

Prospects for land, rent and housing in UK cities

Michael Edwards

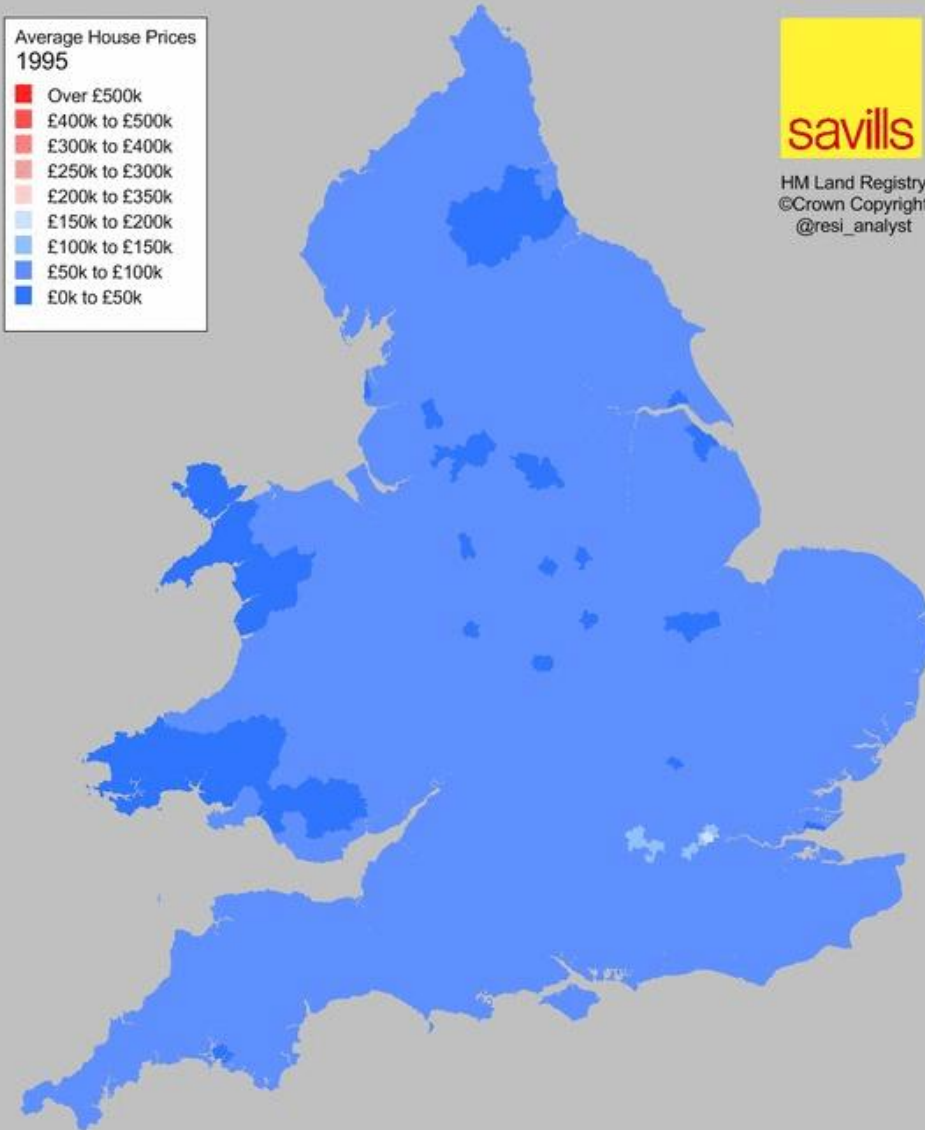
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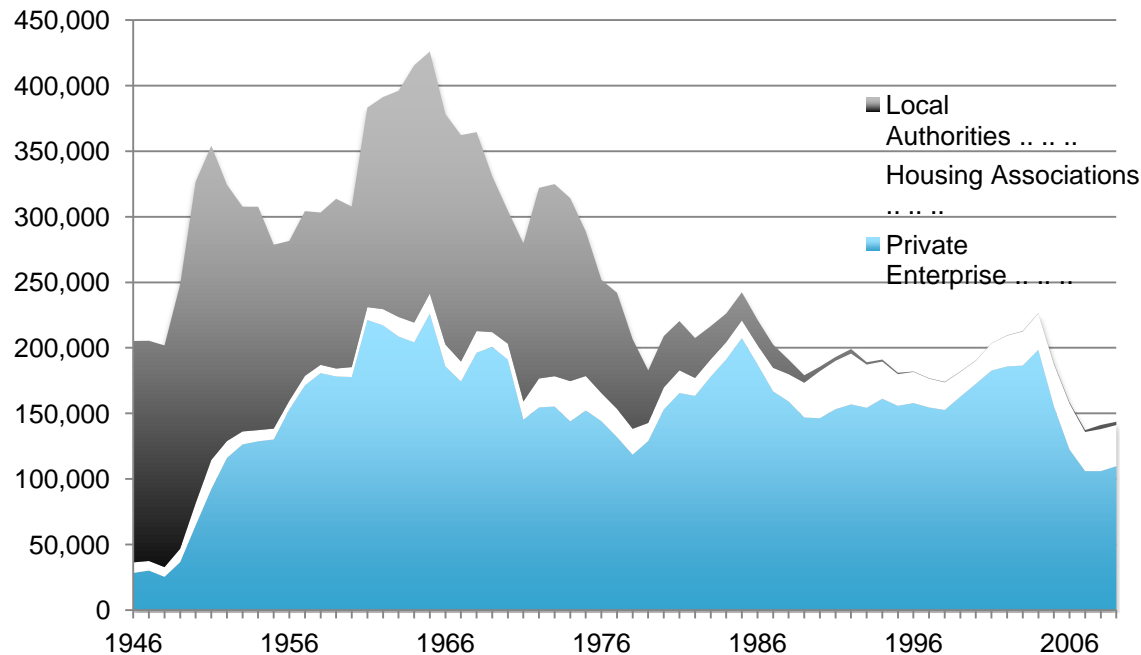
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scope

- Re-framing the UK housing story
 - Characterising certain cities / settlements
- Next 45 years: “back to normal” or...
- ... some changes
 - Worked out for cities
- Tho’ sceptical on ‘cities’ focus

