

Streets apart

An analysis of manifesto commitments on housing

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Clear positions are one thing - but polarisation is another. While the former help us make informed choices at elections, the latter bodes ill for policy continuity over the long term. If there is one policy domain that particularly benefits from cross-party consensus it is housing, with its long lead-in times and decisions that are often not fully felt for generations. It is worth highlighting, then, a growing divergence between the main parties when it comes to housing policy. While there are some areas of accord (welcome commitments from all to improve the rights of private renters for example), both main parties have tacked further away from each other on an issue which is of considerable concern to many (especially younger) voters. Taken at face value, their manifestos suggest a shift on the Conservatives' part back to the strategy pursued in the Cameron/Osborne era, and a return to a 1970s housing system by Labour.

Housing remains high on the public agenda

It took a while, but finally we have sight of all the main parties' housing policies. Brexit and the NHS may be dominating the campaign, but housing nonetheless remains a key electoral concern. Close to 18 per cent of the population identify housing as one of – if not *the* – [most important issues facing Britain](#) today, up from 6 per cent just a decade ago. That's not a surprise, perhaps, when so many have a tough time getting on the housing ladder, accessing social housing and keeping up with housing costs. So what is on offer from the main parties when it comes housing?

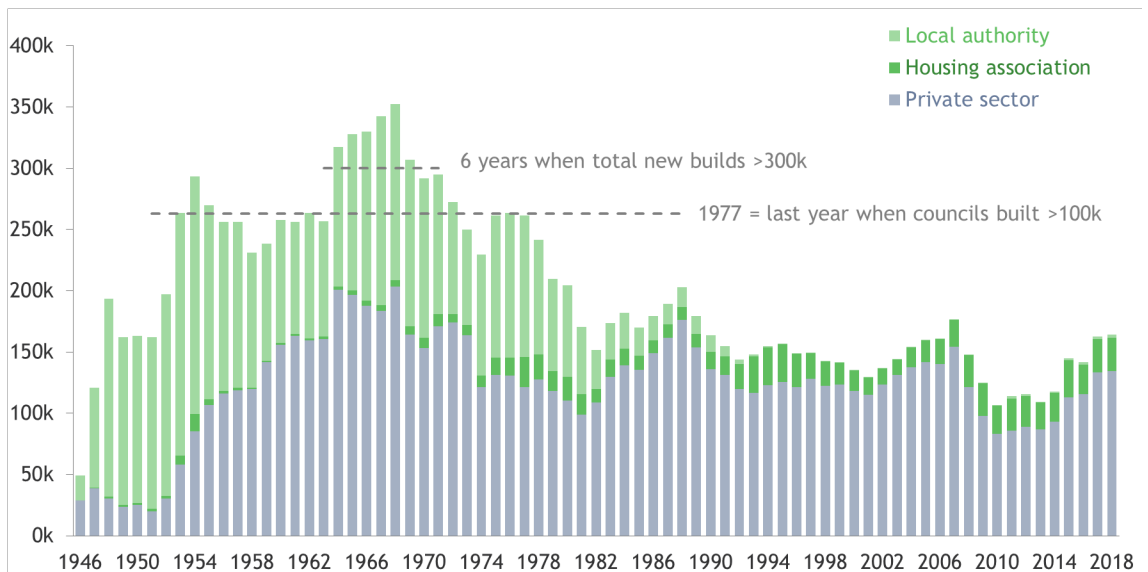
Building for the future

The Conservatives and Labour both centralise new housing supply in their manifestos. The Conservatives commit to a 'target' (rather than the previously more fuzzy 'ambition') of creating 300,000 new homes a year in England by the mid-2020s, through planning liberalisation and strategic infrastructure investment to unlock key sites. As Figure 1 suggests, however, this could be a stretch: there have only been six years since the Second World War when new builds surpassed this figure (and only then in a period with considerable public building).

