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)

Source: Bank of England
Net Mortgage Lending (UK)

Source: Bank of England
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)

Sources: HMRC, Bank of England

- Moving 3-month (000, sa)
- Residential transactions
- Mortgage approvals
House Price Indices (UK)

2007 peak to date:
Nationwide: -11%
Halifax: -18%
HMR Affordability Index (GB, Single Male)

Index

- Interest + Capital
- Long-term average (interest+capital)
HMR House Price Earnings Ratio
(GB, Single Male)

Ratio

Source: DCLG, ONS, Housing Market Report

Source: DCLG, ONS, Housing Market Report
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"

- Mortgage availability: 70%
- Mortgage terms: 58%
- Buyer confidence: 55%
- Mortgage rates: 33%
- Delays/chains: 21%
- Down valuations: 14%
- House prices: 10%

Source: HBF Monthly Survey
HBF Survey: Stock & WIP Balance (GB)

Excess stock/WIP

Inadequate stock/WIP

Balance


WIP  Stock
Constraints on New Home Supply, 2012 Q4
% house builders quoting as "major constraint"

Source: HBF Monthly Survey
NHBC private completions (England)
Change 2012 on 2011

<table>
<thead>
<tr>
<th>Category</th>
<th>Change (number)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1500</td>
</tr>
<tr>
<td>2000+ units pa</td>
<td>1600</td>
</tr>
<tr>
<td>501-2000 units pa</td>
<td>500</td>
</tr>
<tr>
<td>101-500 units pa</td>
<td>100</td>
</tr>
<tr>
<td>31-100 units pa</td>
<td>300</td>
</tr>
<tr>
<td>11-30 units pa</td>
<td>200</td>
</tr>
<tr>
<td>1-10 units pa</td>
<td>100</td>
</tr>
</tbody>
</table>

Total NHBC private completions in England showed a significant increase, with the highest increase in the 2000+ units per annum category.
An aside on land...

- Land banks
  - House builders sitting on 400,000 permissioned plots
- Brownfield vs greenfield
NHBC Private Housing Registrations, by Type (GB)
Number (Moving Annual Totals)

Private registrations (000)

- Detached
- Semi
- Terraced
- Flats
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)

Balance (adults)

-70 -60 -50 -40 -30 -20 -10 0 10 20 30

Jan-00 Jun-00 Nov-00 Apr-01 Sep-01 Feb-02 Jul-02 Dec-02 May-03 Oct-03 Mar-04 Aug-04 Jan-05 Jun-05 Nov-05 Apr-06 Sep-06 Feb-07 Jul-07 Dec-07 May-08 Oct-08 Mar-09 Aug-09 Jan-10 Jun-10 Nov-10 Apr-11 Sep-11 Feb-12 Jul-12 Dec-12

Economy

Personal finances

Balance (adults)
UK Home Builders Stock Market Index
(1 January 1980 to 21 February 2013)

Source: Citi
UK Home Builders Stock Market Index
(All-time trough to 21 February 2013)

Source: Citi

Recovery to 21 February:
+244%
LONG-TERM REQUIREMENTS
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: SIPPs, 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

% very or fairly satisfied

Customer Satisfaction

Q1 Buying
Q2 On time
Q3 Move in condition
Q4 Finish
Q5 After sales

% very or fairly satisfied

2005 - 2011

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