

# **HBF Supplier & Associate member conference**

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Tuesday November 3, 2015

# Introductions – HBF senior management team

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- **Stewart Baseley, executive chairman**
- **Peter Andrew, deputy chairman**
- **John Stewart, director of economic affairs**
- **Andrew Whitaker, planning director**
- **John Slaughter, director of external affairs**
- **Dave Mitchell, technical director**
- **Steve Turner, director of communications**
- **David O'Leary, policy director**
- **Michael Powell, finance director**

# What we will cover

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- Industry overview
- Economics - market trends, undersupply, industry structure, Starter Homes
- Planning – Housing & Planning Bill, Devolution, neighbourhood planning, green belt
- Technical issues facing the industry
- The skills challenge
- Industry image
- Strategy for 2016 elections in Wales, London

# An overview of home building in England

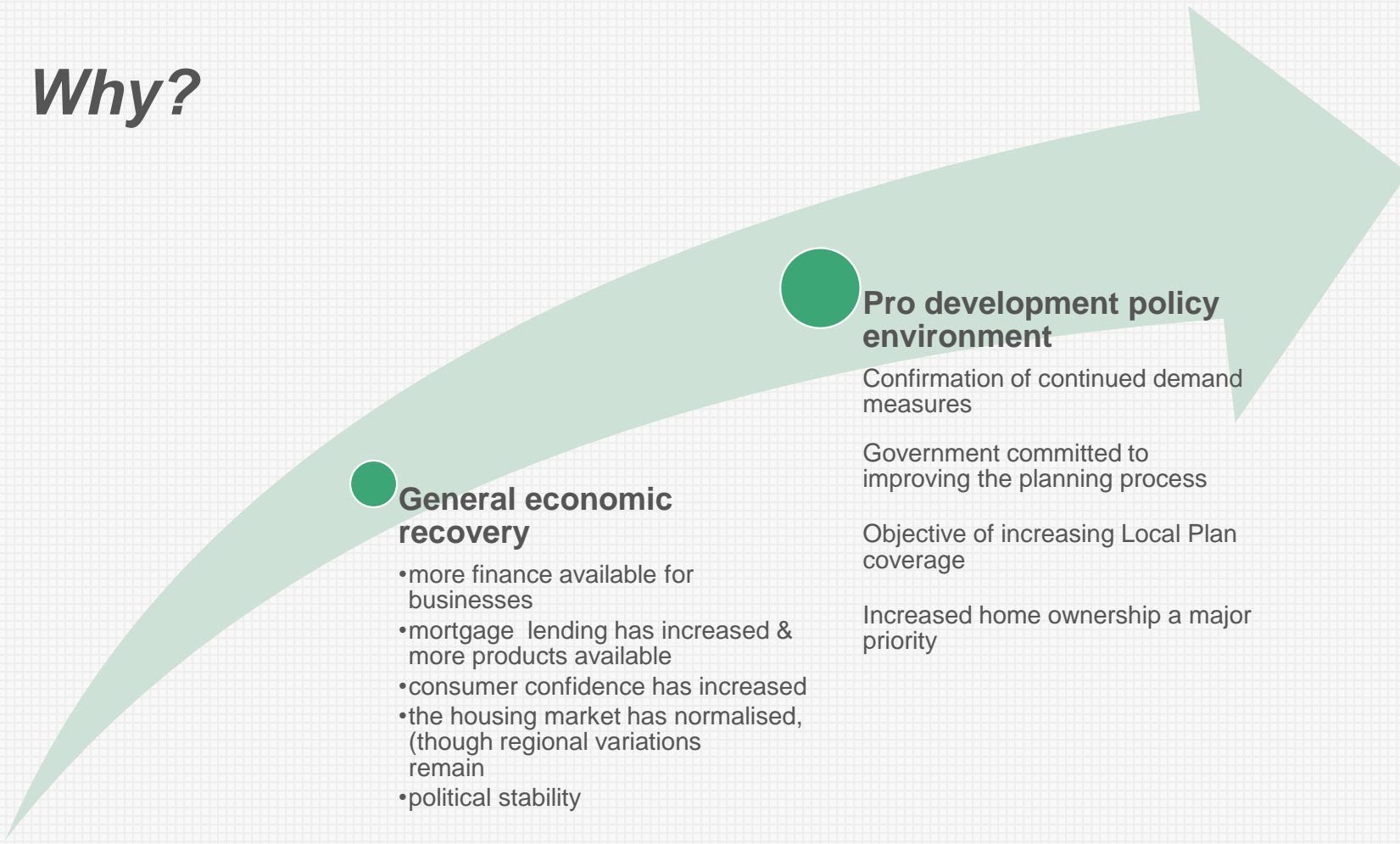
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Stewart Baseley

# A brighter outlook for house builders

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## *Why?*



### **General economic recovery**

- more finance available for businesses
- mortgage lending has increased & more products available
- consumer confidence has increased
- the housing market has normalised, (though regional variations remain)
- political stability

### **Pro development policy environment**

Confirmation of continued demand measures

Government committed to improving the planning process

Objective of increasing Local Plan coverage

Increased home ownership a major priority

# Successive Governments committed to increasing supply

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## Labour

- HomeBuy Direct
- Kickstart

## Coalition

- Help to Buy
- NPPF

## Conservatives

- **Major emphasis on home ownership**
- Help to Buy ISA
- Starter Homes
- Extension of Help to Buy

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**Improvements to NPPF** – increased pressure on LA to put robust local plans in place

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**Productivity Plan** - reduction of regulation

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**Brownfield Regeneration Fund**

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**Creation of National Infrastructure Commission**

All parties now committed to increasing supply - Industry operating in much improved policy environment

# Demand side policies working

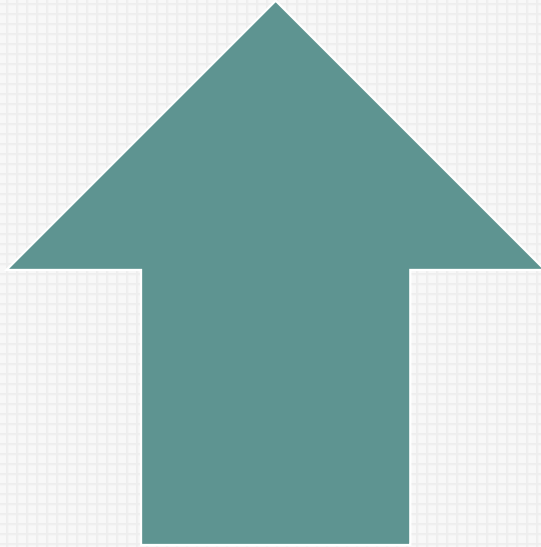
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- **Help to Buy Equity Loan has unlocked demand:**
  - 60k purchasers (plus an estimated 10-15k in the pipeline)
  - 82% FTBs, average purchase price of £216k
  - 94% outside of London
  - More than two-thirds with household incomes below £50k
- **Help to Buy Mortgage Guarantee has galvanised the wider market**
  - Difficult to estimate impact on new build but 60,000 since launch
  - Average purchase price £156k
  - 78% FTBs but also helping others in the 'chains' to help move the market

Government clearly committed to increasing home ownership – it has committed to build 200,000 new homes vis its **Starter Homes** scheme

# Planning system delivering more

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**NPPF has  
increased supply:**  
260k permissions  
last year – highest  
for eight years

# Positive trends in output indicators

***Much improved industry position over the past 18 months***

137,010 starts in calendar year 2014. Up 59% on 2009 'trough'

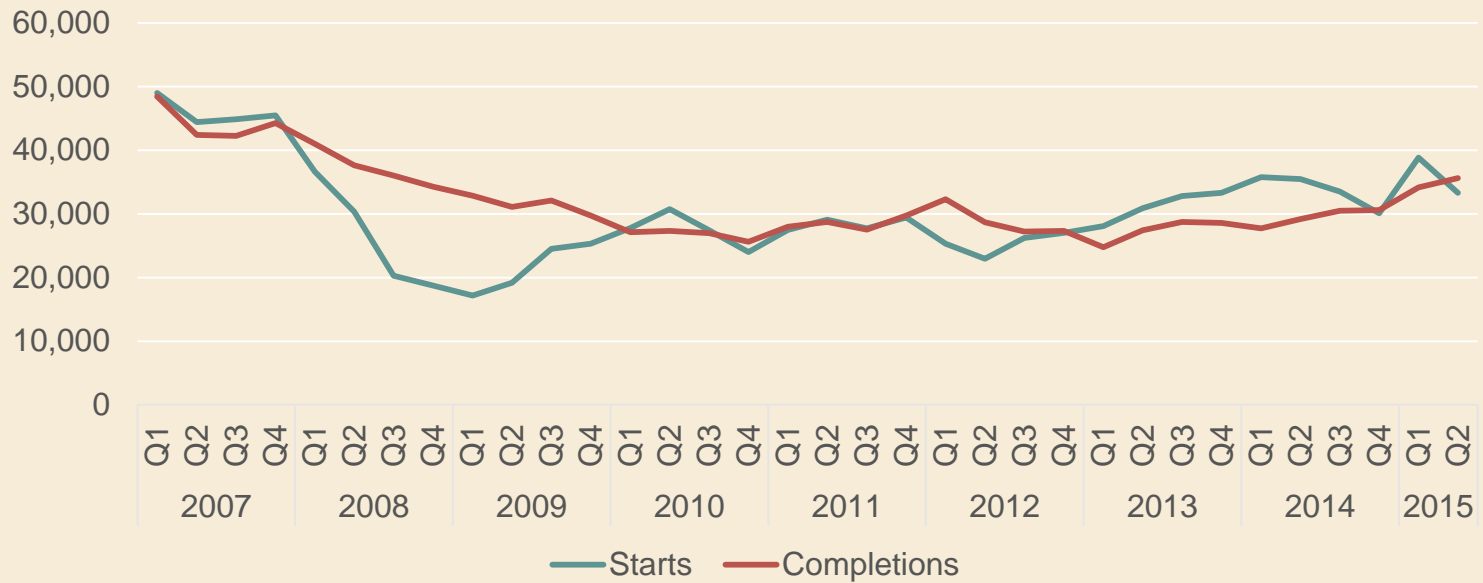
75,390 in first 6 months of 2015 – highest since 2007