Figure 1

There have been just six years when more than 300,000 new homes were built in England since 1946

Permanent dwellings completed by tenure: England, 1946-2018



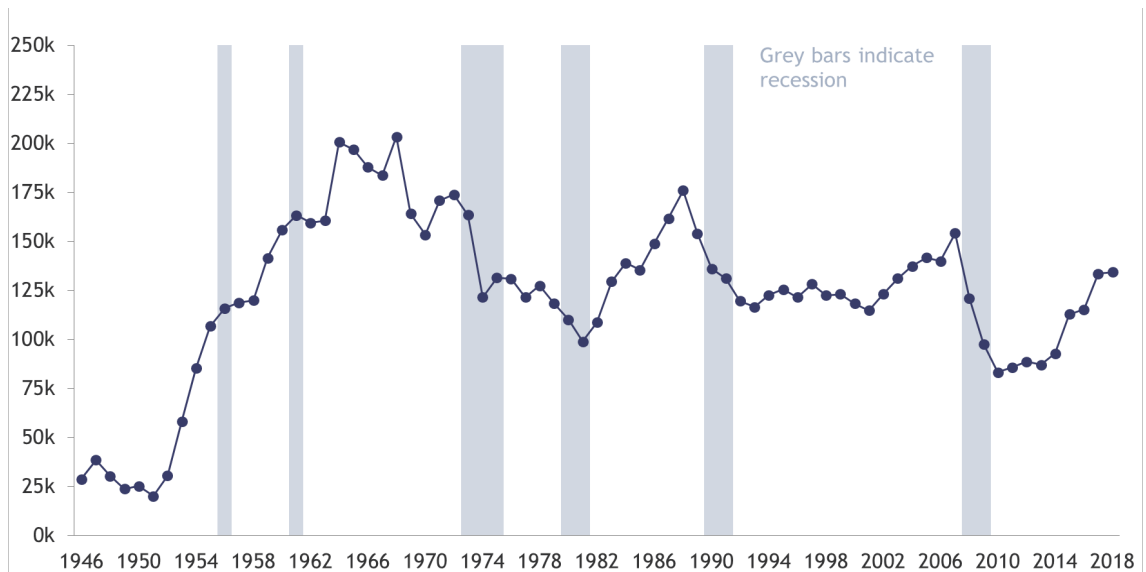
Source: RF analysis of MHCLG, Live Table 244

In contrast, Labour plans to pursue an entirely different approach. Rather than relying on private builders to up their ante, they envisage the state once again becoming a major player in house building and delivering 1 million more homes over the next decade, it. By 2025 Labour envisages the public sector build 150,000 homes a year, with 100,000 of these built by councils for social rent. In [briefings](#) (although not in their costings document which focuses on current, rather than capital, spending) they have committed £75 billion over five years to support this new housing supply programme. Willingness to spend money might not be the problem, then, but capacity could: as Figure 1 also shows, it has been more than 40 years since councils built at anything like that scale.

Beyond lacking realism, the housing supply plans of both the main parties have other flaws. Labour's lavish use of public funds risks displacing rather than complementing private sector activity: if public building topped 150,000 a year it is hard to see how private developers would have the land, workforce or possibly even the profit motive to deliver significant numbers of new homes. As a result, sustained level of housing output would be in jeopardy with every change of government. But if Labour's offer is at risk from the political cycle, the Conservatives' is vulnerable to the economic. As Figure 2 suggests, over-reliance on the private sector is also unlikely to deliver steady levels of new housing given that developers reduce their output dramatically during downturns, and then take many years to return to form.

