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Foresight

Prospects for land, rent and housing in UK cities

Future of cities: working paper

Foresight, Government Office for Science

Prospects for land, rent and housing in UK cities

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This review has been commissioned as part of the UK government's Foresight Future of Cities Project. The views expressed do not represent policy of any government or organisation.

Contents

Foreword

The Future of Cities project is informed by working papers which are commissioned by the Lead Expert Group and written by authors from academia and industry.

These papers highlight the key challenges and opportunities facing cities in the UK out to 2065. The Expert Group will draw upon this evidence base to develop project outputs which will be published during 2015.

These outputs will aim to inform near-term policy making in both local and central government, which achieves desirable long-term outcomes for UK cities.

Professor Sir Alan Wilson

Introduction[1]

Across the UK, and indeed across Europe and beyond, the failure of housing systems to ensure that everyone is decently housed is recognised and the 'housing question' is back on the political agenda. Criticisms are also made of British space and environmental standards and that new housing is often not where it is most needed. In the immediate aftermath of the breakdown of 2007 there was a wide consensus that the financial and economic relationships surrounding housing which had emerged since the 1980s had also been major factors in bringing about – or at least triggering – the global crisis and there appeared to be agreement that things would have to change fundamentally.

Now, seven years later, that earlier consensus seems to have been pushed aside and governments, businesses linked to housing, think tanks and many citizens appear to be set upon getting back to some sort of 'normal': to something like the arrangements which prevailed in earlier decades. The UK public discourse is focused strongly on policy changes which could 'realistically' be made by a UK government or by devolved bodies. All of this makes for debates which are short-term in their perspectives and preclude much fundamental re-thinking of our housing systems. The most recent study we have for England by Shelter and KPMG, despite offering some outstanding analysis and insights, is limited intentionally to what a next government could do.

The Foresight project offers a way out of this situation by inviting us to re-think the long term origins of our current problems and to focus on the kinds of future which may be needed, without the constraints of what could be achieved under existing law or within the next parliament.

As a contribution to the wider Foresight debate on cities, this paper's core assertion is that in the 21st century there must be better ways to provide housing of a good standard for all people and that the financial crisis provides an opportunity to understand what has gone wrong so that we can debate solutions and alternatives.

It is no surprise that the UK shares with other ‘rich’ countries growing housing problems for low- and middle-income households: substantial and growing homelessness, mounting insecurity of possession for renters and some owners, serious regional differences in housing costs which displace low- and middle-income people from prosperous areas and inhibit labour mobility, weakened mechanisms to modify inequalities in housing consumption or to expand new production on a scale and in a form which would meet needs. Even for social strata which benefit from capital appreciation of owner-occupied housing there are stresses, especially between generations. In addition we have a housing system, taken as a whole, which is prone to volatility and which seems to threaten the sustained reproduction of the economy and society in a whole variety of respects. However, the fact that many other rich countries exhibit similar problems does not reduce their severity, or limit our ability to have a debate on remedies which could turn the situation around.

[1] This introduction does not contain citations of sources. These will be found in the fuller exposition in later sections.

Unfortunately though, issues in housing tend to be debated as a tension between ‘growth’ and fairness as policy objectives. We shall explore some of the ways in which this formulation is misleading: the UK housing system has contributed to growth in some real ways —the supply of good places to live, the employment of construction workers and professionals— but also in rather illusory ways: the inflation of prices and rents which don’t reflect more or better housing and which could easily evaporate. And these rising prices and rents reduce the UK’s competiveness by raising costs.

This paper is different from others in the Foresight series largely due to the fact that it is not an analysis of new data. We are fairly well-supplied with data and analysis from government, from more-or-less official inquiries, from think-tanks, from scholars and from housing professionals and others — though there are gaps in understanding of housing and land issues, and of data organised for the study of functional city-regions. Rather, the argument of this paper is that we need a fresh framing of this evidence – a new set of interpretations – if we are to formulate any long-term directions for housing policy and practice and, within that, consider necessary next steps including research where that is needed to clarify decisions.

At the core of the argument is the need to go beyond simple blame games and nostrums: we are bombarded with claims that everything depends on increasing supply (relaxing planning, easing credit for producers, reforming 'the industry', fixing land supply) or on re-distributing demand (between regions, generations, income groups) or on influencing supply indirectly via demand (subsidies or new credit streams for buyers and providers, social benefits). Housing problems are just not simple enough to be solved by disjointed measures, nor will the same measures serve all cities.

As an academic working in the planning field, I am conscious that I am not equipped to review all the vast literatures in housing studies, property, economics and geography which could contribute a comprehensive analysis and survey. My intention is that this broad re-framing of the issues surrounding housing in UK cities will compensate for this shortcoming (and circumvent partisan debates) by suggesting areas of cross-disciplinary analysis which may be fruitful and proposing more-or-less tentative narratives which may generate useful research and discussion.

The paper is in four main parts. The first reviews the history of housing over recent decades up to and including the events of 2007-8, the second offers an account of the current situation from the perspective of a range of cities and localities, and the third presents and reviews scenarios which could plausibly unfold, or be constructed, in the coming 45 years. Part 4 recapitulates by revisiting, in 2060, the cities and settlements discussed in part 2: all will have changed. Part 5 is a brief conclusion.

1. Housing in the UK in recent decades

1.1 The framing in summary

What has been happening in the housing field in the UK has been an inextricable part of the history of the whole society and economy: the history of economic structure, of the functional distribution of national income, the distribution of wealth and incomes among households and patterns of investment, saving and debt. It is also integral with the history of public services and social expenditures because of the way in which housing has been supplied, owned and managed through a changing mix of commodity (market) and non-commodity (non-market) arrangements in the 20th century.

The recent history, and the current state, of housing makes only limited sense at an aggregate UK scale because needs, demands and outcomes are so strongly determined by the economic dynamics of individual cities and city-regions (and their related 'countrysides') and by the policy history of semi-autonomous local planning and housing authorities and devolved administrations. These spatial variations are of mounting importance as uneven development among the parts of the UK unfolds with very different experiences of rent and price changes, scarcities and other influences on welfare and economic activity.

Within cities too, spatial differentiation in housing prices and rents is often increasing, partly because trips have been lengthening (Banister 2007) which means differential rents tend to increase: people may be expected to pay more for better accessibility. In London the location of employment has been tending to centralise (Edwards et al 2004, Smith 2011, GLA Economics 2009) which will have a strong upward effect on prices and rents in central areas and places with good transport to the centre. Price variations within cities also reflect differences in access to the best schools and environments. Furthermore, in the last few years, changes in housing benefits and allowances, and the cap on total social security benefits, are sharply changing the affordability of high-price areas for low- and middle-income renters and pushing many people out of expensive areas (Fenton 2011, a and b, Fenton et al 2013, Imrie and Lees 2014).

Societies with growing inequality produce worsening housing market experiences for poorer people and more pressure on their non-market sectors. In this framing, it is argued that the British version of the housing problem reflects the UK’s strong focus on property as assets and the ownership and market practices which have evolved in land and property markets. Most of our housing stock is inherited from the past and has long ago been paid for. Construction costs of new housing are modest. The problems of affordability, which so many cities and rural areas now confront, stem from the fact that the inherited stock of housing changes hands as assets, at prices which bear no relation to original costs of building or the costs of replacement. Additions to the stock are inadequate in the places where they are needed and the growing inequality of incomes puts scarce market housing out of reach of many households.

Our land and property markets have been forged over centuries from feudal structures, in a transition which is still incomplete in the sense that aristocratic and ancient institutional proprietors still control large parts of the UK: great estates in Scotland, large rural and urban holdings in England and major holdings (by value) in London and some other urban areas. Housebuilding firms are thought to own, or have options upon, much of the rest of developable land. Transparency of land holdings, options and transactions is very poor (Cahill 2001; Wightman 2010; Shelter and KPMG 2014).

In the 20th century, with the emergence of a planning system, society added a mechanism which has two effects. It provides a means through which more-or-less democratic decisions can be taken about how and where development should take place and infrastructure be supplied.[2] At various times there have also been mechanisms for the implementation of these public plans including New Towns and town expansions, extensive social housing development (declining sharply since about 1980, see Fig 1) and the re-structuring of most cities and towns. The planning system, and the policies applied within it, can also have the effect of constraining development in aggregate and –what matters more– in localities at all scales. In that context, especially since the 1980s, the process of urban development of our towns and settlements has fostered investor strategies in which land with development prospects is acquired and held until it can most profitably be used, the timing depending upon the spatial evolution of prices and their fluctuations. In areas and periods of high demand and unmet needs it has become conventional to blame planning policy for the constraints on output though in truth the contribution of archaic and of oligopolistic modern ownership forms, of institutional and industry failings and of planning restrictions are difficult to separate. What we could agree upon is that, in combination, they generate a lot of rent.[3]

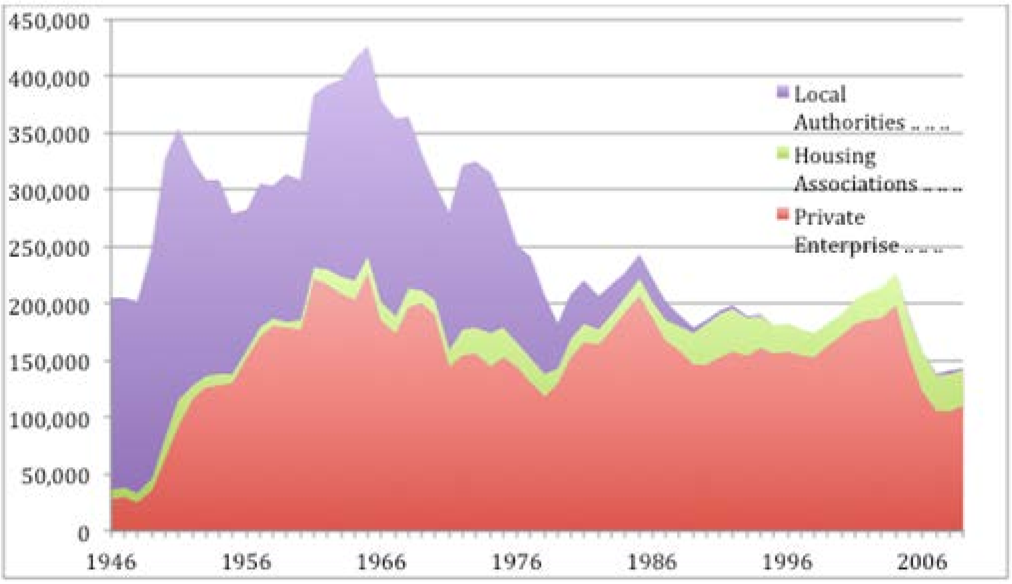

Figure 1. UK: Annual completions of dwellings by developer type 1946-2012 after Barker (2004) Updated from DCLG Live Table 241

A second key factor in our development history has been the state-sponsored and debt-financed expansion of individual owner-occupation of housing, reinforced by the near-cessation of non-market housing production (see Fig 1) and the erosion of inherited stocks of non-market housing through the Right to Buy and other forms of privatisation. With home-ownership privileged in various ways in the tax system, a majority of UK households have been incentivised to maximise their ownership of housing as the core strategy of family saving and wealth accumulation and in periods of easy and/or cheap credit they have been able to do so in most areas (Scanlon and Kochan 2010; Robertson 2014a). Households simply keen to house

[2] The system is an interplay between powers exercised at UK, country, region and local —even neighbourhood— levels, an interplay which has varied over the post-war period.
[3] The term 'rent' is used here to include the form it takes when capitalised into the price of housing or land.

themselves securely, and without that wealth-accumulation motive, have unwittingly been part of the same process, enjoying the benefits of asset value growth in places and periods where it has taken place. The expansion and character of owner-occupation has had an important political implication because so many UK households now have a personal interest in the maintenance and further growth of prices which, in turn, has made it very difficult for politicians even to contemplate strategies which would undermine this complex dynamic by bringing prices down. People's interest in maintaining house values and the strong tradition of amenity protection generate 'not in my back yard' (NIMBY) resistance to new development in many rural and urban areas.

