Edge Debate #82 19 March 2018

The Spirit of Stevenage

Context

We have all been to a lot of housing debates where it all seems a bit intractable. We feel the need to try something different.

The last great housing crisis was after the war. More than a market solution was needed and we got the iconoclastic 1947 Planning Act.

We have another great crisis that does not look like it is going to get solved by market forces alone. What should we do if we really believe providing enough houses at prices people can afford is not just a priority but the basis of future prosperity and stability?

Our debate imagines that the PM asks this question and creates a task force to go away think the unthinkable – what would be today's equivalent of the 1947 Planning Act?

We have a panel of experts, led by Gary Younge of the Guardian and son of Stevenage. We know what the market solution is and we can imagine what an extreme position might be. What we want from our panel is something in the middle, unthinkable in terms of today's politics but nevertheless possible and perhaps even practical.

You, as the audience, play the part of the Cabinet. You have skin in the game and you need to know what the unthinkable looks like – if you need to vote on doing more than you are doing, how far do you need to go? The debate is therefore not about attacking a series of ideas that are shared on the basis of being unthinkable, but in asking whether they are not unthinkable enough or are they too unthinkable. The debate is about finding the balance.

Gary Younge introduced the discussion with reference to Martin Luther King's dream 10 point plan. He challenged each speaker to make one easy/basic proposal and one radical one

Lawyer Stuart Andrews

- So Introduce a Development Land Tax instead of the incrementally changing rules e.g. S106 etc.
- Betterment was a good aspect of the 1947 Planning Act and UK perfectly placed to deliver
- It worked when most infrastructure was provided by the public sector. Wheels only started to come off in the 1980s when infrastructure started to be provided by the private sector. Community infrastructure levy
- Go back to first principles. Develop a land tax

Minor Proposal

Reinvent 1947 planning system embedded in democracy with a balance between central and parish councils control

Major Proposal

Planning based on betterment compensation but it got dismantled in 1970s

Developer

Three broad trends, the rise post-1979 of unfettered free market philosophies, the harvesting of planning gain as a local function, and the reluctance or inability of the public sector to build on publicly-owned land, have brought us to the current nadir, where all private companies increasingly appear like vampires squids and planning policy, most notably the new, draft London Plan, has descended into taxing anything that doesn't move – be it affordable housing, affordable workspace, affordable retail, carbon tax, urban greening, the list goes on. And it if does move, tax it until it doesn't.

And such a parochial, and compulsive obsession with extracting what the private sector should in all probability never have stopped offering, in turn creates regulatory blind spots with regard to quality and quantity.

Policy becomes reactive to reactionary, overly pre-occupied with dictating space standards and mixes, without any allowance for shifting patterns of how and where people actually want to live and play. When, for example, was the last time you saw a middle-class family of four enjoying a meal on their London Plan-mandated balcony?

And the net effect of all this: a modern day housing crisis with no end in sight. I'm a developer. Why would I bring forward land in the age of the death of planning gain? The death of God I got over, but this is the last straw.

- There is a regulatory blind spot and a policy blind spot
- The efficacy or otherwise of the UK regulatory regime can be judged in terms of the quantity and quality of the new housing it facilitates and the betterment it delivers for the public good (whether that be by local levy via the planning system or nationally-harvested tax).

Minor intervention

A minor intervention would see two things happen. A recognition on one hand that this a shared problem, not just a private sector problem. All publicly-owned, brownfield land should come forward for development within the next ten years or until the backlog of housing has been filled. On the other hand, betterment should become a nationally-harvested tax to end once and for all the divided agendas and petty political positioning that can only breed amongst the weeds of a local levy in the planning system.

Major intervention

A major intervention would instead view the current impasse as symptomatic of an irretrievable breakdown in trust between the public and private sectors, with all genuine policy attempts to solve the housing crisis abandoned in terms of pinning the blame on the property industry.

Like errant children, the warring factions, local and strategic planning authorities on one hand, and scheming developers on the other, would be called to account, a symbolic 'head knocking' if you will, by Central Government, settling the century-long debate over betterment once and for all in favour of a tax collected by the IR for the Treasury rather than a local government levy associated with the planning system.

Only, and herein lies the rub, the current state of 21st Century party politics in the UK makes this all but impossible. A first past the post electoral system, coupled with (at least) 4 parties stuck in two bodies, denies us the prospect of any meaningful change. This, lest we forget, is the party electoral system that gave us the Brexit Vote. How can we expect it to do something useful?

No. An abandonment of the first-past-the-post voting and the breakup of Labour and Conservative parties into at least 4 new parties is the only sensible course of action as a first, constructive step towards solving the housing crisis. All profit is a risk-adjusted return. Investors will bite your hand off for less risk. The idea of taking land out of play works beautifully in Singapore but do you want to live under such a dictatorship.

Social (Housing) Entrepreneur

Back before the economic crisis, more than a decade ago, I was a director at the Housing Corporation at a time which – arguably – saw the final abandonment of any faith by the public sector in the value of direct grant subsidy as a means of ensuring delivery of significant numbers of homes and social homes.

Of course, it was understandable. By that time, ever greater amounts of grant were being distributed to housing associations to subsidise what seemed an ever smaller amount of social housing, as accelerating land values swallowed up whatever billions the government was willing to chuck at the problem.

But what came next – an ill-judged mix of short term raiding of housing provider balance sheets and helicopter cash aimed at first time buyers hasn't provided much of a solution to lack of housing supply. The former at best a short term means of cutting government expenditure; the latter seeming more to be about propping up developer profits and providing the semblance of doing something for the "hard working" classes than anything that would ever really make a difference.

The origin of arbitrary subsidies for classes of home buyers seems to have its origin in the Starter Homes Initiative in the early 2000s, which was invented in the two days before publication of the then Housing Green Paper to enable Gordon Brown – at a cost of £100m – to say in a speech he was doing his bit for hard pressed key workers.

And once housing policy as expensive but pointless rhetoric was created as an innovation, it has proved impossible to step away from what has become an endless conveyor belt of meaningless initiatives with catchy titles – whether Starter Homes, HomeBuy, Help to Buy or their many and complex variants – none of them offering more than cosmetic sticking plasters over policy failure.

If we want to see a step change in provision we need a complete shift from the decades long delusion that chucking subsidy at the private and not-for-profit sector will make any sort of difference. Chucking welfare payments to a few "lucky" first time buyers to help them "get on the property ladder" does not much more than stoke further price inflation and sustain a completely dysfunctional development market.

Trusting development to a private sector who have no incentive to restructure the market in a way that helps deflate unsustainable land and/or property prices is an experiment that has – over the last 20-30 years shown itself to be a complete failure for society (although many developers have done very well from it).

And the planning system remains an inefficient way of delivering numbers or the infrastructure to support it.

If we really want to address housing supply as one of the overwhelming challenges of the next couple of decades, we need to have the confidence to revisit some of the solutions from a time when we proved ourselves able to deliver on a scale.

