

CLC LECTURE

London's Housing Market: The Problems of a Globalised Property Market

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This talk by Chris Hamnett examines the importance of affordable social housing in cities like London, the growth of social housing until 1980 and its long term subsequent decline. It looks at the various processes which have led to the reduction of affordable housing, including right to buy, Long Term Voluntary Transfers, private redevelopment and reductions in welfare benefits, and London's growing role as global investment destination. He will explore how social housing reached a peak in 1980 and has since then been halved as a result of some of the above processes.

Lecture Segment

Clarice Chow
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Today, we are delighted to have with us Professor Chris Hamnett, Emeritus Professor of the Department of Geography in King's College, London. Professor Hamnett is a leading British expert on housing wealth and inheritance, as well as a leading researcher in the fields of social polarisation, gentrification and housing. He has authored or co-authored numerous books including Cities, Housing & Profit: [Flat Break-up and the Decline of Private Renting], Winners and Losers: Home Ownership in Modern Britain and Unequal City: London in a Global Arena.

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Today's lecture will start off with a presentation by Professor Hamnett followed by a Q&A session with the audience, moderated by Mr Yam Yujian, Director of Property Research in the Urban Redevelopment Authority [URA]. We would now like to welcome Professor Hamnett to commence his presentation. Professor Hamnett, please.

Chris Hamnett

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"The rise and fall of affordable social housing in London," I think you can see this. So, the focus of the talk really is pretty clear. I want to look at some of the major market changes which have reshaped London in recent decades and I want to really focus on the historical growth of social housing to a peak, really now for what, 35 years ago, and its subsequent decline. And I'm going to try to touch on the role of gentrification, the growth of a global housing market and the erosion of low-income housing and inclusive neighbourhoods in the process. And I've got some pictures which I hope you might find informative or entertaining.

So obviously the starting point is that really, London, like Singapore, is one of a handful of the world's leading global cities: leading financial centre, major roles in law and business, et cetera. And although obviously there's some issues about this in terms of Brexit, the fact... When you have a global city role, it's got major implications, I think, in terms of the labour market, housing market and migration.

Global Cities: Implications on Housing

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Global cities, very clearly, are linked into the global housing and global property market. And I think the key takeaway from that is that almost inevitably, housing in these cities, certainly private-market housing, is much more expensive than it is in non-global cities. So, whether one is looking at New York or London, Hong Kong, Paris et cetera, they've all got pretty similar characteristics.

Now I think one of the key implications of this—and a very self-evident one, but nonetheless really important—is that high housing costs simply tend to squeeze out the poor unless there are countervailing policy

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measures. And I think we see this phenomenon very clearly in, for example, Silicon Valley in the US, San Francisco. Basically, the wealth [and] the high incomes of many of the high-tech entrepreneurs have **really** pushed up house prices to the extent that many lower-income people now are having to live maybe 50, 60 miles out of the city and to basically commute in, again with consequent commuting cost, time cost and all the rest.

In Paris, I think we see very clearly, a lot of the low-income groups are now almost entirely squeezed out of the city of Paris, beyond the periphery, out into the social housing in the suburbs. So, you've got a fairly classic "richer in the city-centre, poorer in the suburbs" divide. Again, I think New York exemplifies this. I remember, probably 10 years ago naïvely asking a cab driver...I had just arrived at the airport and he was driving me into the central city and I said, "Oh, do you live in Manhattan?" He turned, he said, "Look mister. I'm just a cab driver, I can't afford to live in Manhattan." I forget where he told me he did live, in the Bronx or somewhere, but he said, "Only rich folks can afford to live in Manhattan."

So I mean I'm exaggerating slightly but basically, when you get a global city, high house prices tend to squeeze out the poor, unless you have some countervailing social housing provision. And this kind of process is intensified by gentrification and that has been intensified in London really by the reduction of social housing and cuts to housing benefits and rent subsidies.

I should perhaps say...I'll probably...you can press me on this if you want, I'll try to be a bit more precise—but I'm probably going to use the term "public housing", "social housing" and "council housing" often rather interchangeably in a rather loose way, but you'll have to live with that.

So, my focus will be very much on London, with some...I've tried to pick up some issues where there are implications for Singapore or really

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major differences. One of the key issues, I think, is the key point about social mix in cities. This is something which has grown in importance in recent years and I think is enormously important in terms of cities being able to function effectively, because there's always this basic need for people to drive subway trains, buses, delivery trucks, collect the garbage, et cetera, et cetera. And you cannot have a functioning city, as far as I am aware, where these basic jobs are not done.

But the question is: where do the people **actually** live? One of the things we've seen in London, [which is] causing quite a lot of problems actually is that the basic workers have been increasingly squeezed out. One of the issues which became important in the last few years is that quite often, the firemen, and now a growing number of firewomen, can't afford to actually live in London. So, what they've been doing is working a number of sort of compressed shifts and they have been sleeping in the fire stations during the day that [*sic* when] they are on night duty. And then they might be doing like a 40-hour week, but compressed probably into about three days, and then they drive out to wherever they happen...they and their families happen to live, 60 or 70 miles outside London.

And this is now also a problem in terms of the police. Many of the police are actually commuting into London from new towns et cetera outside, because they simply can no longer afford to live there. And the police housing, which used to be provided in blocks—I mean policemen no longer want to live in such housing. But secondly, the Metropolitan Police Authority has tended to sell off all of this housing and the local health boards have sold off a lot of the nurses' housing as well. So, the housing which had been provided for basic service workers has very much disappeared.

Considering Social Housing in London

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Now, going back in time, I think the key issues to start with, is certainly the failure or the inability, perhaps I should say, of the private market to

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provide housing for the poor; and the really bad housing conditions in the mid-late 19th century led to this growing pressure to act. I think London is not unique in this, but it's a really good example. And it led to eventually, through a lot of political argument, the approval of the London County Council (LCC) to acquire land and develop subsidised social housing.

