

2017-8 Lecture Series:

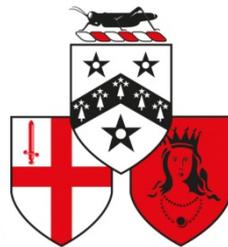
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# Blueprint for Brexit Britain: The Housing Market and the Economy

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National Institute of Economic and Social Research

“Private places, where every parent hath his children taught within his doares have but small interest in this place: bycause such a parent, as he may take or leave of the generall traine, what it shall please him, his owne liking being the measure to leade him: so for exercise, or any other thing he is the appointer of his owne circumstance, and his house is his castle.”

Richard Mulcaster, 1581.

“The poorest man may in his cottage bid defiance to all the forces of the Crown. It may be frail—its roof may shake—the wind may blow through it—the storm may enter—the rain may enter—but the King of England cannot enter!—all his force dares not cross the threshold of the ruined tenement!”

William Pitt the elder, Earl of Chatham, 1763.

“People want a home they can call their own.”

Margaret Thatcher, Party Political Broadcast, 28<sup>th</sup> August 1974.

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# Housing Market and the Economy – Demand and Supply

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## Demand

- Leveraged House Purchase and Role of Equity
- Foreign Ownership
- “Financialisation”
- Tax System

## Supply

- Building and Planning Permission
- Role of Construction
- Rental Market
- Tax System

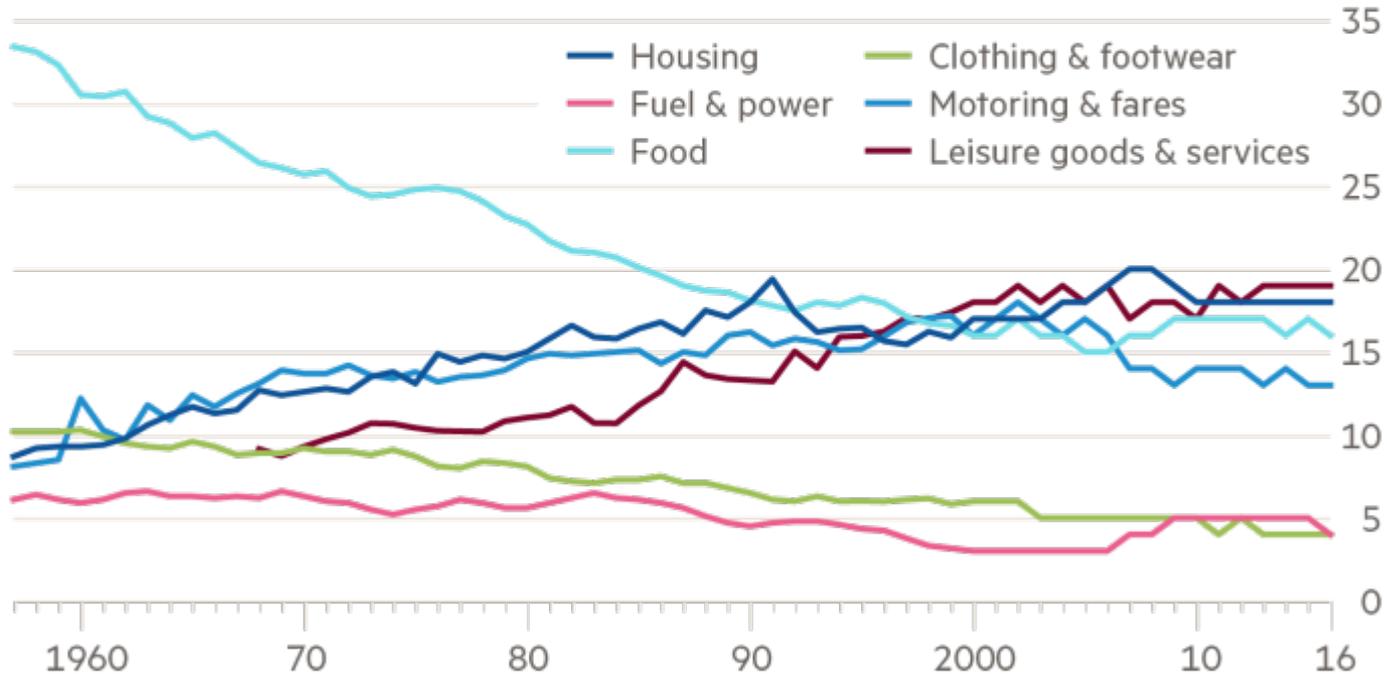
## Macroeconomic Issues

- Part of MTM
- Role in Consumption Smoothing and Macro Prudential Issues
- Inter-generational issues
- Financial System allocates by collateral
- Regional Disparities



