

## Help to Buy alone is not enough

By Dean Clifford | Thu 30 July 2020

**Green shoots have started to show in the housing market, from an uptick in mortgage enquiries, renewed interest in certain properties such as houses with gardens, and big statements of confidence from major housebuilders such as Taylor Wimpey.**



But there are big challenges ahead, from tighter mortgage lending to reduced housing delivery as a result of coronavirus. For the feel-good factor to return, government action is required. Berkeley Group CEO Rob Perrins recommended cutting stamp duty, scrapping the Community Infrastructure Levy and extending Help to Buy. He's already got some of what he wanted: a nine-month stamp duty cut that will stimulate transaction levels and in turn boost housebuilding. Meanwhile, the industry is reportedly in talks with the government to extend the equity loan scheme, which has had both its supporters and detractors.

Some have accused Help to Buy of pushing up house prices, inflating housebuilders' profits and risking putting the taxpayer in negative equity if there is a housing crash. But house price inflation is more attributable to planning restrictions that have resulted in decades of structural undersupply, a problem compounded by years of rock-bottom interest rates and quantitative easing, which have hiked asset prices.



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However, Help to Buy undoubtedly supported housebuilding after the financial crisis by stimulating demand among those who wanted to get onto the housing ladder. It helps people achieve homeownership, which remains the aspiration of most Britons, including many renters. So the government is right to revive the Starter Homes initiative: properties for first-time buyers that come with a perpetual discount. That is not to say Help to Buy is perfect. There is evidence it has pushed up house prices and aided first-time buyers who didn't need help. The pandemic has also made clear the need for better-quality homes that promote wellbeing and support modern lifestyles, so a renewed Help to Buy scheme must be used to drive higher-quality developments.

## Planning reform needed

To bring the housing market back to life, the government must do more than just subsidise home ownership. We need more supply across the board. Planning reforms like those announced in Boris's "build, build, build" speech, such as making it easier to replace commercial buildings with housing, will speed up delivery and de-risk development. Fewer planning barriers will help level the playing field for the SME developers.

Yet unless planning departments are properly funded there is little point in reforming the planning system, as councils won't have the resources to process applications speedily and enforce regulations.

And while the government is right to prioritise homeownership, a broader mix of housing types and tenures is needed to reflect the new world we are living in.

Greater state funding is needed to build more affordable and social housing. A shortfall of homes has led to long waiting lists that put people at risk of homelessness or living in accommodation that is inadequate. While many still aspire to own, more people are renting privately and for longer – a trend unlikely to be reversed by Covid-19. Encouraging institutions to invest in the emerging build-to-rent sector will be crucial to meeting this growing housing need.

Help to Buy helped rescue housebuilding after the financial crash and has helped thousands reach the dream of owning their own home. But extending the programme without reform and not as part of a wider package to boost supply will not get Britain back to building again at the levels the government wants.

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