

HBF Planning Conference 2015



Prospects for land, rent and housing in UK cities

UK Government Office for Science
Future of Cities programme

<https://www.gov.uk/government/collections/future-of-cities#working-papers>

Michael Edwards

m.edwards@ucl.ac.uk

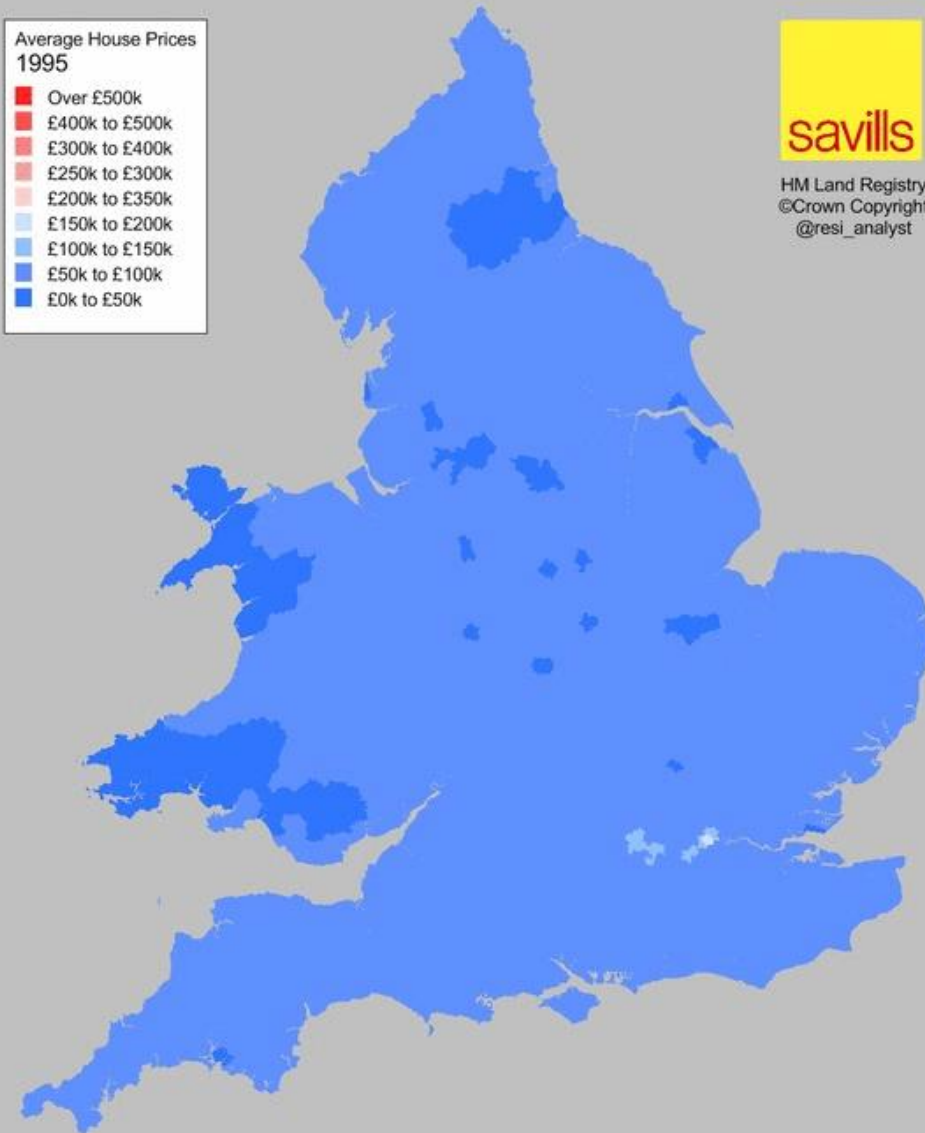
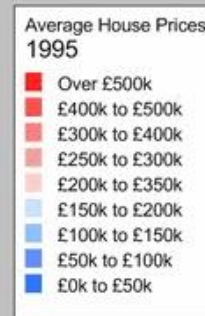
Bartlett School, UCL

<http://societycould.wordpress.com>

@michaellondonsf

[@foresightgovuk](#)

Map: Neal Hudson, Savills



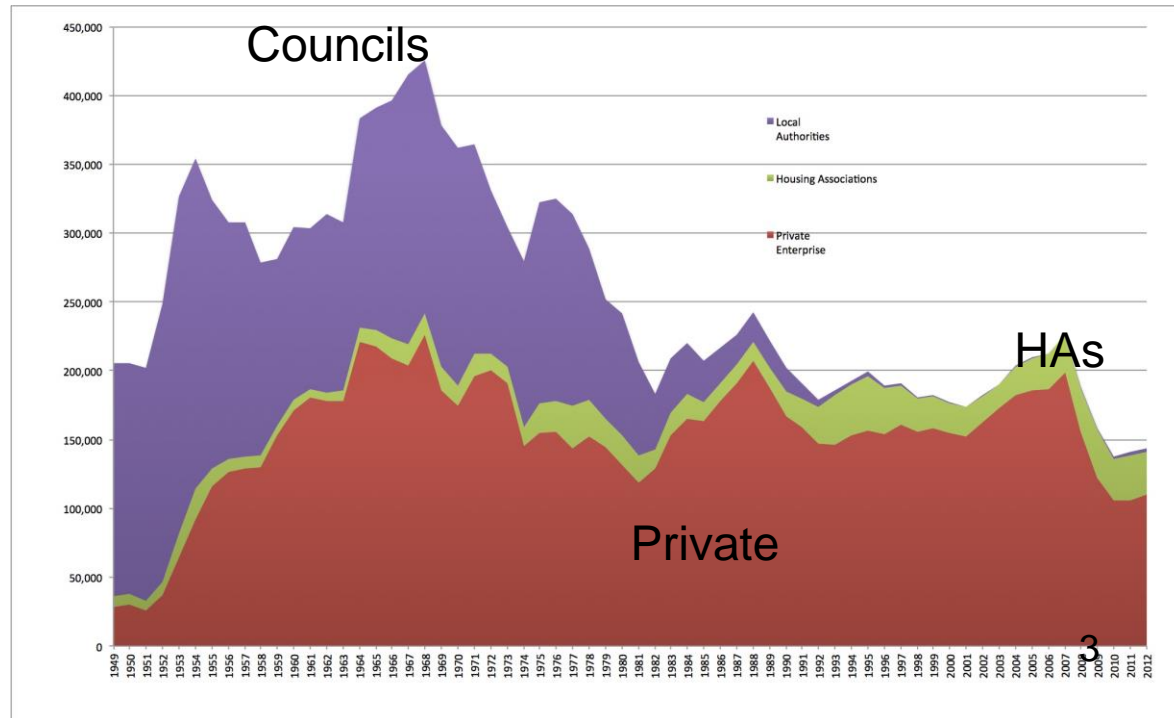
Context

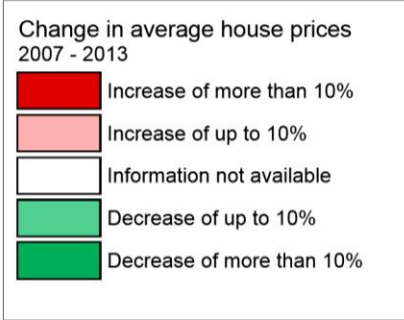
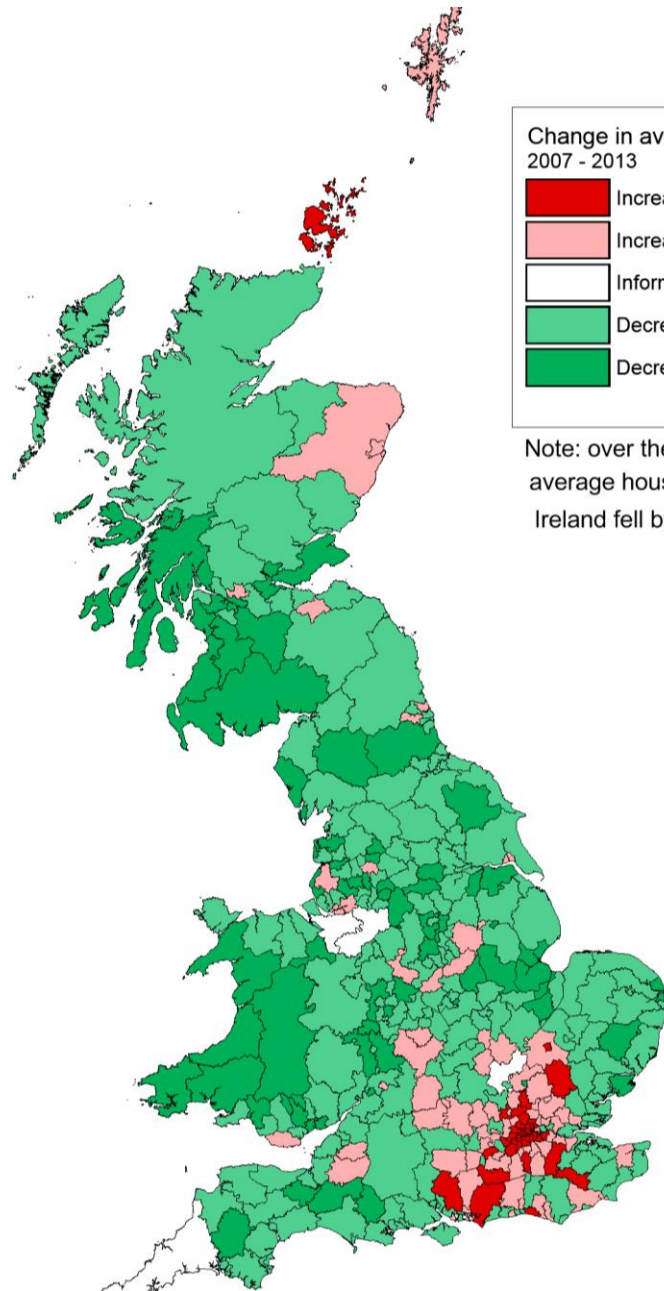
- Leverhulme fellowship, then...
- GO Science Foresight programme on future of cities
- Attempting to
 - Write about theoretical issues very accessibly
 - Overcome the fragmentation of housing discourse
- Thanks to
 - Many commentators on drafts (including peer- reviewers green, amber and red)
 - Louis Moreno and Andy Merrifield, so ubiquitously helpful that they are missing from bibliography! Shame on me.
- Meanwhile some important books have appeared:
 - Lapavitsas on financialisation, Thomas Piketty and Tony Atkinson on inequality, Graeber on Debt

scope

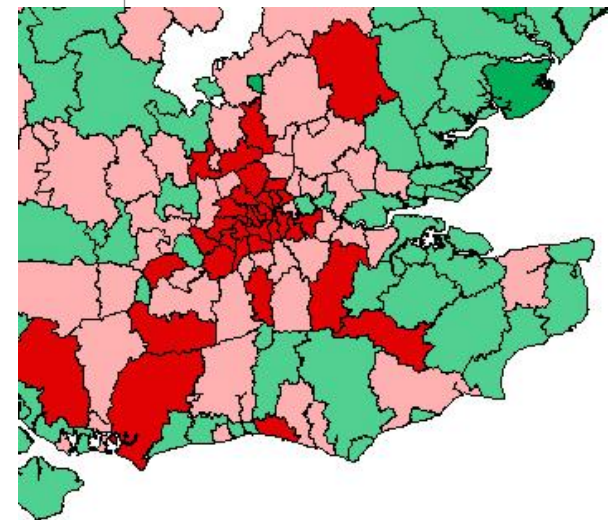
- Re-framing the UK housing story
 - Characterising certain cities / settlements
- Next 45 years: “back to normal” or...
- ... some changes
 - Worked out for cities
- Tho’ sceptical on ‘cities’ focus

