



# **UK HOUSING**

***“A Manifesto for Change”***

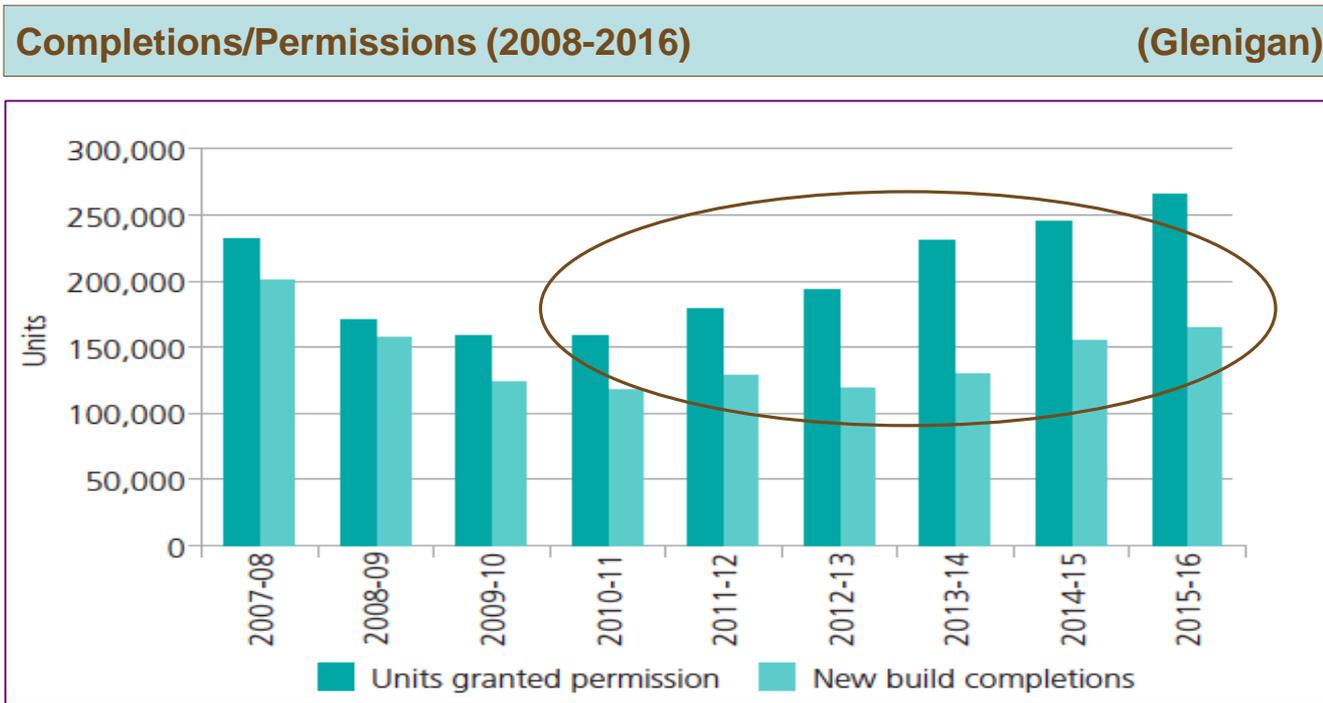
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**– NIESR: POLICY LESSONS FOR A “BROKEN” HOUSING MARKET –**

