

A new vision for housing

There is growing agreement amongst politicians and their advisers that housing is a central part of the new political battleground. Years of inviting in large numbers of people to live and work in our country against a background of building too few new homes for them and for the natural growth of the settled population has left us short of decent homes at affordable rents or prices.

Some years ago there was a strong establishment view that the UK needed to be more like the rest of the EU with a larger private rented sector. This duly came about as a new generation of private landlords rushed to purchase Buy to Let properties. Frustrated by taxation of other savings and the restless changes made to the taxation of pension plans, many thought owning a Buy to let or two would make provision for their retirement years and represent a good store of value. The establishment visionaries seemed to think younger people would benefit from renting rather than buying, though most of them making this recommendation were safely housed in a property they had bought at much lower prices when they were young. They argued that renting was more flexible, and kept the young person free of mortgage debt.

I disagreed at the time with the view that renting was superior to buying. I pointed out renting is bound to be dearer over a lifetime than buying and owning. The longer you delay buying a property, the more rent you pay. You usually end up having to pay much more for the home you do eventually purchase. Rental agreements are not that much more flexible than buying if you sign a commitment to a longish fixed period of paying the rent. Finding a suitable rented property is not intrinsically easier than choosing a place to buy.

The Conservative party needs to commit itself anew to creating a new generation of home owners. Polling shows many people who rent would like to be able to buy their own home. The problem is they do not think they can afford to do so, owing to the high transaction costs, the need to find a large deposit, and the availability of mortgage credit. In contrast there are few people who own who would rather rent, and of course there is nothing stopping someone who owns from switching to rent if they did wish to do so.

The government can and should do more to lower the transaction costs of buying and selling properties. Lifting more people out of Stamp Duty altogether, or cutting the lower rates would help. To make the market work better the government also needs to see how Stamp Duty and CGT are impeding sales of BTL homes and larger properties owned by people who might otherwise downsize. The older generation include people who have more property than they want, reluctant to sell owing to the tax costs in doing so and buying something smaller. The younger generation includes many people who would like to buy the family homes but cannot afford to.

Getting house prices more in line with wages needs to occur at a sensible

pace. Controlling the numbers of people coming to live here each year would help by cutting demand. Encouraging more building, as the government is doing, will assist by expanding supply. The Chancellor committed himself to helping get real wages up, which also will assist. The Bank of England and the commercial banks can also help by recognising that most young people will be good risks to lend to to buy a home, just as their parents did before them.

I look forward to more positive announcements from the government on how it will transform more dreams of ownership into reality,