# What UK families spend their money on has changed over the past 60 years

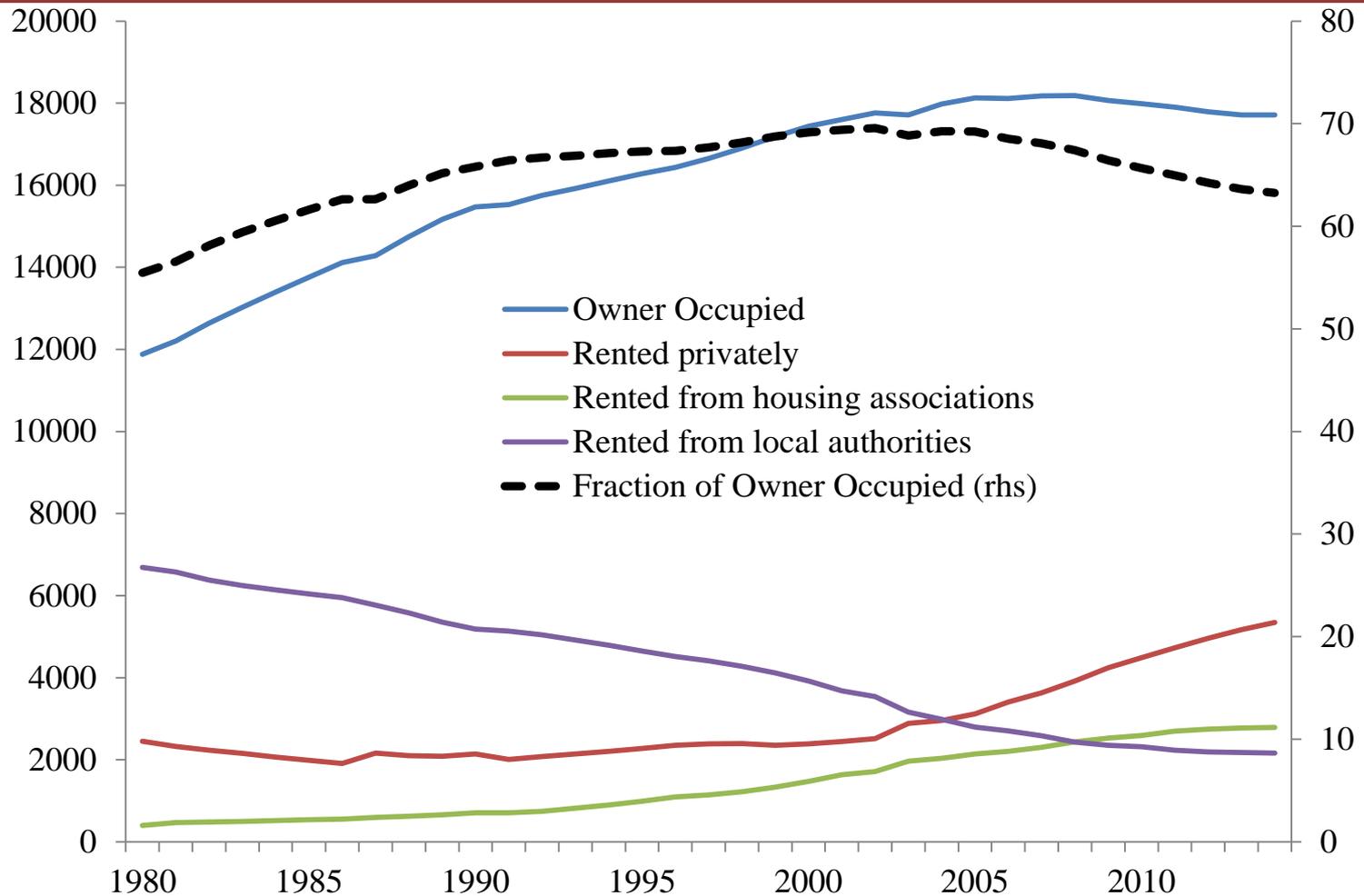
% of household spending



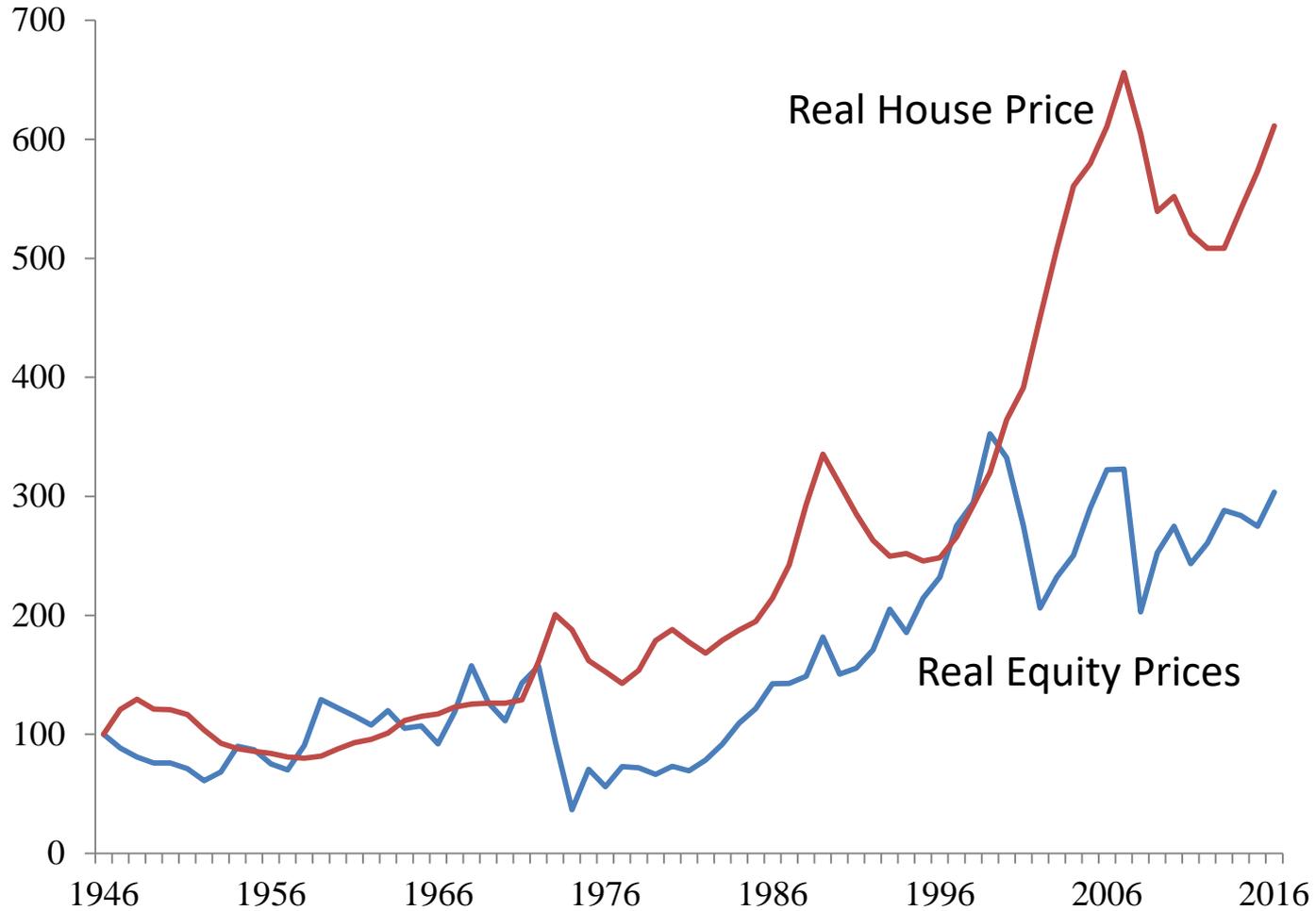
Source: ONS  
© FT

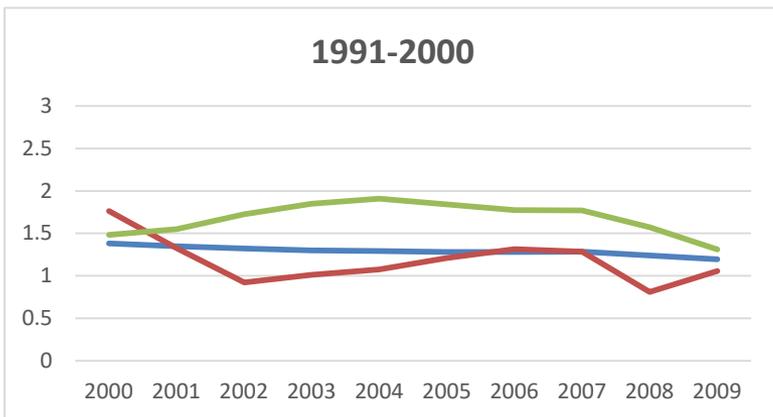
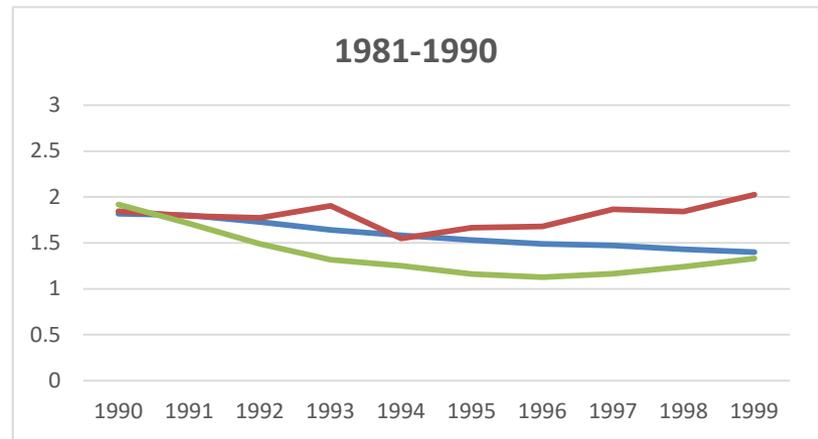
