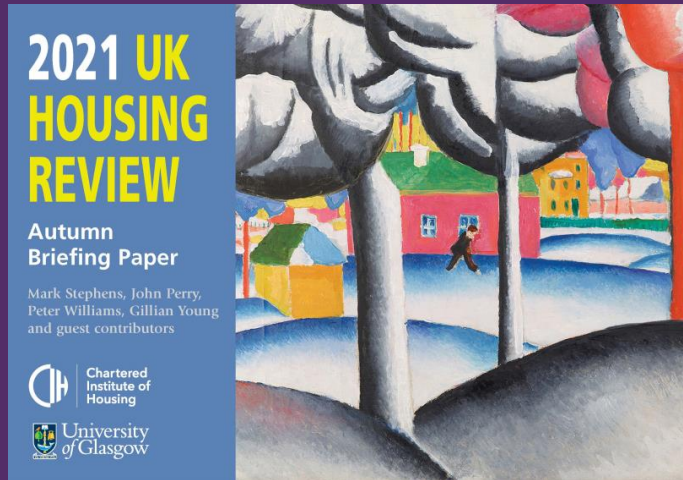




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Housing**

UK Housing Review

Autumn 2021 Briefing Paper

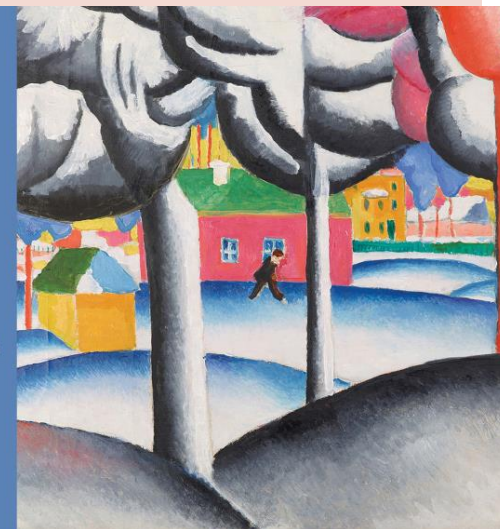


Economic prospects - background to the Briefing Paper

2021 UK HOUSING REVIEW

Autumn
Briefing Paper

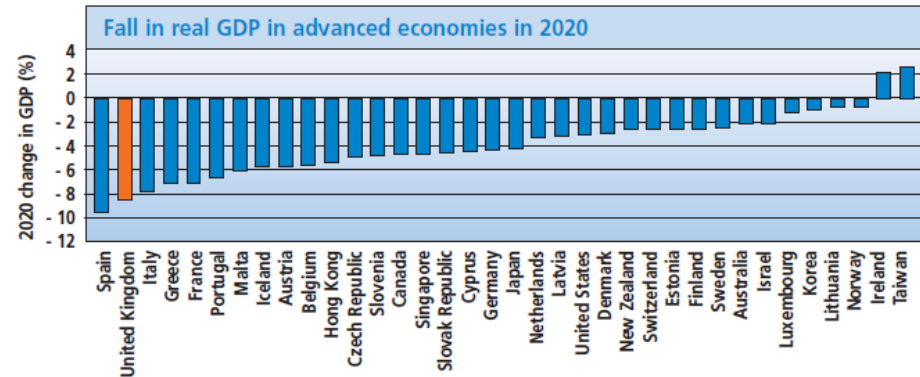
Mark Stephens, John Perry,
Peter Williams, Gillian Young
and guest contributors



Economic prospects



- COVID-induced contraction far greater than after GFC.
- But “bounce back” much quicker
- Large fiscal stimulus took debt: GDP > 100%
- QE blurs line between monetary and fiscal policy
- Low debt costs mean no pretext for Austerity II
- But government ambitions to cut debt suggest tight CSR



