

# Home Building after the Election

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24 March 2015

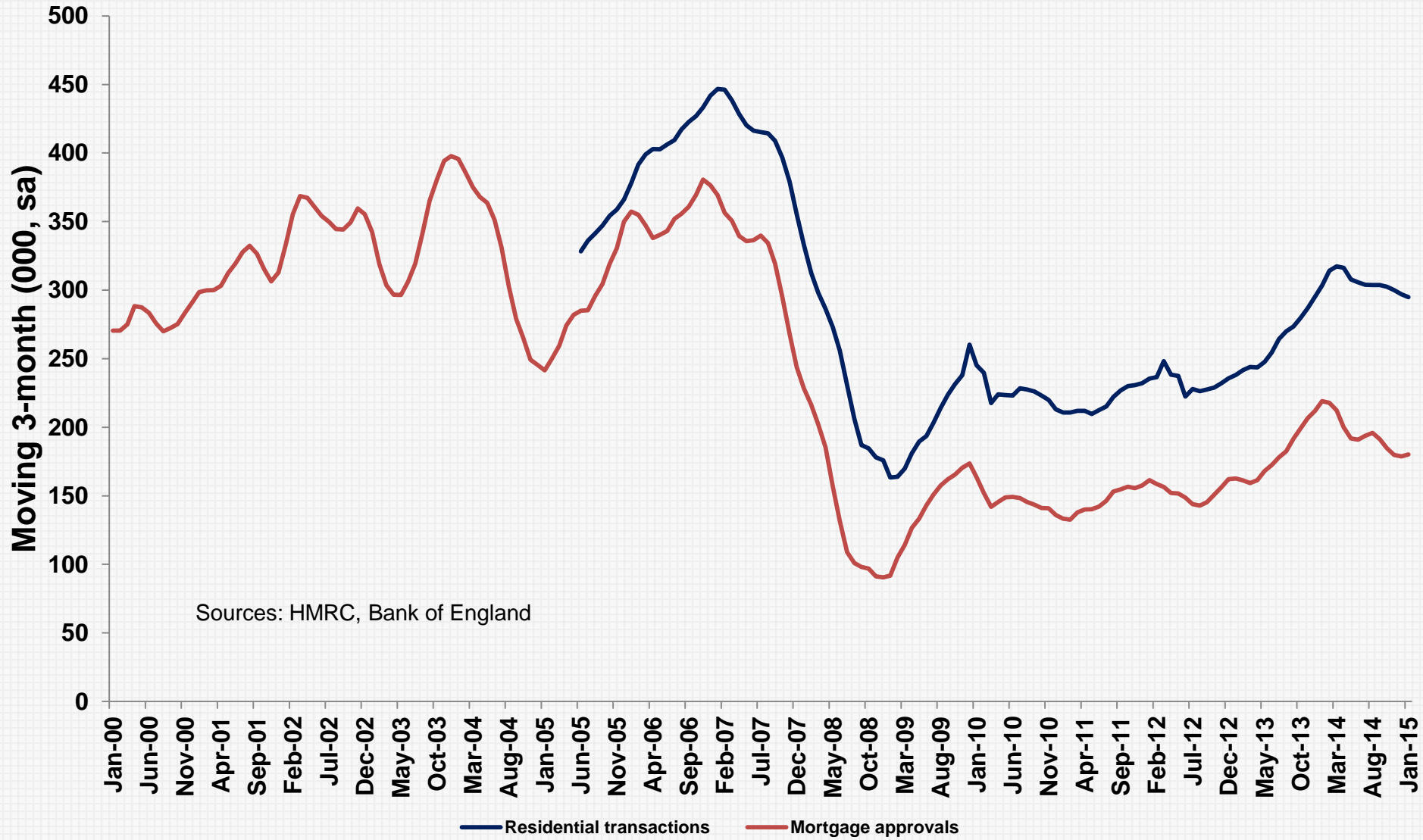
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# **Economic & market outlook**

