

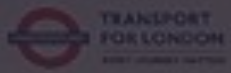
All change please

Housing Market and Policy Backdrop

Lucian Cook
Emily Williams

Central London Tube map

MAYOR OF LONDON



From you
When proud
Hath put a sp
That heavy S
Yet nor the lays
Of different flo
Could make me a
Or from their pro

Poems on the U
MAYOR OF LONDON

Annual House Price Growth at +12.1% to the end of April.....

.....meaning prices have risen by 23.7% since June 2020 (Nationwide)

110,990 housing transactions in March....

....continuing at +12% above the pre pandemic norm for the month (HMRC)

2nd hand stock levels a third lower in March 2022 than March 2019 (20CI)

And continued (if less generous support) from Help to Buy

A strong land market despite cost pressures

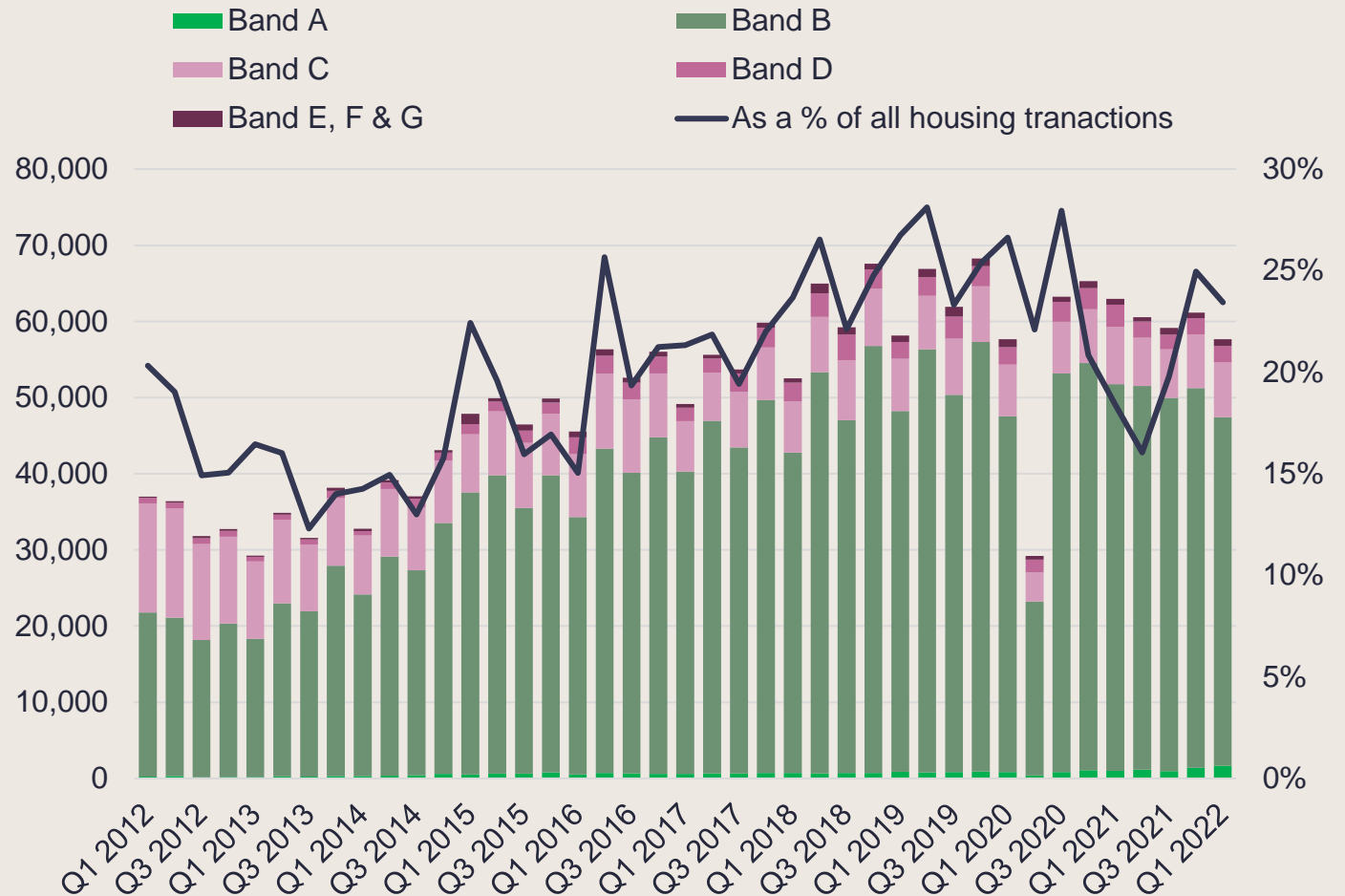
+9.3%
growth in
greenfield land
values
(above 2008 peak in
SE England)

+7.2%
growth in
brownfield land
values

Despite a
+19.5%
cost increase
in materials
(and +7.0%
underlying rate of
inflation)

Year to March 2022

EPCs granted for new dwellings (England)