And the first development, I will show you a picture of it in a moment, was something called the Boundary Street development at Tower Hamlet in 1890, and this replaced a notorious slum housing area. And basically, the London County Council was given the power to levy a tax or a rate in order to purchase land and then to transfer the land, if you like, for social housing purposes at a subsidised rate.

This generated, I should say, enormous political opposition because the...should we say, the "right" or "Conservatives" at the time had basically said, "Look, if you start to provide people with social housing, with pensions, with welfare schemes of any kind, this is going to undermine people's motivation to work. This is going to create a large group of the population who are basically idle, feckless, et cetera, so we shouldn't be providing any of this. People have got to fend for themselves, and because that's what really puts them on their mettle."

Now unfortunately, that argument was defeated, at least temporarily. But there was also, and I should say, it really pre-dated the local authority, the state housing provision. There was [*sic* were] quite a lot of charitable housing provisions in the mid-19th century from philanthropists like Peabody, Guinness, et cetera. And many of these people [were] very wealthy, and they basically thought it was possible for us to provide housing for the poor and to be able to do it and to earn a five percent return on capital—so that this movement became known as "five percent philanthropy." But of course, the only way in which you could do that was to provide housing for the skilled working class, who were probably even the top layers of the skilled working class, because

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only they could afford the rents which were necessary in order to yield the return on capital. So even charitable housing was never able to actually provide for the lowest groups, they've always had to find their own solution in the market.

This is a classic picture engraving by Gustave Doré [b.1832–d.1883], London, [in] about 1860 somewhere down near Waterloo—incredible level of congestion, many households sharing a single house, multiple occupancy—all of the classic problems of very rapid urbanisation. So London, basically, in the 19th century grew from about one million people at the beginning of the century to six-and-a-half million by the end. I mean it seemed huge at the time. I guess compared with what we see in Chinese cities today, this was just a training exercise what has followed in the last 30 years. But the characteristics, really, was of enormous overcrowding, very poor housing conditions and rents—a very high proportion of income.

This picture actually is not London, this is of street boys in New York in the 1890s. Of course, anyone who thinks the US has always been characterised by enormous levels of affluence really needs to think again because in the 19th century, New York, Chicago, Boston, all of these cities were characterised by huge concentrations of poverty and deprivation.

Now this is a picture of some of the...actually, here is the P. Let's see from here, "P" for Peabody. This is one of the first charitable housing developments in London, and it may look a little bit barrack-like by today's standards, but [it was] very well built, still-standing, and still actually providing housing for much the same groups as it was first designed to do. So this housing [is] probably 120, 130 years old and still very much in business.

This is another charitable housing development, again, probably looking about 1890s. The rooms are very small, but the key thing is that almost

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all of these houses had a kitchen, and they had running water. I won't say hot running water but they had running water and a WC [water closet]—so an enormous improvement on what had gone before. And this was considered enormously desirable by the skilled working class, if you could manage to get a flat in one of these developments.

Now, that was in the sense the charitable housing, but the big growth of municipal housing in Britain came in the inter-war period and then in the early post-war period—the 1950s and the '60s—and up until about the middle of the 1970s. Now, the thing that has become very, very clear to me is that the absolutely key difference between public housing in Singapore and public housing almost anywhere else is that public housing here, as far as I am able to understand, is for the most part provided through home ownership. Built by the state, people are able to put down a relatively small deposit, possibly a kind of subsidised mortgage. This has never been the situation in Britain. Public housing in, I would say, in Europe and in Eastern Europe as well, and in the US has always been for rent, never for purchase because [of] the notion that if people—public housing residents—could buy their properties, was never...it just never entered into people's imagination. So this is, I think, something which is almost unique to Singapore. And it's a remarkable achievement because in the more affluent western-developed countries, they've achieved the level—I'm thinking here the US, Canada, New Zealand, Australia, Britain, France, et cetera—they achieved a level of home ownership which kind of topped out to about 70%. And of course in Singapore, you've got 80%, even though that's through public housing provision. So, it's extremely unusual, I think.

This is a picture, I should have given this earlier, but this is the Boundary Street development in East London, in Tower of Hamlets. This is literally the first public housing development in Britain. And again, it had running water, water closets, kitchens, and it was an enormous improvement on what had gone before.

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This is the kind of housing that was being provided in the 1930s in terms of social housing in the inner city. In the suburbs, you've got more terrace housing, low-rise housing, but this is [a] classic, I guess, four, five storey walk-up apartments, no lifts in this kind of building. But the big change, I think, really was in the immediate post-war period, because in the aftermath of the Second World War, the bombing, the city, the poor condition of a lot of the old, private rental housing, it led to a really widespread clearance and redevelopment effort [which is] compulsory, I should say, in most cases—compulsory clearance and purchase. And this saw the...in inner London, a conversion of quite large parts of inner London, from private rented housing into social housing. And particularly into high-rise, or certainly high-density estates, maybe five or six storeys, and in some cases 20 storeys or more.

So inner London, which I should also say, [was] labour controlled. So politically, there was a very strong motivation to provide subsidised housing for the electorate, for the working class and to do so on a...to retain, partly, the population so that they weren't displaced outwards. So there was perhaps, a reciprocal view here between the Labour politicians and the residents. That there was a benefit. Whereas of course conversely in the suburbs, which always tended to be Conservative controlled, though it's quite strong opposition to social housing, people wanted to retain private market housing. And that's why you have a quite distinct geography between inner and outer London.

