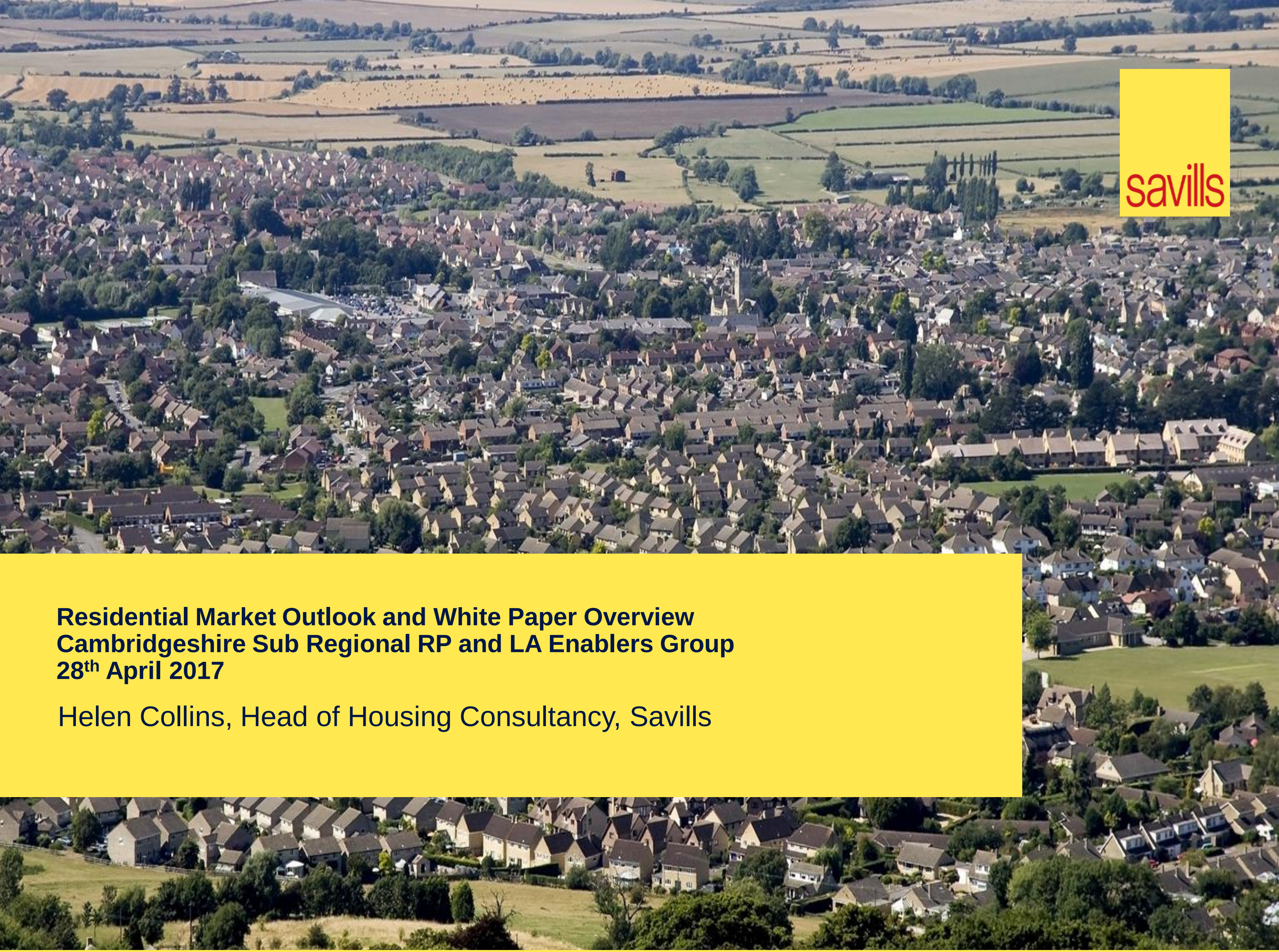


Residential Market Outlook and White Paper Overview
Cambridgeshire Sub Regional RP and LA Enablers Group
28th April 2017

Helen Collins, Head of Housing Consultancy, Savills

Context

White paper

Deregulation

Rents!!

Post 2020 rent policy options

LHA cap

- Buyers and sellers cautious about supported housing
- Ongoing uncertainty

Impact on bidder behaviour and pricing?

