

# Tackling housing's bi-polar disorder

Marc Vlessing of London's private affordable housing developer Pocket argues for a new political economy in housing



Marc Vlessing is a director of Pocket Living

As the most recent election thrusts us into a new political environment, companies, NGO's and lobby groups have already begun the fight to get their issues to the top of the agenda. However, although poll after poll shows it to be a priority concern for Londoners, there is one issue that never seems to be on the to-do list: housing.

According to well-publicised recent research conducted by Danny Dorling, Professor of Geography at Sheffield University, London is the developed world's most unequal city, with the divide between the haves and have-nots continuing to widen. In no policy area is this more apparent than housing, where 40% of working households aged between 20 and 39 cannot afford to buy a home of their own.

These have-nots are not a small disenfranchised group, but London's key employees, nurses, office workers and retailers who are being forced out of the capital by increasing house prices. However, it is clear that the state cannot subsidise moving millions of additional people into a home. The cost of maintaining the current social housing stock already exceeds £3.5 billion a year at a time when the public purse is extremely stretched.

Despite these obvious failures in the system and a growing frustration amongst professionals that their needs are not being catered for, yet another election has passed us by without any significant reference to housing policy. The Conservatives did make much of their localism-in-planning agenda and the Liberal Democrats found themselves in political hot water over plans to raise the VAT on new builds, but essentially this is all tinkering around the edges of a system that has failed to successfully deliver for the electorate for over thirty years. What



is needed is a complete readjustment in how we think about the delivery of housing in the UK, addressing the needs of first time buyers as a priority and reassessing the role of the private and public sectors. Yet it will be a brave and courageous government that dares to take on such an established monolith.

In the post-war era, housing was at the heart of the policy agenda. Politics was defined by a top-down structure through which the political elite looked after the

'interests' of the masses, providing homes, hospitals, employment and schools. Under obligation to satisfy the need for more housing, consecutive Labour and Conservative governments at peak built over 300,000 houses a year – many of them affordable – in an attempt to secure the votes of the working classes.

From 1979 however, the swelling of the middle classes brought about a change to top-down politics, and this realignment – essentially from Thatcher

and Reagan onwards – continues to define our system today. Now, rather than the political elite looking after the small number of people at the bottom of the economic ladder, its attention is focused squarely on what has become the burgeoning middle.

The politics of provision, which once focused on delivering services for those thought to be ignorant of their needs, has from 1979 onwards given way to the politics of aspiration, whereby the government has become beholden to the desires of the middle classes. Under the scrutiny of the electorate, policy makers are expected to facilitate the accumulation of goods and wealth, while demonstrating value for tax-payers' money via efficient public service delivery models.

In return, little political loyalty can be expected as voters move from the centre-left to the centre-right on the basis of marginal increases or decreases in wealth. However, there is one area of public policy in which this politics of aspiration has failed to ever be reflected: housing.

Despite deep-rooted political changes over the past decades – and the advent of a Con-Lib coalition is but a natural next step in that journey – the delivery of housing in the UK continues to conform to a bi-polar model of public service. On the one hand are those at the top who earn more than £60,000 a year and can afford to buy homes on the open market and on the other, those at the very bottom of the economic ladder who are provided for through the safety net of social housing. However, this leaves the vast majority of people in the middle left to the will of a supply-constrained property market. In cities like London, where the average first-time buyer home costs almost £250,000, this has become an increasingly acute problem.

This is not just an economic problem, it has also begun to have significant social impacts. Four times more people between 20 and 34 lived with their parents in 2009 than in 1979, while the average age of those buying without financial help from family or friends has risen to 36 and is heading towards 40.

Research by the London School of Economics

has shown housing to be the principal reason why London teachers leave their job and older couples are increasingly being forced to remortgage their homes and use their pensions to provide deposits for their children, who, despite earning decent wages, continue to be shut out from the market. When the market crashes, as it did in 2009, nearly a million homes fell into negative equity, threatening the financial security not just of the individuals

who own their home, but potentially their parents and families as well.