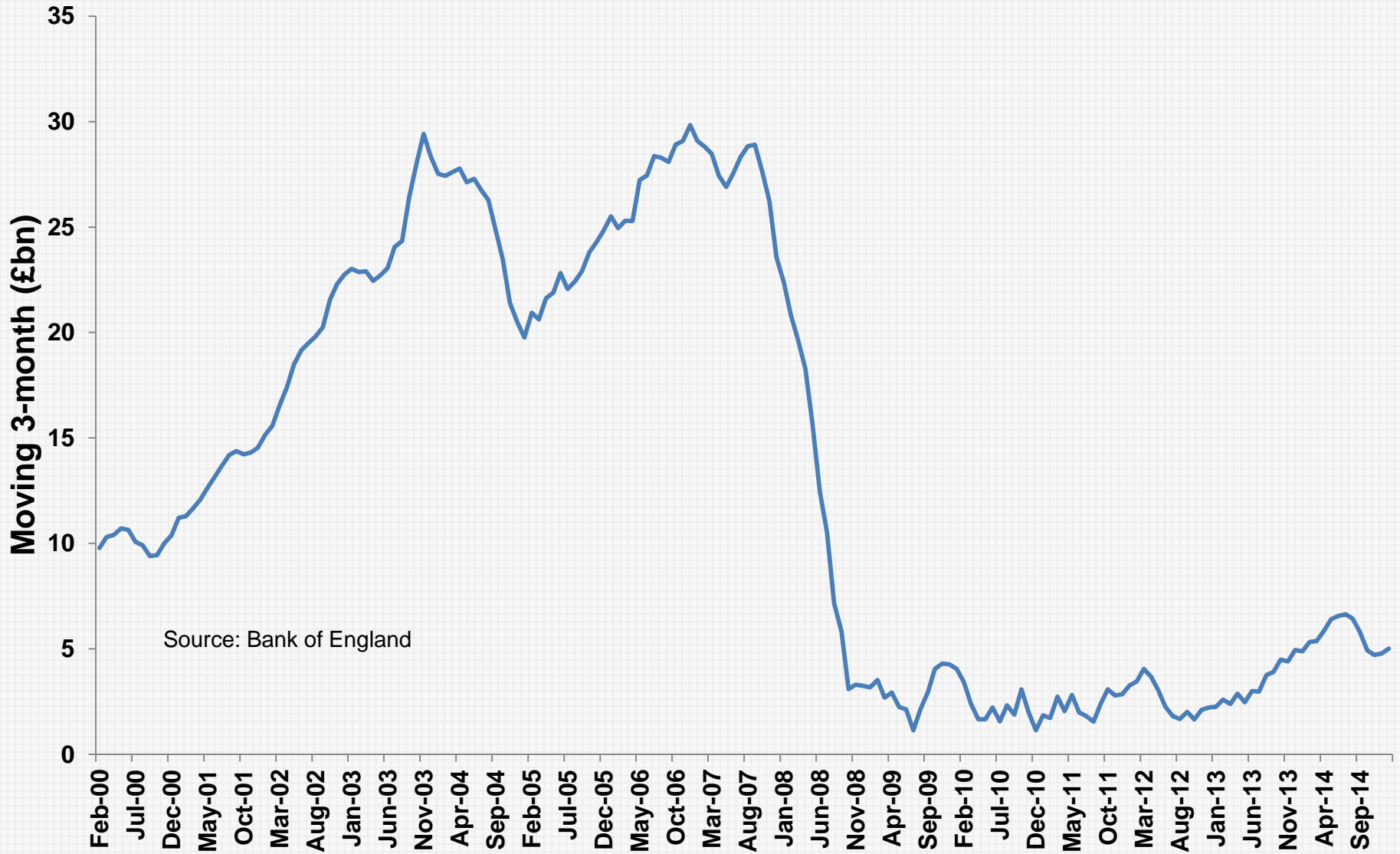
## **Policy outlook**

# RECENT TRENDS

# Residential Transactions & Mortgage Approvals (UK)

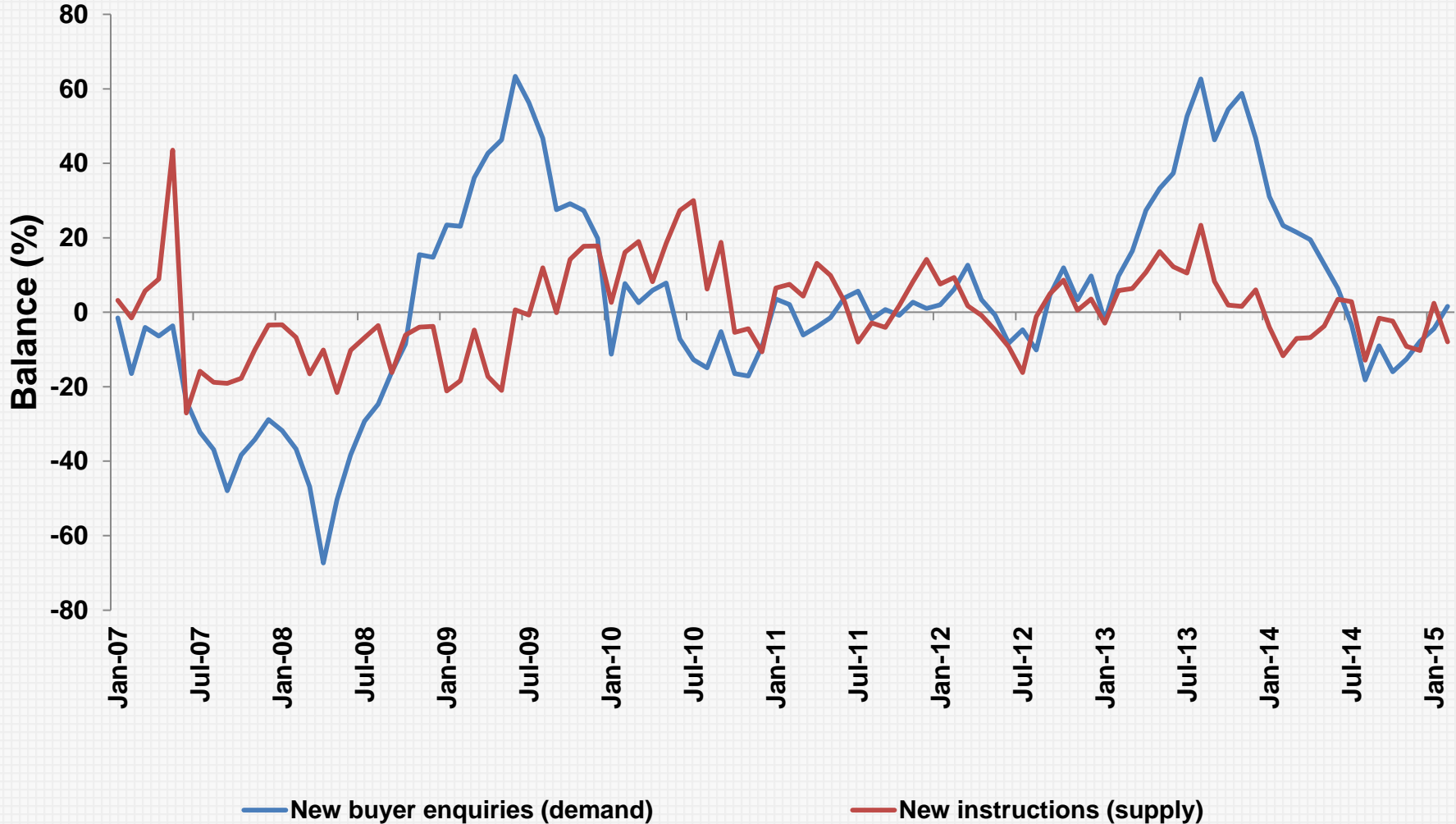