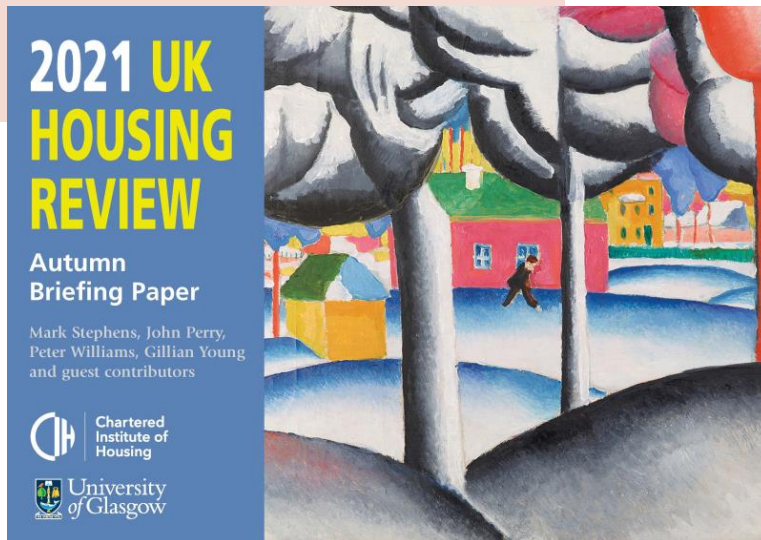
Source: IMF, ONS. Note: Based on IMF definition of advanced economies.

Key structural issues in medium to long term:

- Inflation – temporary blip, or structural change?
- Interest rates and debt
- Supply-side issues and impact of BREXIT
- What kind of net zero transition?
- Levelling up



The private housing market and first-time buyers

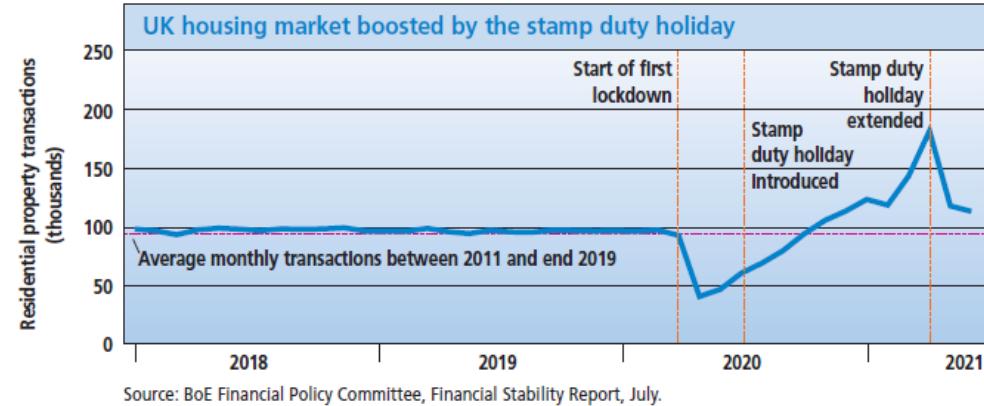


The private housing market emerges from the pandemic



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- Market has outperformed expectations, boosted by govt
- A selective race for space which shifted the sales profile
- Momentum has been maintained reflecting pent up demand
- Price rises slowing but will continue into 2022
- ? then as interest rates/inflation edge up

