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# **“Assessing the impact of the Housing White Paper on the ‘broken market’....”**

*Dr Martin Field, Honorary Associate, Centre for Comparative Housing Research,  
De Montfort University, Leicester, UK , [martinfield.dmu@gmail.com](mailto:martinfield.dmu@gmail.com)*

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## **Accepted abstract : Assessing the impact of the Housing White Paper on the 'broken market'**

This paper considers the main thrust of the UK government's recent White Paper looking to implement further changes within the housing sector, and evaluates whether the increasing 'financialisation' of this sector is seen as fundamental to how the market is 'broken' or merely a matter to be accommodated. Attention will be given to each of the four main chapters of the White Paper dealing with the planning and building of new homes and ways that the market could be diversified to help people, in order to reflect upon the potential for the Government's proposals to impact upon what has become central to UK housing attitudes and housing investments. Finally some opinions will be offered on whether or not the proposals will be capable of 'fixing' the UK market, or whether they will merely shore up the expensive excesses of the sector as before.....

Themes of this paper

1. The UK context of housing's 'financialisation'
2. The key premise of the 2017 Housing White Paper
3. The likely outcomes of the Government's proposals
4. Reflections on *fixing* the 'broken market'

*“First musings on an infinite theme.....”*

## Standard influences on the 'housing market'

<http://www.economicshelp.org/blog/377/housing/factors-that-affect-the-housing-market/>

1. Economic growth and levels of income
2. Employment / Unemployment
3. Interest rates
4. Consumer confidence
5. Mortgage availability
6. Housing supply

## The 'financialisation' of housing markets

The Financialization of Housing: A political economy approach (Routledge Studies in the Modern World Economy), [Manuel B. Aalbers](#), 2016

”..... the increasing dominance of financial actors, markets, practices, measurements and narratives. It also refers to the resulting structural transformation of economies, firms, states and households ....[and] the centrality of housing to the contemporary capitalist political economy and places housing at the centre of the financialization debate.....”

## 'Financialisation' and Neoliberalism

“The new paradigm was mainly based on the withdrawal of states from the housing sector and the implementation of policies designed to create stronger and larger market-based housing finance models. The commodification of housing, together with the increased use of housing as an investment asset within a globalized financial market, has profoundly affected the enjoyment of the right to adequate housing”

Raquel Rolnik - International Journal of Urban and Regional Research (2013)

## Linking 'Financialisation' with market fluctuations.....

A focus on certainty and security of financial returns

Deliberate maximisation of wealth / resources through:

- Newbuild receipts
- Rental revenues
- Value from selective regeneration / stock replacement
- Value from selective purchases (attractive locations)
- Land transactions

## The key premise of the 2017 Housing White Paper

1. “The housing market in this country is broken, and the cause is very simple: for too long, we haven’t built enough homes” – W P Intro. p.9
2. “..... not enough local authorities planning for the homes they need; house building that is simply too slow; and a construction industry that is too reliant on a small number of big players” *ibid*...
3. Too few homes means rising prices ..... problems for house purchase ..... rising rents for the alternatives ..... unsustainable levels of income to housing costs .....
4. So..... strengthen the planning and building of new homes and increase ways that the market could be diversified to help people .....



## Key themes of the 2017 Housing White Paper

Key problems identified by the W P :

- 40 per cent of planning authorities do not have appropriate plans
- the pace of development (post-permission) is too slow
- large bodies in the housebuilding market dominate supply

Key solutions are structured under:

***“Planning for the right homes in the right places”*** – plans / needs assessments / available land

***“Building homes faster”*** – infrastructures / certainties / accountabilities

***“Diversifying the market”*** – SMEs and smaller builders / new affordable definitions / innovative construction

***“Helping people now”*** – ownership products / reduced fees / longer tenancies

Views on the White Paper.....

Stewart Baseley (Chair, HBF)

“Plans to speed up the planning process, bring forward more developable land and make Local Authorities abide by their responsibilities are key. If we are to build more homes, we need more land coming through the system more quickly. Measures that will allow SME builders to build more homes will increase the capacity of the industry and result in increases in overall supply.”

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**Views on the White Paper.....**

**Shaun Spiers, Campaign to Protect Rural England :**

"Builders must build, not just sit on land. We look forward to seeing the Government's plans to turn unused planning permissions into homes, and brownfield sites regenerated to bring new life to towns and cities.....If the focus is on genuine need, achievable targets and good quality design that fits with the local environment, we can build the homes the country needs without losing further precious countryside..... Until local authorities are able to set realistic and deliverable housing targets, with an emphasis on meeting genuine need rather than aspirational demand, the countryside and Green Belt will continue to be threatened by poor quality and speculative development."

