

The Real eState with Peter Bill

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There is no 'magic bullet' to solve the housing crisis, confessed housing minister Gavin Barwell ahead of this month's much-trailed white paper. Yes, minister, you are right. Time to stop pretending to be in charge.



The house-building market is operating as it should: Yes, really, Prime Minister. Theresa May says home shortages are "one of the greatest barriers to progress in Britain today," in an overblown foreword to the February Housing White Paper, titled "Fixing our broken housing market". Building more houses is the "starting point" of the fix, feels Communities Secretary Sajid Javid. Minister, it's not a race you can ever control. You are not responsible. Those who buy the land and build the homes are in charge.

That control means the rate at which new homes are built is governed by economic rather than political tides. Numbers in London sank by 32% between 2015 and 2016, says the National House Building Council. Why? Fewer people bought at prices set by the developer. Guess what, prices have begun to fall. In Yorkshire 27% more new homes were begun, as more people begin to buy. Guess what, prices will begin to rise. Try explaining that to a Canute-minded politician pretending they can control the laws of supply and demand.

Javid's deputy, housing minister, Gavin Barwell sort of gets it. He gave the game away in a tweet, towards the end of the heavy trailing of the White Paper. A strategy which led to excitable reports that the government might actually be able to get builders to build more. "There is no magic bullet" confessed Barwell. Of course not: It's not even your gun. By all means tinker with the planning system. Tweak subsidies for affordable units. Force Local Authorities to zone more land for homes.

But, please, don't even try and force them to sequester land. "We propose to encourage more active use of compulsory purchase powers to promote development on stalled sites for housing" says the White Paper. A hint that "use-it-or-lose-it" planning permissions may end with land being acquired by the council under Compulsory Purchase Order powers. How house builders will laugh. Even those with little knowledge of the nightmarish CPO process know this is a gun with no bullets in the chamber.

Raising or lowering planning barriers only ever produces a marginal effect. Count the number of governments that have tried to stimulate housing via the planning system and despair. Public subsidies to stimulate the building of "affordable" homes can help, but it does encourage the fiction that the government is in charge. Fresh encouragement of the private rented sector is laudable. But, be warned, PRS is as vulnerable to the economic tides. It just doesn't feel that way at the moment.

The cruel fact is that there is no shortage of new homes, just a shortage of those who can afford them at prices set by the market. The market price of the 150,000 new homes built each year is set at a premium of around 20% to the price of 25 million existing homes. Adding 150,000 or even 200,000 new homes a year and pretending these numbers will have a blanket effect on the price of the other 25 million is like thinking the tail wags the elephant.

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