

HBF Policy Conference

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28 March 2017

Assessing progress, indicators of future activity & policy priorities

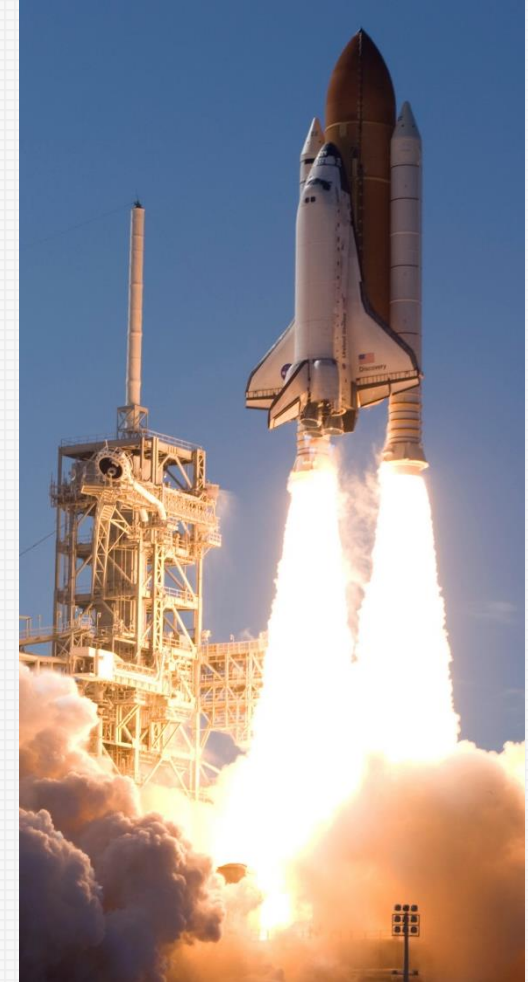
Indicators of current and future supply

- Current activity and scale of recent increases in supply in historical context
- Alternative, more up-to-date measures of supply
- Trends in *what* is being built
- Looking ahead
- How reliable are planning permissions as indicator of future delivery?
- Case for Stamp Duty campaign?

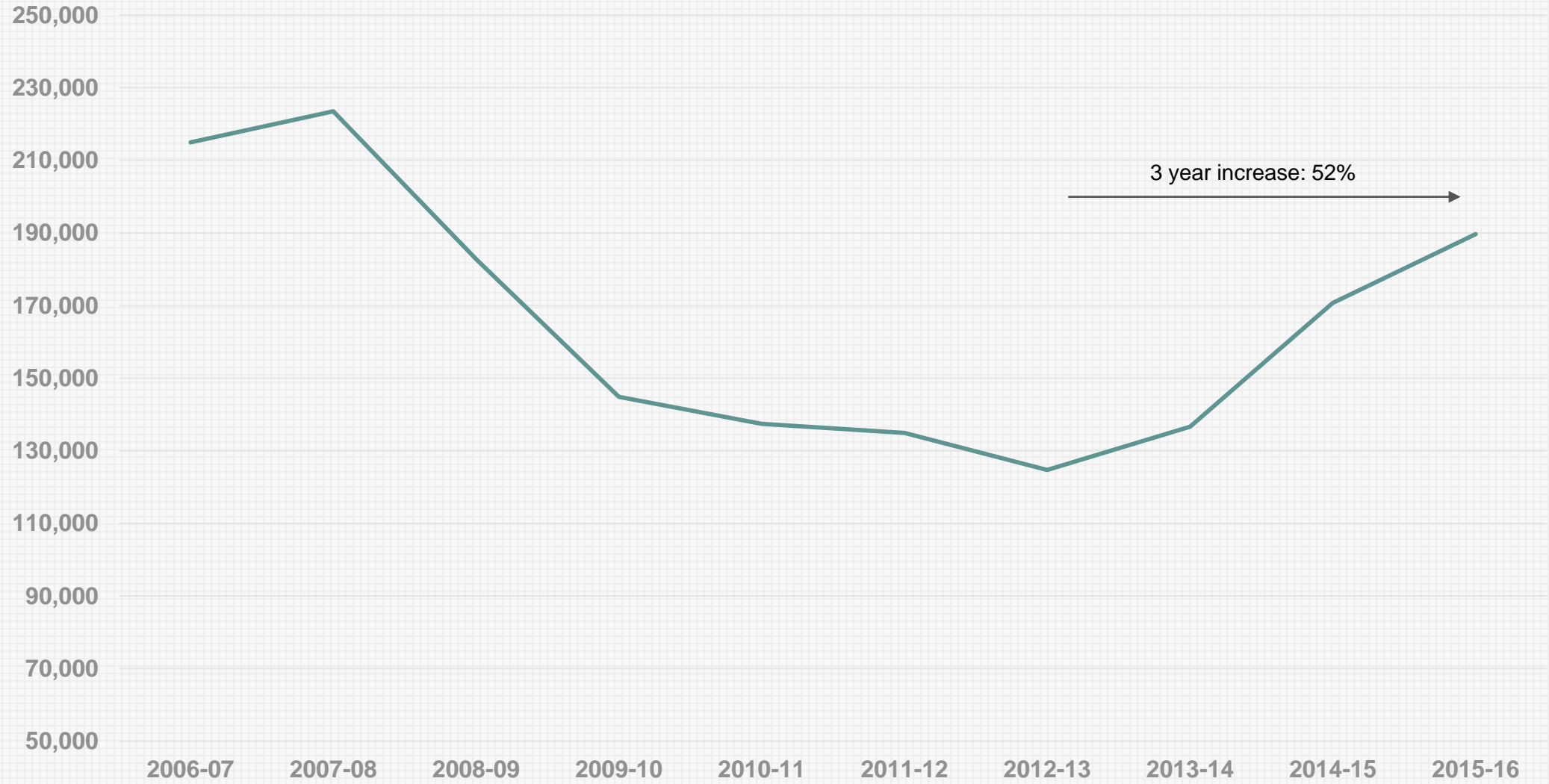
Housing supply policy priorities

- SMEs: creating the right planning and finance environment to reverse the decades of decline
- Help to Buy: success to date and the post-2021 landscape
- Brexit: mitigating the negatives and exploiting opportunities