## Views on the White Paper.....

Guardian Editorial, 7 February 2017:

Mr Javid is wrong suggest the housing crisis is all about supply rather than demand. This leads to a familiar prescription: loosen the planning system and help [new entrants to challenge the big firms](#). This does not square with the fact that 270,000 homes a year are given planning permission but less than half are built. [The shares of the biggest housebuilders jumped](#) – a signal that the plans are commercial opportunities, not threats. What the government is promising is denser, smaller housing units in city centres. A lack of space can compromise the needs many take for granted and have detrimental effects on wellbeing. Smaller homes with more insecure forms of tenure, where there's little protection from the unscrupulous..

Taking the W P at face value.....

- W P figures Annual supply @160,00 / annual need 225-275,000  
= *Annual* additional shortfall 65,000 -115,000
- Using 90,000 as yearly shortfall, 2000–2015 deficit is 1.35m
- To reclaim this in 15 years requires 250,000 new supply + 90,000 yearly

The yearly deficit total would be:

After year 1	1.26m
..Year 2	1.17m
..Year 3	1.08m
..Year 4	0.99m
After year 5	0.90m etc.....

## Questions to pose about newbuild outcomes .....

- How achievable is a rise in supply like 345,000 new units each year?
- When does reducing the overall unit deficit make a difference to prices – at what deficit is an effect felt?
- What has happened in the meantime, in the intervening period?
- What about contemporaneous areas of housing market activity?

**Key points for reflection (1) - what is not in the W P.....**

1. Minimal sanctions in W P against start-on-sites and then inactivity...
2. NPPF priority given to 'scheme' viabilities to continue
3. No reduction in Government pressure to raise 'affordable' rents
4. Longer rental tenancies only proposed for newbuild properties
5. No limits to acquisition of second homes
6. No new funds for action on Empty Homes
7. No absolute restrictions on resales of subsidised 'ownership' products

**Key points for reflection (2) - most likely outcomes**

1. Trend of increased supply to continue
2. Increases in prices to continue
3. Increases in rental costs – affordable and private
4. Uncertainties with employment
5. Increases of percentages in rental provision
6. Increased urban densities of smaller-sized units



**Key points for reflection (3) – what the W P represents.....**

1. The guiding premise of the W P is that housing prices will only be influenced by public and investment activity in the 'housing market'
2. Minimal recognition of the impacts of previous government policy on strategic planning and the subsequent nature of newbuild supply
3. The 'investors' sought by the W P proposals do not include the households resident in them – the clear focus is institutional bodies
4. There are minimal ideas for changing the circumstances of households with high outgoings, besides seeking 'better' property.....
5. The drive for greater densities and acceptance of smaller homes will consolidate its inflationary impact on land costs

**Key points for reflection (4) – what will not be ‘fixed’**

1. Continued inflation of property prices
2. Massive rents draining household income
3. Inflationary land costs
4. Speculative investment and challenges to local democratic plans
5. The provision of homes unsuitable for family life or long-term abode
6. Wastage of stock and local inflation from second homes

## Key points for reflection (5) – some alternatives

1. Regulate to control price inflation – ***covenants on sale prices & rents***
2. Challenge the primacy given to land-owners' and developers' interests, especially to the discredited notions of 'viability' – ***plan-led prescribed levels of tenure and cost, with no discretion***
3. Direct household disposal income away from high rents to alternative construction and investment costs – ***short term cash flow loans to fund alternative provisions***
4. Stimulate the use of alternative Housing Investment bonds that can be vehicles for wider public investment, to replace private rental provision – ***to be managed by non-profit making bodies.***
5. Reduce empty properties & second homes - ***owners must reside***

### Summary

1. The 2017 White Paper is focused solely on how new housing supply will meet all current ills in the sector, to the detriment of other issues
2. The logic behind increasing newbuild supply to counter inflationary pressures is hopelessly imprecise and overly-optimistic.
3. The White Paper is only likely to 'fix' the position in the UK housing market of its current leading beneficiaries.
4. The minimal links made between the Housing White Paper and the consequences of housing's 'financialisation' will mean that what is truly 'broken' will not be healed, and imbalance in the *status quo* will not be broken .....

## Key references

1. Aalbers, M.B. (2016) *The Financialization of Housing: A political economy approach*, Routledge Studies in the Modern World Economy, UK
2. DCLG (2017) '*Fixing our broken housing market*', Presented to Parliament by the Secretary of State for Communities and Local Government, February 2017, HMSO Cm 9352
3. Rolnik, R. (2013) 'Late Neoliberalism: The Financialization of Homeownership and Housing Rights', *International Journal of Urban and Regional Research*, Volume 37.3 May 2013 p.1058–66
4. Risager, B.S. (2016) Review of *The Financialization of Housing: A political economy approach*, 'Antipode – A Radical journal of Geography', October 2016.

*Thank you  
for listening*

**Questions  
&  
Discussion**