As a result of all of this, up until one of...we have many, of course, financial crises in Britain in the post-War period. But one of the most important was around 1974, '75, the...I think that was the IMF [International Monetary Fund] crisis in '76. And at that time, basically large-scale social housing construction really began to grind to a halt. But during this period up until about 1981, we actually found that in inner London, something like 42% of all households were living in social housing. That was very much the high watermark of social housing in

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London because essentially, we had the financial crisis. Tony [Charles Anthony] Crosland [b.1918–d.1977], the Labour politician famously told local authorities, he said, his words were “The party’s over. You’re not going to get lots of government funding for social housing anymore.”

But of course in 1979, we saw the election of Mrs Thatcher and one of her very popular election policies was the introduction of a “Right to Buy”, which gave council tenants—social housing tenants who had occupied their homes for more than a certain number of years—the right to buy them at a subsidy it takes, or at a discount to the prevailing market price. And that proved really quite popular with a substantial chunk of social housing tenants who were able for the first time to make the transition from tenants to owners—and of course this is a big difference between Britain and Singapore.

Now, the real...’81 therefore, marked the high watermark of social housing and with the introduction of Right to Buy, we’ve seen the collapse, or the shrinkage perhaps I should say, of council housing in inner London from around 42 percent to about 20 percent in 2011. So as a percentage of all households, it’s halved. Home ownership has expanded considerably and there’s been in recent years, a virtual complete cessation of new council house building in Britain, largely for political reasons. So, the causes for the decline in council housing are a cut back in government funding, large-scale Right to Buy, the transformation of property from social housing into home ownership, and then, in quite a number of cases, into private renting.

The forced sale of public housing to housing associations, which are a form of contemporary charitable housing, and the sale of estates, or from estates for private redevelopment. You may be curious as to why this happens, but basically, a lot of local councils in Britain are now very much financially squeezed because the government has set up something called the “Decent Home Standard”. And it’s basically legislated that councils have got to ensure that by a certain year, all or a

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high proportion of the housing is now up to modern standards. But at the same time, they have refused to give any money to local authorities to be able to do this. So, they are completely in a clapped state and the only way in which they have been able to escape this, and with some of the older housing is to transfer those houses to housing associations, because that's the only way they could essentially get them off the books.

And the housing associations, who are regarded by central government as much more politically acceptable, a more politically acceptable form of social housing, have been able to borrow on the private market. So, they are able to raise money against the future stream of rental income and be able to undertake all of the necessary modernisation.

There's an interesting question about where all the Right to Buy properties will then lead up. Now initially, the government's view, I think rightly, is it would enable lower- or middle-income tenants to buy the houses that they rented. This was enormously beneficial to the tenants themselves but effectively, I would suggest this was a one-off transfer of wealth. Because once the property has been purchased, it's no longer social housing and then the new owners could pretty much do what they wanted with it: they can sell it on the open market, they could actually become small scale landlords, which has happened quite significantly to an extent. There are many apocryphal stories of working class social housing tenants in Britain, particularly in London, exercising the Right to Buy. Subsequently, as property prices grow, selling the property for significantly more than they...very significantly more than they purchased it, and moving to southern Spain and buying an apartment in wherever, Benidorm or Marbella—if they were able to afford something that expensive, or possibly retaining the apartment, moving to southern Spain and becoming a small-scale landlord. But it's a one-off transfer of wealth and it created a relatively wealthy, shall we say, class of ex-tenants. But it can't happen again.

Redevelopment of Council States

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Now this issue, I'd also mentioned the sale on the redevelopment of council of states is really an important one because basically this dilemma of ageing estates...you need to spend lots of money on them to bring them up to standard. What some councils have opted to do is basically to decant residents and then to sell the estates to developers, called private developers, for clearance and redevelopment. And the big problem, I see it as a problem, is that the developer is going to redevelop the estate, or refurbish all the plots. Obviously, they are not going to rent them out again as social housing apartments because they won't be able to generate a profit from that. So, basically about 80% of the housing then becomes home ownership. And of course, almost by definition, the market for that is not the people who were the social housing tenants. So this is much more middle-class market.

And then the remaining generally about 20%, is seen as affordable housing. But I think the term "affordable housing" in London, or actually Britain as a whole now, is an enormous misnomer. Because what the term "affordable" means is housing which is approximately 80% of the market rate. But for the great majority of people, that housing, certainly in London, is not affordable at all in any meaningful sense, because you can't afford even 80% of the market rent!

But nonetheless, this term—affordable housing—is, as everybody now talks about it as though it really is affordable. But in my view, it's not at all; it's a fascinating example of how a concept has mutated. So effectively, what's happening is that lower-cost social housing is disappearing I think, and to me, the notion of affordability is very much inept.

Now, I'll give you an example. This is a borough very close to where I live, in Hackney—Woodberry Down estate. And the local council is involved in leading the regeneration of the estate. As you see here, it

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involves demolishing about 2,000 homes, building 5,500 new ones, and in this case, apparently 41% social renting and shared ownership. But obviously, 60% for sale on the open market. So, there's a range of new facilities being provided, new parks, et cetera, but effectively, no **more** social housing. This is the estate, as it was. It's pretty grim, I think it's fair to say, barrack block. But of course when it was built, I guess 19...maybe mid-1920s, certainly...probably 1930s, it was a really considerable improvement on what had gone before, but now problematic in terms of contemporary standards.

The next slide shows what's happening. No lifts obviously in these buildings, no elevators. So they are being rapidly demolished and this is what's going up in their stead: all very sleek, very modern, actually aesthetically quite an improvement on what's gone before, but almost certainly in this case, all of these units would be for sale on the open market. And [a] two-bedroom apartment today would be, I think minimum, about £450,000, it might be even £500-, £600 [thousand], so multiplying that by 1.4, about SGD650,00, SGD700,000—so effectively out of reach of all of the social housing tenants who previously lived there. But to some extent, I'd say, the local councils are really caught in a clapped state, they don't have much options, they are being pushed into this.

