

Solving the Country's Housing Supply Crisis

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12 October 2011

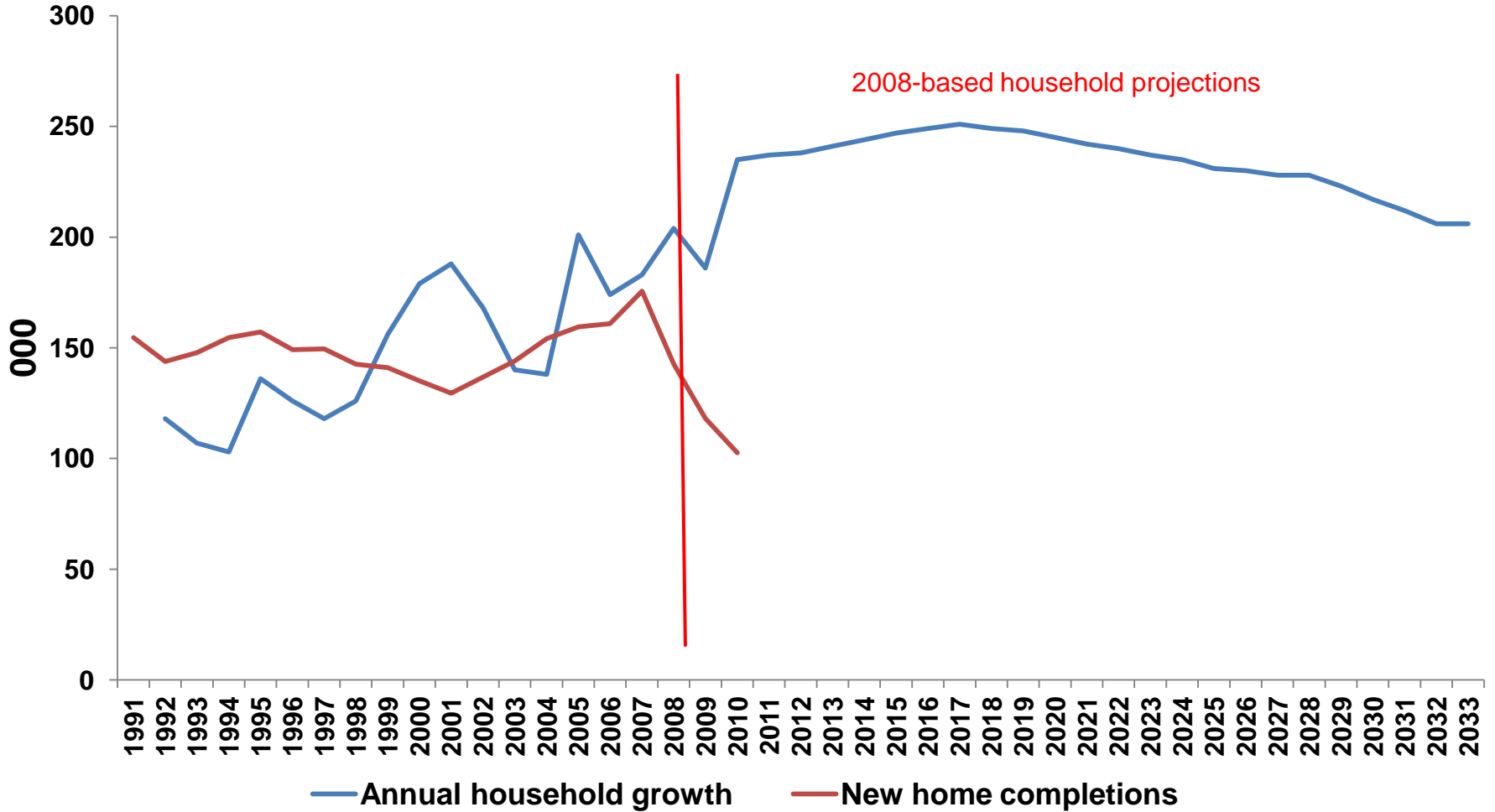


Presentation Outline

- Housing supply crisis – who pays the price?
- Housing market: struggling for liftoff
- Solutions: demand
- Solutions: supply
- Non solutions from the anti-development lobby

THE HOUSING SUPPLY CRISIS WHO PAYS THE PRICE?

Household Growth & Housing Completions (England)



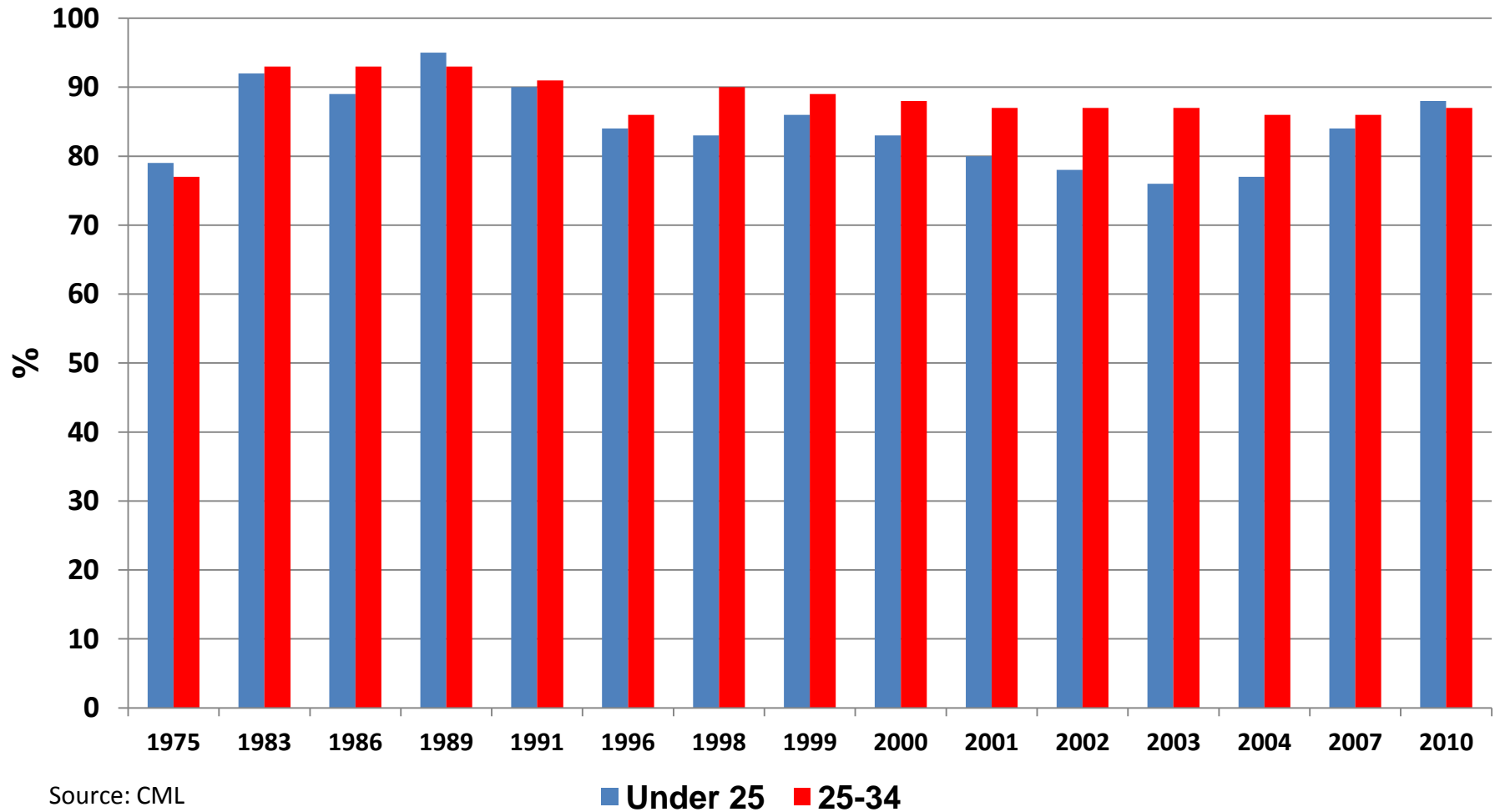
Housing undersupply (England)

Net additions:

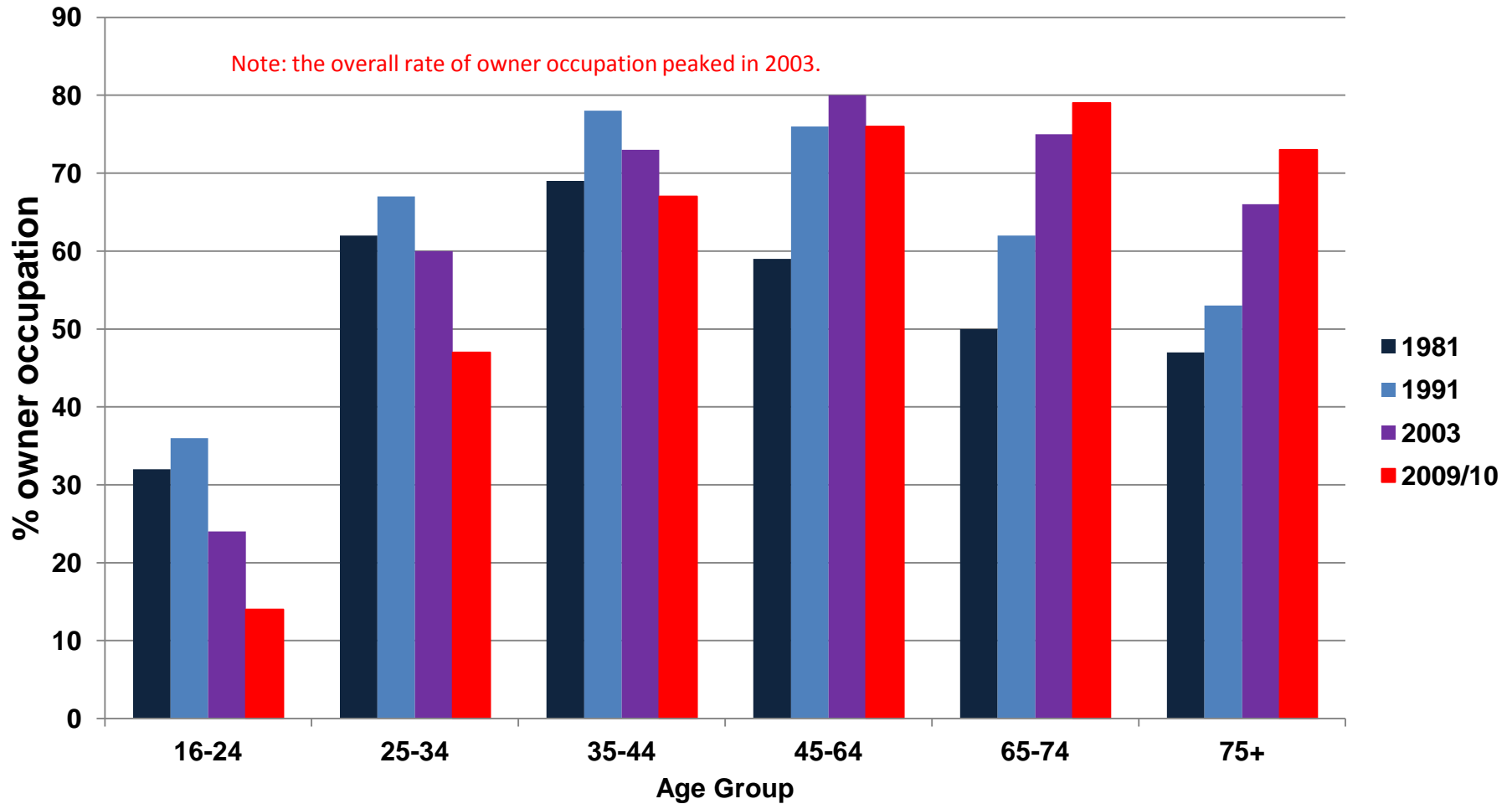
- 2007/08: 207,370
- 2009/10: 128,680

Requirement 2008-26: 270,000+ pa

Aspiration to Home Ownership: 10 Years



Owner occupation by age (England)



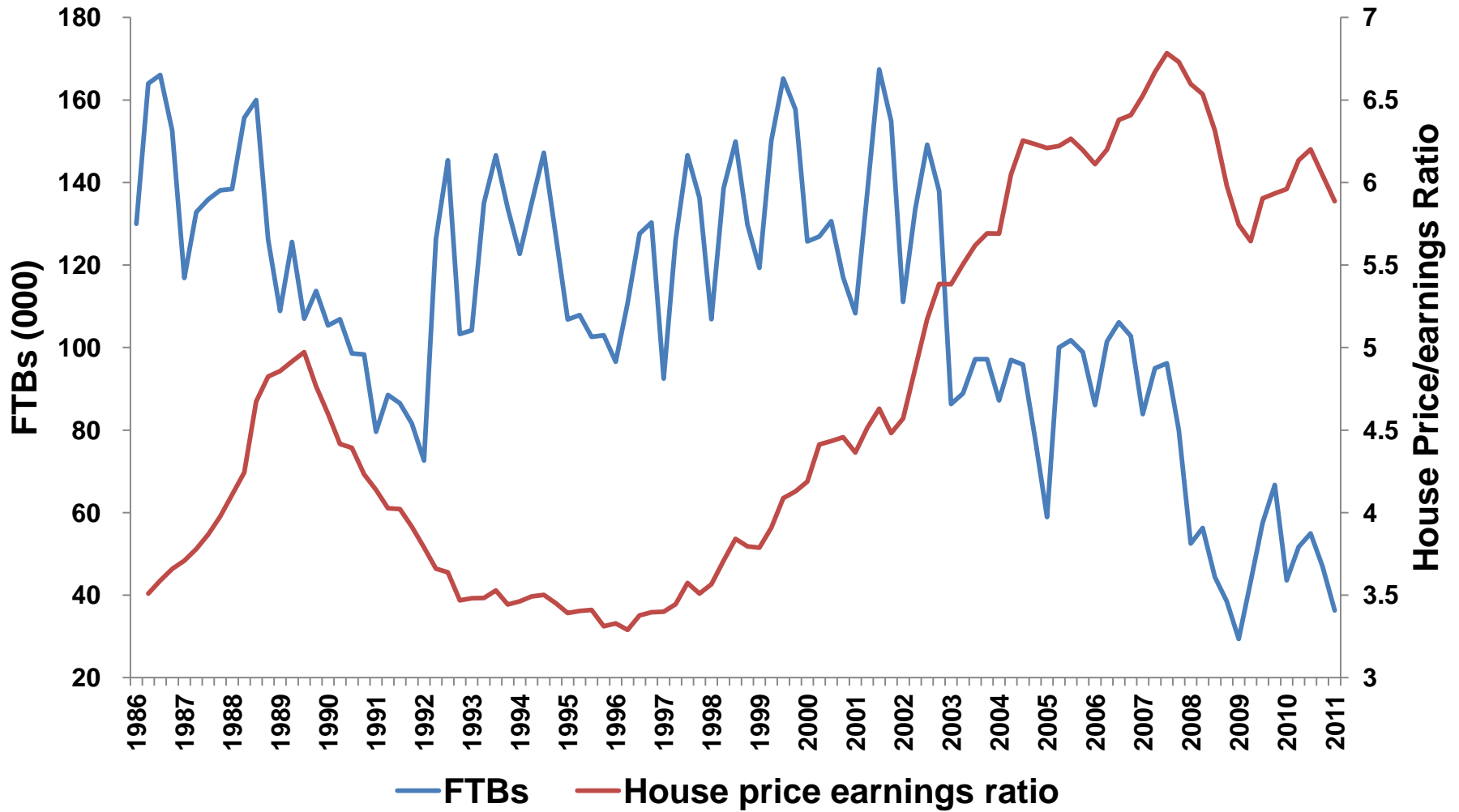
Coping with stress

If housing supply constrains household formation and independent living, people don't simply go away

Coping with Stress

- Falling household formation
- Living with parents (23% 20-34 year olds)
- Student living – into 30s and 40s
- Overcrowding (concealed & sharing H'Hs)
- Sofa surfing
- Garden sheds
- Commercial buildings
- Homelessness
- Delayed marriage & first child