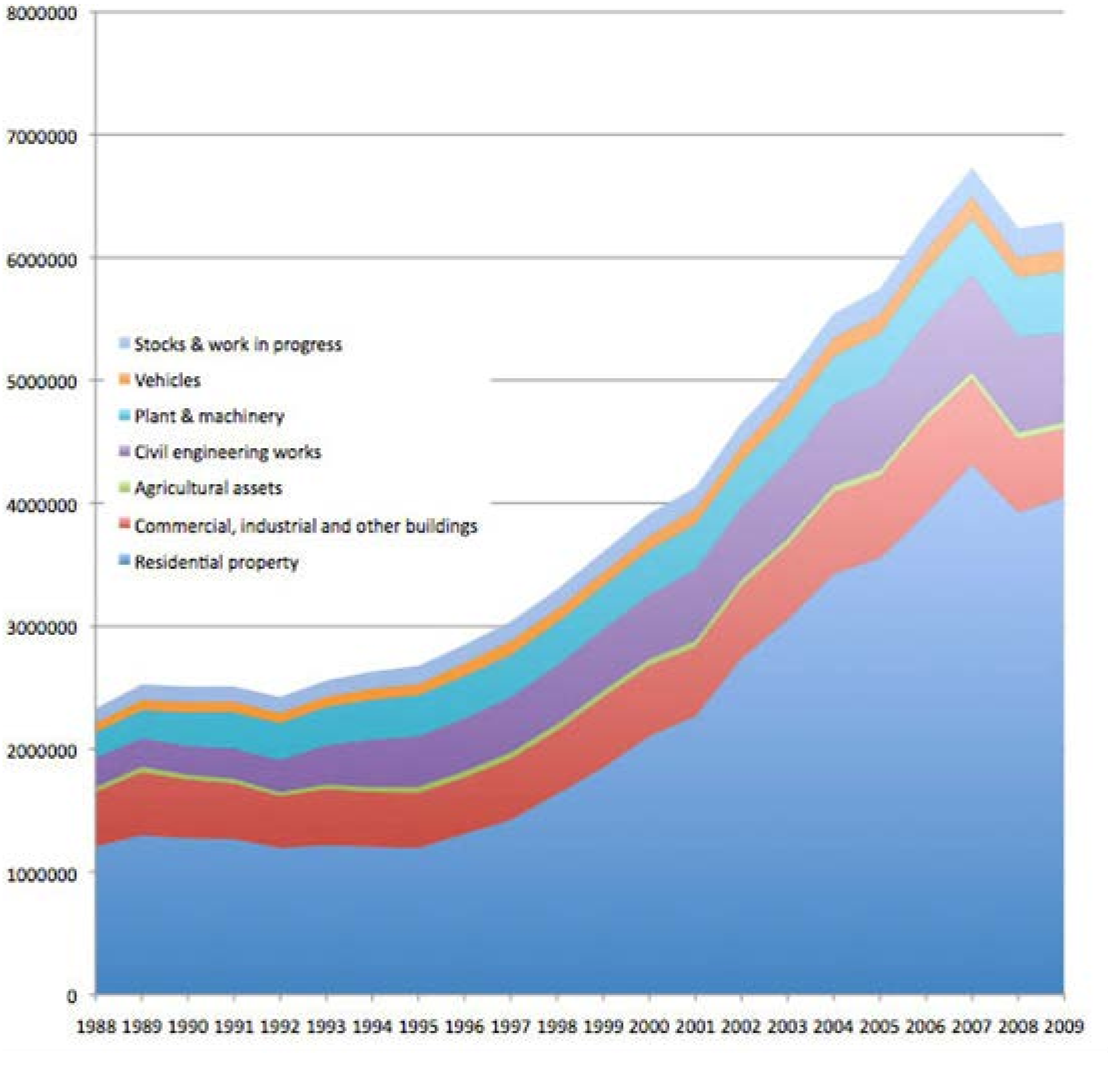

Figure 2. UK: Value of tangible assets, £m, 1988-2009,
Source: ONS Non-financial balance sheets (annual)

A third set of factors in the story has been the growing inequality of income and wealth in the UK, with the wage share in GDP shrinking and the share going to profits and rents increasing in a long-term trend since the 1980s. (Piketty 2013 222, 319-321) This has been an experience shared across all developed countries, but the UK version of it has been amplified and partly driven by the role of land and property ownership. Our housing system acts as a means of converting income (of renters and new owner-occupiers) into wealth of established owner-occupiers and other property owners and investors and thus reinforcing wealth inequalities and income inequalities too.

By 2007 we had reached a point where the stock of housing and other real estate assets was nearly 90% of the market value of all tangible assets in the economy, dwarfing the productive equipment of machinery, vehicles and so on (see Fig 2). The growth of these property assets has, in recent decades, far exceeded the fixed capital formation in the building stock. In other words, the flows of money into land and property ownership have driven prices up to a much greater extent than they have brought forth new supply of useful buildings.

With prices rising and incomes for many static or falling, many households, especially in the southern half of the UK and in prospering cities have been unable to meet their expectations of becoming owner-occupiers, many others unable to access the social housing which had been (relatively) available to earlier generations in the post-war decades. Both of these groups found themselves diverted into an expanding private rented sector (PRS), the profitability of which attracted a lot of new investors. This sector, which had, by the 1970s, become small and focused in cities, expanded in response to these demands and to the removal of rent controls and tenant security in subsequent years. While this may be a tenure of genuine choice for some, it delivers some of the most squalid, insecure and overcrowded conditions we have seen for a hundred years and, in high-rent cities, is the source of mounting discontent and impoverishment. By 2012 the PRS sector is estimated at approaching a fifth of the dwelling stock: 18.5%in England, 13.8% in Wales, 12.8% in Scotland, 15.9% in Northern Ireland and thus 17.7% in the UK as a whole (Wilcox and Perry 2014).

In sum, and subject to elaboration below, the market sector in housing does not work well in meeting all society’s needs and is now often described as "broken" (the term is used over 100 times in Shelter and KPMG 2014). The need for a non-market sector grows while we see it shrinking. The combined system fails to house us all well, is bad for the performance of the economy, amplifies inequality and is fragile.

This framing of the problems is spelled out in more detail, with supporting evidence, in the following sections.

1.2 Income growth and distribution since the 1970s

It has been widely argued that the post-2007 economic crisis was partly triggered by a breakdown in the way investment in the built environment was taking place in many countries and the way it had become the focus of a fragile surge of rent-seeking speculation and financialisation (Martin 2011; Harvey 2012). Its origins are deeper, however, as political economists explain, this lies partly in the failure, since the 70s, of personal incomes to grow as fast as output or as fast as consumption—the shortfall being made good by a boom of credit (Glyn 2006, Lapavitsas 2013 a, b).

It was in the late 1970s and early 80s, with a broad macroeconomic trend towards so-called neoliberal policies of monetarism, austerity, privatisation and de-regulation, that the OECD economies began a long shift characterised by broadly growing profitability. Over the subsequent years the proportion of the social product going to wages and salaries tended to be static or falling, in contrast to the previous decades in which the wage share had tended to rise (Stockhammer 2013).

This changing picture is illustrated by Figs 3 and 4 below for various countries. A great deal of additional evidence on national and comparative change is to be found in the recent work of Piketty (2013 222, 319-321) and the controversies (mostly about interpretations, rather than evidence) which it is generating.

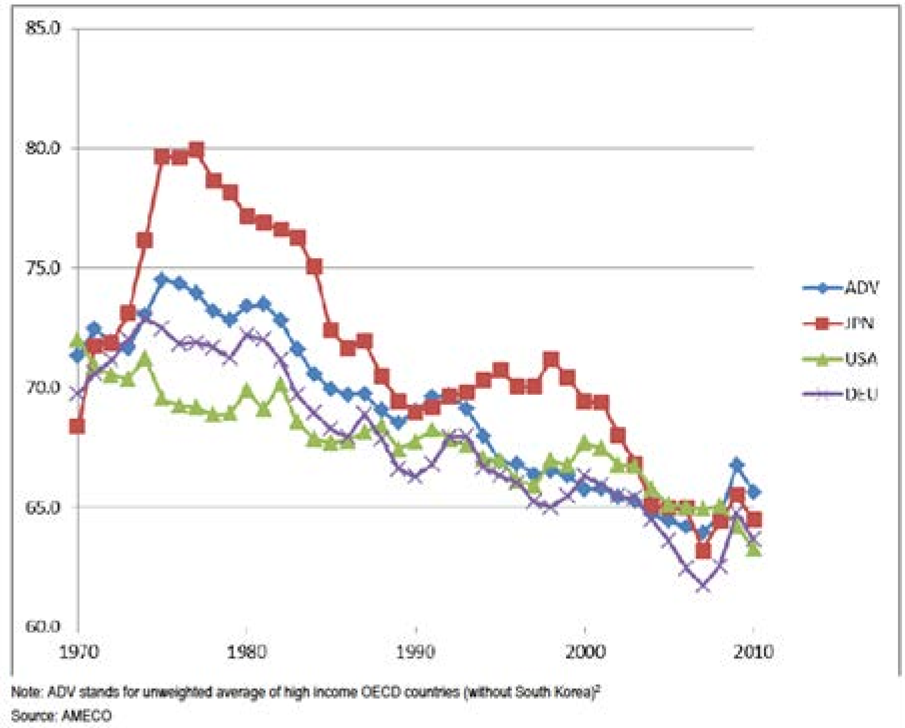

Figure 3: Adjusted wage share of GDP, advanced countries, 1970-2010
Source: Stockhammer 2013 Fig 1.

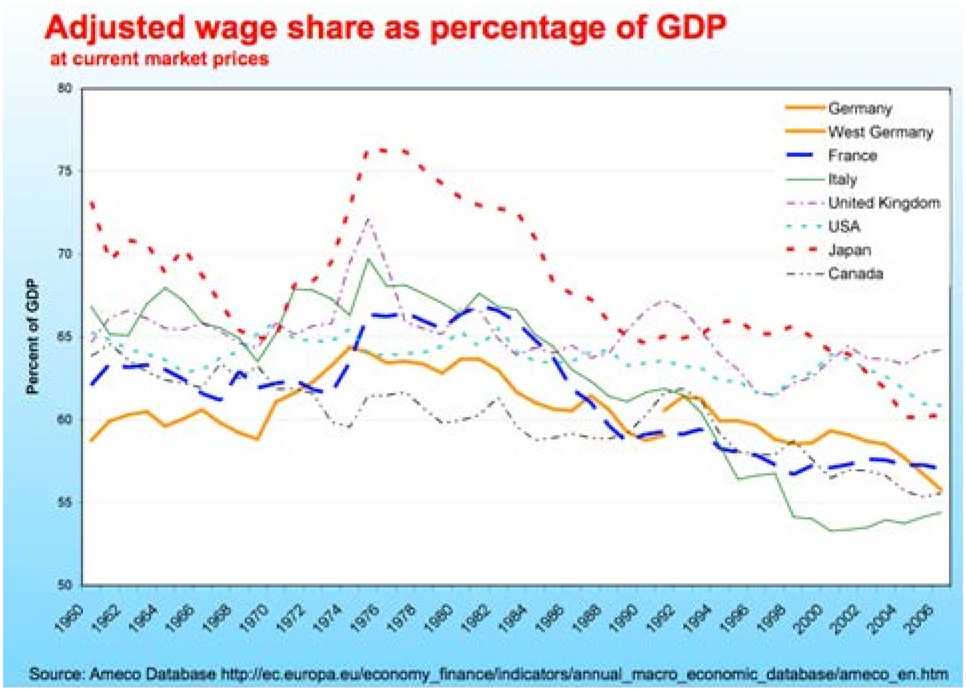

Figure 4: Adjusted wage share of GDP, various countries, 1960-2006
Source: Zeller (2009)

This history has been important for a number of reasons.

First of all, it meant that, on average, most people could no longer increase their consumption expenditure out of current salaries, or not at the pace they had got used to. This in turn posed problems for producers since the demand for products was not growing fast enough to match the supply of output. Here lies part of the origin of the credit expansion: it was the growth of consumer credit which enabled consumption to rise faster than the personal incomes of workers. This credit was for mortgage-based owner-occupation of housing (fostered relentlessly by most governments), as hire purchase on cars and major equipment but eventually, via credit cards and personal loans, for consumption of all kinds.

The UK experience has been particularly severe for a number of reasons. One is that mortgage debt, and other personal debt, per person grew to be relatively high. The second is that the inequalities of income among British people had increased dramatically in the 1980s and has remained very severe through the 90s and since then (Wilkinson and Pickett 2009; Hills 2010; Dorling 2010, 2014, Piketty 2013). Growing inequality meant that the affordability of housing for people in lower income groups was even worse than the average figures suggest.

1.3 Investment flows and globalisation

A second important feature of the falling wage share in GDP has been that the growing shares have (by definition) been the parts going to profits and rents, becoming masses of money capital needing to be placed where they would be profitable. The geography of these flows of money capital has been part of what we now call 'globalisation' with some areas of the world becoming preferred locations for investment in the production of goods: China, the Far East and some other countries with authoritarian regimes or low wages for given levels of skill. In other parts of the world the main emphasis was on natural or agricultural resource exploitation and rents on the ownership of minerals for which demand was expected to grow—the Middle East, Australia and parts of Africa and Latin America. In western Europe the picture was patchy with some countries continuing to invest in manufacturing (Germany in particular) while others including the UK suffered industrial decline and growth in the placement of investment funds into financial services, land and property and investors' acquisition of what were regarded as 'undervalued assets'. The strength of the pound sterling played an intermittent part in weakening UK manufacturing and that was a further incentive for investors to target property-related and financial assets rather than industrial or production sectors (Hutton 1996).

A central aspect of the globalisation process has been (and is) the growing dominance of financial relationships and institutions, not only in the banking sector but more widely in the activities of all sectors of the economy including households which are now the holders of large amounts of debt alongside extensive financial assets. The behaviour of economic agents — from the individual family to the largest corporation — is now governed as much by financial considerations as by material needs, costs and revenues. This 'financialisation' penetrates property ownership and development, including housing, very powerfully (Lapavitsas 2013a,b; Robertson 2014a,b). Even social housing providers – local councils and housing associations – have been drawn into increasingly financialised practices.

1.4 The development process in the UK

The forces and changes described above took place in most northern hemisphere rich countries, with variations. One feature of globalisation has been the way in which asset markets, including property markets, have become knitted together across the world. Thus the tendency for problems in one place to echo elsewhere makes it harder for individual nation states to form and implement policies independently of each other. Neither the EU nor the G20 is effective at collective action to control capital and it was argued by some economists even before the crisis of 2007 that capitalism's power to govern itself — even in the narrow interests of capital — had not kept up with the instabilities brought by globalisation (Seabright 2004; Glyn 2006).

The UK has the most highly developed (in the sense of extensive) investment property market in Europe. In other words, a very high proportion of UK real estate is owned by investors and rented out to occupiers, and this is so even though we have very little *residential* property owned in this way. Even with the recent resurgence of the private residential letting sector, only a small proportion of our housing stock is investment property in the sense that is in the ownership of corporate/institutional owners.[4] Thus, most of the UK's huge investment property stock is offices, retail shops and centres, industrial estates and the like (Fig 5).