**JUNE 2018**

# 1) “YOU CAN’T LIVE IN A PLANNING PERMISSION”

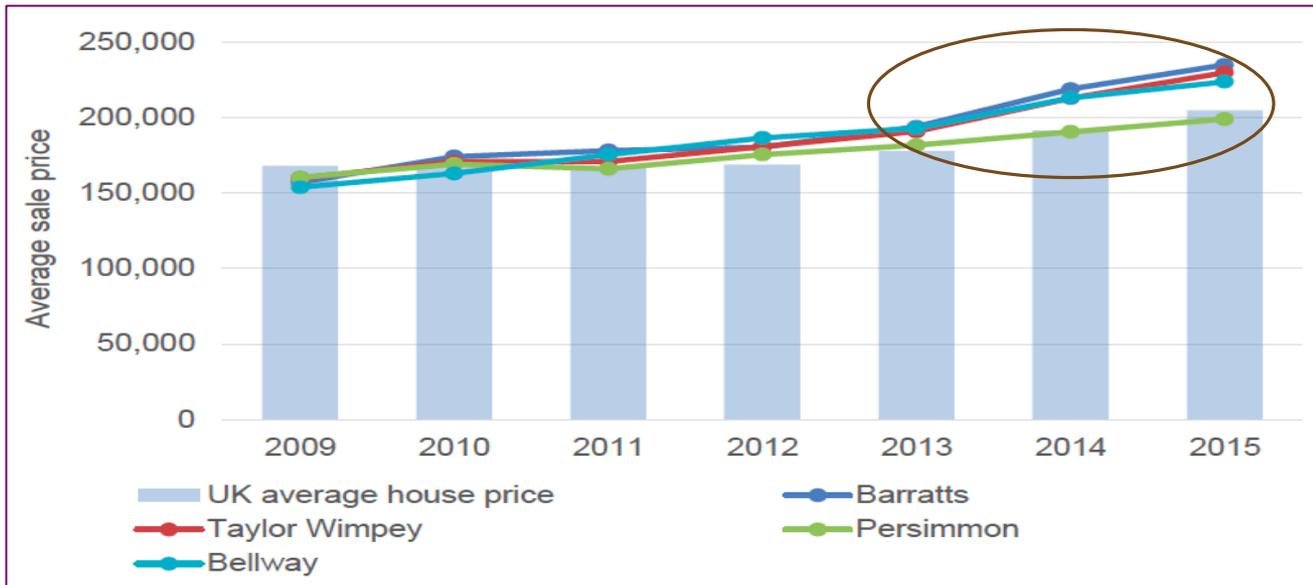


- **2012-2016:** Stock of outstanding permissions up almost 40% – from 496,000 residential units across England in 684,000.
- **1991-2016:** Home ownership among 25-34 year olds down from 67% to 38% and among 35-44 age group fell 78% to 56%
- A third of homes granted permission 2012-2016 not yet built – 320,000 units. In London, the share of “phantom homes” is one in two.
- Cohort of renters born in early 1980s now spending 28% of net income on housing costs, compared to 14% among owners.

**Around two-fifths of residential planning permissions granted across the UK now lapse**

## 2) STOP “JUICING UP” DEMAND

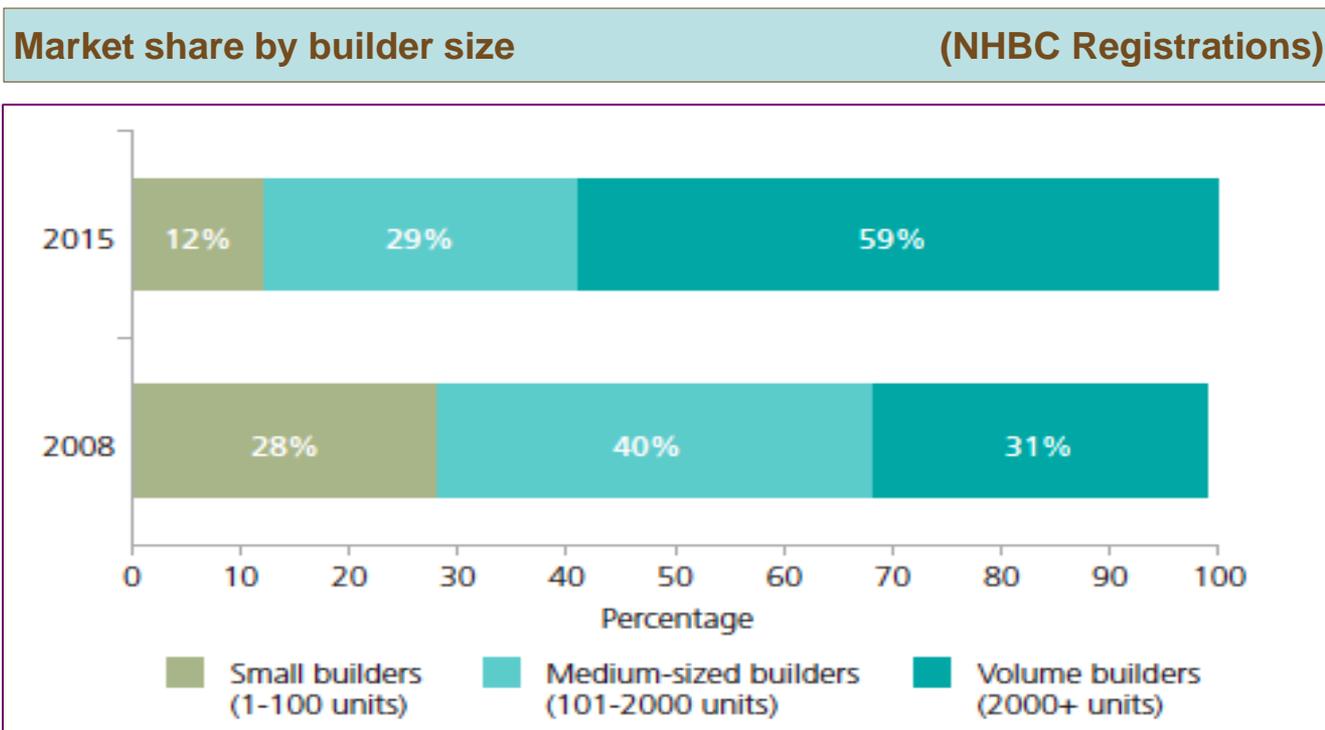
Average house price & “Volume Builder” sale price (Archer & Cole)