This time last year

2:1

UK to vote to leave the EU

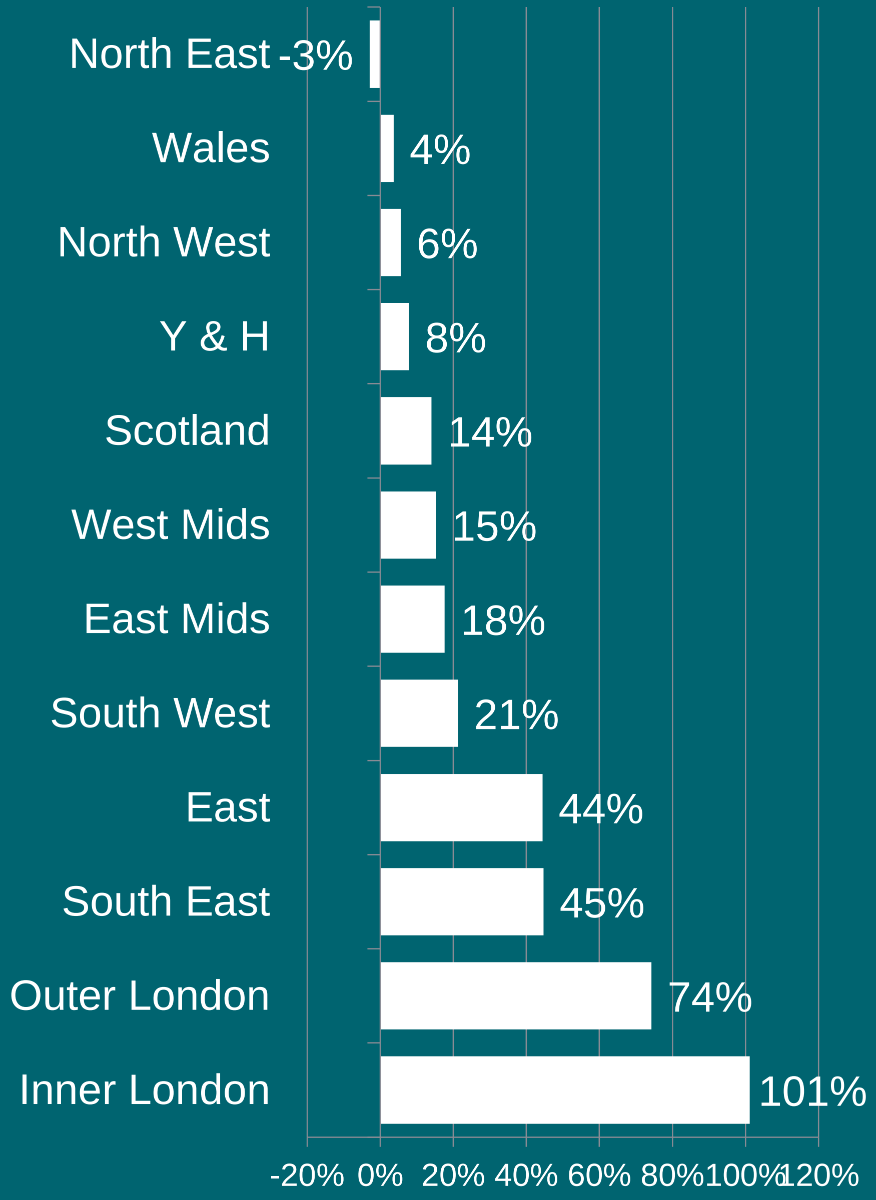
7:2

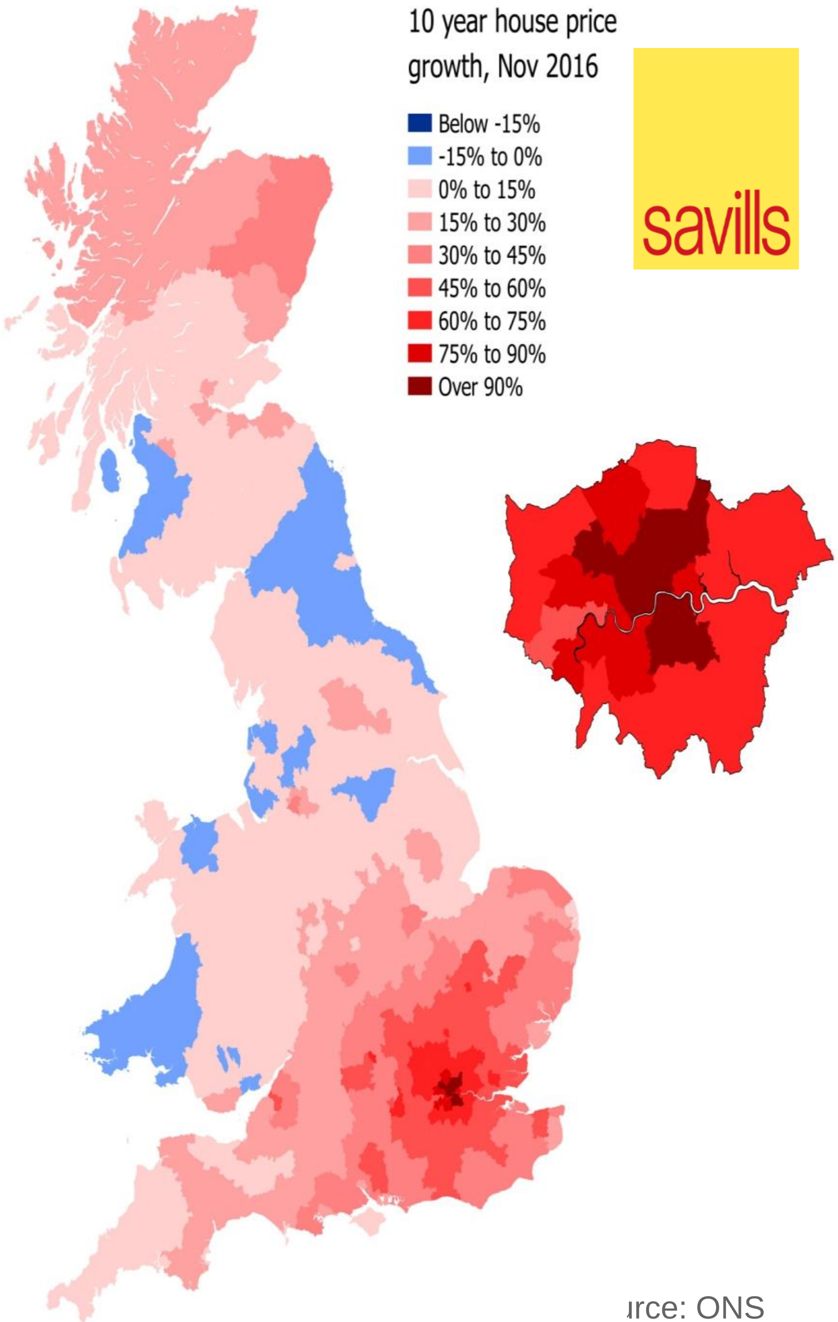
Trump to become the next US President

13:1

Combined

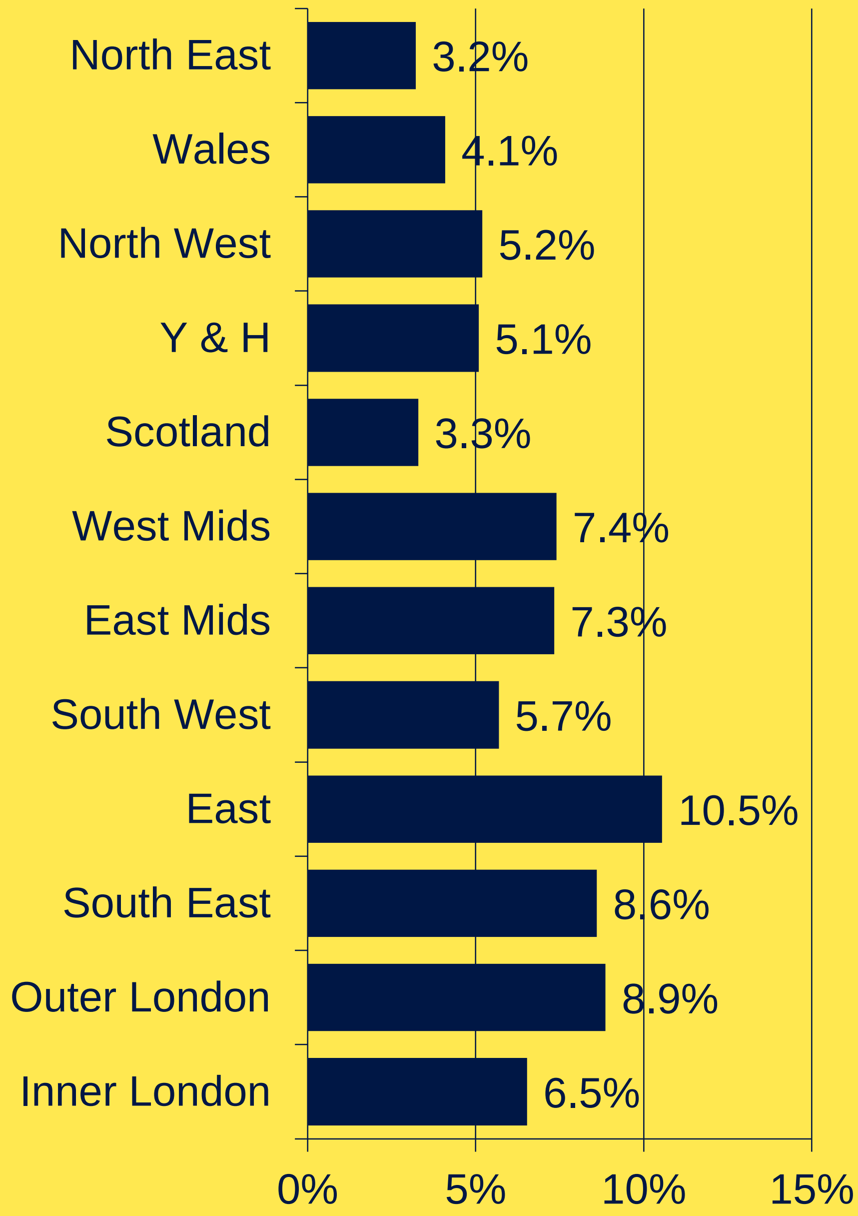
10 year house price growth

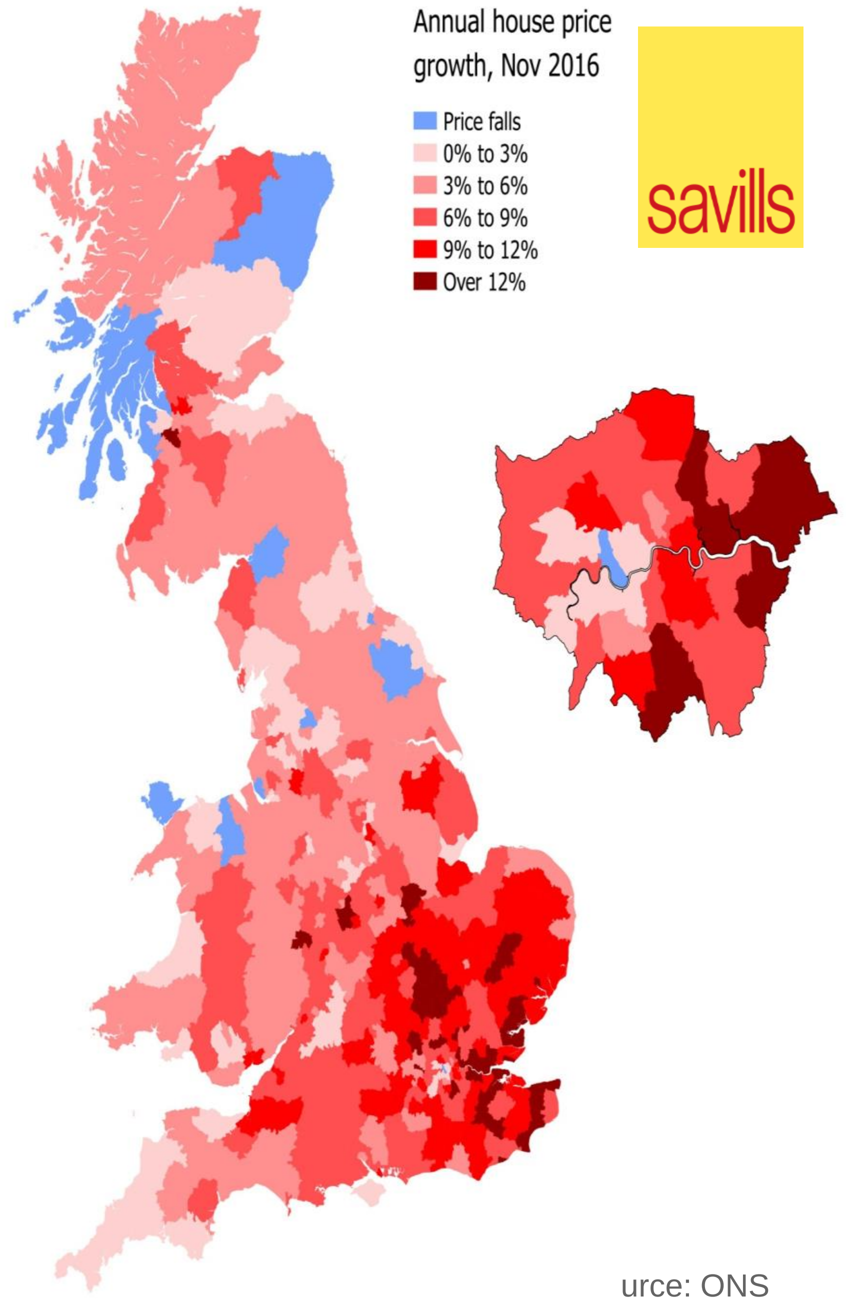




urce: ONS

Annual house price growth

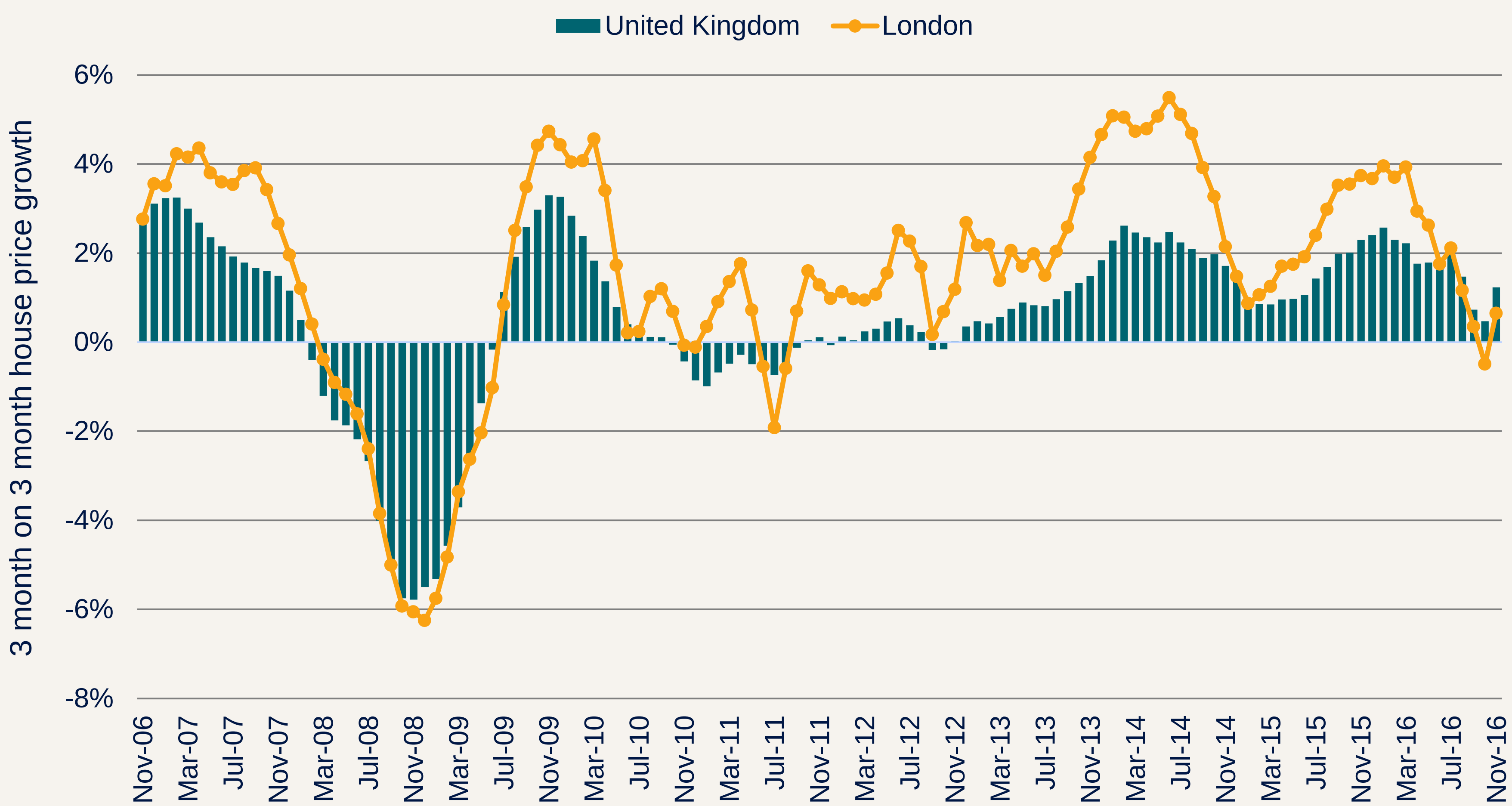




urce: ONS

3 month on 3 month house price growth

Source: ONS



