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HOUSING FINANCE INTERNATIONAL

The Quarterly Journal of the International Union for Housing Finance

- Housing and financial markets in Japan amid global inflation
- The two housing finance crises in Hungary – lessons for the housing policy transition
- Decarbonising Tenants
- Ukraine's housing recovery forum – rebuilding a place to call home
- Round Table on Security Rights over Immovable Property (Part 1) – Objectives and Working Methods

International Union for Housing Finance

Housing Finance International

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Volatility, interest rates and rental markets; three key themes

Three themes run through most of the articles in this Summer 2023 issue of HFI, cropping up again and again, sometimes separately and sometimes combined in ways that would have seemed counter-intuitive only two years ago. The themes can be summed up as follows:

- Volatility in house prices in both directions. In some countries prices have been falling for around a year. In the UK for instance, the Halifax House Price Index for May records the first year-on-year fall in prices (1%) since 2012, while falls in parts of Europe, the US and Canada have been well documented. That said, prices in other markets such as Indonesia are still rising, while other markets such as New Zealand, which has experienced a 43% rise in the past two years appear to be on the cusp of a significant correction.
- Rising interest rates. With global inflation apparently now rising, interest rates are now much higher than those prevailing comparatively recently. While there is widespread variation- mortgage interest rates in the UK have risen much further than in the EU and in the US average rates are higher again, the phenomenon is widespread and probably represents a long-term adjustment[1]. This inevitably impacts heavily on affordability which has deteriorated sharply in some markets even as prices have fallen.
- Stronger demand in rental markets. Rental markets appear to be subject to stronger demand as the affordability of homeownership deteriorates, leading to some optimism about the likelihood that institutional investors may intervene more strongly. From a consumer perspective however, stronger demand can lead to the demise of private rental as a safety valve for the housing market. The Asia-Pacific regional roundup in this issue of HFI reports that rental homes deemed to be "affordable" account for a record low of only 4% of Australia's housing stock.

The three themes sketched out above recur with worrying frequency in the excellent set of articles to be found in this issue of HFI. Although they receive detailed analytical coverage, one cannot but suspect that they will be recurring themes through 2023 and well beyond.

While our first main article continues our series of texts focussing on sustainability and the march to achieve Net Zero, it is very relevant to a time of financial volatility, higher financing costs and stretched affordability. Entitled *Can Africa afford green and resilient housing?* The article, by Rusmir Musić of the International Finance Corporation (IFC), takes a positive view of the challenges facing those who would make a financial case for building sustainable homes. Musić looks primarily at the formal developer-led segment of construction, which he still sees as the best immediate hope for sustainable development notwithstanding the high levels of informal construction across the continent. Looking at issues such as developer margins, sales costs and speed of sales Musić builds a convincing case for green developer-led construction. As Musić himself puts it: "The idea is to help developers see green construction not just as an embedded cost, but as an investment that yields returns."

In his article *Examining the causes of escalating home prices in Canada*, Steve Pomeroy focusses squarely on the theme of house price volatility noted above. He points out that after a price correction following the Global Financial Crisis (GFC), a number of countries saw sustained and rapid house price growth until around 2022 or later. These included among others, Australia, the UK, Germany, Norway, New Zealand the US and Canada. In some cases, notably the UK, the US and Canada, prices have recently fallen back sharply. Pomeroy chooses to focus on Canada and, while he is aware of recent falls in prices it is the reasons for the sustained house price rise that he seeks to elucidate. His central thesis is that the rise in prices was caused by a confluence of demand-side factors rather than by deficiencies in new housing supply. He identifies population growth caused in large measure by inward migration as one set of factors and the capacity to pay including the average mortgage rate versus median incomes and the accumulation of equity due to rising prices as important also. With a focus on regional as well as national trends and causes this is an important contribution to the literature around house price growth.