Figure 2 **Private housing output is exposed to the cycle, and struggles to bounce back after downturns**

Permanent dwellings completed by private sector: England, 1946-2018



Source: RF analysis of MHCLG, Live Table 244

Supporting home ownership

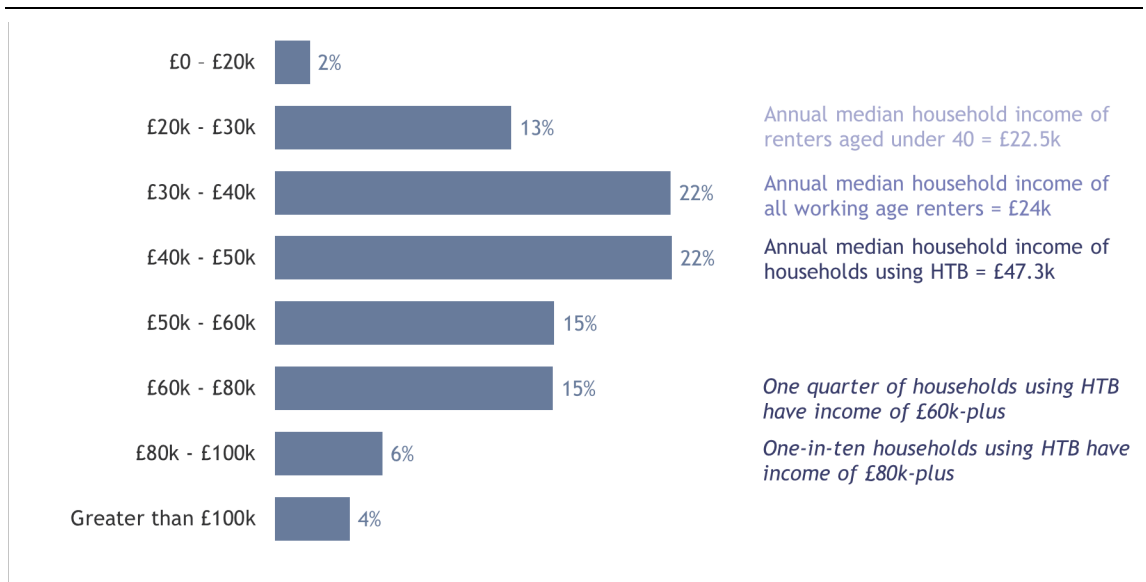
The Conservatives have put boosting home ownership front-and-centre stage in their manifesto – unsurprising given that across the UK the aspiration to own remains high but [ownership rates are still in the doldrums](#). They have, for example, pledged to facilitate co-operation between lenders and bodies like pension companies, enabling the former to offer long-term, fixed-rate mortgages to hopeful buyers. While it is good to know that any future Conservative government would not become actively involved in the mortgage market (something that would involve deregulation or the state taking on more mortgage risk), it is worth asking how successful such efforts might be. The partly analogous 'Build to Rent' sector, viewed by many as a perfect product for investors looking for a slow and steady return, has [yet to deliver at scale](#) despite years of cosseting by policy makers.

The Conservative manifesto also promises to introduce a 'First Home' scheme to give first-time buyers the chance to buy a property in their local area at a substantial discount (Labour makes a similar but more tepidly worded offer). Sounds familiar? It is. Such schemes look very much like the 'Starter Home' initiative announced in 2014, which has been derided in recent months not least because to date, [not a single property has been built](#) under the programme. A more serious criticism directed at the initiative, however, was that it threatened to absorb large amounts of affordable homes grant. Both parties are suggesting their schemes would be paid for by developer contributions this time around, but they struggle with the same challenge: how to trade off discounted home ownership against wider affordable housing priorities.

The main parties have also said they will extend Help to Buy equity loans beyond the current expiration date of March 2021. The programme has helped 180,000 families buy their first home since its introduction in 2013, but has been criticised ([not least by us](#)) for being poorly targeted and having significant deadweight (see Figure 3). While Labour have intimated they will reorient the programme to help those with ‘normal’ incomes, the Conservatives look set to extend the programme in its current incarnation for a further two years. But with house prices stagnating (and in some parts of England, falling), it is questionable whether Help to Buy remains a useful policy, not least because it leaves the government with an ever greater economic, and not just political, stake in future house price inflation.