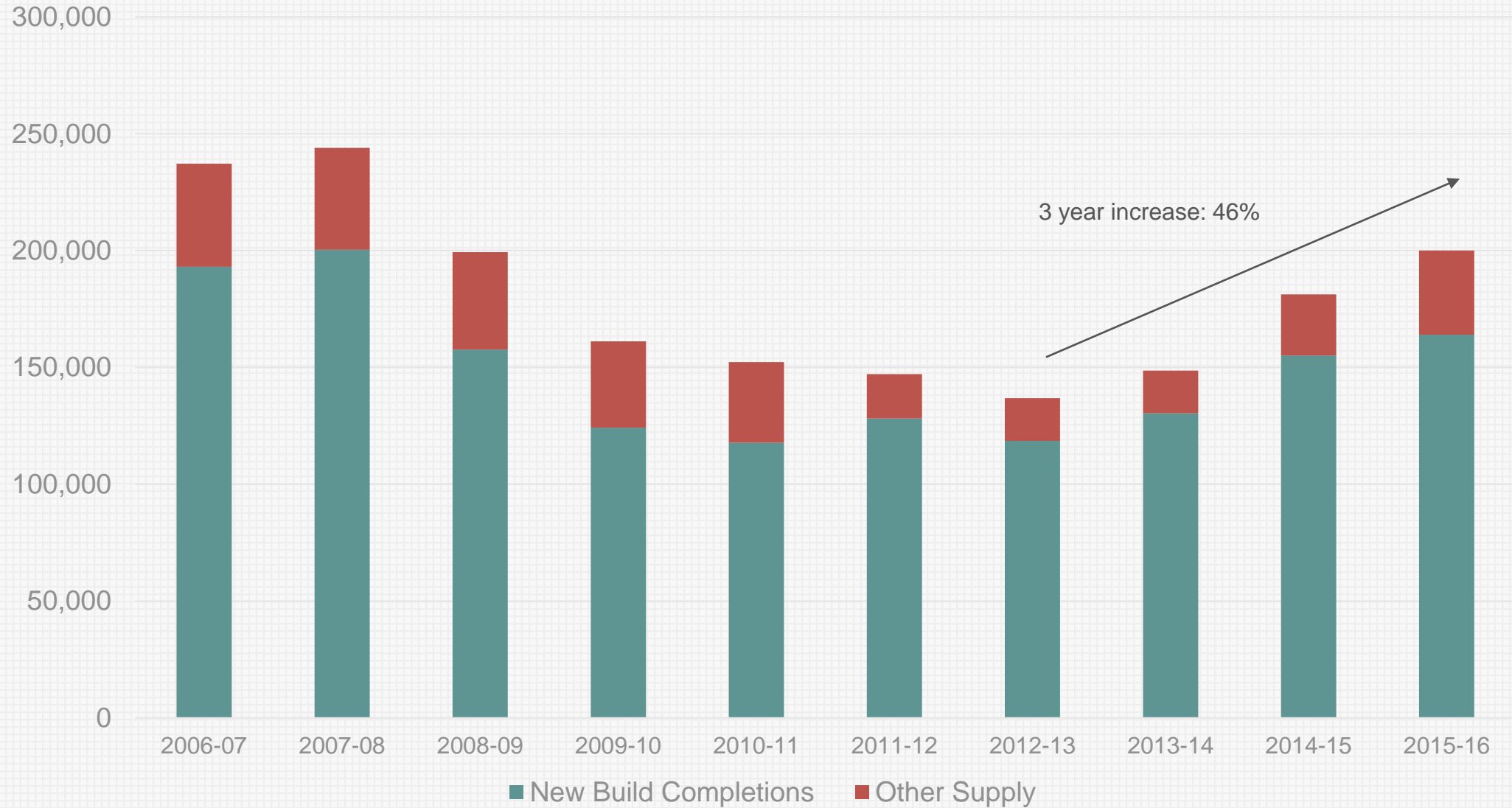
RECENT TRENDS IN HOUSING SUPPLY



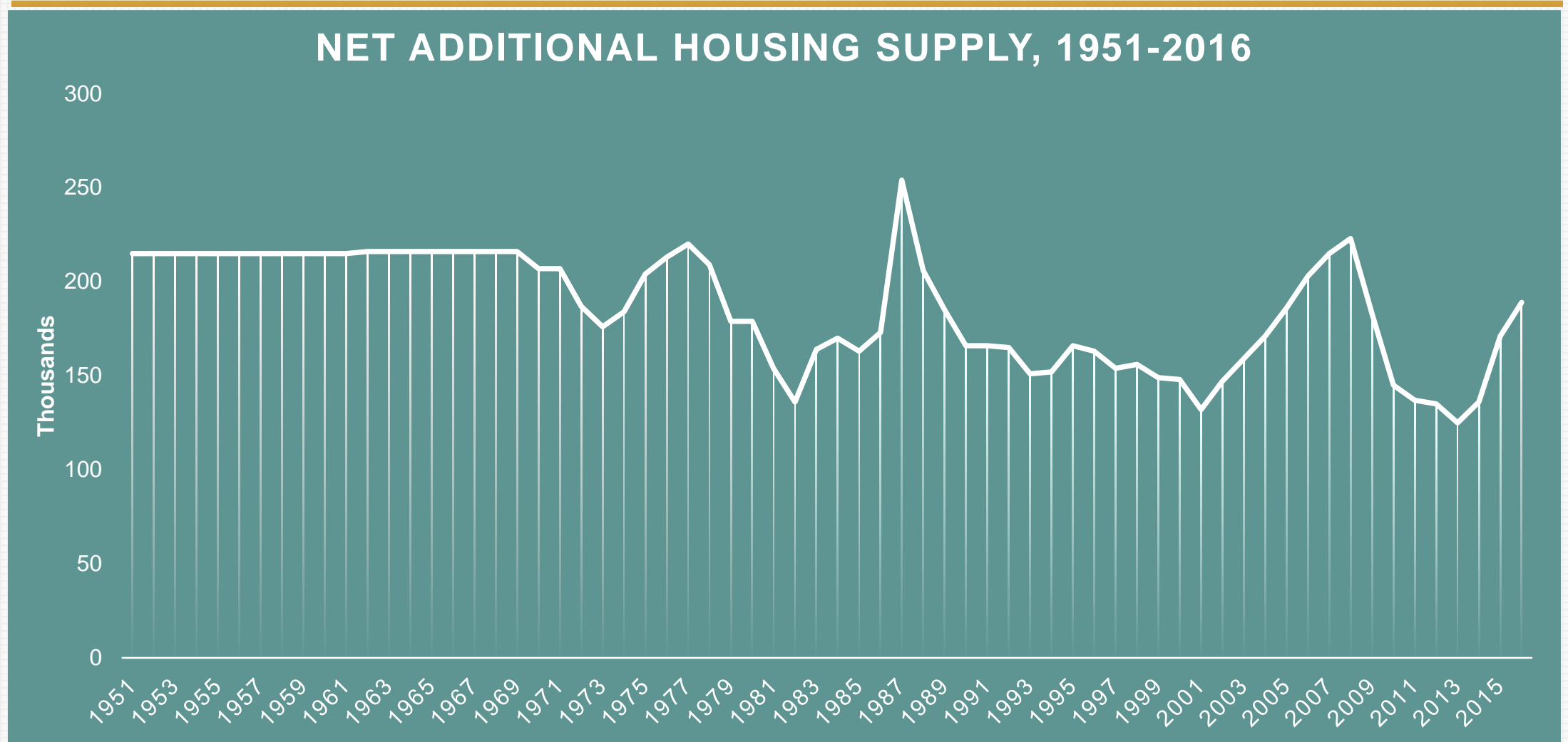
Annual Net Supply of Housing, 2006-2016



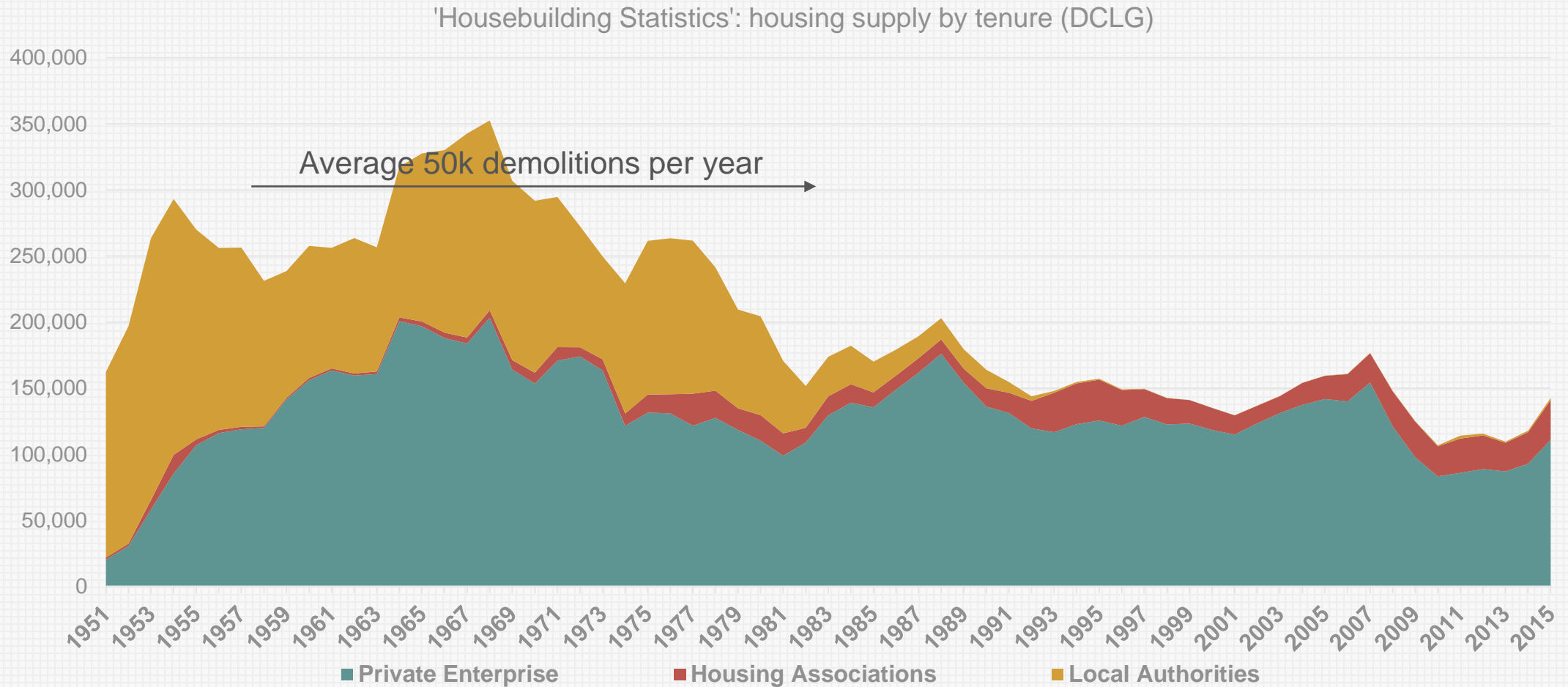
Gross Housing Supply, 2006-2016



Historical context

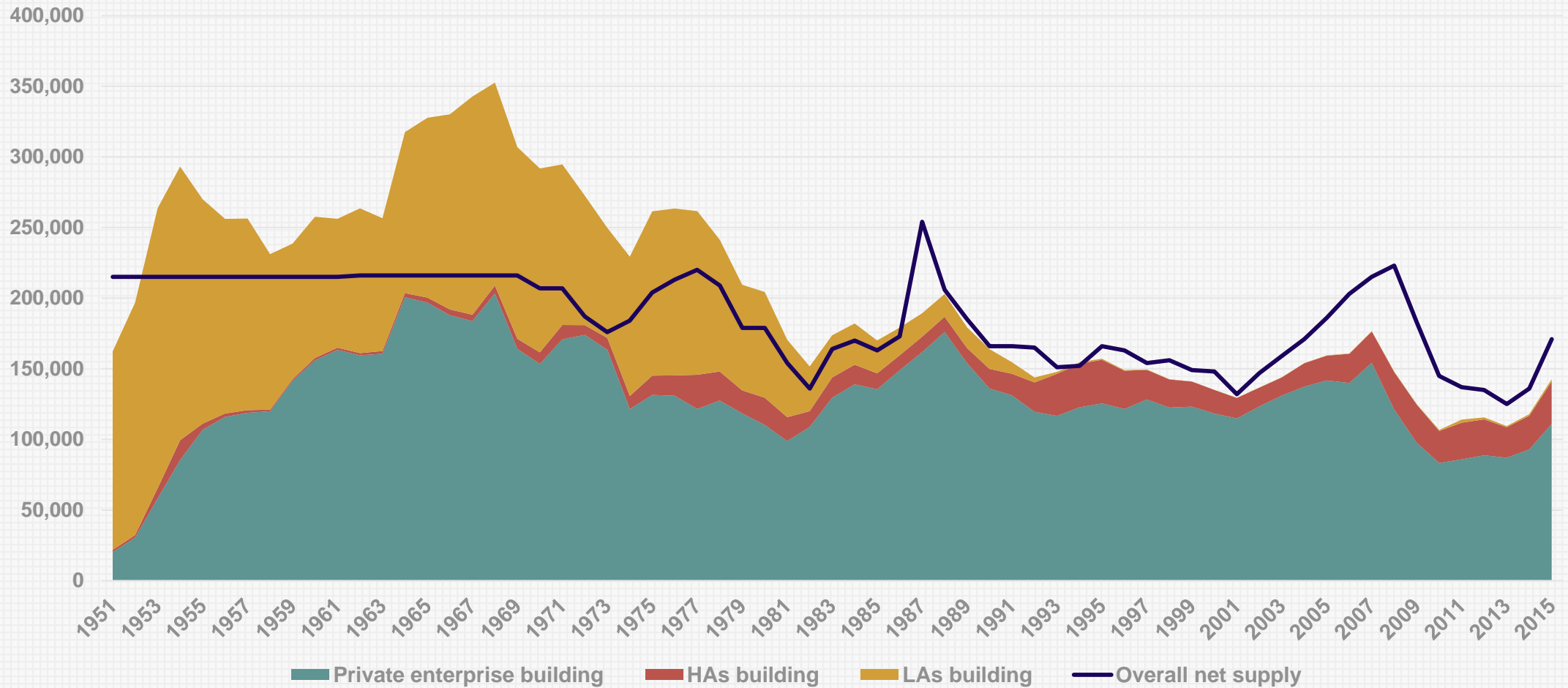


Inaccurate stats and over-simplified analysis lead to conclusions that may not be correct...



Private sector can deliver but land use is key

Long-term net supply of housing vs housebuilding by tenure

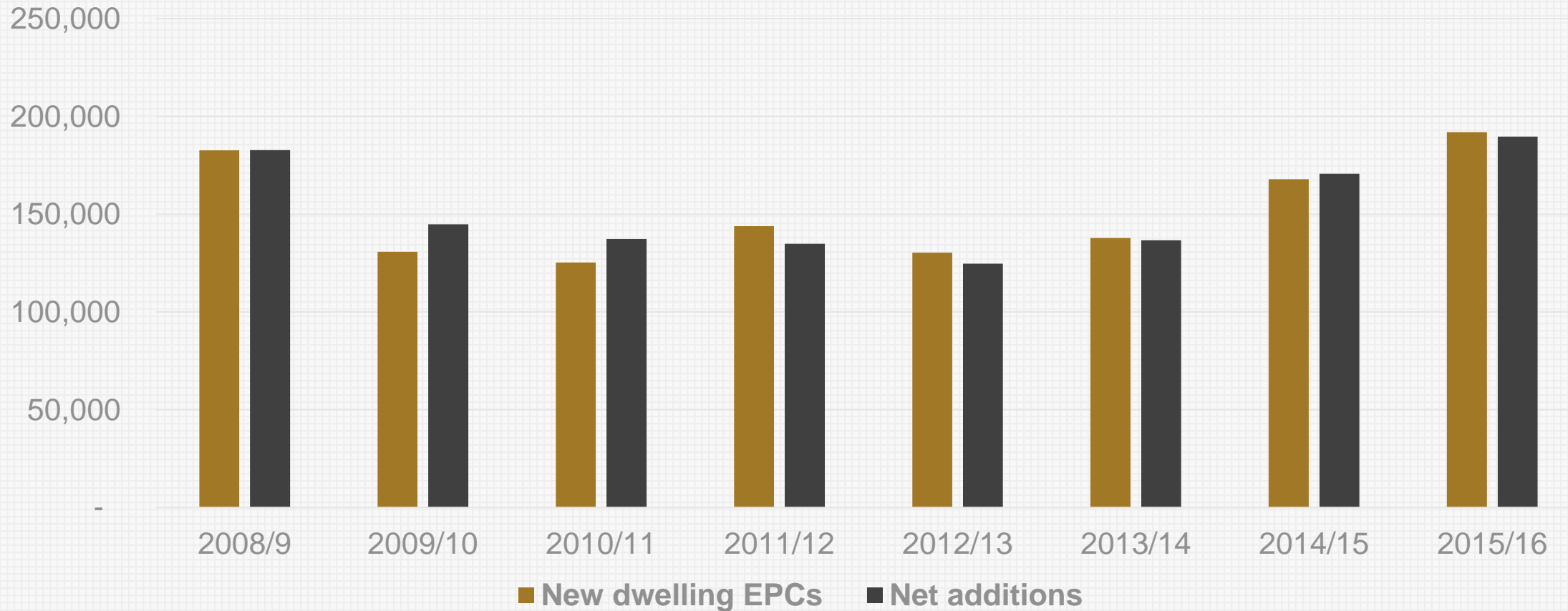


ALTERNATIVE INDICATORS OF HOUSING SUPPLY



Strong correlation between EPCs and net supply

Net additions and new dwellings issued with Energy Performance Certificates, 2008/9 to 2015/16



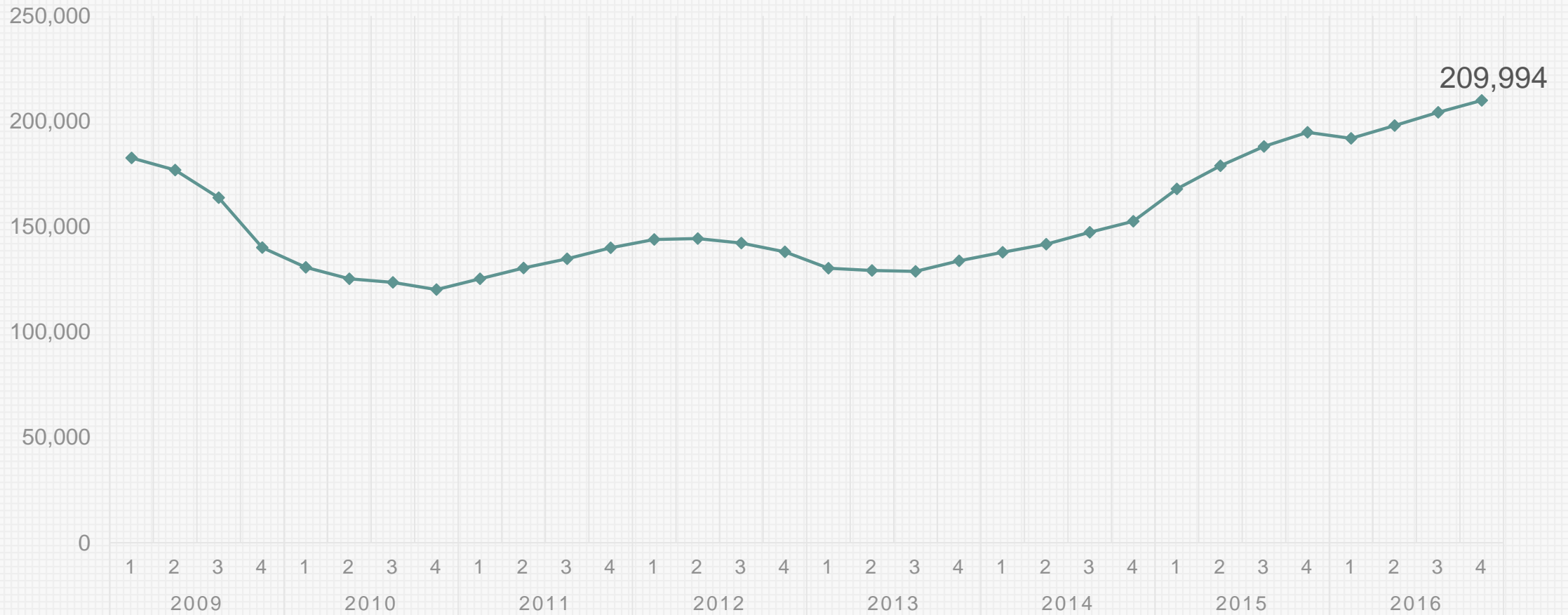
Variations probably explained by reporting lags

Between 2008/9 and 2015/16, **497,686** new dwellings have been issued with Energy Performance Certificates