UK dwelling completions
1949-2012
DCLG Live Table 241

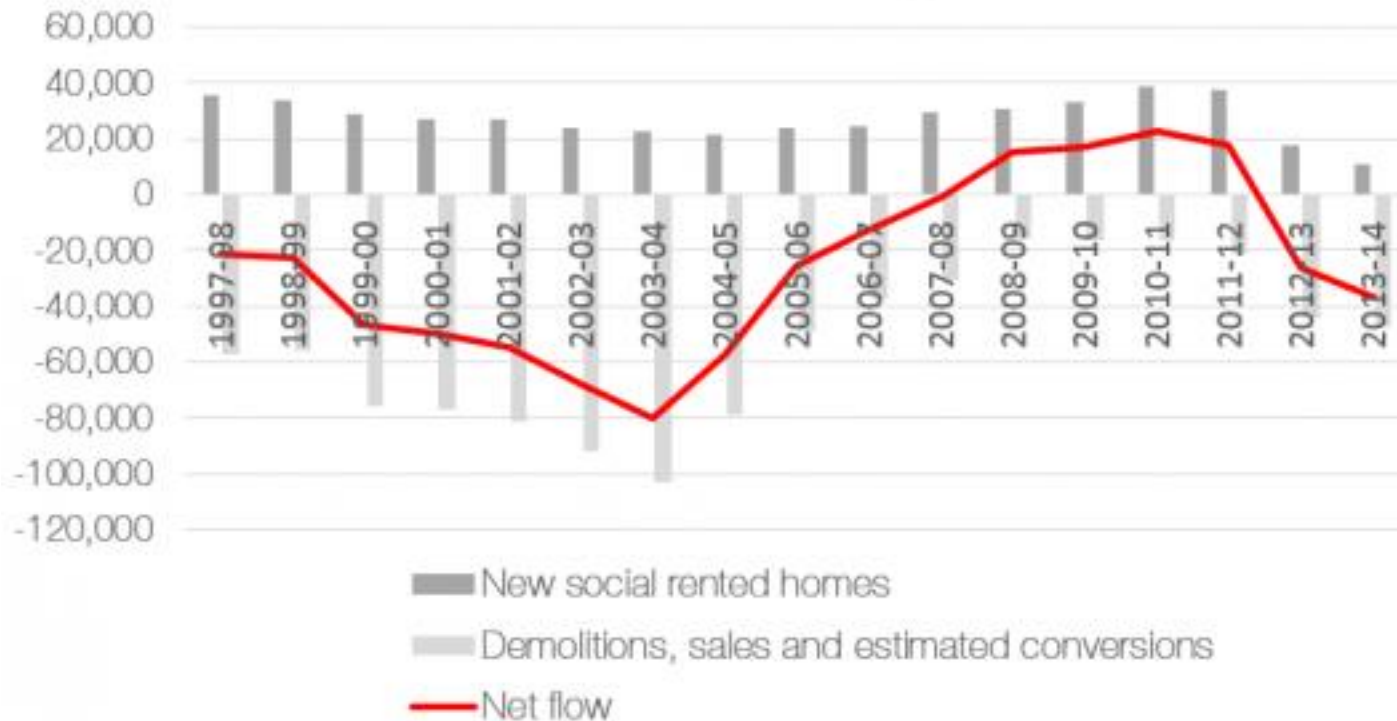




Note: over the same period, simple average house prices in Northern Ireland fell by 51%



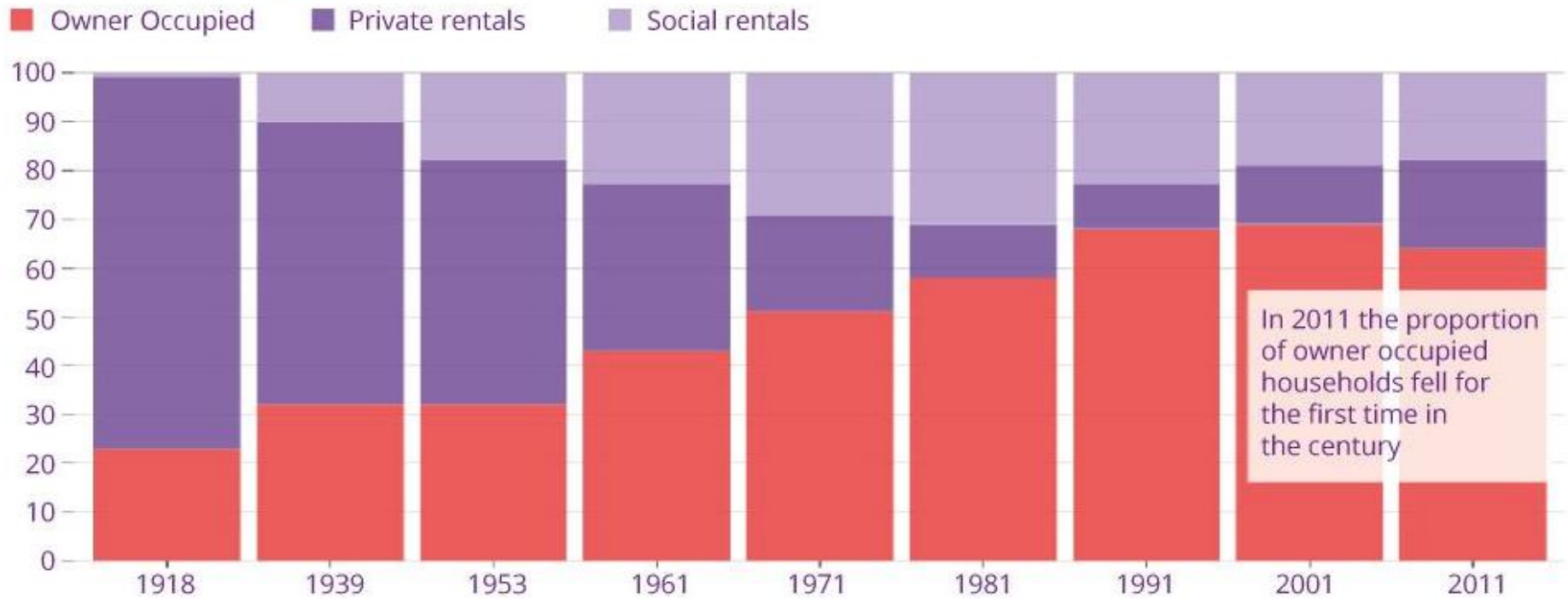
Annual change in numbers of social rented homes in England



Source: DCLG live tables 1000, 678, 684 and Social Housing Lettings 2013/14

Home ownership fell for the first time in a century

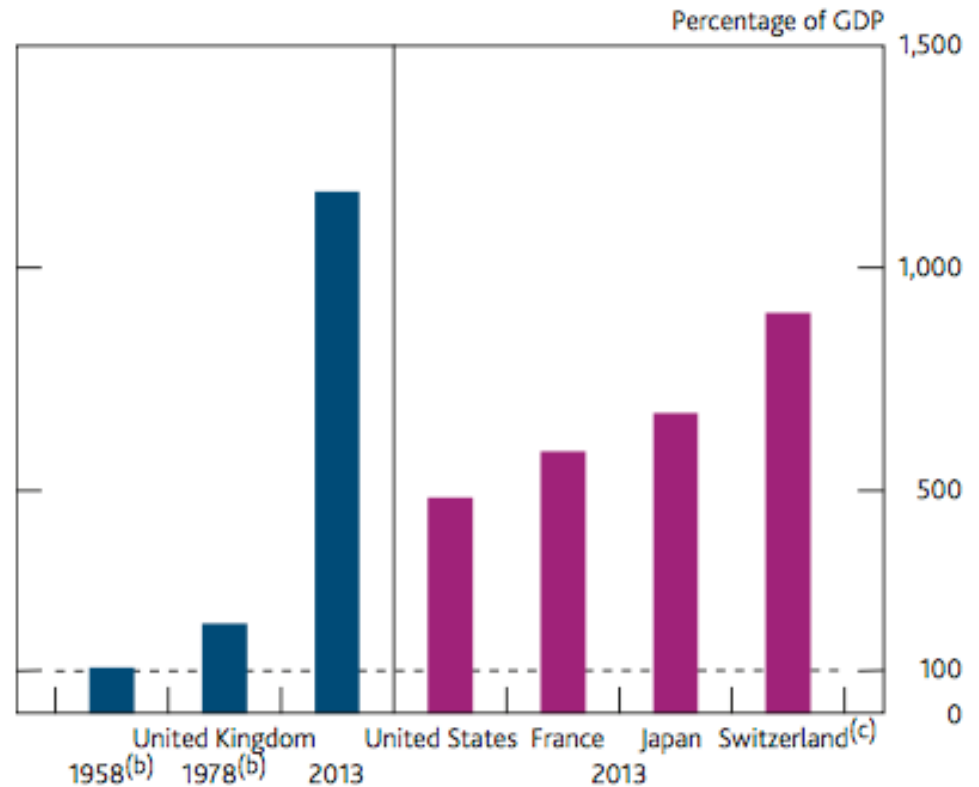
Tenure, England and Wales, 1918 to 2011



Source: 2011 Census, Office for National Statistics

Financialisation 1

Chart 2 The size of financial systems^(a)



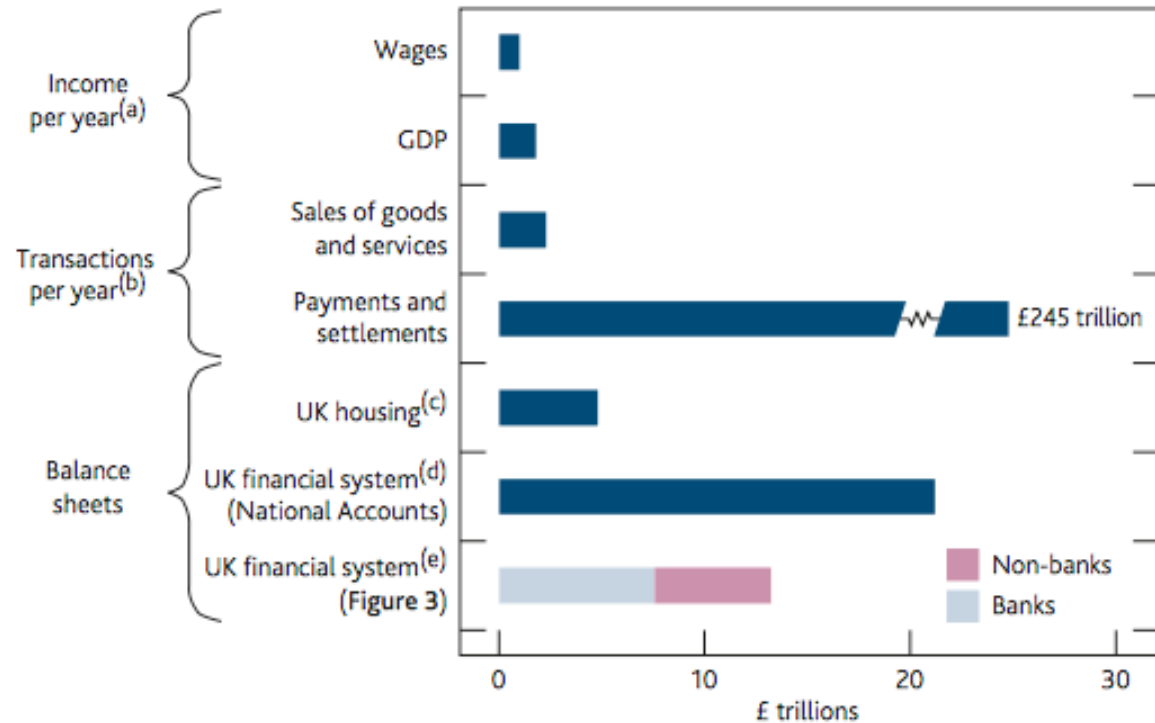
Sources: OECD, ONS, Radcliffe Report (1959), Swiss National Bank, Wilson Report (1980) and Bank calculations.

- (a) 'Financial system' is defined as total assets of the financial corporations sector, measured on an unconsolidated basis, including derivatives.
- (b) For 1958 and 1978, the total assets of the individual subsectors covered in the Radcliffe and Wilson Reports are summed to give an illustrative total for the financial system.
- (c) Data for Switzerland are as of 2012.