But the process is not without opposition. You can see here that...this is relating to the clearance and redevelopment of a quite notorious estate in South London—the Aylesbury Estate. These are the kind of posters which were being produced, or were being produced by the residents, arguing that what the council should do is refurbish and repopulate, but that's not happening. So it was an occupation of the estate, but basically, the residents are now being...remaining residents moved on. So, you can see protests here, it's quite interesting. "Stop the Social Cleansing" because that's the term which people have used. They've taken this from the events we have all seen in Kosovo and other countries where

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ethnic groups have been the subject of social cleansing and arguing this is what's happening in some of the social housing estates in London.

Housing in London Today

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So where are we today? I think the council building has effectively collapsed in Britain and in London as a result of deliberate government policy to limit social housing spending to housing associations in what are termed other registered social landlords and break the power of local authorities. And I should go back and say, this was a quite strong element of Conservative ideology because they...what they argued is that local council should not be monopoly suppliers of social housing. They thought that this was misconceived and they wanted to actually diversify forms of provisions. So very much what happened, if any of you read 1984 [sic Animal Farm by George Orwell], "four legs"—I can't remember which is... "two legs bad, four legs good". And the "two legs bad" is basically council housing, "four legs good" is housing associations because they are seen to be intermediate between the state sector and the private sector.

So, we've got a situation today. I should add, Labour [Party] very much has gone along with this. They haven't, to my surprise in many ways, haven't attempted to resist this trend. But we've got the situation today that we have in London, [where] new housing construction is only about 24,000 units per annum of which virtually none, I mean a couple of hundred, is council housing. Almost all of it is...probably 18,000 is for private market, and about 6,000, 7,000 for housing associations and it's estimated that London needs to build at least double this to cope with growing demands. So we have, and this is a whole other area I could have talked about...we have a crisis, not just in London, I think in Britain as well, of housing supply. And the rate of new building is simply nowhere near what is needed, in order to provide the number of new units. I have a view as to why that is, but I won't touch on it now.

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Now entertainingly, or rather, horrifically—depending on how you want to see it—just over three months ago, Patrik Schumacher who is the Senior Partner of [Zaha] Hadid, the architectural firm—she [Hadid] was a senior, the senior partner, but she just died—he spoke in Berlin to an architectural conference and argued that basically, housing low-income groups in the centre of cities was a waste of space, they should be pushed out to the periphery, relegated to the suburbs or beyond; that housing policy should be entirely left to the free market; that all of the London Park should be tarmacked over and social housing should be basically terminated. Now, this led, I think, to howls of protests of what was felt to be an ill-informed policy. He subsequently has issued a rather mealy-mouthed reply—an apology, but it led to quite an upsurge of anger, I think, in London.

I will skip over that because this, this shows the headline from the Evening Standard: “‘Move out council tenants,’ says star architect.” I don’t think you need to see the rest. And this is some protest, it’s rather splendid actually, “Parasitic architect, enemy of the working class!” and “Social housing, not social cleansing.” So, it generated quite a degree of opposition in what seems to be an extreme position. And I mean, fundamentally, I would take the view...I mean I’m lucky, I live in a nice, owner-occupied house, but I would take the view that the private market, it almost invariably cannot provide profitably for lower-income groups in society. It’s simply not...the economics don’t work, unless the housing is subsidised. And of course, the intriguing question is how in Singapore, you’ve managed as it were, to connect the circle and to provide, essentially, home ownership for 80% of the population. You seem to have managed to do what has proved to be almost impossible elsewhere.

But one of the key issues which is now also having an effect in London is the impact of something called “housing benefit”. And what’s happened over the last 20 years is, in order to subsidise rents for low-income tenants, both in private renting and in the social housing sector, is that

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the scale of housing benefits has generally increased. And what we now find, in that last year, is that for each household, housing benefit now averages—and this is nationwide—about £100 a week, which is SGD145, I think Singaporean dollars, or about £5,000 per year, and this is received by five million households in Britain. Well, you can “do the math”, as they say in the USA, and that totals up to about £25 billion pounds a year and governments...the Labour government was sort of muttering to itself with “this is really unaffordable” but the Coalition government in 2010 basically said, “we’re going to try to cut welfare expenditure, or certainly to rein it in.”

And one of the things they did is [*sic* was] to put in place a number of caps on housing benefit. And one of the...well they’ve done two things. One of the caps is basically to say that no household can get more than...what was the figure that they’d put in place...it’s about £400 per week. And it may sound like a huge amount of money. That’s for households in social, private housing in a four-bedroom house. So, this would be a very large family as you can imagine. Because before they did that, there were a handful of infamous cases of very large families living in the very centre of London, in Westminster or Kensington, and basically claiming tens of thousands of pounds a year in housing benefits. And the Conservative press, not surprisingly, made quite a big thing of this and both Labour and the Conservatives said, “Look, this is really untenable.” So they’ve stopped that. There’s now a cap on housing benefits and there’s also a cap [that] has been introduced by George Osborne on welfare benefits in general.

So the policy, which is not...politically, it’s extremely astute. Basically Osborne said, “No household in Britain should receive in total benefits more than the median household income of households in work.” And when this was basically put to public opinion polls, it got 80% acceptance, much to the horror of the Left and social reformers, et cetera. About 80% of people said, “Look, this is...we’re the middle, we’re

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working really hard, why should a household on benefits be getting more in benefits than we are able to get?”

So basically, costs were cut, but all of the key things, ignore the slide for the moment, one of the key consequences of this is that the biggest losers in terms of housing benefit are households in inner London, because that's where housing costs are highest in the whole of Britain. So, one of the consequences is [that] it's squeezing low-income households out of inner London because of the overall benefit cap. They can no longer afford to live there. And a number of the people—and believe this, a number of councils now in London are contacting other housing authorities in the northern regions of Britain, in Sheffield, et cetera, and saying, “Can you take some of our residents, because they can no longer even afford to live in social housing or private rental housing in London.” So they are being effectively decanted.

