WHY AN OVERHEATED HOUSING MARKET IS A DISASTER WAITING TO HAPPEN

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The next big crash is easy to predict, says Danny Dorling. It is going to be caused by housing, will be worse in England than Scotland and worse in London than England, but there is no room for complacency anywhere.

As housing costs race ahead of incomes, as foreign investor pile into the property market, and as land owned by large property developers is being sold to small investors, the housing market is overheating.

This, argues Dorling, a professor of geography at Oxford, is already causing massive social trauma, and might again cause financial trauma — after all, it was the gap between earnings and housing costs in the US that triggered the 2008 crisis.

Optimists argue that the new homes being built that we can see all around us are a sign of economic recovery. Not so, argues Dorling. Britain does not actually need more housing, particularly if incomes do not grow to match the additional cost of buying. A fairer distribution of wealth is already there in the answer. Whether buying or renting, housing takes up a disproportionate amount of our income. Fifty-six percent of England’s net worth is invested in housing equity; £5.5 trillion if Wales and Scotland are included, and this intergenerational housing stock and economic growth can easily lead to disaster.

Dorling argues that recent government schemes have favoured landlords and not increased the housing stock. Even so-called “affordable” housing in some local authorities has been transferred to private landlords, raising rents, and using public money to undermine landlords’ risks. As a result, more families need housing benefit because of rising rents, so adding again to the demand on taxpayers.

Apart from adults forced to remain in their family home longer than they would want to, the biggest losers in all this are tenants. Regulation of rented properties is so light that landlords can get away with renting buildings that are not fit for human habitation. And if tenants are unable to afford the steep rent hikes the landlords demand, it’s easier than ever to evict them.

So what should be done? First, he argues, there should be effective regulation of landlords to ensure that families who pay rents receive liveable accommodation. Taxes should be raised on multiple home ownership, along with a land tax to make it unprofitable to own more than you need. The number of council tax bands should be increased to take more income from more valuable properties. Tenants should have long-term rights to stay with their landlord.

Most of Dorling’s arguments are linked to the housing market in England. In a number of references, Scotland appears to be a more friendly environment in which to be seeking a home. Although a large number of apartment buildings have been built in London, and people in Scotland believe it to be just one monthly pay cheque away from becoming homeless, no relevant legislation ensures that anyone made homeless through no fault of their own will be entitled to social accommodation. In addition, there are no fees for credit and reference checks and a range of charges levied elsewhere in the UK.

This is clearly a researched work, argued and generally convincing. Analysis of the problems lies to face our national economy if vested interests in the housing market remain unchallenged.