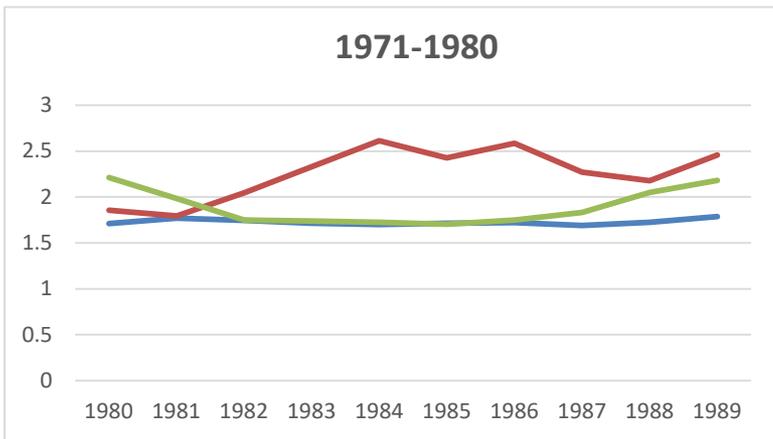
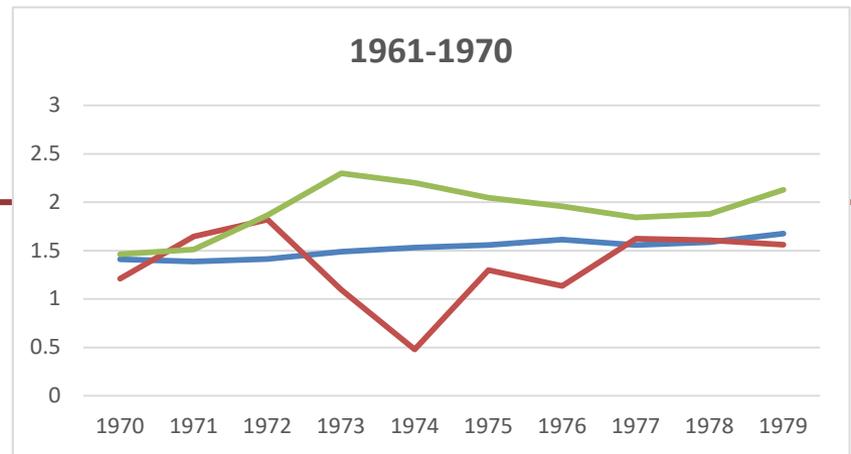
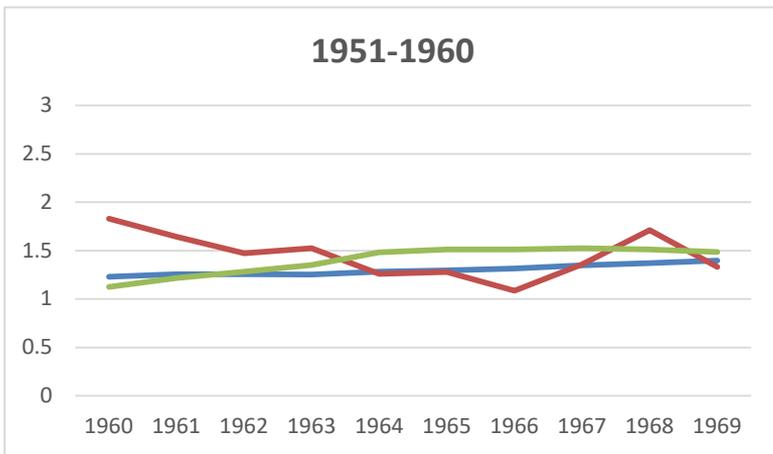


## Trends in Home Ownership (000s)



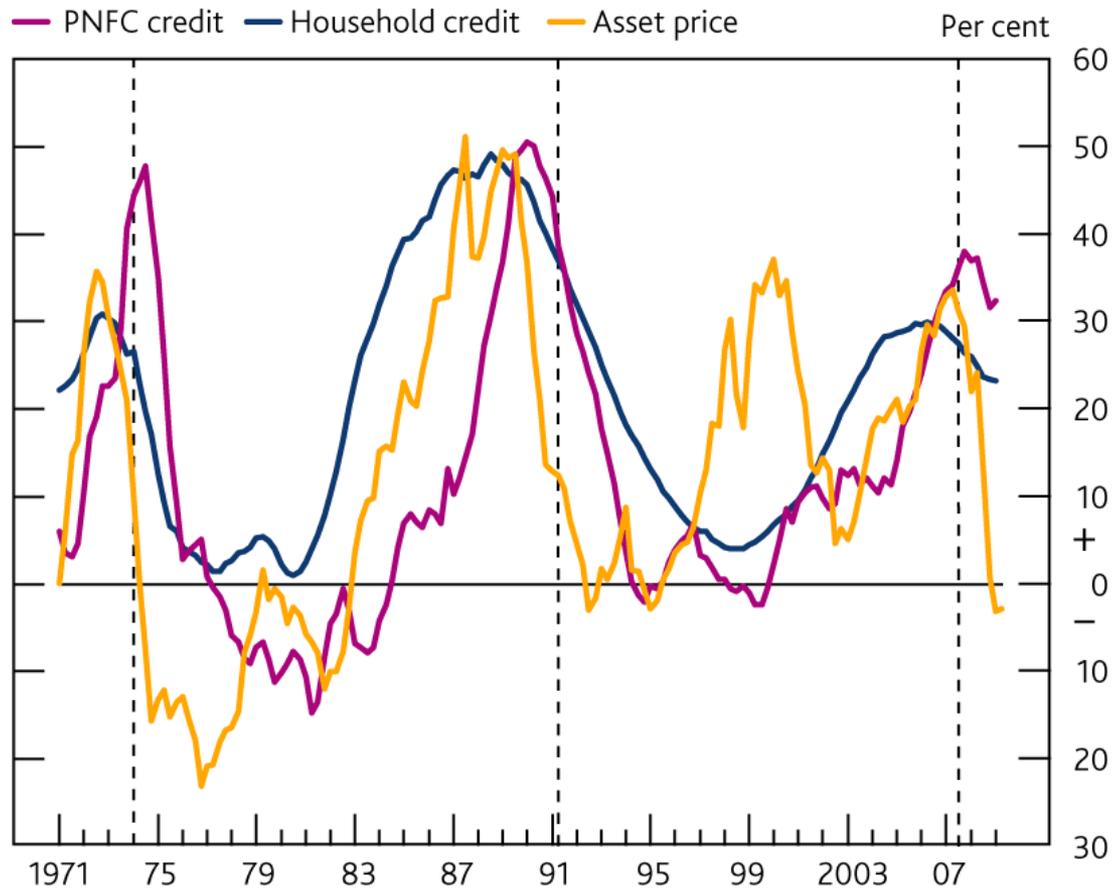
# Real Housing Prices and Equities Index





