

Situating Rural Areas in Contemporary Housing Access Debates in England – A Comment

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It is widely acknowledged that many countries are in the grip of an ‘advanced economy housing affordability crisis’ (Ryan-Collins, 2019: 1) marked by falling rates of home-ownership (or at least a concentration of ownership in fewer hands), rising private rents and general housing inequality, between generations and between key socio-economic groups. That crisis is viewed, by many, as a product of late neoliberalism, the ascendancy of private interest over shared social responsibility, and the presentation of housing as a financial asset (for investors and owners) rather than as a right (Rolnik, 2013). Housing is put centre-stage in discussions of global capitalism (Rossi, 2017) and in more focused analyses of growth, prosperity and inequality (Piketty, 2014; Sayer, 2016). But the housing crisis is almost invariably painted as an urban crisis (Wetzstein, 2017), most visible and most pervasive in big cities, well-connected to global flows of people and capital. The aim of this short comment is to situate rural areas in England in contemporary housing access (and affordability) debates and to illustrate how many aspects of the urban crisis are present outside of cities and often magnified in areas subject to a combination of amenity-driven migration (and hence housing market intrusion) and development constraint. Whilst the focus is clearly on England and its specific circumstances, the linked examinations of economic context, development and housing supply constraint, and market intrusion will hopefully have some relevance to other places grappling with similar affordability challenges. But for the English context, another aim of this comment is to sketch some of the actions that might positively influence housing outcomes.

Rural areas and communities in different parts of England – and in the rest of the UK - face different challenges, or at least different combinations of the same challenges. These relate to economic profile (and reliance on sectors that tend to deliver lower wages), development constraint, and external interest in their housing markets - from commuters, life-style downshifters, retiring households and second home investors. Nearly forty years ago, Mark Shucksmith (1981: 11) observed that ‘[...] the essence of the housing problem in rural areas is that those who work there tend to receive low incomes, and are thus unable to compete with more affluent ‘adventitious’ purchasers from elsewhere in a market where supply is restricted’. This statement references those three ‘drivers’ - economy and earnings, market intrusion, and development constraint - and holds true today; they are present in varying degrees in different places.

In some rural areas, there may be little in the way of a tourism-related service economy whilst mixed farming delivers low incomes. Both market intrusion and development constraint may therefore be less pronounced. This may mean that there is less of a housing affordability and access issue to compound income-based deprivation. Elsewhere, tourism may be stronger, employment opportunities greater and (local) incomes higher. But where tourism is more important, there may well be associated housing market intrusion (places like the Cotswolds, the Lake District, Cornwall or near-urban honey-pots such as the Surrey Hills). The tourists and the seasonal residents are attracted by two things: amenity (the landscape, character of villages etc.) and the protection of that amenity through land-use planning, especially where regular constraint is amplified through various landscape designations – AONB, SSSI, National Parks, or Heritage Coast etc. – or Green Belt. Market intrusion has both an amenity and investment motive, with buyers drawn to areas where the likelihood of further development being permitted is less and therefore where house prices will be driven up by long-term scarcity.

