

# affordable housing: what needs to happen in the UK?

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# national PSA target 5

*Achieve a better balance between housing availability and the demand for housing, including improving affordability, in all English regions while protecting valuable countryside around our towns, cities and in the green belt and the sustainability of towns and cities.*



# today's agenda

1. why the focus – & on what?
2. getting to where we are
3. current initiatives
4. unresolved issues
5. concluding thoughts



1.

why the focus?



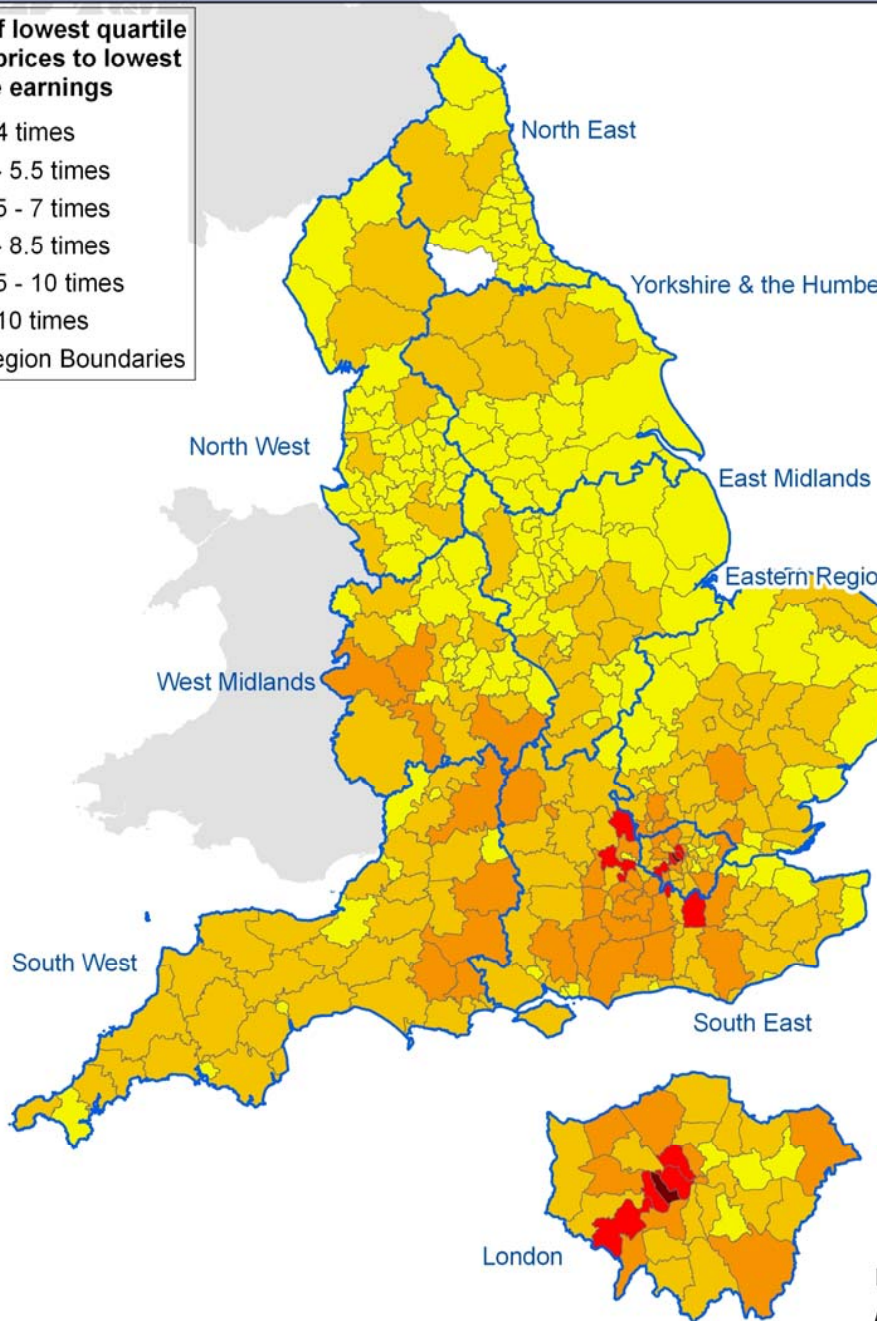
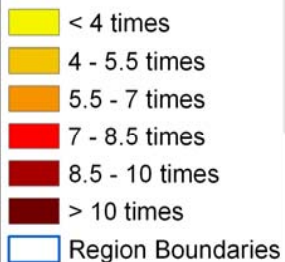
# why is affordability our focus