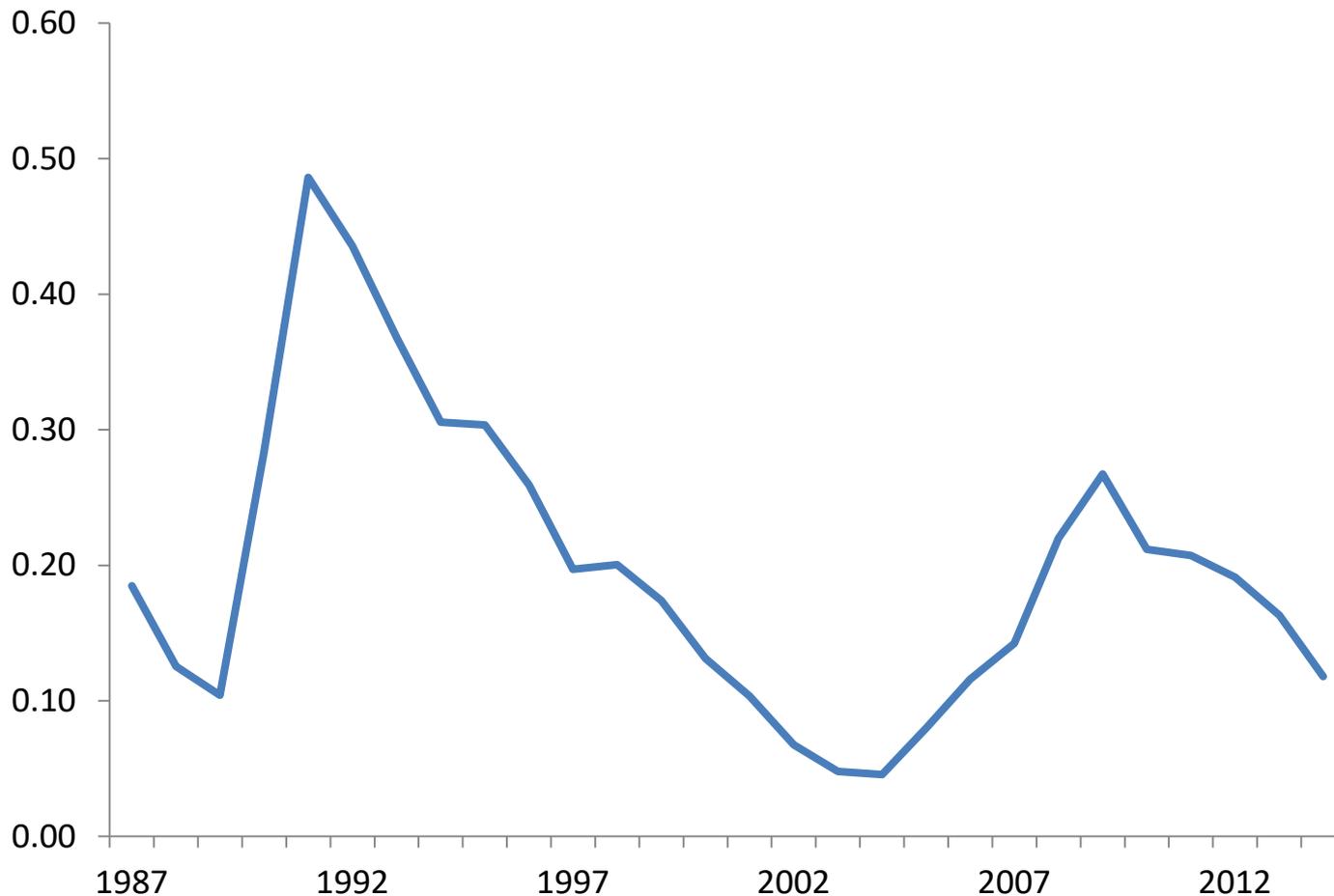
Equities (red) and housing (Green)  
and bonds (blue)  
Source: UK data.

