

Shelter

NATIONAL CAMPAIGN FOR THE HOMELESS

AN INCREASING number of families are being split up because houses in Britain now have to be rationed, according to Shelter, the charity that fights for the homeless.

Ten families out of every 1,000 who appeal to Shelter for help are either trying to get their children back, or threatened with losing them. And it's all because these families can't obtain houses.

At any one time, 6,000 households in England alone live in bed-and-breakfast establishments or hostels. About 80,000 households are accepted as homeless each year. And 2m households live with friends and relatives, in overcrowded conditions.

And these trends are growing.

BRITAIN has at least 1.2m houses in serious disrepair, and up to 1.4m unfit for human habitation, according to estimates by the Association of Metropolitan Authorities. If the present assumed rate of deterioration continues, there will be 1.5m houses in serious disrepair by 1986.



● Graffiti that says it all – the homeless protest against office block development.

HONG KONG

PRIME Minister Margaret Thatcher's visit to Hong Kong in September coincided with a report that land prices in the British colony had fallen by up to 80 per cent since the property market peak last year.

Fears about the future status of Hong Kong was a major reason for the fall, according to stockbrokers Hoare Govett (Far East), who add:

"Against this background, the outlook for capital and rental growth is poor and values could have further to fall if forced selling materialises. The chance of a major crash, however, seems remote as the banks have a vested interest in ensuring that this does not happen."

A recovery? Builders

will
wait
in vain



THE STRUCTURE and profit motives of the British house building industry have shifted in the past decade, according to a new study.*

The new trends have been created by changes in demand and the supply of land, according to Hedley Smyth of the School for Advanced Urban Studies, Bristol University.

He shows that there are two broad categories of builder. One relies on speculative profits to be made out of holding land for a long period, usually between five and 10 years.

The other relies on profits from a high turnover: he makes his money from building houses, and so his land-holding cycle is typically three years.

By Paul Knight

TABLE I: U.K. HOUSING LAND, 1969-1979

	Housing Land Prices	Retail Price Index
1969	100	100
1970	109	112
1971	124	116
1972	209	125
1973	324	135
1974	322	157
1975	222	196
1976	222	227
1977	235	265
1978	287	286
1979	407	325

Sources: Department of the Environment, Central Statistical Office

TABLE II: HOUSEBUILDING STARTS GREAT BRITAIN

	PUBLIC	PRIVATE	TOTAL	
1976	170.8	154.7	325.4	
1977	132.1	134.8	266.9	
1978	107.4	157.3	264.7	
1979	81.2	144.0	225.2	
1980	56.0	98.0	154.0	
1981	36.9	115.8	152.7	
UNADJUSTED				
1981	2nd quarter	9.6	32.5	42.2
	3rd quarter	9.9	32.7	42.5
	4th quarter	10.3	24.6	34.9
1982	1st quarter	12.5	31.5	44.0
	2nd quarter P	13.6	38.4	52.0
1982	January	3.4	8.0	11.4
	February	4.2	11.0	15.2
	March	4.9	12.6	17.5
	April P	4.6	12.8	17.3
	May P	5.0	12.6	17.5
	June P	4.0	13.1	17.1

P = Provisional estimate

But the boom and bust of the early 1970s transformed the approach in the last years of the decade.

● Land bank cycles were shortened, as demand for houses contracted, and land prices soared (See Table 1) or its supply shortened.

● Big builders resorted increasingly to the takeover of smaller firms as a way of acquiring land: this has resulted in a concentration of building activity into the hands of fewer, larger builders.

● Smaller firms, trying to fend off the land-hungry giants, have been pressing for an increased flow of planning permission. Explains Mr. Smyth:

"The smaller companies have a vested interest in seeing land supply increase through planning because if they avoid being taken over they do not wish to be squeezed out of the market through competition for land."

● Builders have been trying to diversify, by either finding new markets (e.g., Barratts moved into housebuilding in the U.S.) or moving into new sectors.

DURING the last half of the 1970s, there was a trend towards making profits from creating more wealth (the houses) rather than relying on profits from land.

But in the past two years, there has been a reversal of this trend, according to Mr. Smyth.

Companies increased their purchases of land in 1979 and 1980, in anticipation of a recovery of the housing market. And they are relying on making a greater proportion of profits out of land, rather than buildings.