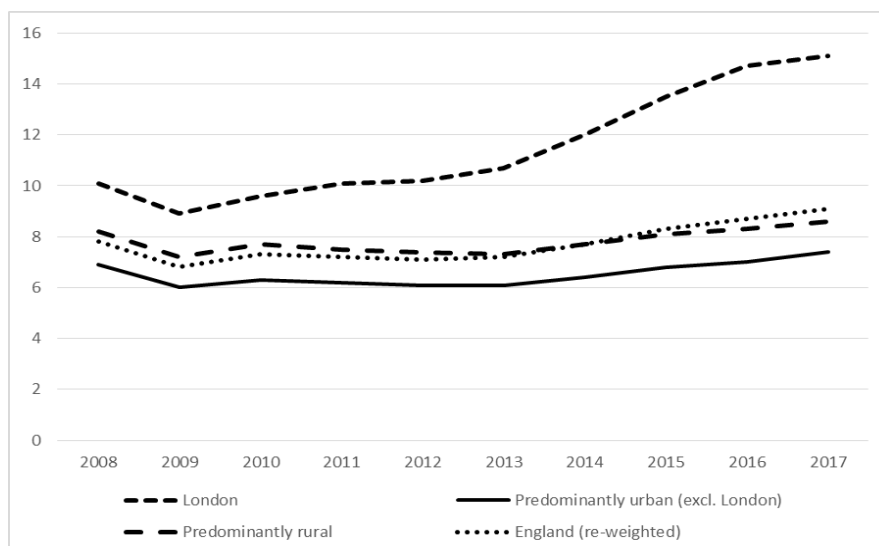


Figure 1: House prices as a multiple of earnings: ratio of lower quartile house prices to lower quartile earnings (residence-based), by Local Authority Classification, in England, 2008 to 2017 (Source: DEFRA, 2019: 135)

A number of researchers have worked on categorising rural areas according to this combination of change drivers. Lowe and Ward (2009), for instance, have mapped rural economies in England and Wales, showing where those economies (and housing markets) tend to be dominated by retired households (many coastal areas) or commuters (around London). They also flagged peripheral amenity areas (e.g. the Lake District, Snowdonia and Pembrokeshire) with many second home owners and deeper rural areas where employment and economy questions often over-ride issue of (housing) market intrusion. But despite such spatial variations, housing in *all* rural areas (across all regions) is less affordable (relative to local earnings) than housing in predominantly urban areas (excluding London) – see Figures 1 and 2 (note: regional data, showing comparative urban and rural ratios are available, but the most recent figures are for 2004 from the now-defunct Commission for Rural Communities). The affordability ‘crisis’ – measured in these ratios - is more pronounced in the English countryside, although it affects fewer households than the urban crisis because of the lower population share in rural areas. Trends and comparative data are shown below:

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
London	10.1	8.9	9.6	10.1	10.2	10.7	12.0	13.5	14.7	15.1
Urban with major conurbation	6.4	5.6	5.8	5.6	5.5	5.5	5.8	6.0	6.2	6.4
Urban with minor conurbation	5.7	5.0	5.2	4.9	4.8	4.9	5.2	5.3	5.4	5.5
Urban with city and town	7.4	6.5	6.9	6.7	6.7	6.7	7.1	7.6	8.0	8.3
Urban with significant rural	8.0	7.1	7.5	7.5	7.3	7.5	7.8	8.2	8.7	9.0
Largely rural	7.9	6.9	7.3	7.2	7.0	7.0	7.3	7.8	8.0	8.3
Mainly rural	8.7	7.6	8.1	8.0	7.8	7.7	8.2	8.4	8.7	9.1
Predominantly urban (excl. London)	6.9	6.0	6.3	6.2	6.1	6.1	6.4	6.8	7.0	7.4
Predominantly rural	8.2	7.2	7.7	7.5	7.4	7.3	7.7	8.1	8.3	8.6
England (re-weighted)	7.8	6.8	7.3	7.2	7.1	7.2	7.7	8.3	8.7	9.1

Figure 2: House prices as a multiple of earnings: ratio of lower quartile house prices to lower quartile residence-based earnings, by Local Authority Classification, in England, 2008 to 2017 (Source: DEFRA, 2019: 135)

Another important point is that in urban debates we constantly argue about the role of *new supply* versus *new consumption patterns* (buy to let, overseas investors, second home buyers etc.) in driving prices and therefore affecting affordability and housing access (see, for example, Mulheirn, 2019). To make housing more affordable in cities – and to extend housing wealth – it is argued that we need to build many more homes, and this means reducing the burden of planning. So, put simply, the ‘urban housing debate’ divides into two opposing perspectives: a) increased housing access can only be achieved by having a ‘bigger cake’ (building many more homes) versus b) fairer housing access can be achieved by distributing the existing cake differently, by reducing the incentive to consume ever-

greater quantities of housing (see Dorling, 2015). Consumption patterns are sustained by the tax treatment of housing and the supply of mortgage credit (for second homes, buy to let etc.), so these things – tax and lending – need to be adjusted.