We need to have the confidence to establish a new generation of public corporations with the tools needed to move forward with at speed (doubly important given the time it can take to get pipelines going and delivering). They'll need the ability to deal with planning issues directly, commission construction where needed to disrupt the current dysfunctional developer-centric model, and raise finance where needed to support the

I'd suggest three main initiatives:

- A new generation of Urban Development Corporations, able to prepare sites, grant planning permissions, raise finance and where necessary directly commission construction work where the private sector is unable to deliver. I was part of the set up team for the LTGDC; it was rapidly absorbed into the ODC, but the latter showed what could be achieved at pace and on scale, if the will is there.

- New Settlement Corporations, modeled on the New Town Commissions, able to operate on a larger scale, planning, commissioning infrastructure and capturing long term land value to support the borrowing needed to finance these major investments in place.

- Finally, although this starts to intrude into matters that might be a matter more for colleagues dealing with regulatory responses, I'd suggest that we enable those local authorities that wish to, to move from a current reactive planning policy to one that is more proactive and directive. Authorities in areas of high demand and low supply where permissions are either not being sought or not being implemented should be able to establish arms-length local development companies, with access to a streamlined compulsory purchase process, the ability to buy land at below speculative residential values, to directly commission detailed planning (possibly on the basis of standardised/off site fabricated property types) and then commission construction.

For more than three decades, the private sector has shown itself incapable of delivering the outcomes we are seeking. It is time to consider a public institutional response. And one on a scale that matches the challenge being faced.

- The arbitrary subsidies for some homeowners has set the scene for endless meaningless housing policy. Help to buy only stokes price inflation at the margins only to create sub-prime misery down the line when interest rates catch up with them.
- Privatised planning system doesn't work
- Real people are more radical than policy makers and real people can take greater risks
- We need to look at the obstacles to delivery, given that the private sector has money to invest and the public sector can borrow very cheaply. What is needed is long-term institutions to fund the infrastructure that is needed to deliver."
- We need to be more radical about what local authorities can do. We don't need a return to council housing but need a move from reactive planning policy to allowing LAs to set up arms'-length development companies with the power to CPO land where there's a local demand that cannot be met. Private Finance has failed, we need new Urban Dev Corporations + new New Town Corporations (with long term betterment) but no Local Authority housing please

Agent

London needs 94,000 pa of which half is proper sub-market, affordable housing with only 8,000 delivered per year. Divergence between affordable and affordability. Only 8% of households in London can afford a 1-bed flat at £1000/ft2

Modest Proposal

- Public sector must step in because it's a significant land owner on very poorly used public land where GIS reveals underuse. Many of these are housing estates of the 60s. MMC could improve quickly with affordability being able to be delivered at scale.

More Radical Proposal

- Deregulation of private housing to remove taxes! Help to buy will be a serious issue when the interest payments come in.
- The problem in development is that there are too many people trying to take a layer of profit along the way. Public sector intervention - especially when they're gilt-backed - can cut through all this waste.
- Grosvenor take a 100+ year view and have a fantastic business as a result that is progressive in its long term thinking.

How many homes do we need?

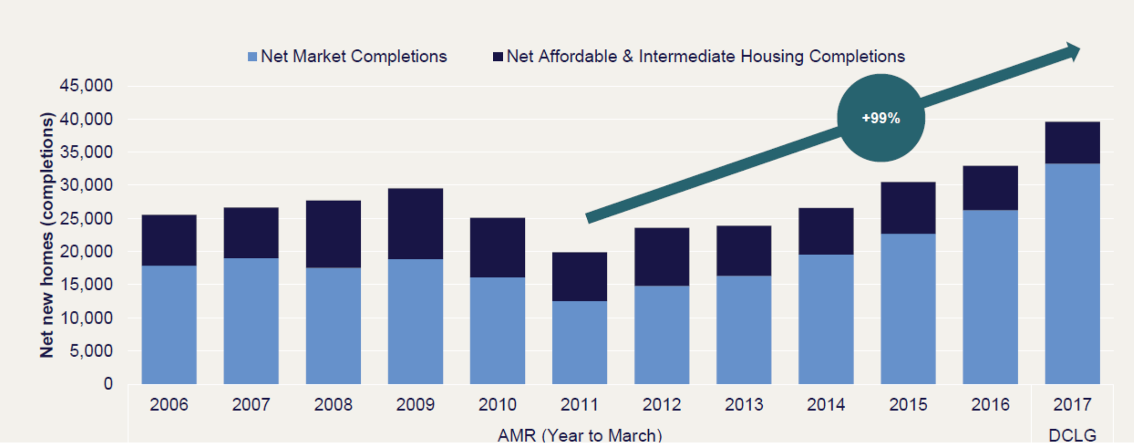
DCLG completions:	39,500
Current Strategic Housing Market Assessment 2013	49,000
Draft SHMA 2019	66,000
To improve affordability	94,000

<u>To improve affordability</u>

Market housing	51,500
Sub-market housing	42,500
Draft SHMA suggests	42,800
Av Delivery since 2013/14	8,800

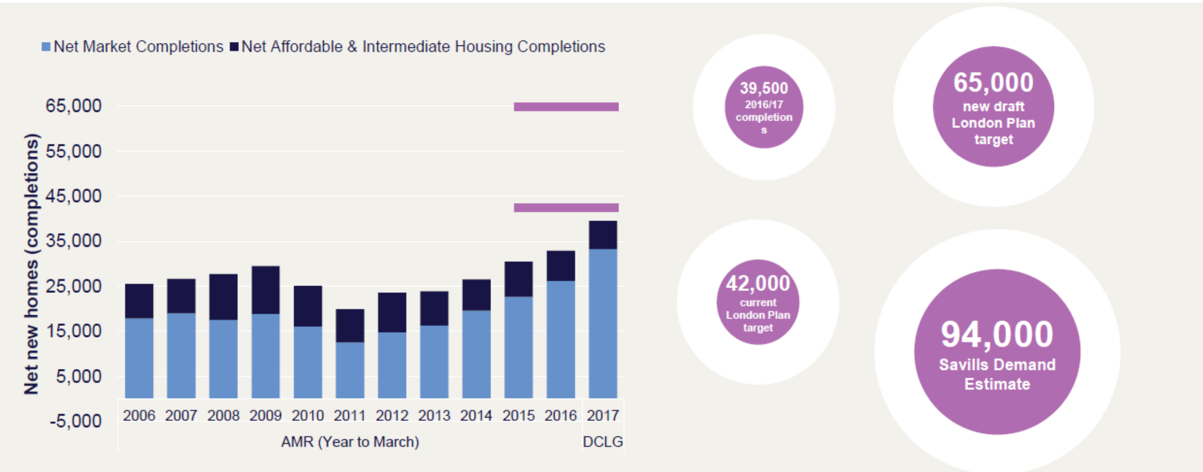
Headline numbers look encouraging, to date…..