4

successive
interest
rate rises

3

votes for a
0.50%
increase

6

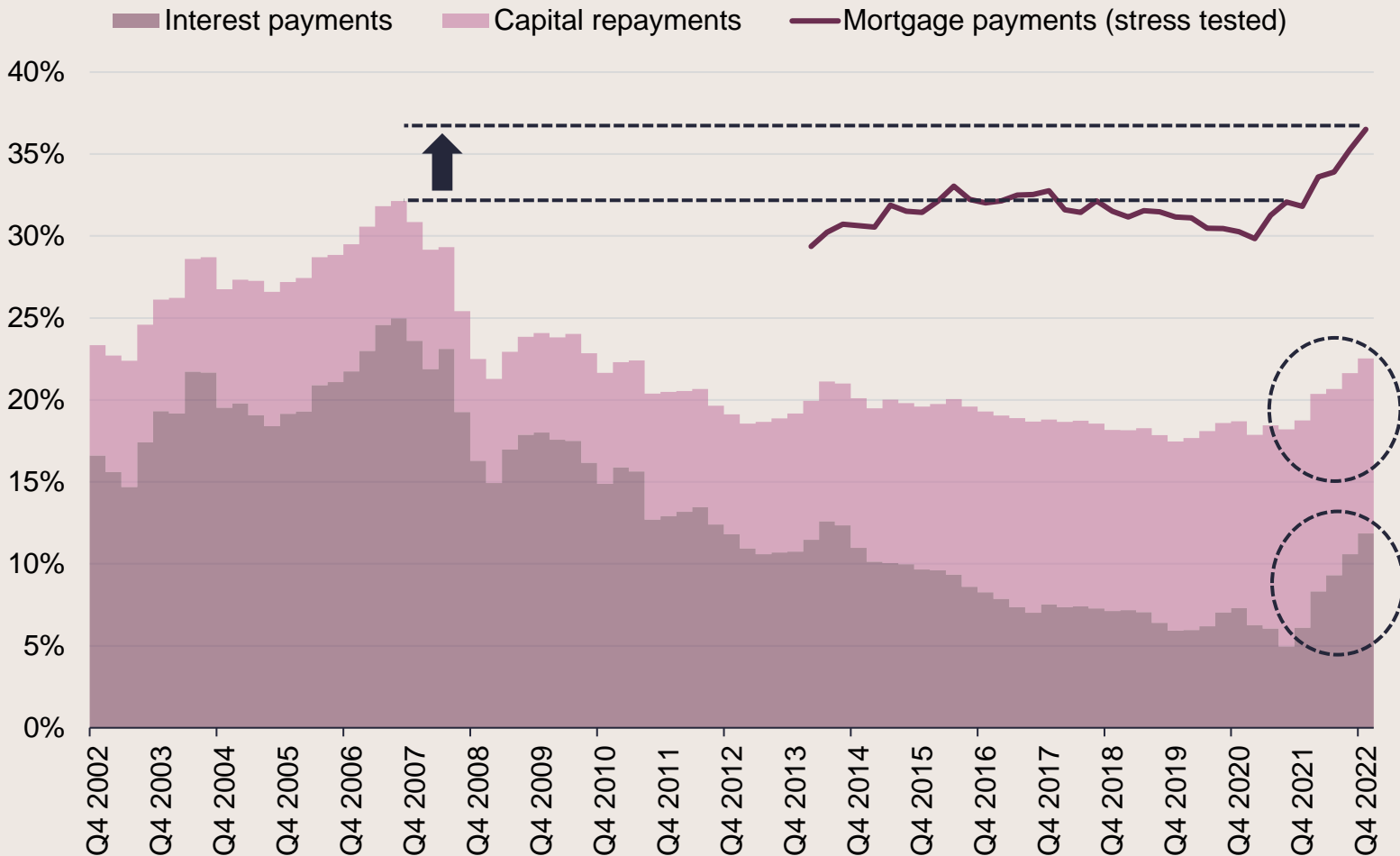
votes for a
0.25% increase
at the last MPC

2

further rate
rises pencilled
in for this year

What that does to affordability?

The average household buying the average house



ADVERTISEMENT

From as little as £10 a week Barratt will put a roof over your head.

Barratt wins the Homefinder House of the Year Award yet again in 1977!

BUY NOW with the new big mortgage reduction!

BRITAIN'S MAJOR PRIVATE HOUSEBUILDER OFFERS YOU ALL THIS:

- * For as little as £10 a week** you could own a Barratt house of your own — buying Barratt is often cheaper than renting.
- * Mortgages of up to 95%** arranged for you.
- * Now Joint Income Mortgages** — it's even easier to buy Barratt if both of you are working. New mortgage terms allow you to combine your income. If your joint income is £3,500 a year you can buy a Barratt house!
- * A £60 deposit fixes the price** of your Barratt home, even though building costs will subsequently rise.
- * Widest choice of house purchase schemes** — ask about our Part Exchange or 'E280 and Move In' Schemes which operate on most of our developments.
- * And you can choose** from houses, bungalows and flats at prices ranging from around £7,000 right up to £36,000.
- * More than 260 developments** — that's the largest choice in Britain! You'll find a development near to where you want to live.
- * Over 300 fully furnished showhouses open 7 days a week** (and staffed by friendly Barratt people) show you what great homes Barratt houses make!

Bedfordshire	<input type="checkbox"/>	Hertfordshire	<input type="checkbox"/>	Scotland—Central	<input type="checkbox"/>
Buckinghamshire	<input type="checkbox"/>	Humbberside	<input type="checkbox"/>	Scotland—N. East	<input type="checkbox"/>
Cambridgeshire	<input type="checkbox"/>	Lancashire	<input type="checkbox"/>	Shetland Isles	<input type="checkbox"/>
Cheshire	<input type="checkbox"/>	Leicestershire	<input type="checkbox"/>	Somerset	<input type="checkbox"/>
Cumbria	<input type="checkbox"/>	Lincolnshire	<input type="checkbox"/>	Staffordshire	<input type="checkbox"/>
Derbyshire	<input type="checkbox"/>	Norfolk	<input type="checkbox"/>	Suffolk	<input type="checkbox"/>
Durham	<input type="checkbox"/>	Northamptonshire	<input type="checkbox"/>	Teeside	<input type="checkbox"/>
Essex	<input type="checkbox"/>	Northumberland	<input type="checkbox"/>	Wales—North	<input type="checkbox"/>
Gloucestershire	<input type="checkbox"/>	Nottinghamshire	<input type="checkbox"/>	Worcestershire	<input type="checkbox"/>
				Yorkshire—North	<input type="checkbox"/>
				Yorkshire—South	<input type="checkbox"/>
				Yorkshire—West	<input type="checkbox"/>

Write to the Barratt Company FREEPOST reply service — no postage stamps necessary. (U.K.) only
BARRATT DEVELOPMENTS LIMITED, FREEPOST, NEWCASTLE UPON TYNE NE5 1RP
 I would like all the details of the developments in the areas I have ticked.

