

The Real eState with Peter Bill

16 August 2016

The Chinese are still coming, fingers crossed. And the government is signally failing on land sales, but what's new? This: the defensive qualities of real estate as a buttress against political populism – and even fictional hyper-inflation.



The obvious property target for Chinese wrath following Mrs May's decision to postpone Chinese-backed Hinckley Point power station contract are Chinese-backed plans for a 35-acre development in the Royal Docks. Last October President Xi Jinping signed a deal with David Cameron effectively committing state-controlled construction business, Citic, to start work on the 4.7m sq. ft. project as part of China's plans for a new "Silk Route" of trading posts between China and Europe. Relax. Plans are "steaming ahead" apparently. November will bring what's billed as a 'mini-state visit' for an "economic and financial dialogue," says my informant. Oh, almost forgot, there is one caveat: "anything is possible if other matters are not resolved satisfactorily." Presumably that means Hinckley. So, fingers crossed.

Signal failure

Imagine a gaggle of politicians milling around inside a signal box pulling merrily at random levers. Each imagining their actions are affecting the world outside. None realising the levers are disconnected to the real world. That pretty much sums up the picture painted by a National Audit Office report last month into the government's 5-year land sales programme, begun in May 2015, designed to provide enough land to build 160,000 homes by March 2020.

By March 2016, land with "capacity" for 8,600 homes was sold, 5% of the target, 16% into the programme. It gets worse. Departments have come up with land enough for another 104,000 homes. But "over 50%" is "high risk." Meaning, "one or more issues preventing exchange of contracts before 31 March 2020". Meaning they will be lucky to have flogged enough government land by 2020 with the "capacity" to build 60,000 homes.

It gets even worse. During the identification process that threw up land for those first 8,600 homes, land enough for another 4,800 homes was found. But: "the HCA (Homes and Communities Agency) has not yet obtained sufficient evidence that the sites will be developed for housing." The discovery that nobody really wants to risk building homes on one third of the land identified for 13,600 homes further erodes the programme.

This would all be terribly amusing, if it were not so serious. Not in the sense that the government is fooling the public into thinking it is 'doing something' about a housing crisis. All governments do that. The real scandal is the waste of public money and civil servant time that goes into an exercise which everyone outside the signal box knows is powerless to make this, or any housing programme run to time.

Fail safe property

Recommended summer reading: Lionel Shriver's *The Mandibles, A Family, 2029 – 2047*. Hyper-inflation has beggared the US by 2029. Why read the book? Because this dystopian vision is a reminder that property and land are the only lasting reservoirs of value. For those of more serious mind, try "War on Inequality", a note published on 2 August by Bank of America Merrill Lynch which addresses the rise in populism around the globe. Chief strategist Michael Hartnett has listed "new world order" on asset pricing. A list that should please Donald Trump. High up in the order is real estate.

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