

Thriving communities,
affordable homes



INVESTING NATIONALLY

**DELIVERING
LOCALLY**



Responding to the New Reality

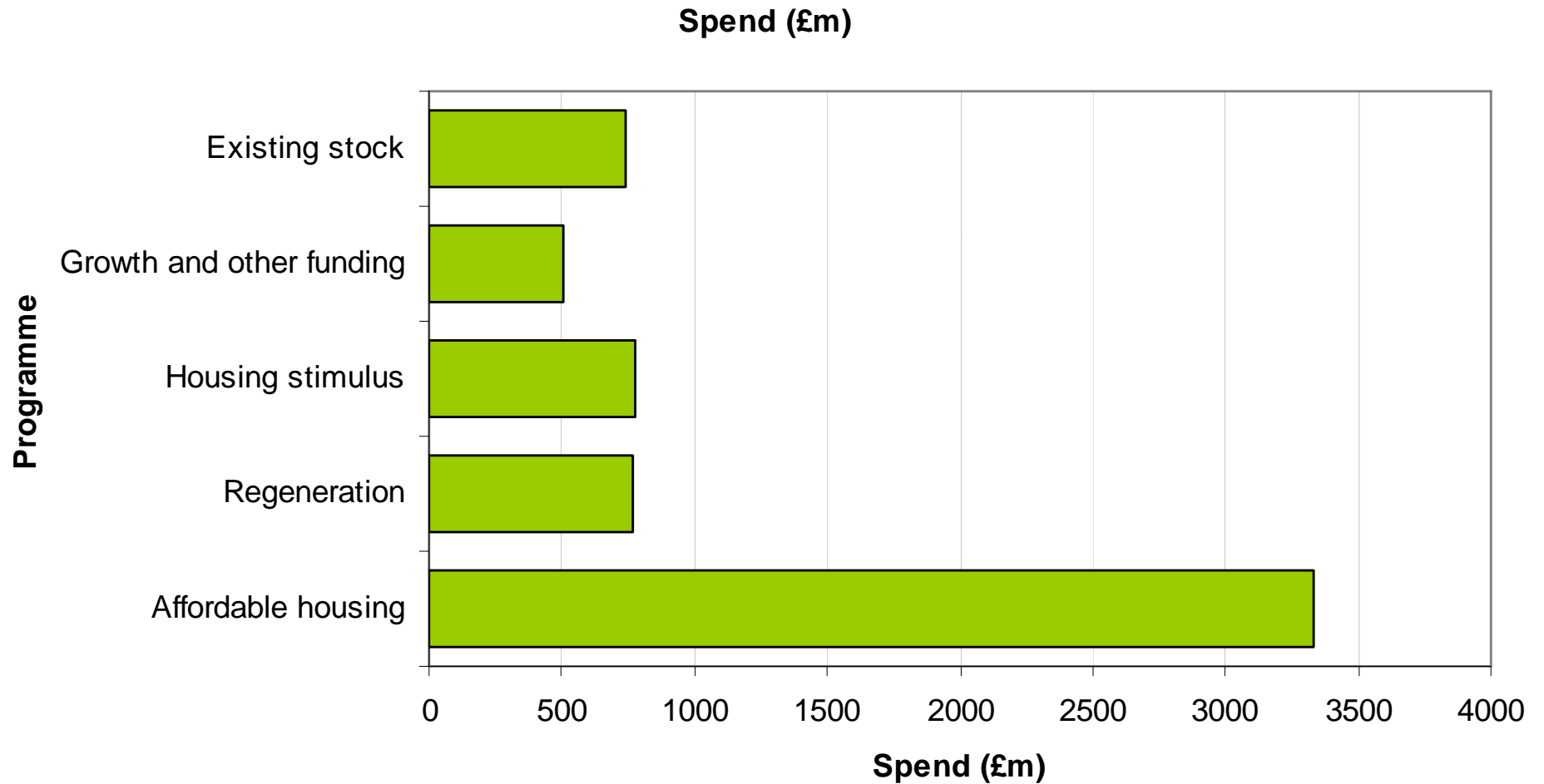
Trevor Beattie
12 October 2010

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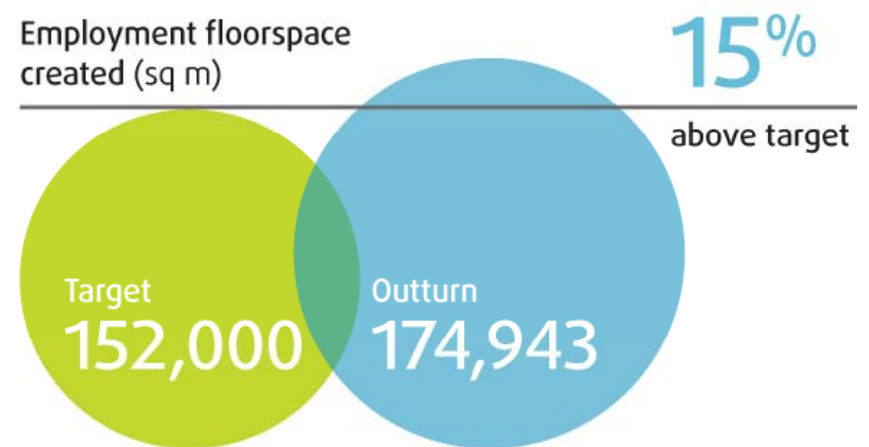
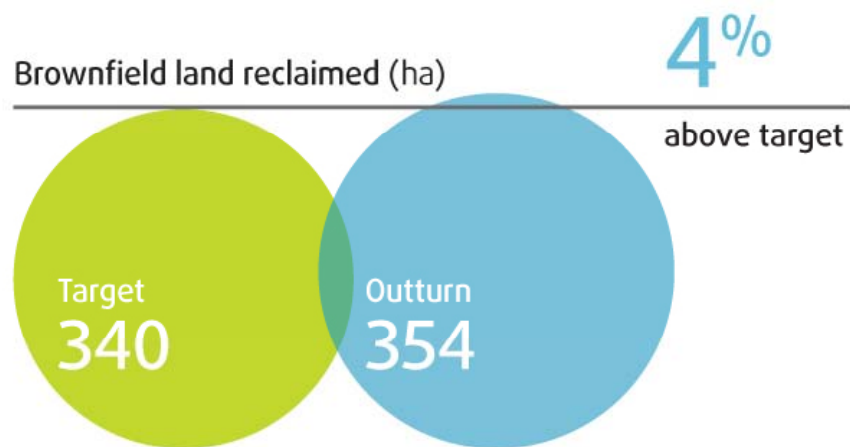
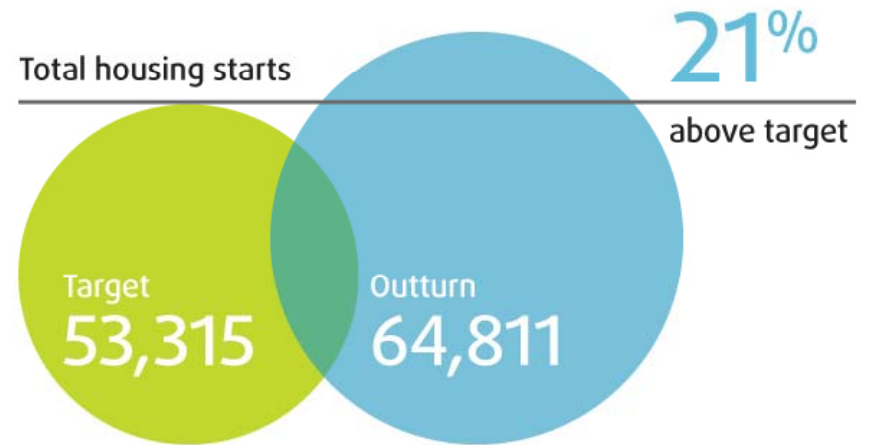
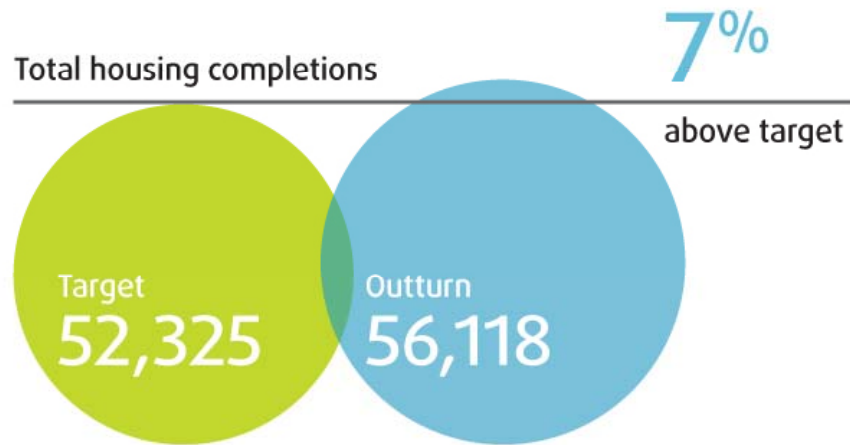
- What we have achieved together
- The new reality
- An emerging response



