

Editor's introduction

Taking business decisions for political reasons?

It was striking to note that in February 2018, the Australian Treasurer, Scott Morrison, pronounced that months of successive falls in the Sydney housing market which followed an earlier prolonged downturn in Perth, were a sign that Australia had been able to achieve a “soft landing” in the housing market.¹ It is clear that this assessment has not been accepted by a number of housing market analysts. However, the reason that this was so striking is that we have heard this comforting phrase (or phrases very like it) before; in the run-up to the Global Financial Crisis.

Within a month of the above pronouncement it was reported that UK housing associations were ramping up their development of affordable housing at a time when it is becoming clear to many that the UK housing market is reaching the top of its cycle, with London house prices already falling and signs of weakness in other markets².

Government inevitably has influence, even when it does not have power. No one wants to be branded as irresponsible or as acting contrary to the national interest. When governments choose to dispense largesse to the private sector in the form of grants, tax incentives or the like then that influence is strengthened.

Affordable housing is a case in point. Many housing markets exhibited affordability problems for middle and lower earners even before the Global Financial Crisis [GFC]. Following the GFC, years of austerity in public finances have exacerbated problems in a number of markets including the UK. In such circumstances provision of affordable housing is seen as desirable by voters and of course by governments who also want the maximum delivery for any subsidy they provide.

As housing markets reach the top of their cycles these pressures inevitably grow. In an ideal world government and the private sector organisations (private developers and housing associations) that increasingly provide affordable housing would exercise countervailing restraint. After all, government does not want the unpleasant consequences of a glut of unsold homes and developers do not want to find themselves over extended as prices fall and demand dries up. Sadly, of course, the picture is never so simple. Politicians wish to be

able to report on a successful stewardship and to promote the “feel good factor” amongst potential voters about future prospects. Developers (and mortgage lenders) have their own issues. Firstly, no-one wishes to be the bearer of bad news. In a results-driven environment, it is seldom popular to urge caution and to propose restraining measures that will inevitably hit sales, financial returns and bonuses relative to those previously predicted.

In these circumstances the temptation on all sides is to minimise the risks. In 2006 and 2007 as a number of housing markets, including that of the UK, looked increasingly over-heated, the phrase “soft landing” crept in on the lips of politicians and industry pundits. In the UK at least, this proved to be a euphemism for serious downturn. Failure to make what was fast becoming a common-sense prediction about that downturn, arguably led to lack of preparedness and ultimately increased panic which exacerbated the downturn itself. Housing associations were encouraged to increase their investment in new development at a point where the more far-sighted commercial developers were cutting back. The result was a major backlog of unsold affordable homes and a number of housing associations being quietly bailed out by the government's affordable housing quango.

This is not to predict a generalised financial crisis along the lines of the GFC anytime soon. Nevertheless, the re-emergence of an old phrase like “soft landing” in circumstances where many would consider it controversial reminds us of an important question; have governments and housing providers learned the lessons of the past, or do we risk another round of key business decisions being taken for political reasons at some time in the future?

Problems of affordability and inadequate housing supply are a significant theme in this issue of HFI. Our first main article focusses on the troubled country of Zimbabwe. Following the replacement of former President Robert Mugabe by Emmerson Mnangagwa, Aqualine Suliali provides a compelling analysis of the political, economic and housing situation facing the new government and makes an informed provisional assessment of how that government is addressing the issues facing the country going forward.

Africa is also the subject of our second main article. In his article *Taxation of affordable housing in Africa*, James Mutero seeks to establish appropriate principles for the application of taxation to incentivise the enhancement of affordable housing supply. In doing so he draws on examples from across the continent and analyses the effectiveness of various approaches taken to date. This is a valuable contribution to an important topic which does not always receive the in-depth analysis it deserves.

India continues to strive to solve its housing supply shortage, which dwarfs that of many other countries in terms of sheer scale. In an important article Peter Scheibstock uses the New Urban Agenda of the United Nations to contextualise his analysis of the sustainability of national housing programmes in India. Such programmes have been criticised as being successful in boosting overall housing supply and promoting economic growth but being less successful in reaching their target groups and avoiding damaging ecological consequences. Mr Scheibstock takes the current national housing programme *Pradhan Mantri Awas Yojana* (Housing for All) as a case study.

It has been estimated that the proportion of the global population who are urban dwellers will rise to 61% by 2030. The number of people living in slums is predicted to reach 1 billion by 2020. These stark figures provide the backdrop for an interesting analysis in Zaigham Mahmood Rizvi's article, focussing on the challenges to building adequate housing and sustainable housing communities with particular reference to the Asia-Pacific region.

As Karly Greene and Heather Porter point out in their article *A Place Apart? Trends and challenges in the Northern Ireland housing market*, there is no such thing as a homogenous UK housing market. This fascinating article draws on a wealth of data to offer an incisive overview of what is the smallest market out of the four countries of the UK in terms of population. Greene and Porter show the development of that market, focusing strongly on the crash in house prices which accompanied the GFC and the period of consolidation since then.

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¹ Australian Finance Review 5th February 2018.

² Inside Housing 7th March 2018