BoEQB2014Q2

Financialisation 2

Chart 1 Relative size of income, transactions and assets



BoEQB2014Q2

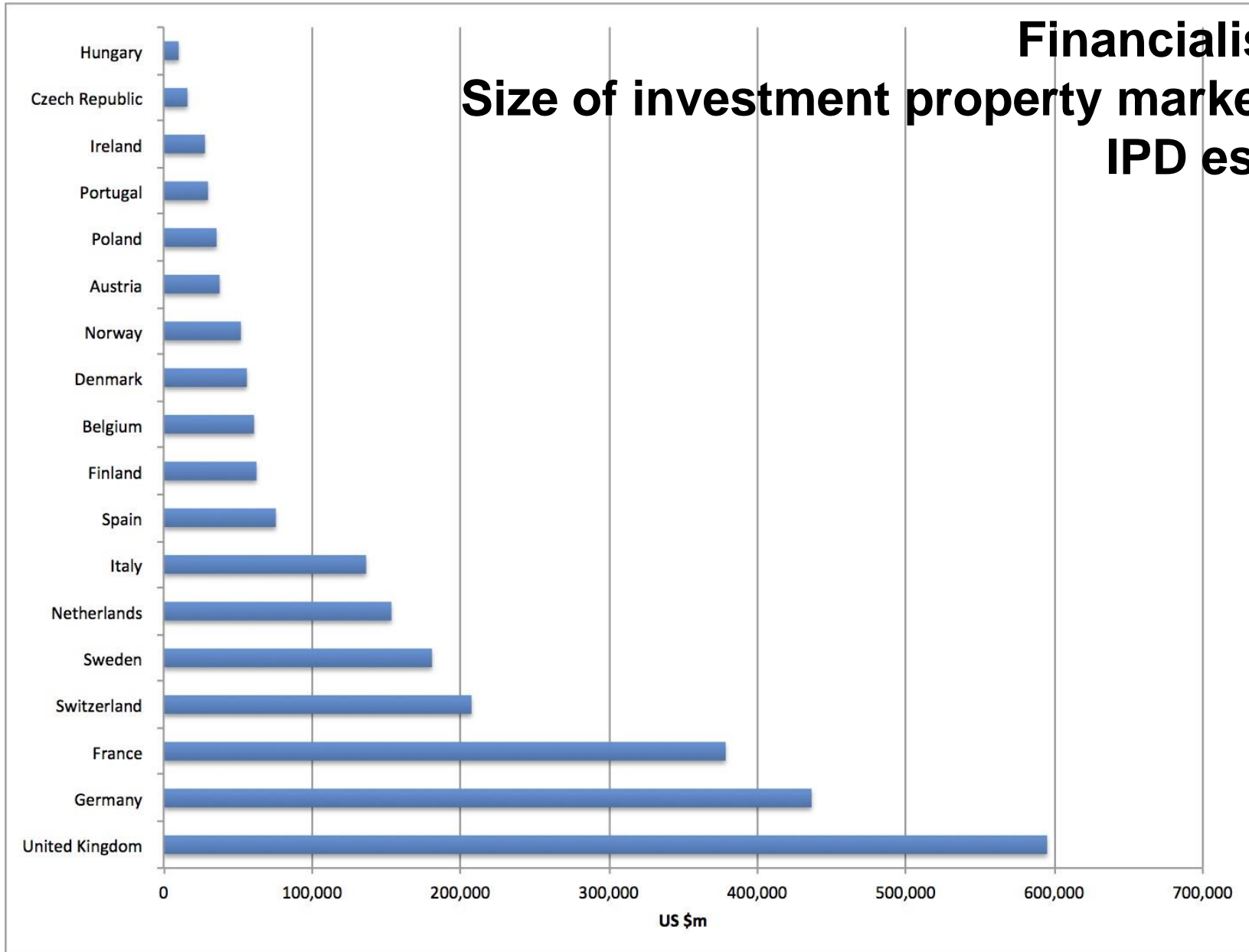
Sources: Bank of England, ONS and Bank calculations.

- (a) Income and GDP data are as of 2014.
- (b) Transactions data are as of 2014. Payments and settlements include those processed by Bacs, CHAPS, CREST and FPS.
- (c) All non-financial assets for UK households in 2013. By value, housing is the largest non-financial asset held by households.
- (d) UK financial system in National Accounts includes derivatives and data are as of 2014.
- (e) UK financial system (Figure 3) is as described in main text and footnotes to Figure 3.

Financialisation 3

Size of investment property markets 2013

IPD estimates



Financialisation 4

Penetrates into everyday life & culture

Family accumulation strategies, pensions

Grand Designs, Location Location Location

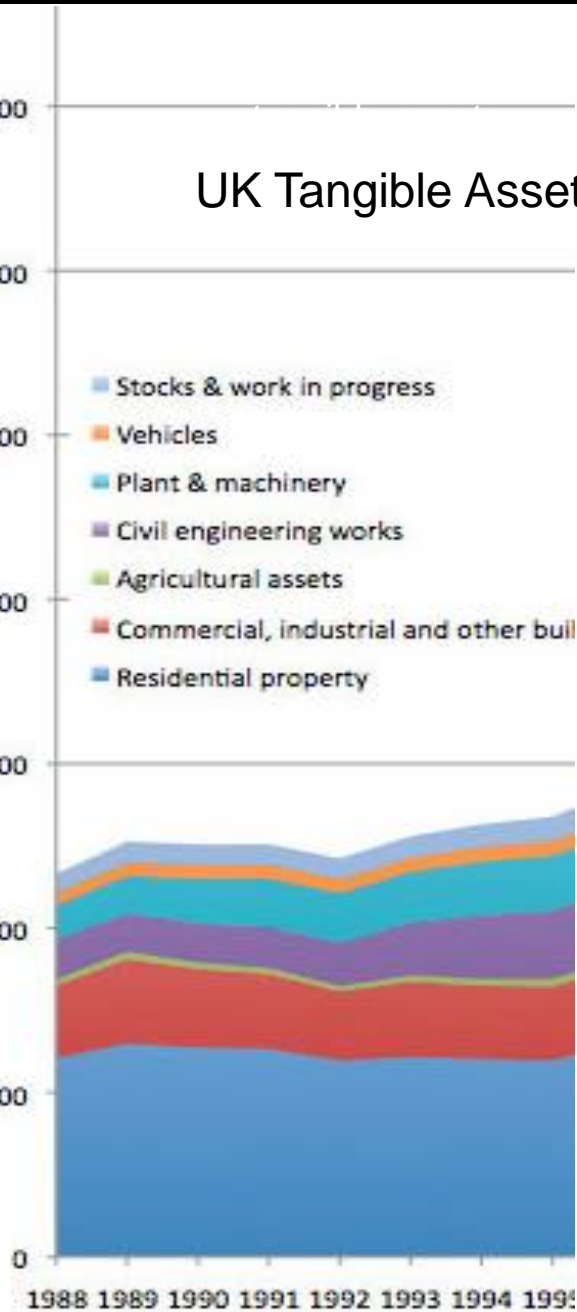
Role of architects making sponges for value

