

WORKING PAPER 02

# Low house prices and owner occupation

A better alternative  
to social housing

Tim Leunig  
with Richard Ollerenshaw



**2020 Public Services Trust**  
at the RSA

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Published by the 2020 Public Services Trust, March 2010.

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## History

Although almshouses for poor, elderly people means that housing at a below-commercial prices goes back to before the Norman Conquest, the beginnings of modern “social housing” lie in the nineteenth century, as a response to urban squalor and deprivation. British urbanisation was much more rapid than elsewhere, with London growing from 1 to 6 million over the nineteenth century, Liverpool and Manchester growing sixfold, and towns such as Crewe appearing from nowhere. Huge amounts of housing were built in all of these places, and they catered for all levels of income. Perhaps inevitably, given the levels of poverty then, the cheapest housing was terrible – small, dark, damp, unhealthy. In short, slums.

In this era philanthropists built housing that was decent, and designed for the poor, with the Peabody Trust as a classic example. Rents were charged, and were designed to cover operating costs, with initial donations covering the costs of construction. This was housing largely for the “deserving poor”, those who were doing their best, rather than for those who were seen to be feckless, idle and undeserving.

As in education, government stepped in to fill the holes in voluntary provision in the late nineteenth century. The 1890 Housing of the Working Classes Act encouraged councils to provide housing of reasonable quality. The number of homes built increased dramatically after the 1919 Housing Act, which required councils to provide housing and gave them subsidies to do so.

As well as seeing large-scale building of council properties, the interwar era also saw the successful construction of market-priced homes for purchase by working class people. The growth of small semi-detached and “four house” terraces in suburban areas demonstrated that it is not only the state that is capable of providing good housing for the working poor<sup>1</sup>

The postwar era saw the heyday of council house building. This era saw many bomb sites filled with council housing, including both houses and flats. The emphasis on flats became more pronounced in the 1960s. Post-war council housing should be seen as part of the initially Labour, but later Labour-Conservative “Butskellite” consensus on a much wider role for the state. British people would be born in and rely on a state-run NHS hospital, they would go to state schools, use state-provided gas, electricity and telephones, travel on state-run buses and trains or in a state produced car, constructed from state-produced steel, retire on a state pension, and be buried in a state cemetery. In that context state provision of housing was unremarkable. Although many of the people who moved into council housing in this era had previously lived in far worse conditions, council housing was not provided just for the poor, but was widely available. Even as late as 1979 a fifth of the richest 10% lived in social rented housing, and people around the middle of the income distribution were only a little more likely to be owner-occupiers than to be social housing tenants.”<sup>2</sup> In that sense postwar council housing was very different to nineteenth century philanthropic housing.

1979 saw a reversal of the state’s approach to housing. The introduction of the “right to buy” led to a significant transfer of housing from state to individual ownership<sup>3</sup>. Since then much of the remaining stock, and almost all new social housing has been constructed by social housing agencies rather than by councils, for a combination of efficiency and accounting reasons. Today social housing is very much for those in need, with current waiting lists equal to approximately 20 years worth of vacancies (5m households on the waiting list, with 200,000 annual vacancies). The social make up of social housing tenants, which was reasonably similar to that of private tenants or owner occupiers for much of the postwar period, is now radically different.

## The current situation

Today there are 4.8 million “regular” social houses in the United Kingdom<sup>4</sup> as well as significant numbers of subsidised houses for so-called “key workers” (this phrase

is usually a synonym for public sector workers) and subsidised part-buy, part-rent houses for the not-poor-but-not-rich-enough-to-afford housing. The value of the 4.8m regular social houses is around £500bn assuming that each is worth a little over £100,000 – a plausible value. Each year approximately 200,000 households enter social housing (scaled up from England to UK<sup>5</sup>). In addition over 200,000 move from one social house to another, including about 12,000 moving region<sup>6</sup>. As we have noted, the current waiting list numbers around 5 million households.