71,030 completions in first 6 months compared to 117,720 in whole of 2014

NHBC registrations rose to over 145,000 in 2014; latest rolling Q up 11% y on y

HBF estimates additional 100k people employed in past two

Quarterly starts and completions, 2007 to Q2 2015



# However...

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We are still massively under-delivering new homes

3.3m 20-34 year olds living at home with parents

In 10 years owner occupation amongst 25-34 year olds fallen from 59% to 36%

1.4m households on social housing waiting lists

Less than 1% of stock is specialist retirement housing despite projected 51% increase in over 65s between 2010 and 2030 and doubling of over 85s

# Constraints and threats

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**Planning** - despite increase in permissions granted, it is still taking far too long to get applications processed through the planning system

**Skills** - to maintain increases in output industry needs to dramatically increase its capacity

**SMEs** – number of SME builders has plummeted. To increase supply to meet demand need ‘more players on the pitch’

**RSL world changing** - causing uncertainty and impacting ability to build & negotiate Section 106 agreements

**Materials supply** – big increase in demand, but supply chain responding  
*(more on these later)*

# Conclusions

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Industry in a much better place than two years ago

Economic/policy environment continuing to improve

Government committed to increased housing numbers

Huge challenges ahead and constraints remain

Housing at very top of the agenda and so industry under the microscope

Scrutiny presents both opportunity and risk

**HBF continues to work with Government to develop workable policies that will deliver increases**

# Housebuilding economics

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John Stewart

# Short term trends

# Economic background

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- GDP forecasts: steady growth
- Real incomes rising
- Labour market strong
- Interest rates 300-year low (7<sup>th</sup> year): first rise 2016?  
Psychological impact? Financial market risks? But “gradual and limited” (BoE)
- Maturing economic cycle

**Risks: global (eurozone economy, China, global slowdown); no obvious UK risks**

# Mortgage market conditions

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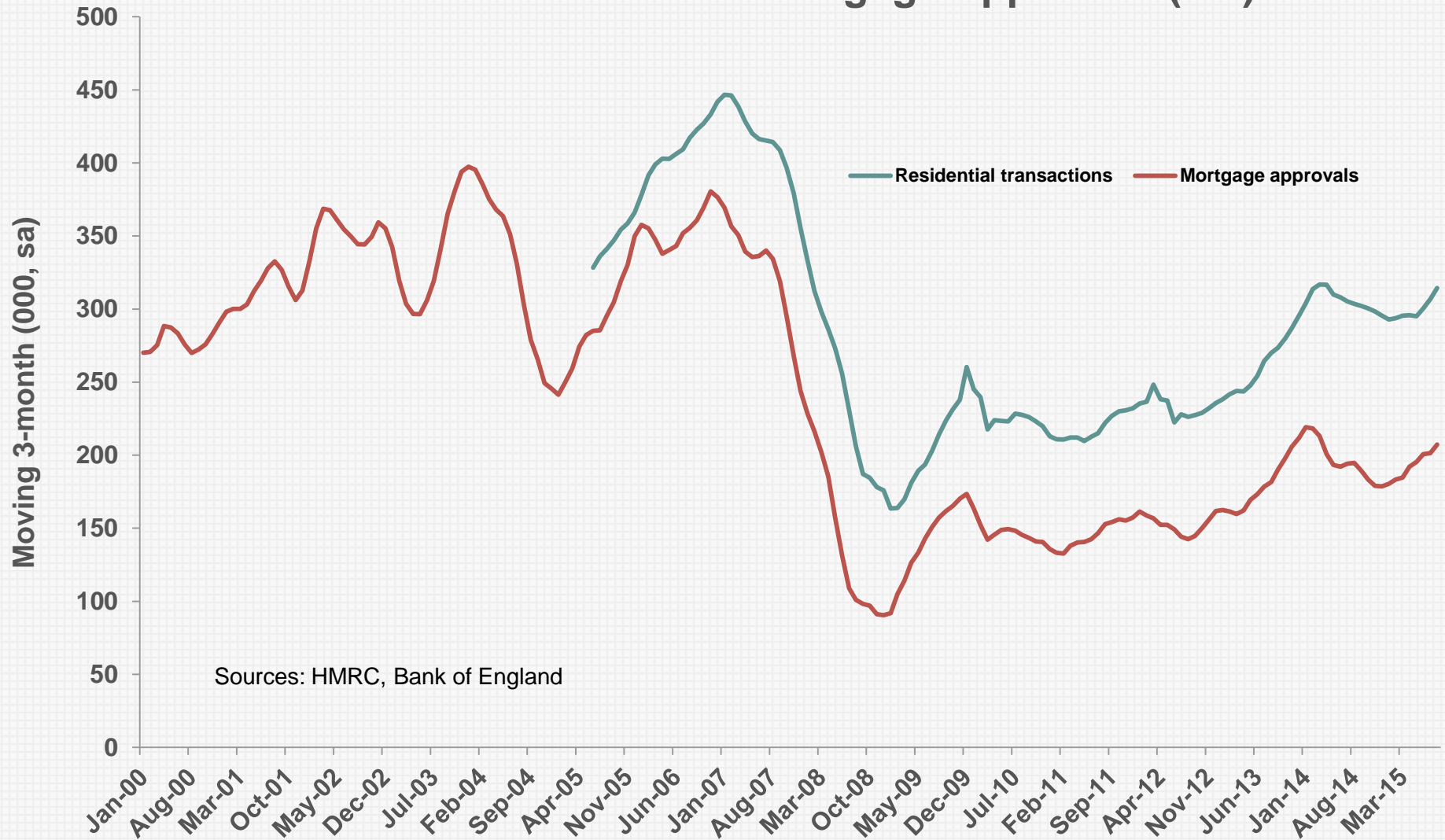
## Availability

- Availability improved (but net lending only 20% of peak)
- HtB1 and HtB2 => 95% LTVs
- More lenders to new build
- HtB2 ends December 2016 – post-2016?
- HtB1 ends 2020 – so post-2020?

