

Funding the Future

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The FT is annoying me, again, this morning with [an article](#) by someone called Neil Hudson that opens with this:

There is a line about the UK property market that you hear so often it barely registers any more. Politicians trot it out on the radio, charities put it in their reports and journalists write it in newspapers all the time. You may even have said it yourself. It is: demand for new homes exceeds supply. It's an obvious truism, apart from one tiny detail: it is completely wrong.

To summarise the rest of the article:

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Developers don't build homes they can't sell.

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They construct new housing only at the pace at which buyers can afford it.

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High mortgage rates and deposit hurdles have crushed affordability, leaving completions stuck around 120,000 homes a year.

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Developers refuse to cut prices.

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Lowering prices resets market benchmarks and damages future valuations.

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Instead, they offer “incentives” — help with deposits or fees — to disguise what are effectively discounts.

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Rising costs make matters worse.

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Inflation in materials and labour, higher borrowing costs, and stricter regulations have

squeezed profitability.

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Many developers now prefer to **wait out** the market rather than build.

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London and the South are especially stuck.

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Only flats make financial sense — but buyers no longer want investor-grade apartments.

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Land prices remain too high for new projects to be viable, creating a self-reinforcing spiral of stagnation.

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Government policy is chasing the wrong end of the problem.

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“Build, baby, build” planning reform assumes construction alone fixes affordability.

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In reality, the issue is the lack of **buyers**, not builders.

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What could work instead?

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In past downturns, governments bought unsold homes for affordable or rental use — stabilising the market while maintaining capacity.

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A similar strategy could work again, **but it would require public investment the Treasury resists.**

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What's likely instead?

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Ministers will probably turn to demand-side gimmicks — a new “Help to Buy” or incentives to boost prices — reigniting another bubble rather than fixing affordability.

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In short

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The UK doesn't face a **supply shortage** of homes; it faces a **shortage of affordable demand**. Developers won't build what people can't buy — and unless government

intervenes directly to reshape the market, we're heading for yet another cycle of false hope, failed targets, and rising inequality.

(AI was used to assist the production of this summary).

As an exercise in missing the point, this is spectacular, except for one thing. Of course, there is demand for housing:

- * Vast numbers of people are living in squalid, unsuitable and decaying properties that need replacing.
- * The population is rising, and is going to keep doing so.
- * We are not doing enough to meet demand arising for these two reasons.

To pretend this is not the case is absurd.

So, the author is right, affordability is the issue.

And there the problem is in the point I highlight in the second bullet point of paragraph 6: the Treasury will not fund social housing.

The result is a dilemma:

- * Vast numbers of people need new houses.
- * They cannot afford to ignore them, and there is no hint of systemic change coming in the thinking of almost any party to address this issue.
- * The government will not spend to solve the problem.

So housing poverty, need, and desperation all continue. Meanwhile, people wonder why support for Farage grows, even though he has never given any hint that he knows how to solve this problem.

What is the answer? Certainly not a new round of buy-to-let, which only boosts prices and makes housing even more unaffordable.

The answers are likely to revolve around:

- * Redirecting savings into housing investment.
- * A government housing agency which would work with local authorities.
- * Rent controls and secure tenancies.
- * A right to ask the government to buy a rental property where eviction is planned, followed by planned rent increases.
- * Fixed-rate mortgages for the life of the property, and maybe beyond.
- * A government-backed housing bank.

Those ideas are being developed. I will be back on them.

But the summary is simple: the market is not the solution. And, I would suggest, it's really not very hard to work that out. But the FT's author missed the point. The question is, why was that? Could it be that, as a housing market analyst, it might be difficult to get him to understand something when his salary depends on his not doing so?