Source: Savills Research, GLA, DCLG



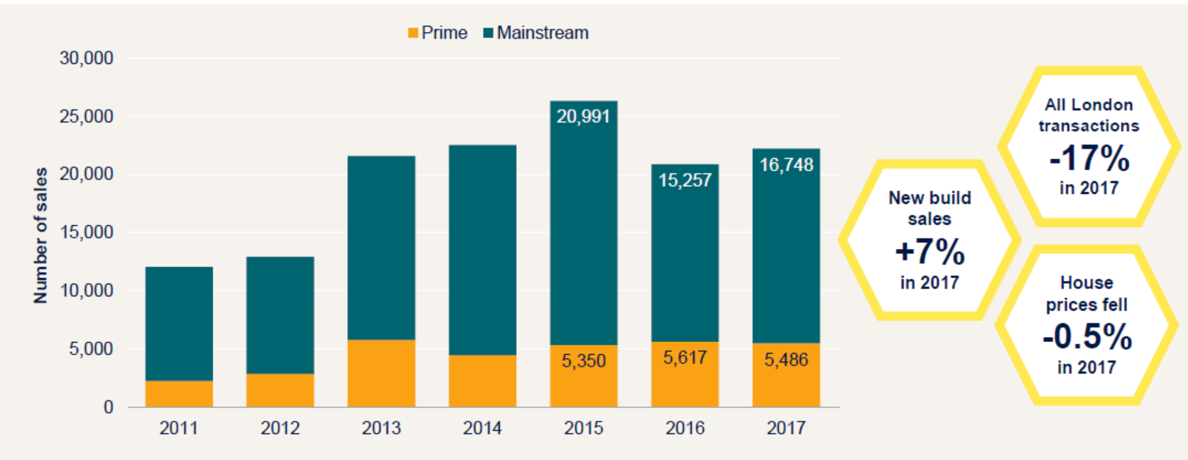
…but moving goal posts

Source: Savills Research, GLA, DCLG



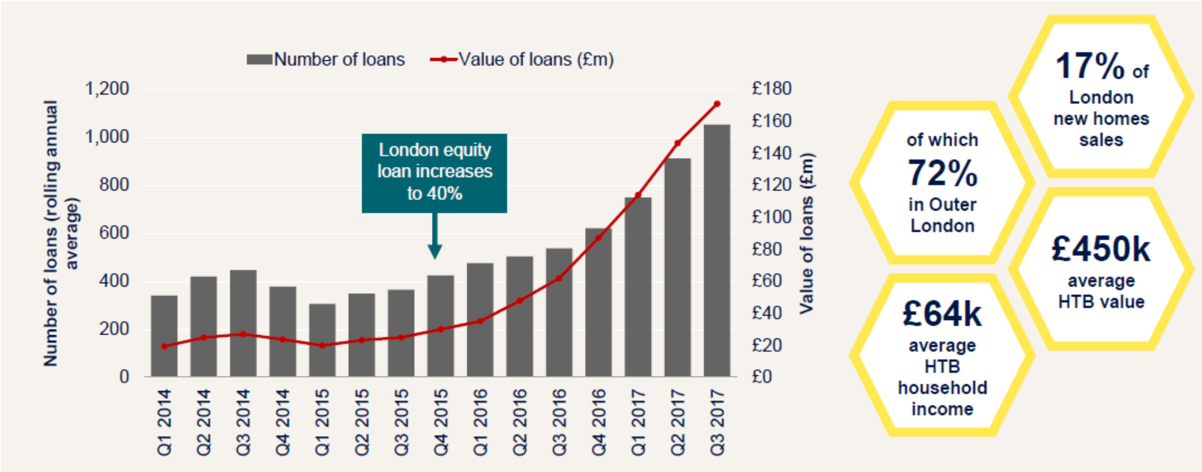
Market sales in London hold up

Source: Savills, Molior (new build schemes over 20 homes recorded on schemes under construction), Land Registry, Nationwide



Expect continued reliance on Help to Buy…

Source: DCLG



Homes with detailed permission in	No of homes	% of private sales
2015	8,300	16% in 2011-17
2017	16,850	25% in 2018-22

Mainstream London Forecasts

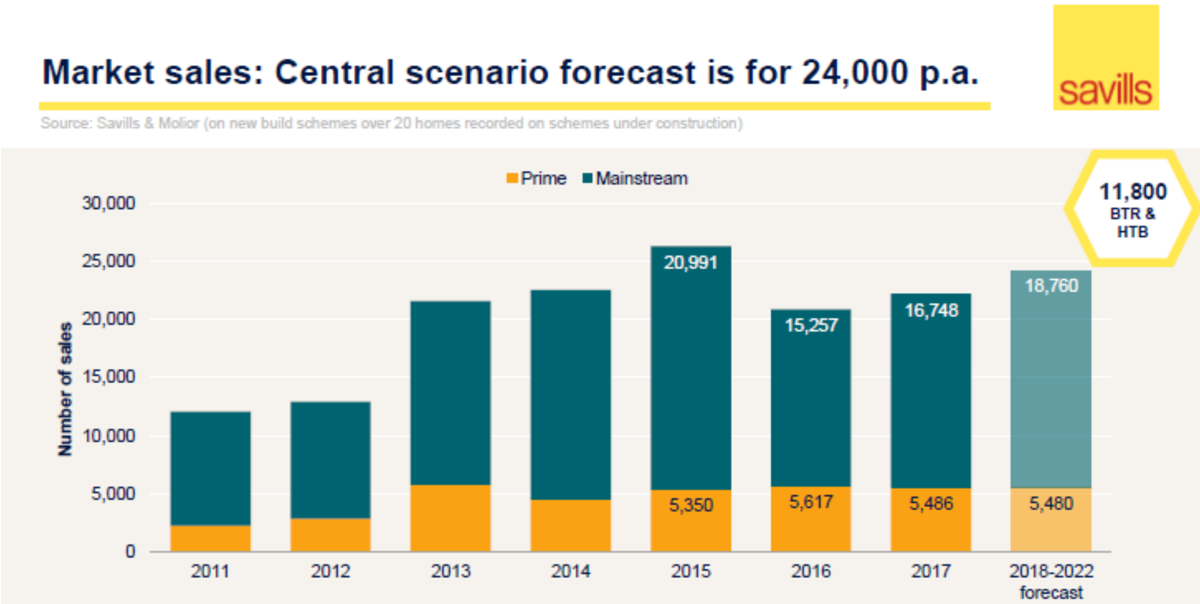
Source: Savills Research, Nationwide, Rightmove

savills

	2016	2017	2018	2019	2020	2021	2022	5 years to 2022
Capital Values	+3.6%	-0.5%	-2.0%	0.0%	+5.0%	+2.0%	+2.0%	+7%
Rental Values	+5.0%	-3.0%	+3.0%	+3.0%	+3.5%	+3.5%	+3.0%	+17%

N.B. These forecasts apply to average prices in the second hand market. New Build values may not move at the same rate.