Our third main article is *Prospects for the European residential investment market*, by Shaun Stevens and Maurizio Grilli. Experts on institutional investment, Stevens and Grilli point to the relatively limited permeation of institutional investment into European rental markets compared to other markets such as North America and parts of Asia. They also identify a steady growth in European investment since the GFC, driven by a perception of strong underlying demand, an under supply of rental housing and factors (such as regulation) tending to deter entry by individual landlords. The authors identify a range of factors underpinning demand including faster household formation in Europe and deteriorating affordability of homeownership, leading investors to perceive the market as offering "superior long-term risk-adjusted returns." After providing a useful overview of the residential investment market, Stevens and Grilli conclude: "Despite weaker market conditions and property prices falling since the second half of 2022, investors still intend to keep investing in the residential market sector."

Regular readers of HFI will remember the article by Dr Otmar Stöcker and Prof. Dr Dres. h.c. Rolf Stürner titled *Round Table on Security Rights over Immovable Property (Part 1) – objectives and working methods*. This article formed part one of a two-part article. We are pleased to include the second part in the Summer 2023 issue of the Journal. With the title *Round Table on Security Rights over Immovable Property (Part 2) – Accessoriness of Security Rights over Immovable Property*, this important second part focusses on the key issue of accessoriness in the context of security rights. These two articles will be read by those wishing to get to the root of the complex legal issues which underpin the taking of security over immovable property and who wish to gain the insights of two of Europe's leading experts in the field.

[1] CF. The Times 31st May 2023. Eurostat

Finally, we are pleased to present a concise think piece by Saskia Van Balen and Joost Nieuwenhuijzen: *Housing associations: delivering more homes sustainably during financial market turmoil.* The authors paint a disturbing picture of markets increasingly characterised by higher risks and increased financial uncertainty. Their key focus is on housing associations struggling to build affordable housing in a situation where high interest rates, increased construction costs and restrictive rental policies combine to squeeze margins and in some cases potentially to threaten financial viability. These trends can by seen in Germany, France and elsewhere. The authors go on to look at partial solutions being tried in practice in the city of Berlin and in the Netherlands.

All in all, this is a relevant and forward-looking issue of the Journal. We hope you find it interesting and stimulating. Feedback is always welcome so don't hesitate to get in touch with comments and suggestions.

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Housing policy in England: neither coherent nor delivering in the rapidly changing political and economic environment?

↳ By Christine Whitehead and Peter Williams

1. Introduction

Many HFI readers will be familiar with the somewhat unprecedented period of political turmoil faced by successive elected Conservative Party-led UK governments since David Cameron resigned as Prime Minster after the Brexit vote in 2016. Indeed in 2022 the UK had three different occupants of that position. This turbulence in part reflects the tensions within the Conservative Party itself and the fragmentation of the party into different groupings, some of whom have sufficient support to trigger changes of leadership.

The current Prime Minister Rishi Sunak was appointed in late October 22, but it is clear his position as leader of the Party and Prime Minister is far from comfortable. Indeed, the recent local government elections in England where the Conservatives lost both a large number of seats and the control of several councils has now injected a further degree of frenzy as the country moves towards the next General Election in late 2024 or early 2025. In part this reflects the difficult macro-economic environment in which the Government is now operating. In housing terms, the most important factors are that the Bank of England's anti-inflation monetary policy has increased interest rates to nearly 5%, immediately impacting on mortgage rates for new borrowers as well as for those on fixed rate mortgages as they reach renewal, while the Treasury has no capacity to provide any increased fiscal support.

While housing may not always be at the top of the electorate's concerns at the time of the election, when polled it remains a key issue not least in local politics which in turn has a big influence on any government's attempts to reform the housing and planning system. This has become a major driver of tension in this fragmented Conservative Party, as exemplified by a backbench campaign forcing the Government to replace mandatory housing supply targets with guidance for each local authority. As a result, a fair number of authorities have quickly moved to abandon their actual or proposed local plans which include their new dwellings requirement.

In this article we aim to take stock of where the new Government of Rishi Sunak is going in housing terms. For the most part what we outline will apply to England only, as housing is a devolved power. However there have been initiatives by both the UK Treasury (in relation to taxation) and the Department of Work and Pensions (in relation to social security) that apply UK-wide. We structure our analysis around a focus on housing tenure - home ownership, social renting and private renting, before looking at planning and development. We close with a brief conclusion looking ahead to the upcoming General Election.