Mainstream house price forecasts
5 years 2017-2021

SCOTLAND
9%

NORTH WEST
12%

WALES
10%

WEST MIDLANDS
13%

SOUTH WEST
14%

NORTH EAST
9%

YORKSHIRE & HUMBER
10%

EAST MIDLANDS
14%

EAST
19%

LONDON
11%

SOUTH EAST
17%

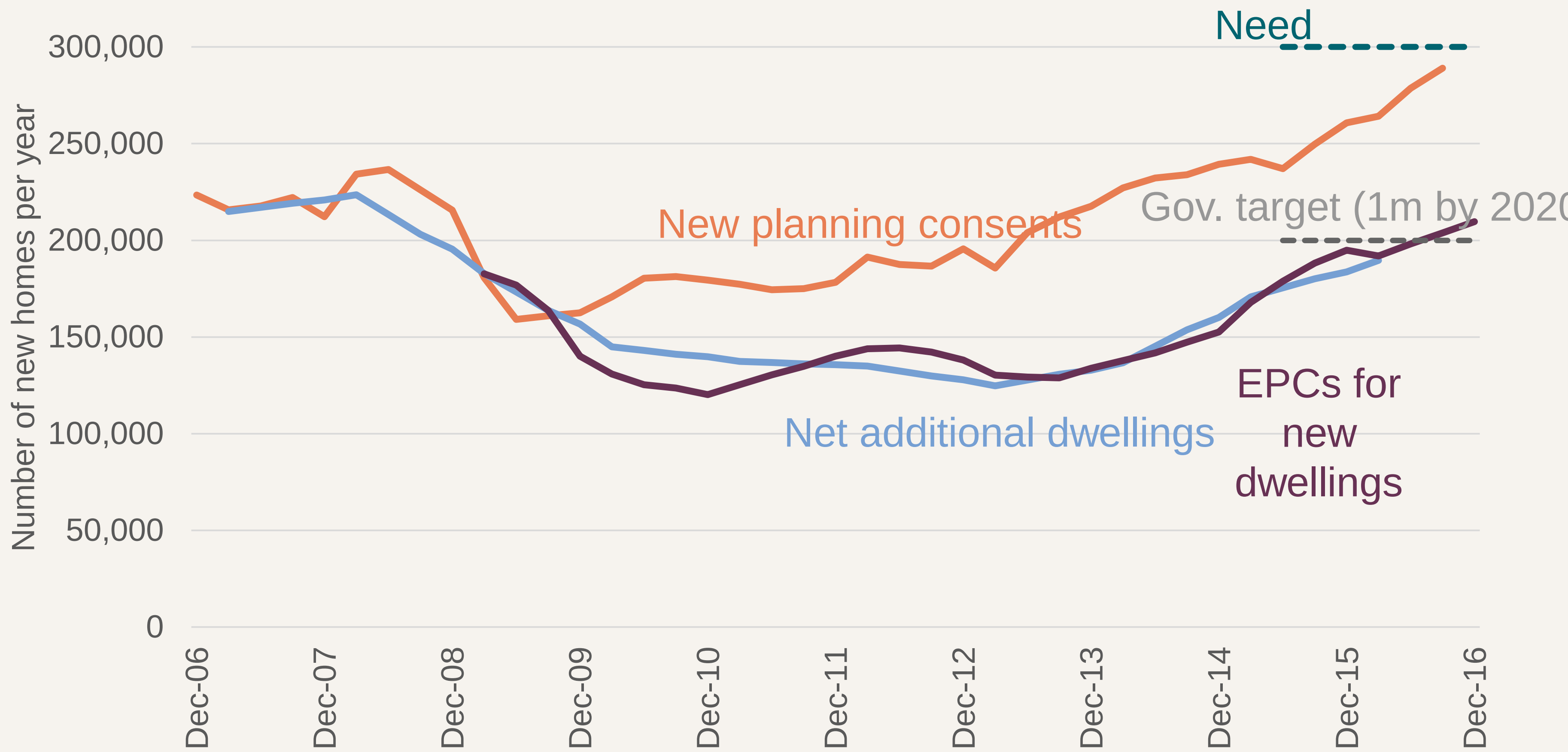
Mainstream rental growth forecasts
5 years 2017-2021

savills

UK	19.0%
London	24.5%
Bristol	27.5%
Birmingham	17.0%
Manchester	17.0%
Newcastle	14.0%
Leeds	13.5%
Nottingham	12.5%
Liverpool	11.0%
Sheffield	8.0%