- From 2013 to mid-2017, 135,000 homes were sold under HTB – a bonanza for 4 largest house-builders (combined profits soared 388%).
- In 2014, half of HTB homes built by the big 4 – 53pc of Taylor Wimpey homes (profits up 54% that year). By 2016, 56% of Persimmon homes and 44% of Barratt homes were HTB
- **Adam Smith Institute:** “HTB has thrown petrol onto a bonfire ... adding more demand without improving supply just raises prices, making homes less affordable for people who don’t qualify”.
- **Shelter:** “HTB has totally missed the mark – by inflating house prices and subsidizing huge corporate payouts, it has made matters worse”.

No less than 25pc of HTB homes have been sold “leasehold” – big scandal

### 3) ADDRESS MARKET CONCENTRATION

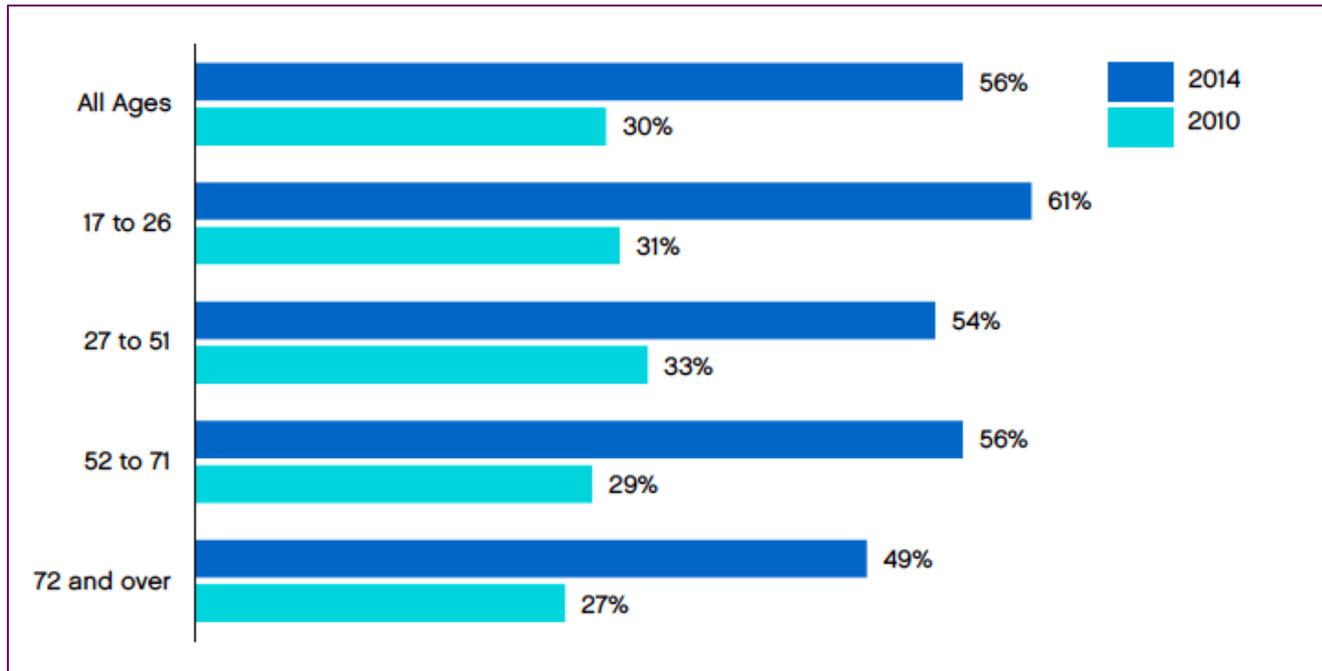


- **2008:** OFT found “little evidence of competition issues on delivery of new homes”. But this is now a highly consolidated industry
- SMEs lack access to finance/land and powerful large builders use “contrived scarcity” to *prioritize profitability per unit over volume*.
- In 2008 “volume” builders controlled 31% of the market – and, even then, the OFT warned “many mergers ... have been in part motivated by a desire to obtain land”.
- Volume builders now control 59% – the behind-closed doors “Letwin inquiry” is simply not enough.

