Demand for Affordable Housing

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Demand for affordable housing

- A view across the border–is it any different?
- Lincoln as a case study
  - Snapshot of Lincoln
  - Affordable housing & homelessness
  - Housing supply
  - Summary of the issues we face
  - Developing a new strategy
  - Influencing the supply chain
- What’s different this time round?
- A renaissance for council housing?
  - the ARCH view

A Snapshot of Lincoln…

- City covers small geographic area of 38 sq km
- Cathedral city, rich in history named in UK’s top 10 favourite cities (Guardian/Observer travel awards)
- 87,600 population projected to increase to 99,000 by 2026. “Greater Lincoln” much bigger
- University town, high proportion of 20-29yr olds
- Average resident in full time work earns £1,088.80 less pa than someone who works full time in Lincoln but lives outside the city.

A Snapshot of Lincoln (cont)…

- Average house price in Lincoln £158,678 & falling (£75,131 in 2005)
- Pockets of deprivation – 15 neighbourhoods were in top 20% most deprived in England in 2007
- Total housing stock 38,519
    - Owner occupied – 23,276
    - Housing association – 1,223
    - Private rented - 5,743
    - Council housing - 8,138
- District Council in two tier local government system

A view from Lincoln…

Another view …

Affordable housing & homelessness in Lincoln

- Housing Market Assessment 2007:
  - need for 289 affordable homes pa.
- Housing advice caseload:
  - 2007 = 70 new cases
  - 2008 = 470 new cases
- Demand for affordable housing:
  - Dec 2007 = 3080 applications
  - Feb 2009 = 3570 applications
- RTB applications:
  - 2006/07 = 230 applications
  - 2008/09 = 27 applications

Housing supply in Lincoln

- Relet rates in Council housing & housing association decreasing:
  - Halved from 15% to 7%
- Transaction levels in owner/occupied sector down by -60% from peak Q3 in 2007 & new build could be as low as –80%. (source:Savills).
- Average house prices down by –14.6% in 10 months to October 08 (source: Nationwide BS)
- Affordable housing contributions via planning gain have dried up.
- Some extra supply in private rented markets

Summary

- Current housing market under severe stress
- Underlying demand in housing market constrained by lack of liquidity. House prices falling but access to owner occupation restricted
- Existing homeowners under stress and number of distressed sales & repossessions likely to increase.
- Predictions for recovery in mortgage & credit market unclear.
- Government (and Council) activity likely to be a key factor in trying to find ways to stimulate development of affordable homes

Affordable housing: developing a new strategy to influence the supply chain

Given the constraints on delivery in the current market we need to consider how a new housing strategy might begin to intervene to enable delivery of both market and affordable housing by considering a range of factors.

But how?

Influencing the supply chain: finance

- Improve intelligence:monitor liquidity situation for evidence that private funding returning to the market
- Shape the Lincoln “offer” to the new Homes & Communities Agency and other local & national agencies to maximise available public investment

Influencing the supply chain: land supply

- Availability of land key to supply of new homes
- Private sector land market in steep decline, public sector needs to respond to enable land to come forward
- Strategic Housing Land Availability Assessments may prove a useful tool.
- CPO & other land assembly powers
- Joint working with other public bodies through Local Area Agreements

Influencing the supply chain: delivery agents

- Private developers & housing associations constrained in current markets
- Opportunities for developing where risks are shared
- Use of government initiatives

Influencing the supply chain: organisation of skills & expertise

- Improve co-ordination of activities (easier in single tier local government)
- Strategic approach working with existing & potential partnerships to maximise opportunities
- Joint planning approach with neighbouring districts
- Commissioning of Countywide housing strategy & delivery plan
- Setting up countywide choice based lettings scheme

Influencing the supply chain: new delivery vehicles

- Explore alternative means of direct & indirect intervention through new vehicles as alternative means to enable delivery:
  - Building outside the HRA- Local Housing Companies
  - Building inside the HRA – New Council Housing
  - Public sector land availability

What's different this time round?

- •Affordability is not the main driver of price falls????
- •The relationship between net incomes & house prices is dissimilar to previous recessions
- •Rationing of mortgages has been the main driver for falling house prices
- •Mortgages rationed with fewer products and tighter lending criteria likely to continue for foreseeable future
- •Liquidity is scarce whilst banks rebuild their balance sheets following "sub-prime" losses
- •Sensitivities in market around wide range of variables: consumer confidence,unemployment, return of liquidity,deflationary pressures & other macro economics.

Key word: "Unprecedented"

Does this signal a renaissance for council housing?

A view from ARCH

A renaissance for council housing?

"*Housing Minister Margaret Becket said she wants local authorities to play a bigger role in the delivery of council housing and invited councils interested in building more homes to discuss their ideas with the Homes & Communities Agency*"

(Source:New freedoms to increase council house building:CLG Press release:21/1/09)

A renaissance for council housing?

“I believe that councils should be given greater opportunities to play a bigger role in housing”

“Let me be today clear, if local authorities can convince us that they can deliver quickly and effectively more of the housing that Britain needs…then we will be prepared to give you our full backing and put aside any of the barriers that stand in the way of this happening”

(Source:Gordon Brown Speech to the Local Government Network on Digital

Britain:29/1/09)

A renaissance for council housing?

- Government policy since the mid 70's
- Lack of investment
- When did council housing become social housing?
- Council's strategic responsibilities
- Review of the housing finance system & need for stability
- Affordable housing & sustainability
- Councils role in place shaping
- Council housing as an option of choice rather than last resort


Arch
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