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An aerial photograph of a city, likely Glasgow, taken at sunset or sunrise. The city is densely packed with buildings, and the sky is a mix of orange, yellow, and blue. The image is used as a background for the top half of the page.

Chapter three

THE UK Housing Story: A Changing Frame of Reference?

Kenneth Gibb

The Conventional Narrative

The framing of the UK housing narrative takes on different forms, traditionally coalescing around a dominant home ownership and market favouring paradigm that has displaced the once popular council housing model. The dominant story has a profound hold on British society and those who articulate it, but it is neither entirely fixed nor consistently held by governments, mass media or other important policy formers. There are several reasons for this. The volatility and instability of the housing system, still unable to achieve the norms of the early 2000s ten years after the GFC. The evidence of our own eyes in terms of unacceptable housing and housing-related outcomes on frustrated aspirations, unaffordability, homelessness, policy and market failure. And these problems have consequences, for instance, the UK has still to come to terms with the growing and dynamic private rental market that has emerged over the past 20 years. Moreover, devolved UK housing policy is increasingly diverging, further weakening (some) long-standing assumptions.

Let's look at the conventional narrative more closely

The primacy of home ownership remains unchallenged as an assumption across all governments in the UK (even if in practice a focus on different priorities might allocate public resources in different ways). This longstanding feature of British housing and social norms drew strength from the pariah status that increasingly attached to private landlords in the post-war period and especially following the Rachman 'scandal' of the early 1960s (Rugg & Rhodes 2003). It was then significantly boosted in the 1970s and early 1980s by the combined effects of attacks on council housing (the belief in home ownership has always had a negative framing as well as a positive one), the tectonic effects of the right to buy, and, the accumulating effects of mortgage deregulation well into the 1990s (Forrest et al, 1990).

The media and indeed key politicians (George Osborne recently) have been explicit about the need to secure and maintain rising real house prices¹. Back in the early days of the UK Coalition government (2011), there were comments by the then UK Government housing minister (Grant Shapps) that 'house price stability' could be a desirable policy goal (Asthana 2011) were only the briefest heretical departure from this mantra. Underlying the conventional narrative, in the context of very low interest rates, is the portrayal of home ownership as the embodiment of individual choice but also a rational investment that in the long term generates significant real returns important as a pension, inter-generationally and for equity withdrawal. That this relies on increasing unaffordability, 'kicking

away the ladder' into home ownership is ignored, de-emphasised or wished away. A feature of the breakdown in the structural integrity of the UK home ownership model in the last 15 years or so has been a sentimental yearning for how things used to be in terms of home ownership's alleged benefits (O'Sullivan and Gibb, 2012), without of course any recognition that, on many levels, this system is economically unsustainable and socially unjustifiable.

There are many paradoxes in promoting the virtues of a divisive and potentially self-defeating model. One is that free market choice to own one's own home is premised on tax privilege and massive public funding, albeit implicitly so, alongside a housing supply industrial organisation model that releases new build on a drip feed to maintain prices (the 'absorption' question, recently the subject of Oliver Letwin's government review seeking to speed up housing supply), and in which debates about land and new supply are constrained by politicians' unwillingness to challenge that great UK social movement – existing home owners and the protection of their property values².

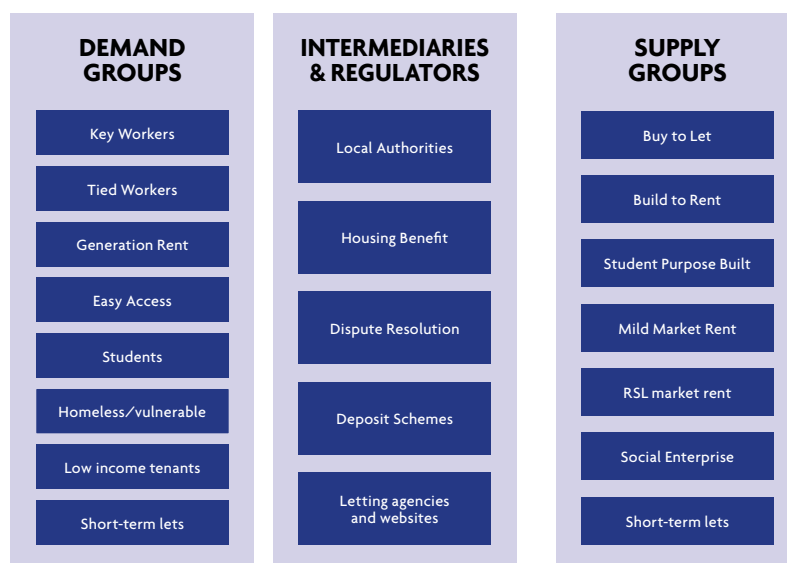
To some extent, the tabloid expression of rising house prices as an unalloyed 'good' is simple populism (Muller, 2017) but it masks an insider-outsider conflict, often between the generations, that does nothing for social integration, let alone social mobility. However, it has always been a myth that house price growth *raises all boats* – with its peculiar and arbitrary geography of growth and the historical accidents that mean certain buyers at certain points, in the many housing market cycles that post war Britain has experienced, have been able to capitalise on their good fortune and, as the classical political economist John Stuart Mill put it, simply stay in bed, and accumulate (now fungible housing) wealth. And there is a path dependency problem – politicians are much more reluctant to challenge the status quo in a mass home ownership society with this cultural baggage regarding the superiority of home ownership. In Enid Slack's terms (Slack and Bird, 2014), taxing housing raises questions of saliency (taxes on property are highly visible) and presumptiveness (taxes on property are simply not as legitimate to taxpayers and valuations are always questionable compared to other established tax bases).

