EXECUTIVE SUMMARY

• The tide has turned for the UK housing market, buoyed by low interest rates, favourable mortgage deals and government initiatives

• Housebuilder activity has finally picked up in response to rising demand for new homes

• There is evidence of house price growth across the country, with price rises not just confined to London and the South East

• Whilst house prices are forecast to rise this year, it will be from 2014 onwards that the rebound in prices will gain most strength

• Over the next five years, highest price rises are forecast for London and the South; followed by the Eastern region and the South West

• Our 2013 prediction of 6.6% for London growth (made in 2012) was classed as bold, now the market concurs, and we expect 2013 growth to edge up slightly to 6.8%

• London is again tipped to be the top performing region, with prices forecast to grow 7.7% p.a. over the next 5 years, markedly higher than the 6.3% p.a. forecast for the UK

• Cumulatively, London will have seen price growth of 69% over the decade to 2017, while the UK average will be 33%. Other regions ahead of the UK average are the South East, the South West and the Eastern region

• With housing affordability a major problem for many, there remains strong demand in the rental market, which is boosting demand from buy-to-let investors

• With the current undersupply of housing, the growth of the Private Rented Sector could help boost housing delivery going forward – particularly in London and the South East.
HOUSING AND THE ECONOMY

The weak recovery so far in the UK is finally giving way to something stronger. Growth in the first quarter was 0.3%, doubling to 0.6% in the second quarter. Annual 2013 growth is now looking to be a bit over 1%, strengthening to over 2% in 2014. The key to this improvement lies in two main factors.

World commodity prices have now peaked; with the arrival of new technologies, like fracking, and the slowdown in major emerging markets like China, we may be seeing the start of a falling trend. This is the first factor and it means that at last UK living standards will not be falling because of rising imported raw material prices. The second factor is the improvement in credit conditions, especially for housing, because of the Funding for Lending Schemes (FLS) and the mortgage subsidy scheme for first time buyers introduced in the last Budget. While small businesses are still not getting credit, we are now seeing a rise in mortgage approvals and this in turn is filtering through into house prices.

HOUSE PRICES ARE RISING ACROSS THE REGIONS

In the housing market prices started to rise markedly in the second quarter. According to the LSL index, prices by April this year had finally reached their pre-crisis peak. The LSL index gives a higher weight to the south and also includes cash-bought properties where the market has been stronger. The Nationwide index and the Halifax still show prices are some 10–15% below the pre-crisis peak. But all these indices grew similarly in the second quarter, as the mortgage market started to improve.

Regionally, London and the South East have surged ahead of the rest of the country during the post-crisis period. But now we are seeing rises across all regions. When taking the last three quarters together, house prices have risen slightly faster than forecasted in the third quarter of 2012.

HOUSING MARKET OUTLOOK

If we look ahead to the house price forecast up to 2017, we now see prices recovering towards their trend line, as the economy recovers more positively and the mortgage market continues to improve. There has been a steadily rising shortage of housing, as witnessed by rising rents and rental yields. This had not been reflected in rising house prices because credit was frozen. With the credit thaw, this is changing. We do not think the Bank of England and the government will want to go back to the freeze brought about by over-tight bank regulation; rather we expect this to be eased and deferred, as well as offset by extensions of the FLS and mortgage schemes. No one wants the freeze back again; the lesson has been learnt. Housing market price rises will be translated into housebuilding for first time buyers and this in turn will contribute to the general economy’s revival.

Another housing boom is highly unlikely because one of the lessons of the crisis has been that monetary policy must be tightened more aggressively in future booms, regardless of the exact position of inflation. The crisis seems to have been aggravated as much or more by ultra-loose monetary policy in the mid-2000s as it was by loose regulation. Nevertheless, though there will be no boom, prices should now grow in the 4–10% range for a few years as they catch up with their underlying trends set by rising demand for housing and limited land supply.

