

# Mr Redwood's contribution to the debate on Housing Supply

**John Redwood (Wokingham) (Con):** I beg to move,

That this House has considered the supply of homes and affordable homes to buy.

Home ownership has been people's preferred way of living and enjoying their home comforts for many years. All the surveys tell us that an overwhelming majority of UK people are either pleased to own their own home or would like to own their own home, and the reasons for that are obvious. Owning a home makes people free of landlords' special rules and regulations. They are free to do in their own home anything that they wish, subject only to the rules of decency and their conduct towards other people in their home and towards their neighbours. They are also free to amend, decorate and improve the inside of their home in more or less any way they see fit, subject to safety standards, while suitable improvements can be made to the outside, subject to planning consent.

For most people, home ownership has also turned out to be an extremely good investment. Not only does a home represent security for themselves and their family, and a place where they can create and enjoy their own environment; it is a store of growing value. Since 1980, house prices have risen by 7% a year on a fairly steady basis. There have been a few setbacks, most notably during periods of recession. The last severe setback was a 7.6% fall in 2009, on the back of the banking crash. However, that tells us something very interesting: even when shares and the values of banks were crashing dramatically, the average home did not fall in value much against the background of the average steady 7% growth. It is therefore not surprising that 86% of our fellow citizens want to own their own home; it is perhaps more surprising that fewer and fewer currently achieve that goal.

Home ownership reached its peak as people's preferred form of tenure at 71% in 2003. Since then, there has been a sharp decline. Now, only 64% of our fellow citizens own their own home, according to the official figures. I submit that those figures overstate the reality. Because of the way the figures are calculated, if an adult with a job still lives at home with their parents, they do not count as a separate household. They are not in a rented household, so they are invisible in the totals, even though they are, to all intents and purposes, in a rented household under somebody else's rules, although they may not pay any rent to their generous parents.

**Dr Rupa Huq (Ealing Central and Acton) (Lab):** The right hon. Gentleman is making an interesting point. To illustrate it, I asked the Library for the home ownership figure for Ealing Central and Acton. Apparently it is 46%, not 64%. Does he accept that there is a bigger imbalance in London, and that things are worse than the global figures he is quoting? Apparently, the average price a first-time buyer pays in the London Borough of Ealing is

£490,421, on an average salary of £27,000. Does he accept that the inflated house prices in London are part of the problem?

**John Redwood:** I very much agree, and I will go on to look at how we deal with that, at the Government's answer and at what more can be done. The hon. Lady is absolutely right that the figures exaggerate the homeowner percentage. Given the way the figures are calculated, if a group of young adults co-rent and share a property, for example, that does not appear as a whole series of independent rented households, but as one rented property. The figures therefore understate the number of people living in the rented model compared with those living in the owner-occupied model, because it is measured by housing units rather than individual households. The Government should bear it in mind that we are probably dealing with more people whose aspirations are not being fulfilled, rather than fewer, because the overall 64% figure undoubtedly overstates the reality.

We all know from our own experiences that many under-35s not only cannot afford to own a home, but find it extremely difficult to afford a rented home in London and the south-east because rents are extraordinarily high. They may still live with their parents, but it would not be their preferred way of proceeding; it may not be their parents' preferred answer either, but family loyalty and love come before individual preferences, given the financial positions people find themselves in.

That decline in official home ownership—from 71% to 64%—is more pronounced when looking at the age-related figures. According to the official figures, 54% of under-34s owned their own house or flat in 1996, but that fell to just 34% by 2016. We have gone from a majority of the under-34s being able to afford their own home—so we know it can be done—to a minority of around a third in the more recent figures.

For most people, the financial case for owning is extremely strong. By definition, at the moment it may be cheaper to buy a house and pay a mortgage at very low interest rates than to pay rent, because rents are so high. Looking at it over a lifetime, it is obviously much cheaper and better to make the effort and buy a house, if people can, because they may have only 25 years of paying the mortgage, whereas they may have 50 or 60 years of paying rent, which will cost an awful lot more. Rent is a good way to keep people poor.

**Siobhain McDonagh (Mitcham and Morden) (Lab):** To give the right hon. Gentleman a picture, in my office in Portcullis House, I have Ross, who bought his own home and pays a mortgage of £600 a month, and Dan, who pays £650 a month to rent a room in a flat. For the first it is an investment; for the second it is an impediment to ever owning his own home.

**John Redwood:** That is a very powerful individual illustration that bears out my general point that maybe half of people today would be no worse off month by month if they were able to get a deposit and buy a property, compared with renting. If we look forward 30, 40 or 50 years, they should be massively better off, if for no other reason than that the mortgage stops once it has been repaid, whereas rent carries on.