Global Property Market: London and the Rich

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Now, let me change direction here quickly. I've talked about the impact of the cuts and housing benefit. But one of the other key issues that London faces is its role in terms of the global property market. And I forget who had said it, but an author basically said London now basically functions as a “safe deposit box” for the global rich. [[London and New York as a Safe Deposit Box for the Transnational Wealth Elite](#) by Rodrigo Fernandez, Annelore Hofman, Manuel B Aalbers] It's a very safe place to park money as part of the strategy of global asset diversification. And it doesn't matter to a lot of the investors if the properties are left empty or whether it generates any rental income, or even whether it's only occupied three or four weeks a year, because the goal is basically asset appreciation or even actually asset preservation and security as part of a strategy of global diversification—get your money out of countries where things are looking a bit dodgy and put it in a safe housing market.

So, London has attracted a lot of overseas investment in recent years, particularly since the global financial crisis. And it's estimated that out in

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2016, that [out of] all the sales of the property in London of over two million pounds, 50% was to overseas buyers: Singaporean, Malaysian, Hong Kong, mainland Chinese, Russian, Nigerian. I put...the list is extensive, but there's quite a high number of buyers actually coming from South East Asia. I mean, Hong Kong, property prices, as I'm sure you know, are far higher per square foot than they are in London. So to the Hong Kong professional, London housing still looks relatively cheap. And to mainland Chinese who are concerned about the possible financial stability of their country, or the direction which it may take politically, it's important to get money out of the country. So relatively, you can probably get a return on...technically you could in London, of maybe three or four percent, not very high, but I'm told that they are lot higher than Hong Kong where it might only be one percent or so.

So overseas investment is starting basically to squeeze out ordinary Londoners. And one thing I would say, I haven't put this on the slide, but I'll tell you anyway.... I have...I visited China a lot, I've a lot of interest in China—I have four or five Chinese PhD students right now and three of them all have got, bought apartments in London. Now they themselves, of course, have not bought the apartments. Their parents bought the apartment. And I have one student who I have discovered recently, she has three apartments! Now this is fascinating, where your students are actually much more affluent than their professors. (Laughter in room). I mean there's obviously something fundamentally wrong with it, if you agree. And basically, their parents had said, "Well, you know, buy an apartment, it makes sense for you, it makes for us." And of course, it does make sense.... The problem is, I don't think it makes sense for ordinary Londoners because basically even buying a two-bedroom apartment, £450,000, that is basically helping to push up pricing.

The rationale is quite...that it's a reasonable one that the property industry puts forward, which is that by buying off plan, which I think is a common way of doing this...the buyer has to put up usually about 10% deposit, and by giving that money straight away to the developer, it

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basically enables the developer to have a substantial cash flow, to ensure that the development is fundable and is seen through to completion. I don't doubt that, I'm sure it's very valuable from that point of view. But I think the long-term implications are rather problematic and there's been some debate as to whether London should have controls on overseas investment. In fact, the Mayor of London has basically set up an inquiry, [aside] thank you, into this, so we'll see what happens.

Oh, here we are. You can see the figures here, the Smith Institute that has led the centre thinktank suggests that 85% of new-built properties in central London and 38% of resales are to overseas buyers. They suggested that a Property Speculation Tax [PST], which is used in Germany and Switzerland—in fact in Switzerland, as I was saying to the moderator earlier, they have a...or had an outright limit on the number of properties which can be sold each year to foreigners—1,300—so there is a quota.

This is, I put this up simply as one of my favourite maps. And very entertaining, I have no idea who did it, I think it's actually really rather out of date now, because the...this is "very rich", and it still is "very rich" but actually quite a lot of this now is really "relatively rich". So, the losers are being pushed out further out of London. And it's the kind of situation, if you live in London, you've got to be relatively well-off to do so.

Staying Socially Sustainable: Social Mix and More

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So, two more slides. If Singapore is to avoid the new map of London, and continue, I think, as a socially sustainable city, I'll take the liberty of giving a few suggestions—but I mean I do so in the spirit of great humility, may I say. You need to retain and increase social housing. Please don't make the mistakes we've done in Britain of privatising the lot. Don't concentrate all the lower income groups in the worst estates, if you can avoid it. Try to maintain the social mix, and try to ensure that

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social housing is spread across the city rather than concentrate it in the suburbs. It's been a huge problem in Paris. You must have seen the pictures of the riots in the banlieue, the disadvantaged, burning cars et cetera. So I'm not justifying this, I'm simply saying it has happened. But also, key workers need to live centrally to be able to get in in the morning to be able to operate subways et cetera.

So I'll finish with this, which is that one implication, I think, of the sale of public housing to occupants is that it may be, and I stand really ready to be corrected, is that the more desirable flats and the more desirable areas are maybe more likely to be bought by wealthier people. So it may be that over a period of time, you are going to see a process of social change. It may have implications for the distribution of the remaining housing stock leading to some of these neighbourhoods becoming less inclusive. So, you could see perhaps a gradual gentrification of central areas.

Now, let me just say...because I know I'm right on time, I've scarcely touched on the gentrification of the private market which we're seeing or have seen on a massive scale in London, New York, Paris et cetera. That's really an important topic. I have tried to touch a little on the...this globalisation of the property market, and that it is interesting because the moderator was saying to me before I started that a report in the last week by Knight—and I'm sorry if I'm taking your comments away from you—a report in the last week by Knight Frank basically said that there are three cities which were big targets for international investment: London, Singapore, or...and you mentioned one other...but nevermind. And I would also add...having gone there in November, Vancouver.