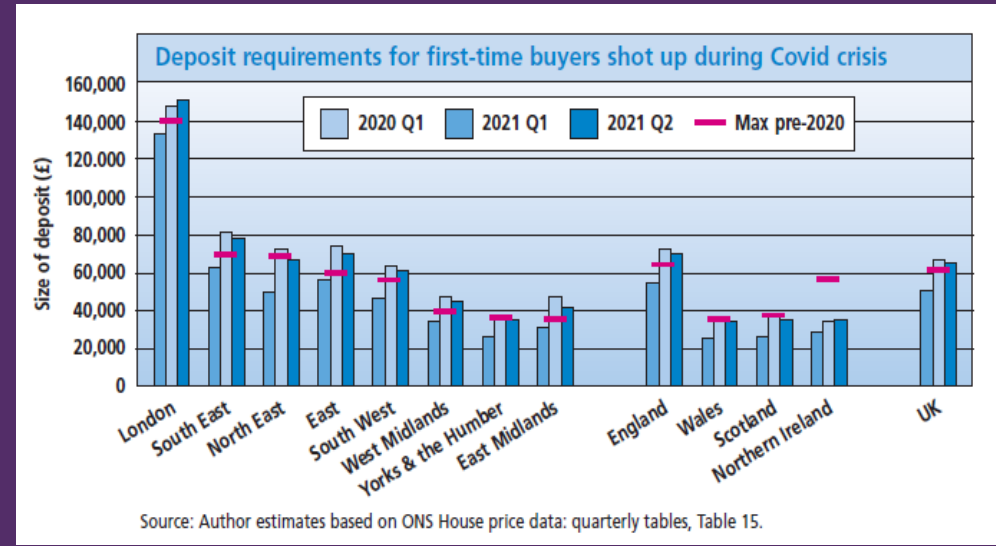




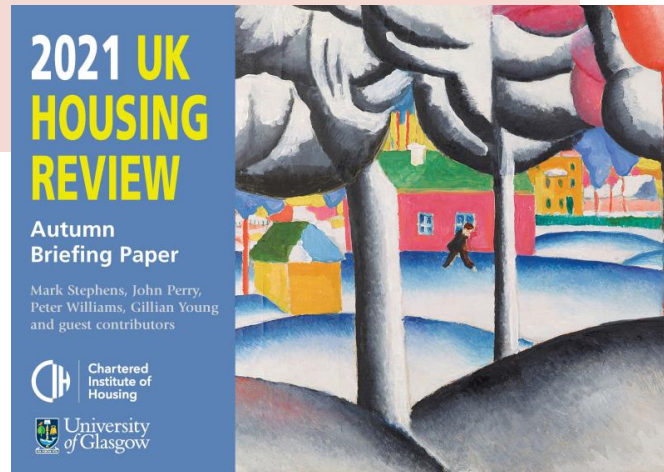
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- Temp guarantee scheme eased high LTV for FTBs but debt vulnerability grows....
- Other tensions remain, e.g. home or asset, regressive taxation, SO or FH etc, policy not joined up!
- Some FTBs disadvantaged and more inequality driven via housing market
- Radical rethink needed and a move beyond a focus on more homes and planning reform

A deeper dive in the housing market – Catch 22 for first-time buyers?



The stamp duty holiday and its effects

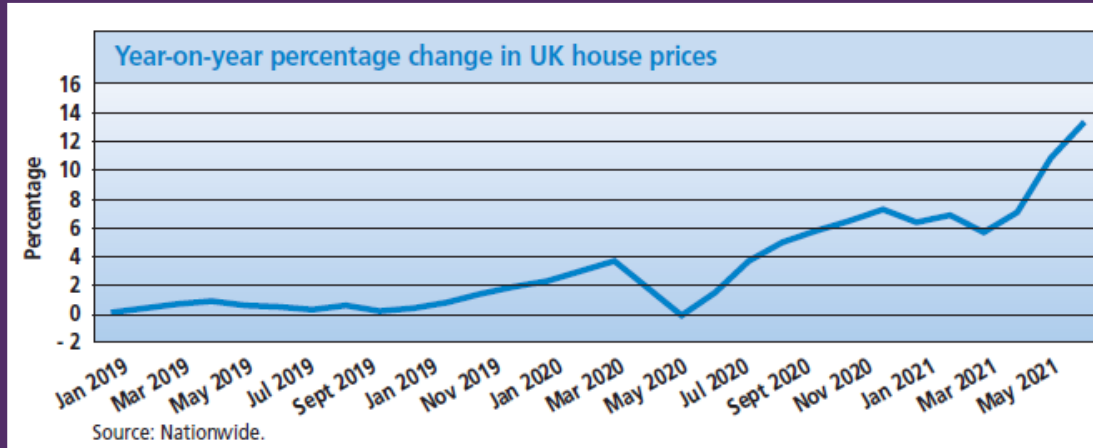




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- Introduced to boost economy as it emerged from lockdown
- Soon clear it was not needed
- Ended in S+W in March; extended in E+NI
- Reminiscent of delayed withdrawal of double MIRAS in 1988?
- Strong HP growth post withdrawal in S+W suggests boom may continue for now.
- Beneficiaries of policy once again existing owners.