Delivery

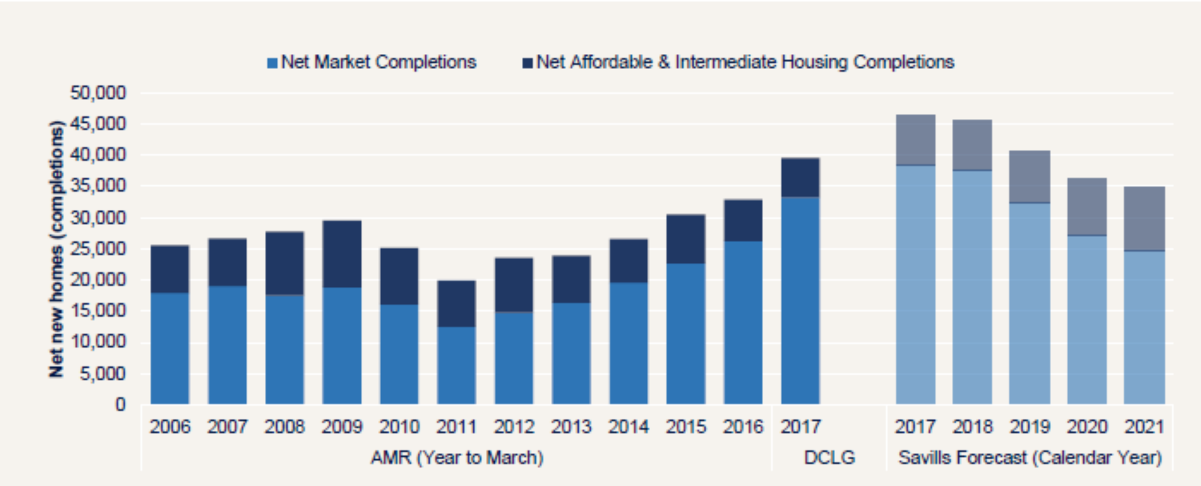


Completions

Record levels of 64,000 under construction. It was 24,500 in 2007. Construction is slowing

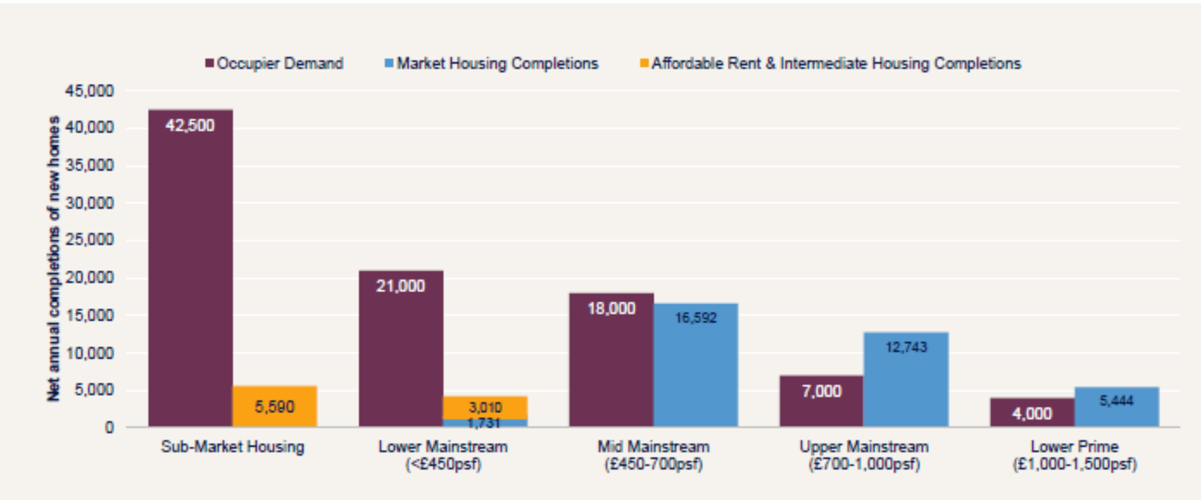
Completions: Last year we thought…

Source: Savills, Molior, GLA (using revised historical figures from 2015/16 AMR)



New homes are needed where demand is highest, yet supply is lowest…

Source: Savills, Molior, CACI, Oxford Economics



We need to understand what affordability looks like…

savills

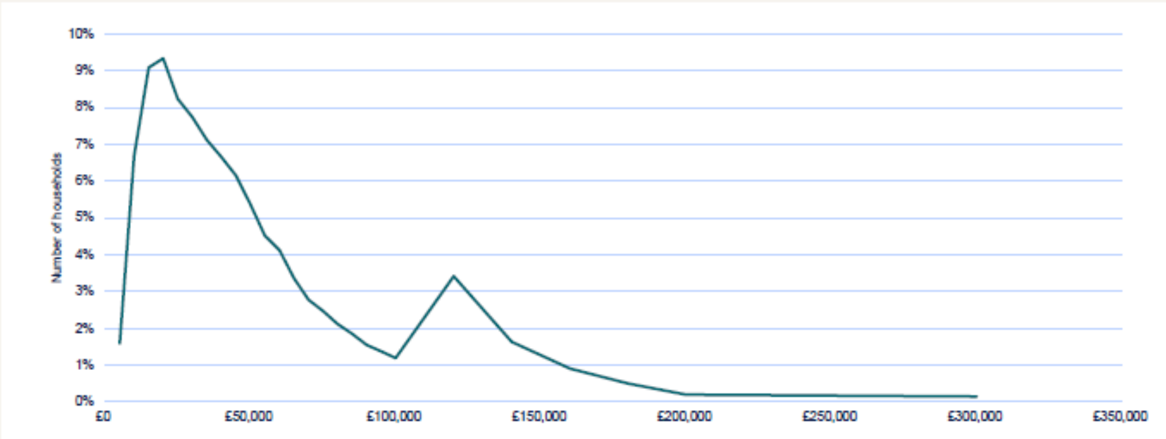
Source: Savills, Molior, CACI, Oxford Economics

	Sqft	£psf	Price	20% Deposit Deposit Req'd	20% Deposit HH Income Req'd	25% Deposit Deposit Req'd	25% Deposit HH Income Req'd
1 Bed	550	**£450**	£247,500	£49,500	£44,000	£61,875	£41,250
2 Bed	750	**£450**	£337,500	£67,500	£60,000	£84,375	£56,250
1 Bed	550	**£700**	£385,000	£77,000	£68,444	£96,250	£64,167
2 Bed	750	**£700**	£525,000	£105,000	£93,333	£131,250	£87,500
1 Bed	550	**£1,000**	£550,000	£110,000	£97,778	£137,500	£91,667
2 Bed	750	**£1,000**	£750,000	£150,000	£133,333	£187,500	£125,000

…and how large the markets are for those who can afford it.

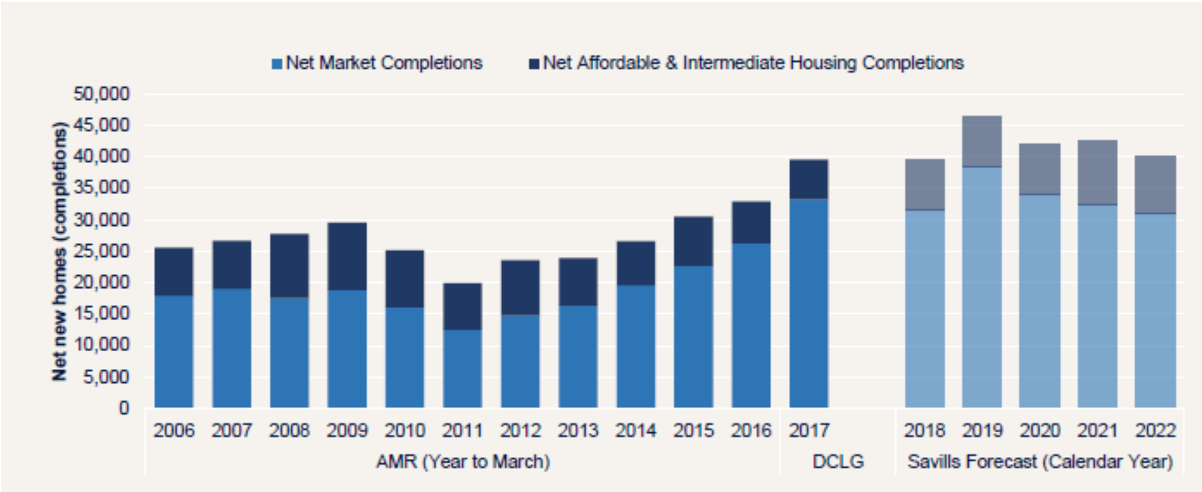
savills

Source: Savills, CACI



Completions: and now we think

Source: Savills, Molior, GLA (using revised historical figures from 2015/16 AMR)



