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THE SOCIAL VALUE OF HOUSING IN STRAITENED TIMES:
THE VIEW FROM ENGLAND [v.4]

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ABSTRACT

This paper provides a commentary on the contemporary housing crisis in England and links it to broader questions of role of housing in capitalist economies and societies. It starts with the assumptions that housing and community development issues are linked to the wider housing market and that the housing crisis is not new but has long-run antecedents. The paper begins by reviewing the contemporary terrain of housing markets and policies in the UK. It then discusses several aspects of ‘crisis’: market volatility, rates of new supply, affordability, state welfare subsidies and sociospatial inequalities. Policy responses to these are examined through a discussion of efforts to expand the role of the private rented sector, sell-off ‘expensive’ public housing and curtail market renewal investments. The paper concludes that current conceptualisations of the value of housing are often partial and insufficiently integrative and that policies must explicitly recognise housing as a social and economic asset.

Key words: Housing market, housing policy, welfare state

1. INTRODUCTION

The onset of the Global Financial Crisis (GFC) in 2007 had, by common consent, its roots in housing market dysfunction in the United States and other countries such as the United Kingdom that closely followed the liberal democratic model (Aalbers, 2008; Akerlof & Shiller, 2009; Walther, 2011). The reasons for the purported overvaluation of housing assets and the subsequent catastrophic implosion of the housing market and ensuing ‘great recession’ were complex but involved a mix of time- and country-specific issues and more structural factors. The latter included long run supply inelasticities, policy neglect of tenures other than owner-occupation, and deficiencies in the regulatory framework governing the financial services that were fuelling the debt financing of housing construction and purchase (Williams & Beer, 2011).

While the behaviour and deregulation of capital intermediaries undoubtedly contributed to the problem, such an analysis tends to overlook the fact that the precipitating circumstances in the US were very specific to its quite unique housing finance system (Ellis, 2011) and that the UK’s housing market has endured periods of intense crisis prior to the GFC, including periods when the broader macroeconomic circumstances and institutional arrangements were substantially different. As Whitehead & Williams (2011) note, the GFC ‘generally exacerbated, rather than helped resolve, the UK’s fundamental and longstanding housing problems’ (p. 1167). Whilst public austerity means that these are significantly ‘straitened times’, the pressures to reform key tenets of the housing system in advanced capitalist economies such as those in the US and UK are by no means new, and the antecedents of the crisis have been decades in the making.
The aim of this paper is to provide a discursive analysis of the contemporary housing crisis in the UK (with a specific focus on England) and to link it to broader questions of the ideological role of housing and housing markets in capitalist economies (at both the national and local scales) and societies. It does so by firstly reviewing the key features of the ‘housing problem’ in the UK and the broad policy responses of governments to them; second, critiquing those responses in terms of their potential second-order impacts on a range of economic, social and environmental dimensions; and, third, considering some possible alternative responses. While it is not the intention of this paper to be normative in an absolute, prescriptive sense, it will argue that a progressive housing policy in the UK – as elsewhere – must start from the perspective of an integrated account of the housing market and the broader economic and social value of housing.

The first substantive section of the paper (section two) reviews the contemporary terrain in the UK’s housing market, defines some key terms and briefly situates the UK comparatively. It introduces several key problems within the British housing landscape related to: the volatility of the private market; rates of new housing construction; questions of affordability; the efficiency of demand side housing welfare subsidies; and patterns of social and spatial inequalities within the housing system.

In section three, attention turns to some examples of the policy response to the longer-term issues bound up in the housing market crisis. The basic thinking of the Coalition government and sympathetic policy commentators is exemplified through their treatment of the housing supply and market divergence issues. A critique charts out some of the attendant risks and problems associated with each response, drawing links where necessary with the other problems and with specific measures aimed at expanding the role of the private housing market and reducing state housing subsidies.

Section four then concludes by providing an account of some logical alternative courses of action while noting their potential drawbacks, especially in terms of financial cost, political acceptability, and feasibility. It is suggested that basic conceptualisations of housing (and the housing market) implied by neoliberal policy are partial and insufficiently integrative.

2. THE CONTEMPORARY HOUSING CRISIS IN THE UK

Commentators appear to agree that the UK’s housing market – indeed, its entire housing system – is in a period of crisis (Smith et al., 2010; Shelter, undated; Stephens, 2011a; Sarling, 2013). The crisis, as broadly defined, predates the GFC significantly (see for example Malpass, 1986). For over a decade, acute problems of affordability have been apparent in many parts of the private housing market, to the extent that by the middle of the first decade of the 2000s average house prices far exceeded ‘normal’ affordability thresholds in most parts of the country and for most types and sizes of housing (Barker, 2004). The longer term narrative, however, is that for several decades the rate of
new housing construction has not kept pace with population growth, new household formation, and changing societal attitudes towards the consumption of housing.

