

IEA Richard Koch Breakthrough Prize.

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What market-based, popular policy would you recommend to alleviate the UK's housing shortage, and to rejuvenate our property-owning democracy?

To solve the housing crisis do what Mrs. Thatcher did on letting; but also put renovation first and stop inflated subsidies to builders and students.

Executive Summary.

To solve the housing crisis do what Mrs. Thatcher did – encourage renting spare rooms; & stop Government loans pushing up corporate profits by subsidising unaffordable prices & student luxury lets driving out working people. Make renting spare rooms a good financial and social choice, this will provide a greater supply of residential lettings, help subsidise house buyers and potentially encourage more interaction between residents in an era of loneliness for many. Stop help to buy government backed schemes that simply push up mortgage prices, and find more cost effective ways to support student living costs than taxpayer backed loans that fuel a grossly inflated student luxury flat market and overpriced rents.

Essay.

There is an obsession among Labour, the Trades Unions, the construction industry, related PR firms, Radio 4 and many Liberal Democrats with building on the Green Belt. This is an ideological and inversely snobbish obsession for some, and a pure commercial motivation for others. Yet there are many obviously true statements causing a homes crisis that are ignored by Governments of every shade and that don't fit with the authoritarian meets gung ho deregulation of the Labour Party or the free for all of Libertarian 'Young Conservatives' or 'Young Liberals' or the self-beating up of radio presenters who feel guilty because they live in nice areas.

There are more empty properties than there is housing need. There are more empty properties in the North and Midlands and Wales than there is housing need. But even in London and the richer cities if you walk around any borough you will find

plenty of derelict buildings that could be converted and plenty of residential buildings that are not occupied or under-occupied.

Not everyone can live where they want to. That is simply a fact, and I've never understood the mentality of the builders, their lobbyists and ideologues whose response to people wanting to keep a nice place nice is to attack them for opposing development that will change the character of a place. At the same time, local parochial opposition to any development hinders meeting genuine housing need; it also wastes lots of resources on bureaucracy and lawyers. An obsession with house prices by the same media and professionals who claim to want to end the housing crisis just exacerbates the problem – more supply should reduce prices and that is a good thing as they are socially unsustainable.

Corporate builders have been failing to deliver. Builders sitting on sites for the last ten years, because of 'market conditions' has artificially helped keep prices high. Any city in the country is blighted by long term empty sites. This is exacerbated in the country areas by a lack of incentives for jobs and undersupply of housing because the 'demand' isn't there, a chicken and egg situation. The drip release of houses by big builders may be to keep their income and cash flow stable or it may be to artificially keep prices high. Greens, Liberal and some Socialists have long advocated a 'land value tax' or 'site value rating' which the followers of this faith believe would penalise unearned holding of land and simply profiting from the value. I don't think a land value tax hitting all landowners (whether they profit or not) or a flood of new housing would be helpful when the demand (due to affordability) would not be there. However builders have had huge amounts of public subsidy when times were good and bad and failed to deliver on the scale required. A decade to recover from the economic crash has given them enough time to deliver.

There is no shortage of building. But there is a shortage of renovation. Travel anywhere by car, rail, bike or foot across the UK and you will see houses being built in every town and city and on the outskirts of most villages. This has been the same for more than ten years – new building has filled in many brownfield and green field sites in the countryside. Executive houses and 'luxury' flats have been built in town and cities but none of this is for people on low incomes who want to buy or who are

struggling to afford to rent their own home. Executive mansions are great for the revenue base of Councils and hopefully the residents will also use local services – the village or neighbourhood shop and pub or restaurants, and schools and libraries. Executive houses don't help people struggling to get somewhere to live. The hypocrisy of Councils and builders in favour of Green Belt and park / open space development is staggering. The fact it is mostly Labour Councils building on parks crying lack of money may be true in terms of budget need but they often seem quick to resort to easy options that penalise residents that live in nice areas. There is often a strong air of inverted snobbishness about it.

Tory and Labour Councils alike are as keen on easy expensive development on the Green Belt, less keen on renovation, restoring difficult buildings, and as is fairly pointed out Liberal Democrats often take a parochial and inconsistent stand that damages credibility as a party that used to be seen as not the same as the others. I entirely support different policies in different circumstances but not when they are always anti change. In my own city, Liverpool, tiny expensive flats proliferate while historic buildings are demolished (one yards from me recently) and many more crumbling under Labour and previous Liberal Democrat Council. Much has been made of a suspicious fire at the historic Littlewoods Building in Liverpool, earmarked for development as a £50 million film and tv studios. I've never been a fan of the monolithic classic 1930s imperial / authoritarian architecture, but it is 'iconic' for the flourishing football pools business, life stories and philanthropic work of the Moores family that it represented. More shocking is that the building has sat empty since 2003.¹ A new football stadium, homes or 'temporary' accommodation for every homeless person in the city region could have been put in there a decade ago.

