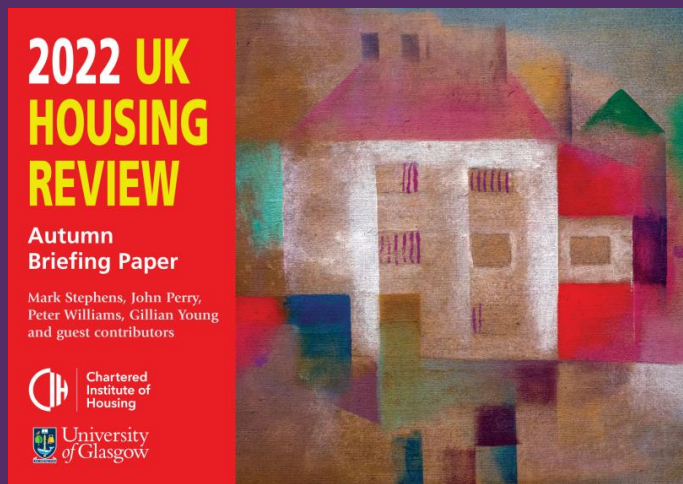




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UK Housing Review 2022

Autumn Briefing Paper



Economic prospects - background to the Briefing Paper

2022 UK HOUSING REVIEW

Autumn
Briefing Paper

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



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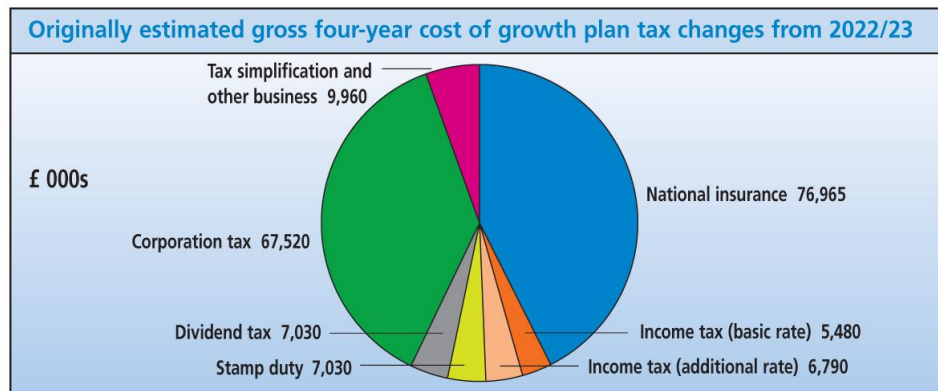


Economic prospects



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- End of the low inflation/ low-interest rate era.
- Return to double-digit consumer price inflation.
- Central bank response of raising interest rate.
- Compounded by political instability and Truss/ Kwarteng “mini budget”
- “Build back better” destined to be replaced by more austerity.



Source: HM Treasury Growth Plan, Table 4.2.

Note: HM Treasury estimates that £11.96 billion will be generated by higher wages and profits arising from the reversal of the temporary national insurance increase and cancellation of the health and social care levy.

Economic prospects



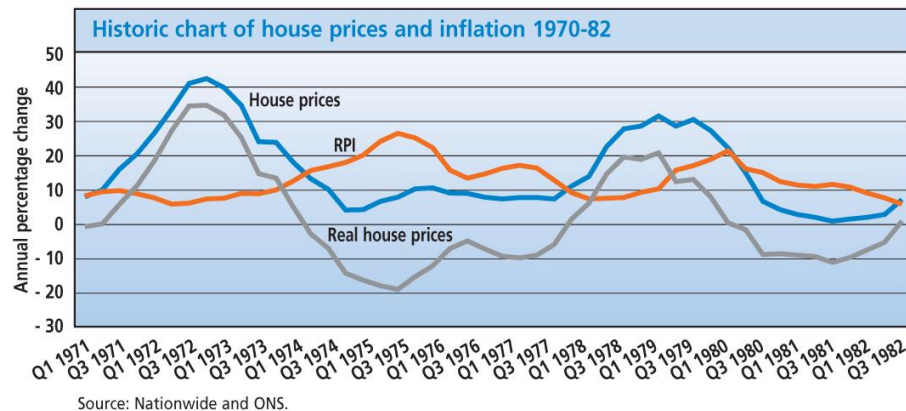
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Short-term focus on:

- Benefits uprating
- Gov't spending
- Impact on housing market.