The housing market was flat throughout 1981, and builders were anxious that the first glimmerings of an upturn in mid-1982 should be sustained into a full-blown recovery (Table II). Recent data, alas, suggests that there is no recovery yet in this vital sector of the economy.

If the economy does not recover soon, many builders will find themselves over-stretched – having to finance high-priced land at high interest rates. Many more builders could find themselves bankrupted in 1983, a repeat performance of the crash of '74.

*Hedley Smyth, *Land Banking, Land Availability and Planning for Private House Building*, Bristol: School for Advanced Urban Studies, Working Paper 23, 1982.

Post-war policy has failed the homeless

THE IDEAL of a property-owning democracy has inspired the belief that the post-war trend in home ownership is an index of prosperity.

Dramatic increases in owner-occupation are cited as a measure of the success of Conservative policies in Britain.

If correct, the latest evidence suggests that new successes are still being chalked up. For the numbers living in private unfurnished rented homes dropped from 12 per cent of all families in 1971 to only six per cent in 1980.¹

But an alternative perception of the record can be offered which suggests an overwhelming failure to grapple with underlying economic problems.

The theory goes like this.

In the post-war years, uneconomically low wages placed many families in difficulty. This encouraged governments to introduce tighter controls over rents, and greater security of tenure, which reduced the rate of return on landlords' investments.

Because higher yields could be obtained elsewhere, the size of the pool of rentable accommodation shrank. This led to homelessness, with two significant socio-economic effects.

Family life was disrupted. The education of children in unsettled homes suffered, and workers were discouraged from moving in search of new jobs.

This nexus – low mobility both geographically and socially – held down the income earning capacity of many people, which in turn increased the dependence on rent controls and welfare subsidies.

What is the evidence for such an hypothesis?

The table shows that the number of dwellings in owner-occupation is now heading for the 60 per cent mark.

At the same time, however, the Government is being pressured by welfare organisations to extend the powers of local authorities to deal with an increasing number of families who are homeless.

The scale of the problem is seriously understated by official figures.

By Ian Barron

In London, for example, 197,400 households are on the waiting list for public sector housing. But the number of families who need to be rehoused is estimated at 447,000.²

The problem will worsen because the share of the government's budget being devoted to housing has declined from ten per cent (1975) to three per cent next year.

THE HUMAN suffering would not be quite so bad if the building stock was used properly. In London, 129,800 dwellings stood vacant last year, almost five per cent of the total.

"Whatever the reasons for this amount of empty housing, it represents an enormous waste of scarce resource and an affront to the needs of the homeless," declares the Citizens Advice Bureaux.³

Britain's 500,000 landlords can hardly be blamed for wanting to obtain vacant possession and sell off their properties.

According to evidence submitted to the House of Commons Environment Committee, the median gross returns on capital was 3.5 per cent.⁴

The British Property Federation claimed that a rental return on vacant possession of six per cent net would be necessary to maintain the supply of privately rented accommodation at its current level.

But 50 per cent of unfurnished tenants and 40 per cent of furnished tenants could not afford rents producing such a return.⁵

So de-controlling rents would intensify hardship and increase the need for more income transfers from taxpayers.

Thus, to eliminate the vicious circle of family deprivation that is built around the shortage of houses, it would be necessary to adopt a strategy that placed higher incomes at the forefront of a new approach.

This entails a radical departure from post-war policies. These, as we can now see, have failed to provide a large number of families with the decent homes which are necessary for a healthy family environment and the vigorous mobility in the labour market which is crucial to a dynamic economy.

REFERENCES

¹ *General Household Survey 1980*, London: Central Statistical Office, 1982.

² *Homeless in London*: London: Greater London Citizens Advice Bureaux, 1982, p.3, Table 2.

³ *Ibid.*, p.4.

⁴ *The Private Rented Housing Sector*, London: House of Commons Paper 40-1, Session 1981-82, p.xxii.

⁵ *Ibid.*, p.xxx.

Growth of Home Ownership Great Britain		
	Millions of Dwellings Owner – Occupied	% of Total Dwellings
1914	0.90	10.6
1944	3.30	25.6
1951	4.10	29.5
1961	7.04	43.0
1965	8.08	46.6
1970	9.27	49.5
1971	9.51	50.1
1972	9.79	51.4
1973	10.13	52.2
1974	10.31	52.5
1975	10.49	52.8
1976	10.72	53.3
1977	10.92	53.6
1978	11.15	54.1
1979	11.38	54.6
1980	11.65	55.4