**“All the characteristics of an oligopoly” – House of Lords, July 2016**

## 4) HOUSING DEVELOPMENT CORPORATIONS (HDCs)

*Do you support more local house-building in your area?* (BSAS 2016)

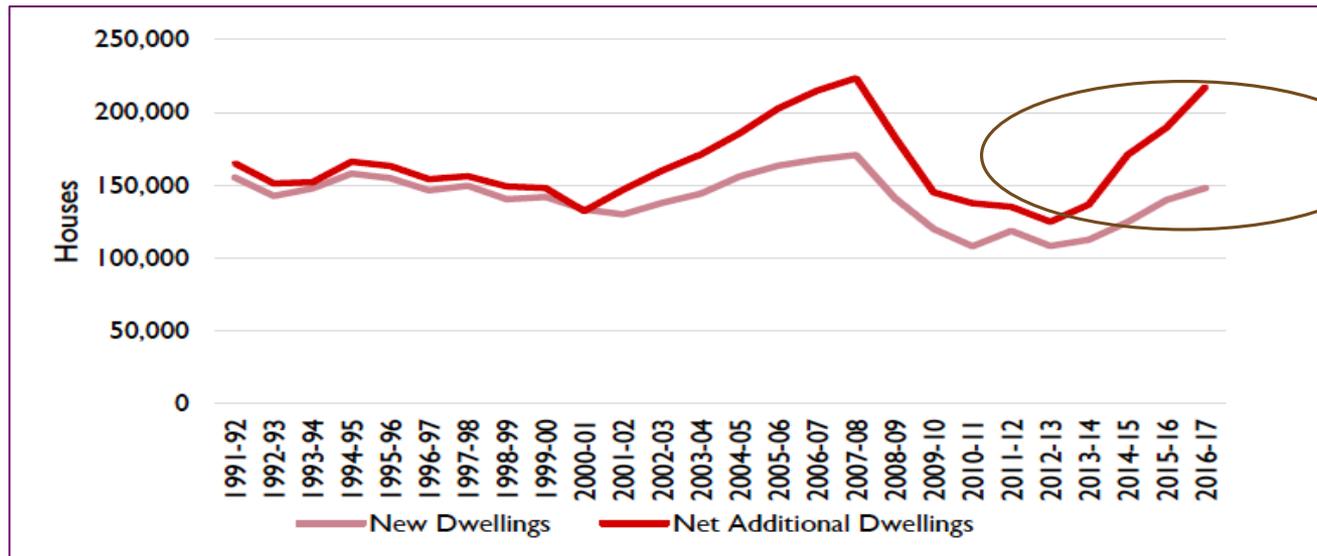


- HDCs should acquire land at “existing use” value, before selling to developers once outline planning permission has been granted
- Ring-fence the state’s “planning gain” at the local level to finance new schools, hospitals and maybe one-off council tax reductions.
- Sell HDC land at below-market prices with SME priority and time limits on completions.
- This would significantly reinforce changing local attitudes to house-building

**HDCs, if widely used, could make local house-building popular !!**

## 5) TACKLE THE “NO SHORTAGE” MYTH

“New dwellings” & “Net additional dwellings”, 1992-2017 (MHCLG)



- An “Iron Triangle” of vested interests wants house prices to stay high and rising – large developers, banks and existing home-owners.
- There is an audience then, and a market, for “no shortage” and “supply a red herring” arguments
- Based on claims that household formation forecasts are wrong and high “net dwellings”
- **2006- 2017**: 28% increase in “stay at home youngsters” (20-34 year olds), up from a fifth to a quarter. Now 32% of all young men.
- “Concealed” households – up 50% to 2.6m – as empty homes fallen to just 0.8% of existing stock
- Office/shop conversions up since 2014 rule change – but this is a finite process.

“No shortage” claims are also purely aggregate, ignoring chronic local housing shortages