2. Home ownership

Often portrayed as the natural party of home ownership, the Conservative party has long championed this tenure. Indeed, the Right to Buy (the sale of council housing to tenants) introduced by Mrs Thatcher's government in 1980 is frequently held up as the most successful policy intervention ever made by the party. By contrast the Labour party has been closely associated with social and particularly local authority renting, partly reflecting the importance of that tenure in large metropolitan local authorities which tend to be Labour controlled.

As the party in power since 2010 (including a period in Coalition) the Conservative Government has overseen a continuing fall in the level of home ownership (although lately slightly reversed but still 8% below historic highs), a sustained rise in house prices and ever more squeezed affordability. While in part the fall in the proportion of households in home ownership is down to the fallout from the global financial crisis (GFC), in practice tighter regulation of the mortgage market, worsening affordability, the failure to secure a much higher and more sustained supply of new housing plus increased competition from the much-expanded private rented sector have all contributed. The poor performance of the economy over these years and the fall in real wages was "rescued" by the historically low interest rates which allowed the housing market to perform better than might have been expected. This situation has now changed and much higher interest rates are likely to be the norm for some time.

In policy terms, after earlier attempts such as HomeBuy and First Buy which involved equity loans partially funded by developers, in 2013 the Government introduced a new Help to Buy equity loan scheme where buyers could get a government funded equity loan of up to 20% (40% in London) of the value of the home at no charge for an initial 5 years . Over 350,000 households have used the scheme with over 80% of them first time buyers. Given the house price uplift that has taken place, the government has made a return of over 10% of the equity loans redeemed so far. There has been some criticism of the scheme in terms of its contribution to supporting and raising house prices and for pushing up the new build premium for new homes. There were also concerns that while developers gained from a stronger market the impact on output levels was relatively limited. The scheme has been used by many who used it to buy bigger and better homes sooner rather than any home at all – not entirely a bad thing, given that many households were buying when they already had children. The scheme was modified and restricted to first time buyers in 2021 and then closed in the spring 2023 (it continues in Wales). But even before the ink had dried on that decision the rumours began that the government might revive it. Help to Buy and earlier schemes highlight the fact that the Government has been supporting new housing development and housebuilders over a long period.

This industry seems unwilling to break from that and have been quick to suggest that new housing output might halve without government support, given rising interest rates and costs. It remains a shelf-ready product for introduction in the run up to the election..

In addition, the government has also continued with its mortgage guarantee scheme to December 2023, insuring lenders against losses on high LTV loans and maintained the First Homes scheme. This scheme relies on developer contributions to support the creation of permanently discounted new homes so that the benefits roll on to subsequent buyers. This introduces new complexities. The initial grant aided pilot scheme is due to end in December 2023 when it is hoped some 1500 homes will have been produced. The aspiration is that if and when it is fully introduced, First Homes will deliver 10,000 homes a year, all based around developer contributions/planning gain. This of course will have implications for the shared ownership programme discussed below. A Rent to Buy scheme was also introduced in 2014 by the previous Coalition Government but continued by the Conservatives. Selected homes are offered with a 20% discount on the rent to assist the tenant to save for a deposit to buy that home. Take-up has been low and Homes England, the Government's housing delivery agency, does not report on the numbers using the scheme.