Net additions for the same period: **496,950**

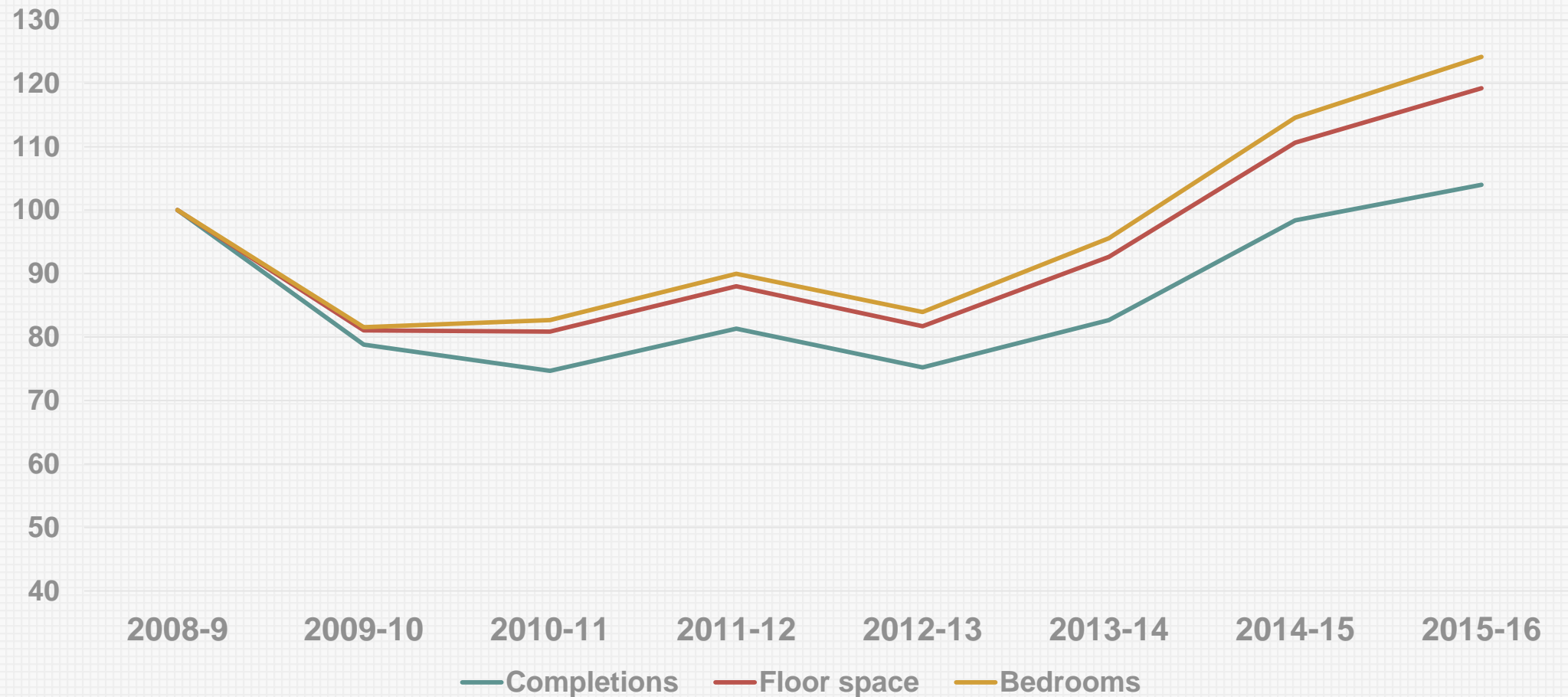
More up-to-date indicators suggest further growth

ANNUALISED EPCS ISSUED FOR NEW DWELLINGS, Q1 2009 TO Q4 2016



Goodness Spacious Me!

Indexed new build completions, floor space and bedroom production, 2008-2016 (100=2008/9)



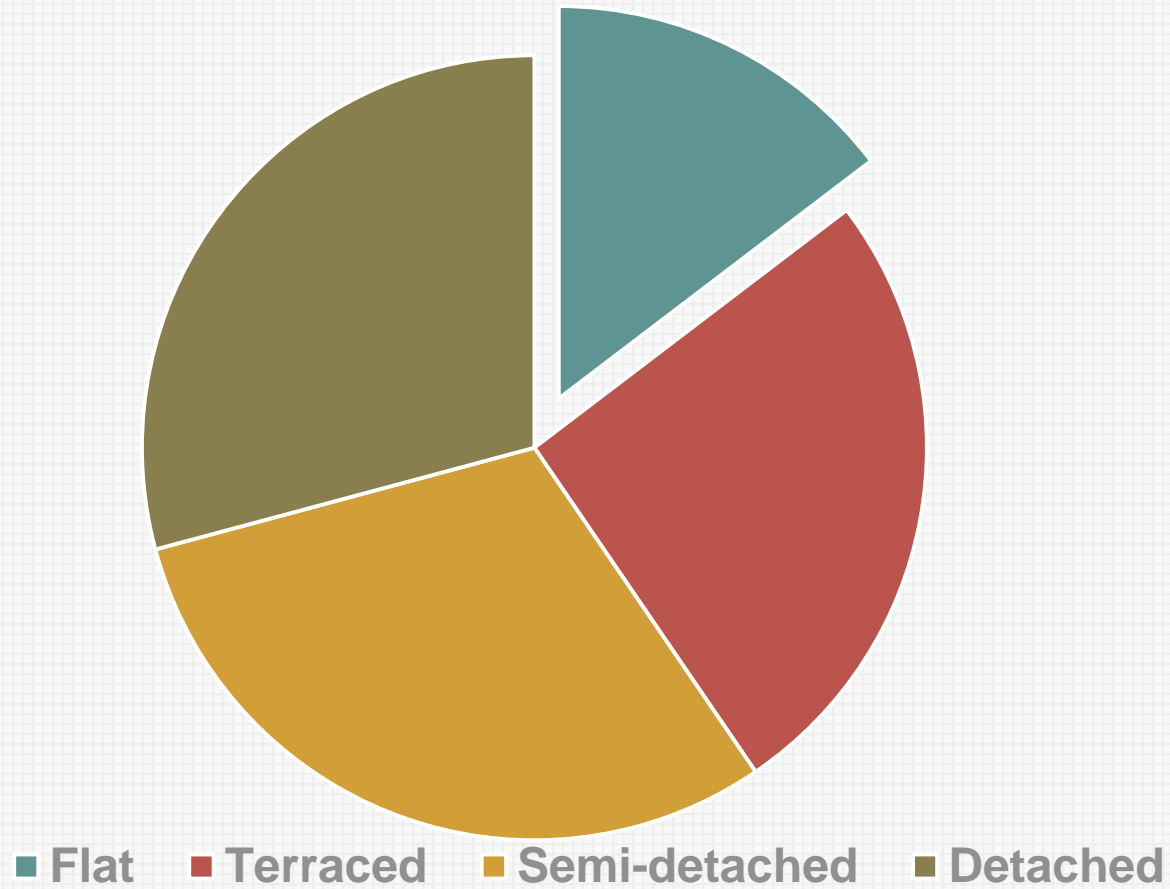
Houses outnumber flats by 3 to 1

Estimated number of houses and flats completed, 2006/7 to 2015/16

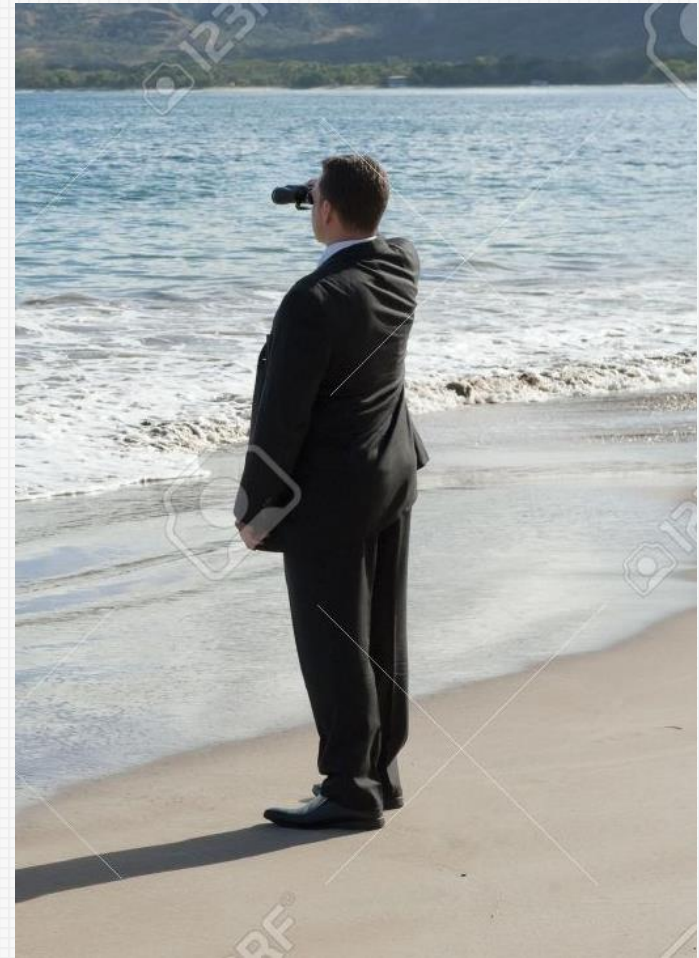


Help to Buy sample

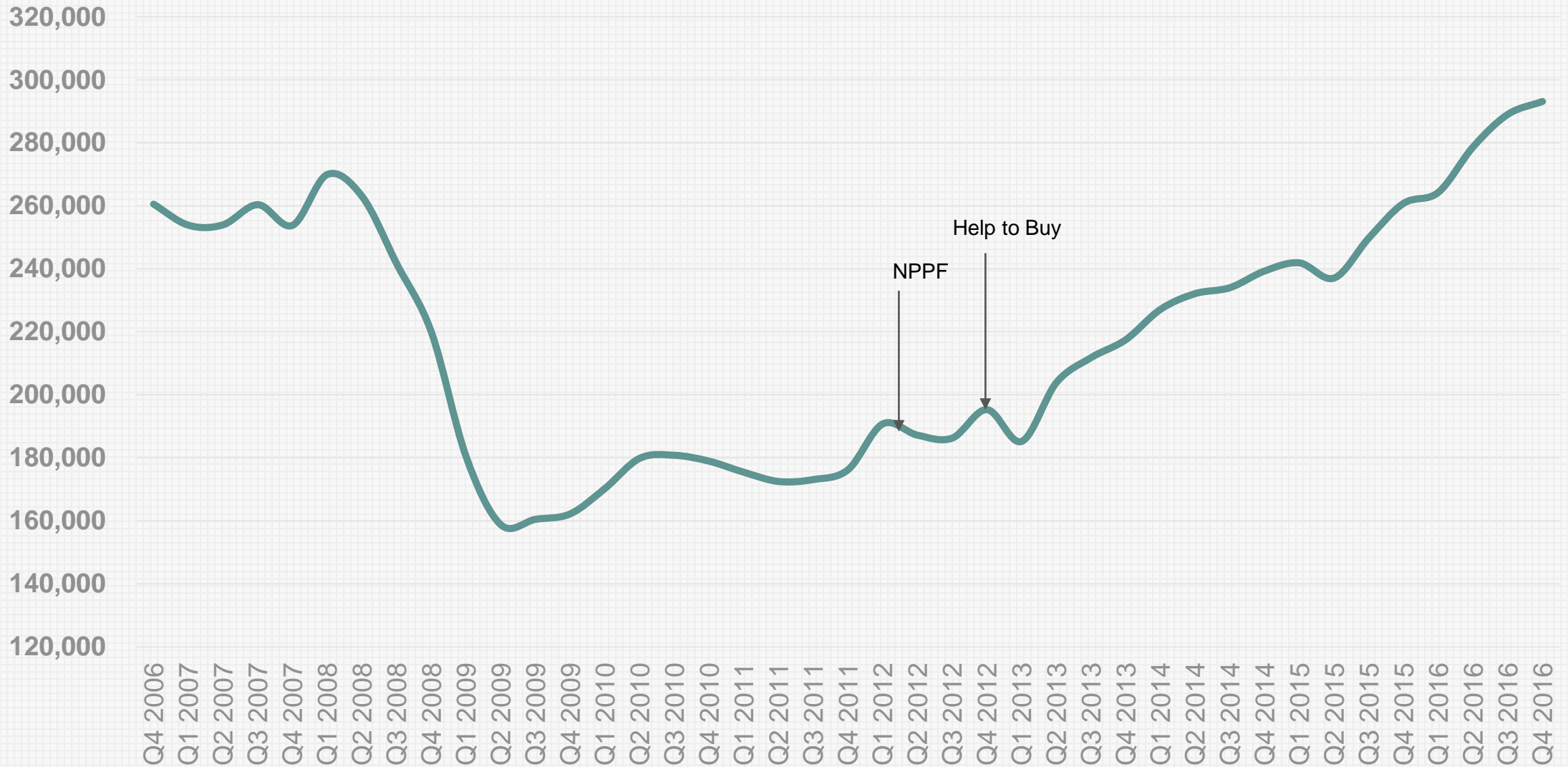
Help to Buy completions, April 2013 to September 2016 by type of property