Figure 3 **Half of first time buyers using the Help to Buy equity loan scheme have an annual income at least twice as high as the average renter**

First-time buyers using Help to Buy equity loan scheme, by income bracket: England, March 2013-March 2019



Notes: Household income calculated for year 2013/14 - 2017/18

Source: RF analysis of MHCLG, Help-to-Buy Table 7, July 2019; DWP, Family Resources Survey

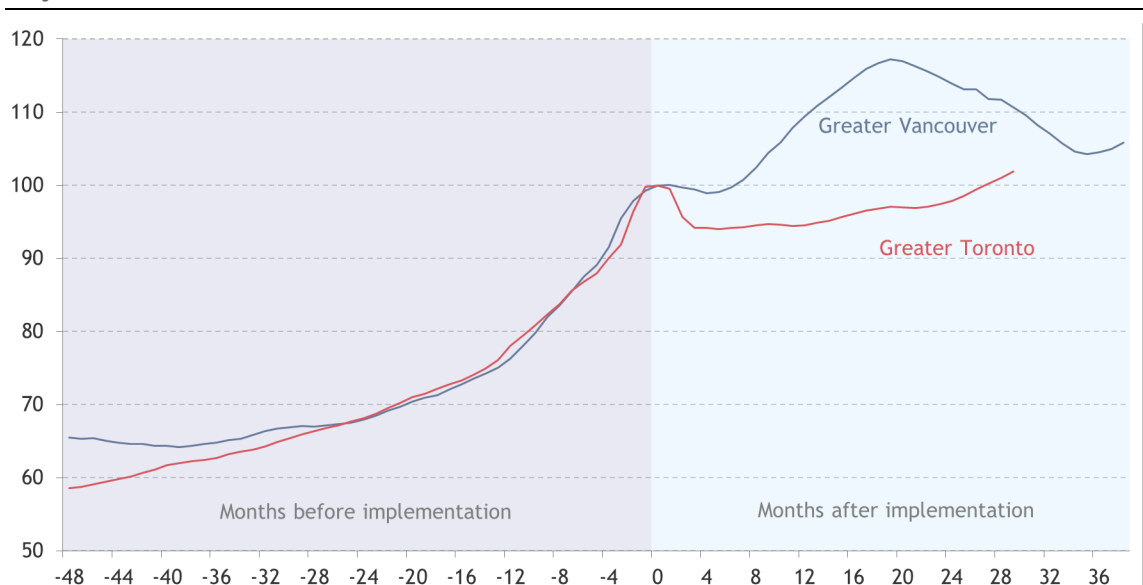
Taxing times

Easier credit, discounted homes and continued support for Help to Buy all risk fomenting demand for housing and driving up house prices in the process. As [we have suggested before](#), using the tax system to rebalance the demand for housing from existing – often wealthy – property owners would be a much more sensible strategy, improving the bargaining power of prospective first-time buyers and raising useful revenue from a very under-taxed asset to boot.

Both parties do make some tentative steps in this direction. Labour bemoans a housing system “that treats homes as financial assets rather than places to live”, and proposes a new levy on second homes that are used as holiday homes (but not those used for employment purposes). Under this scheme, second properties would be subject to a national charge twice the standard rate of council tax. They also promise to give councils additional powers to tax properties that stand empty for more than one year rather than the current two, and to introduce a (currently unspecified) levy on overseas companies buying property in the UK.

A similar theme is picked up by the Conservatives with their manifesto commitment to impose a three per cent stamp duty surcharge on non-resident home buyers (including expats returning from abroad). They expect this action both to raise new revenue (£120 million a year, to be dedicated to ending rough sleeping), and to have a [downward effect on house prices](#). In truth, however, both these outcomes might be more limited than hoped. Given that [the current number of overseas buyers](#) in the UK is unknown, the funds this policy would raise are hard to predict. Furthermore, the experience of other countries that have introduced (much larger) differential transaction taxes for overseas buyers suggests there can be a downward effect on house prices, this is both localised and not always sustained in the longer run (see Figure 4).