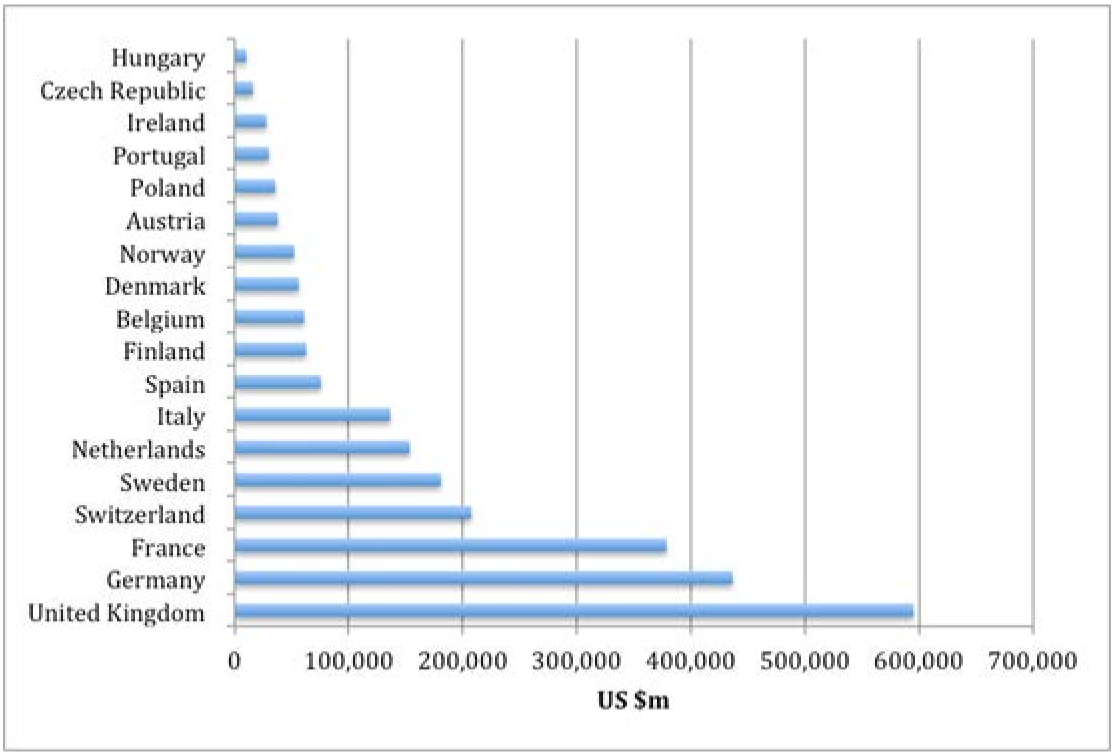

Figure 5: Size of Investment markets in property in European countries, 2013, $m Source: IPD 2014 pers. comm.

[4] Mark Weedon at IPD estimates that the institutionally-owned rental housing stock is only about 30-50,000 dwellings in 2013, compared with the total of about 5 million privately rented units (pers. com.)

Market relations and financialisation were already very highly developed in the UK in the 70s and became increasingly so in the 80s compared with most countries—through the Thatcher government's pioneering with Urban Development Corporations, utility privatisation, outsourcing, PFI and the disposal of public land assets alongside the relaxation of constraints on the financial sector, especially the de-regulation of mortgage markets (Muellbauer 2005).

The UK still has a powerful residue of royal and aristocratic land ownership, including ownership by institutions like universities and livery companies— what Massey and Catalano (1978) called 'former landed property'. The most exhaustive study for Britain (Cahill 2001) found that "…just 189,000 families own two-thirds of the UK's 60 million acres, of which nearly three-quarters is owned by the top 40,000." and stressed the extreme difficulty in researching the topic because of the continuing lack of a complete land register. The transparency problem is in the process of being addressed in Scotland (LRRG 2014) but remains a major defect in the way in which land and property markets operate as KPMG and Shelter (2014, 60) have just stressed in their study of England.

Alongside and in addition to these two problems — of archaic ownerships and of secrecy surrounding who owns what — we experience large scale ownership of land by financial institutions and developers. Rather little recent research is directed at the behaviour and significance of these owners and the ways in which their monopolistic or oligopolistic power works in the particular cites where they are active–or where they decline to act. Strong concerns about the probable spatial concentration effects of pension fund activity was expressed in the 1990s by Martin and Minns (1995) and there have been more studies of investor behaviour than of land-owner influence and of commercial rather than residential markets, for by example Henneberry (1995), Henneberry and Rowley (2000) and Barras (2009). An outstanding survey and gateway to this literature is by Whitehead (2012).

1.5 Housing production, prices and rents

For those who believe that de-regulated private markets would bring forward adequate supplies to meet growing demands, the performance of our private housing development sector has been both a disappointment and a mystery — and thus the subject of research and of government deliberations, seen in the studies commissioned by the UK Treasury from the economist Kate Barker, published in four reports (Barker 2003, 2004, 2006a, b). The upshot of this work can be summarised by saying that the shortfall of housing supply relative to demand will not be met without major increases in land supply. Cheshire, in cogent comments on the work (2008), was even more pessimistic, concluding that the affordability of housing could not possibly even be stabilised within current green belt, containment and density policies. Rising incomes and the high observed income elasticity of demand (for more and better housing space) will continue to drive prices up in these supply-constrained conditions.

The main economists' response has been to blame planning for the inadequacy of land supply — either the planning system as such or planning policies or sometimes simply the delays developers encounter in gaining permissions to build (Ball 2010a,b, Hilber and Vermeulen 2010). This view has been the subject of some robust criticism from planners, notably Bowie (2010) and the Royal Town Planning Institute (Sarling and Blyth 2013) pointing out that far more land is allocated for development in plans than is actually developed. House building developers have renewed their criticism of the delays and costs they encounter in securing permissions to build and the last government commissioned further research on this topic (Ball 2010a) based on analysis of the duration of decision processes – though without evaluating whether schemes conformed with policy (Edwards 2010). These studies tend to be fascinating reading and contain beguiling information but their limitation lies in their very restricted neo-liberal problematic. All the social class relationships surrounding the housing market are implicitly taken as given, the behaviour of the planning authorities is reduced to a hypothesis that—seen as economic agents themselves—they are subject to the wrong incentives and that, if only the market could be made to work less 'imperfectly' all could be well. It is the argument of this paper that even 'perfect' markets in our society can be disastrous where income and wealth disparities are so great and where regional differences are so strong: there is a substantial part of the population whom "the market" will never be able to house: their salaries or pensions are too low or too insecure.

Critics of the planning practices of the UK have focused strongly in recent decades on planning priorities for the protection of countryside, protection of conservation areas and the minimisation of negative development impacts on established incumbents, rather than on urban or economic growth or even on securing decent housing for all. This is by no means a left wing political view, being echoed by the work grounded in economic theory of Cheshire and others on residential and office markets (2002, 2008a), by Evans and Unsworth(2011). Using the concepts of welfare economics, they have argued that people in the UK pay heavily as a result of these supply limitations, through abnormally high housing prices and inflated costs of premises for economic activity. Hilber and Vermeulen (2010) present compelling evidence of the extremely strong growth of UK house prices compared with other countries and further work in this vein by Cheshire et al (2014) continues to appear.

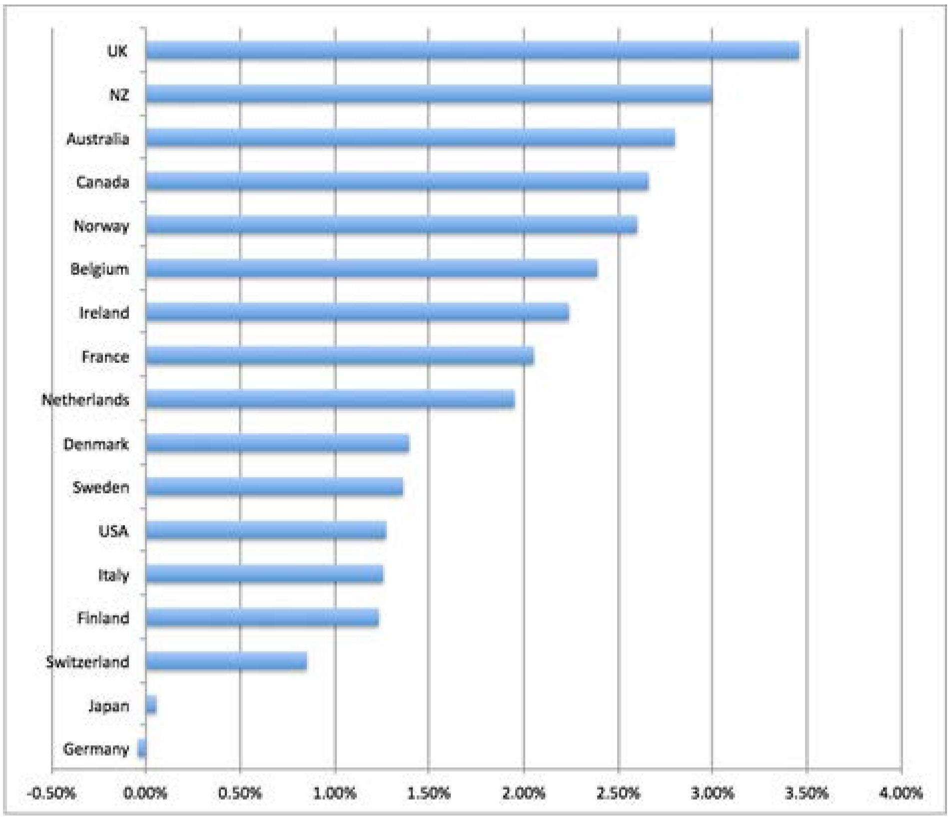

Figure 6: Annual average change in real house prices in OECD countries over the period 1970-2013. % per annum compound, deflated by the consumer price index of each country. Source: OECD Housing Prices database 2014
www.oecd.org/eco/outlook/Focus%20on%20House_Prices_indices.xls

The think tank, Centre for Cities, stresses the severity of our compression within limited space:

> “If the whole of England is a football pitch, all the built up land is the penalty area. Most of this is made up of gardens, roads, paths and railways. Housing would cover just a third of the centre circle. Only 1.1 percent of England is taken up by housing...” (Centre for Cities 2010)

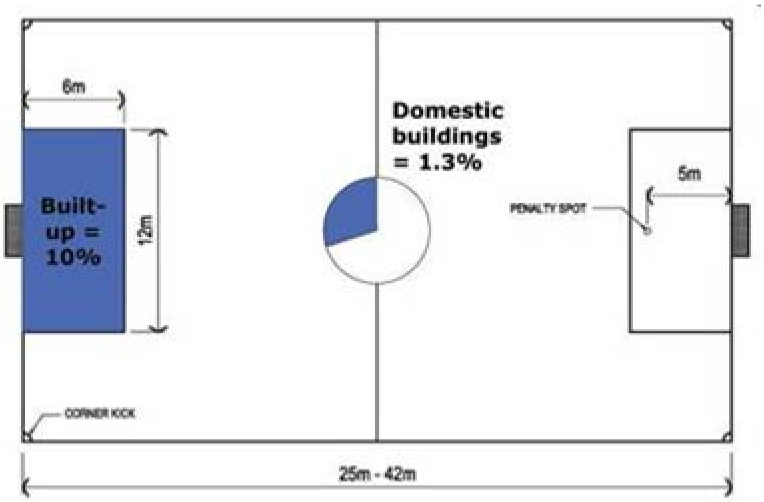

Figure 7: Domestic buildings as proportion of English land area.
Source: Centre for Cities 2010.

We have reached an impasse in that debate about planning and the way out of it is to broaden and deepen the problematic, the frame within which we make sense of it all. For this the foundations were laid in the 1980s in a brilliant account of UK house building industry (Ball 1983). Ball put forward an institutional framework in which the practices of housebuilders were seen as essentially (for them) a rational way of maintaining profitability in the face of (a) the planning constraints on land supply, (b) highly volatile demand (which in those days stemmed mainly from fluctuations in the availability of mortgage finance) and (c) the specific characteristics of the building labour process. Their strategy was to maintain large banks of land with planning permissions (or pending applications) so that they could quickly increase or reduce output. They also adopted production technologies involving very little fixed capital equipment, product standardisation and an approach to labour-only and other forms of sub-contracting which enabled their labour force to expand and contract rapidly, by-passing employment protection, training and safety law and trades unions. This set of interdependent practices was termed an instance of the 'social relations of building provision' and that remains a powerful and widely used concept in the study of development processes around the world.

Conditions have changed since the early 1980s but the value of the perspective is that it focuses on the social class relations and total social context of the housing production system. In the first decade of the new century developers have had to adapt to major changes in government policy — notably to the requirement to develop substantially on previously urbanised ('brownfield') land and to do so at higher densities (Karadimitriou 2005; Evans and Unsworth 2011). Until the 2007 crisis, they no longer had to cope with unpredictable rationing of mortgage availability, though volatility of prices remained. They have confronted growing inequality of purchasing power among their potential customers and some new forces encouraging people to buy housing (for landlords, the appeal of private renting, and the pension-related motives outlined below). The responses of house building firms to all this have been quite diverse in terms of the niche markets they serve. But what their varied practices have in common is that they are all trying to secure their profitability primarily through skill in juggling (a) the costs of acquiring or optioning and holding development sites with or without permissions (b) the density and other requirements of planning authorities (including s106[5] and CIL demands) and (c) the prices paid by various distinct categories of buyers in an increasingly differentiated urban space. What has also become clear in recent years is that developers tend to release completed dwellings on to the market in each development site at a speed which maximises their margins — a speed which may be much slower than had been assumed by planning authorities in compiling their forecasts and targets (Adams and Leishman 2008; Monk et al 2013, Cochrane, Colenutt and Field 2015).

In this context, we can see the role of planning policy and decisions as being part of a larger set of relationships which limit the actual supply, and increase the prices, of land for development: all the inherited features of archaic land ownership combined with modern financial and corporate holdings. Planning certainly plays a part in defending the interests of incumbent owner occupiers in many places but is by no means the whole story.[6]

A further complexity is the blurred boundary now between public and private sectors in housing development and management: some housing associations began to build some of their units for complete or partial sale, while some private developers engaged in S106 partnerships with housing associations. Indeed in the thick of the crisis in 2010 a high proportion of grant from the Homes and Communities Agency is reported to have gone to bolster such schemes[7]. It has not been in the power or in the interests of house building firms to lower land prices or to secure a steady supply of cheap land and thus create conditions for mass-production of the dwellings which are needed: to do for housing what IKEA has done for furniture. At the other end of the development spectrum, our land-supply system precludes the widespread self-building and self-development processes common in many countries (Shelter and KPMG 2014). And it is no surprise that society's most urgent housing needs go unmet.