New supply increasing but more homes still needed

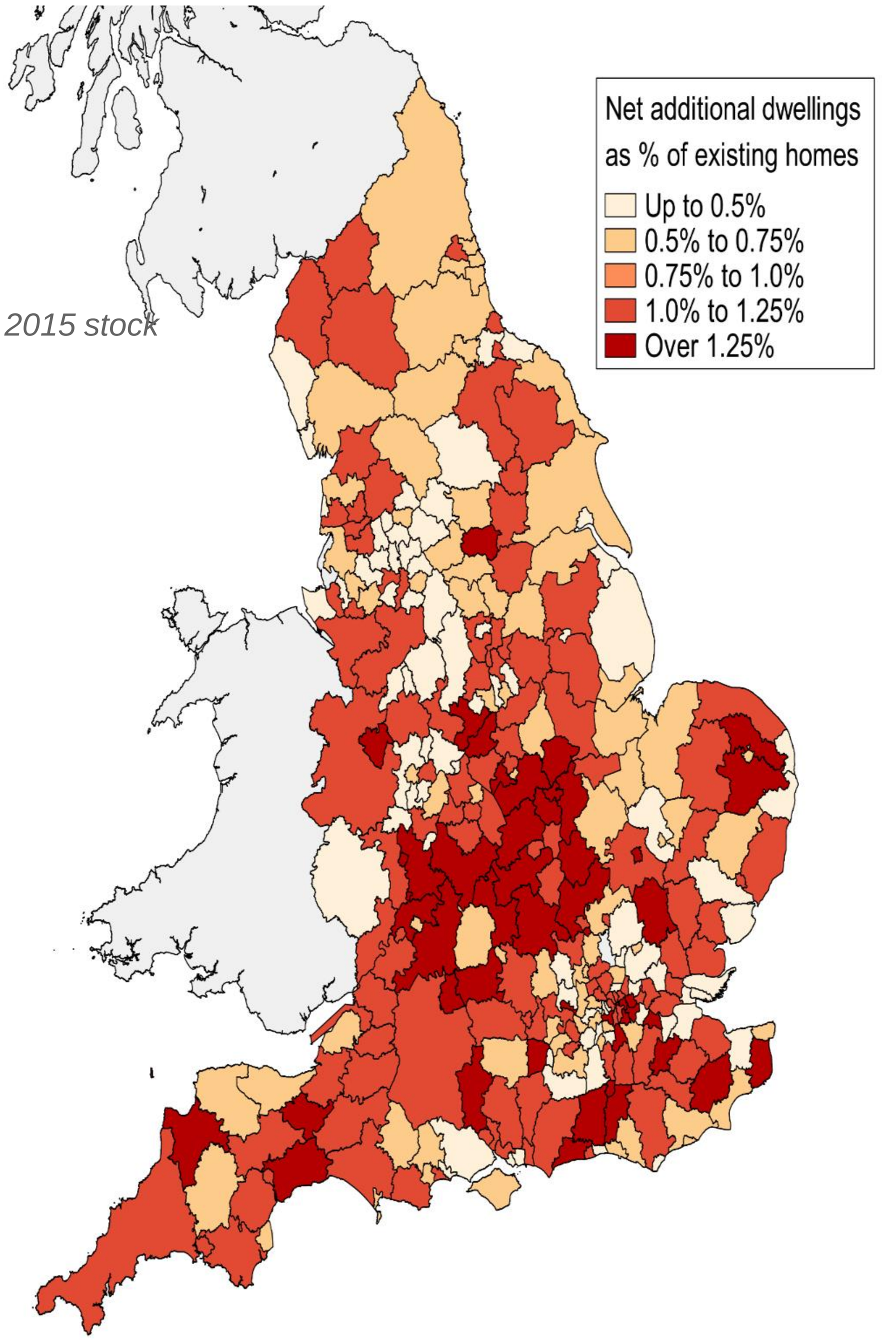
Source: DCLG, Glenigan, Savills



Variation in supply

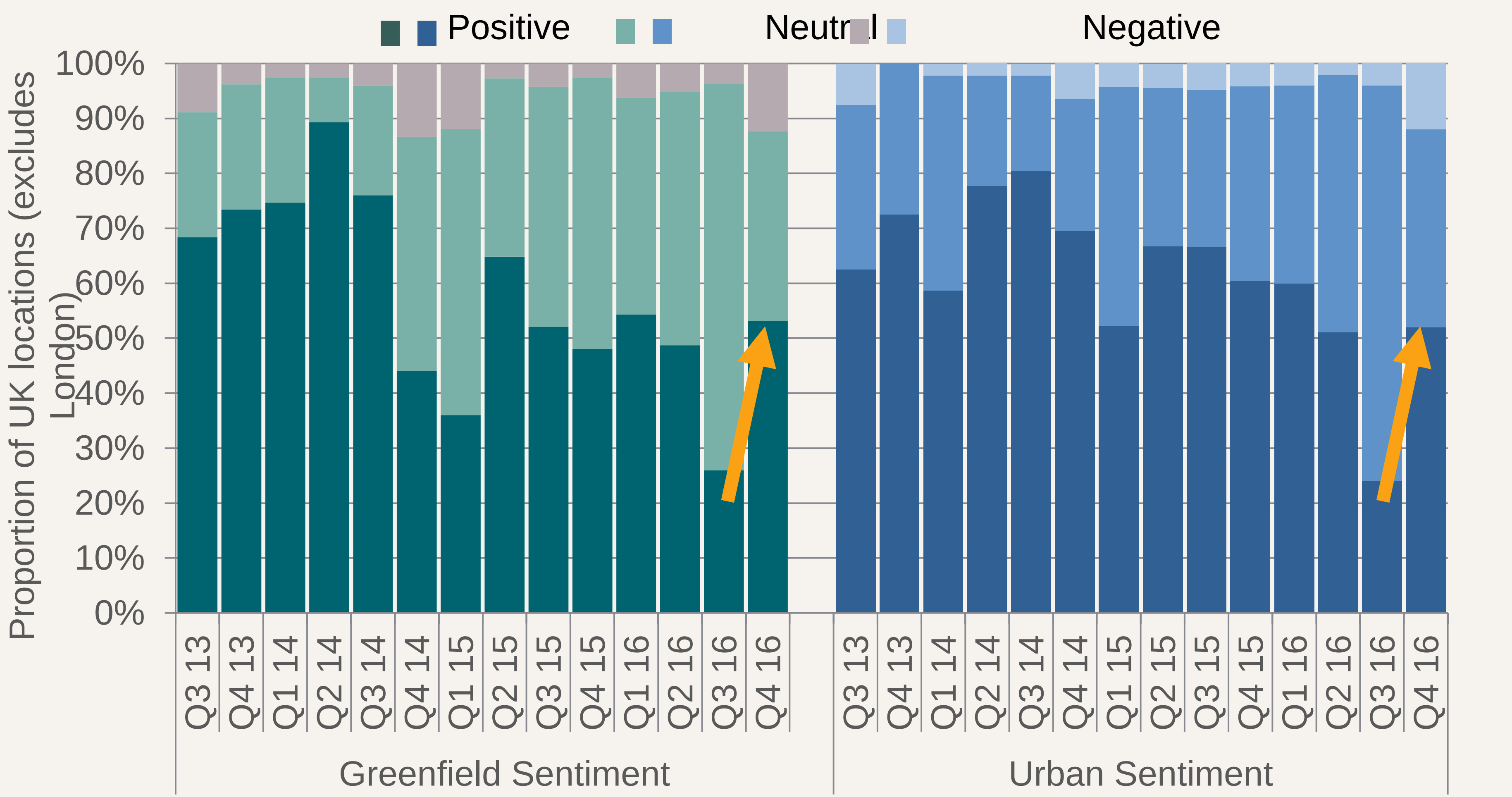
Source: DCLG, net additional dwellings year to March 2016 vs 2015 stock

- Wide variation in delivery rates across the country
- Highest in Central England
- Can you spot the London Green Belt?



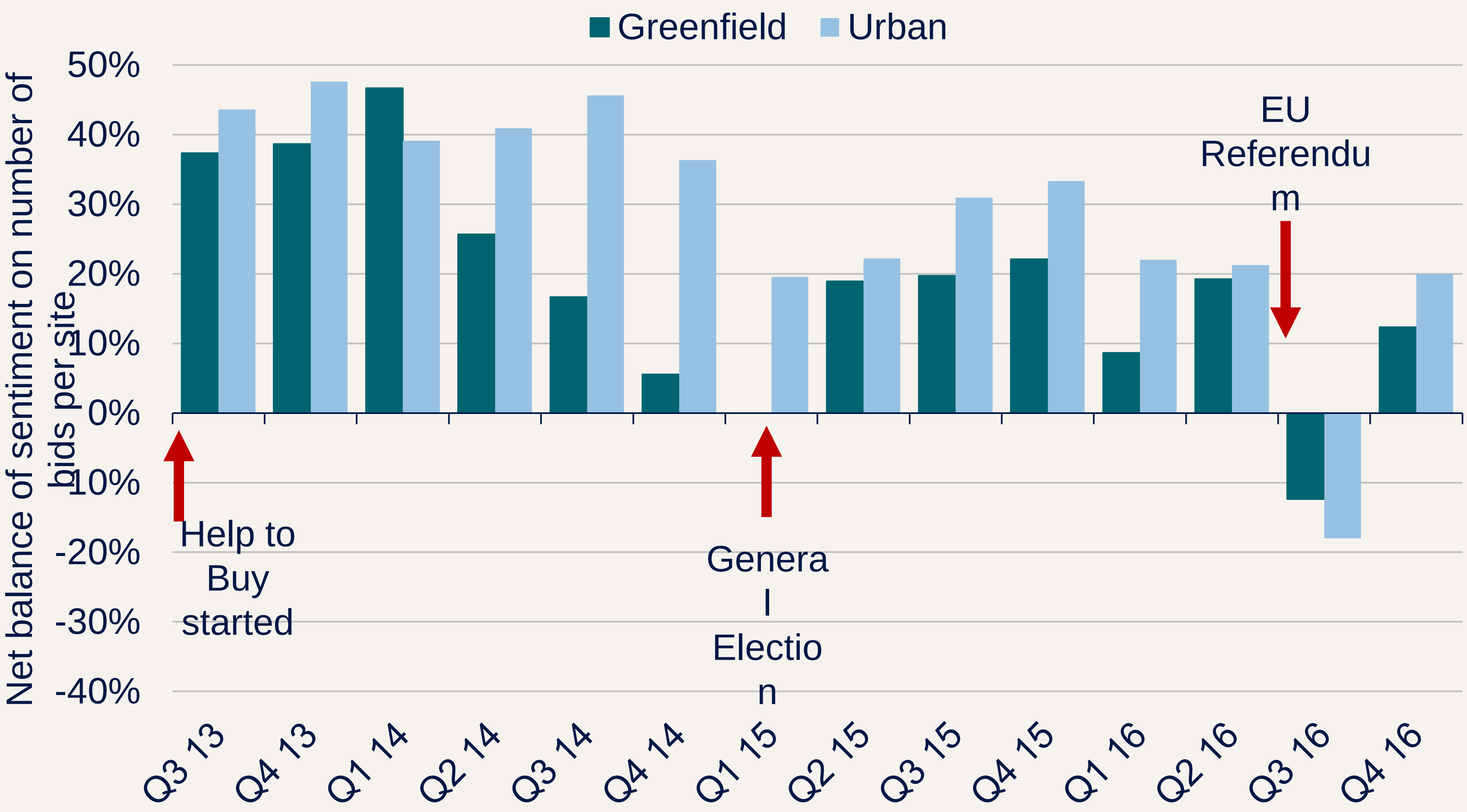
More positive sentiment after the summer dip