- UK house prices up 8% pa
  - £300,000 in London, £145,000 in NE
- need 7-12x salary to buy
  - London: need £79K salary to buy – actual =£33K
- since '97 house prices have increased by 139% - incomes by 34%
- key workers can't buy in 9/10 towns
- 100,000 homeless households in temporary accommodation
- no region exempt from crisis



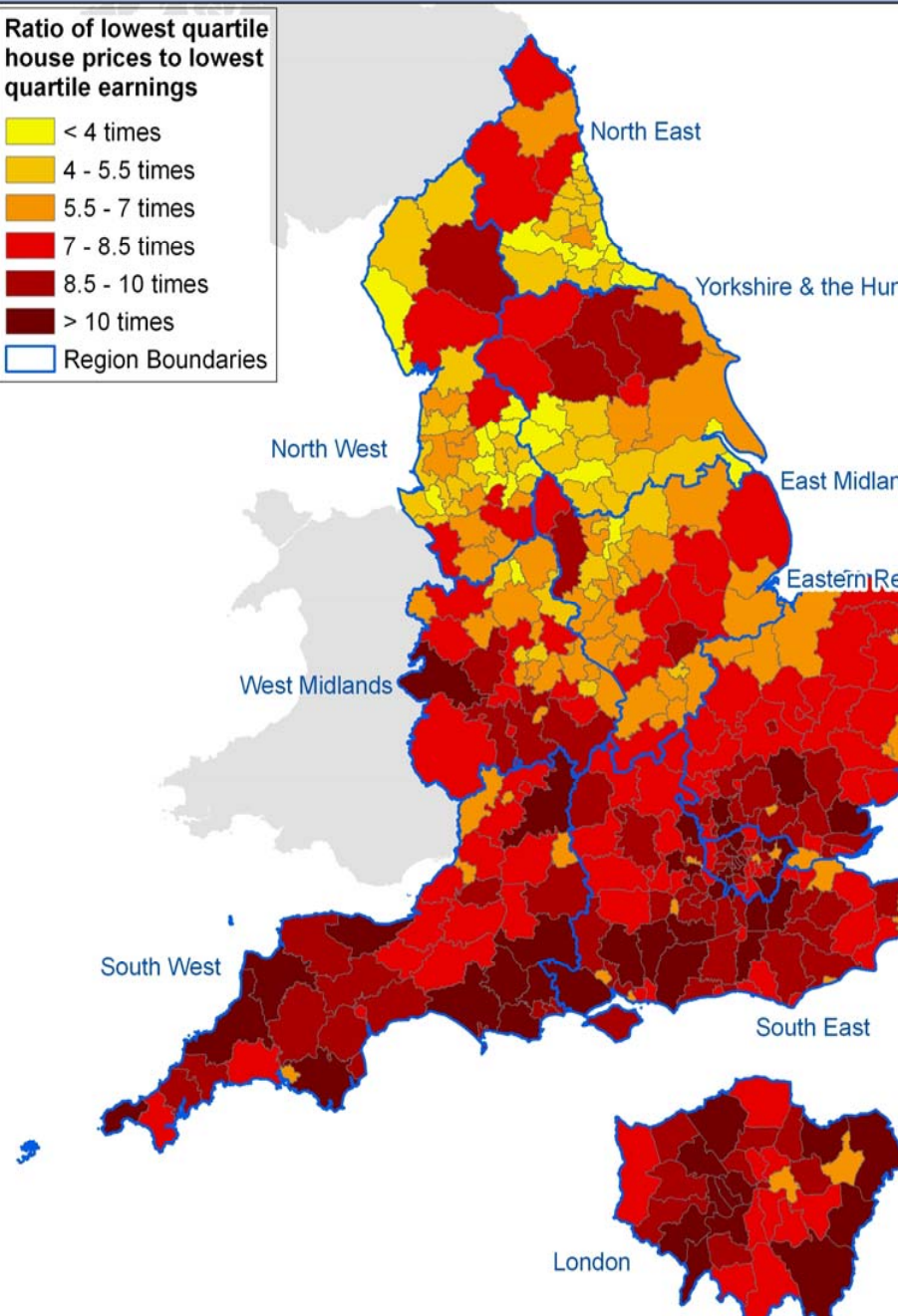
# Housing affordability: ratio of house prices to earnings, 1999