NAME _____ LM9
 ADDRESS _____

Barratt

Building houses to make homes in
 On over 260 developments throughout Britain
 Member group companies established since 1895

Source: Savills using numerous sources

From a housing market perspective



Supply-demand imbalance will drive further short-term price growth



but that will be tempered by pressure on household incomes



and a squeeze on affordability at point of mortgage



which will curtail capacity for price growth from 2023..



...dependent on the extent to which mortgage regulation is relaxed



New build will be better placed to meet lenders' future EPC demands

The role of mortgage regulation



Loan Income Cap

No more than 15% of lending at over 4.5 x Loan to Income



Responsible Lending Rules

Borrower affordability tested having regard to market-expectations over 5 years or +1.00%

SVR has become disconnected from market rates



Mandatory stress tests

Affordability stress tested at 3% over SVR unless the borrower has fixed for 5+ years

More borrowers have locked into 5-year money

Price growth, pressure on household incomes & higher interest rates will have the greatest impact on first time buyers

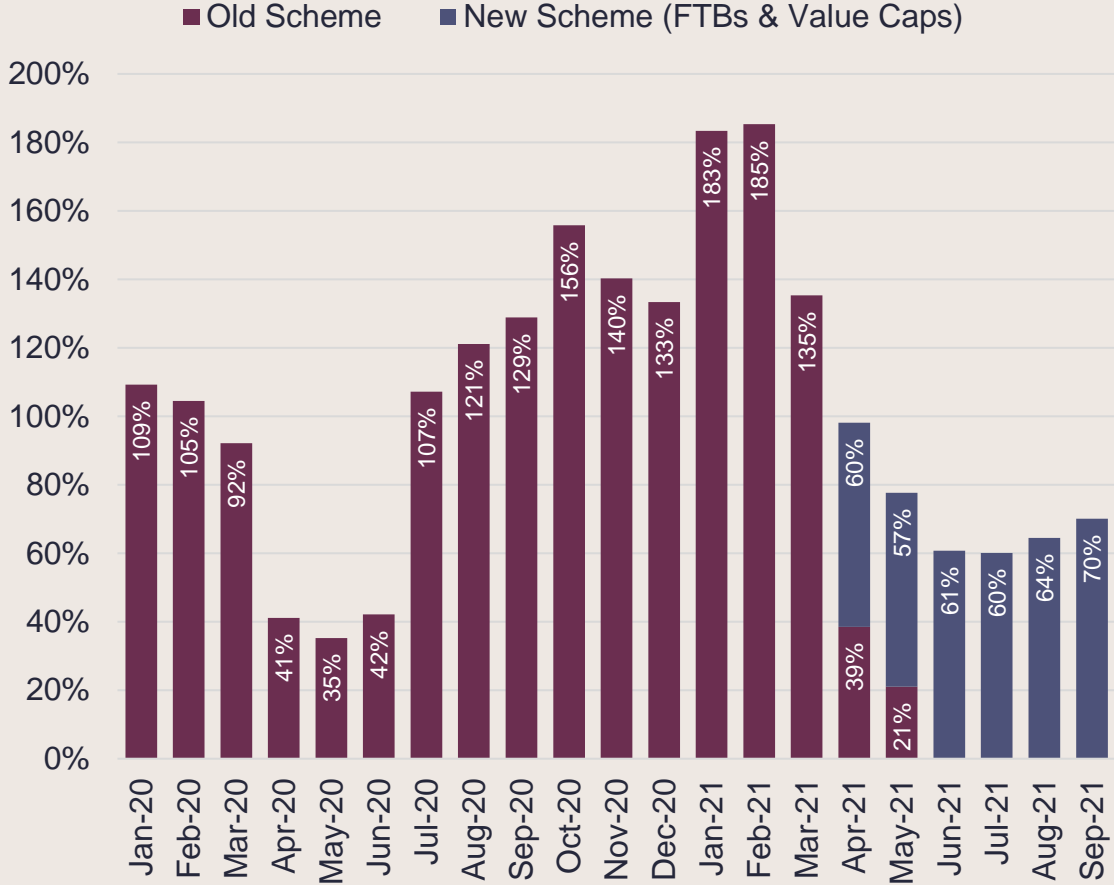
Challenges exacerbated by Help to Buy coming to an end (despite initiatives such as First Homes and schemes such as Deposit unlock)

Some of that slack will be taken up by expanded shared ownership (provided there remains an effective route to delivery)