## Regulation

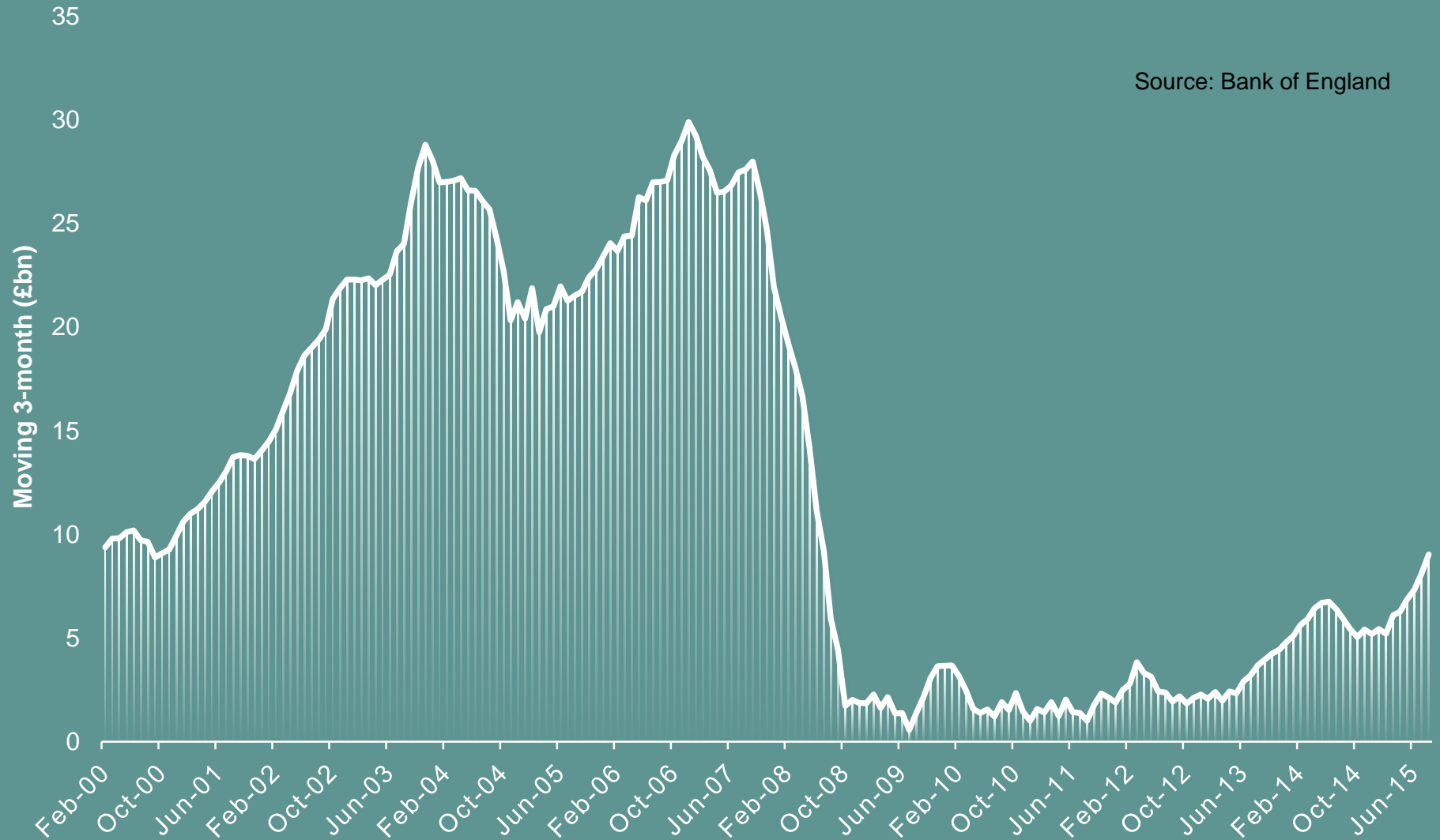
- MMR
- Financial Policy Committee (macro-prudential): pre-emptive tools (to be extended to Buy-to-let)
- Mortgage Credit Directive: shared equity second-charge loans