Alongside these failings of the market-based segment of British housing production we have also seen — partly as an aspect of the prevailing orthodoxy that everyone who can afford it, and some who can't, should be pushed into owner-occupation — the decimation of social housing supply. Kate Barker's famous chart, updated as Fig 1 above, demonstrates one aspect of this: the total disappearance of council housing as an element in new production, and the failure of housing associations to replace the lost output. The other attrition of the social rented housing stock came through the privatisation of individual dwellings and the transfer of blocks and of whole estates to Housing Associations and to partnership schemes with developers through which many social units are lost. While the council housing transferred to Housing Associations continued to be let at rents not much higher than council rents, there has been a strong divergence in recent years as the Associations, subject to the need to borrow on the open markets and in England subject to Government imperatives to raise their rent levels to approach 80% of local market levels have raised their rents. A similar process has been under way in the remaining council stock (CIH 2015). Hills (2007), drawing on the work of Holmans estimated that social housing represented 31% of the English housing stock in 1979 and only 18.5%

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[5] The equivalent in Scotland is S 75.
[6] The construction industry analyst Brian Green suggests in a light-hearted but evidence-based post that 'planning rigidity' (a proxy for the difficulty in getting pemissions) is greatest in richer, heavily owner-occupied areas in England http://ubm.io/1mCbG46
[7] Talk by David Lunts, HCA director for London, LSE, Feb 2011.

by 2004. By 2012 the proportion is thought to have fallen to 17.6% in England, 16% in Wales, 23.8% in Scotland, 16.3% in Northern Ireland and thus to 18% in the UK as a whole, down from 33% in 1981 (Wilcox and Perry 2014). As rents in social housing now converge towards open market levels, affordability is dwindling in high-rent urban (and rural) areas.

In terms of public policy, there has been a switch of state expenditure from direct subsidy of production and supply to means-tested benefits targeted at individual households to augment their demand. In the words of Whitehead (2012): "…policy-makers tend to argue that on economic grounds, demand-side subsidies are more effective than subsidising supply. This is true only under the most restrictive partial comparative static model, but has been central to the housing policy debate on income related vs. rent subsidies over the last 30 years."

The market value of housing and other property assets in the UK has escalated dramatically from the mid 90s, responding to the flood of money into these assets — and effectively the diversion of money which could have gone into productive investment and modernisation in the equipment for supplying goods and private and public services.

Some of this growth in asset value has of course represented increases in the quantity of the building stock but during the rapid escalation of values shown in Fig 2 above the proportion explained in this way is less than a third. In 2006, the last year before the onset of the crisis, the market value of these housing and property assets, including utilities, grew by £398bn but the total output of construction work, including repairs and maintenance and infrastructure was £113bn, accounting for 28% of the value growth. So two thirds of the growth we observe reflects increases in prices.

Because of the shortages of housing in so many places where demand is high, scarcity can become itself a major factor in boosting prices. The economist Fred Hirsch long ago (1977) pointed out that in prosperous societies people increasingly seem to compete for scarce 'positional' goods, goods whose attraction is simply (or partly) that they are better than others, or better than other people's, hard to reproduce and thus scarce. It could be the best schools, homes with the best views or any other privilege which people seek. But as the rich pay more for these things, their prices rise so people may be no better off relatively: 'if everyone stands on tiptoe, nobody gets a better view'. Thus part of our apparent increase in national asset values, year after year, comes from the essentially illusory growth of spending related to rising rent (the rising price of land and property). Cheshire and Sheppard (2004) have drawn attention to the strong influence on house prices of proximity to schools judged to be best and Ahlfeldt et al (2012) have evaluated the premiums paid for homes in and near Conservation Areas.

It is also argued that the very fact that property prices and rents rise relatively fast in some cities compared with others (and especially in those which combine economic growth with scarcity of property) attracts more money from investors who speculate that the relative growth will continue. It has been discovered that, in US cities, these trends acting over many decades have been able to squeeze low- and middle-income people out of some cities: they simply cannot afford to be there (Gyourko et al 2006). This may be a motive too for some UK households and investors: while it is hard to get an initial toe-hold in the London housing market, high levels of capital appreciation are anticipated by those who do and this may be a factor encouraging some to enter that market and 'trade up' energetically.

1.6 Regional, class and generational inequalities

It needs little to be said here about the interconnected ways in which the housing problem is experienced by people with different class positions, geographic location and age. All three dimensions are well-rehearsed.

The class dimension is widely discussed in the frame of 'affordability' — the evaluation of housing prices or rents relative to incomes. Shelter and KPMG (2014 22) record that "In the 1950s the average house cost just over four times the average salary, but by the peak of the property boom in 2008 it had risen to over eight times the average salary" in England and substantiate this with a detailed chart. The comparison of average incomes, however, masks the growing inequalities which means that many households are even less able to buy housing. The same authors point out that affordability problems can be even more severe in the private rented sector in expensive cities. Furthermore this average price/average income measure has radically worsened in the last few years.[8] Dorling (2014) adds much detail and, in a discursive and impassioned book, concludes (inter alia, building on Tunstall 2012) that the country has enough housing space to house everyone well if it could only be redistributed equitably.

Part of the explanation for the disparity in the distribution of housing is down to problems with pensions.

As employment has become more competitive and insecure in recent decades, so fewer people can look forward to a secure, adequate and inflation-proof pension at the end of their working life. While a minority of UK workers are in excellent pension schemes, the proportion is falling. Some workers were sold, or mis-sold, private pension schemes which subsequently disappointed them or defaulted, and the best private and public sector schemes are now often closed to new entrants or being diluted. For many individuals and families it has seemed wise to rely instead on 'bricks and mortar' for retirement income, trading up in the housing market in order to be rich in retirement and/or buying additional homes to rent out to others. The expansion of private renting and, within it, this 'buy-to-let' market has been aided by plentiful and rather indiscriminate lending, by some valuable tax privileges and by government enthusiasm. It all fuels demand, but not supply, and thus inflates prices in housing markets. Shelter and KPMG hold, furthermore, that households constrained to rent housing and paying high levels of rent relative to income are disinclined to undertake pension savings themselves (2014 30).

There is also a holiday home dimension to this, with people putting their savings (with or without mortgages as leverage) into buying second homes. Where the homes are within the UK this contributes again to demand, but rarely to supply because many are in localities where little new development is permitted like the Cotswolds, coastal, National Park and landscape areas, exacerbating the affordability problems for people in those areas who are trying to house themselves on the basis of local wages and salaries (Gallent et al 2005; Gallent 2007).

[8] In an analysis of official data on average English house prices against median incomes the Guardian finds many areas where the ratio exceeds 10 in 2013. http://www.theguardian.com/money/2014/may/23/data-reveals-full-extent-house-affordability-crisis-england

The housing markets in the UK are thus important redistributors of income and wealth, impoverishing those lower down and channeling wealth and income so it becomes more concentrated. The role of home ownership in the generation and transmission of inequality is one of the concerns of Piketty's recent work (2014). It is an economic process of 'trickle up'.

Part of that process is, inevitably, transfers between generations: within the property-owning classes older people are the ones who benefit while younger people are typically tenants or new buyers burdened by heavy rent or mortgage payments. This inter-generational injustice and tension combines with the fact that today's young people also have to pay heavily or borrow for university education and have poorer pension prospects, so reinforcing the inter-generational injustice. Concerns about inter-generational inequality are shared widely through the society and a recent book about this is by a former senior Conservative MP (Willetts 2010). The exclusive concern with age groups, however, can be distracting from the primary class impact of the mechanisms: those who have wealth get richer, those who don't get poorer. The inter-generational unfairness is not an issue within the social strata of non-owners.

1.7 Wider problems in the housing system

For those who benefit by having equity in their housing, it is particularly easy to raise loans to finance other forms of spending, to assist children entering owner-occupation, pay university fees or indeed for day-to-day consumption spending (Ong et al 2013). Equity release has been used, by those fortunate enough to be able to do so, to pay for care in old age, fuelling a niche housing market for richer people's retirement housing and residualising the collective provision of such services for everyone else. Here we have another example of that strong strand in the neo-liberal project: the replacement of social forms of production and consumption by essentially individual forms (Gough 2002).

For the losers in the housing system — tenants paying 'market' rents, those seeking to buy for the first time, new purchasers with mortgage debt and those excluded from housing altogether — the ill effects are familiar. Many are impoverished through the high payments they have to make, others suffer overcrowding and many become trapped in dependence on housing benefits. Wide gulfs have opened up between the housing which can be afforded by young people with parental help and those without.

A further important criticism of the system is its effect on people's working lives. For decades we have been looking forward to the prospect that economic growth would lead to a kind of plenty in which we would enjoy more leisure, meeting our material needs with a shorter working day or week or lifetime.

We have, between us, achieved the necessary economic growth but most of us have not enjoyed any of those leisure benefits. A major reason is that we have had to continue working just as much as our predecessors, not to meet our material needs but to pay growing amounts of rent and interest. Those of us who are tenants have had to pay rising rents; those who are owner-occupiers have to pay mortgage debts and, if we periodically increase our mortgages, we have to step up our earnings to do so. All of us, whether tenant or 'owner', also have to work more to service all of our non-housing debt. Our noses are against the grindstone almost wherever we are in the income distribution. This constant pressure, combined with the insecurity of so many modern jobs, has a well-documented corrosive effect on lives and relationships (Sennett 1998). Thus, viewed in aggregate, this housing system has turned out to be a way to incentivise hard work and long hours throughout much of the population.

This may be good for gross output and driving down unit labour costs, but let us not forget the penalty we pay.

Many localities have had to resort to planning agreements as a way of securing some social housing (or at least land on which to build it) and they have not been able to negotiate everything else they wanted. Even in London, where property values are highest, and in the boom years 2000-8, there have been severe limits to what can be secured through S106, as Bowie has shown in detail (Bowie 2010). And in the years since 2007 developers have succeeded in ratcheting-down and re-negotiating the proportions of social housing included in their schemes, sometimes to zero, and are keeping these proportions low even after house prices recover.

1.8 Weaknesses in the urban development system

Urban settlements which work well are hard to produce. There is no space here to go into great detail but what needs to be said can be summarised briefly.

Good living areas need to be equipped with good services, ranging from schools and health services to green space, cultural and sport opportunities, shops, public transport, access to employment and so on. All of this needs investment and much of it also needs revenue year after year to pay salaries and operating costs of collective services. And as we gradually install better environmental management systems (shared transport, grey water treatment, re-use and re-cycling, district heating and so on) we find that these facilities need active staffing too. But we have come to rely on forms of urban development in which property developers construct dwellings and then sell them outright, retaining neither rights nor responsibilities. This form of development tends, obviously, not to make these wider social infrastructure provisions, or not comprehensively and not on the right timescale: many provisions come too late so that shops, bus services to jobs and schools are missing when new residents arrive. It has thus generally fallen to local authorities to cover these costs from their own resources and/or to try and secure at least the capital cost of these provisions though agreements with developers under Section 106 of the 1990 Town and Country Planning Act (Section 75 in Scotland) and CIL.

The prevailing orthodoxy of recent decades, reinforced by the return of fiscal ‘austerity’, has heavily restricted local government spending and autonomy so direct council spending has been no solution: even where funds for capital investment have been found, the revenue costs of maintaining services can often be insurmountable. Agreements with developers have been a cumbersome and patchy way of securing these services, especially in less prosperous regions.

The other main shortcoming of the recent forms of urban development has been in terms of diversity of supply and configuration of settlements.

The commercial nature of the development industry produces houses and flats as commodities for sale and it tends to address a very narrow range of market segments — segments which it judges to offer strong demand and good returns relative to costs and profits. We have thus tended to get a very narrow range of building types and styles for houses and flats (many of them aimed at first-time buyers, or old people, or young couples, or people trading up to 'executive' homes) and an even narrower range of tenure forms: individual owner-occupation for houses and 99 year leases for flats. Rare are the experimental and diverse building forms and even rarer are cooperative, co-housing or condominium schemes with any shared or communal facilities: these we only find in luxury 'gated' developments or in niche products for segregated retirement housing or for students (Williams 2007). One other factor which makes the UK system so monotonous is that it is next to impossible here to acquire a site and develop or self-build one's own dwelling — either individually or as a group of households. (Kauders 2010, Chatterton 2013, Shelter and KPMG 2014).

It is also now also clear that we need urgently to reconfigure our settlements and the ways we use them in order to help minimise climate change, to mitigate its consequences and to adapt to the exhaustion of oil stocks (Atkinson 2009, 2010). The configuration issue is crucial because transport contributes such a large and growing proportion of emissions. Banister (2007) estimates that domestic transport contributed 27% of UK emissions of greenhouse gases and 29% of CO_2 in 2005 and since almost all transport runs on fossil fuels it is a sector hugely vulnerable to exhaustion of the world's (safely usable) oil reserves and to the price rises and energy-security problems which will lead up to it.

Various kinds of change will be necessary and are to some extent under way: the development of more fuel-efficient vehicles and conversion (via electric vehicles) to non-fossil fuels will help. But a lot of the change will have to come from measures which reduce the volume of freight movement, the quantity of passenger travel and the use of mechanical modes, especially private cars. But in the UK we have a very car-dependent combination of settlement pattern and the ways we use it. Households make journeys to work, for education, shopping, leisure and other purposes. Trips per person have been stable at about 1000 per year for many years but our trips are tending to get longer on average (Banister 2007) and a very high proportion are made by car except in some very special cases like work trips to the centres of major cities, especially London.

The necessary quantum change will require us to switch to jobs nearer home and homes nearer jobs or to working at (or near) home more often. But work trips are only about 20% of the total so many other travel patterns will have to change too. To this end we need to ensure that our new settlements are conducive to minimum travel and can be effectively enjoyed without much use of the car. And we shall have to reconfigure activities in existing cities so that less travel, especially car travel, is generated or indeed necessary. I have written elsewhere about how changes in this direction might be implemented in Milton Keynes (Edwards 2001).

