



# The Housing Debate

**Stephen Smith, Director,  
Mortgage Club & Housing  
Legal & General Network**

**3<sup>rd</sup> December 2014**



# Agenda

**Housing – the growing debate**

**What are the key issues ?**

**Who is saying what ?**

**Reading list !**

# Housing – the growing debate

Emerging political consensus – on the issues, not the remedies ?

Manifestos – watch this space.....

Top five issue for voters – according to YouGov research, after immigration, the economy, Health Service and welfare.

ComRes finds it the top issue based on a poll of MPs about their conversations with voters

Fears for the next generation – decline of home ownership and the rise of “generation rent”

Population growth – 64 million going to 70 million by 2027

*With one year to go until the general election, the housing crisis is set to move to the centre of the political stage and all party manifestos should be judged on their response to this huge challenge.*

The Times, Editorial, 19/4/14

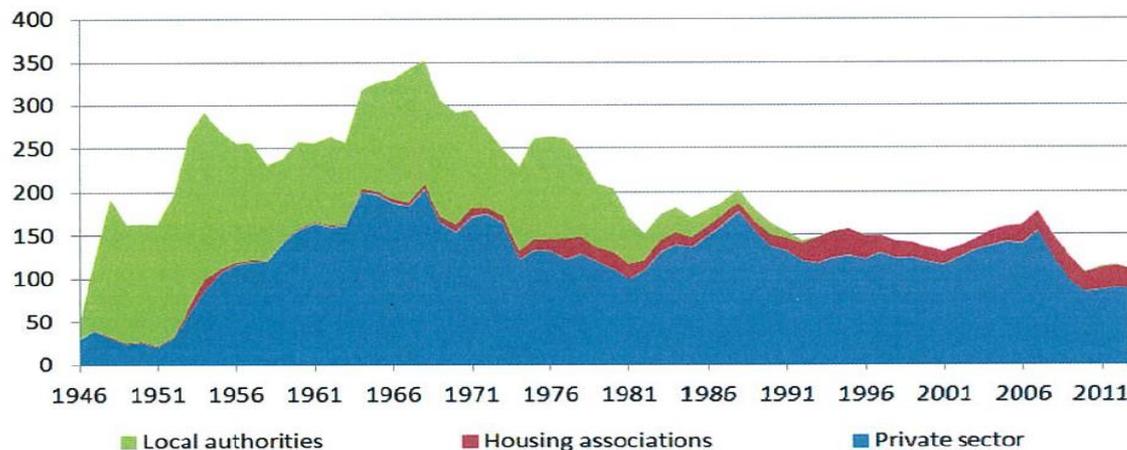
# Housing – what are the issues ?

Supply side problems – no issue with demand !

Why ? Thatcher's Right to Buy, failure to build, housing bubbles, gridlocked housing system

Not building enough – of any tenure

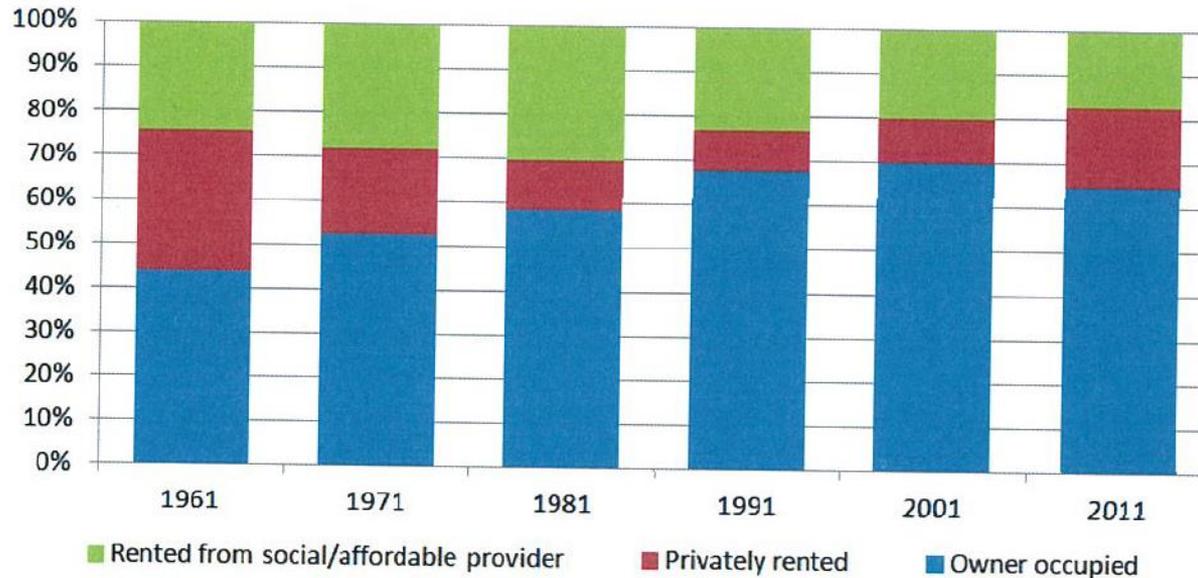
Figure 3: Annual housing completions in England by tenure, thousands