# Residential Transactions & Mortgage Approvals (UK)

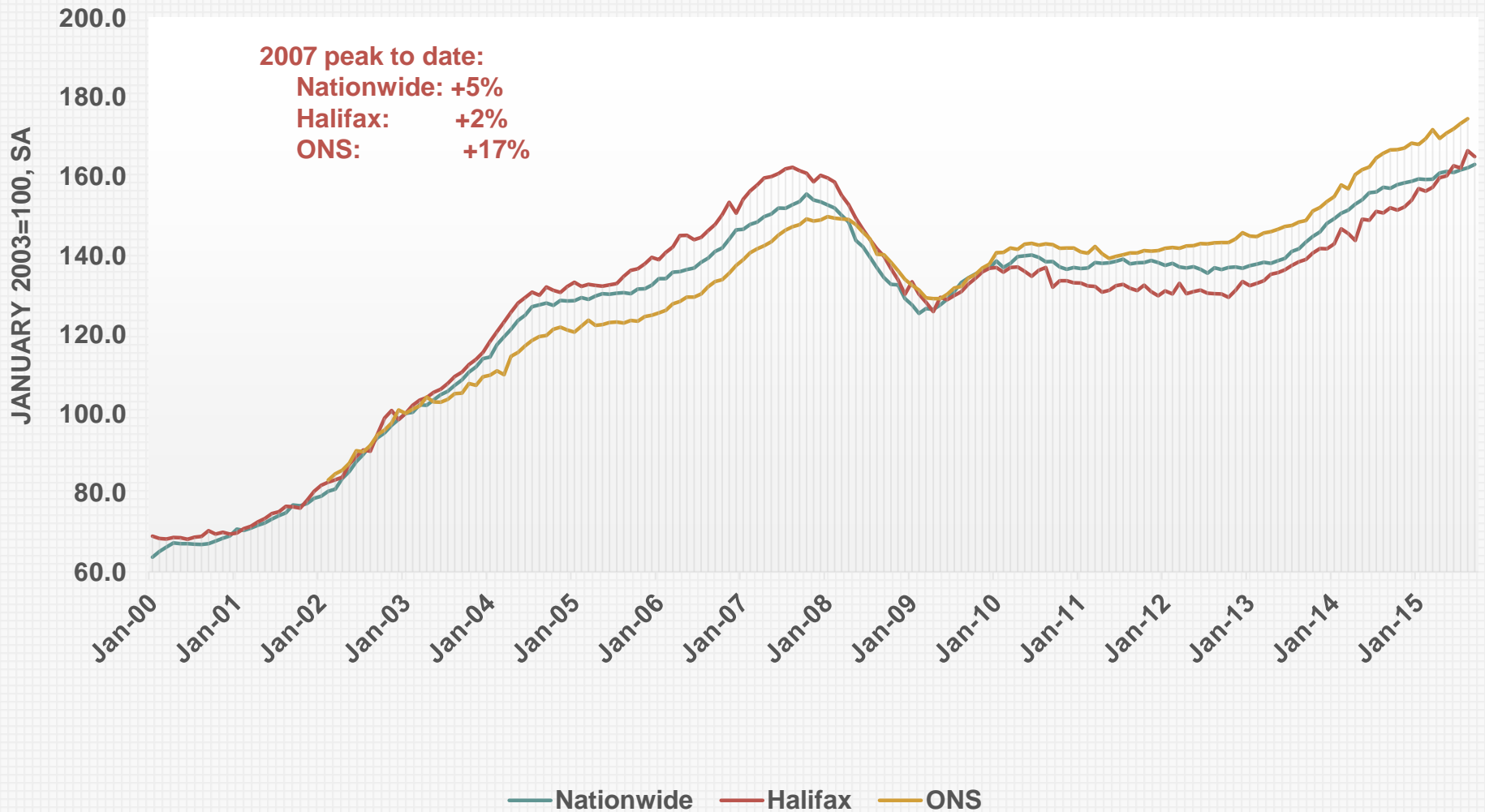


# Net Mortgage Lending (UK)

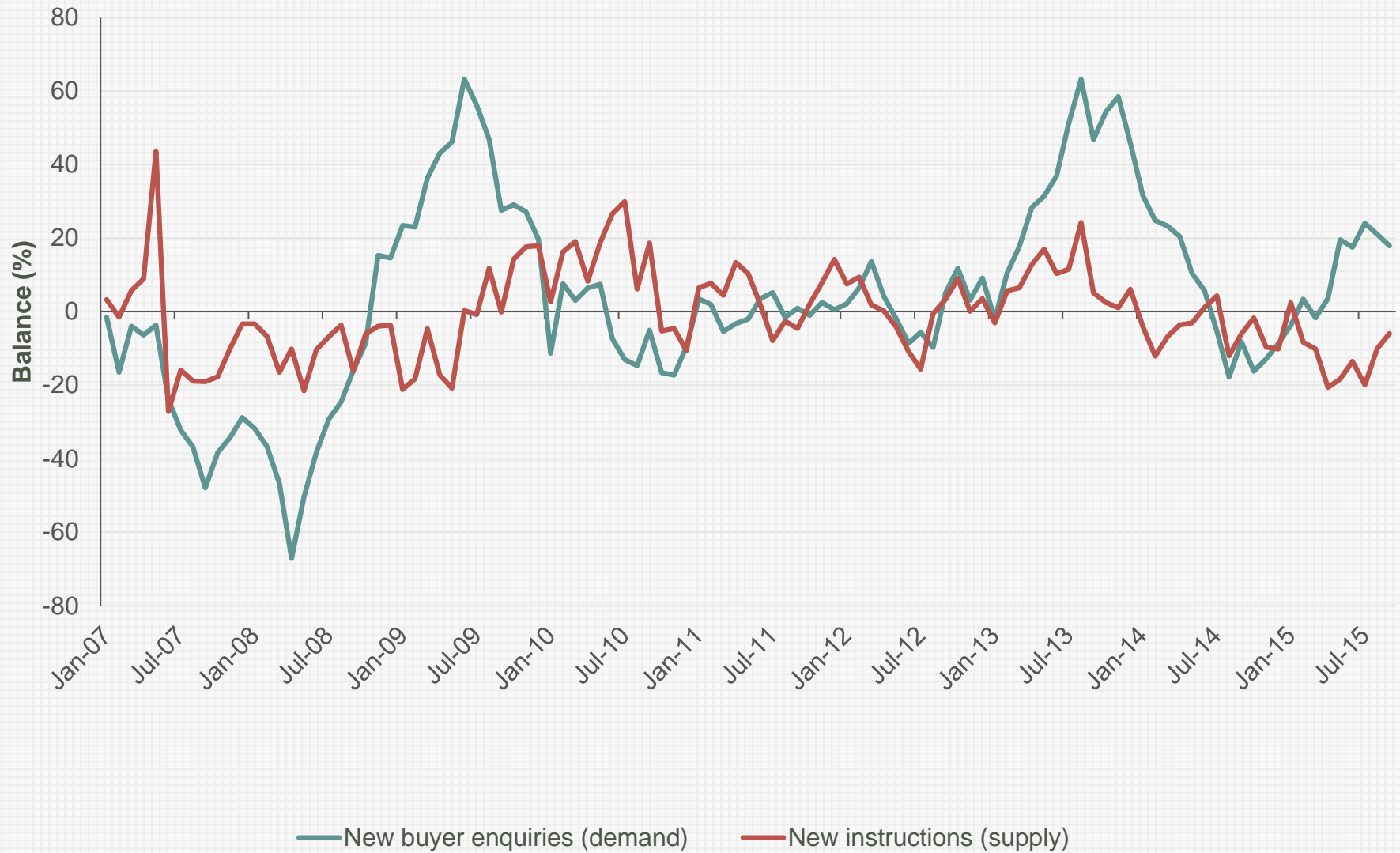
Source: Bank of England



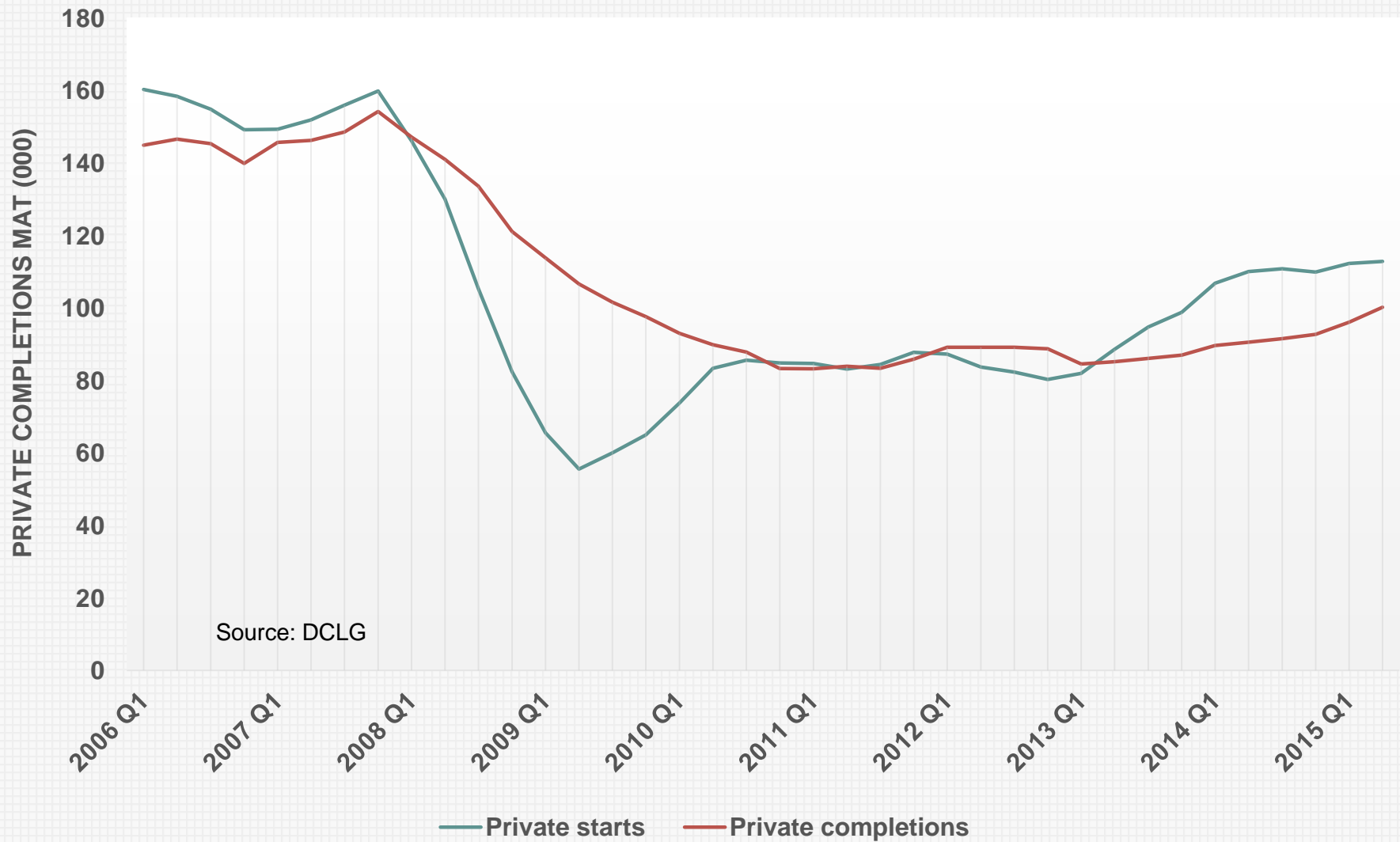
# House Price Indices (UK)



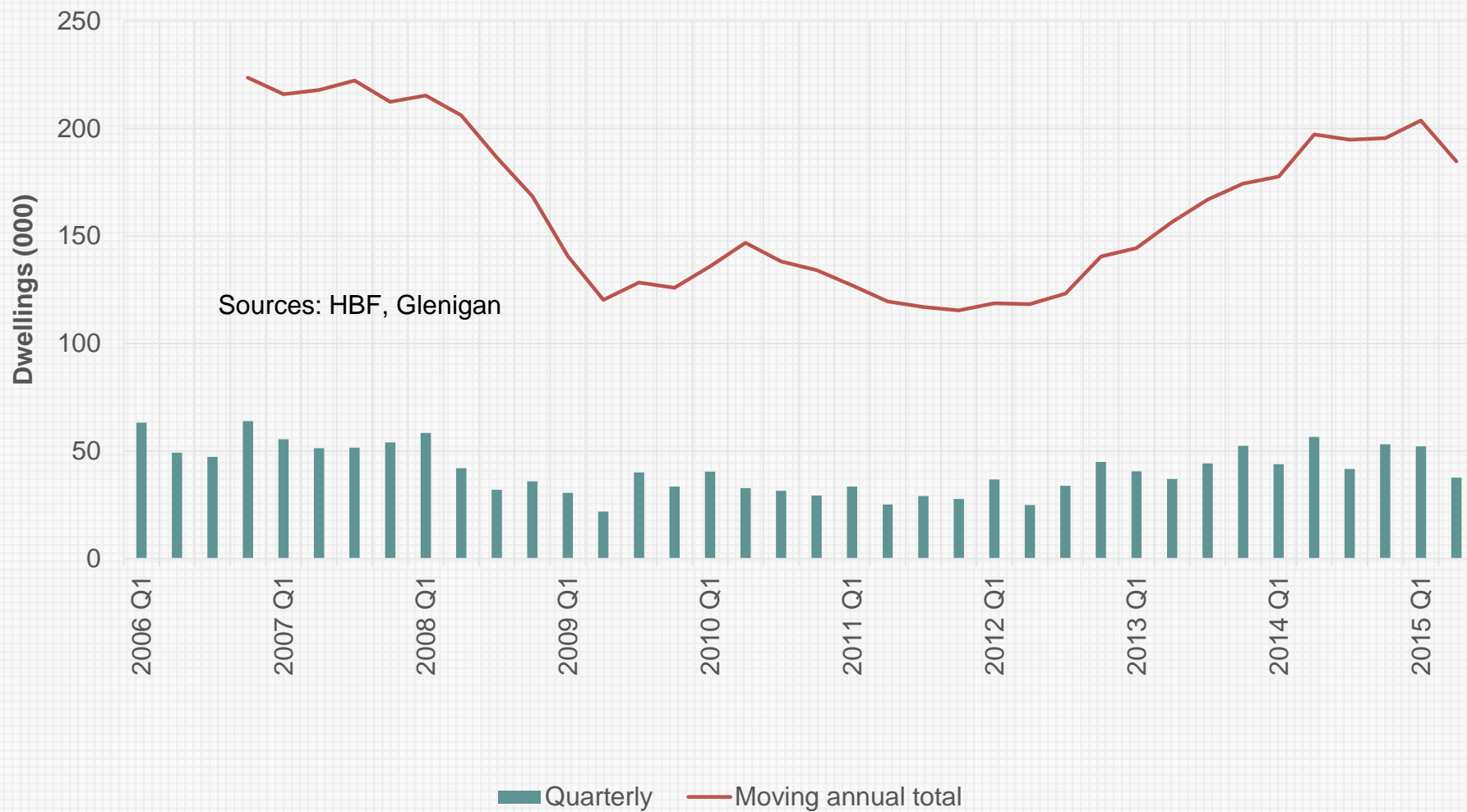
# RICS Survey: Demand & Supply (E&W)