Against this baseline of the political virtues of home ownership per se, the last two decades have been angst-ridden, as home ownership rates have fallen through the combined effects of unaffordability and long term stagnant real earnings and, latterly, as a result of post-crisis tightened mortgage lending criteria. The average age of home ownership entry level has rapidly accelerated and has also cast an unforgiving light on the shortcomings of the alternatives: staying longer in the parental home or forging ahead in the private rented sector. The advent of the 'generation rent'

¹ Though the Scottish Government's national performance framework proposes the desire to support a well functioning housing system through the long term aim of stabilising house prices.

² A phrase coined by Glen Bramley speaking during the 2017 Housing Studies Association conference. Arguably 'home owners' here should be understood as encompassing private landlords as well as owner occupiers.

Figure 1: A Schematic of the Contemporary Rental Market



pressure group and growing appetite for rental market regulation, is in part the consequence of this frustrated aspiration to own. The policy response has been, since 2013, much greater public sector intervention in the housing market, particularly through equity loans and guarantees to support the Help to Buy project.

Rental market deregulation in 1988 was a necessary although not sufficient condition for re-growth and successive attempts to woo institutional investment into the sector failed to gain traction. But growth did return after the mid-1990s and with a vengeance from the early 2000s. This happened in part because of rising unaffordability and lack of access to home ownership on the demand side but undoubtedly largely because of the market-led, landlord as individual small-scale investor, buy to let model that allowed investors to treat their loans as a residential mortgage (but one that still attracted interest tax relief). Lenders and investors piled into this market in which expanding demand was in part underpinned by housing benefit for low income tenants. Of course, private renting is not one but several well-defined market segments, product and consumer groups, differently interacting with other parts of the housing system (see figure 1 which describes schematically the different segments of the contemporary rental market). In Scotland, the sector has trebled in size from its early 1990s nadir. It is larger in England and Wales and in London planners expect it to be the largest tenure overall in just a few years.

The very recent past – the period since 2012 – has seen what may be the first flickers of a revival in UK institutional landlordism of a kind last in evidence before World War 2 (Savills and LSE 2017). But putting this nascent ‘build to rent’ phenomenon to one side, the post-1990 revival of market renting has been overwhelmingly a story of private individuals setting up as amateur landlords. Indeed, in just a short space

of time, the ownership of an ‘investment property’ or properties has been ‘normalised’ in the popular imagination. In recent study of ‘buy to let’ investor motivations by Soaita, *et al.* (2017) one of the two identified landlord typology categories was termed the ‘Why not? Investors’. These were interviewees who explained their decision to buy an investment property primarily on the basis that ‘everybody does it’. As the researchers observed, this really means that “everybody I know does it”, but perhaps also the anticipation that ‘everybody who can does it’ (p14).

Importantly, Soaita, *et al.* argued that, for typical buy to let landlords, homeownership constitutes an ideological ‘orthodoxy’ founded on a faith in capital gains, and meaning that believers do not base their related financial decision-making on a rational economic analysis. Thus, landlordism may be ‘an extrapolation of the internalised orthodoxy of homeownership rather than a business activity; a matter of belief rather than accounting’ (p.4). ‘The internalised confidence in ever-increasing house values, which turned homes into assets ... is extrapolated from the owner occupied home to rental property’ (p.19).