Source: Department for Communities and Local Government Live Table 244: permanent dwellings completed, by tenure, England, historical calendar year series

# Tenure – what’s happening ?

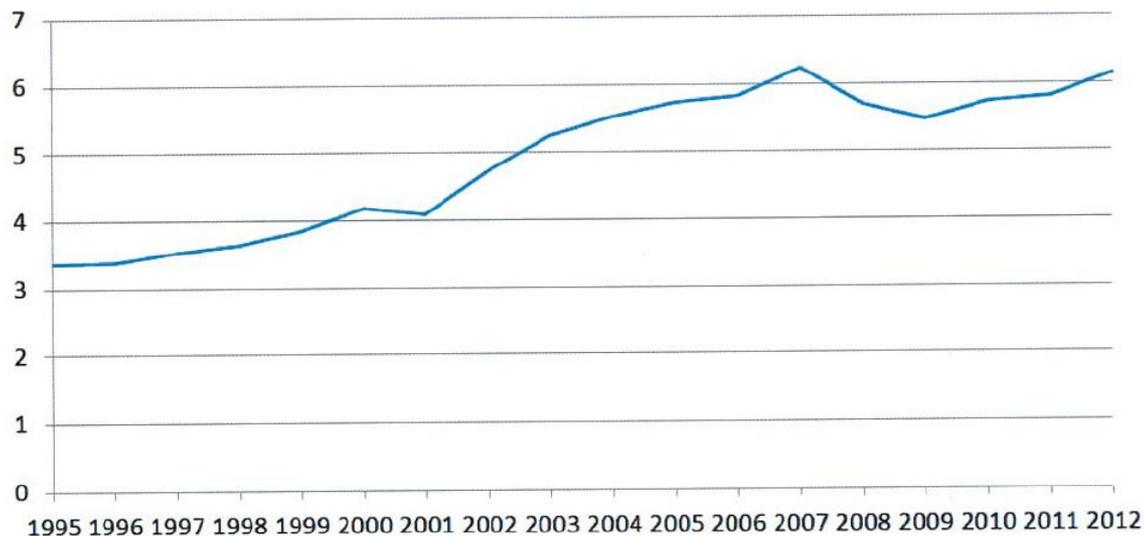
Figure 6: Housing stock by tenure



Source: Department for Communities and Local Government Table 104 Dwelling stock: by tenure, England (historical series)

# Getting more and more unaffordable

Figure 5: United Kingdom average house price to average annual household gross income

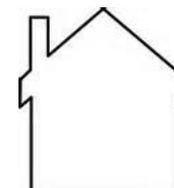
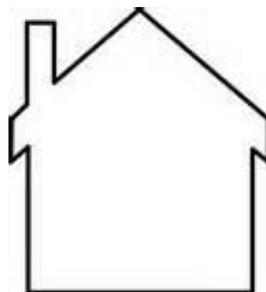
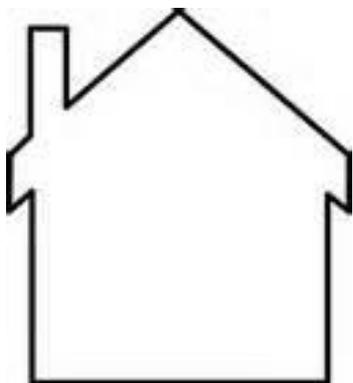


Source: Office for National Statistics Family Spending 2012, Table A44; Office for National Statistics, Table 25 Housing market: mix-adjusted house prices (previously Department for Communities and Local Government Table 507).

