



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?**



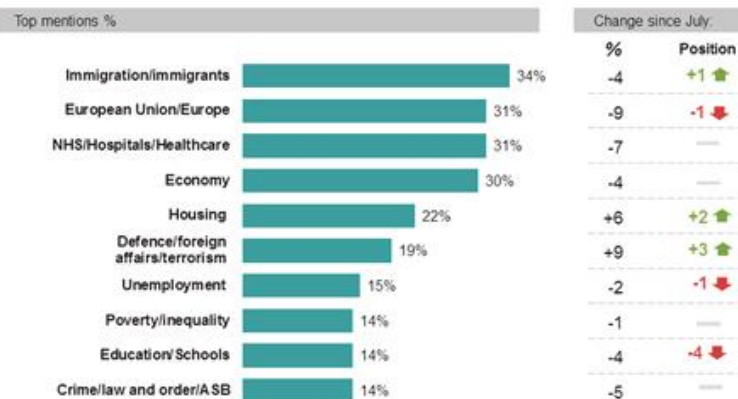
Context (i)



- 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?



Base: 983 British adults 16+, 19-11th August 2016

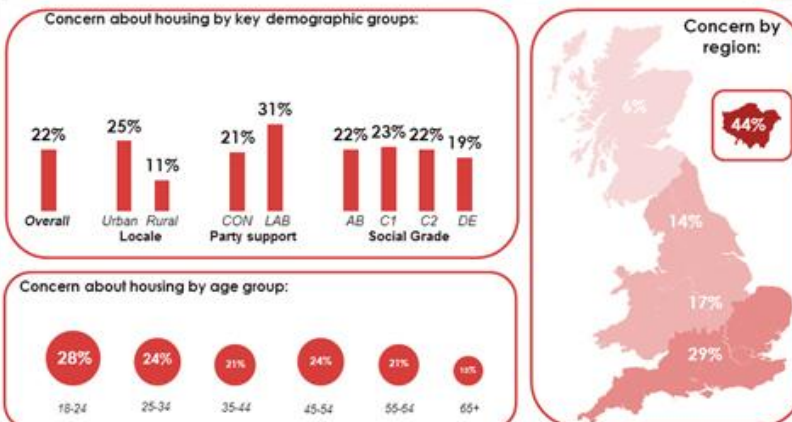
Source: Ipsos MORI Issues Index

Ipsos MORI



Concern about housing by subgroups

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



Base: 983 British adults 16+, 19-11th August 2016

Ipsos MORI Issues Index

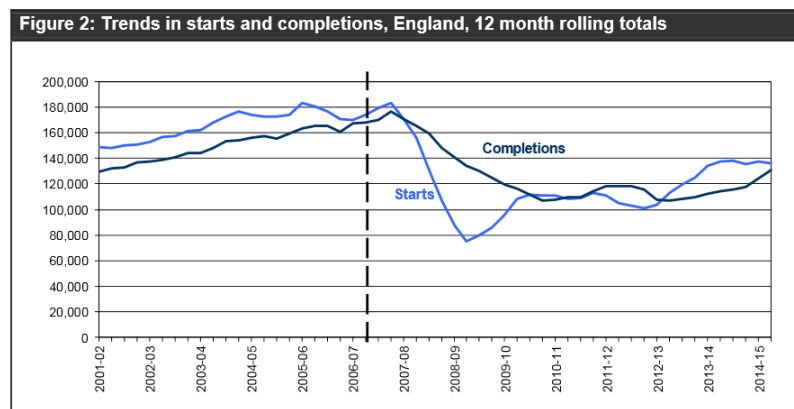
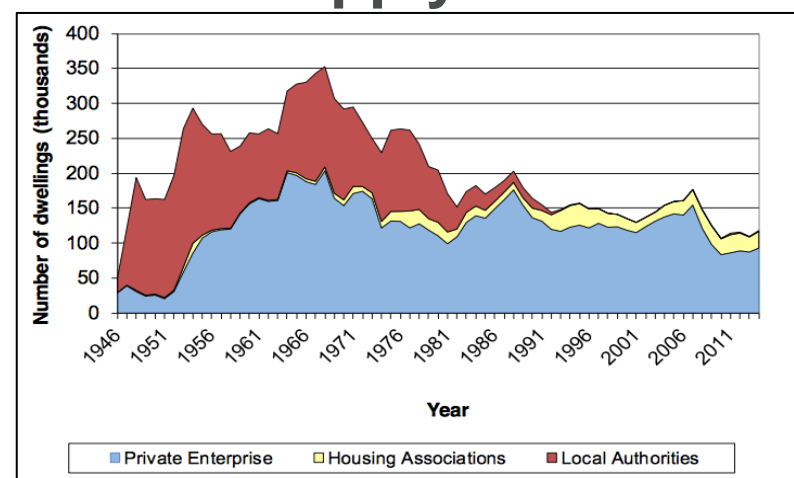
Ipsos MORI