The UK’s housing system could be described as possessing a somewhat split personality. On the one hand the UK is a mature property owning democracy with just less than 70% of households owning their own home in 2009. In France, the comparable figure was 63%, and in Germany it was only 56% (ONS, 2011). There is a long history of cross-party political support for the promotion of owner occupation. On the other hand, however, the UK is, if not unique, certainly unusual in that it has a significant public housing sector. Just less than 18% of households rent socially (i.e., from a landlord that is directly or indirectly publicly subsidised), one of a group of European countries with similarly large social housing sectors, including Sweden (20%), Denmark (21%), Austria (25%) and the Netherlands (35%) Whitehead & Scanlon, 2007). Social housing in the UK is broadly comprised of ‘council’ housing – today numbering around 2.2 million dwellings (Pawson & Wilcox, 2012) built mainly in the early- to mid-20th Century by local authorities with significant levels of state subsidy – and housing association dwellings – built mainly by non-profit housing associations using a mixture of subsidies and other resources, and today numbering around 2.7 million dwellings (ibid.). This means that any analysis of the housing market in the sense of that for private, owner occupied houses is doomed to be partial and is complicated by the need to understand the close relationship between private and public housing. Importantly, tenure mix and market conditions vary considerably across space. London has the largest rented sector in the UK, where around half of households rent, split almost equally between social housing and private housing. Outside London, social renting in England varies from 13% of households in the South West to 23% in the North East (2011 Census). Average house prices in London and the South East of England are approximately twice those in the North (Pawson & Wilcox, 2012, table 47a).

With the exception of London it is also the case that the UK has a comparatively small private rented sector, although it has been growing in recent years (Pawson, 2011). Indeed, the Coalition government has made it plain that it intends to elevate the role of the private rented sector, and in this area the government and its opposition have potentially quite different approaches. The previous housing minister Mark Prisk established a Build to Rent fund aimed at improving the quantity and quality of privately rented stock by encouraging institutional investment in the sector, but did not seek to increase regulation of landlords. The leader of the opposition, Ed Miliband, on the other hand promised that, if elected, his government would seek tighter regulation of landlords and letting agents (Miliband, 2013), although this is not taken to be a definitive statement of Labour party policy at the time of writing.

In summary, within this context of a housing system with significant market and non-market sectors, there are perhaps three key aspects of the crisis, broadly defined: (i) the cyclicality of the market and associated problems with volatility and housing supply, both public and private; (ii) the increasing
problem of affordability; and (iii) spatial house price divergence and other forms of spatial segregation within the market. Each of these problems can be located on a broad trajectory of change that significantly predates the GFC.

Housing market volatility and supply

The feature of the UK’s housing market that seems to attract the most concern is its cyclicality and volatility. The market for housing in the UK is one of the most volatile in the world (Stephens, 2011a). Underpinning this volatility to some extent is the poor responsiveness of the supply side of the housing market (Barker, 2004). Even during the boom years, rates of new housing construction fell consistently behind estimates of housing need and demand (ibid.). While Britain’s strong land use planning controls have come in for some criticism in this regard (e.g. Cheshire & Sheppard, 1989; Cheshire, 2008) they are defended by a perhaps surprising alliance of constituencies for their role in protecting the essential characteristics of British rural and urban forms, and land use regulations cannot always wholly explain supply inadequacies (see Quigley & Rosenthal, 2005). Indeed, some have argued that that UK’s house building industry has consolidated in such a way that it is more removed from locally specific product markets than in other countries (Ball, 2007, p. 20) and operates in a way that in any case does not necessarily encourage high rates of construction activity. For example, greater emphasis is placed on land options and acquisitions than on the quality of the built product (Barker, 2004; Calcutt, 2007), and on interpersonal networks than on open market competition (Adams et al., 2011). There has been some concern that the industry may be anti-competitive (see for example OFT, 2008). The long run decline in the construction rates since the late 1970s has been more or less exactly mirrored by the decline in public housing construction (Figure 1). For some (e.g., Murie & Rowlands, 2008) this is the corollary of a substantially different ‘politics’ of mass housing provision where, rather than focusing on supply, new ‘technological fixes’ to social issues have been sought through housing. Changes to the planning and funding regimes, for example a refocusing away from greenfield to brownfield development, have possibly weakened the incentives for private sector house builders to significantly increase their own speculative construction as they enter riskier, more costly markets with an emphasis on new skills and technologies. Consequentially, as Adams et al. (2010) put it, ‘there is reason to suspect that the current economic downturn will demonstrate the fragility of private-sector commitment to brownfield redevelopment’ (p. 98). Tacit acceptance of this point can be seen in pressure on local planners to release greenfield land for housing.

[FIGURE 1]
There have been four boom and bust cycles in the UK housing market in the last four decades (André, 2010; Stephens, 2011a; Ferrari & Rae, 2013). Excepting the 1977-1980 upturn, each cycle has tended to be longer in duration than the preceding one – each time raising false hopes of greater structural stability in the market. Each cycle has also heightened in amplitude in that the price peaks and troughs were each time further apart. Moreover, the experience of housing market volatility (rapid changes in price) has become increasingly differentiated geographically (Ferrari & Rae, 2013).

