Lectures / classes

• 4 Lectures: overview of finance systems, instruments, strengths & weaknesses
• Focus on principles + some reference to UK examples
• Classes (this term): two pieces of written work expected from everyone + discussion in class

Texts

• Gibb et al Housing Finance in the UK (1991)
• Hills J Housing in Glenneaster & Hills The state of welfare (1999); Unravelling Housing Finance (1991); Ends and Means (2007)
• Peter King Understanding Housing Finance (2001)
• Michael Oxley Economics, Planning and Housing (2004)
• Steve Wilcox Housing Finance Review (2004 -) (www.ukhousingreview.org.uk)
• David Garnett Housing Finance (2005)
Journals etc.

- Housing Studies
- Urban Studies
- ROOF
- Inside Housing

Web links

- www.jrf.org.uk - excellent starting point
- www.odpm.gov.uk - for supply-side policies
- www.parliament.uk - look for Select Committees on Office of the Deputy Prime Minister and Work & Pensions; & the Library
- www.shelter.org.uk; www.cih.org.uk; www.housing.org.uk; - less focussed

Housing finance systems

- Bridge between market price and weekly / monthly household income
- Address market failures
- “A decent home for everyone at a price they can afford …”
Cost of providing housing

= On-going management & maintenance
+ long term repair
+ cost of capital

Where this cost cannot be afforded, housing finance systems bridge the gap

Other reasons for intervention

• Redistribution
• Equity between tenures
• Minimum standards (merit good)
• Externalities
• Non-elastic supply
• Infrequent transactions / information failures

Key problems in defining …

• Affordability: e.g. what %age of household income “should” be spent on housing?
• Physical standards, location: e.g. why should low income people live in city centres?
• Eligibility at point of access / subsequently: e.g. how to withdraw subsidy when household wealth increases
Models of intervention

<table>
<thead>
<tr>
<th>For example</th>
<th>Supply side (housing)</th>
<th>Demand side (households)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>Capital grants to landlords</td>
<td>Interest-free loans</td>
</tr>
<tr>
<td>Revenue</td>
<td>Payments to landlords if rents &lt; costs</td>
<td>Housing-related income support</td>
</tr>
</tbody>
</table>

Demand side subsidies

- Increase incomes. Impact depends on income elasticity of demand for housing then price elasticity of supply
- Subsidise consumption (as above but tie additional income to housing consumption)
- Make credit cheaper
- Address non-economic restraints (knowledge, capacity)

From Oxley (2004)

Supply side subsidies

- Without price and allocation conditions, impact depends on price elasticity of demand
- Generally provided with price/output conditions, and possibly allocation conditions
- Grants, tax reductions for providers, also use of land use planning framework

From Oxley (2004)
Advantages as instruments

Capital subsidies: risk is transferred; simpler
Revenue subsidies: adjustable and allows control

Landlords: boost supply; links to other interventions
Households: allows choice

Disadvantages as instruments

Capital subsidies: information imbalance; difficult to adjust
Revenue subsidies: complex, ‘Dirigiste’ and risk remains with State

Landlords: difficult to target
Households: administrative burden