Stamp duty: another boost for homeowners at expense of first-time buyers

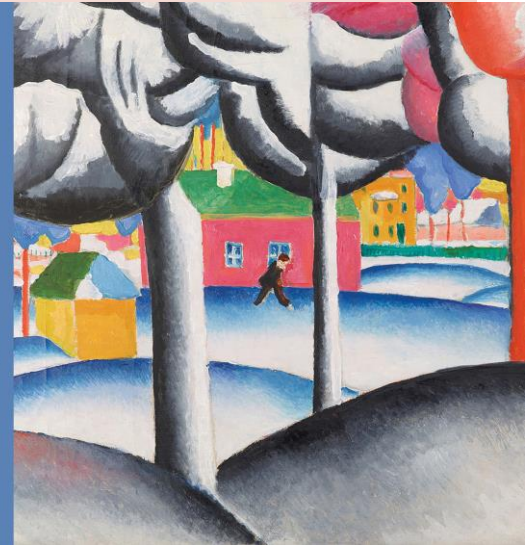


Homelessness trends and recent policy development in Scotland

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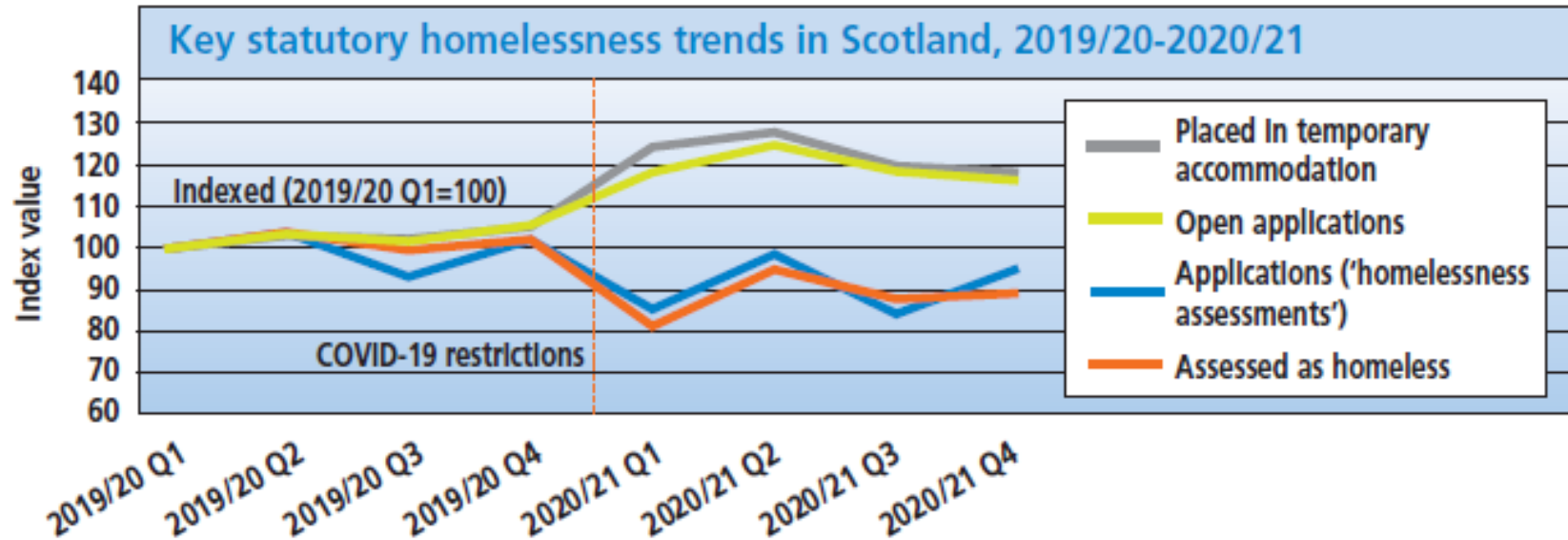
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Homelessness trends and recent policy development in Scotland