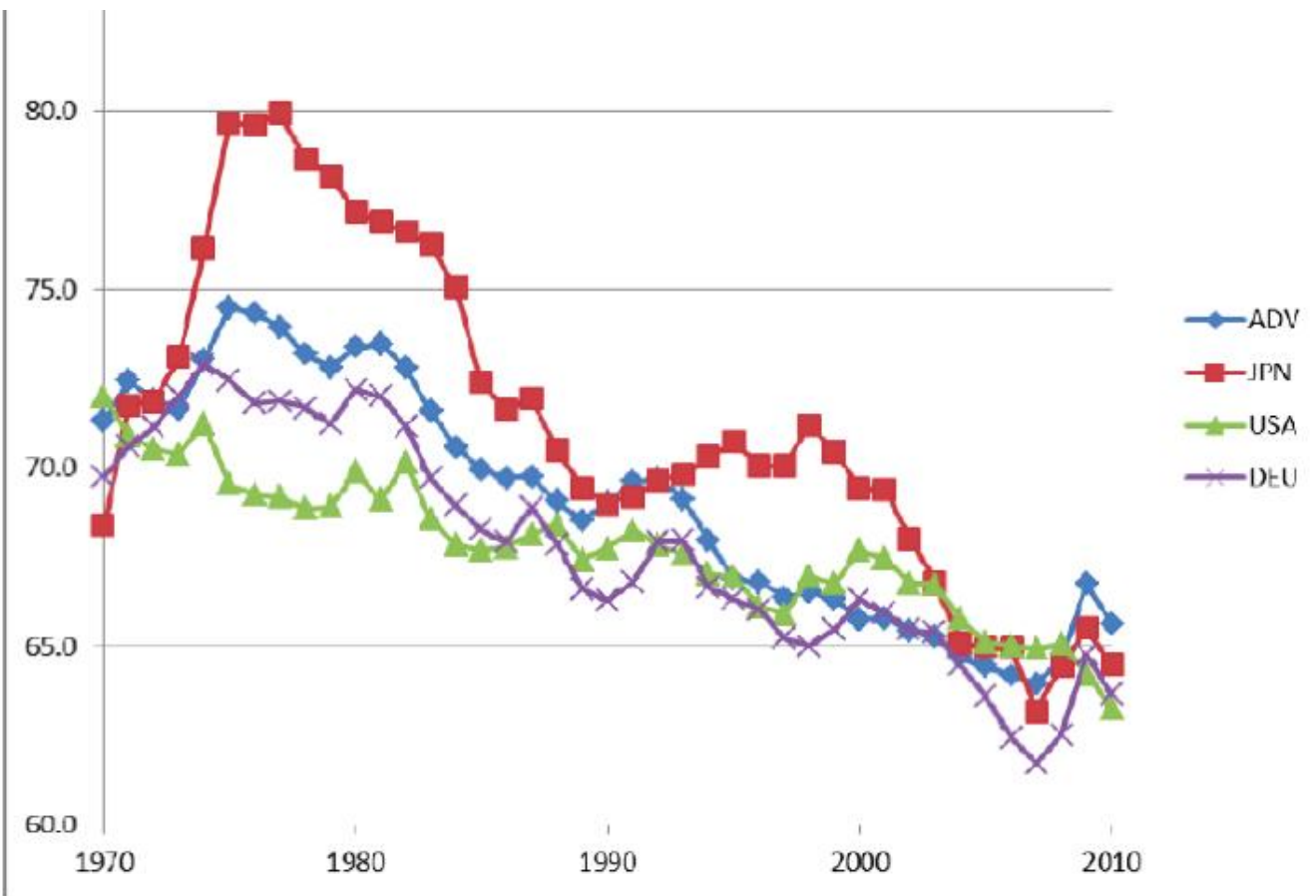
UK dwelling completions
1949-2012
DCLG Live Table 241



1 Re-framing

- Income growth and distribution since the 1970s
- Investment flows, globalisation/financialisation
- The development process in the UK
- Housing production, prices, rents and land
- Regional, class and generational inequalities
- Wider problems in the housing system
- Weaknesses in the urban development system