This is a planning challenge which has hardly yet been tackled other than through a generalised and rather unscientific espousal of higher densities and mixed uses as panaceas since the Rogers Report (Urban Task Force 1999). The current (pre-crisis) output of the housing system makes next to no other contribution to this change in urban configuration or usage. This is partly because we have no agencies with the power, responsibilities and resources to plan for such developments, let alone implement them. The Milton Keynes South Midlands 'growth area' designated by the previous government perhaps came closest (Cochrane, Colenutt and Field 2015), the Thames Gateway could have gone well or badly (Edwards 2008) but now seems bound to fail and both have now had their political backing and public resources swept away. In most of England all we had was some very modest housing supply targets set by weak undemocratic regional agencies and allocations in Development Plans which, at best, were intended to maintain past levels of housing output. The combined effects of these past practices were never going to produce a step-change in housing supply, nor (even where the term 'eco-town' or 'garden city' was used) were they structured in a way which could have tackled the environmental imperatives for local or regional re-structuring.

2. How it works in British cities

The above has presented a narrative of UK housing as being in deep trouble. Our problems have had a long period of gestation: they are not new. They are the product of many interacting social forces so they are not simple and thus can't be fixed by just one simple measure. It is not an exaggeration to describe the situation as a crisis because it is so threatening to the health, stability and cohesion of the society – to 'sustainability' if you like that term.

This national housing system crisis takes very different forms in different cities and regions and these are now briefly explored, partly to provide context for a later 'view from the future' from each of these places.

The stock of houses we have is the accumulation of those produced as market commodities and others produced as non-commodity dwellings. Some sections of the society can house themselves adequately or well in the market sector as owners or as renters but many households are unable to do so because of a combination of inadequate salaries or pension income, rising house prices and rents, the tendency of richer households to occupy higher proportions of the total stock, the regional imbalance of supply and demand. The non-commodity housing stock has been reduced in the face of growing needs for it in many cities and the private rented sector becomes the only source of housing both for those who would have preferred social housing and many who had hoped to buy. All tenure categories have been affected by financialisation: increasingly subject to financial considerations and with social and private landlords alike dependent on high levels of housing benefit and other state benefits to underwrite their rental incomes. Lying behind all this is the market in land and property through which the rich get richer and the poor poorer and which — in combination with the planning practices of richer areas — inhibits the volume and distribution of new housing production, space standards and so on. Fig 8 provides a context, mapping average price change for UK local authority areas.

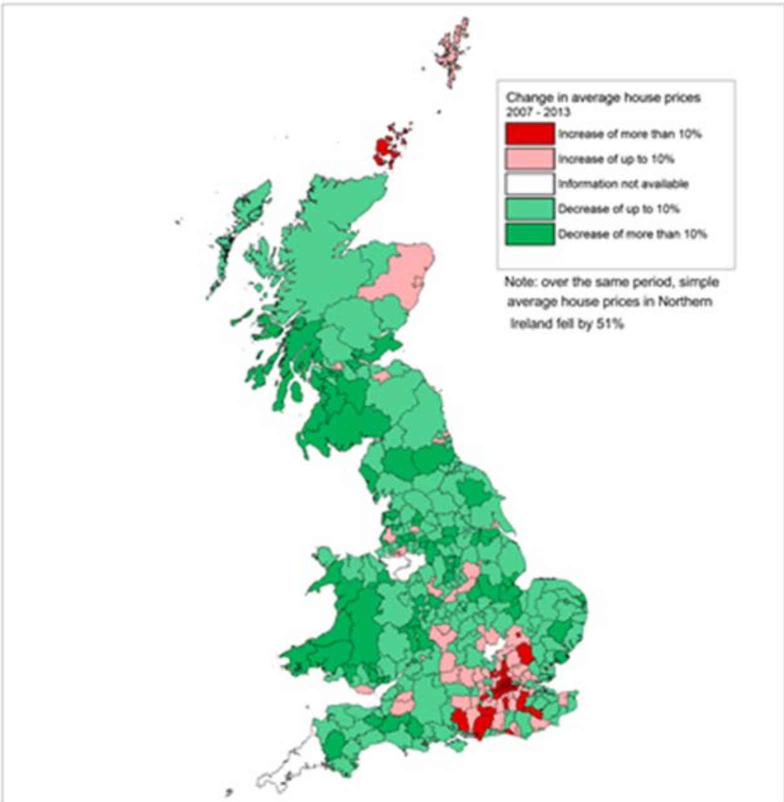

Figure 8: house price change 2007-13: Change in mean house prices at a local authority level between 2007 Q4 and 2013 Q2.
Sources: England and Wales: DCLG Live Table 581; Scotland: Registers of Scotland statistical releases.

Note that for the areas in white, data were not available for both the time points (mostly due to boundary changes in 2009).
Map by Tristan Carlyon

2.1 London

This is not the place for an extensive exposition of the acute housing problems affecting London. London housing has been the subject of a major recent monograph (Bowie 2010) and is central in most studies of national housing problems (e.g. Shelter and KPMG 2014).

The London housing problem can be summarised as follows:

i. London and its wider region have experienced substantial growth of population and measured economic activity for some decades; population growth appears to be accelerating, partly as a result of positive net migration but substantially now because the age-mix of migrants has produced a rather young, and thus fertile, population.

ii. Housing supply has failed to keep pace with the growth of housing need and of demand, or to achieve the planned outputs of housing, especially of social and other 'affordable' housing embodied in successive London Plans.

iii. The growth of inequality in London has weakened the capacity of middle- and low-income groups to compete for housing space within the market stock while the size of the non-market—social housing—stock has shrunk through the failure of new production to keep pace with losses flowing from the Right to Buy, from other privatisations and, recently, from the switching of tenancies in the socially-owned stock from social rents to the much higher 'affordable' rents or even, in some cases, to market rents. These changes are quantified, so far as possible, in the evidence of the London Tenants Federation, TCPA and Just Space to the latest consultation on the London Plan (Just Space 2014).

iv. The provision of non-market housing is costly because of the high prices commanded for land for private market development and has normally been possible only through a combination of government grant and Agreements made between planning authorities and private developers under S106 to secure that agreed proportions of units in new developments shall be social or 'affordable' housing (Bowie 2010). Both of these mechanisms are weakening: central government grants for social and 'affordable' housing have been reduced since 2010 and developers were able to argue that the fall in disposal prices for market housing after the post-2007 crisis (and the impact of CIL) threatened the 'viability' of projects containing significant social housing. Government ruled that 'viability' considerations should be paramount and even that pre-existing contracts could be re-negotiated downwards. Even now that disposal values have regained their pre-2007 levels, these changes remain in place so there has been a ratcheting-down of S106 provisions for social and 'affordable' housing (University of Reading 2014).

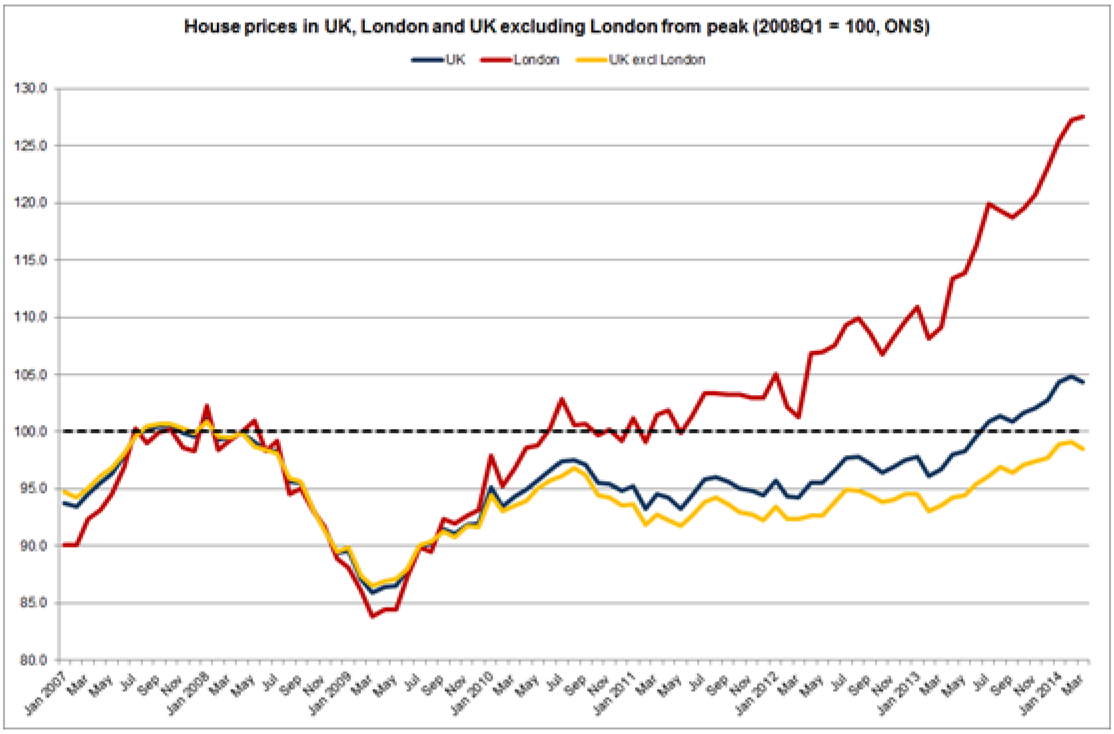

Figure 9. UK, London and the rest of the UK: house prices compared 2007-14
Source: Joe Sarling using ONS data.

(v) Housing scarcity has also been affecting those with somewhat higher incomes who would previously have expected to enter owner-occupation, with large numbers of Londoners priced out of housing they can afford. These people, along with those excluded from social housing, are thus constrained to rent in the growing private rented sector (PRS) and there are many indicators of the resulting strains. For example we see the unprecedented formation of PRS tenants' campaigns and of the 'Priced Out' campaign of would-be owner-occupiers. The sector offers very poor security, short leases, unregulated rents and — in many cases — poor health and safety conditions.

(vi) Superimposed on these problems the changes to housing benefits (caps on local benefits related to local market rent levels) and on aggregate social security benefits have made many of the areas in London where mixed-income communities had reproduced themselves for generations become unaffordable. The resulting exodus of Londoners from expensive to cheaper parts of London or beyond was predicted (Fenton 2011a,b) and is under way (Imrie and Lees 2014).

(vii) Government exhortations, following the Rogers Report (Urban Task Force 1999), that development should avoid greenfield sites and focus on previously-developed ("brownfield") land reinforced the effect of the Green Belt in constraining the supply of sites and almost all house building in London has met this objective in the last decade. However, given the very extensive green space in London and the widespread existence of conservation areas, this has created very strong pressures for land use change from almost any other use to residential. Shelter and KPMG (2014 35) cite industrial land prices in Croydon as being half of residential land prices and there is plentiful anecdotal and professional evidence of much higher ratios. Whereas many other British cities still have areas of disused or lightly-used ex-industrial land, London has very little remaining and much of that has decontamination problems or needs costly infrastructure to bring it into use. Pressure on non-housing uses of space in London has become very intense indeed (Ferm and Jones 2015). One of the most socially-disruptive and controversial forms of this creation of brownfield sites is the demolition of large council estates which has increasingly been undertaken in the name of regeneration, often without adequate consultation and in some cases with complete dispersal and disruption of established communities (Imrie and Lees 2014; UCL Urban Lab 2013).

(viii) The market sector of London housing has also been meeting elements of demand which are, to varying degrees, additional to housing the city's settled population. These include investment purchases by UK and foreign residents and companies who then keep the flats empty or use them only occasionally. This category blurs into the second home/pied-a-terre kind of demand. There are grave problems in defining these categories and in measuring their extent. Controversy, and sometimes xenophobia, surround these issues but they probably are responsible for diverting a lot of sites which could otherwise be meeting the city's more ordinary demands and for contributing to rising prices, especially at the expensive end of the markets.

(ix) Finally it needs to be stressed that London's housing pressures of course reach far beyond the boundaries of the GLA. Needs generated in London (especially central London where employment is concentrating) are perforce partly met in the surrounding villages, towns and cities, raising prices in those areas out of the reach of many who work there and occasioning the need for very heavy government investment in rail capacity. This dependence on the rest of the region, however, is entirely unplanned and estimates of prospective ‘overspill’ to other areas suggest magnitudes of 20,000 p.a. (NLP 2014) which could affect 400,000 dwellings over the next two decades.[9] (see also TCPA 2015, Bowie 2014).

2.2 Scotland

The housing experience of Scottish cities has been extreme in some respects, not that it has experienced the highest prices or the fastest price escalation in the market sector but that it has seen the scale of social housing driven down from a very high level to a low level in the neo-liberal period. In 1981 more than half the households in Scotland — and much higher proportions in the main cities — were living as social housing tenants and that 54% has fallen to 24% in 2012 (Wilcox and Perry 2014). This sea-change transformed what had been a 'normal' form of housing for a broad spectrum of households to an increasingly residual form available only to those who could not gain access to private rented or owner-occupied homes. The transformation was secured through sales and in the 90s onwards through active demolitions which exceeded new production (Glynn 2012). As elsewhere in the UK, sales have disproportionately been of the more sought-after houses and in the residual social housing, despite major upgrading in some estates, 54% of dwellings fell short of the Scottish Housing Quality Standard.[10]

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[9] Similar concerns have been expressed by organisations as diverse as the TCPA and the HBF in evidence to the London Plan EiP 2014. www.london.gov.uk/priorities/planning/london-plan/examination-in-public/responses-to-consultation

[10] Scottish Government data quoted by Shelter http://scotland.shelter.org.uk/housing_policy/key_statistics/the_facts_about_scotlands_housing (consulted May 2014)

Edinburgh has an economic and social structure which accounts for more high-price housing in the market sector, pulling its average dwelling price in 2013 up to £213k, while Glasgow's mean is £140k. Both cities show falling prices although earnings in both have been rising. Aberdeen, with its oil-based economy, has mean house prices in between at £192k but rising even though wages there fell in the period 2012-13 (Citiesoutlook 2014). This may well reflect the fact that only 1.2% of additional dwellings were added to the city's total stock over the three years 2009-12 (Citiesoutlook 2014).

