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Another take on UK house prices.....

There are mixed responses to signs that the UK's housing market is recovering from the 2007-08 depression : anxiety in some quarters about what rising housing prices and costs mean for a growing number of households, and satisfaction in others for the resilience being shown by a 'free' economy. For those who maintain a basic worry about the negative returns from ever-increasing prices, the following issues seem fundamental: [71]

- there seems a pressing need to properly balance the UK's wider economy, not least to encourage funds currently being consumed by exorbitant housing costs to be available for other expenses : this would include a necessary check to the destabilising ideology underlying 'speculation';
- there remains an unmet appetite for 'owner-occupation,' which is still the UK's tenure of preference (lazy headlines about 'falling home-ownership' overlook the fact that all property is 'owned' and actually obscure a focus on the ownership *transfer* taking place) however ratios of prices to household incomes remain such obstacles to aspiring owners;
- a re-energising of local community and family networks is vital for our national and social well-being, yet high housing costs are forcing households to abandon the localities which have been so central to their lives, decimating cherished ties and exhausting long-term community vitality;
- there is an increasingly economic destabilisation being exerted by the UK's private rental sector, where values and rents are continually distorted by squeezing more out of the renters crammed together under a single roof.

With those thoughts in mind, some brief suggestions are offered on what might be feasible as a deliberate approach to fostering a **reduction** in UK house values and subsequent market 'sale' prices, over and above any public 'hopes' that prices might fall if there was to be a significant amount of new house-building – a 'classic' economic tenet that a suitably-supplied market will exert a deflationary pressure on prices. There seems a distinct naivety (or wishful-thinking) that the current interests responsible for building any new abundance of properties will, by themselves, bring that about at such a speed to exert a real check on house prices – one should imagine not, if that might also depress a growth in profits – or that this would be sufficient to address the underlying market failure. If one accepts that more direct institutional intervention could be attempted, then a look at both a more ambitious use of public resources and a more prescriptive approach to the mechanics of new house-building could include the following :

- resources coming from the public sector, such as a financial support of grants, loans, mortgage guarantees, or a supply of land and other sites for housing development, could set an absolute requirement to provide a proportion of new dwellings that will have their final value set at capped levels, and which will remain with the property through subsequent years and any resale arrangements (with suitable adjustments for RPI inflation, akin to capped values already used in some 'rural' housing schemes, and justifiable under the terms of the Social Value Act, 2012); not only would this be a means of targeting a supply of low- cost property to households with lower incomes, as well as generating a lower-priced body of stock within the market at large, but it could also brake the speculative development practices that underpin why high land prices can only deliver a minimal supply of properly 'affordable' property;

- new regulatory measures to set firmer local policy requirements on all new housing providers (in the private, public or independent sectors) to increase their rates of new production - such requirements, if they are not met, then instigating a 'possession' of the sites by local authority or community-led partnerships, tasked to organise that faster supply (with the costs for such 'possession' only coming back to the original developers / land-owners when the completed units have changed hands, thereby not requiring the upfront cash required by CPOs).

On the finance side of the housing development 'industry': a) the relative *laissez-faire* approach to the mechanics of mortgage lending arrangements should be amended by the central finance authority to obligate lending bodies to lend sufficient mortgages to 'first time buyer' households, and at affordable ratios, on the understanding that if the required percentages of FTB mortgages are not forthcoming then restrictions will be placed on the lender's ability to trade in other financial measures; and b) the contemporary call being raised for a renewed regulation in UK private rent levels should instigate a benchmarking of private sector rents being tied to replicate public or 'social' housing rents levels, in order to re-engineer a parity across the wholesale rental market for all costs and standards of rental provision.

The final reflection to make about 'interventions' would be to look at the manner in which the valuation of *existing* UK properties has historically not reflected their 'utility' or environmental impact, the manner in which properties consume fundamental natural resources like water and energy. The UK housing market generally sets the same price to similarly-sized buildings in the same location, regardless of their individual environmental consumptions or carbon impact – other aspects of a property's desirability are more highly valued than their environmental costs.... A focus on addressing overall house prices would be a very appropriate time for central government to engineer mechanisms that would restrict 'open market' price transactions in instances where the property in question is judged to be excessive in their carbon-consumption (judged against suitable eco-rating or other efficiency-assessment yardsticks) until property improvements have been implemented and efficiencies increased.

So ... a range of ideas for generating a competitive impact top UK house prices..... really requiring an implementation in the round, rather than by any piecemeal approach, and all notwithstanding a very direct set of actions from the state to bring it all about.... Would they meet with approval from the UK public? – probably not (!), for many people the ideas of house prices falling has only ever seemed to be a threat For others, however, a lowering of prices would amount to real opportunities for a more definite social and economic stability. That ought to be enough to raise the debate - at least we can say there are options that could be explored, if we put the vision forward

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Taken from ideas presented at the Housing Studies Association's Annual Conference April 2013: "Is there a cogent argument to make for seeking a deliberate reduction in UK house prices?"