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Source: Scottish Government homelessness statistics.

Homeless: an enduring policy priority in Scotland



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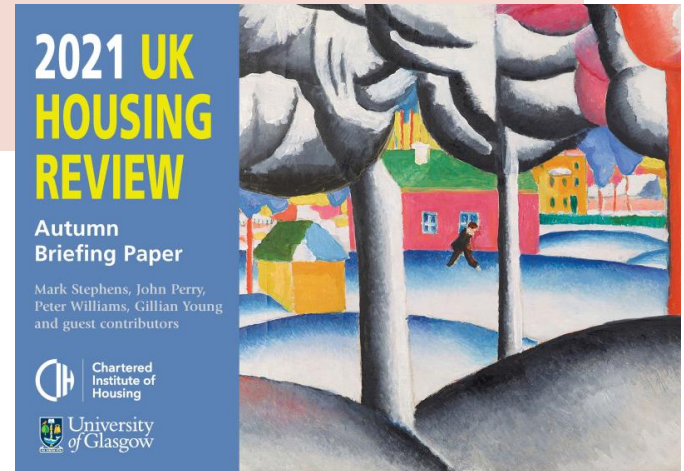
- ‘Ending Homelessness Together’ Action Plan and Updates
- Rapid Rehousing Transition Plans (RRTPs), and associated Scottish Government funding, key mechanism
- RRTPS seen as effective in driving change...
- Led to changes to social housing allocation policies in more than half of LAs
- Two-thirds of LAs said RRTPs supported their homelessness response to the pandemic
- Mismatch between the RRTP vision and resourcing currently available to implement it

“the whole RRTP process has really helped... turn elected members' minds towards that approach... to join things up a bit so that it's not just about the housing service or... the council, it's a more holistic view, and with partners as well” (Key informant, statutory sector)

“Having our RRTP and related action plan meant we continued focus on priority areas... service users experience of our services would have suffered without this focus” (LA, Glasgow and rest of Clyde Valley)

“[there is a] vast gap in what it would take compared to what was on the table... We've gone for big bang rhetoric and only a small amount of money to get there.” (Key informant, voluntary sector)

What does 'levelling-up' mean for housing?



What does 'levelling-up' mean for housing?



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The emerging definition of levelling-up:

- Empowering local leaders and communities
- Growing the private sector, and boosting living standards, particularly where they're lower
- Spreading opportunity and improving public services, particularly where they're lacking
- Restoring local pride.

Newly-named 'Department for Levelling-up, Housing and Communities' to publish a **Levelling-Up White Paper** this Autumn.



What does 'levelling-up' mean for housing?



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Homes requiring upgrade to reach EPC C by 2035

	Percentage of homes below EPC C	Number of homes below EPC C	Homes requiring upgrade each year 2020 to 2035
North East	58.1	668,983	44,599
North West	61.0	1,881,172	125,411
Yorkshire & The Humber	65.3	1,487,467	99,164
Total Northern regions	62.0	4,037,622	269,175
ENGLAND	59.6	13,638,971	909,265