HCA 2009/10 investment

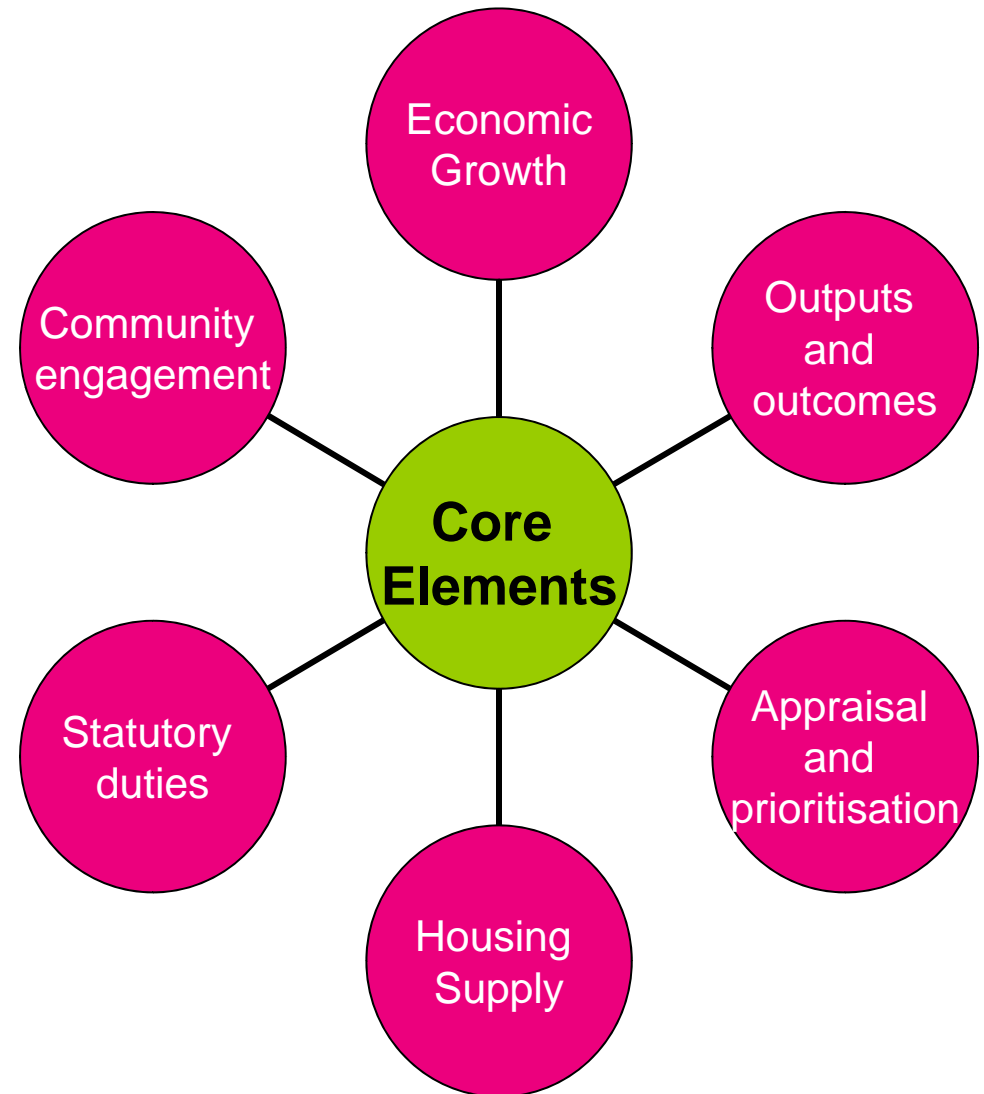


HCA 2009/10 delivery



Local Investment Plans

- 28 completed nationwide
- Need to address core elements
- Progress at request of LAs
- All completed by end 2010/11
- **Successful LIPs will include wide range of stakeholders**



2010/11 spend and delivery

- In year budget reduction of £390m or 10%
- Total budget £4.7bn
- Affordable housing completions sustained despite budget reduction
- Significant reduction in starts

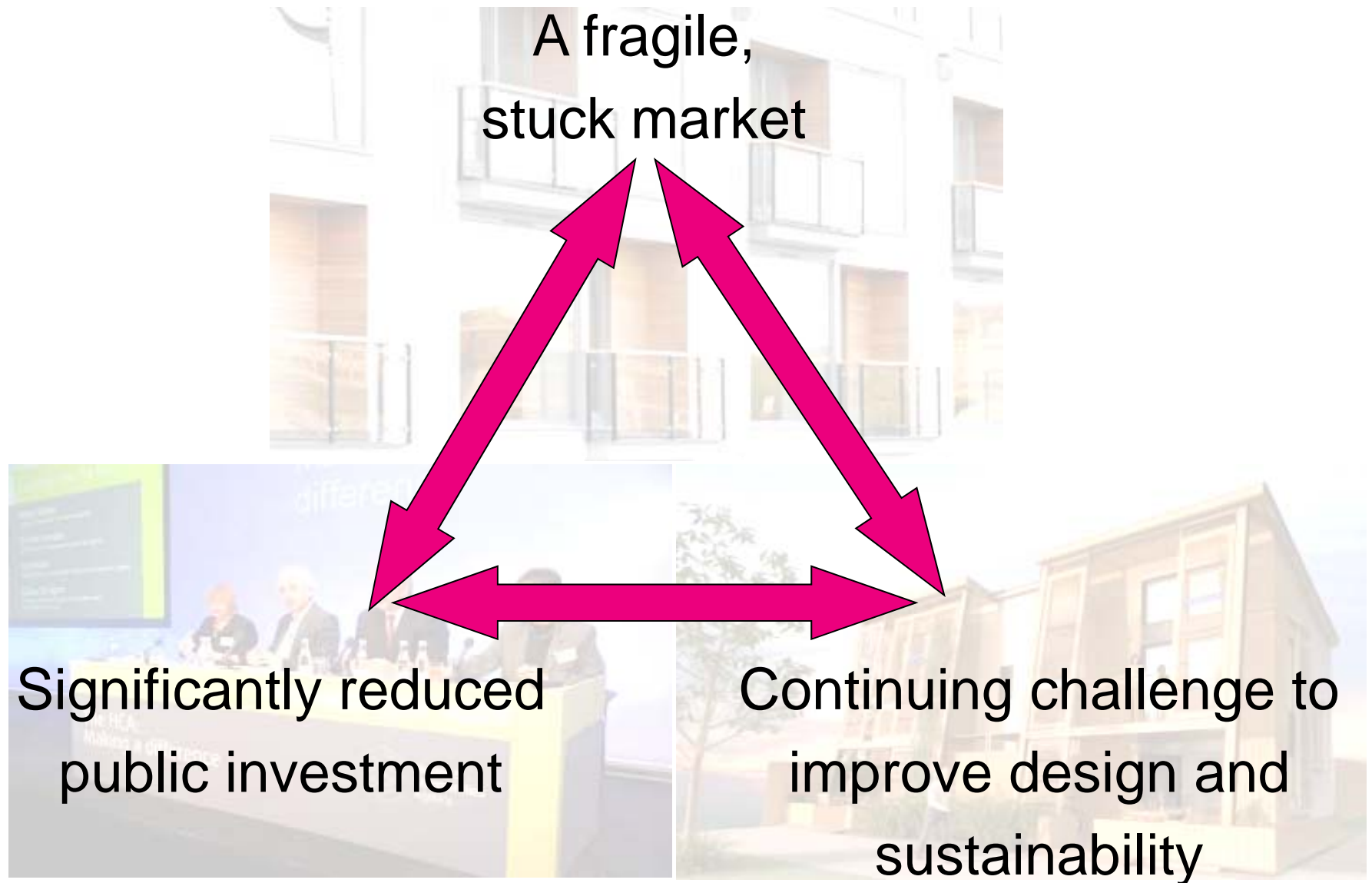


House building delivery

- Kickstart will invest c. £613m
- Deliver over 18,000 units
- Over £250m allocated to Homebuy Direct, matched by house builders
- HBD will deliver 12,000 units
- HBD accounts for 15-30% of house builder sales