Source: Savills



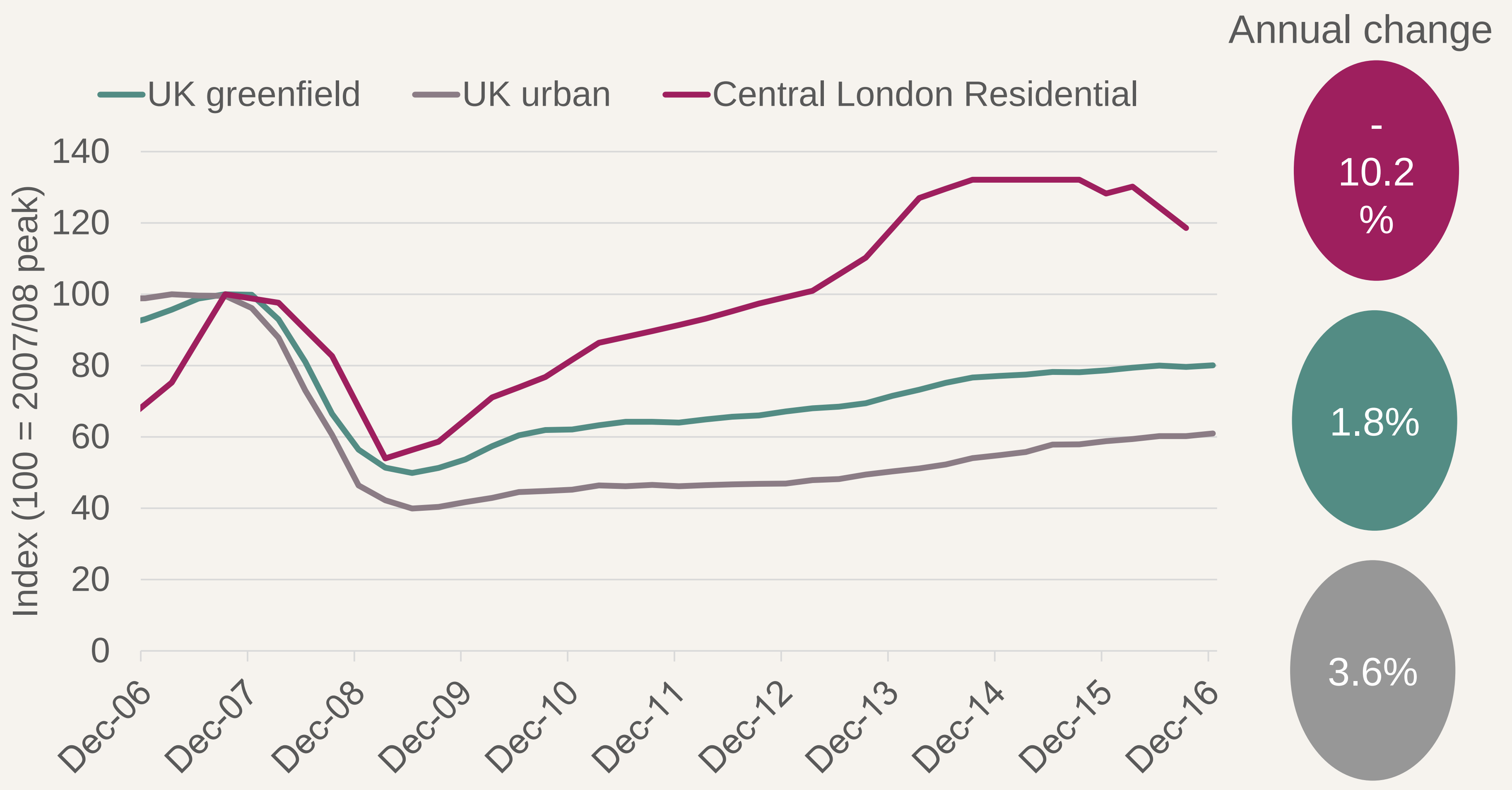
Number of bids per site picking up again

Source: Savills survey of agents



Development land values back to growth

Source: Savills



A return to more normal conditions in the land market

savills

More positive sentiment

Improved number of bids

Continued growth in land values

ALTHOUGH

Transactions taking longer

More selective about sites

Fixing our broken housing market

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- Political support from the top
- Housing is increasingly un-affordable to many
- Holds back economic activity
- Housing White Paper seeks to tackle housing shortage and clear barrier to UK realising economic potential
- Wide ranging proposals - pulls together a wide range of policy announcements into one place
- Still needs further consultation

What caught my eye?

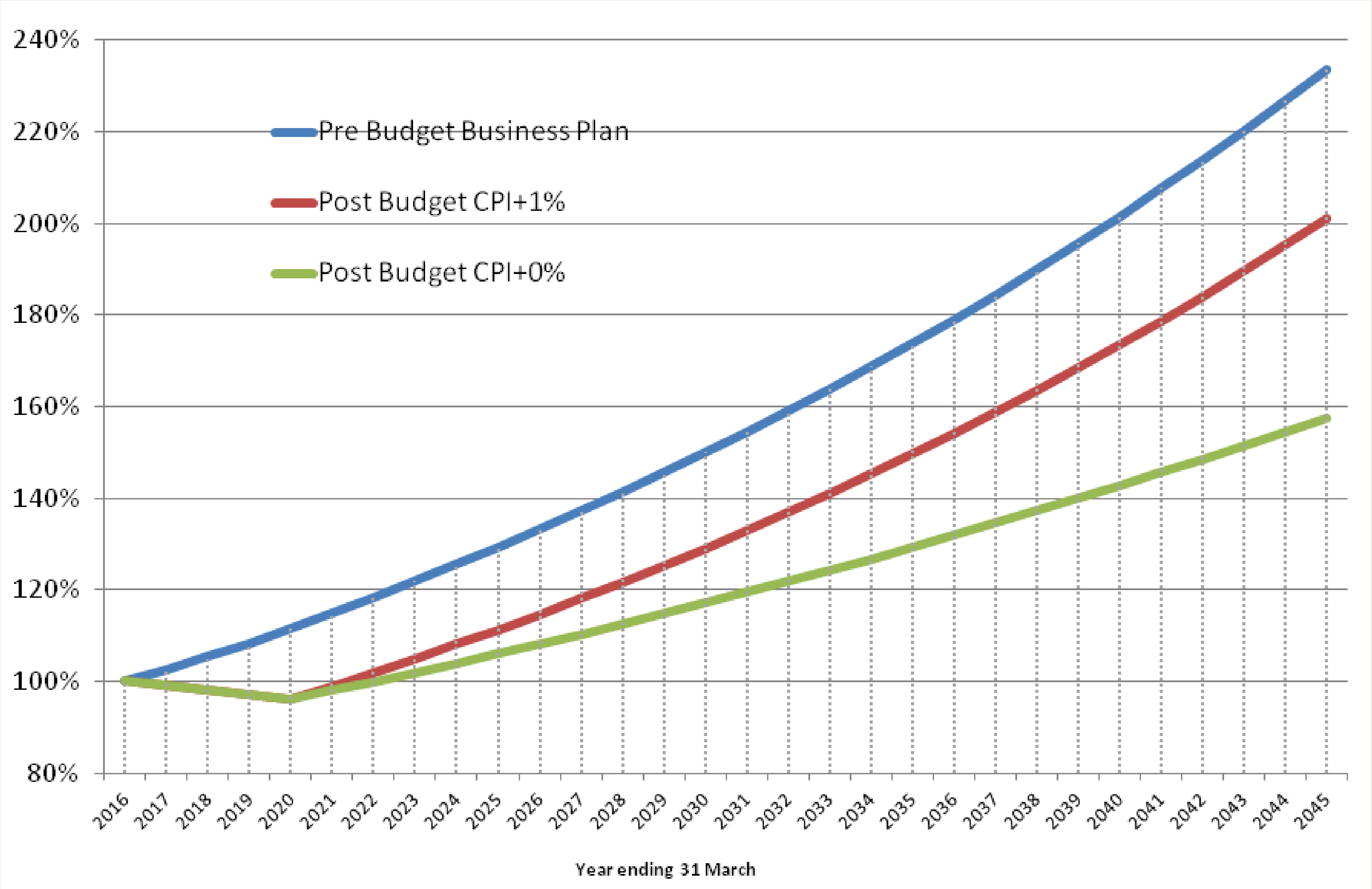
- Social housing landlord’s Rent Policy
- Deregulation – likely effects
- Independent regulator
- Local Authorities building – statement of intent
- New Homes AHP £7bn – range of tenures
- Supported Housing – new funding model – deferred LHA rates
- Estate Regen – encourage LPA’s to look at economic benefits
- Garden Towns & Villages
- Definitions of Affordable Housing

Social Housing Landlord's Rent Policy (& Capacity)

- HAs and LAs
- Government will set out in due course rent policy beyond 2020
- Aims to give them confidence to borrow against future income
- Will discuss further with the sector
- Trying to undo damage done?