More economically depressed regions of the UK – such as large parts of Scotland, Wales and the north of England – not only saw house price increases occurring later than the south of England but were also disproportionately affected by the downturn. While house prices have declined, concerns about affordability have given way in part to concerns over access arising from more stringent lender requirements for deposits (downpayments). Even at a time of intense economic recession, house prices in England have remained broadly stable at around five times earnings (Nationwide, 2013), although this masks significant regional variation as well as variation among different house types and submarkets. Andrew (2012) uses a new economic geography approach to describe how what he calls ‘unilateral’ policy responses (such as focusing house building only in economically growing regions) can lead to slower convergence in regional house prices in the long run. Indeed, the graph in Figure 2 demonstrates that regional housing markets have effectively decoupled from each other and it is now difficult to talk of a unified UK housing market. This pattern is partially described by the ‘lead-lag’ or ‘ripple effect’ studies by, inter alia, Holmans (1990) and Meen (1996; 1999), whereby London and the South East of England tend to lead a cycle by having the faster price appreciation at first, followed later by other regions. This was particularly evident in the late 1980s and early 2000s. Martin (2010) considers the variegated local experience of the global housing crisis and the global trade in locally-based mortgage securities as a ‘stark example of “glocalisation”’ (p. 589).

This new period of regional divergence demonstrates the complexity of the spatial planning issues underlying questions of new housing supply. Put simply there is a tension between, on the one hand, a housing market analytic and policy prescription that sees housing as reacting to broader economic changes, and on the other hand a housing policy that sees value in housing and community development and therefore requires a focus on renewal, including in physical and economic terms. In the former case, investment and policy attention would ‘follow the jobs’ by flowing disproportionately into the south of England; in the latter case, investment would target lagging regions as part of a social and economic development strategy.

[FIGURE 2]
It is important to recognise that there were several significant qualitative differences in the most recent housing market cycle compared to previous cycles. First, there has not been a catastrophic collapse in housing values, although prices did for the most part decline to pre-GFC levels and caused difficulties for select groups, particularly recent first-time buyers in the most overvalued property types (such as apartments). There was not the same level of repossession in the UK than that associated with previous downturns or indeed the US’s recent experience of foreclosure (Ellen et al., 2012), thanks in part to the forbearance of lenders and the mortgage rescue schemes that were put in place, and also to the extraordinarily low interest rates that have persisted through the crisis. Second, the crisis was instead felt most acutely in terms of the near-complete cessation of new construction activity and the drying up of sources of credit – both as debt finance to developers, and as mortgage finance to consumers. This has had palpable effects on market confidence and household mobility.

Affordability

That this crisis has had more of an impact on supply than house prices has done little to ease the problem of housing unaffordability. Concerns began to emerge in the late 1990s that there was effectively a twin-speed housing system in the UK, comprised of an overheated market in the south of England and a declining market everywhere else (Holmans, 1990; Meen, 1996). This gave rise to a de facto national spatial strategy for housing in the form of the ‘Sustainable Communities Plan’ (ODPM, 2003), which envisaged a ‘step change’ in housing construction in the south east of England (particularly in a series of growth areas surrounding London) as an important step in controlling house price inflation for working class households. This was based on the suggestion that housing unaffordability was harming the capital’s economy by strangling the availability of cheap labour. By the mid-2000s it had become apparent that the problem of high house prices relative to incomes was not confined to the capital and its labour market area, but was a feature of life in localities throughout the country (Barker, 2006; see also Table 1 for data on England).

TABLE 1

The affordability crisis has affected aspirant new entrants to the housing market more than existing owners because the high prices coupled with stringent deposit requirements for new loans have increased entrance costs to ownership. In December 2011 the average deposit for a first-time buyer was 79 per cent of average first-time buyer annual income, more than double the 2007 average of 37 per cent, leading to a corresponding decline in the number of first-time buyers able to purchase unassisted (e.g. by parental contributions) (CML, 2011). Younger households have been consequently turning to renting in greater numbers. The increase in rented properties was helped significantly by
new ‘Buy to Let’ mortgage products, providing a channel for predominantly older owners to invest spare equity by purchasing housing for rental (Sprigings, 2008). Importantly, this is a form of tenure switching rather than new supply, and so exerts little downward pressure on rents. Existing owners have also been able to draw on surplus equity in other ways, using mortgage equity withdrawal to support investment in a range of housing related improvements and other ‘discretionary’ spending (Davey, 2001) and to smooth income shocks associated with ‘uninsured’ events such as job loss (Wood et al., 2013). This ‘welfare switching’ role of equity is now increasingly recognised and is likely to have become much more important in enabling established owner occupiers to weather the economic crisis. The net effect has been to drive a wedge between a younger, poorer cohort of households that see ownership as an increasingly unobtainable aspiration and an older, wealthier cohort that has been benefitting from an asset that has been largely impervious to the crisis.

Both before the crisis and since, affordability problems have precipitated a number of policies aimed at promoting low-cost ownership for first time buyers in major UK cities (Bramley & Morgan, 1998; Whitehead, 2010; Whitehead & Yates, 2010). These schemes typically involve some element of ‘shared ownership’ in which buyers part-own, part-rent their property and can adjust the split between mortgage and rent as their circumstances permit (known as ‘staircasing’). While putatively plugging the affordability gap for those on low-moderate incomes, take-up of the schemes has not always met expectations (Whitehead, 2010) and there have been problems with how much long term financial sense they make for beneficiaries (see for example Knight, 2012). There is some evidence that lenders and insurers have been slow to accommodate their unusual features and that they are costly for occupants in terms of additional legal costs and leasehold service charges (Clarke & Heywood, 2012).