Social housing tenants are less likely to be happy with their housing than either owner occupiers or private renters<sup>7</sup>. Even when we take personal characteristics into account, people in social housing are less likely to be in work, and more likely to lose their jobs<sup>8</sup>. There is only a 1 in 100 chance that someone in social housing and both their neighbours will be in work<sup>9</sup>. Again taking personal characteristics into account, schools in areas with a lot of social housing do worse, harming the next generation. Finally, and once more taking every characteristic into account, people who live in social housing as children end up less likely to be employed, and to have worse health outcomes<sup>10</sup>. There are therefore good reasons to be willing to think radically about the future of social housing. But before we can do that we need to understand the potential attractions of social housing: in short what is its rationale and what can be expected of it?

## The rationale for social housing

Notwithstanding the huge value of the stock of social housing, the rationale for social housing is curiously ill-defined. There is no government statement that sets out why we have social housing, or what factors would lead the size of the social housing sector to increase or decrease in the future.

There are many possible reasons for the existence of social housing, which we will discuss in turn.

The first is the traditional nineteenth century aim of providing decent housing for people who would otherwise live in slums. Although social housing is typically of better quality than private and even owner occupied property when measured against government standards for, say, insulation and space, it would be hard to claim that this demonstrates the continued existence of slums from which the poor need to be saved<sup>11</sup>. Indeed, although social housing often fares well against government standards, it does not do so well against market standards: ex-local authority and housing association stock tends to sell for significantly less than

privately built housing, although of course that could be caused by neighbourhood issues rather than issues with the housing itself. Perhaps more importantly, social tenants report significantly greater levels of dissatisfaction than private tenants and owner occupiers<sup>12</sup>.

Judging by what it achieves, the rationale for social housing does not appear to be to provide better housing than the market. The second potential motivation is that which underpinned much of the post-war expansion of social housing, the simple belief that the state was better at providing many things, including housing. Again, this does not seem to be the rationale today, both in that there is no attempt at state provision for those who are not poor, and in that such a belief would be out of line with the general trends in the relationship between the state and individuals over the last 30 years. We simply do not have the same faith in state provision that we had in, say, 1945. Those days are gone.

Third, we might support low-cost social housing as a means to alleviate poverty. But social housing provision is clearly not a very efficient way to alleviate poverty, since the subsidies go to all people in social housing, irrespective of whether they are poor. In any case, an equivalent amount of poverty alleviation could be achieved via housing benefit, so poverty alleviation cannot be a rationale for the provision as opposed to funding of housing.

The next rationale for the provision of housing is that low-cost social housing can increase work incentives, compared with means-tested housing benefit. An unemployed person on housing benefit starting work will lose a significant proportion of their income, because their housing benefit will fall. In contrast, the same person in social housing will not lose (as much) housing benefit if they start work, because they remain the beneficiary of low rents. As a result, social housing should increase work-rates among people whose characteristics show that they have a high chance of unemployment. The reality is somewhat different. As John Hills has shown, even when you take into account every possible characteristic, people in social housing are not more likely to be work, they are (significantly) more likely to be unemployed. Even were social housing to lead to higher employment, this effect could be replicated by continuing to pay housing benefit to unemployed people after they start work. Thus we find that the proposed rationale does not work in practice, and is in any case an argument for the design of benefits, rather than the provision of housing.

The fifth reason for social housing is that its existence acts a safety net for the rest of society. Those who have never had a heart attack are still pleased to know

that defibrillators are available to all, at any time that they are needed. So too social housing can be useful to those who lose their jobs through redundancy or illness, who see the main breadwinner die, who escape from a violent or abusive partner, and so on and so forth. Again, however, the reality is somewhat different. In most parts of the country simply losing your job will not give you access to social housing, at least not quickly. There are currently around 5 million people on the waiting list. Instead it is housing benefit and private rented accommodation that generally picks up the strain from sudden changes in life circumstances.