Impact of Rent Policy

Source: Savills



HAs and rent policy – what are the options?

- Further cuts after 2020 – reduce capacity further
- Blanket policy (eg CPI +1%)
- NHF – rent freedom
- Individual deals with HAs dependent on delivery of new homes

LHA Caps

- New rules 2019
- LHA frozen @ 2015 rates
- In some areas social rents will exceed caps
- Future growth rates unknown
- Calculation process.....

Opportunities from deregulation?

Impact of White Paper

- disposal consents regime
- greater financial freedoms
- social rents constrained to LHA by 2018
- Not a free-for-all
- Disposal of social housing
  - Protect social housing from risk
  - Subject to law and governing instrument
  - Accountability & consultation with tenants
  - Value for money in how social housing is used

REPUTATION, REPUTATION, REPUTATION

De-regulation and notification #1

The Dark Side

Sell out all your tenanted stock to the private sector

Notify the HCA 3 weeks later

Governance downgrade but horse has bolted

REPUTATION?

But....shared ownership and specialist out of sector sales ok

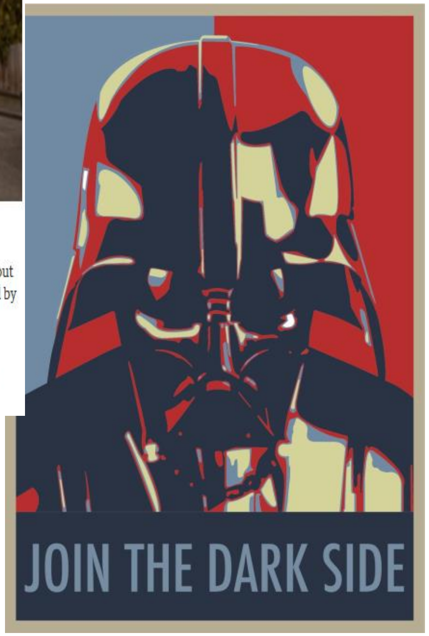
Poverty charity may have lost £3m by selling flats below market value

Glasspool Trust, which sold dozens of flats in Walthamstow to developers without telling tenants, may face investigation over secret deal

Monika Kojak, one of the residents facing eviction from her home after her former landlords sold up to developers. Photograph: Alecsandra Raluca Dragoi for the Guardian

An anti-poverty charity that sold dozens of flats to a property developer without telling tenants, causing a number of evictions, potentially lost £3m in the deal by apparently disposing of the homes for below-market prices.

The Glasspool Trust, a charity set up to help poor families, faces possible investigation by the Charity Commission for the way it sold the 63 homes in Walthamstow, north-east London, in a secret deal late last year.



De-regulation and notification #2

Conflicted!

Transfer (sell) tenanted stock to an unregulated parallel not for profit business.

Notify the HCA 3 weeks later

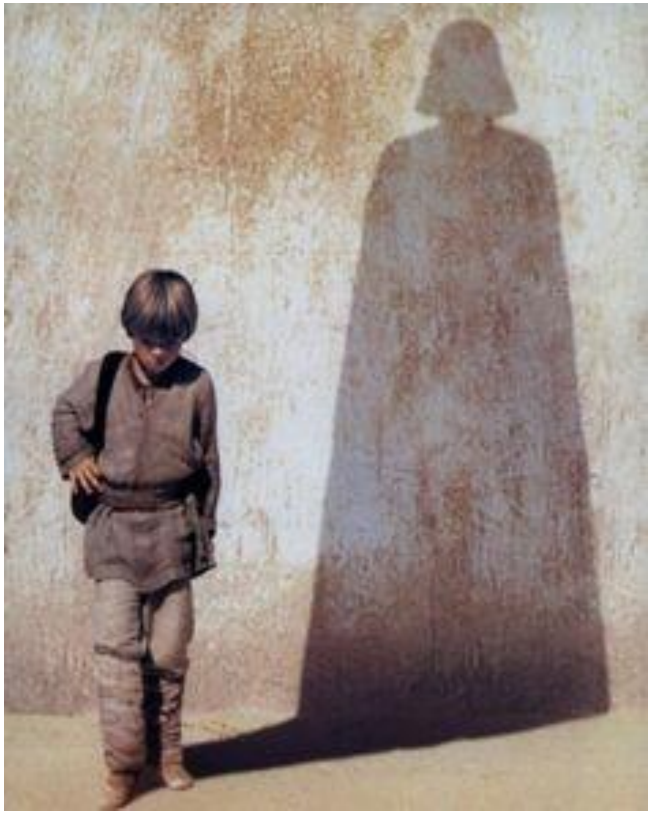
Avoid RtB, Rent Cuts etc

Is this good governance – very unlikely?

Funding costs increase so poor vfm

Or

Void sales into unregulated parallel NFP – for tenure diversification linked to area regeneration initiative..good active asset management



De-regulation and notification #3

The Force Awakens

Sale of poorly performing tenanted stock to the private sector

Secure guarantees of continued service and rents for the sitting tenants for the term of their tenancy agreements by way of a Rent Charge – based on 'meaningful consultation'

Let the private sector convert voids to market rent or sell as they arise

Recycle the (enhanced) receipts into new homes

Fully documented board paper with accompanying evidence of tenant consultation

No governance downgrade

“Backing LAs to Build” - Really?

- **Government says <u>yes</u> to LA building...**
  - when market can’t deliver
  - via development companies, housing companies and JVs
  - delivering new council housing
  - working together in specific deals
- **The challenges...**
  - Right to Buy applying to affordable housing in housing companies
  - High Value Void sales has not gone away
- Savills-led research (commissioned by ARCH/NFA/CIPFA) into the new landscape for councils and companies

LA Companies

- LAs already getting on with delivery through new companies…

- Up to 1/3 of LAs… a real *“what works works”* feel:
  - LAs with and without an HRA
  - Acquisition and development
  - Build for sale and rent
  - Affordable & market

- Scope to deliver into tens of 1000’s over the next 10 years

- What if the government ***really*** got behind them?

- Key opportunity – JVs between LAs, HAs and private finance

- Can this new “sub-sector” build capacity to deliver at scale?

Council Housing

- Council housing is part of the solution – “will always be there”
- Constrained by debt cap and rent uncertainty
- Pilot release of debt cap “in return for delivery”
- Scope to deliver with current headroom – up to 20,000 homes?
- Is it in the right place? Will we see headroom swaps?
- Opportunity for deals exceeding debt cap in “high demand” areas

LAs – Further Thoughts

- LAs have land and an existing asset base – HRA and General Fund
- Appetite for delivery – few councils don't want to build
- Access to highly geared cheap, long-term finance
- Expertise?
- Capacity?
- Scale?