The unexpected rental market disruption has surprised the non-market sector and its supporters as much as those seeking to boost home ownership. Policy responses have been rather schizophrenic involving regulatory interventions to assist tenants over disputes, deposits and unscrupulous letting agents, through crude tax hikes on landlords but also, in Scotland the re-regulation of tenancies, piloting guarantees to support rental revenues for build to let investments and third generation rent controls. Perhaps this reflects the confusion in many stakeholders’ minds about rental markets – whether they should be supported and whether tenants are largely unwilling conscripts rather than proactive private renting volunteers (and similar comments could be made about landlords)³.

3 A binary distinction originally made by Peter Kemp.

The UK housing story of the past 50 years or so is then primarily about mass home ownership, deregulation, the significance of personal housing wealth and market forces – but all sustained over many decades by considerable state intervention, public money and foregone taxes. At the same time, the popular and media narrative has long viewed non-market housing, particularly council housing, as an inferior good both in economic terms and socially. This fits well with dependency narratives around welfare benefits, tabloid-style accounts of ‘benefit street’ and familiar fictional tropes of monolithic council estates as unsafe, lawless and decaying places frequently deployed in TV dramas.

Of course, council housing has created some of its own difficulties through previous development, management and maintenance decisions and strategies. However, the sector’s capacity to respond has also been constrained by a series of political actions that reflect the wider logic of the UK housing story: the aforementioned right to buy and the way receipts were not re-investible in large part, the strict borrowing⁴ and spending controls on councils (though less so in Scotland) and the use of statutory housing standards to force councils to improve, demolish or transfer stock to other landlords (Pawson and Mullins, 2010). In recent years, particularly in England, successive governments have explored ways to dismantle hitherto fundamental aspects of the social housing offer, such as security of tenure (Fitzpatrick & Pawson 2014). Social housing has also been drawn into wider ideological discourses about ‘welfare dependency’ and ‘welfare conditionality’. Not surprisingly, apart from a brief period in the late 2000s, social housing (and especially council housing) has been in long term numerical decline.

For much of the period since that great watershed legislation, the Housing Act 1988, the social housing exception has been the housing association sector which benefited from the mixed funding model and its non-public but also not-for-profit status; a position from which it has levered in private housebuilding investment totalling over £60 billion over this period – investment that has generated well over 700,000 new homes⁵. But ambiguities have also abounded as housing associations have delivered government policy and have been strongly regulated by government agencies. The mixed funding model relied on both grant rates and programme scale to deliver new social homes. This was already in difficulty before the GFC with a sector increasingly reliant on cross subsidy from S106 planning obligations and mixed tenure development. After the financial crisis, the mixed funding social rent programme in England ceased to exist, albeit the Coalition government did pursue a time-limited, very different and much less generous, ‘affordable rent’ model.

Consequently, smaller numbers of associations now develop new homes in significant numbers, they have drastically reduced the scale of new social housing output and moved further into ‘affordable rent’ and market offers. The UK coalition government made their unhappiness quite apparent with what they saw as the relative conservatism of the housing association sector in England (i.e. which failed to meet the Government’s policy objectives despite the sense they had a strong balance sheet as a sector). The small number of large associations that now dominate development operate with financial and business models quite different to historic – or indeed contemporary – sector norms. In Scotland, unlike England, councils and housing associations continue to enjoy mixed funding, and in relative terms there is healthy supply programme⁶. Indeed, it is projected that if housing supply targets are broadly met – the social sector will actually grow in net stock terms.

The conventional housing story in Britain is evidently about appeals to the superiority of market mechanisms and in particular the innate (though highly contestable) desirability of home ownership. This also has a decidedly negative connotation in that it undervalues and rejects non-market solutions or indeed the very functional interconnectedness of housing systems. It is ironic that this is so since it is underpinned by a massive moral hazard of state intervention, policy infrastructure and public funding. Despite the fact that these strongly held beliefs remain apparent in government statements, think tanks, electoral calculations, the mass media and among commentators, it is increasingly clear that there are both internal or endogenous problems with this vision of housing, as well as vulnerability to external shocks – challenges which increasingly demonstrate the emptiness of the conventional narrative.

Challenges from Within and Outside

The challenges to the overriding narrative come from within and outside of housing. The main internal problems concern unmet housing need, affordability and access, and the underlying causes of these dysfunctional symptoms. At the same time, the long-term consequences of the GFC, recession and austerity have reinforced the sense that the system is broken. Moreover, policy divergence across the UK suggests that the status quo is not necessary or inevitable. Third, the recognition that ‘something has to be done’ coexists with a time of unprecedented political uncertainty and crisis flowing from the continuing aftermath of the Brexit vote.