PROFESSOR PATRICK MINFORD CBE
CARDIFF BUSINESS SCHOOL

Patrick Minford CBE has been Professor of Economics, Cardiff Business School, Cardiff University since October 1997. Between 1967 and 1976 he held economic positions in the Ministry of Finance, Malawi; Directors’ staff, Courtaulds Limited; H M Treasury; H M Treasury’s Delegation to Washington, DC; Manchester University; and The National Institute for Economic and Social Research. From 1976-1997, Patrick Minford was professor of economics at Liverpool University. He was a member of Monopolies and Mergers Commission 1990-96 and one of the H M Treasury’s Panel of Forecasters (‘Six Wise Men’) 1993-1996. He is author of many books and articles on exchange rates, unemployment, housing and macroeconomics.
The general consensus is that the UK housing market is finally edging towards a recovery. As Professor Minford discusses in his foreword, there is increasing evidence that house prices are beginning to rise across the country, with growth not just confined to London and the South East. In the 12 month period to June 2013, the Office for National Statistics reported a 3.1% rise in UK house prices, slightly ahead of the 2.9% achieved in the year to May. Latest data from the Halifax and Nationwide quarterly house price indices also confirm house prices are on the up.

Property lending has also risen, as the government’s Funding for Lending scheme has helped push mortgage rates to record lows. Favourable interest rates has meant lending to first time buyers has risen rapidly and it is these market joiners that have this year played a significant role in driving up growth in mortgage lending. In June 2013 the Council of Mortgage Lenders estimated first time buyers accounted for 46% of all house purchase loans, markedly higher than the 38% average recorded since 2007.

There has been a marked pick-up in housing construction levels. Total starts for the first six months of 2013 reached 60,200, up 23% on the equivalent period in 2012. This recent rise follows a lacklustre performance in 2012, which saw housing starts dip to below 2010 and 2011 levels. Admittedly the number of housing starts still remains well below pre-2008 levels, but with improving market conditions it seems unlikely that the level will go into decline again. Already the government’s Help to Buy initiative has helped boost demand, with 10,000 new build properties reserved over the four month period since the schemes April launch. Housebuilder confidence has also lifted following the Bank of England’s recent confirmation that interest rates will be held at 0.5% until national unemployment falls to 7%.

The shortage of housing supply does however remain a major problem for the UK housing market. It is this mismatch between housing supply and demand levels that is putting upward pressure on prices. In the rental market, rents continue to outstrip wage growth. Demand for rental properties shows no sign of abating, as affordability continues to lock many individuals out of home ownership. Indeed it is this pent-up demand, improved funding market conditions and increased mortgage availability that is currently boosting buy-to-let investor demand. For house buyers, they too are faced with rising prices, which some fear will lead to another property bubble. If the supply and demand imbalance fails to correct itself, inevitably long-term price rises will create further affordability problems for many first time buyers; the exact group that the government is trying to help.

UK House Price Growth 2000 - 2017

Housebuilding starts in England to Q2 2013

All regions will see house prices rise this year

This year is expected to be a turning point for the housing market, with house prices forecast to rise across all regions. Price rises will not be confined to this year, but look set to continue to the end of our forecast period in 2017. Admittedly there will be considerable variation in growth rates across the country, but it will certainly be an improvement on 2012, when house prices fell in all regions except London and the South East.

At a national level, UK house prices are forecast to grow by a modest 2.5% this year; a significant improvement on 2012 when prices fell -0.9%. The forecast growth this year will be largely boosted by price rises in London and the southern regions.

Going forward, as the housing market recovery gains strength and demand levels grow, the pace of price rises will accelerate. Next year, UK house prices are forecast to grow 6.1%, which is more than double the 2013 rate. The growth rate will then increase year on year and in 2017 prices are forecast to rise 8.0%. Although positive growth is forecast for 2013 and 2014, it will not be until 2015 that UK house prices return to the 2007 pre-recessionary market peak.

UK House Price Growth 2000 - 2017

Source: BNP Paribas Real Estate
HIGHER PRICE RISES FORECAST FOR LONDON AND THE SOUTH

As the housing market improves over the next five years, the impact of the recovery on regional house prices will vary markedly. Whilst price rises are forecast in all regions, it will be the stronger London and southern markets that will benefit from the biggest price gains. This will mean that the wide disparity that already exists between house prices in the North and South will increase further.

The following chart sets average annual price changes in the last five years against our forecasts for the coming five year period. The differing house price performance across the country (both historically and in the future) is striking, with the chart dividing the country into three distinct bands.

Clustered at the top, centrally or towards the top right are the resilient southern regions and London. House prices in these regions have historically outperformed the UK average; a trend that is predicted to continue into the future, with average price rises of more than 7% p.a. forecast until 2017.

Positioned in the middle of the chart are the Midlands. This is the part of the country where house price performance has been, and will continue to be, in-line with the UK average. Here house prices are forecast to grow on average by around 6% p.a. over the next five years. Finally, clustered towards the bottom are the country’s weaker northern regions. These regions have not only seen the largest house price falls in recent history, but are also forecast to see the most restrained future price rises going forward, with average annual growth of between 4 to 5% forecast until 2017.