Housing White Paper – Planning perspective

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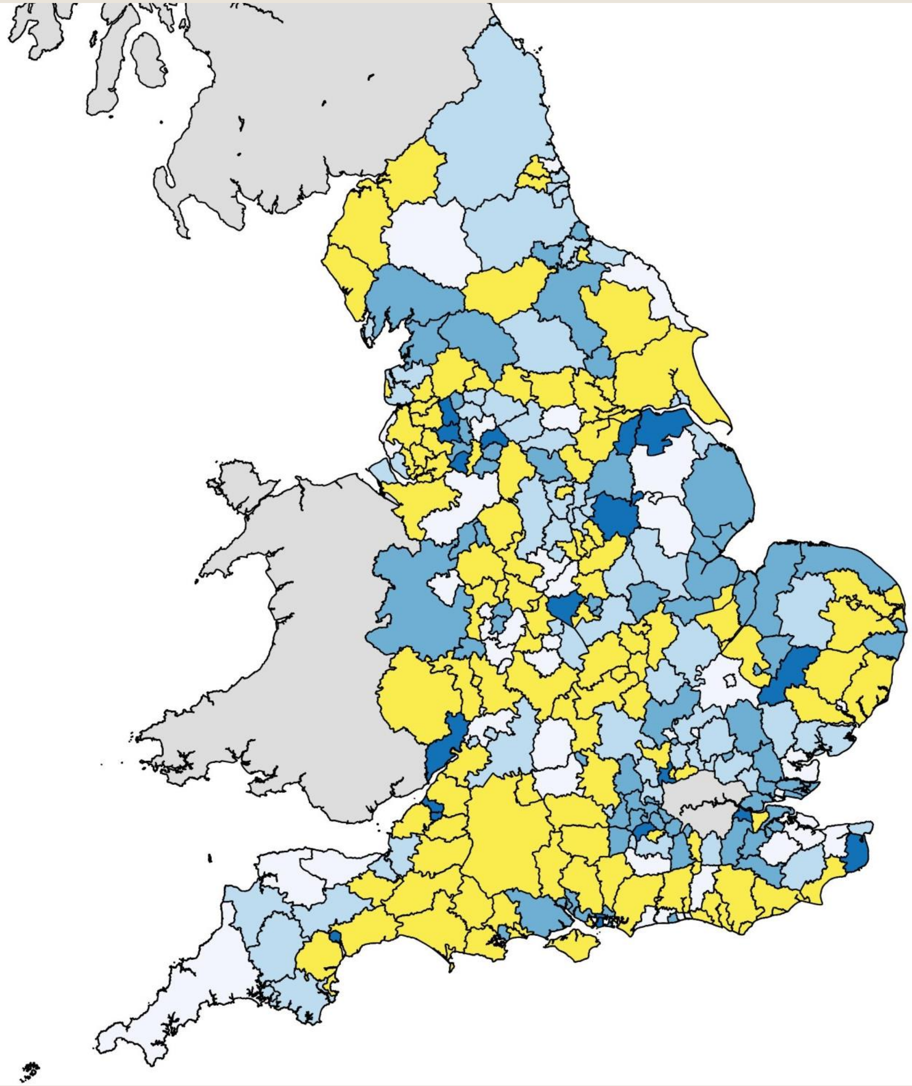
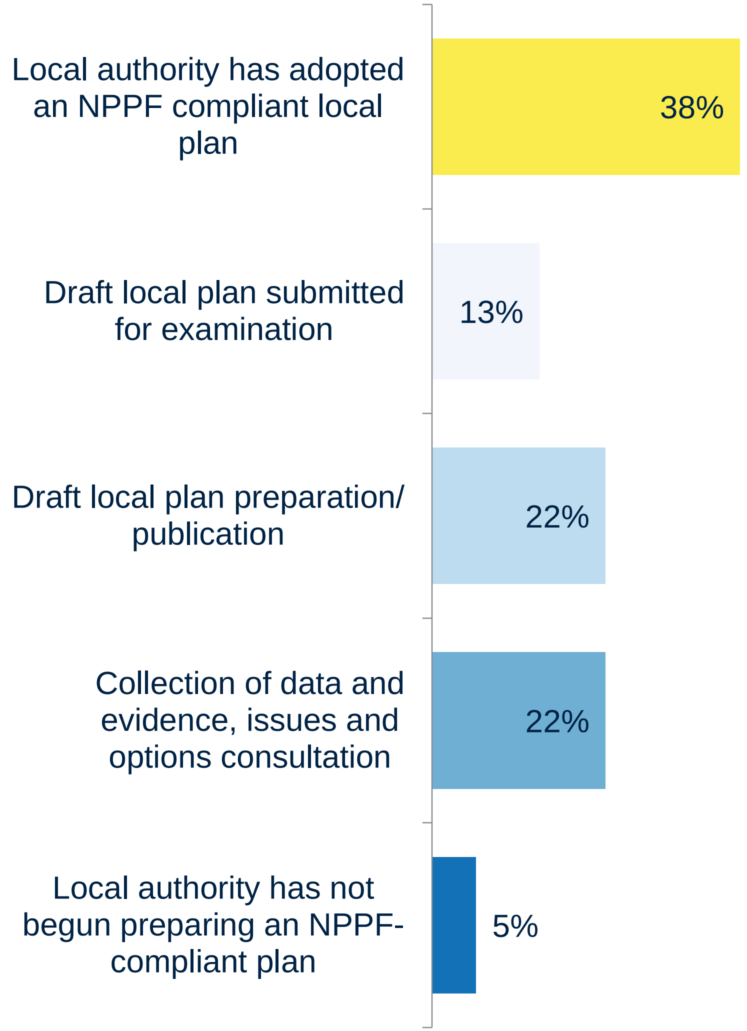
- Local Plans
- 5-year land supply and ‘objectively assessed need’
- Housing Delivery Test
- Green Belt
- Brownfield development
- Strategic planning / joint plans

Local Plan Status

Source: Savills Research





Local Plan Status

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Issue:

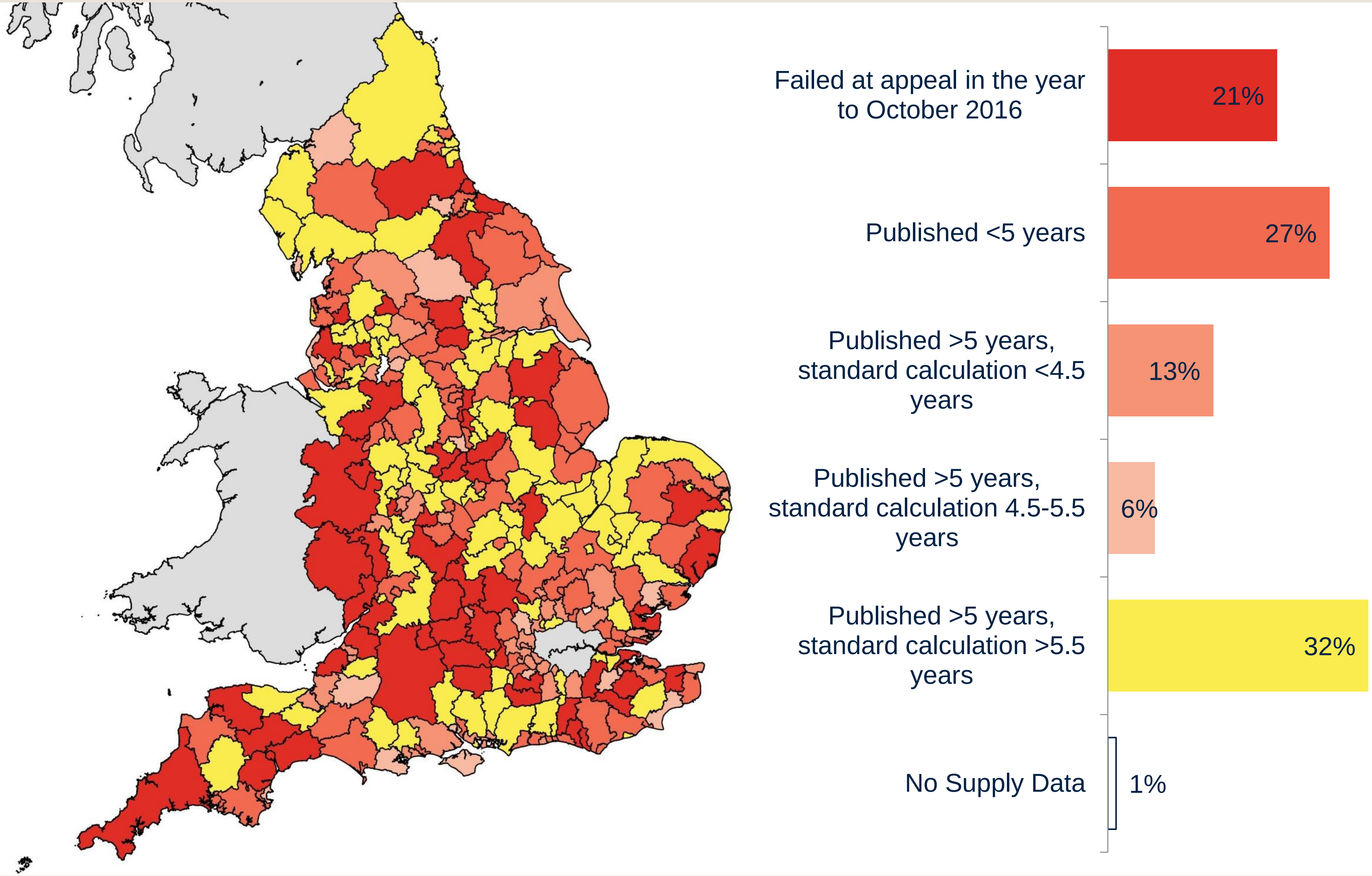
- Localism Act 2011 / NPPF para 153: each local planning authority to have a local plan.
- Currently only 38% NPPF compliant plans in place.
- Lack of plan leaves shortfalls in land supply and consequent ad hoc development.

HWP Proposal:

- A standardised approach to assessing housing requirements.
- Plans to be kept up to date with regular reviews every 5 years.
- New powers of intervention: ensure Local Plans are in place.

Five-year land supply

Source: Savills Research



Five-year land supply

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Issue:

- LPA's must be able to demonstrate a five-year housing land supply + 5% (NPPF, para 47).
- Failure to do so means that policies on the supply of housing (including those restricting development) can be treated as 'out of date'.
- Lack of supply has led to a rise in 'planning by appeal'

HWP Proposal:

- Local authorities to have their land supply agreed on an 'annual basis' and fixed for one year
- In order to benefit from this local authorities will have to provide a 10% buffer.
- Is this 10% is in addition to the 5% or 20% figure relating to past performance?
- Guidance to be published on how OAN is to be calculated.