Worse still is the cruelty of renting for those in old age, when the rent will be at its maximum, because rents are likely to carry on inflating as they have done in recent years. Not only is rent paid for many more years, but people are charged the maximum rent when they are deep into retirement and least able to pay it, and when they will worry about how far their pension will stretch to meet their daily bills. That leaves out of account the possibility that, if someone buys a property, its value will go up, which is an added bonus. As I pointed out, that has been true since 1980. It might not always be true, but if it were true again over 25 years, the owner is the double winner: they pay less by purchasing rather than renting, and their asset rises in value.

That rise in value gives homeowners more freedoms. If they buy early enough in life, that asset is there, normally rising in value, as possible collateral if they want to raise a loan for some other purpose—to help their family set up a business or whatever it may be—but it is not there for the person in rented accommodation. It is undoubtedly true that a person who manages to buy a property is, rightly or wrongly, usually treated as a better proposition for loans and business activities, which is another injustice for the person continuously paying rent.

I detect some cross-party agreement, which is excellent, that home ownership is the preferred form of tenure for many people—for very good reason—and that we need to make more efforts to get people into it, to deal with their high rental costs.

**Siobhain McDonagh:** Does the right hon. Gentleman agree that the other advantage of owner-occupation is security? In the private rented sector, where an increasing number of families with children are living, a landlord simply needs to secure a possession order for eviction. That has become the main route for the eviction of families, leading to children being insecure and living in temporary accommodation, far away from their homes and schools, with all the consequences that holds for public services.

**John Redwood:** I entirely agree, and I mentioned security for families at the beginning. That is a point well made.

We need to ask what we can do. House prices in many parts of the country, most especially in London and the south-east, are extremely high, and it is very difficult even for someone on average earnings, let alone below-average earnings, to raise a sufficiently large deposit, meet the requirements to raise the loan and meet the interest payments on it. One driver of these very high house prices is undoubtedly the big imbalance between demand and supply in housing. I know the Government accept that and are trying to work on the supply side. If more houses can be produced, all other things being equal, that should help ease the house price pressures.

There is also the question of demand. I think all of us wish to be generous to refugees and to invite in people of talent who can make a good contribution to our community. There is everything to be said for allowing companies investing here to bring in their executives and so forth, but Government Members feel there has to be some control on overall numbers. When we are being generous, as we should be, we have to take into account the

strains being put on the housing market, which may mean that the people coming here cannot get the quality and price of housing that we would regard as important for the lifestyles we wish for all the people in our country.

We need to look at the number of people who need housing vis-à-vis migration, as well as supply. I know the Government are considering that and will be freer on it in due course, once we come to debate in the House of Commons a UK migration policy that meets demands for decency and labour mobility for business, but that also understands the stresses placed on housing and other services if we have very large numbers. Those stresses run the risk of us not being able to offer people the standards we think are appropriate for anyone settled here in our country.

The Government have attempted to tackle the housing problem by driving the construction of more homes and to tackle the issue of affordability by working particularly with first-time buyers on how to get the first deposit and raise sufficient money to buy what are expensive properties. I welcome the Government's initiatives. They are all well-intended, and some have been doing good things. My main purpose today is to raise two questions. Can the initiatives that already exist be beefed up and better advertised, so that we get more people to use them? It is still slower than we would like. Secondly, are there new initiatives we should add to them, given the general imperative to get on with solving the housing scarcity problem in general and the shortage of affordable housing to buy in particular?

Through the help to buy ISA, the Government are offering a £3,000 top-up to someone who can save £12,000 for a deposit on a house. Although £15,000 is a lot of money for someone on a low income who is trying to save, it is not a lot of money for a house deposit. I wonder whether, through the Minister, the Chancellor might think a little bit more about those figures. The more help that can be offered, the faster someone can get a deposit and the better that is for their ability to access the housing market.

The Help to Buy equity loan scheme is admirable, but it is limited to new homes only, and I wonder why. Most people buy a second-hand home. By definition, the stock of those homes is massively bigger than the new supply in any given year. I know it would be a lot more expensive if we opened up the scheme to a wider range of houses, but it would also be a lot more useful, because many people buy a second-hand home as their first home. Indeed, for some, the pleasure of buying a first home is in buying a second-hand home that is not in great shape, so that they can put their stamp on it. It may be a way to have a more affordable home, because they may wish to spend their own time and effort on improving the house, rather than spending money to get others in to improve it for them. It might be worth looking at whether we can provide more of a bridge for people who want to buy second-hand homes.