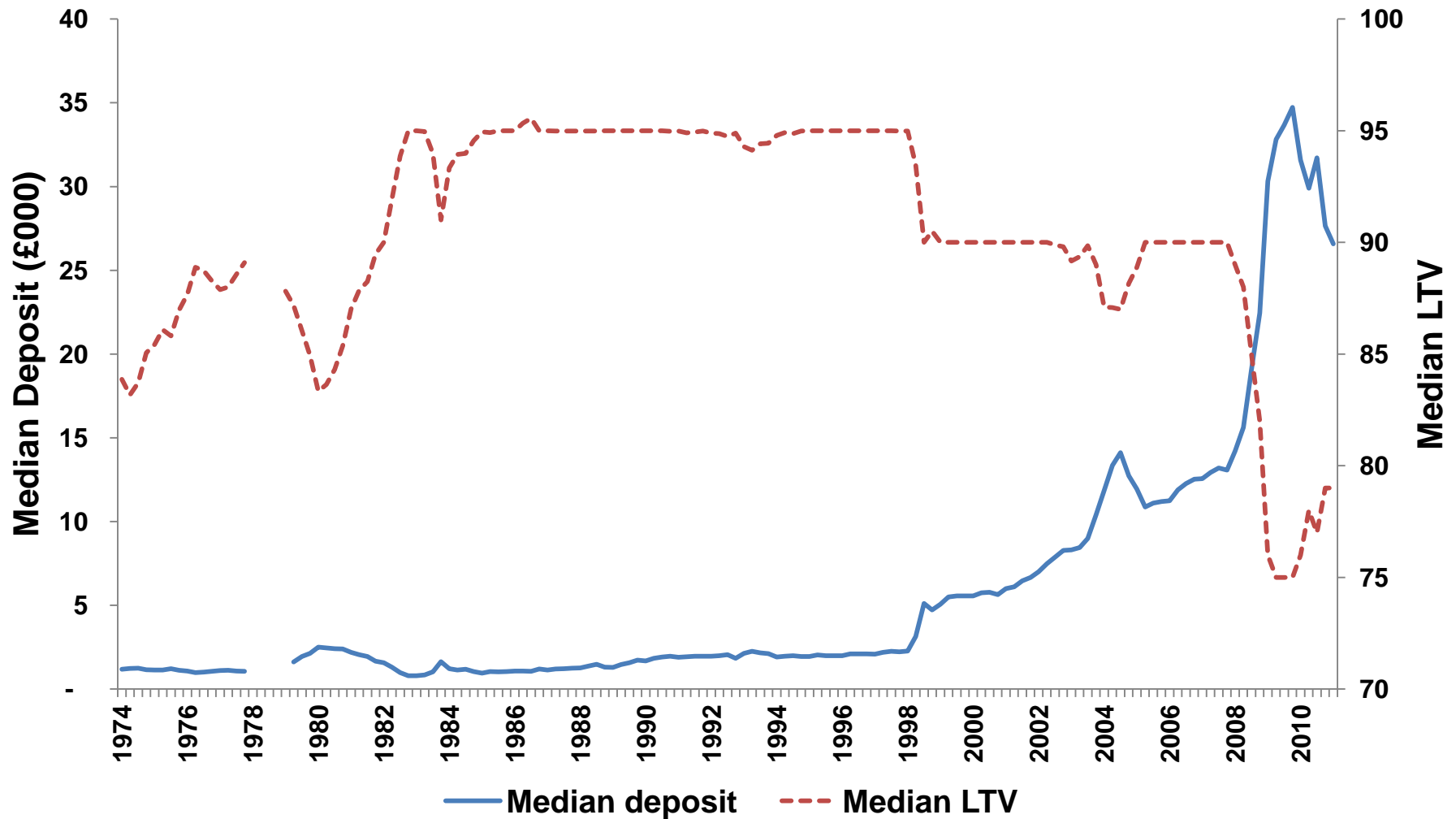
First-time Buyers (UK): Quarterly



A mortgage digression

95% LTVs norm for FTBs 1982-98

First-time Buyer Median Deposit & LTV (UK)



A mortgage digression

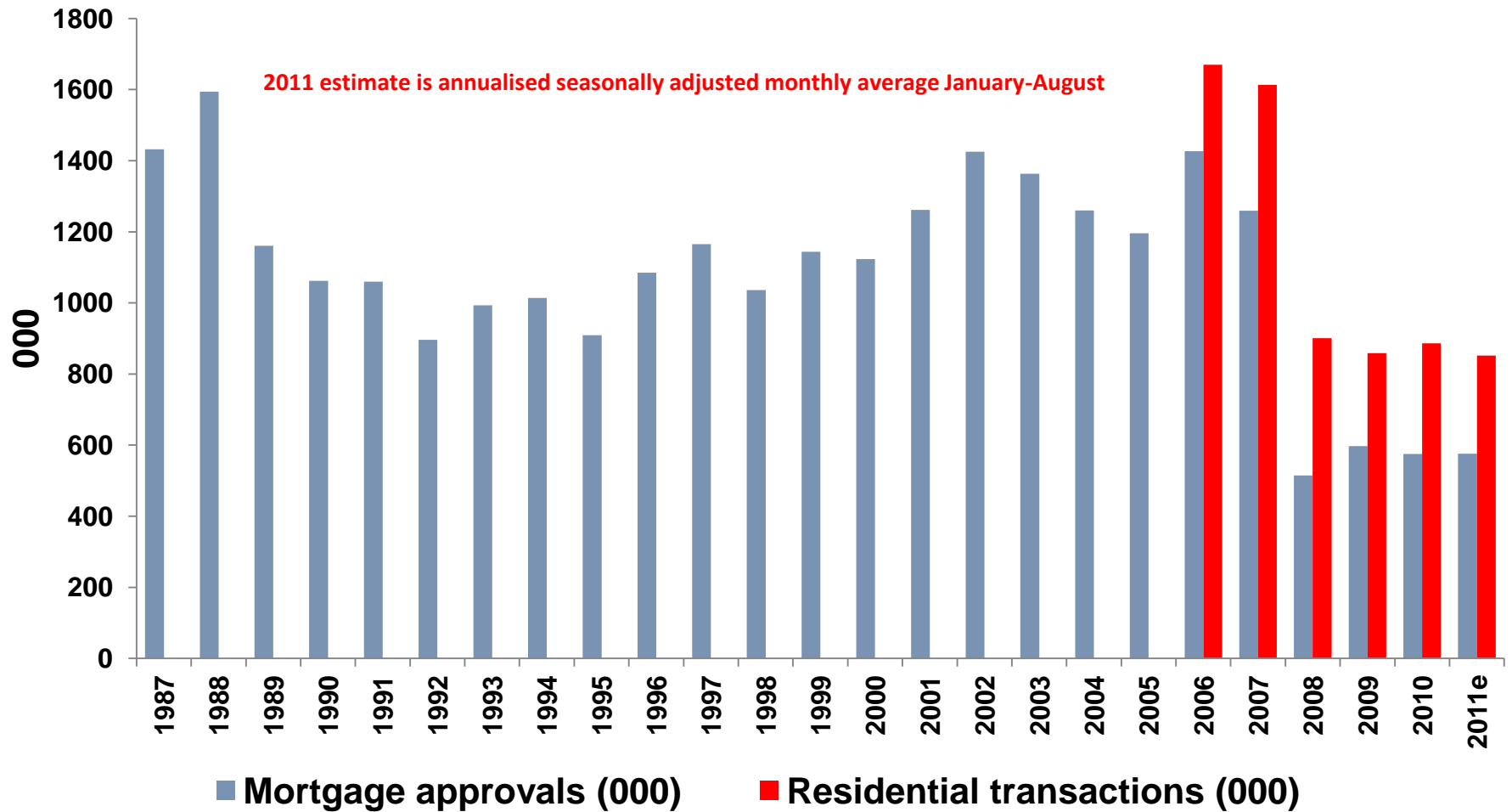
95% LTVs norm for FTBs 1982-98

- But regulatory capital & risk aversion => limited return of 95% LTVs?
- Lenders won't accept indemnity insurance
- Risk transfer to parents, LAs, homebuilders unsustainable