⁴ Borrowing caps for council housing were only ended this year in England. One medium term impact of these controls has been to encourage councils to go out with these control to develop more than 150 local housing companies doing other non-council housing forms of housing development.

⁵ Cumulative private finance contributions to housebuilding investment 1990-2015 (Great Britain) expressed at 2016/17 prices – Source: UK Housing Review Table 59. Note: Excludes private finance underpinning council housing transfer settlements.

⁶ Scottish councils operate within a trinity of benign opportunities created by the abolition of council house sales, the absence of a borrowing cap and significant capital grants for council house building.

The UK prime minister has said more than once that housing is a national priority⁷. But is there the non-Brexit policy bandwidth to address the complexity of housing sufficiently to fulfil the lofty aspirations of the 2017 *Fixing Our Broken Housing Market* white paper? The underlying aspiration for mass home ownership (and the assumption that this is achievable) evidently remains. Meanwhile, at the sharp end of the housing world, there are the twin crises high in the political and popular consciousness: the unacceptability of visible and rising rough sleeping and homelessness, and, the aftermath of the horrendous Grenfell tower fire that saw more than 70 people die in one of the richest boroughs anywhere in the UK.

Despite these challenges, the conventional narrative reasserts itself in positive but also negative ways. Characteristic of the post-GFC housing market have been subdued transactions volumes, lower levels (and more conservative) lending and less house building than that demanded by government targets. Transactions depend in part on lending and new supply. Despite that, the political rhetoric does not yet translate into effective interventions that might lead the housing production system to sustained levels of new supply that would match consensus levels of required new housing. Lending and development are also impacted directly by interest rates and their future path is a critical driver of the housing system, including for the financial solvency of existing mortgage holders insulated for more than a decade by historically lower-bounded rates. However, the continuation of recent trends does serve to protect the interests of insider existing owners and investors. This is one explanation why in 2015 the UK Government went after buy to let landlords with a co-ordinated tax attack – that may reduce price pressure for first time buyers and may even in time shift some rental properties back into the home ownership sector (but it might simply shift much of the stock into unregulated short term lets). One can reasonably ask if that makes sense from a housing system point of view. Another possible target are foreign owners of residential property who have been a major part of London's housing market in recent years and are a readymade culprit (even if they are a symptom of high prices rather than a cause of unaffordability).

Resetting the Housing Story

Housing is an essential part of any economy and polity. In recent years, mirroring the changes and pressures outlined above, it has risen to near the top of the domestic political priorities identified by voters. When specific priorities reach the top of voter agendas, it often reflects the immediacy of a major problem, its visibility and a clamour that something must be done.

These sorts of issues, however, rarely stay at or the top of the agenda without continuing and repeated or new evidence. Meanwhile, the underlying dominant narrative, populist and relatively unchallenged, carries on buttressed by neo-liberal ideas, stakeholder interests and, frankly, often faulty analysis of the problem.

What can be done?

Recognising these peculiar political times and the lack of domestic policy bandwidth peculiar to the UK, it does make sense to hammer away at the opportunities, wherever they come from:

- ▶ Political scientists talk about an 'Overton window' i.e. the temporary opportunity to make progress politically over a specific policy problem. Arguably, this has a housing manifestation currently: social housing as a sector and a concept has the space to make a positive argument for non-market housing⁸. In England, a green paper on social housing was promised after Grenfell and while this is in part about listening to the tenant's voice, the sector has taken it on to make a stronger positive case for social housing, to unpick myths about who lives in the sector and what it does. The green paper, much delayed, focuses on tenant involvement and regulation (fire, health and safety) and governance, rather than investment – although government statements continue to argue that they will support social housing and practically government finally did end borrowing caps on council's ability to borrow to build or invest in their own housing.
- ▶ Governments and city-region authorities across the UK are actively pursuing homelessness and rough sleeping solutions through task forces, legislation and supporting non-governmental and partnership routes. This is also an opportunity for social housing.
- ▶ Research councils, charitable funders and government are supporting the UK Collaborative Centre for Housing Evidence (CaCHE), which is the first major sustained investment in housing research for decades⁹. A central objective of CaCHE is to make facts, evidence and rigorous policy analysis and evaluation part and parcel of how policy for housing happens and is assessed. This reflects what one hopes is the end a long term reversal or weakening of these principles.

⁷ And reflected in the January 2017 UK government white paper 'fixing our broken housing market' and, after the 2017 election, the 2018, social housing green paper.