KEY POINTS
• Following the recent prolonged period of depressed activity levels and falling house prices, the UK housing market is finally moving towards a recovery
• This year has seen an upturn in activity rates, which have been buoyed by a series of government initiatives, record low interest rates, favourable mortgage deals and a more upbeat economic outlook
• These improvements have led to housebuilders stepping up activity levels in response to rising consumer demand
• Whilst house prices are forecast to rise this year, it will be from 2014 onwards that the rebound in prices will really start to gain strength with more robust growth forecast.
HOUSE PRICES:
- Unsurprisingly, London house price growth has outperformed all UK regions over the last five years.
- From 2008 to 2012 (inclusive) London house prices produced annual average growth of 0.3% p.a. compared to a UK average of -2.0% p.a.
- Whilst all regions across England were beleaguered by falling house prices during this period, the capital was the only market to refute this trend; a reflection of the strong pent up demand for London residential property.
- Looking ahead, the London housing market shows no sign of weakening.
- Over the next five years London is set to be the strongest housing market, with prices forecast to grow by 7.7% p.a. well ahead of the 6.3% p.a. forecast for the UK.
- In the decade to 2017 London house prices will have increased cumulatively by a remarkable 69%.

CURRENT HOUSING MARKET ISSUES
- The central London market continues to be dominated by overseas demand, which shows no immediate signs of slowing up.
- Areas of interest to foreign buyers have expanded beyond the traditional prime west London boroughs, as investors increasingly take in areas of rapid change. Markets of interest now include the City fringe, Vauxhall, Nine Elms, Battersea and Elephant and Castle. With emerging regeneration in Earls Court, Shepherd’s Bush and White City, these west London markets are likely to follow closely behind.
- Growth in values and rents are rippling out from the central areas and affecting affordability across the majority of London. Average London prices now represent a multiple of 12 on average London earnings; such multiples are unprecedented.

DRIVERS OF CHANGE
- The Private Rented Sector (PRS) could play an important role in boosting housing delivery in the capital. A rise in institutional investor exposure is looking increasingly likely, as the government puts pressure on local authorities to implement pro-PRS schemes.

Annual growth in house prices to 2017

<table>
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<tr>
<th>Year</th>
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<td>2013-17 (inc.) annualised</td>
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Source: BNP Paribas Real Estate
• As Crossrail moves nearer to completion, those local markets sited to benefit from the improved transport connectivity will start to see house prices rise in response to rising commuter demand.
• The consultation currently underway into ‘minimum space standards’ for new homes, could force housebuilders to construct larger homes. If new legislation is passed, it could be problematic for London housebuilders, given the premium cost of land in the capital.

OUTLOOK
• For the foreseeable future there seems to be no sign of a supply pick up of sufficient strength to slow further price rises. However the capital’s forward pipeline of new build homes is at its highest for five years, so if the number of construction starts significantly rises, this will impact house prices.
• Foreign investor demand is showing no signs of slowing, which is only adding upward pressure on house prices and creating a ‘ripple effect’ is leading to rising demand and price growth in zones 2, 3 and 4.
• As London house prices continue to rise, more individuals will be increasingly impacted by higher stamp duty rates. These increased costs will reduce the number of people moving in the second hand market and further reduce supply.

KEY POINTS
• As house prices rise across the capital, the affordability of a home in London is becoming increasingly out of reach for many individuals.
• Whilst PRS may offer some individuals an alternative to buying, the sector is still very immature and it will be sometime before it makes a significant impact on the capital’s housing market.
• This will continue to increase rental sector demand and raise investor appetite for buy to let properties in the capital.
**HOUSE PRICES**

- The strength of the South East housing market is evident from the resilience of house prices in the region.
- Although house prices have fallen by -0.9% p.a. over the last five years, the South East was still the best performing region outside of London during this period.
- The East has been harder hit by the prolonged economic downturn, with house prices falling by -1.9% p.a. since 2007, similar in level to the UK average of -2.0% p.a.
- Looking to the future, house prices in the South East and East are forecast to grow by more than 7% p.a. over the next five years.
- House prices in the East are tipped for a strong performance this year, with prices forecast to rise 4.3%, considerably higher than the more modest 2.8% forecast for the South East.
- In the decade to 2017, South East house prices would have increased cumulatively by 50%, compared to 38% in the East.

