

UK Housing Market Overview

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Presentation Outline

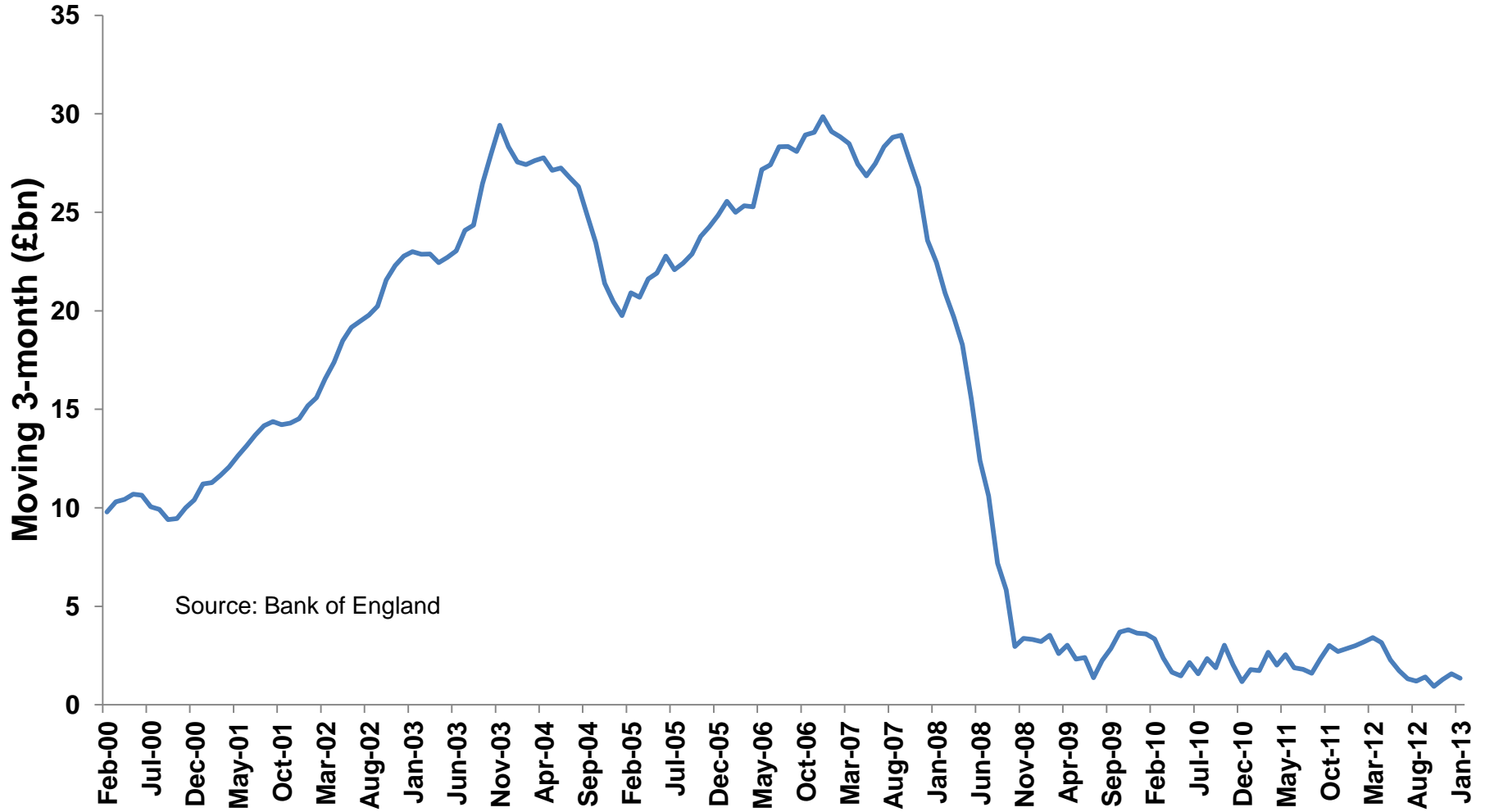
- Economic environment
- Housing market trends
- New home trends
- Influences on housing market outlook
- Long-term requirements
- Government policy response
- And finally...

Economic Background

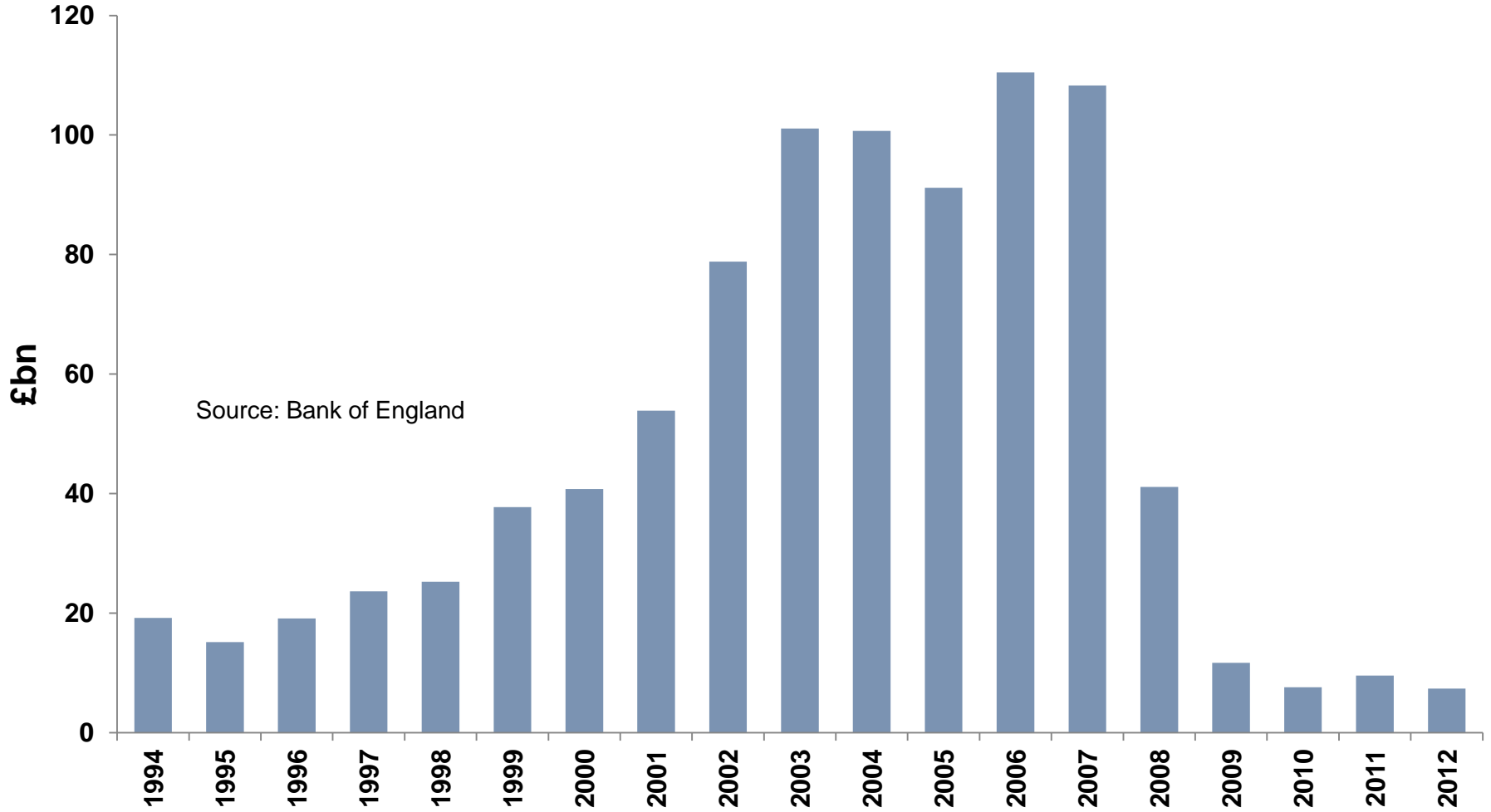
- GDP very weak
 - Real earnings still falling
 - Consumer confidence dented by 5-year recession
- BUT***
- Employment surprisingly strong
 - Interest rates at historic low
 - Global disasters apparently avoided

HOUSING MARKET TRENDS

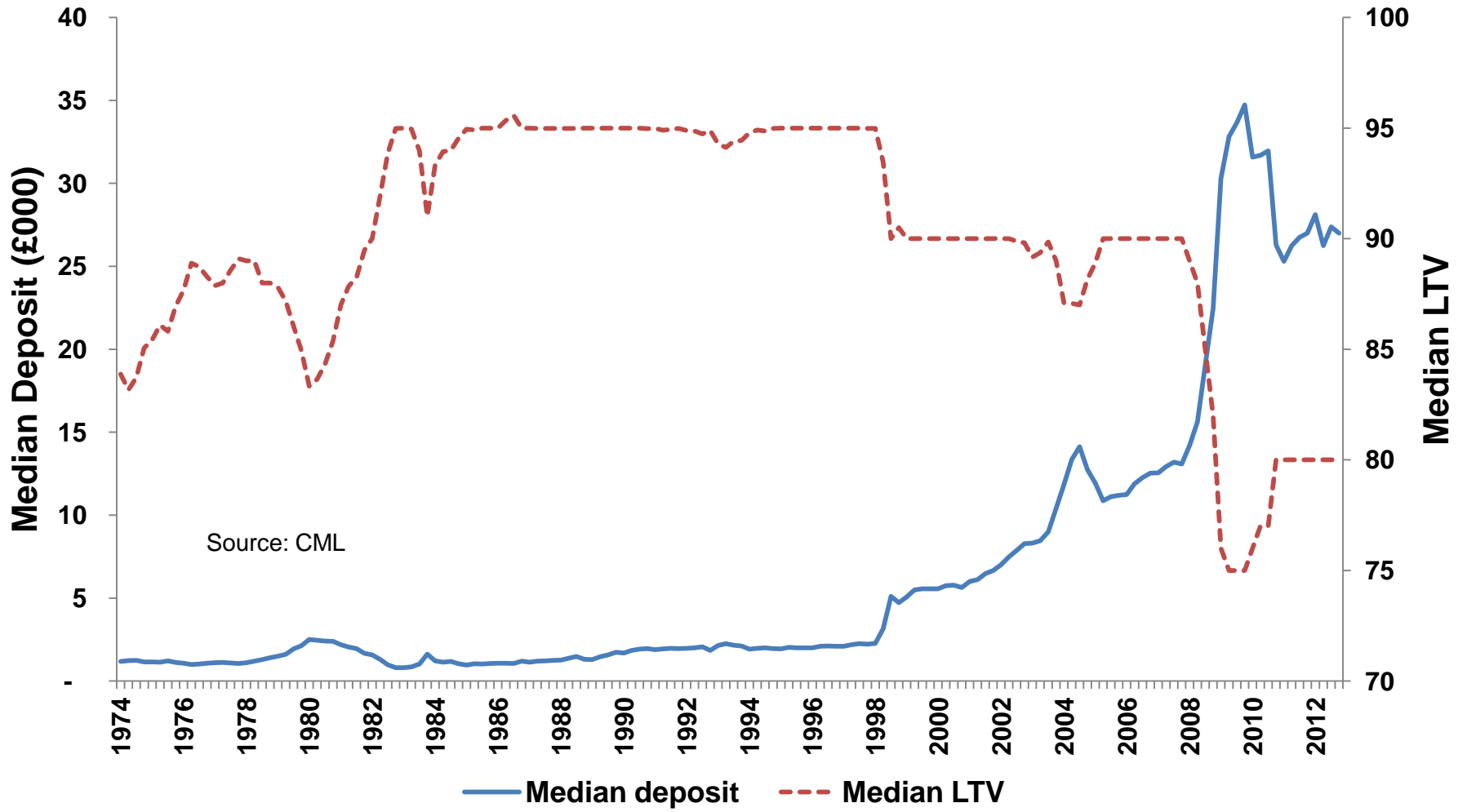
Net Mortgage Lending (UK)



Net Mortgage Lending (UK)