Context (ii)



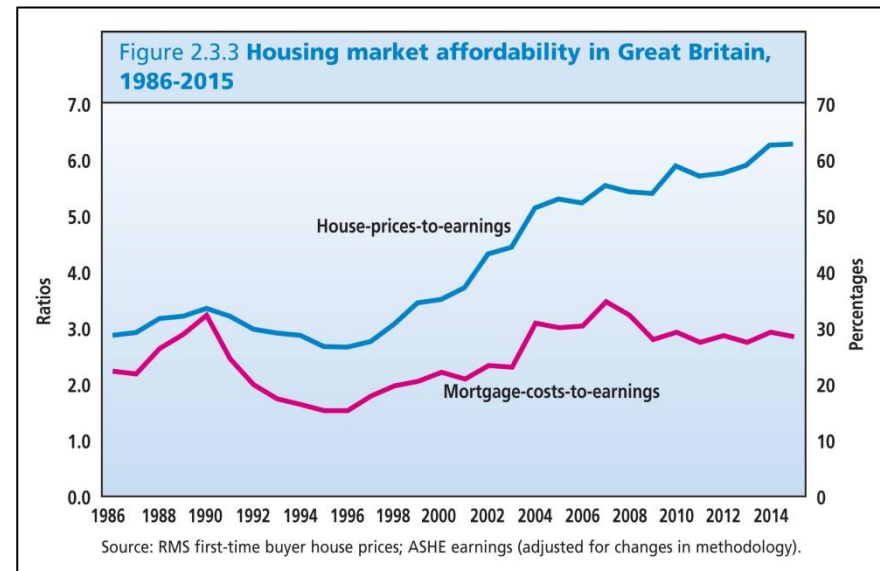
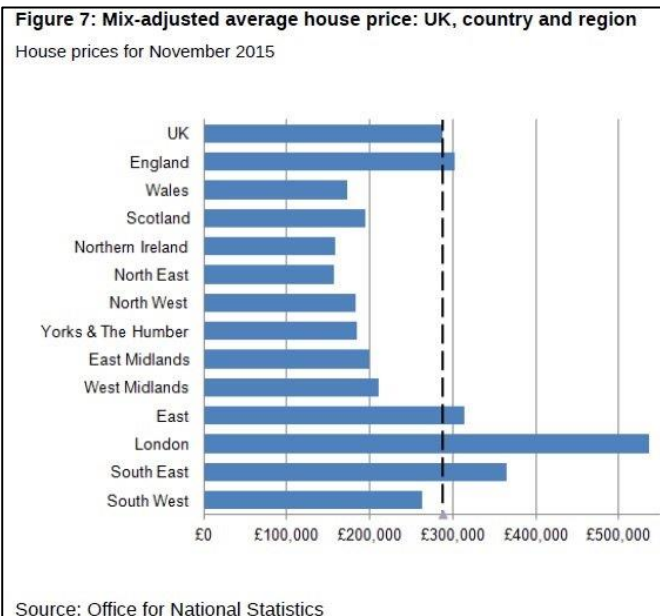
- We are dealing with a **long term undersupply of new homes**
 - We need to build around 240k – 250k new homes p/a and government want to build 1m by 2020
 - Private housebuilding alone has not delivered the numbers of homes needed
 - During the last recession, housing associations increased building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



Context (iii)



