

SHLAA Partnership Meeting December 2008

Discussion on the Housing Market

At present there are no signs of recovery in the housebuilding industry and it is expected to get worse before there is an improvement. The HBF are currently of the view that the market will not level out until the final quarter of 2010. In the recent past a total of 160,000 homes have been built in a year. This has fallen to 90,000 and is not expected to reach past levels until 2017.

There is a log jam in the market at present. This is caused by low levels of activity at the lower end of the market because first time buyers can no longer get 100% mortgages. [Halifax Building Society had just announced 95% mortgages where the remaining 5% would be accepted from the house builder – this type of mortgage could help shift the log jam]

Apart from the log jam, there is a lack of confidence. People are unwilling to move because of job insecurity.

House prices are expected to reduce by 10%.

There is evidence of a sharp fall in residential land prices. Land worth £2m/acre is now worth £200,000. Negative land values have even been experienced. Brownfield sites in particular are now often considered to be unviable for residential development. Some options have been frozen because the minimum price of the land is no longer realistic. However landowners still have high expectations for the value of their land and will not release land at current prices.

There is no longer a market for apartments except in certain small pockets in desirable locations – possibly in Leamington. Many developers with an outstanding permission for flats will be re-planning the development to accommodate houses instead.

Planning authorities should no longer presume that sites with permission for housing will be developed as such. Retirement accommodation is particularly popular at the moment and even non-residential uses may be an option.

Many housing developers are currently having discussions with RSLs with a view to selling them whole sites for development.

It is anticipated that, once the recovery is under way, the house building industry will be very different to how it was prior to the downturn. It is likely that there will be smaller companies building fewer houses.

Private renting is currently on the increase because many who would have entered into owner occupation are now unable to do so and also there are an increasing number of repossessions (45,000 this year and possibly rising to 75,000 next year).