<u>Conclusions</u>

- You need a lot more grant toth £3.15bn or
- You need much more public sector land at existing use value
- And a significant public sector house building scheme

Economist 1

- Treasury finds Housing gets in the way (doesn't fit their models) so Housing when not done properly allocates people to places where they cannot use their skills and strains transport through excessive commutes.
- Housing is local and needs to make sure the money doesn't leak out of County/Region. Good housing stock is essential for economy to thrive. It also generates 'value-added'.
- You can affect demand if the supply isn't where you want it, for example by encouraging rental over ownership.
- The government can borrow cheaply and can guarantee the occupation of the homes that are built.
- Garden cities and new towns are not viable because they are not demand led.
- Should focus on productive investment
- But need good housing stock
- Substantial multipliers around housing. Very leaks to imports and the benefits stay in the region
- Stop bank rand
- Use balconies
- Can get public sector involved. Can build more cheaply than developers. Can guarantee purchases to what is built. Can de-risk development
- You do get an increase in the national debt but you can guarantee a substantial increase to rent or to sell

Serious Investor

The housing sector needs product for people to invest in. so that 100,000 homes to be acquired. This is a Woking or a Stevenage each year.– to break even.

You have to build 100,000 homes. Most house builders are not going to build more than 3-4,000 units because of infrastructure and the high risks this involves. Role for government to guarantee to build it.

- Our fund is currently seeing to invest £250m over the next 6 months are we are struggling to find investment product at scale.
- There is an estimated £30bn of equity funding available for the Build to Rent sector.
- Also seeing large international pension and sovereign wealth funds entering the market.
- Super wales entering the market who would like to invest £200-£500m per year into the Build to Rent and Retirement for Rent/Later Living sectors – long dated institutional income.

Shortfall

- Approximately 100,000 houses required per year the size of a new Woking, Cambridge or Stevenage, every year for the foreseeable future
- Small Scale & Large Scale
- Small Scale – Co-Ownership model
- Co-owner model. Put land with development. Local authority can get half the income from land and could forgo income on new homes. This is a better use of public sector land.
- Large Scale – Infrastructure
- Government funds or guarantees infrastructure delivery for garden cities/new towns as private sector will not above 3,000 units because of cost and risk

Development Corporations

- Establishing public sector/LA development corporations to plan and provide for the development of large towns and future cities.
- Removes the infrastructure burden from the private sector and also creates community benefits/parks/district centres and leisure facilities.
- Private sector invest in residential, commercial and retail development once the infrastructure is established.
- Requires government funding/guarantees and intervention.

Key Issues

- Older people moving out of homes into retirement homes but no quality accommodation available.
- Affordability – interest rates increasing will decrease the ability of people to buy homes, will also make building and funding affordable homes more costly.
- Income inequality will need to be addressed by increase taxation.
- Brexit – the demand for new homes is too high for Brexit to have any impact however it will impact on availability of construction employees.
- Planning is delayed or prevents new building

- They are long-term investors, looking at low cost, low return investments such as build to rent sector, retirement for rent and long term student housing.
- Investment of up to £500m of off-shore finance is available but there is a shortfall of product to invest in.
- Co-investment model proposal: along housing association lines where the landowner invests land and gets return. LA landowner could sell land for peppercorn. Co investment avoids OJEU
- Small scale proposal – co-housing with LA keeping ownership with a 250y lease with the right to revenue and a turnover clause. This clause allows the affordable housing dial to be turned up or turned down depending on the needs of the LA.
- Housing is an election toy with short term election horizons. Instead we need to take the toy away and give it somebody who is looking at it with a 30y view.
- The problem is education so that all parties - private and public sector - have the resources to understand the residual land value equation. But with new structures appearing all the time - build to rent, retire to rent, etc - not everybody understands the model and this leads to mistrust.

Economist 2

"Women are irrational, that's all there is to that!
Their heads are full of cotton, hay, and rags!
They're nothing but exasperating, irritating,
vacillating, calculating, agitating,
Maddening and infuriating hags!"

So complains Professor Higgins, in the musical "My Fair Lady". Plaintively, he asks his friend Colonel Pickering, "Why can't a woman be more like a man?"

And so complain many people about the UK. "If only we had thousands of small banks just like Germany's", they say. "If only we had big manufacturing industries exporting to the world just like Germany". All our troubles would be over, if only the UK could be more like Germany.

Now it is the turn of housing. On Twitter the other day, someone was praising the German housing system. "If only" said someone on twitter, "the UK's housing market was more like Germany's all our woes would be over."

Germany's housing system is very different from the UK's. For a start, home ownership is nowhere near as high. To a large extent, this is because it is much harder to obtain a mortgage, since Germany's banks take a conservative and risk-averse approach to mortgage lending. Loan-to-value, even for first time buyers, is typically 80% or less, which makes a debt deflationary housing market collapse such as Britain experienced in the 1990s unlikely. Germany has not had a housing market collapse since the early 1930s.

As a result, Germany's housing market is thin and illiquid compared to the UK's. Conversely, its rental market is much deeper and more diverse. This is despite Germany's longer secured tenancies and rent controls. There is some evidence that the private rental market can be hard to access, but not a great deal of evidence that regulation restricts supply, as some economists argue. However, since the 1950s Germany has built twice as many homes as the UK, including homes for rent. It may be that since most people in Germany rent their home, the depth and liquidity of the rental market reflects the more generous supply of houses relative to population in Germany better than the smaller mortgage market does.

Despite the controls, Germany's rental market is not immune from rent spikes. Rents in big cities such as Frankfurt and Munich have recently shot up. However, Germany's rental market is generally stable. This also helps to keep house prices stable, since – as Quartz points out – buying a home is often a hedge against rising rents.