Vancouver, when I went there, on a visiting professorship there in 1984, and it had a small Chinatown, and basically the rest of Vancouver was white Canadian. I go in November, and Vancouver is now 30% Chinese and property prices in the last year rose 35%, and basically...maybe, they estimate, more than 50% of the sales of the Vancouver metro[politan]

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area are now taking place to mainland Chinese who are obviously seeing this city as a wonderful opportunity—I hesitate to say within commuting distance of mainland China. But what we are seeing, and this is causing, as you can imagine, some considerable political debate in Vancouver because ordinary Vancouverites feel they are being priced out of the market. I don't say this, and I'm sure you realise this, in some anti-Chinese spirit, but simply to say that mainland Chinese at the moment are I think actually in the forefront of global property diversification.

Panel and Q&A Segment

Tan Eng Khiam
00:57:40

Appreciate what you have brought out in London. We have, even up to today, we have one very fundamental problem. That issue that we have not resolved. That is the [*sic* that] in the early days, we have planned for all the new towns to be self-sufficient. The meaning of self-sufficient in the formative age was to provide housing for the masses, and now we have reached about 93% of Singaporeans staying in public housing. But, we have not taken seriously two other things. We want to achieve...we early [on] had this notion that we wanted to achieve “Live, Work and Play”. A self-sufficient new town. But our concentration did not put on the other two—work and play. So, [we] end up with **our working locations and so forth are [*sic* being] all being polarised to the CBD** [Central Business District]. So this is where now you see the big rush hour for...involve our Mass Rapid Transit. Everybody, everyday, [there] is about more than one million people travelling into the south, whether they come from the north, east, south, west. Each of our new town did not provide enough so-called, working facilities, just like what happened in London as you mentioned: firemen and the policemen got to squeeze out there and then take [public transport].

The other thing is, not only only in working, in our institutions, they are all not planned well because we have schools...people who are staying in the east but sending their children everyday to the west. They have

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to rely on.... All our higher learning are all in the west, all the universities are all [in the west]—only now that we have one, SUTD [Singapore University of Technology & Design] is in the east. But just imagine, the whole Singapore: north, east, all goes to the west. And most of the favourite schools, popular schools, are all over the place. So this creates, if you were to study the logic, **unnecessary travel distance, travel time, travel resources, that now taps on our public transport.**

Although we are [*sic* have] 700 square kilometres of land, our travelling routes, our MRT [Mass Rapid Transit] routes, our travelling time, we have the most, in terms...you take per line or per population, we have the most Mass Rapid Transit and the most bus-route[s] in the world! We are more congested than Tokyo! So, this is something that we have not managed to resolve, even up to today.

Chris Hamnett
00:58:19

I think the issues you raised are not unique to Singapore by any means, and I hope you can all hear me. The question of work, housing, social life integration is a very common one in many cities. And I think you are correct, that if you have a major dislocation between employment and housing, what you create is constant large-scale commuting problem[s]. And I was talking to people before the lecture, my perception is this is actually far, far worse in many of the large Chinese cities than it is in Singapore, because they've now got a very extensive suburban development. They are not constrained in a way that Singapore is, in the sense, the fact that you've only got 700 is it...700 square kilometres, I see it as a real...that's actually probably about the same size as greater London. It's an enormous benefit to you because it forces you to have a much more rational strategy in terms of integration of land uses in order to reduce this wasteful commuting. And as you say, you've got a very efficient subway system with, I think, another three lines under construction. So, it may be a concern for you, but I think it's a much greater concern in many of the mainland Chinese cities.

Mark Thomas
01:00:06

My questions are a little bit of a tangent, but it's about localism I suppose, and even the power of London. London, as we know, has one so called strong mayor you know, that's been your focus. **Localism giving**

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more power to regions has been part of, you know, the agenda in the UK [United Kingdom] for a while. I am just interested to see whether that's helped at all, whether this idea of empowering local communities, Super Manchester or whatever it is, or maybe even London, strong as it is, with its one mayor, why these haven't perhaps made more impact on this difficult issue?

Chris Hamnett
01:00:38

Localism probably is not a great system in the issues which London is facing because in terms of the failure to be able to construct more housing, I mean, one can live in a particular area of London, but if there's a problem of land availability, for example, local residents themselves or even local residents and local councils can probably do very, very little to counteract that. I think the type of measures which are probably necessary to deal with the housing problems London faces have to be enacted, for the most part, at metropolitan level or indeed at central government level.

And again, I think the great advantage, if you like, of Singapore, as far as I am aware, is that the central government and the city government to some extent are one and the same thing. So, you're not having to try to persuade a higher level of government here to be able to initiate certain policies; the central government will initiate policies which are hopefully the best or the most suitable ones for the city itself. So arguably, in a city-state like Singapore, you are a beautiful kind of test-bed laboratory for localism in action. But I think in a city which is part of a much larger country, to a large extent, cities are, should I say, at the mercy of central government and their policy, so not much that ordinary citizens can do. We'll can take this up later if you like.

Yam Yujian
01:02:40

You mentioned about the under supply of housing in London. **How does that fit in into what you just shared? Do you think it's a government problem?**

Chris Hamnett
01:02:50

The fundamental issue in London and in all the other big cities is that just after the Second World War, the cities were surrounded by a greenbelt which is quite tight. And, there's been very strong political

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unwillingness on the part [of] both of councils but also of local residents, to see building on the greenbelt, even though in some cases, the greenbelt land is not “green” in the sense that some of the lovely areas here in Singapore are. They are actually almost just...they’re just simply designated greenland, so there is opposition to that.