Time for serious policy structural adjustment:

- Allowing house prices to fall – inflation may help with real adjustments.
- Role of housing in productivity – identified as one of the key weaknesses of UK economy since the financial crisis.



The private housing market and first-time buyers

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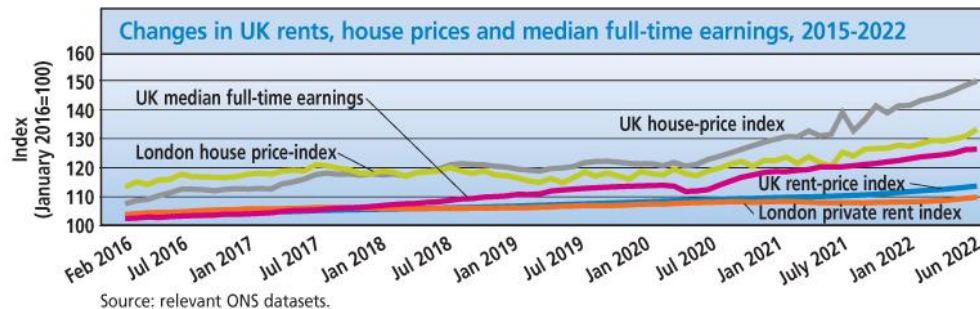


Rising pressures in the private housing market during 2022



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- Remarkable resilience despite political and economic backdrop
- Four recessions in 50 years –all different
- Rise in swap rates (which drive fixed-term mortgage costs). Lenders withdrew product/repriced
- Borrowers used to low interest costs now seeing sharp rises with more to come – LTI being stretched not least as income squeezed.



The private housing market

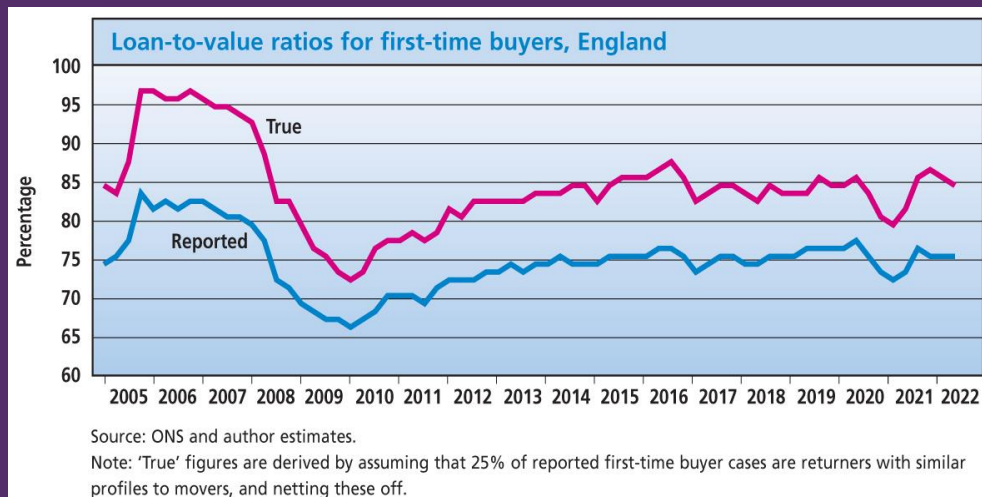
- So pressure on many borrowers (not all) and includes landlords (many reliant upon IO loans) who will pass on costs to tenants –rents rising!
- The outlook for 2023 is for scaling back of transactions and prices - the severity of which is hard to predict with any certainty. Much turns on rates and policy
- While a HM recession is possible my own view is it is unlikely. Prices are already falling in real terms but a severe drop in nominal terms (20% plus) still seems unlikely.
- Weaker pound and stamp duty reforms (assuming they survive) bring some stimulus to the market and in addition a review of the mortgage market is underway (?)