Scotland has been affected adversely by the same set of problems as England since 2007: "the credit crunch, housing market downturn, recession and […] unprecedented fiscal retrenchment. This is happening at a time of rising housing need while the Scottish Government is facing short- and long-term challenges that require more, not fewer, housing resources." (Gibb and Leishman 2011 5) The same authors report that the fall in land prices associated with the downturn had not helped because of the tendency of landowners to withdraw sites from the market.

In some cities in central Scotland authorities have judged that more affordable housing is not a high enough priority for them to develop and implement Affordable Housing Policies using S75 agreements to secure provision by private developers. Elsewhere in Scotland, however, and notably where housing pressures are strong, attempts to develop this model have been made. In a careful and thorough study of this experience the Chartered Institute of Housing (O'Sullivan 2008) found largely negative experiences with local authorities carrying high costs to devise and implement planning agreements, concluding that there must be better ways of providing affordable housing, preferably through a reversion to tax-funded support.

2.3 Northern English cities

There is a great diversity in the housing experiences of Northern cities with many experiencing low levels of price change and of private market output: cities in the North East and many of those in the Yorkshire and Lancashire moors. Exceptions seem to have been Warrington, Manchester (with price increases but not much development) and Barnsley with falling prices but some development (Citiesoutlook 2014 data for 2012-13).

An important feature of Northern cities has been the experience of the Housing Market Renewal Initiative (HMRI) scheme. As its name implies this programme was designed to raise the level of prices and thus create conditions in which private investment in housing would take place, especially in those towns where older housing was plentiful and/or with significant vacancy or abandonment. Some of the elements of the programme are reported to have improved standards of public space, of maintenance and of local facilities in a beneficial way. However the element of the programme which acted through demolition of stock deemed to be low grade met with strong popular resistance (Turcu 2012). The whole programme has been surrounded by controversy, roughly between a professional/technical perspective with the concept of a "healthy market" at its core and more bottom-up points of view where the experiences of citizens displaced from their homes and the erasure of their neighbourhoods are serious social costs. The controversies are well reviewed by David Webb (2010) who concludes, inter alia, that "In exactly the same way that the clearance programmes of the 1950s and 1960s were implemented, the closed housing market rationality of the HMRI potentially allows for an elite minority to drive through demolition programmes, backed up by powerful networks of local institutional interests."

Examining the HMRI programme in the North East, Stuart Cameron concludes that, while the programme began with a strong focus on reviving markets and making integrated efforts at neighbourhood improvement, it tended to become focused on securing neighbourhood change through population and tenure change so that benefits to original residents tended to be unlikely (Cameron 2006 14). There are thus parallels with the analysis Glynn offers of Scottish experience (above) and the 'regeneration' experience in London. Wallace (2014) in a study of the New Deal for Communities and HMRI in Salford also finds negative impacts on the intended beneficiaries, both from the practices of the HMRI and from its abrupt cessation.

In many of the cities, the last 15 years have seen extensive market-oriented development of city-centre flats, following the policy changes launched by the Rogers Report (Urban Task Force 1999). A careful study of this phenomenon in Leeds suggests that these flats may not reflect the long-run preferences of those who bought them and may be unlikely to meet the needs of under-occupying older citizens who might benefit from such small dwellings if differently designed and located (Evans and Unsworth 2011). There is anecdotal evidence that these developments are a mixed blessing in many places and may take some time to find a fruitful use or to contribute to meeting pressing needs.

2.4 West Midlands village

While by no means a city, Umbridge in Borsetshire is a settlement functionally connected with Birmingham, 35 miles away, and within 15 miles of two small cities. Its housing experience well illustrates a common, but probably not extreme set of UK conditions of the kind surveyed by Gallent et al (2006). With a population of about 1000 it has two main clusters of settlement and adjoins an A road with an expensive and sketchy bus service linking its two small-city neighbours. The housing stock is largely owner-occupied but with a dozen council houses, still tenanted, and another dozen housing association dwellings built a decade or so ago. It is a low-wage area for those working in agriculture and other local services and there is no housing available in the village which those workers can afford to buy; many have to rent privately or live in the towns. Most of the stock is owned by professionals commuting to Birmingham or smaller cities by car or by retirees, second-homers and home-working professionals, some in very high-tech global occupations. The need for affordable housing is strong, and is confirmed by a needs survey by Borsetshire CC, but there is great local resistance to perceived loss of amenity if new housing is built on the edges of the village, although the village school is closing for lack of children and the pub and shop struggle for trade. The major landowner in the parish is a single family trust which would be happy to build a mixed-tenure estate but propose a site which would block the views of many local residents. (Nobody has suggested adding a third distinct cluster to the village to avoid this problem.) Tensions are high and moves towards a Neighbourhood Plan under the Localism Act show no signs of resolving them. Interestingly, the last burst of growth in the village took place some decades ago when the local mansion was converted to a co-housing scheme and its population increased from three to 75, supplying the village school with many years of buoyant classes.

This is a picture which is clearly repeated in thousands of places across the UK, with only minor variations. The disparities and stresses are long-standing and rather invisible, but severe.

2.5 Seaside town: Hastings

The Centre for Cities, in its 2014 survey of UK cities, includes Hastings as the smallest and one with low scores on many variables. It has a relatively high proportion of public sector jobs, low average earnings, high rates of registered unemployment and rather low levels of skill in the working population. In many respects its attributes resemble many Northern towns although it is in the South East. In housing terms, however, it experiences prices characteristic of South East England, very low levels of new building and rising prices last year despite economic conditions which were still in decline (Centre for Cities 2014 and Citiesoutlook 2014). It can probably be taken as standing for many seaside towns.

2.6 Milton Keynes

Milton Keynes has a special significance as an illustration of how widely the attributes of housing situations can vary. It lies within the mega-region dominated by London and might therefore be expected to experience high house prices and scarcity. However prices there are low by southern English standards and thus relatively affordable. It added 1.5% to its dwelling stock in 2012-13 — the highest growth rate of any UK city — although average prices were still falling in the crisis (Citiesoutlook 2014). By 2012 it had reached its original "target" size of a quarter of a million people, set when the area was first designated as a New Town (new city) in 1970, and continues to grow in population and economic terms. Along with Northampton and Corby and some smaller settlements it had been designated as the Milton Keynes South Midlands (MKSM) Growth Area in 2001 and had been expected to produce continuing growth on a large scale, no longer using New Town Act development machinery but instead the kind of public-private 'partnership' arrangements common in neo-liberal policy. The Growth Area programme was terminated after the 2010 election and the area's experience has been the subject of systematic study funded by the ESRC (Cochrane, Colenutt and Field 2015).

The study finds that the housing output of the MKSM project during its lifetime was disappointing and attributes this essentially to the configuration of public and private bodies and, in particular to the challenge of paying for up-front infrastructure costs within a standard volume-house builder framework and the reluctance of these firms to maintain high levels of output. Only in Milton Keynes itself where extensive public land-holdings existed, could higher rates of output be sustained (Cochrane, Colenutt and Field 2015).

3. The future

How can it be that, on the one hand, we have an extremely 'high-value' built environment and its value has mushroomed in recent decades, generating massive profits and capital gains (rents) while, on the other hand many of us are inadequately housed, space standards are low, value for money poor, funds for social and physical infrastructure and services can't be found and the environmental performance of the resulting settlement pattern is substandard? It is a dreadful paradox, a severe contradiction.

Put like this, however, it is clear that the problem could be solved. There is lots of money being spent on housing and more of it could go on what we need — good quality, well-designed, affordable housing with good services, environments and workplaces — less being distributed as profits and capital gains/rents. How it could be done is the subject of the rest of the paper. The future has to be different from the past.

The forms which the housing crisis takes in different cities, regions, towns and villages vary but few places escape entirely.

However there does appear to be a substantial threat that governments will try to revert to the old status quo. In some ways that is understandable: they want to see the construction sector busy; they want to reassure the owner-occupying majority in the population that their asset values will recover, wipe out any negative equity (most severe in Northern Ireland but occurring elsewhere too) and get them back on course to accumulate family fortunes. So far this paper has argued that 'back to normal' is regressive, inefficient and dangerous. Now we consider what our successors might decide to do.

3.1 Do nothing, muddle through

The most recent and ambitious study we have of the prospects for housing starts by painting a gloomy picture of the next few years:

> “If we do not take firm action to build more homes there will be very worrying consequences for our economy and society. The impacts will be felt in rising homelessness, stalled social mobility, declining pension saving and an ever rising benefit bill. High house prices and often unaffordable private rented housing is already impacting the country’s competitiveness, particularly given that migration to the job market in London and the South East is increasing, but it is this market that has the highest housing costs.” (Shelter and KPMG 2014 4)

The same study anticipates that the number of dwellings built annually in England would, in the absence of major changes, grow from its low point of just over 100,000 now to just over 150,000 in ten years, a process of 'slow recovery' (p17). It then elaborates a number of changes which could be made by a next government which could, it argues, double that level of output in a decade.

This section of the present report tries to stand back from that perspective in two respects:

i. taking an even longer term view, over 20-45 years

ii. widening the scope of discussion by considering the growth and distribution of incomes and the scope for necessary change in linked spheres (demand management, taxation, pensions, spatial policy).

The UK has, in common with most other 'rich' countries, experienced a decline over three decades in the share of the social product accruing to the working population as wages and salaries combined with growth of inequality in the distribution of income among workers. This has been part of a process in which falling relative wages should have made our products more competitive and thus fostered growth in liberalised world markets. This was always a deeply controversial strategy and it is in many respects not working: it is a race to the bottom from which there are few gainers. In the particular case of the UK we have the added handicap of a dysfunctional housing system which reduces our capacity to compete, amplifies inequalities and channels huge gains (including growing public subsidy) to landlords and investors.

Another way of viewing the subsidy situation is to consider it as a subsidy to employers through the cheap availability of labour, the subsidy comprising two parts. One part is channelled through the state in the form of housing benefits and allowances and through tax credits which, together, enable workers in the low end of the income distribution to reproduce themselves in the face of low pay and high housing costs. While many forms of state aid to business are ruled out of order by EU competition policy, these very pervasive subsidies are not. It is a paradox. The other part of the subsidy is, in effect, provided by workers themselves through economic hardship, 'workfare' (state pressure on unemployed people to perform unpaid labour) and putting up with homelessness, substandard living environments, extended journeys and cramped housing.

Looking into the future, we can foresee many ways in which this set of relationships could come to grief. The escalation of asset values could be put into reverse, triggered perhaps by rising interest rates. These would make very many mortgages taken out in recent years at low interest become unaffordable on a large scale and with substantial numbers being plunged — in the graphic US phrase — 'under water' (into negative equity). This would be the case even if, as Wren-Lewis (2014) has argued, rising interest rates would bring house prices — viewed as the discounted value of a stream of future rents — down in the same way as bond prices fall when interest rates rise.

Another trigger could come from any destabilisation of 'safe-haven' purchases of UK property by high net worth individuals and by institutions across the world. While the initial impact of disinvestment by these owners would be felt mainly in London and some prime countryside property markets, the consequences might be infectious. In the words of our leading scholar of property cycles, "Because of its inherent instability, and the multiplicity of interconnections with the wider economy, there is no more effective transmission mechanism for unleashing a perfect global storm than the property cycle." (Barras 2009 333)

Instabilities and crashes of this sort are hard to predict with any precision: we cannot say when one might take place. But the risks that there will be such crises must be regarded as high over the coming years. This probability is, in effect, built in to the dynamics of the current situation.

A further and quite distinct possibility, inherent in the trends we are experiencing now, is of large scale popular discontent expressing itself as a refusal to submit any longer to the housing stresses or (perhaps more likely) the related financial stresses surrounding housing. While people's relationships with housing finance vary a lot from one tenure category to another, most ordinary households are stressed by it through their rents, through their mortgage payments, through the problems encountered by their offspring in housing themselves or by the broken ties of mutual and kinship support which come from the dispersal of established communities. The likely impact of current housing system trends over the next 20 years has been carefully evaluated by the Joseph Rowntree Foundation, who identify severe worsening of poverty, even if housing benefit continues to cover the same proportion of rents as today, and point to the need for a doubling of the housing benefit bill if poverty is to be contained under various scenarios (Stephens et al 2014).

In spatial terms we are witnessing, certainly in London, the expulsion of what might be regarded as 'surplus' populations to cheaper areas in or beyond the urban periphery and to those coastal and provincial towns where social or market housing is relatively affordable and available. This is a combination of individual decisions made under the pressure of market forces and administrative actions by public authorities, desperate to find space to discharge their housing obligations to homeless people and others in acute need. An extreme form of this was foreseen as long ago as the 1970s by the Australian historian Hugh Stretton. In one of his most pessimistic scenarios he portrayed a world in which the cities and desirable areas were the preserve of the rich and their necessary servants with the mass of workers, not currently required, being warehoused in what would amount to Bantustans (not in ethnic, but in class terms) from which they could be recalled to privileged areas when needed (Stretton 1976).

A key issue in this attempt to foresee how the future might unfold is the issue of productivity and pay.

Our economy has reoriented in recent decades from a focus on production, where productivity gains could always be expected, to services, many of which don't readily grow in productivity — at least as conventionally measured by GVA per worker. High levels of un- and under-employment, a low minimum wage, the burgeoning use of zero-hours contracts and workfare make labour very cheap for employers in these service activities and greatly weaken their motivation for labour-saving investment to boost productivity. It is hard to see what can reverse or interrupt this malign process and thus the continuing divergence of housing experiences in the market sector as earnings diverge.