Figure 4 **The housing market is driven by bigger forces than an extra tax on overseas buyers is likely to address**
Change in house prices, months before and after policy changes affecting overseas buyers



Notes: From August 2016 anyone not a Canadian citizen or permanent resident in Canada had to pay an ‘additional property transfer tax’ of 15 per cent tax on any property purchases in the Vancouver region; increased to 20 per cent in February 2018. A similar tax, set at 15 per cent, was introduced in Toronto and the surrounding area in April 2017.

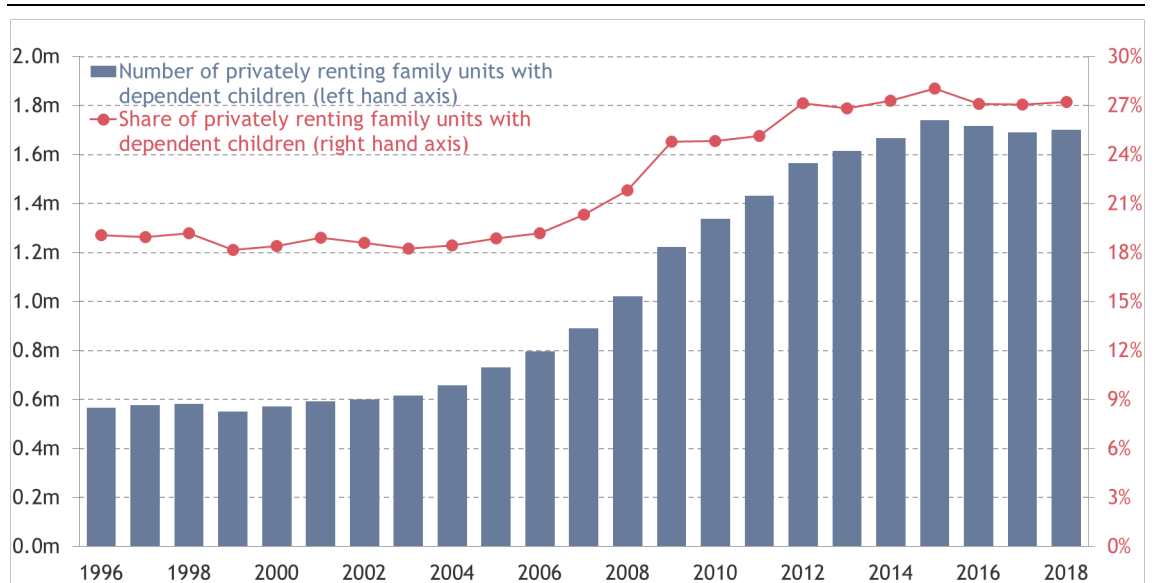
Source: RF analysis of The Canadian Real Estate Association, MLS HPI Tool

Increasing security for private renters

With future Conservative housing policy set to focus primarily on supporting home owners, and Labour's on creating a significant new cohort of social renters, there is one area where there is more accord between the two parties. Both manifestos contain a number of actions designed to improve the lives of private renters, welcome news especially for the 1.7 million families with dependent children who live in the tenure in the UK today (see Figure 5). But even on this more consensual area of housing policy, significant differences between the parties exist.

Figure 5 **The number of families with dependent children living in the private rented sector has trebled in 20 years**

Number and share of privately renting family units with dependent children: UK, 1996-2018