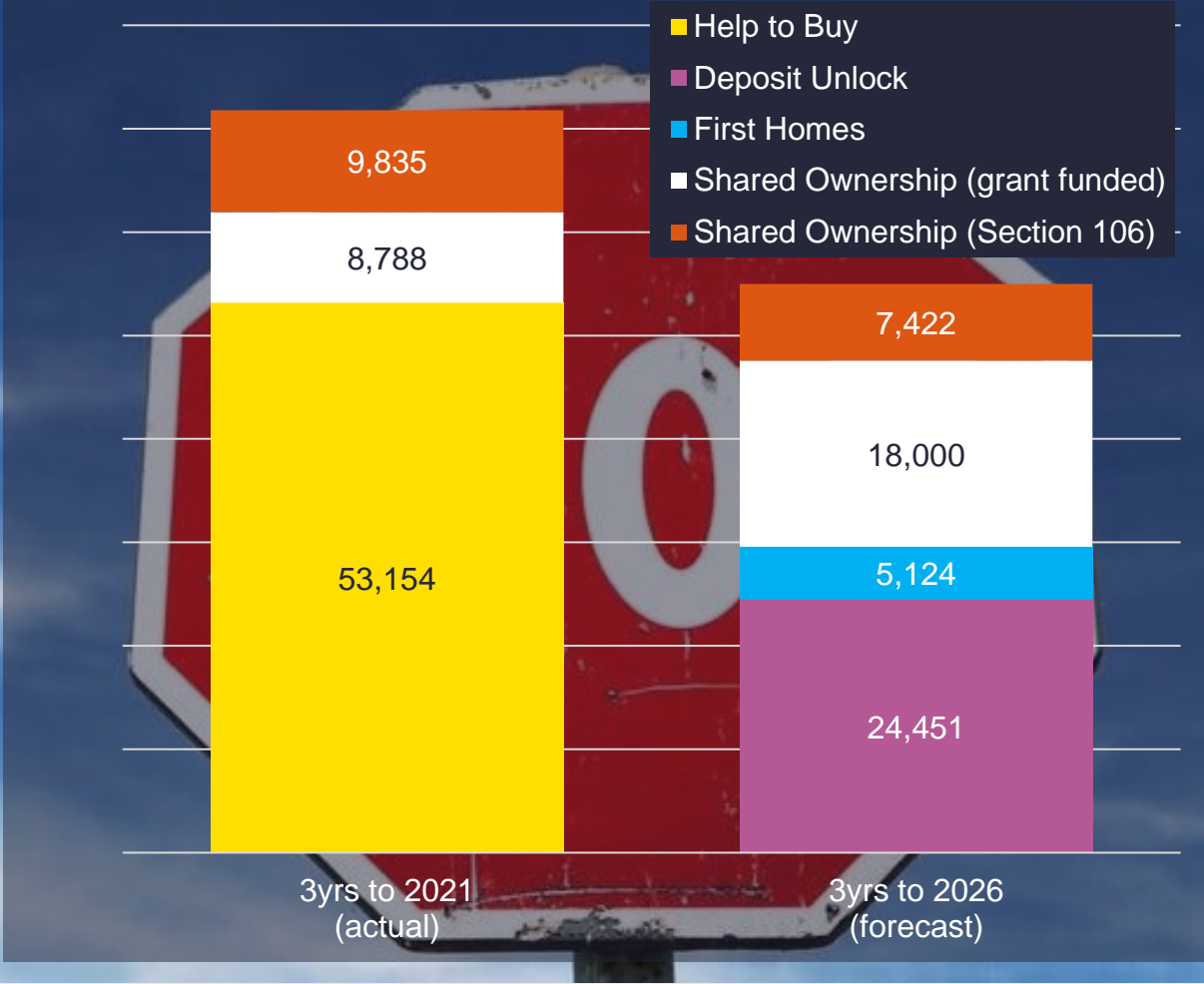
But the ability to sell into an expanding and maturing Build to Rent market will take on heightened importance for housebuilders