The sixth reason for social housing is that it is cheaper than housing benefit. Here there are two separate elements to the argument. The first is that private landlords seek to make a profit, and the social rented sector does not. As such state provision is argued to be cheaper. But a parallel argument would hold for all products and services: Ford aim to make a profit when they sell cars to the police, for example, but that does not mean that we should resurrect British Leyland in order to avoid paying Ford's profit margin. Second, social housing advocates argue that since property prices have increased, social housing is cheaper because social housing was built when prices were lower, whereas the housing benefit bill has increased in line with recent rises in rents. This is an ex post rationalisation. Had the state known how much house prices would rise after 1997, it would have done well to have bought private housing in 1997 and sold it again in 2008. It would have made a fortune! The claim that social housing is cheaper than housing benefit because the state can second guess the market is not a sensible rationale. This rationale is sometimes justified on the grounds that building social houses increases supply, whereas increasing housing benefit simply increases demand. But as John Hills notes, "this kind of argument depends on a series of assumptions that may or may not be true", including "that in the absence of social house building, the same land would not be used for housing, or not used so intensively"<sup>13</sup>.

A further rationale for social housing is that if social houses are well-built, the poor will be well-housed whereas if they are given benefits and allowed to choose their own housing, they may choose poorer quality housing. This is the classic paternalist argument about the responsibility of the state to those who are poor. There are many objections to this argument. The first is that the majority of people who are poor are perfectly capable of making decisions for themselves, and do not need the state to make them on their behalf. Second, in so far as people who are poor would rather have worse housing and a higher standard of living in other ways



it is not clear why this state would want to prevent this. Third, given the existence of building regulations and the increased quality of housing over time people who are poor have only a limited ability to choose worse housing even if that is their preference. And the nature of housing benefit means they have very little incentive to choose cheaper housing, since they are not the primary beneficiaries of any saving.

Related to this argument is one about polarisation. By providing social housing the state can choose where people in social housing live. As a result, it can avoid polarisation and more generally the geographical segregation of communities by income. There are two clear objections to this rationale. The first is that social housing has never delivered integrated communities. Social housing has generally been provided in relatively large areas, often termed “council estates.” Far from delivering integration, social housing has all too often delivered separation. The second objection is that it is not clear who benefits from geographical segregation by income. Although no one wants a world in which the rich and the poor do not mingle at all, it is not necessarily the case that all geographical segregation by income is necessarily harmful. Areas that have substantial numbers of low income households were generally have services that are aimed at such households. For many people an Aldi or a Lidl is a more desirable supermarket than Whole Foods, because they offer products at an appropriate price point. Professor Paul Cheshire, in particular, has emphasised the benefits of some degree of income homogeneity in his research<sup>14</sup>.

Finally, social housing offers stability. For a variety of (mostly) reasonable reasons, the private sector is based on assured shorthold tenancies. These allow the landlord to reclaim a property after six months, whether to sell it, to live in it, or to let it to someone else. Social housing gives people security of tenure, in two senses. First, although access to social housing is determined by need (broadly speaking, income) continued residence is assured no matter what happens to a person’s circumstances. Second, whereas private landlords can ask tenants to leave every six months, social tenants have the right to remain living in that particular property, subject only to reasonable behaviour, and their landlord’s rights to move them in the case of major regeneration project and the like. There is no doubting that security of tenure is a major benefit of social housing. It would clearly not be acceptable to expect people to be at risk of being forced to move repeatedly throughout their lives. Communities matter, neighbours matter, access to schools, jobs, friends and

family and so on matter. Whatever the flaws in the other potential rationales for social housing, this is a very important and entirely valid rationale for social housing.

## Aims for radical reform

Any change in housing needs to satisfy the following conditions.

1. It has to continue to offer people security of tenure
2. It should offer people greater ability to move, particularly for job related reasons
3. It should offer a lot more people decent housing: 5 million on the waiting list is too many
4. Given the state of public finances, it should save money, not cost money
5. It needs to break down the barriers between housing tenure and school, employment and health outcomes.

We need to be realistic about the extent to which any reform can satisfy all of these criteria. In particular, in so far as social housing will remain the preserve primarily of people whose personal characteristics are well correlated with weak outcomes for their children in school, and for themselves in the labour market, we should not expect any changes in social housing to be some “magic wand.” Social housing reform can play a part here, but it will not be the main way in which society can address inequality and particularly intergenerational inequality.