Falling wage share: Stockhammer 2013

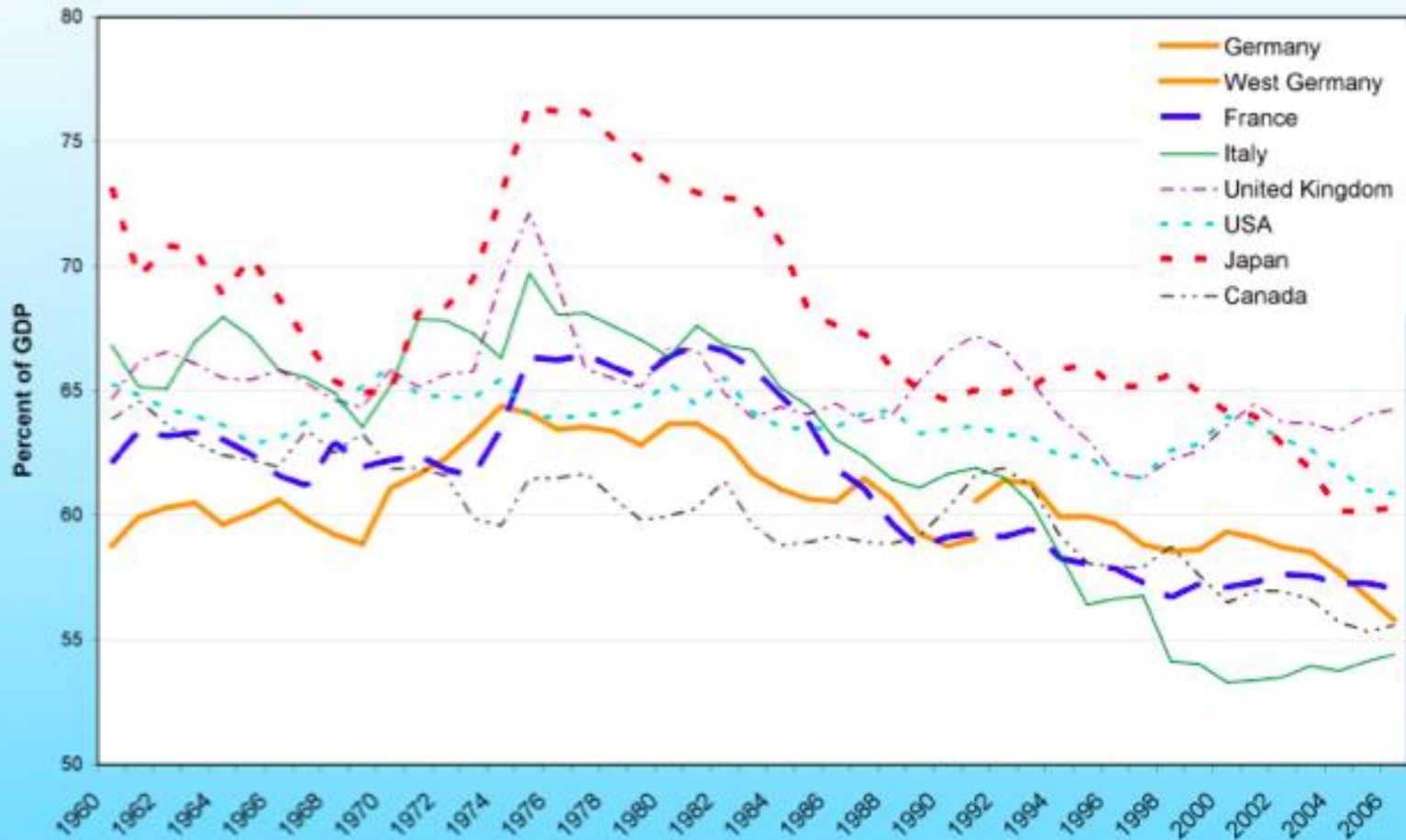


Note: ADV stands for unweighted average of high income OECD countries (without South Korea)²

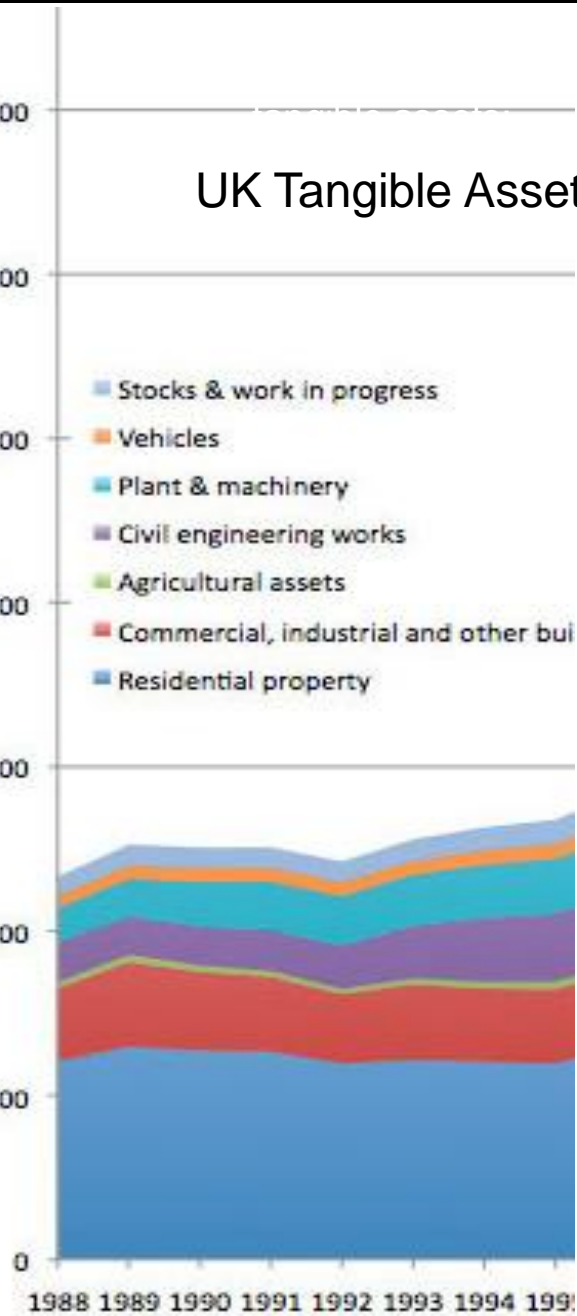
Source: AMECO

Falling wage share: Zeller

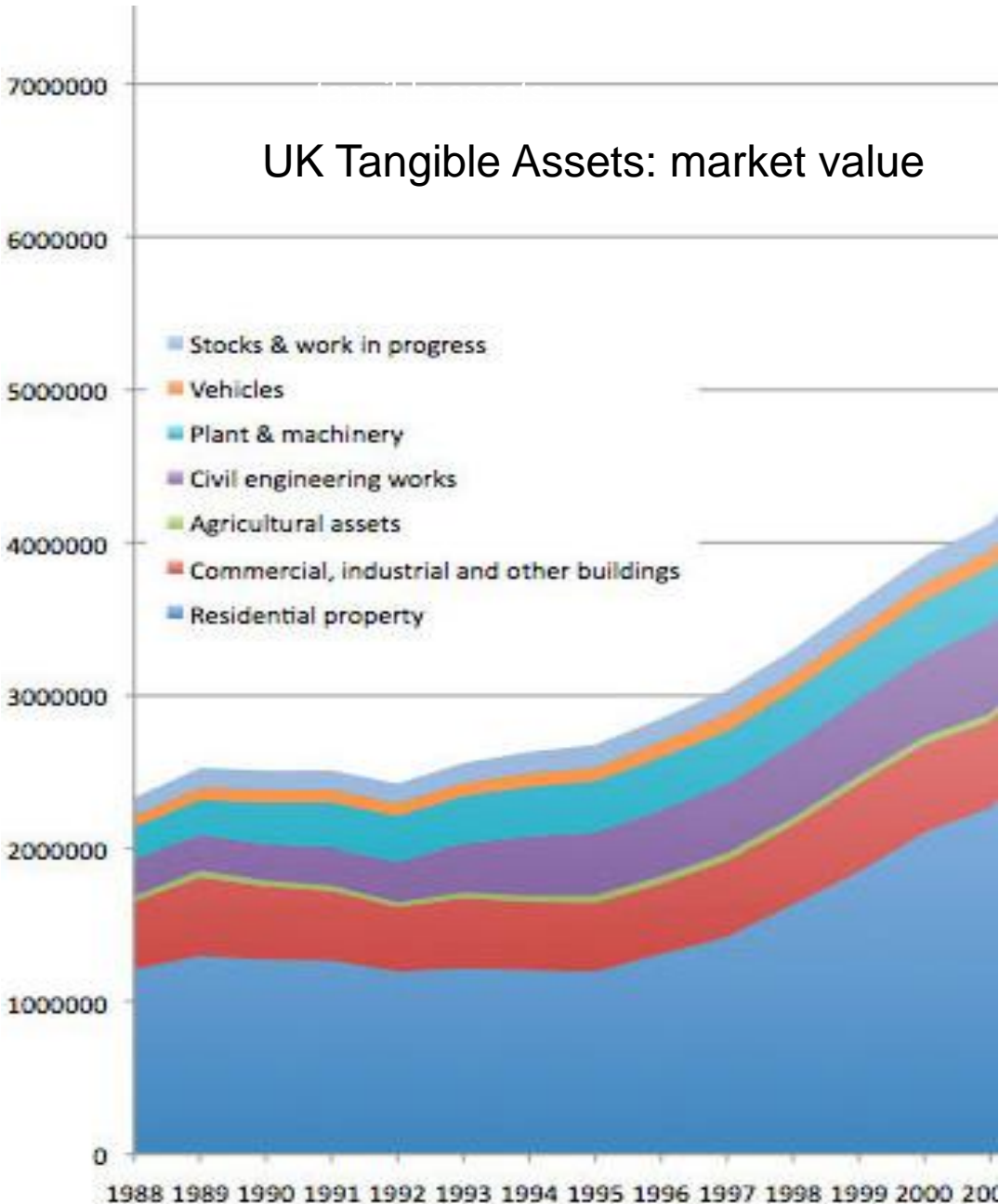
Adjusted wage share as percentage of GDP
at current market prices