Welfare reforms

The outcomes of the Coalition Government’s approach to housing rest to a large extent on the far-reaching reforms it is making to social policy and welfare benefits. Major deregulation and privatisation trends, which emerged throughout the 1980s and 1990s, have continued throughout the 2000s under the successive governments of Prime Ministers Tony Blair, Gordon Brown and David Cameron. Writing even before the election of the current Coalition government, Murie (2009) described the contemporary housing situation in Britain as being more ‘fluid’ and possessing fewer tenurial differences, partly because investment in the social welfare role of housing now takes places largely through demand-side subsidies. Dissolving the boundaries between different forms of rented housing has been an explicit policy of the current government, which has sought to achieve this by setting rents in new developments with reference to prevailing market rates, allowing social landlords to let properties on more flexible terms, and by encouraging an expansion of private renting.
Driven by a desire both to cut public sector spending and encourage ‘personal responsibility and fairness (HM Government, 2010, p. 23), the government has introduced wide ranging changes to the Housing Benefit and Local Housing Allowance systems (portable demand-side subsidies paid to low-income social and private renters) which have introduced payment caps and more stringent rules on eligibility. The system of investment in new social housing has also changed. The key features of the new ‘Affordable Rent’ programme, the primary source of grant funding for new social housing developments, are that it introduces a new rent level set at 80 per cent of market rental values together with changes to eligibility, the erosion of the rights of new tenants to retain their tenancies in perpetuity, and a new set of caps on housing benefit levels. These changes are notable not only for the impact that they will have on housing availability and affordability for lower income groups and more deprived localities (Beatty & Fothergill 2013), but also because it is arguable that by linking rents and development viability to local market conditions they in essence spell the end of the principle of social housing as an alternative to the market.

The attractions to Government of cutting the welfare bill are understandable. In February 2010 some 4.7 million households in Great Britain (i.e., excluding Northern Ireland) claimed Housing Benefit, of which some 1.4 million were in the private rented sector. Total expenditure on Housing Benefit is around £5.6 billion per annum (2008/9) and is growing annually. There are also concerns about the fairness of the system, particularly by those pointing to media stories of households receiving welfare payments being able to live in larger or more expensive houses than non-claimants. There are concerns, too, that the system encourages landlords in certain areas to inflate rents. Finally, critics perceive the system as creating significant moral hazards – such as by incentivising households to split up so that they can separately claim two Housing Benefit payments (see for example Walker & Niner, 2010).

Market differentials and socio-spatial segregation

The final issue constituting the contemporary housing crisis in the UK is that of the increasing socio-spatial segregation evident within the system, despite a general policy thrust aimed at the creation of mixed communities. As discussed above, there are significant regional differences in housing market conditions. The investment in and management of social rented housing, traditionally a function of local government in the UK, has become geographically fragmented as a result of policies designed to move the ownership and management of public housing away from local authority control (Murie & Rowlands, 2008). The comparatively small private rented sector in the UK is significant in London, some of the larger cities and in some rural and coastal communities, but is poorly developed in most other parts of the country where it is concentrated in particular submarkets such as those for welfare claimants or students (Smith & Holt, 2007, inter alia).
Patterns of spatial segregation within British cities appear to be more entrenched than ever, despite successive waves of regeneration (Rae, 2011). In house price terms, the divergence between low- and high-priced neighbourhoods continues (Dorling, 2012; see also Figure 3 for example). Variability in the availability and quality of a range of public services, including education, transport and health, serve to reinforce ‘postcode lotteries’. These differences in public service quality and accessibility become capitalised into house prices, rents and public housing waiting lists and henceforth reproduce inequalities (see Gibbons & Machin, 2003 for a treatment of the value of UK schools). Recently, some policy commentators have begun to allude to the acceptability of socio-spatial cleavages within cities as an inevitable corollary of liberalised housing and labour markets. For example, the Policy Exchange think tank considers the ‘bonus’ value that the private market has bestowed upon public housing units by virtue of where they are located as ripe for expropriation and reinvestment (Morton, 2012). The idea that value and popularity differentials within cities are an acceptable inevitable by-product of market and public investment is exemplified by the words of Policy Exchange’s director Neil O’Brien:

“The truth is I don’t believe anybody has the right to live in the most expensive parts of town. People do have a right to get housed, just not in the very most [sic] expensive areas.” (BBC News, 2012).

Questions about the housing crisis in the UK therefore bring into play a range of related questions about ‘winners and losers’; the implications for the balance between policies on housing supply and investment and those on housing demand; the geography of the crisis’s various features; and the role of housing and the definition of social justice within advanced capitalist economies. These points are developed in more depth in the next section of the paper, which considers some of the policy responses that have been developed in the UK to deal with aspects of the crisis (broadly defined) and some of their attendant problems.

3. POLICY RESPONSES TO THE CRISIS

The previous section highlighted a range of aspects of the UK’s housing crisis. In this section, the policy responses to two of these are developed further. The shortfall in housing supply is examined first, with a particular emphasis on the role of an expanded private rented sector and future sales of social housing. Attention turns second to the related issue of spatial differentials in the housing market. The role of market renewal programmes is discussed, as is attempts to encourage mobility among social tenants. These two issues are chosen for further discussion because they arguably have
been subject to the clearest policy response. Of the other issues, that of affordability is in part a function of policy on housing supply, and the welfare reform issue, while closely linked to the housing market, is potentially too premature to evaluate.