# Net Mortgage Lending (UK)

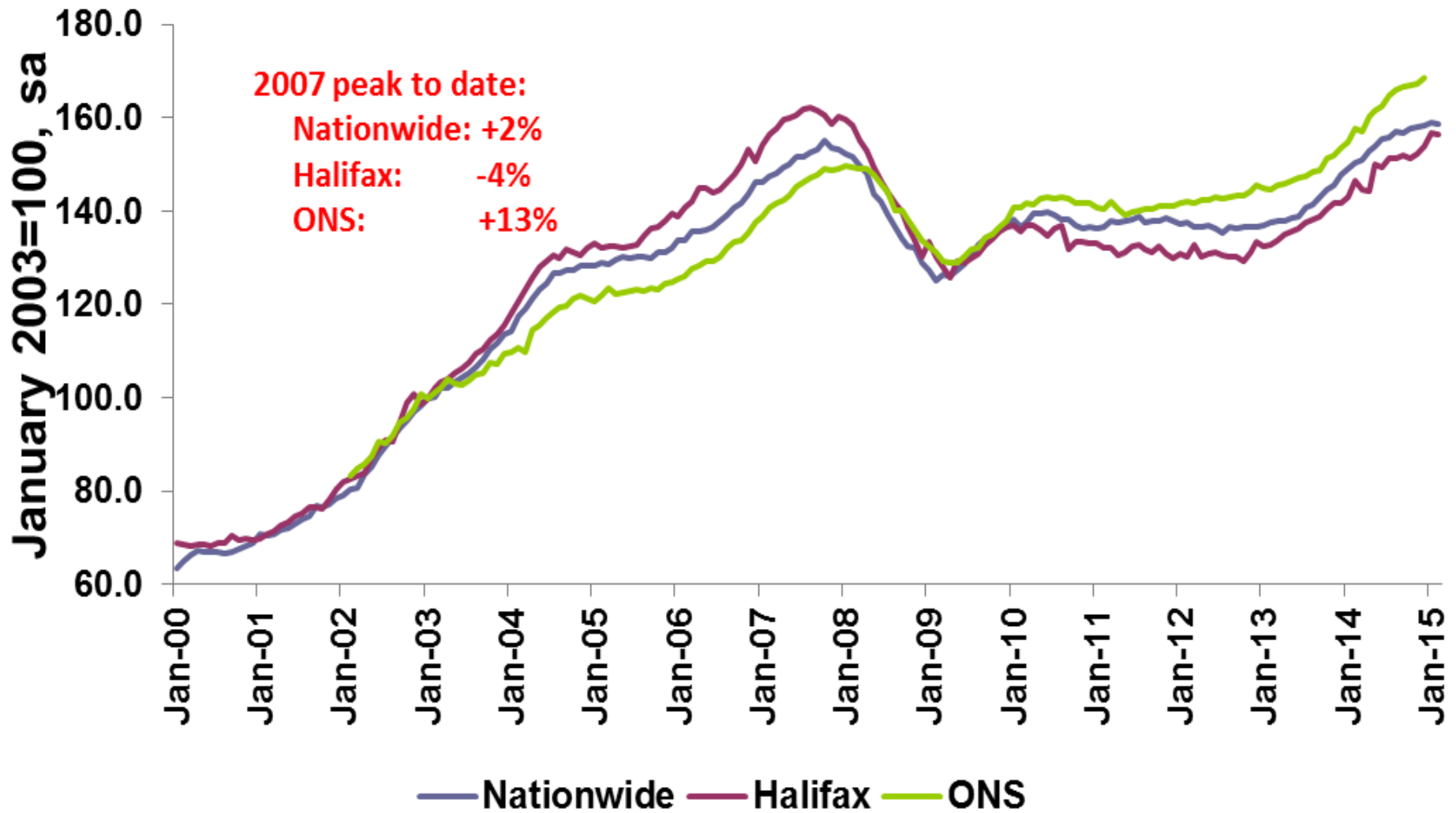


Source: Bank of England

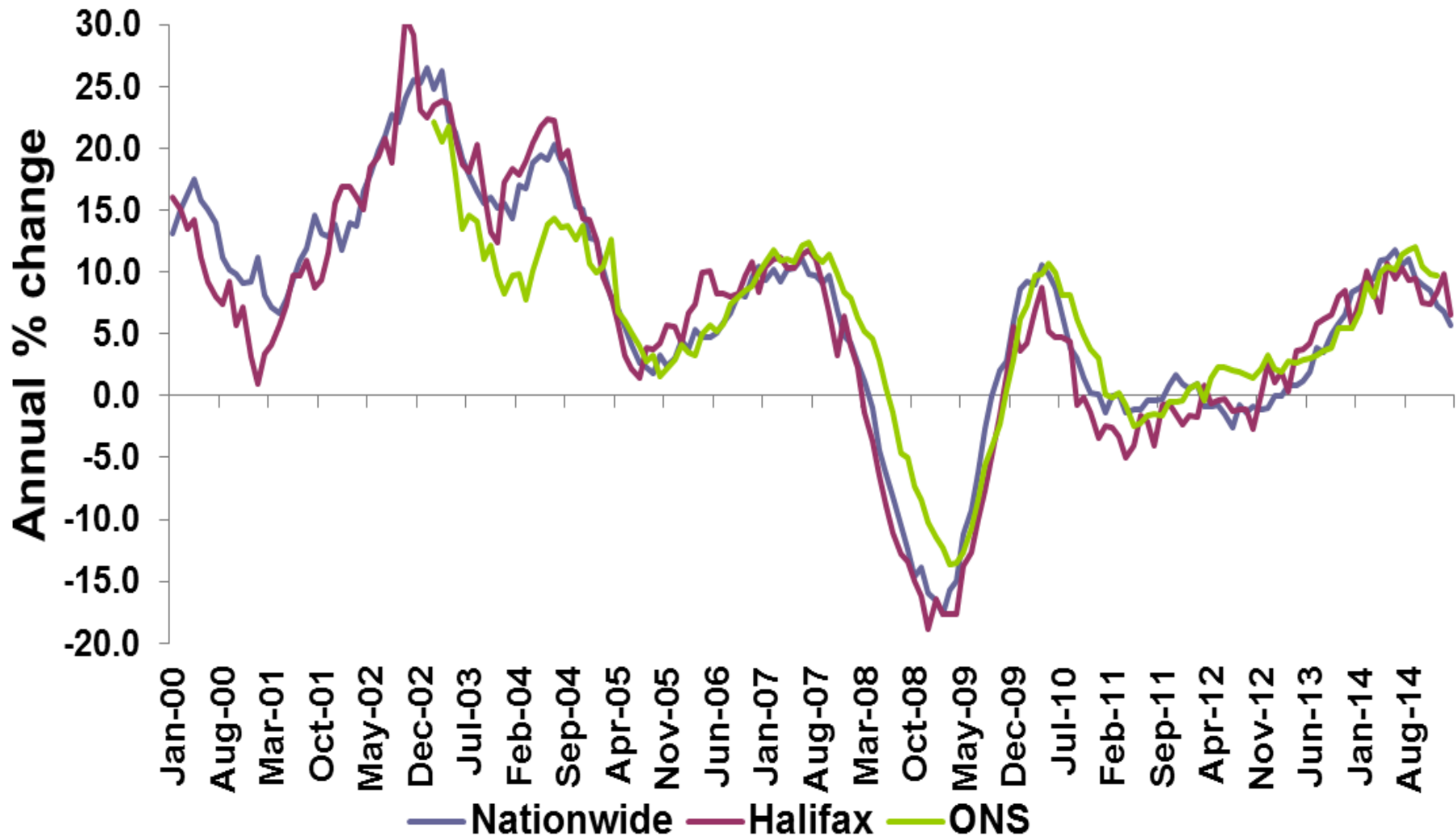
# RICS Survey: Demand & Supply (E&W)



