

Housing: tackling the democratic deficit?

↳ By Andrew Heywood

Housing is about communities and communities are about locality. It is easy to see this statement as little more than a soundbite. Yet housing really should be about local communities. A particular community depends on having access to an adequate supply of homes with a balance of tenures that matches the local demographic patterns. Homes should also be sited conveniently for where local people live and/or work. In addition, homes should be designed so that they can sustainably be maintained, repaired and heated by local people using the financial and other resources at their disposal.

There is an economic dimension to housing provision as the Kampala Declaration on affordable housing activity, reproduced in this issue of HFI, makes clear. Ideally, homes should use materials, labour and construction methods that support local economies and employment. They should attract potential workers with the skills and experience a local economy requires.

That new homes should be of durable quality and of a design that re-enforces positive physical characteristics of a neighbourhood should be a basic criterion for judging any new development proposal.

Too often, however, these needs are not met. Bureaucratic planning mechanisms, lack of responsiveness by large-scale commercial developers and national policy strictures, not to mention corruption, can result in development that simply does not respond to local needs or aspirations. Too often, the criterion for success in housing provision is numbers of homes on the ground to the exclusion of almost all other qualitative measures. There is a real need for local communities to take a lead and for lessons to be learned where they do so.

In much of the world, communities are necessarily involved in providing housing with important and well-established community-led housing activity in Africa, Latin America and Asia. The USA has pioneered the use of Community Land Trusts through which representatives of communities plan and develop affordable housing.

The concept of community-led housing is also achieving a higher profile in Europe. It can be a reaction against remote and bureaucratic planning processes and commercial development that apparently cannot combine profitability with

the flexibility to meet local needs. Just as often, it is also a response to the mono-culture public housing estates developed in earlier years and which frequently appear to have perpetuated or created as many social problems as they were intended to address. Community Land Trusts have expanded rapidly in the UK, Cohousing, through which individuals come together to form intentional communities and to build or convert their own housing has been successful in Denmark and is expanding elsewhere. Other groups (known as self-help groups in the UK) work to bring empty homes back into appropriate use at affordable rents, while cooperatives have long aimed to provide local communities with a collective voice.

Nevertheless, as is implicit in the Kampala Declaration and as recent studies of community-led activity show, community-led housing is not a panacea, and it will probably never on its own develop the numbers of homes needed to overcome a serious housing shortage. In Germany it has been estimated that around one in seven new homes is developed as a result of a community-led initiative. In the UK it is more like one in three hundred. Without the expertise and resources of the commercial development sector and the enabling power of the state, local communities can find themselves powerless to promote locally generated projects at scale. The challenge for policy makers across the globe is to ensure that community-led activity provides a welcome countervailing force to counter the inflexible top-down approaches of so much commercial and state-sponsored development without local efforts becoming a substitute for the deployment of organised provision of proper financial and material resource at a scale that can really tackle chronic under-supply of housing. There is too often a democratic deficit relating to housing provision; the trick is to address this by enabling local initiative while ensuring that the state and the corporate sector fulfil their responsibilities.

Securing affordability is a key concern for individuals and local communities. In our first article in this issue, John Oliver, Chief Executive of HomeStart discusses the contribution of this unique organisation. Based in South Australia and funded by the Government of South Australia, HomeStart is a lender specialising in a range of mortgage products for those for whom homeownership would otherwise be unaffordable. To date it has assisted over 70,000 households, most of whom could not have afforded to buy a home using a conventional mortgage.

Regulation of mortgage markets has tightened significantly in the wake of the Global Financial Crisis [GFC]. There has been much discussion in the IUHF about the implications of regulation for lender behaviour and ultimately for actual and potential homeowners. In an important article Masahiro Kobayashi analyses how the GFC and sub-prime crisis impacted on lenders and resulted in important (and sometimes unforeseen) changes in behaviour in markets as diverse as the US and China. In the article immediately following, respected commentators Christine Whitehead and Peter Williams team up to offer a view of how regulatory change has impacted on access to homeownership in recent years. They highlight the tensions inherent in striking a balance between prudential regulation and promotion of opportunities for aspiring homeowners.

Since their introduction in the USA some 40 years ago Real Estate Investment Trusts [REITS] have spread to many other markets and are seen as an important way to lever in investment for residential development. Pakistan is a recent example and in their article Muhammad Ejaz, Faraz Arif and Adnan Rizvi clearly set out the steps leading to the establishment of a Shariah compliant REIT in Pakistan and assesses its structure and performance. The article goes on to discuss regulatory framework and Shariah structure for REITs, the real estate environment and the prospects facing REITs in Pakistan.

Our final full-length article discusses institutional investment in the Private Rented Sector [PRS]. Focussing on the UK, Rob Thomas analyses the extent to which institutional investors have contributed to the overall growth of the PRS over the past three decades, who the principal investors are and the outlook for institutional investment going forward.

In addition, we are pleased to offer the text of an important speech by Senator Joseph Victor G. Ejercito of the Philippines on plans to improve provision of affordable housing in that country. We round off this issue with an amusing and incisive think-piece by Alex Pollock on the impact of the GSE's (Fannie Mae, Freddie Mac and Ginnie Mae) and other types of federal investment in the US mortgage market.

Altogether, the Winter 2017 issue of HFI should provide some excellent seasonal reading. Enjoy!