

Back to basics

Foreign investment in the commercial property market is a very good thing. Maybe there is a little local difficulty sometimes in ameliorating what it creates – if for example a foreign buyer loses interest in an investment, they, or rather we, are stuck with an empty flat, or it is eventually bought by someone else. London's historic development featured plenty of absentee investors who allowed slums to develop, while living aristocratically off the immoral proceeds, but we are hardly in that era now.

OK there is an issue with properties at the miniscule luxury end of the residential market going to foreign investors, insofar as it puts these particular homes out of the reach of domestic buyers; but the impact on house price inflation in the bulk of the market is limited, money still flows into the economy, and is it any different to Londoners buying Welsh or Cornish cottages as second homes?

It is to be supposed that locals will always be revolting when wealthy 'incomers' turn up, but their presence is not the disease, the symptom of which is unaffordability. The disease is lack of supply of mid- and cheaper-priced properties that locals can afford.

The super-prime and prime properties making ridiculous prices (which have peaked) are a very small percentage of the market. Also investors' cash gets recycled into new housing schemes, while the flats they buy largely end up on the rental market, increasing supply of housing – which if there's enough of them, will increase affordability by forcing rents down.

Every street is a different housing market and whatever the excitement in parts of central London, there is little chance of a bubble nationally – even if the Chancellor chooses to inflate an undersupplied market with government-guaranteed 95 per cent mortgages.

The stand-out factor of the property market is not this, nor the presence of foreign capital but the impotence of the planning system to cater for demand, as seen in Kensington & Chelsea's attempt to restrict the number of large dwellings in new developments and limitations on basement extensions. Our politicians meanwhile have been engaged in a brave but largely flawed attempt to allow the market to deliver a larger number of low cost new homes, against which the inertia of the planning system has fought back effectively.

The freedom to convert office space into housing was forcefully promoted by the Chancellor in the 2011 budget at the point when construction desperately needed a boost. It has taken two and a half years for a weak, emasculated version of this long overdue dilution of the out-moded Use Classes Order to emerge and the first schemes to be initiated. These are already having a positive effect.

Councils are releasing pieces of Green Belt for development because they are obliged to meet the need for a five year land supply, but there are big questions over how much of this will get through the planning process and see development take place.

No, those complaining about the dynamic investor market are barking up the wrong tree. Their ire and resentment should be reserved for the planners and politicians who are not doing their job – which is to look after us all by ensuring that we have enough homes. A most basic, ancient, social need. ■

BELOW: *Property Week* graphic illustrating London First's research into foreign ownership of housing (see page 18)