## Owner occupation: a better solution for many.

Excluding for young people who have yet to settle down, the most successful form of housing tenure is generally owner occupation. The overwhelming majority of people who can afford to own their own home, choose to do so. Furthermore, most owner occupiers are satisfied with their choice of tenure<sup>15</sup>. In general it is a good thing if public policy can deliver outcomes that people want, and for that reason we should be prepared to consider whether owner occupation is a possible solution for some or all of the people currently living in social housing.

As well as people's preference for owner occupation there are two other reasons why we should be interested in public policy solutions that deliver sustainable owner occupation for people currently in social housing. The first is that owner occupation may cut the cost of delivering housing, because owner occupiers maintain their own properties to some extent. For this reason there are genuine cost savings to

be had. Owner occupiers have an incentive to sort small problems out before the problems become large, and an incentive to sort the problems out themselves, rather than pay someone else to sort them out. DIY is generally an efficient outcome that reduces the cost of housing provision.

One of the perversities of social housing is that while affluent middle-class people will often fix things themselves, poorer but just as able social tenants are more likely to have their landlord do these things for them. Many middle-class people will paint their own window frames, lay their own loft insulation. Some will fit their own kitchens, tile their own walls, etc. They do so because the cost of hiring professionals is simply not worth it. Yet many of the poorest in society have these things done for them, at a cost either to them or to other tax payers. It would be more efficient were they, like middle-class people, to do the jobs that they can do themselves, rather than have professionals whose hourly rates are high, relative to tenants' incomes, do these things. It would be possible to devise a complex system whereby tenants could gain a rent reduction if they undertook maintenance. But such a system would be relatively costly to administer. Owner occupation makes this automatic.

Second, owner occupation holds out the prospect of “asset-based welfare” becoming a reality. At present, the children of the middle class generally inherit substantial sums when their parents or grandparents die, leaving them a proportion of the family home. In contrast, the children of those who live in social housing generally inherit little. Thus the current system exacerbates intergenerational differences in wealth. Were we to be able to move to a system in which people currently in social housing were able to own their own property then we would be able to ensure that subsequent generations were able to inherit significant assets on the death of their parents or grandparents. This would make Britain a more equal society, and should be welcomed by everyone who described themselves as “progressive”.

## Problems with owner occupation.

Given that almost everybody who can afford to buy their own house chooses to do so, it is clear that there are only two major problems with owner occupation: affording it in the first place, and continuing to make the payments. Some people cannot afford to buy their own house in the first place, and some people cannot keep up the repayments. But since Britain is dramatically richer than it used to be,

there is no good reason why the number of people who cannot afford to buy a house should not fall over time.

The simple fact of the matter, which Britain needs to face up to sooner or later, is that house prices are socially too high. There is no need for house prices to be anywhere near as expensive as they are: most of the price of a house is the value of the land, not the cost of construction. Were we to choose to do so we could make houses and much, much cheaper, simply by releasing more land. Sadly, the CPRE (formally known as the Campaign For The Protection Of Rural England, but whose defence of open space at any cost means that these initials are better understood to mean Cramming People Into The Rest Of England) have convinced Britain that we are somehow short of land. Nothing could be further from the truth. As the Barker review made clear, no more than 10% of Britain is currently developed. There is plenty of room to build more housing if we want to, and if we do so simple supply and demand will bring down the average price of housing.

A fall in the price of houses would also translate into a fall in mortgage repayments. If mortgage payments are lower, then people are more likely to be able to pay them in the event of a change in their circumstances, and they are more likely to be able to pay them off earlier, when times are good. Furthermore, if the cost of market housing is low enough, it would be perfectly reasonable to expect the state to pay mortgage interest as part of housing benefit.

## A radical proposal

The radical proposal then is this: the state, via incentives to local authorities<sup>16</sup> would ensure that sufficient land was released so that houses became gradually more affordable. The target would be for the average house to cost the same in real terms in due course as it did in 1995, that is the average terraced house outside of London would cost £52,000 (nationwide terraced house reset to 1990 five fourth-quarter real value), a little under half of today's actual cost. We will discuss the timing and the transition later, but let us look at the final equilibrium first to see if it is worth attaining.