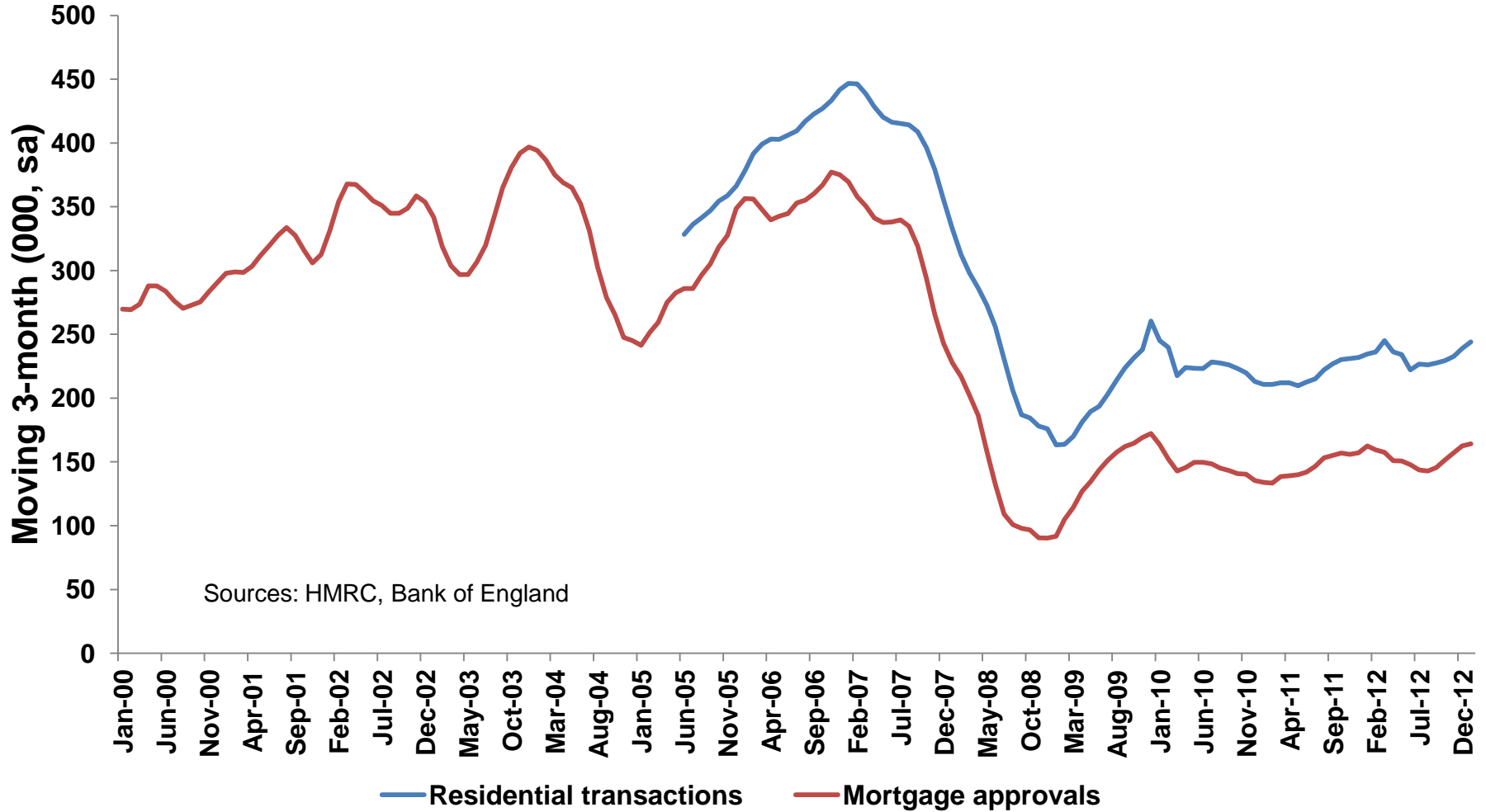
First-time Buyer Median Deposit & LTV (UK)



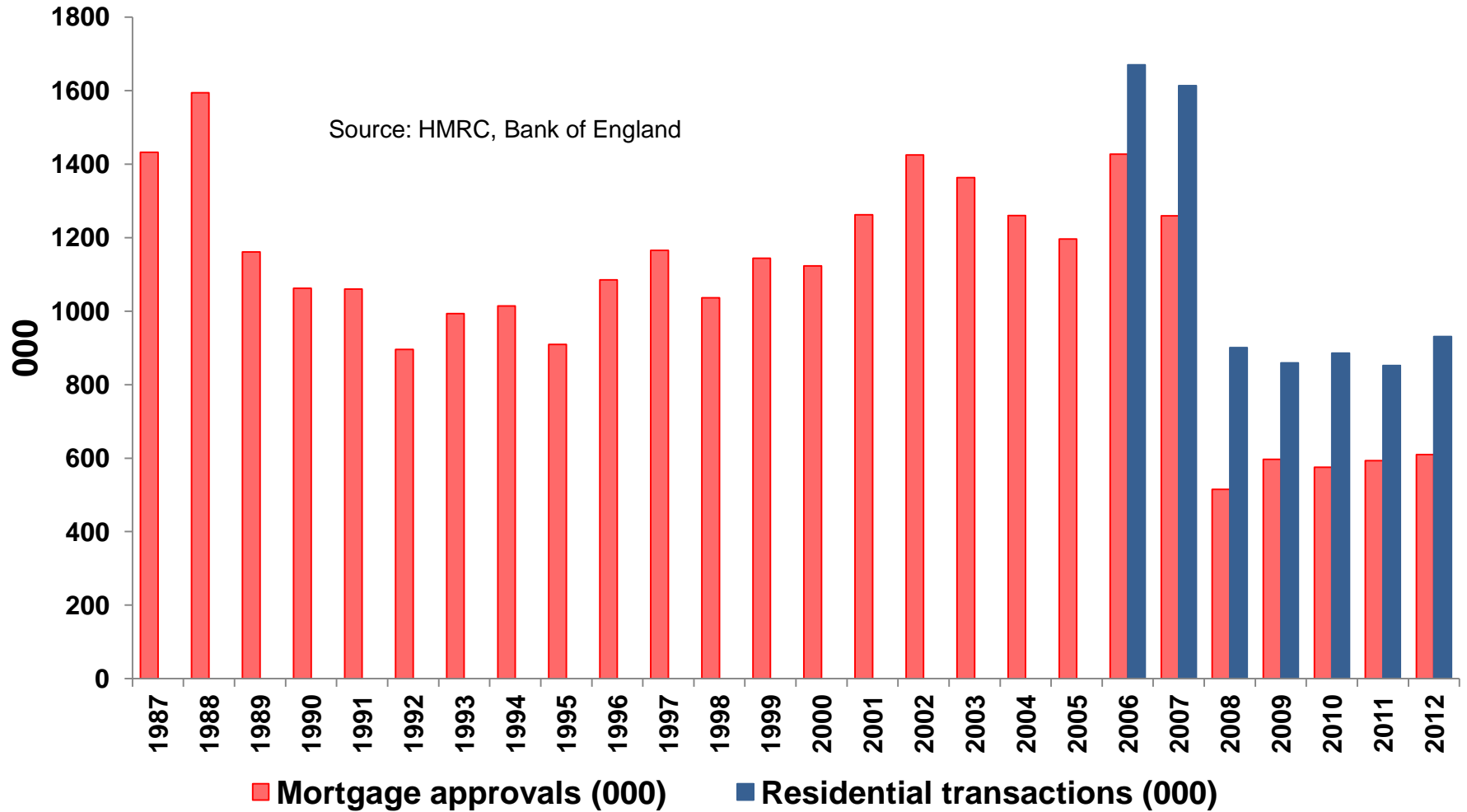
Funding for Lending Scheme (FLS)

- 1st August 2012 to 31st January 2014
- Up to 5% stock net lending + £ for £ any increased net lending
- Loans for 4 years
- To drive down rates & increase volume lending
- But 'cliff edges' 2013 Q4 and refinancing dates

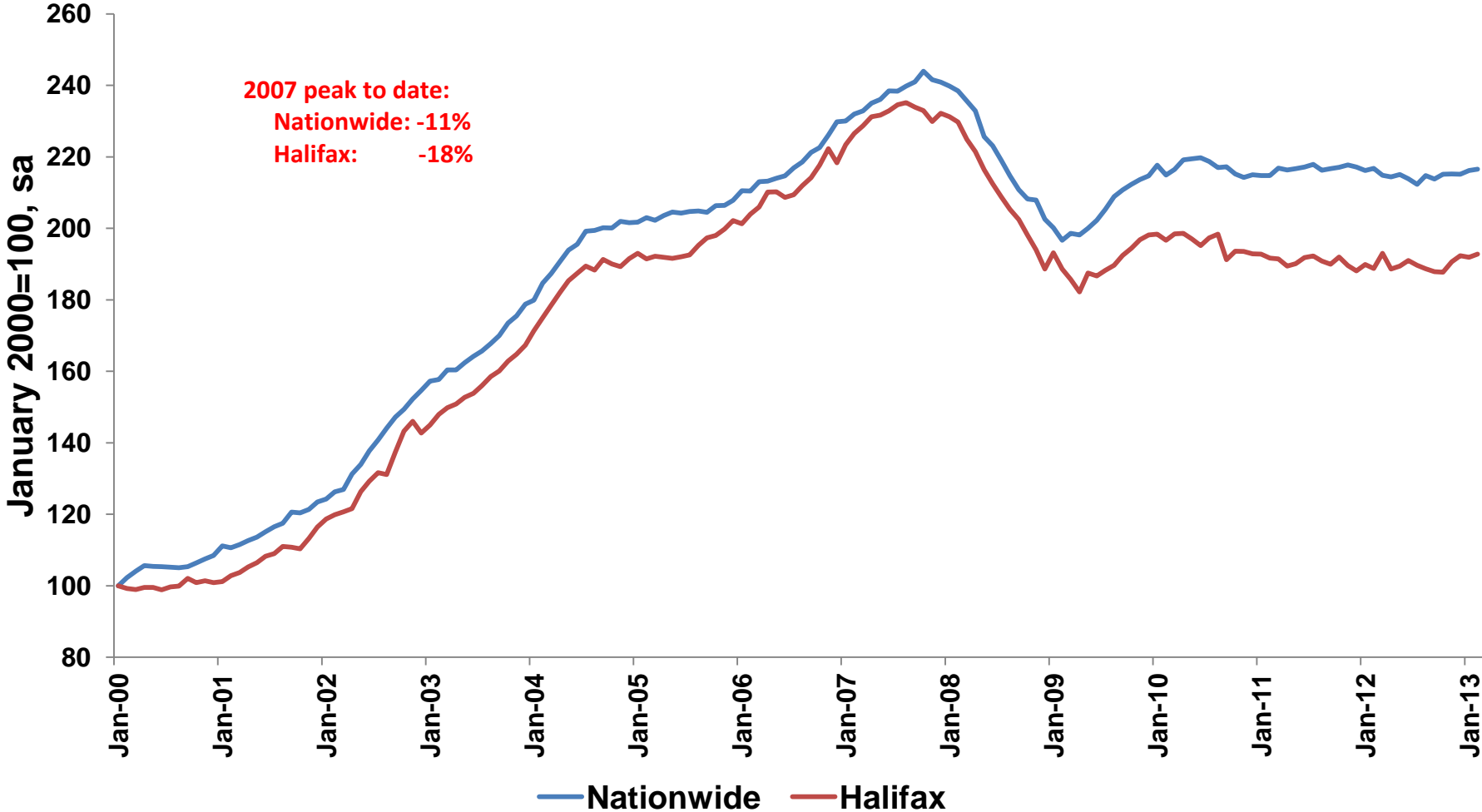
Residential Transactions & Mortgage Approvals (UK)



