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2021 UK HOUSING REVIEW

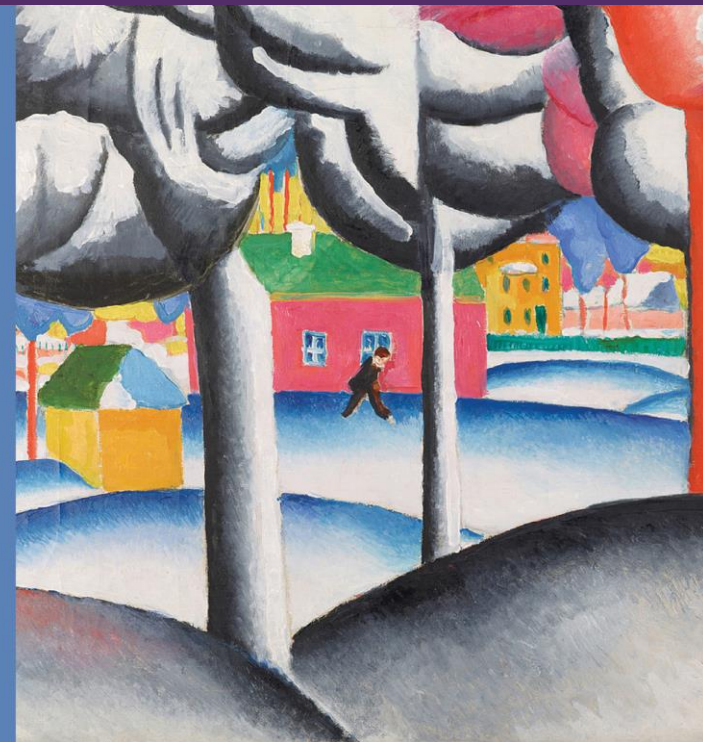
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and Suzanne Fitzpatrick



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The private housing market, first-time buyers and private renting



Housing market and the pandemic



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- From expectations to reality – expert forecasts were wrong!
- 2020 and into 2021 we have a buoyant purchase market alongside a pressured rental market
- Partly a product of policy interventions but also shifting consumer demand – the so-called “race for space” - major shifts in geography/type
- SDLT/LTT/LBT “holiday” through July 20/21 – and clear divergences!
- Payment “holiday”/deferral by borrowers – most returned to full payment
- Arrears slightly up, repossessions constrained/active forbearance – tenants most under pressure
- Processing challenge – whether courts or lenders
- Lender risk appetite tighter – fewer loans, longer backlog as per transactions

