

Dorling, D. (2017) This government can't be trusted on housing, Prospect Magazine Blog, January 3rd, <http://www.prospectmagazine.co.uk/politics/this-government-not-trusted-on-housing-crisis-shortage-prices>

This government can't be trusted on housing

New schemes are meant to distract attention from falling London property prices

by Danny Dorling / January 4, 2017 /



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Government announcements made in early January are almost always designed to fill a news vacuum. They are planned in December and those writing the announcements know that they can be bland. There is little other news to report. Old news can be recycled. More importantly a story can be laid down in anticipation of bad news to come, to try to reduce its impact.

Housing is a tricky story for this government to handle because most Conservative ministers believe that the market should provide and that people who cannot afford to live in an area should not be living there. They are also in favour of rising housing prices, including rising rents,

which they see as a sign of economic success. However, they know these views are unpopular and so in recent years they have announced and re-announced hundreds of small schemes to give the impression that they are doing something.

On 3rd January the Daily Telegraph published [an article](#) with the headline: “Theresa May promises thousands of new homes for young first-time buyers.” The story related to a pledge made two years earlier on which no action had been taken. The “young” buyers would be people aged 23 to 40. Some £1.2bn was assigned for the scheme, but with around a third of local authorities expressing interest this would amount to only around £1m per site within each authority.

John Healey, the shadow housing minister, pointed out that the announcement comes so late that no one now believes it’s possible to meet the pledge by the original target of 2020. Housing expert and LSE emeritus professor Christine Whitehead [explained to the BBC](#) that the “timescale is much too short, it’s not that easy to build on land that quickly, and we are anyway short on skills.”

The instant criticism does not matter, in fact, it is now expected. What the government succeeded in doing was drawing attention away from stories of rising homelessness, of the 124,000 children who spent [Christmas in B&Bs](#) and—of much more interest for many government supporters—news of falling housing prices.

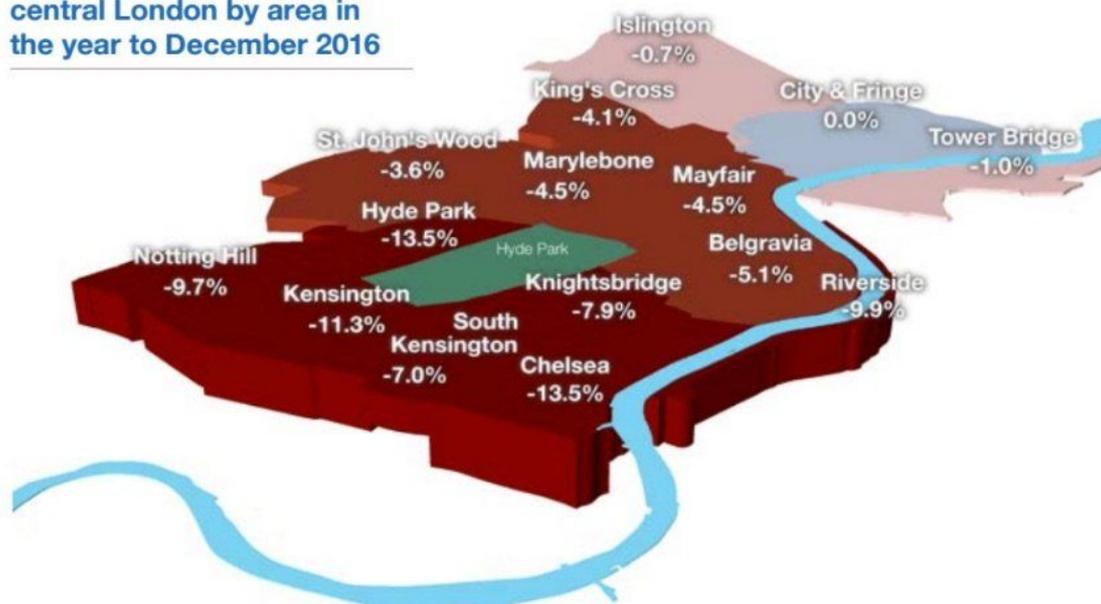
In mid-December (when the decision was made to release the story for 3rd January) the Land Registry revealed its latest data on housing prices. These showed that average prices had fallen in five London boroughs in October, up from three in September and just one borough in August. The largest fall, in Kensington and Chelsea, was almost 5 per cent.