Commodification of urban space

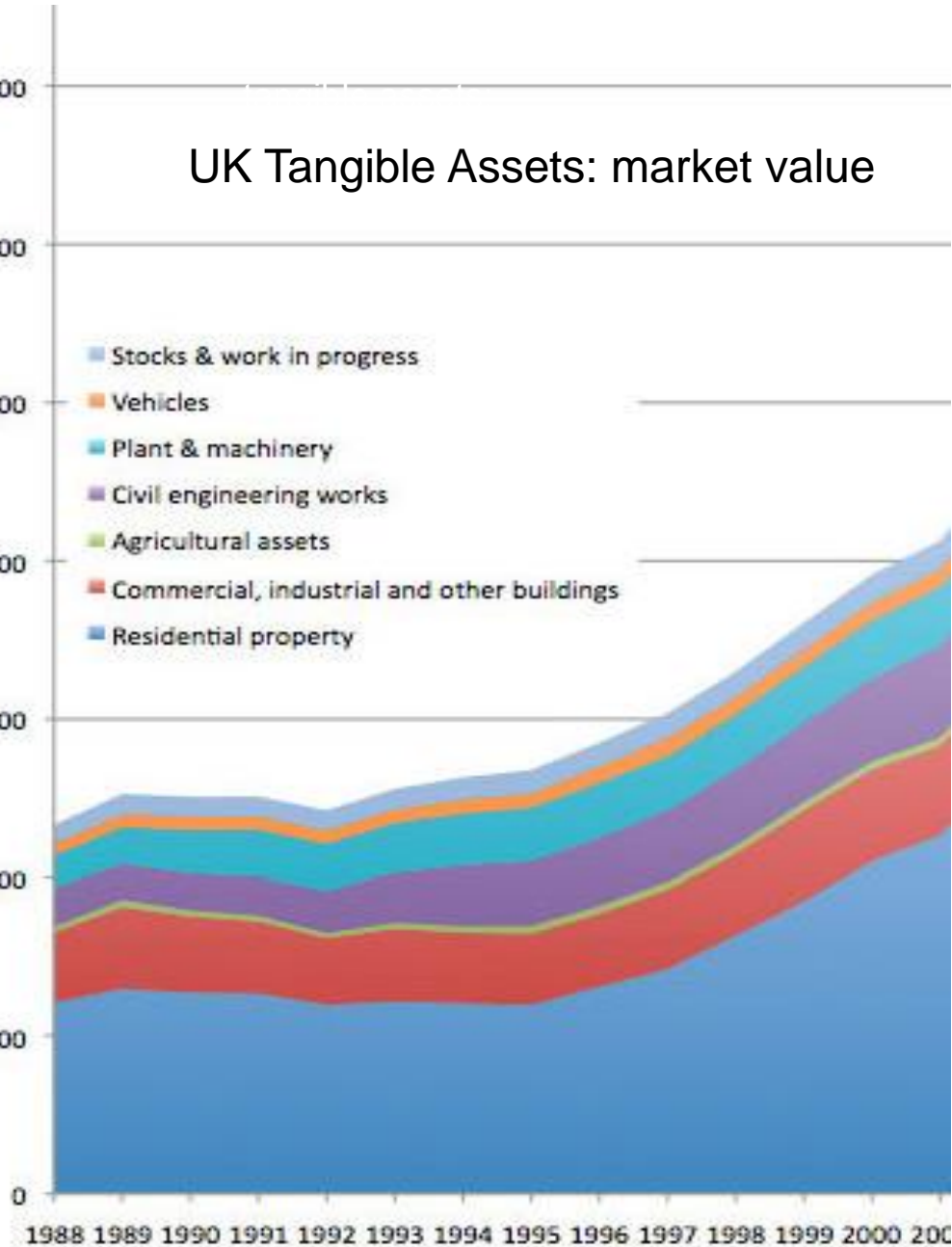
Local Authority “asset” disposals

Clearance of council estates, rent hikes in social housing

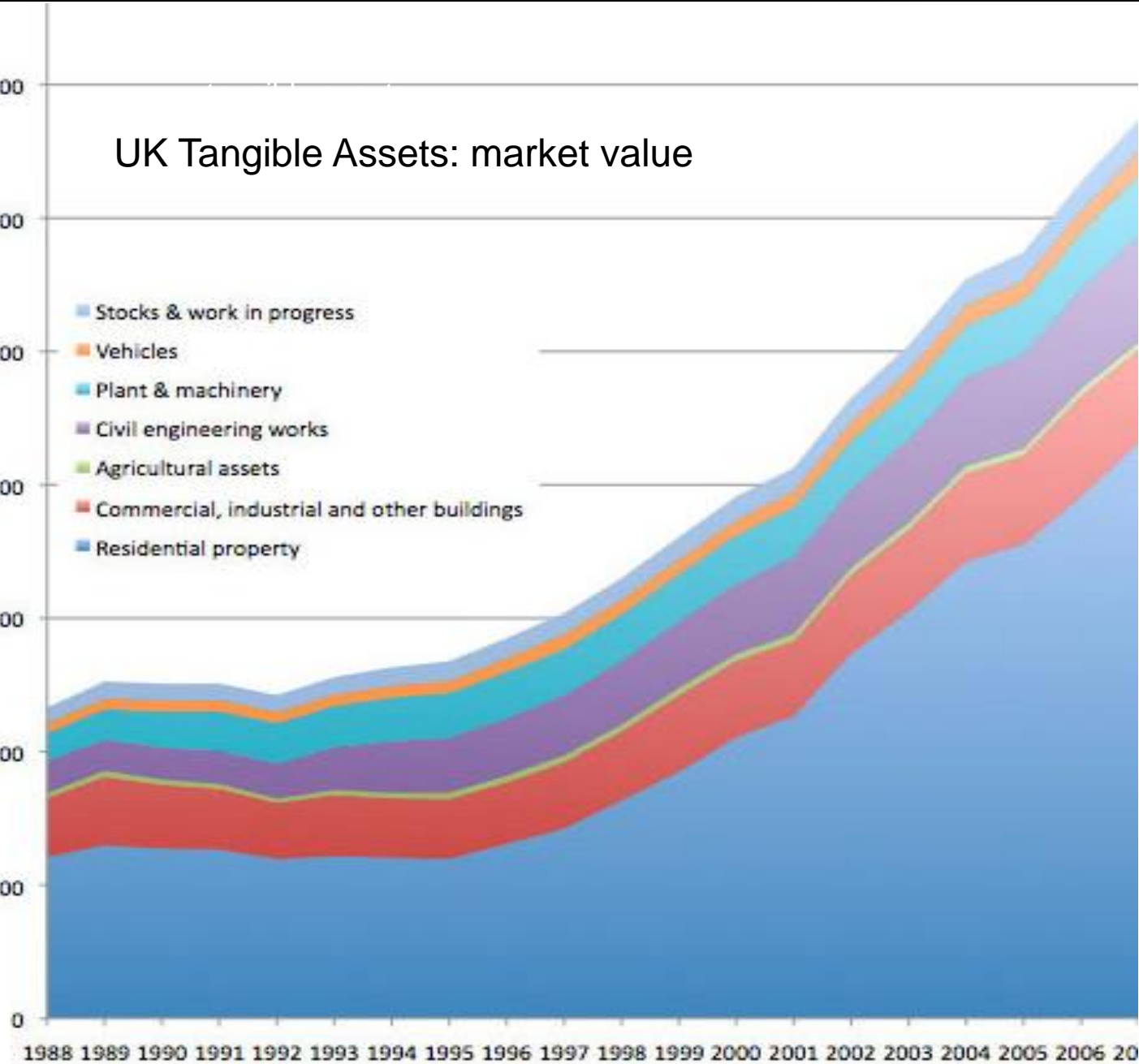
UK Tangible Assets: market value



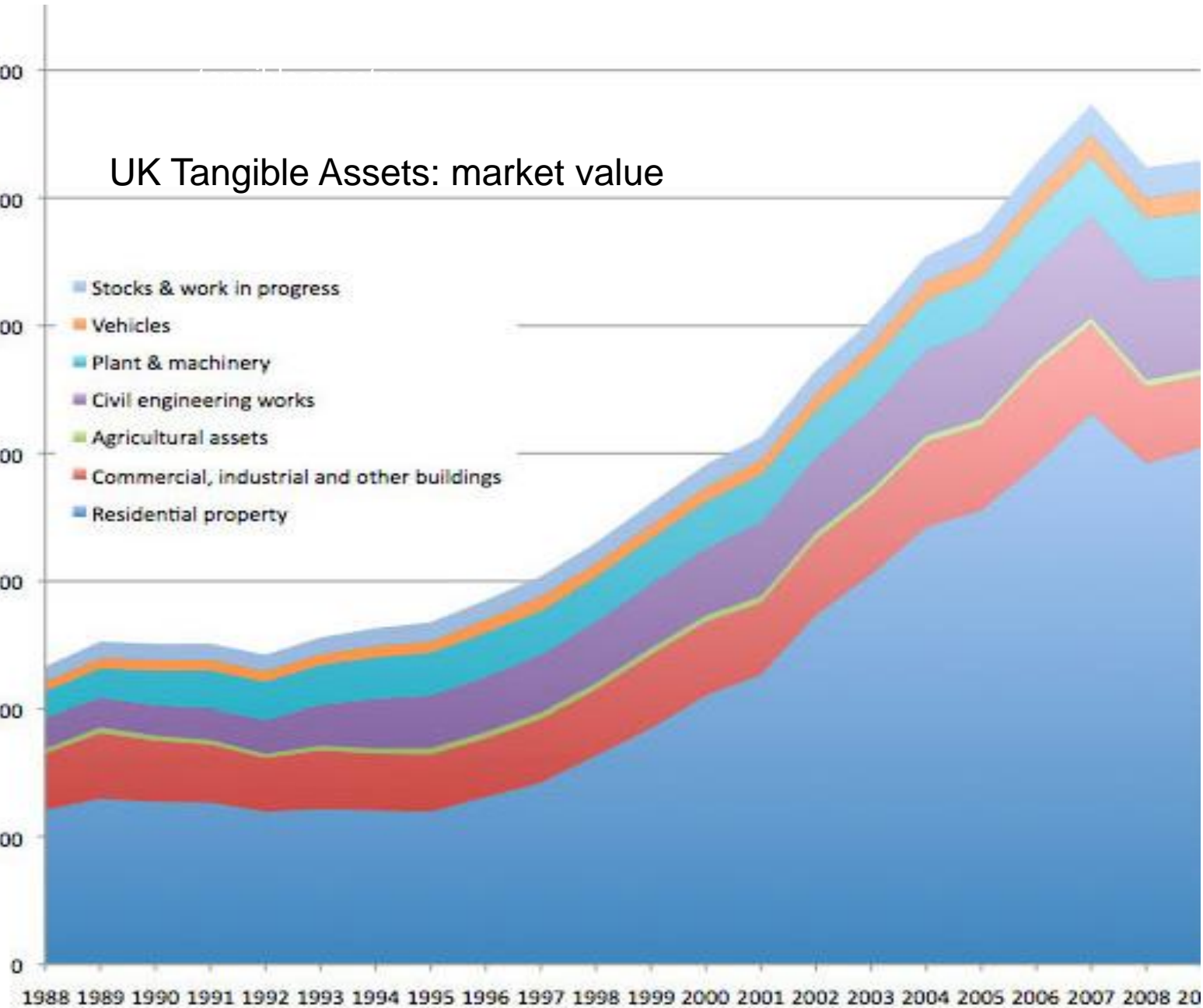
UK Tangible Assets: market value



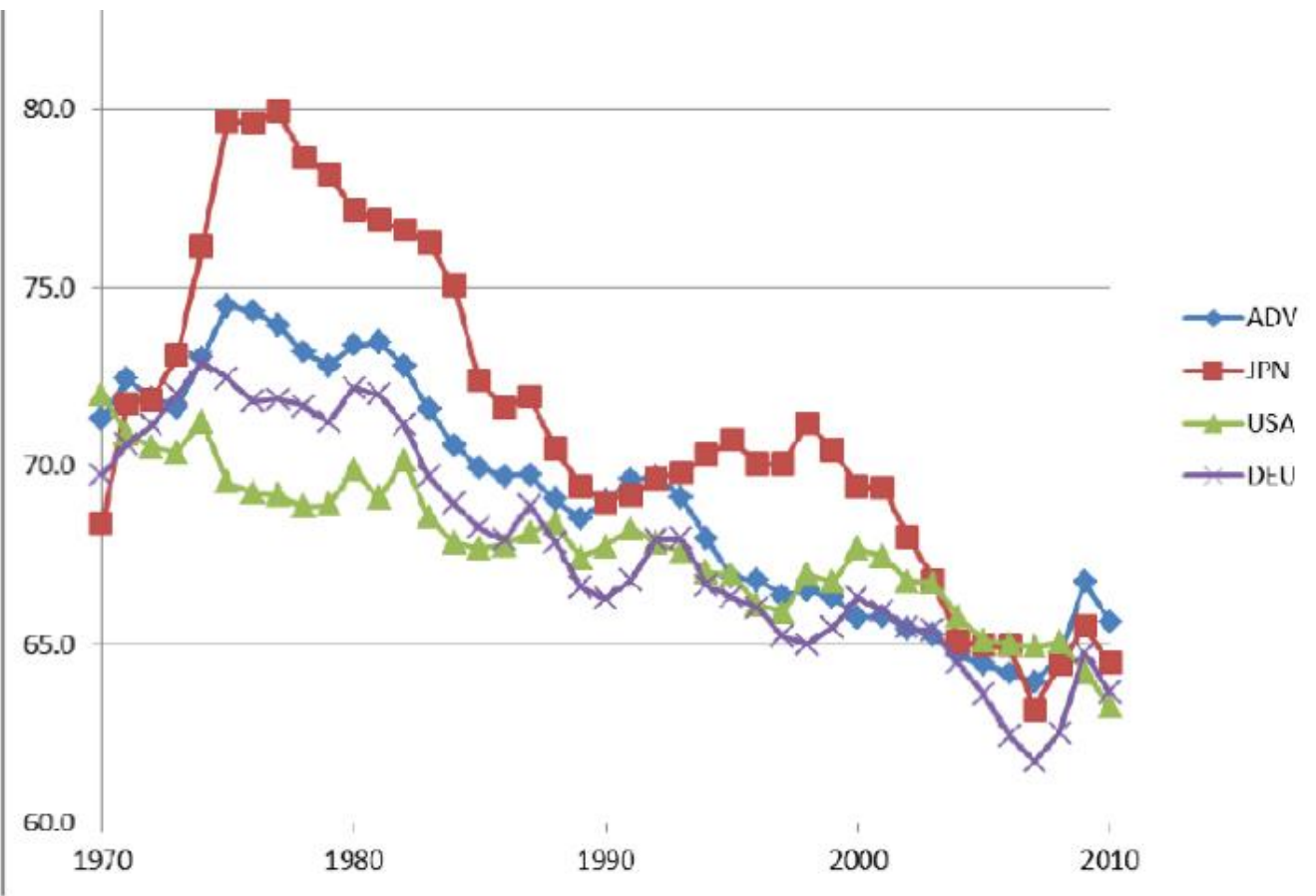
UK Tangible Assets: market value



UK Tangible Assets: market value



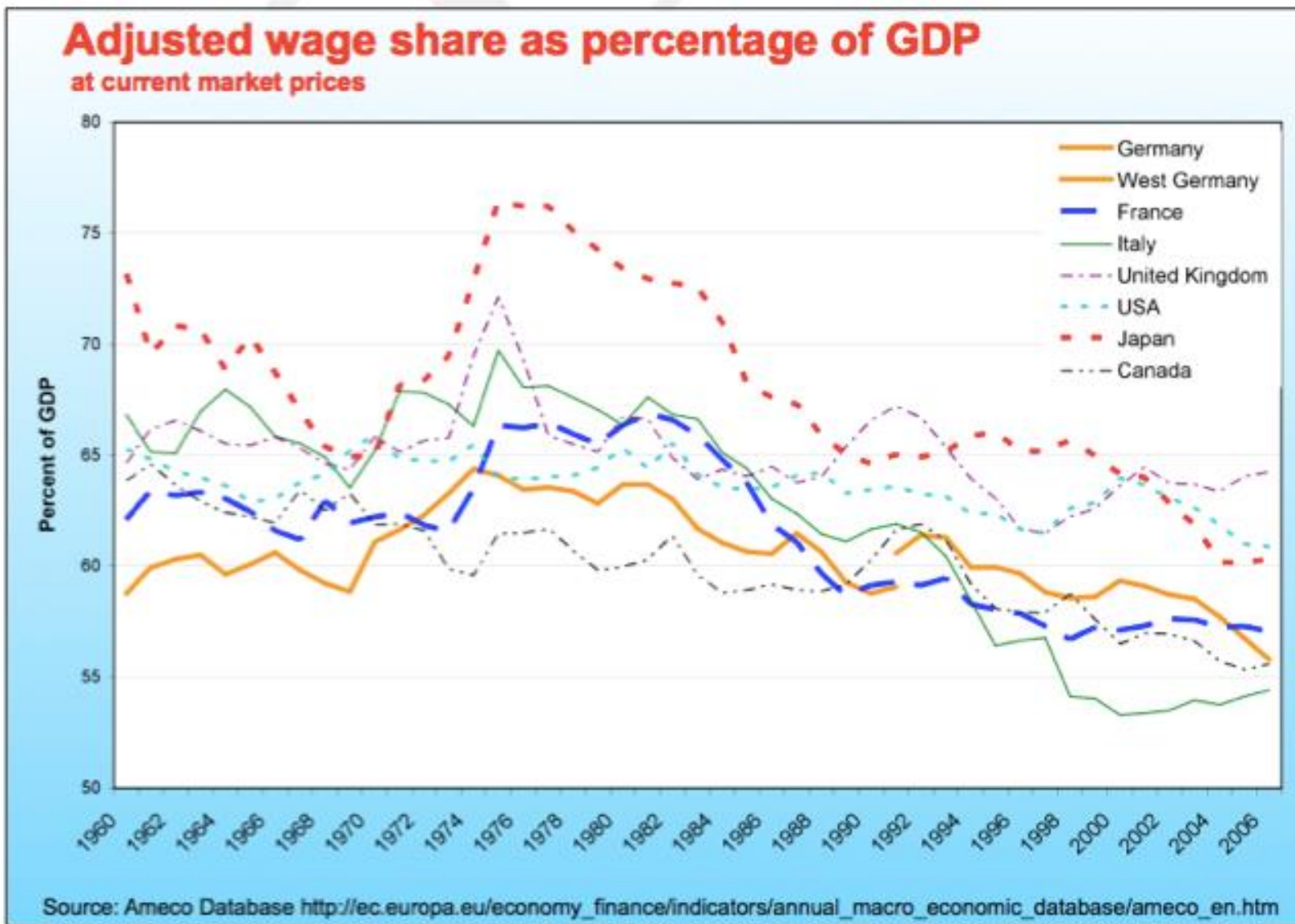
Falling wage share: Stockhammer 2013



Note: ADV stands for unweighted average of high income OECD countries (without South Korea)²

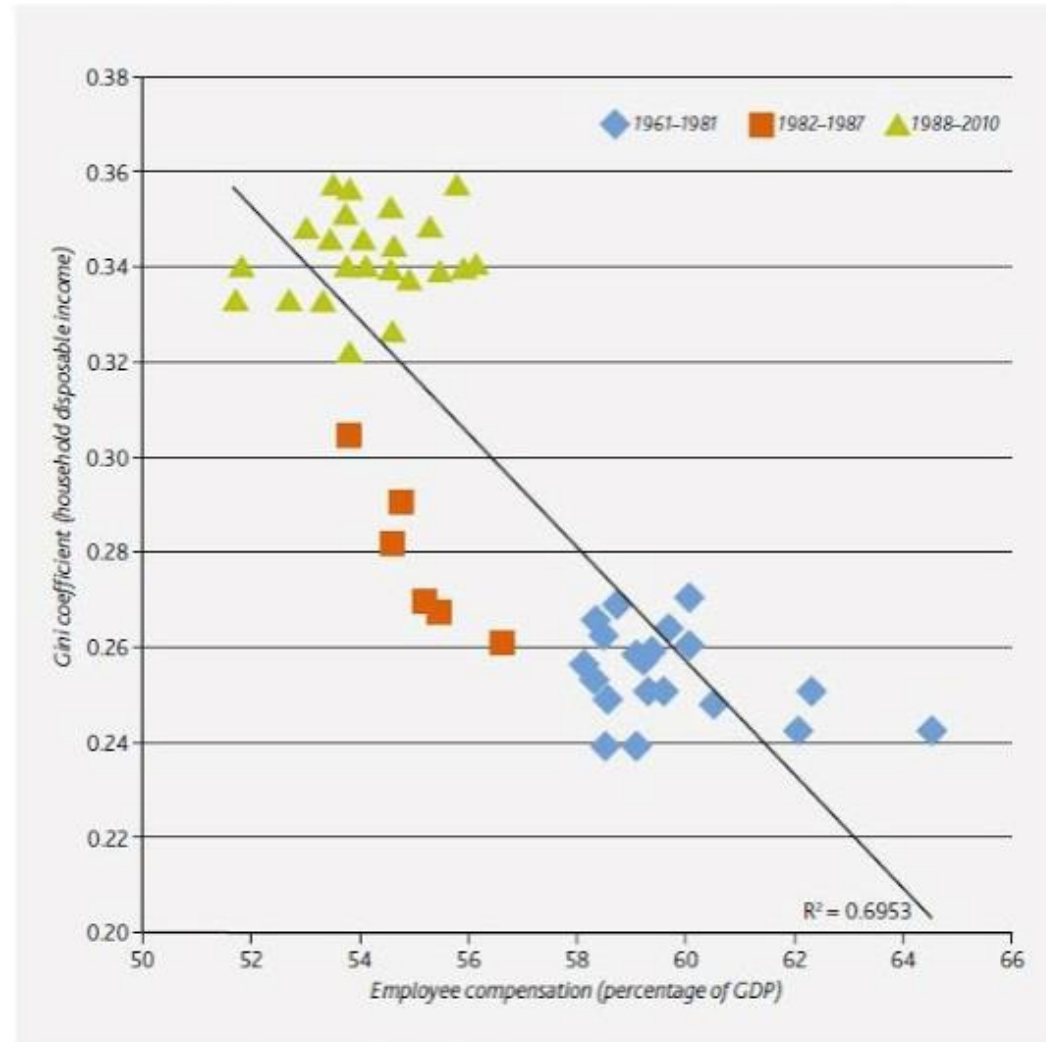
Source: AMECO

Falling wage share: Zeller



UK wage share and inequality of household incomes 1961-2010

Figure 9. The wage share and Inequality In household Incomes, 1961–2010



Notes: Employee compensation/GDP measure as defined in Figure 1.