Help to Buy and what fills the gap

Help to Buy activity v average for month
2017 - 2019



Low Cost Home Ownership



Build to Rent

Average size of schemes

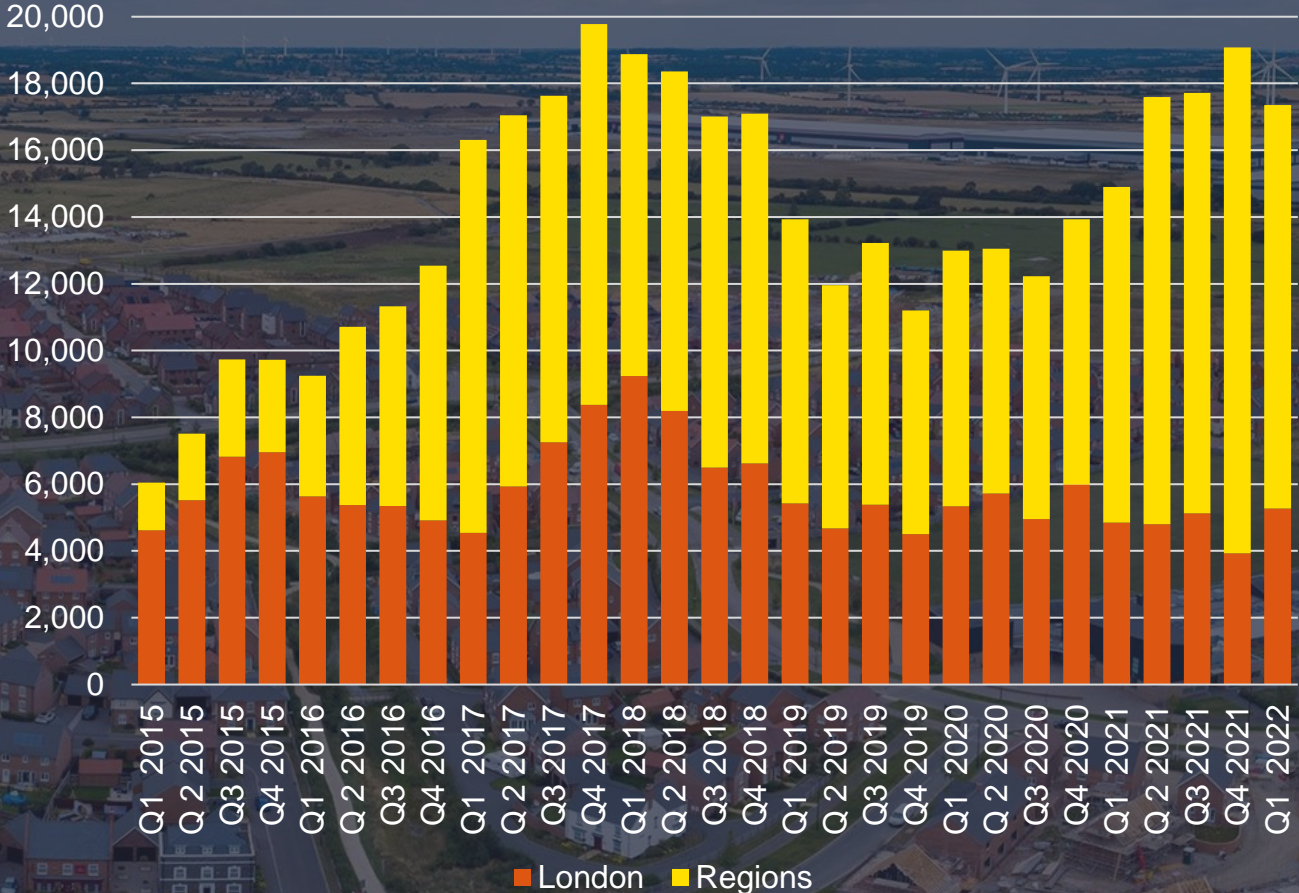
243 units under construction

140 units operational

308 units in planning

+66% Q on Q growth in completed single family units

Build to Rent Annual Rolling Starts



A “challenging” policy environment



Levelling up & impact on housing targets



Planning uncertainty & local plan adoption



Increasing environmental standards & development constraints



Design codes, build standards and energy efficiency

section
106

Delivery of infrastructure & affordable housing



Financial responsibility for cladding remediation

The lost art of letter writing.....



A new broom sweeps through.....

NEWS

'Disappointed' Gove rejects housebuilders' cladding offer

By Carl Brown | 8 March 2022

Housing secretary sets end of March deadline for housebuilders to come forward with 'fully-funded' remediation plan

Michael Gove has said he is 'disappointed' housebuilders have not come forward with a fully-funded plan to fix fire safety issues in tower blocks and repeated his threat to use legislation to force them to pay up.

The housing secretary, in a letter to the Home Builders Federation(HBF) rejected the body's compromise offer, under which housebuilders would only carry out critical works on buildings they have developed and hand back Building Safety Fund cash.

NEWS

Exclusive: HBF boss hits out at Gove 'cartel' slur

By Joey Gardiner | 23 March 2022



Stewart Baseley calls housing secretary's comments 'extremely worrying' in leaked letter

The boss of the Home Builders' Federation has hit out at the housing secretary over comments, reported this week, in which he described housebuilders as operating in a "cartel".