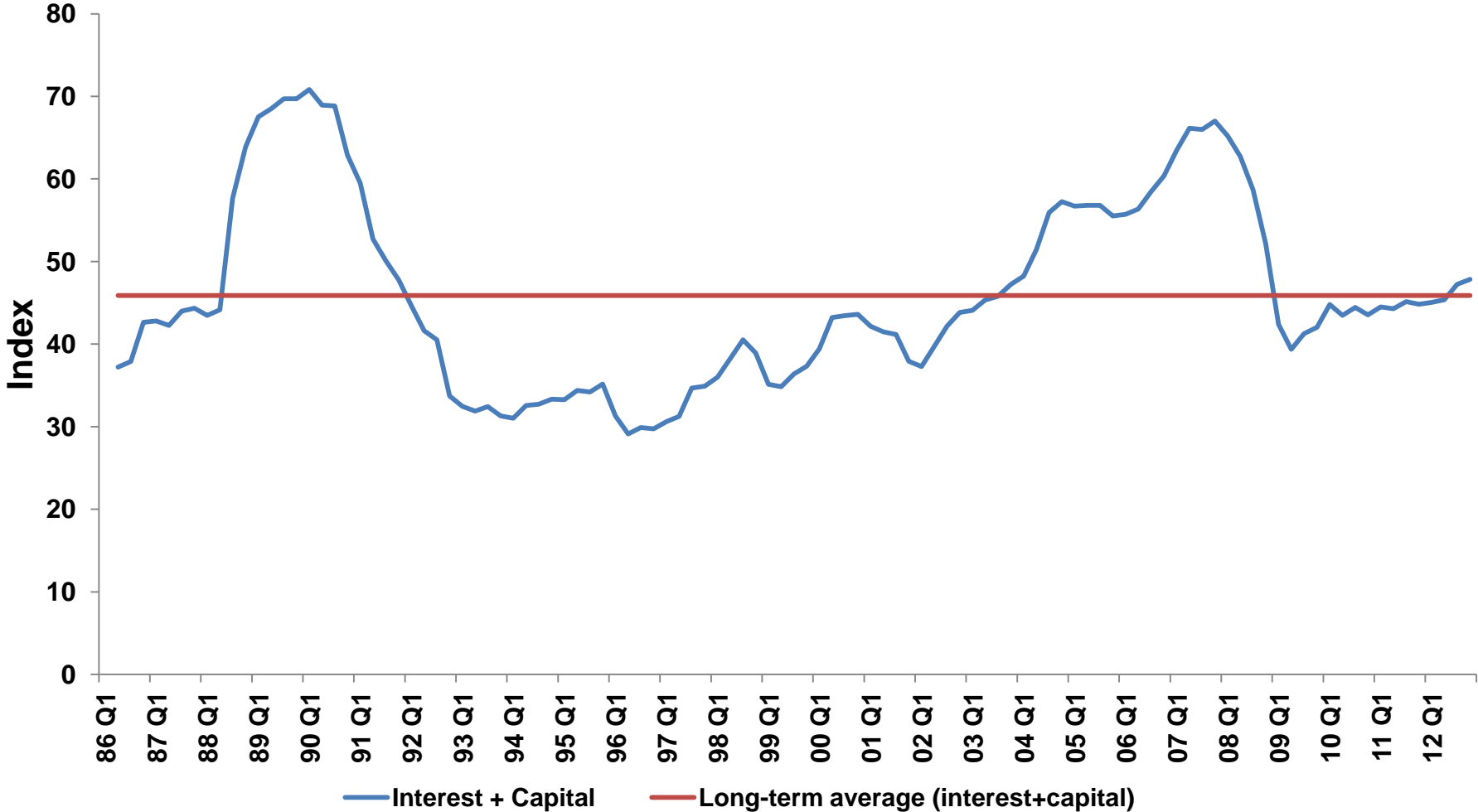
Mortgage Approvals and Residential Transactions (UK)



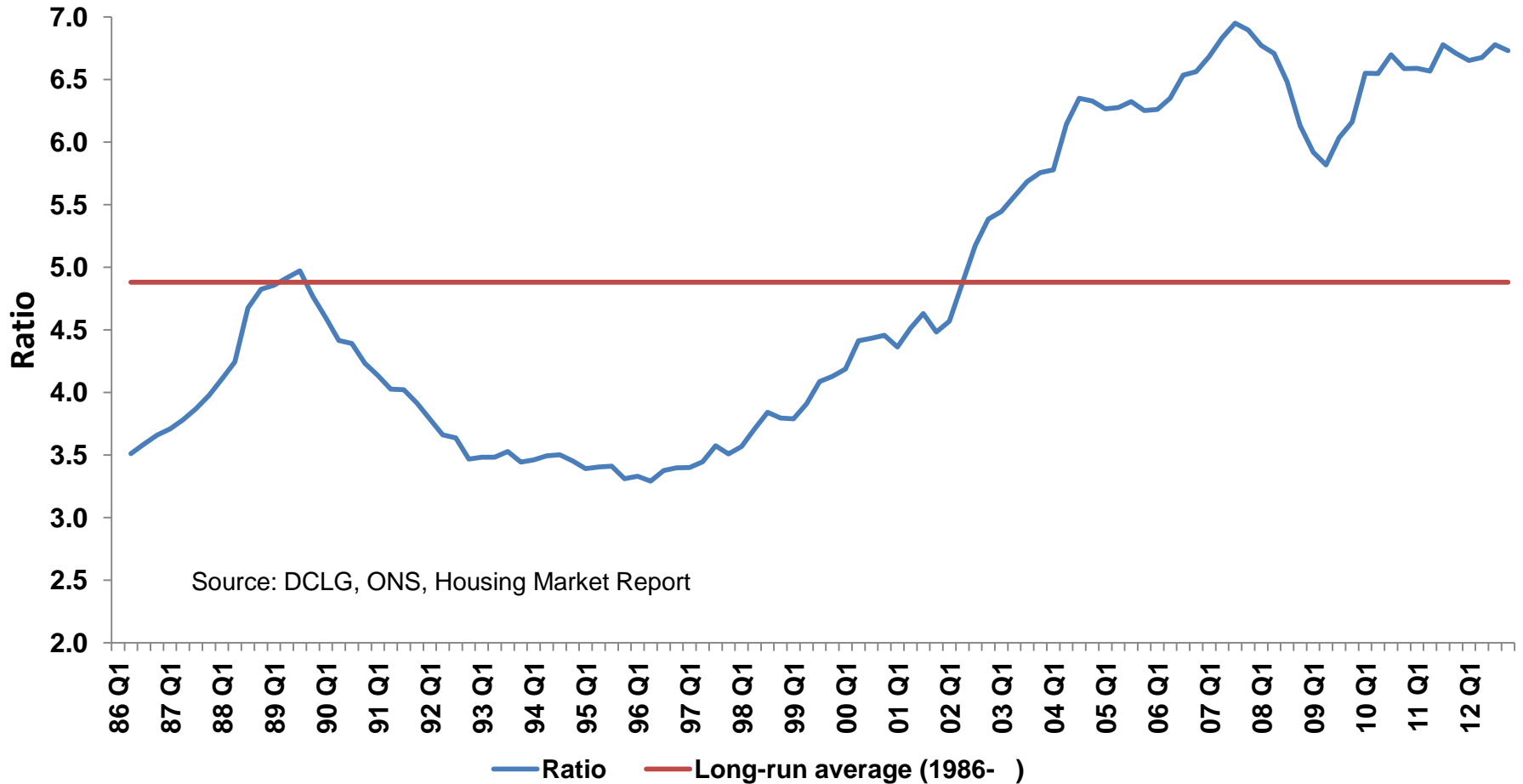
House Price Indices (UK)



HMR Affordability Index (GB, Single Male)

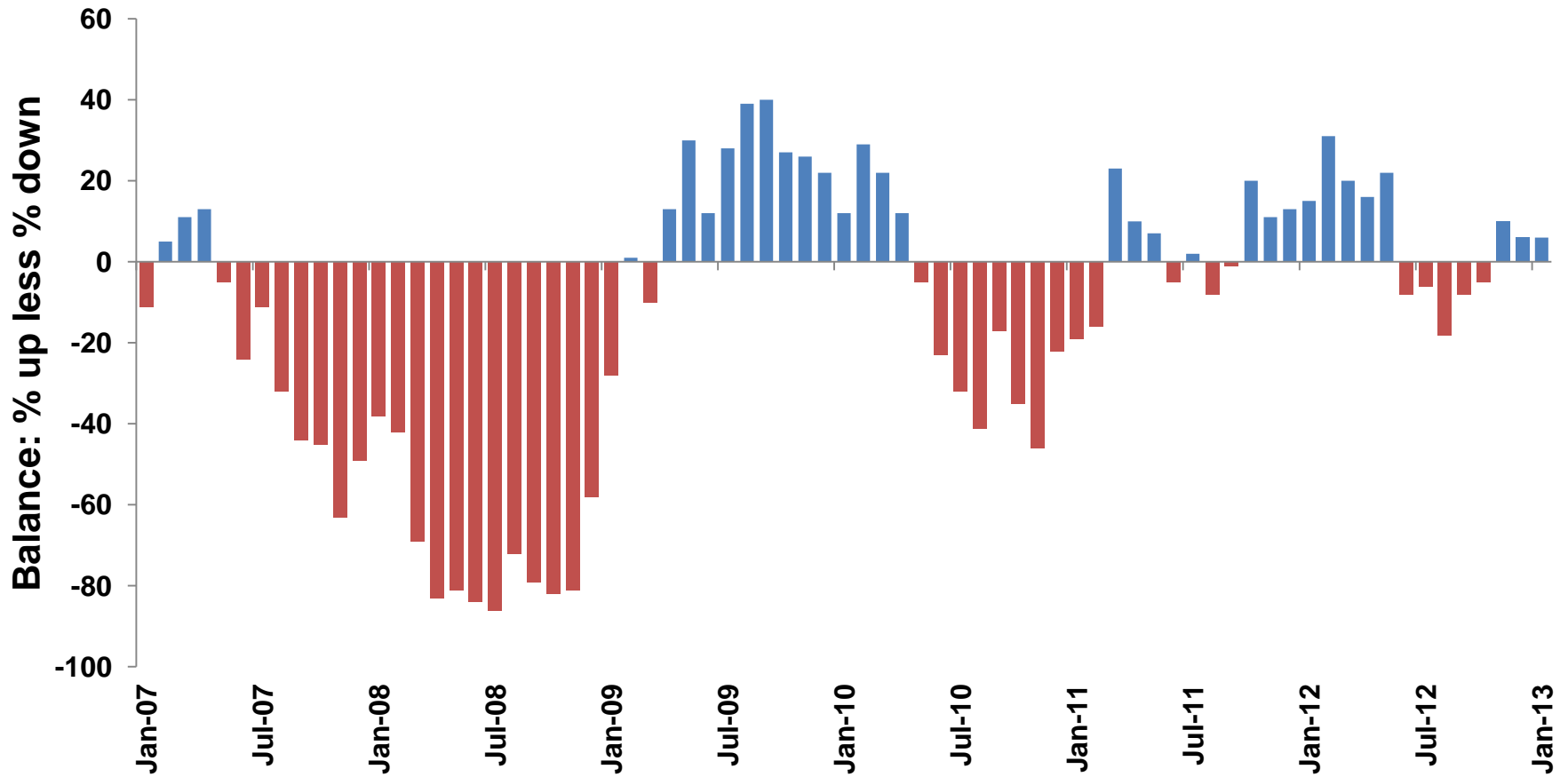


HMR House Price Earnings Ratio (GB, Single Male)



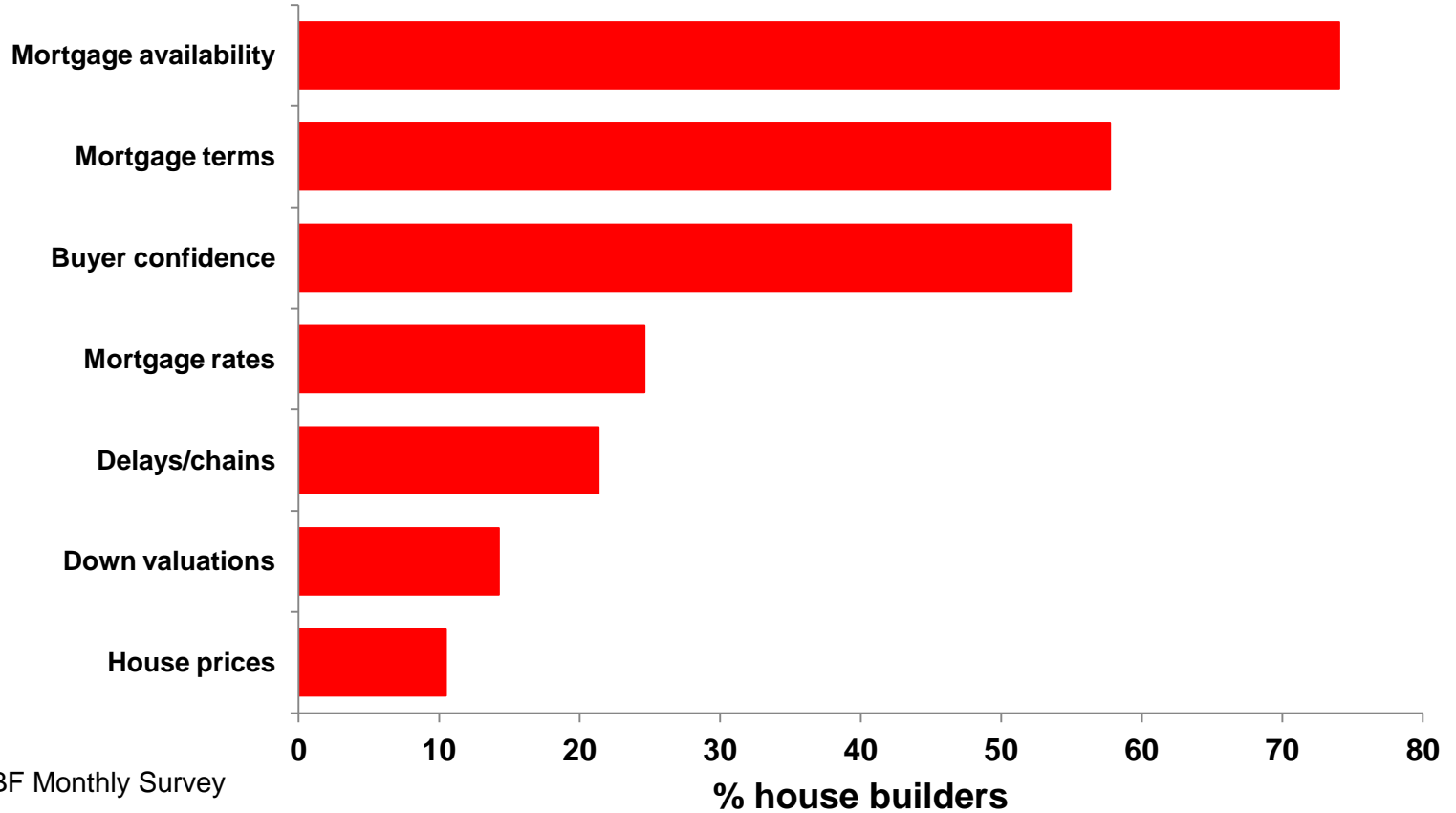
NEW HOME TRENDS

HBF Survey: Net Reservations on Year Ago (Balance, GB)