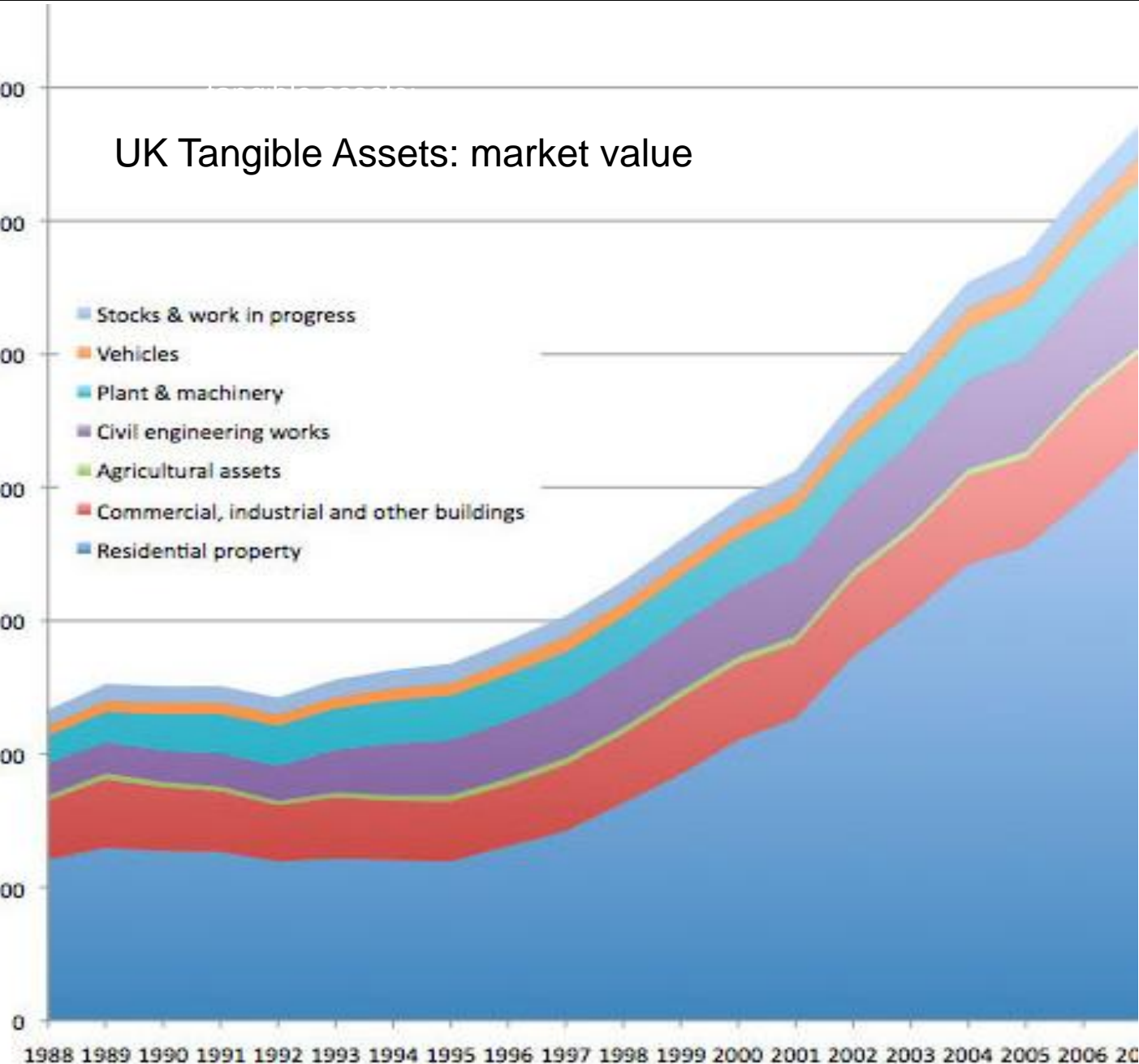
UK Tangible Assets: market value



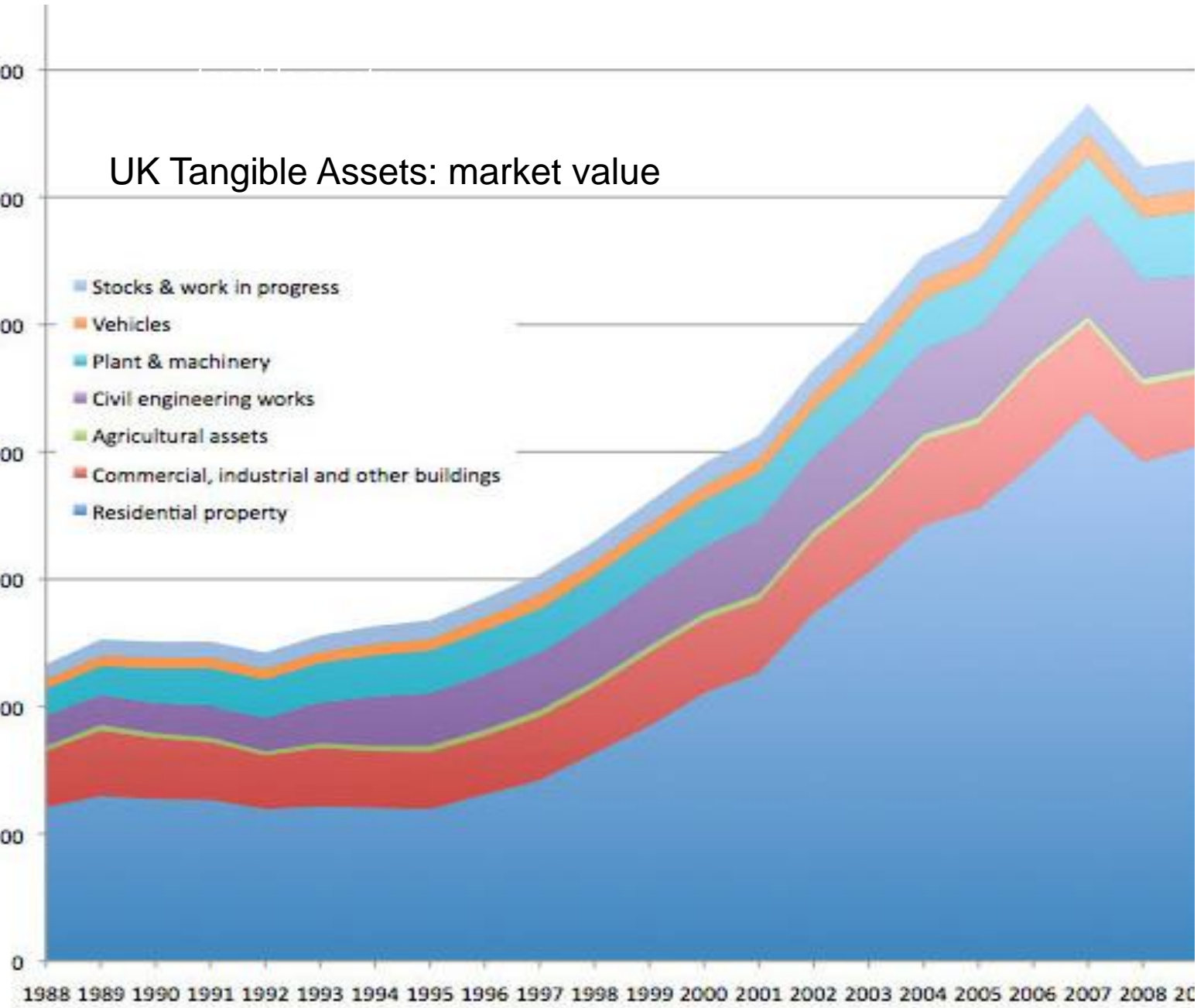
UK Tangible Assets: market value



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UK Tangible Assets: market value



UK house-building

Price escalation

Static outputs

Poor value for money
(m² per £)