***“House prices have risen 4,300% in the last 40 years. If the price of food had risen at a comparable rate over the same period, buying a whole chicken at a supermarket would cost £51.18” – Legal & General, “Let’s House Britain”***

## And smaller and smaller.....

Country	Average new build home size (sq ft)
Australia	2,217
New Zealand	1,894
Denmark	1,475
Japan	1,421
Belgium	1,281
Netherlands	1,249
UK	818



## **Generation rent - a closed door ?**

**The number of under 30s with a mortgage fell from 43% in 1997 to 29% by 2009**

**26% of people aged 20 to 34 live with their parents, an increase of 25% since 1996**

**Between 1997 and 2010, the average income required to become a first time buyer doubled, from £20k to £40k, rising much faster than earnings**

# **Can we unlock the wealth ?**

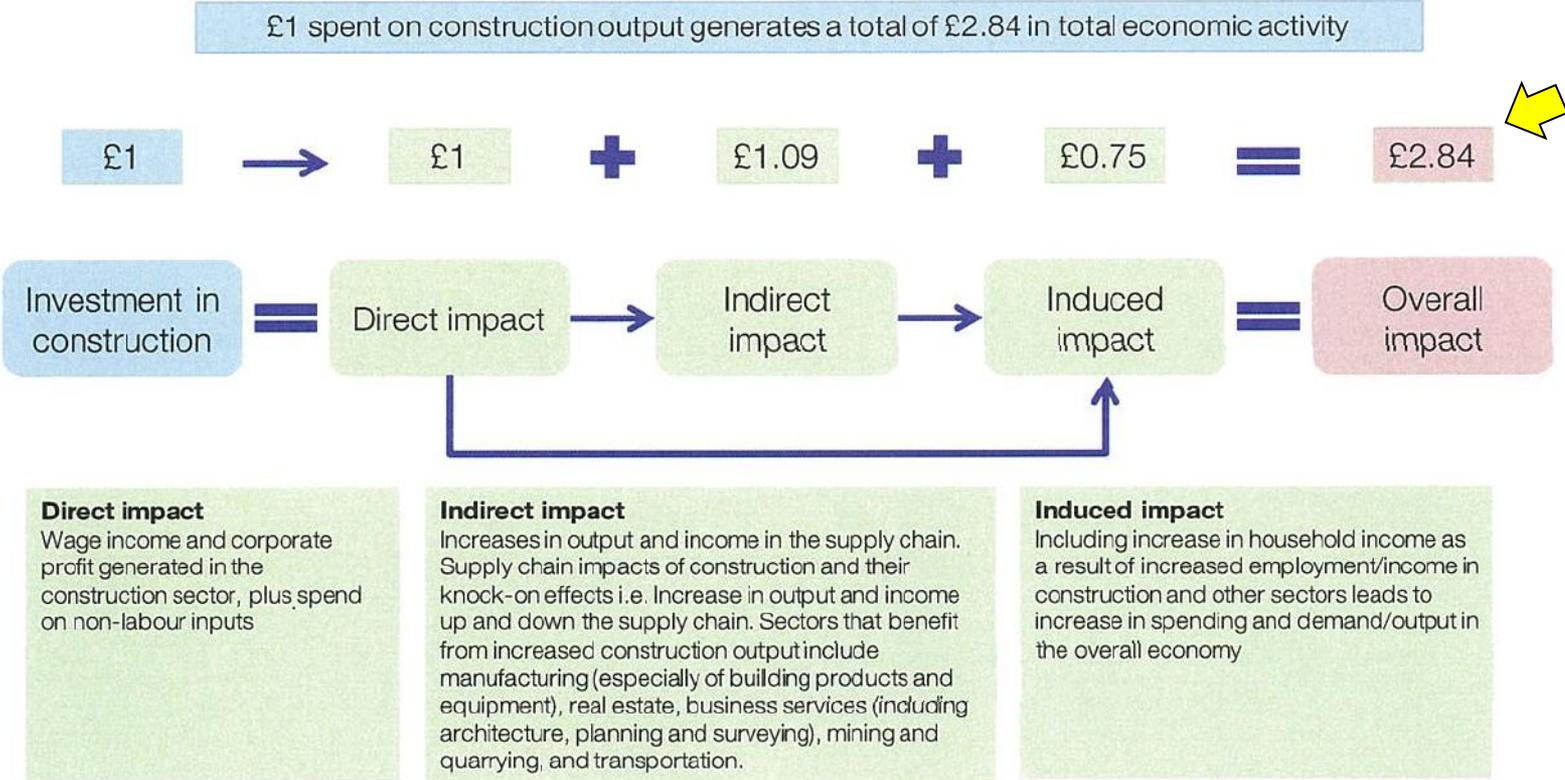
**The under 50s hold £540bn, or just 18% of the £2.9tn in UK housing wealth**