# House Price Indices (UK)



# Annual House Price Change (UK)



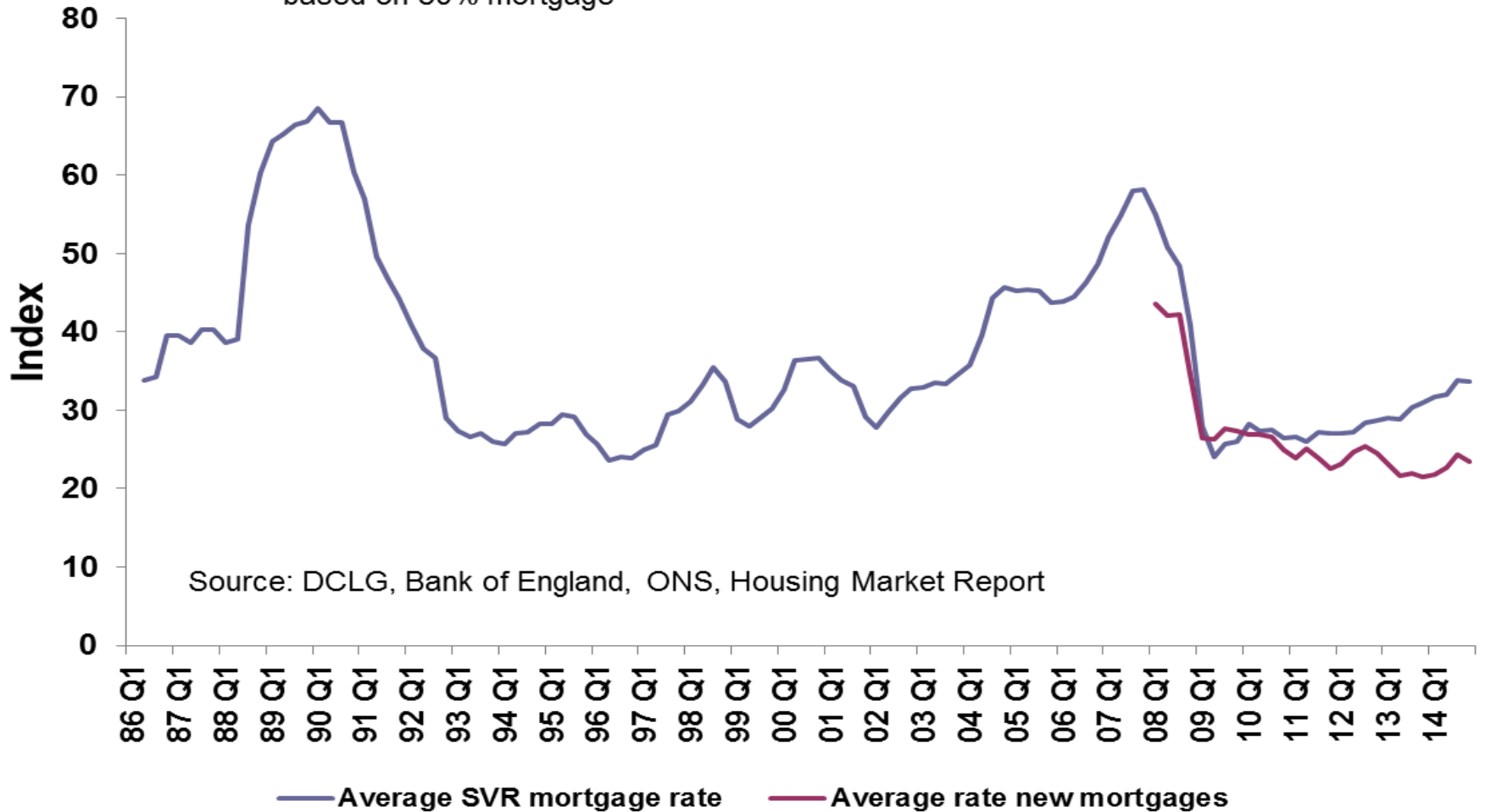


# RICS Survey: Price Balance (E&W)

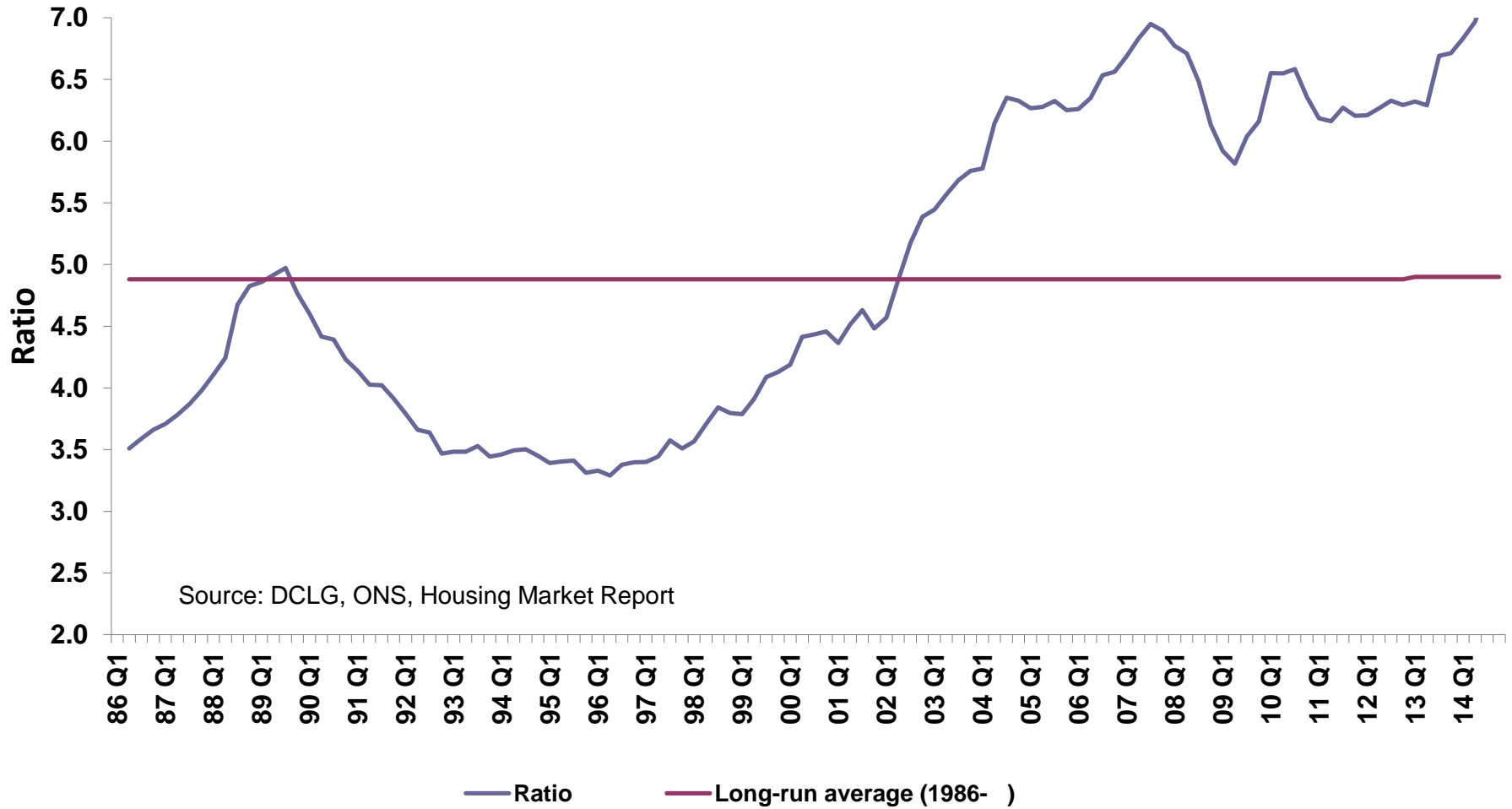


