UK Perspectives on Financing Housing Development

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"IT TURNS OUT POOR PEOPLE WITH BAD CREDIT CAN'T AFFORD TO BUY A HOME. WHO KNEW?"
Financing Housing Development

Market housing

Affordable housing
Market Housing Challenges I

- Shortage mortgage finance
- Economic uncertainty
- Financial regulation
- The deposit barrier
Mortgage advances for house purchase

Source: CML
The new deposit barrier: distribution of loan to value ratios

First Time Buyers
Market Housing Challenges II

- Costs of Zero Carbon
- Inadequate safety net
- Supply Shortfalls
- Planning Localism
New housing starts collapse

Source: CLG – Figures for England

The University of York

Centre for Housing Policy
Renting or owning

- Undimmed aspirations to own
- Fiscal bias for ownership
- Regulatory bias for renting
Affordable Housing Challenges

- Reduced grants budget
- Loss of development cross subsidy
- Uncertainties of welfare reforms
Affordable Housing Options

- Maximising use of assets
- Council borrowing limits
- Issues about rents (& security)
- Intermediate market options
Economic subsidy per dwelling

£ per week

- North East
- Yorks & Humber
- North West
- West Midlands
- East Midlands
- East
- London
- South East
- South West

- Councils
- Housing Associations

2007/08 Values
The net costs of higher rents

- Subsidy & Grant Savings
- Housing Benefit Costs
- Inflation Costs
- Work Disincentive Costs
Rent levels and housing benefit

<table>
<thead>
<tr>
<th>Rent Levels</th>
<th>Tenants on HB</th>
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</thead>
<tbody>
<tr>
<td>Current Rents</td>
<td>66.7%</td>
</tr>
<tr>
<td>Plus 10%</td>
<td>68.2%</td>
</tr>
<tr>
<td>Plus 20%</td>
<td>69.4%</td>
</tr>
<tr>
<td>Market Rents</td>
<td>73.7%</td>
</tr>
</tbody>
</table>
Rents Increase Options

- Increase all rents
- Switch to Intermediate
- New build and/or relets
- Reviews for existing tenants

How to ‘capture’ higher rents?