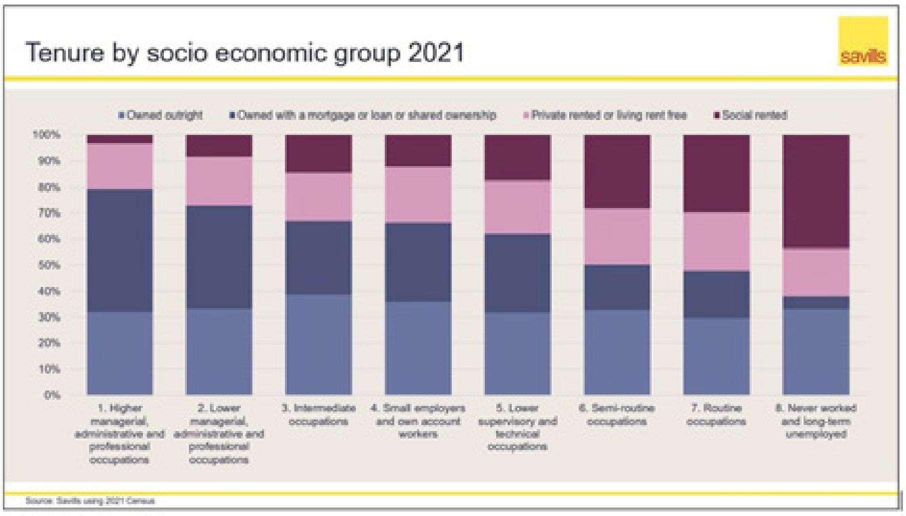
Aside from the Right to Buy, the other long standing affordable home ownership scheme is shared ownership, introduced by the Conservative Government in 1980. The current Government introduced a new model of shared ownership in 2021. The minimum initial purchase share in a property is now 10% – down from 25%. Additional shares in the home can be bought in 1% increments for up to 15 years, with lower fees. Staircasing in larger increments will still be possible with the minimum additional share purchase reduced from 10% to 5%. There will be a new 10-year, repair free period, during which maintenance and repairs costs will be met by the housing provider rather than the occupant and shared owners will have the option to terminate the housing provider's eight-week nomination period at four weeks if they want to sell on the open market. Providers and lenders have given a mixed reaction to the new model so its roll out has been modest to date. Around 15,000 new shared ownership homes are built each year with perhaps half of these coming via planning obligations/Section 106 schemes. In total there are currently around 400,000 shared ownership homes in England.

Taking out smaller initial shares does have consequences – government will need to put in more grant and households may need to stay longer in this first home to build up sufficient equity to move on. Lenders will be more cautious about lending to people with much lower shares. At the same time, shared ownership has come under increasing criticism from both the owners themselves, the Housing Ombudsman and, reflecting that, the press. A recent discussion paper issued by Social Finance (2023) sets out the concerns. Building on the government's own desire to see owning and renting be more consumer focussed there is a growing view that the balance between providers and consumers in shared ownership needs addressing particularly in the context of repairs and improvements and issues around leasehold.

The Secretary of State recently set out an ambition to transform leasehold tenure, referring to it as "an outdated feudal system" which impacts on nearly 5 million home owners and around 20% of the England housing stock. Of immediate importance is that one impact of the response to the Grenfell fire has been to require large scale investment to improve fire security which has made many shared ownership leaseholders unable to sell their homes. However, after pushback from within the Conservative party and concerns about whether there would be enough legislative time, he was forced to shelve his plans.

3. The current state of home ownership

With the rise in interest rates and some signs that the housing market is faltering, a degree of caution has entered the home ownership market. The shifting sands of market conditions sits alongside a number of structural changes working their way through, all of which have a bearing on how the government's ambitions to boost home ownership might play out. These include the rise in outright homes and the falling numbers of mortgaged home ownership which is partly a consequence of demographics but also of the on-going affordability squeeze. In 2021 in England 8.8 million (36% of the stock) were owned outright, compared to 6.8 million



(28%) owned with a mortgage or a loan. While this means more households are insulated from interest rate rises as they no longer have a mortgage, the shrinking number and percentage of mortgaged owners – down some 600,000 over the period 2012 to 2020 gives some indication of the pressures. It also means that many existing owners are in a position to invest in private renting.

Delving deeper into this, what we can see is that access to home ownership is being reworked. Given that the Bank of Mum and Dad support around about 50% of first-time buyers and that it is the more affluent parents who are better able to do this, we are seeing entry to home ownership narrowed. The Office of National Statistics highlighted the growth in adult children living with their parents - now 4.9 million with the numbers up 15% on the 2011 figure. Recent research by Savills reported in the Sunday Times (The Great Housing divide, 21 May 2023) noted that first time buyers in the two most affluent groups fell by 14% over the period 2011-2021 but in the two least affluent groups it fell by 34%. Little wonder that housing in England is becoming a major driver of social inequality.