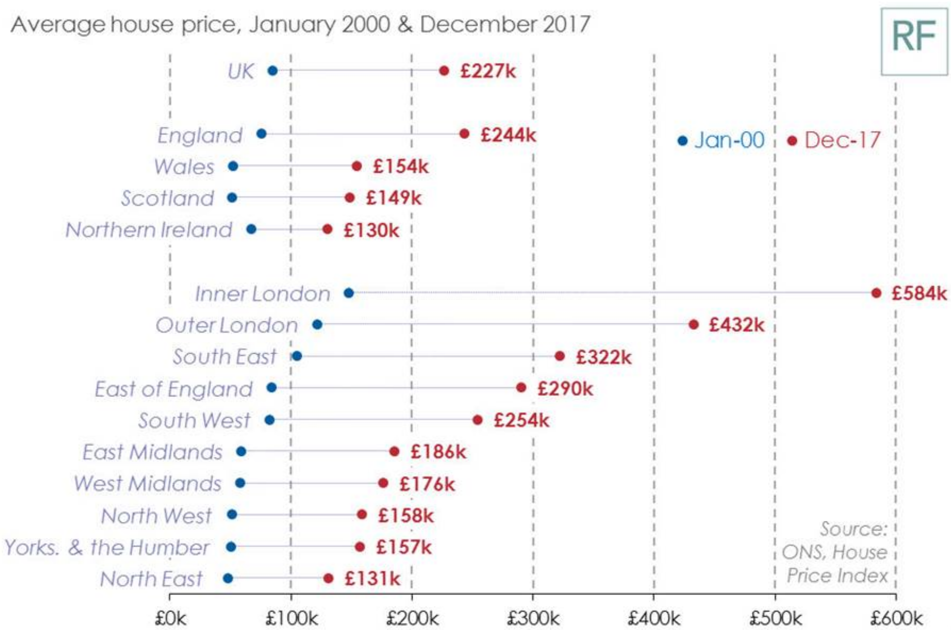
So, if the UK could somehow develop a deep and liquid rental market while clamping down hard on the mortgage market, it could become like Germany. Housing market crashes, default and negative equity would be a thing of the past, and renting would provide security for young and old alike.

But the UK's housing market is the way it is because of deeply rooted cultural beliefs and practices, which have determined government policies and financial practices going back decades. Many British people dream of having a place of their own, an asset that no-one can take away from them, a territory on which they can put their own stamp. So what if the Germans don't share that dream? They are German. They save like crazy in their little banks and, latterly, in cash under the bed. British people prefer to put their savings in bricks and mortar. Even when we save in banks, we like our money to be invested in bricks and mortar. Hence the popularity of building society savings.

You can't airbrush all of this out of existence. The UK's housing market bears about as much resemblance to Germany's as Eliza Doolittle does to Professor Higgins. Rather than trying to turn it into something entirely different, we need to understand why the UK's housing market is the way it is, and find ways of making it work better without fundamentally changing its nature.

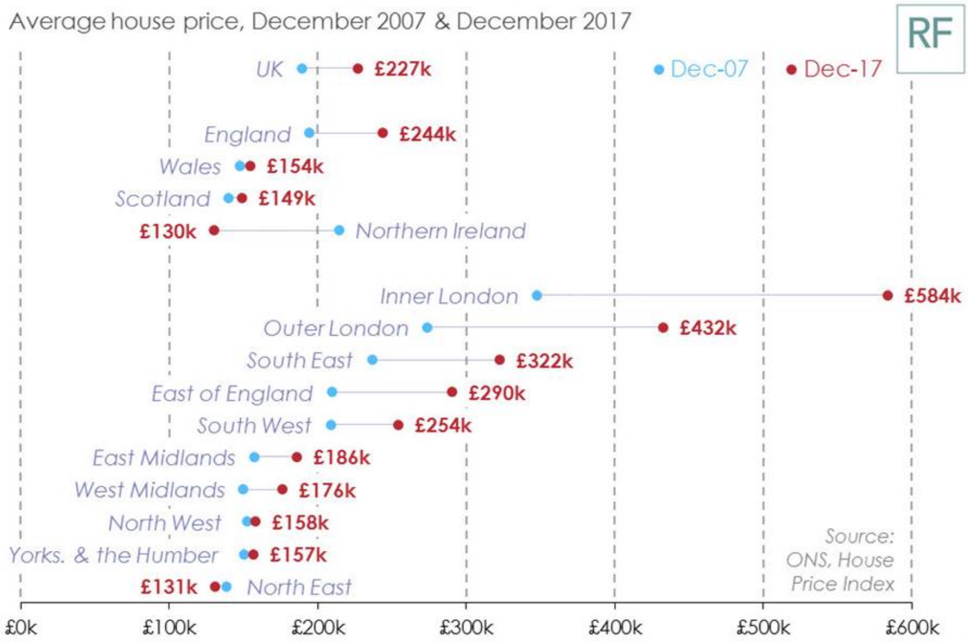
But what is its nature? Matt Whittaker of the Resolution Foundation describes it as "crazy". Why would we want to keep a crazy housing market? Wouldn't it be sensible to transform it into something entirely different?

Let's look at the facts. This chart from the Resolution Foundation shows that there has been a sustained boom across most of the UK since 2000, and particularly in London and the South East:



This is the boom that has priced young people out of the market.

But if we look at the position since the 2007-8 property market crash, it is evident that the gains are highly skewed. London has seen huge rises in property values, but in the North of England, Scotland and Wales prices have barely moved. And in Northern Ireland, prices have actually fallen.



Average house prices of £130-£160k in the regions furthest from London do not look particularly expensive given a national median wage of about £26k. Median wages may of course be lower in those regions, but nonetheless it is no surprise that significantly more young people own their own homes in the North of England than in London. Talk of a UK housing "bubble", as in this post, is thus a London-centric view which fails to take account of the reality across the UK.

London is a magnet for both people and money. Migration to London, not only from outside the UK but, more importantly, from other areas of the UK, pushes up prices in London and the areas around it. Additionally, international investors looking for safe, high-yielding assets are drawn to prime property in London and, to a lesser extent, other city centres. Meanwhile, net migration from other parts of the UK depresses property values in those places.

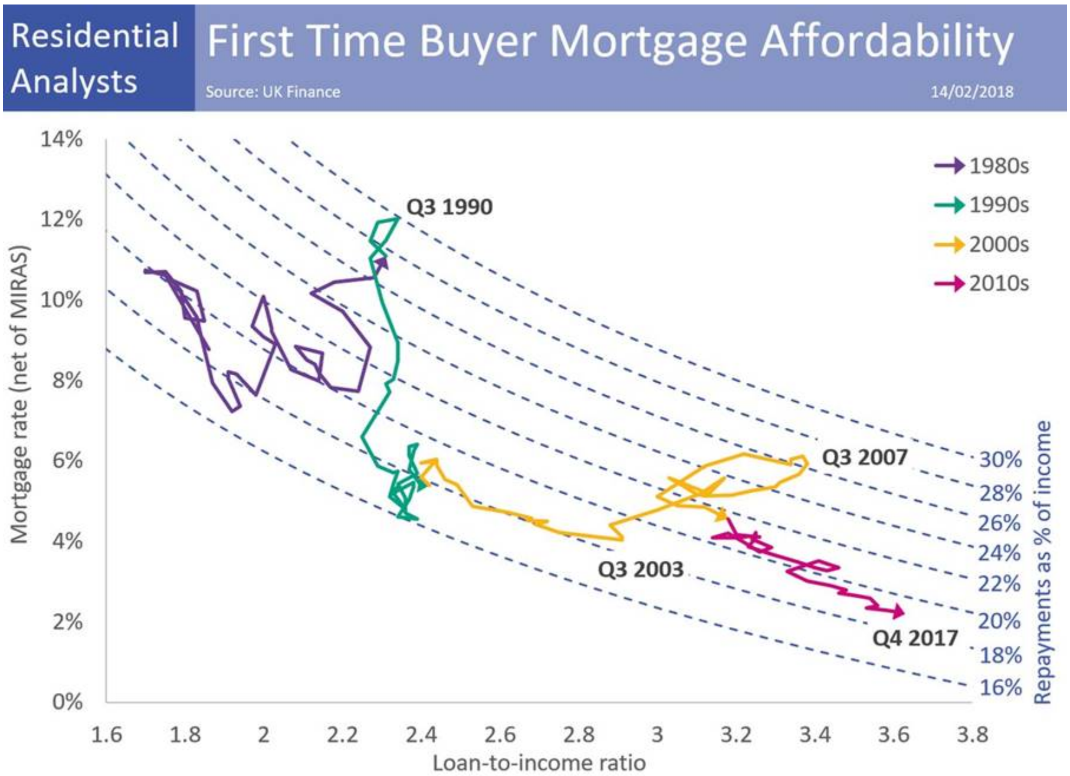
London's high prices reflect London's dominance not only in the UK economy, but in the world. They are a measure of London's success as an international city. Any housing strategy that tried to pop the "UK's housing bubble" without addressing the "magnetic London" problem would indeed be irrational.