# HMR Affordability Index (GB, Single Male) Mortgage payments as % net earnings (year 1)\*

\* based on 80% mortgage



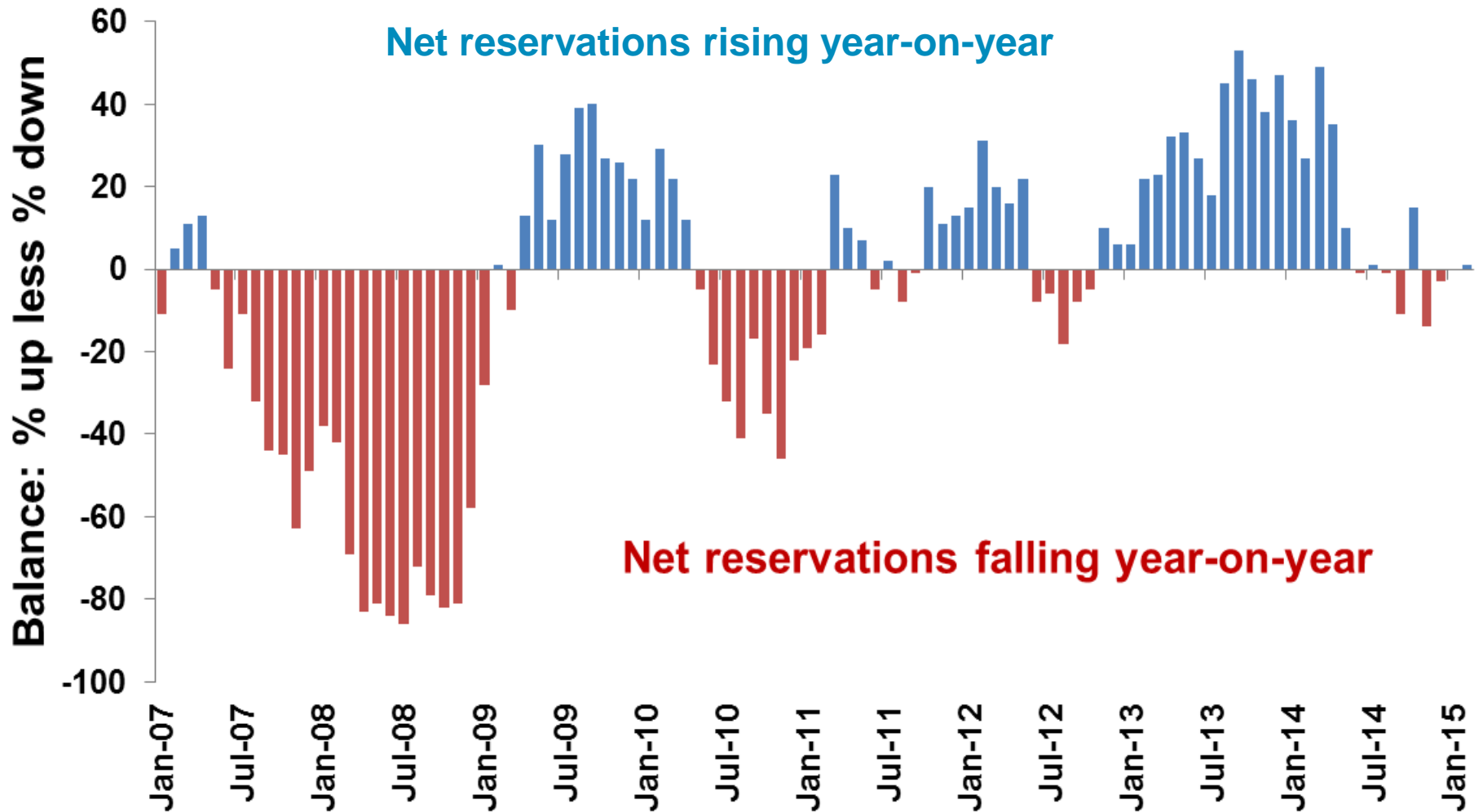
# HMR House Price Earnings Ratio (GB, single male, ONS house price index)