With home ownership concentrated amongst older households there will clearly come a period when younger households inherit. However increased longevity and the use of housing equity release during the lifetime does mean this might be both delayed and reduced. Some 53% of Buy to Let property is owned by households aged 50-64 so the older home owning generations are also the dominant landlord generations. Covid is seen to have been a further factor helping existing owner-occupiers to increase their housing consumption - in that household incomes were supported while working from home both increased savings and modified many people's attitudes to both location and housing attributes (Meen and Whitehead, forthcoming). The Bank of Mum and Dad adds to inequality by allowing those helped to buy more and add to house price pressures. Thus, in many ways older existing owners are adding their pressures to the difficulties faced by first time buyers. Higher rents, higher taxes and student debt alongside much raised mortgage rates and declining real wages puts real pressure on entrants. The Financial Policy Committee of the Bank of England has also removed one of its two housing market macro-prudential rules - the requirement to check the affordability of a 3% rate rise as a mortgage stress test. Given the large-scale increases in mortgage rates and the fact that many borrowers are already looking at 35/40 year mortgage terms as a way of easing costs, concerns about the market constraints are now very real and in response some lenders have retained the 3% stress test.

With Labour promoting itself as the party of home ownership the Government remains under acute pressure to do more to help bring home ownership levels back up. However, it is hard to see how that might be achieved given the current context albeit it may introduce a full-scale voluntary right to buy for housing association tenants.

4. Social renting

Given its levelling up agenda the Government has made much of its commitment to expanding the provision of housing in general (Stephens, 2023) and housing let at social rents, in particular. However, as Perry (2023) has shown, within the government's programme of affordable housing supply there has been a notable shift away from the provision of homes let at social rents which require additional subsidy. Instead, more homes are being let at the higher affordable rents and of course the right to buy continues to remove homes from the rented stock. Over the last decade the stock of social homes to let has fallen by 218,000. In a recent debate on the future of social housing (House of Commons April 19, 2023) Rachel Maclean the Minister of State, Department for Levelling Up, Housing and Communities affirmed the Government's commitment to social housing while at the same time re-iterating its commitment to home ownership. The debate and the background material submitted by for example the Local Government Association (https://www.local.gov.uk/parliament/briefings-and-responses/debate-future-social-housing-house-commons-19-april-2023) highlighted the real tensions around this agenda.

Of particular concern at the present time is that, over the last decade, the funding regime for larger housing associations has involved them building developments that include both market and affordable housing and cross subsidising the one with the other. While this approach has increased indebtedness and risk the model has worked reasonably well while the housing market has been buoyant. However, as the market has slowed down and price falls have been predicted, their balance sheets have become more concerning. As importantly associations have often concentrated heavily on new building while perhaps neglecting necessary investment in the existing stock. Partly because of the Grenfell Tower disaster but also because of the increasingly recognised problems of damp and mould, and more fundamentally, the need to achieve net zero the Secretary of State has made it very clear they must now concentrate more on maintaining and improving their stock. At the same time, as developers, he is requiring them to remediate any new dwellings they have provided that do not meet the new higher standards required.

The five-year Affordable Homes Programme which runs from 2021-2026 is the main source of central government subsidy. When originally announced, it was intended to provide 185,000 dwellings using a mix of government and private sector funding together with developer contributions through Section 106, mostly led by Housing Associations and local authorities. Sixty per cent of the dwellings are intended to be social rented sector housing with the rest being shared ownership. That is a rather higher percentage of rented units compared to the earlier programme from 2016 – 2021 which was initially intended to be 50%/50%. The projected numbers have now been reduced, reflecting the very much more difficult cost and interest rate environment in which they must be delivered but there are still concerns about the capacity to generate even the proposed output levels.