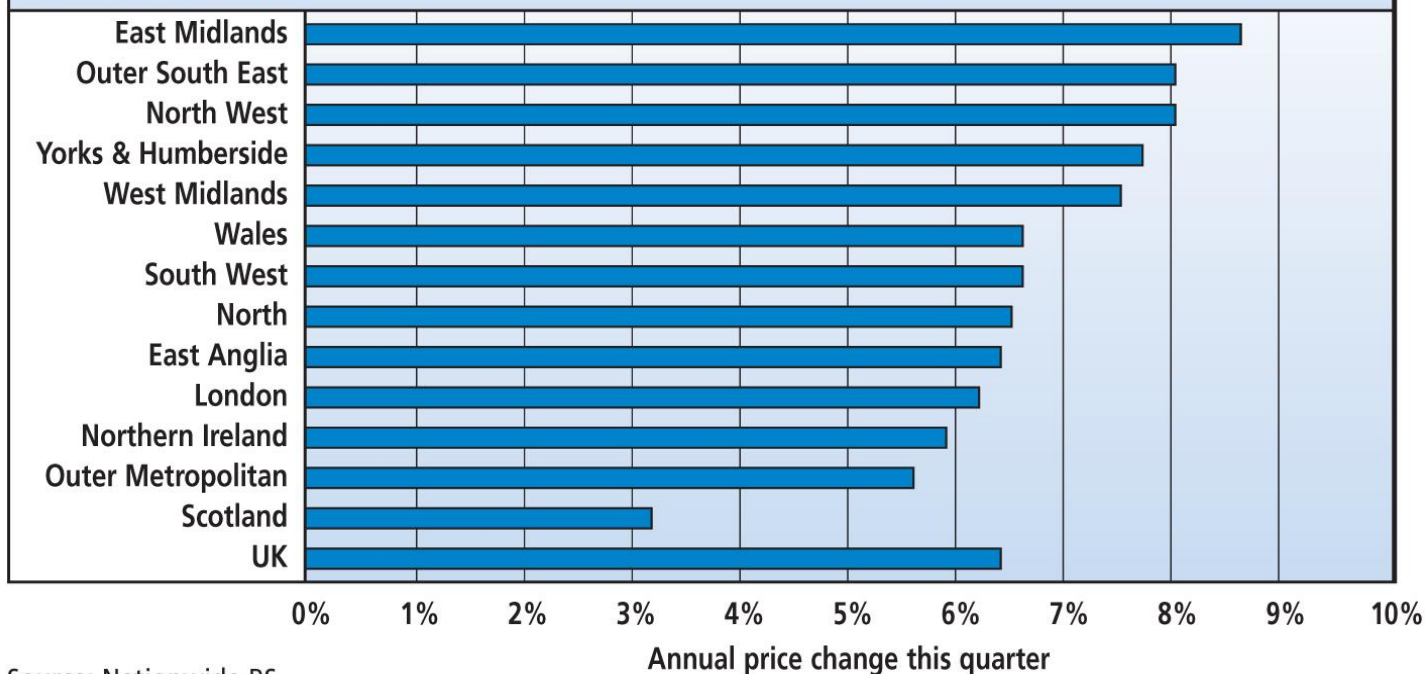


House price changes across the UK



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Figure 2.3.1 Annual house price changes across the UK for the fourth quarter of 2020



Source: Nationwide BS.

Will the market revive?



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- Impact on first-time buyers (FTBs) – FPC review of tools – limited hope for change given primary purpose is stability
- Gov't stimulus measures – extension of HTB cut-off for existing scheme except in Scotland and scheme closure
- Reliance on First Homes and shared ownership (SO), and now mortgage g'tee and OMSE – but scale?
- SO under pressure – modest performance and new proposals in England might weaken rather than strengthen contribution? SO needs closer scrutiny
- Outlook – weaker gov't support for FTBS, private schemes emerging
- First six months of 2021 more buoyant but much turns on shape of recovery
- Reinforcing deeper-seated inequalities - not least for younger households