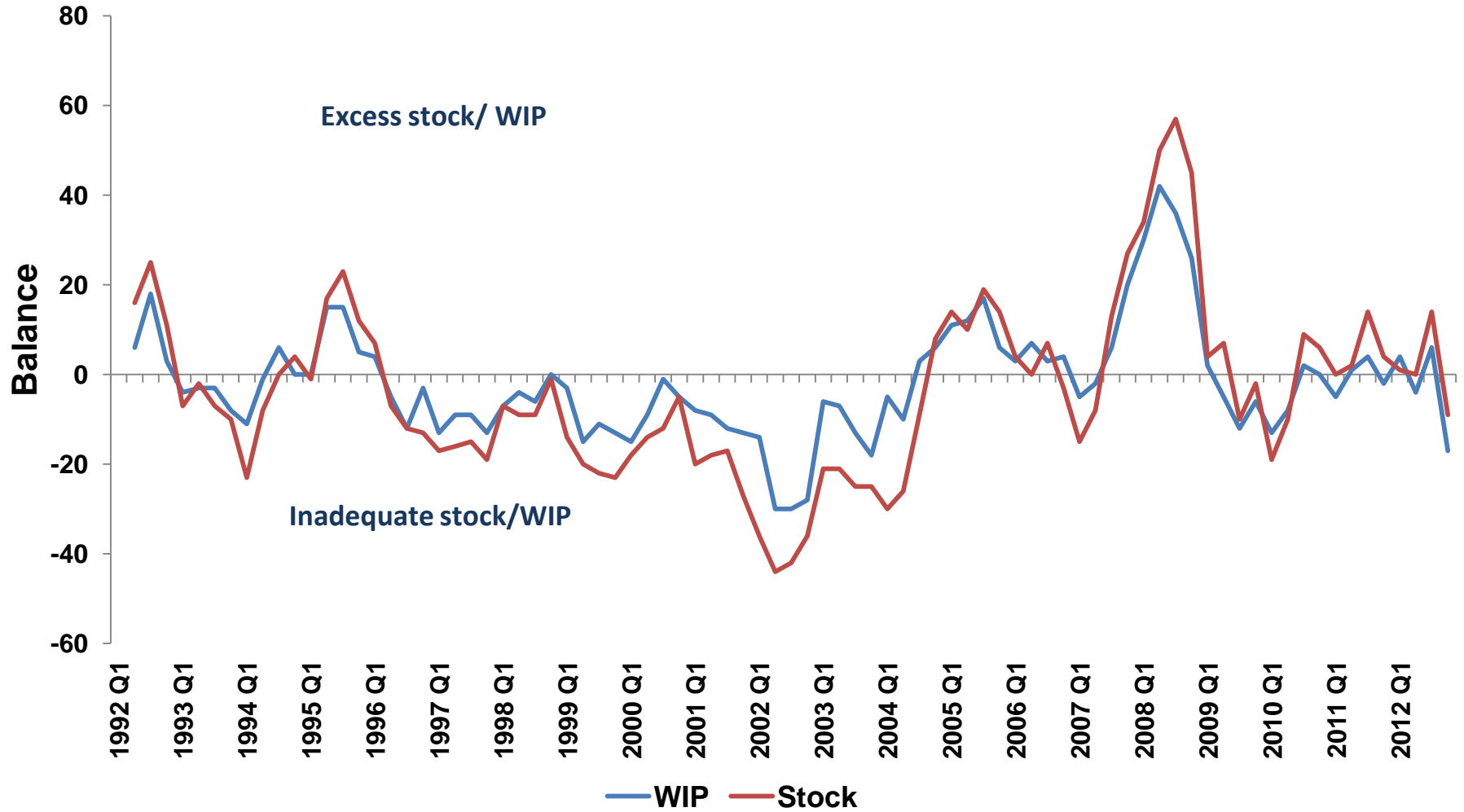
Constraints on New Home Demand, 2012 Q4

% house builders quoting as "major constraint"



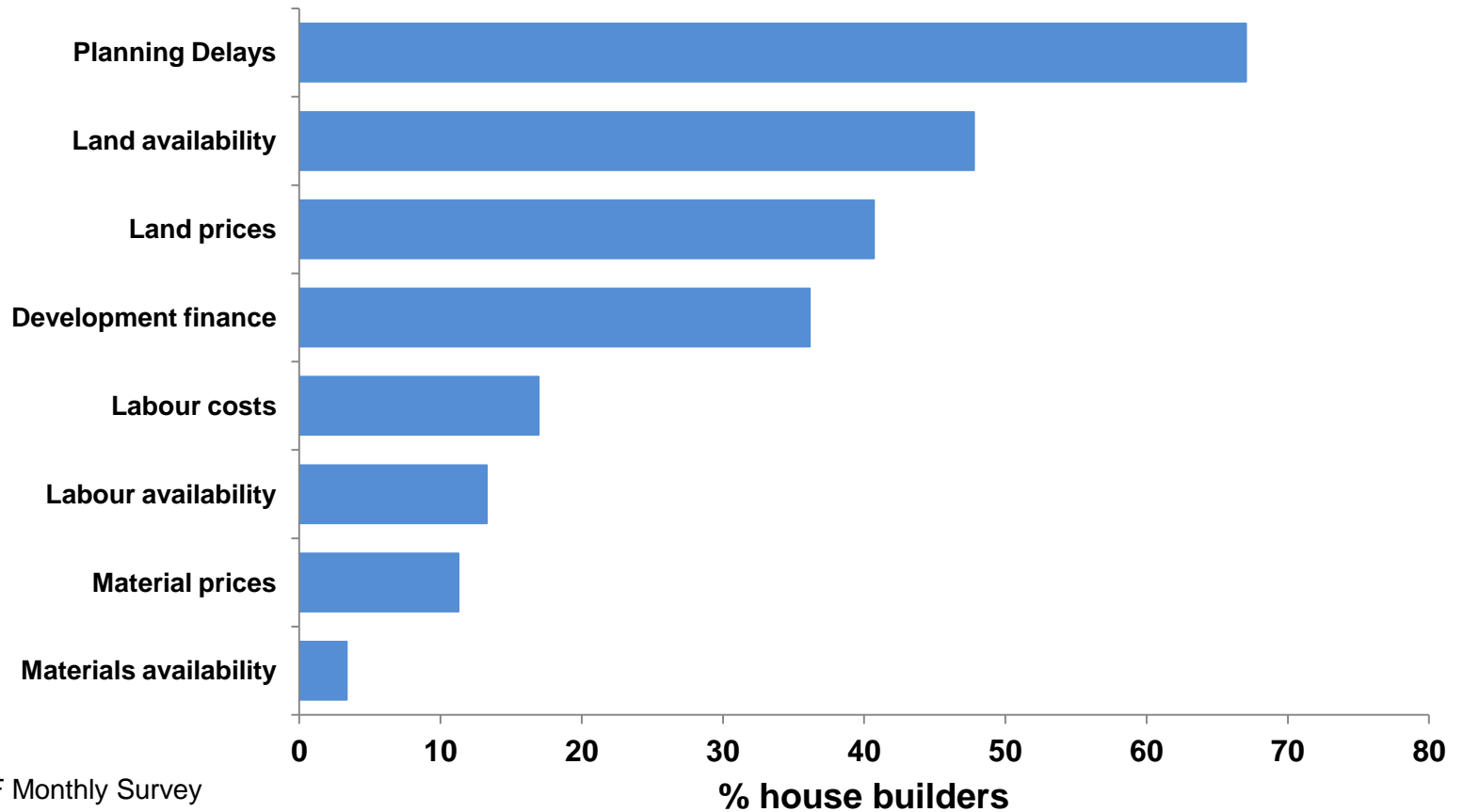
Source: HBF Monthly Survey

HBF Survey: Stock & WIP Balance (GB)



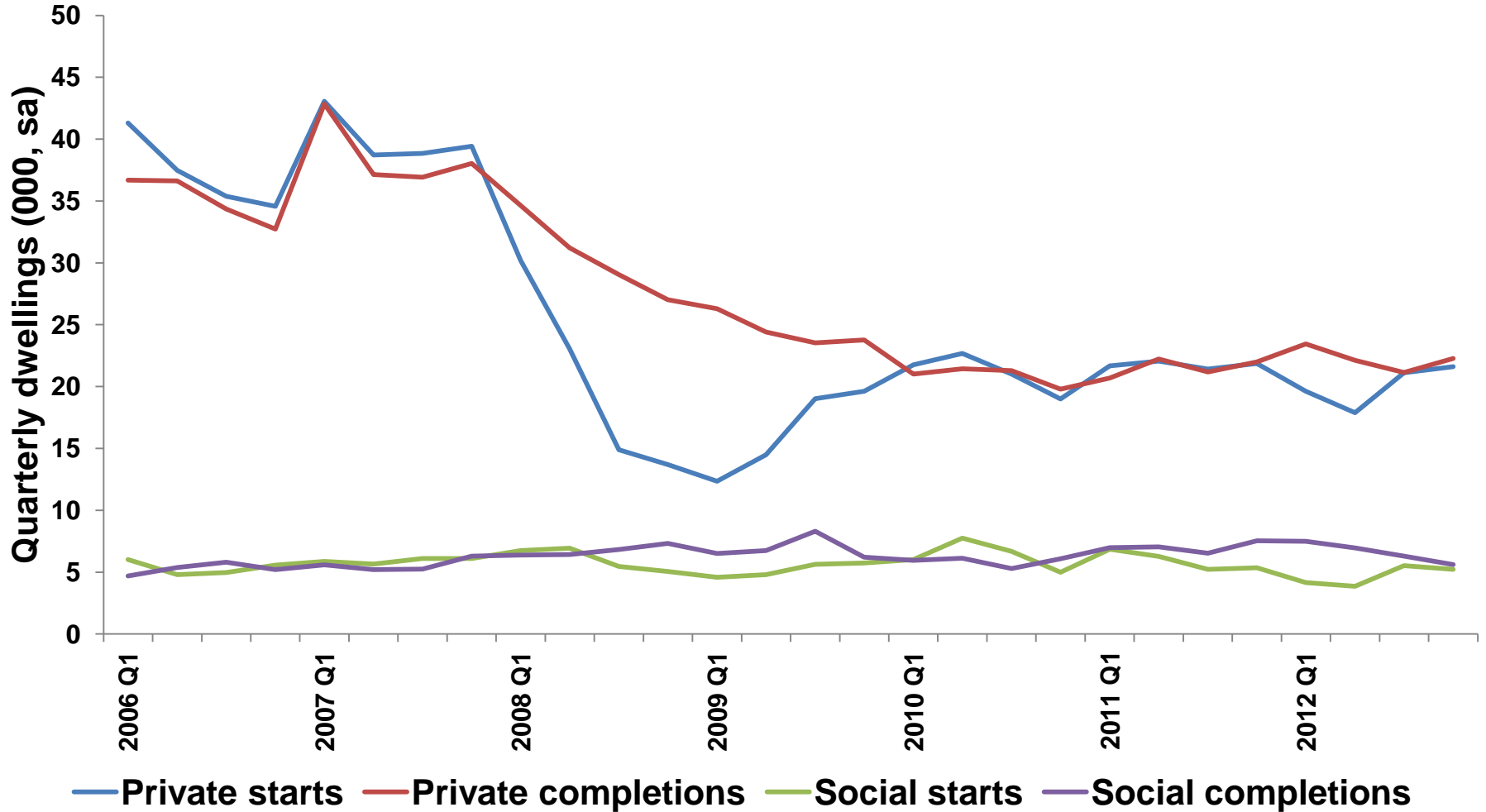
Constraints on New Home Supply, 2012 Q4

% house builders quoting as "major constraint"