5. Private Renting

Over the post war period until 1989 the private rented sector continued to decline to the point where some commentators thought that it would die out completely. However, cutbacks in social sector building programmes and sales of parts of the available local authority housing stock under the Right to Buy together with the difficulties lower income households faced in buying started to turn the situation round. Two particular factors made the growth of the sector easier: many dwellings bought under the Right to Buy were sold into private renting when the existing tenant purchaser moved on (Murie, 2022) and the introduction of Buy to Let mortgages in 1996 which put potential landlords in a similar financing position to existing owner-occupiers allowed those who wished to become landlords to compete with potential owner-occupiers for properties. Additionally, government looked to pension and other institutional funders to become involved in developing and owning rental property. Private renting also became a much more attractive investment to institutions as quantitative easing reduced interest rates and returns elsewhere.

Across the world investors saw housing as a low return but safe investment increasing funding for private renting and raising rents.

While the numbers of larger and more entrepreneurial landlords are growing, it remains the case that the large majority of landlords are individuals owning one or a small number of dwellings. Most fund their purchases by Buy to Let mortgages where the repayment may cover only the interest element and the interest rate may be fixed until the mortgage term comes to an end. In the current economic environment this is likely to cause very significant problems as the mortgage terms are often quite short and mortgage interest rates have risen very significantly. In addition, mortgage tax relief was phased out from 2017 and replaced with a 20% tax credit. Further restrictions have followed. As a result, independent landlords in that they pay capital gains tax are seen to be less well treated than owner-occupiers, although they can switch their status and become commercial companies that get other benefits, including full tax relief on mortgage interest (Scanlon, Whitehead and Blanc, 2021).

In England the proportion of privately rented housing almost doubled between 2001 and 2021 to nearly 20% of the total of almost twenty-five million homes. It is now the second largest tenure in the country. In London the proportion is higher at almost 30%.

Importantly lower income households who are renting are eligible for income related housing benefits now mainly through Universal Credit. The maximum support available (the local housing allowance) is determined by household composition and the rent being paid. But the support for which any households are eligible is limited to the 30th percentile of rents in the local area and has been subject to periods when amounts have not been adjusted. This can leave many households with a shortfall in their rent which they must find for themselves.

Private rented dwellings often do not meet the Decent Homes Standards required in social rented housing and people may be more crowded or more likely to share. Most importantly, at the present time tenants have very little security of tenure as landlords may evict tenants, either at the end of their (usually one year) contract or with two months' notice, without any formal reason, although there is a Bill before Parliament which will remove no fault eviction. Even so, 80% of private tenants are happy with their accommodation as compared to 75% of social tenants.

6. New building: targets and reality

Estimates of the numbers of new homes that would be required into the future were first put in place in the late 1970s. These were based on household projections and expectations of income growth (Holmans,1980). Over the years these estimates became more sophisticated as more was understood about the relationship between population and household numbers and about the positive link between income growth and the numbers of households wishing to live separately.

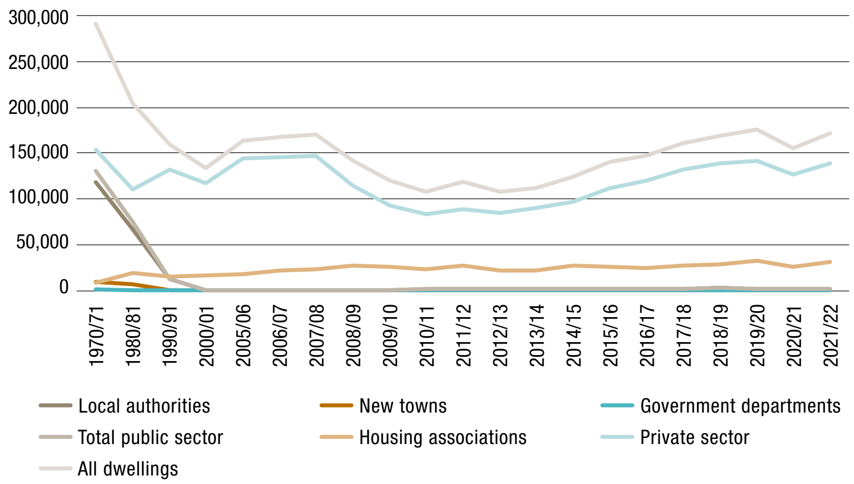
New-build housing, like all development, needs individual planning permission from the relevant local authority before they can be built. From the early 2000s, all authorities were required to put in place local plans which included the number of additional homes that the authority needed to provide. However, these numbers were rarely fully achieved, and house building remained well below the national requirement of around 300,000 units per annum. Central government then took powers to make these numbers mandatory.

