

[British housing on the right track](#) [1]

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More good news on the UK housing front this week ? mortgage lending in 2010 has fallen by another 5% to £136.3 billion, its lowest level for nine years. Lending is now down by a third since 2007.

Along with the British government?s scandalous budget deficit, the nation?s long-running obsession with housing is the biggest structural change needed for long-term economic growth. For decades, ?investing? in houses has trumped ?real? investments in productive enterprises. The consequences of this mentality have been disastrous ? inadequate pension savings, lagging productivity, increasingly unaffordable accommodation and, ultimately, the financial bust of 2007-2008.

If this recent trend in diminished mortgage lending marks a true reversal from the past, it could only be good news for a healthier future ? lower real house prices and enhanced investment in productive ventures.

Now, any fundamental change in long-standing trends will be painful for some. Many over-extended borrowers won?t be cashing in as they had hoped. The ?value? supposedly locked away in houses won?t buy as comfortable a retirement as planned. But that?s the nature of bubbles and housing has been one of the biggest bubbles of all time.

Currently, tighter mortgage-lending standards are keeping first time buyers from taking their first step on the dreaded housing ladder. (There?s a metaphor that has got to go - ball and chain is more apt.) That?s no bad thing. Young people should rejoice at the freedom this brings ? freedom to move to where the jobs are, freedom from the associated costs of home ownership, freedom from Saturday trips to IKEA, freedom to lie in on Saturday and Sunday mornings.

And, if they just wait a bit, some really nice properties will be coming along soon as the baby boomers start selling to pay for more modest retirement homes and nursing care. Now, *there* are some serious investments to consider!

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