Homelessness – during and after the pandemic



Responses to rough sleeping



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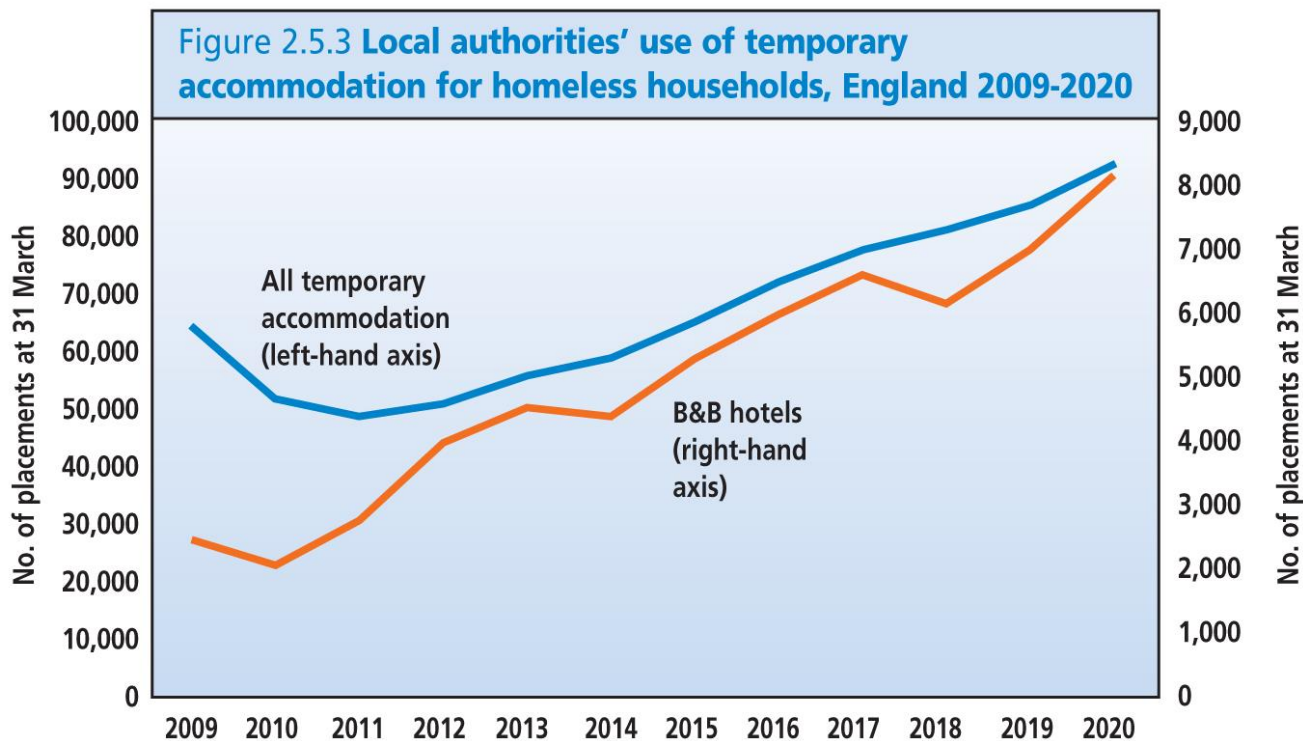
- *In England:*
 - radical and rapid nationwide response – remarkable success and speed
 - decisive, hands-on leadership by central government ; LAs and voluntary sector rose to unprecedented challenge; strong foundations laid by RSI and HRA; new/brought forward funding, but proliferation of fast-turnaround pots
 - levels of infection and deaths low in initial lockdown
 - subsequent mixed messages and variations in practice – esp. on NRPF
- *In Wales*, easing of priority need and substantial additional funding (£50m)
- *In Scotland*, less dramatic intervention required because priority need abolished; but a significant rise in use of TA during the pandemic nonetheless



TA in England on upward trajectory



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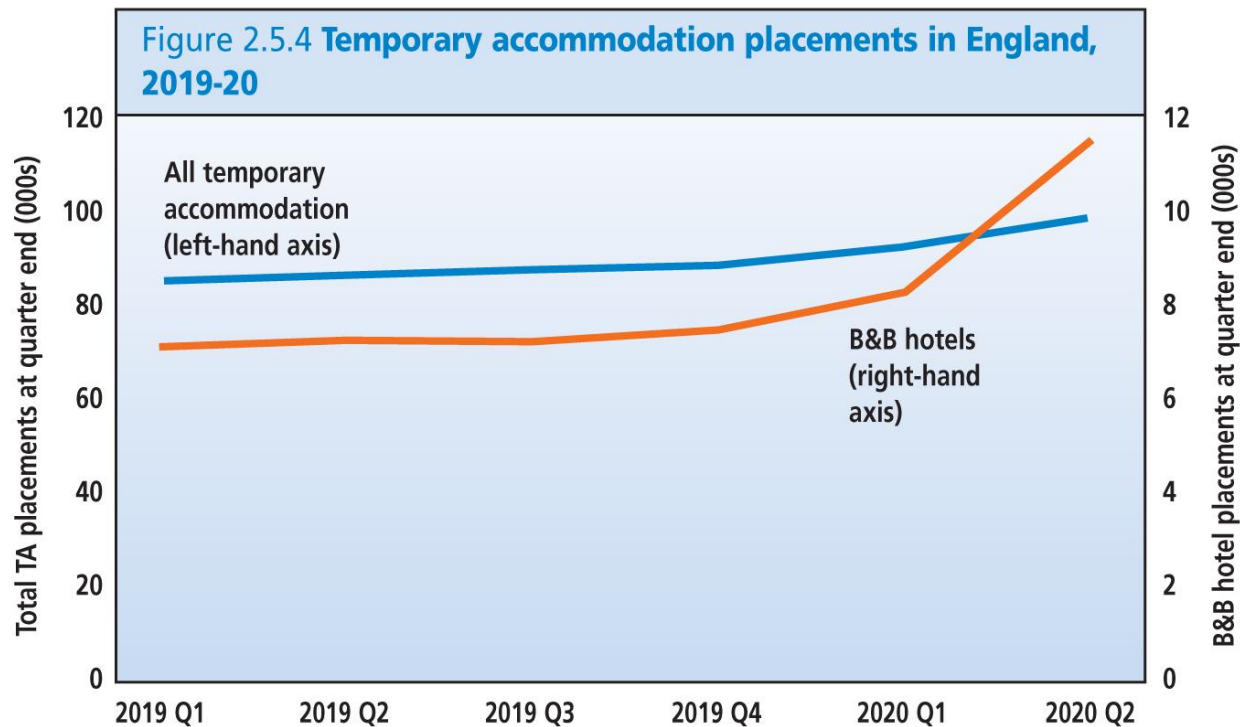