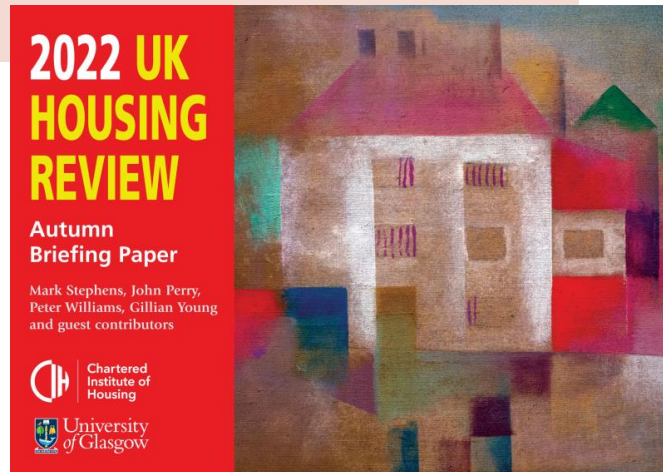
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- FTB outlook esp. challenging
- Rising house prices and restricted mortgage lending post-pandemic illustrated FTB vulnerability
- Reported FTBs have shifted to higher incomes/previous HO and flatters affordability story
- Financial turmoil impact on lending, affordability, BOMAD and Govt. schemes ending

Changing fortunes for first-time buyers



Private rented sector reform in England





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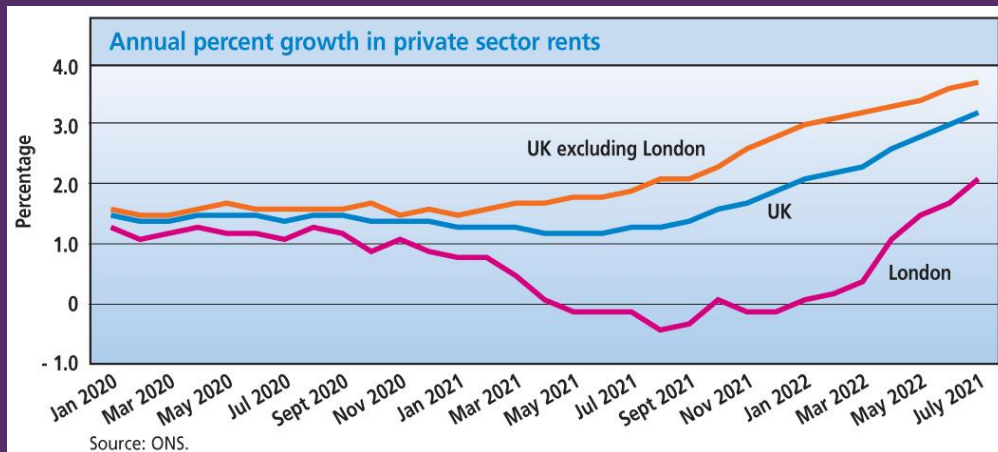
Backdrop of rising rents, squeezed incomes & weakened safety net.

White paper proposes:

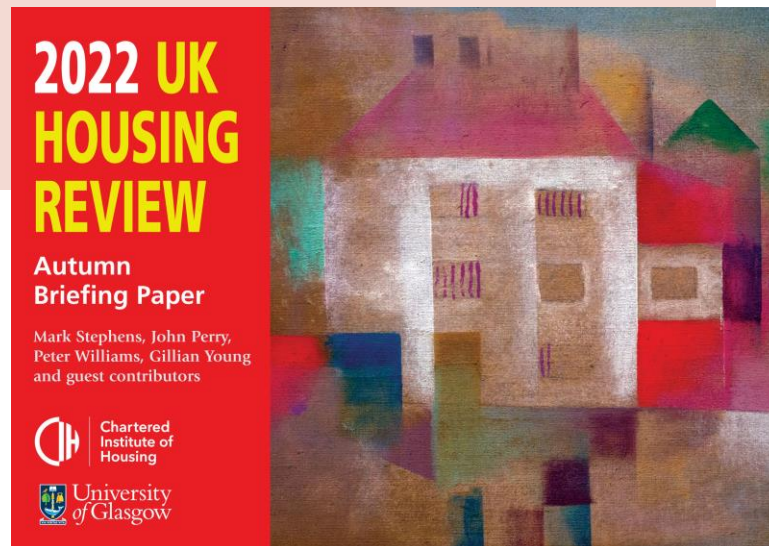
- End to S21 evictions – but will not remove “no fault” grounds altogether.
- Rent rises limited to one/ pa
- Decent Homes Standard
- Ombudsman