# Asset prices and credit in the United Kingdom

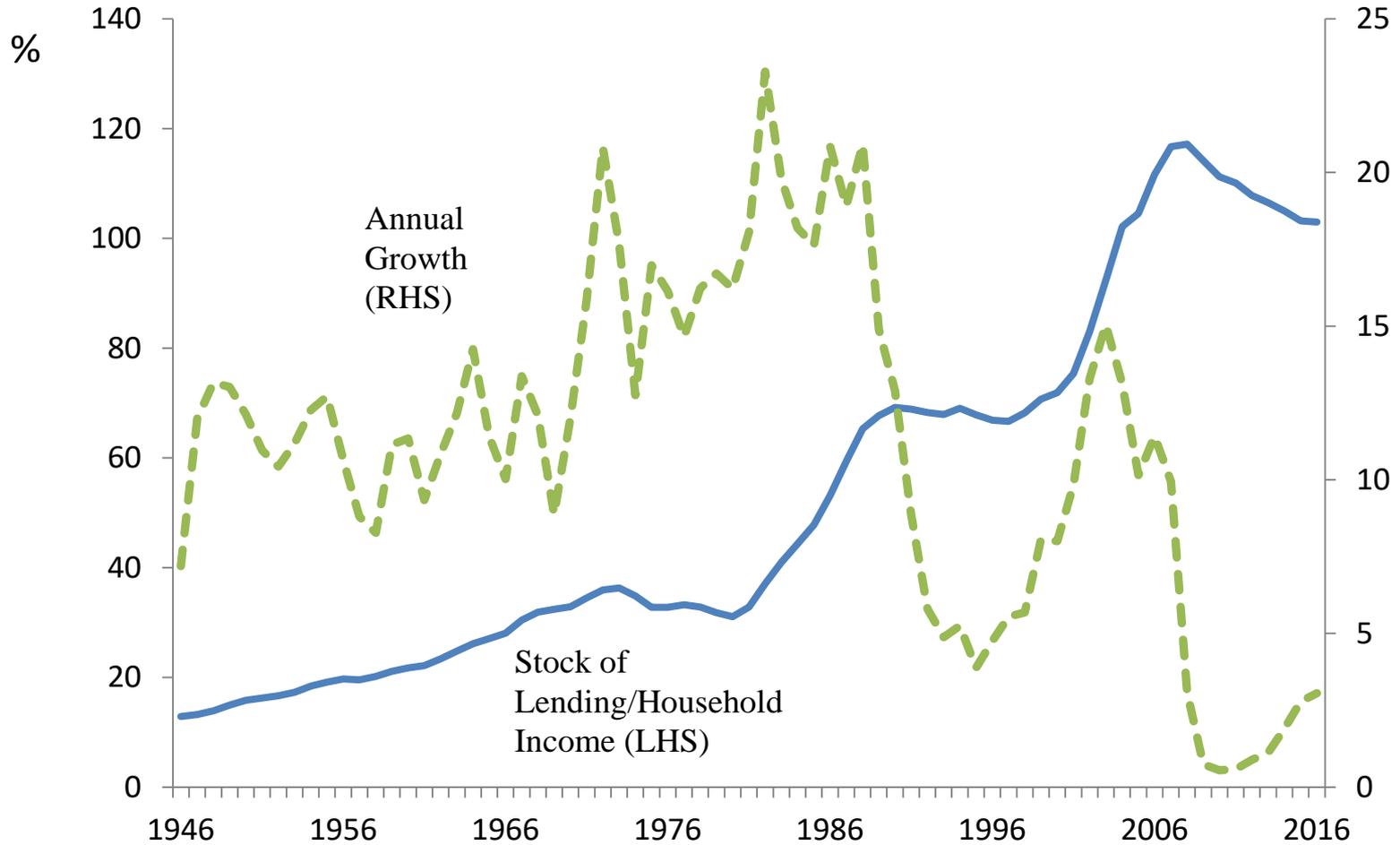


## Percentage of Repossessions in England and Wales relative to all Homeowners

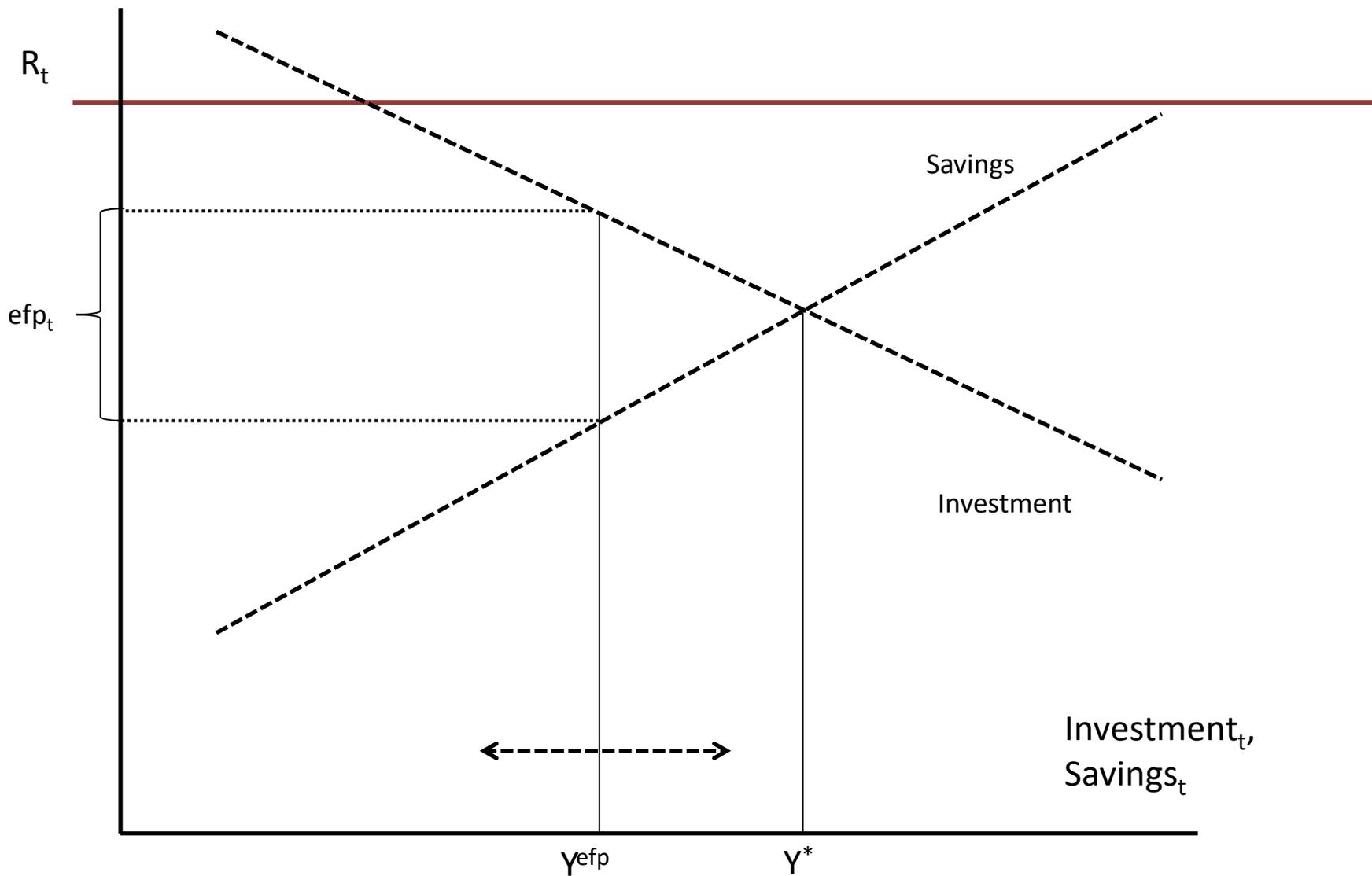
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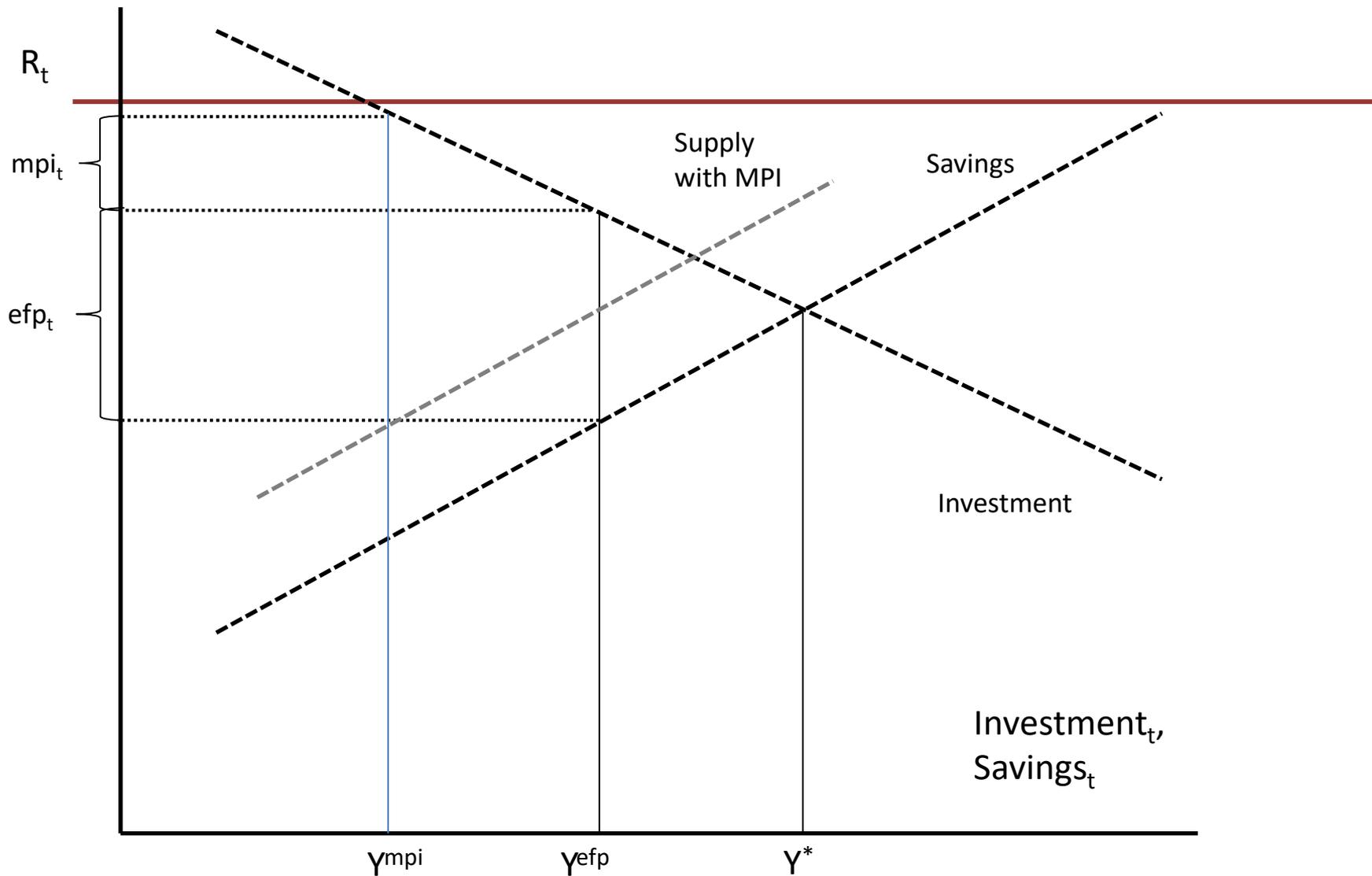
# Secured Lending to Housing and NPISH



