

The panic is on. But while the media has palpitations over an imagined collapse in house prices, issues of affordability aren't getting the attention they deserve, says **Kevin Gulliver**

Hardly a day goes by without the publication of new statistics showing house price changes, either up, down or sometimes both, or the number of repossessed homes. Media reports suggest the housing market is close to collapse, the economy in crisis.

But scoop away such froth and the picture isn't all doom and gloom. House prices actually increased by 6.7% during 2007 and have increased by a massive 168% since 1997, representing an unprecedented return on homeowners' investment.

Mortgage repossessions are a worry, especially as many repossessed families end up on council and housing association waiting lists, but the housing market is a long way from the problems of negative equity and mass evictions seen in the early 1990s.

With the media concentrating on housing market slowdown we are failing to recognise the real problem: that home ownership is effectively out of reach of average and even above average income families who do not already own their own home.

Last week the National Housing Federation published figures showing the affordable housing crisis is getting worse in the west midlands, with a typical mortgage requiring an income of more than £45,700, rising to £71,000 in some areas. House prices in predominantly rural parts of the region cost more than 11.5 times local incomes, compared to nine times earnings in more urban areas. Even at the cheapest end of the market, houses still cost more six times regional earnings and require a salary of nearly £30,000 to purchase. Average incomes are little over £18,000.

Nationally, the average house price is now 7.2 times average earnings compared to 3.2 times in 1997.

What we should be asking is how to increase the supply of affordable and social housing quickly enough to tackle this crisis.

Improving local people's access to affordable and social housing is a vital element in creating 'more human' cities, towns, villages and communities, and should be at the top of the political agenda.

A levelling off of house prices for a year or two would assist potential first time buyers, a step-change in the development of new social housing would ease growing housing waiting lists of 1.5 million nationally, and bringing empty homes back into use would save some greenfield building.

The needs of the homeless, poorly housed, those on the lowest incomes and those experiencing disadvantage of other kinds, have to take precedence for the next few years over concerns about marginal changes in housing values and persistent 'nimbyism';

We can't afford to ignore it



Newly-built affordable housing constructed by developer Lovell in Beswick, east Manchester's housing market renewal area

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most existing homeowners already have a very good return on their investment. Pulling the ladder up after them is not a recipe for more cohesive communities.

A more balanced housing strategy would increase housing supply while restraining house price inflation to a more sustainable level, which still constitutes a good investment to those who can afford home ownership but not at the expense of those who desperately need new housing.

The affordable and social homes provided in future need to attain the highest environmental standards so they are fit for the long term. Improved energy efficiency standards are particularly important, both to reduce the carbon footprint of new homes and to keep fuel costs to levels that are affordable to low-income families.

Management of affordable and social housing will be a growing issue too. Last year saw housing associations overtake local councils for the first time in history in terms of the number of homes managed, with both sectors now managing around two million.

Housing associations are being increasingly pressured by government to become more efficient and to raise greater levels of private finance to

build new homes, acting more like private developers with remote call centres than socially-concerned, community-based and locally accountable organisations.

These pressures are driving mergers which concentrate social housing in fewer hands. While only 3% of housing associations manage more than 10,000 homes, this small number control over half of all the housing stock, provoking anti-competition claims and a potential democratic deficit.

Finally, we need to find other ways in which non-homeowners, like social housing tenants, can share in increasing national prosperity by accumulating assets in different ways from owning property, helped by government and supported by social housing providers.

Surely a country as wealthy as the UK with its huge assets and depth of human talent can find ways to achieve these goals. The prime minister's promise to create an 'asset-owning democracy' and his recent statements about unleashing everyone's potential may then become reality.

Kevin Gulliver is director of the Human City Institute. For further information* see *Human City Headlines* bulletin no 2 – a spotlight on key housing issues, www.humancity.org.uk