

# Buying a house takes more than hard work and willpower – contrary to government belief

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*Housing is turning the UK into a land of opportunities for overseas investors but failing its own citizens, writes [Alice Belotti](#). Here, she explains why the recent Housing and Planning Act 2016 is not effectively tackling the three main causes of the housing crisis: insufficient supply; incredibly high rents; and affordability for those on lower incomes.*

Home repossession, evictions, and homelessness are on the rise. At the same time, the lack of decent, affordable, and stable accommodation causes huge strains in people's lives. But what will the government's 'landmark' Housing and Planning Act 2016 do to tackle these problems?

The housing crisis we are experiencing is made up of three interlinked components: a lack of supply where there is more demand; soaring rents and housing prices; and unaffordable home prices for lower-income households, leading to a rapid expansion in private renting. These components play out differently in various local markets, with huge regional variations. But the depth of the current crisis is experienced by people living in London and the South East.



## Private renting and affordability

Through the Act, the government is committed to exposing rogue landlords; but this is not enough, as they are a small part of the problem. What really plagues the housing sector are high rents and a lack of security. Private

renting has grown rapidly over the last 15 years. More and more people – especially families with children – are living in private rented accommodation.

Yet private rents have been rising, especially in London and the South East, where rents amount for no less than 50 per cent of median gross monthly salary. Young couples are finding it a struggle to have kids while renting; many young people also have no option but to share a house with others (up by 70 per cent since 2011) or live with their parents. Their savings towards a step up on the property ladder are eaten by the extortionate rents set by a self-regulating market.

### **Homeownership and affordability**

And although the government may hope to help first-time buyers through [Starter Homes](#), the scheme misses those on average income and below. The government's new flagship policy will offer a 20 per cent discount to first-time buyers who are between the age of 23-40; but a 20 per cent discount will still be out of reach for those in need of an affordable home, given that Starter Homes could cost up to £450,000 in London, and £250,000 in the rest of the country. To discourage buy-to-lets and property speculation, Starter Home buyers will also be forced to repay a percentage of the discount if their home is sold or let within 20 years of the purchase. (However, if property prices continue to grow at today's pace, it will not take much to pay back the discount early.)

### **Social housing provision**

There was a time, only fifty years ago, when housing was seen as a basic right, and social housing was growing fast. Under both Labour and Conservative governments, the race was to build council homes. Five decades later, the Housing and Planning Act 2016 may be signaling the end of social housing as we know it, according to [Lord Kerslake](#), former Head of the Civil Service. Social rented housing will be lost as a result of policies such as the new Right to Buy and the forced sale of councils' 'higher' value voids. Estate demolition and rebuilding is also displacing large communities and gradually eroding the social housing stock.

In theory, housing associations and local authorities should build one-to-one (or two-to-one) replacement homes for any home lost through the above policies. But the new homes will not have to be like-for-like, and it is not clear where the money for local authorities will come from. The result will be a net loss of social housing. The 1 per cent rent reduction also means that the much-needed new social rented housing will not materialise.

And in light of new unexpected budget pressures, the majority of social landlords are drastically scaling back on development programmes, while others are deciding to build less social housing, and instead build more private homes for sale. Local authorities will have the duty to provide at least 20 per cent Starter Homes in any new development, which will count as affordable housing for planning purposes. A recent survey by Inside Housing of 97 English councils reveals that a third of them will see their affordable housing requirements completely taken by Starter Homes, not social renting.

The Chartered Institute of Housing also estimate that around 350,000 social rented homes be lost by 2020 through affordable rents and Right to Buy sales, high value sales, and demolitions of former council estates, whilst only 3,500 new homes will be built. Meanwhile, the housing benefit bill has risen from £11bn in 2000-01 to £25bn in 2015-16 to subsidise private landlords, rather than to support social landlords.

### **What's the solution?**

The government's new housing agenda is all about home-ownership and incredibly penalising towards social housing and its tenants. The government's policy, however, is based on the wrong assumption that home-ownership is possible for everyone through hard work and willpower. What it can be said it ignores is the fact that social housing provides a decent and affordable option for people who need it. So, if anything, we need to build more social housing, devise better and easier ways for people to access affordable housing, and revitalise low-demand areas to bring empty homes back into use.

In the absence of government funding, more responsibility rests on local authorities and housing associations to sustain social housing. Local authorities have the ability to borrow towards their assets and build more homes. There are interesting models of cross-subsidy of social rented housing which are being tested out by housing associations that want to remain a viable business while enhancing their social commitment. At the same time, devolution in the North could re-balance regional differences and uncover creative, innovative ways to improve the economic and housing fortunes of older industrial cities and regions.

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### **About the Author**

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