FEEDBACK

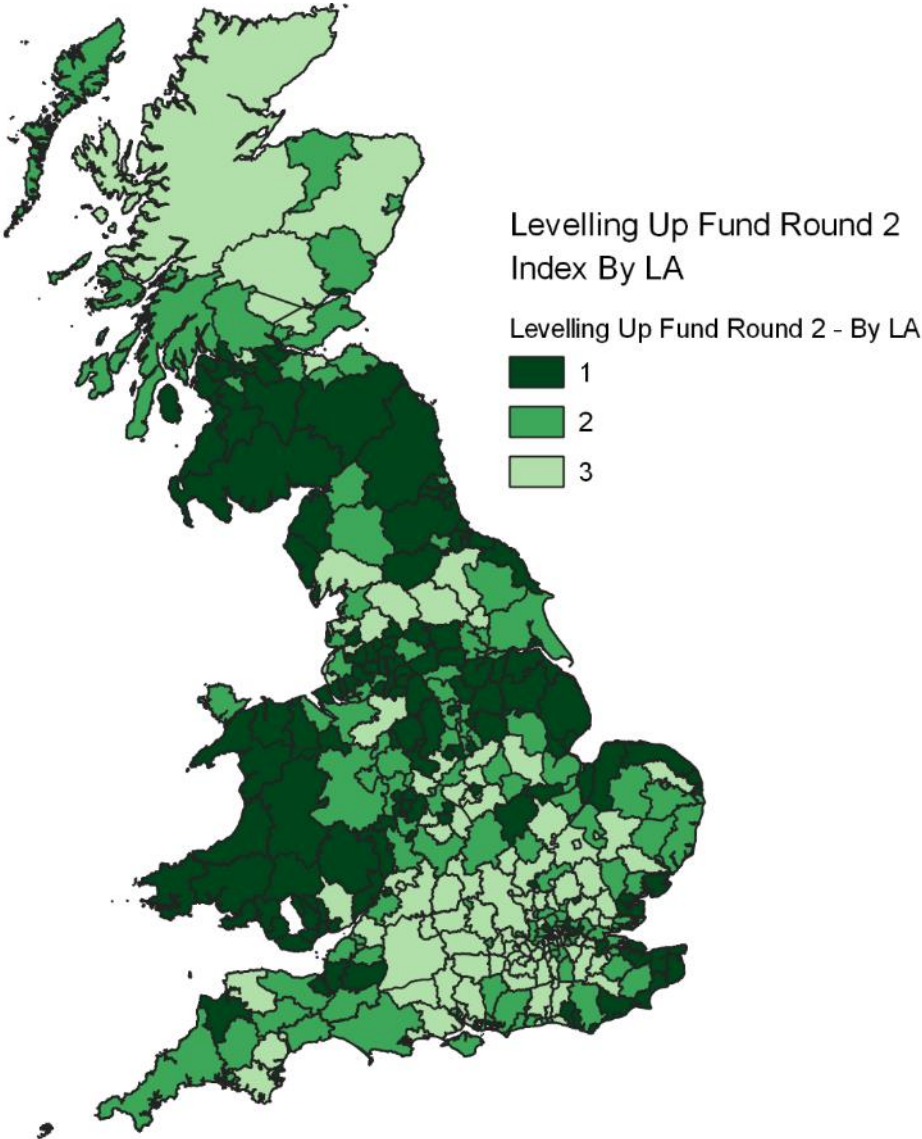
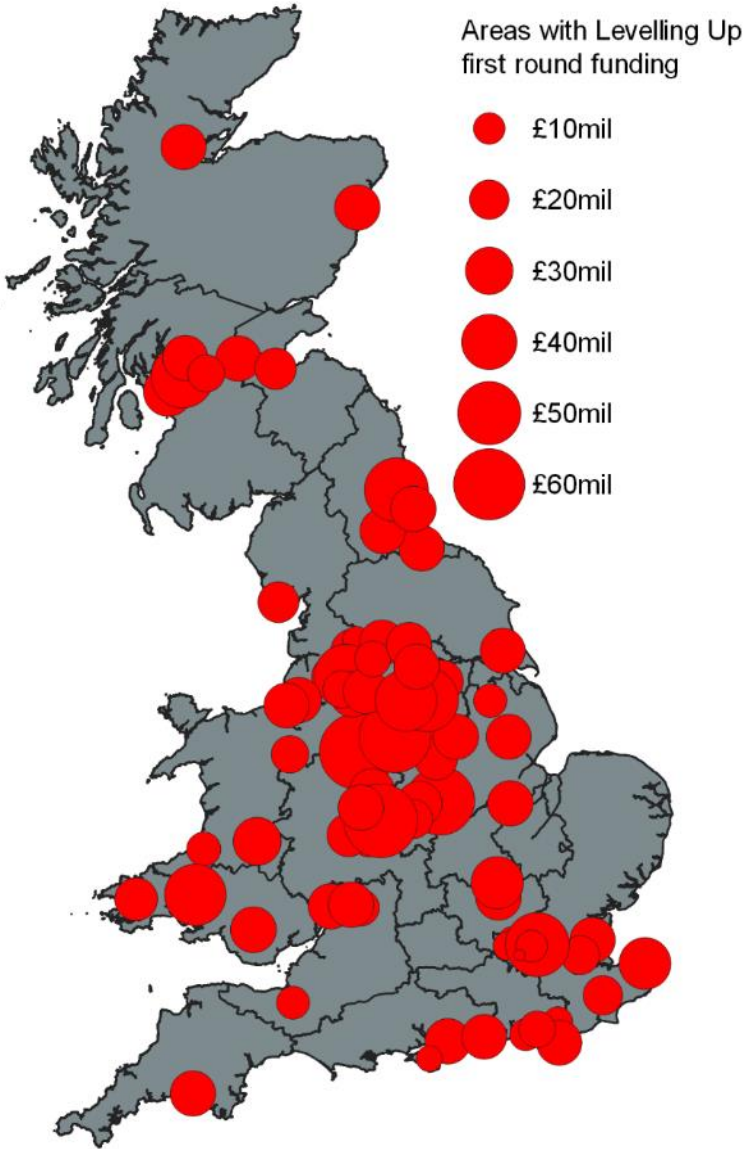
The writing's on the wall for planning reform

By Colin Brown | Thu 3 March 2022



Editor: The gathering rumour that the **government is finally about to consign the planning white paper to the dustbin** is disappointing but hardly a shock.

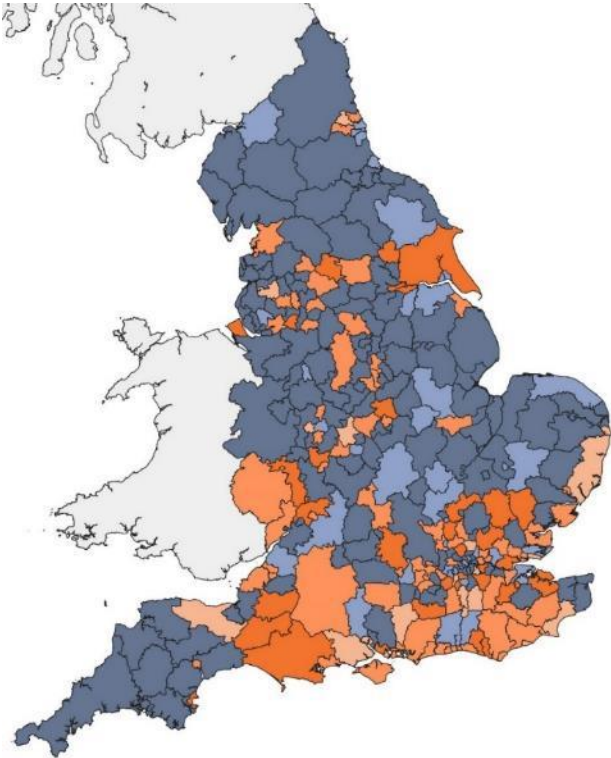
Levelling up focus...