The other big issue and much maybe deeper underlying one is that what has happened as a result of the global financial crisis is that most of the small-scale house builders in Britain have all disappeared. They got knocked out in the depression. And consequently, what we have is small number of large house builders, and they have basically evolved a very, very satisfactory, very profitable model: which is they build as many houses as they know that they can profitably sell each year, and consequently the total housing output in Britain at the moment, I forget the precise figure, it’s like say 230,000. And the government is saying we should double the number of houses we’re building. Well, the house builders are not going to double the amount of houses because that actually would undermine their very, very cosy, profitable production model at the moment. They are getting, you know, returns of 25%, 30% per year. Why would they want to build more houses? It doesn’t make any sense.

So the really interesting thing here, and this comes back to Singapore, is when you look at the period when Britain’s housing production was really high, which was in 1950s and ‘60s, and up until just about the early ‘70s, the private housing output was pretty much what it is today: 200, 250 thousand units a year. The thing which pushed up total housing output was public housing. And if British government were to say to house builders, “We’re going to have a program of mass public housing building, even if it’s housing association building, and we will pay you an amount which will guarantee profitable production,” I reckon we could increase housing development. But otherwise, the house builders will all say, “We have a fine situation as it is, why bother?” (Chuckles). That’s what you’ve got to break.

Wei Ting
01:06:05

The learning points I got from the presentation just now is [sic are] number one, the **retainment of public housing** and number two, the **distribution**. In terms of sufficiency, which is the retainment of public housing, I think Singapore is doing quite well, because 80% of our housing stock is public housing. In terms of redistribution, it comes from the idea of decentralisation of jobs and recentralisation of housing. And I think one thing that I am curious about is rather than the provision of public housing in the central area, is the sustainability. Because after all, public housing is sold at a subsidised price to the first buyer and after that, after five years, the buyers are able to release it to the private...I mean semi-private market, in the resale market. And there's always this complaint of a lottery effect, whereby "I got the first bite from the government at a subsidised price, and I got a very good housing in the central area, and then when I sell it off, I sell it at like a million bucks." So I think the issue with recentralisation of housing, distribution of public housing comes from the sustainability of that.

Louisa May Khoo
01:07:07

So, she's absolutely right in terms of the sort of the HDB [Housing Development Board] model of social housing. But I think the problem in Singapore is every time we talk about affordable housing, it's HDB. And we've sort of circumscribed ourselves or boxed ourselves in into this only model of affordable housing. So from your sort of experience in London and perhaps the cities that you have travelled [to], in terms of the other models of affordable housing, what are some of your takeaways that you think Singapore could perhaps learn from that can diversify the way we conceptualise affordability? And also, I think ours is very straight-jacketed in a very ownership model, so we are also thinking of reviewing that and looking at how we can broaden the rental base, precisely because we want to introduce more affordable housing in the central area and how can we use a sort of rental model to sort of maybe bring that about?

Chris Hamnett
01:08:05

This is where I reveal myself to be a conservative with a small "c", which is, if...you've got a model at the moment which is to an outsider, a naïve outsider, to have successfully delivered a very large number of units for a large number of years to a very large proportion of the population. In

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other words, if you have a model which works...and I think my view always is, "if it ain't broke, don't fix it".

Now, it may be that there are alternative forms which you could introduce, but I'm just making this up as I go along in a sense. My guess is that if you were to introduce other forms of social housing for rental, unless it was very much orientated for short-term tenancies for people who were only anticipating to be in Singapore for a shorter period. What you could easily do is to create a two-class public housing model, with the right to buy after five years as the desirable mainstream, and then the rental housing model as somehow a second-class option for people who couldn't afford the first. And then if that kind of housing was concentrated in certain developments rather than spread throughout, what you could easily generate, are concentrations of the lowest income, or the most deprived who could only afford to enter through the rental housing model, in areas which could quite easily become socially problematic after a few years. So, I think you will need to think quite carefully about what the negative, or what the cost might be of that.

To go back to the...so by all means, investigate other models of provision, but as it seems to me, as a naïve outsider, you've stumbled across an enormously successful one which, okay, through government state subsidy generates the ability for people to purchase housing, which they could then accumulate wealth from, this comes from the first question, and to be able potentially to realise that in some form again. This is a...in so far as the government can afford to keep subsidising this model, it seems to me, enormously successful, which has got the benefit, maybe in the Singaporean context, a necessary benefit of providing a wider form of social welfare to people in terms of asset accumulation.

So I would be quite wary of certainly of discarding the estate to this distinct model you have. You might wish to engage, certainly as the

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Chinese do, in the policy of small-scale experimentation at the margins and see how it goes. But I wouldn't do anything in a rush, to get rid of the existing model. I think...I forget it was the Chinese leader who talked about the policy of crossing the river stone by stone. I wouldn't do anything more rash than that.

Susan Feinstein

01:12:03

It's very nice that people in the central area will be able to realise great wealth from selling their flat. **But won't that produce the same result as in London of Right to Buy? That the areas that are most desirable, as the flats turnover, they will then go to people who are much wealthier and you'll have lower-income in the periphery and higher-income in the centre?**

Chris Hamnett

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That is almost certainly yes. So therefore, I think the housing authorities will need to consider, or should need to consider, the possibility of differential rights to buy or the introduction of limits on rights to buy. The possibility, for example, people who could only buy if they've lived in an area for...or their apartment for 10 years or 20 years; and that to some extent, there might therefore be some degree of trade-off which people would have to consider, as to whether they would...wanted to get an apartment in the central area, which might have a greater limitation on sale rights and the ability to liquidate assets or the choice of possibly buying an even more peripheral area because they have much greater freedom. That would be one way of doing things, or it might be that the government might say, "We'll introduce some kind of stepped policy of the amount of money which you can actually realise from sale with some kind of limit on it." So the more expensive the property, the more central areas, there are actually limits on what people could realise.

