

MONITORING THE RSS – STAKEHOLDER CONFERENCE, 8th September 2008

Communities for the Future - Workshop B

Impacts of current downturn

Demand issues

- housing need is not falling, i.e. properties are still required BUT
- demand is falling – this is driven largely by limited availability of finance and lack of confidence in the market (i.e. people are unable to act on their need due to the current, limiting conditions)
- RSS phase 2 assumptions – these are based on high demand from an increasing population - where are the jobs coming from to attract these people? – the actual demand may be below predictions (e.g. Coventry)

Falling property prices

Prices have fallen dramatically in recent months. This is especially true for flats, where vacancy rates have also increased. The boom in the building of flats was driven by, amongst other factors, government policy to increase both densities and brownfield development, and the readiness of financial institutions to lend. A great number of flats was built, for instance, in Birmingham: some were bought as second homes, some as buy-to-lets, but now these lie unoccupied. The high level of flats being built has been buoying completions numbers, especially on brownfield sites, which has been helping to meet two key principles of the RSS; however, if the number of flat completions should fall (or if there is a shift towards other property types) it will become harder to meet RSS targets.

Financial firms

As property prices fall, more people will end up in negative equity or be unable to re-mortgage to preferable rates due to high loan-to-value ratios. More people may default on mortgages, which could lead to increasing numbers of financial institutions falling into difficulties.

House building firms

House builders are seeing falling completions and are consequently reducing their workforces. When the market recovers there will have been a loss of skills from the industry, and it will take time to rebuild this capacity. This loss of skills may increase the need for migrant labour, which in itself would have an impact on the housing market. Falling availability of finance means builders are unable to make money from existing land banks. Many developments have been halted: developers cannot get returns on land bought when prices were higher, so there is no incentive for development to occur. The decline in land prices also leads to pressure on agreements made for the provision of affordable housing.

It was suggested that we ignore the existing land supply (bought at higher prices) and look to make new land available (at current, lower prices), which might not otherwise have been made available until after the RSS revision is adopted. This land would be available at a more realistic cost, which would allow for the development of more reasonably priced housing. However, there was concern that bringing land forward early would have implications for the 'phasing' of development required by the RSS.

The RSS is a long-term plan: while completions in the short-term may be low, and well below targets, the plan runs to 2026. More flexibility is required in the RSS; it

should be recognised that the current environment does not represent a 'normal' situation, and it should be acknowledged that targets will not be met in early years.

Possible benefit to the social/ affordable sector

The need for property is mostly in the social/ affordable housing sector: perhaps there is an opportunity to bring unsold housing into the social sector at reduced cost. The surplus of flats, for instance, could be turned to this use.

Housing mix

The emphasis should no longer be on achieving numbers of homes; we need to focus on building the right housing mix for the types of communities we want to sustain in the future. Recently, family homes have been lacking in more urban areas: this can lead to high-earning, successful people migrating out from these areas, in preference for more rural areas, from which they commute to the towns and cities. A shift towards family homes, in high quality environments, should be seen in the future.

'Households' does not mean the same thing as 'homes': many one or two person households might be able to afford to, and want to, live in 3 or 4-bed homes. A 4-bed detached house represents a flexible type of home, adaptable for different life stages - raising families, starting up home businesses/ working from home etc. There is therefore demand for larger homes that can be afforded.

Moratoria

The guidance from Government Office is that there should be no more moratoria on building. However, there was some debate about whether this message was filtering through.

Telford/Black Country

Completions in Telford have been low (and below target) even in the period of growth seen in recent years. There have been issues over land ownership (English Partnerships (EP) used to own much of the land needed for development), but EP has now sold 60% of their land to developers, some for larger projects. As EP no longer uses its internal planning team, but relies on local authority planning teams, this has also slowed down the process. Forthcoming projects also tend to be larger than in the past, and hence more complex, and so slower to resolve. In light of this problem and the current slowdown, Telford expects to achieve just 200 completions in 2008/9.

The issue of the lack of family homes was seen as a particular problem in the Black Country. The intense building in some parts of the Black Country was also perceived as an economic drain on resources. There was also some comment on the difference in the building trends in various areas of the Black Country, and the impact that this may be having on the different boroughs within in.