LOOKING AHEAD: PLANNING PERMISSIONS

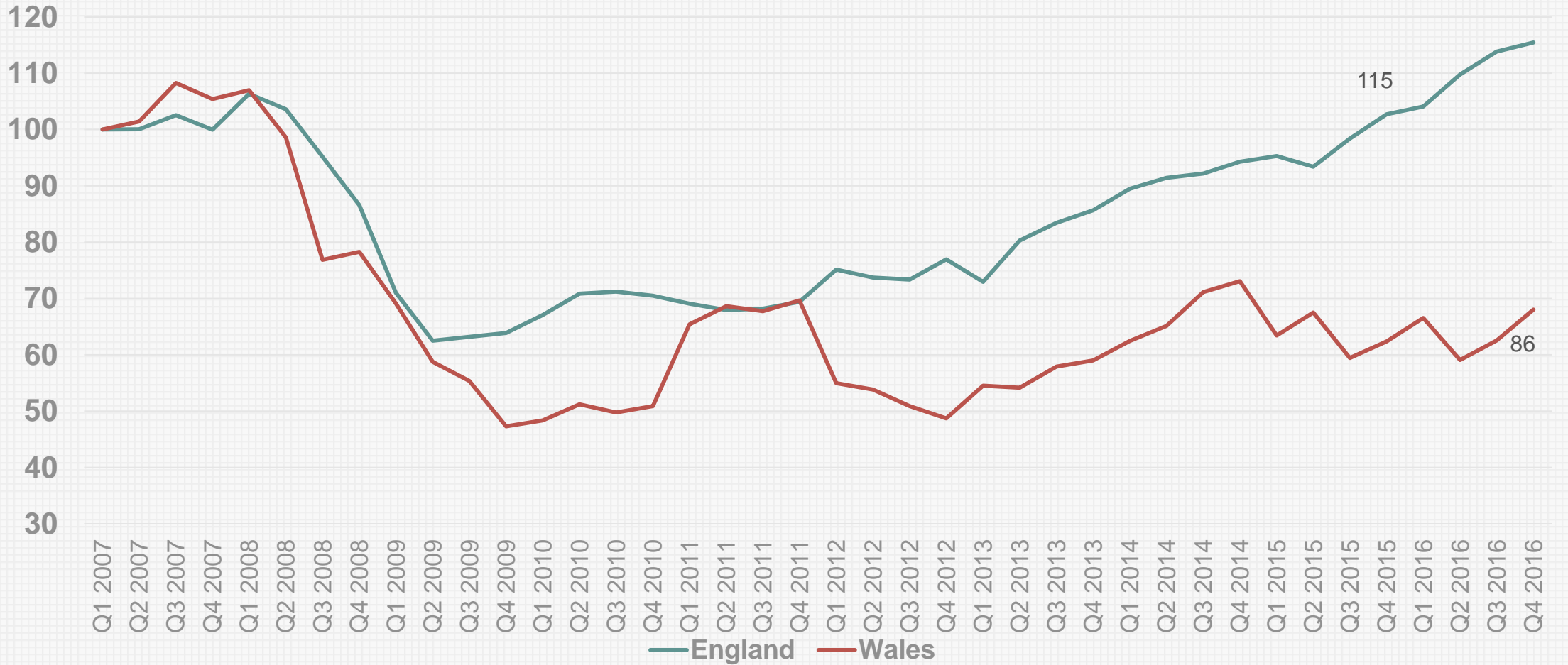


Annualised permissions for new homes, 2006-2016



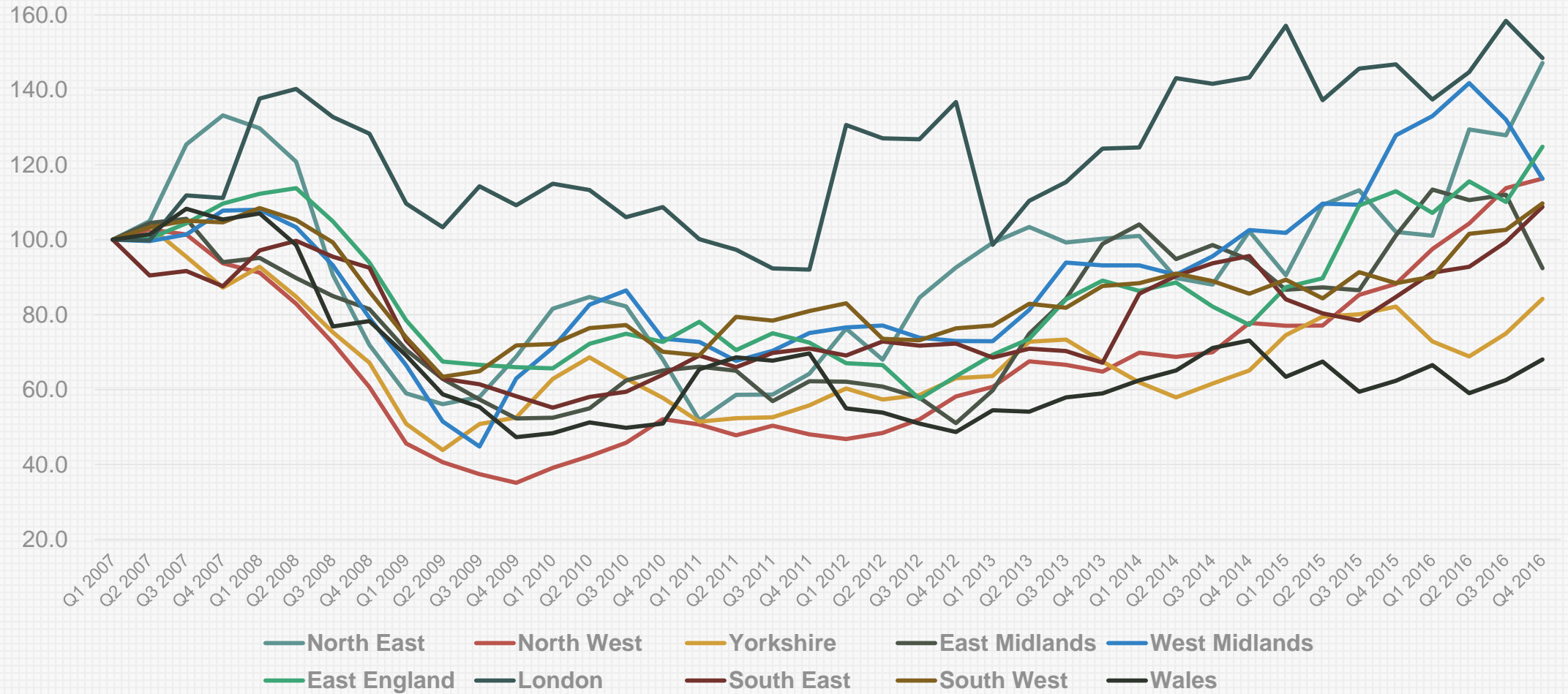
Investment appetite in Wales not as strong

Indexed Planning Permissions, Annualised for England and Wales (2006/7= 100)



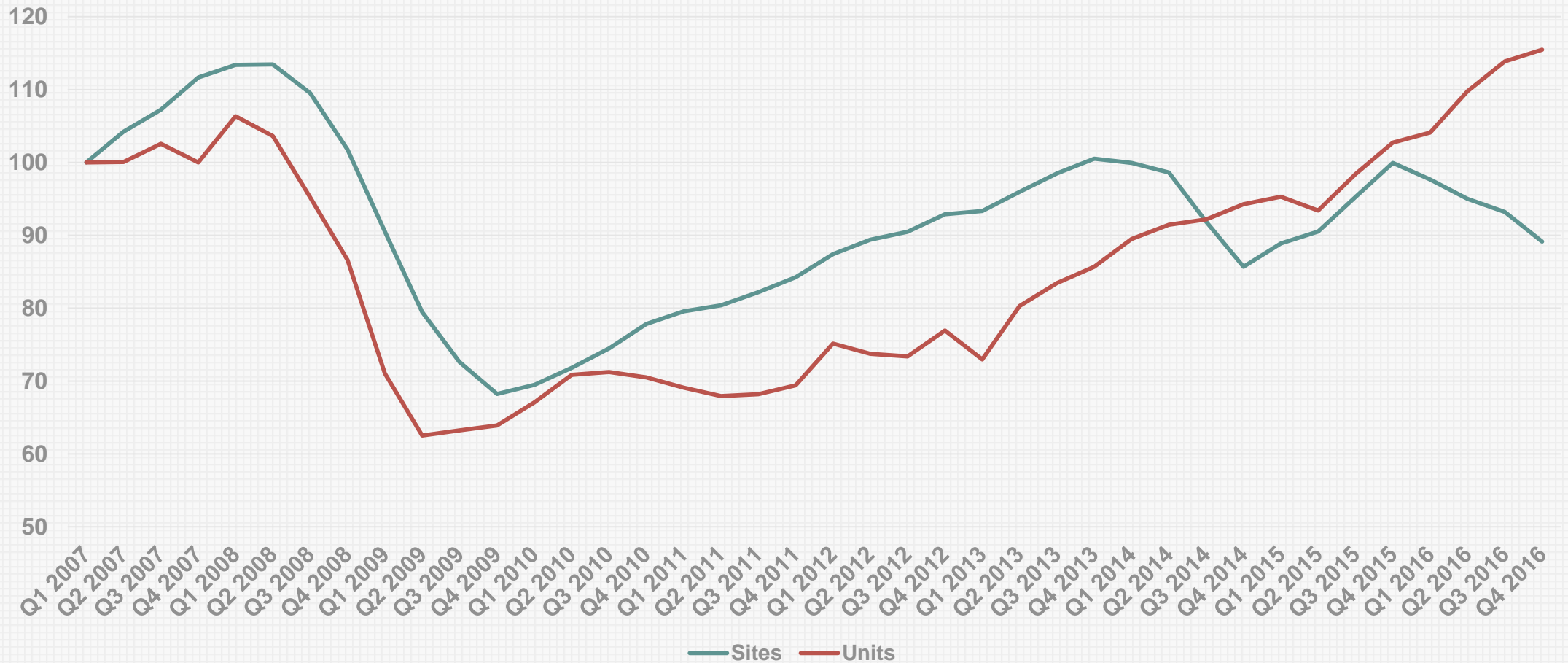
Regional variations

Annualised permissions by region, 2006/7 to 2016 (2006/7 =100)

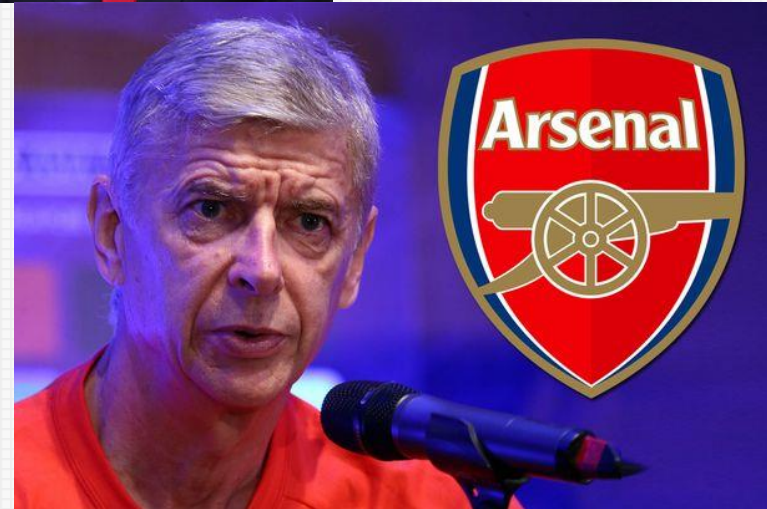


Headline permissions continue to rise but permissioned sites still well down on pre-recession peak

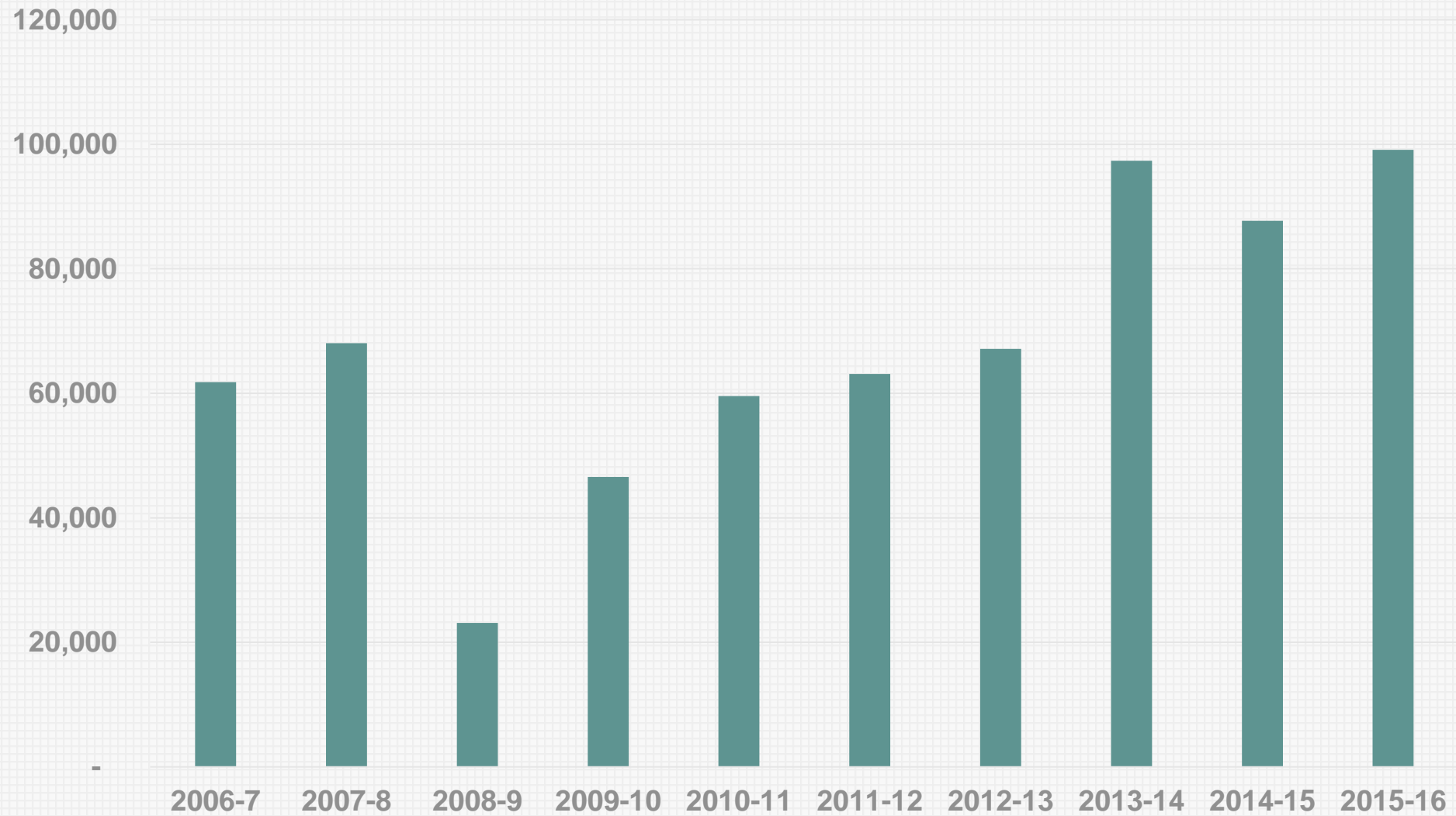
Annualised indexed planning permissions in England, sites and units, 2006/7 to 2016 (2006/7=100)