Of course, you could then have, but I think this would be a rather ludicrous policy of saying, "Well, people can sell their properties, but they could only sell them back to the housing authority," and the housing authority would then...could introduce limits on prices, or in a sense then start the whole subsidy process all over again from the beginning, and say, "Well, we've just bought the apartment from you for

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a million Singapore dollars, now we are going to give it to a relatively lower-income household again and start the subsidy process.” That, I think would be really quite misguided and a very costly one. But I’m sure there’s a solution to this. But I think the Prof Fainstein’s point is a very good one which it would otherwise push up prices in the central area.

AUD1

01:14:59

If [*sic* For] the windfall that the owner gets, can the government cream off...like HDB cream off half of it? Let’s say if you buy it for...if you have subsidised housing, you got it for SGD400,000 and you sold it for one million, there is a SGD600,000 windfall. You take half, you give back to the government half. **I think that would be fair right?**

Chris Hamnett

01:15:20

Ah, well, this is a really interesting issue about social equity. It’s...in a sense the government here is able, or could call the shots and determine what constitutes a socially equitable profit share. And it may well be that the government could say, “Look, we to some extent subsidised the purchase at the beginning, so it’s entirely reasonable for us to limit the amount of profit or equity that you can take out down the line. We will limit it at 50%...,” or it could have a phased policy so that the more expensive the property that the smaller proportion that you could take out. There are an any number of variations on this.

But given that the government in the sense is subsidising the whole process, kick-starting it, it seems to me not unreasonable that it could also set caps on the amount that it’s possible to realise. And again, I would say that certainly, I think this policy is being relaxed in Switzerland, but in certain cantons, they had an anti-speculation policy which said, “Well, you can’t sell until you have owned the property for at least 10 years; and if you sell before that, you can only sell for the price you purchased it at.” The only thing that would break that is if in the case of death, or fatal illness or so on. So, it’s possible for the state to set rules on this.

Tan Eng Khiam

01:17:15

Professor, in response to what you answer[ed], the Singapore government is actually doing like what you [are] say[ing] now. Now, if you were to purchase a second property, you have a capital gain tax of

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seven percent. And if you stay less than five years, you can't sell—so all these restrictions are in place. **The other thing I want to clarify is, our social housing, or you call it affordable housing, is different from what you conceive in the west as subsidised or welfare housing.**

We are not actually [doing that]. I want to make this clear, because whatever purchases, the money comes from our own Central Provident Fund—our own saving. The government need not have to...although on political ground they say, “you are being subsidised, you pay a lower cost than private housing.” But that lower cost is translated from the land which the government tender[s] out to us. It's not a real, so-called subsidy as the government upfront give[s] us the...for first buyer[s], SGD30,000...that is not. That is actually from the land.

Chris Hamnett
01:18:37

May I comment on this? I think this is a very important point that you have raised, which is that, of course, certainly in Britain, people...and in the US for that matter, people who are landowners can make huge, huge profits when land is redesignated from rural, agricultural land to building land. And basically, these are windfall profits which are not effectively taxed. And there has been a movement in Britain for more than a hundred years without success, to basically tax this kind of windfall land profits which can be quite spectacular. And what, of course, they serve to do is to push up dramatically the cost of housing, because an acre of prime agricultural land in Britain sells for maybe £10- or £15,000. Even the cheapest house-building land on the outskirts of London would now sell for probably two million pounds an acre. So, we're looking at the figure of...I can't do the math in my head, but 100 times more or something of that nature.

Now what that means of course, is that it pushes up the price of housing almost immediately. And any property which you buy in Britain, say you purchase it and it costs £300,000—it's highly likely that the cost of the land is going to be at least £100,000, a third of the price, or maybe more. So if you were able to remove that—and maybe this is what the Singaporean government has been able to do, by simply taking land,

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designating it for housing, so that the landowner doesn't profit, because the landowner is presumably the government—you are able to produce housing which almost automatically is a third or a half cheaper than in many of the other...of the western countries because of this huge transfer to private landowners. So again, I think you may have been fortunate to have been able to circumvent or crack one of the fundamental problems which raises house prices in other countries. Sorry for my long answer, but it's a very important point.

Yam Yujian
01:21:19

Well, there was a response about **trying to co-locate both the affordable housing and the private housing. Do you think that will exacerbate the feelings of...between the haves and the have-nots?** I remember there was this article about New York **trying to incorporate the poor door and the rich door, and there were issues about how people who stay beside each other were treated very differently. What do you think about that?**

Chris Hamnett
01:21:45

Well, again, I speak here as a naïve outsider whose understanding of the Singaporean housing model is very limited. But it seems to me that you've produced the system whereby at least to some extent, you've managed to overcome this dilemma whereas it almost at least 80% of households, to some extent, seem to be winners. Now, the extent to which they are winners is going to vary—that's the key thing. But I think as soon as you...because you've got this, as the gentleman there said, because you've got this quote and unquote "public housing model" which actually really is somewhat of a misnomer; it is a government-planned, government-supported housing product...home-ownership, housing production system whereby people are then enabled to purchase. You've got a situation where you don't have a very large proportion of excluded living in the rented sector, which we have in most of the other western countries.

And basically, yes. If you are in the west, if you are a private rentee and you are unlucky, you start renting when you are 20 [years old], you are still when you are 70 [years old], possibly 30% of your income for the whole period has gone into your renting. I mean this is great for private landlords. But for the people themselves, they've accumulated no

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assets. And what you seem to have stumbled across, maybe inadvertently, maybe very cleverly in Singapore, is a model whereby the great majority of the population are able to accumulate assets through home ownership—and all I can say is I take my hat off to you.

[End of transcript at 01:24:03]

LECTURE INFORMATION

TITLE

London's Housing Market: The Problems of a Globalised Property

SPEAKER

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Emeritus Professor, Department of Geography, King's College London

MODERATOR

Mr Yam Yujian

Director, Property Research, Urban Redevelopment Authority (URA)

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