The affordable housing fund was set up to generate more construction of affordable housing. Again, that is a great initiative. I would like the Minister to give us more up-to-date information on how many homes that scheme might achieve and what the current approved build rate under it is. One issue with the affordable housing fund is the cost of building the properties and

the quality to which they are built. I am all in favour of really good-quality construction, and modern homes are built to a much higher standard in many ways than older homes. However, one way to match the need for higher quality and affordable cost may well be to build on the initiatives of the house building industry, by having more construction in the factory before things are brought to site. None of us wish to recreate the old prefabs. They were a necessary and welcome development in the immediate post-war crisis, when so much of our cities had been devastated by bombing, but they are not the kind of thing we want to build today. People want elegant, well-insulated homes that meet all modern standards.

**Meg Hillier (Hackney South and Shoreditch) (Lab/Co-op):** The right hon. Gentleman talks about prefabs and the old style. In my constituency the Peabody housing trust developed as a millennium product pre-built buildings on Murray Grove. People are still living there now, and very happily so. There is a modern way of developing that could be cheaper. Does he think the Government should consider that?

**John Redwood:** I agree. There is not a public-private sector divide, in my view; it is something the private sector is beginning to adopt and needs to look at just as much as the public sector. If done well, it can improve the quality. Indeed, some of the most expensive properties that individuals can buy are modular German or Swedish houses, which are imported in kit form and put up in a week or two on a suitable piece of concrete, on a nice plot of land, at quite a high price, with extremely elegant finishes.

The reason we can both drive quality up and drive cost down is that in the factory environment we can engineer and produce the larger parts of the house to very high specifications and very low tolerances, so that they are very accurate. When the houses are then on site, they are in very good order and we do not need all the site labour. We do not have problems when it rains, because it is all being done in a controlled environment, where dust and dirt can be controlled and there are not the wrong wet or dry conditions. We can have perfect conditions for manufacturing to a high quality. The more we can achieve in the factory, and the less we have to do on site, the more we speed up the build time. Months can be taken out of the build time, and if we take out time, we take out cost.

I hope that more can be done. Persimmon, for example, is producing very high-quality homes for private sector buyers. Its Space4 factory does quite a lot of prefabrication work for a number of homes in its range. I hope there will be more initiatives. I mention that to the Government because, through their affordable housing fund, they have the money and they are the customer, as well as the final customer for the property. They can therefore use that intelligently, as a buyer, to drive the process in the way I have suggested, so that we get quality up and cost down—a double benefit.

The Government have a rent to buy scheme. I would like to hear a bit more about that and whether it can be made more generous. The idea is lower rent when someone takes on the tenancy, to give them more scope to save for a deposit. They then have the right to move in and switch from renting to buying. That is an excellent idea.

I think that the Government could do more on their own estate and on brownfields in general. That is partly a planning issue and partly an investment or encouragement issue. By Government, I mean local as well as national, because the two need to work in partnership, which often requires national Government to lead the way. A large number of properties, particularly in our towns and cities, are currently in use but are in decline, or the buildings may be empty because their use has terminated. Given the pace of change in retail, there will be redundant retail space, and given the pace of change in office employment and some industrial employment, there will be redundant older buildings. Older warehouses and industrial plants have been elegantly converted into homes, for example in docklands. When those buildings are down on their luck or become free, we must ensure that the public sector does all it can to make permits and proposals available so that people can transform them.

Perhaps the Government could look at a scheme to back individuals who want to transform a property of their own—a sort of modern homesteading scheme for which they can be given support if they want to take on a poor property—or if a group of people want to take on a larger property and convert it. We could have more action to deal with dereliction, which is often close to valuable real estate in some of our leading cities, but we need to back that with an initiative. It should not always be large companies that eventually get around to doing that and taking all the property; there may be an opportunity for individuals, smaller businesses, co-operative arrangements or whatever to take on property problems and turn them into opportunities.

On brownfield sites and in urban redevelopment there is generally scope for central and local government to have a bigger vision—some are good at that, but some are rather slow—and to use it to identify suitable sites for more affordable housing for sale.

**Dr Huq:** There is another level in London—the Mayor of London. The right hon. Gentleman was asking for more up-to-date statistics. A press release today from the Mayor announced 50,000 new affordable homes, 1,823 of them in Ealing, with two thirds for first-time buyers and one third at social rent levels. I am curious to hear from the Minister whether the Government will also commit to social rents. On the whole, does he welcome that breakdown, which might go towards counteracting the feeling of many young people that the housing ladder is being kicked away from them?