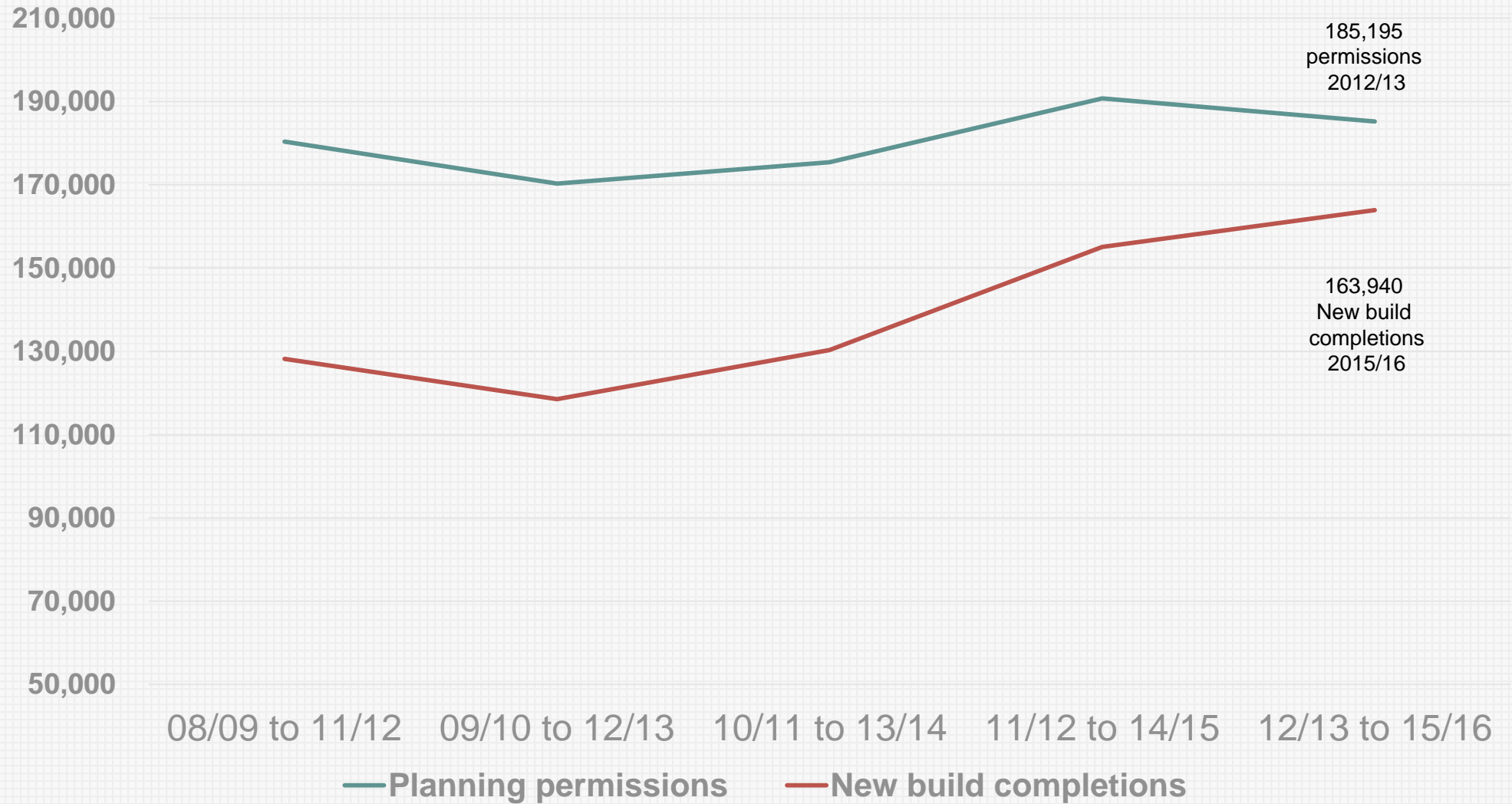
PERMISSIONS AND NEW HOMES: A DIFFICULT RELATIONSHIP TO EXPLAIN...



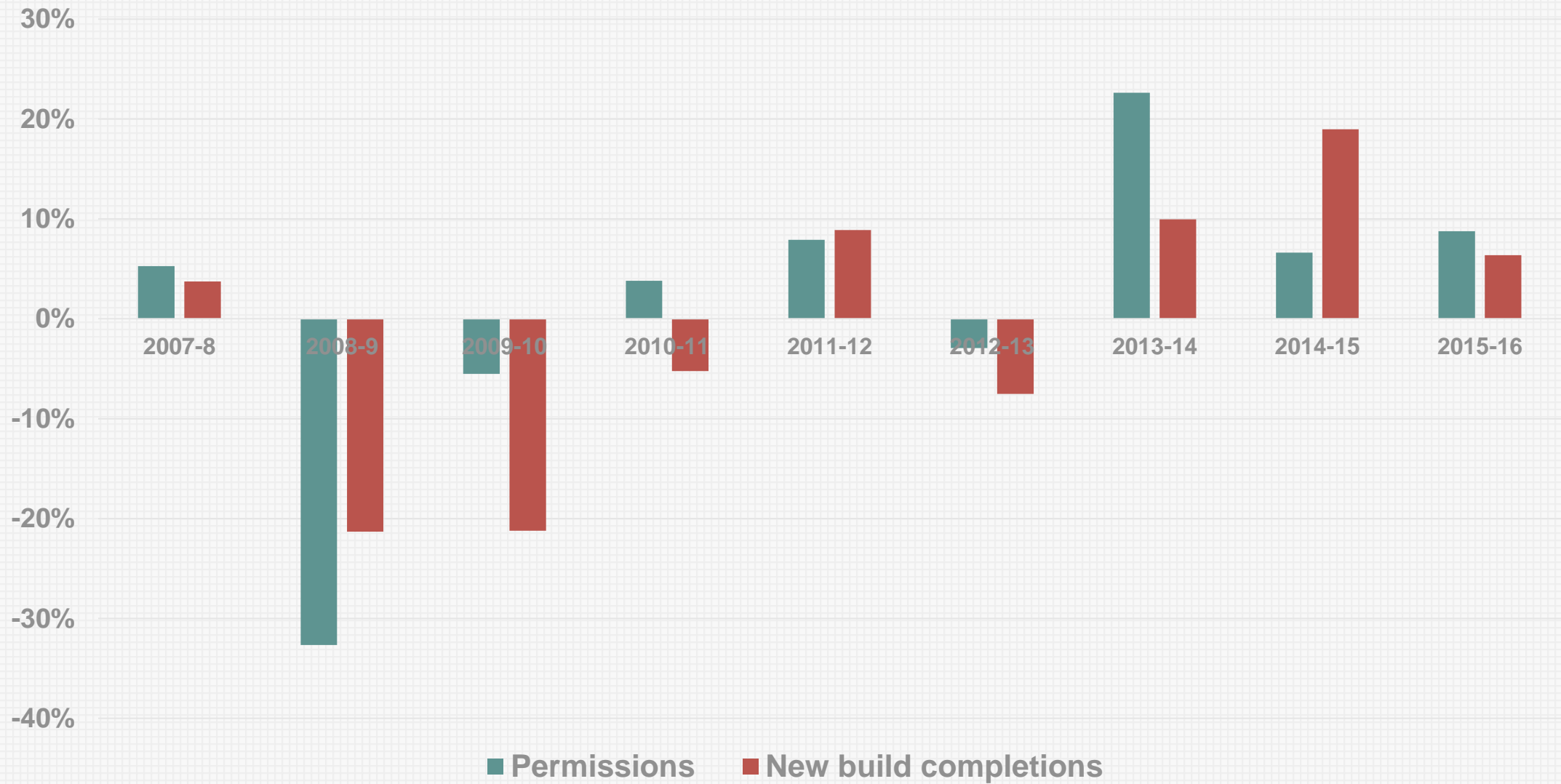
Gap between permissions and completions, 2006/7 to 2015/16



Permissions and new build completions, 3 year lag

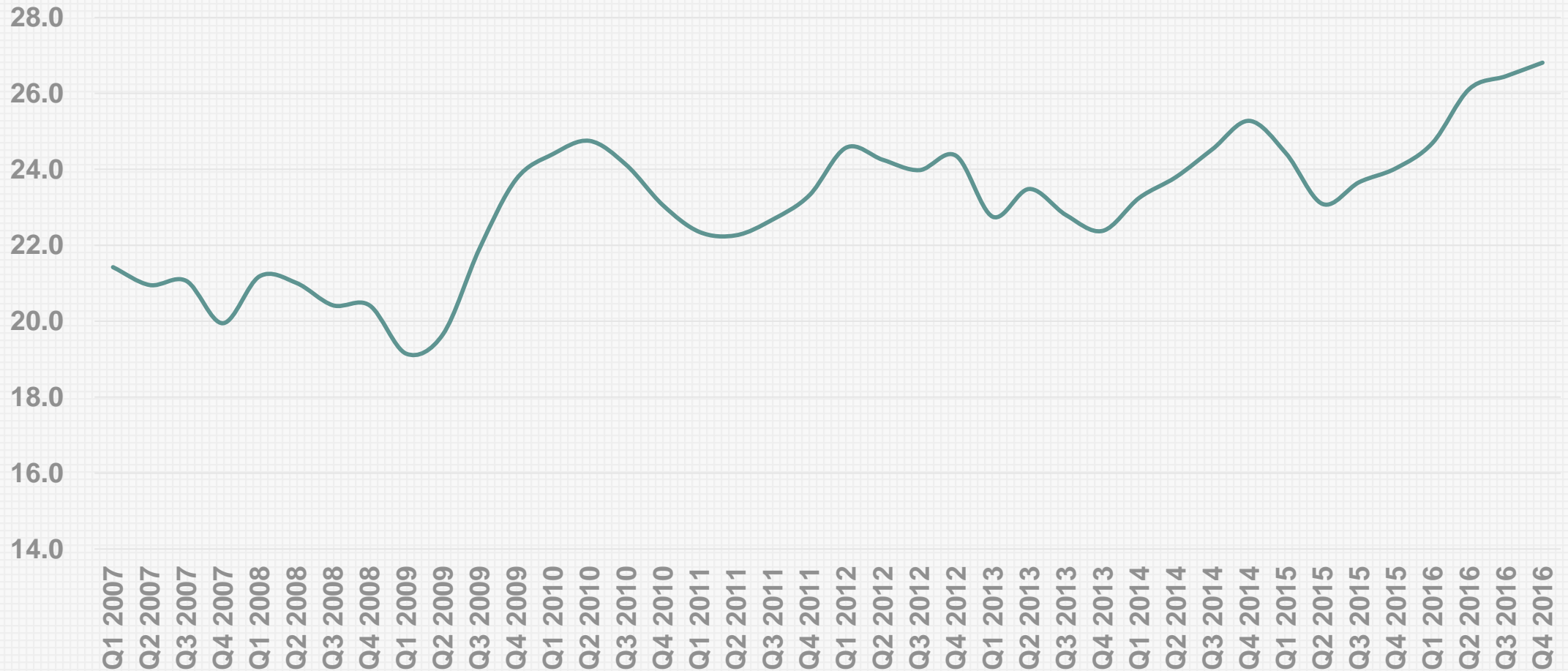


Annual percentage change in permissions and completions, 2007-2016

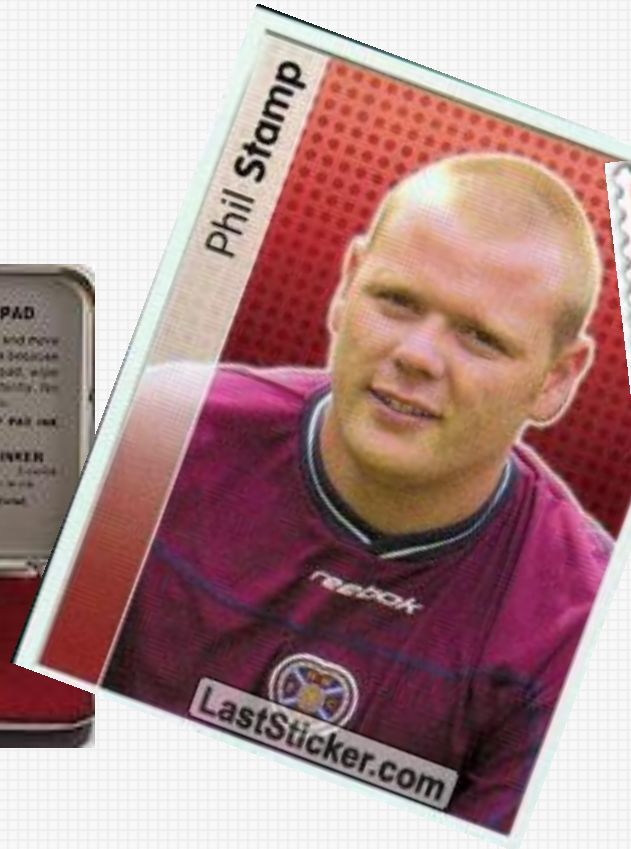


But permissions are increasingly on larger sites which could increase the lag in the long-run