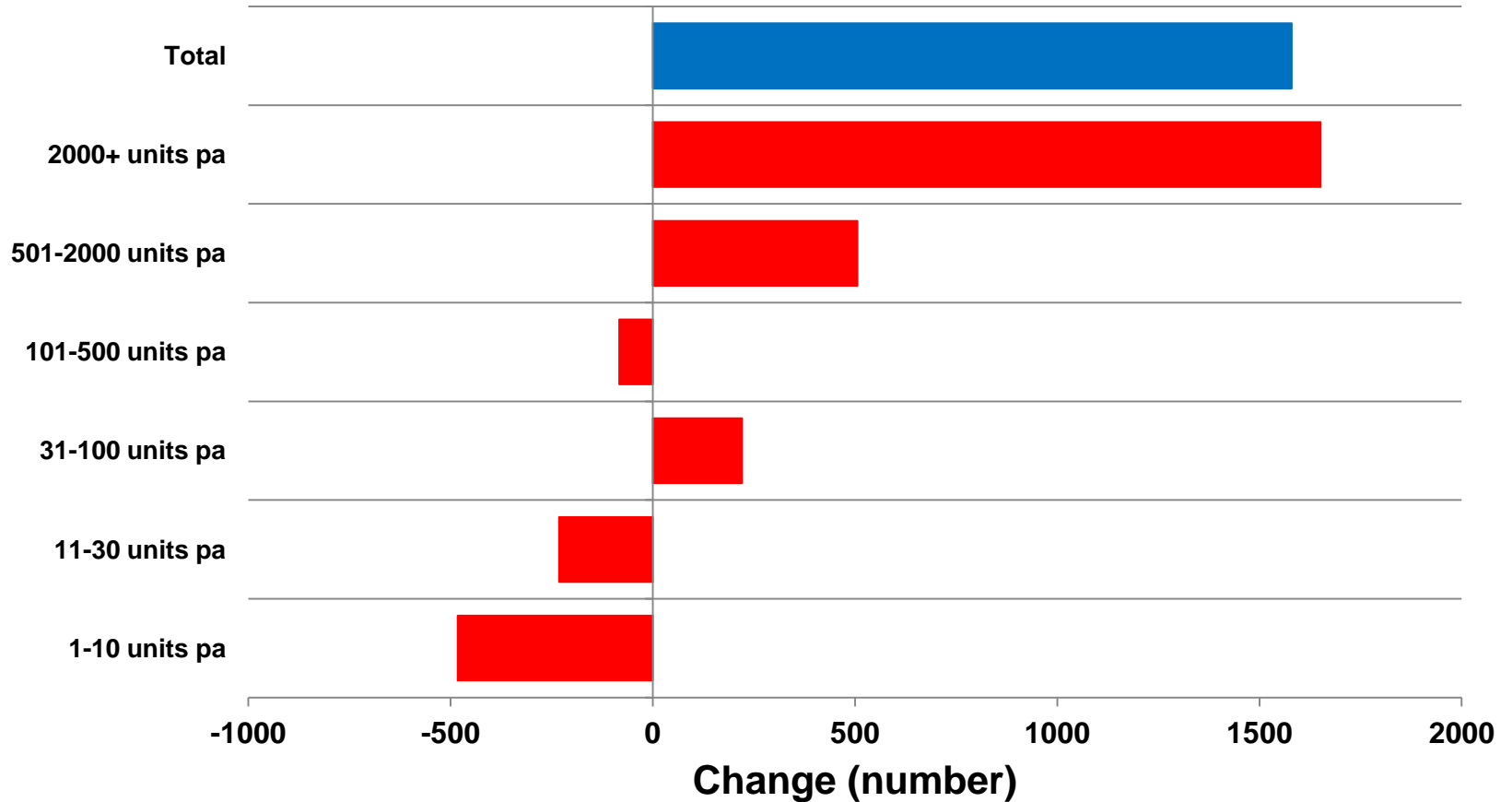


Source: HBF Monthly Survey

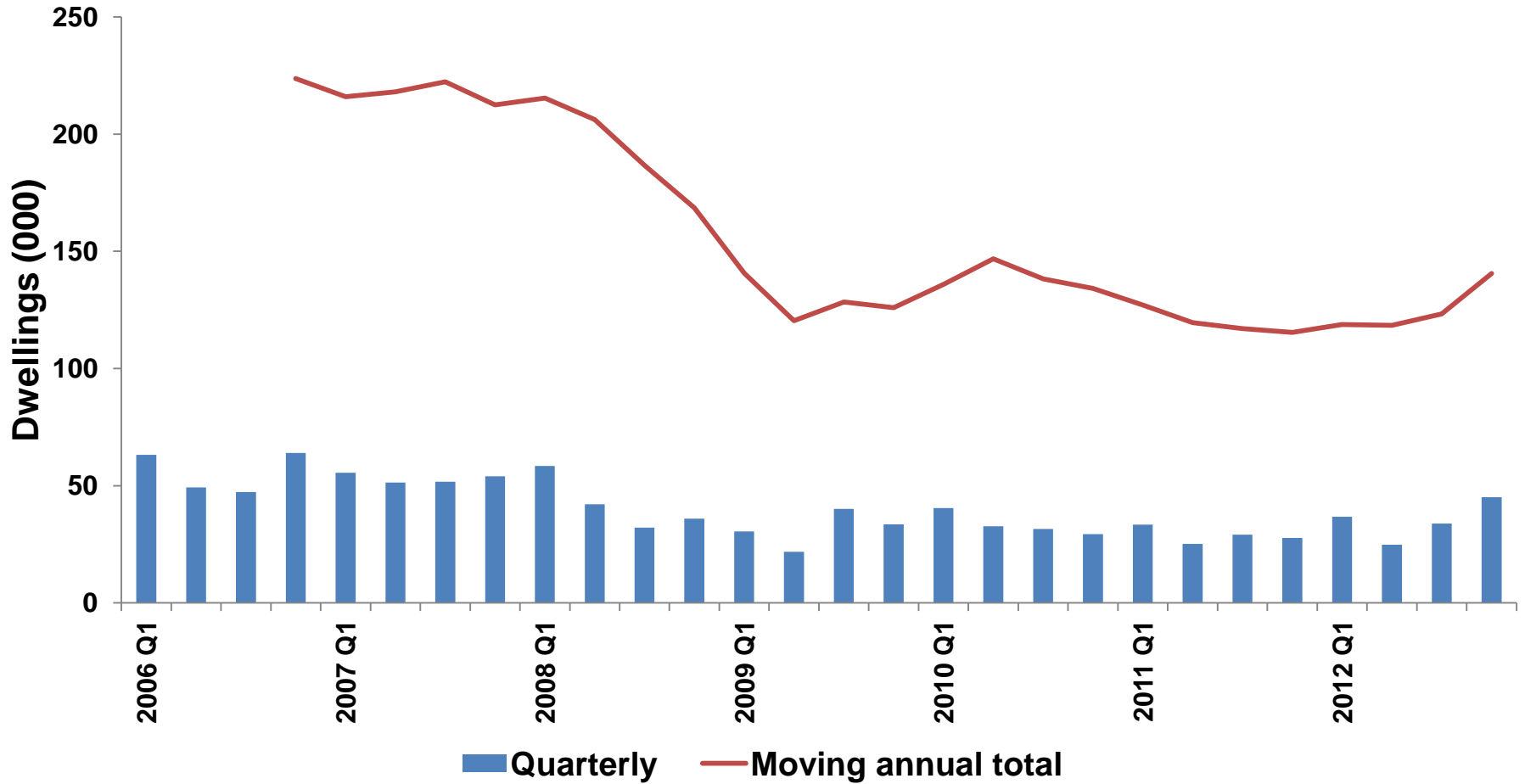
House Building (England)



NHBC private completions (England) Change 2012 on 2011



Planning Permissions: Dwellings (England) (HBF/Glenigan)



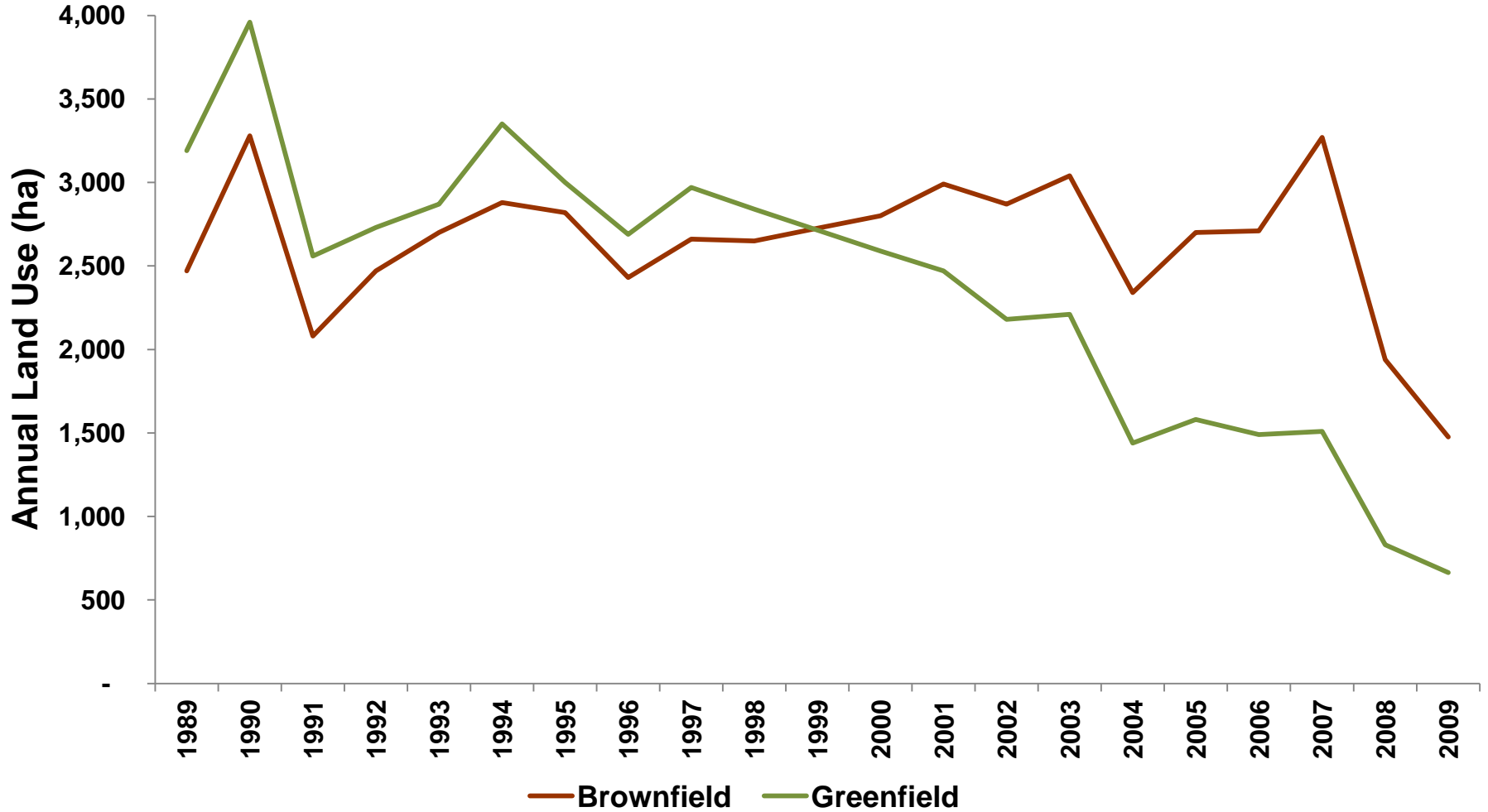
An aside on land...