# Private House Building (England)

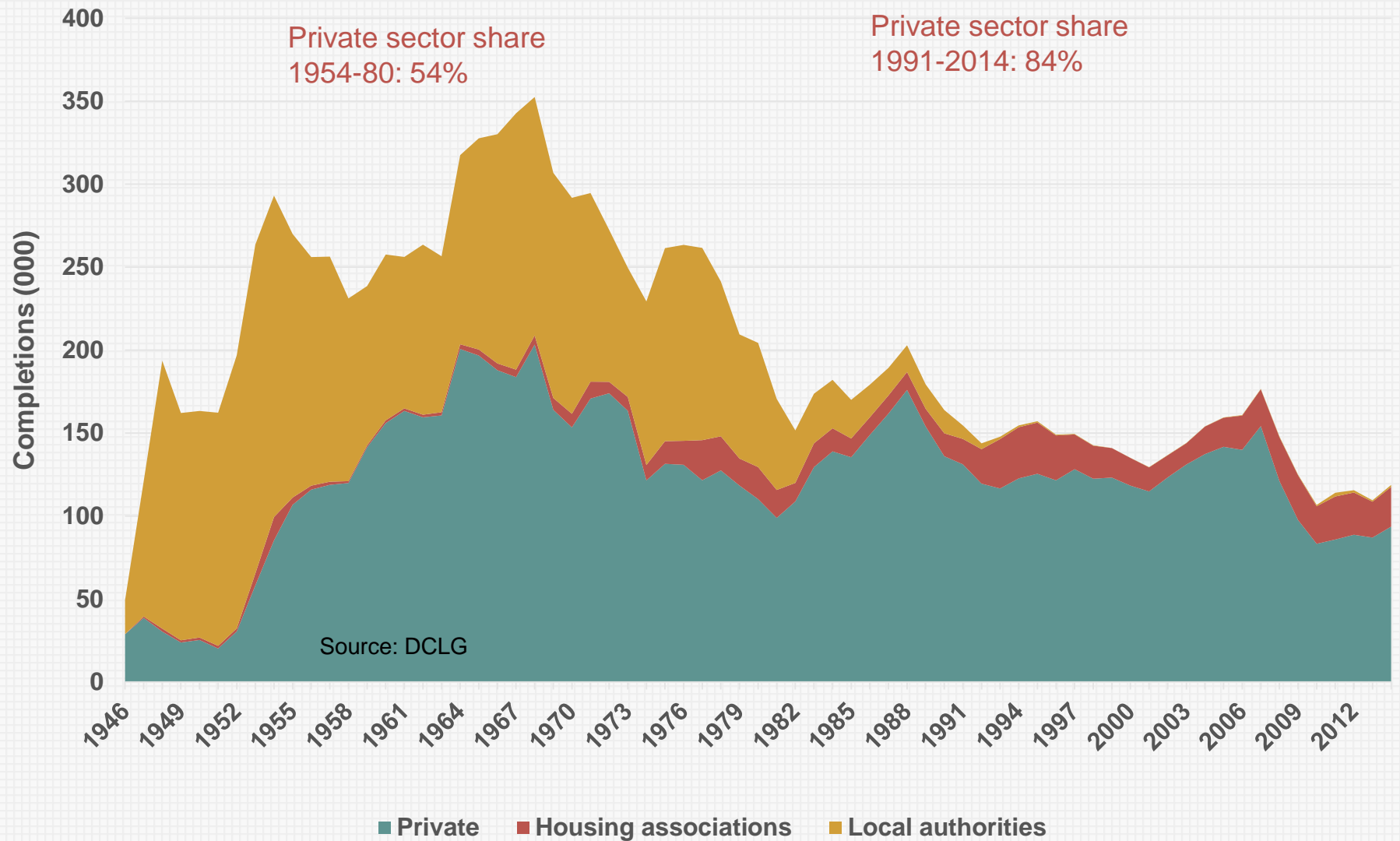


# Planning Permissions: All Dwellings (England)

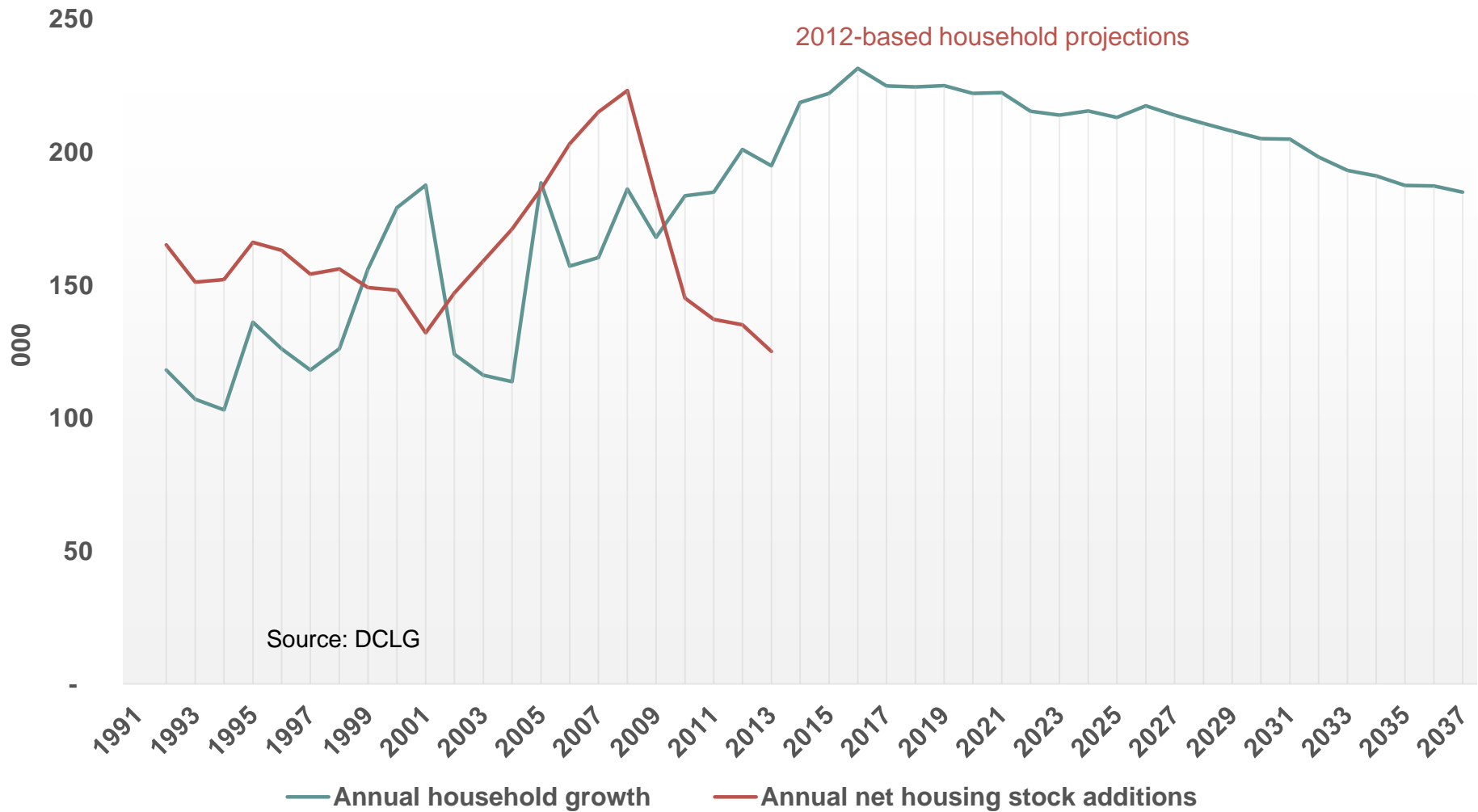


# Housing undersupply

# Housing Completions (England)



# Household Growth & Annual Net Stock Additions (England)



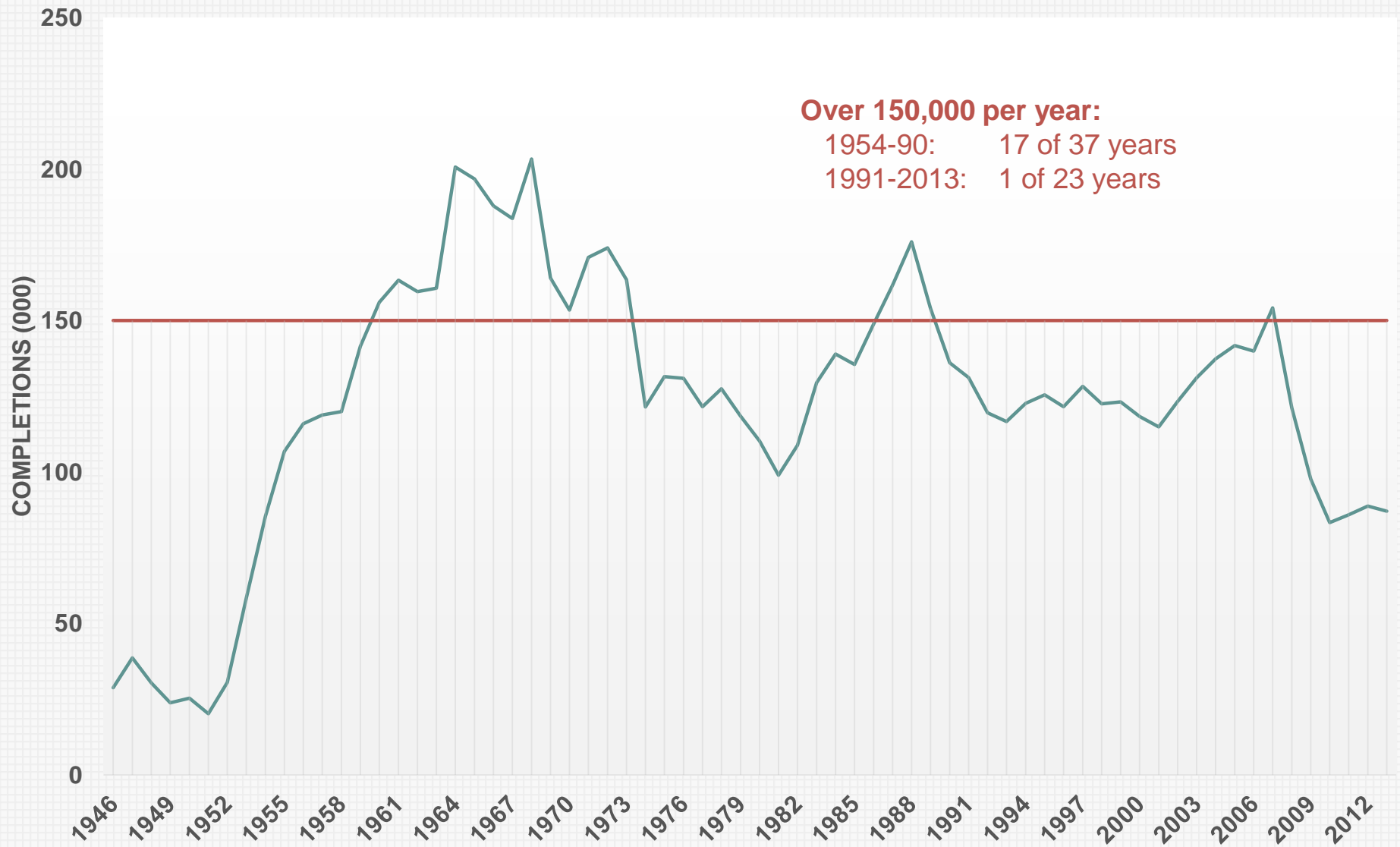
# Solutions: England

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- Demand support (HtB1, Starter Homes)
- Industry capacity rebuilding, especially skills, SMEs