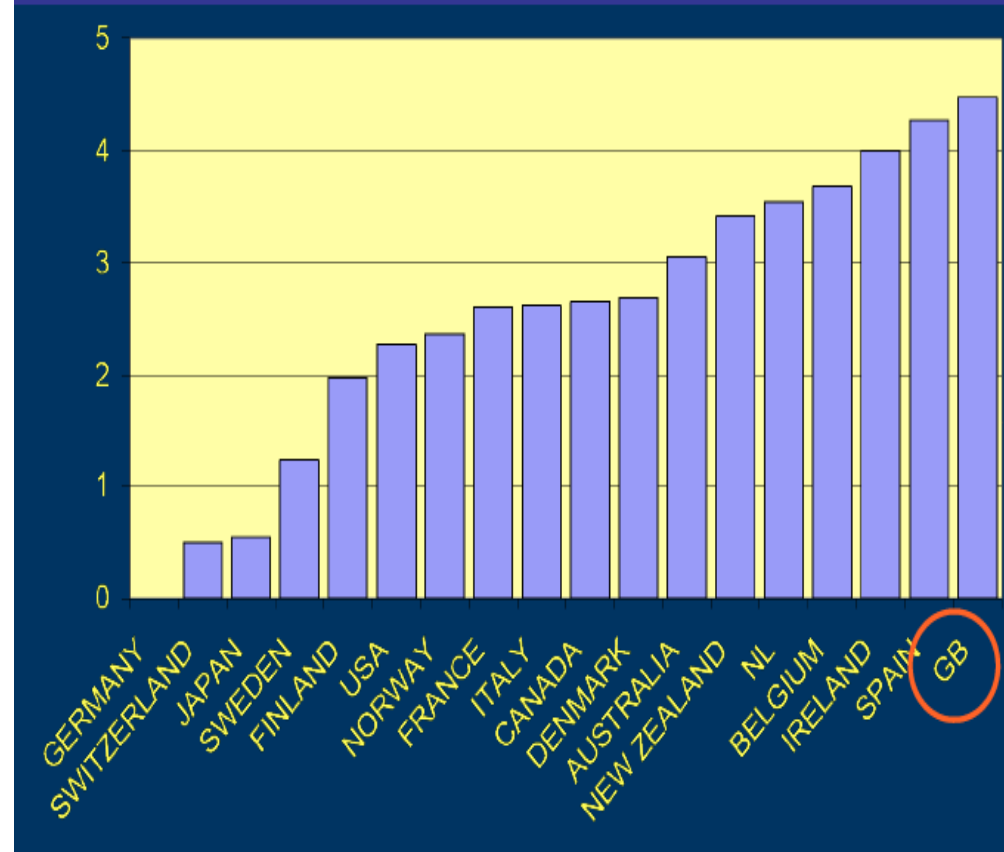
Falling affordability

Volatility of prices

Wealth escalator effects

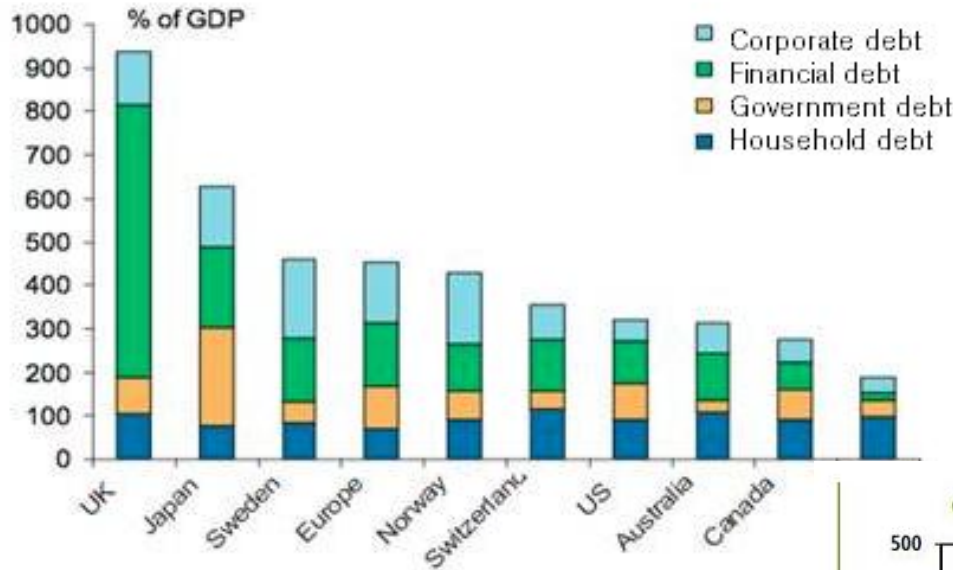
Working hours effects

Real house price growth, av. 70–06 (BIS)



Used by Christine Whitehead 2011, attributed to Hilber and Vermeulen 2010. Permission being sought to reproduce.

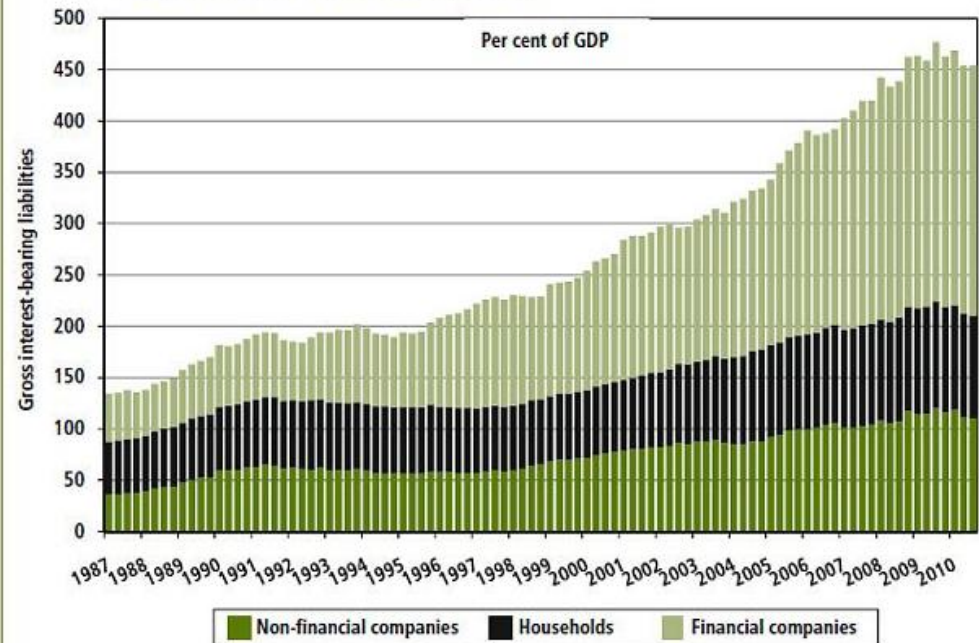
G10 Debt Distribution



Source: Haver Analytics, Morgan Stanley Research

Growth of debt

Chart 1.1: Private sector debt in the UK



Source: Office for National Statistics.

London's overspill

• This from NLP planning on London's prospective housing overspill in next 10 years (evidence to FALP 2014)