- Land banks

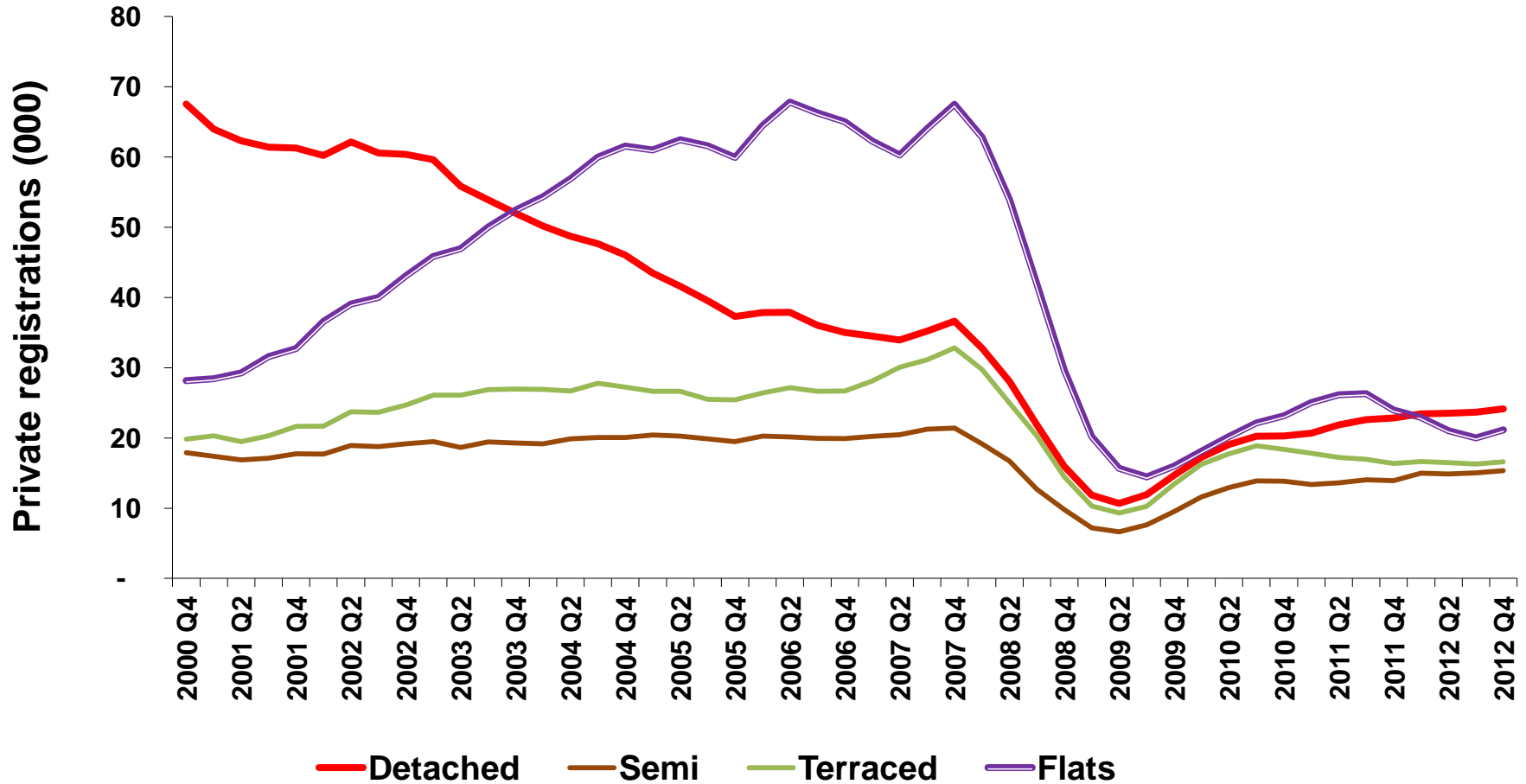
House builders sitting on 400,000
permissioned plots

- Brownfield vs greenfield

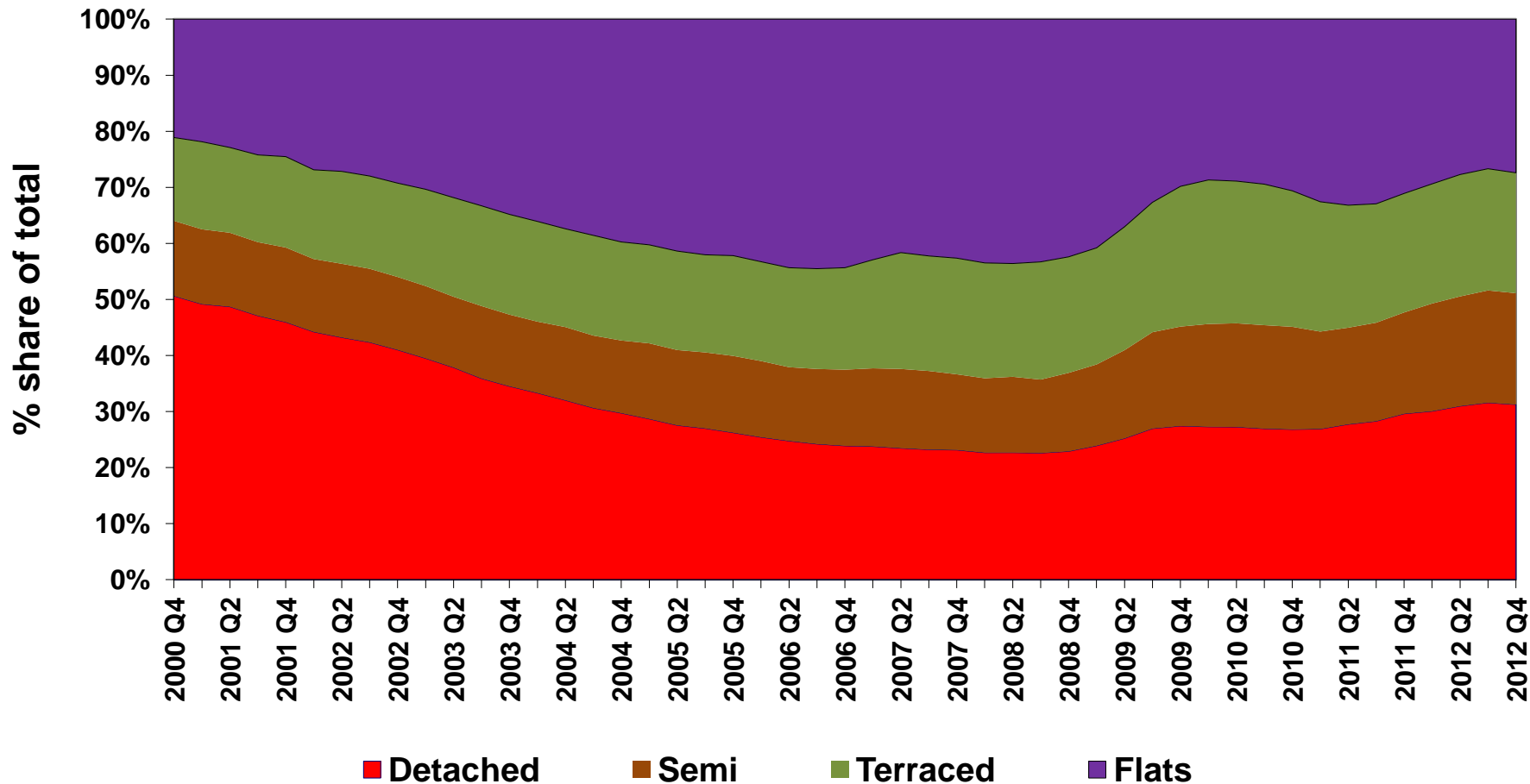
Housing Land Use (England)



NHBC Private Housing Registrations, by Type (GB) Number (Moving Annual Totals)



NHBC Private Housing Registrations, by Type (GB) % Share (Moving Annual Totals)



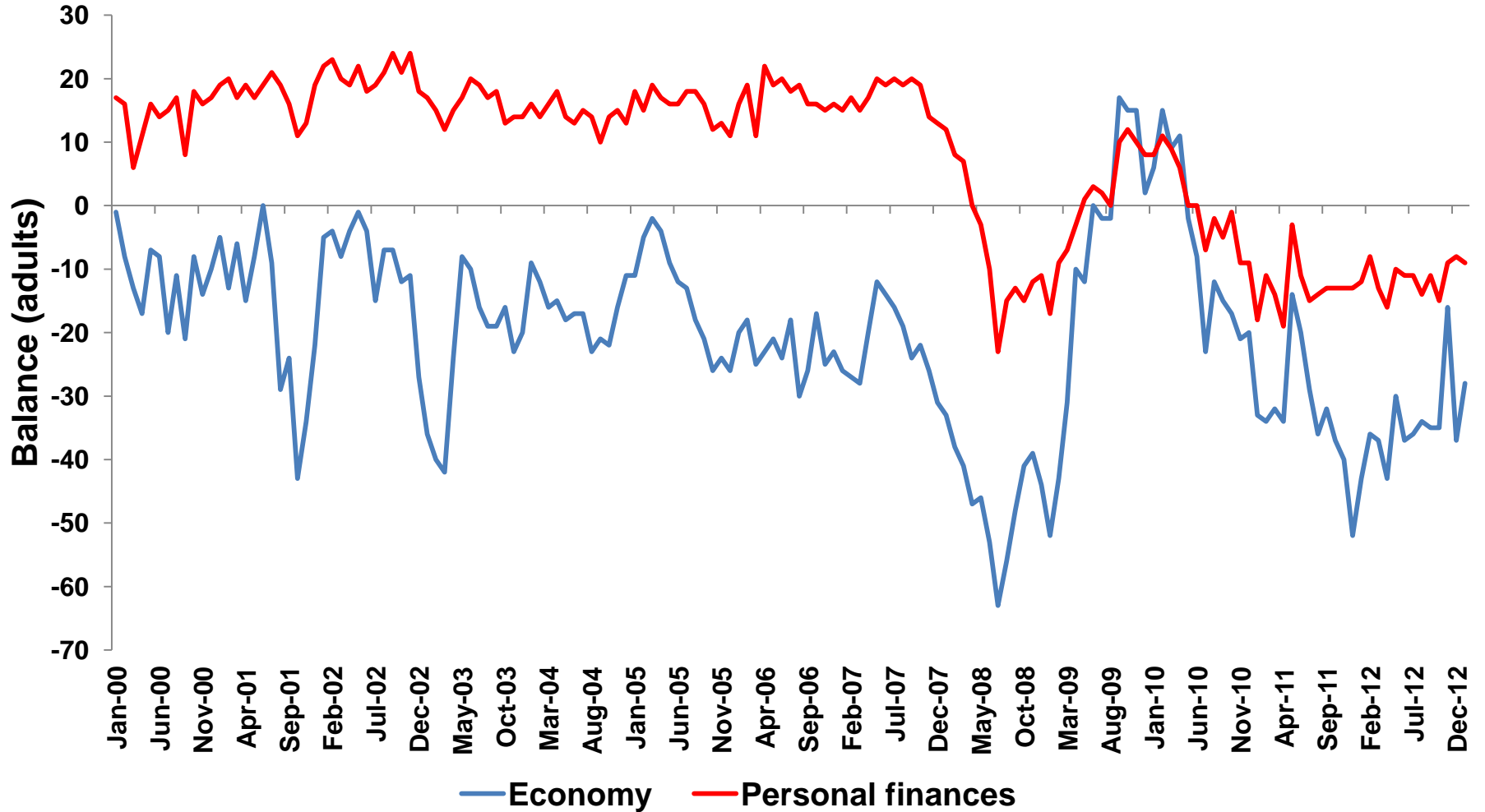
INFLUENCES ON HOUSING MARKET OUTLOOK

Influences on Outlook

- Real post-tax earnings
- Interest rates
- Mortgage regulation
- Funding for Lending Scheme (FLS)
- Employment – especially full-time
- Consumer confidence