Not only that, it would be extremely damaging. If prices fell evenly across the whole UK, people in London and the South East would be relatively unscathed, apart from those who bought with high loan-to-value mortgages within the last decade. But many people in the North of England, Scotland, Wales and – particularly - Northern Ireland would face large falls in their net worth. Potentially, some could end up in negative equity even if they have owned their house for over a decade.

And for many people on low to middle incomes, their house is their only significant asset – after all, British people like to save in bricks and mortar. A serious reduction in their net worth would be awful for them, especially if they are approaching retirement. At present, we have no funded solution to the social care crisis that is already upon us and will become much worse as baby boomers get older. We are relying on the wealth tied up in residential property to fund it. If that wealth were to disappear due to a major fall in house prices, younger people would have to pay far higher taxes to fund social care.

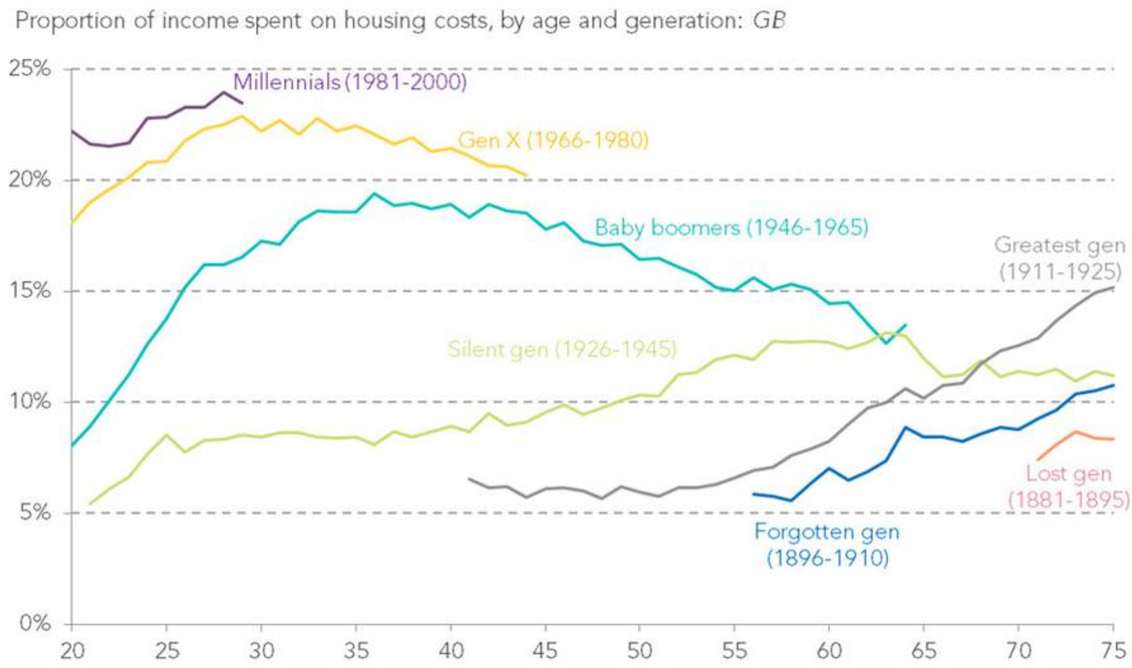
So although engineering a substantial fall in house prices appears attractive to those who want a fast solution to the undeniable fact that many younger people in London and the South East cannot afford to buy houses, it is not a solution to the UK's housing problem.

It's also not clear that it is necessary. By historical standards, housing is affordable. As this chart from Neal Hudson shows, those who lived though the sky-high interest rates of the late 1980s and early 1990s paid a much higher proportion of their incomes in housing costs than today's young people do:



This does, of course, raise serious questions about the implications for financial stability of raising interest rates much above the unprecedented lows that have prevailed since the 2008 financial crisis. But if interest rates remain low – and there is no doubt that monetary policy decision-makers are very aware that raising them too much could risk a house price crash – today's first-time buyers don't appear particularly stretched by historical standards. Of course, this chart is an average across the UK: young homeowners in London are probably significantly more stretched than young homeowners in the North of England. But then so were the London homeowners of the late 1980s. London's high house prices are by no means a new phenomenon.

However, the Resolution Foundation says that young people today do face higher housing costs as a proportion of income than previous generations did at their age:



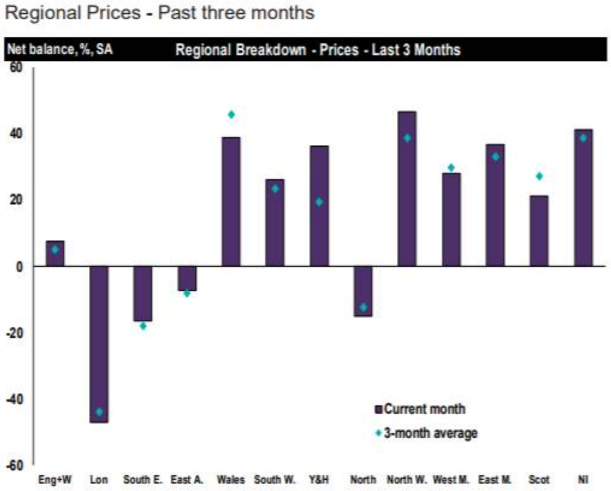
Since mortgage costs are not particularly high as a proportion of income, the problem would seem to be high rents – again, particularly in the capital and the areas around it.

The most immediate need therefore appears to be rebalancing, rather than a general fall in house prices and rents. London's prices are far higher than anywhere else in the UK, and there is a "ripple effect" out to areas around London. These high prices flow through into sky-high rentals in the capital and surrounding areas. Bringing house prices down in London and the areas around it, while raising prices in other areas, would flatten the housing market across the country, reducing rents where they are high and raising them where they are low.

Part of the reason for high prices is undoubtedly supply. The UK's housebuilding record, particularly for affordable homes, is dismal. But anyone who thinks that building lots more homes in the crowded South East will significantly reduce prices there does not understand how construction markets work. Construction involves up-front investment, usually debt-funded, to deliver a longer-term return. Builders need to know that the return will justify the investment, so when the market is falling, they don't build. They batten down the hatches and wait for the market to turn – which of course it eventually does, since falling construction tightens supply and therefore raises prices.

