



Housing policy update

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What I'm going to cover



- A bit of **context** – what are the challenges we're facing at the moment?
- **Our analysis** of the likely impacts, of recent policy changes
- What do we need in order to **deliver the housing this country needs?**



Context (i)

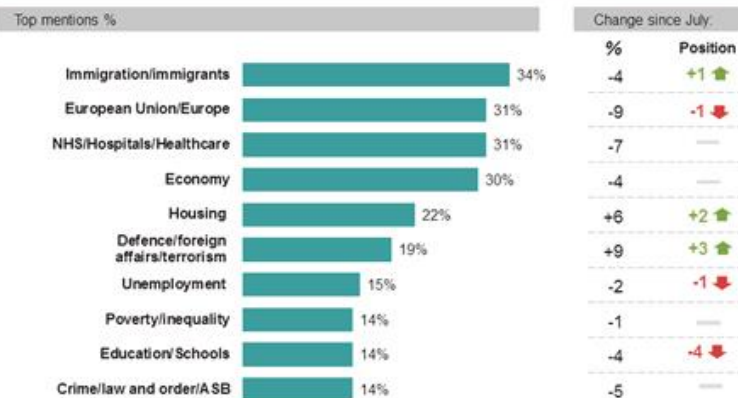


- Recent polling data (Ipsos MORI) shows that **public concern about housing** is high by historic standards
 - 22% say it is one of the country's biggest issues. The highest number for 40 years

Issues Facing Britain: August

What do you see as the most/other important issues facing Britain today?

2



Base: 963 British adults 16+, 9th and 11th August 2016

Source: Ipsos MORI Issues Index

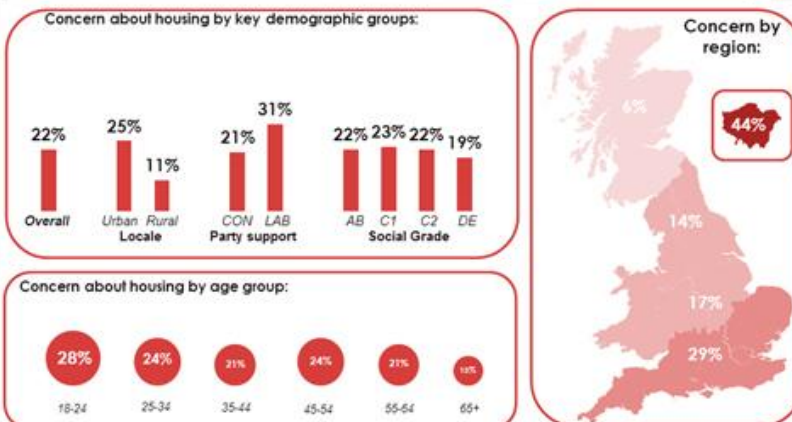
Ipsos MORI



Concern about housing by subgroups

What do you see as the most/other important issues facing Britain today? EU/Europe

21



Base: 963 British adults 16+, 9th and 11th August 2016

Ipsos MORI Issues Index

Ipsos MORI



Context (ii)



- We are dealing with a **long term undersupply of new homes**
 - We need to build around 240k – 250k new homes p/a and government want to build 1m by 2020
 - Private housebuilding alone has not delivered the numbers of homes needed
 - During the last recession, housing associations increased building by 22%, while private development dropped 37%

