



Spatial Economics Research Centre

Tuesday, 25 September 2012

Helping young people buy more housing

What is it about politicians and the housing market? Sure, understanding housing markets is sometimes tricky (I still struggle) but why is it that so many announcements in this area don't stand up to even the most basic scrutiny? The most recent example comes with [Nick Clegg's suggestion that parents should be allowed to use their pension to help younger people buy property](#).

Here's my two step assessment (which can, of course, be applied to many other housing policy initiatives)

1. How many people are likely to be affected? This can be tricky to work out precisely, but often easy to ball-park. For Nick Clegg's announcement - as with a number of recent schemes - the conclusion seems to be 'not many'.

2. If the policy affects relatively large numbers of people, what's the likely impact on the housing market? This step is slightly, but not much, trickier because it involves applying some basic insights from supply and demand. There are essentially two ways to help young people in the housing market. First, increase the supply of (suitable) housing. Second, redistribute some of the existing housing stock from older people to younger people. Nick Clegg's proposal does neither of these things so even if it 'works' it won't 'help'.

Posted by [Prof Henry G. Overman](#) on [Tuesday, September 25, 2012](#)

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Lee Crawford said...

I'm amazed by how many smart people I speak to who don't seem to believe that supply and demand are factors in house prices, and that we just need to cap rents. Very strange.

[25 September 2012 at 14:55](#)

JW said...

Unless housing supply is completely inelastic (and some elasticity doesn't necessarily require building new houses) it will increase the number of houses purchased by the young who benefit from this scheme, through increasing demand in the (small) segment of people whose parents can now provide deposits in this way. Of course the consequent rise in prices *could* squeeze out other young buyers who currently can afford a house but who are not part of the segment – annulling the gains.

Agreed it's an appallingly ill-thought out policy though.

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