I would not argue that rural housing debate is more advanced or progressive (it seldom touches on the broader political economy questions), but there has always been a recognition that housing outcomes (spatial inequality, hyper-consumption and over-investment, gentrification and residential displacement) are rooted in economic inequalities (reflected in earnings and wealth), low supply potential (because of the values attached to the countryside, including food security, amenity protection, nostalgia and sustainability) and the ‘inessential’ consumption of housing for amenity and investment. (It is also the case that supply cannot be turned on, at volume, in rural areas – because of amenity and infrastructure constraints). Rural housing is consumed for status and exchange value by Shucksmith’s ‘adventitious purchases’. It also offers locational amenity for leisure rather than for work. Since the initial surge in rural second home ownership in the UK in the 1960s, a heated debate has centred on whether this form of housing consumption is a ‘blessing’ or a ‘curse’ for rural areas (Coppock, 1977). Those areas rapidly lost population after the Second World War. Counter-urbanisation reversed that trend and brought new investment to the countryside (Satsangi et al, 2010). But eventually, the population stabilised: jobs were created in new footloose industries and in the tourism-related service sector. Niche farming also had a revival (Gallent et al, 2015). But rural earnings remained below those of urban areas during a period (through the 1970s to 2000s) when house-prices took off, underpinned by investments in owner-occupation and a relatively low tax regime for housing consumption. If adventitious purchasing had faded in the late 1970s, it may well have been viewed in hindsight as a life-line and blessing for rural areas. But its continued growth brought serious spatial inequalities. By the late 1990s, government was arguing that ‘[...] without adequate provision of [...] affordable housing, large parts of rural England risk becoming the near-exclusive preserve of the more affluent sections of society. This risk poses an important challenge to the goal of achieving balanced communities’ (Cabinet Office, 1999). A number of inquiries during the last 20 years (see links at end) have repeated that same conclusion. Investment overload – the scramble to consume (rural) housing in increasing quantities – underpins inequalities that will be amplified across generations (Bangham, 2019) as those without a family history of housing ownership are locked out of the housing market.

Notwithstanding the different balance of drivers in different places, the rural housing problem looks (in general terms) something like this:

1. Rural areas are not a focus of planned growth;
2. Housing supply is heavily constrained (through planning) for reasons of amenity, landscape protection and sustainability;
3. There is a ‘free market’ for property;
4. There is high external demand for homes, especially in picturesque areas;
5. ‘Adventitious’ purchasers often have greater market power, derived from urban jobs or a prior history of property ownership;
6. Rural wages do not provide an effective means of competing against the market power of purchasers from urban areas (or wealthier domestic property classes; see Pahl, 1975);
7. This can result in gentrification and a displacement of local households, resulting in a debate that has been focused on local rights and needs;
8. Rural housing, in many areas, has a scarcity value that is attractive to investors of various kinds.

If we stay focused on three drivers noted at the beginning – economy, supply and market intrusion – then there are three levers for re-shaping housing outcomes:

Economy (and earnings) – very broadly, there is a case for economic development as a response to housing inequalities (close the economic divide between advanced and peripheral areas and therefore shrink the ‘rent gap’ that is sought out and exploited by investors). A whole literature focuses on the exogenous strategies and endogenous actions for revitalising rural economies (Woods, 2010, provides a good overview). For a long time, emphasis was placed on investment in infrastructure and creating new and better jobs. But still, the divide between urban and rural job opportunities and earnings remained. Infrastructure – especially new roads – opened areas up to investment. It addressed the economic disadvantage of peripherality but also increased accessibility to rural housing markets. Economic development is essential but it is no guarantee of rising equality in housing access in an unrestricted market. The extension of the A55 into Dwyfor (Gwynedd) in the 1980s, for example, was an important milestone for the rural economy of north-west Wales (especially the tourism sector) but also caused an acceleration of second home buying (Gallent et al, 2005). Economic levers that impact on investment in business growth versus housing consumption are of course very different, but the latter require re-regulation of mortgage lending and adjustment to tax rules. They will effect change across the business and housing markets but have never been part of a general rural economic development strategy, as they impact on ‘property rights’ and would signal a more fundamental shift in the land/housing status quo (see below for additional reflections in this area). To date, rising housing consumption has been part of (or at least a signal of) the ‘positive’ economic trajectory and well-being of hitherto laggard areas – something to be welcomed, with externalities managed through social housing programmes or occasional market interventions. House price inflation is ‘good inflation’ and a measure of economic success.