- Increased sales outlets (more sites)
- Widest possible range of sites, by size and location => more sales, more suppliers, more product range (e.g. housing for older downsizers)
- Residential brownfield presumption
- LPA resources adequate
- End-to-end planning application reform
- Public land disposal
- Mitigate impact social rent cuts on S106 AH

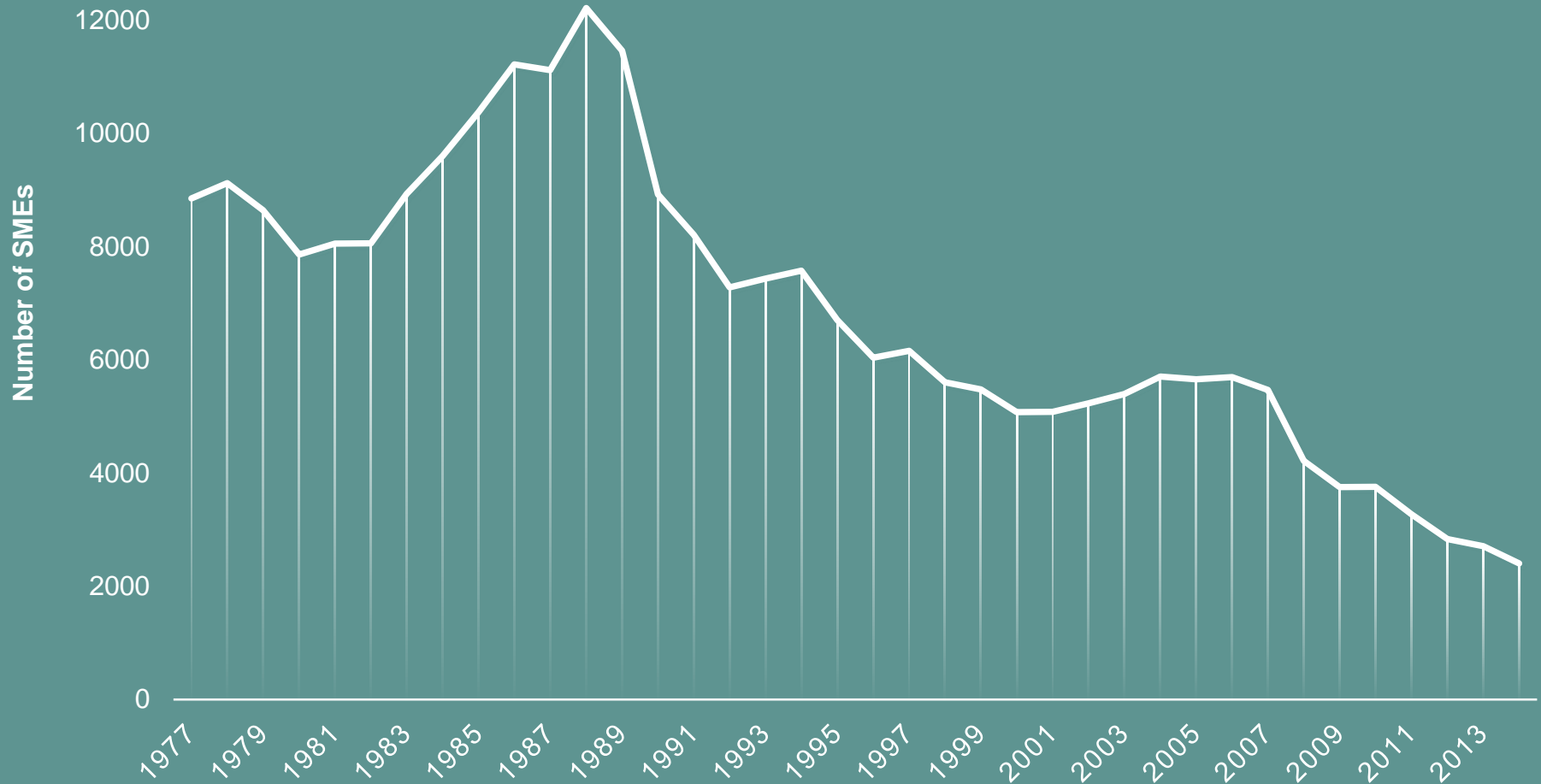
**So can the industry deliver? And what if we don't?**

