**The underlying cause of homes being unaffordable and its solution**

The Labour Land Campaign’s research and work focuses on a fundamental economic problem that is ignored by so many offering a solution to the “housing problem” – monopoly ownership of land and land wealth is a root cause of UK housing problems as well as an inefficient and unfair economy. Land value is generated by the whole of society as taxpayers, consumers and investors including tenants and other non-property owners.

**It is unfair that freeholders see their asset rise in value as the national or local economy grows whilst tenants see rises in their rents.**

The value of a home has two parts – the building value and the land (location) value. Buildings deteriorate in value as they get older and need repairing etc and even when value is added to a home by refurbishing it, those improvements immediately start to deteriorate in value in the same way as any second-hand good does. The value of similar buildings around the UK are roughly the same whereas land value will vary according to planning consent of a site, access to public transport, good schools, health care services, jobs, shops, leisure facilities etc. The land value is not created by the homeowner but by the public and private investments that benefit that area and these are paid for by the whole of society as taxpayers and consumers.

* Over 40% of adults are NOT homeowners they are tenants, lodgers and, in growing numbers, living with family because they can’t afford to rent let alone buy a home. They too are taxpayers and consumers but receive no share of the land wealth they help create.
* The number of homeless individuals and families is rising because they can’t afford to rent or buy and because so few council homes are being built.
* Increasingly, expensive houses stand empty in areas with high property prices because they have been bought as an “investment” by UK and overseas speculators who are expecting the value of their home to rise.
* Similarly, the demand for second homes and homes bought for holiday lets are pushing up prices and therefore pushing younger people out of areas where their families have lived for generations.
* No home can be built without access to land; the rental or buying price of a home has two elements – (a) the value of the building (which like any used commodity reduces in value and bears the cost of maintenance) and (b) the value of the land it sits on
* Public and private investments maintain underlying land value and generate increases in land value and are paid for by all of us as taxpayers and consumers – ie not any land owner.
* Because land value and taxes are inversely related, any reduction in current taxes capitalise into land prices and go to land owners. Similarly, subsidies for house-buying increase the price of homes and do not benefit those on lower or middle incomes but do benefit current owners of properties in areas of high demand.
* Rampant speculation in rising land prices forces up the price of land above its true economic value creating land bubbles, usually referred to as housing or property bubbles, thus creating homelessness, rogue landlords, empty homes, idle development sites that have planning permission for homes and other buildings, unaffordable homes for many all over the UK, the North-South divide with under investment in many deprived areas and a skewed economy.

The solution to the problems above can only be resolved by a shift in taxation off earned incomes on wages and production and onto the annual rental value of land. An annual Land Value Tax is vital to solving the problems of homes being unaffordable to rent or buy. Initially, local property taxes should be replaced with an annual Land Value Tax and as local economies benefit from this fundamental shift, other negative and distortionary taxes need to be replaced in part or in whole with LVT.

Website: [www.labourland.org](http://www.labourland.org)