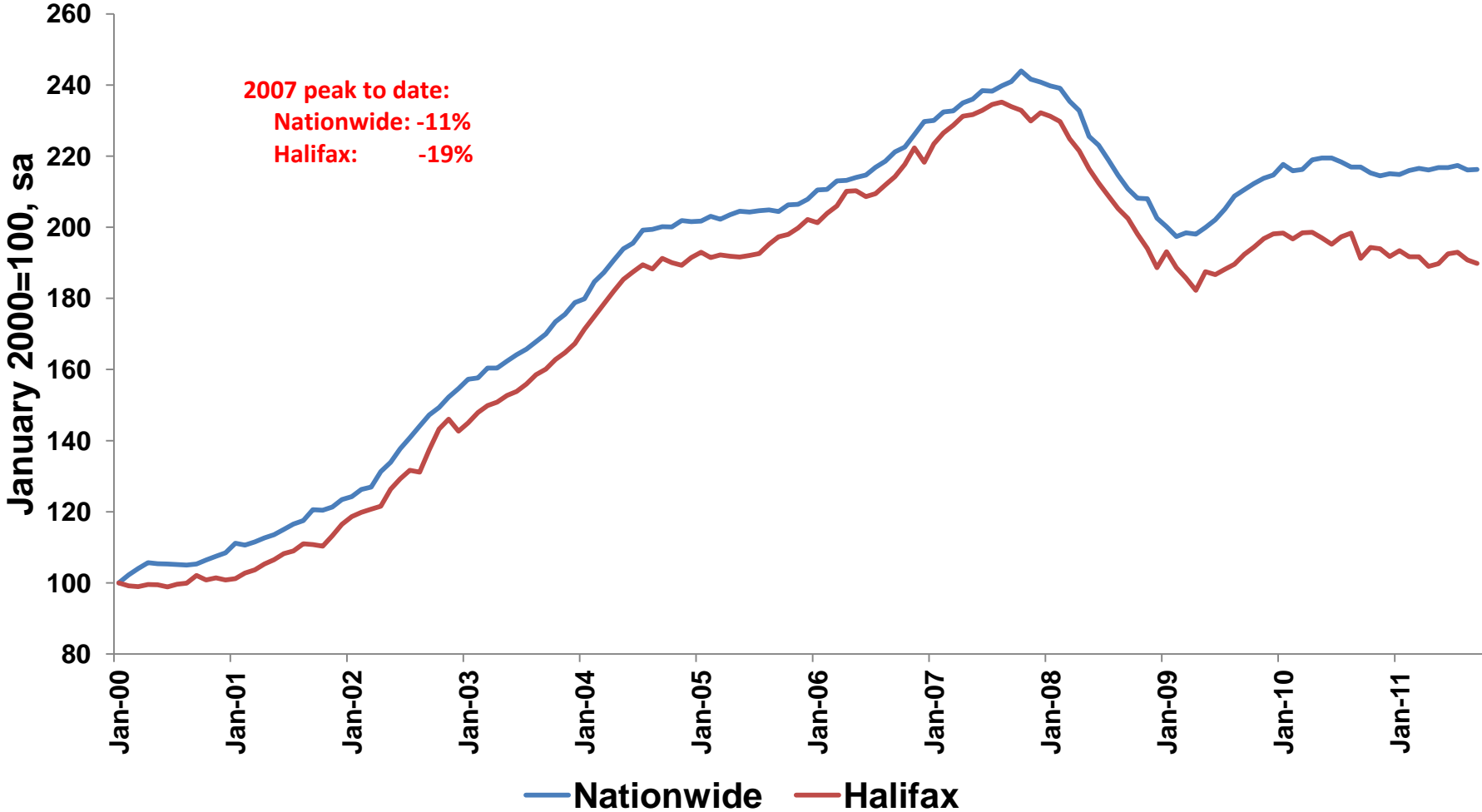
So how do we fund FTBs in future?

THE HOUSING MARKET STRUGGLING FOR LIFTOFF

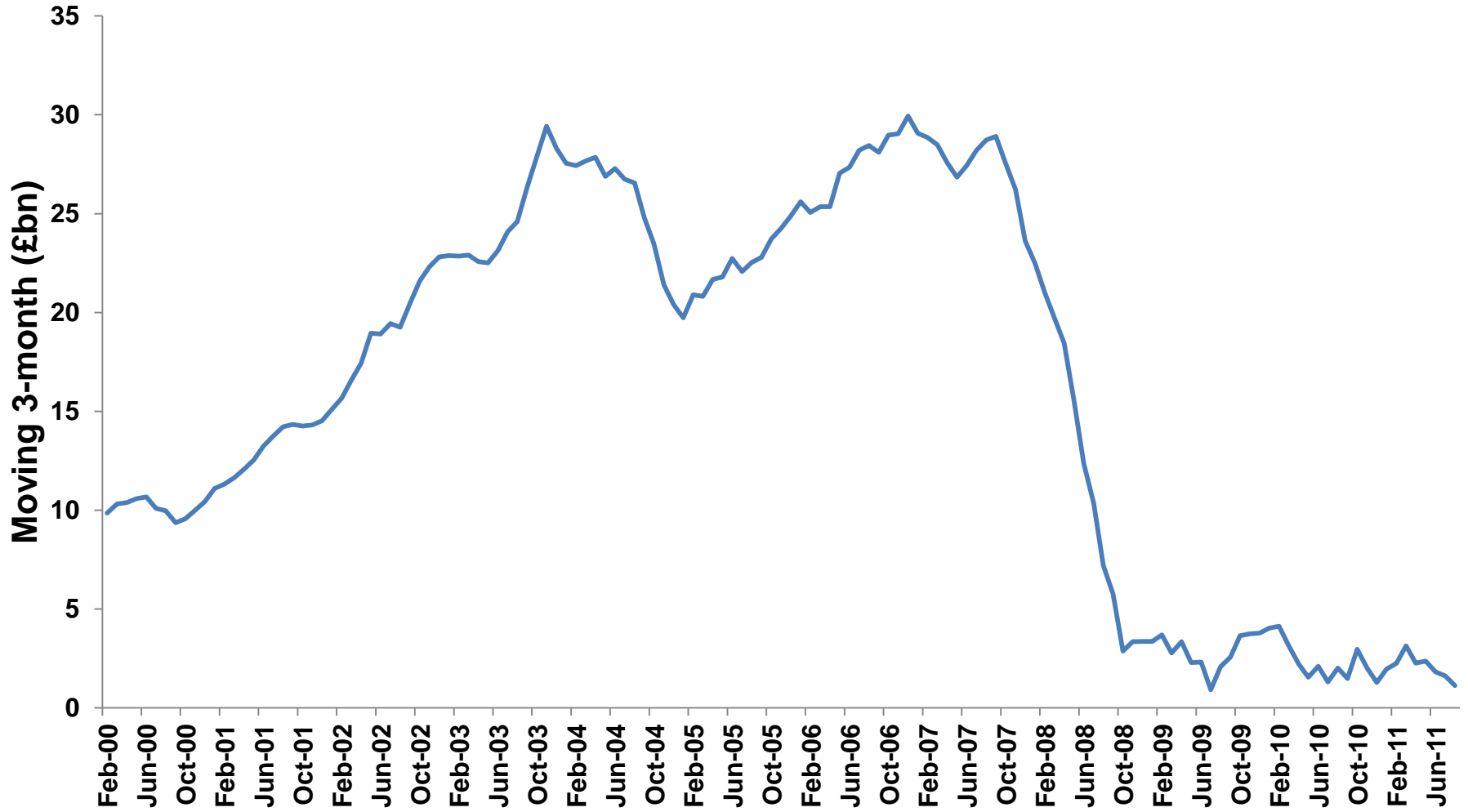
Mortgage Approvals and Residential Transactions (UK)



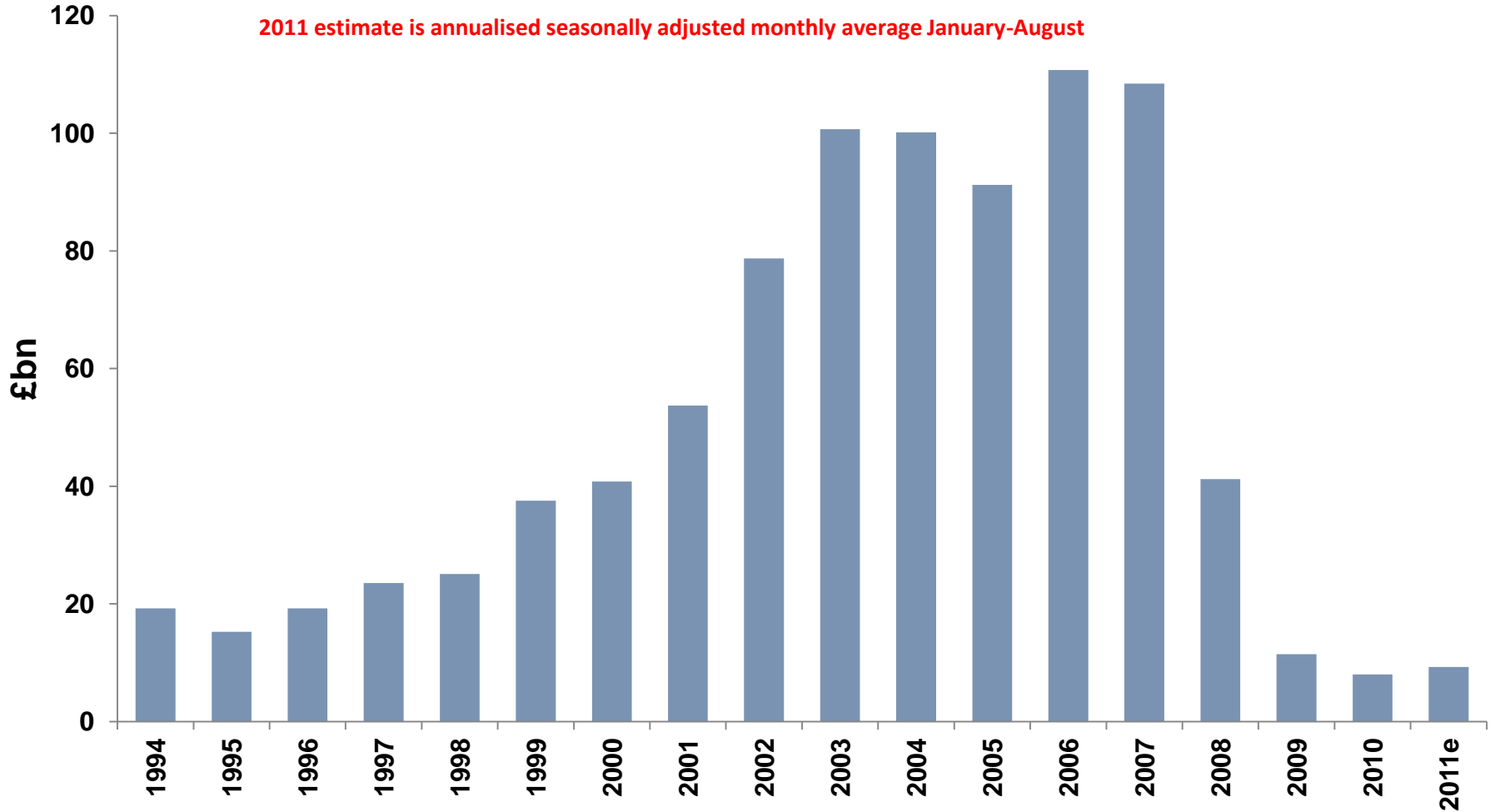
House Price Indices (UK)