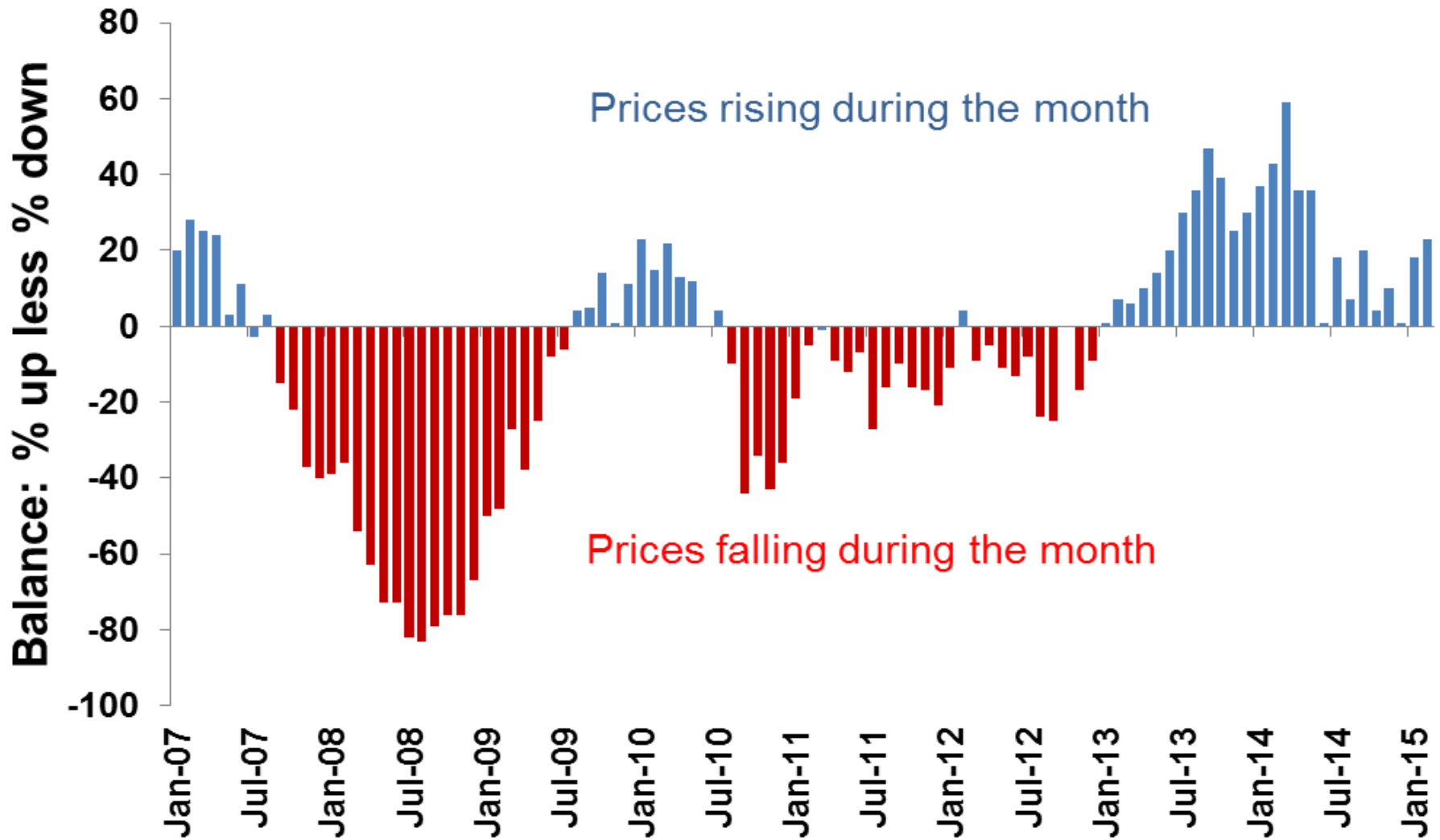
# NEW HOME TRENDS

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

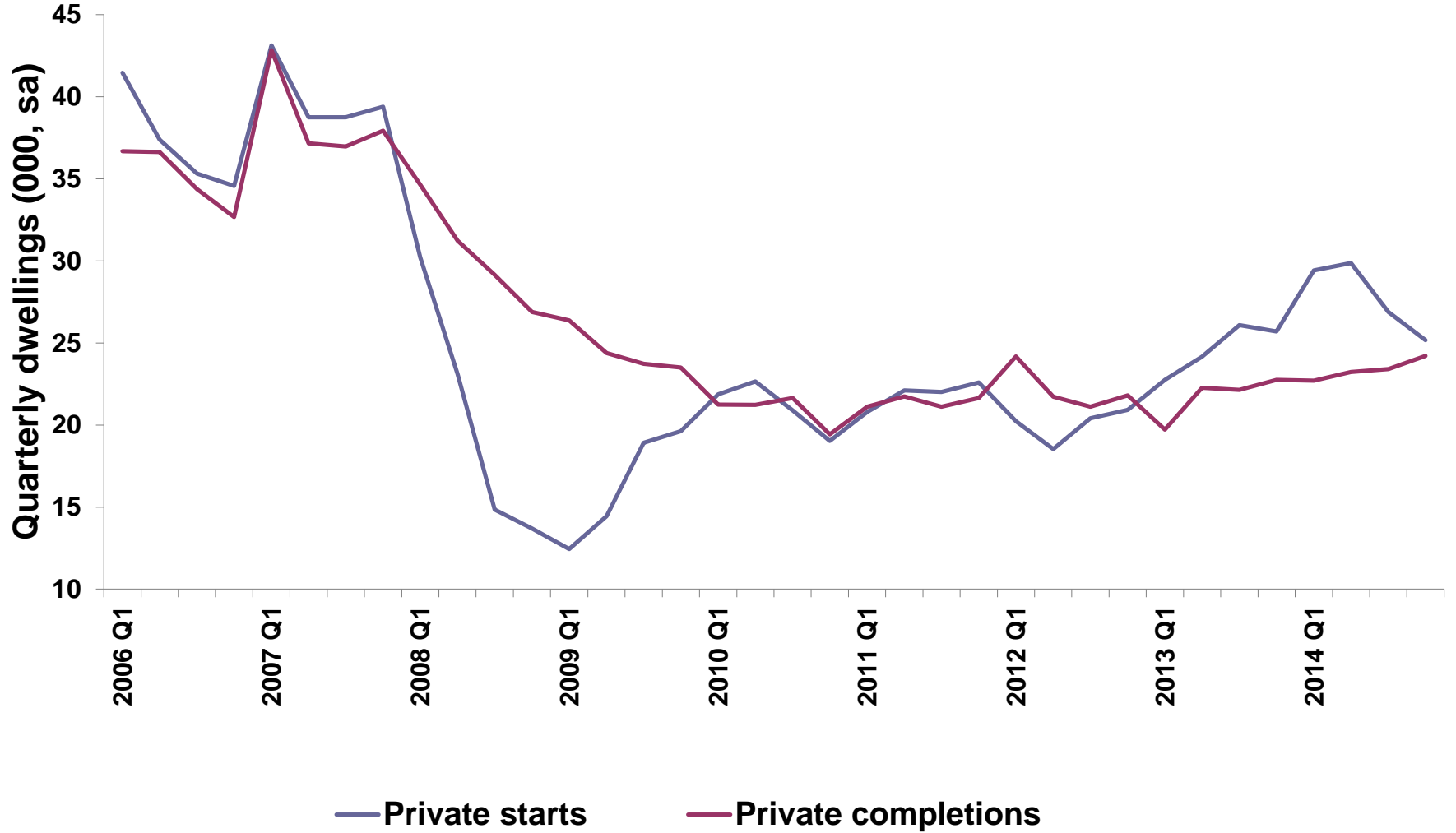