Further remedial strategies and responses in this area include:

- Enhanced support for rural businesses and diversification through planning and regional investment banks;
- Further improvements in rural infrastructure – from roads to broadband – whilst managing housing consumption impacts through the sorts of taxes on consumption now being suggested by numerous organisations (e.g. SDLT, Council Tax and CGT).

Housing supply and development constraint – Additional speculative development tends to fuel further housing investment. Developers will build for the most lucrative segment of the market, delivering high-end executive homes, if they are allowed to do so. Local attempts to force the private sector to only build for ‘local need’ of ‘full time residents’ have tended to result in reduced development activity, transfer of housing land to other uses, and further inflation of house prices – to the benefit of existing owners (Gallent et al 2016 and 2019). Therefore, the general and popular conclusion is that non-market housing must be provided: council or housing association homes, usually concentrated in key settlements or market towns and either grant-funded or procured, in part, through planning agreements. Combined with development constraint in the most attractive (lowest tier) villages, we see a concentration of social / affordable housing in larger settlements and greater market exclusivity in the ‘commuter villages’ or second-home ghost villages. The upshot is very stark patterns of spatial segregation, especially since the 1980s when we started to experience the accelerated loss of social housing in smaller village locations through the right to buy. Targeted provision on ‘exception sites’ can help deliver against the needs of households on lower incomes, but such exceptions are dependent on the willingness of landowners to release land at below market price (some will not be inclined do so, preferring to wait for future changes in a village’s development boundary), support from the local community (which may or may not see the need for such housing) and involvement of a housing association willing to invest time and grant funding in a small scheme rather than pursue larger, bigger impact sites in the nearest market town. Planning exceptions, and

other innovative circumventions of ‘normal’ planning practice, are evidence of deeper structural challenges in the housing market, the role assigned housing in the national economy, and consequent patterns of consumption (Gallent, 2019). At a more prosaic level, rural politics, dominated by parish councils, may prioritise amenity and village character over new housing. That politics may put the interest of current homeowners ahead of the needs of future residents on lower incomes. There is a convergence of political economy and local politics that limits solutions: housebuilding and housing consumption are private matters and profit-driven, land is under monopoly control, and the goal of government has been to keep house prices on an upward track. All of this restricts the space for alternate housing models, from community land trusts to individual self-build. Interventions in this area might look something like this:

- Avoid local restrictions / solutions (e.g. on full time or local residency) as these simply transfer problems around and can have adverse impacts on housing supply and prices;
- Focus instead on structural (national) solutions, including a reclassification of housing for local use as opposed to second homes, or family occupation rather than pure investment (see Monbiot et al, 2019 or Gallent, 2019, for thoughts on a combination of adjusted Use Classes and differential tax liabilities);
- Allocate land for community use (i.e. land trusts) or plots for self-build, placing covenants on occupancy if necessary;
- Deliver a community ‘right to housing’ through Neighbourhood Planning – something akin to the ‘right to bid’, but which allows communities to acquire land (rather than buildings) for housing at close to agricultural value for local needs (replacing the current rural exceptions approach).
- Permitted development for ‘barn-to-residential’, subject to good planning and safeguards on standards (and subject to consideration of impact on working farms or loss of opportunity for business use);
- Suspend the right to buy and embark on a programme of grant-funded council house building (but see this as secondary to tax adjustments designed to impact on patterns of private housing consumption). The primary goal of policy should be the fairer distribution of housing wealth and the promotion of *homeownership* over asset ownership.