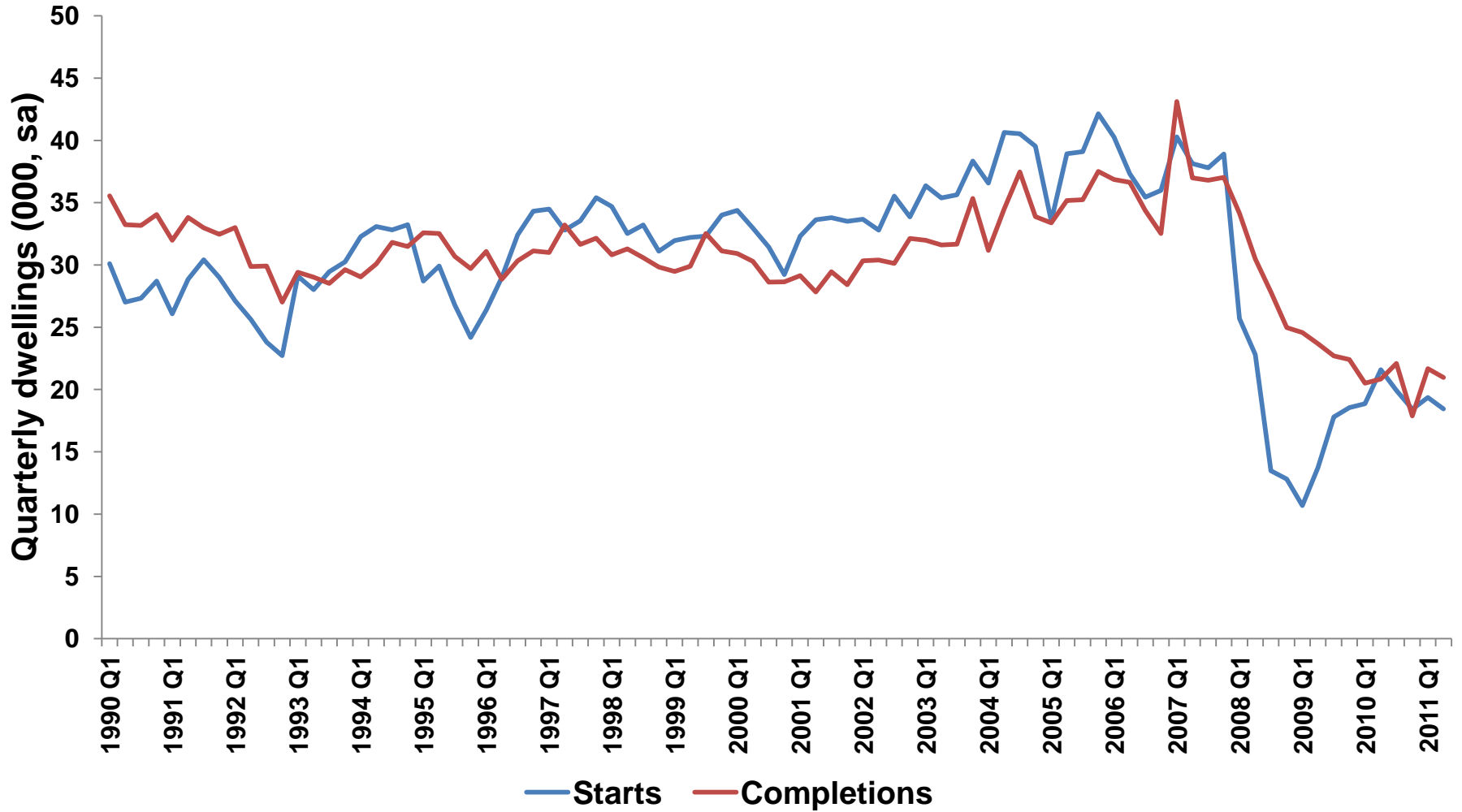
Net Mortgage Lending (UK)



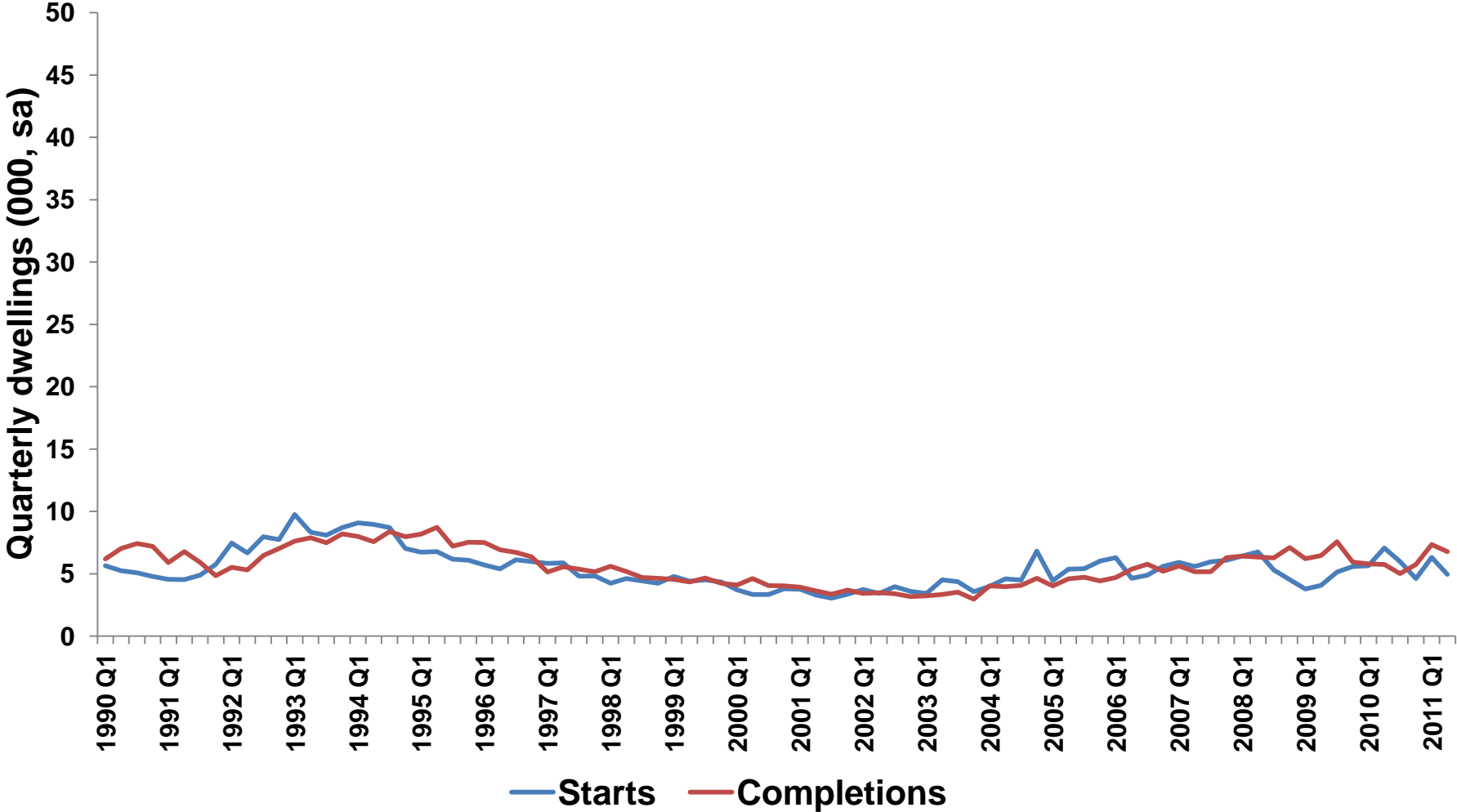
Net Mortgage Lending (UK)