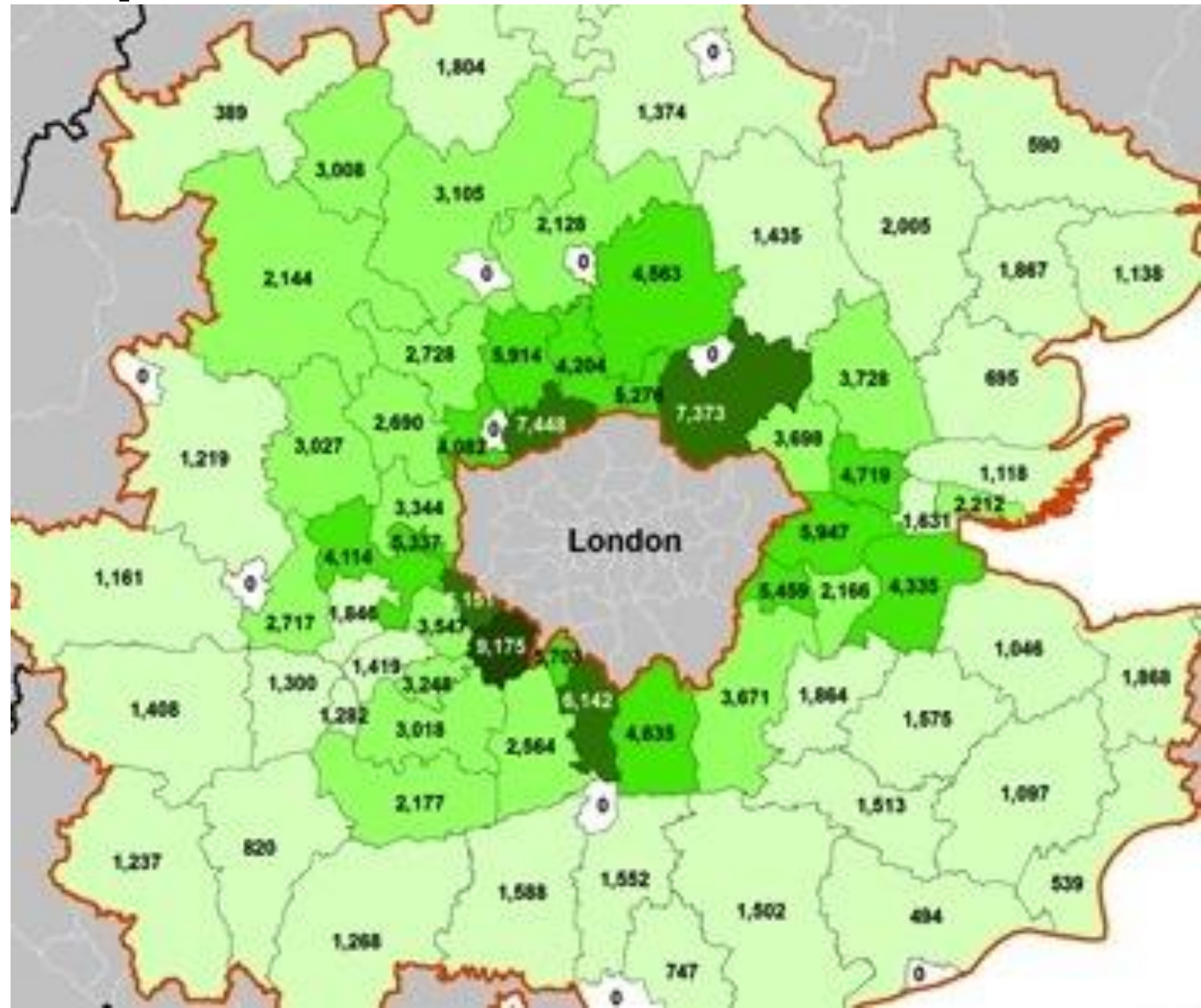
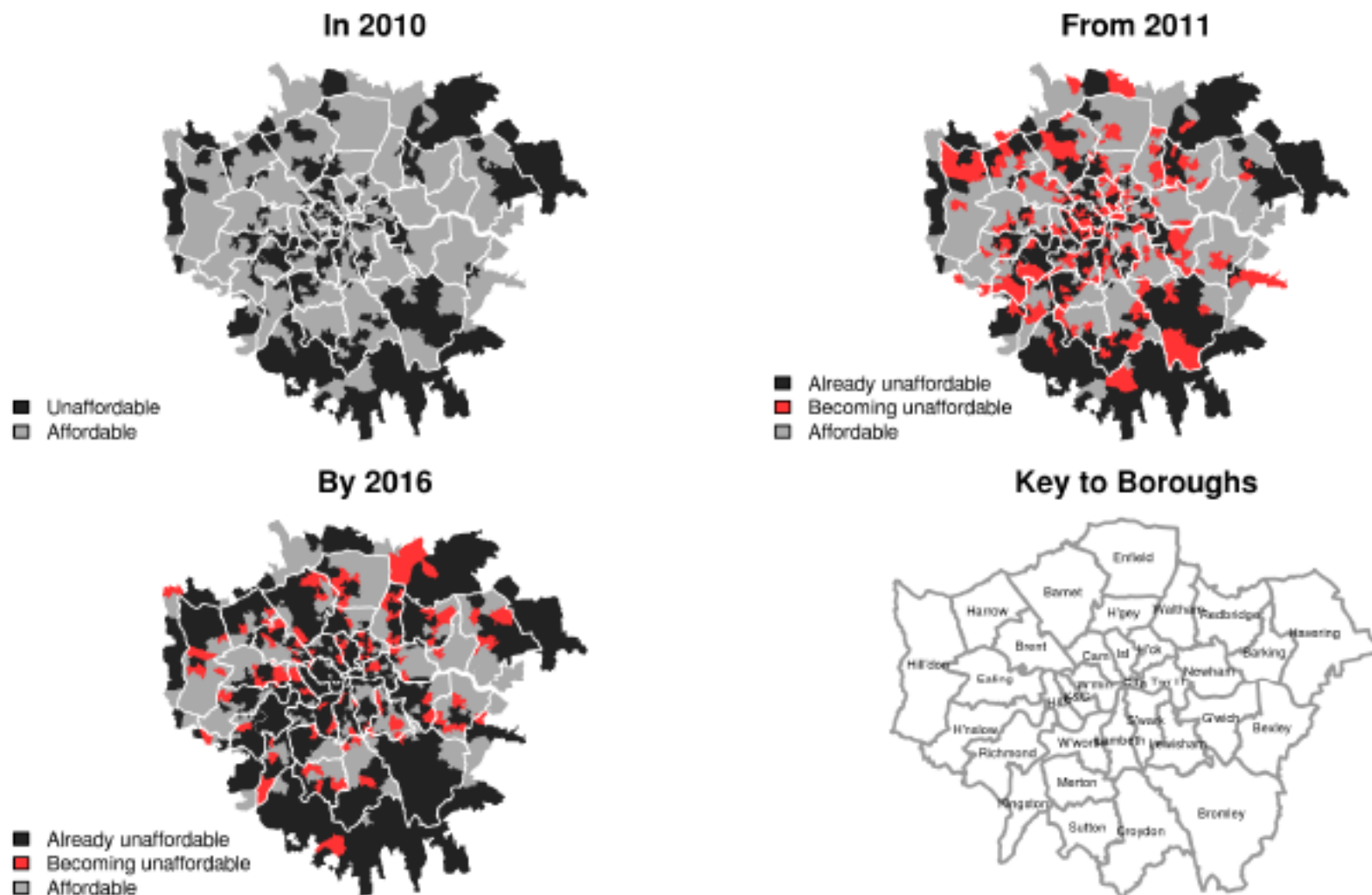