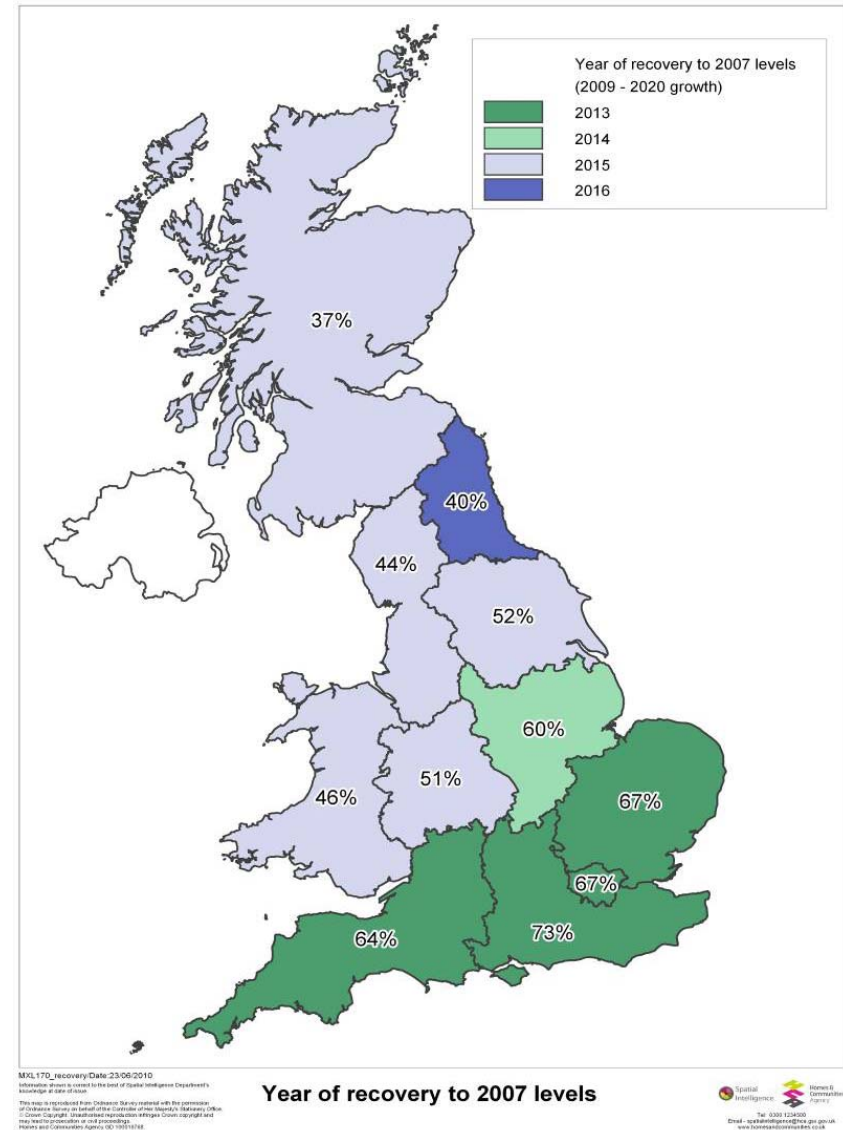


The new reality



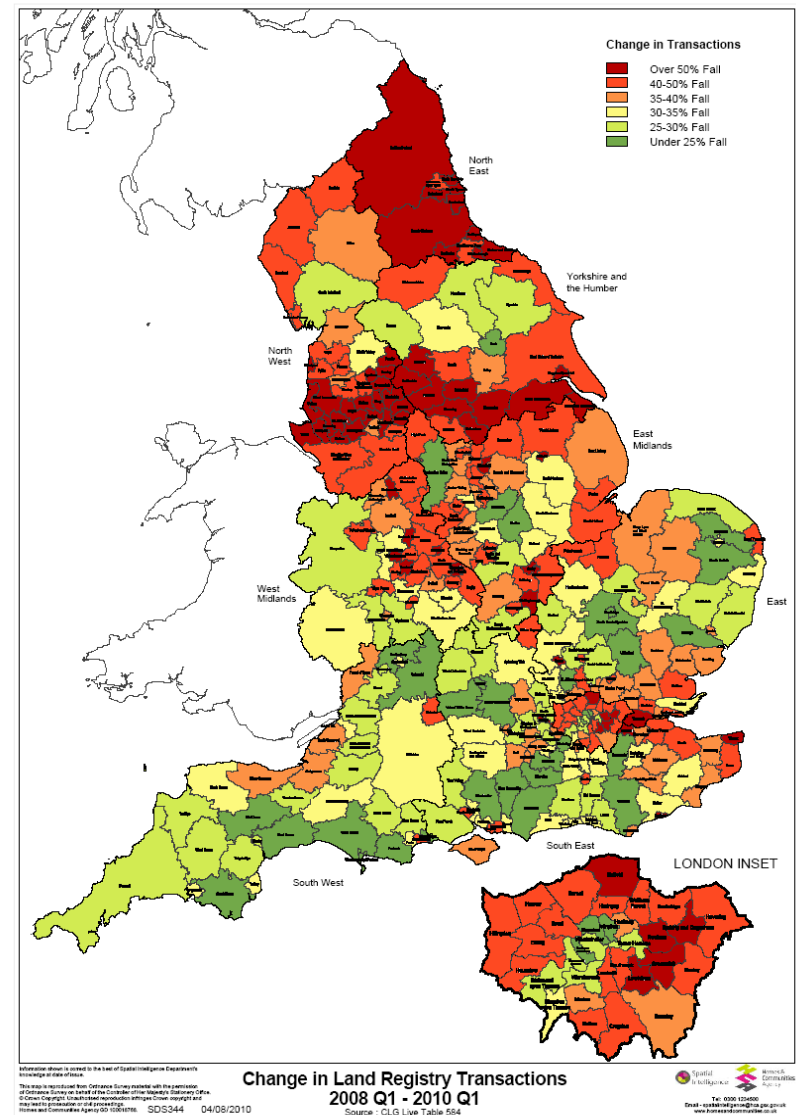