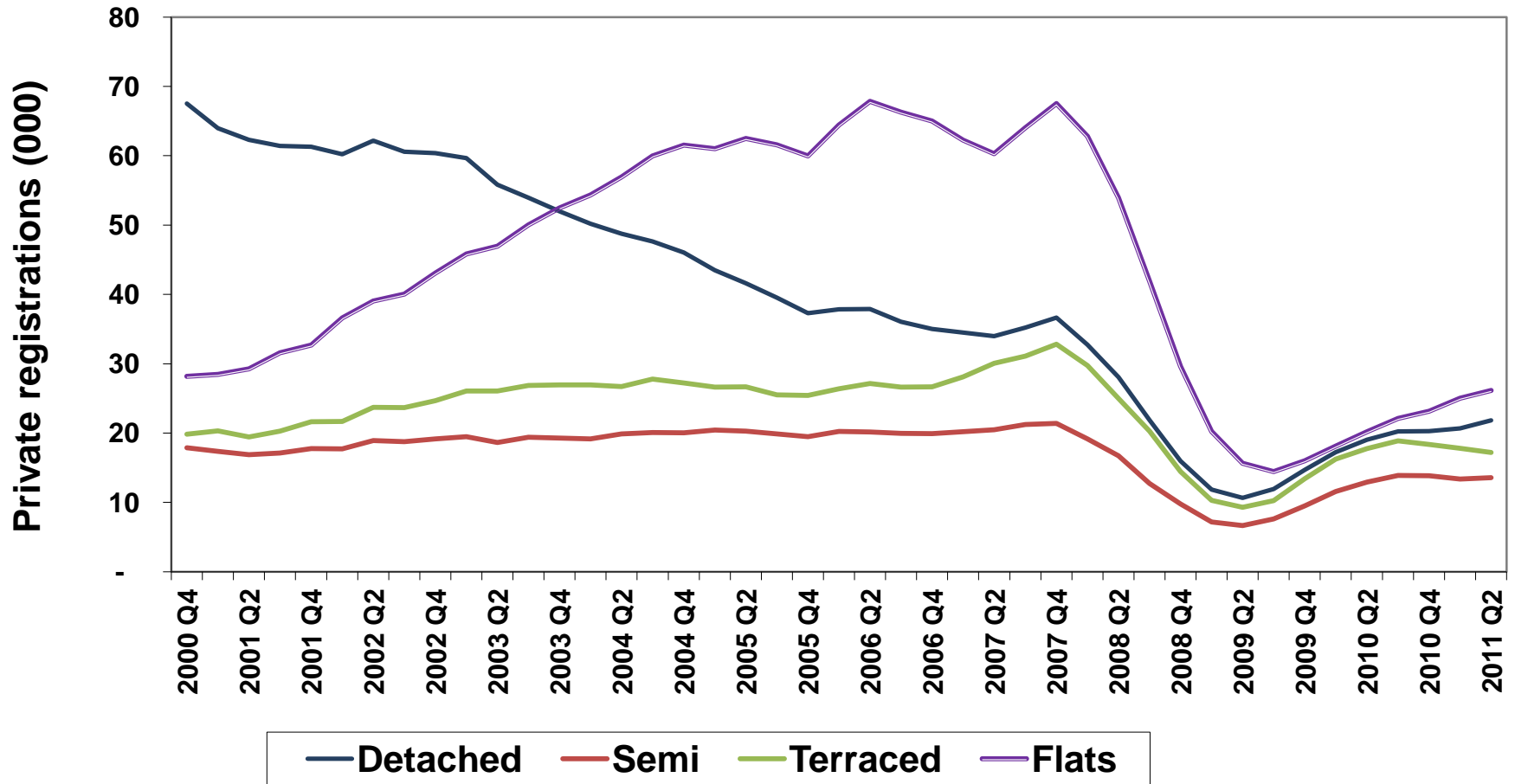
Private House Building (England)



Social House Building (England)



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

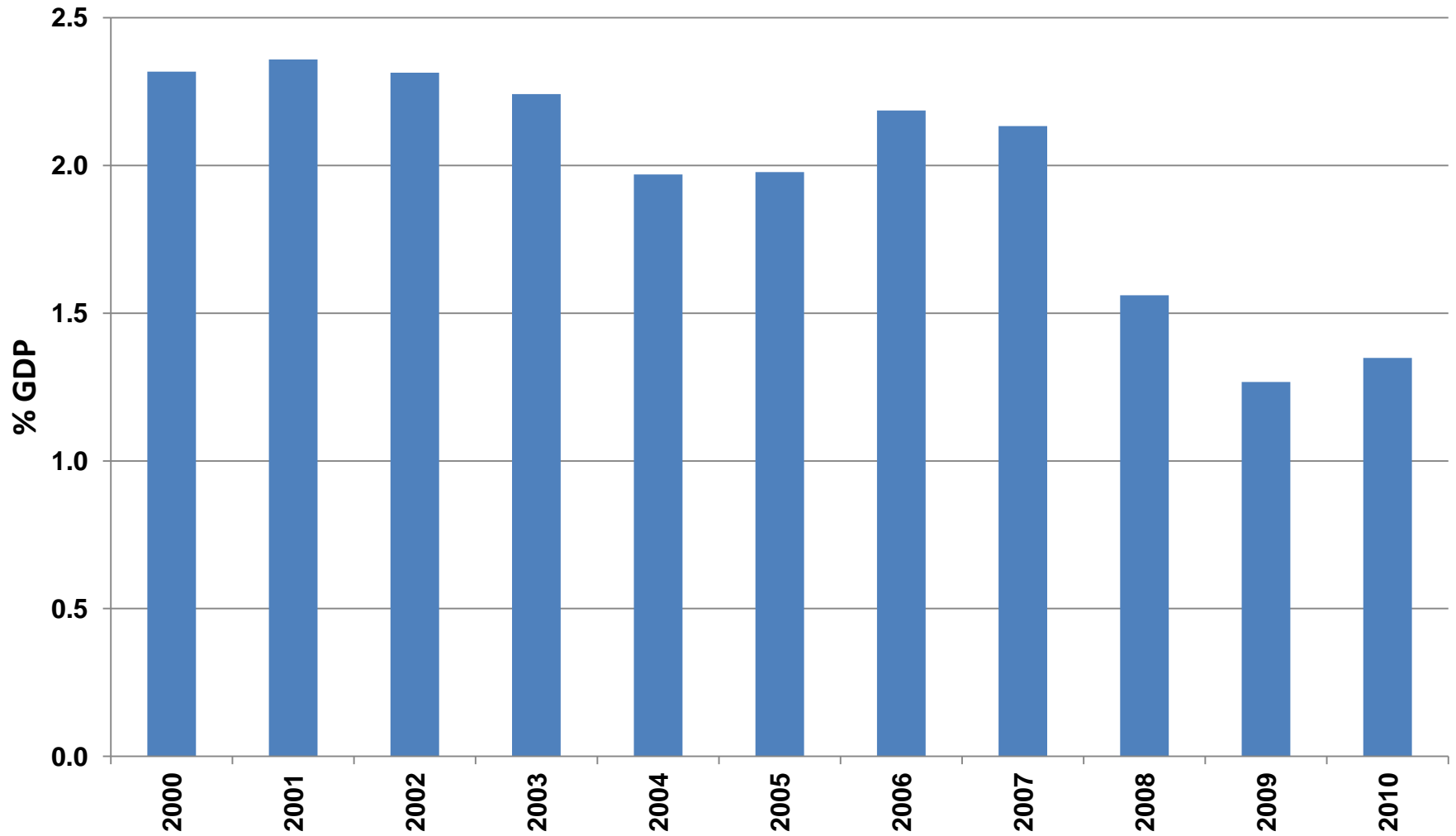


Economic Reality

New home building seen as critical to economic and jobs recovery

- Budget 2011, Plan for Growth, FirstBuy
- National Planning Policy Framework (NPPF)
- Public land disposal
- Right-to-buy extension
- Forthcoming: Housing Strategy; Autumn Statement (29 November)

Private Sector New Dwellings: % GDP



SOLUTIONS: DEMAND

New Home Buyers

- Cash owner occupiers
- Mortgaged owner occupiers: low LTV
- Mortgaged owner occupiers: high LTV
- Cash investors/buy-to-let
- Mortgaged investors/buy-to-let
- Registered providers (housing associations)