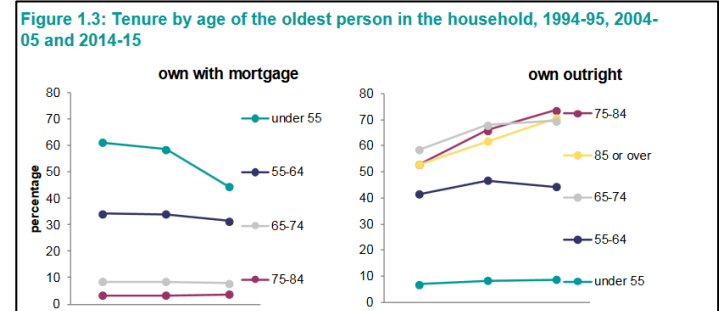
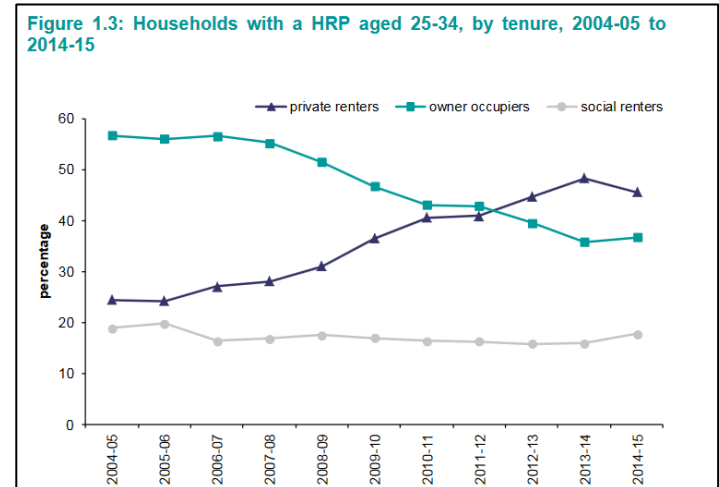
- This is causing an ongoing, and worsening **affordability crisis**
 - There are substantial regional variations
 - But overall house prices are high relative to earnings, and this is likely to worsen



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



Context (v)

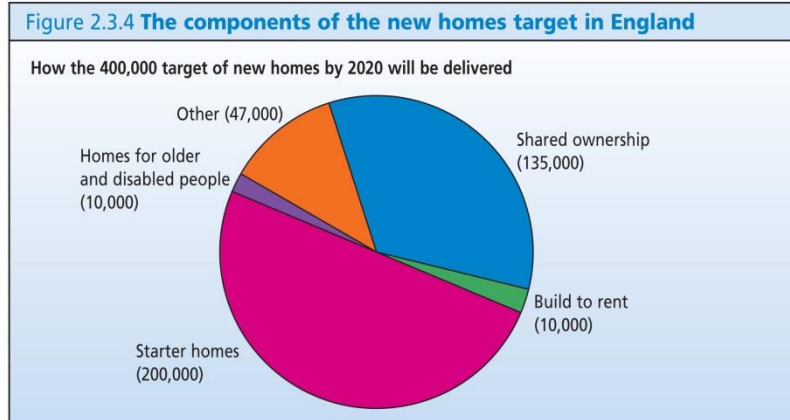


- We need **stability** and a **long term plan** for house building – but are operating in a **rapidly changing policy environment**
 - Government support for home ownership, often at direct expense of other options
 - Welfare and rent cuts
 - Brexit
- And we need **all parts of the industry to contribute** 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



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)



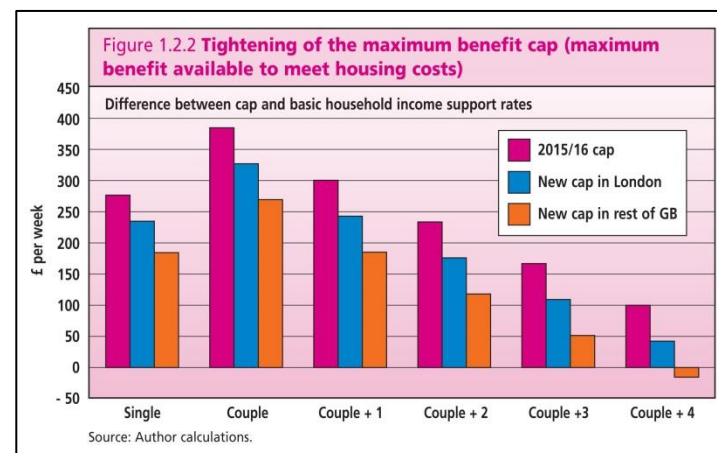
- **A package of further welfare cuts**
 - Overall benefit cap to be reduced from £26k p/a to £20k (or £23k in London) in November
 - Local Housing Allowance (LHA) rates will be extended to social housing, including the 'shared room rate' for under 35s
 - 18-21 year olds will no longer have an automatic 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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