Source: MHCLG homelessness statistics.

... and surges during pandemic



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Source: MHCLG homelessness statistics.

Post-pandemic priorities



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- *Effective move on from Everyone In* – people with NRPF 50% in London
- *Eliminate use of communal shelters* - half (52%) of English LAs had some dormitory-style shelters pre-pandemic: will there now be a decisive shift away?; or expansion associated with the 2024 rough sleeping target?
- *Aggressive preventative action* - to head off a widely anticipated 'spike' in homelessness cases as evictions moratoria, furlough schemes and benefit enhancements are withdrawn/end



Social housing investment



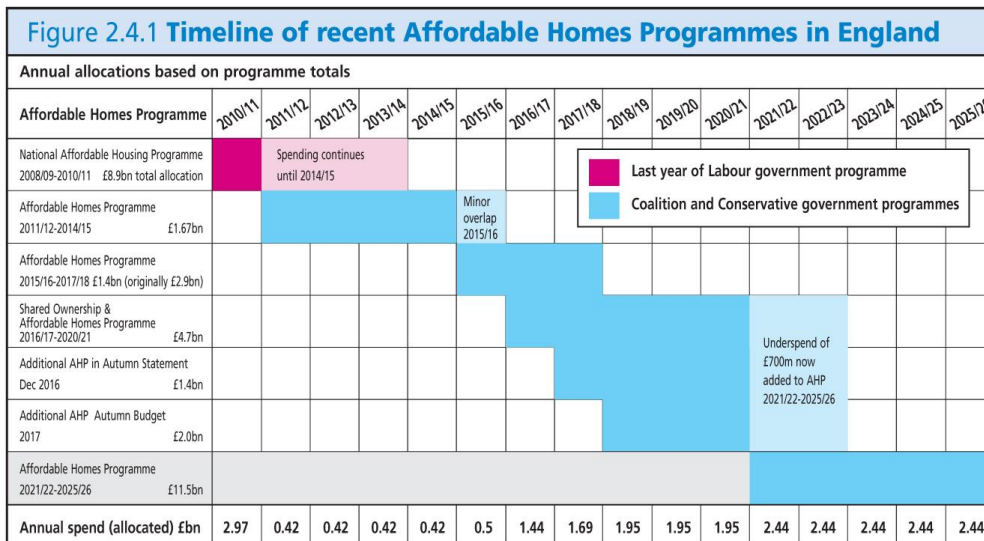
How does the new AHP compare with previous programmes?



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“Biggest investment level for a decade”

- Correct – 5 x level of ‘austerity’ years
- But last year of Labour’s programme was significantly bigger
- “New money” is £11.5 billion
- Takes forward £700m unspent from previous AHP
- £400m is being “repaid” from earlier emergency post-Grenfell spending



Source: Author calculations.

