

# How can we turn the UK's asylum accommodation 'crisis' into an opportunity?

## OVERVIEW

- Private asylum accommodation is increasingly problematic; hotels in particular are both physically unsuitable and also increasingly a site of community tension.
- Combined with an unfair asylum dispersal policy placing most asylum claimants in the most deprived areas of the country, the practice also imposes a significant resource burden on local service provision.
- Home Office procurement of asylum accommodation often operates in direct competition with Local Authorities' search for temporary accommodation, driving price inflation for rents and rates.
- Private hotel use is also extremely expensive in general, with annual costs in the billions and anticipated to exceed £15bn by 2033.
- While the UK is facing a wider housing crisis, it is increasingly difficult for government to argue for more funding and resources to better house asylum claimants.
- There are huge opportunities to address both the asylum accommodation crisis and the wider housing crisis via cost savings from capital investment in publicly owned asylum accommodation and new social housing.

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## CONTEXT

Effective responses to the asylum hotels crisis are hampered by a combination of short-term political considerations and strategic financial commitments. In the context of a broader housing crisis, the government doesn't want to be seen to 'give' anything to asylum seekers, and its fiscal rules severely restrict any potentially available spending power it might have to take drastic steps to address the issue.

Cost savings driven by capital investment in the procurement of asylum accommodation, along with the building of new social housing, could not only drive vast improvements in the suitability of asylum accommodation but also act as an answer to the wider housing crisis, reducing community tensions.



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## FINDINGS

Recent research by the Centre for Economics and Business Research (Cebr) and commissioned on behalf of the National Housing Federation (2024) and Wareing & Eckley (2024) presents compelling evidence for the fiscal and social returns of investing in publicly owned housing stock—both temporary and permanent.

The Cebr report models the impact of building 90,000 social rent homes in England, estimating a net present value of £51.2bn over 30 years. Benefits include £48.2bn in economic activity, £31.4bn in indirect savings (e.g. reduced homelessness, health care and crime) and £11.9bn in net savings to the Exchequer – mitigated by an estimated £35.3bn in costs. The programme breaks even within three years, with recurring annual savings from reduced housing benefit costs, increased employment and lower demand on public services.

Wareing & Eckley propose a capital subsidy model to replace costly hotel-based asylum and homelessness accommodation. Their modelling shows that purchasing and renovating 14,000–16,000 homes for transitional use could pay back within 7–8 months when compared to current hotel costs (£54,020 per person/year vs. £3,888 in publicly owned transitional housing). The proposal would also expand long-term affordable housing stock and reduce reliance on poor-quality private rentals.

Both studies argue that capital investment – rather than ongoing revenue spend – offers a more sustainable, cost-effective solution to housing need. The returns are not only fiscal but also social, with improved outcomes for tenants and communities. Strategic acquisition and refurbishment of existing homes is identified as the most scalable and politically viable route.

## IMPLICATIONS FOR POLICY

- **Turn a crisis into an opportunity:** The immediate demand for cost savings in asylum accommodation procurement can justify short-term capital spend in the acquisition and development of public sector housing assets. This spend can form the basis for a sustainable programme initially purchasing existing stock, and latterly building new social housing units.
- **Adopt a capital investment model to meet housing targets:** Wareing & Eckley's modelling shows transitional housing pays back within months. This approach aligns with the government's wider house-building ambitions, enabling delivery of permanent social rent homes while simultaneously addressing acute temporary need. Investment in publicly owned housing reduces demand on overstretched services – health, policing, education – by stabilising vulnerable households. Cebr's analysis quantifies these indirect savings at over £30bn over 30 years. Combining savings from publicly owned asylum accommodation to pay towards social house building kills two birds with one stone.
- **Improve equity and cohesion outcomes:** Publicly owned housing reduces reliance on poor-quality private rentals and fragmented asylum dispersal. It enables planned, place-based integration strategies and fairer access to housing support.
- **Create a scalable and politically viable delivery route:** Acquisition and refurbishment of existing stock offers faster deployment than new build alone. It also supports local authority capacity and avoids planning bottlenecks.
- **Recommendation:** Government should establish a ring-fenced capital fund to support local authorities and housing associations to acquire, convert and build new stock for both transitional and permanent use. This would deliver fiscal returns, social benefits and progress towards strategic housing goals.