Affordable supply shortfall

The general concern with the affordability of housing belies a more specific concern about the shortfall in the provision of suitable rented accommodation for low-income households. As discussed earlier, the rate of new housing construction in the UK has declined – first dramatically and then steadily – since its peak in the 1960s. 2010 marked the lowest point in recent history. The rate at which private enterprise has provided new homes (for owner occupation or for private renting) has, notwithstanding some small peaks and troughs, been steady for the better part of 50 years, while social housing construction has declined. Excepting some blips, regional variation, and uncertainties surrounding definitions and measures, the size of the social housing waiting list has been growing and, in 2011, it was estimated that some 1.8 million households (8.2 per cent of all households) in England were registered on a waiting list for social housing (DCLG Live Table 600) despite efforts to restrict new applications.

Two recent policy initiatives regarding the severe under provision of affordable rented housing are perhaps indicative of the broader approach to the problem. The first is the move to encourage the private rented sector to make a larger contribution in the meeting of the country’s housing needs. The second is the recent suggestion that higher-value public housing could be sold off as part of a broader package of increasing efficiencies in supply side subsidies.

Attempts to expand the private rented sector and to broaden the range of housing needs that it meets are not new. Indeed, there have been at least 30 years of attempts in the UK to encourage institutional investment in rented residential property, most of them having met with only lukewarm success to date (Crook & Kemp, 2010). Britain’s rental market is dominated by small landlords – individuals and couples typically with one or two properties – in what is commonly described as a ‘cottage industry’ (Crook & Kemp, 2010) or ‘sideline activity’ (Kemp & Kofner, 2010). Recent studies (e.g. Rhodes, 2006; Crook et al., 2012; Ferrari, 2012) suggest that, generally speaking, landlords live very close to their properties and that there may be natural geographic and submarket limits to their expansion horizons, even if affordable finance was available. Information asymmetries in the rented market are significant (e.g., Haffner et al., 2008) and there is a paucity of good information on which landlords, renters, agents and institutions can use to assess the state of rental submarkets. There is no systematic small-area information source on rents that covers all parts of the market; neither is it possible to know whether individual properties are rented or owned, or who their owners/landlords might be. There is also the problem of a lack of institutional support for renting, beyond the industry’s
highly successful Buy to Let scheme which has created a new cadre of part-time property investors (Rhodes, 2007). Attempts to lever systematic institutional finance, such as from pension funds, were the focus of a recent review for Government by Sir Adrian Montague (2012). In response, changes to Stamp Duty (a land purchase tax), debt guarantees, and a Built to Rent fund were established with the aim of providing finance to developers willing to provide new purpose-built properties for market rent. Whether these attempts will work is open to question: Alakeson (2013) identifies a number of specific challenges inherent in profiling the costs and risks to developers in what she calls ‘a new asset class’ with inexperienced providers and untested market intelligence.

The private rented sector has also struggled with a poor reputation (Rugg & Rhodes, 2003), although the professionalism of the sector and its landlords has undoubtedly risen in recent years. Nevertheless it is considered that levels of regulation of private landlords and agents are too low and create imbalances in the bargaining power between landlord and tenant (Law Commission, 2006; Rugg & Rhodes, 2008; Mojo Housing Consultancy 2011). Perceptions of standards, service levels, and responsiveness remain low in comparison to other consumer markets (Ipsos MORI, 2009; Vase, 2011) Indeed, the 2011 consumer conditions survey found the ‘real estate services’ market, which includes landlords and lettings agents, to be the worst performing of 51 consumer markets in the UK (Vase, 2011). There is very little in the way of tenant security: 67% of new tenancies bestow no tenant rights beyond six months (Pawson & Wilcox, 2012, table 54b) despite average tenancy lengths increasing (Alakeson, 2013). It is difficult to see how the sector can begin to efficiently meet the needs of households in a wider set of social and demographic contexts without some reform. Proposals by Rugg & Rhodes (2008) to regulate the sector more tightly (e.g. to provide more certainty for both landlords and renters and to improve safety and property standards with the aim of expanding the sector’s contribution to housing more low-income households) were rejected by the then Labour government (DCLG, 2009) and have also been resisted by the current government.

The final point to make about the government’s desire to expand the role of the private renting is that the sector is generally inexperienced in what were once called ‘housing-plus’ matters: in other words, those broader issues of community development, social and economic support, and the fostering of a sense of community within built developments. Housing associations have, by contrast, become quite skilled at such things, mixing characteristics of state, market and civil society in the so-called ‘social enterprise’ model (Czischke et al., 2012; Bratt, 2012). This social enterprise model comes with costs, however, and there is some evidence to suggest that social landlords will scale back on wider community support activities as a result of fiscal pressures (Williams et al., 2013).

