

## LANDHOLD

### *'new' home-ownership concept*

This strategy for growth might be described as one of 'benign concentration'. The wider community would identify a few discrete locations within areas expecting to absorb growth. Each would be chosen for its suitability to relieve, rather than add to existing stresses, thereafter to grow steadily until the development reaches a size that demands further new alternatives: the aim is to end the insidious creep and the ruining of the structure of many towns and villages. Existing settlements should be allowed to accept only the growth they find necessary to accommodate purely local needs – mostly likely to be what is called 'infill'.

Will Hutton, in his most recent work, "Them and Us" speaks of the banks in the period 2000 to 2007 - doubling their share of 'casino-like' trading assets in their balance sheets to nearly 40 per cent. These assets themselves grew to, "an astonishing five times national output .... The leverage was colossal and the capital underpinning all of it tiny."

He continues "only a small fraction of the total lending directly supported business and innovation: **two thirds of all sterling lending was for residential mortgages** and another fifth went on commercial property."

In the future, do we not want anything like these proportions of bank lending to go towards residential property again? This was all not so much about housing but market games and surely we need more lending to go to support productive ends? Recent painful experience might suggest anyway that funds and banks would be slow to enthuse about the residential markets on the old scale ... and therefore likely to remain difficult for those with little capital and small incomes.

The suggestion of ground rent revival in the form of what we might call '**landhold**' – (ground rents with special features), is designed to introduce new conventions for investment and to have 'fair' consequences for both landlord and ground tenant.

The use of ground rent in the housing market has plenty of precedent in history and has never entirely ceased to be a feature of up-market areas, certainly in London and other major cities. It can be made particularly useful when coupled with terms that are designed to set and maintain standards. At the level of detailed change, it can render redundant the need for much third party 'development control' – facilitating a public sector economy.

The necessary management of the rents is a cost that could be extended to cover other aspects of investment and management of the emerging community - as indeed did happen in the early days of Letchworth. The result could take in economies such as the cost of energy ... and other utilities and services and yet still amount to a reduced annual outgoing for the owners when compared to the mortgage for a freehold.

With ground landlord and house owners sharing an interest in the appreciation of values, there should be a shared desire to seek betterment on the ground. On both sides of the bargain, a safe tradable investment will have resulted for the long term - with degrees of flexibility in the uses and disposals of the assets concerned. Governments could add fiscal incentive for taking the income rather than the gain to encourage the direction for investment into such an enterprise and create at least an initial attractiveness when compared to other available choices.

A principle virtue of 'landhold' would be the reduction of capital demanded from banks and purchasers: this would make more money available for business recovery, as well as getting a more focussed view of housing for people, rather than markets!

*Michael Innes, December 2010*