No rent control – but likely to rise in political agenda, as in Scotland and Wales.

Reform of private renting in England



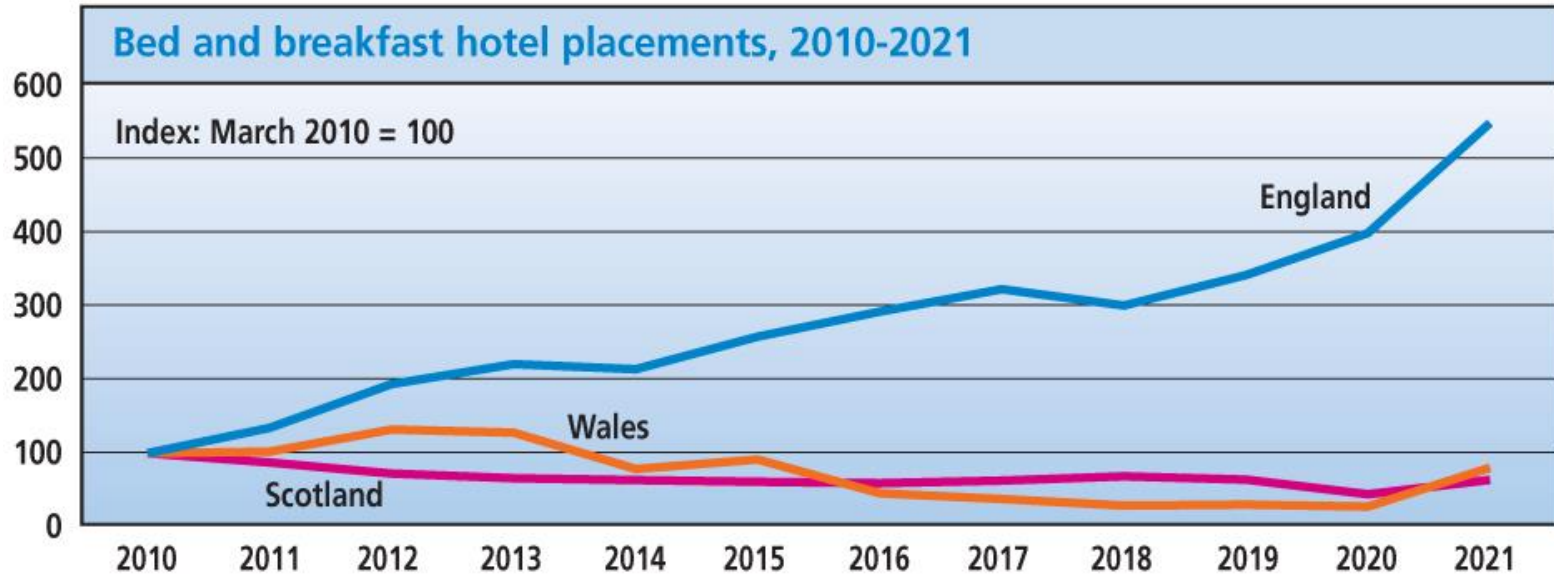
Homelessness and the use of temporary accommodation



Use of temporary accommodation is too high and should be reduced



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Source: The Homelessness Monitor: Great Britain 2022.