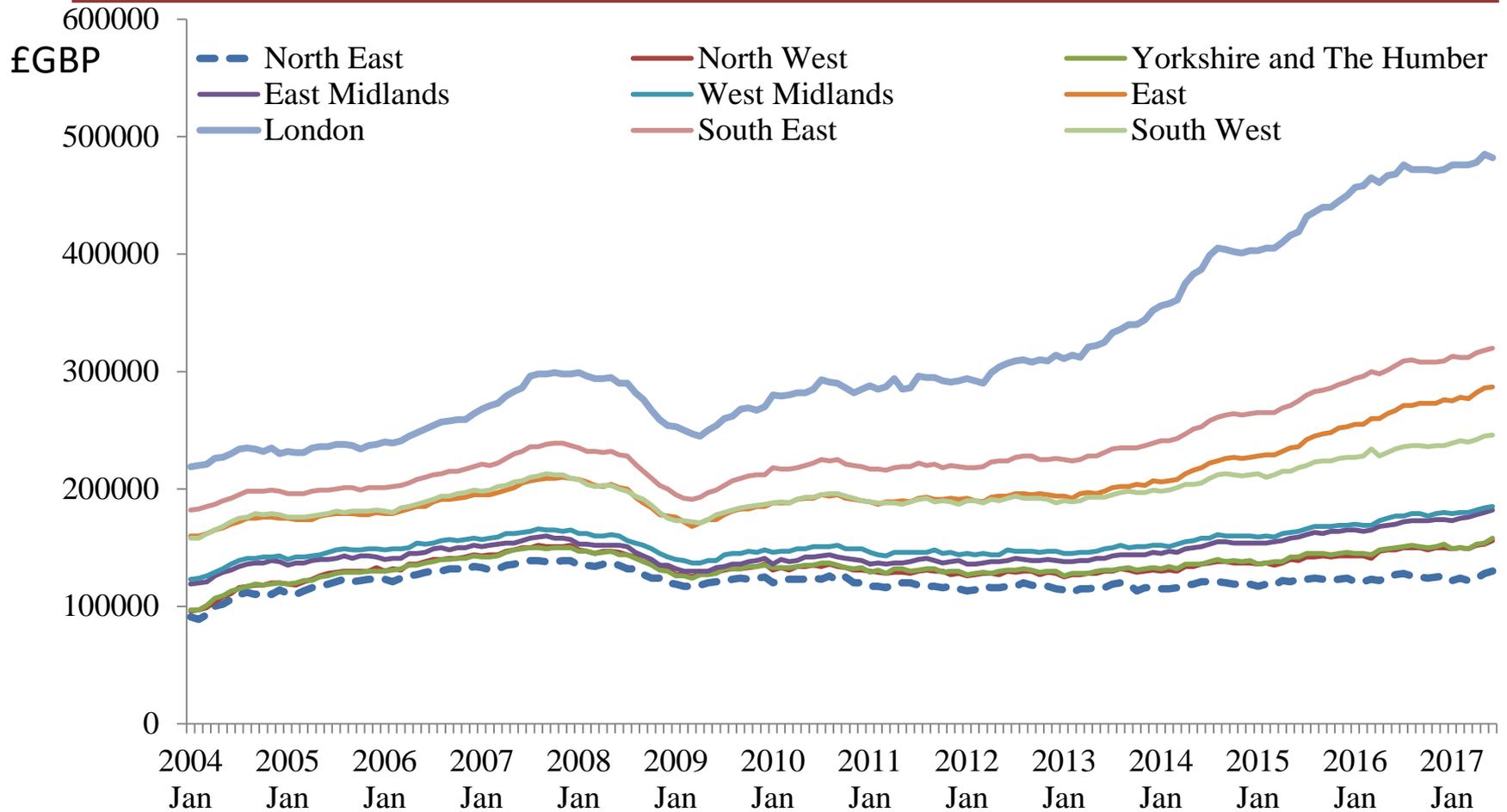
# Savings and Investment with premia



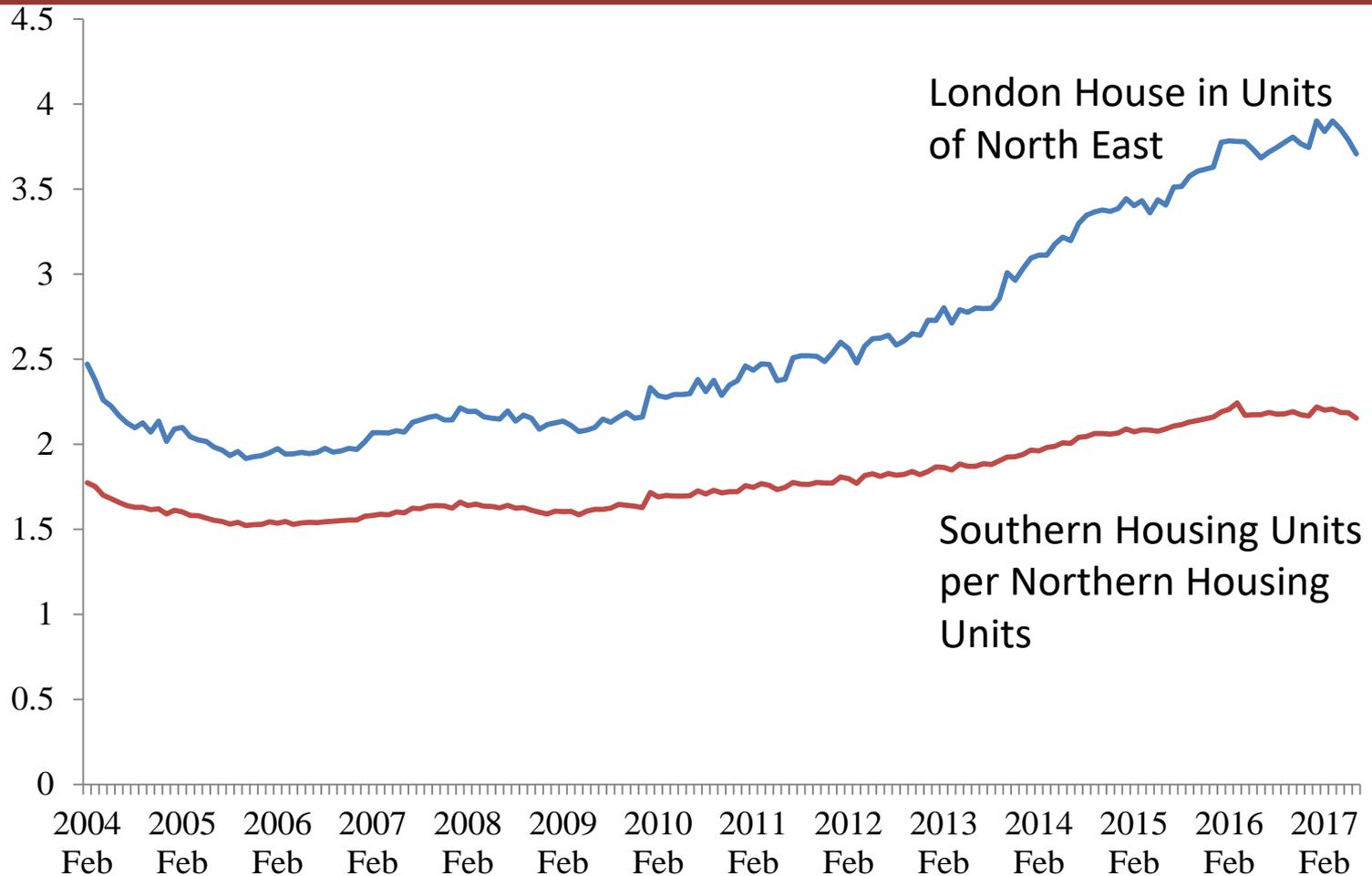
# Savings and Investment with premia and MPIs



