

People's need for a home cannot be exploited to infla...

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The [Guardian noted](#) in a blog yesterday that:

Rents across the UK are rising at the fastest pace since 2008 as strong demand outstrips supply, according the property website Zoopla.

Private sector rents in September were 4.6% higher than a year earlier at £968 a month on average, marking the strongest growth in 13 years, Zoopla found.

There were variances of course. In southwest England the rate was 9% per annum. In Scotland the rate was 2.7%. The issue is not this variance though. It is the trend.

As I [noted very recently](#), two-thirds of the world's national financial wealth is invested in land. Since 2000 that notional value has increased threefold.

Rent increases are the inevitable consequence of this inflation in property prices that has in turn been funded by debt. The rent increases are required to service that debt. In other words, those who cannot afford to buy their own houses are now funding the increase in wealth of others who can. What is more, the tax system still subsidises this upward transfer of wealth by subsidising the cost of the debt.

What can be done about this? A number of obvious things.

First, income from rents have to lose their tax subsidy and be taxed at rates equivalent to work, whether received by an individual or a company that they own. Subsidies for housing should not go to landlords, but to occupiers.

Second, the still massively generous capital gains tax reliefs on rental properties have to end. They cannot be justified.

Third, if this is not enough to deflate house price increases there is still the urgent need to create more social housing, whether new or bought second hand from the property market.

We have to get this right. People's need for a home cannot be exploited to inflate global nominal wealth when there are simultaneously so many other issues to deal with.