Net reservations rising year-on-year



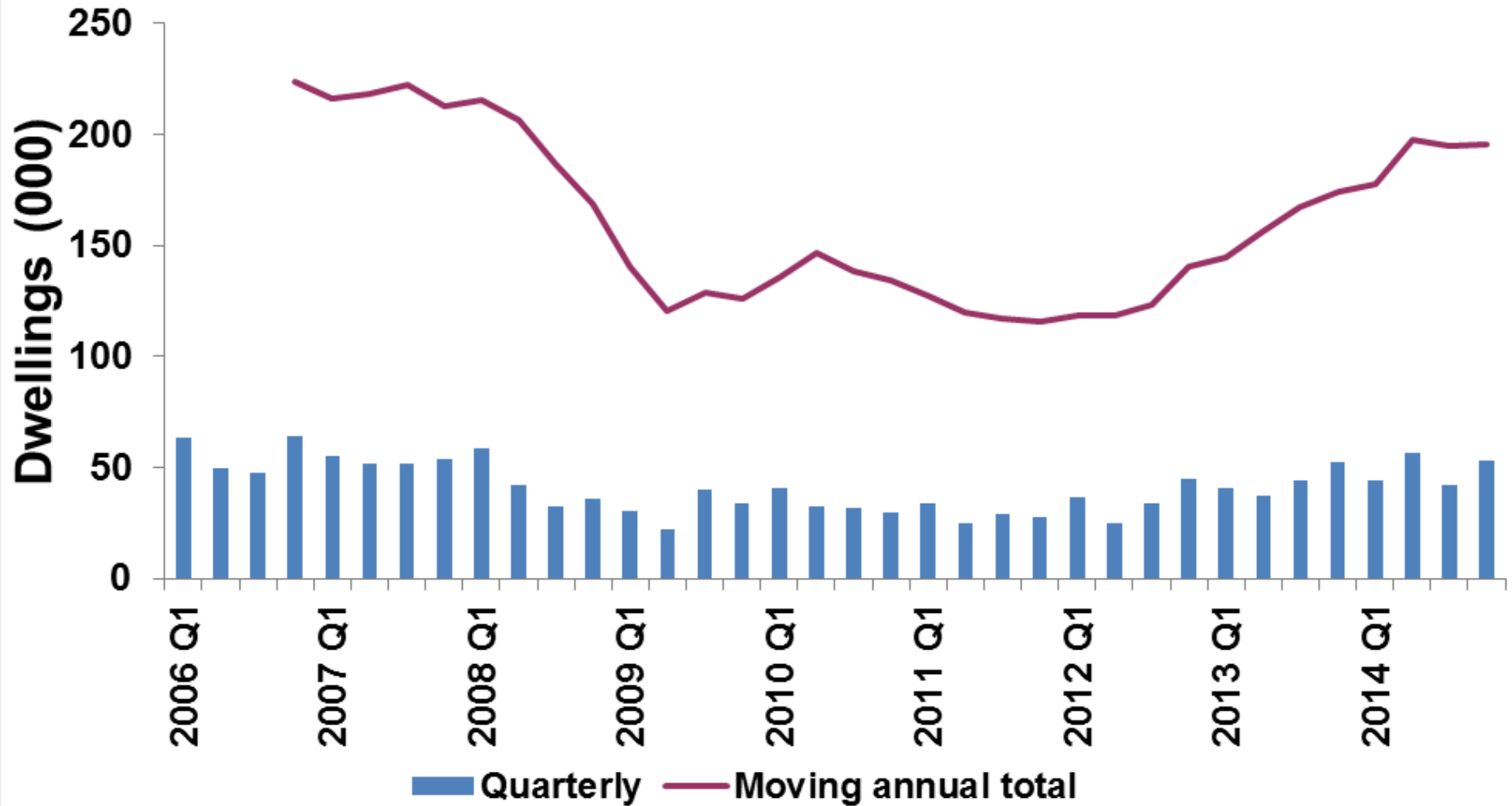
# HBF Survey: Monthly Price Balance (GB)