The very high rents and housing costs being extracted from workers constitute a great burden on the productive economy — on the production of useful goods and services. It is as though there were two kinds of tax in the society: one paid to the state and local authorities for public services, the other paid as rent to landlords, financial institutions and established owner-occupiers. These extra costs must greatly reduce the competitiveness of UK exports and our ability to reduce our consumption of imports

Finally, it should be pointed out that a business-as-usual scenario has strong implications for the balance of activity between parts of the UK and for state expenditure on infrastructure. It is fundamental to the economics of agglomeration (cf WP 4; OECD 2014) that increasing city size brings benefits and also costs. It is widely argued that there may come a point in the growth of a city where the diseconomies of further growth (pollution, congestion, rents etc) come to outweigh the benefits. In the context of this paper — and specifically in respect of London — it should be pointed out that the benefits of agglomeration accrue mainly to private agents: to the firms which enjoy the most diverse and flexible labour markets, benefit from proximity to other firms in similar and complementary activities and so on. Some of the benefits are also enjoyed by those who work in the city through faster career progression, wider job choice and diverse cultural and social opportunities. Many of the benefits will flow to the recipients of metropolitan rents, both corporate property owners and financial institutions, and individuals who manage to ride on the escalator of house price appreciation. The negative effects of agglomeration are partly borne by these same people as poor air quality, aircraft noise and congested travel. However massive investments are made to contain and mitigate these negative effects, notably through the state's provision of transport, sewerage and other infrastructure improvements without which the growth would be impossible. Insofar as the benefits accrue privately and the costs are socialised, we have no possibility that ordinary market processes will bring the city's growth to a halt when it passes some optimum level. We can thus expect that, on current trends, London will continue to pre-empt the UK's major infrastructure budgets as it has done in recent years, and probably long after it would have been better to invest elsewhere. Indeed that point may well already have passed. Landed, property, construction and financial interests have a vested interest, however, in keeping London's ascendancy growing.

3.2 Alternatives

Having sketched some of what appear to be the likely or possible effects of a 'do-nothing' or 'business as usual' scenario for housing futures, the remainder of the paper considers some of the alternatives which might, individually or in combination, occur.

3.2.1 Salaries tax and valuing work

Since a major contributor to our housing problems is the low absolute and relative levels of income and wealth of half our citizens, we could expect housing conditions to improve across the country as these phenomena are tackled. The feasibility and likelihood of this are emphatically not the subject of this report, however, and comments are therefore limited.

Changes in the distribution of earnings would require society to change the way it valued different kinds of work and the rewards paid to different kinds of workers. It would be quite possible, for example, for the work of the thousands engaged in the care of the elderly, children, the physically and mentally ill to be much better valued socially and better rewarded in salaries, career prospects and employment security, reversing tendencies of recent years. The nation's demographic prospects certainly suggest that the needs will grow, rather than go away. The pay and conditions of workers in retailing, catering and other hospitality services and in some transport jobs would probably only respond to better and better-enforced minimum wage law, preferably on an internationally coordinated basis. Another option here is the idea of a citizen’s minimum income or basic income.

It should be pointed out that such changes would be partly self-financing since they would reduce the need for wage subsidies like housing benefits and allowances and tax credits. It should also be pointed out that they would provide some incentive upon employers to invest in the pursuit of more effective utilisation of — now more expensive — labour. Rising wages could thus lead to improved productivity as well as to the reduced need for subsidy.

The issues of regressive/progressive taxation are not the subject of this paper but clearly have a bearing in that they too can play a key part in exacerbating or resolving the inequality of housing experiences. A key aspect of tax policy in this context must be the taxation of wealth, including housing wealth, a topic much discussed at the time of writing in the aftermath of Thomas Piketty's *Capital in the 21st Century* (2013). Among the key issues to be tackled here are the taxation of capital gains from home ownership, the regulation of trust-type devices to circumvent inheritance tax (IHT) and the scope for switching IHT from being a charge on estates to being a charge on those who inherit - a measure which would at least tend to disperse inter-generation wealth transfer more widely.

A related and important issue is the replacement of Council Tax (Newman 2014) with some more continuously progressive regime, whether by the addition of new bands to Council Tax or by its complete replacement with a property or Land Value Tax (LVT). The latter has a strong appeal as a redistributive mechanism and as an incentive on owners to put their land to good use (Jones, 2008), but is criticised for the fact that — in the absence of a rigid zoning system — it would tend to foster indiscriminate densification.

It would be almost certain, under any scenario, that Stamp Duty Land Tax disappears in one or other of the tax reforms of the coming decades. As a pure tax on transactions it has no merits (except that it raises money) and is clearly a substantial brake on mobility of labour and efficient use of the housing stock.

These are all debates which we need, as a nation, to take seriously, perhaps with a Royal Commission or other inquiry, including a research capacity.

3.2.2 Alternatives to growth: de-growth, post-growth

Extensive scholarly and campaigning literatures (not reviewed here) focus on critiques of the growth imperative as the governing force in modern societies or, in a different discourse, the accumulation motor in capitalism.

Critiques arise from a variety of standpoints:

i. considerations of global warming and consequent climate change effects of growth in its current form;

ii. resource depletion, damage to genetic diversity and health effects of pollution;

iii. the failure of standard measures of output (GDP, GVA etc) to take account of unpaid, voluntary and domestic labour, disproportionately female;

iv. the illusory element in GDP whereby output appears to have grown simply through the inflation of house prices and rents, even where no one is better housed; and

v. the inherently exploitative nature of capitalism.

For our purposes in thinking about housing in the coming decades it is important to focus, at least, on the environmental dimension of these critiques because our housing stock needs a great deal of work on it, both to expand its size and to maintain and upgrade it to perform better in user satisfaction, safety and environmental performance. Greening the economy is not just a matter of working on the housing stock but also in reconfiguring settlements to reduce the need for transport and perhaps to re-accommodate those living in high flood-risk areas. Here the argument is not so much whether we should pursue growth of output, but *which* outputs should we be pursuing. The literature here is well reviewed in the context of UK planning by Yvonne Rydin (2013) whose *The Future of Planning: beyond growth dependence* is an up-to-date gateway to further literature.

3.3.3 Alternatives through land reform

Whether our society moves towards a radical reform of land ownership over the next half century must be a very open question. The failures of the current system are becoming clearer all the time, both in the seeming impossibility of bringing development land into use quickly and cheaply for new settlement development and in securing good quality urban renewal in which established communities can remain in situ, rather than being displaced or priced out.

There will certainly be a need to rediscover the benefits of compulsory purchase of land by public development agencies at or close to agricultural prices in rural areas and at existing use values in urban areas. We know from our own new towns experience and from many European countries (Falk 2014, Hall with Falk 2013) that this alone can facilitate development of new settlements together with all their necessary infrastructure and — in a market economy — capture the long slow growth of values which occurs. Even if we could secure stable house prices at a national (average) level (see next section) a dynamic value-capture system of this kind would work well (Edwards 2008). Because it is dynamic — capturing *growth* in values — it would be much more effective than one-off charges like S106/75 contributions, CIL or the earlier Development Land Tax, levied at the early stages of development.

The active use of compulsory purchase at existing use values in both greenfield and brownfield situations is one of the methods by which the land market can be damped down – see next section.

Within a broad strategy of housing and settlement policies there would certainly be a place for large-scale application of such a new-town type of land development strategy within and linking established cities. They have been proved to work well and it is noticeable that WP 4[11] in this programme identifies as success stories a number of cities which have been restructured using the new town machinery: Warrington, Milton Keynes, Northampton, Crawley, Peterborough and Swindon[12] have shown strong growth in output and the majority have performed well in output per worker (productivity) too, and all that in a period extending well after their new town status had expired.

Cochrane, Colenutt and Field (2013, 2015) in a study of just one cluster of these cases, Northampton and Milton Keynes, found that recent reliance on normal (non-new-town) development mechanisms and private developers has slowed this growth but that is a strong argument for resuming the former land policy model.

Candidates for this kind of strategy include the Oxford-Milton Keynes-Cambridge arc in which the railway link is being reinstated and the Liverpool-Manchester-Leeds-Hull arc which has also been under discussion (Chape and Wray 2014; Hall, Thrower and Wray 2014).

A further important dimension of land reform would be for city plans to be much more precise about the densities to be permitted at each place, thus constraining the expectations of buyers and sellers in the land market which almost certainly led to a ratcheting-up of prices and thus a squeezing-out of planning gains and building quality. Shelter and KPMG (2014 34) presented a brilliant exposition of how competitive bidding among developers, using the residual valuation

[11] *The Evolving Economic Performance Of The UK System Of Cities* - www.gov.uk/government/publications/future-cities-evolving-economic-performance-of-uk-cities

[12] Swindon did not grow under the New Towns Act, but under the Town Development Act of 1952.

approach, has this effect and more research could evaluate the contribution of lax planning to this process, at least in London. We might even follow São Paulo in auctioning density increments in certain locations instead of giving them away as we did in the 2008-14 period.

On one land policy issue there seems to be wide agreement and rapid progress: the speedy completion of the Land Registry to cover, in a transparent and accessible way, all property ownerships and transactions in the various countries of the UK, including options to purchase. The absence of a complete 'cadastre' (as such registers are known) amazes foreigners, inhibits research on property ownerships and markets and concentrates too much power in the hands of proprietors. Moves in this direction started in Scotland (LRRG 2014), were urged by Shelter and KPMG in their 2014 report and should progress swiftly.

3.3.4 Stabilising house prices

As we have seen, many of the dysfunctional aspects of our housing system stem from the fact that houses have become 'assets', commodities which can be traded and whose prices are widely expected to rise in the future. In fact of course prices are volatile: they fall as well as rise. But the expectation of long-run price increases is widespread and to a great extent self-fulfilling. These escalations of price put housing out of reach of more and more people, account for the wealth-escalator phenomenon and have a malign influence on the house building industry. If prices could be stabilised, at least in real terms, many of these problems would be resolved, people looking for capital appreciation would invest elsewhere, land values would be relatively low, more of what you pay for a house would be for the building, its space and performance standard.

Achieving stable house prices — and thus approaching the historic experience of Germany or Switzerland — is a challenge and one which should be a high priority for governments. It would need to be approached on multiple fronts:

i. through managing expectations: people would have to be convinced that governments would stick to the objective and pursue it effectively. Growing awareness that compulsory purchase would be at or close to existing use values would help to discourage speculation on changes of use of land and property;

ii. removing—probably capping and then phasing out—the inheritance (IHT) and capital gains (CGT) exemptions which have contributed to the appeal of speculative buying of housing, and often of more than one needs;

iii. taking care that government policies for housing and taxation focused investment on bricks and mortar (or steel and blocks) and minimised any upward demand pressure on the prices of the dwelling stock as a whole. This would, for example, rule out the Help to Buy scheme and would influence the way Real Estate Investment Trusts were handled, swinging their tax breaks in favour of production;

iv. perhaps also using a modified version of the former 'schedule A' tax whereby owner occupiers would be taxed on the imputed (notional) rent they paid themselves to live in their house but being able to deduct actual (documented) expenditure on repair, maintenance, retrofitting and upgrading.

v. instigating controls on the levels and/or rates of change of rents, along with improved security for most tenants. These measures would reduce the demand from landlords for properties to acquire, thus helping to keep house prices down, as well as being of direct benefit to tenants. As private and 'social' rents thus become similar in more parts of Britain, a more unified (less segregated) rental system will emerge of the kind enjoyed by many of our fellow Europeans (Kemeny 1995).

vi. re-directing public expenditure from mainly supporting rents in the private rental sector to supporting non-commodity housing production. The speed at which this switch could be made would of course depend on progress on other fronts: raising wages, expanding the social housing stock in each locality and so on.

This would all be politically difficult. But there is also a serious spatial problem. With current (and even more with prospective) disparities between cities and between regions the average price of UK or English or Welsh houses could be stabilised, but strong spatial differences would mean that prices in low-value-growth locations would have to fall dramatically to compensate for the continuing inflation in high-value-growth areas. Those falling-price cities and regions would be thrown into severe crisis by this outcome, with many households 'under-water', adverse effects on mobility and so on. There would be a destabilising effect on banks.

This strategy, therefore, can only be pursued actively alongside measures of regional re-balancing.

3.3.5 Alternatives to geographical divergence

Our housing problem is substantially a regional problem and the neo-liberal aversion to active regional policy will have to be overcome if housing problems are to be tackled effectively.

Elements in such a policy would include:

i. a re-orientation of infrastructure investment to support public transport connectivity between Northern cities and other provincial areas so that they are able to gain, as networks of cities, more of the agglomeration benefits which at the moment arise disproportionately in the South East;

ii. a damping of the almost explosive growth of London and its surrounding region through reduced infrastructure spending there, the relocation of high-level civil service, university, cultural and other services to other cities - especially those in the Northern arc, mentioned above;

iii. since many European countries experience problems with the over-dominance of a primary city, there should be a basis for re-negotiating the competition regulations of the EU to facilitate a greater focus of public funds on housing and economic development in 'lagging' regions.

3.3.6 Making better use of existing housing stock

Dorling (2013) maintains that there is enough housing to go round if we just had a better distribution. While his argument is compelling it is hard to see the chain of events which would bring it about.

One of the main inefficiencies we have lies in the very large amounts of space occupied by small households, almost all in the owner-occupied sector. A number of steps could be taken to release some of this space, especially the replacement of Council Tax by a system which charged more for larger dwellings would no doubt lead some households to down-size. Since many of these households are elderly and many may be asset-rich but income-poor there would probably need to be transitional relief in some cases or a power to defer payment until sale or death. The success of this strategy of pricing people out of their generous spaces would also be assisted by expanding the provision of housing in all tenures which meets the down-sizing needs of households (discussed at 3.8 below).

