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FTSE 100 down 13.39 at 4367.87	Dow Jones Av down 242.85 at 8651.33	Nikkei 225 up 264.37 at 8660.24
£1 buys \$1.4803 up 0.23 cent	£1 buys 87.79p up 0.69p	£1 buys \$1.2952 up 0.32 cent

Ditch pretend targets on housing

WITH just a few days left of 2008, Liam Bailey the housing-industry expert at chartered surveyors Knight Frank, reckons that 100,000 new homes will have been built in Britain this year, the lowest figure for a generation. Next year, 2009, he thinks the figure could be as low as 70,000.

Many of Britain's housebuilders are struggling to stay in business. There are a few exceptions such as Bovis and Berkeley, which are in rude health, but most of the big names are drowning in debt and their survival will depend on the willingness of their bankers to support them even as the value of their development land falls away. The industry is on life-support, trying to get rid of its current stock of houses and unwilling to build any more until the storm passes.

The mortgage market tells the same story. The number of new mortgages has dropped by well over half in the past 12 months. HSBC, one of the few banks riding the storm relatively easily, is stepping up its lending and grabbing market share, but it and the others will only lend well below current prices to

with 170,000 homes built since the target was announced, that will leave 2,830,000 still to go. Over the decade to 2020, that would be an average of 283,000 a year.

Britain's private sector has never come remotely close to that scale of production. Even in the 1950s and 1960s, when the council-housebuilding programme was in full force, it could not sustain such a level. The target is a nonsense and will not possibly be hit, but that may not be a problem because it is not at all clear why the Government hit on that number in the first place.

It does seem, though, that it was a forecast drafted at a time when immigration from EU accession countries was booming and when housing was seen as an effortless path to riches.

Neither assumption holds true any more. Immigrants are returning home in large numbers because the collapse in sterling makes it far less lucrative for them to work here, and the new intake has dwindled as word gets back about the scarcity of jobs. Staying at home is a better option for many, so the assumption there will be a boost of a million or more to the UK population may not be right. Indeed, often in the 1980s and 1990s, Britain lost more through emigra-

tion than it gained through immigration. It could happen again.

The demographics are changing, too. The post-war baby boomers are on the edge of retirement. Retired people spend, and they gradually trade down into smaller units, flats and retirement communities. The housing space they release could have a dramatic effect on the market. The cosy assumption of ever-increasing demand may not be as cast-iron as widely assumed.

The main reason Government policy is a nonsense, though, is that it assumes home ownership is right for everyone, when in fact it makes no sense for a large part of the community. Indeed, taking on a massive mortgage, leaving no money for anything else, only makes sense if house prices rise faster than inflation. In Germany, where they don't and haven't for decades, people are happy to rent. Housing is a much smaller proportion of their outgoings, so they can save for other things.

Here the Government seems to have got as hooked as everyone else on the idea of ever-rising house prices, and appears to see it as a substitute or a top-up for social policy. If everyone could be turned into an owner-occupier, they

would in effect be forced to save through their mortgage. By the time they retired they should be sitting on an asset of some value: their house.

So wealth to help finance retirement would have been spread almost effortlessly through the community. This would go some way towards supporting people in old age and make it much easier for the Government to continue to pay one of the worst pensions in the developed world, and to cope generally with a population with a much higher proportion of old people.

It is time this was rethought, not just because the UK economy would be far healthier if we were weaned off house-price addiction. What is really needed is proper assistance for the rented sector, more focused aid for housing associations to provide low-income and social housing and more encouragement for pension funds and others to build flats to let.

That would be a sensible policy to emerge from the current chaos — much better than pretending to build three million new homes.

ANTHONY HILTON'S ARCHIVE
www.standard.co.uk/anthonyhilton



ANTHONY HILTON
CITY COMMENT

protect against further falls, which leaves those without a large deposit out in the cold.

Most people think prices will drop by about 40% from peak to trough, which means they are roughly halfway there and have perhaps another 12 months to go. Everyone says next year will be dire, with no reason to expect recovery in prices or volumes.

Meanwhile, the minister responsible for the sector, Margaret Beckett, has so far held to the Government's target — heavily endorsed by the Prime Minister when he came to power last year — that three million new UK homes would be built by 2020. So in 12 months' time,