**83% of over 60s own their own home, and 64% are mortgage free. This equates to £1.23tn in housing wealth compared to their collective £769bn in savings**

**33% of over 60s want to “rightsize”. This could “free up” millions of larger family homes.**

# Why investment in housing makes sense – the Multiplier Effect

Multiplier effect of construction spending on the UK economy (L.E.K consulting)



**So who is saying what ??**

# KPMG/Shelter – *“Building the homes we need”*



“Over the last 40 years house prices have risen by 3% annually in real terms, but this price signal has not produced a supply side response. With every period of rapid house price growth supply has responded only slowly and then declined rapidly when house prices have fallen”

“House building is a complex, time-consuming and expensive process”

- Intervention in the land market
- Expand the building sector
- Public and private investment to build more affordable homes
- Empowering growing cities

# Capital Economics and Shelter - Affordable housing

Increasing investment  
in affordable housing



*Towards a level playing field for affordable housing*



Capital Economics Limited  
150 Buckingham Palace Road, London, SW1W 9TR  
[www.capitaleconomics.com](http://www.capitaleconomics.com)

Registered Office: As above. Registered in England No. 2484735 VAT No. GB 713 8940 25

**“Until recently, new affordable housing was funded by central government grants. However, the budget for the DCLG has been one of the most aggressively squeezed during recent rounds of fiscal austerity”**

**Borrow to invest**

**Overhaul public sector accounting**

**Establish a Housing Investment Bank**

**Deploy publicly owned land**

# Sir Michael Lyons – Housing Commission



---

Mobilising across the  
nation to build the homes  
our children need

---

**A very broad range of participants**

- **Build more homes**
- **Make housing a national priority**
- **Make more land available**
- **Give communities power**
- **Rebuild the building industry**
- **Choice – housing for all**
- **Garden Cities**
- **New funding infrastructure**

# ***CBI – “Housing is not just a social priority – it is a key business issue”***



**HOUSING BRITAIN**

BUILDING NEW HOMES FOR GROWTH



**Double the number of new homes built to buy and rent**

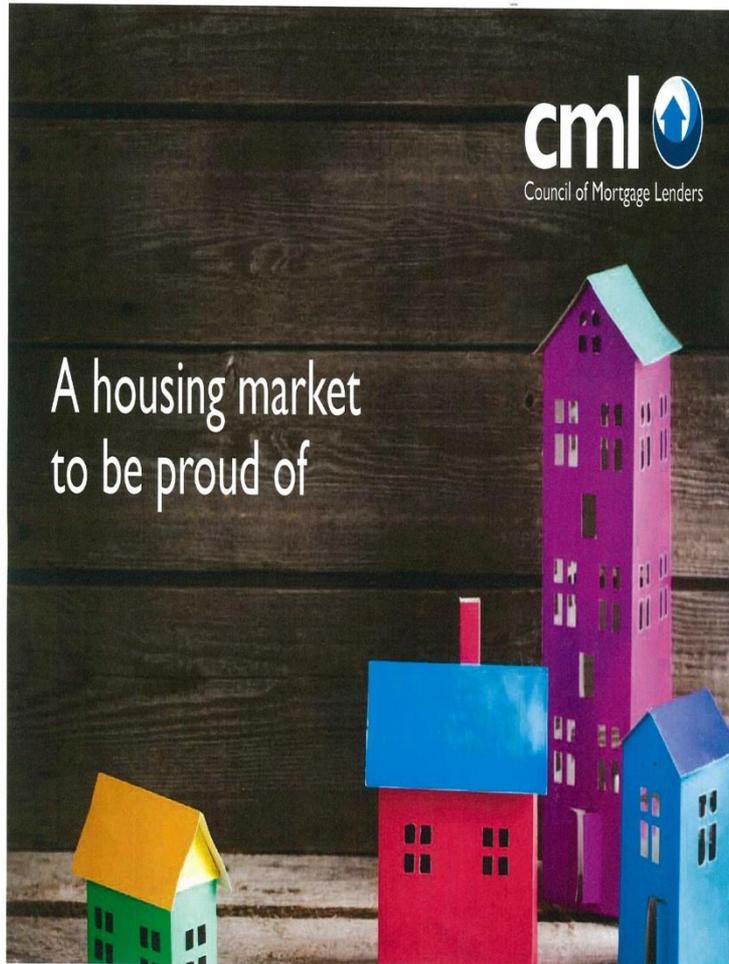
**Clear and sufficient pipeline of land**