Ratio of lowest quartile house prices to lowest quartile earnings



# Housing affordability: ratio of house prices to earnings, 2004

Ratio of lowest quartile house prices to lowest quartile earnings



# so the focus is on...

- owning rather than renting
- social renting is generally affordable:
  - supply-side subsidies (£3,3bn in 04-06), low historic rents, rent control, housing benefit
  - problems in this sector are lack of supply & quality not affordability
- some private renting is affordable:
  - sole traders with few costs to cover, housing benefit limits
  - biggest problem here is physical quality and poor management standards





National Audit Office



## Building more affordable homes: Improving the delivery of affordable housing in areas of high demand

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL  
PREPARED JOINTLY BY THE NATIONAL AUDIT OFFICE AND THE AUDIT COMMISSION | HC 459 Session 2005-2006 | 20 December 2005



2.

getting to where  
we are now



# our love affair with owning

its been a political pressure for yrs:

- 1950s Harold Macmillan wanted a *'property-owning democracy'* - only 30% owned then
- 1980s: Maggie Thatcher promoted RTB & millions did
- 1997 → Gordon Brown encouraged 1m extra to own and we are happy to oblige
- today 70% own
- Gordon Brown wants 75%
- **90% of us aspire to own**



# our affordable housing crisis


- we have been building too few houses
  - and of the wrong type for 20yrs
  - 2003: lowest building rate since WW2
- and demand continues to grow
  - single person households + new migrants
  - many of us have spare cash + low interest rates
- other investment forms have crashed
  - with knock-on pension problems
- other political priorities are greater
  - and fiscal policies limit borrowing



# the result

- spiralling house prices
  - great if you own, a nightmare if you don't
  - with negative economic impact too
- increases in homelessness & waiting lists - again!
- land-banking
- FTB age ↑ - 34 in Scotland
- huge BTL market (or BNTL)
- yawning & ever widening gap between property haves/have nots





pledged to create  
a "*home-owning,  
wealth owning,  
asset-owning  
democracy*"

3.

what we've tried  
so far



# tried & tested routes to LCHO

- right to buy
  - existing social rented house at discount
- rent-to-mortgage
- GRO-grants (Scotland)
- shared ownership
  - buy part, rent part
- section 106
  - affordable housing from planning gain



# more recent LCHO innovations



- national (PSA) target: 4 growth areas to ↑ supply
- key worker housing
- starter homes initiative
- the £60K house + MMoC
- planning reforms: targets, RHSs
- Planning Gain Supplement
- community infrastructure fund
- NAU: National Advice Unit
- cheap (NHS/MoD) land
- stamp duty reform
- English Partnerships
- shared equity: HomeBuy & Task Force



# flagship policy: shared equity

## HomeBuy (Homestake in Scotland)

- buy 50-75% with mortgage
- rest of equity is shared (with govt, funder, developer, housing association)
- applies to social rented & private housing + new and existing property
- aims to help an extra 300,000 people buy social housing



# flagship policy: shared equity <sup>(2)</sup>

## HomeBuy examples if house costs

£120,000:

– 50% shared equity = £552 not £746

– 25% shared equity = £635 not £746

• if house costs £200,000:

– 50% shared equity = £871 not £1,243



# and the increasingly desperate!

- 10% shared ownership (rent 90%)
- Britannia's 'share-to-buy' mortgage
  - lets up to 4 young professionals buy together
  - 12 x each individual's income (not subsidised)
- interest only mortgages (not subsidised)
- reality TV show
  - would you buy a house with this person?



# in terms of social renting ...

- giving grant to build new social houses to smaller number of associations
  - mergers/groups/partnerships
- giving longer-term funding (up to 5yrs)
- giving some grant to the private sector
- making better use of S106
- cross-subsidising across a scheme



4.

# unresolved issues & alternatives



# unresolved issues <sup>(1)</sup>

is it really:

- **ownership** if you only own 15%?
- **affordable** if you share mortgage with 3 others?
- **sustainable** if its on land that has no economic future?
- a **right** to buy if you can't exercise it?