The housing delivery test

Issue:

- LPAs are not delivering sufficient homes to meet the ‘objectively assessed need’.

HWP Proposal:

The test is intended to:

- identify where there is under delivery of new homes.
- allow for analysis of the reasons for failure and aim to address them.
- establish sanctions where a shortfall arises.

Date from	% below annual housing requirement	Sanction
November 2017	95%	Publish action plan
	85%	Plan for 20% buffer
November 2018	25%	Presumption in favour of sustainable development
November 2019	45%	Presumption
November 2020	65%	Presumption

Green Belt

Issue:

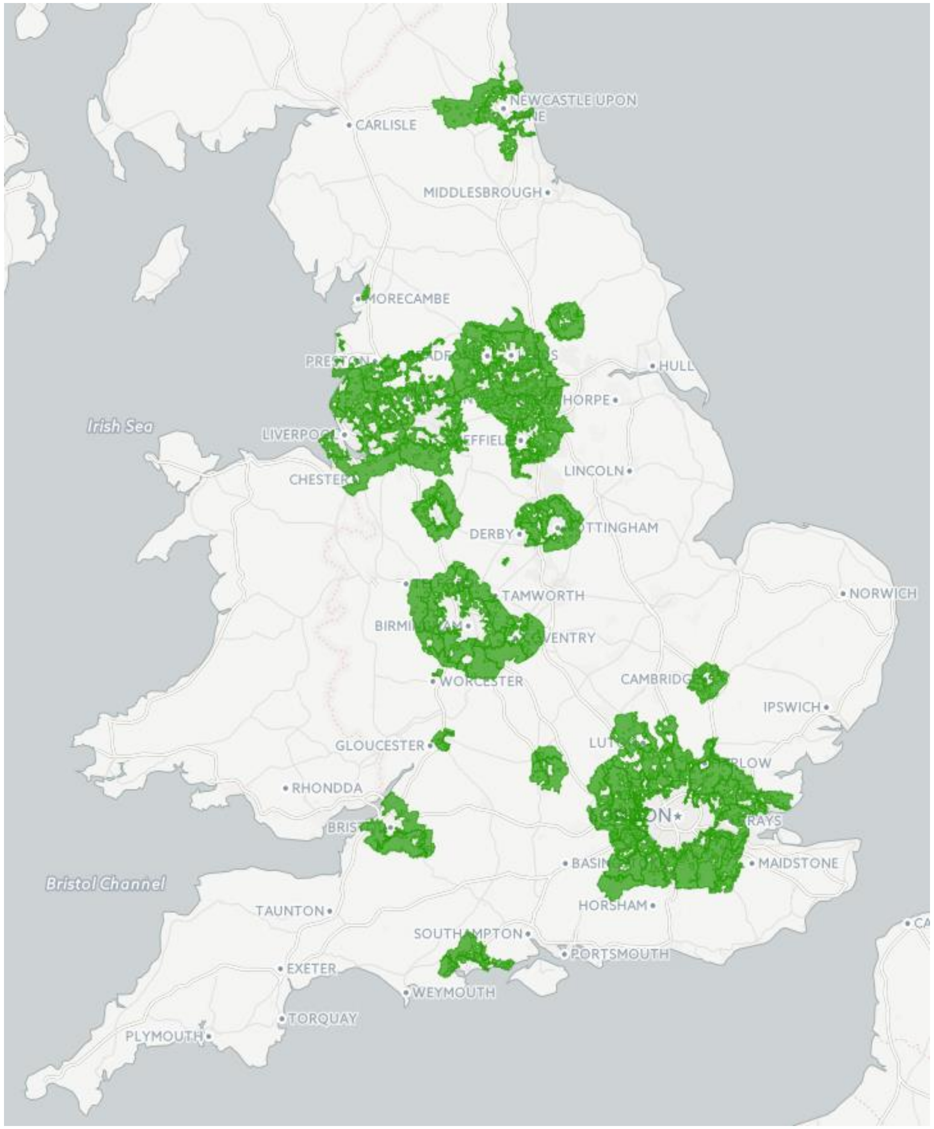
- How much:13% of England (1.6M ha).
- Where: around least affordable cities.
- NPPF 83: “*Once established, Green Belt boundaries should only be altered in exceptional circumstances*”

HWP Proposal (paragraph 1.39):

- NPPF change to make clear:

i. boundaries only amended after all other options examined: urban capacity and other ‘reasonable’ / ‘appropriate’ options, including public land.

ii. compensatory improvements: improved environmental quality and public access to retained Green Belt.



Green Belt

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Birmingham Plan:

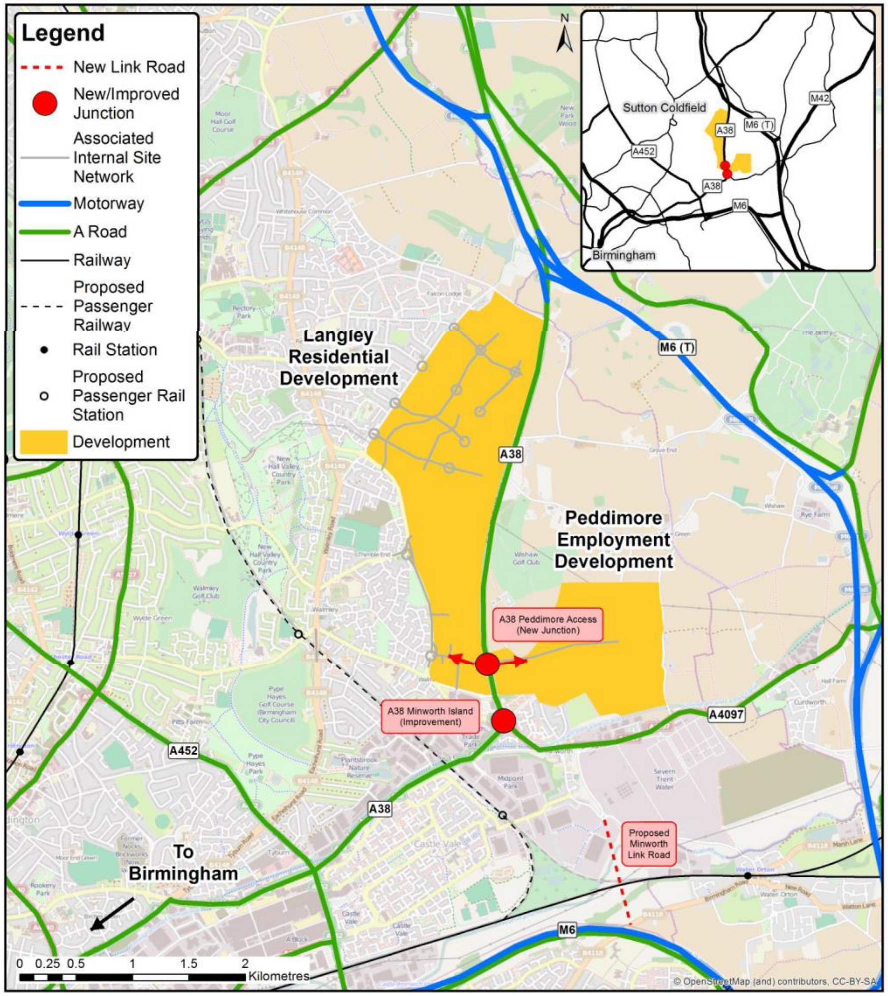
- need for **51,100 additional homes and 100,000 jobs.**
- Langley SUE: 6,000 homes / 80 ha for jobs.
- April 2016: local MP requests ‘call-in’.
- 24 November 2016: Minister’s response:

i. ‘... the vast majority of sites proposed ... are on brownfield land ... A density policy that *‘seeks to maximise the yield from each development site’.*

ii. Council engaged duty to co-operate.

iii. When taking into consideration of this approach, the scale of potentially unmet need in the city is *‘exceptional and possibly unique*’.

- Plan adopted 10th January 2017.



Brownfield development

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Issue:

- Desire to increase brownfield site development; desire to minimise greenfield /Green Belt.
- "permission in principle" regime introduced by the Housing and Planning Act 2016

HWP Proposal:

- Amend NPPF to;

i. attach "great weight" to the value of using brownfield sites <u>within settlements</u> for housebuilding.
ii. allow more brownfield land to be released (including in GB where there is no "substantial harm" to openness) for developments with a higher proportion of Starter Homes

- £1.2bn Starter Home Land Fund to support preparation of brownfield sites.

Strategic Planning

Issue:

- Strategic planning always part of development plan: Structure Plan, RSS.
- 2011 Localism Act abolished RSSs.
- Larger than local issues to be addressed by ‘duty to co-operate’. Not ‘duty to agree’.

HWP Proposal:

- NPPF to be amended to:

i. ensure that every authority is covered by a plan, but remove the expectation that they should be covered by a single local plan.

ii. enable Spatial Development Strategies, produced by new combined authorities or elected Mayors, to allocate strategic sites.

What next?

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- Further consultation:
  - Housing White Paper – consultation period finishes on 2 May 2017 (38 questions).

- ‘early 2017’ deadline for local authorities to have Local Plans in place.

- Publication of a revised NPPF in summer 2017.

- London Plan publication.

- Possibility of primary legislation for significant planning changes; a further Planning Act?

Thank you

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