

Home ownership and house prices

House prices have risen a lot in recent years for a variety of reasons. Demand has been strong, with the country needing to provide for around 300,000 extra people every year thanks to the past free movement of the EU and UK immigration policy. Supply has been limited by a lack of capacity amongst the major housebuilders, a shortage of skilled trades and a country which has lost too much production capacity for building materials. The money policy going for ultra low official rates of interest and relatively low rates for mortgages has enabled a substantial number of people to afford and pay ever higher prices for property. The multiple of incomes of the typical mortgage for a first time buyer has soared, but mortgage interest payments in relation to income have not changed much as the lower rates have so far offset much of the house price increase.

Some say a shortage of planning permissions has kept building land in short supply, yet many Councils report large numbers of unbuilt out plots and leading housebuilders pride themselves in holding substantial land banks. It is of course true that having a restrictive set of laws over how someone can use the land they own will over time mean higher plot prices for building, but there is no appetite to go over to a system where anyone with land can build what they like. Their decisions do have substantial implications for the need for free infrastructure like roads, schools and surgeries where the public sector has to provide and offer some guidance on plans.

It would be a good idea to use the new controls over migration to limit numbers of economic migrants more. We do need to review the provision of building capacity, making it more attractive to people to undertake relevant training. Whilst the provision of cement and bricks, tiles and roof trusses is a matter for the private sector, the government could do more on its energy, mining, quarrying and forestry policies to assist in providing more domestic capacity for the main supplies needed for building.