The state would also undertake to pay mortgage interest payments up to a level as part of housing benefit. At a stroke that greatly reduces the risk to an individual of taking on a mortgage. If you lose your job, your partner leaves you, you become ill, you retire and so on, you will not lose your home, because the state will pay the interest on your mortgage as housing benefit. Furthermore, because you will be able

to make the payments under all of these circumstances, including in retirement, the risk to a bank or building society from lending money to you is greatly reduced. You may indeed have no income, and no job, but because your mortgage is underwritten by the state you do not represent a bad risk for the lender. Indeed, so long as your payments are below the housing benefit level set by the government you represent an incredibly good risk, and as such we would expect lenders to be prepared to lend at relatively low rates of interest. Let us say for the sake of argument that lenders were prepared to lend to such people at 4% interest, a common rate for people with good credit ratings and stable jobs in a low inflation era. The mortgage would be a perpetual, interest only mortgage, with the resident having the right to pay off some or all of the capital at a time of their choosing, without penalty.

On the assumption that the social tenant has no deposit, the interest on this typical terraced house outside of London would be £39.90 per week. This is substantially lower than the typical local authority or housing association rent level, of £64.49 and £69.67 respectively, and far lower than the cost of social housing once the implicit and explicit subsidies to social housing are taken into account. Of course, houses need to be maintained, but not all of the maintenance can be carried out by the resident. For that reason housing benefit will also pay a premium, say, £10 or £15, a week to cover ongoing maintenance. The cost is still significantly less than current levels of social housing rent, and dramatically lower than current private-sector rents which are covered by housing benefit. In short, we have a potentially very large benefit for the taxpayer.

A tenant who chooses to move into owner occupied housing has a number of options. First of all, if they do not wish to pay back any of the mortgage they are not obliged to: the mortgage is perpetual, and they can effectively live in the house as though they are renting it. On the other hand, the resident can pay off some of the mortgage as and when they are able to. As such, the line between ownership and renting becomes completely blurred. Residents would have three reasons to pay off the debt. First, as we have mentioned, paying off the mortgage would build up an asset that they would be able to leave to their children, or use in any other way they choose. Second, paying off the mortgage prior to retirement would allow many relatively poor people to escape the odium of invasive means-tested benefits in retirement. Third, in order to give people an incentive to pay off the mortgage, housing benefit would continue to be paid on the proportion of the mortgage that they had paid off for the first 10 years after it had been paid off. Thus a person in

work who uses their income to pay off some of the mortgage, and is later made unemployed, would be able to claim housing benefit not only for the remaining interest that they actually have to pay, but also the interest that they would have paid on the money that they have paid off over the previous decade. This gives people an incentive to pay off their mortgage in the good times, knowing that this will make them a little better off if times get tough. In this sense paying off the mortgage becomes a way of smoothing consumption and reducing risk over the economic cycle. Thus someone who was in work, not claiming benefits, and able to pay back £1000 of their mortgage a year for 10 years would not only get the benefit of reduced interest rate payments themselves during that 10-year period, but would, if they were then made redundant, be able to claim housing benefit to cover the interest on the £10,000 that they have already paid back: money that they would be free to keep for themselves.

We have already noted that the interest cost on a 100% mortgage would amount to under £40 a week. Assuming a standard 25 year term, the cost of a repayment mortgage would be £23 more per week than an interest only mortgage. There are some social tenants who could afford to pay this – it amounts to less than a packet of cigarettes a day. Furthermore, the mortgage would stay the same over time, whereas benefits rise with inflation. An extra payment of £10.60 a week, with the overall monthly repayments rising by 2% a year, would pay off the mortgage over 25 years. Even at £5 a week, the mortgage would be paid off in 35 years on that basis. So far from being unattainable, the idea that many social tenants could own their own property in time is a perfectly sensible objective.

Let us return to our five objectives, and test this proposal against them.

6. It has to continue to offer people security of tenure
7. It should offer people greater ability to move, particularly for job related reasons
8. It should offer a lot more people decent housing: 5 million on the waiting list is too many
9. Given the state of public finances, it should save money, not cost money
10. It needs to break down the barriers between housing tenure and school, employment and health outcomes.