The second initiative worth covering is the very recent suggestion that local authorities sell off their housing stock where it is in expensive areas. Although not government policy, ministers are reported to be sympathetic to the principle as a way of releasing resources for funding smaller, cheaper rented units. A report by Policy Exchange (Morton, 2012) suggests that as many 170,000 units might be
provided in this way through disposals of ‘expensive council houses’ as and when they come available. There are both obvious attractions to and criticisms of such a model. As a policy position driven in part by tabloid newspaper stories of benefit-claimant households living in £1 million ‘council houses’ in leafy London neighbourhoods, the political attractions of the policy are clear. From an asset management perspective, there are also financial merits consistent with exhortations to social landlords to ‘sweat’ their assets. Such properties may not be meeting quantitative needs in a way that several smaller properties (or properties in more modest neighbourhoods) might. On the other hand, properties of the type vilified in media accounts are negligible in number and the policy’s definition of ‘expensive’ would be drawn far more widely. Policy Exchange estimates that there might be as many as 818,000 properties it considers should not be in the public stock, seemingly by virtue of where they are. The valuation is a function of a rising market in which certain neighbourhood types have become relatively expensive through gentrification processes. The implicit principle of mixed communities that drove much of the early provision of council housing has become victim to the intense socio-spatial polarisation that has affected housing markets the length and breadth of the country. As the Chartered Institute of Housing’s Director of Policy puts it,

“By and large social housing tenants play no role in the housing market and in many cases have lived in areas for years as prices have risen around them. Similarly, many social landlords have been part of successful regeneration work that has produced rising property values. It seems harsh to penalise either for this.” (Smart, 2012)

Policy Exchange’s choice of language is interesting in that the properties can only be considered ‘expensive’ in a theoretical sense. They were purchased at a time when construction costs and housing prices were lower, and their location, ceteris paribus, will not lead to significantly higher maintenance costs than other properties. Their rents are set locally with reference to regulated levels, sufficient to cover any debt incurred in their acquisition, and are therefore not expensive to the tenant, landlord or the exchequer. They would be expensive if sold on the open market, and symbolically expensive in that as such would be beyond the reach of most aspirant homeowners. One interpretation is that this rhetoric marks an attack on the concept of social housing, which is made a scapegoat for market failure in the owner-occupied sector and lack of progress in the systematic expansion of private renting.

But the principal objection that has been levelled against the idea is that it would widen, and indeed legitimise, sociospatial inequalities. It is unlikely that the market would reverse such inequalities. The capitalisation of services and infrastructure into house prices means that broad neighbourhood values are significantly ‘path dependent’ on previous investments. Moreover the understandable desire of owners to bequeath housing wealth to future generations creates temporal lock-in. The policy adopts a narrow conceptualisation of the asset value of housing and undervalues the size of two significant economic externalities. First, the impact of increased ‘ghettoization’ on social cohesion and community development and therefore the costs of resourcing policing, education, and that array of
social services that would be increasingly demanded to support a more fragmented society. And, second, the brake on economic growth occasioned by excluding low income households (and therefore low cost labour) from areas of high economic productivity like London. In sum, it could be argued that the headlong rush to address the quantitative problem of housing need risks ignoring the subtle interplay of housing tenures and the role of housing in different socio-spatial contexts. This sets the scene for the problem of increased spatial differentiation in the housing market.

Housing market differentials

The shortfall in supply of affordable housing has profound implications for the economic and housing market geography of the UK. In the 1990s, the problem of ‘low demand’ for housing in certain parts of the north of England became an acute concern (Bramley & Pawson, 2002). Some commentators viewed this as part of a much wider issue of economic decline in blue-collar industries (Webster, 1999) and differential migration patterns generally favouring the south of England. The government’s response was 2003’s Sustainable Communities Plan (ODPM, 2003), an unprecedented supply-side investment into market restructuring aimed at comprehensively addressing the structural mismatch between what households were demanding and the housing stock and neighbourhood conditions in post-industrial England. The narrative in the north of England was one of obsolete housing built to service a bygone economic era, and the policy demanded demolition of thousands of units mostly through not exclusively through the controversial Housing Market Renewal (HMR) programme (Cole & Nevin, 2004; Ferrari & Lee, 2010). On the face of it, the programme’s logic was sound: it accepted and sought to address an inevitable failure in the housing market. It was flexible in its design, wide ranging in its scope, devolved significant powers and cash to local partnerships, and had the capacity to improve the housing conditions of a very large number of households. HMR was cancelled prematurely by the Coalition government in 2010, leaving affected neighbourhoods with ‘renewal projects [that] have been left incomplete, with a high risk of damage to social cohesion’ (Leather & Nevin, 2013, p. 873). While it was clear that HMR was unable to tackle the root causes of housing market failure, its size and ambition were big enough to have a potential impact on local housing markets – demolishing around 13,000 dwellings, replacing them with around 2,000 new dwellings, and refurbishing over 50,000 properties of a range of tenures to high standards (Ferrari & Lee, 2010).

