
A brief history of house-building: what can we learn?



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CENTRE FOR THE NEW MIDLANDS CIC
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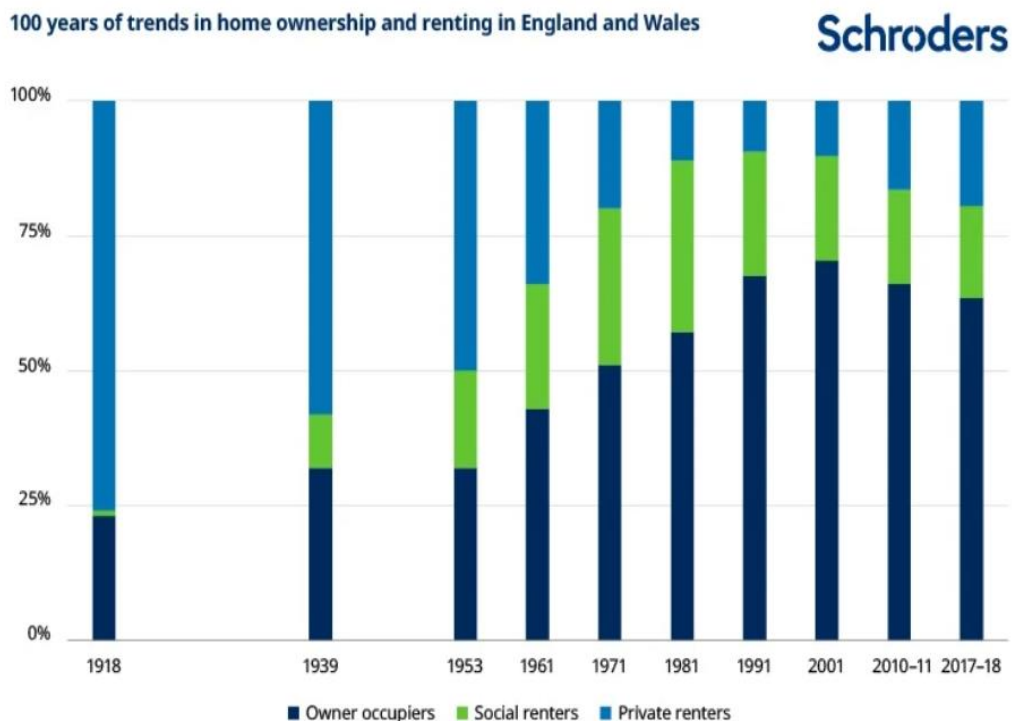
A brief history of house-building – what can we learn?

Even the most cursory examination of news stories of recent years indicates a serious problem with housing. Statistics demonstrate the inter-relationship between owning and renting has altered significantly in the last century. In the 1920s, only a fifth of citizens owned their own house. By 2007, just prior to the Global Financial Crash (GFC), so destructive to the fortunes of banks and individuals, almost three quarters of adults owned their own home.

Housing has always been a 'numbers game' involving market forces and a fair amount of state intervention intended to achieve whatever objective(s) perceived to be expedient at a particular time. This may involve building of social housing or houses provided by developers for sale. There is talk about the housing 'market' and comparison to other utilitarian products such as cars.

However, houses are fundamentally dwellings with the associated emotional baggage this entails. Home ownership, a fundamental shibboleth of prosperity, is closely aligned with the sense of security that comes from possessing the ownership of what's referred to as 'real' estate. For the majority, this means owning the building and any land attached.

Duncan Lamont, Head of Research and Analytics at Wealth Managers Schrodgers provides an indication of the way in which home ownership has altered in the last century.



Urbanisation

The interplay between owning and renting has always been directly related. In the immediate aftermath of the first world-war, creating decent places for people to live was widely accepted as essential for the wellbeing of communities. Though Christmas cards use scenes of Victorian England to evoke sentimentality of an era in which 'values' were cherished, the reality for the majority living in towns and cities is somewhat different.

Rapid migration of people from the land to work in newly emerging factories created urgent demand for dwellings that builders provided. Without needing to conform to modern-day standards now taken for granted, the result was housing in which inhabitants were crammed together and conditions were wholly insanitary.

Such overcrowding, with attendant consequences for of poor health and infant mortality, was a concern during the first world war by the army who identified conscripted men who were insufficiently healthy to fight. Lloyd George's promise to build 'homes fit for heroes' through implementation of the Addison Act giving powers and funding to those with a vested interest in improving housing, local authorities, swept away what had become slum housing. This act influenced the expansion of urban areas we know as suburbs.