Gini coefficient data compiled by IFS from DWP (various years). 1961–1992: measured for Great Britain using Family Expenditure Survey data. 1993–2001: measured for Great Britain using Family Resources Survey data. 2002–10: measured for United Kingdom using FRS data. FRS data are measured using tax years rather than calendar years – so wage share for 1993 is graphed against Gini coefficient for 1993/94, and similarly for later years.

<http://www.tuc.org.uk/tucfiles/466.pdf>

UK housing (market sector) problems

Price escalation

Static outputs, despite price growth

Poor value for money (m² per £)

Serious affordability problems

Volatility of prices, output → poor capacity retention, job stability, training and skill development

Ladder Escalator effects convert income of tenants and buyers into wealth & concentrate wealth

Working hours effects

House price affordability ratios in 2013
(prices as a multiple of earnings)⁴³

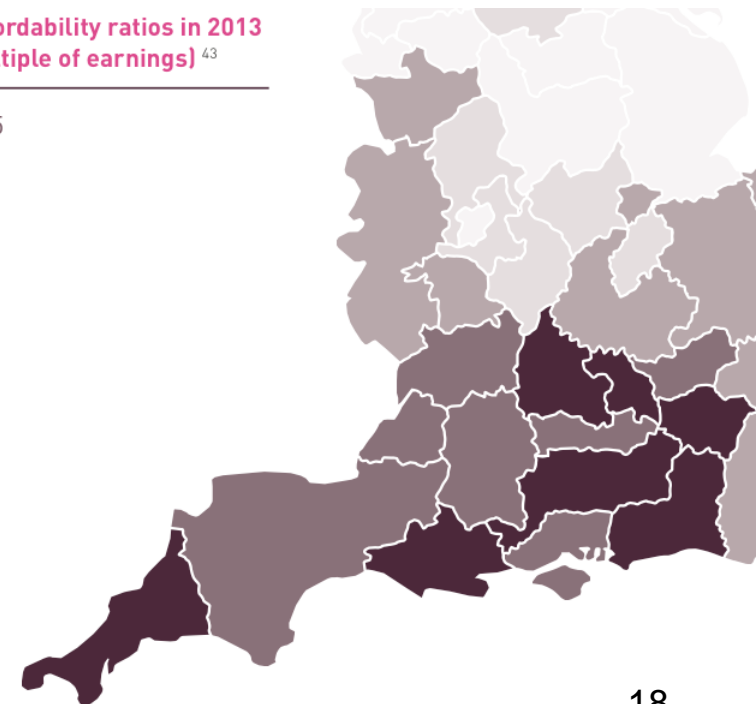
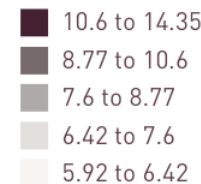
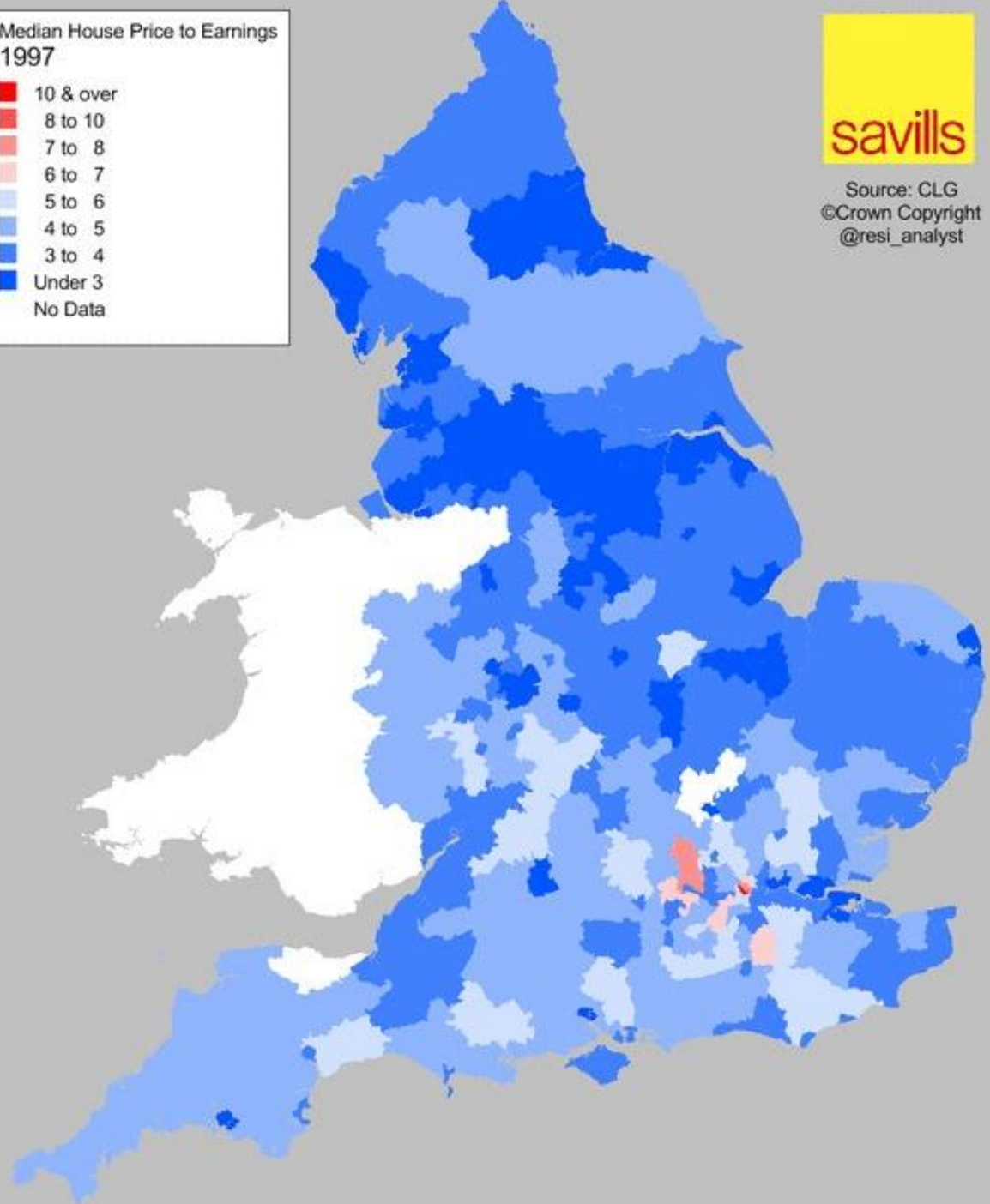