**Flexible and workable planning system**

**Innovative finance and simpler tax regime**

**Upskill the workforce**

# CML – our industry agrees.....



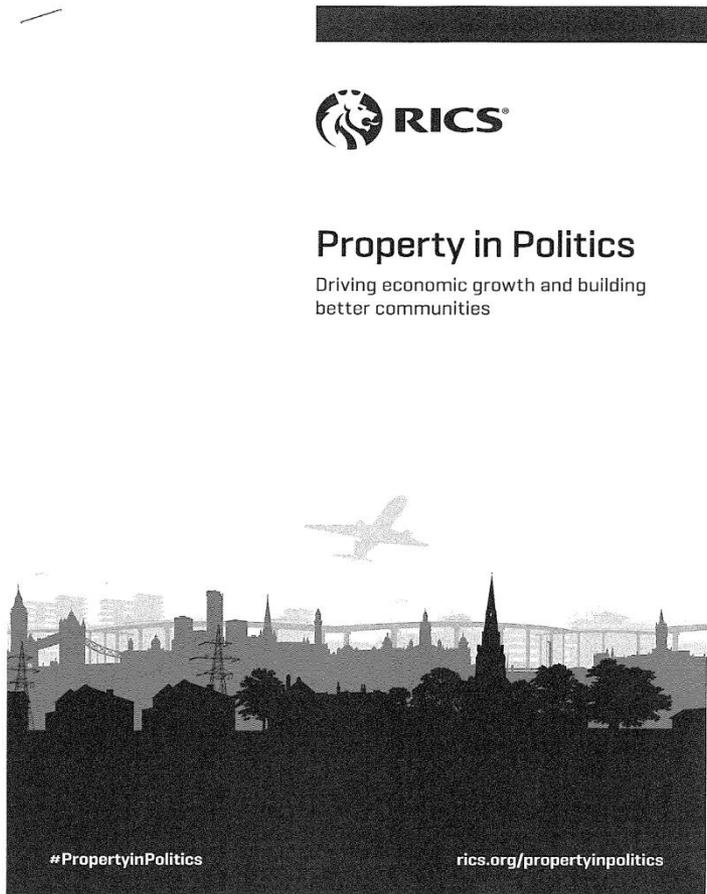
**Link the disparate strands of housing strategy into a coherent whole**

**Acknowledge the need for better links and transitions between tenures**

**Work with the industry on how to best use existing housing stock**

**Refrain from micro-intervention overkill**

# RICS – Property in Politics



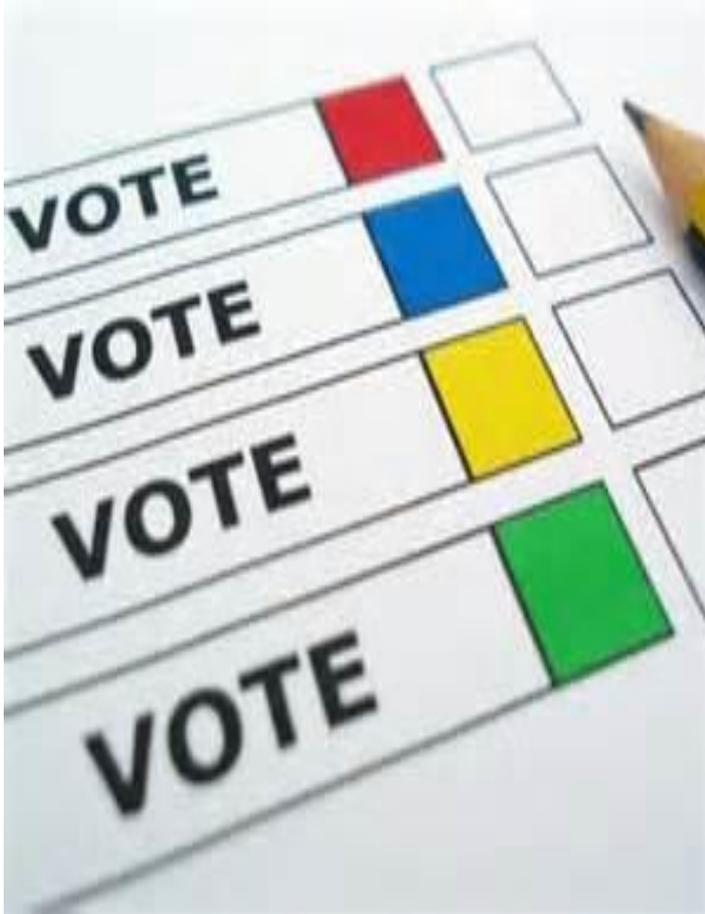
- Development Delivery Units**
- Property tax forward guidance**
- Professionalise the PRS**
- “Amberfield”**
- Set up an “Infrastructure Commission”**