**John Redwood:** As I have said, I am pleased with any initiative that provides more affordable housing for sale. London is the centre of the crisis, because it has the most unaffordable housing for most people, but it has considerable scope for the sort of developments that I have been talking about, where there are brownfield areas or property that needs change of use or that can be extended or improved where suitable schemes could work.

I cannot sit down without mentioning my constituency, which has its own housing issues. I live in part of the country where quite a lot of people would like to buy a home. My council, Wokingham Borough Council—my constituency also includes parts of West Berkshire Council—feels that it has done more than its fair share by identifying large sites for new house

building and our building rate in the constituency is almost 1,000 homes a year, which is a very fast pace of change to accept.

The council wants two things to make that a bit more tolerable. First, it wants reassurance from planning Ministers that the housing will be in places only where the council is making provision. It is making plenty of provision, but there is a temptation for inspectors to grant permission for houses not where the council is planning, so not with the road, school and health facilities that we would like.

Secondly, as the Minister will recognise, given the phenomenal pace of change, the council needs financial help to put in the infrastructure. It is no good getting the private sector to finance a lot of new homes if there is no extra primary school, doctors' surgery or, above all, more road space, because our roads are now totally congested. The local council had to put in three new primary schools in a hurry a couple of years ago when the numbers had built up and changed rather rapidly because the new people coming in to buy the new homes had rather more family members than had been anticipated when the first forecast was run. There is a real issue with maintaining a decent quality of service and finding the money for it.

When a council or area is co-operating, the Government, in turn, should co-operate with it and local people and provide infrastructure and some sort of order and pace to the development, because otherwise the pace of change becomes disruptive and difficult and turns people against the whole idea of more housing, which nationally we clearly need. There need to be fair shares.

I obviously welcome the Government's initiatives to promote more prosperity and development in the north, because that suits us as well. We have been carrying a lot of the brunt of development and growth. Growth and jobs are welcome in many ways, but they must be at a sensible pace. We on our side of the argument would like to see fairer shares across the country, just as much as many Members representing seats further away from London would like a bigger share of the growth that the country is capable of.

Perhaps a more contentious note is the right to buy. I am an enthusiast of the right to buy because it is a good way for people to acquire their own home, but I wonder whether the access arrangements are sufficient. Why do we limit access under the right to buy to post-1997 houses in some cases? Are the discounts large enough? I do not buy the argument that selling a socially provided house reduces the supply. The number of houses remains exactly the same after the transaction with the same people living in them as before it took place; it is just that the form of tenure of the one that is sold changes and there are all sorts of restrictions on resale to ensure that they are still properly used and the system is not exploited.

Under the system we are now developing, which I welcome, if a publicly owned house is sold and someone takes out a private sector mortgage, the state gets a receipt. I want that money spent on producing another house, so that right to buy can become an ally of more housing provision because the money can be recycled. That is what developers do: they undertake a development with their capital and then sell it on because they need the capital to do the same

again and to build more houses. The state should be more agile at doing that. It should be recycling the capital and thereby fulfilling more people's wish to be homeowners by allowing them to transfer from renting to purchase.

My final comment about the state sector—it is not specifically within the Minister's remit, but is part of the general housing problem—is on the provision of service housing. I have always favoured the idea that we should try to replicate the opportunity to buy within the confines of service life. I think that the way to do that is by having a home base concept in all the services, so that a soldier, sailor or airman knows what his or her home base is and has quarters or property there.

There should be an option: either they buy private sector property nearby, perhaps with help from the Government and their services employer; or, if they are in the military estate, there should be a proxy arrangement whereby they can take a mortgage on their quarters, flat or house. They would have the financial interest in it, but they would have to sell back to the state when they cease to be in the military and would do so with the benefit of any rise in house prices by some suitable index or local arbitration. While they are in the services they would be collecting the money for a deposit and participating in the housing market, which they are otherwise debarred from by virtue of their service tenure and need to rent service property. That could help. I do not like to see people coming out of the services after 20 years with no deposit and having rented service property all their life, and then local authorities say, "Well, you're not our responsibility because you haven't lived in our area long enough or at all", so they find it very difficult to find housing. We need to do better by our service personnel.

Those are some thoughts for the Minister on how to improve and beef up the initiatives to get more people enjoying the benefits of home ownership. We seem to agree that the benefits are generally there. If we in politics can bring a bit more joy into people's lives and give more of them the things they would most like, it would be a worthwhile day's work. I offer it to the Minister in that spirit.