In practice, while the numbers (measured in terms of net additions) have tended to increase over the last few years, they have only been over 200,000 pa. in eleven years since the turn of the century and only exceeded 240,000 per annum in the two years from 2018 – 2020. Moreover, the numbers that have been achieved have included an increasing number of units provided through permitted development which enables commercial units to be transferred into residential use without planning permission.

Importantly, particularly over the last two decades, public opinion has moved against housing development in many parts of England, with the notable exception of London. People tend to believe that there is far more building going on than there actually is (partly because much new development is along main roads and railway lines and so highly visible); they dislike the higher densities and styles of dwellings often involved; and they are concerned that local infrastructure and services will be overwhelmed. Local authorities reflect the views of their constituents and so generally do not wish to be constrained by central government targets.

As already noted in the introduction, given the very difficult political environment, the Government has decided that while the national target should remain in place, local targets should be made advisory. Their formal reason is that it is clear from the outcomes that targets do not work. On the other hand, the response to the shift to advisory has so far enabled fifty plus authorities to re-assess their local plans – with analysts suggesting that maybe 75,000 plus planned dwellings will not be built each year. Moreover, it is not just Conservative authorities that are reducing their local targets it is also authorities led by Liberal Democrats and the Greens. An obvious exception is Milton Keynes, the last large New Town to be developed which has a great deal of underused land and infrastructure potential and are very positive about expansion. There are also some other authorities, mainly in parts of the Midlands and the North, where local authorities exceed targets.

FIGURE 1 Housing completions in England



Source: OECD House Price Statistics, OECD 2023, Eurostat, CBRE Q1 2023

A rather different problem which is holding up housing developments that already have planning permission is the Nutrient Neutrality policy which requires that housing projects can only go ahead if they do not add to the existing nutrient burden which is mainly an outcome of farming methods. Currently it is thought about 120,000 dwellings which have planning permission are being held up and this figure is growing.

One positive market-led initiative has been the introduction of Build to Rent which is a new asset class that looks to provide high quality rental homes with professional management services and including around 20% affordable homes generally to be let at a maximum of 80% of market rent. So far about 250,000 units have been planned, started or completed. They are mainly in the form of high-rise flats, funded by institutions and taken up by better-off households who are looking for relatively short-term accommodation. This is a part of the rental market which has traditionally been very limited but is expected to continue to expand.

However, the current economic and political environment is not conducive to increasing housing output in the shorter term. While house price predictions do not expect them to fall significantly in money terms, given that it is taking longer than predicted to bring inflation under control, real house prices can still be expected to fall significantly. At the same time the costs of construction, including imports, are rising rapidly, there is a major shortage of skilled workers and interest rates are continuing to rise. The expectation, given these specifics and more general uncertainties about the strength of the economy, as well as changes being introduced into the planning system (see below) and the shift to advisory targets, must be that developers will further limit their output rates at least until after the next election.

7. Proposed legislation

7.1. Land use planning

The Government is looking to pass major legislation to reform the land use planning system well before the next election. This is the latest of the many attempts to reform the 1947 Act which put in place a complex local authority administrative system based on individual planning permission for all developments.

The Levelling Up and Regeneration Bill was originally intended to introduce a zoning system rather than continuing to require individual planning permission for each development – but this proposal has now been removed. It also aims to replace the current negotiated developer contribution system (which helps to ensure a proportion of affordable housing units on all larger residential sites as well as necessary services) with a mandatory Infrastructure Levy. This, the government argues, would provide a more secure source of funding for both affordable housing and local physical and social services. The scale of the levy will be determined by the local authority and the funds raised will be spent locally. The proposal has been complicated by continuing a role for the existing S106 developer contributions. Whether it will in the end ensure a more streamlined and better funded planning system is yet to be determined.