It's also not clear that feeding agglomeration is a good social strategy. London is progressively draining the rest of the UK. The house price divergence reflects this. Since the 1980s, successive governments have taken a laissez-faire attitude to the growing dominance of London, apparently convinced that the wealth of London will trickle out to other areas. To a degree, this is true – house prices in areas around London show that clearly. But areas further away from the agglomeration become progressively more depressed.

Currently, house prices are falling in London and surrounding areas:

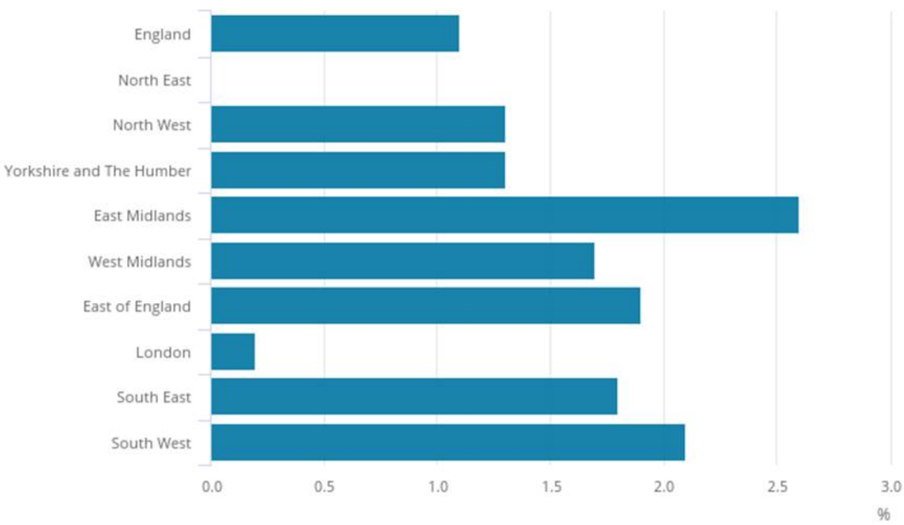


Source: Royal Institute of Chartered Surveyors, Jan 2018

Currently, also, rents are hardly rising in London, and even in other areas they are not keeping pace with inflation:

Figure 5: Index of Private Housing Rental Prices percentage change over the 12 months to January 2018 by English region

12-month percentage change



Source: Office for National Statistics

As I have noted here, falling prices and stagnant rents in London and surrounding areas could signal the start of a welcome rebalancing in the UK's housing market – but only if the effect is confined to those areas. If house prices start falling across the UK, then rebalancing will not happen.

But this market-led rebalancing will not be sufficient. If there is one thing we can learn from Germany's model, it is that the housing market works very much better when no region or city dominates economically. Even Berlin is not dominant in the way that London is. Germany's housing market is not "crazy" like the UK's because Germany does not have the UK's wide economic imbalances between different regions.

Restoring the UK's housing market to health will involve revitalising industry and regenerating communities across the whole UK, raising productivity and wages, and helping people to find meaningful well-paid work wherever they are, not just in the capital.

The UK's housing market is not irrational. It works the way it does because people prefer to own than buy, and because for many people a home is not merely a place to live but their principal form of savings. These characteristics are deeply rooted in the British psyche and fundamental to our way of life. They can no more be changed than Eliza Doolittle could become like Professor Higgins. But the enormous regional house price differences that arise from the wide economic imbalances in the UK economy can, and should, be eliminated.

In summary:

- We have not got enough housing, but you have to look beyond the nuts and bolts and look beyond supply and demand

- The houses people need do not match the homes people have – people move (to London but housing doesn't move

- Housing is not in the right place. Young, old and unskilled moving away from London. Housing does not follow people. It becomes extreme. People are getting fed up with inequality in social structure. This has to be addressed.
    - Geosupply inequality – the attraction of London
    - Generational inequality – much of policy is about giving to people in Lonodn. Old people hang on to asset wealth. This will feed into class inequality. Cutting housing benefits is creating ghettos.

- The objective of housing policy is to intervene with subsidies for the young to protect the asset values of the older generation in order that they can pass on their wealth and thereby entrench inter generation inequality and ultimately class inequality.

- However housing is not an isolated thing but a bigger question that needs industrial-scale solutions to policy and industry. Should we not have an industrial policy?

Modest proposal

What to do to get businesses to move to poorer areas. Investing in infrastructure to provide an incentive

More radical proposal

Build new towns based on supporting businesses and move Government Depts north Say to business move and then build a town. People will go where the jobs are

Level playing field between rich and poor: wage councils. Strong collective buying.

Gary Younge - Guardian, summing up

- Consensus that there has to be more government in housing.
- Does it have a confiscatory role? Or is it one that works alongside the private sector?
- Land tax system?
- But confiscation and company towns would provoke dangerous Daily Mail headlines and would rely on a government that is fit for purpose which, FPtP means that it is not.
- If government can't and won't, then what.
- "It would be a mistake to have a stand=alone housing policy on its own because housing is linked to large range of other things like how they travel, how they live. Therefore a housing policy that is as piecemeal as it has been could actually be worse than doing nothing. A housing policy that is bigger than we can foresee, can only fail."

Discussion: Everyone

- Local authorities have a lot power e.g. S106, Development corporations, CPOs etc… but they lack the skills and the TRUST in the system and the private sector.
- Should a government be so invasive as to uproot businesses from expensive areas (or conversely evacuate deprived areas!)
- Should we assume that everybody needs the same sort of infrastructure or do economic migrations seek different criteria? Is a lack of mobile phone signal or a place without links to London or access to the coast attractive for different economic reasons.
- People will moan but develop jobs and people will move if there is infrastructure. Do NOT build new towns without jobs
- The over-taxation of land means that the developer has to play the game to get a good deal.
- Tax has to be at the back end not the front to engender trust and partnership.
- Need to define wider conurbations as one entity e.g in the West Midlands. As the towns are not big enough on their own.

- Govt has got to work. Is the body fit for purpose?
- More Government in housing, More confiscatory role
- Widespread deregulation. Role to encourage private sector. Govt to do what the private sector cannot.
- Dump policy baggage; remove blockages; we need a 'New Ways of Living' Commission, We need a 30-yar visions but will we still be working in 30 years' time, We need a housing commission like the IPC with a 30-yr horizon. Britain's second and third cities are too small behind London An individual policy / framework
- Company towns
- Development corporation. Short term hit. New towns are long-term policy
- Local government has the skills but diminished power
- Confidence is absent. Local authorities must work with the private sector
- London is a global market
- It is not a funding issue
- About getting rid of the obstacles than institutions to accelerate delivery
- Public sector responsibility for some public good rather than outsourcing all it does
- New institutions with land against which they can borrow.
- Wider commission on ways of living
- Profit not in isolation
- All profit risk adjusted. Find ways of slashing risk
- Back-end betterment

- Improve inefficiency in construction
- It is a mistake to have a housing policy connected to a long list of other things

Gary Young conclusion

- Dear PM – don't have a housing policy unless connected to jobs, transport etc
- Spirit of Stevenage had a Vision for Britain