Help to buy pushes prices up. It subsidises comrades in the big business building industry. The help to buy schemes were introduced with wide support for the best of intentions but a large part of what they do is drive up prices artificially. Nice new three bed homes in inner city Birkenhead from £130,000 does not provide for families on low incomes. Pre-Labour's credit bubble, the traditional two and a half

¹ 'Liverpool's Littlewoods Pools building engulfed by fire' 3 September 2018.
<https://www.bbc.co.uk/news/uk-england-merseyside-45390540>
viewed 14/09/2018.

times income mortgage would require a £50,000 salary to pay that back. Even with a government loan for 20%, the 80% mortgage required for a two bed (£82,500 of £110,000) is well above any living wage let alone minimum or starting graduate wages for many couples.

Have students caused the housing crisis? Or rather have Government backed student maintenance loans inadvertently caused the housing crisis? Students are paying, on borrowed money, rents for one room that a couple might pay for a one or two bedroom flat. The student rent on some Liverpool houses is more than double what a family could pay to rent a house. Student rents are inflated in every city and there is a levelling up about them. House prices increasing in low demand areas is good for the economy but artificially raised prices due to a student bubble prices out other people and is unsustainable if the loans or supply of Chinese students stops. The University competitive market for bums on seats, and status driven expansion of University student numbers, has helped price many people out of living in established residential areas of our towns and cities. While the new flats have often been built on previously non-residential sites, the profiteering on houses and the development of student accommodation to the exclusion of most other types is leaving our town and city centres unbalanced residentially. It is a truism to say that not everyone needs a degree and that students don't need to live in luxury. The training need for the construction industry, highlighted in the industry and political press² might be assuaged by giving large loans for skilled technical trainees – in building and utilities and infrastructure – to have courses and live in luxury. Again there must be a middle way between our out of control student pampering system and the much less student comfort focused (but as increasingly 'market' / 'customer' focused) systems found elsewhere in Europe, in both Western (Italy / France) and Eastern former Communist countries.

Financial incentives should encourage everyone with a spare room they don't need to let a room or two at a low rent to those who need them. Carrots are needed more than sticks to change our attitude to housing. It is fair and reasonable

² 'Living in a Flat Pack' "It's easy to call for more homes to be built - but who is going to build them and where, wonders Mark Smulian". Mark Smulian Liberator magazine, Issue 390, June 2018, page 20. Available at: <https://liberatormagazine.org.uk/en/>

to encourage better use of the rooms available in houses and flats whether for private owners, private rented paying themselves, or private and social tenants subsidised by the taxpayer. When there is a housing crisis everyone having their own two bed flat or rattling around in a three, four or five bedroom house is not reasonable. In other countries it is still normal for extended families to live together in large houses, often subdivided into apartments for different parts of the family. That isn't the British tradition, but we need to look at the best ways of using space in what we are constantly told is an overcrowded island. (Having this week visited Shropshire, Northern Ireland and the Welsh borders it doesn't look like that but I don't want to spoil it either). In Ukraine and other former Communist countries it is normal for a family of four (including three generations) to live in a one bed apartment. While many families there have houses, and couples with a child may have their own apartment, there is usually much better use of space than here. That is sometimes by necessity (for housing, money, and family support) but once again there must a middle way between our excesses of wasted space, and cramped conditions, that can end a social problem of lack of housing that has lasted for far too long.

Do what Mrs. Thatcher did. What did Mrs. Thatcher do to encourage more rented property? She introduced the rent a room tax relief. A home owner, tax payer, could let out a room in their house where they were living tax free up to a level of then £2,000. This was well publicised and helps provide accommodation while giving people a small extra income. The crisis now needs bigger solutions and we should do on a much grander scale what Mrs. Thatcher did – both a money and a charitable incentive to rent rooms on a much bigger scale. A much greater tax relief or amount of money that can be kept by any occupier if they let a room out, whether an owner, private or social tenant. This scheme should be widely publicised as the original rent-a-room scheme was. In fact for this tax year the limit has increased to £7,500 from £4,250 in 2015/16.³ A good start, though I wasn't aware of it and I get many helpful

³ 'Duty calls: Is tax reshaping the property market?' Samuel Dale, 25 November 2015.

"Also in the summer Budget, the Government increased 'rent-a-room' tax relief – previously frozen since 1997 – from £4,250 to £7,500 a year from April 2016."

<https://www.mortgagestrategy.co.uk/duty-calls-is-tax-reshaping-the-property-market/> viewed 14/09/2018.