# unresolved issues (2)

- NIMBYism:
  - blocks development of affordable housing
- planning:
  - blocks development of affordable housing and/or is challenged by volume builders
  - too slow – supply not increasing by enough
  - improve use of S106
- tax:
  - strong developer/land owner lobbies against
  - PGS still not in place
  - a national spatial strategy?
- synergy between national/regional/local targets -



# unresolved issues <sup>(3)</sup>

- keeping it affordable!
- are there solutions that don't rely on house price inflation?
  - recycling of other housing receipts to reduce initial cost
- move on often means move out
- HomeBuy (shared equity) isn't (yet) proving attractive:
  - with landlords or with tenants
  - not as attractive as RTB
  - might still not be able to afford to buy



# alternatives

- RTB reform:
  - restrict the right to discount, councils set rules for market
- land tax:
  - incentivise speedy land release, ring-fence £ for housing
- capture land value for community
  - Community Land Trusts, remove 'best consideration' rule
- find ways of using social housing assets to borrow privately for affordable new build
- encourage new private suppliers in
- bigger strategy role for councils
- promote affordable renting & flexibility
  - 70% of newly forming households rent



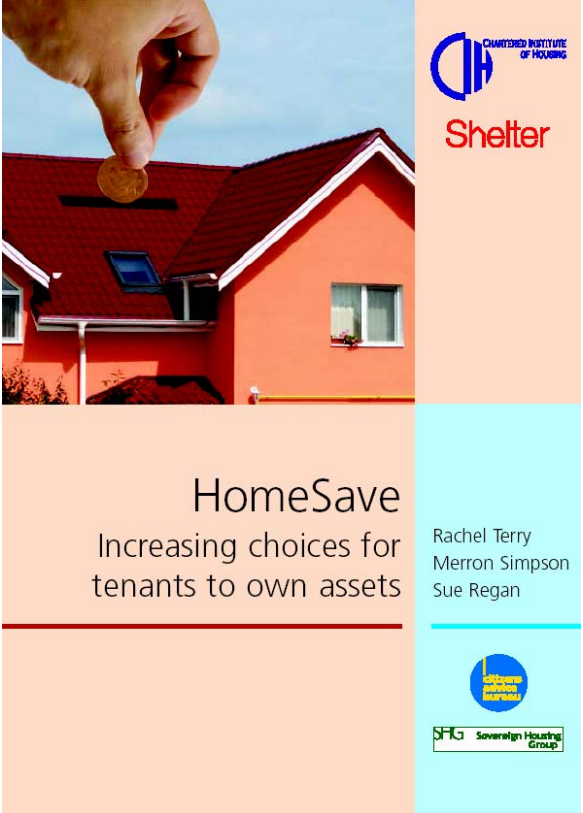
# alternatives: renting/flexible tenure

- increase social renting
  - most cant afford LCHO
  - Westminster CC is paying tenants £150K to move out
- do more 'intermediate' renting:
  - sub-market but for those with a reasonable income
- attract institutional investors into the private rented market:
  - REITs
- deliver flexible tenures



# alternatives: HomeSave

- give tenants a share in the increased equity value of housing
  - building up an asset
- encouraging them to save – possibly for an owned home



The graphic features a photograph of a hand dropping a coin into a slot on a red roof of a house. The background is split into light orange and light blue sections. Logos for Shelter and Sovereign Housing Group are present, along with the text 'HomeSave Increasing choices for tenants to own assets' and the names of the project team members.

CH CHARITABLE INSTITUTE OF HOUSING  
Shelter

HomeSave  
Increasing choices for  
tenants to own assets

Rachel Terry  
Merron Simpson  
Sue Regan

CH Charitable Institute of Housing  
SFG Sovereign Housing Group



# 5. concluding thoughts



# concluding thoughts <sup>(1)</sup>

Despite large amounts of funding, a national target, and affordable housing becoming a key corporate priority for local authorities in recent years, few believe that they can yet meet the challenge to deliver large increases in affordable housing



# concluding thoughts <sup>(2)</sup>

- generational inequalities:
  - our greatest inequalities are now in assets not income
  - this matters for life chances
  - is owning the only/best way to build assets?
- targeting & VFM:
  - scarce public £ is increasingly going to higher income groups
  - what is the public good rationale for intervention in LCHO market?
- opportunity costs:
  - what aren't you spending your money on because its all gone on housing costs?



# concluding thoughts <sup>(3)</sup>

- future problems:
  - increasingly marginal owners – will they be our biggest problem in 20 years time?
  - 5 million private homes are ‘non-decent’
- alternatives:
  - ‘right to buy’ doesn't mean ‘wrong to rent’
  - some will never be able to buy
    - make social renting a positive tenure of choice
  - equity stakes for tenants
  - capturing the value of land for the community not the developer



thanks  
[www.cih.org](http://www.cih.org)