Key Demand Solutions

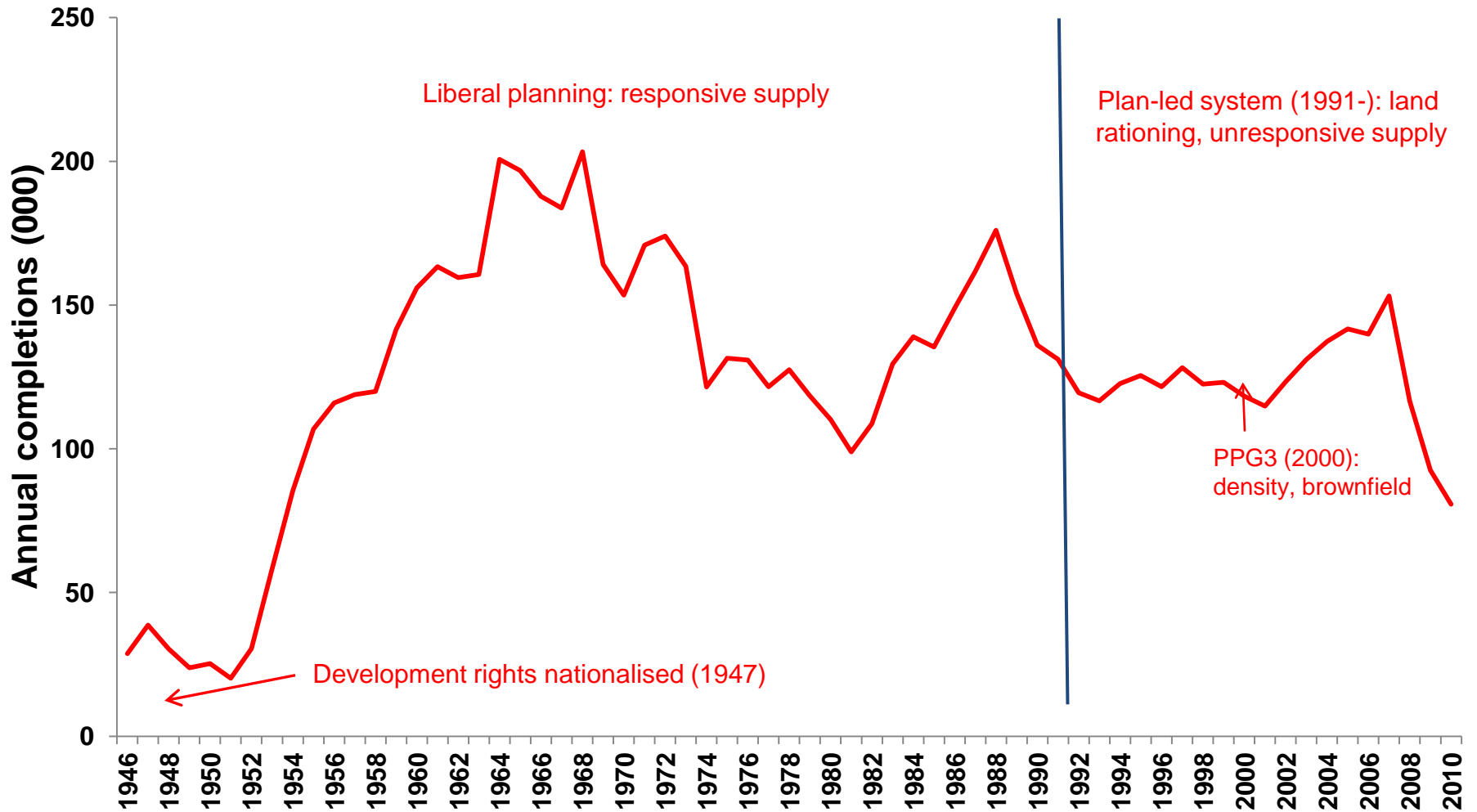
- Economic recovery
- High LTV mortgage availability – esp 95%
- End discriminatory new build lending policies
- Mortgage indemnity insurance (MII)
- Sensible mortgage regulation (FSA)
- House builders' own shared equity
- House builders' other sales incentives
- FirstBuy (previously HomeBuy Direct)
- Other public interventions?

SOLUTIONS: SUPPLY

Supply Constraints

- Permissioned land supply (planning)
- Development viability (regulatory costs)
- Development finance – especially SMEs
- Industry capacity – down one third to half

Private completions (England)

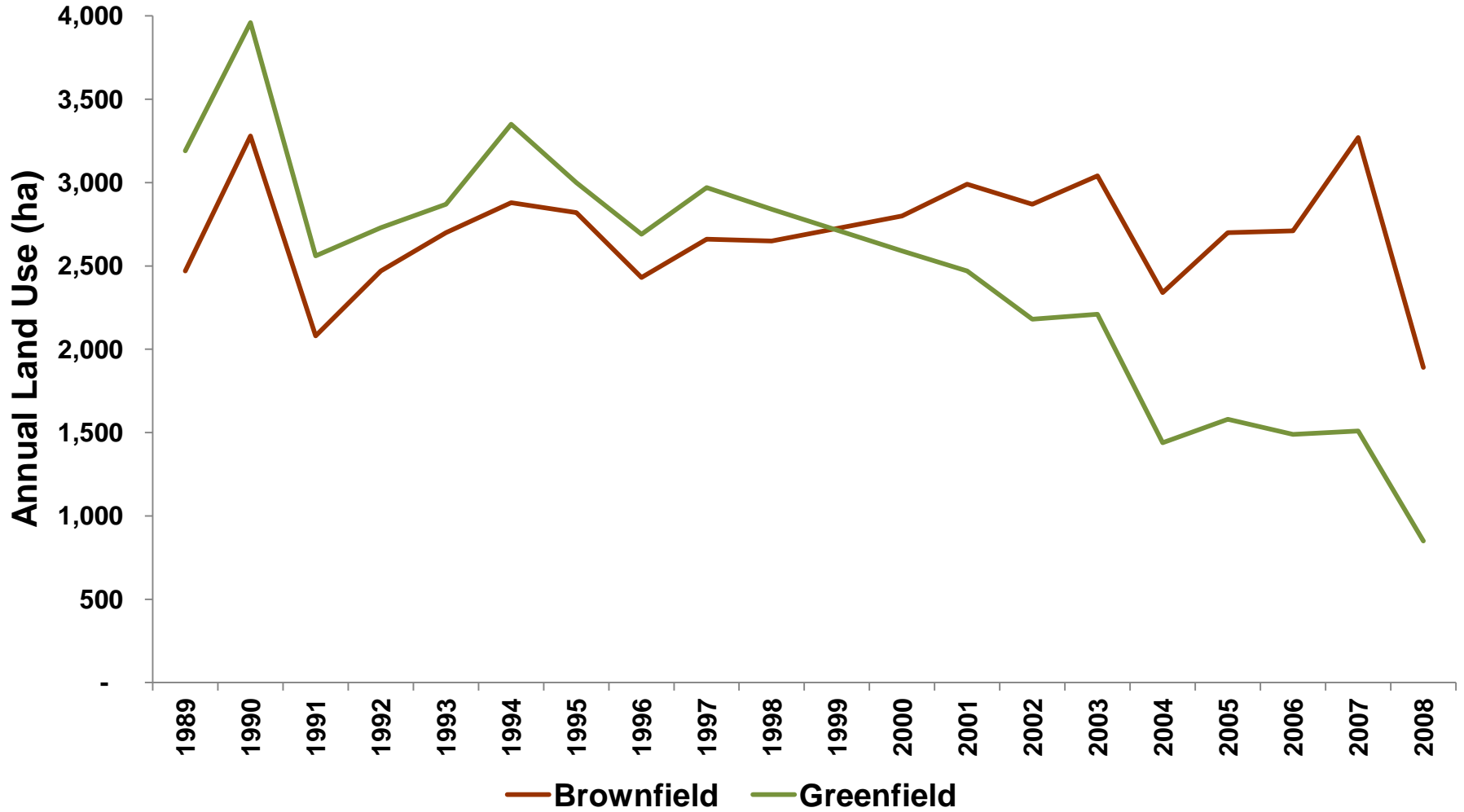


Key Supply Solutions

Supply of permissioned land

- Localism Bill
- National Planning Policy Framework (NPPF)
- Planning Inspectorate enforcement
- Local authority behaviour
- Central Government pressure

Housing Land Use (England)



Key Supply Solutions

Development viability & the regulatory burden

- The Government “will also reduce the total regulatory burden on the house building industry over the Spending Review period.” (HM Treasury)
- **National** (One In One Out rule, NPPF, etc.)
- **Local** (NPPF, Local Housing Delivery Steering Group, local authority behaviour)