Across all of London, prices fell by 1.2 per cent in October, the largest monthly fall recorded since 2011. The Evening Standard [reported the story](#) with a reassuring quote from an estate agent saying that: “The industry will really start to stutter to a halt as Christmas approaches, so any panic over falling house prices should be taken with a pinch of salt.” However, another estate agent broke ranks to say that sale volumes were now “[critically low.](#)”

An even more dramatic story emerged on 22nd December, with Yahoo [reporting](#): “House prices in parts of central London have collapsed by as much as 13 per cent over the last year, according to new figures from property consultancy and advisory Knight Frank.” This one was illustrated by a three-dimensional map of the capital showing the central boroughs sinking beneath the river Thames. But again there was a semi-reassuring quote suggesting the falls would “bottom out” in 2017, with a rider about political uncertainty.

FIGURE 3

Price growth in prime central London by area in the year to December 2016



Source: <https://uk.finance.yahoo.com/news/property-prices-central-london-diving-132220439.html>

The fall in London sales was easy to see [six months ago](#), but the pressure of estate agents not to report it was so great that it took until Christmas for the stories to emerge. The government quietly pulled the plug on its main “help to buy” scheme at the end of December because it made no sense in [a falling market](#).

A government pledge to spend £1.2bn is chicken feed: that is what one long street of property in some parts of Chelsea is still “worth,” even after the recent falls. Similarly, plans to allow 14 “garden villages” to be built is a drop in the ocean and will flounder if the London slump spreads outwards.

Expect many more announcements in the months ahead of plans that will probably not come to pass and which will have little effect even if they do. Expect hundreds of estate agents to be quoted telling you that price falls are slowing down and that “now is the time to buy.” Expect far fewer than the promised homes to be built as uncertainty rises. And don’t expect any admission that the market on its own is not the solution to Britain’s housing crisis.

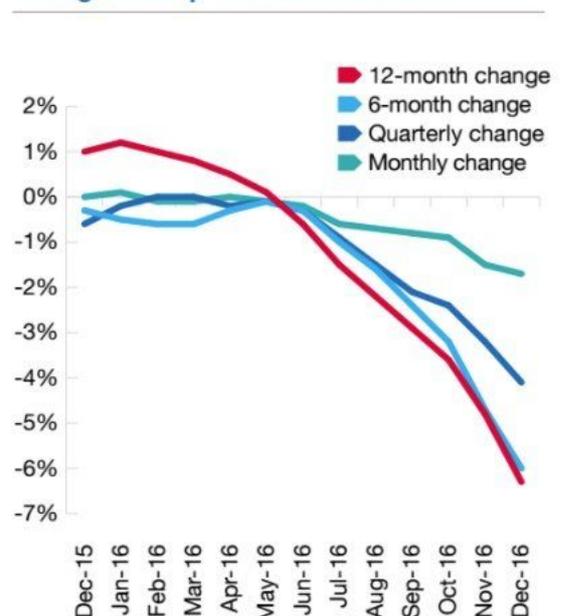
Web links:

- <http://www.telegraph.co.uk/news/2017/01/03/theresa-may-promises-thousands-new-homes-young-first-time-buyers/>
- <http://www.bbc.co.uk/news/business-38494333>
- <https://www.theguardian.com/society/2016/dec/17/homeless-children-christmas-shocking-rise>
- <http://www.standard.co.uk/news/london/central-london-house-prices-plunge-amid-brexite-fears-and-stamp-duty-hikes-a3419011.html>
- <https://uk.finance.yahoo.com/news/theres-another-sign-londons-house-114645018.html>
- <http://www.cityam.com/255974/house-prices-stop-tumbling-central-london-next-year>
- <https://uk.finance.yahoo.com/news/property-prices-central-london-diving-132220439.html>
- <https://www.theguardian.com/commentisfree/2016/aug/25/brexit-crash-house-prices-referendum>
- <http://www.newstatesman.com/politics/uk/2016/10/has-brexit-burst-british-housing-bubble>

Source of this figure: <https://uk.finance.yahoo.com/news/property-prices-central-london-diving-132220439.html>

FIGURE 1

Price growth in prime central London



Source: Knight Frank Research