Twitter Thread by Andy Verity

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There's more today on the weirdness of a housing boom in the midst of the worst economic crisis in 300 years, helped by temporary tax breaks that will expire - probably before Lockdown3 comes to an end.

It's always puzzling why people aren't more repulsed when lenders report "soaring" house prices; we wouldn't, for example, welcome "soaring" gas or electricity prices - or soaring bread prices. But in any case that's what Halifax says they have been doing: https://t.co/0pV9c5gG8w

"Soaring" sounds very different if you're hoping to be a first-time buyer than if you're a potential seller who thinks 'ah - freebie time'. That something for nothing mentality has led politicians for decades to think it's bad politics to have prices fall.

...and to spend taxpayers' money propping them up (from mortgage interest relief in the late 1980s to Help to Buy to the current stamp duty holiday). But the reality is that unless your next move in the housing market is to downsize - rising house prices work against you.

Today the estate agency chain Chestertons highlights a huge imbalance in supply and demand: “There were 4% more homes for sale in 2020 than the previous year compared to a more than 40% rise in buyers." And apparently the outlook for the market is therefore 'positive'.

Is that really positive for buyers stretching to buy with a giant mortgage that's only affordable because we have record-low interest rates (that might not last)? If demand is so much higher than supply, of course prices will rise...

But it's a market failure - and one that's lasted for years. If the housing market worked as a market should, then when prices rise, supply should rise to meet demand to keep prices in check. In this country in the last 30 years, it hardly ever has.

Chestertons notes the scale of the boom. In London, Chestertons’ pipeline of deals at the end of 2020 was 53% higher than a year ago and buyer enquiries were 49% higher. A boom indeed.

Chestertons thinks the prospect of changes to the capital gains tax regime to address the giant Covid deficit "could prompt a flurry of sales to beat the deadline.” So that's another "buy now while stocks last" effect on top of the temporary stamp duty holiday.

House price rises don't make us better off unless your next move is to downsize or downscale your property holdings. If your next move is to upsize or up-scale the amount of property you own, the rungs of the property 'ladder' get further apart with every rise in average prices.

That's why house price rises, far from being aspirational, make it harder for young people to obtain the security of a family home - witness the sharp drop in home ownership among under 40s.

Excessive house prices redistribute wealth upwards, from the young to the old and from poor to rich. They cause a huge mis-distribution of space - so those who have the space don't need it (older empty-nesters) and those who need it can't afford it (young couples having kids).

In recent years governments have succeeded in boosting supply closer to the levels we need. But if you boost demand far beyond supply using public money, it can cancel out the benefits to young families who deserve the same chances their parents and grandparents had.