Barclays is forecasting a property slump

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As Bloomberg report this morning:

Barclays Plc joined and Bank of America Corp. in forecasting a ... property slump, predicting home prices will fall at least 30 percent by the end of 2015 as income growth stalls and supply increases.

The dots are important, I admit. The missing words are Hong Kong. And there are differences from the UK market, in scale, and in fundamentals, not least because supply is not likely to increase fast enough to meet demand here for a while. There are three important pints though.

The first is that the pice of the whole housing stock s actually determined by marginal supply. In Hong Kong marginal supply has increased and so the value of the stock will fall. A fall in housing stock value is almost certainly vital to global being: the amount paid in actual and economic rents for housing is absurd in the current world economy and is impoverishing people and fuelling inequality.

However, and secondly, falling stock prices create negative equity and should under prudent accounting rules precipitate bank losses that must be anticipated. It is absurd that the well being of such a major part of our economy should revolve on such an issue.

Which brings me to the third point: this is a sector where because the market only prices the moment and not its consequences much greater state intervention is needed. We know market pricing frequently gets real value in use wrong. This is rarely more apparent in housing - where UK government policy remains to exaggerate the market value rather then compensate for it.

And that is why any party seeking power and offer economically credible policies has to highlight the need for more social housing, better control of the flow of land for housing and the need, when matters get out of hand, to regulate mortgage supply and not interest rates. Labour may be getting nearer the first. It still has a long way to go on the others.