The demise of HMR can be attributed to several causes. First, many of the programme’s ‘Pathfinders’ (delivery agencies) did not consult communities sufficiently about their plans, a failing widely accepted by many including the programme’s evaluators (Leather et al., 2007). Second, the economic downturn saw the evaporation of the private sector match-funding commitments that were central to bringing about promised replacement market and affordable housing. Despite generous grant funding, the HMR model was very dependent on continued market growth to create the development values required to underpin private sector interest in the regeneration of otherwise risky markets. Third,
HMR engendered a subtle locally-sensitive planning framework, which suggested that some properties might need to be demolished even if there was a national housing shortage. This paradox was arguably too challenging to sell politically and critics rounded on the programme from both sides of the political spectrum. The Right saw it as expensive, ineffective, interventionist and, above all, an assault on individual property rights. The Left saw it as top-down, corrupt, targeting the wrong problem, and, worst of all, imposing middle class values on working class residents (Allen, 2008). Middle class aesthetes were incensed by the apparent sacrifice of Britain’s built heritage to the modernising bulldozer. Many saw the programme as a travesty of social justice, although Ferrari (2012) and Pinnegar (2012) note that alternative definitions of social justice, emphasising territorial justice would require a different interpretation. They argue that programmes like HMR are essentially designed to deliver better housing and economic opportunities ‘for the city’ (Pinnegar, 2012) and thus need to be judged on whether such an approach leads to benefits for all residents over the longer term.

Bold and controversial (and short lived) as HMR was, it was applied to a relatively select group of urban housing markets. Broader inequalities within the national housing market picture require tackling at a more fundamental level. It is widely asserted that ‘home-ownership is being turned into the engine of inequality between generations’ (Stephens, 2011b), not least through the favourable tax treatment of mortgage payments compared to other housing payments (Whitehead & Scanlon, 2004). There has been longstanding concern that patterns of migration and mobility within the market – around the UK and internationally – are lopsided and selective, leading to a complex mosaic of interdependent (and also sometimes isolated) housing market areas. The market is in some instances a hindrance to, rather than enabler of, the free mobility of labour market power. Rather than arbitraging away spatial differences, migration that is increasingly selective in terms of neighbourhood type reinforces differences and has contributed to greater volatility in lower priced neighbourhoods and more fragile submarkets (Ferrari & Rae, 2013). Ironically, social rented housing has come to be seen as bureaucratically too localist, apparently frustrating the ambition of low-income households to move in response to job opportunities. Some discourses relate unemployment to immobility among low-income households: for example making active job search a condition of a social tenancy was controversially suggested by Caroline Flint, Labour minister for housing in 2008. At the level of economic geography, a similar discourse was codified by the suggestion, again by Policy Exchange, that the post-industrial north of England should be allowed to decline naturally (Leunig & Swaffield, 2008). This thinking informed the incoming Coalition government’s housing and planning policy. Reforms to planning guidance aimed to create a ‘presumption in favour of sustainable development’, and incentives for housing construction such as the New Homes Bonus and Local Infrastructure Fund disproportionately favour the south of England, and deter regeneration (see Evans & Unsworth, 2012; Murie, 2012).
The economic logic behind enhancing the opportunities for mobility is compelling. On one level, the market might operate more effectively through arbitrage – supply and demand might clear more easily; price effects might be transmitted more cleanly through the market; and so on. National economic output but be enhanced by getting labour to the right places at the right cost. Yet, the problem of enhancing mobility to overcome problematic market differentials underplays the importance of several factors. First, such policies tend to underestimate the strength of local community attachments and local ties in circumscribing the housing market areas that households might actually consider. The local economic multipliers bound up in cohesive communities (the much-maligned ‘endogenous growth theory’) are swept away as if they were an irrelevance in the face of global competition. We know enough to know that they probably do matter – local businesses, services and even the informal economy depend on cohesive and sustainable local communities and (with the exception of the informal economy) are important contributors to national and local tax bases. There is a lack of conclusive evidence that freeing up private enterprise leads to sustainable job creation at the national level. Second, spirals of decline (such as those found by Power & Mumford, 1999) could emerge in major urban areas should higher levels of outmigration occur, with potentially catastrophic impacts on the costs of providing public services. The choice then would be to increase local taxes (disproportionately hitting local businesses), to abandon public services, or to outsource them knowing that they would be cut back severely. While this might be ideologically palatable to some, the corollaries of a population exodus are inevitable increases in development density, living costs, environmental degradation, and transport congestion in the economically growing areas of Britain: phenomena that are known to be highly unpopular even with an economically liberal electorate.

4. CONCLUSION: ALTERNATIVE POLICY IDEAS

With the exception of HMR, each of the policy prescriptions described in this paper has been most closely associated with neoliberal thinking about the housing market. The underlying emphases in most cases have been the protection, or enhancement, of personal freedoms; the primacy of economic growth objectives at the national level rather than local levels; the retrenchment of public investment in housing and community development; and the privatisation of public services. Even HMR – a more Keynesian type of policy in its underlying principles – had significant neoliberal characteristics in its execution.

What would alternative policy ideas look like? Critical scholars have been quick to propound neo-Marxian solutions such as the ‘right to the city’ (Harvey) and movements like ‘Citta Slow’, which emphasise local alternatives to the capitalist model. Housing policy could emphasise local co-production and cooperative ownership and management, although inherent questions about eligibility, need and desert would not go away. Indeed, such local practices and initiatives may not amount to
the systemic changes that are in reality needed if the more destructive consequences of capitalism are to be avoided (Scharzer, 2011). Simply railing against the system – critique without action – is doomed to failure because the project of change is simply too big, too long, and too intractable for it to bring any short-term benefits: therefore, who will play the game?

