Housing – Critical Futures.

Statement by: Stewart Baseley

Executive Chairman. The Home Builders Federation

All the key indicators are predicting continuing increases in house building output in 2015.

The National House Building Council (NHBC) latest statistics showed that in the three months to November, private sector reservations were up 19% on the same period 2013 whilst our own latest Housing Pipeline report showed the moving annual total of plots consented continues at just below the 200,000 level from a trough of only 115,000 in 2011. Both of these are strong indicators of future supply levels.

Clearly, though, our industry’s ability to convert these permissions into starts and then homes people can live in will depend on a complex number of determinants. We can never be immune from, or necessarily predict world events. But that accepted, economic stability and housing policy certainty are essential to allow businesses to plan properly for sustainable growth. The rise in demand for new homes has been largely due to increased consumer confidence and a more active mortgage market, on the back of an improving economy, and of course the Help to Buy Equity Loan scheme.

The big event of 2015 is of course the general election. All the major parties now accept that we have an acute housing crisis and are committed to increasing the number of homes built with a particular emphasis on helping young people onto the housing ladder. The debate from a housing perspective is about the different approaches the parties would adopt to achieve the increase in supply they all seek.

All three main parties recognise the need for schemes to assist buyers - the success of Help to Buy Equity Loan and its contribution to the recovery would make it difficult for anyone to argue otherwise. In its first 20 months, to the end of November, the scheme had been used to purchase more than 38,000 homes, helping to create almost
32,000 first-time buyers in the process. The Coalition has already announced an extension of the Equity Loan scheme to 2020 and has also proposed a new Starter Home scheme whereby first-time buyers will be purchase new build homes at 80% of market value. The Labour Party has suggested that they would maintain Help to Buy Equity Loan, albeit with tweaks, possibly with regards to the maximum purchase price.

The important point for our industry is that the scheme exists until such time as the mortgage market recovers and high loan to value products are generally available again. The certainty that the scheme will be around until 2020 allows us to invest in skills, land and increasing our capacity, and thus play our part in increasing output.

However it isn't just about help for people to buy. We also need to see further reform of the planning system to speed up the rate at which applications are processed. The current Government accepts the need to act. We made a number of proposals last summer on ways to speed up and simplify the end-to-end planning process and we were pleased to see several of our suggestions earmarked for further work in December’s Autumn Statement. Whoever is in office after May 7th simply has to find a way of speeding up the current system if land supply is to meet housing demand.

Labour’s position on planning is inevitably more uncertain as their policies are still being formulated and we still await confirmation of which of Sir Michael Lyons’ largely very sensible recommendations they are to adopt. Sir Michael’s report included some ideas with regards to the Homes and Communities Agency (HCA). I have always believed that the HCA works best when it is focused on delivery. We need to ensure this approach continues. Since its creation in 2008 the HCA has more often than not been in a state of flux. However, its administration of the Help to Buy scheme has been exemplary. In addition, we are now working with both the HCA and government to help to simplify and accelerate the disposal of surplus public sector sites, which the Agency will take the lead on for most of central government land from April.

Department of Communities and Local Government, (CLG) charging schedules are a major concern. The Community Infrastructure Levy (CIL) must be set at sensible, realistic levels and there must be transparency about how CIL money is spent. Otherwise it will become a barrier to housing delivery. Actions are also required to assist getting more smaller builders building - again something all parties are seemingly agreed on. Last month, for instance, the government concluded its consultation on a small sites exemption for the off-site elements of the zero carbon standard.
As well as more support for development finance initiatives, councils could do more by bringing more smaller sites forward, reversing the trend towards planning authorities allocating few very large sites which are usually out of reach for smaller developers.

Some indications suggest we will see an increase in interest rates later in the year. Clearly this would have implications for affordability for homebuyers, and thus for house builders, and so must be seen as a potential threat. But as the Governor of the Bank of England has been at pains to stress, assuming the economy remains on course, increases will be gradual to ensure they don’t threaten the improved wider conditions.

With the recovery still in its infancy, and build levels still a long way from where all politicians are agreed they need to be, it must be hoped that as the year progresses, decisions are made that encourage long-term, sustainable increases in supply. If they are, then the positive indicators we entered the New Year with should solidify into more new homes.

The Home Builder Federation works with Government and stakeholders to develop housing policy in the UK. It co-ordinates an industry wide response in its dealings with Ministers and Government personnel to ensure a two way flow of information between professionals and government. http://www.hbf.co.uk