Dudley Street, Seven Dials. Gustave Doré (1832-83). 1872. Illustration for Douglas Jerrold's London, facing p. 158

From slums to suburbs

In expanding towns and cities, an essential prerequisite is access to transport. A century ago, when car ownership was still largely the preserve of the wealthy, trains and buses were the norm. Christian Woolmar in his wonderfully descriptive 2004 text published by Atlantic books, *The Subterranean Railway: How the London Underground was Built and How it Changed the City Forever*, makes clear that efficient, and cheap, transport was vital to people being willing to move to the suburbs.

Cities and towns were able to expand urban areas by the provision of housing built on relatively cheap agricultural land purchased by local councils acting with powers included in the Addison Act and developers who recognised there was demand for housing with gardens in a greener environment. The interwar semi-detached houses with front and rear gardens combined with council houses estates became a feature of all major towns and cities.



Source: Professional Builder (published 15h July 2017)
<https://probuildermag.co.uk/features/houses-time-safeguard-wars-part-two>

What's crucial in the economics of house-building of the inter-war years is that the production process was a very local business. Those carrying out the main processes, bricklaying, plastering, carpentry, plumbing, glazing, were local men employed by either the council or local builders, some of whom were engaged in putting up money for the development of speculative housing. Sub-contracting was used much less sparingly than is now the case.

Importantly, the system worked to everyone's benefit and though profits were made, they were not excessive. Equally importantly, the regular flow of work allowed councils and builders to maintain a cadre of qualified workers and, significantly, apprenticeship schemes to ensure a supply of skilled workers for the future.

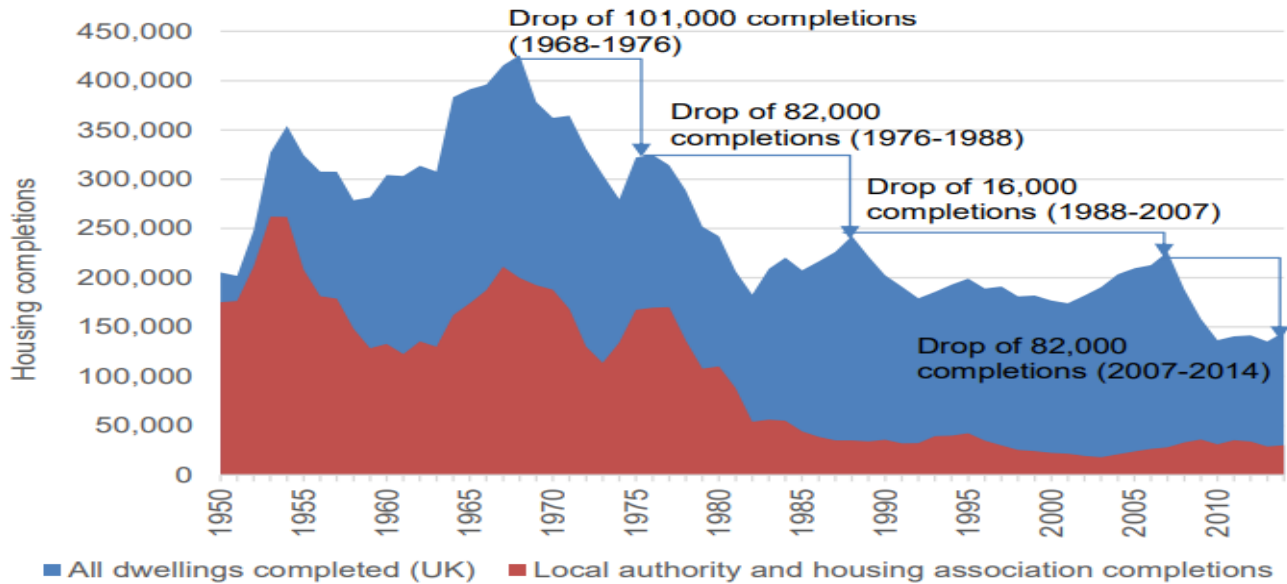
Localism meant people involved had direct interest in creating houses in which they knew the potential occupants. A sense of pride resulted in attaining high standards of work. Costs were remarkably consistent which made predictions relatively easy. For those wishing to move to the suburbs, the cost was not daunting. Those on average wages could afford to buy the speculatively built houses or rent those provided by local authorities.

Such a virtuous arrangement worked extremely well. It was halted not because of inherent problems in the process or actions by participants. Less than two decades after the 'war to end all wars' when a generation of young men had fought in the trenches, a second world war commenced in September 1939 requiring young men to fight again. Any construction was of essential buildings which excluded housing.

Post-war euphoria creates new demand

House-building in England the 1930s had steadily risen to reach 350,000 per year. The war meant no new houses were built which, added to the 220,000 lost (as well as two million needing repair), due to Luftwaffe bombing meant that finding solutions for those made homeless was the priority. Novel solutions included using switching processes used for aircraft to production of 'temporary' steel prefabricated dwellings (some of which still exist).