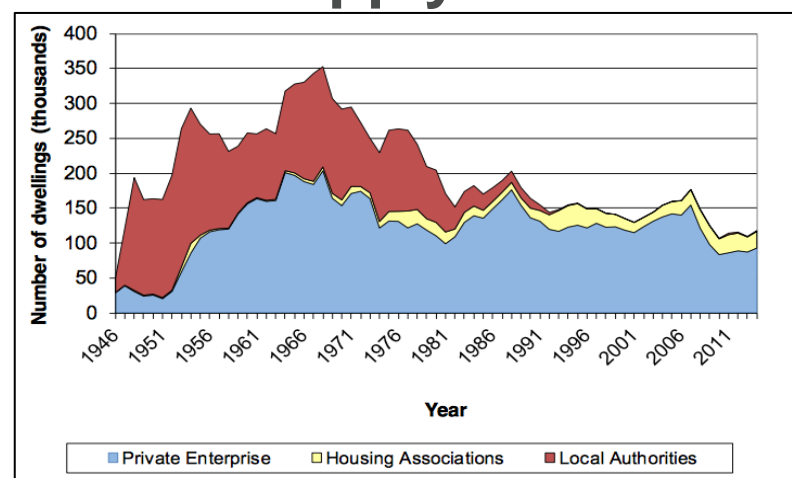
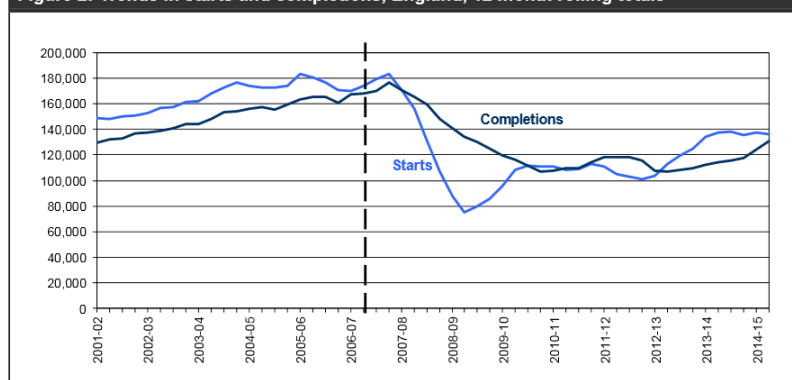


Figure 2: Trends in starts and completions, England, 12 month rolling totals



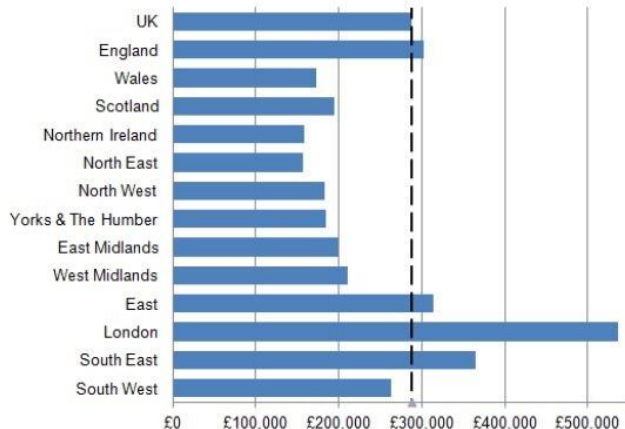
Context (iii)



- This is causing an ongoing, and worsening **affordability crisis**
 - There are substantial regional variations
 - But overall house prices are high relative to earnings, and this is likely to worsen

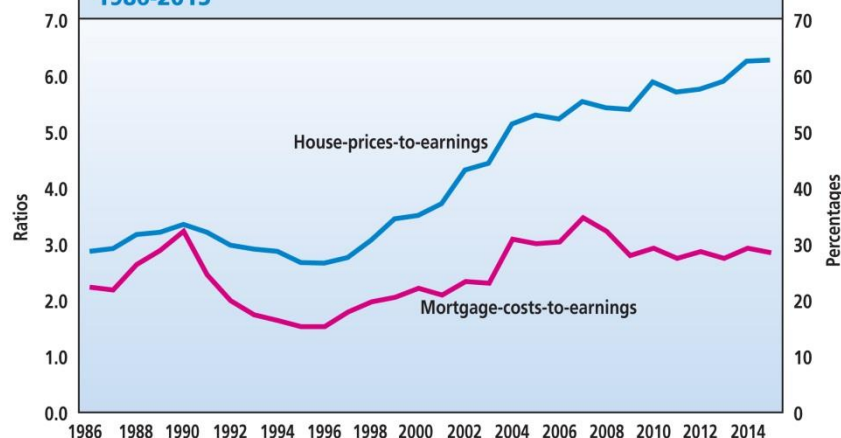
Figure 7: Mix-adjusted average house price: UK, country and region

House prices for November 2015



Source: Office for National Statistics

Figure 2.3.3 Housing market affordability in Great Britain, 1986-2015



Source: RMS first-time buyer house prices; ASHE earnings (adjusted for changes in methodology).