Key Supply Solutions

Development finance

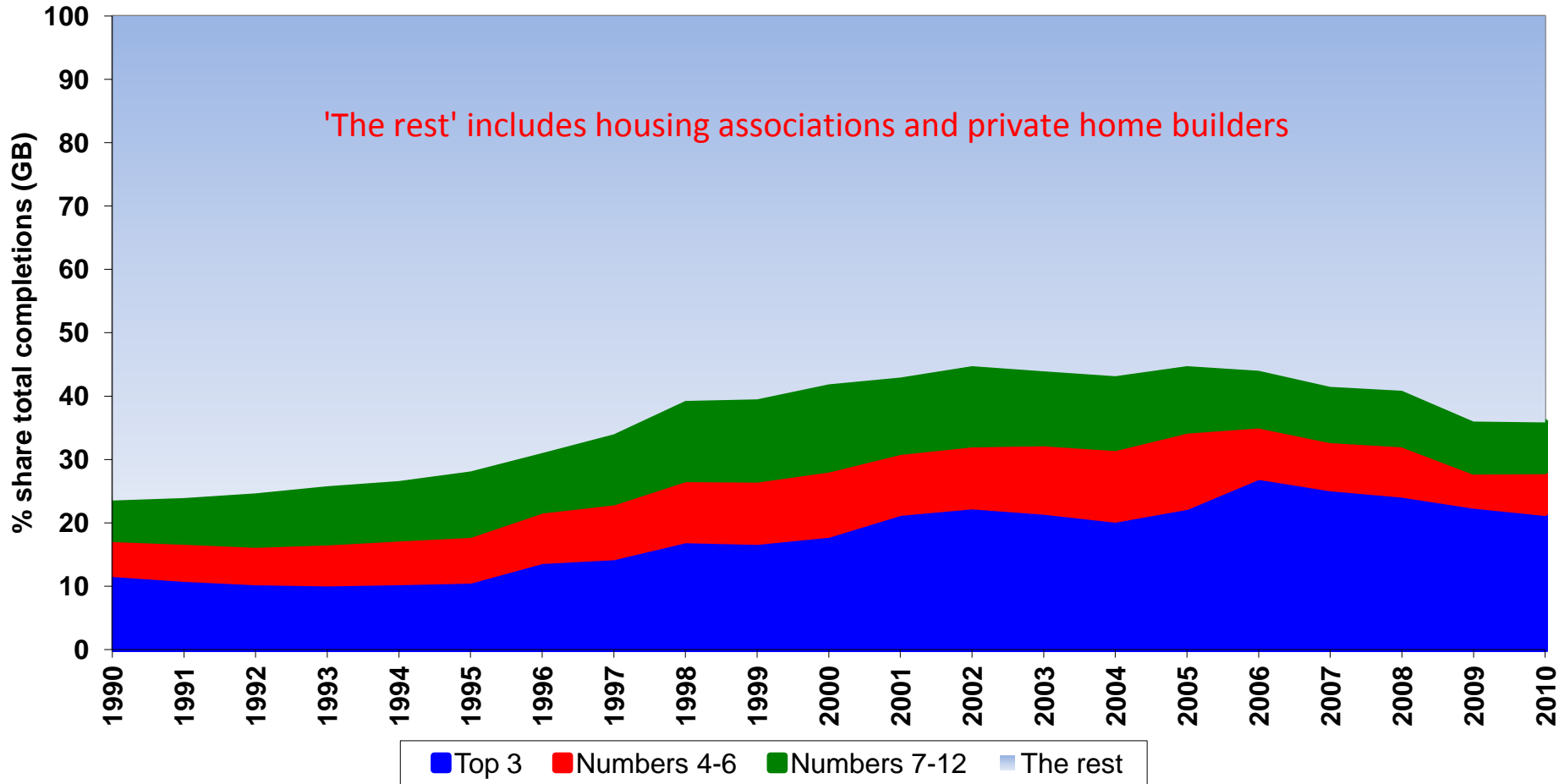
- Majors refinanced – but funds to expand?
- SME finance squeezed
- Aversion to debt - constrain expansion?
- How long will the credit crunch last?

Key Supply Solutions

Industry Capacity

- How far can the Majors expand?
- The role of SMEs
- New entrants
- Housing association capacity, Govt grant
- Other home builders (e.g. commercial developers)

Market Share: Top 12 Home Builders % Share of Total Completions (GB)



NON SOLUTIONS FROM THE ANTI-DEVELOPMENT LOBBY

Sustainable development

"development which meets the needs of current generations without compromising the ability of future generations to meet their own needs"

The Brundtland Commission, *Our Common Future* (1987)

i.e. Economic, social and environmental

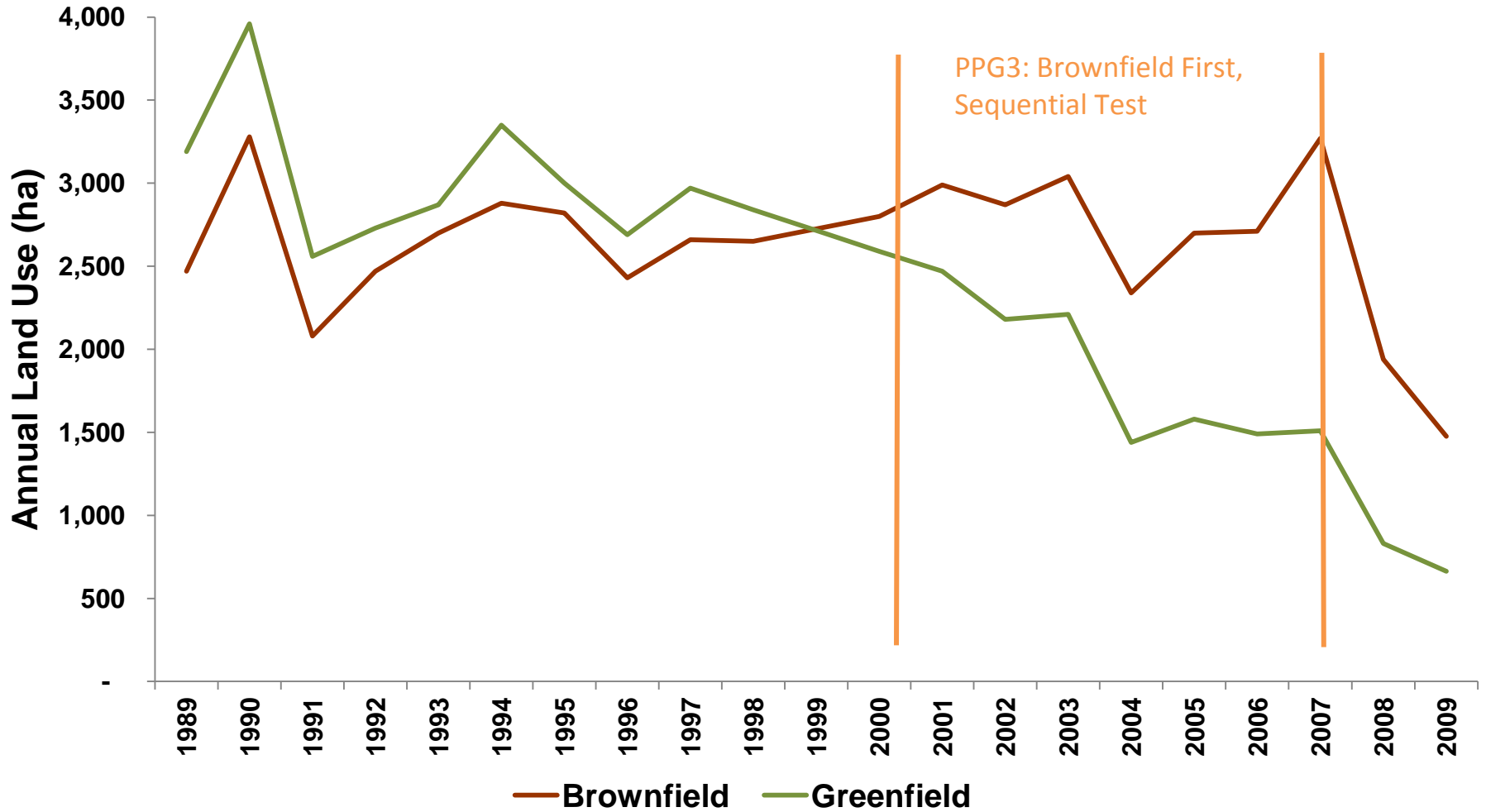
Non Solutions

- ‘Only need homes because of immigrants’
- Empty homes
- House builders’ land banks
- Brownfield sites only
- Housebuilders only want to build on greenfield (easier, more profitable)
- No development on protected (e.g. Green Belt) or unprotected land

Smoke screens

- High design and building standards - industry-beating customer satisfaction (Source: CABA, OFT, HBF research); Building Regulations; world-beating warranty provision; world-beating sustainability standards (zero carbon)
- Space standards – size a consequence of land shortages/opposition to new homes (i.e. CPRE)

Housing Land Use (England)



Concreting over the countryside

If for next 25 years build 250,000 homes pa:

- 150,000 at 60/40 greenfield/brownfield (as 2000-07)
- PLUS 100,000 at 80/20 greenfield/brownfield

= 1% of England's land area

Dangerous concessions (NPPF)

- **Brownfield First** – contrary to sustainable development - **anti-greenfield in disguise**
- **‘Transition’** – prematurity free-for-all
- **Redefine ‘sustainable development’** - ploy to unbalance environmental, social & economic

National Trust Homes of the Future



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