



Position Statement

The Credit Crunch

In the last ten year house prices have risen by approximately 156 per cent in ten years whilst wages have risen by just 35 per cent, putting the house market beyond the reach of many. House price affordability is putting pressure on councils as more people are finding they can not afford to purchase homes. Currently there are 1.6 million households on the waiting list in England, which represents approximately 4 million people.

Recent research by the Local Government Association (LGA) has indicated that the impact of the global credit crunch and the possible housing market crash has the potential to increase this number to 2 million households by 2010.

Low interests rates, rapidly rising house prices, lenders offering 100% mortgages and lending at 6-8 times income ratios, has exacerbated the demand for housing and the current financial crisis that we face. The Credit Crunch whose full impact we have yet to see is leading to tighter lending, whilst increased cost of living and repossession rates (up 16% on this time last year) and falling house prices are creating problems for our residents and increasing the demand for social housing.

Councils control over what happens in their markets is limited. Whilst our housing departments ensure high standards of services to our tenants, and we can influence planning decisions and work with developers to ensure the right mix of housing is available. We have no influence over the mortgage lenders and their lending decisions. We do however see the influence of these decisions, as tighter lending criteria and mortgage repossession increases put additional people on to our waiting lists.

ARCH's View

As the market worsen there is potential that more developers like Persimmon's will suspend their development programs at a time when Government wants to increase the number of homes built each year.

Retained councils can help to deliver the Government's agenda and deliver good quality affordable housing if they are giving the freedom to do so.

We believe that retained authorities should have the same freedom to borrow on the open market as Housing Associations have. Therefore enabling us to provide more housing for our area

We welcome the review of housing finance and ask that the Government through this review allow us to borrow against our asset base, which would enable us to provide new quality, affordable homes to our residents.

We are working with landlords to ensure that there is an adequate supply of private rented housing available to meet housing demand.

However, increased demand for social housing can only properly be met by increased supply. Indications are that even when the market stabilises, house price affordability will still be an issue for many, meaning that demand for social housing will remain strong. To address the supply issue Government needs to make additional resources available to allow councils to build more housing for their residents.