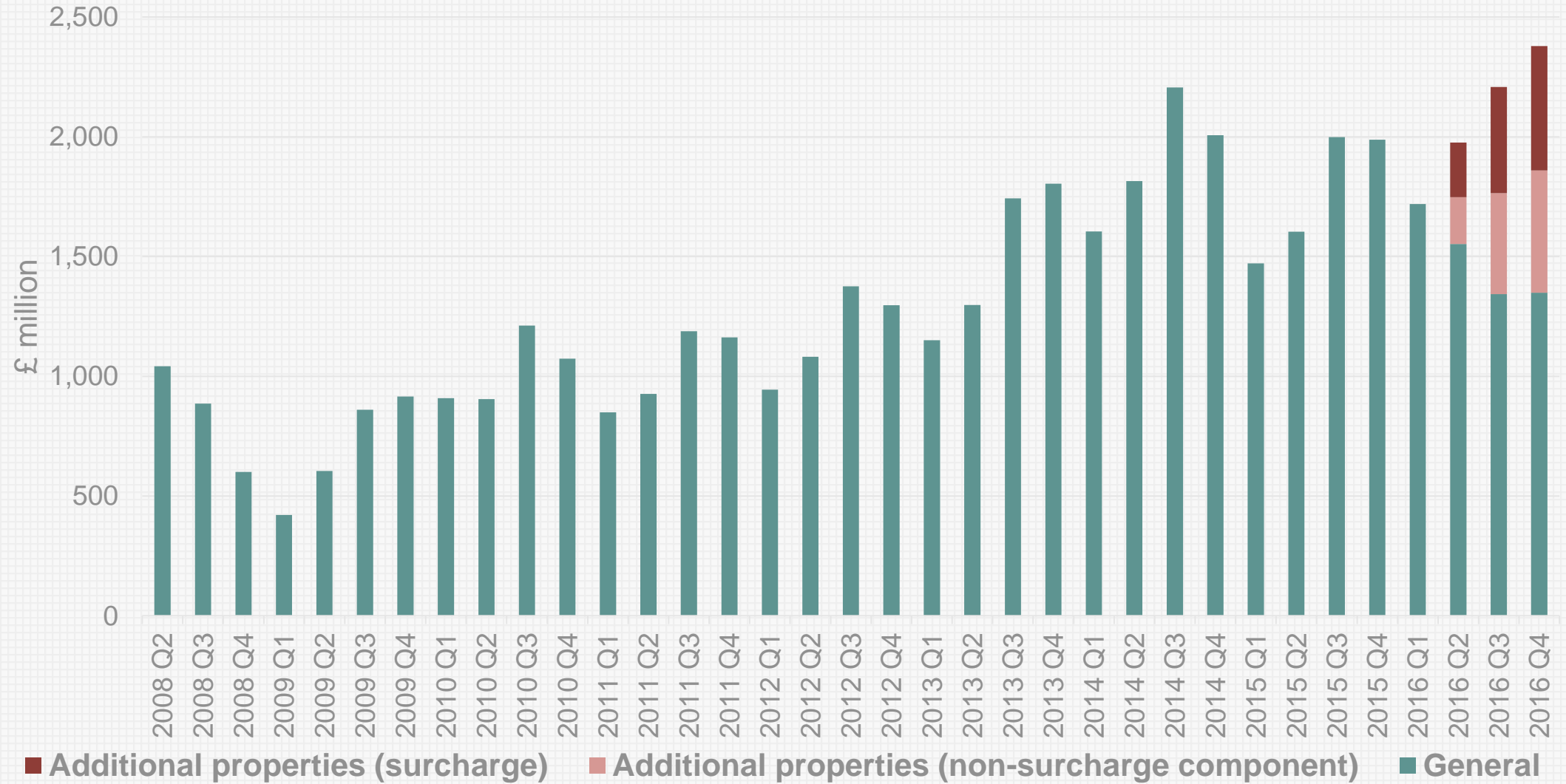
Annualised average units per planning permission (exc 1&2 unit schemes),
2007-2016



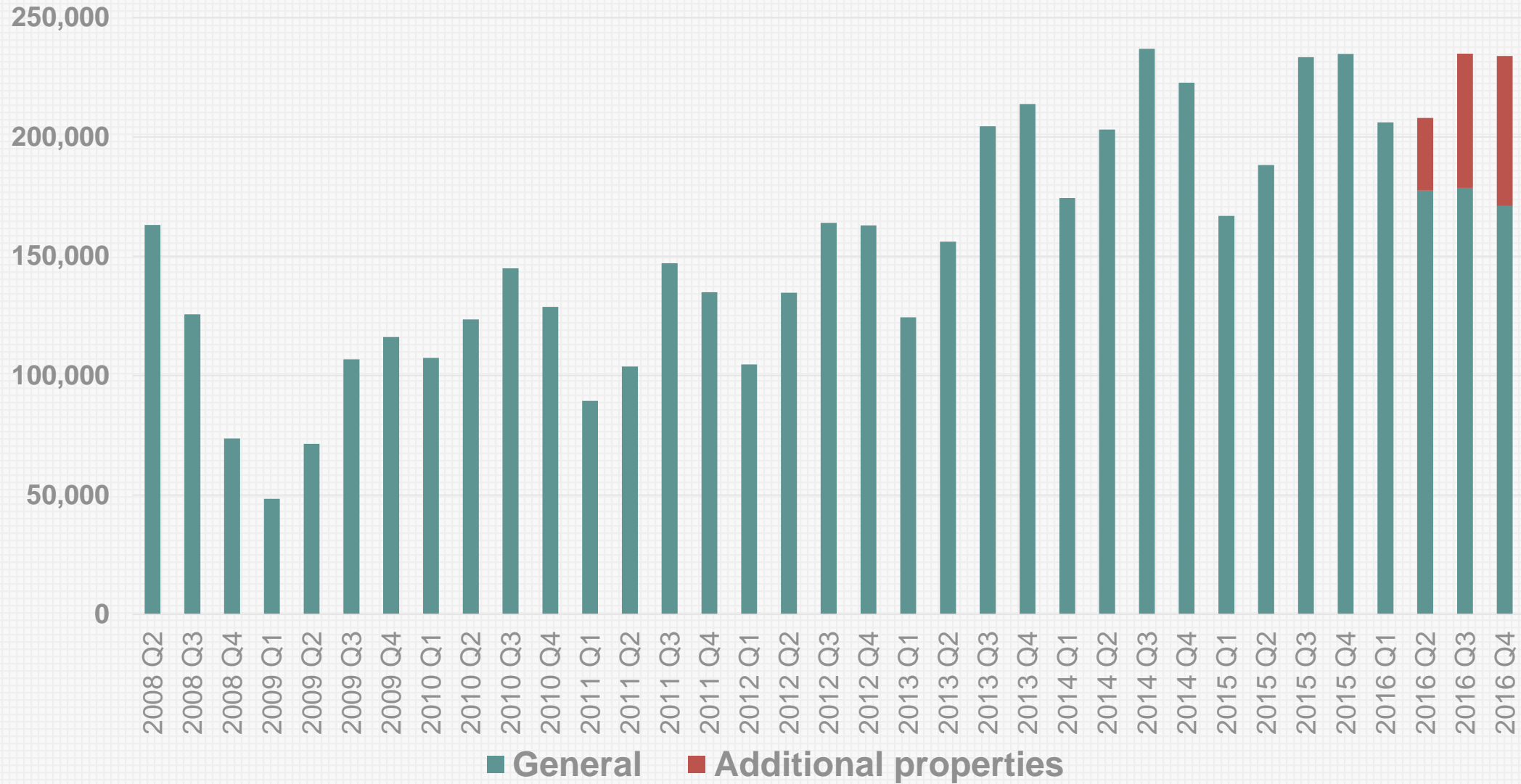
STAMP DUTY



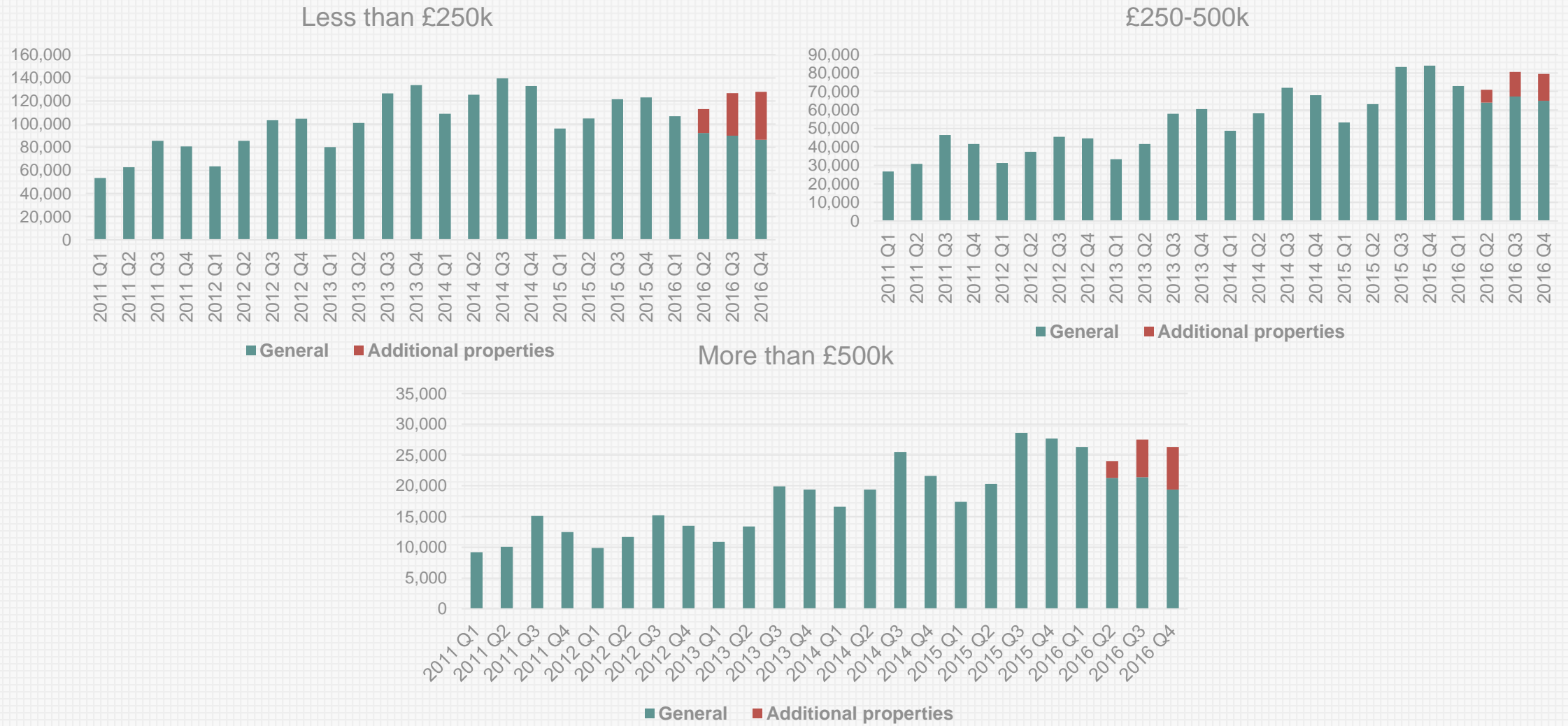
Quarterly Stamp Duty receipts, Q2 2008 to Q4 2016



Quarterly residential transactions (SDLT liable), Q2 2008 to Q4 2016



Quarterly SDLT liable transactions



Rebalancing the Stamp Duty burden

Transactions (entire market)

Q4 2015: 234,800

Q4 2016: 233,900

Receipts (entire market)