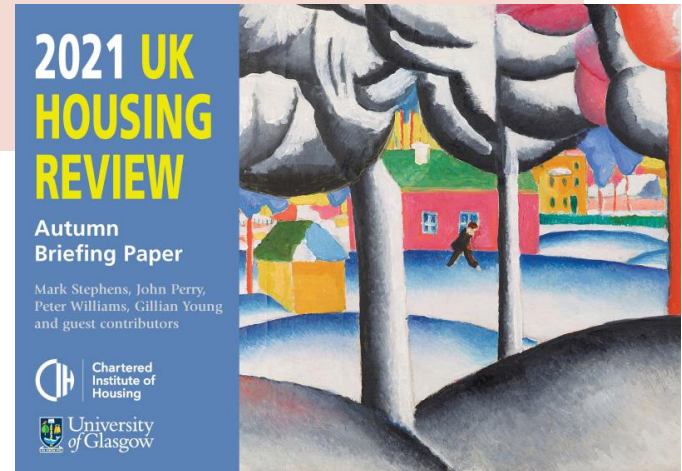
Source: ARC4 analysis of the English Housing Survey 2020 for Northern Housing Consortium.

What *should* it mean?

- Tackling housing quality – including through green upgrades
- Build on targeted policy that's working – e.g. the Brownfield Fund
- Rebuilding local leadership capacity, supporting with specialist skills via Homes England

Clear choices ahead at Spending Review and in the White Paper.

The continuing controversy over planning reform in England



The continuing controversy over planning reform in England



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How it started...

August 2020 – The Planning White Paper promises “radical reform unlike anything we have seen since WW2”. Alongside this “changes to the current planning system.”



How its going...

44,000 consultation responses and a Secretary of State later - Gove calls a pause and orders a complete rethink.

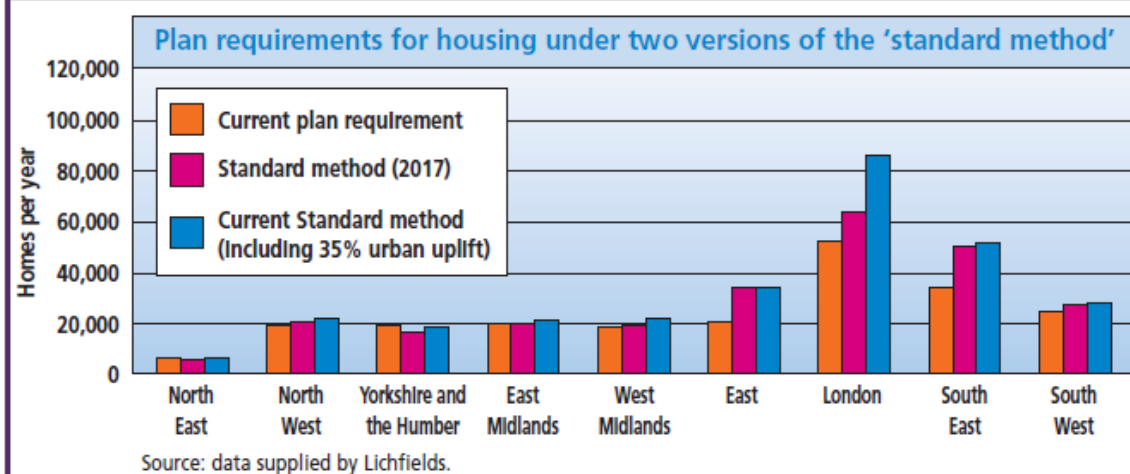




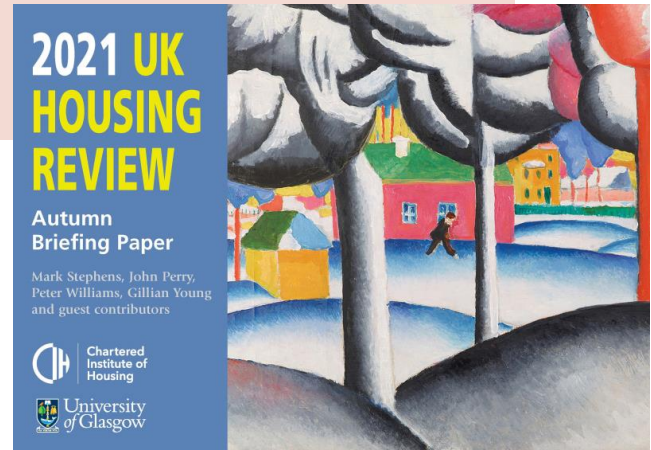
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- Changes to the standard method for housing need – the ‘mutant algorithm’ then ‘as you were’ for most.
- The Infrastructure Levy to replace S106 and CIL?
- An opportunity for DLUHC to think again?

