

# Why are house prices so high?

The government wants more houses to be affordable. There is a particular shortage of affordable homes to buy in popular areas. The government has developed policies to help people save a deposit for their first house and to raise the mortgage finance necessary to purchase. This has now helped a lot of first time buyers. Its critics say it is a further self defeating boost to the prices of the properties people want to buy, though this is an unfair exaggeration.

House prices have been driven higher by the interplay of four main forces. First, the pursuit of easy money policies through QE and ultra low interest rates has allowed people to borrow much more relative to their income, allowing higher prices.

Second, the big boost to demand, as the country finds housing for a large number of new arrivals in the recent years of high net inward migration.

Third, the relatively low level of new building as a result of the crash at the end of the last decade and the cautious recovery from the slump by house builders concerned not to overcommit again.

Fourth, the concentration of demand for rent and for ownership in London, the south east and a few other locations of fast job growth.

A slower rate of advance in house prices, maybe encompassing a slow reduction in real prices, might help. A sudden house price fall would be bad for confidence and would set back building more homes.

In order to bring potential supply and demand into better balance the government does need to make progress with a new migration policy, and with its initiatives to get more homes built. There is some progress with more factory based manufacture and assembly of systems and parts of homes. The more that can be done in the factory, the less the time needed on site. It can raise quality, reduce weather interruptions and speed total construction time.

Slower money growth and higher interest rates could curb prices but would also prevent more people buying a home at all. Spreading new jobs and prosperity more equally around the country would help, as there are more affordable homes in the less pressurised parts of the UK.

In many locations there is plenty of scope to adapt old retail and commercial property to residential. It can be done by demolition and rebuild, or by adaptation and improvement. Many places need to change the shape and size of their shopping and business areas given the changing face of retail and business in the age of the internet.

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## The tragedy of Spain

The Spanish government has decided to double up its strong arm approach to the Catalan independence movement. The first time it used force, trying to close down the unofficial referendum, it shocked the democratic world and made its position worse.

Once again the Spanish government has decided to take tough unilateral action. This time they plan to close down the Catalan government. What if the Catalan government refuses to be closed? What if it meets in exile? What if some of its employees decline to do the bidding of the Spanish government? Will there now be a struggle to get control of the governing machine in Catalonia? Will this make martyrs?

The Catalan leadership has been careful to let the Spanish state make the tough moves first. Presumably it thinks that will lead to more local and international support for its cause. The Catalans have consistently sought dialogue and requested legal ways of assessing and responding to Catalan opinion.

It is true the Catalan leaders are acting outside the constitutional law. It is also the case that a democratic state has to keep most of the people most of the time in support of the constitutional framework. If a state loses the consent of a large number of people to its rights to pass and enforce laws, it will not be able to govern democratically but will need to resort to using force if it wishes to impose the law without dislogue or compromise.

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## Universal credit

Wokingham will soon be part of the Universal credit system, as its phased introduction comes to us. The system comes to the Reading office in December and to the Bracknell office probably in February next year. So far the rollout around the country has not produced too many difficult cases. The government I am assured is monitoring responses very carefully and is willing to amend where there are problems in the system.

There has been active debate recently about the time it takes for someone to get their first benefit after applying. It is true that it can take up to six weeks from the first application. The benefit is paid monthly in arrears, and it is the full amount of state support for those who rely on it. This would be unacceptable for people who are out of work and have no other income or savings without a system of advances.

To deal with this the government makes available advances or loans to cover the period before the first benefit payment is received. Anyone who is out of money and applying for Universal credit should apply for such an advance which can be paid promptly. The advance is repayable with no interest charge over the following months when the individual is in receipt of the benefit following assessment. The benefit paid covers the assessment period of four weeks and any waiting period after assessment, which is paid in arrears. There is a possible seven waiting days before assessment.

The government is looking at whether the assessment and waiting period can be reduced. The reason it is relatively long is the complexity of the calculation and the need for evidence of circumstances, as the benefit covers housing, unemployment, family needs and any disability. It replaces a number of benefits with their own forms and application systems. Any reduction in time taken would be welcome, but the calculation needs to be done accurately based on good information to be fair to everyone.

I am of course willing to take up any application that is causing problems when the system is introduced locally, as I do not wish to see anyone without money to buy their food and cover their basic living costs whilst awaiting the outcome of the application.

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## [More broadband for the railways and the rest of us](#)

The railway network contains some great routes that run straight into the centres of our busiest towns and cities. There is spare land adjacent to the track that would take fibre optic cables as well as other utility systems.

The railway needs better wi fi for passengers. All too often on a train the wi fi cuts out in a cutting or tunnel, if you have been able to log into what are still often unfriendly and complex systems. A comprehensive fibre network with communication points with trains would greatly improve reception and access.

More importantly such fibre would also empower a new generation of digital signals which we need to increase train capacities as I have discussed before. With more real time information about where every train is on the system and the speed at which it is travelling it will be possibly to safely deploy more trains on the same tracks to deal with capacity shortages that are common and chronic at peak times. This is a much cheaper answer to the capacity issues than building new track.

These fibre networks can also have sufficient capability to assist the spread of ultrafast broadband to homes and businesses across the country. There can be cabinets alongside the track at intervals to enable adjacent housing and

industrial estates to link their local fibre connections to a larger trunk network alongside the railway.

We need to make more intelligent use of these fabulous routes into our main centres. Carrying modern fibre would help a lot as we build the infrastructure for a truly modern economy. I Am pressing Ministers to get on with this scheme. I am also urging them to find other additional routes for fibre cable beyond these track side ones that do not involved putting the fibre under roads. It is high time we got our infrastructure into more accessible places and stopped digging up roads every time we needed to mend or improve.

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## [Affordable homes for rent and purchase](#)

I attended the debate on a Ten Minute Rule Bill led by Christopher Chope MP to promote more affordable homes for rent and purchase.

The idea behind this bill is a good one. Private capital will be raised to pay for a substantial number of new homes where planning permission allows development. These homes will be rented out at 80% of market rents, enabling people to save for a deposit. They then have the option to buy the property, taking out a mortgage to do so. They will be entitled to a 10% discount on the purchase to cut the size of deposit they need to save.

Mr Chope estimates that the private sector can raise £40bn to put up 200,000 homes at £200,000 average price.

I would be interested to hear thoughts on this proposal. 10 Minute Rule Bills do not usually become law, but this is an idea which the government could adopt and implement if it has good support and if the detail works.