Context (iv)



- There are also substantial **generational differences**
 - Under 35s increasingly renting privately – big fall in levels of homeownership, from 54% to 34% over the last decade
 - Over 65s increasingly own outright

Figure 1.3: Households with a HRP aged 25-34, by tenure, 2004-05 to 2014-15

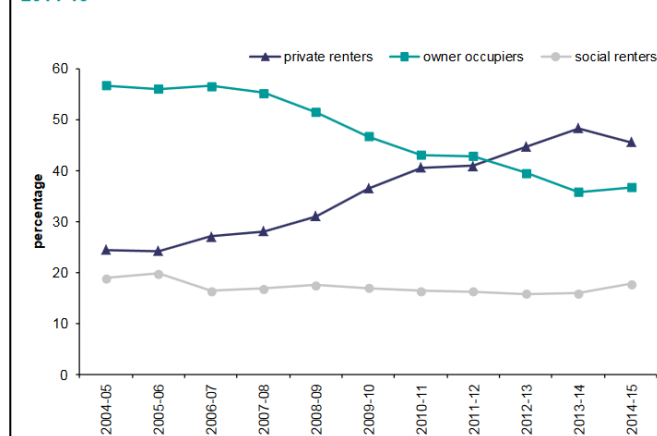
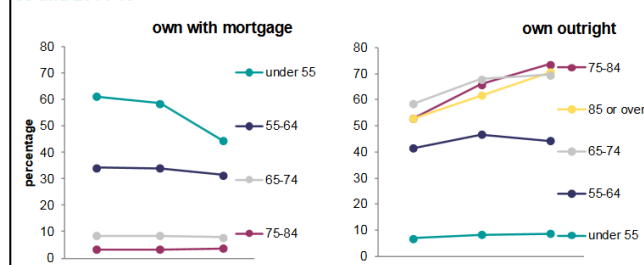


Figure 1.3: Tenure by age of the oldest person in the household, 1994-95, 2004-05 and 2014-15



Context (v)



- We need **stability** and a **long term plan** for house building – but are operating in a **rapidly changing policy environment**
 - Government support for home ownership, often at direct expense of other options
 - Welfare and rent cuts
 - Brexit
- And we need **all parts of the industry to contribute** to build the homes we need
 - Big decline in council house building since the 1980s
 - Also SME builders were responsible for 80% of private completions in the 1980s, now just 29%

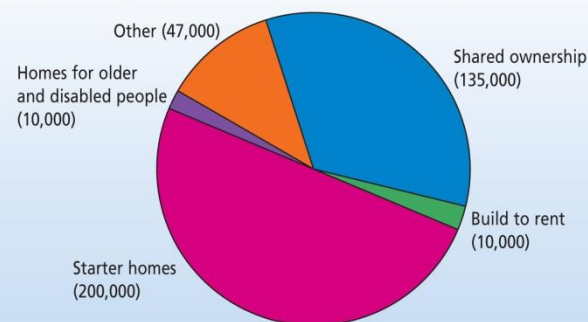
Policy change (i)



- **Starter homes, shared ownership and right to buy**
 - Councils will be required to sell higher value homes to fund the extension of the right to buy
 - House building budget increased to £2bn p/a, but redirected mainly towards low cost home ownership
 - Currently 37% of affordable rented homes provided through 'planning gain'. Previously these were for rent, but may now be starter homes