Clearly the proposal satisfies the first objective. Owner occupiers, like social tenants, can stay in their homes. Just like social tenants, they have to make the payments,

but just like social tenants they will be eligible for housing benefit if there are legitimate reasons why they cannot afford those payments. They will have exactly the same security of tenure as now.

The evidence on mobility is mixed. Social tenants taken as a whole are more likely to move and in that sense are more mobile than owner occupiers. Against that, a significant proportion of the difference can be explained by social tenants moving out of properties within a year of moving in<sup>17</sup>. 1 in 7 of social tenants move within a year of moving into a particular property, whereas this is only true of 1 in 33 owner occupiers. Thus at least part of the higher rate of mobility of social tenants appears to be caused by social tenants being given a property initially, before being given somewhere more suitable as it becomes available. In the private sector these people would probably be in private rented accommodation to begin with, moving to owner occupation as a suitable property became available. For that reason it is difficult to compare mobility across tenures. What is clear is that social tenants are much less likely to move any distance: owner occupiers are twice as likely to move 10 miles or more as are social tenants, and as Hills notes, “work-related mobility is extremely low”<sup>18</sup>. For that reason it is probably best to see the outcomes in terms of mobility as mixed.

The provision of decent housing is based on costs. When houses cost less more people can afford to buy or rent decent housing for themselves. That is a good thing. It also means in turn that fewer people will apply for social housing, which means that the ratio of any given stock of social housing to the numbers seeking it will fall. That too is a good thing. Finally, if housing is cheaper, social housing agencies, whether they be council, housing associations or philanthropic organisations will be able to make their budgets go further. This too is a good thing. More housing means fewer people badly housed.

This scheme would definitely reduce the cost to the taxpayer, in a number of ways. First, the fall in the cost of housing means that the cost of providing it is lower, whether people opt into the new owner-occupation scheme or not. We simply will not need the scale of the current up-front social housing expenditures that we are accustomed to these days, indeed since market housing could be provided for less than a current social rent, we could house people as well as we do today with a smaller housing benefit bill and no explicit social housing expenditure.

This is reinforced in three ways. First, self-maintenance reduces costs, and the bulk of this gain will go to the taxpayer. Second, insofar as some current social tenants buy part or all of their house, future housing benefit bills will fall. Third,

insofar as more people will inherit significant assets in the future, fewer people are likely to be as reliant on the state in the longer term.

Finally, we have the more complex issue of the relationship between tenure and work and education. We know from the work of John Hills that even when you take into account everything that we can take into account, social tenants are less likely to be in work than people who are – as far as we can tell – identical except that they do not live in social housing. And we know from the work of Lupton and Tunstall that people who live in social housing for any part of their childhood are less likely to do well on a wide range of indicators than people who are – as far as we can tell – identical except that they never lived in social housing. It is possible that living in social housing per se reduces your life chances, that there is something intrinsic in the dependency culture of being given a home by the state that changes your outlook. Or it is possible that living in social housing reduces your life chances because social housing is usually found in areas of low aspiration and low attainment, with few role models. Or it is possible that living in social housing reduces your life chances because people in social housing are different in ways that are not captured by current work. We simply do not know, and as yet have developed no good way to distinguish between these hypotheses of tenure, neighbourhood and personal characteristics. Clearly, if it is the characteristics of people in social housing that are entirely causing the effects that Hills, Lupton and Tunstall find, then this scheme will have no effect. If it is a neighbourhood effect then the scheme is more optimistic, as current tenants will have greater flexibility as to where to live, allowing them to move away from areas of concentrated disadvantage. This effect can be achieved in other ways, of course, including by creating a “Right to Move”<sup>19</sup>. Finally, insofar as the effect is caused in part by the nature of the tenure itself, the scheme also has potential, since it allows people to move seamlessly from being a tenant to being an owner occupier, to any extent that they want. Although we cannot tell the validity of each of these three hypotheses in advance, by creating diversity of outcomes we will generate more evidence that will in turn allow us to assess these hypotheses more accurately, and so devise better policies to tackle the underlying causes.