Note: Annual allocations are based on original or amended programme totals (not outturn spending).

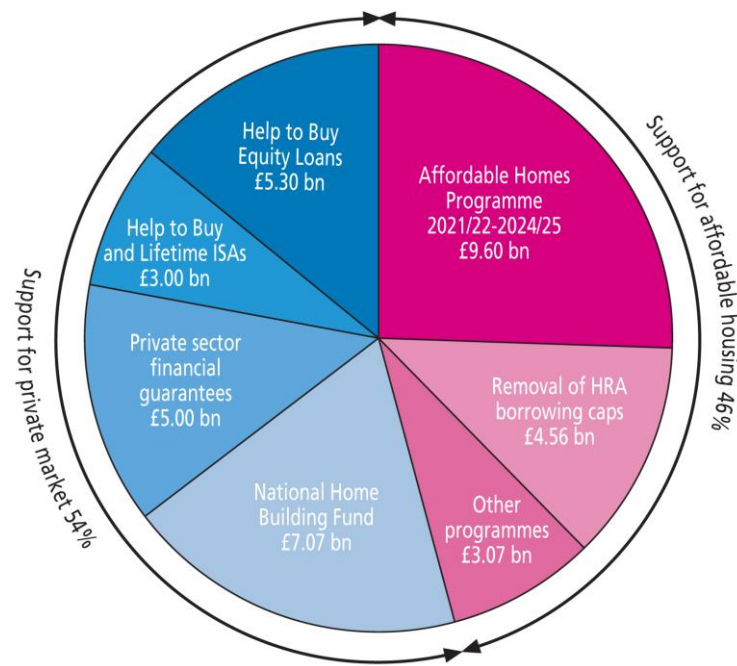
How does it compare with government support for the private market?



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UKHR regularly analyses government support for housing investment across the board:

- Previous analysis in England has shown a 75:25 split private market v affordable
- New analysis – focussing only on SR2020 period – shows a more favourable 54:46 split
- But remains in contrast to rest of UK:
 - Scotland 70:30
 - Wales 80:20
 - Northern Ireland 100:0



Social rented homes – contrast between England and Scotland



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England has *lost* over 209,000 social rent units since 2012 – despite building 70k social rent units since then – because of:

- Right to buy (ended in Scotland/ Wales)
- Investing in Affordable Rent or homeownership instead of social rent
- Conversions of social rent lettings to higher, Affordable Rents.

Yet social rent in Scotland has *increased* by 25,000 units in last five years



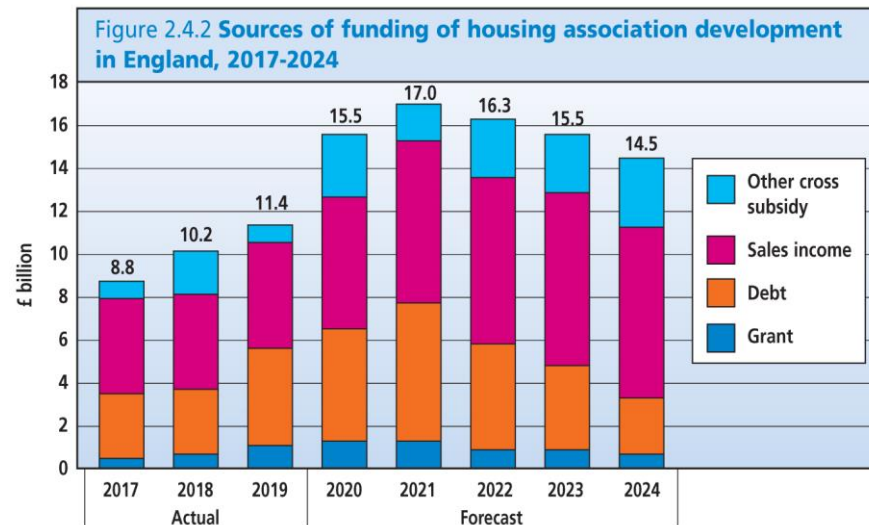
Prospects for social rented homes in England