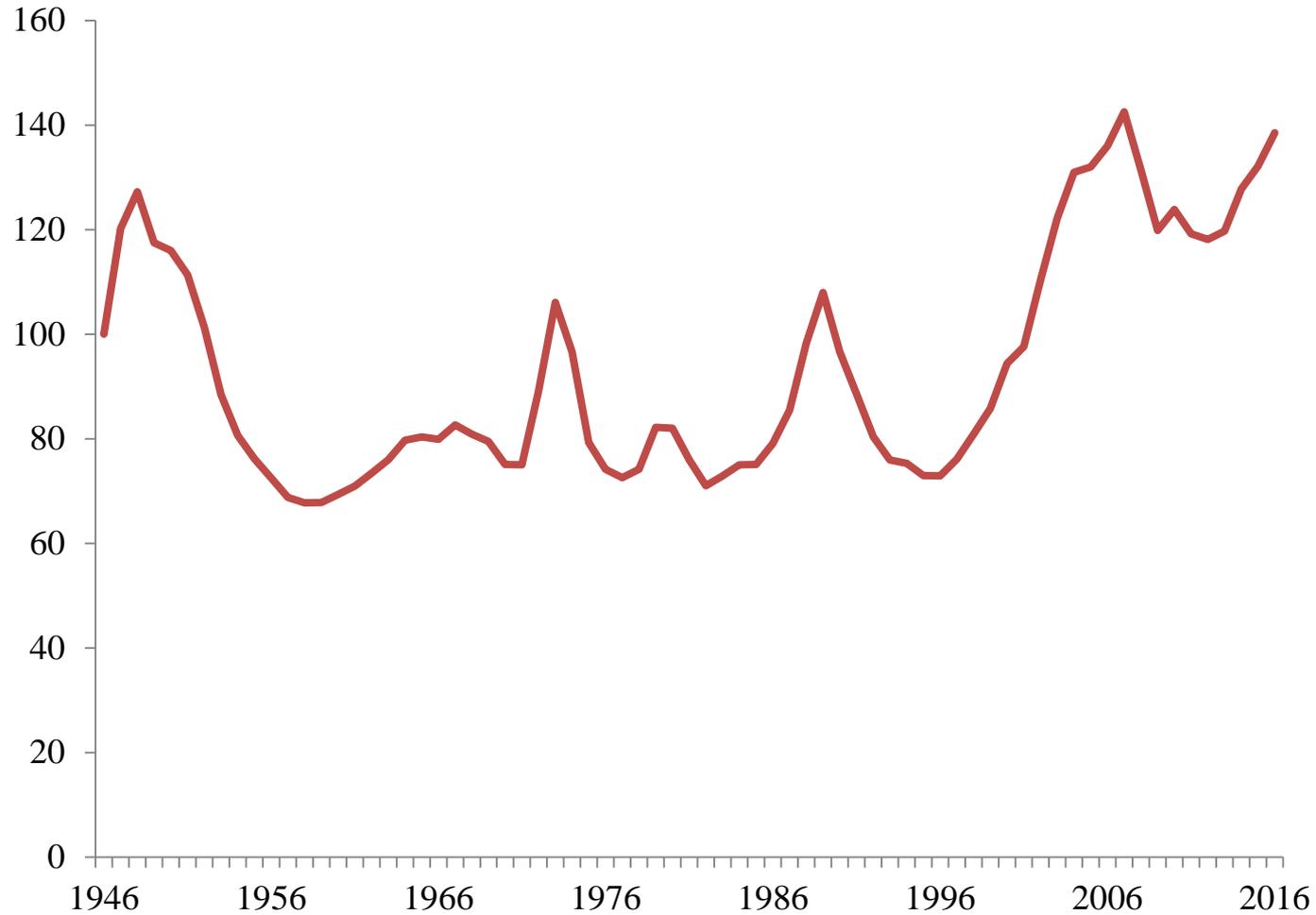
# Housing Prices in the English Regions



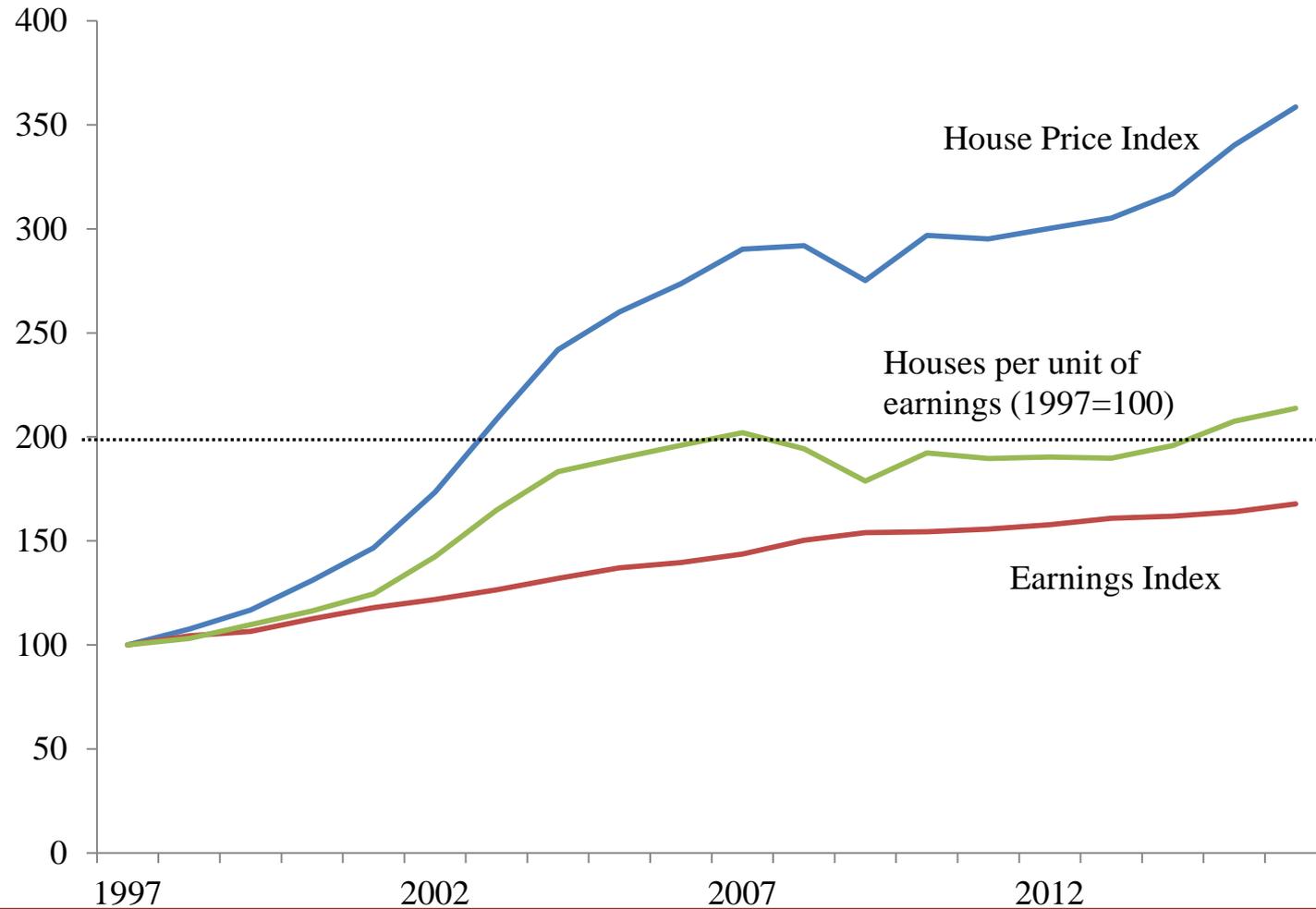
## The Dispersion of Housing Prices in the English Regions



## House Price Index Relative to Weekly Earnings



## Affordability of Housing in the last 2 decades



## Table 1. Balance sheet of the household sector, 2015 (£Bns)

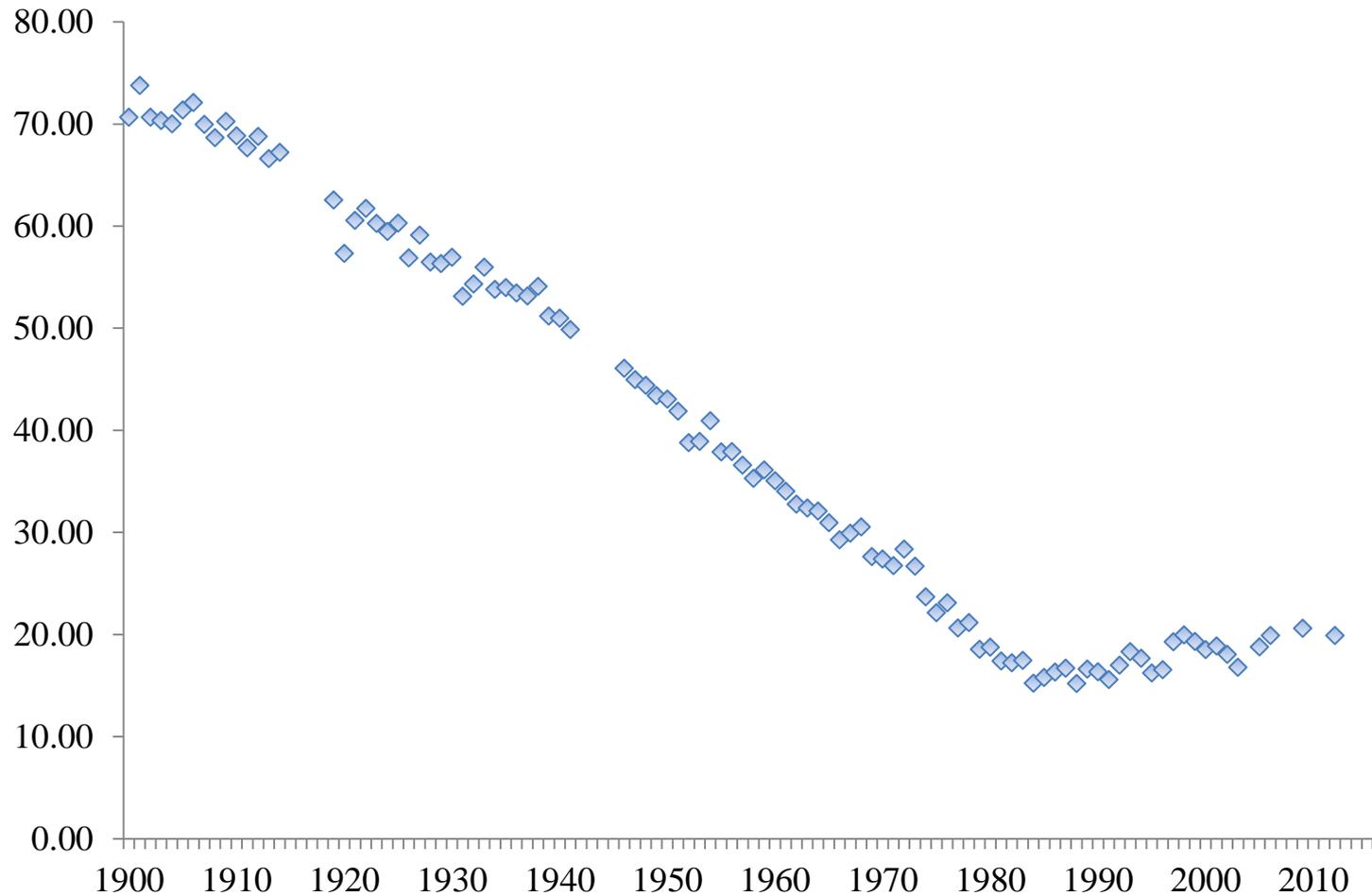
Table 1. Balance sheet of the household sector, 2015

Assets			Liabilities		
11,948			11,948		
<i>Tangible Assets</i>	5,637	47%	<i>Financial liabilities</i>	1,751	15%
Real Estate	5,307		Loans	1,622	
Durable goods	330		Insurance & pensions	64	
			Debt securities	3	
			Other	62	
<i>Financial Assets</i>	6,311	53%	<i>Net Wealth (= Assets –</i>	10,197	85%
Insurance & pensions	3,731		<i>Liabilities)</i>		
Equities	791				
Cash & deposits	1,474				
Debt securities	94				
Other	221				

Source: ONS, National balance sheet: households & non-profit institutions serving households (NPISH), £ billions



# Wealth Shares UK held by Top 1%



## Economic Issues

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- Lending is property based
- Limited availability of equity participation
- Household sector is “overweight” in housing wealth
- Significant regional and distributional issues
- But wealth inequality has not increased markedly

## Questions

- Is regional labour mobility hampered?
- Should planning be relaxed again?
- Is inequality insufficiently tackled by current tax regimes?
- Are MPIs denying credit to poorer households?
- What about taxes on wealth?