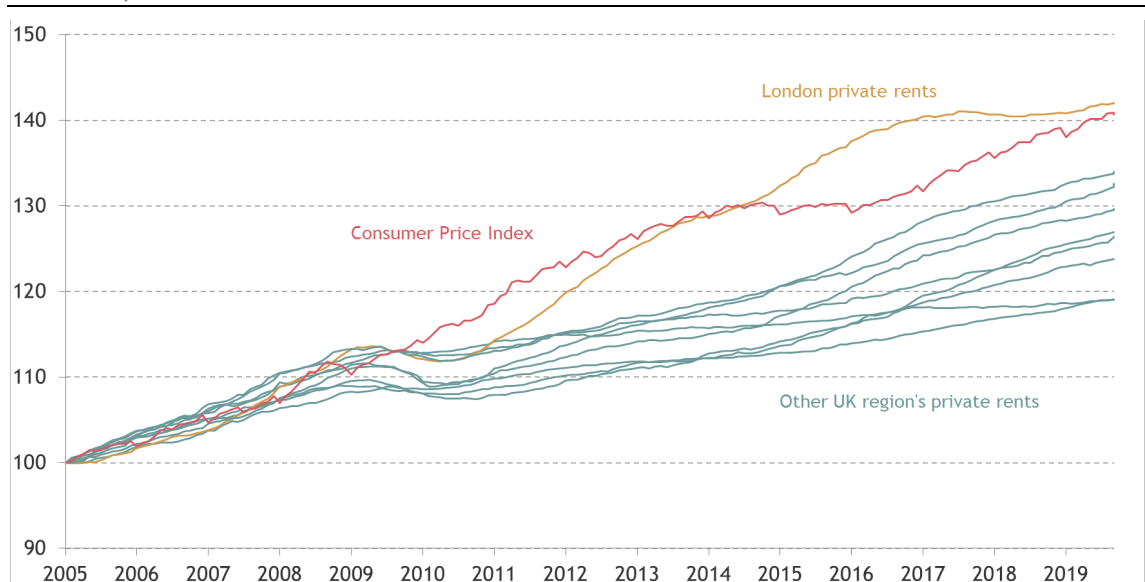
Notes: A family unit is a single adult or couple, and any dependent children.

Source: RF analysis of ONS, Labour Force Survey

To begin, the Conservatives propose to introduce a 'lifetime deposit' scheme, helpfully allowing renters to roll over deposits from tenancy to tenancy. More substantively, they commit to follow up on a [recent consultation](#) and end 'no fault' evictions by private landlords. This is welcome, but will this give renters the much needed security that many seek? The policy has two potential shortcomings. First, landlords will still be able to remove renters without fault simply by not renewing tenancies when they end – with the majority of families issued assured shorthold tenancies, that could mean security of little more than six to twelve months. Second, without action to limit the ability of landlords to raise rents at whim, families could still in practice be at risk of a no-fault eviction if a landlord decides to use an unreasonable rent hike to regain possession.

Labour's programme for private renters recognises both these threats but potentially goes too far in the other direction. It commits to align England with Scotland and introduce indeterminate tenancies that have no built-in end date (our verdict: good), but also to introduce rent controls, capping them within and between tenancies by inflation (our verdict: bad). While a [rent-smoothing](#) mechanism that limits dramatic rent spikes over, say, a three-year period would be a sensible way to protect tenants from arbitrary increases, holding down the true market price of private housing via enduring rent controls rather than increasing housing supply and reducing demand is unlikely to succeed. Moreover, it is worth noting that while we would expect for rents to track earnings and therefore outpace inflation in the long run, the policy that Labour is suggesting would have done little to temper overall private rent levels over the past 15 years, which, except in London, have not outpaced the consumer price index in any region of the UK (see Figure 6).

Figure 6 **Rents have outpaced inflation only in London in the last 15 years**
 Index of private rents and CPI (Jan 2005=100): UK



