Conference or Workshop Item

Title: Is there a cogent argument to make for seeking a deliberate reduction in UK house prices?

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Version: Presented version

http://nectar.northampton.ac.uk/5548/
“Socioeconomic and institutional landscapes: what are the consequences for housing?”

“Is there a cogent argument to make for seeking a deliberate reduction in UK house prices?”

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Are UK prices high?

- First 21\textsuperscript{st} Century bubble
- Un-affordability ratios
- Partial fall post-Recession
- Constrained new supply
- Second 21\textsuperscript{st} Century bubble
Why reduce them?

- To maximise ownership – still the tenure of choice
- To check private rents – numbers are rising & costs all-consuming
- To remove poor practices (*sic*)
- To sustain community links
- To challenge the ideology of speculation and ‘investments’
Can the market not alter them in due course?

- Allocate more land for building?
- Raise building rates when custom is secure?
- Amend lending conditions?
- Raise interest rates?
Are direct interventions evident in the UK?

- **Contemporary examples:**
  - Mortgage base-rates
  - Minimum wages
  - Renewable energy tariffs

- **Housing / planning examples:**
  - Fair rent mechanisms to 1986
  - RTB discounts post-1979
  - Afford Hsg Circ 6/98 & since
  - PPS3 low-cost ‘targets’
  - NPPF ‘viability’
What controls are feasible? (1)

- Price conditions set by public sector for:
  - disposal of land and assets
  - mortgage / loan guarantees
  - housebuilding grant / loans
  - affordability for those ‘in need’
  - input from new ‘state bank’
What controls are feasible? (2)

- Price conditions set upon private sector participation:
  - % and pace of newbuild sites
  - within designation of sites
  - when sites are possessed
  - deviations from local policy
  - future mortgage lending
  - conditions on resales
What issues are key?

- Setting of new price controls: *capitalised rent stream + RPI?*

- Negative equity: *Help to Buy?*

- Stimulating new supply: *targets beyond volume builders*

- Overall regulation: *new ‘Off-Home’ role?*
Would prices become more stable?

- Approach addresses money / land / building fundamentals
  - New mechanisms for pricing newbuilds & resales
  - ‘Use it or lose it’ element to site valuations
  - Support for price conditions within lending provision

- Gradual challenge percolates from price-controlled units
Would markets become more inclusive?

- Mechanisms would challenge speculative bubbles
- Threat to dispossess would stimulate new building
- Lending requirements would facilitate more ownership
- Unease over newbuild excess replaced by local support
- Increased opportunities for democratic developments
So the cogent argument is....

- “A clear, logical and convincing one....”
- Drawing from how UK opinion cares about inclusivity ..... 
- Examining the technicalities for providing sound intervention ....
- Promoting community above ‘investment’ ......
- Believing that cheaper and lower values make ideological sense .....
General references


http://www.open.ac.uk/researchprojects/tensionsandprospects