

UK Cost of Housing

A commentary on the current (2017/2019) media and campaigning discussion

As the health, life expectancy, wealth and real well being of the UK population have increased relentlessly over the last 200 years, so the recent clamour by some campaigning causes has grown ever more shrill.

Whilst most of the campaigning to continuously improve people's lives throughout the world was and is justified, sadly, in common with the current instant judgement "sound bite" approach to discussion of important matters, many campaigns now "*make a drama out of a crisis*" and they clearly put their moral judgement, ladled with liberal doses of self-righteous indignation, ahead of balanced facts and consequent reasonable action.

One such is the naïve and unrealistic campaigning about the cost of UK housing in the last decade, in contrast to the previous half-century or so.

Whilst it cannot be denied that the primitive statistical measure of the ratio of average house prices and incomes, set in people's minds from the very early post Second World War decades, has dramatically changed, it does not automatically follow that owning one's own home is impossible at the end of the second decade of the 21st century. Nor does it follow that "positive" and extreme action should automatically be taken to counteract that change in balance.

Usually it tends to be the case that "all actions have an equal and opposite reaction" and therefore the unintended consequence of naïve over zealous action, may (in fact is quite likely to) result in very undesirable counteraction. Such can already be seen in the sustained "over"-inflation of house prices, helped by the reduction in interest rates following the 2008 global economic crisis. The latter itself caused by laxity of government controls, and consequent mass, unrealistic and greedy speculation allied to underlying unrealistic expectations of a wealthier populace. In the UK many joined the clamour to be a "millionaire by this time next year"!

"Boom and bust" and the willingness of many to be swept away by such unrealistic expectations is far from new. This has been consistent in the UK housing market from the 1970's, as we have grown wealthier.

Before the First World War, just 100 years ago, only 10% of people owned and occupied their own home (and fewer still in Victorian times and before). In addition, almost no social housing existed at all, and thus the remainder of the population lived in privately rented accommodation, much overcrowded and in extremely poor condition. *"The past (truly) is a foreign country"*.

Later, before the Second World War, home ownership was still only realistically available to a minority of people, with some 30% of people owning and occupying their own *"homes fit for heroes"*.

Only after the Second World War has UK owner-occupation increased significantly, peaking at 69 to 70 percent just before the 2008 economic crisis.

Claims that all generations before the current prospective home-owning generation had to pay a substantially lower percentage (7%!) of their annual income to fund a home (be it owner occupied or rented), are entirely without factual foundation.

Throughout the Victorian era, and before, people consistently paid 15 to 20 percent of their income in rent. **Note** in contrast, for most in society, food consumed between 30% and 50% of income, now between 10% and 16%!

Even in the early decades after the Second World War, when substantially more people were able to buy their own home, people were on average paying 25 to 30 percent of their income for that home in mortgage repayments.

From the 1970's the market for house prices and interest rates (and consequently mortgage repayments) has been much more volatile. For two decades the housing share of income was on average 40% to 45%; though sometimes for short periods of a few months to a year, it was dramatically higher, rising to 60% to 70% share of income. This was at it's worst in the early 1990's, after which the crash in house prices caused a soaring rate of repossessions and consequent debt; dubbed "negative equity". After the rise to 45% during the early years of this century, it has returned to 33% following the 2008 crisis and subsequent reduction in interest rates.

It is a basic fact that for the substantial majority of the population, throughout history, growing up, leaving the parental home and starting their own home is financially and emotionally challenging. **It always has been** and most people *"just about manage"* as they always have.

To propose certain extreme action in favour of a current generation, who unquestionably face several challenges not faced in the same way by some

previous potential homeowners, is unrealistic and liable to further twist economic trends in ways not intended.

In contrast to all such campaigns conceived on the naïve and moral high ground, the actual prosaic facts, be they economic, financial, mathematical, chemical or physical, by all measures, show that we are healthier, wealthier and long lived than ever in human history.

No matter the naysayers and hand-ringers clamour that the sky is falling, that we are all dying (even prematurely), we still remain healthier, wealthier and long lived than we poor everyday folk have EVER been.

And yet the wealthier and healthier we have become the more miserable, niggardly, gloomy and doom laden many have become; it seems not also wiser!

Perhaps those same doom merchants would do as well to live the lives of the majority of the world's population, or the lives of their parents or grand parents, to put modern life in real perspective.

This is no call for complacency or rampant, unbridled rental exploitation. There remain many, many issues to tackle, including slack, lazy government and rich individual and corporate greed, plus every day ignorance and complacency.

Rather it is a call for reason, balance and fact based argument, before dubious hysterical, zealous and knee jerk judgement.

And above all a call for firm, continuing governmental support for the REAL sustained improvements that have been wrought, so far, in people's lives in the last 100 years.

Rather than the modern penchant to ban or subsidise everything in a panicked sop to a minority of vitriolic dreamers, government, entirely paid for by the taxpayer ("there is no such thing as public money – there is only taxpayers' money"), should honestly and forthrightly live up to the broad social contract; to keep the nation safe, prevent excess of greed and set and impose the legal limits to balance economy and environment for everyone's benefit, **but with a light touch**.