Use of temporary accommodation is too high and should be reduced

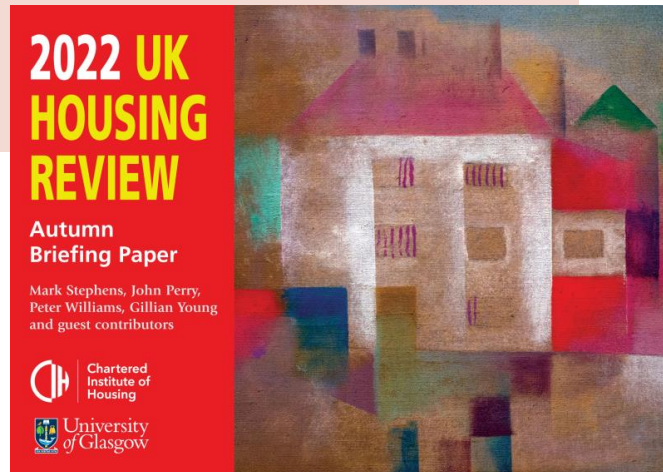


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- Numbers in TA growing pre- and post-pandemic
- Upward trajectory due to insufficient supply, cuts to HB as well as increased use during the pandemic:
 - B&B use risen significantly in England – four fold over 10 years
 - 59% of TA in London
 - Persistent levels of TA in Scotland
 - Recent increases in Wales
- Role of RRTPs and Welsh Programme for Government
- What next for England? £1.6bn spent on TA last year



What does 'levelling-up' mean for housing?



Levelling-up: an uncertain future?



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- ‘A rollercoaster year’
- February’s White Paper brought definition – and a clear role for housing



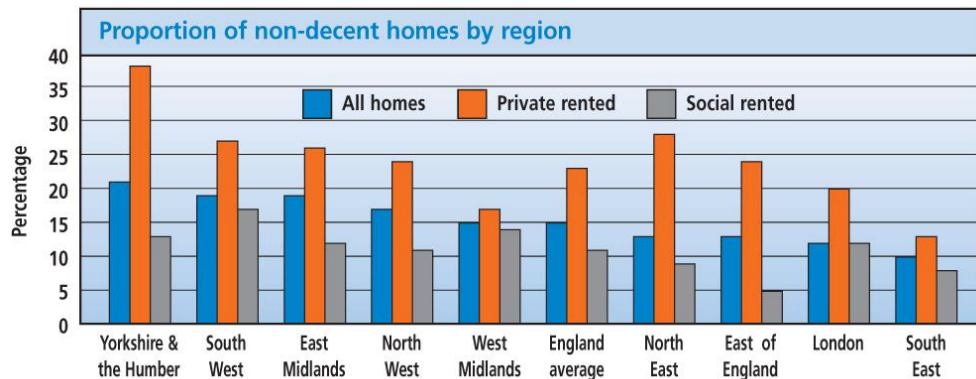
“By 2030, renters will have a secure path to ownership with the number of first-time buyers increasing in all areas; and the government’s ambition is for the number of non-decent rented homes to have fallen by 50%, with the biggest improvements in the lowest performing areas.”

Levelling-up: back to the future?



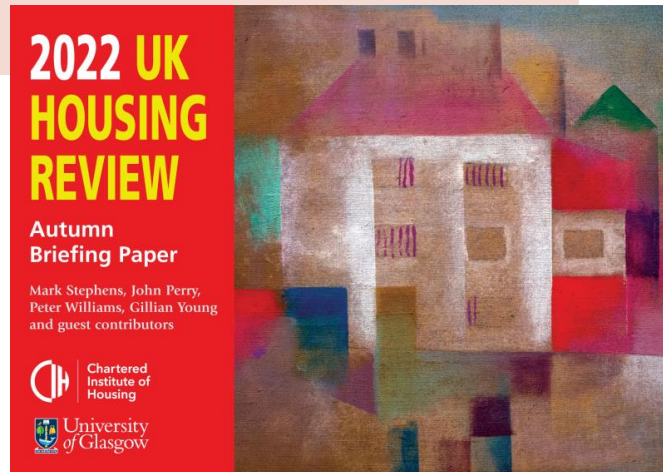
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- Mission would drive a focus on housing quality in the North, Midlands and South West
- Government has lost six months – Gove's appointment (once again) intended to drive delivery
- Local delivery capacity remains a significant challenge for efforts to level-up



Source: English Housing Survey, 2020-21.

