

HUMBUG ON HOUSING POLICY

by Peter Poole

OVER 860,000 houses in England are empty, according to data supplied by local authorities to the Department of the Environment.

The value of these empty homes is placed at over £25 billion by Bob Lawrence of the Empty Homes Agency. And, he told a conference in London on April 11, the cost of keeping them empty could be £100m for every 10,000 houses.

Over 764,000 houses belong to the private sector, with 86,000 houses in the public sector - 16,000 owned by central government.

"Bringing back just 10% of these houses into use would have a very significant impact on the problems of the homeless," he pointed out.

According to experts, these figures represent a fraction of the actual totals for Britain.

WHAT SHOULD be done? None of the politicians has a clue, because they cannot offer a comprehensive explanation as to why landlords should willingly forego income by keeping houses empty.

Tenants have lost the security they enjoyed in previous years, but still landlords prefer to keep their properties empty in a country with an estimated 2m homeless people.

Sir George Young, the housing minister who launched the Empty Homes Agency two years ago, acknowledges that the total number of empty houses in government hands is too high. He has appointed a task force to report on what should be done. And Environment Minister John Gummer is to also announce measures in the near future on what can be done to use "wasted homes".

None of the proposals will identify the root-cause of the problem: a system of property taxation that encourages land speculation and discourages efficient use of property.

The tax system inflates the selling price of land and encourages owners to withhold their sites from the market in anticipation of huge gains in the medium- to long-run. Meanwhile, the cost of providing public services for empty houses is not fully defrayed by the owners, which means there is no

incentive for them to make their properties available to families who need homes.

Yet there is no realisation among policy-makers of what it would take to resolve the housing crisis. Illustrative of the confusion is Sir George's proposal that empty offices should be converted into homes. There is an estimated 25m square feet of vacant office space in London alone. But the families in need could more readily be housed in purpose-built homes - if the owners were disposed to offer them for rent!

Land price rise upsets builders

HOUSING land prices are soaring after years of decline, a further indicator of confidence in economic recovery. But soaring prices could put pressure on margins for housebuilders. Several have recently tapped the City for expansion funds.

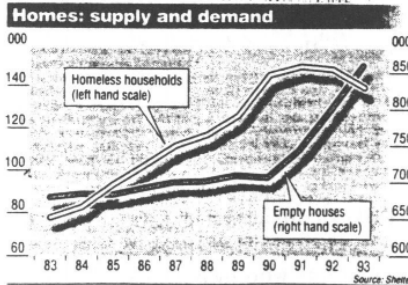
Industry sources said that since the market's low-point last November, the price of prime land had jumped by between 20 and 50 per cent as builders moved to stock up on land ahead of a resurgence in demand.

With building materials prices expected to rise by 5 per cent this autumn, builders face a double squeeze on

raised £44 million in March. NatWest Securities analyst Robert Donald said: "The rise in land prices is a matter of concern."

"If house prices do not start rising, then the higher cost of land and materials will erode builders' margins from the mid-1990s when houses on the new land come to be sold. Profits could even fall in 1996 or 1997."

Last week, the House Builders Federation said the housing recovery was showing signs of stalling after a strong start to the year. The HBF said speculation about tax rises was causing jitters among buyers.



THE FIRST STEP towards fiscal reform would be for the government to remove the property tax from buildings, and shift the charge onto the value of sites. If that charge was payable irrespective of whether the land was used, or not, owners would not keep their properties vacant.

Instead, Britain continues to be afflicted by the legacy of irrational policies.

•Following the crash of the property market, families are being further divided by current trends in house prices. Prime properties are rising in value; meanwhile, those who suffer

"negative equity" - their mortgages are higher than the value of the houses - are not being rescued by price increases.

The failure of government to cure the housing problem stems, in part, from a confusion over how the land market operates.

• Builders are now complaining that the price of land is rising dangerously fast. They blame the planners for the shortage of affordable sites. No-one blames the landowners who are refusing to sell their sites!

RETIRED citizens are among the victims of the disarray in housing policy.

McCarthy & Stone, the builder of retirement homes, highlighted the problem when Chairman John McCarthy called on landowners to offer them building sites, without which many retired people will not be able to afford suitable accommodation.

McCarthy & Stone has £15m to spend on land in the next 6-9 months, but is finding it difficult to obtain suitable sites. According to Mr McCarthy, "landowners do not seem to realize that there is now a revival in demand and they are failing to put sites on the market".

There are fewer than 5,000 new purpose-built retirement apartments on the market, while over 3m retired people would like to move into housing that meets their needs. The scope for construction is enormous, but the bottleneck is in the supply of land.

But Mr McCarthy's explanation - that landowners "do not seem to realize" that there is a demand for their sites - cannot be correct. The well-advertised rise in the price of land leaves landowners in no doubt that they are squatting on valuable assets. Land prices rose by 28% in 1993, in the south-east, and are likely to rise by about 20% this year, according to Savills, the London real estate agency. The price of some sites in the Home Counties rose by 50% to £1.12m per hectare over the past 12 months.

The plight of the homeless will continue without relief, for so long as the current fiscal philosophy prevails in the corridors of power.