

Editor's Introduction

↳ By Andrew Heywood

Housing market commentators and readers of HFI are unlikely to be surprised by the statement that house prices can fall as well as rise. Increased volatility in many markets has been a feature of the past decade and is the subject of the first article in this issue of HFI. Professor Jacek Laszek offers an incisive account of the boom and downswing in the Polish market prior to 2008, analysing the relationship of price and demand to supply in the context of an unsustainable increase in foreign denominated lending and a range of other economic and demographic factors.

While we are accustomed the fact that house price levels can fall, until recently, outside of a small group of academics, the notion that home ownership levels could fall over the longer term and that other tenures could partially supplant owner-occupation has received little or no attention. Yet home ownership levels are falling in a number of markets, as Christine Whitehead pointed out in the Winter 2010 issues of HFI.

In the UK the rate of home ownership has been dropping for eight years and is now back to 1991 levels. There has been a corresponding steep rise in the number of households in the Private Rented Sector (PRS), which has probably now overtaken social renting as the second largest tenure in England. The causes are various but can be summarised briefly:

- A long term decline in affordability leading to a drop in the proportion and numbers of first-time buyers and to a decline in ownership amongst younger age groups.
- The development of a more conservative mortgage market in the wake of the banking crisis of 2007-2008.
- A shift in the tax system towards favouring landlords rather than owner-occupiers.
- Increased inequality of income plus more mobility and insecurity of employment.
- Poor pension provision.
- The transfer of a range of social costs such as welfare and higher education from the state to individuals.
- Demographic factors.

The UK is not alone. Home ownership levels have fallen in a number of markets including the US, Australia and some European states such as Finland and Ireland. All this is beginning to raise the question as to whether home ownership really is the "natural" tenure of globalised and liberalised economies; an assumption that was unchallenged a decade ago.

All this raises very significant issues, not just about tenure-mix itself but about the consequences of a decline in home ownership. Many Governments have transferred welfare spending from the State to individuals in recent decades and such a transfer has often been justified in terms of an increase in private housing wealth amongst those individuals. The relationship between home ownership and macro-economic performance is another key issue where agreement is by no means universal.

These and a range of other issues deserve to be raised in forthcoming issues of HFI; change in the balance of tenure could well be the next big issue. If you feel able to contribute on declining home ownership, growth in the Private Rented Sector or any other tenure related issue please get in touch.

Our second article also touches on issues relating to access to home ownership. James Mutero offers a fascinating analysis of the actual and potential use of pension funds to finance the development and/or purchase of homes in Kenya, Uganda and Tanzania. This article has relevance well beyond East Africa.

The possibility of Turkish entry into the European Union seems to be a perennial issue. Belgin Akçay provides a valuable perspective on an aspect of this wider debate in an insightful comparison of mortgage markets in the EU with that of Turkey in the light of recent regulatory change in Turkey and the latest proposals by the EU Commission. She provides a helpful assessment of the potential for integration of EU and Turkish markets. With EU markets themselves so little integrated one suspects that this is a rather long-term project.

Shanghai has been seen by many as China's historic window on the wider world. Professor Jien Chen demonstrates that it is also a leading indicator of the state of the Chinese housing and

mortgage markets. He traces the development of the private housing market in Shanghai and analyses the efforts of the Chinese authorities to damp down its volatility.

Francis Eddu offers an important insight into the Rajiv Gruha Kalpa programme in India. This is a pro-poor programme. It focuses on providing access to housing finance for those who would find it difficult or impossible to gain acceptance via conventional mortgage routes. Based in Andhra Pradesh, this state supported project has real potential. The article complements recent HFI contributions on India in adding to the analysis available on this large and diverse market.

Our final article in this Summer issue is again from Turkey. In this second of two articles Yener Coskun provides a serious account of the working of the Turkish real-estate market argues for the establishment of a new Real Estate Regulation and Supervision Agency to oversee that market. Again, this article adds to a growing bank of recent articles on Turkey that should be of real assistance to researchers and professionals.

"The End of the Affair: implications of declining home ownership"
by Andrew Heywood

This report analyses the causes of the continuing fall in home ownership in the UK and the corresponding growth in the Private Rented Sector. It also examines the implications of this profound change for Government and for the affordable housing sector.

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