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## Bubble trouble: Danny Dorling's new book on the problem with London's property market

Property fever means rents are rising 10 per cent a year and the average house in Hackney goes for a cool half million — the system is clearly sick, says a new book



With prices so out of whack with our incomes, the amount of houses that each of us have 'got' has little to do with merit or graft (Picture: Paul Dallimore)



**RICHARD GODWIN**



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So how many properties do you own? When a reporter from the Times asked David Cameron in 2009, our future Prime Minister found it weirdly difficult to answer. There was the one in North Kensington, plus his constituency home in Oxfordshire... Didn't his wife Samantha also have property in Cornwall, and maybe in Shropshire somewhere? He seemed unclear.

Then he began to worry how his ignorance might come across. His parting shot? “Do not make me sound like a prat for not knowing how many houses I’ve got.”

Danny Dorling uses the exchange as the epigraph to a sub-chapter in his new book, *All That Is Solid* — the most lucid and urgent account of the UK’s housing crisis you’ll read this year. It deserves a place at the top of Cameron’s reading list. In fact, one would like to hand-deliver it to every minister. It is very hard to read it and retain any confidence in the Government’s housing policies. “Sometimes it is tempting to suggest that policymakers should simply look at what the current Prime Minister is suggesting and do the opposite,” Dorling notes.

A professor of geography at Oxford, Dorling has become something of a cult figure in recent years for his publications on population and inequality as well as his incisive TV appearances. However, he established his academic reputation at Sheffield as an obsessive number-cruncher. His ideas are testament to years spent away from the London-centric media, deep in census figures, tracking not only how demographics have changed but how attitudes have shifted too.

It is hardly news to Londoners that housing is unaffordable for too many of us. It’s perhaps the most anguished of family discussion topics, the rantiest of pub conversations. The average British home now costs five times the average income. Perfectly ordinary two-bedroom homes in Islington go for more than £1 million, and equally ordinary flats in New Cross sell at over £100,000 more than the asking price. The average cost of a house in Hackney is half a million pounds. With prices so out of whack with our incomes, the amount of houses that each of us have “got” has little to do with merit or graft. As Dorling observes, it depends on luck and greed. When and where you were born. Who your parents are. Whether you are part of the top 10 per cent, 1 per cent, 0.1 per cent... or none of the above.

If you are a speculator using London’s grandest homes as real-life Monopoly pieces, you may have 10 or 20 properties lying derelict in Hampstead and Kensington, or perhaps large tracts of Docklands you are sitting on until values rise. Last week’s *Evening Standard* investigation found more than 700 “ghost mansions” in London — £3 billion worth of property housing no one, barely touched by the taxman, storing up future profit all the same.

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Then again, if you are a politician in a position to legislate against this behaviour, it’s likely that you’ve “got” two or three homes of your own: one in your constituency, one in London, maybe a couple of family piles plus the odd buy-to-let in Bristol, bought to secure your child’s future? If you’re a well-off babyboomer, perhaps you have two homes, one to live in, one that you rent out to a nice young couple for a bit of extra retirement income.

If you're a slightly less well-off babyboomer, perhaps you just rattle around the old family home and worry about when your thirtysomething daughter will vacate her old bedroom and whether you'll have to downsize when you retire.

If you are a member of my generation, it is likely that you own zero homes, pay more than half your wages to a private landlord and face eviction unless you can cope with rent rises of 10 per cent per year. Or perhaps you are one of nearly two million on social housing waiting lists, or one of the five million claiming housing benefit, in which case you probably feel as if you have less than zero. Housing benefit claims have doubled since 2007 as rents have risen and median wage has fallen — and as Dorling reminds us, this is a benefit paid by the Government direct to private landlords, £20 billion from you the taxpayer to the profit of speculators. George Osborne's plan to cut the bill is not to increase wages or reduce rents but to prevent under-25s from claiming it — as clear an example of his attitude to the young as you are likely to find.

"What makes the current situation so infuriating is that it has been created by rising greed and selfishness, not by some national emergency or natural disaster," Dorling notes. "It is not that we have had more children and they no longer fit into our homes, that the building and extending of housing has not kept pace with population growth ... It is that a few people have chosen to make what was not necessarily a great housing system worse, and the effects are felt far and wide."

As Dorling makes clear, such a volatile market doesn't even work well for the supposed winners. He sees the property "ladder" as little better than a Ponzi scheme, a speculative bubble where the profits of those at the top depend on the input of those at the bottom. My wife and I managed to buy a flat in Haringey last summer, only with great sacrifice from both sets of parents plus 10 years' worth of our own savings. Never mind the property "ladder". It felt a little like we had stacked all the family furniture into one teetering tower, climbed to the top and attempted to leap onto a malfunctioning helicopter. Now our mortgage payments plus bills and taxes take up well over half of our income. And yet we're the lucky ones.

I contacted our estate agent, who told us that if he was selling our flat now —six months on — he would put it on the market for 25 per cent more than we paid. That means, in half a year, it has "earned" almost three times what my wife and I did. "Congratulations," he said. Such is our reward for a fluke of family circumstances and timing. And yet it feels so illusory. We are 30 years away from paying the mortgage off. I'm newly terrified of interest rate changes. Why does the so-called "free market" leave so many of us feeling so constrained, anxious and guilty?

Dorling's anger at our legislators is palpable. From the "vile" bedroom tax that overwhelmingly hits poor, disabled children, to the "Help to Buy" scheme that mainly helps property investors, the Government has penalised the losers and subsidised the winners. However, he also disagrees with the general consensus that we should simply "build" our way out of the crisis. There is no need to relax planning laws or to asphalt the Green Belt. We actually have more bedrooms per head than ever. We simply use them very inefficiently. Think of those billionaires on The Bishops Avenue. Think too of all our loft conversions, second homes in Devon and babyboomers rattling around in empty nests.

In any case, increasing housing "supply" is a limited solution, since the principle of supply-and-demand does not work for such a large, fixed commodity as housing. All

of the latent demand is concentrated in those who can't afford it; we move houses too infrequently ever to master the market anyway. "Markets work as efficient distributors of resources only when people can opt out of them, when customers can say they want none of the above," writes Dorling. No one would ever choose to go without a home.

Dorling's solutions are at once simple and radical. Self-interest has not always governed housing policy. Back in the Thirties, when Britain faced a similar crisis, the Government recognised that it had a duty to house its citizens and acted accordingly. Now our rulers point to the greed of the few and ask the rest of us to imitate. We needn't. Imposing a land-value tax on developable land would discourage land hoarding and create funds for investment. We could reintroduce compulsory purchase orders on property left vacant for six months; reform our crude council tax system; introduce a "right-to-sell" to protect mortgagors who cannot keep up payments; bring in rent controls to penalise rogue landlords while bringing the housing benefits bill down.

To do any of this, though, we need a culture change. A little imagination. A tiny bit of decency. Quite simply, as Dorling notes: "People need to stop thinking of decent housing as something only a few deserve and recognise it is something we all need."

*All That Is Solid, by Danny Dorling (Allen Lane, £20).*

