

## Intermediate routes for first-time buyers on the housing ladder

**A**s a developer that provides affordable housing, mainly to first-time buyers in their thirties, we know how hard it is for them to get on the property ladder.

Pocket housing targets people who earn too much to qualify for social housing, but not enough to buy on the open market. Although this is a significant and growing group – in London, it accounts for more than 40% of 20-to-39-year-olds – it is largely ignored by politicians and policy makers.

This has negative effects across the sector. As first-time buyers compete in a supply-constrained market, prices become unsustainable. When the market overheats and prices collapse, it turns into a negative-equity nightmare. But there continues to be an acceptance that “this is how the market works”. This is not so, and there are some measures government should consider to end the housing market’s “boom and bust” nature.

### Boost supply

The most important measure that must be taken is to boost the housing supply for first-time buyers, which requires the planning system to be adapted to deliver a big increase in intermediate housing. With the public purse under intense pressure, the planning system – and the attitudes of those administering it – must be changed to facilitate

the private-sector delivery of intermediate housing. In London, Pocket shows what can be done without public subsidy.

The government also needs to address how to make it less risky for buyers to get on the ladder. We have a strong property-owning culture and it is unrealistic to expect the unmet demand to be covered by the nascent private-rented sector, particularly as it is hard to anticipate sufficient institutional investment, given the investment alternatives for fund managers. In the current climate, where banks and buyers are risk averse, the government must shoulder some of that risk.

One way of achieving this would be via a deposit guarantee insurance fund (DGIF), through which buyers in the intermediate market could acquire a government-backed guarantee to cover the shortfall in their deposit. This would make it easier for buyers to save a large enough deposit – up to 25% – with which to tap into more attractive mortgage rates. It would also offer protection against losing all their deposit if they were forced to sell their home during a period of negative equity. A second proposal is to create fiscal incentives to encourage saving for deposits. DISAs (deposit individual savings accounts) could offer tax-free savings for deposits.

A healthy housing market requires a steady supply of first-time buyers to ensure price stability. If we are to halt the boom-bust cycle, the government needs to make it more economically feasible for first-time buyers to purchase a home.

**Marc Vlessing is founding director of Pocket**