... leading to planning uncertainty

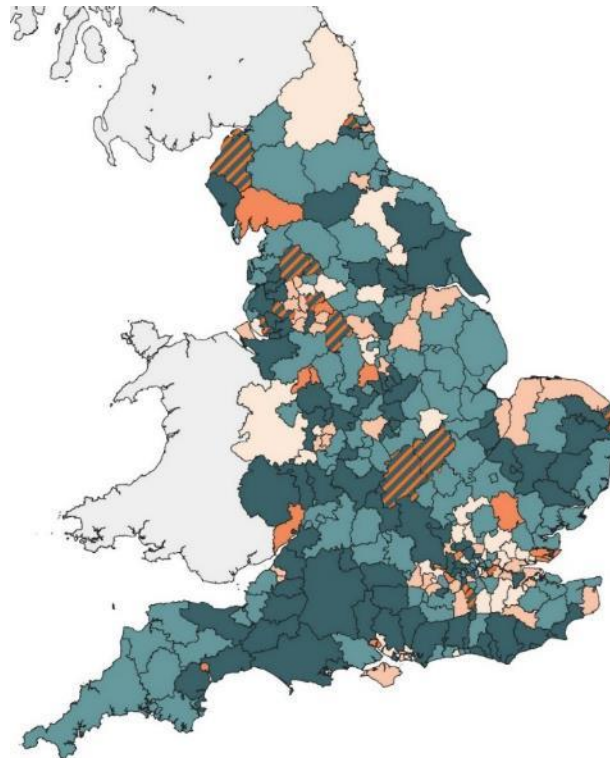
5-year land supply

- Five year land supply status
- Lack of land supply confirmed at appeal in the year to November 2021
 - Local authority has published < 5 years
 - Local authority has published > 5 years, Savills calculates < 4.5 years
 - Local authority has published > 5 years, Savills calculates 4.5 - 5.5 years
 - Local authority has published > 5 years, Savills calculates > 5.5 years



Local Plan Status

- NPPF-compliant plan adopted
- Local Plan is due for review
 - Review of Local Plan is in progress
 - Local Plan has been reviewed or adopted in the past five years
- No NPPF-compliant plan adopted
- Draft Local Plan has been submitted to the Secretary of State for examination
 - Draft Local Plan is in preparation or has been published
 - Collection of data and evidence, issues and options consultation



12

Local Plans stalled in the last 9 months

9

LPAs cited lack of national policy clarity as reason to pause

First Homes: who will they work for?

Housebuilders

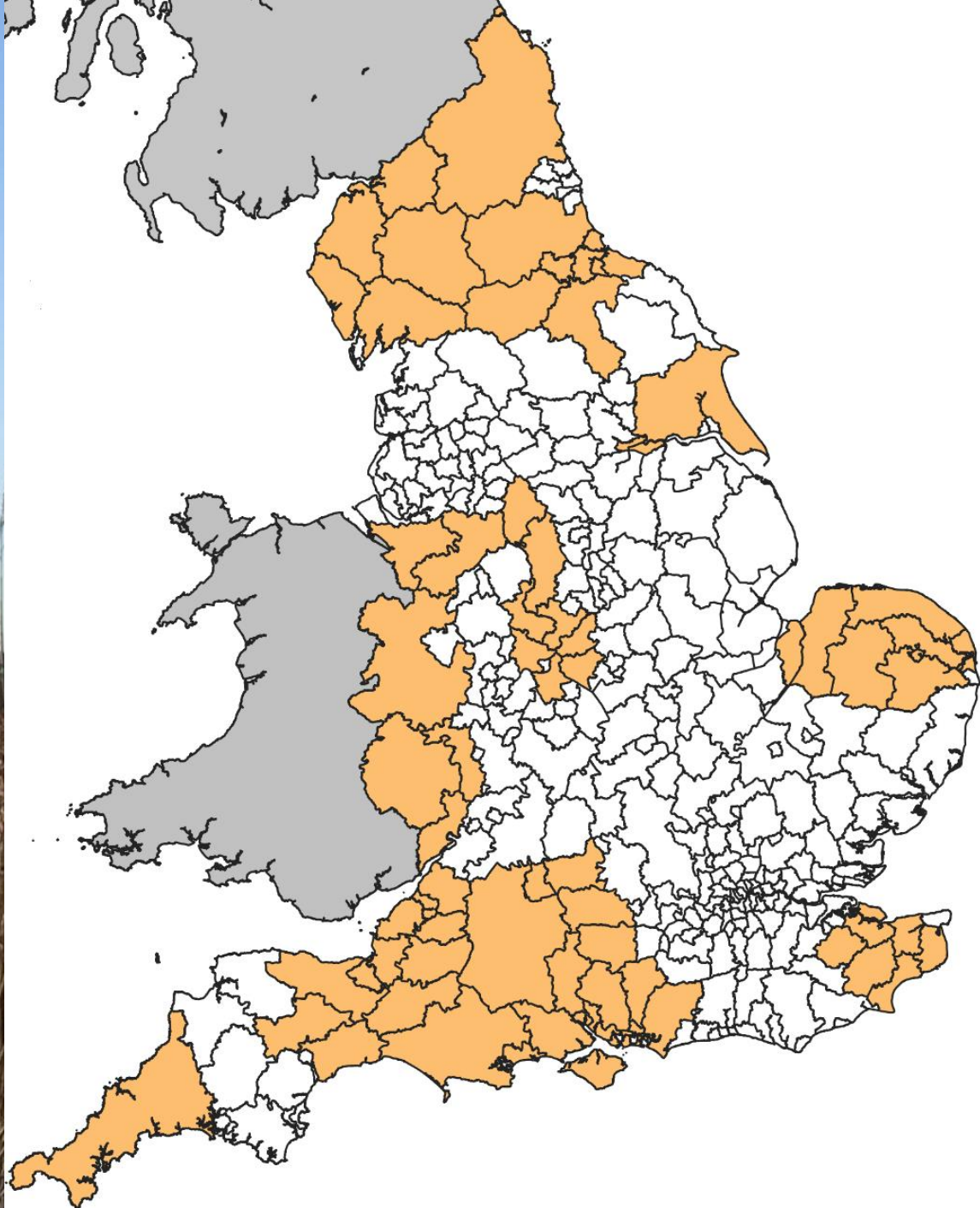
Weakened cashflow
Lower GDV
Greater difficulty competing
with logistics

