

We need to build more homes - just don't make them social housing

Most of what we think we know about Britain's housing market is plain wrong.

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Britain remains wedded to an archaically large social housing stock, despite years of privatisations Photo: Getty Images

By [Allister Heath](#), 22 Oct 2013

Take council homes. The received wisdom is that we've sold so many of them off that we have triggered a crisis that our more sensible, social-democratic European neighbours have avoided. Yet such a view is total nonsense.

The French, Germans, Italians, Swedes and just about everybody else rely far less on social housing than we do; the truth is that we remain wedded to an archaically large social housing stock, despite years of privatisations. We need more private homes, more private housebuilding and a bigger overall stock of homes, not more council flats.

What about the belief that we are uniquely wedded to owning the roofs over our heads, and irrationally opposed to renting? That, too, is rubbish. Other European countries, on average, have a higher rate of home ownership than we do.

The supposed “fact” that a very large proportion of homes in London is being snapped up by overseas buyers is also a gross exaggeration and applies only to a small number of areas.

Let’s take all of these myths in turn. Britain’s social housing stock remains large, accounting for 18pc of all homes. True, this is down sharply from 32pc in 1981, with around 1.8m homes privatised under the Right to Buy policy. But the experience of other European countries shows that the Government doesn’t need to build and own homes itself to make sure that the needy have accommodation – it is far better to allow the private sector to build enough low-cost lodgings by getting the planning rules right, and for the Government to focus on directly helping those that require assistance. If there is a plentiful supply of property, and thus lower rents, the cost to the taxpayer need not escalate uncontrollably, as it has done in the UK.

Just 17pc of homes in Francois Hollande’s socialist France are social housing, less than in the UK. In Germany, it accounts for just 5pc of homes. Ditto in Italy. In Belgium, it’s 7pc; in Ireland, 8pc; and in Finland, 16pc. Even Sweden, the place where British Leftists used to go on pilgrimage before they pioneered for-profit free schools, only relies on social housing for 17pc of homes, also less than us. Almost wherever one looks in Europe – and the source for these figures is the Dutch ministry of the interior’s housing statistics in the European Union 2010 – one finds that social housing is much less important than it is in the UK.

Only three European economies rely more on social housing than we do: the Netherlands, where it accounts for 32pc of all homes, Austria at 23pc and Denmark at 19pc. True, France is building more social homes than we are, in absolute and in relative terms – but its private sector is also providing a far greater number of lodgings. In any case, given France’s disastrous experiment with social housing in its monstrous banlieues, it has little to teach us in this area.

While there are atrocious waiting lists for UK social housing, this is out of necessity, not choice. The vast majority would love to own their own homes: no fewer than 58pc of local authority tenants and 61pc of housing association tenants said they would prefer to buy, according to the Public Attitudes to Housing review. The issue, of course, is that they cannot afford to; meanwhile, rents in the private sector have rocketed.

We don’t build enough private homes of the right kind in places where people actually want to live, pushing up prices and rents to ridiculous levels. The explosion in housing benefit costs is a reflection of this: our broken housing market has been unable to provide enough new-builds as a result of obsolete, overly restrictive supply-side regulations. The answer is to fix this by unleashing the private sector, not to build more social housing that, for almost all tenants, would be deemed to be second-best.

It would take a few years, perhaps, for the construction industry to expand its capacity sufficiently to build 250,000 to 300,000 homes a year, the number that is needed. But there is no reason this couldn’t be done with the right reforms and if enough land with planning consent were made available, especially given the ability to recruit construction workers from Europe if needed, and if self-build is also made much easier. As Nick Crafts of Warwick University has pointed out, the number of houses built annually by the private sector hit 293,000 in 1934-35 and 279,000 in 1935-36 at a time when the population was much smaller.

The second big myth about British housing is that we are uniquely obsessed with owning our own homes – apparently, it is some sort of cultural aberration. The opposite is true: Brits are less likely to be homeowners and more likely to rent than the average European. A remarkable 70.7pc of people in the 27 countries that make up the EU live in owner-occupied dwellings. This ranged from 53.4pc in Germany (itself, a figure that is much larger than usually understood) up to 96.6pc in Romania. Britain came in at a below average 67.9pc in 2011.

The only notable country where less than half the population are owner-occupiers is Switzerland. Eastern Europeans are one reason for the high share of homeowners across the Continent: they bought their homes following the end of communism and have no interest in going back to living in state-provided accommodation.

That said, the structure of the UK market requires radical change: we need a more professional private rented market. That means institutions owning tens of thousands of homes, including entire streets or apartment blocks and providing very long-run tenure and security for those who rent and a better, modern service. Private rentals remain a cottage industry, unlike in some other countries, and are riddled with inefficiencies.

The final myth that deserves puncturing is that overseas buyers are snapping up most London properties, leaving nothing for residents. It is certainly true that in the very expensive but very small prime central London market, 49pc of new-builds were purchased by non-UK residents over the past two years. In many cases these will be let out to locals, however, and thus add to the stock of available accommodation.

However, across the rest of inner London UK residents bought 80pc of new properties, a number that rose to 93.4pc in outer London. When looking at the whole of Greater London, 85pc to 90pc of new-builds were bought by UK residents, according to Knight Frank.

We shouldn't blame foreigners for our housing problems, or seek to turn the clock back to the miserable days of collectivist housing provision.

Britain needs to build far more homes every year and the private sector, not the Government, must lead the charge.

Allister Heath is editor of City AM