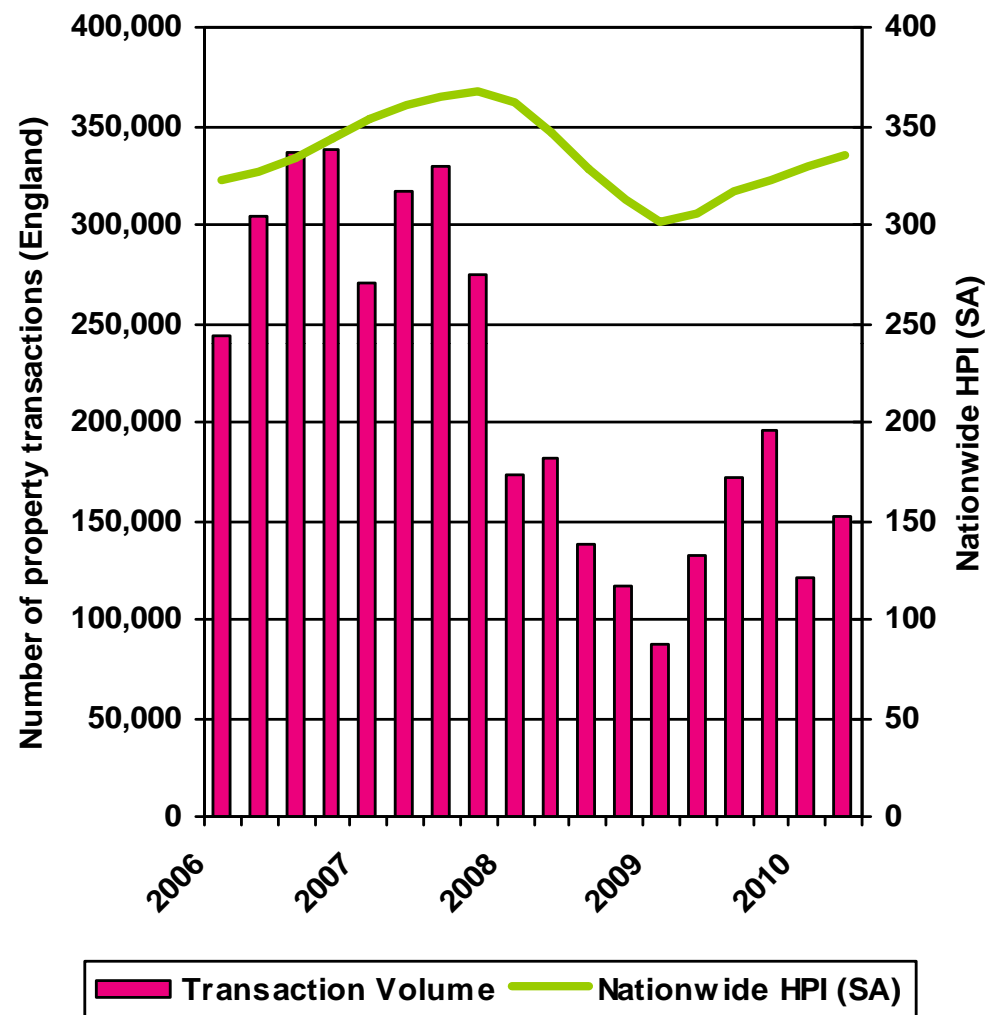
A fragile market: North South divide