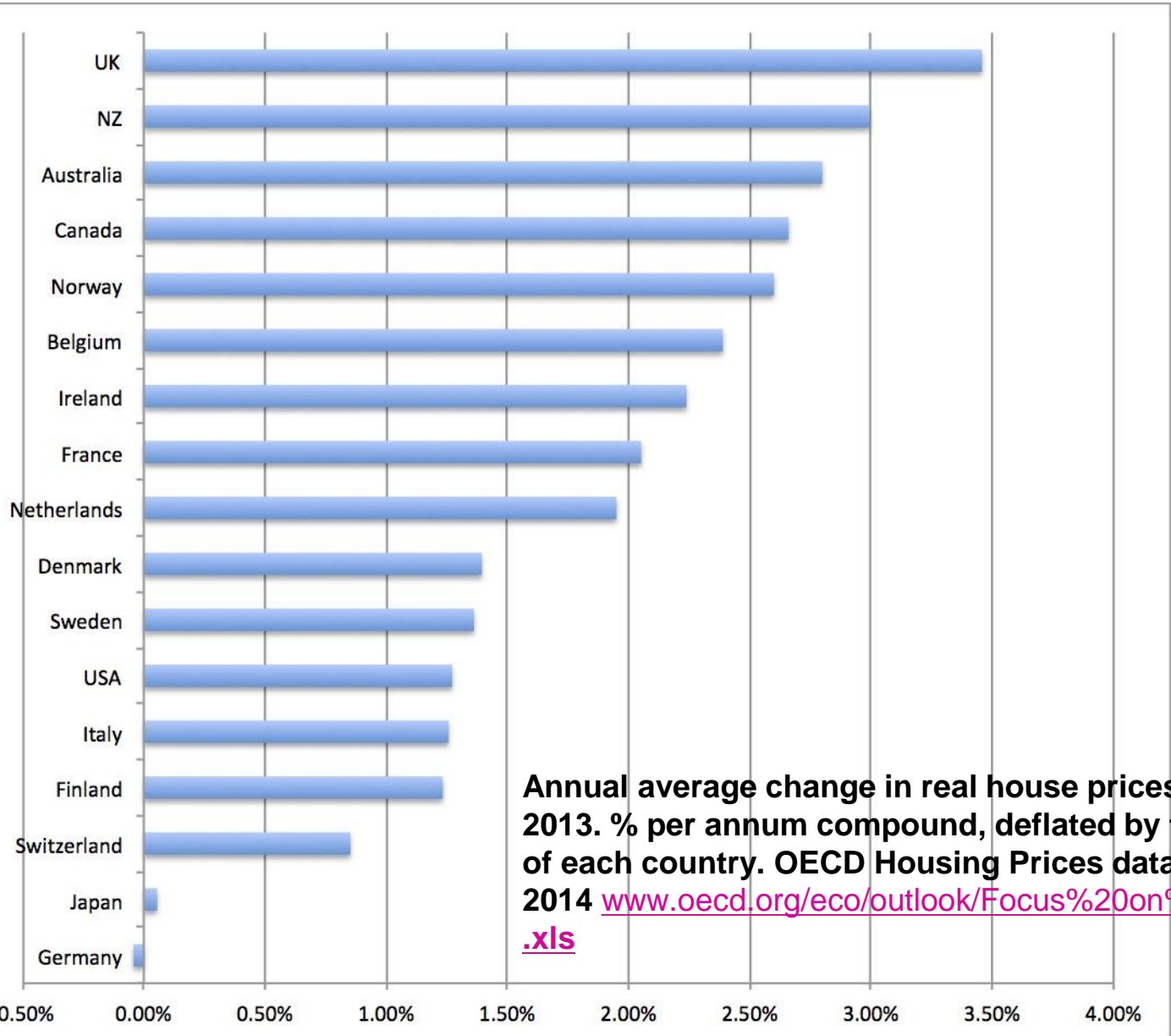
Fig. 21



Source: CLG
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Affordability of market homes – England only



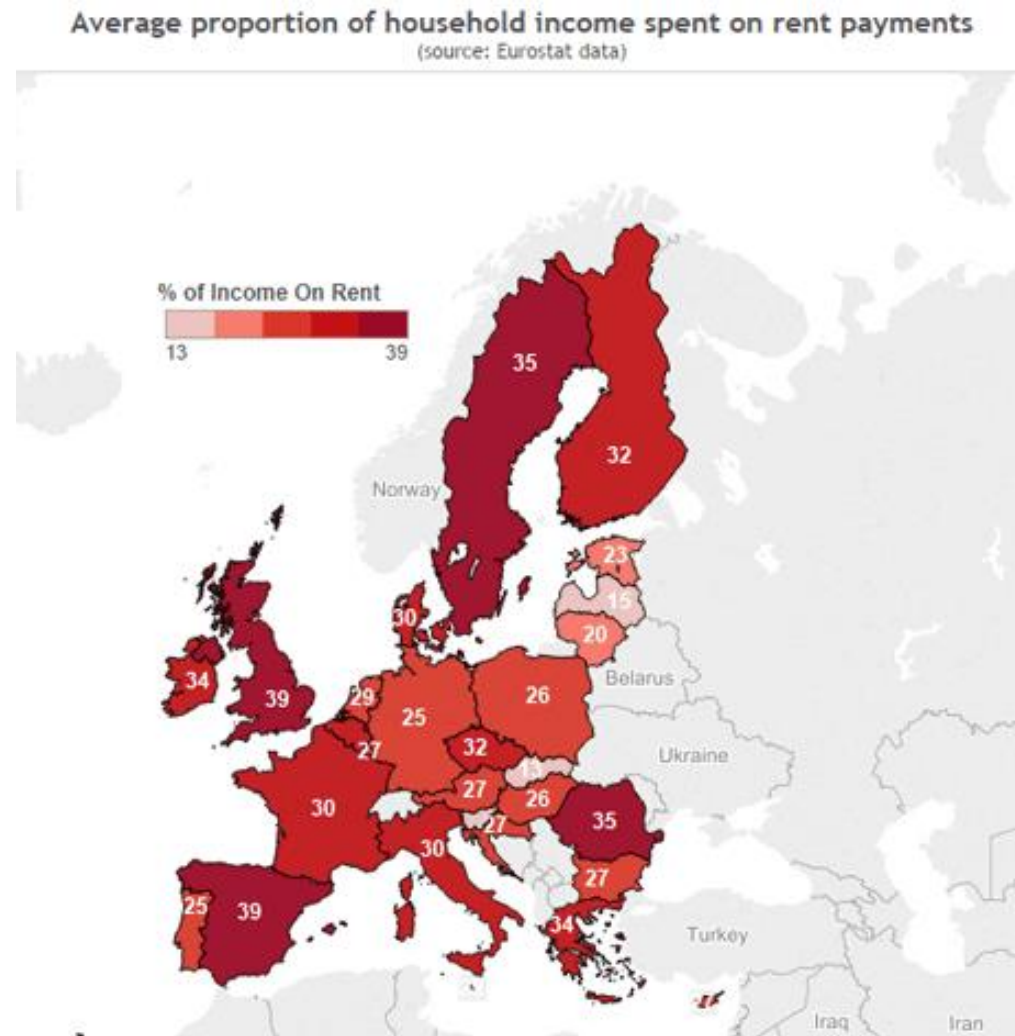
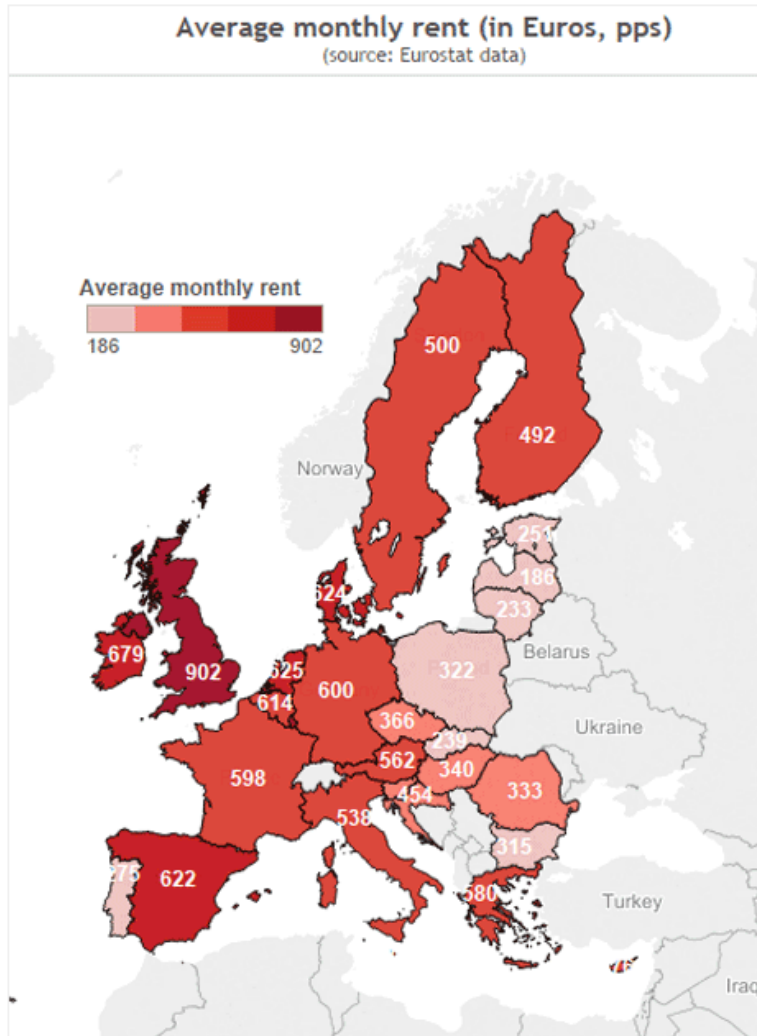
Annual average change in real house prices over the period 1970-2013. % per annum compound, deflated by the consumer price index of each country. OECD Housing Prices database
 2014 [www.oecd.org/eco/outlook/Focus%20on%20House Prices indices.xls](http://www.oecd.org/eco/outlook/Focus%20on%20House%20Prices%20indices.xls)

Comparative private rents 2014 / as % of income

Gerald Koessel, Natfed, via Joe Sarling

<http://www.housing.org.uk/media/blog/private-renters-in-uk-pay-double-the-european-average/>

caution on exchange rates for left hand map



Findings: interplay of multiple processes

- Falling wages share of output
- Growing inequality (earnings, wealth)
- Investment in asset-value growth
- Financialisation (debt-fuelled house purchase)
- Owner-occupation fetish, loss of non-commodity housing
- Failing trust in pension / social security system
- Private land ownership – UK version
- Tax incentives for all this
- Demand:
 - population & hh growth;
 - income elasticity (those getting richer seek more)
 - Positional goods – competition for the “best”
 - International demand
- Housing market as mediator of access to ‘best’ locations at all scales
- Regional divergences

Among the key mechanisms

- Structure of provision in private house building sector: market sector cannot meet all needs. Unrealistic to expect it could.
- Planning policy (rather than planning “system”) now an integral part of this accumulation system and defends amenity of incumbents which amounts to a defence of privilege
- Spatial differences at inter-regional, intra-regional and local scales growing and reinforcing price disparities

on planning: 2 key points

- Who owns development value?
 - 1947 TCPAct; 1961 Land Compensation Act
 - Progressive privatisation through General Development and Use Classes orders
- Relaxation of containment as the solution
 - Fascinating econometrics of the welfare economists
 - Cheshire, Hilber and co; also Holman et al on conservation
 - ...but very a-historical and idealised on what a relaxed market would achieve
 - ...needs re-framing in class terms for an economy driven by rent