Q4 2015: £1.99bn

Q4 2016: £2.38bn

Average additional property purchaser pays £16,401 per property

Others pay £7,884 per property

43% of receipts derived from 27% of purchases

HELP TO BUY AND THE FUTURE

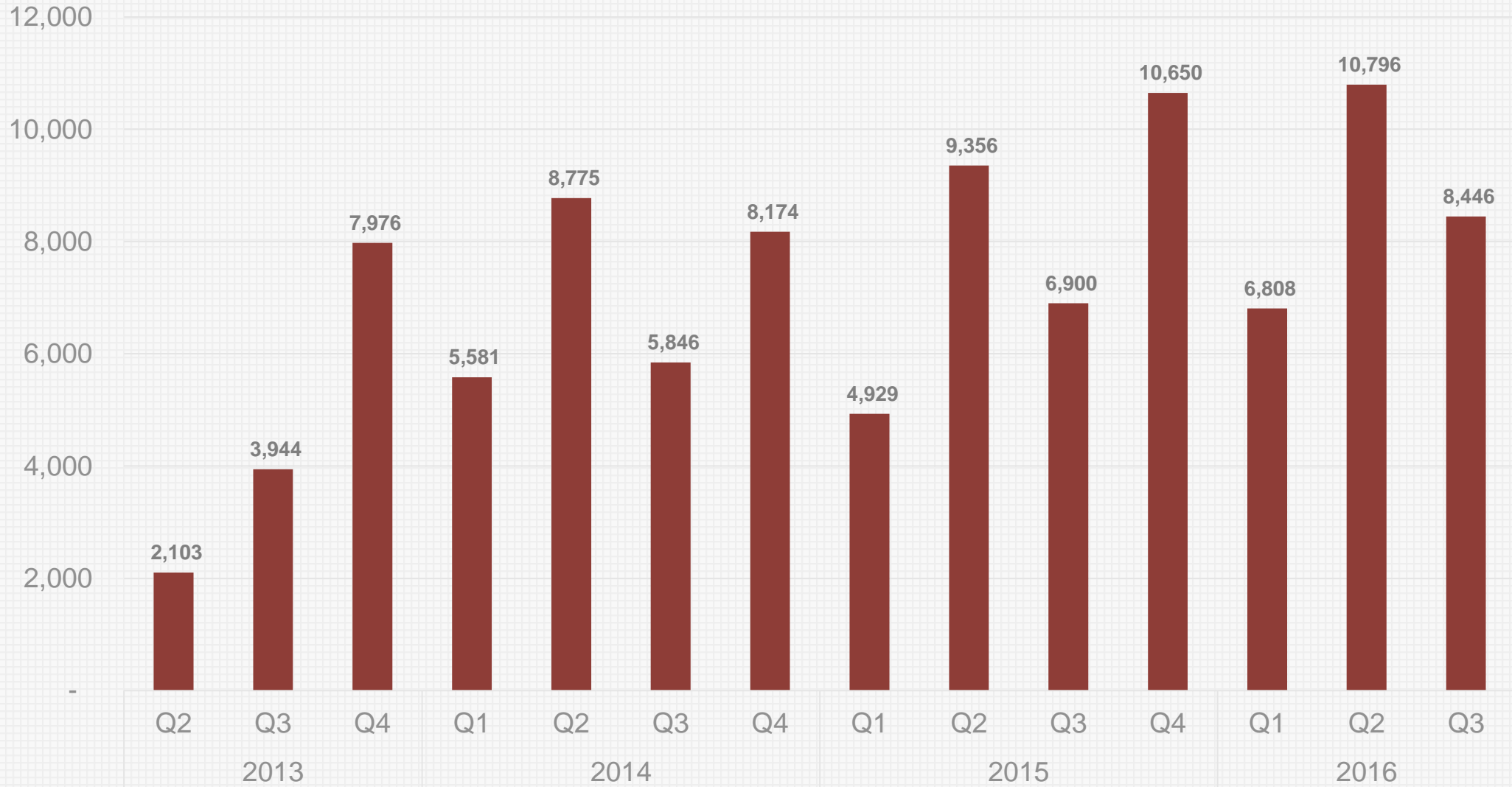


An unmitigated success

- 100,000 completions between April 2013 and September 2016
- Average purchase price of £229,608
- 89% of purchases for less than £350,000
- Median income of households £43,908
- 63% of households with incomes below £50,000 p.a.
- More than 2,000 builders registered
- £4.64bn in equity loans against new build properties valued at £23.03bn

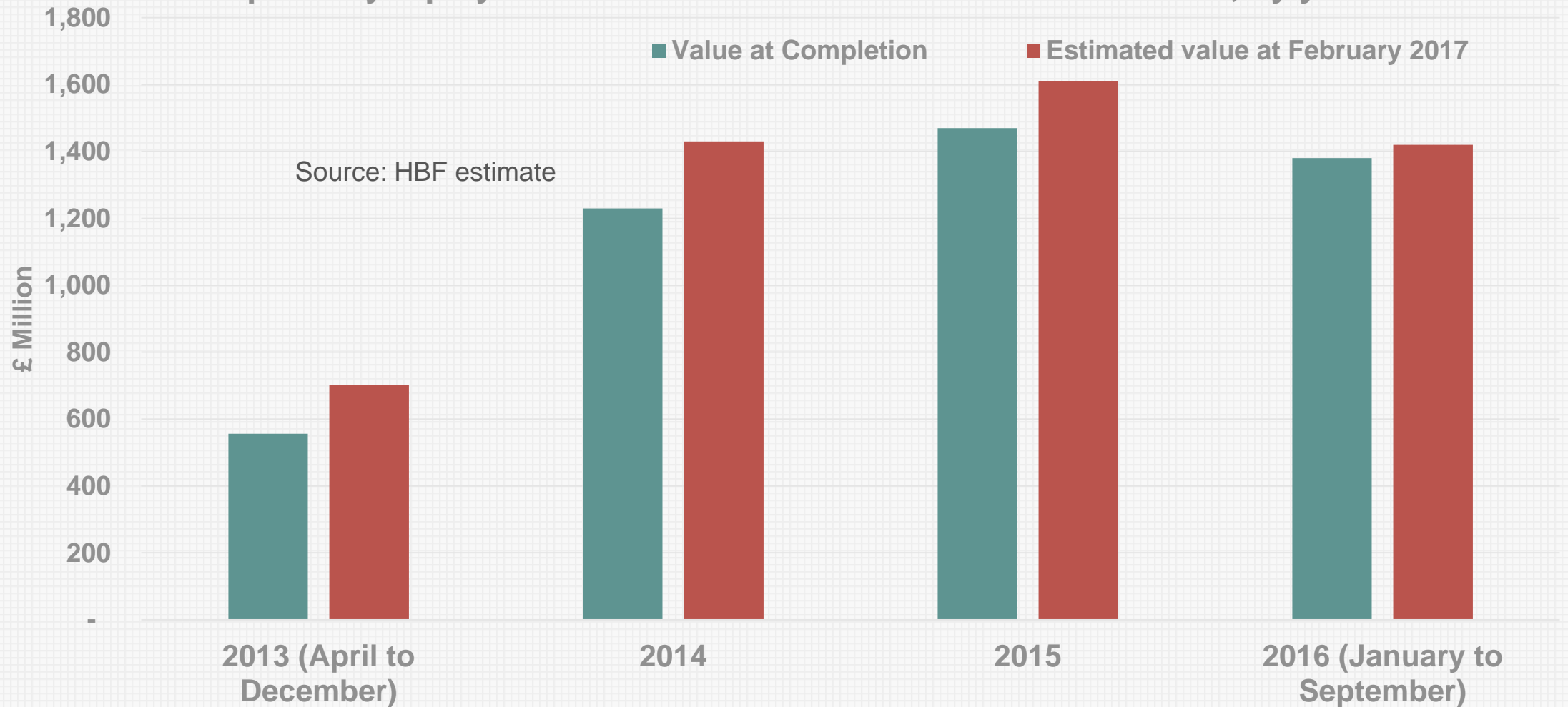


Quarterly Help to Buy completions, April 2013 to September 2016



Financial success

Help to Buy equity loan investment and estimated current value, by year

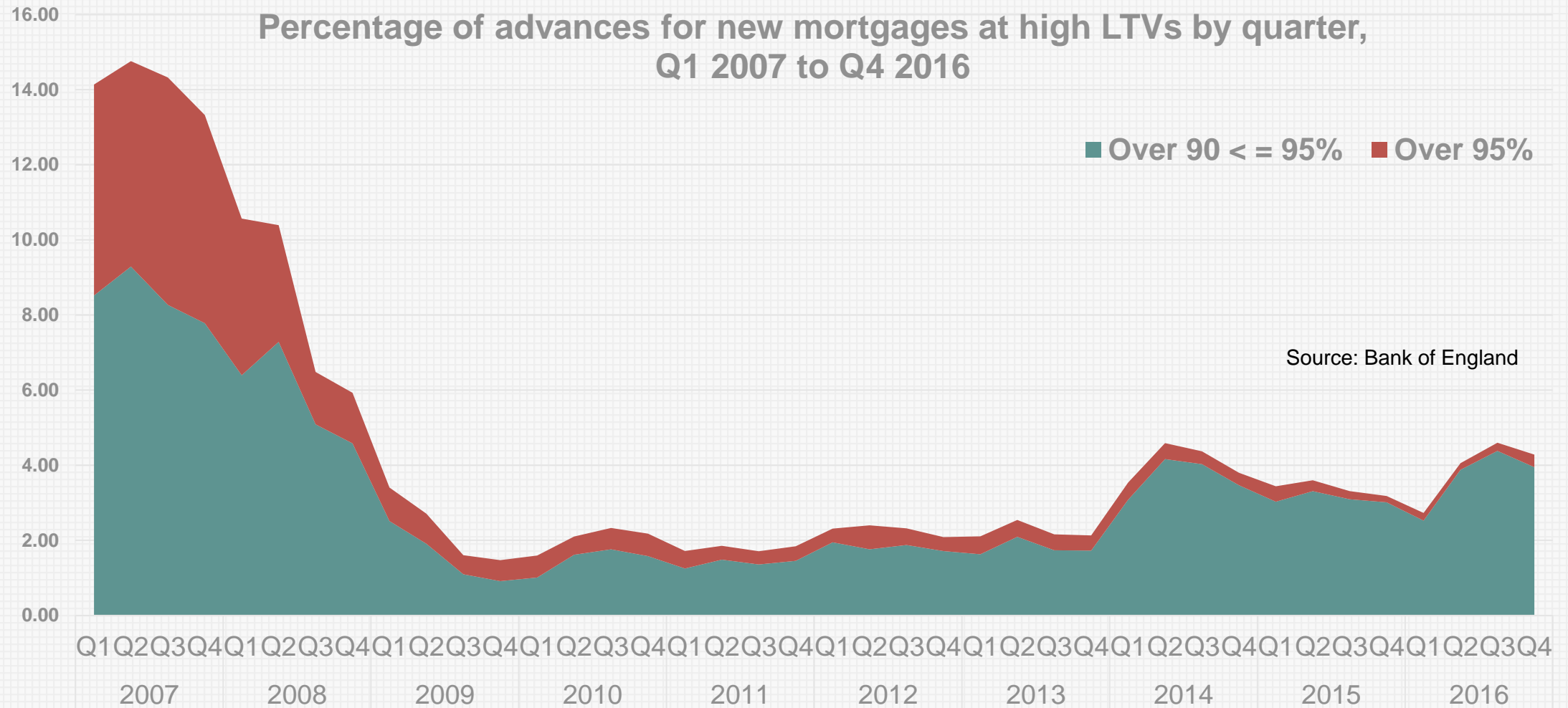


Political success: Analysis of Top 30 HtB constituencies

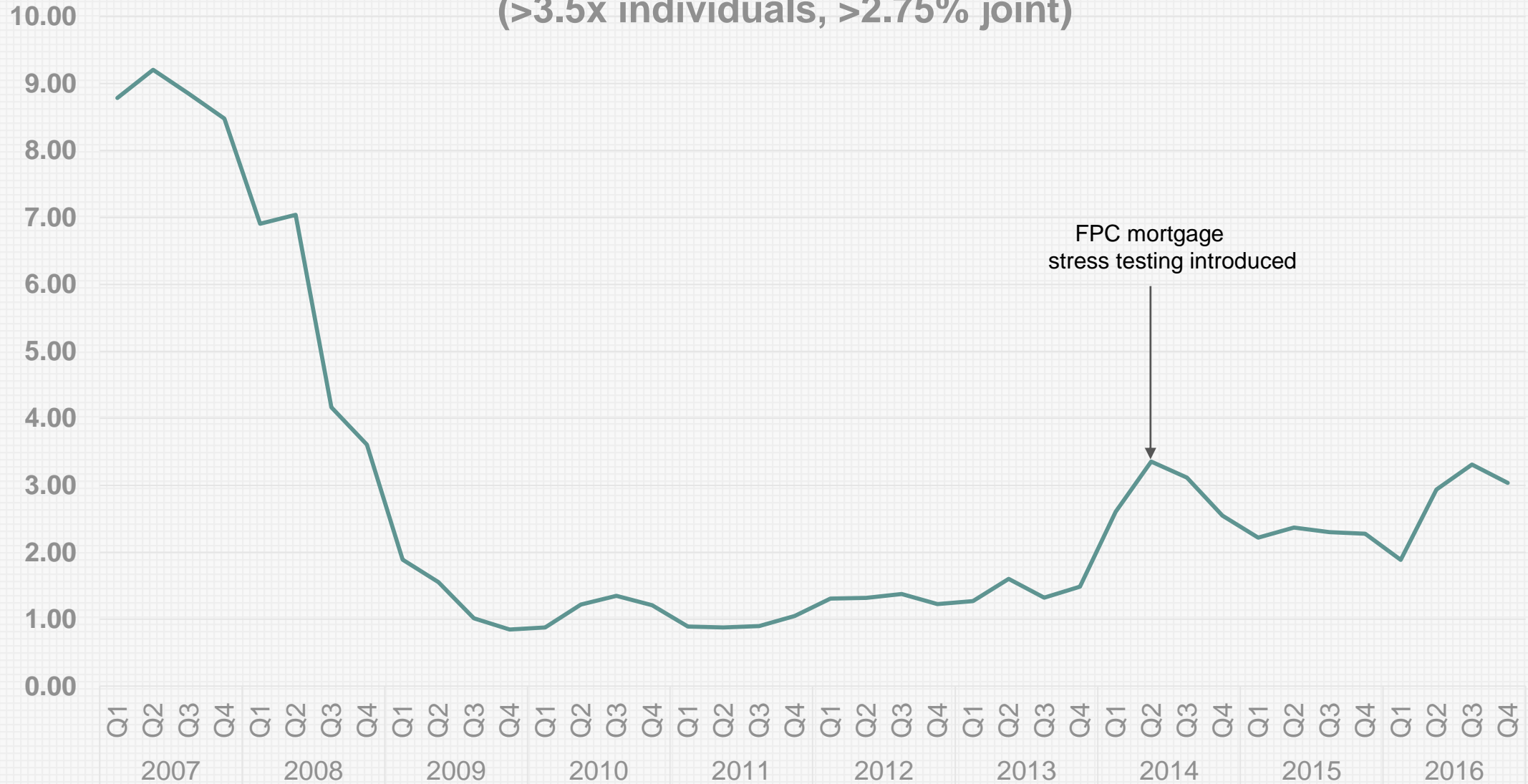
- Cons increased votes in 24 of 30 seats
- Cons retained all 21 of the Party's seats
 - Inc. two of Lab's Top 10 target seats (Thurrock and Stockton South)
- Four gains (two from Lab, two from LD)
- Tory increase in vote in these seats was 2.5x the national average
- Turnout amongst owner-occupiers much higher than renters (Ipsos Mori):
 - Outright owners 77%
 - Owners with mortgages 69%
 - Social renters 56% and private renters 51%