- House prices in southern areas are predicted to recover sooner
- Southern areas will see a greater increase in prices up to 2020



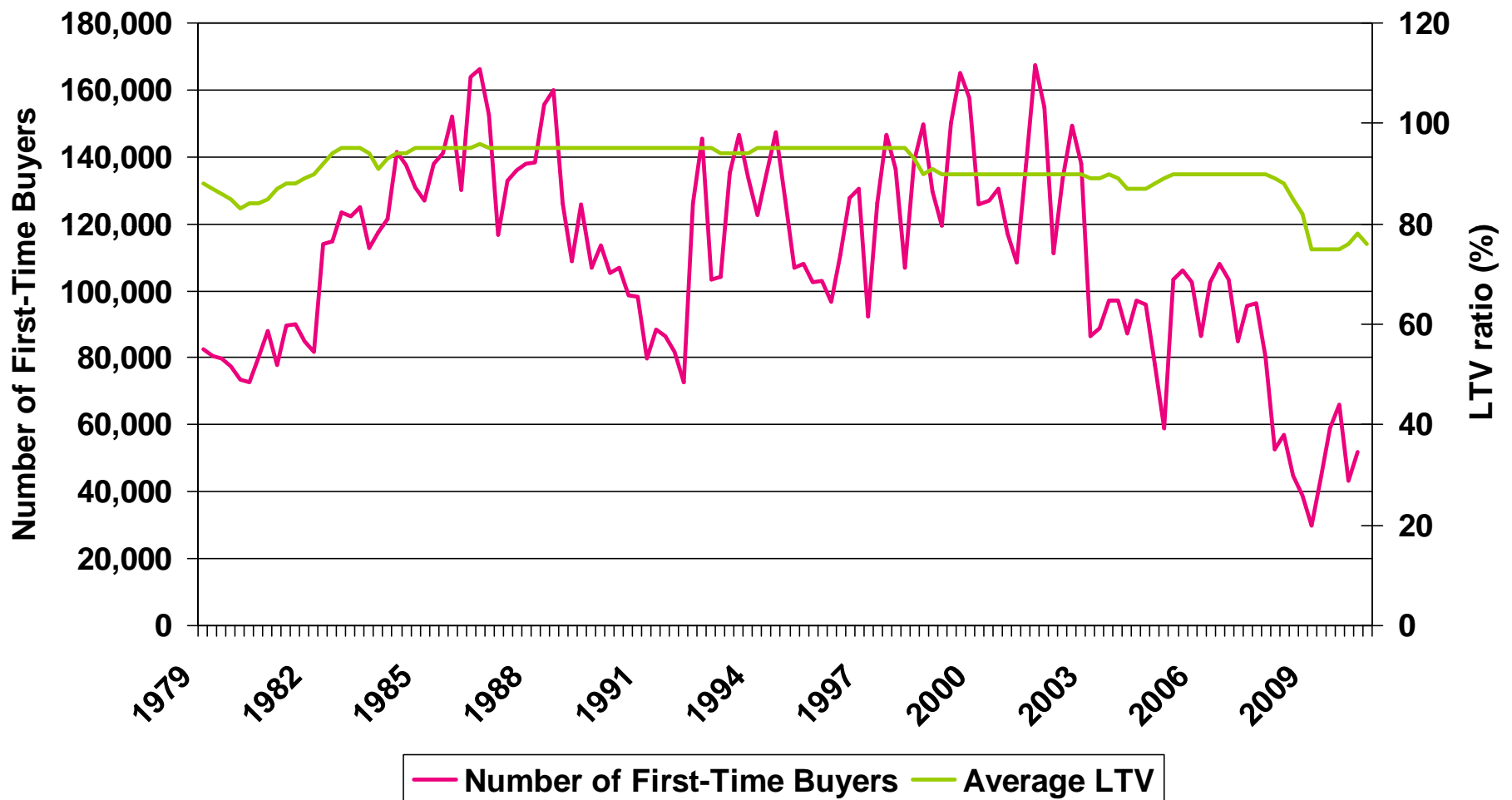
Transactions

The real housing market 'crash' – especially in the north