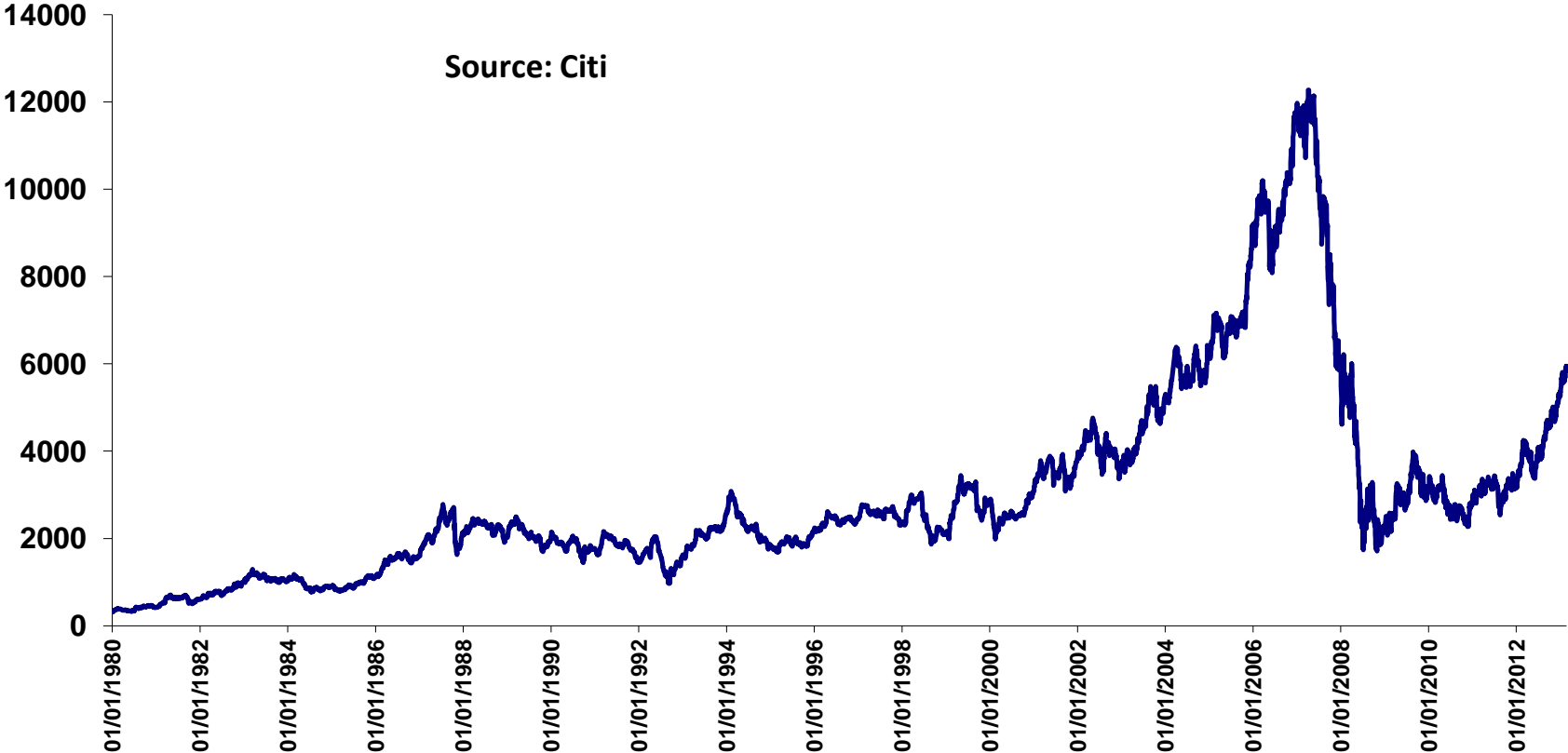
City/investors optimistic about outlook for home builders – stock market, flotation/sales

Consumer Confidence: Outlook Next 12 Months (GfK NOP)



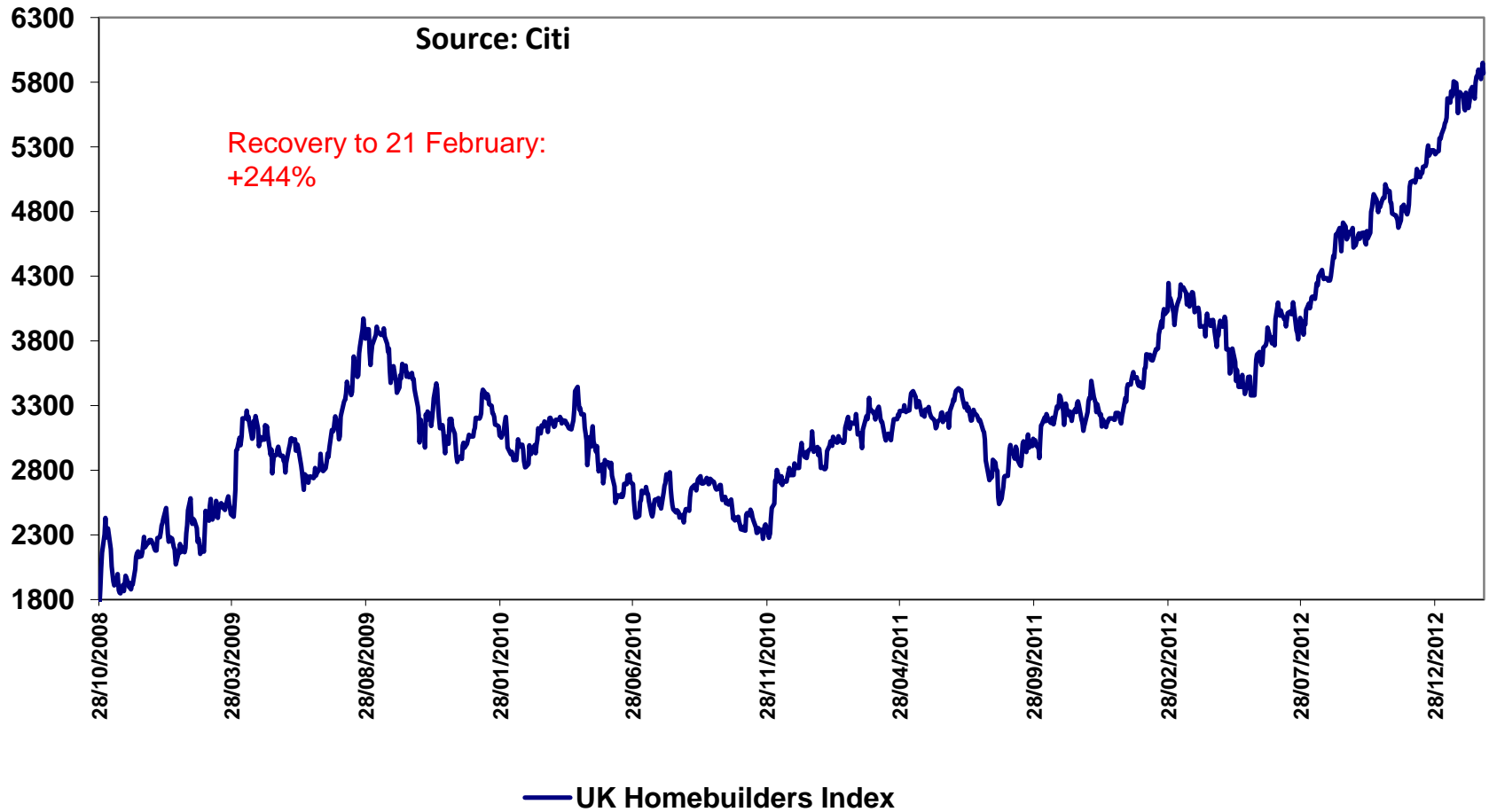
UK Home Builders Stock Market Index

(1 January 1980 to 21 February 2013)



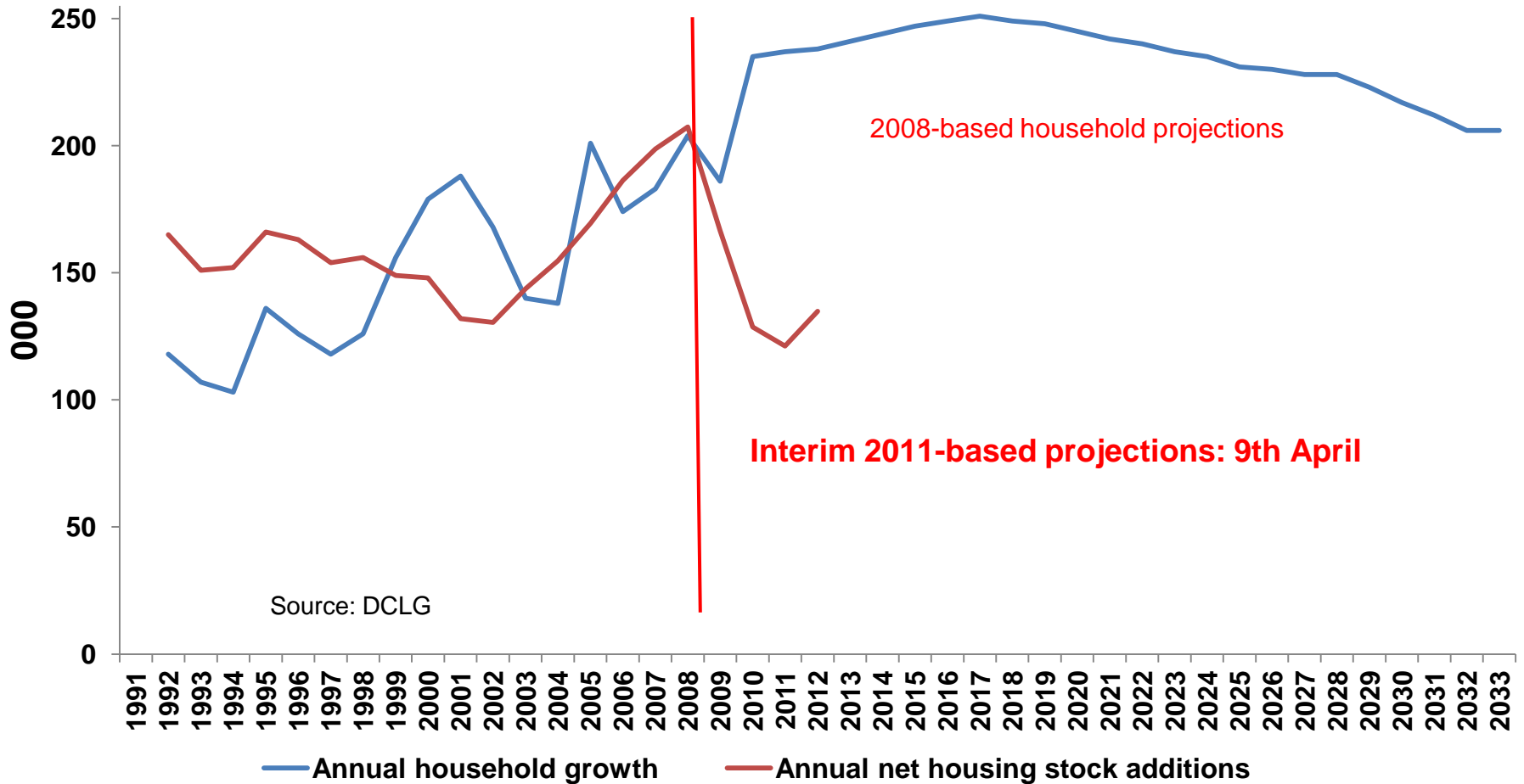
UK Home Builders Stock Market Index

(All-time trough to 21 February 2013)

