

DANNY DORLING

All that is Solid
The Great Housing Disaster



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I

Crisis

If people hoarded food on the basis that its value was sure to go up when others began to starve and would pay anything, we would stop their hoarding. But hoarding is now happening with shelter in the most unequal and affluent parts of the world. Increasingly it is the financing of housing that is our biggest problem: the mortgage or rent, the bills and the inequitable taxes.

When we talk about our housing and wealth, ultimately what we are talking about is our freedom. When a great disaster looms in housing so, potentially, does a disastrous loss of freedom. We become less free of fear of the future. We become less free in our ability to choose where we live, and less free than those in countries not suffering a housing crisis.

Lack of access to housing, a growing sense of insecurity over how we are to be housed, is lack of access to the freedom to feel secure; it constitutes a growing restriction on the right of the majority to be free to live a good and safe life.

In the past in the UK we had greater freedom over where we could live. Fewer areas were too expensive to live in, and there were fewer areas that you would desperately try to avoid living in. Far less of our income was spent on housing, and we did not need to rely on our homes to provide us with financial security in our old age.

In the last five years our dependence on housing for our economic survival has become starkly apparent. Our national economic well-being appears so tightly entwined with the housing market that the Chancellor of the Exchequer devoted the majority of new financial commitments in his March 2013 budget to measures intended to

boost the housing market, trying as hard as he could to sustain high and rising prices in the south of England.

Almost everywhere in Britain rents are rising, but in many places outside of the south of England housing values are continuing to fall. Housing has become a problem for everyone. While it is an acute problem in England as a whole, it is especially so in the south-east and south-west for those who do not own, who want to rent or who are trying to buy but then have to pay back huge mortgages.

Housing is a national obsession in the UK because housing equity represents as much as 61% of England's net worth, or around £4 trillion.¹ That may even be an underestimate. According to alternative estimates, if Wales and Scotland are included and non-mortgage debt secured on housing is excluded, this figure rises to £5.5 trillion.² The exact value of our housing stock depends upon when you value it; whether you subtract the value of additional loans secured on property (i.e. loans other than primary mortgages); and whether account is made of depreciation. But, whichever way you measure it, 61% or more is an astonishing proportion of the UK's national wealth.

How did housing come to represent such a huge percentage of the UK's net worth? Is the fact that the majority of our savings are tied up in our homes precisely why governments feel unable to tackle the inequities of the housing market? How did the British come to have so little in their pension pots, so little in their savings accounts, such miserly state pensions and hence, for many, so much financial interest tied up in their homes? And what future is there for all those who haven't bought or who aren't planning to buy housing, for the renters – a large and growing majority of young adults – and for the equally large and growing group of those who are precarious purchasers? This last category includes people who have tried to buy with a mortgage but at some point have been forced to give up and move back into renting or living with family or friends; among them are increasing numbers of hoodwinked 'consumers' who, over the course of their lives, take out several mortgages but never complete payments on any.

Over-reliance on housing for financial security in the UK accounts for the obsession of our newspapers with housing. There are many exaggerated media responses to even the smallest rise or the slightest dip in house prices. In 2010 this obsession resulted in small dips in

housing prices generating headlines such as 'UK "value" falls by £94 billion'. During 2009 the apparent fall in the value of Britain's homes accounted for most of a large decline in national wealth, a decline equivalent to the annual costs of running the NHS.³

The decline in national wealth was apparent, because most potential sellers simply did not try to sell at lower prices. Transactions on the open market halved in the years following 2008. It was also only apparent because there is little other than market confidence, political intransigence and planning tradition holding prices up at all. Had the journalist involved consulted another source, he could have reported UK 'value' falling by over £1 trillion a year earlier!

The fall in national wealth of over £1 trillion was in the year to 2008, and most of that huge decline was due to the falling value of residential housing.⁴ Over £1 trillion is a ten times larger collapse than £94 billion, but for much of the press a big number is simply a big number. The big numbers can also spoil all those stories about small fluctuations, concentration on which adds credence to the myth that prices are relatively stable and that what has happened recently to the British housing and rental markets is unusual, local and will not be repeated or protracted.

When the housing market stalled in 2008, private builders largely stopped building. Government then stepped in with schemes to try to boost the supply of new housing. However, by 2012 figures for government-assisted home-building revealed that the number of what were called 'affordable housing starts' for 2011-12 had resulted in just 15,698 properties being built nationally in an entire financial year. This represented a 68% fall on the figures released for the previous year.⁵

By early 2013 the housing starts figures had worsened still further. But the drop in subsidized building became evident only after Andrew Dilnot, the Chair of the UK Statistics Authority, castigated the coalition government for its earlier misrepresentation of housing statistics and demanded that clearer statistics should be presented.⁶

By the end of summer 2013 the satirical magazine *Private Eye* was noting how Grant Shapps, the Conservative Party Chairman and recent Minister of State for Housing, appeared to be strangely quiet about the possible benefits from house prices once again rising in the

south of the country. The magazine's writer noted that in 2011 Shapps had suggested that price stability should be the aim of government policy, by which Shapps meant prices rising by 2% less than earnings.

In 2012 and 2013, as average earnings fell, national average housing prices rose. Shapps's 2011 suggestion that people should 'see their homes as places to live rather than as investments'⁷ began to ring hollow. Landlords and the very rich were investing again, especially in the south of England. Shapps had hardly expanded the social rented sector at all; hardly any affordable homes had been built. But this wasn't some mistake or a cock-up: when the last few years were examined afresh, it became clear just who had taken advantage of others, what they had wanted to achieve, and who had aided them in their efforts.

‘GENERATION RENT’

The stark drop in younger people owning a home presents a long-term challenge for all political parties but especially the Conservatives. Research shows that private renters and people living in social housing are less likely to vote Tory.

– Nick Faith, Policy Exchange researcher, 2013⁸

By 2013 it had become evident that what the UK government had planned was not an expansion of social housing construction. What it had wanted, and got, was a massive expansion of the private rented sector. This was achieved not through new building, but through private landlords buying homes that had recently been vacated. In many parts of the south-east of England private landlords now own the majority of houses on streets that until recently were home to families with mortgages. In autumn 2013 the Prime Minister countered criticism of this very recent trend, saying that he would ensure it became easier for ordinary families who were renting to take out massive 95% mortgages, but he did not explain how they would ever be able to pay back the borrowed money.⁹