**DRIVERS OF CHANGE**

- The recent relaxation of planning policy which allows the conversion of offices to residential use without planning consent, has resulted in a number of vacant secondary buildings coming forward for conversion.
- The rationalisation of public sector surplus assets continues to deliver a steady stream of land and opportunities to the market. A number of initiatives (e.g. the MOD's redeployment of UK troops) will impact future housing demand, which will alter and shape future housing patterns.
- Business confidence is returning and buyers are in a better position to commit to purchases and take advantage of more attractive mortgage products.
- With uncertainty over government support for the affordable rent approach post 2015, providers are looking to diversify into other sectors of the market.

**OUTLOOK**

- The market outlook for the South East and East is positive. Housebuilders share this sentiment, with many increasing their land targets.
- Price levels are still below the 2007 market peak and will take some time to recover, particularly in less sought after markets.
- Sales activity will grow, although land values will remain under pressure.

**KEY POINTS**

- Whilst the prognosis for the housing market in both regions is favourable, the government needs to tread carefully when introducing any new legislation.
- The introduction of any new guideline specifications for new homes must be carefully weighed up against the cost implications for housebuilders and the consumer and environmental gains.
HOUSE PRICES

- Over the last five years South West house prices have held up relatively well compared to other regions.
- From 2008 to 2012 (inclusive) South West house prices fell -1.7% p.a. performing slightly ahead of the UK where prices decreased by -2.0% p.a.
- This year the region’s house prices are expected to see a significant turnaround, with prices forecast to rise by 2.2% in 2013, positive news for the market given prices have fallen over the last two years.
- Over the next five years the pace of house price growth is forecast to increase year on year, with the South West tipped to be one of the top performing regions.
- In the 10 years to 2017, South West house prices will have grown by a cumulative 43%, significantly outperforming the national average of 33%.

CURRENT HOUSING MARKET ISSUES

- Following five years of the lowest new homes sales activity in the South West, activity rates have finally picked up with housebuilders reporting significant improvements in sales reservations.
- There has been a noticeable change in the land market; land deals are concluding faster and there has been an improvement in the supply of consented land coming to market.
- In the wider Bristol region there is considerable pent up demand for well-located family accommodation linked to a current undersupply.

DRIVERS OF CHANGE

- The improving economy, low interest rates and introduction of new government backed mortgage products is pushing up sales of new homes.
- In response to rising activity in the land market, some housebuilder land-buying teams are becoming more selective and discarding secondary sites.
- Housebuilder activity rates are up and the sector’s commitment to deals is increasing; this is being driven by rising confidence levels.

OUTLOOK

- Sales values will start to increase as the volume of new homes reservations rises.
- Already we are seeing national housebuilders taking advantage of the easing mortgage situation as they bring forward their larger sites e.g. at Emmerisons Green. This is a trend that can be expected to continue.
- A significant indicator of the strength of the residential land market is the successful unconditional sales of three MOD sites at Foxhill, Warminster Road and Endsleigh in Bath. As the recovery takes effect, this market will become increasingly vibrant.

KEY POINTS

- The recovery in the South West housing market will continue to strengthen, buoyed by the low interest rates, the improving economy and rising confidence levels.
- Over the next five years, the forecast house price growth rate for the South West will only be surpassed by London.
HOUSE PRICES
- Over the last five years house price performance in the Midlands has been mediocre
- From 2007 to 2012 (inclusive) East Midlands house prices fell -2.2% p.a. compared to -2.3% p.a. in the West Midlands. Both regions failed to outperform the UK average where prices declined by -2.0% p.a.
- Looking ahead to the next five years, the Midlands looks set to retain its mid-table position. Whilst house prices are forecast to grow, the rate of change will be slower than London and the southern regions
- Performance will differ between the East Midlands and West Midlands, with respective average growth of 6.5% p.a. and 6.1% p.a. forecast until 2017
- Both regions are forecast to see moderate price growth in 2013, with the pace quickening year on year to 2017
- In the 10 years to 2017 East Midlands house prices would have grown by a cumulative 29%, compared to 25% in the West Midlands.

CURRENT HOUSING MARKET ISSUES
- There is increased confidence in the Midlands housing market. With the supply of both new and second hand homes remaining constricted, price growth is finally being delivered
- Developers are now gearing up to identify, buy and build out sites that can deliver new housing in the short term. Sites that are compromised or require significant upfront investment continue to be overlooked
- The most robust values and strongest house price growth continues to be in premium suburban locations and historic centres; a trend exacerbated by concerted resistance to new development opportunities in such locations.