Housing associations

Greater competition for S106
More demand for land-led
delivery

Residents

Higher deposit and income
requirements
Lower monthly housing costs?
Less choice overall



Nutrient neutrality

74 LPAs

currently affected across the country

50% - 70% homes planned in these areas
could be at risk based on analysis in the south

Build cost
annual
inflation
19.5%

Future
Homes
Standard
from **2025**

+ £4,000
per unit

10% BNG
uplift from
2023

30%
beyond
existing Part
L regulations
from **2022**

+ £3,000-
£5,000 per
unit

£2,000 per
unit

Developer tax: two taxes...



Lack of planning policy clarity

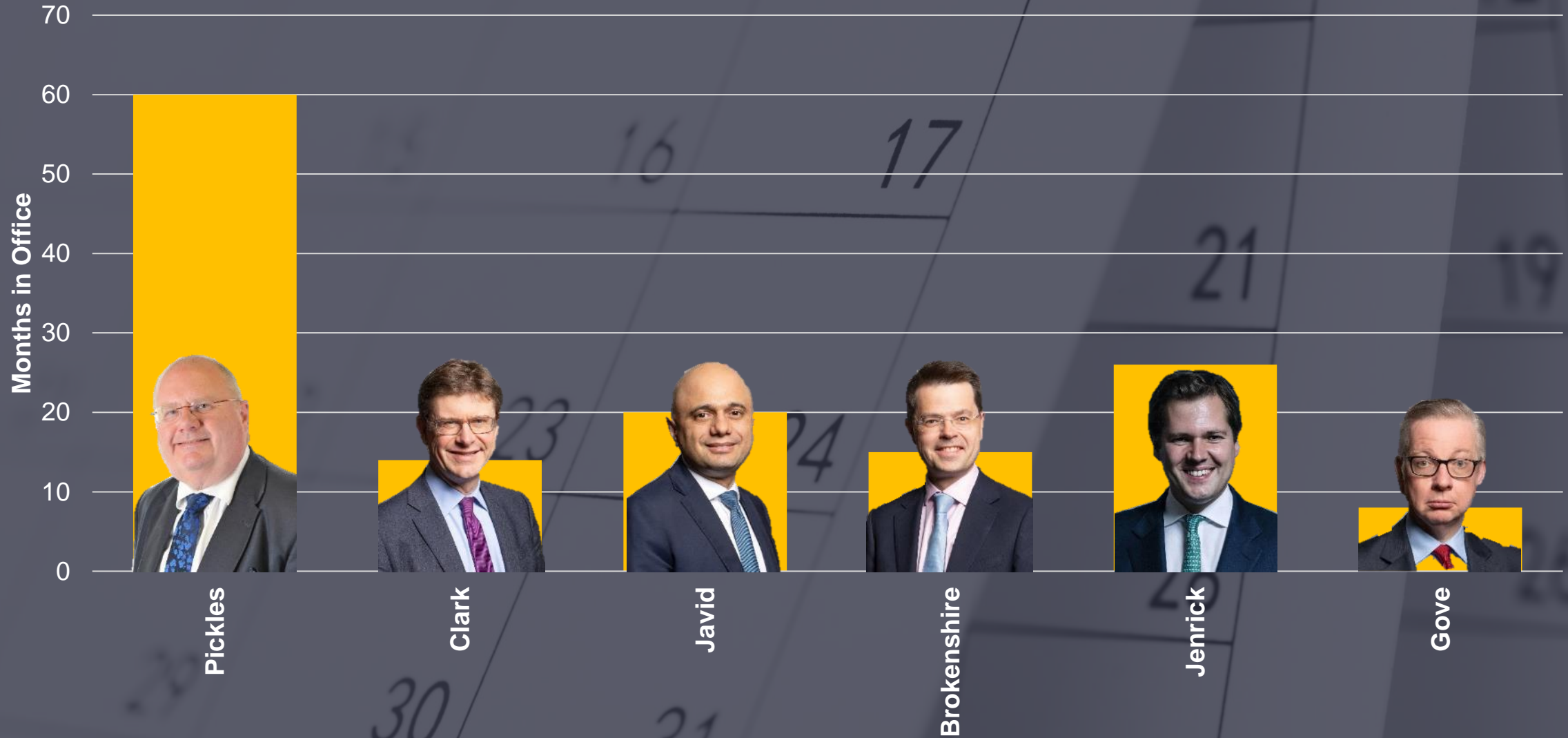
Reduced Govt support for new build sales

Increased requirements for developers

Slower house price growth over the next 5 years

Leaving a less certain environment for housing future delivery

All change?





savills

Thank you