# Legal & General's ten point plan for housing



1. **Build, build, build**
2. **Transform planning**
3. **Unlock £1tn of housing wealth**
4. **Address affordability**
5. **Invest in social housing**
6. **Improve infrastructure**
7. **Help retirees rightsize**
8. **Prepare for interest rate rises**
9. **Industrialise the PRS**
10. **Think modern – self build, modular**

# And the political parties ?



## Conservative

100k discounted homes for first time buyers

200k + pa but “not a fan of targets”

## Labour

Adopt the Lyons Review recommendations

200k new homes pa

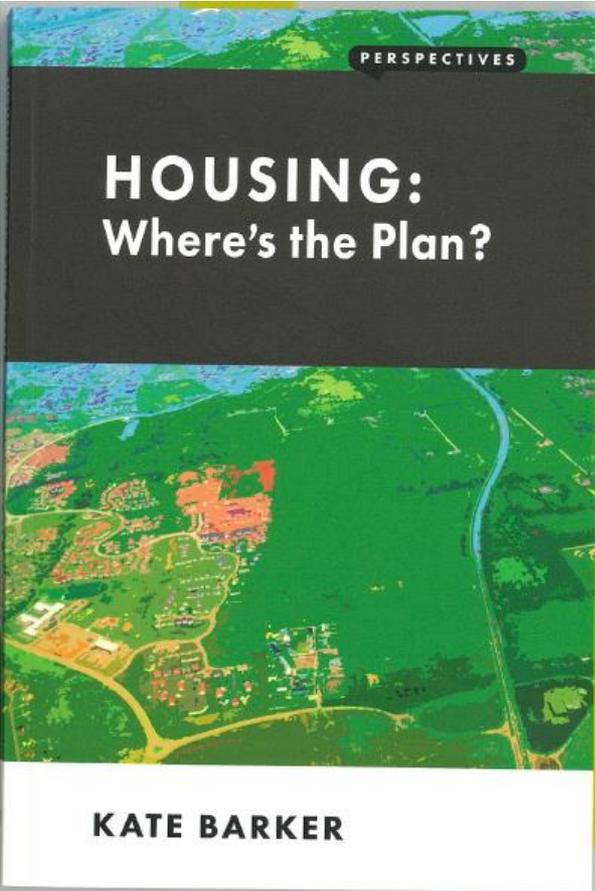
## Liberal Democrats

300k new homes pa

50k homes in garden cities

More to come.....

# If you read one book.....



**The most simple and succinct analysis of the problems we face in the UK housing market and what we can do about them.**

# Reading list

- **“Property in Politics” – RICS**
- **“Building the homes we need” – Shelter and KPMG**
- **“Increasing investment in affordable housing” – Capital Economics and Shelter**
- **“Housing Britain – Building new homes for growth” – CBI**
- **“The affordability of retirement housing” – All Party Parliamentary Group on housing and care for older people**
- **“The Lyons Housing Review – Mobilising across the nation to build the homes our children need” – The Labour Party**
- **“A Housing Market to be proud of” – CML**
- **“Where will our children live” – Shelter**
- **“Let’s house Britain” – Legal & General**
- **“Housing – Where’s the Plan ?” – Kate Barker**

# QUESTIONS.