# Private Housing Completions (England)

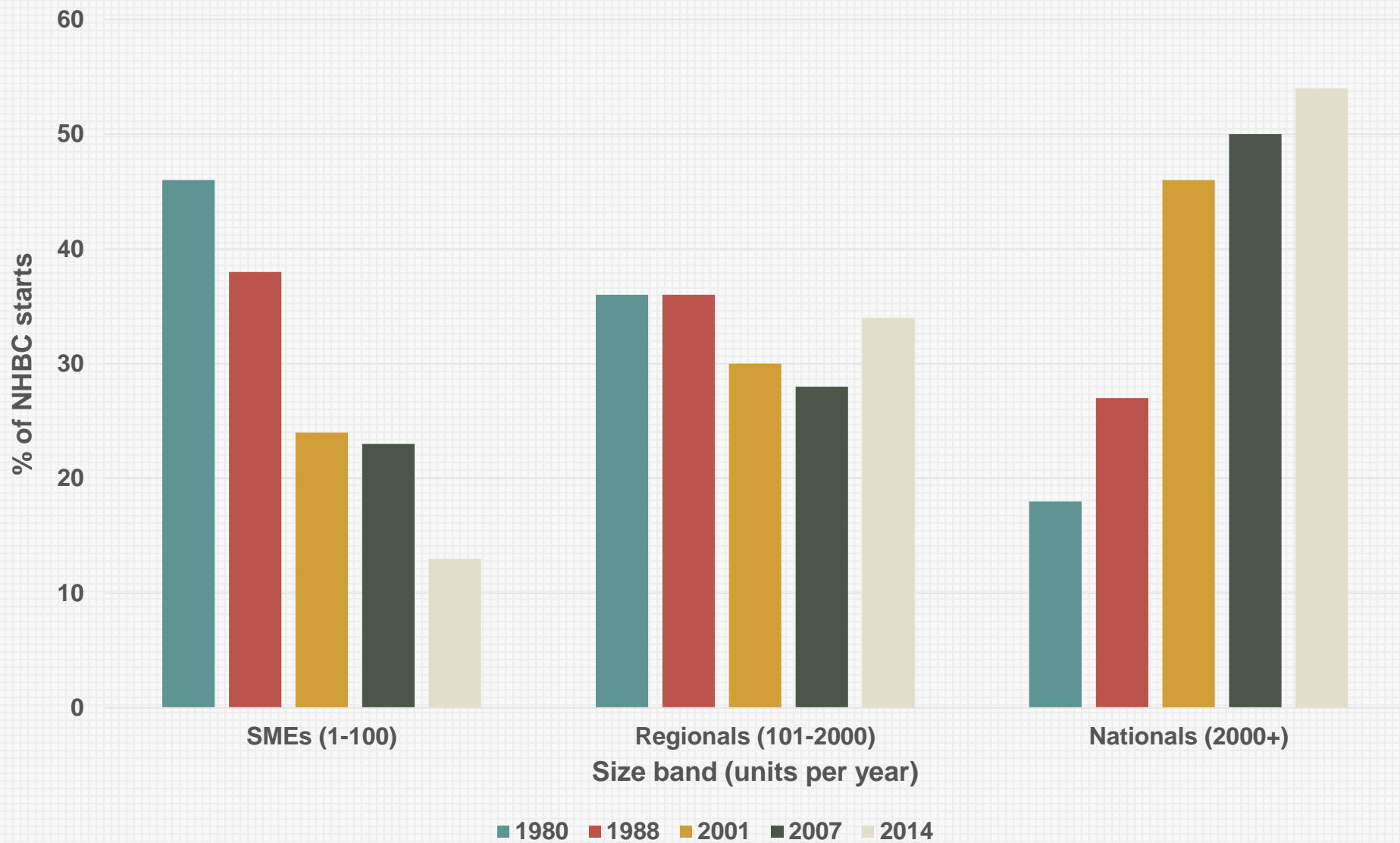


# Industry structure

# NUMBER OF HOME BUILDING SMES (UK) (SME: 1-100 NHBC STARTS PER YEAR)



# Home Building Industry Structure



# Starter Homes

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**Major Government housing committed, but a lot of detail to be agreed**

## ***What we know:***

- Two parts: exceptions sites + “every reasonably sized housing site”
- Homes to be sold with minimum 20% market value discount
- To FTBs under the age of 40
- Redefinition affordable housing => replace social and affordable rent

## ***What we don't know:***

- What SH site requirement will be?
- Interaction with other forms of Affordable Housing?
- Impact on HtB1, local markets, values and valuations?
- How much ‘additional’ housing Government wants?

**HBF liaising closely with officials to ensure scheme is workable**

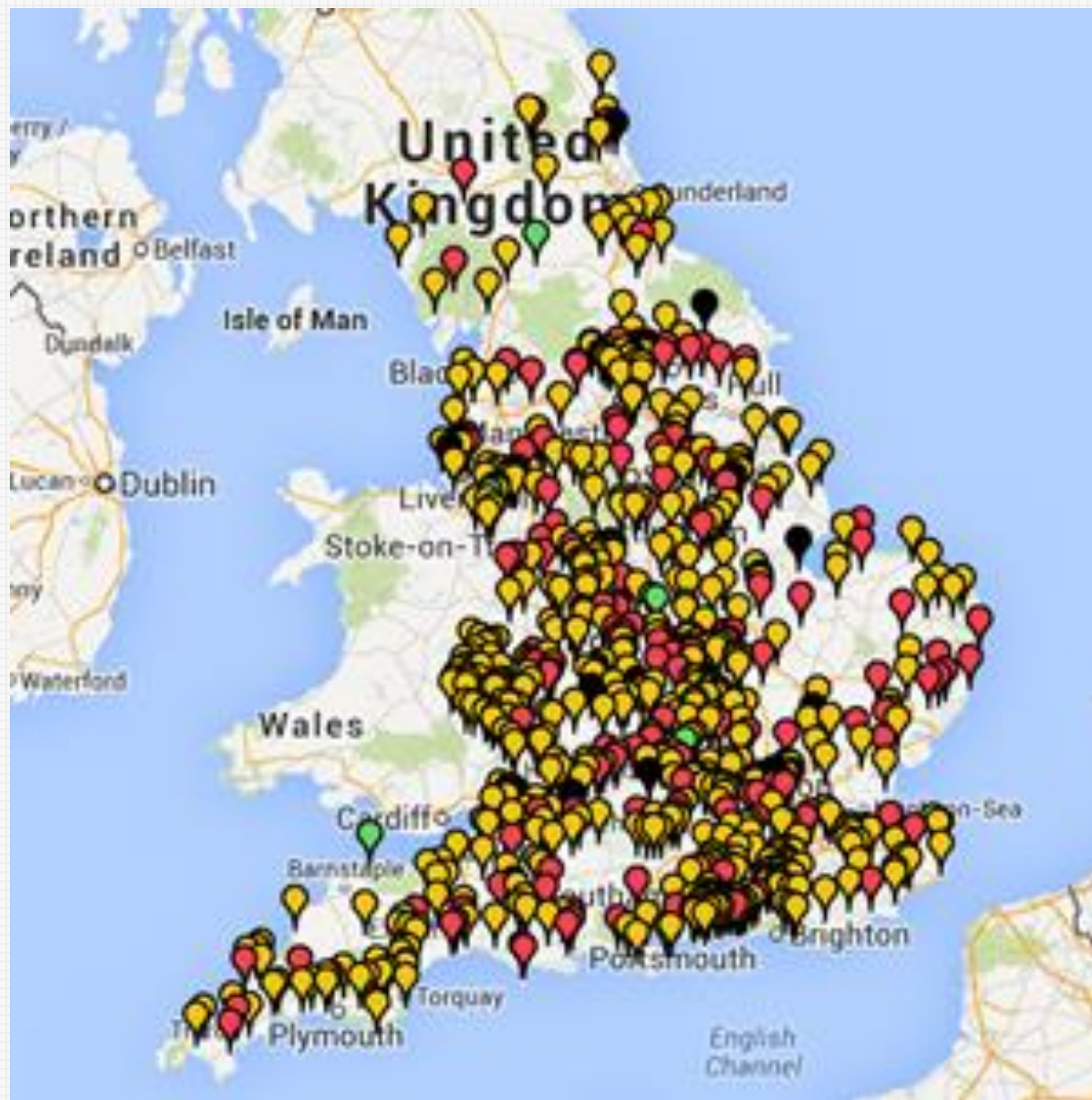
# Planning issues

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Andrew Whitaker









# Technical matters

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Dave Mitchell

# Technical issues facing the industry

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There are many technical challenges facing the industry that HBF is involved in. Including;

- SUDs
- Broadband installation
- Building Standards
- Health and safety
- Offsite construction
- How is the supply chain responding demand?

# SUDs (oppo SUGGS it's madness)

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# Broadband - It's good to talk!!!

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# Building Standards



"I DO NOT CHANGE THE BUILDING CODES EVERY WEEK.  
I DO IT EVERY OTHER WEEK."

# Health and Safety

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# Offsite construction

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# How is the supply chain responding demand?

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# Skills

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John Slaughter

# Constraints and threats - skills

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Skills shortage is now the biggest challenge facing the industry

Industry needs to recruit and train tens of thousands of people if increases in supply are to be delivered

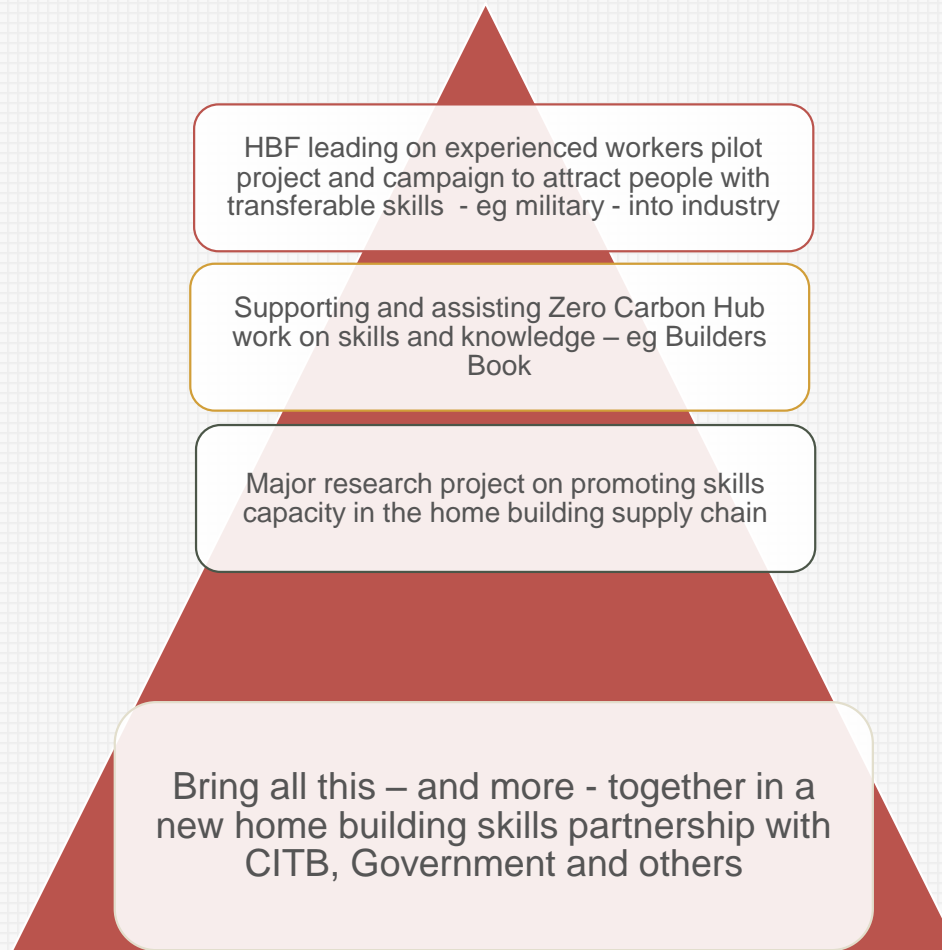
HBF is working closely with Government to ensure new apprentice levy dovetails with existing industry levy