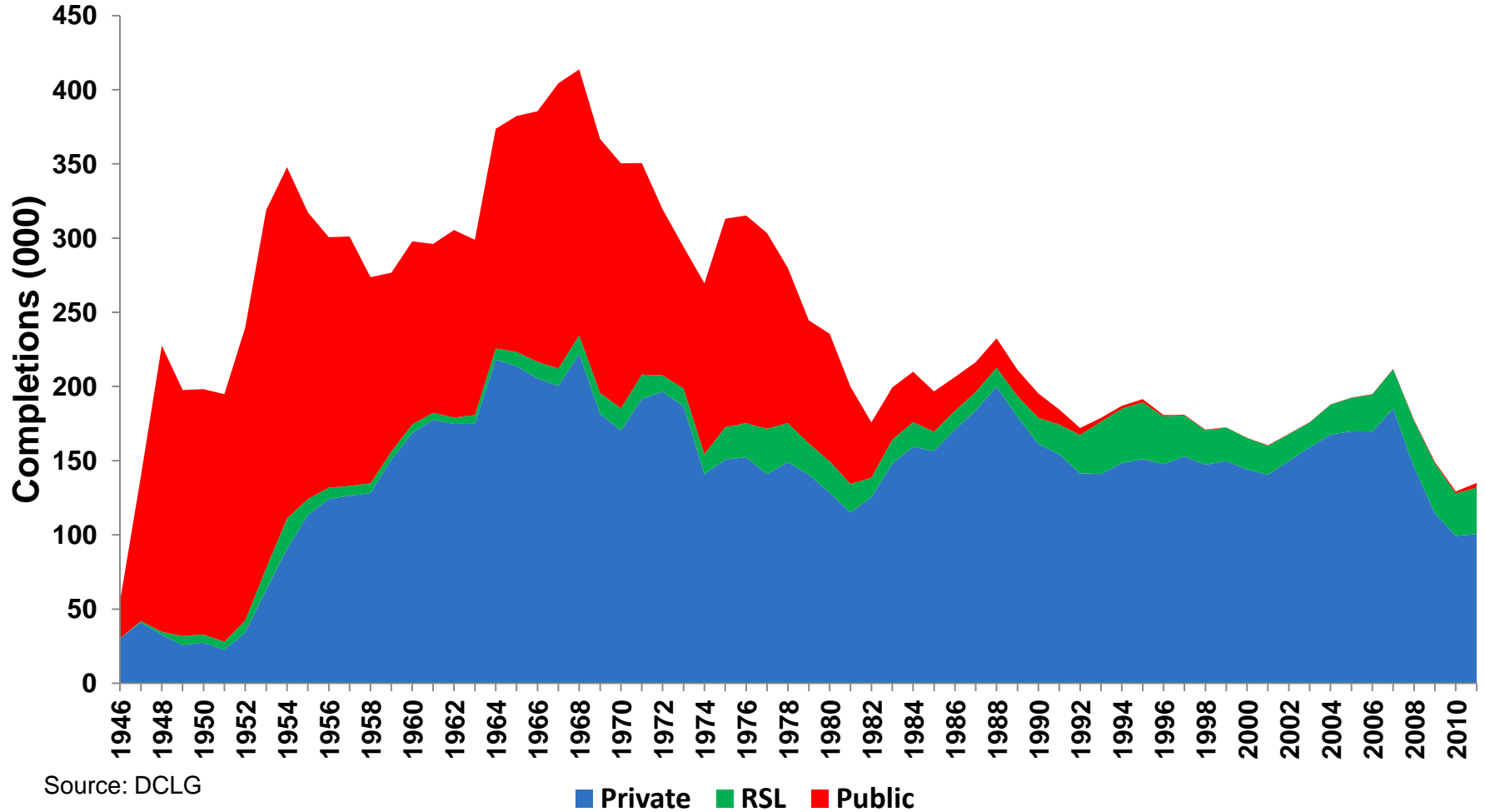


LONG-TERM REQUIREMENTS

Household Growth & Annual Net Stock Additions (England)



Housing Completions (GB)



Source: DCLG

Who will fill supply gap?

- House builders (65%):
 - Majors (~40%)
 - SMEs
 - New entrants
 - Other developers
- RPs (23%)
- Local authorities (2%)
- Custom/self builders (10%)

Note: % is estimated sector as % all UK completions

GOVERNMENT POLICY RESPONSE

Why boost new build?

- GDP and jobs (short-term)
- Undersupply (long-term)
- Aspiration to home ownership

...and winning May 2015 election

Contribution to GDP

All housing:

- Household expenditure: 13.5%
- Capital formation: 3.3%

Of which

Newly built homes: ~1.4%

Net new build jobs: 2.4 direct and supply chain

Demand Policies

- FirstBuy (1 and 2)
- NewBuy
- Funding for Lending Scheme (FLS)
- PRS (Build to Rent): £200m investment fund; share of £10bn loan guarantee; Taskforce
- Affordable Housing (AH) grant and share of £10bn loan guarantee

FirstBuy

Shared Equity: 5% Deposit

Launched Budget 2011

FirstBuy 1: 10,000 sales (£210m)

By March 2013

FirstBuy 2: 16,500 sales (£280m), of which

2,500 allocated 2012-13

14,000 for bids 2013-14

NewBuy

Full Purchase: 5% Deposit

Launched 12 March 2012 (to March 2015)

Possible extension to March 2018

By end January 2013:

- ~3,500 reservations
- 76 home builders active
- 6 lenders

But more to be done...

Supply Policies

Planning

- National Planning Policy Framework (NPPF)
- Taylor Review of Planning Guidance
- Garden Cities, urban extensions

Regulatory burden

- *Spending Review* commitment to reduce regulatory burden on home builders
- Policies on S106 and AH renegotiation
- CIL guidance and regulations review
- Standards Review
- But no clarify Part L or Allowable Solutions

Supply Policies

Development finance

- Get Britain Building (GBB)

Public sector land

- Departmental plans; expanded role for HCA; new expanded DPPs
- Report of Expert Advisory Panel *Releasing public sector land for housing*

Custom Build

£30m short-term project finance

HBF Budget Submission

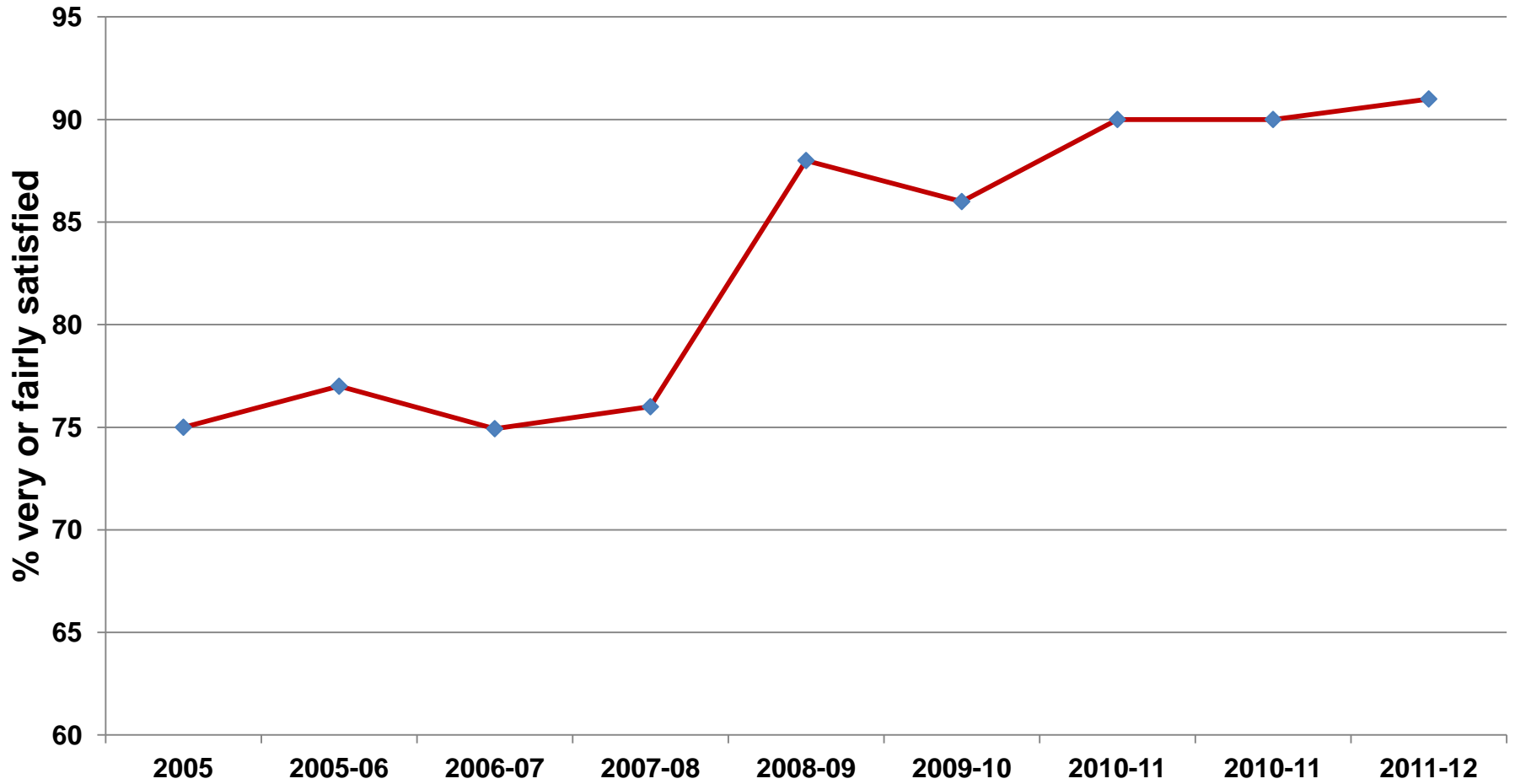
- Extend NewBuy to March 2018
- Extend FirstBuy 2 to March 2015
- FirstBuy 3
- Extend FLS; channel funds to NewBuy
- SDLT FTB threshold to £200,000
- FTB savings scheme

HBF Budget Submission

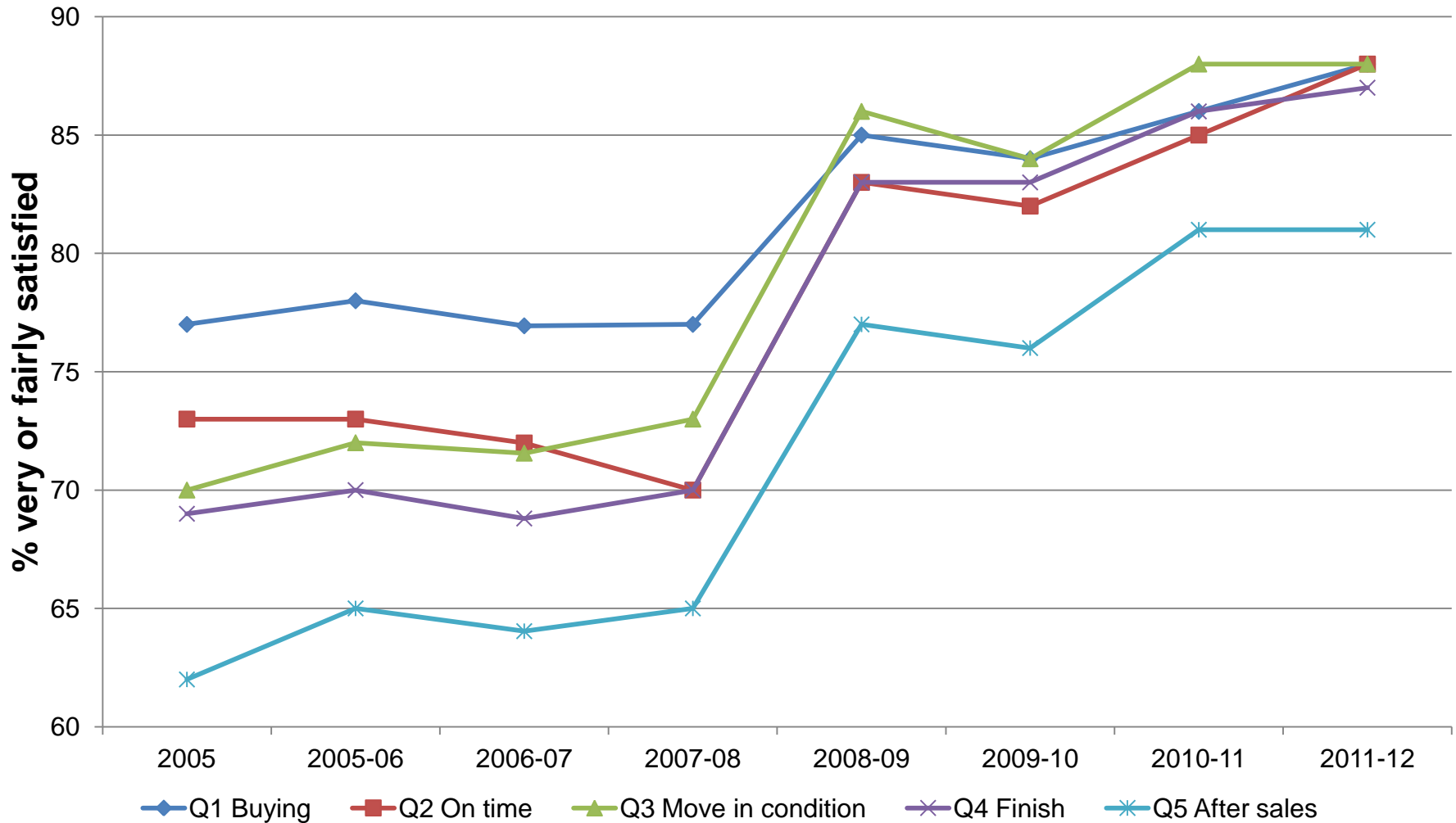
- Certainty 2015-16 AH funding
- PRS: SIPP's, BES (son of)
- SME finance guarantee (cf. NewBuy)
- Government & PINS support NPPF
- Part L and Allowable Solutions clarity
- Extended Standards Review

AND FINALLY...

Recommend to a friend? HBF Customer Satisfaction Survey



Customer Satisfaction



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