Constituency	Result	Labour target number (1-120)	Tory vote change +/-	Swing
North West Cambridgeshire	CON hold		2.0%	4.9% Con to UKIP
Mid Bedfordshire	CON hold		3.6%	1.23% Lab to Con
East Devon	CON hold		-1.9%	N/A (independent)
Wantage	CON hold		1.3%	0.37% Con to Lab
Corby	CON gain from LAB	Defending	0.6%	0.4% Lab to Con
Telford	CON gain from LAB	Defending	3.3%	2.08% Lab to Con
Colchester	CON gain from LD		6.1%	13.3% LD to Con
North East Bedfordshire	CON hold		3.7%	2.02% Lab to Con
Milton Keynes North	CON hold	116	3.8%	0.14% Lab to Con
Gloucester	CON hold	39	5.4%	4.51% Lab to Con
South Northamptonshire	CON hold		4.9%	2.75% Lab to Con
Bosworth	CON hold		0.2%	5.62% LD to Con
South Norfolk	CON hold		4.9%	0.14% Con to Lab
North West Leicestershire	CON hold		4.9%	3.80% Lab to Con
Aylesbury	CON hold		-1.5%	7.21% Con to UKIP
Kingston upon Hull North	LAB hold	Defending	1.9%	0.7% UKIP to Lab
Horsham	CON hold		4.6%	2.17% Con to UKIP
South West Bedfordshire	CON hold		2.2%	0.75% Lab to Con
Chorley	LAB hold	Defending	-1.7%	1.78% Con to Lab
Manchester Central	LAB hold	Defending	2.7%	4.30% Con to Lab
Taunton Deane	CON gain from LD		5.9%	16.81% LD to Con
Milton Keynes South	CON hold	70	5.2%	2.71% Lab to Con
North West Hampshire	CON hold		-0.2%	4.88% Con to UKIP
Dartford	CON hold		0.2%	1.16% Lab to Con
Thurrock	CON hold	2	-3.1%	0.44% Lab to Con
Tewkesbury	CON hold	105	7.3%	2.04% Lab to Con
South Derbyshire	CON hold		3.9%	4.23% Lab to Con
Coventry North East	LAB hold	Defending	0.9%	0.36% Con to Lab
Blackley and Broughton	LAB hold	Defending	-3.3%	3.09% Lab to UKIP
Stockton South	CON hold	7	7.8%	4.54% Lab to Con

Is it needed?



Percentage of 90%+ LTV mortgages at higher income multiples (>3.5x individuals, >2.75% joint)




The future of Help to Buy


- Continuation of the current scheme?
- A more targeted product?
- Developer contributions?
- A mortgage indemnity scheme backed by Government?

DIVERSIFYING THE INDUSTRY: THE POTENTIAL OF SMALLER BUILDERS

Reversing the decline of small housebuilders:

Reinvigorating entrepreneurialism and building more homes



 HBF
HOME BUILDERS FEDERATION

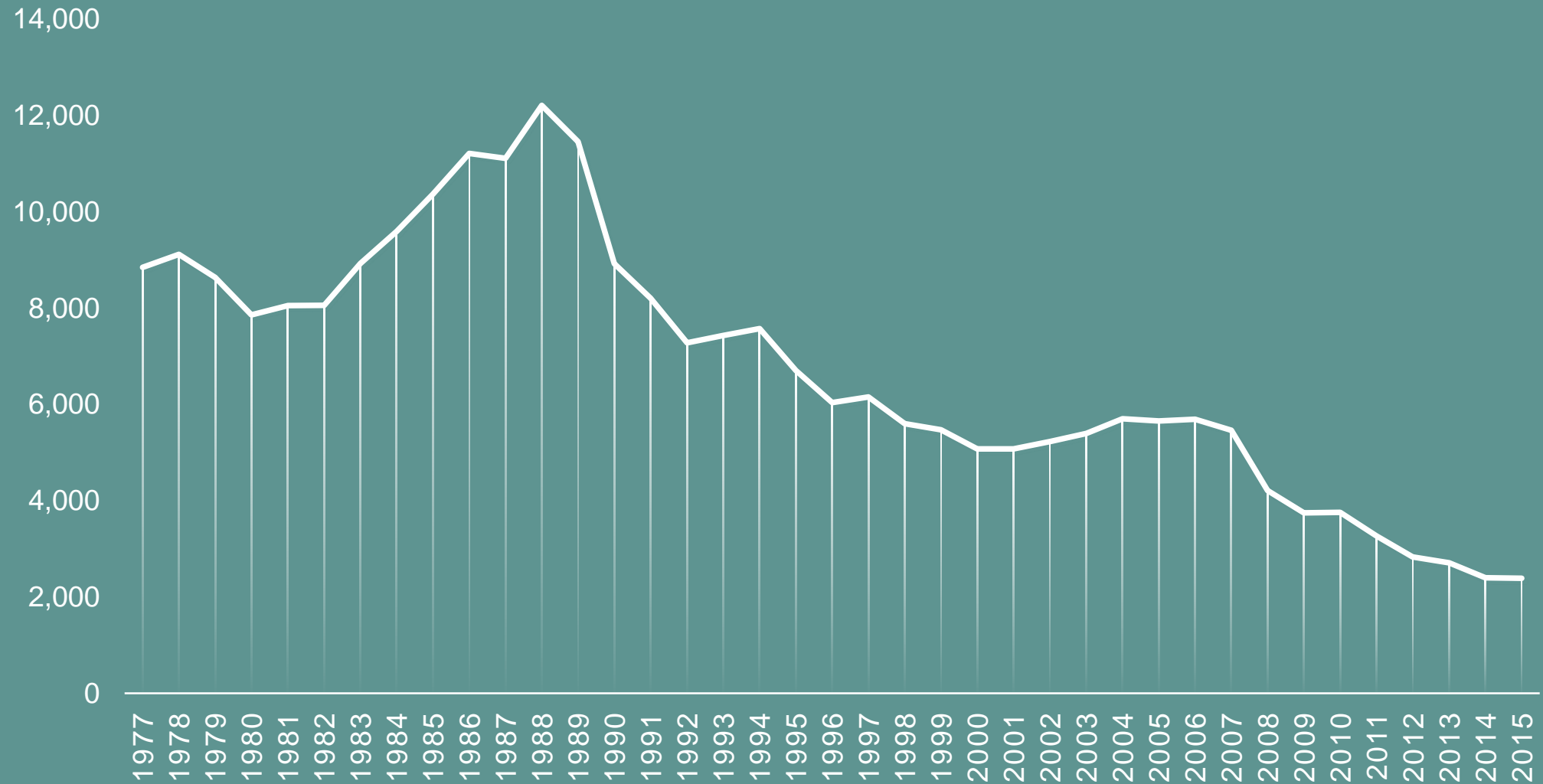
'Young entrepreneurs like myself, Tony Pidgley, and Lawrie Barratt before us, were able to start fledgling home building companies from scratch and build them into national builders – something that would be almost inconceivable today.'

(Steve Morgan CBE, Chairman, Redrow plc)

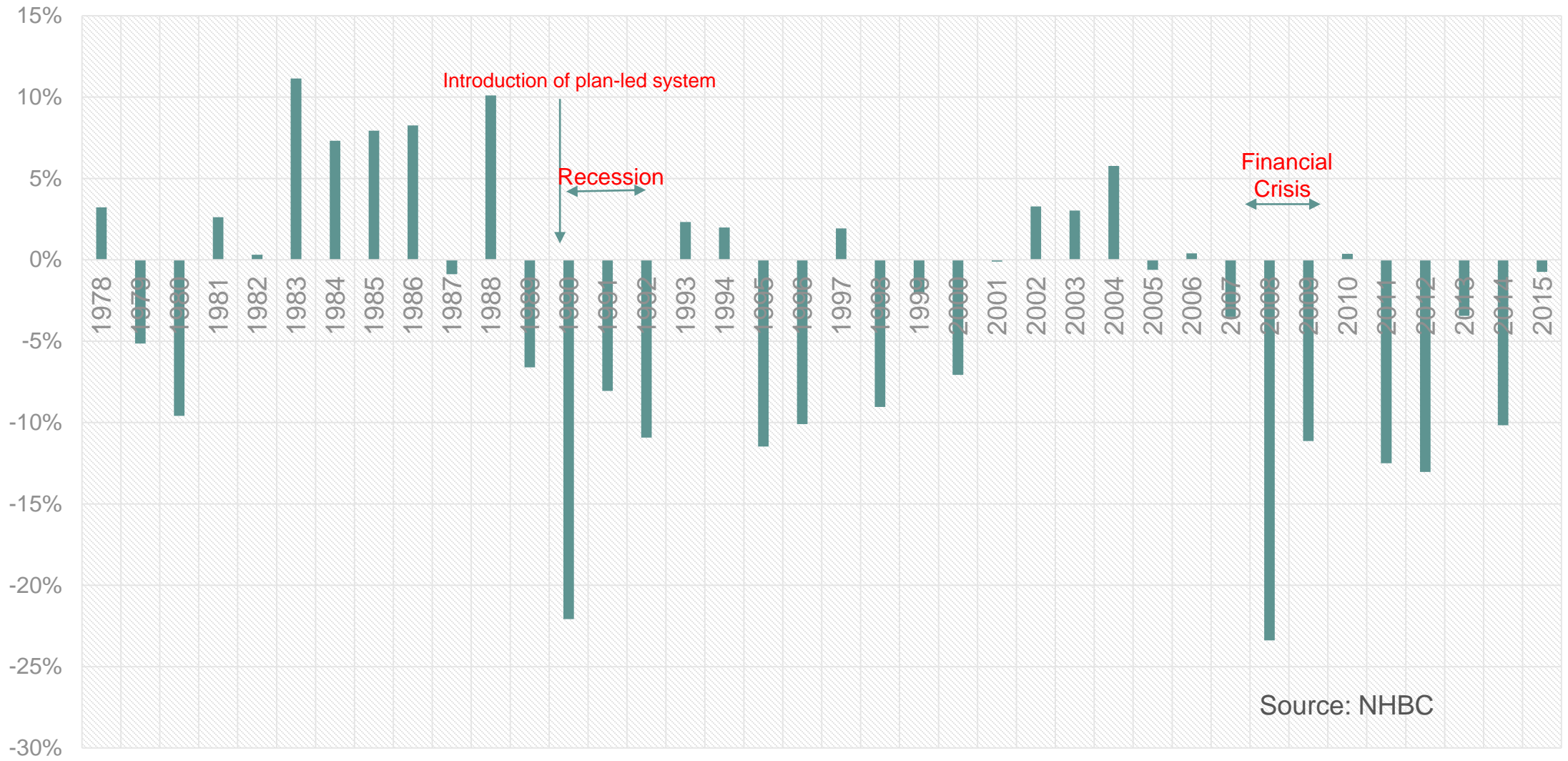
'Returning to 2007 levels of SMEs could help produce 25,000 more new homes per year'

(Reversing the Decline of Small Housebuilders, HBF)

SME HOUSE BUILDERS, 1977 TO 2015 (1-100 UNITS) (NHBC)



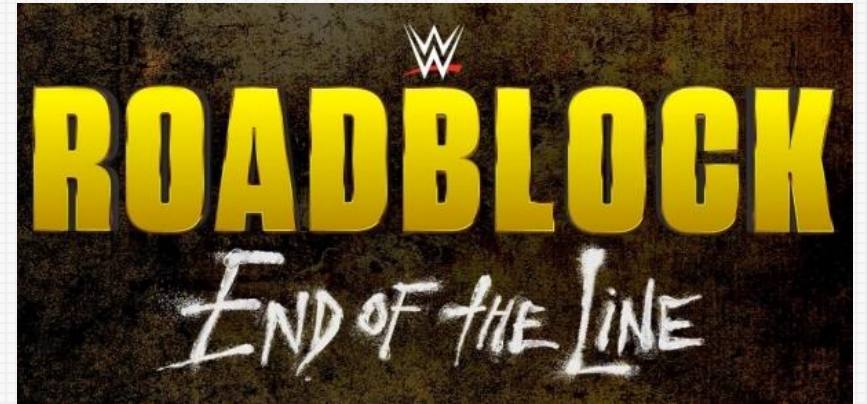
Annual change in number of active housebuilders, 1978 to 2015



Source: NHBC

Barriers for SMEs

- Finance
 - Terms
 - Cost
- Land and Planning
 - Too few suitable sites
 - Delays and uncertainty in the planning process
 - Difficulty obtaining permission to develop sustainable infill sites
- Other red tape
 - Water provision and charges
 - Highways



Proposed solutions: progress

Many of the report's suggested improvements emerged in the White Paper:

- Small sites requirement in local plans
- Brownfield presumption
- Delivery Test

Informed recent HBF report on pre-commencement conditions – examples of inappropriate pre-commencement conditions

More work to do:

Cutting red tape – the role of monopoly actors and regulators

Finance -

- Still early days for the HCA's Home Building Fund
- Exploring the 'Help to Build' model put forward in the report
- Further work with HCA on more innovative uses of the Home Building Fund

BREXIT: HELPING THE INDUSTRY PREPARE



Brexit priorities

Member input essential in three key areas:

Skills

- Current reliance
- Geographical variations
- Impact of alternative policies

Materials

- Current imported
- Impact of potential tariffs

Red tape

- Quick wins
- Great Repeal Act
- Cut down or eliminate bureaucracy

Others as they emerge



*The voice of the home
building industry*