Key issues relating to housing delivery

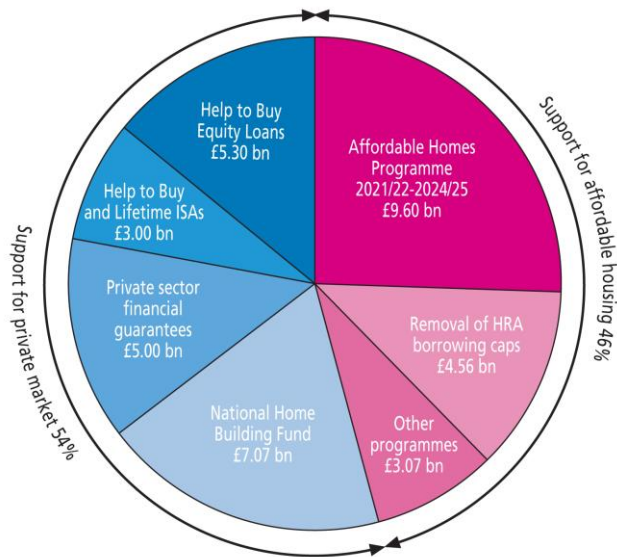


Affordable housing investment and the zero carbon challenge





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Post-Covid affordable homes programmes

Affordable housing investment in England is now a bigger part of total spending (46%) but still well below percentages in Scotland, Wales and NI

Scotland, Wales and NI are all close to delivering their programmes – allowing for pandemic delays – which strongly emphasis social rented homes

England's new Affordable Homes Programme is the biggest for a decade but still lower than the Labour government's last programme

Problem is the balance of the programme:

- Strongly oriented towards homeownership
- Social rent output likely to continue at low levels – 32k forecast over five years outside London

Soon it will be too late – addressing housing's contribution to climate change



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The elephant in the room...

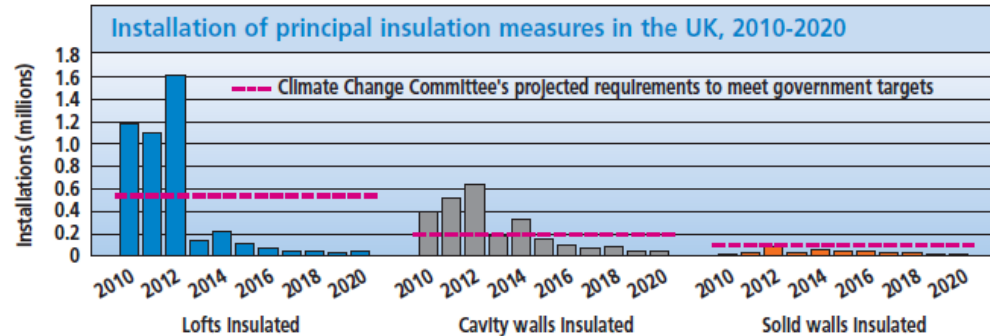
Slow progress on all fronts

Key issues about:

- Heat and buildings strategy
- Decarbonising the grid
- 'Fabric first' and how to achieve it

But for social landlords:

- £3.8 billion Social Housing Decarbonisation Fund
- Real investment needs much higher
- Competing with – new build, building safety



Source: Climate Change Committee, 2021 Progress Report to Parliament.

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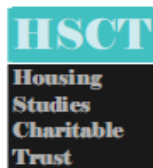
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**The Scottish and Welsh
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