Figure 2.3.4 The components of the new homes target in England

How the 400,000 target of new homes by 2020 will be delivered

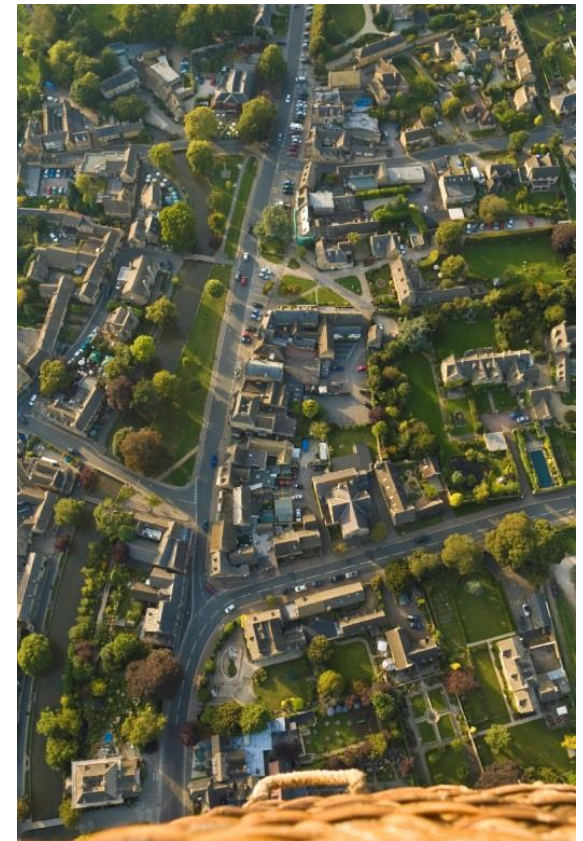


Source: Hamptons International.

Policy change (ii)



- **Our analysis of impact:**
 - Will accelerate the decline of affordable rented housing
 - Up to 7k p/a council homes to be lost through high value sales
 - 38k social rented homes were lost between 2012 and 2015
 - A total of 370k social rented homes will be lost by 2020
 - Will affect future house building rates, if more organisations are more exposed to 'the market'



Policy change (iii)



- **A package of further welfare cuts**

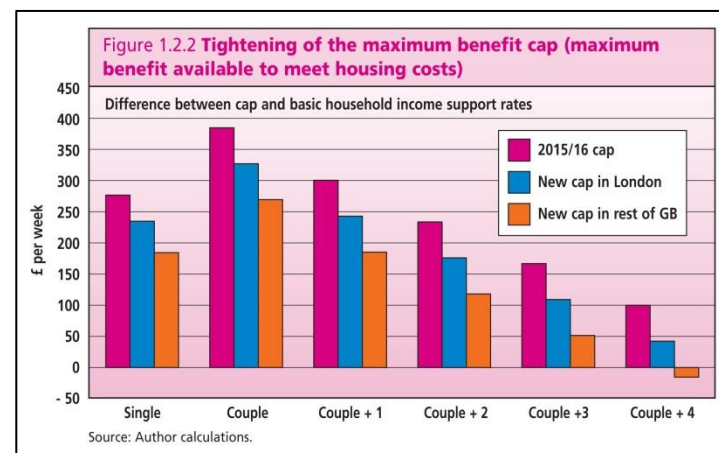
- Overall benefit cap to be reduced from £26k p/a to £20k (or £23k in London) in November
- Local Housing Allowance (LHA) rates will be extended to social housing, including the 'shared room rate' for under 35s
- 18-21 year olds will no longer have an automatic right to receive help with their housing costs
- Social landlords are required to reduce their rents by 1% p/a for four years



Policy change (iv)



- **Our analysis:**
 - Benefit cap – will affect 3 child families across much of the country, even if only paying a social rent
 - LHA - 84% of councils currently charge more for a one bed flat than the shared room rate
 - Rent cut - affects social landlords' ability to invest. We estimate that this has reduced councils' ability to build from 500k homes over 30 years, to 45k



Brexit (i)



- RICs reported a short-term fall in buyer enquiries after the referendum, but still predict 3.3% p/a rises in house prices
 - But uncertainty remains and if there is a slowdown, private developers may scale back their ambitions
 - The longer term impact on construction is also unclear – need to understand impact on procurement processes, migration of workers and importing of materials?
 - To keep building during a downturn, invest in affordable homes to rent
 - Currently only £2bn of government spend by 2020 intended for homes for rent (compared to £43bn for home ownership)



Brexit (ii)



- In **our analysis**, government should:
 - Reshape the affordable homes programme – give housing associations freedom to decide whether to build homes for rent or sale
 - Restart the affordable homes guarantee scheme – which supported 27k new homes in 3 years
 - Encourage councils to borrow to build – increase borrowing caps and offer exemptions from the 1% rent reduction
 - Increase investment in specialist homes for older or disabled people – currently £400m by 2021
 - Rethink plans to redirect ‘planning gains’ towards starter homes

What is needed to deliver?



- We need to understand the new paradigm - all parts of the affordable housing system are changing
- From government, we need more flexibility to build for all tenures – not just for home ownership
- We need strong local leadership:
 - New types of partnerships between councils and housing associations
 - Councils have a big role to play in assembling land and enabling development
 - There is potential for locally driven regeneration to play a part as well – well designed ‘densification’ can often deliver more new homes



Thank you for listening
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