# Private House Building (England)



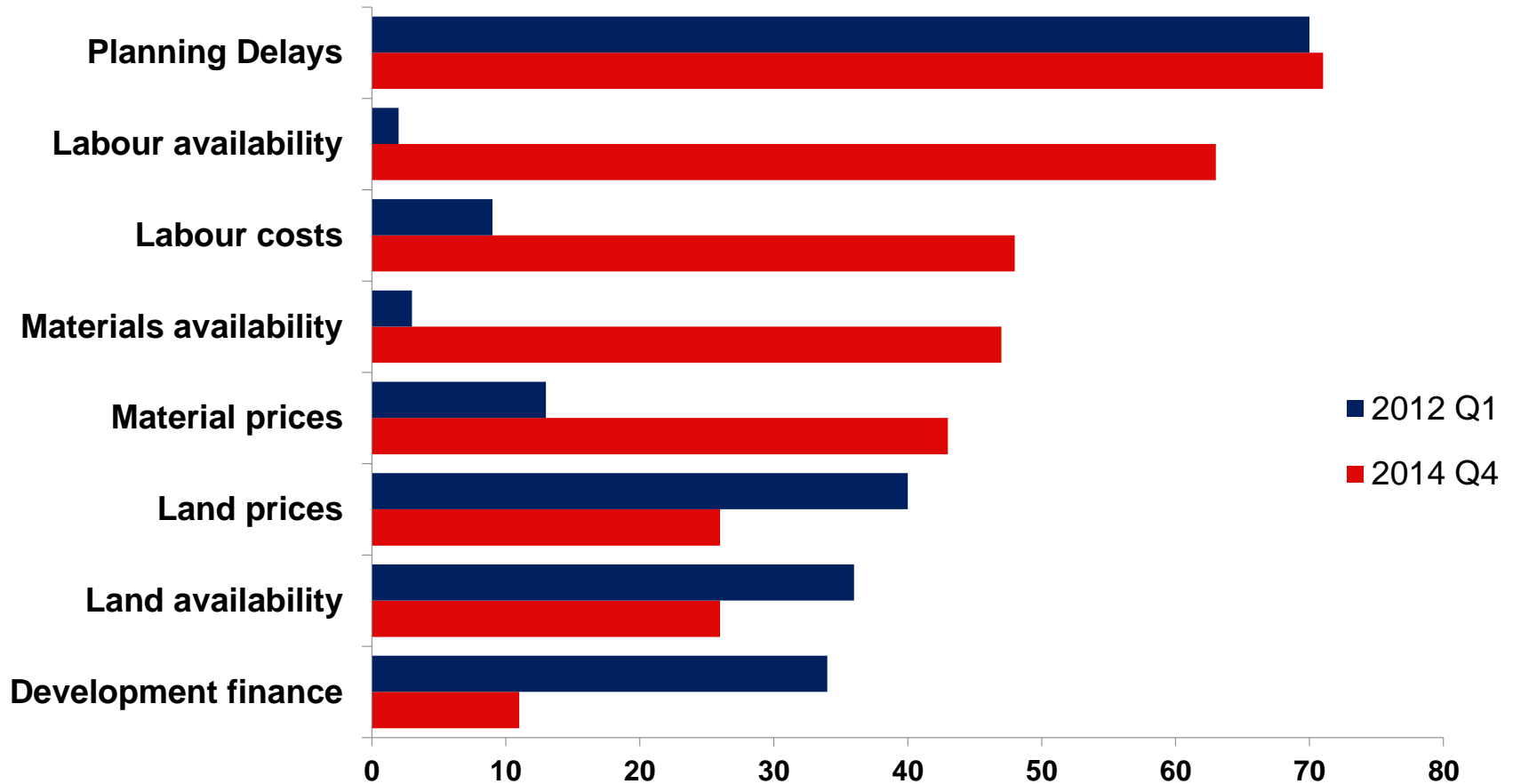
# Planning Permissions: All Dwellings (England) (HBF/Glenigan)





# Constraints on New Home Supply

% house builders quoting as "major constraint"



Source: HBF Monthly Survey

# ECONOMIC AND MARKET OUTLOOK

# Economic climate

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- GDP recovering
- Employment strong (record), unemployment low
- Real earnings rising
- Interest rates 6<sup>th</sup> year at 300-year low
- Mortgage market recovering, more new build lenders
- HtB1 driving new home sales

*But*

- Election uncertainty?
- Tighter mortgage regulation (MMR, FPC)
- Affordability stretched in many markets
- Higher interest rates...from 2017?

<b>GDP growth forecasts (%)</b>		
	Office for Budget Responsibility (annual) Mar-15	Average independent (annual) Mar-15
2013	1.7	
2014	2.6	
2015	2.5	2.7
2016	2.3	2.3
2017	2.3	

<b>House price inflation forecasts (%)</b>		
	Office for Budget Responsibility (Annual)(1) Mar-15	Average independent (Q4) (2) Mar-15
2013	3.5	
2014	10.0	
2015	5.9	4.5
2016	4.9	4.2
2017	6.4	

1. Using ONS house price index
2. Different forecasters use different indices

# POST-ELECTION POLICY OUTLOOK

# Home building: political priority

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## Context

3 main parties committed to large increase in home building

# Implications of election outcome

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## Election outcomes relevant to housing policy

- Unstable minority or coalition
- Outright majority
- Stable minority or coalition



# Private sector key role

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- Central Government builds nothing
- Spending/borrowing constraints seem to rule out large public sector building/funding programme
- Therefore private sector majority of supply\*

But that means...

*\*HBF and Lyons estimate ~75% of completions at 200,000 pa*



# Unhelpful industry comments

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- “The industry can only build XXX,000 homes per year.”
- “The solution to housing supply is a big increase in Affordable Housing.”



# In a market economy...

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The industry could deliver provided it has:

- The right economic, market (housing, mortgage), policy and regulatory **conditions**
- *And* sufficient **time** to increase output and rebuild capacity

# But market supply means...

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House builders cannot be forced to build.

Policy language of private delivery must be:

- Enabling
- Facilitating
- Encouraging
- Incentivising
- Removing obstacles
- Efficiency



Landbanking  
Build-out rates  
Public commissioning

# Policy evolution since 2008

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- Shift from command & control to market-based delivery
- Willingness to learn industry perspective
- Focus on delivery (especially HCA) and results

E.g.

HtB1 (vs HBD, FirstBuy)

Public land disposal

Builders Finance Fund and SMEs

# Policy priorities new Government

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## Demand

- HtB1 to 2020

## Supply

- NPPF – improve, no radical reform
- Support PINS as enforcers
- Reform end-to-end planning application process
- Builders Finance Fund and SMEs
- Public land disposal
- Reform of CIL/S106

***And continue to work with industry to learn and improve policies***



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*The voice of the  
home building  
industry*