⁸ https://www.insidehousing.co.uk/comment/comment/campaigning-for-a-fairer-media-portrayal-of-social-housing-tenants-54996?utm_source=Housing60&utm_medium=email&utm_content=article_link&utm_campaign=H60

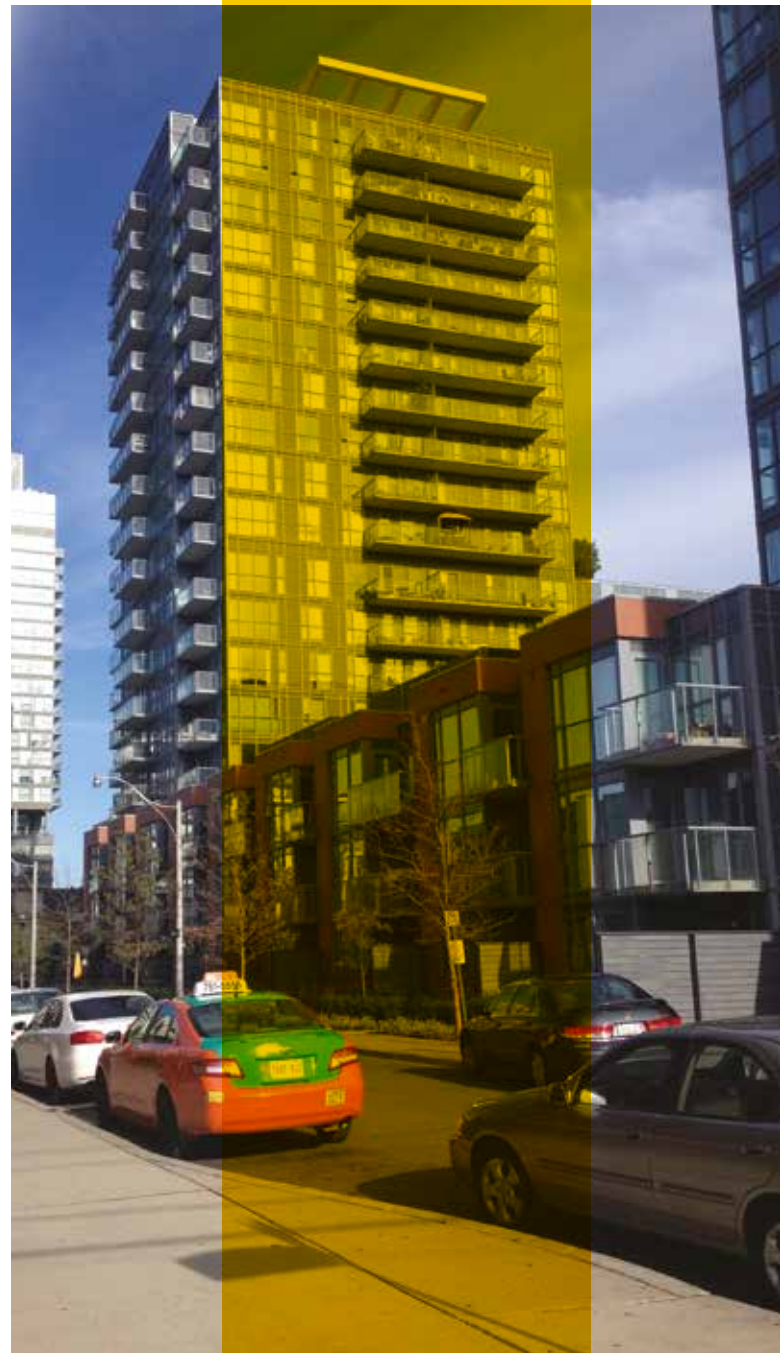
⁹ The author is the Director of CaCHE. See <http://housingevidence.ac.uk>.

But if we are to promote a different, more sustainable and just vision of housing policy, the underlying premise must be challenged and on its home territory. Tax reform of housing should be phased-in and transparent, perceived to be fair, revenue-neutral, perhaps hypothecated to do good, and should be part of a battery of policies at the disposal of government aiming to stabilise real house prices over the economic cycle. This will also require intervention on the supply side to support SME builders on smaller sites and in particular through land development agencies and even reforms to land value capture mechanisms. Promoting home ownership is perfectly acceptable in terms of its inherent characteristics, rights and responsibilities (but not as a privileged asset class). On the same basis, a reappraisal of the many different forms of rental housing (market, intermediate and social) should welcome and support their role in serving the different requirements of our complex housing system, including recognising the different geographies and contexts found in different parts of the UK.

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▲ Regent Park, Toronto