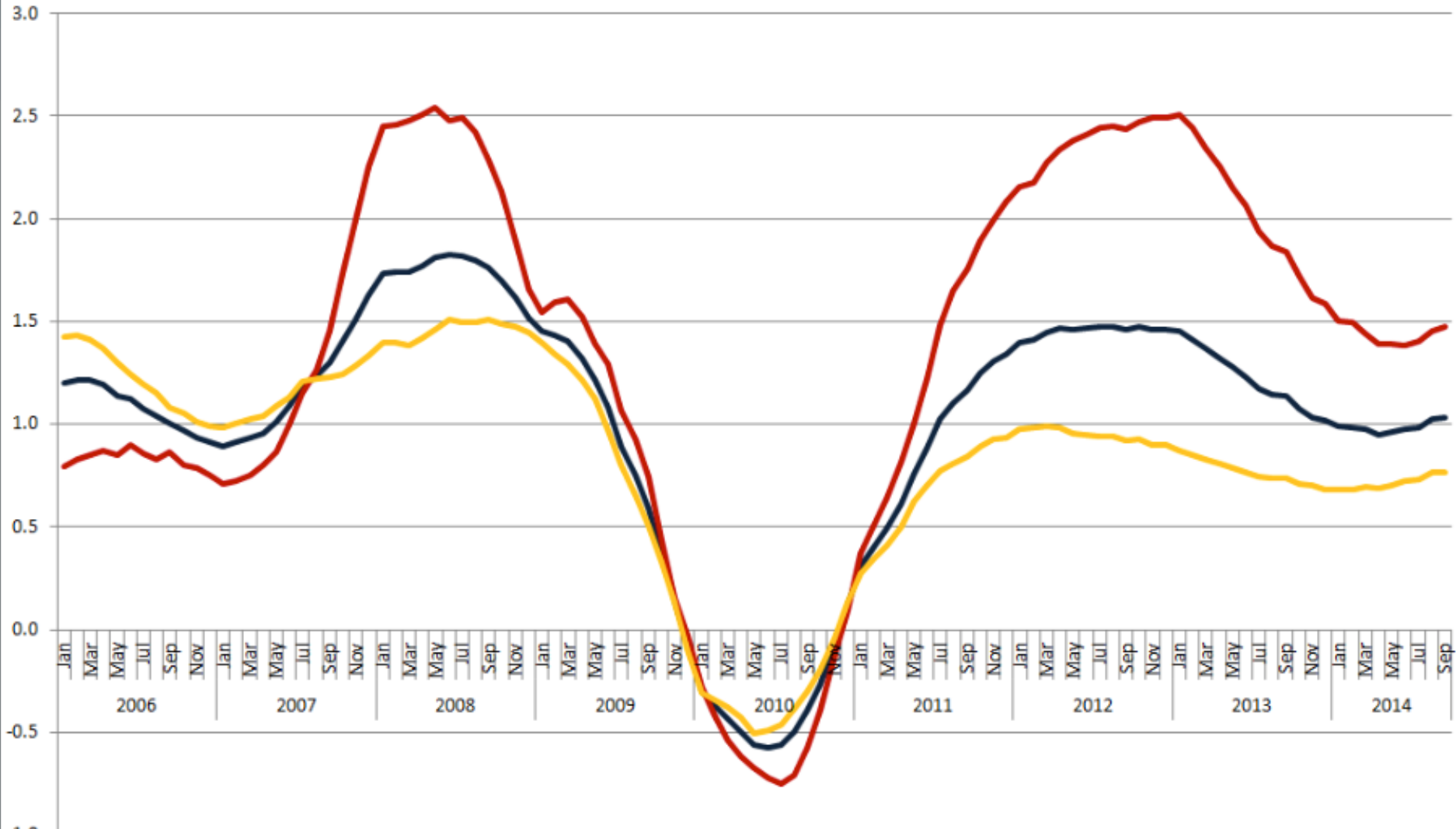
Variations in experience

- Scotland
- Northern English cities
- London
- A West Midlands Village: Umbridge
- Seaside town: Hastings
- Milton Keynes

A bit on London >>

Experimental Index of Private Housing Rental Prices - 12 month price change (ONS)

— England — London — England excluding London



Targets and delivery of new and additional homes 2007-13

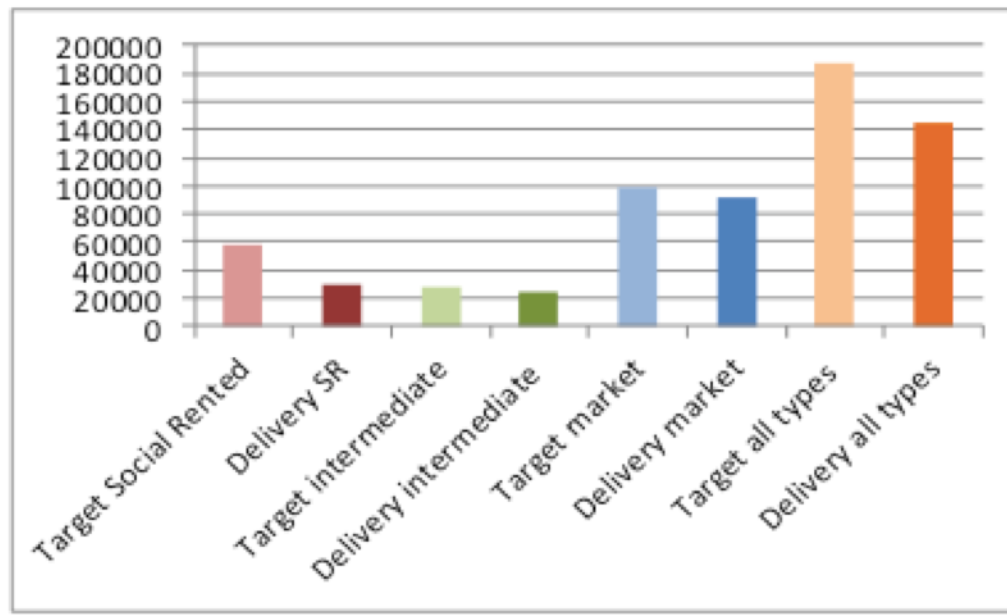
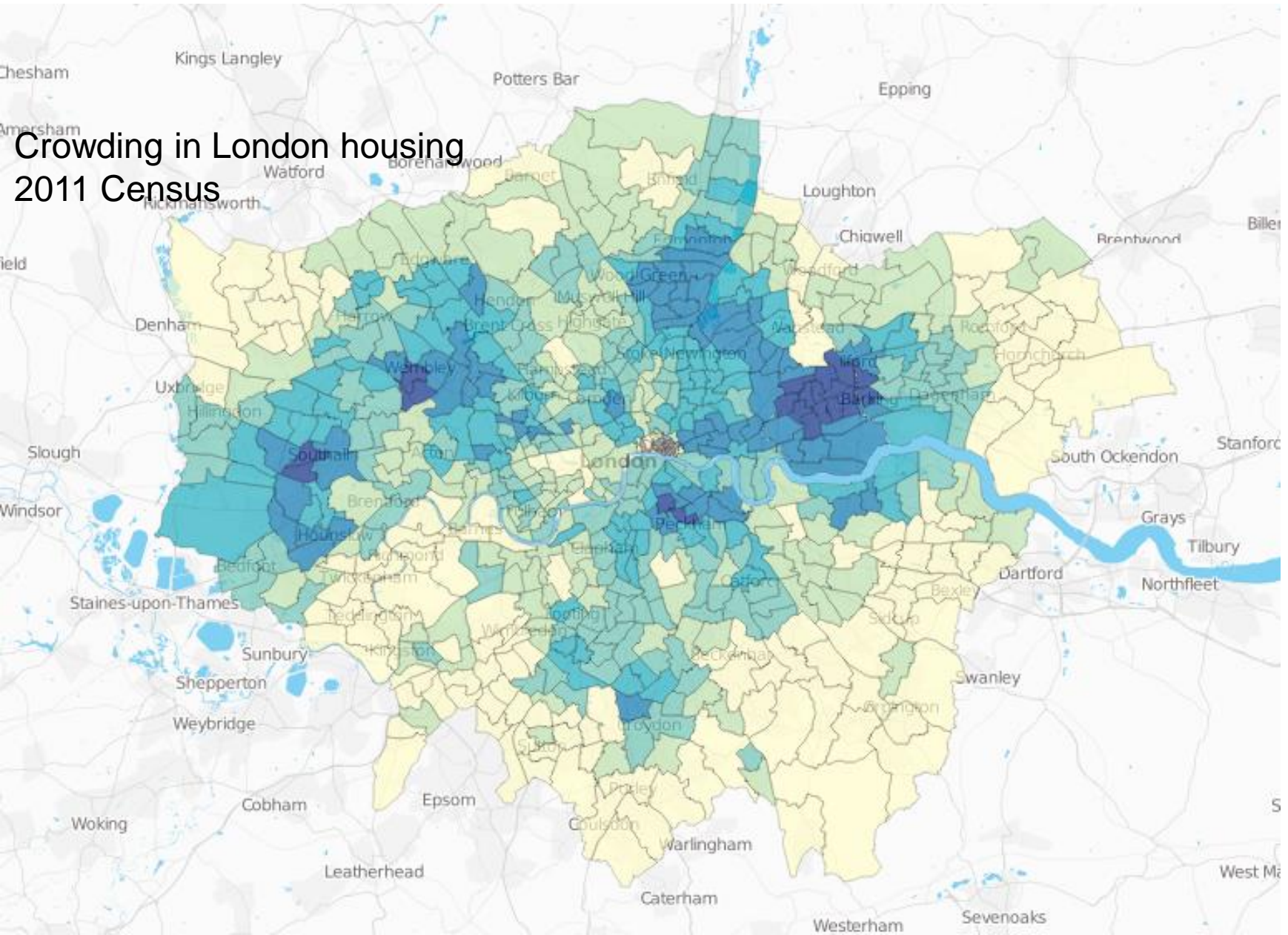


Table using data from London Plan Annual Monitoring Reports
London Tenants Federation 2014

Crowding in London housing 2011 Census



London's overspill

- This from NLP planning on London's prospective housing overspill in next 10 years (evidence to FALP 2014)