A progressive housing policy must instead work with the grain of the capitalist economy, while recognising the inherent market failures within it and seeking to respond to the housing problem at its roots. The starting point is that housing policy needs to be broader and more integrative; it needs to stand up to macroeconomic thinking that tends to denigrate housing as epiphenomenon rather than as central to a range of interconnected economic, environmental and social debates.

Housing as an asset, not a cost

In some senses, the contributions of Policy Exchange to recent debates about the funding of affordable housing are to be welcomed. It foregrounds the need to think about housing as an asset that can be drawn upon not only by equity-rich homeowners but by society more generally, and it broadens the debate about the way that the value generated by the market can be put to socially productive use. The planning system in England has arguably been doing this for decades through the use of developer agreements (section 106 agreements) that require the provision of cash or infrastructure in return for the granting of planning permission. By 2007/08 such contributions were providing social infrastructure valued at around £5 billion per year, much of it in the form of affordable housing (Crook & Monk, 2012), although the levels have since fallen as development activity has declined. What is needed beyond this, however, is a broader calculus on what constitutes the social and economic benefit of good housing. The community development function of housing needs to be factored in as an integral part of development costs, both in terms of physical infrastructure (good open space, play space, accessibility, and so on) and of broader social infrastructure. This inevitably requires investment, regulation, or both, offset by savings made in other social welfare programmes. A ‘sustainable communities’ model requires careful costing of the social and economic returns to capital of housing development over the long term.

Effective demand side policies

At the same time, it seems evident that policies need to do more to address imbalances in the demand for housing. Significant imbalances in the extent to which housing needs are being met point equally to demand problems as they do to supply deficiencies. While it is difficult to see how an explicit regional industrial policy (of the type the UK adopted in the post-war years) has a place in today’s ‘glocal’ economy, strong regional infrastructure and incentives can nevertheless support and grow economies. It is significant that the Coalition government’s dismantling of regional development
agencies has attracted criticism not only from the Left but also from alliances of important provincial business and employers. Rather than simply reacting to demand, good local housing is an economic assets to an area. The danger of a housing policy that is too focused on new housing supply is that the construction of houses only in areas where demand has been demonstrated by previous mobility creates a self-fulfilling prophesy (the circularity argument associated with Bramley, 1996). That said, there are reasons to believe that more effective regulation of private renting, focusing particularly on landlord fitness and service standards to help drive investor confidence in the sector, and investment in market renewal schemes remain potential mechanisms to engender genuine new supply in areas that would be most socially useful. There appears to be an important lesson in that subsidies to private housing providers should not focus solely on construction but on complementary community development and social infrastructure.

Conclusion

This brief review of the contemporary housing crisis in the UK has demonstrated the multi-faceted nature of the problem and that the origins of the housing crisis were developing and evident long before the 2007’s financial meltdown and today’s ‘straitened times’.

The key trajectories are extremely long run in nature. Economic neoliberalism remains the ideological fulcrum around which the main housing policy positions have pivoted. It is clear that this has had significant implications for the size, shape and distribution (socially and spatially) of key variables within the UK’s housing system. Tenure relations have altered markedly and, while the UK retains possibly the largest public housing sector of the advanced deregulated housing markets, it is clear that changes to the form and function of public housing have not only accelerated but have become socially, fiscally and ideologically embedded in policy. As general housing needs become the sole preserve of an expanded private sector, so public housing becomes ever more residualised.

Policy has generally had only a limited impact on the fundamental structures of the housing system, the features of which have become more embedded, and the general commitment to market solutions both in housing and the wider economy, and increased means testing and residualisation within the welfare state, have paralleled a situation of supply shortfalls and large price differentials between neighbourhoods.

The possibilities of alternative policies seem limited because they go against many of these principles to such a great extent. Such policies would demand analytically complex calculations of the costs and benefits of housing and the impacts of policy at a time that major social surveys are being cut back. But until a genuinely integrative account of the social and economic value of housing is part of the debate, the future for housing as a social good and as a valuable component of community development is arguably bleak.
REFERENCES


Shelter (undated) The housing crisis, Why We Campaign (Shelter England website), england.shelter.org.uk/campaigns/why_we_campaign [accessed 23 August 2012].


Table 1. Ratio of lower quartile house price to lower quartile earnings, English regions, 1997-2011

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Source: DCLG, live table 576. Note: Data for 2011 are provisional. For full notes relating to this table see source.
Figure 1. Permanent dwelling completed by tenure, United Kingdom 1950-2011.

Source: Department of Communities and Local Government, live table 241. Note: ‘Social housing’ comprises both local authority and housing association completions.
Figure 2. Regional house price increases: difference from UK average 1969-2009

Source: Ferrari and Rae (2011)
Figure 3. Average house sale price by area type, Leeds City Region, 2004-2012.

Source: Author’s analysis of Land Registry data. Notes: Categories are not mutually exclusive. Data are ‘crude’ averages and are not mix adjusted. ‘Deprived areas’ are those ‘Lower Super Output Areas’ within the 20% most deprived in England according to the Government’s 2007 Index of Multiple Deprivation. The urban and rural definition is based on a classification used by Leeds City Region (2010).