Alongside attempts to encourage people to move we should also find better ways to encourage those who wish to do so to take lodgers or boarders if they have surplus space. In this context we should consider an emergency law which would extend the existing HMRC ‘Rent a room’ scheme and have the following provisions:

- Anyone in any tenure who has unwanted spare rooms can take lodgers or boarders or bed-and-breakfast guests in their own primary residence, and;

- They must declare the income for tax and benefit purposes but the first £5000 p.a. (say) will be disregarded; they must register as HMO where relevant and have gas safety certificates;

- The right to do this will be irrespective of the wording of their tenancy agreement, lease, deeds, covenants, insurance policies or mortgage agreement;

- The inheritance tax and CGT treatment of their dwelling (provided it is their principal residence) will be unaffected;

- The lodgers/boarders would have to leave if the resident landlord were evicted or moved.

This would surely bring a substantial amount of unused space back into use and take some pressure off the PRS. For some householders who are lonely it could bring valued companionship.

This is a rough and ready measure for lots of reasons: in the long run it would need renegotiation with lenders and insurers. The cut-off would have to be converted into a taper and linked with other tapers in the tax and benefit regimes; for asset-rich people the tax break is a gift and that would need sorting out along with council tax/land tax etc reforms which are also needed.

Other instruments which could help with effective and fairer utilisation of the housing stock are reforms of the taxation of multiple homes and of properties held empty.

Perhaps the most important measure which, sooner or later, should be introduced into British housing is to improve the security which people enjoy in all tenures. We have recently seen attempts to level down the security enjoyed by social housing tenants so it approaches the poor security which applies in British private renting. A more just society would do the reverse, levelling up the security available to private tenants on the lines of best practices in Germany and some other parts of Europe. If some private landlords take fright at this and sell up their dwellings those dwellings would re-enter the available stock for owner-occupation or for other landlords.

There is also a strong case for the concept of a 'right to rent' for those paying mortgages who become subject to repossession. This would be a non-reversible process whereby the property and the associated debt would transfer to a local RSL, subject probably to an upper limit on value and perhaps some government contribution in negative-equity cases.

All of these measures would contribute to implementing a 'right to stay put' which is sorely needed in 'regeneration' schemes whose power to disrupt and disperse established communities and support networks has become a major issue in many cities, especially London (Lees and Imrie 2014).

The last comment to make about the utilisation of stock is that, in a sane world, we would be conserving stock, and especially social housing stock, where it is capable of being decently used. There are a number of dimensions to this:

i. The right to buy social housing will have to end. In Scotland it has already been ended for new tenants and for new buildings and at least this measure should extend across the UK, with a complete termination of the scheme to follow.

ii. The demolitions of housing stock designed to create scarcity and raise prices to a level where private developers would choose to build (the Housing Market Renewal scheme) was a mistake and should not be repeated. A plentiful supply of cheap or almost free housing can be an asset for local development.

iii. In many, if not all, British cities we have seen demolition of council estates on a large scale. The justifications for these demolitions, and the underlying probable motives of the authorities, have varied: sometimes it is done in the name of securing mixed-tenure localities or replacing a poorer population with a richer one (as in Scottish cases reported above); sometimes the decision is based on judgements about obsolescence; sometimes—certainly in London—it has more to do with creating large 'brownfield' sites on which private developers can then build. In most cases it tends to be done without the enthusiastic support of residents or of adequate compensation, it disrupts established communities, their schooling and care arrangements and is often arguable in its assumptions about energy savings. There would be great benefits in law or regulations which would require genuine and well-informed consultation before demolitions are considered including transparent analysis of embodied energy and material balances alongside costs-in-use (UCLEE 2014). If leafy suburbs were being bulldozed in the name of social mix or energy efficiency, a new approach to decision making would soon be adopted.

It is unlikely that all these measures, taken together, would achieve Dorling's aim of securing an equal distribution of the stock of housing but they would go some way in that direction. The housing crisis needs to be tackled on a number of fronts simultaneously.

3.3.7 Alternative collective services and commons

One of the most interesting challenges we face is how to invent and foster a more diverse set of housing choices and living arrangements for the next century, getting beyond the very narrow choices we presently have. Among the issues to be considered here are meeting the needs of an ageing population, many of us currently remaining as one- or two-person households in family-sized housing. We need a richer offer of individual and collaborative forms of dwelling, some with shared guest rooms, some with gardens and some without, some with common indoor or outdoor areas, and a smoothed transition for many people to forms of housing involving care and support. Some innovations do take place in this field driven by groups of enthusiasts, as in co-housing and co-ops, or by creative entrepreneurs in the market sector.

Some very successful schemes facilitate the housing of different age groups to mutual advantage. But there is scope for a great deal more experimentation, especially in the non-commodity sector and there are major environmental gains to be made in the process (Williams 2007). This fits in well with the proposals in 3.2 above for revaluing caring work.

More generally, we can foresee the extension of the concept of 'lifetime neighbourhoods'—localities where people of all ages can meet their immediate requirements with minimum need for travel, especially by car: basic shops, places to meet and play, medical care and a mix of housing which enables them to meet changing needs without being forced to move away from established networks of friendship and support. Different versions would necessarily apply in rural, suburban and urban areas but the concept is a valuable one, it already appears in a weak form in the London Plan and further developments are to be expected in a spirit of localism, driven partly by environmental, partly by social and partly by economic imperatives.

The growing interest in the 'commons' as a concept embracing assets and rights which we share among us, either in closed groups or in open forms, is a valuable sign that there is coming to be support for ownership forms above and beyond simple exclusive private proprietorship.

4. View from the future

Returning to our earlier regional snapshots, it may help us to consider the range of available futures if we place ourselves in the Britain of 2060, 45 years ahead, and consider what would have had to change in the preceding years to get to a point where the provision of housing were based on social use rather than market price.

4.1 London

London has struggled to retain its strong position in all sectors of its activity while reasserting the needs of all its citizens for the quiet (or noisy) enjoyment of their city. Measures introduced to discourage the holding of UK real estate as a 'safe haven' were so successful that prime markets in central and SW London and some home counties areas fell dramatically, though without much effect in the rest of the region where the stabilisation strategy for house prices and rents worked relatively well. Rising levels of minimum living wage together with a major enforcement drive helped to relieve some of the worst in-work poverty and there were major reductions in housing benefit bills as a result. That in turn released government money which enabled a great expansion in social housing production and upgrades, much of it initially on the land in Opportunity Areas acquired at close-to-existing use value (Shelter and KPMG 2014), and subsequently on land in the best-connected parts of the Green Belt acquired at agricultural values. A big push to conserve suburban employment and foster reverse-commuting along London's radial fingers enabled trips to shorten and make better use of the infrastructure - and thus to manage without Crossrail 2, funds from which had been switched to the North of England. Some further reduction of the pressures on London were secured through the gradual run-down of air travel and through the transfer of major government, cultural and university institutions to the Northern metropolis, while international collaboration against tax havens and tax avoidance slowly but surely thinned out London's financial, legal and accountancy sectors, enabling the central office stock to consolidate and some of it to be switched to residential use.

With house prices growing only at about the rate of general inflation, and Council Tax replaced with a more uniformly progressive tax, private developers had problems adjusting to the new situation, focusing on competing in terms of design and space standards. Some went out of business, the more nimble ones survived and diversified their products. It has been a good period for architects whose skill in doubling the densities of the 1930s semi-detached suburbs while protecting gardens and green space, became legendary and gradually won support from suburban communities. The Right to Remain had quickly put an end to the wholesale and oppressive clearance of council estates and London rediscovered the skills of consensual phased estates improvement which had been lost in the early 21st century.

4.2 Scotland

Scotland has benefitted from successive waves of land reform, initially in rural areas which have seen extensive new 'commons' and the repopulation of many areas with a wide variety of forms of settlement, food production and housing. This reforming momentum spread to the cities and has meant that communities in many urban localities have been able to have beneficial ownership of their estates, manage their own renovation programmes and common spaces. The narrowing of income and wealth differentials in the wider society has taken the pressure off the 'prime' housing market, impacting more on Edinburgh than on Glasgow. Aberdeen responded to its second oil boom and constrained housing supply by acquiring and developing adjoining land so that falling housing costs were able to cushion the city's people when the oil ran out.

4.3 Northern English cities

By 2060 there is a great variety of experiences among Northern cities and their associated countrysides. The great Northern metropolis stretching from Liverpool to Leeds and to Hull has developed a strong coherence, thanks substantially to a re-direction of national infrastructure budgets from London, so it now has interconnections at various speeds over short and long distances and had led to a series of large overlapping labour markets, attractive both to employers and to skilled and educated workers. There has been rather little new housing construction but the utilisation of the stock is now very high thanks partly to the transport improvements, partly to the growth of working close to home and partly to the decades of investment in upgrading and retro-fitting the 19th and 20th century building stock, much of it paid for with EU and UK government funds released by the capping of agricultural subsidies at £1m per holding. One of the distinctive new features of the economy has been built on the area's specialisation in industrial archaeology and the conservation and modernisation of historic building stocks. We are world leaders in this field and attract researchers, students, professionals and craftspeople from five continents to train here. Britain's first-mover advantage in industrial capitalism is producing a second dividend - this time for the people of the Pennines.

In towns and cities away from this great Northern belt, city administrations and neighbourhoods have found many ways to exploit the advantages of fine landscape and relatively cheap housing space.

Rising earnings among the poorer quarter of the population has helped overcome the shock to many low-income owner-occupiers who had come to depend on equity release from their homes to supplement incomes and had been hard hit by falling prices in some towns, as reported especially for Northern Ireland (Wallace et al 2014).

4.4 A West Midlands village

Umbridge in Borsetshire has doubled in size in 40 years, adding two distinct built areas to the two historic clusters, none visible from another but all within ten minutes safe walk or bike ride from the school, shop and village guest house. The guest house is part of a co-housing scheme, offering guest rooms for the many people in the village who have visiting friends and relations but don't want the expense and tax burden of occupying larger housing than they need. Those who work in local jobs like farming, gardening, building, care of the elderly and disabled have salaries which enable them to live in good quality buildings, some renting, some as owners or in co-ops. Since house prices have fallen relative to incomes for decades, maintenance of buildings and their energy systems is the main cost of homes. The village now performs better as part of the extended West Midland city region, with about a quarter of its adult population travelling at least once a week to work or study or for culture and entertainment, many taking advantage of the reopened railway line and its automated 24-hour services.

4.5 A seaside town: Hastings

In common with many seaside towns, Hastings has benefitted from the slow but steady real growth of pay levels, and improvement of working conditions, in previously low-paid occupations, especially care work. This remains a popular retirement destination but its economy is diversified by its many language and professional training schools whose seasonal demands on the housing stock complement some summer tourism.

4.6 Milton Keynes

Milton Keynes in 2060 remains a UK success story with its grid extending north through Northamptonshire and along the Oxford-Cambridge arc, all threaded together with rail transport. A key factor in its continuous and non-volatile growth has been the transfer of land (at farm prices + 10%) to a holding trust which has then organised infrastructure and offered leasehold parcels for development, ranging in size from $50m^2$ upwards to $500,000m^2$ subject to covenants about the speed of completion and the bunching of densities close to services. It transpires that households have very strong preferences either for living 'bang on the edge' of a settlement, adjoining horticulture and extensive sports facilities, or at the centres where there is easy pedestrian access to services including third-space work buildings. Accordingly, the urban structure is planned as beads on strings with maximum 'edge'. The expenses of the land preparation, infrastructure and environmental maintenance are covered through monthly payments by households — a combination of ground rent and service charge — and with the up-front financing arranged by the national investment bank — an institution whose deposits have proved very popular with pension funds and individual savers.

5. Closing comment

This report has tried to refresh the housing debate by reminding us that the 'broken' system the country has is the product and legacy of the UK's uncoordinated actions and inactions. It has sought to argue that fundamental change could be imagined and brought about—and is essential if everyone is to be well housed and the society is to prosper. Yet, I have also pointed out that the professional-disciplinary-academic nature of the debate tends to work against dragging this issue into a democratic arena. On the one hand, the issues are mired in technocratic complexity relating to microeconomic theory, or they are deemed too 'hot-to-handle' from the perspective of what Keynesians would call the 'political business cycle'. Housing debates are as a result bedevilled by rival simplifications: everything is held to depend on—for example— relaxing planning rules or on re-structuring the development industry or on replacing one set of taxes with another.

In truth we have to get a whole series of interconnected social processes and policy areas *in focus simultaneously*:

- The ownership of land, the working of the land and property market and the British obsession with asset-value appreciation;
- The distribution of income and wealth — both the division of the social product between salaries, profits and rent (with the last a massive burden upon us) and the distribution among households and individuals;
- The distinctive practices which have emerged in the private housebuilding sector in response to our conditions;
- The need to revive and diversify non-commodity forms of housing production and enjoyment;
- The increasing dominance of financial relationships and intermediation, now penetrating to all tenures;
- The regional and inter-city imbalances in economic activity, asset values and rents;
- The way income in retirement is ensured, whether by direct transfer from workers to former workers or through saving systems which place all the uncertainties of an unregulated financial system between contributing workers and retired former-workers;
- Tax regimes for the ownership, occupation, exchange, development, sale and inheritance of the primary home and of other dwellings.

Many of the individual possibilities rehearsed here would, on their own, be alarming—not least for politicians for whom a shift away from long-term house price growth may be difficult to contemplate and to offer to the electorate. The answer must lie in devising a set of changes which, *taken together*, would rescue us from the dysfunctional and unjust system we have, a huge burden on the society and on the economy. There would be conflicts and struggles but most British residents would have more to gain than to loose from a systematic *set* of reforms on these lines.

All of this is also a structural challenge for governments, both because of the conflicting social and economic forces whose antagonisms have to be somehow managed but also for administrative reasons: the framing of housing problems offered here necessarily cuts across the silos and spheres of most departments of state: housing, planning and local government (DCLG), social security (DWP, whose responsibilities include housing benefits and allowances along with the rest of social security and pensions policy), environment (DEFRA), transport, industry (BIS concerned with construction, infrastructure and, in some periods, regional development) and of course the Treasury. The Bank of England and various regulatory and quasi-governmental bodies are also involved. The challenge is immense but the interconnection of problems will be unforgiving if joined-up thinking fails to happen.

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