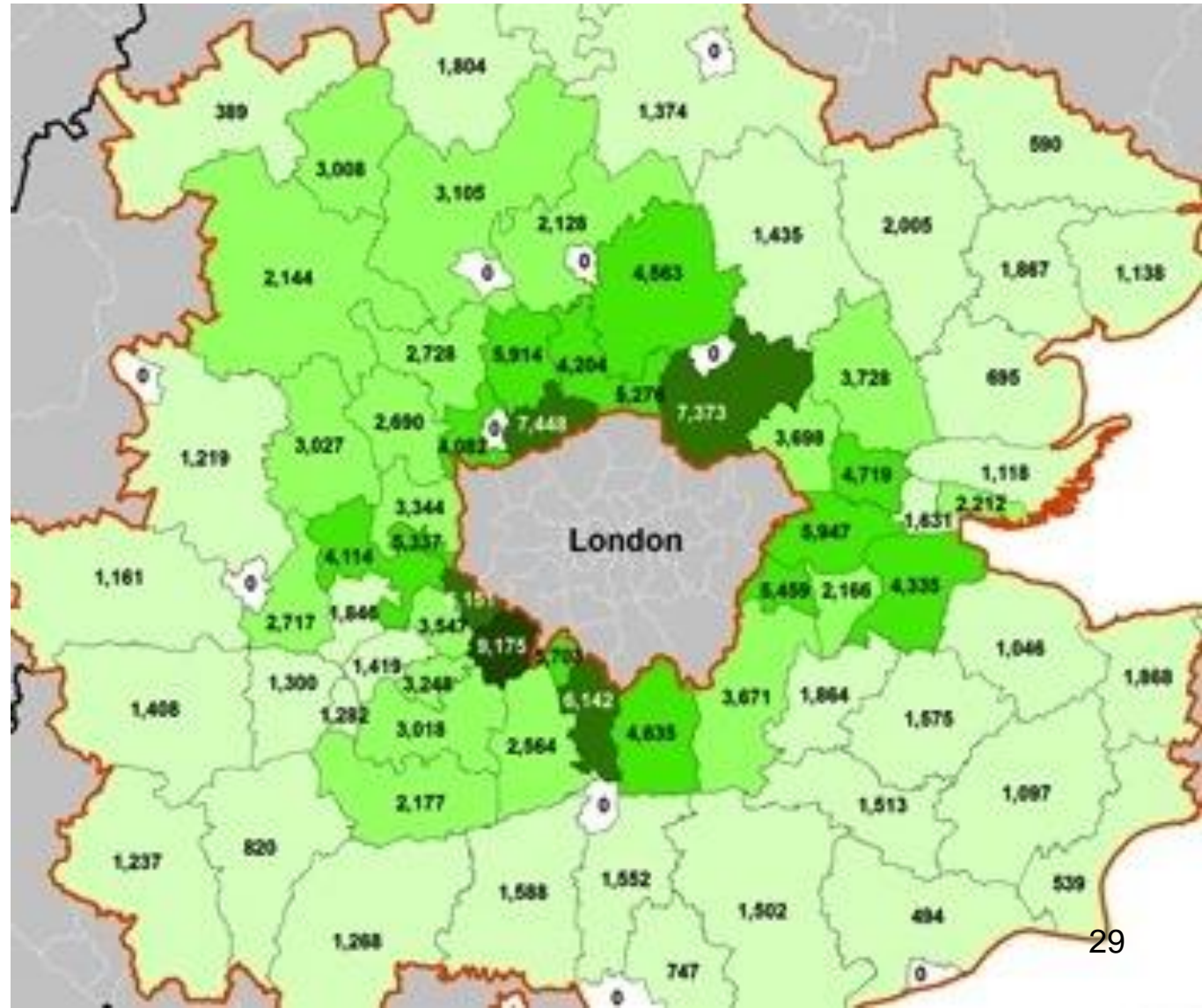
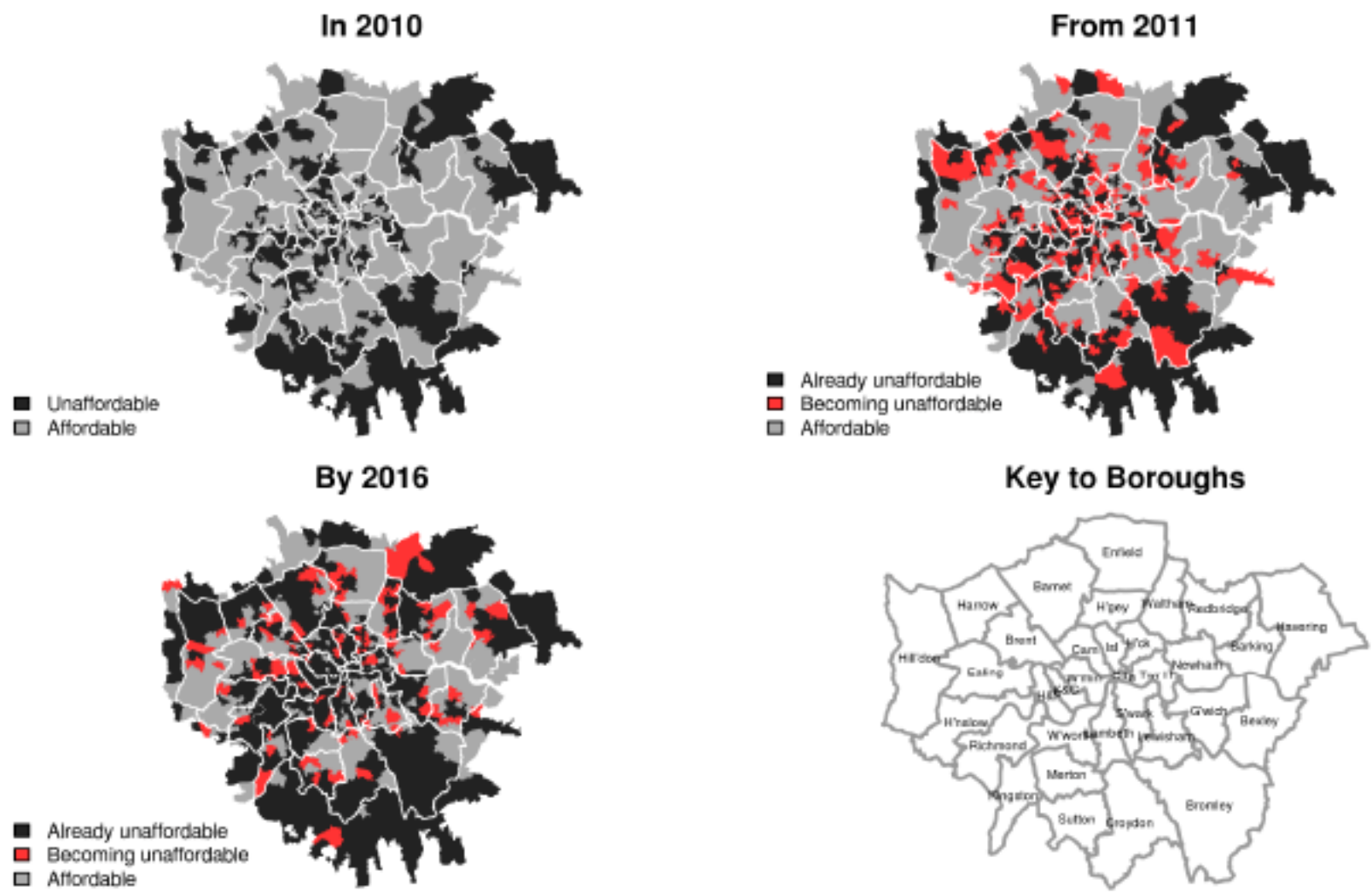
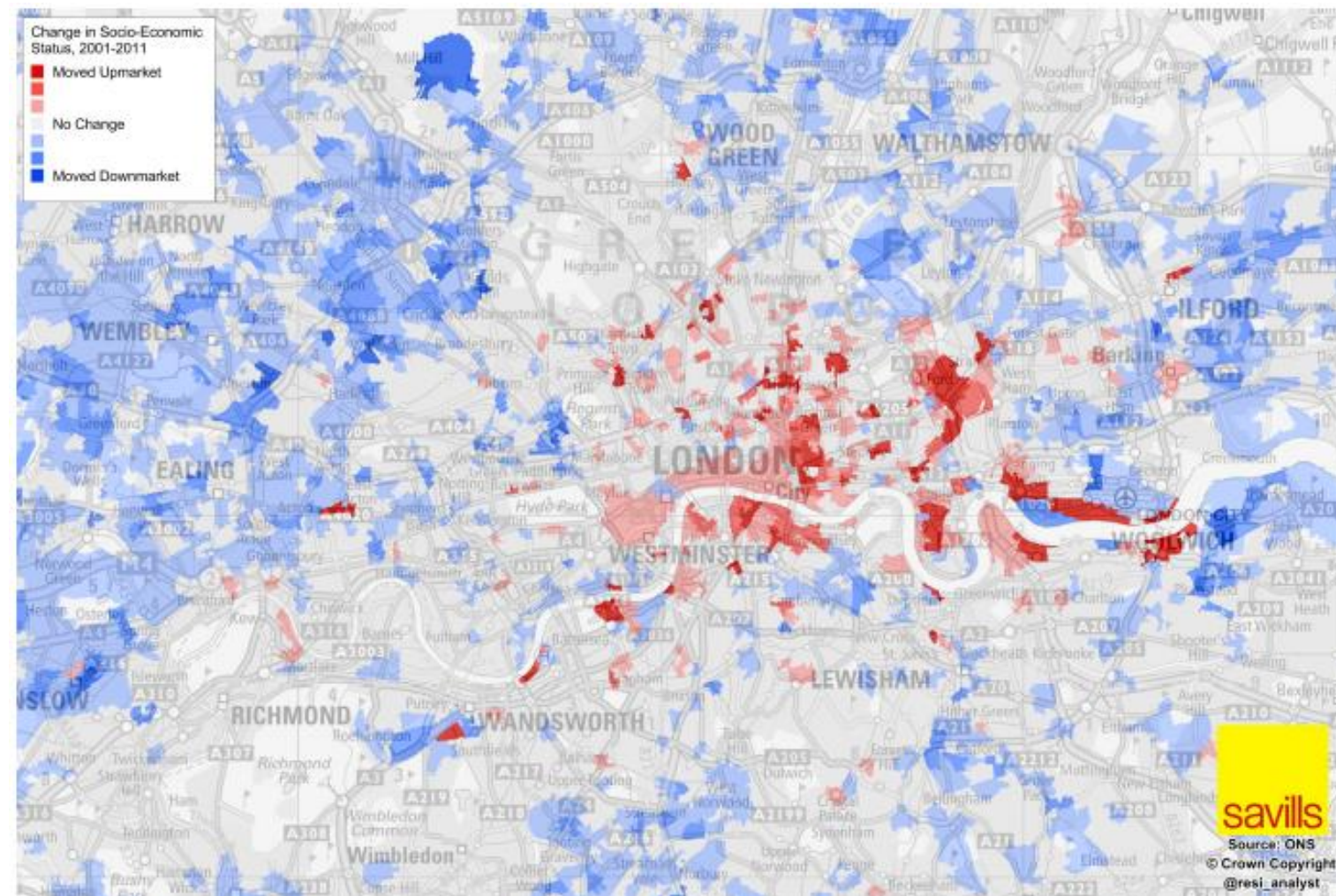


Figure 2: Map of main estimate of London neighbourhoods that will be largely unaffordable to LHA claimants in 2010, 2011 and 2016



Source: Author's calculations as described above, based on 2-bedroom rents and LHA rates, rental inflation 3.5% per annum

Change in occupational composition of residents 2001-11 (Neil Hudson, Savills) who has identified similar shifts in other UK cities too.



The future: *do nothing, muddle through, 'normal'*

- Risk of bubble bursting is real
 - risk to stability of banking
- Expulsion of lower-income people
 - Stretton's 'bantustans' / increased segregation
- Expulsion of uses other than market housing
- Continuing dominance of London / SE
 - infrastructure ££ pre-empted by London
- Damage to “competitiveness” of economy
- Social Security (HB) costs (esp of London/SE)
- Insurrection triggered by housing / finance
 - (note the international and tenure differences)

Possible changes in 45 years...

- Salaries and valuing work could change
- De-growth, post-growth (growth of **what?**)
- Stabilising rents & prices: put “ladder” flat on ground
- Land reform
 - Including wealth and property taxes, LVT, CPO valuation, zoning
- Collective services and commons
 - Including re-creating non-commodity housing
- Geographical divergence
- Making better use of existing housing stock
 - a bit of the Tunstall /Dorling ‘solution’

Finally...

See the housing crisis as part of crisis-prone society

Danger of simple blame, nostrums

Immense struggles under way

Land, rent and property ownership at the heart of it.

- How can it be that, on the one hand, we have an extremely 'high-value' built environment and its value has mushroomed in recent decades, generating massive profits and capital gains (rents) amplifying inequality while many of us are inadequately housed, space standards are low, value for money poor, funds for social and physical infrastructure and services can't be found and the environmental performance of the resulting settlement pattern is substandard? It is a dreadful paradox, a severe contradiction.
- Put like this, however, it is clear that the problem could be solved. There is lots of money being spent on housing and more of it could go on what we need — good quality, well-designed, affordable housing with good services, environments and workplaces — less being distributed as profits and capital gains/rents.
- It is as though there were two kinds of tax in the society: one paid to the state and local authorities for public services, the other paid as rent to landlords, financial institutions and established owner-occupiers.
- The future has to be different from the past. How it could be done is the subject of the report.

more

- GO Science Foresight Cities report is at
- <https://www.gov.uk/government/collections/future-of-cities#working-papers>
 - Or short link
<http://bit.ly/UMIP6W>
- Discussion and links are on the web site
Society could do housing and planning better
societycould.wordpress.com
- Contact m.edwards@ucl.ac.uk