Political will under a new Labour government led by Clement Attlee, determined that there should be intervention in housing not dissimilar to the 1920s. One piece of legislation, the Town and Country Planning Act 1947, coming into effect on 1st July 1948, explicitly providing what were intended to be rules operated by all local authorities controlling development. As such we have what is known as the 'green belt'.



Source: Department for Communities and Local Government (2016)
<https://www.gov.uk/government/statistical-datasets/live-tables-on-house-building>

As the diagram above shows, following the immediate period of post-war austerity and shortages during which essential need was addressed, supply steadily increased to almost match pre-war levels by the mid-50s and an all-time high of 450,00 per year in 1968. Unfortunately, ever since, overall supply has steadily decreased.

Private housing of this period is sometimes criticised by aesthetes as lacking the elegance of designs constructed prior to 1939. Larger windows may be viewed as indicative of a time energy costs were not uppermost in consideration by designers. One other notable characteristic of this era was the size of the lots and room sizes which, compared to contemporary spec-built houses, seem gargantuan.

However, though traditional house designs were not entirely eschewed by local authorities, the desire to ensure the prevailing zeitgeist of both major parties, that change was fulfilled as soon as possible, resulted in an extensive use of 'system building' that provided a solution to post-war crisis of homelessness.

Though most closely associated with the high-rise flats – a feature of every major town and city – this approach also encompassed lower-level dwellings. As local authorities were to discover, such systems became an expensive burden in terms of repairs and maintenance compared to traditionally built houses.

The end of the dream?

If the 1960s was a decade of prosperity and hope, the 1970s were anything but resulting in an end to the house-building boom. Economic shocks caused by the oil crisis in 1973 and financial crises requiring double digit inflation and the need by the Labour government in 1976 to seek a bail-out from the IMF (International Monetary Fund) sapped confidence. Speculative house-builders went bust and local authorities had much less cash to dedicate to building dwellings.

The early 1980s, when unemployment reached levels not seen since the great depression of the 1930s further reduced confidence, combined with the monetarist policies of the Thatcher government meant that reduction in the supply of housing continued.

Whilst a detailed analysis is beyond the scope of this article, two influences have ensured the overall number of 'units' built has decreased causing a severe shortage in both private and public housing. The so called 'Right to Buy' introduced under Thatcher meant that those living in council houses could purchase their properties.

For those living in traditional houses built in the inter-war period, this represented a good investment and aligned perfectly with Thatcher's espoused ideology of a 'home owning' democracy. However, for councils, selling 'best' properties meant councils lost valuable greatest assets and lost revenue from rent. Financial pressures for councils in providing houses was intensified by rapidly increased costs of repair and maintenance to non-traditional dwellings.

What's important to remember is that if councils had been allowed to reinvest in replacement of houses sold which has severely depleted their ability to deal with demand, the crisis we're experienced in social housing would be somewhat lessened. Instead, councils are forced to spend money on expensive temporary accommodation, including bed and breakfast, which reduces finance that might be used more sensibly elsewhere. The overall result is that the lack of supply in accommodation by traditional providers (councils), has ensured rents have risen attracting lucrative returns by so called 'bye-to-let' landlords. This, in turn, has caused the price of private housing to increase further undermining the ability of first-time buyers to own their own home.

Social housing is vastly less available that when compared to the post war decades with attendant consequences for social mobility and health both physical and mental. Though greater activity by housing associations has assisted, the investment made by such organisations in no way compensates for the lack of supply from all providers.

The 'affordability' conundrum

House-building, as a localised activity has been transformed in the last 40 years by the dominance of large national corporate concerns <https://www.bbc.co.uk/news/business-39752869>. In building a house, it is obvious that the one resource that is fixed in location and quantity is, of course, the plot.

Analysis of construction costs show that whilst the overall elements of buying and fixing of components may have risen broadly with the prevailing rates of inflation, the cost of land has not and has massively increased.

This may be explained by what many see as the malign power of large developers who have the will, and deep pockets, to outbid smaller regional and local counterparts. Cash-flow is essential to all businesses but, especially following the financial crisis of 2008, those large house-builders that survived, energetically engaged in both debt and operating cost reduction.

Large builders have become efficient in ensuring they can manipulate the market to suit their needs. They buy land when the economy is in the doldrums and can afford to sit on their 'land bank' until the time is right to sell when, the environment is more benign. Incentives offered by government, such as 'Help to Buy' and the Stamp Duty 'holiday' have, according to research carried out by Sheffield Hallam University, enabled large house-builders to enjoy profits of up to 500% and, in the case of Persimmon, the UK's largest provider, to make £66,000 profit on every house and its directors to share a £400 million bonus.