Market intrusion – Finally, the volume of ‘adventitious’ purchasing in the housing market is far greater today than it was in the 1980s. Recent work by the Resolution Foundation shows that housing wealth is now concentrated in fewer hands (Bangham, 2019). A rentier class – engaged in ‘residential capitalism’ – has been driving growth in the housing market for at least the last decade. The belief that a functional housing market only works with a good supply of first-time buyers has been supplanted by the idea that the UK market can function perfectly well (for those in a position to benefit) if it has a decent supply of buy-to-let investors. Government is now wary of the political cost of this as the rentier class ages and younger voters, locked out of the market, express their disquiet. Hence, the recent stamp duty surcharge on second homes (from 2016) and a scaling back of tax relief benefits on buy to let. But these tentative steps towards rebalancing homeownership and private renting are short of the big strides needed if housing wealth is to be redistributed and the benefits of homeownership extended. Patterns of ownership in rural areas reveal a concentration of wealth in housing, expressed through multiple-property ownership and the command over land rent through buy to let and holiday lettings (and probably short-term platform-based rentals including AirBnB).

Housing has been ‘assetised’, and that ‘assetisation’ has been underpinned by a combination of bank lending (on property rather than business investment; Ryan-Collins et al, 2017) and the tax treatment of housing. Recently, Monbiot et al (2019) have argued for a reform of council tax that would see it transformed into a progressive property tax, paid by owners rather than tenants, and changes to

capital gains rules that would result in liability being aligned to the top rate of income tax. Additional penalties would be imposed on second home purchasing. Kate Barker (2014) has previously argued that the under-taxing of housing has contributed significantly to over-investment in this 'asset', with all the resulting social costs that are now visible. Housing rights have been sacrificed to the interests of the rentier class, producing deep inequalities centred on housing ownership and access.

This is arguably the most important area of intervention aimed at reshaping housing outcomes, but also the one where I have least to say – because everything that could be said has now been said, largely by Monbiot et al, 2019. However:

- The attraction of holding housing as an asset – and engaging in residential capitalism – will be affected by tax liability: Stamp Duty (surcharges), Capital Gains Tax and Council Tax (if transformed into a progressive land tax, payable by property owners); but
- Any sudden implementation of such measures would have deep consequences for the housing market, consumer confidence and spending, the wider economy and the state of public finances (and spending plans). So any change must be staged and relatively gentle.

Staged and gentle change is needed because property ownership and command over land rent is central to the structuration of class, as Peter Saunders (1984) and others have noted in the past. The wealthy (the so-called 1%) tend to be wealth extractors rather than wealth creators (Sayer, 2016), and this is now true of the (upper-middle) rentier class. The life styles they have, and others aspire to, are supported by property wealth. The implications of disrupting this system – to jump from light intervention to fundamental shift – may be appealing to some, but also presents great risk, politically and economically. We might imagine a world in which homeownership is expanded and extended and property wealth redistributed through progressive land and property tax: but that would require a big drop in house prices and therefore a big fall in the volume of domestic mortgage loans, with implications for bank lending and debt trading (as a central plank of the economy). Reduced land rent (and the decimation of the rentier class), alongside a sharp decline in the wealth of existing owner-occupiers (result from falling property values and therefore reduced imputed rent) would also impact on consumer confidence and spending, especially spending on high-end luxury goods and services.

Back in rural areas, housing outcomes vary greatly. Not all places are the same. But the drivers, in different combinations, are fairly static – and the same as those encountered in towns and cities. The big difference is the value attached to rural amenity and character. The desire to protect natural assets is a legitimate one. Far less development, in response to housing consumption demand, is possible in the open countryside or around small villages (though high quality development and growth is possible; Spiers, 2018). This means that how we use the existing and future housing resource is of critical importance in rural areas. We need to exert far greater control over patterns of housing consumption, carefully balancing the right to housing with the right to enjoy private property.

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