DRivers OF CHANGE
- Birmingham was not one of the 17 local authorities exempted from the new fast track office to residential conversion rules. This will allow building owners the opportunity to take advantage of revised planning policies to bring forward proposed city centre and fringe schemes
- Help to Buy is unlocking the first time buyer market, which will assist in improving liquidity at all levels and encourage a wider range of unit types in new developments
- Major decisions on Green Belt release will impact the future shape and housing markets of key regional cities – notably Birmingham and Nottingham.

OuTLOOK
- Continued good news in the wider economy will build on recent growth in housing market confidence and result in parallel house price increases
- Major infrastructure projects should assist the growth in housing stock. HS2 (and the prospect of it) will have a major impact on housing markets in both the West and East Midlands, as London will be brought into closer commuting distance
- The improved market will result in the re-emergence of city centre apartment schemes, which will be assisted by developments underpinned by an effective PRS model.

KEY POINTS
- The regions’ larger centres are likely to undergo the most change in the short-term, as older vacant second hand offices are converted to housing units and historic plans for new city centre apartment schemes are revived
- Complicated development sites requiring additional expenditure to make housing schemes viable remain out of vogue, as housebuilders focus attention on straightforward developments which will quickly help rebuild their balance sheets.
HOUSING PRICES
- Over the last five years northern house prices have suffered
- From 2007 to 2012 (inclusive) house prices in the North East and Yorkshire were down by -2.8% p.a. and -2.9% p.a. respectively. The North West was the worst performing region in the North, with prices falling -3.2% p.a. during this period
- Finally there is some positivity in the northern markets, with house prices forecast to grow in all three regions
- Growth will be somewhat slow this year, with prices forecast to rise by less than 1% in all northern regions. But from 2014 onwards, the pace will pick up
- For the forecast period to 2017, annual growth will average 5.2% p.a. in Yorkshire, with 4.8% and 4.1% p.a. expected in the North West and North East respectively
- During the 10 year period to 2017, Yorkshire would have delivered the strongest price growth, producing a cumulative increase of 16%, compared to 13% in the North West and 12% in the North East.

Annual growth in house prices to 2017

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<td>2013-17 (inc.) annualised</td>
<td>4.1%</td>
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CURRENT HOUSING MARKET ISSUES
- Although sentiment amongst buyers, lenders and developers still remains cautious, there are indications that there is growing confidence in a recovery. This is evidenced by the increased housebuilder appetite for land
- New onsite schemes are reporting stronger buyer interest than expected, which is driving up sales rates. Help to Buy is having a significant impact across the region
- The recovery in the North is housing led. The apartment market remains cool as ongoing oversupply issues affect many areas; major city centres are the only markets seeing the revival of new apartment schemes.

DRIVERS OF CHANGE
- Help to Buy is having a positive impact through helping to unlock the first time buyer market. This in turn is improving liquidity across the housing market and helping to encourage the development of a cross section of housing units
- There is interest from new players in PRS in larger regional centres. This may unlock stalled development sites, but creating adequate returns from new build schemes remains challenging
- Planning changes will benefit popular locations, but major regeneration will still be challenging in areas where there is a surplus of inappropriate, dated housing stock.

OUTLOOK
- Greater optimism in the wider economy will see parallel gains in the housing market, as rising activity levels replace the inertia of recent years
- Major infrastructure projects will help propagate the growth of housing stock. Civic leaders in the north continue to support HS2, which will benefit the housing markets on both sides of the Pennines
- A deliverable PRS will see a fresh wave of apartment schemes in city centres.

KEY POINTS
- The improving housing market conditions in the North are positively impacting the whole market and not just benefiting one group (e.g. first time buyers). This is encouraging the development of a cross section of housing units, which is what the market needs to help solve the housing crisis
- Housebuilders remain incredibly cost sensitive, so any challenging projects which may impact profit margins, are likely to remain shelved until conditions further improve.
RESUSCITATION OF NEW HOMES SALES RATES

After four years of the lowest new homes sales activity that any of us can recall, the market is starting to change. One of the most positive signs of this change is the improving new homes sales rates. This time it is not another mini London boom that has created ripples, but apparent across the majority of UK regions. It is a reflection of the considerable pent up demand for well-located family accommodation; something that’s currently undersupplied in most UK regions.