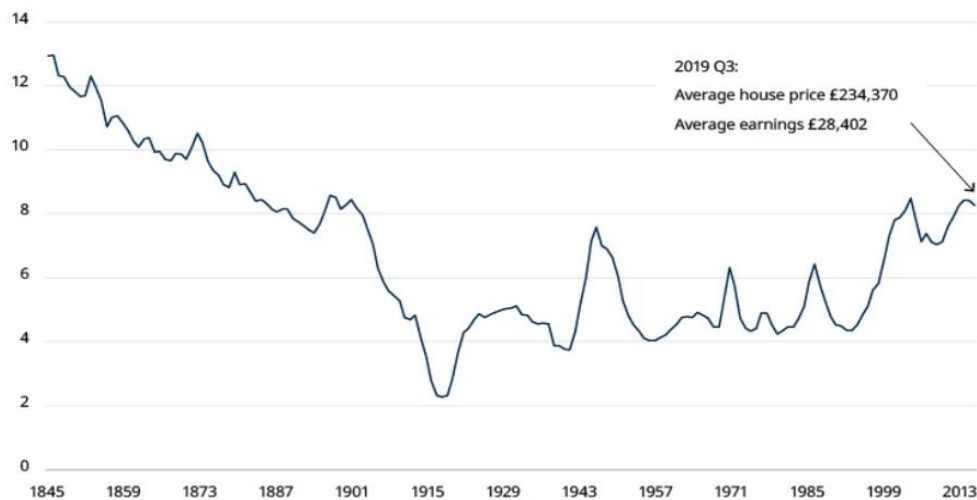
Higher costs are passed onto potential customers who, faced with a lack of supply, must pay more for new houses that are smaller than those built a generation ago. This is good for developers and, as cynics contend, where is the incentive to increase the supply of new houses?

The impact of increased value of land correspondingly raised the price of all houses. As the diagram overleaf demonstrates, house prices are now nationally about eight times average earnings. As always, this average hides regional and localised disparity meaning the ability of those wanting to own their own home is limited by a host of factors including availability of well-remunerated employment and supply of houses where they want to live.

Commuting vast distances is now commonplace which, as well as being stressful, results in clogged motorways and packed trains. It's quite common for workers in London, where houses are eleven times the average wage, to spend five or six hours a day travelling to their place of work.

House prices as a multiple of average earnings

Schroders



Source: Bank of England, Land Registry, Office for National Statistics, and Schroders, as at 30 September 2019. 377779

Property in some parts of England have always been expensive. Though there has been in recent decades a pronounced north-south divide, and London has always tended to be more expensive than anywhere else for housing, as Schroders' Duncan Lamont points out, **regional divergence is a relatively recent phenomenon; "In the three decades prior to the mid-1990s, there was relatively little difference between different parts of the country."**

Conclusions – solutions are possible but need political will

Covid, like war, demonstrates that if the need is urgent money can be found. **Lack of affordable housing blights the prospects of far too many citizens making social progress far harder than it might otherwise be.** History attests that previous governments recognised that investment in all forms of housing is beneficial to health, employment and potentially solving regional disparity.

This, naturally, requires vast investment, especially in social housing, that may seem avoidable in the current economic crisis. Equally crucially, there must be a will to create a fairer market in private house-building to increase affordability. *Profits before Volume? Major house-builders and the crisis of housing supply* by Tom Archer Ian Cole of Sheffield University's Centre for Regional Economic and Social Research provides some good thoughts on how this may be achieved.

The question is, does the current administration possess sufficient desire to confront the problems through radical intervention?

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Dr. Steven McCabe is co-editor of *Brexit and Northern Ireland, Bordering on Confusion* (published by Bite-Sized Books, ISBN-13:978-1694447807) and *English Regions After Brexit: Examining Potential Change through Devolved Power* (published by Bite-Sized Books, ISBN-13: 979-8666953099).

He has contributed chapters to a number of texts in the last year (in 2020 unless otherwise stated): *Brexit Negotiations after Article 50: Assessing Process, Progress and Impact* (published in 2019 by Emerald Publishing, ISBN: 978-1787697683); *The Wolves in the Forest: Tackling Inequality in the 21st Century* edited by Hindley and Hishman (published in 2019 by Social Liberal Forum); *Boris, Brexit and the Media* edited by Mair, Clark, Fowler, Snoddy and Tait (published by Abramis Academic Publishing, ISBN-13: 978-1845497644); *The Virus and the Media: How British Journalists Covered the Pandemic*, edited by Mair (published by Bite-Sized Books, ISBN-13: 979-8643725824);

The Pandemic, Where Did We Go Wrong? edited by Mair (published by Bite-Sized Books, ISBN-13: 979-8665858326); *BBC, A Winter of Discontent?* edited by Mair (published by Bite-Sized Books ISBN-13: 979-8694863117) and *The Pandemic, Where are We Still Going Wrong?* edited by Mair, (published by Bite-Sized Books ISBN-13: 979-8563726338).