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- Grant will cover only eight per cent of HAs development costs in 2021
- The rest will come from sales, loans, cross-subsidy, rents and other sources.
- GLA aims for at least half of 2021-26 programme to be social rent units
- Government promises 32,000 social rent units *outside London* in 5 years
- But this is only 4k more than last 5 years
- Grant still subject to affordability tests = only available in high-cost areas

Conclusion = England will continue to lose social rented stock, if more slowly



Source: RSH, Sector Risk Profile 2019, updated in March 2020.

Building back better: Lessons from the Lost Decade

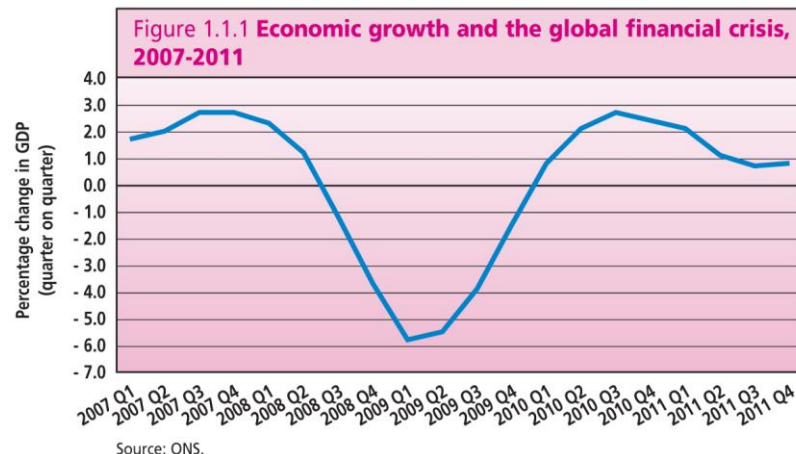


Responses to Global Financial Crisis



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- GFC created by combination of global context (“wall of money”) and institutional failure.
- Short-term responses included:
 - Fiscal and monetary expansion
 - Bank rescues
 - Measures to support housing market
 - Strategy to avoid full housing market “correction”
- Restorative measures:
 - Macro and micro-prudential regulation
 - Balance sheet restrictions
 - Affordability tests
 - *Explicitly not conceived as being housing policy.*



The context of housing policy after the GFC



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- Austerity + low productivity + low wage growth
- Loose monetary policy and Quantitative Easing
- → changing the terms of housing – i.e. how the system operates
 - Gaps in safety net (LHA)
 - Ultra cheap credit, access to which is restricted



- “Somewhere over the rainbow” approach to affordability/ supply –
 - i.e. adoption of a particular analysis without doing much about it
- Supporting housebuilding industry which remains unreformed
- Help to Buy as universal sticking plaster
- Inconsistent approach to social rental housing
- A “better yesterday” with Right to Buy
- Unreformed private rental sector

Conclusion = Lost Decade



Backed by
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What Building Back Better might look like



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- Context of monetary policy and housing supply demand reform of land and property tax
- Enhanced role of state in housing supply
- Rethink role of rental housing
- Mend income safety net
- Steps to end homelessness



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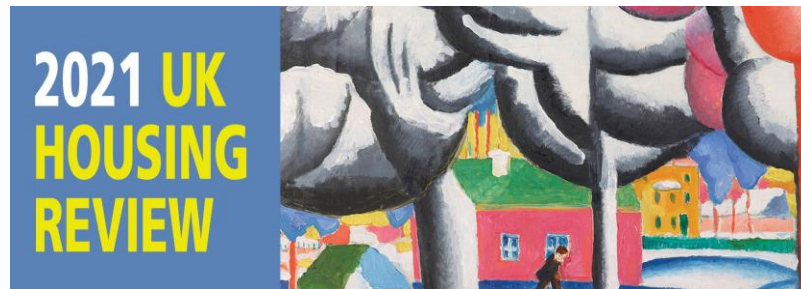
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