

Home Truths: the scale of Britain's housing crisis and how to fix it
Resolution Foundation: London 15 May 2013

This was an excellent, free, 90 minute event

Jules Birch chaired the event. He is a housing expert and blogger who writes for 'Inside Housing'. He opened with pointing out that successive governments have failed to successfully address housing problems which have deteriorated over decades. Currently there are poor housing options - especially for the under 35s. Private renting is expensive and insecure. Probably the only good news is that housing is a vibrant area of political debate. Mortgage rates are at their lowest for 50 years.

Resolution Foundation and Hometrack research has recently revealed that there 1.3 million households with unaffordable monthly housing costs (rental/mortgages). Wages in real terms are back to 2000 levels.

Vidnya Alakeson, an ex-government advisor, talked us through some figures. £21,000 is now the average annual wage. 11 million adults earn this. If your income is £26,000 and you live in Islington you would need 66% of this to service your mortgage. 75% of it would be needed to service a private rental and 46% would service a shared ownership tenure. Living in Guildford the figures would be 40%, 44% and 20%. Coventry would be 16%, 23% and 11%.

Re Housing Benefit – 74% of claimants are out of work and 65% of claimants are in Social Housing. There are only 10 Local Authorities in the country where private rental is cheaper than having a mortgage.

We have a lot of overcrowding and many people having long commutes to work.

Richard Donnell of Hometrack talked about the scarcity of homes to buy. He questioned who is setting sales prices. 40% of all sales are cash buyers or buy-to-let. Mortgage 'flexing' is in evidence with 35 year mortgages and Interest Only mortgages. The latter is a ticking time bomb. Average monthly rental on a two bed home in London is £1,800. In London rental prices are rising at 1.5%/year. Outside London prices are static.

First time buyers in London need annual incomes of £60,000. Private renters need £68,000 and £42,000 is needed for shared ownership.

Keith Exford – who runs both Affinity Sutton (AS) and G15 - quoted from G15, London & Quadrant/PWC, and AS/Cambridge University research findings. (G15 is an alliance of the 15 largest Housing Associations in London). He's not a fan of buy-to-let. He was critical of the Government's 'Help To Buy' initiative. ('Help to Buy' allows deposits as low as £4% on new build properties up to £600,000 in a March 2013 launched Government-backed equity scheme). He says the numbers

don't stack up and the opportunity could only be realised by up to 3.5% of would be purchasers. He's keen on shared ownership and dislikes private renting. He advocates Government intervention. Up front Government capital is needed.

Lawyer Natalie Elphicke of Principality Building Society pointed out that things could be worse! Re-possession were low and developer/builder failures were low. She opined that we needed new modes of tenure like 'progressive ownership'. We need real solutions. Why do we need mortgages? Speculative landlords are a problem as is lack of security of tenure.

Shelter boss Campbell Robb emphasised we have not and are not building enough new homes. The gap between owners and insecure renters grows ever wider. Just what does 'Affordable' actually mean? Monthly rent of £400 is not 'affordable' to Shelter clients and tens of thousands of others. We need to create long term safe housing – with 5 year rental contracts and rent increases limited to RPI.

Land is an issue which no-one wants to talk about. New Garden/Eco cities are a great idea but they need land (and lots of money). We need more competition in the home building market eg we need to encourage self-build.

In the Q&A which followed some of the points raised included; Self-build is not for everyone and it doesn't always 'work'. Local Authorities should be allowed and encouraged to raise their own finance and build their own homes. Some thought a return to housing targets was a good thing. Rent control was raised but the expert view seemed to be that possible unintended consequences might rule out its return. Various tax options were mentioned including land tax and property tax but the experts weren't convinced. Examples of Local Authorities failing to work together on 'new towns' were quoted. The relentless growth of London was viewed as a problem. London is expected to create one new Local Authority every four years.

In 2012 only 103,000 new homes were built. The general view was that annually we need at least double that number

The final and most telling comment came from the Shelter boss. He said the housing crisis has been caused by failures in leadership at local, regional and national Government levels.

Eric Leach
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