## Getting from here to there

It is neither realistic nor desirable to expect average house prices to fall by more than half overnight, or even by 2020. Negative equity is, in large quantities, harmful. House



prices can fall by around 2% in nominal terms per year without creating or increasing negative equity (even in the first year of a 25 year mortgage, 2% of the outstanding balance is paid off). This means that house prices can fall by around 4.25% per year in real terms over the long run without any increase in negative equity.

We know how to engineer falls in house prices: release more land. It really is as easy as that: when supply expands by less than increases in demand – as has happened in recent years – prices will rise. When supply increases by more than increases in demand, prices fall. Anyone who has ever attended the first week of economics 101 will understand this point. All of the possible complexities of tax law, investment potential and so on do not alter the basic validity of this point: if you build more houses they will be cheaper than if you build fewer additional houses.

Let us imagine that the government committed itself that enough land would be released to build the number of houses that the National House Planning Advisory Unit state will be sufficient to cause house prices to fall 2% per year in nominal terms, taking one year with the next. In those circumstances, terraced houses outside of London would fall to the equivalent of £52,000, relative to earnings, by 2027. That is, realistically, the first date at which Britain can realistically return to a world of sensible housing costs.

Between now and 2027 more and more people would be able to afford to buy their own home, with (capped) government support if they lost their jobs. The first groups to move would be young professionals, currently trapped in a never-never world of part-buy shared ownership. The next group to leave would be key workers, who are currently in what is social housing in all but name, and who could now afford their choice of housing. Then would come social tenants in work, for whom social housing would no longer seem as attractive. And of course, many of those on the waiting list would disappear from the list, as they would now be able to afford housing of their own.

There is also a strong regional dimension, since house prices are much higher in some parts of Britain than others, and therefore the necessary change in house prices is radically different in different places. The 2027 figure is an average – some areas will get there far earlier, and other areas not until after. It is never likely that ownership will be a suitable option to replace social renting in much of London, for example, since the potential savings from self-maintenance are harder to achieve in flats than houses, and are, in any case relatively smaller compared with the cost of housing in the capital.

As people chose to leave conventional rented social housing, and as others dropped off the waiting list, social housing would again become readily available to all those in need. That, surely, is the aim, since it means an end to waiting lists and poor housing. Those in conventional social housing would consist primarily of those who do not want to take responsibility for their maintenance – older people, for example, or people who need other forms of assistance, whether because of physical or mental issues. Once market housing is cheap enough, there would be no need to subsidise it further. Those who were poor would be eligible for housing benefit, but rents could be set at market levels, since market levels would now be affordable.

In the medium term it may be that large institutional investors would be interested in owning housing that could offer secure tenancies, at market rates. Since house prices would be stable in the medium term, these market rents could be linked to inflation for the duration of any given tenancy, creating an investment product that would match many institutions liabilities – for paying existing pensions, for example, while giving certainty to tenants.

## Conclusion

The proposals set out here are radical, but there are based on two strong underlying intellectual and practical arguments. First, that housing of all sorts is socially too expensive in Britain today. That makes the provision of social housing very expensive for tax payers, and that in turn means long waiting lists and millions of people badly housed. We should not be willing to accept that. Second, we should accept that there is a genuine efficiency gain from people maintaining their own houses and seek ways to encourage this. The easiest way to do this is to allow social tenants to become owner occupiers, supported by a housing benefit system that reduces the risk to them and the lender in a way that is both socially and economically efficient.

If as a nation we decide that we want housing to be more affordable so that its cost is easier for individuals and society to afford, then we can do it. We simply have to release a suitable quantity of land for housing. If we do so we will steadily reduce the extent of over-crowding, and hidden and explicit homelessness. The waiting lists for housing will come down. The number of people with troublingly high mortgages will also fall over time, reducing the extent to which they are vulnerable to the economic cycle. And taxpayers will be much, much better off since the cost of providing housing for those who cannot afford it will be far lower. Is sacrificing a small proportion, a few percent, of our countryside really too high a price to pay to all that?

# Endnotes and References

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- 4 Department for Communities and Local Government (2010) <http://www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/stockincludingvacants/livetables/> table:
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