

DeVARGA COMMENTARY – OCTOBER 2013

HOW TO SAVE £50 BILLION IN ONE EASY LESSON

On 3rd October the BBC News Business website broke an interesting headline, in that the house price index is at a 3-year high. So says the Halifax. The article goes on to say that prices in the three months to September were 6.2% higher than a year earlier, the highest rate since June 2010. Like a lot of these statistics, various information comes through which takes a while to fathom but, interestingly enough, the average house price in September was £170,733. In the same article it stated that Nationwide said that the annual house price rose at an annual pace of 5% in September but it was at 14% below the peak reached in August 2007.

Now, there have been some interesting headlines in the papers recently suggesting that the Bank of England may consider intervening if it sees over-inflation property price rises in the marketplace. We all need to be careful here about what charts we are looking at. We know that London is a separate market. We know that demand for housing in London is greater than other centres and they will always lead the march in terms of price increase. I for one hold the belief that Mr Carney will recognise that we need to look at the overall picture and not make economic decisions based upon what is happening in London. I also believe that even if the Bank and the Government decide to introduce measures which would, to put it bluntly, try and tame the property market, they would be unsuccessful. The reality is, the market will always find a way. It is like Mother Nature. You cannot tame it; you can seek to control it but it will eventually find its own level, with or without interference, and in the main it will continue over a period of years to show an upward growth.

The solution, of course, is to leave it to the Banks to lend responsibly. That word 'responsibly' goes hand in hand with the borrowers. Banks, after all, are in the business of making profit out of lending money and if they over-extend themselves and lose money then that makes for a bad balance sheet and, if the last six years are anything to go by, shareholders will revolt, heads will roll at Board level and compensation packages for future Managing Directors will be changed. So, let the market take care of itself. The problem is one of supply. Part of the supply problem is what I perceive is unreasonable planning conditions. If the Government wants the private sector to build flats and houses they should not permit the Local Authorities to stifle the development with irresponsible conditions. I am looking at a 45 flat development in which the planners are suggesting 25% of all the flats are set aside for social housing (no profit there) plus they expect the developer to stump up £250,000 in cash for the pleasure of them saying yes. Given these conditions it does not surprise me there is poor supply. Did I hear Dave saying the word profit is not dirty word at the annual conference? If the word is not dirty lets open up the supply chain.

Planning seems to be conditioned to believe you have residential on one piece of land and commercial on another. I suggest that some of the Local Authorities take a leaf out of that which has been exercised by the London Borough of Lewisham. Start granting permission for live/work units. The result is an impressive micro environment where people live and work in the same unit of accommodation. They don't clog the streets in the morning with the commute, nor have to stand on a train for 1½ hours. It serves a dual purpose; it creates employment and a place to live and would go some way to preserving our Green Belt. This is not a new idea – in fact it is an old idea. This blending (I am currently into cooking so please pardon the word!) of uses on the same plot of land has been going in cities all over the world for many centuries and was too a degree lead by England. Walk down any High Street and you will see what I mean. If you created enough of these then we might not need to build HS2 thereby saving the taxpayer £50 Billion. Just a thought.

Matthew S Martin

PS – We have brought in someone new to our team and I am delighted to introduce to you Simon Barnes. Simon has a military background (probably good for me!). He has completed his studies at Reading University and is working his way through to becoming a qualified Chartered Surveyor under the experience route with the RICS. Simon's military background brings to the Practice a person with an incredibly logical and analytical approach. I am impressed. Simon, welcome to the Practice.