This latest revival is in part due to an improving economy, as the housing market needs confidence when making buying decisions. The government’s Help to Buy scheme, launched this April, has also played a role. Whilst the scheme has only been utilised on a relatively small amount of homes, it has succeeded in stimulating a new sense of confidence by absorbing pent up demand, something that’s been absent since early 2006.

In the house building sector there are signs of increasing activity, as long held residential land development options are exercised in response to anticipated rising demand levels. Local authorities also have their part to play in the successful delivery of land for development. There’s a new realism emerging in response to the renewed market confidence, as housebuilders and councils now seek to agree terms with a more focussed attitude to housing delivery.
GOVERNMENT INITIATIVES

Housebuilders were appreciative of earlier mortgage products such as the government backed New Buy, Homes Assist First Buy, Jump Start (derived by housebuilders) and the re-emergence of part exchange and buyer incentive deals. These products usually allowed a purchaser with a 5% deposit to buy. In all cases housebuilders had to put in between 5-10% of equity, which the government matched. Whilst these schemes similarly targeted first time buyers, long-term they were unsustainable for housebuilders because they had to retain equity in the homes, which placed considerable strain on their balance sheets.

The government has acknowledged the shortfall of previous initiatives and sought to address this problem in the recent Budget, through the introduction of a new Help to Buy initiative which shoulders the equity risk. Part one was introduced in April, and has already impacted the market primarily through increased sales rates. But the next phase, due to launch January 2014, will go a lot further and will have a more dramatic effect.

In phase two, the government will offer lenders the option to purchase a government guarantee which will effectively remove the risk from higher loan to value lending. As part of this guarantee, the government will insure lenders against default risk on a sum equivalent to 20% of the price, so a family might pay a 5% deposit and the lender take a risk on only 75% of the loan. Importantly it applies to much higher value home transactions up to £600,000, and not just new homes but second hand properties, which is by far the largest market.
THE IMPACT OF HELP TO BUY

Unlike earlier initiatives Help to Buy is designed not only to boost the new build housing industry, but also to drive up activity levels across the housing market and help create economic growth. It will do this by enabling a greater flow of higher value transactions; an area of the market that has been very slow recently. It will allow greater opportunities for existing property owners to trade up, as well as helping new joiners to enter the market. As has been evidenced with other government backed products, it is expected to act as a stimulus through creating a positive effect, not just on new homes take up but across all housing types.

The ‘dramatic effect’ will be rising house prices, which in our view will return to no less than historic levels of 4% p.a. In our last forecast in November 2012 we predicted price increases of almost 3% in the South of England and some 6% in London, and this is already being borne out.

This expected rise in demand will present housebuilders with a series of delivery issues. Securing sufficient skilled labour will pose a major problem, as housebuilders only have a small proportion of the workforce that they had before 2007. Escalating costs may also impact scheme viability, as materials are once again in short supply which is already leading to cost inflation.
THE PRIVATE RENTED SECTOR

The resurgence in the new build housing market will not cater for all areas of housing need. Within the South and particularly the South East of England, affordability for first time buyers and young families will remain a key issue. This is particularly the case in the London boroughs where the issue is becoming most acute.

PRS is one area that can assist in boosting housing delivery in these locations. Recent housing surveys show home ownership remains the most popular housing tenure, although the number of private rented households has grown rapidly over recent years, doubling since 1999. In England today there is estimated to be 14.4 million owner occupation households, compared to 3.8 million private rented households and a similar number of social housing households.

In the UK, PRS is still an immature market, with relatively low yields and limited likelihood of rental growth. To maximise investor returns there is a growing consensus that the model works best when the stock is on a build to rent basis. Developments must be planned, designed, built large scale and held for rent to achieve efficiencies and to improve investor yields. A growing body of professional landlords, such as Harry Downes’ Fizzy Living will be required to service this burgeoning sector.

The UK model emulates those used in Europe and North America. In Europe, France was the largest growth market until recently, with 6.6 million PRS households. Investment has now slowed, due to the curbing of tax breaks by the French government. Neighbouring Germany, where there has been no legislative change has remained strong, with special purpose funds, equity/realestate funds and listed real estate companies active.

It is clear that while the UK is some way behind continental Europe there are signs that the market is following those examples. There is evidence that the sector is becoming increasingly attractive to investors, with interest from the likes of Prudential, APG and Qatari Diar. With government pressure on local authorities to implement pro-PRS schemes, particularly as part of wider regeneration schemes, we are likely to see more institutional investors increase their exposure to PRS.