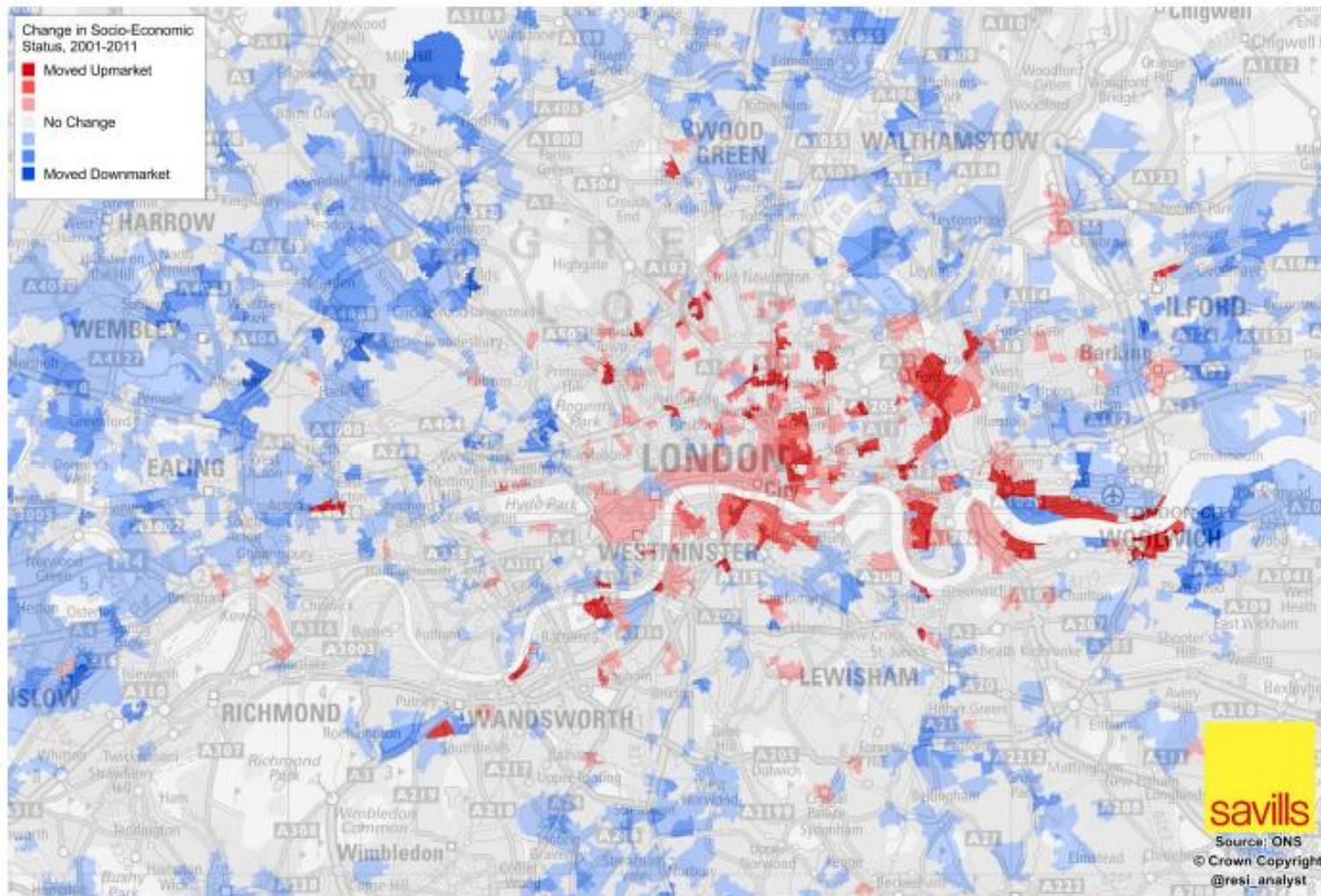