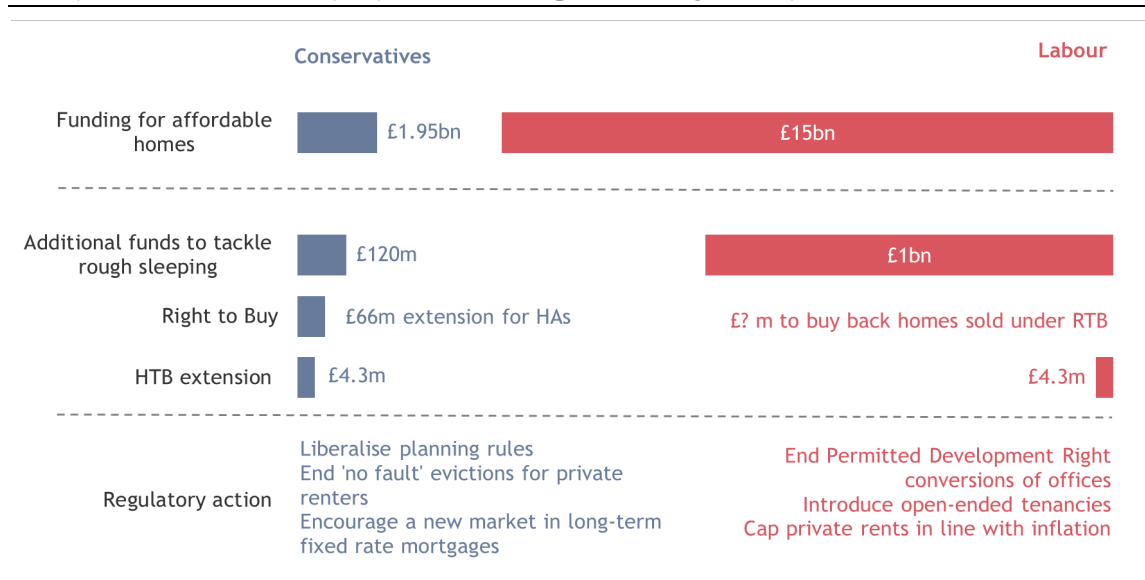
Source: RF analysis of ONS, Index of Private Housing Rental Prices; ONS, Consumer price inflation time series (MM23)

Housing policy has become more polarised in this election

Taken together, then, the 2019 manifesto commitments suggest that housing policy is breaking with the more balanced approach of the May years, when support for home ownership increasingly went hand-in-hand with action to enable the state to build homes for social rent. Instead, a future Johnson government looks set to return to the approach pursued during the Cameron-Osborne era. Meanwhile, a Corbyn government with a bigger version of its 2017 manifesto would create a housing system the likes of which we have not seen since the 1970s.

A look at funds pledged is revealing, and shows how very different the housing offers from the two parties are (Figure 7). Were the Conservatives to renew the Affordable Homes Programme at its current level as indicated in their manifesto, for example, they would still spend just 13 per cent the amount that the Labour Party have said they will commit to funding new sub-market housing. Similarly, while Labour have committed an unspecified amount to buying back homes sold off under Right to Buy, the Conservatives would spend £66 million a year extending the scheme still further to housing associations. And schisms are evident when we look at regulatory rather than spending plans: the Conservatives commit to liberalising the planning regime still further, for example, while Labour would tighten up the rules when it comes to office-to-residential conversions.

Figure 7 **There is a radical difference in both policy focus and the level of funds committed by both main parties to housing**
Comparison of selected proposed housing actions by main parties, 2020-2021



Notes: Assumes (i) current level of spend maintained when Conservatives renew Affordable Housing Programme (ii) voluntary sale of housing association homes under RTB continues at same level as previous (iii) HTB re-funded at current levels by both parties

Source: RF analysis of Conservative and Labour manifestos and costings documents; Chartered Institute for Housing, UK Housing Review 2019

Of course, differing offers from the parties is a sign of a healthy democracy, helping us all to decide the type of country we want to live within. Likewise, housing is not the only issue which is highly polarised in this election. But arguably the stark differences emerging between the Conservatives and Labour matter more in this policy domain than in some others. Housing promises usually take many years to deliver in full, and the effects of big policy shifts are often felt decades down the line. Without at least some cross-party consensus there is a risk of policy flip-flops for years to come, something which is unlikely to help the many families for whom [housing is a serious living standards challenge](#).