

[More](#) [Next Blog»](#)

Spatial Economics Research Centre

Thursday, 4 October 2012

More conference housing plans

I was pretty critical of Nick Clegg's recent announcement on allowing parents to use their [pension pots to help their kids buy housing](#). Ed Ball's [plans announced earlier this week](#) fair marginally better.

I haven't seen much persuasive analysis that the previous stamp duty holiday had much impact, so it's unclear why a new one should make much difference (a much better move would be a [wholesale reform of property tax](#)).

Setting aside the question of the overall fiscal position, using the windfall from 4G to help fund affordable homes makes more sense than Clegg's proposal because it boosts supply rather than demand. The crucial question, of course, is whether it will make any [meaningful difference to affordability](#). The answer, I'm afraid, is almost certainly not. Making the very generous assumption that all of these government funded houses are truly additional (i. wouldn't have been built anyhow) the plan delivers at most 100,000 affordable houses over two years. If Balls has 'got his sums wrong' [as some claim](#) that figure might be closer to the 60,000 mark. 30,000 to 50,000 additional housing units per annum roughly takes annual house building back to [where it was in the mid 2000's](#).

Unfortunately, even in a downturn, building houses is expensive. Ball's scheme makes some sense, but truly dealing with the problem of affordability requires a market led response in the areas of highest demand. This in turn, requires the planning system to allow a proper supply response. Labour woke up to this problem very late in their last administration and, arguably, did too little too late. Addressing long term affordability isn't a matter of short term stimulus. Instead, it requires a private sector response when the market finally (hopefully) picks up. Developing a planning system that allows that happen is the real challenge for the next administration.

Posted by [Prof Henry G. Overman](#) on [Thursday, October 04, 2012](#)

Recommend this on Google

No comments:

[Post a Comment](#)[Newer Post](#)[Home](#)[Older Post](#)Subscribe to: [Post Comments \(Atom\)](#)

Simple theme. Powered by [Blogger](#).