As household growth is projected to rise by more than six million by 2031, largely through one-person occupation, and with house building consistently failing to meet demand targets, these problems will become even more severe.

Understandably, research conducted by pollsters MORI already reveals affordable housing to



THIS PAGE:

Pocket in Ealing, exterior

OPPOSITE PAGE:

Pocket in Hounslow, exterior

RIGHT AND BELOW:  
Pocket interiors



be a top concern for Londoners and this same ranking can be found throughout the regions. So politicians can no longer behave like ostriches when it comes to housing: the homes our children can afford is about to become a significant electoral matter.

With these issues at the forefront of voters' minds across the country, housing is an area on which political parties could really distinguish themselves, but in fact policies are thin on the ground and demonstrate very little visionary thinking. Attempts to simply expand the group of individuals helped by the public purse, through shared-ownership and equity schemes, have proved rather costly and are not even that popular amongst buyers and mortgage lenders, whilst setting unrealistic house building targets has helped no-one.

The current Conservative proposal to throw responsibility for housing and planning decisions back into the lap of local government is likely only to exacerbate supply problems – although at the very least it will mean that government won't be blamed for under-providing housing over the coming years.

Speaking to professionals across the sector, it is clear that mortgage lenders, house-builders, policy makers and RSLs rarely sit in the same room to try and find solutions to our supply-constrained market. Moreover, there has been precious little joined-up thinking – let alone action – in government between the Treasury, CLG and other relevant departments to try and coordinate housing policies across the board, something which may be at the heart of the problem.

Therefore to prevent housing becoming a real political crisis, politicians need to pull together all the key players in housing, to think beyond the current bi-polar system and consider how to equalise access to home ownership without putting an unsustainable drain on the public purse.

This is not necessarily about wide-scale reform, but it is about looking seriously at how first time buyers in the intermediate market – those who earn too much for social housing, but not enough to buy in the open market – can be helped in to

home ownership without facing serious financial risk.

To achieve this, something that the new coalition government needs to address without delay is how the private and public sectors can work together in order to deliver a more efficient housing market. It is clear that the Treasury cannot afford to take on greater financial burden in housing. Indeed, new business models – such as the affordable housing Pocket delivers in inner-London boroughs – demonstrate how successfully the private sector can assist in the delivery of homes for the intermediate market without public grant.

At a time when the construction sector is still struggling to recover from the latest market dip, there is a perfect opportunity for the government to provide carrots in the form of public land-release to house-builders, in return for affordable homes in cities across the UK. Much of this will require the national government to review the targets it places on local government and to encourage the prioritisation of intermediate housing alongside social housing. By delivering for first time buyers in this way, the government not only avoids a looming political crisis, but also begins to ease the pressure on social housing which is crumbling under its own weight.

The time may come, sooner rather than later, when the government will also have to consider

whether social housing is a drain on the public purse that it can continue to sustain? Perhaps looking to models such as the Dutch system, where all social housing was transferred en bloc to RSLs some years ago in return for a commitment to invest a certain percentage of their profits into affordable housing in perpetuity, is going to have to be considered in order to balance this government's books and bring greater income targeting into social housing provision.

Ironically, in the Netherlands that transfer has been so successful in terms of efficiency gains, that some local commentators have mooted the possibility of re-nationalising the RSLs in order to use their balance sheet strength to help underpin the country's sovereign debt rating.

Perhaps, because it is so complex, because it involves so many different actors and because it is such a political hot potato, the delivery of housing has failed to be addressed by successive governments for over three decades. But year-on-year the frustration and tension felt by hard working tax payers mounts, as they or their children are unable to afford a home. There is an opportunity now to forge a new relationship between the private and public sectors to deliver a more effective housing market. It will take a visionary and courageous group of politicians to take it on, but Boris, David and Nick, this could be the making of you. ■