Another important change aims to simplify and streamline the development of local plans, which currently often take years to put in place, with the result that many local authorities do not have an up-to-date plan. Evidence suggests that local authorities with fully operational local plans are more effective at meeting their housing targets – so this is seen as of particular importance. There are many other elements of the Bill, notably on design, which will affect how easily it is implemented.

The Bill is still being discussed in the House of Lords and has been subject to a very large number of amendments which mean that some of its objectives are unlikely to be achieved. As noted above, the most controversial change has been to make local targets for the numbers of housing units required advisory – with no clear mechanisms for ensuring the local authority takes the advice into account. But equally the shift to an infrastructure levy has become increasingly complicated and will take at least a decade to become universal.

7.2. Rental reform

The Renters Reform Bill was introduced in Parliament in May 2023 and can be expected to become law before the General Election. Its core objective is to remove section 21 ‘no fault’ evictions and to replace fixed term tenancies with periodic tenancies which can roll over into perpetuity. The tenant will be able to give notice to leave the tenancy at any time; the landlord will only be able to give notice in certain circumstances – notably if they wish to sell or use the property for family members and if the tenant has broken specific requirements, e.g. through anti-social behaviour or not paying the rent. The tenant on the other hand will be able to appeal unreasonable rents. The suggested reforms are very similar to those introduced in Scotland some years ago and involve a relatively wide range of reasons why landlords may require the tenant to leave. Of concern is that any disagreement will need to be subject to court proceedings which will be costly and, on current evidence, likely to involve significant delays. The Government has rejected the idea of using a suitable index for in-tenancy rent increases as happens in most European countries.

One particular concern is that landlords concerned by the changes that are intended to be introduced next year may be inclined to sell up before they come into operation. The rental market is already extremely tight, especially in London, with many more people looking for tenancies than the market can currently provide. This in turn is putting pressure on local authorities who are responsible for helping households who become homeless.

8. Conclusions

Housing policy in England is clearly under considerable pressure and there is no obvious intention to set out a clear strategy to address the problems we have touched upon. Instead, we are offered endless short term and “sticking plaster” type solutions that do little to engage with the need for fundamental reform.

This is partly a question of ideology, partly of party fragmentation and partly of cost and priorities. The housing and planning legislation now going through Parliament is enormous and must include meeting the housing net zero requirements and the continuing problems of cladding and other issues related to high rise flats in the aftermath of the tragic Grenfell fire in 2017. But currently it is macro-economic stability rather than specific housing issues which dominate.

It is also inherent that the most significant measures that impact on housing are not the responsibility of the Department of Levelling up, Homes and Communities, but rather other Departments, notably the Treasury and the Department of Work and Pensions, together with independent organisations, such as the Bank of England and the Financial Conduct Authority, who have the power. For example, cuts in Stamp Duty (the transaction tax charged on the sale of a dwelling) is the responsibility of the Treasury, that has been used to stimulate the market. Equally, it is the Department of Work and Pensions which has the power to modify the local housing allowance and Universal Credit to ensure housing support for lower income households and so have been important (often negative) drivers in the rented sectors. Help to Buy has been the main exception, in that it is an important policy put in place by the Department of Levelling Up, Housing and Communities, the Department that formally has responsibility for housing.

None of this is new under the Sunak regime. Siloed, short-term and poorly targeted decisions have been a constant theme over many decades. What is perhaps most notable about the current administration is the abrupt U-turns in policy reflecting back bench pressures and the seeming inability of a reformist Secretary of State, Michael Gove, to be able to deliver his stated policy ambitions. A cloud of uncertainty has settled over housing policy in England in an extremely testing period in terms of the pressures in the housing market and the wider economy. The malaise in government is making it harder for providers, builders and funders, let alone households, to make positive decisions.

We can only hope that after the next General Election there will be a more coherent approach to housing policy regardless of which party wins political control.

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