Figure 2: Map of main estimate of London neighbourhoods that will be largely unaffordable to LHA claimants in 2010, 2011 and 2016



Source: Author's calculations as described above, based on 2-bedroom rents and LHA rates, rental inflation 3.5% per annum

Fenton, A (2011) Housing Benefit reform and the spatial segregation of low-income households in London, WP 34, Cambridge: Department of Land Economy



Highlights many of the residential development hotspots over the 2001-11 period

Change in occupational composition of residents 2001-11 (Neil Hudson, Savills)

Findings: interplay of multiple processes

- Falling wages share of output
- Growing inequality (earnings, wealth)
- Private land ownership – UK version
- Investment in asset-value growth
- Financialisation (debt-fuelled house purchase)
- Failing trust in pension / social security system
- Owner-occupation fetish, loss of non-commodity housing
- Tax incentives for all this
- Housing market as mediator of access to ‘best’ locations at all scales
- Regional divergences

Among the key mechanisms

- Structure of provision (SOP) in private house building sector
- Planning policy (rather than planning system) defends amenity which amounts to defence of privilege
- Spatial differences at inter-regional, intra-regional and local scales growing and reinforcing price disparities

On divergence between regions / cities

- Martin et al paper in Foresight shows just how many un-answered questions there are on the relative performance of UK cities
- Another is this:
 - At some point diseconomies of agglomeration may outweigh economies,
 - economies mainly harvested privately by firms and workers (rents, profits, higher wages for some)
 - diseconomies born by citizens (pollution, trips, rent) or mitigated by state investment in infrastructure
 - Means there is no market mechanism to halt growth at optimum agglomeration level

2 variations in experience

- Scotland
- Northern English cities
- London
- A West Midlands Village: Umbridge
- Seaside town: Hastings
- Milton Keynes

3 The future

- ***3.1 Do nothing, muddle through, 'normal'***
- Risk of bubble bursting
- Expulsion of lower-income people
- Continuing dominance of London / SE
- Infrastructure pre-empted by London
- Damage to “competitiveness” of economy
- Social Security (HB) costs (esp of London)
- Insurrection triggered by housing / finance

Alternatively, in 45 years...

- Salaries, tax and valuing work
- De-growth, post-growth
- Land reform
 - Including wealth and property taxes
- Collective services and commons
 - Including re-creating non-commodity housing
- Stabilising house prices: ladder flat on ground
- Geographical divergence
- Making better use of existing housing stock – a bit of Dorling

more

- GO Science Foresight Cities project is at <http://bit.ly/UMIP6W>
- Discussion and links will be on the web site ***Society could do housing and planning better*** societycould.wordpress.com
- Contact m.edwards@ucl.ac.uk to comment