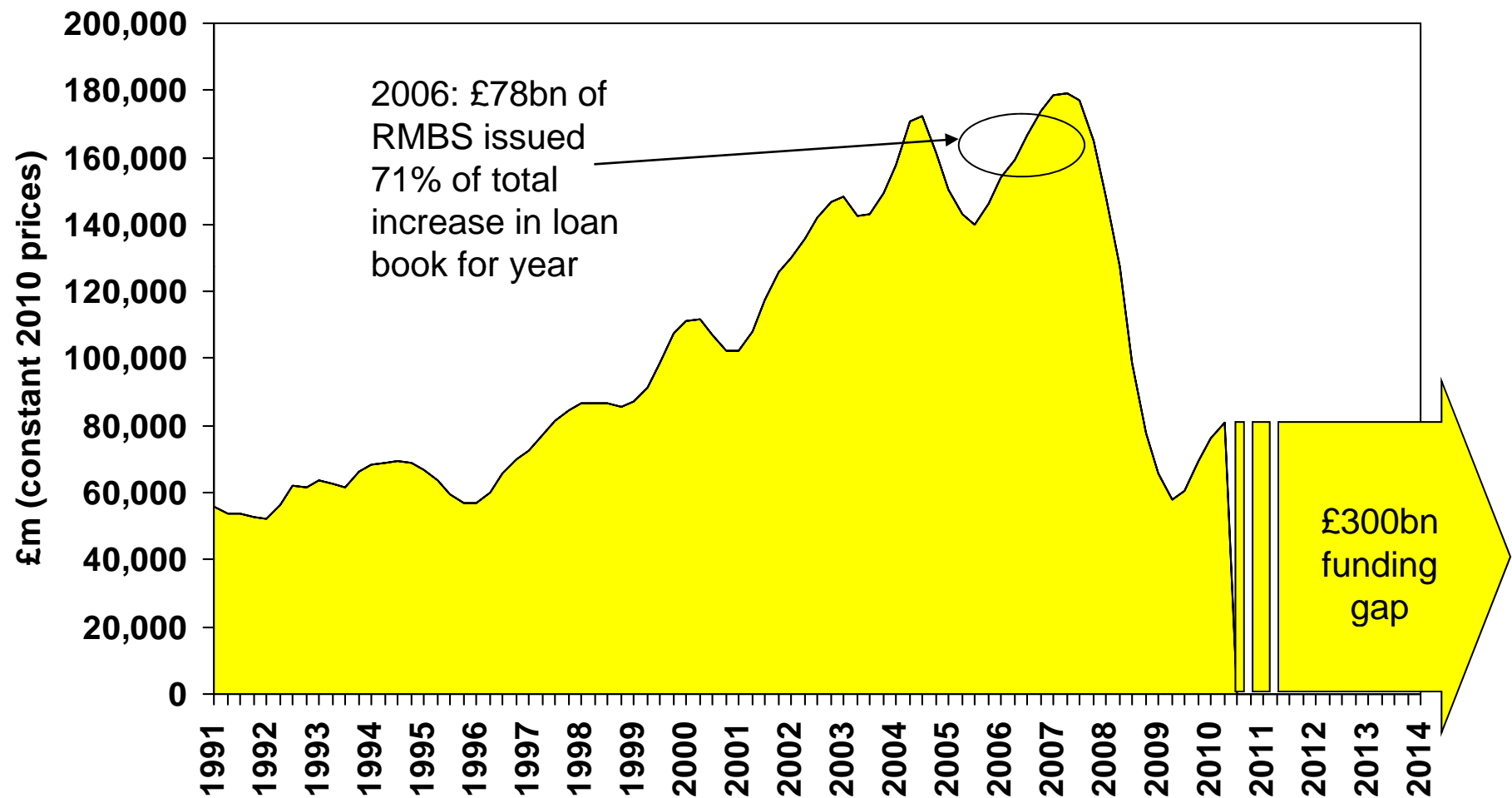
Source: CLG, Land Registry

New reality: First time buyers



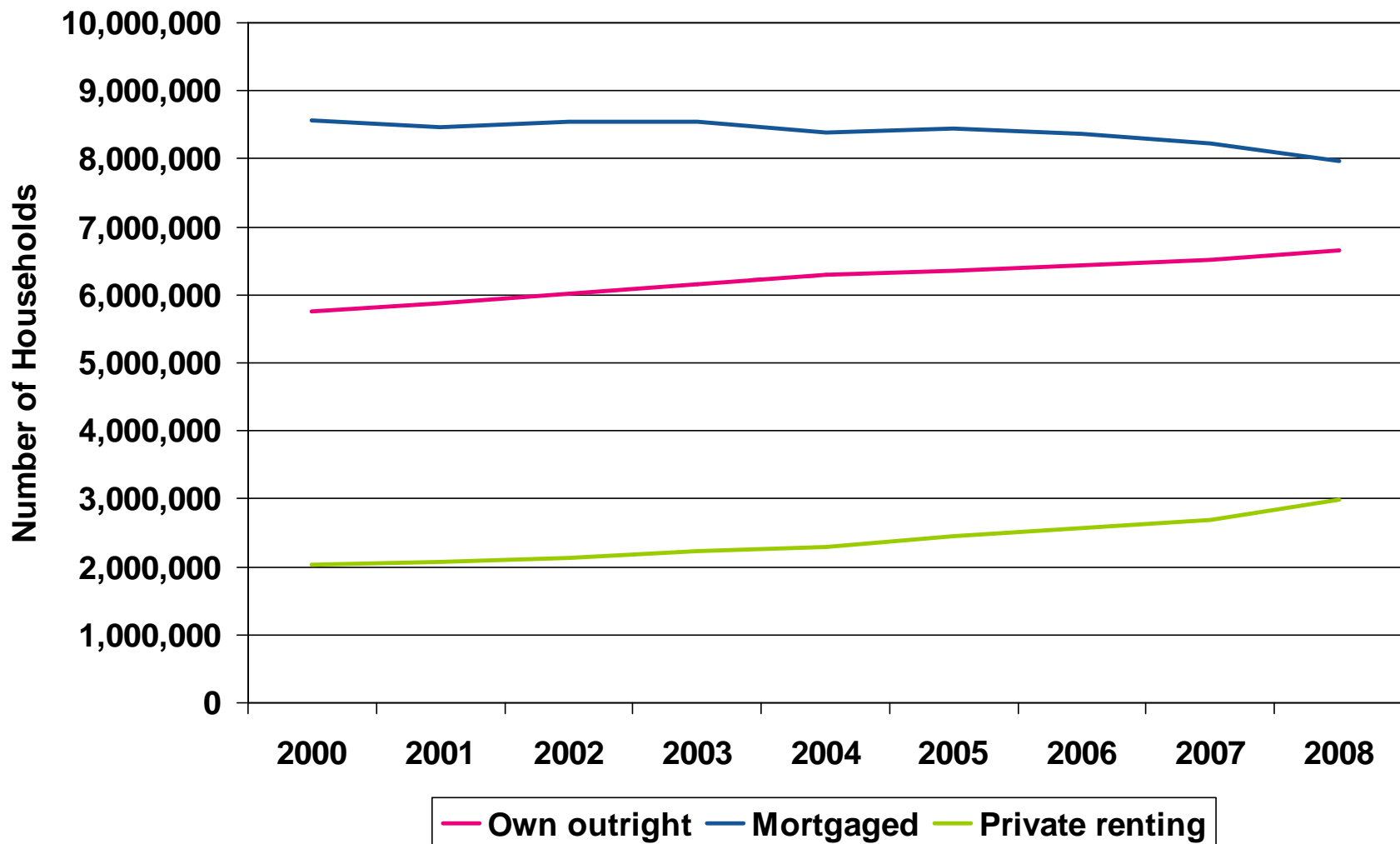
Mortgage Lending

For House Purchase (at constant 2010 prices)