Much faster progress needed to decarbonise the UK housing stock

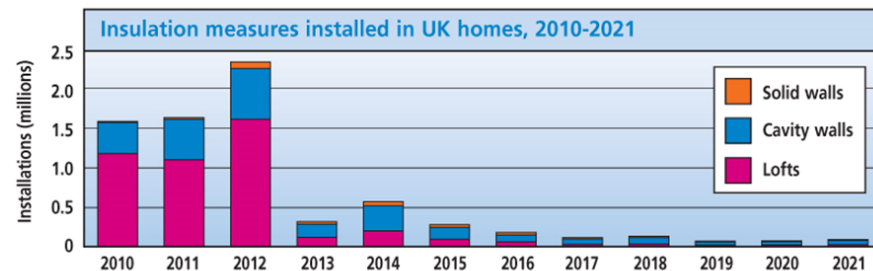


Current programmes are insufficient



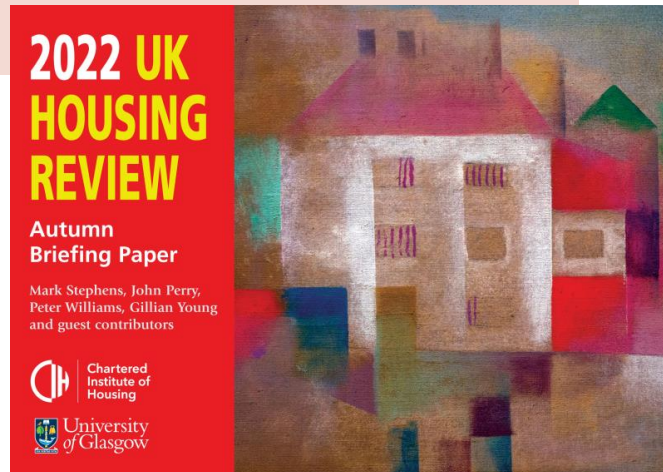
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- CCC: current programmes will 'not deliver' net zero
- Insulation measures in decline – but need to do 1m annually by 2030
- Heat pumps – 35k last year, should be 1.9m annually by 2035
- CCC calls for social sector to reach EPC band C by 2028, but SHDF in England allocates just £800m over 3 years
- Scotland seeks more ambitious targets
- But progress across UK threatened by likely restrictions on rent increases



Source: Climate Change Committee.

Housing refugees and the crisis in availability of affordable housing

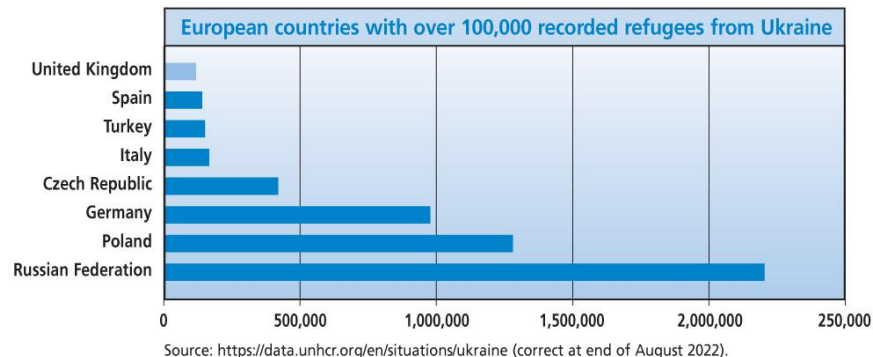


Refugees and the housing crisis



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- UK - 137,000 Ukrainians – other countries have done much more
- Fewer than 2,000 homeless so far – but pressures starting
- Still 10k Afghan evacuees in hotels out of 18k evacuated in total
- Some 26k asylum seekers in hotels – Home Office paying £5m daily
- Scotland/Wales schemes on hold
- UK sponsorship – unique and brilliant, but what happens next?
- Highlights strategic housing policy failure in general with a harsh and punishing accommodation system for asylum seekers



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