Labour did not increase the rent-a-room tax relief. Housing charity Shelter called for an increase to the current level: 'More homeowners open their doors to lodgers' Adam Forrest 16 August 2014, viewed 14/09/2018.

emails about property from HMRC. Does it matter if some wealthy owners of large homes get a bit of cash back (via paying less tax) if it helps solve a pressing social need. Letting out rooms used to be a common way for owners who had a house but were cash poor to get an income – is it bureaucracy that has hit this or our more affluent lives?

Letting out rooms shouldn't only apply to home owners. For private tenants some simplified scheme requiring but assuming permission of owners and mortgage lenders should be introduced, and for 'social landlord' tenants a similar assumed permission but priority to those waiting on the housing association [company]'s books, and a strong presumption that the licence ends when the tenant changes. These officially sanctioned sub-lets could not give the tenancy rights that regular tenancy does – that would not be fair on those waiting for a regular tenancy, or on owners / landlords – but it should be a financial win for everyone except the tax man. The tax man should win too because of more people having somewhere to live and the stability to go to work. For non-home owners the schemes could even be tweaked so that a little of the extra money coming in to the tenant goes to the owner / landlord or housing provider (helping cover their costs and insurance etc.), everyone is a winner. The financial incentive for renting a room or rooms should make it a 'no brainer'. The unsocial 'social sector' tenant, the selfish private owner or the stubborn widow occupying a five bed house themselves could all be encouraged to rent a room or a few and maybe interact with others more at the same time. State – or 'voluntary' 'community' private or local authority – support should be readily at hand to assist ease of letting and to help smooth over any problems that invariably arise in interpersonal and contractual relationships.

Government tax and incentives policy should prioritise the restoration and conversion of derelict, empty and outdated buildings. There are enough derelict buildings to convert or empty homes to bring back in to use to end the housing crisis. If every empty church – and every unsustainable closed pub in a depopulated inner city area – were converted to residential then many families could have new homes. Just the empty churches being converted into low cost rooms for emergency cases

could end genuine rough sleeping. In south Liverpool the conversion into luxury flats have surely helped Council revenue and repopulate streets so why not encourage far more. The financial incentives to bring empty properties into use should make it a 'no brainer'. Just as it should for rent a room. Costs for landlords have been driven up significantly by increased regulation – much in the name of safeguarding tenants, Councils cracking down on bad landlords, or sensible banking processes. Whether this bureaucracy and cost achieves the stated aims of political campaigners / MPs, Councils / Mayors and financial regulators is debateable. That it actually increases costs for those renting is undeniable. [I declare an interest as a small landlord – I rent out two flats that I used to live in. I haven't yet passed the cost of our Labour city Mayor's landlord tax onto rent but will have to in future as my regulation driven costs increase significantly]. The full Council Tax on second homes that Lib Dems in rural areas long campaigned for, and on empty properties, provides a stick that catches many ordinary people who have saved and invested wisely while at the same time long term empties still sit empty. The tax system should make it financially worthwhile for owners to bring properties back in to use for sale or rent.

I'm a big supporter of the village or high street or district pub as a hub of the community. As with empty houses it is obvious that the number of empty pubs is not only about profiteering and asset stripping but too many unviable pubs that have been empty or struggling for years. Lets support village and suburban pubs (many of them could make better use of the residential space above) but get the others where there is oversupply swiftly converted. God or ale and liquor – the space vacated by either would house the homeless.

What to do with the students? It is normal in other countries for students to live at home. This writer, being a former University lecturer in a red brick from the days when they were still classic 'old' Universities, I adore the idea of British Universities as a whole experience for the student – including a moving away from home and living in a new region experience. Things have changed greatly and is it necessary now for taxpayers to subsidise premium student housing, while regulatory costs and increased safeguards, bureaucracy and fees have driven up costs for landlords who might have provided inexpensive housing. Tony Blair did not provide a Middle Way on this. (Labour also let rent-a-room atrophy). The market in Higher Education has

invaded housing costs in a bubble driven by public money. Students add a great deal to the areas in which they live – they are usually so much more interesting than areas without students. The developments of student flats help the local economy as well – but a monoculture is unsustainable whether British or Chinese fed student bubble.

Faith, Hope and Charity. The best scheme I've read about to help people afford rents is also a way to help combat loneliness among older people. As BBC Politics reported on Christmas Eve 2017 "Meet the housemates with the 68 year age gap. Florence (95) met her housemate Alexandra (27) through a scheme to tackle loneliness."⁴ This is a great other way to use genuine spare bedrooms & help people match companionship & cheap housing. We should be hearing much more about this and authorities, 'civil society' and 'voluntary' groups should be working together to make more of this a reality.

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⁴ 'Meet the housemates with the 68 year age gap. Florence (95) met her housemate Alexandra (27) through a scheme to tackle loneliness.' BBC Politics 24 December 2017, viewed 14/09/2018. <https://twitter.com/BBCPolitics/status/944857478071758848>