**, poor access to jobs, and limited amenities.
- 18% of all new builds are in rural villages or small towns without a secondary school or GP (up from 11% in 2010).
- 70% of new builds offer **worse job access** than the average existing home; 80% are poorly served by **public transport**. This occurs across all build categories.
- Only **29% of new builds** since 2010 were in high-demand densification areas, despite these areas accounting for **50% of the housing gap.**
- Densification has dropped from 48% of new builds in the early 2000s to just 16% today.
- Urban extensions have doubled, now accounting for 50% of new builds.
- Urban extensions are slower and more bureaucratic, with longer planning times and slower build-out rates compared to densification.

A new way to measure demand

Central government targets and local authority plans have failed to align with actual demand patterns. We leverage data on over 20 billion Rightmove searches to construct hyper-local measures of where people want to live, coupled with information on housing availability, to construct our key measure of excess demand: the **housing gap**.

The housing gap is the difference between the number of people searching for a home and the number of available properties in an area. It reflects how many home-seekers are affected by a shortage.

We show that our housing gap measure reliably captures where people want to live - independent of factors like price or availability - and that the results remain consistent when we focus on people actively looking to move.

A new **mapping tool** has been developed linked to this report which provides geographically detailed results on the housing gap and tightness, along with planning designations and other key statistics.

The housing gap metric reveals that:

- New housing has often been built in areas with low demand, leading to inefficient outcomes. A 100-unit development in a low-demand area attracts only 1.5 additional searches, indicating minimal induced demand.
- New builds in low-demand areas do not attract significant interest and that demand is stable over time and not easily induced by supply.

Where do people want to live?

- The following table displays the local authorities and post sectors containing the output areas (OAs) with the highest housing gap in London and the rest of Great Britain by our four development categories.

- We use the housing gap measure to calculate where the 1.5 million homes should be built.

- The places in the top ranks tend to be located in trendy urban centres and are all classified as densification.

- The lowest are located either near unattractive infrastructure such as sewage plants, airports and major road interchanges, or in areas without good access to amenities.

- London itself includes neighbourhoods within Wandsworth which have the highest gap for the entire country, as well as areas in Hillingdon, Hounslow, and Croydon which are in the bottom 1% and have an oversupply of houses relative to demand.

- Based on our classification, meeting half of the housing gap would require densification, in particular in part of London such as Wandsworth, Islington, and Camden, as well as in Manchester, Bristol, Salford, Edinburgh and Portsmouth.

- A further 30% would require urban extensions in places such as North Shields and the South of London around Richmond and Kingston.

Locations with the highest excess demand for each build classification

Local Authority	OA Code	Post Sector	Landmark / Neighbourhood
Densification			
London			
Wandsworth	E00183218	SW11 8	Battersea Park
City of London	E00190349	EC1Y 0	The Barbican Centre
Rest of GB			
Manchester	E00180885	M4 2	Manchester Piccadilly
Sheffield	E00172409	S3 8	Kelham Island
Bristol, City of	E00073468	BS8 4	Clifton Wood neighbourhood
Salford	E00172946	M3 5	Blackfriars Bridge, Greater Manchester
Portsmouth	E00174452	PO1 3	Gunwharf Quays
City of Edinburgh	S00142565	EH4 1	Stockbridge neighbourhood
Urban Extension			
North Tyneside	E00043127	NE30 3	Near Tynemouth Golf Club
Richmond upon Thames	E00184363	KT1 4	Near Bushy Park
Kingston upon Thames	E00014935	KT1 3	Near Kingston University
Small Town Extension			
Dorset	E00166085	DT1 3	Edge of Dorchester
North Norfolk	E00136120	NR26 8	Edge of Sheringham
Redcar and Cleveland	E00061332	TS12 1	Edge of Saltburn-by-the-Sea
New Rural Development			
Cornwall	E00096010	TR19 6	Mousehole
Fife	S00154178	KY8 6	Lower Largo
South Hams	E00102173	TQ8 8	Near Salcombe

▶ **Reallocate housing targets to reflect actual demand**

Housing targets currently are based a local authority's pre-existing housing stock along with an affordability uplift. This may not reflect present housing demand. Based on the goal of building 1.5 million homes, more housing should be allocated to northern LAs such as Leeds, Manchester and North Yorkshire and less to certain London Boroughs such as Barnet, Brent, and Ealing.

▶ **Focus on where to build within local authorities rather than how much to build between them**

96% of demand variation occurs within LAs, not between them. This is exemplified in areas with large within-LA variation such as such as Islington, Manchester, and Edinburgh. There are also LAs which have a relatively flat gap across them, Slough and Cambridge City Council are standout examples.

▶ **Identify sites for densification**

Central and local governments should aim to increase the proportion of housing that is delivered in the form of densification by 70%, relative to what has been built in the last two decades.

▶ **Planning Reform**

Over 15% of the total housing gap lies within greenbelt areas. Allowing development on just the tenth of greenbelt land facing the highest excess demand could meet the majority of the gap within greenbelts and unlock growth, particularly in cities across the North and Northwest — including Liverpool, Manchester, Salford, Bradford, Leeds, and York.

Incorporating detailed evidence on planning restrictiveness, we identify local authorities such as the London boroughs of Bexley, Lewisham, and Wandsworth where high housing gaps coincide with slow, restrictive planning systems. These are local authorities in urgent need of planning reform. By contrast, cities like Manchester, Leeds, and Birmingham combine high demand with relatively efficient planning processes, offering quick opportunities to deliver new housing and close the gap.

Recommendations

▶ **Tools for policy makers**

To identify priority areas across Great Britain and within local authorities we have created wheretobuild.warwick.ac.uk which contains information for every output area on:

- The housing gap
- Government vs gap-based targets
- Areas classified into the four building categories
- Census statistics
- Areas of special designation such as green belts

We additionally provide customised reports by local authority highlighting priority areas for new housing development, how to optimally meet housing targets by build classification, and the presence of special planning designations.

Further information

Read the full report: Solving Britain's Housing Crisis: Where and how to build 1.5 million homes

Contact the researchers

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