HBF pushing CITB to ensure it is fit for purpose

HBF has developed web site to showcase range of career opportunities for young people

# Skills – HBF initiatives

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# Industry image

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Steve Turner

# Economic and social benefits of housebuilding - UK

**£19.2bn** –  
housebuilding annual  
contribution to the  
economy

**600,000** – jobs  
dependent upon  
house building

**3.9bn** – contribution to  
local infrastructure via  
S106/CIL

**32k** – affordable  
homes built or  
financed plus £1bn to  
local authorities

**£225m** a year towards  
educational facilities;  
equivalent of 52,000  
classroom places

**£355m** stamp duty  
receipts from new  
build sales



# Careers web site




# Posters – House building careers, skill for Life



# Factsheets – Why buy new?

WHY BUY NEW

## DAMP, DRY ROT, WOODWORM, DRAUGHTS, JUST SOME OF THE PERIOD FEATURES YOU WON'T FIND IN A NEW BUILD HOME



**MAKING TOTAL MILES: THE COST OF UPGRADING AN OLD HOUSE TO NEW BUILD QUALITY**

### £45,000

When looking for a new home, you'll want to consider the cost of upgrading an old house to new build quality. This factsheet explains why a new build home is a better investment than an old house that needs upgrading.

**WHERE THE EXTRA £45,000 IS SPENT UPGRADING AN OLD HOUSE**

- COATING & SEALANT
- EXTERIORS
- GLAZING
- NEW WINDOWS
- NEW FLOORING
- NEW ROOFING
- NEW KITCHEN
- NEW BATHROOM
- NEW HEATING
- NEW ELECTRICALS

**HB Federation**

WHY BUY NEW

## STRIP IT, FILL IT, SAND IT, PAINT IT, AND IT STILL WON'T BE AS GOOD AS NEW



### BUILDING QUALITY WHY NEW HOMES ARE SUPERIOR TO THEIR RIVALS

When you buy a new home, you're getting a home that's built to last. New homes are built with the highest quality materials and workmanship, ensuring they'll stand the test of time.

**CONSTRUCTION**

New homes are built with the highest quality materials and workmanship, ensuring they'll stand the test of time.

**FINISHES**

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**QUALITY OF MATERIALS**

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WHY BUY NEW

## IT'S TRUE A NEW BUILD HOME WILL HELP YOU SAVE YOUR ENERGY



### NEW IS GREENER AND CHEAPER! WHY BUYING A NEW HOME WILL SAVE YOU MONEY WHILE HELPING TO PROTECT THE ENVIRONMENT

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**HB Federation**

WHY BUY NEW

## BUYING AN OLD PROPERTY? YOU'LL SOON REALISE THAT YOU HAVE MORE THAN A SCREW LOOSE



### WHY BUYING NEW MAKES PERFECT SENSE

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**HB Federation**

WHY BUY NEW

## STRUGGLING TO PUT AN OFFER ON A HOUSE? THEN TAKE A LOOK AT OUR NEW HOME OFFERS



### FEAR NOT. THERE ARE MORE WAYS THAN YOU THINK TO BUY NEW

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**HB Federation**

WHY BUY NEW

## NO CHAIN HELP TO BUY 10 YEAR WARRANTY IN FACT THE ONLY CATCH YOU'LL FIND IS ON THE FRONT DOOR



### YOU CAN'T BUY PEACE OF MIND BUT YOU CAN BUY NEW

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# 2016 elections

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David O'Leary

# London Mayoral elections

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- ‘The Housing Election’ – both main candidates declaring housing to be a major/most important issue
- 54% of Londoners consider housing to be the most important issue facing the capital. Up from 39% in 2013
- Increasing interest from general business community regarding affordability of housing
- Huge under-delivery of housing in London

# London Mayoral Election 2016

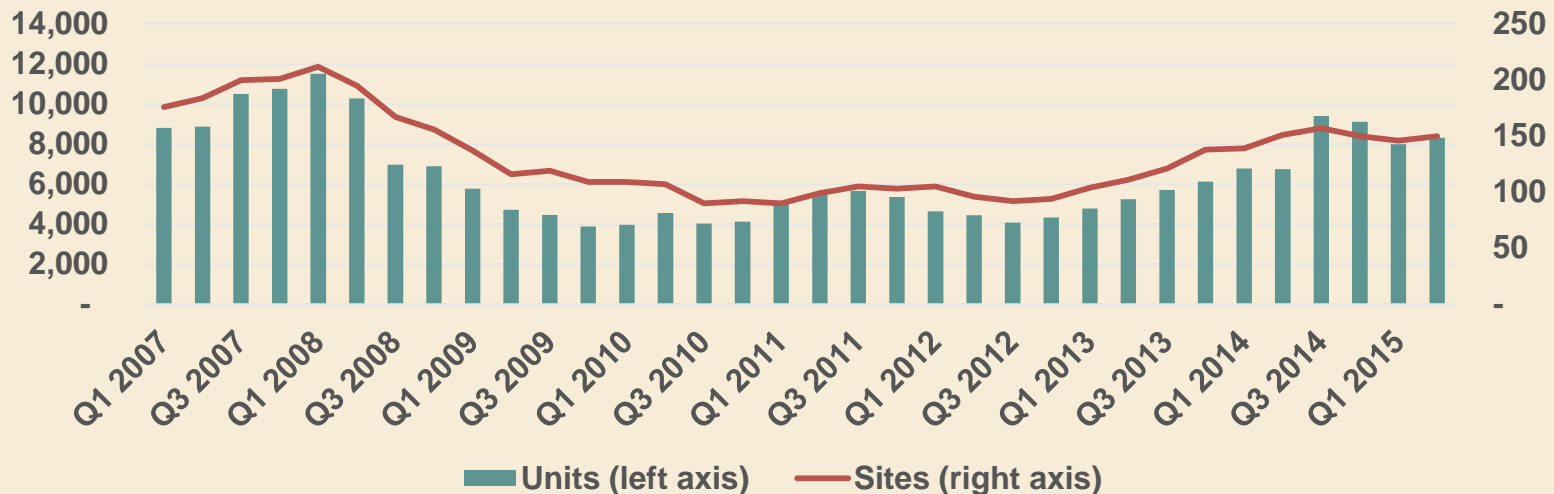
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- Overseas buyers, "landbanking" and the Green Belt likely to attract attention
- Pre-election strategy:
  - Counter spurious accusations of "land-banking"
  - Need to continue attracting investment from variety of sources
  - Sell the economic benefits of house building for London, particularly in boosting youth employment (80k new jobs)
  - Importance of public land
  - Making better use of London's housing estates
  - Better cooperation between the Mayor, Boroughs and wider South East
  - Encouraging clarity in the role for investors in PRS

# Elections in Wales 2016: Market context

- Recovery in output in Wales has been slower than elsewhere
- Housing starts in 14/15 back to 68% of 2007/8 levels.  
England = 80% of 2007/8 starts
- Planning permissions increasing but slowly

**Planning permissions granted in Wales  
(Rolling Annual Total), 2007-2015**



# Wales

## A challenging environment for builders:



Generally low house values, weak GVA



Lack of certainty over continuation of demand-side measures



Building is more expensive - remediation, regulation, AH requirements



Poor development plan coverage

## HBF's Pre-election strategy



Set out the evidence – higher regulatory burden affects investment decisions of house building companies



Build the story – need to address the housing crisis in Wales, economic benefits of boosting housing supply, importance to voters



Present solutions for creating a better environment for house builders – clarity, deregulation, better coverage of development plans

# Questions and Discussion



*The voice of the  
home building  
industry*