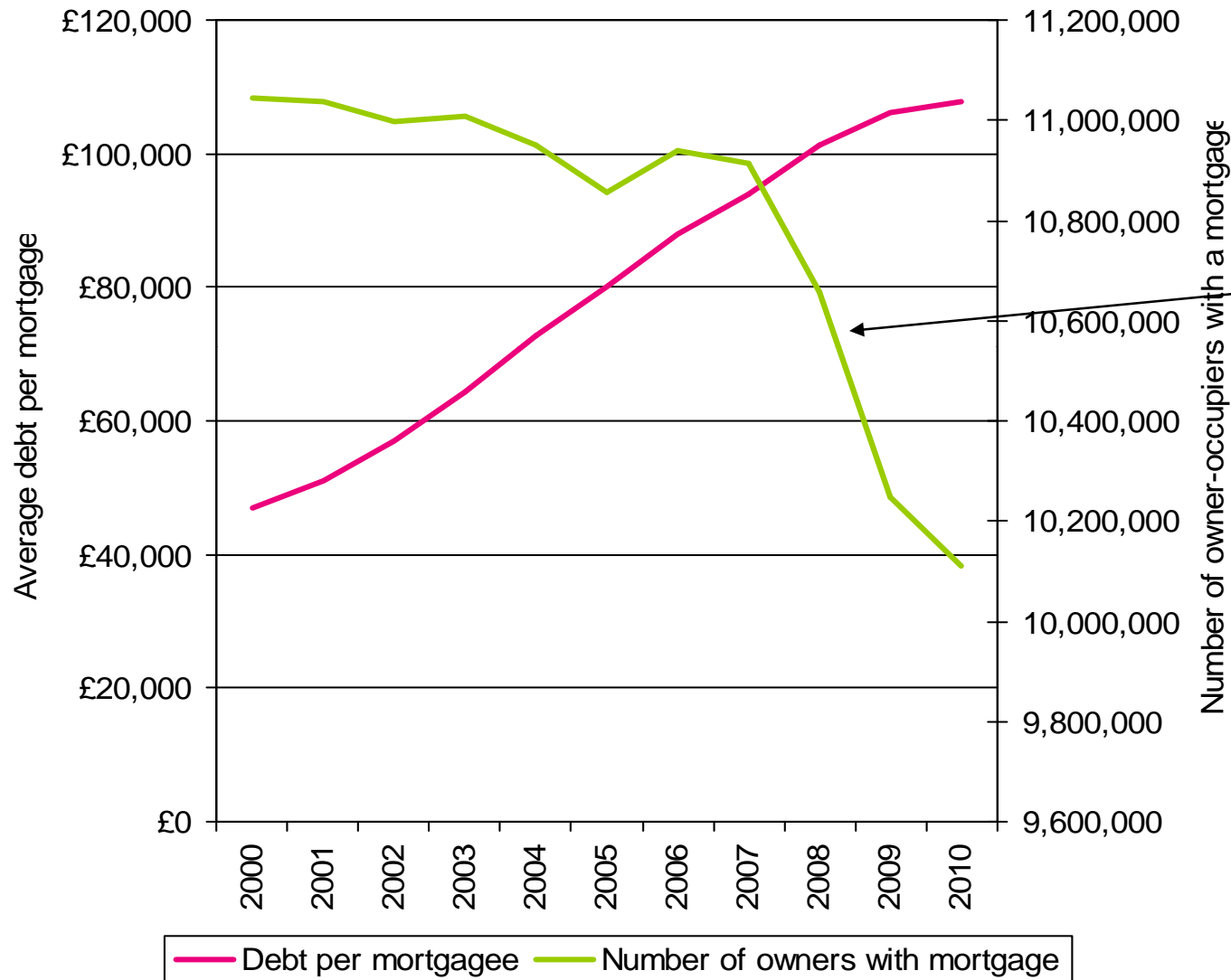
Source: CML

New Reality: The vanishing mortgagee... And the rise of the outright owner



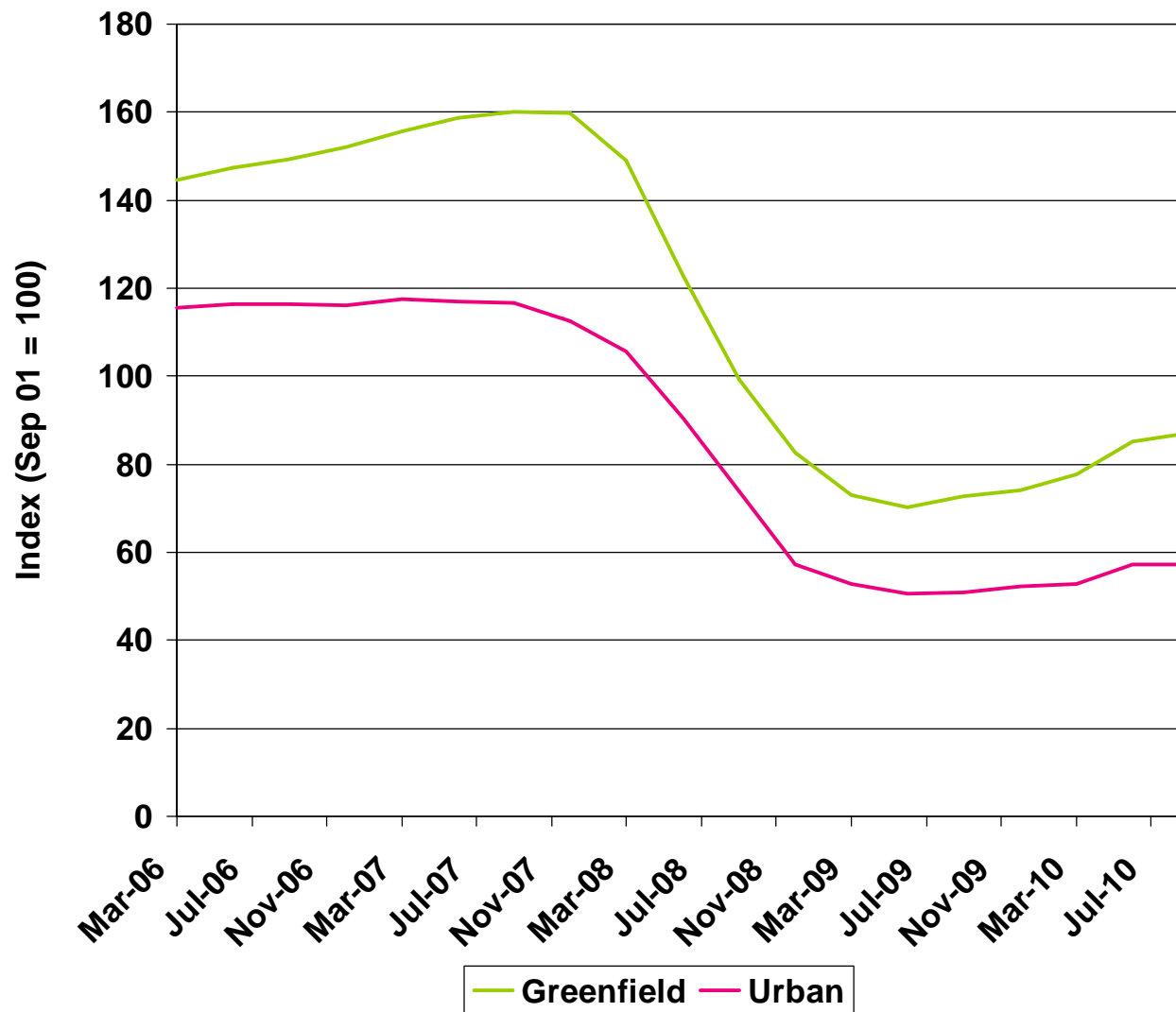
Source: Survey of English Housing

New Reality: The indebted mortgagee



Combination of low levels of new mortgages and the ability of some owner-occupiers to use 0.5% base rate to pay off loan principal (FTBs do not benefit)

New reality: Land



Source: Savills

Implications for development

- Mortgage market is dictating activity
- Developers strategies reflect this
- Land and infrastructure factors reinforce this – demand for oven ready sites



The emerging response

- Finance
 - Institutional investment
- Tenure
 - New models for the intermediate market
- New Partnerships
 - Using best resources of Developers, RPs and LAs
- Land
 - Innovation in deal structures



The emerging response

- Finance:
 - Institutional investment in PRS
 - HCA funds assisted first Berkeley Homes PRS through kickstart
 - Berkeley now aim to create second PRS fund
 - Best use of public resources
- Tenure:
 - Developers: Barratt – Head Start
 - RPs: L&Q Up to You models allow tenants to build up a deposit while they rent two products
 - Up to You £12-25k
 - Up to You £25-60k



The emerging response

- New Partnerships
 - 27th Sept announced 1st preferred development partner from DPP
 - Wates Living Space to develop 218 units, code 4 at Guest Hospital Dudley
 - In 8 months, 14,500 homes have been identified to be delivered by partners procured through the panel.
- Land
 - Public land initiative: Lightmoor Urban Village, Telford
 - 100 homes planned, 30 affordable



The future of the HCA



- An enabling and investment Agency
- Responsible for:

New Housing
Supply



Place making
and regeneration



Existing stock



“I see (the HCA) as an enabling and investment body. Or in plain English, the people who help to get things done.”

Grant Shapps MP on the HCA, CIH conference 2010

Conclusions



- Working together has got us through a very tough period
- Things will not go back to the way they were
- The future success of the sector will depend on how quickly it adapts to the new reality