

# UK Perspectives on Financing Housing Development

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

# Financing Housing Development

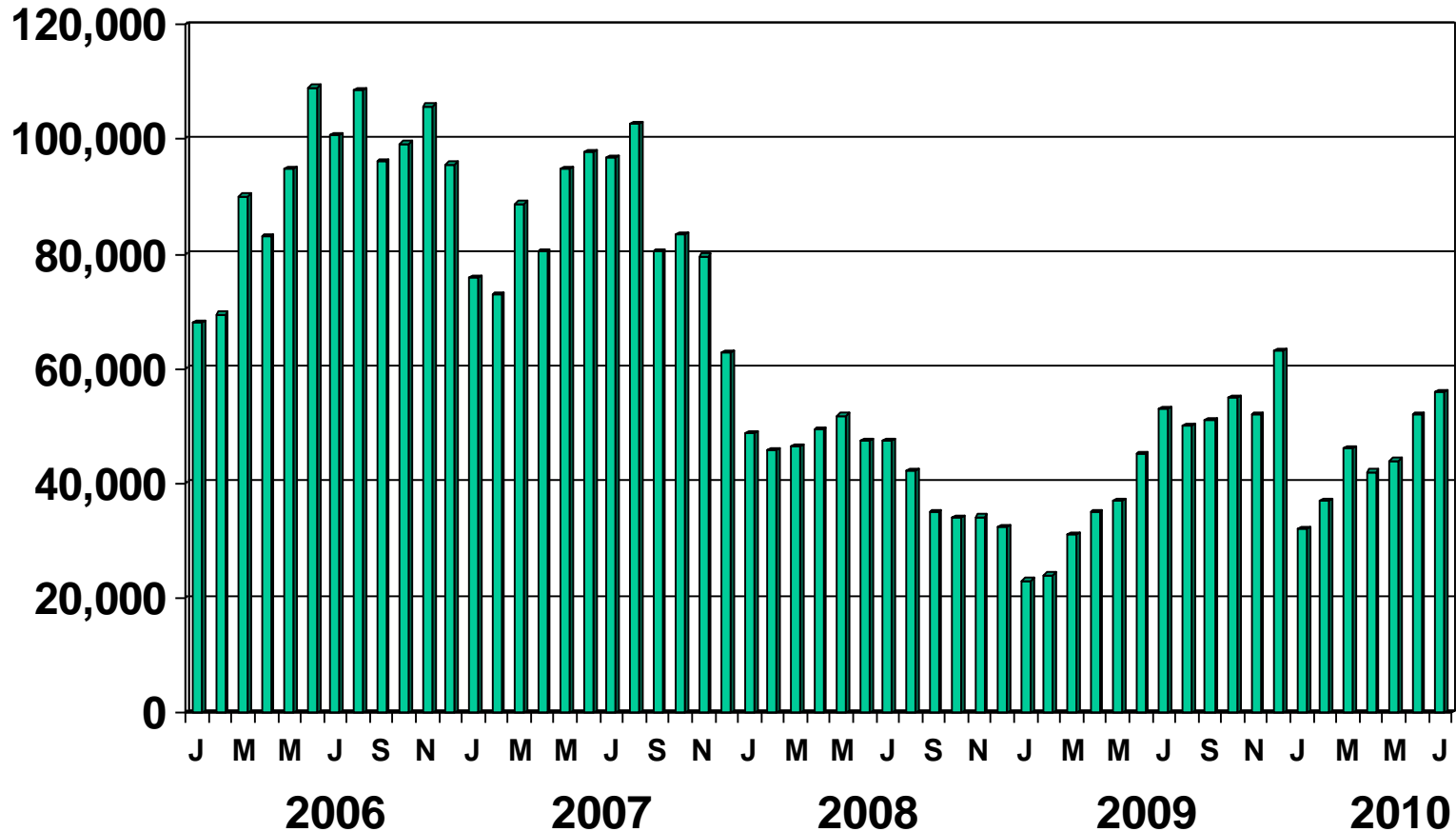
➤ Market housing

➤ Affordable housing

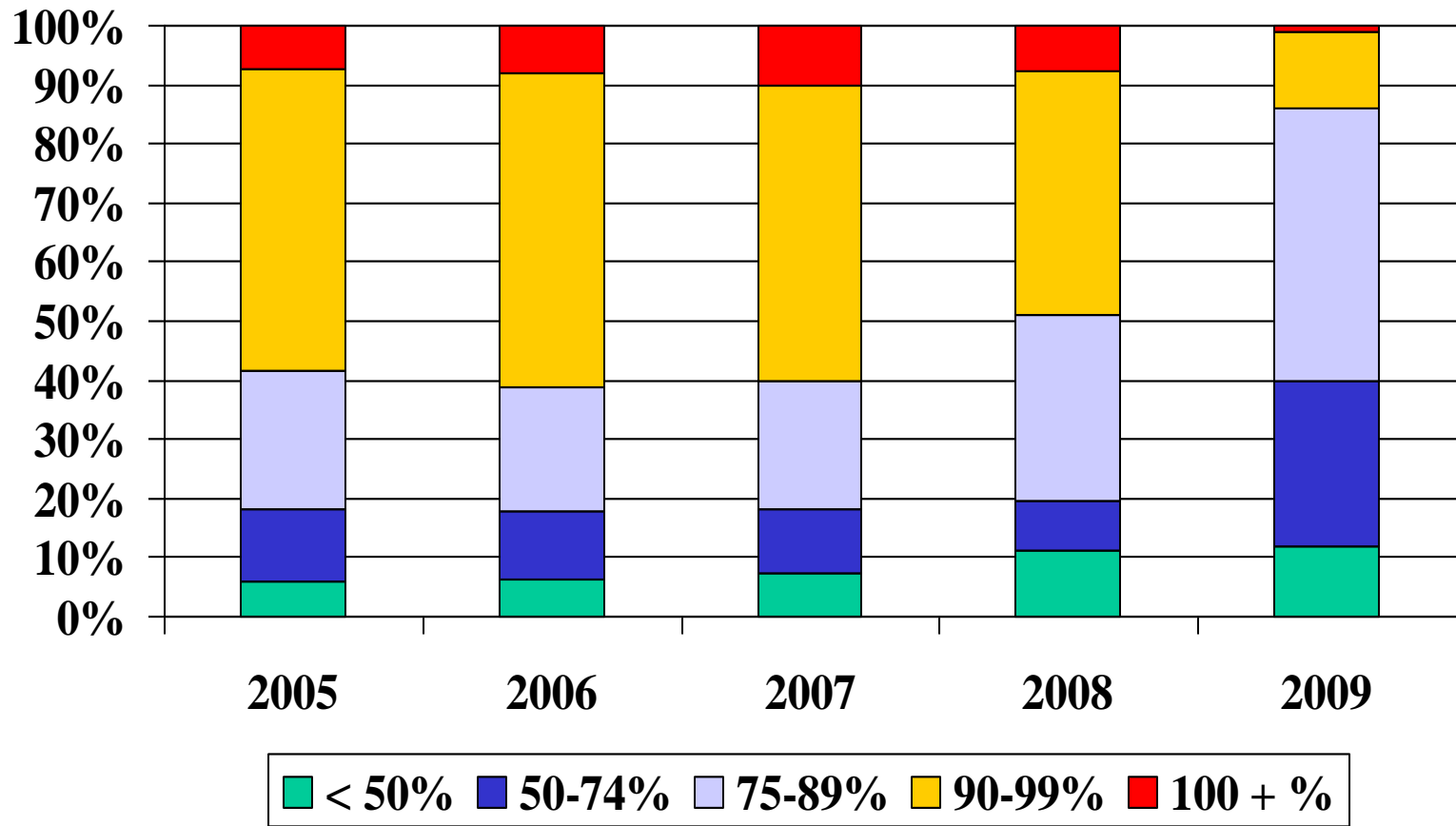
# Market Housing Challenges I

- Shortage mortgage finance
- Economic uncertainty
- Financial regulation
- The deposit barrier

# Mortgage advances for house purchase



# The new deposit barrier: distribution of loan to value ratios

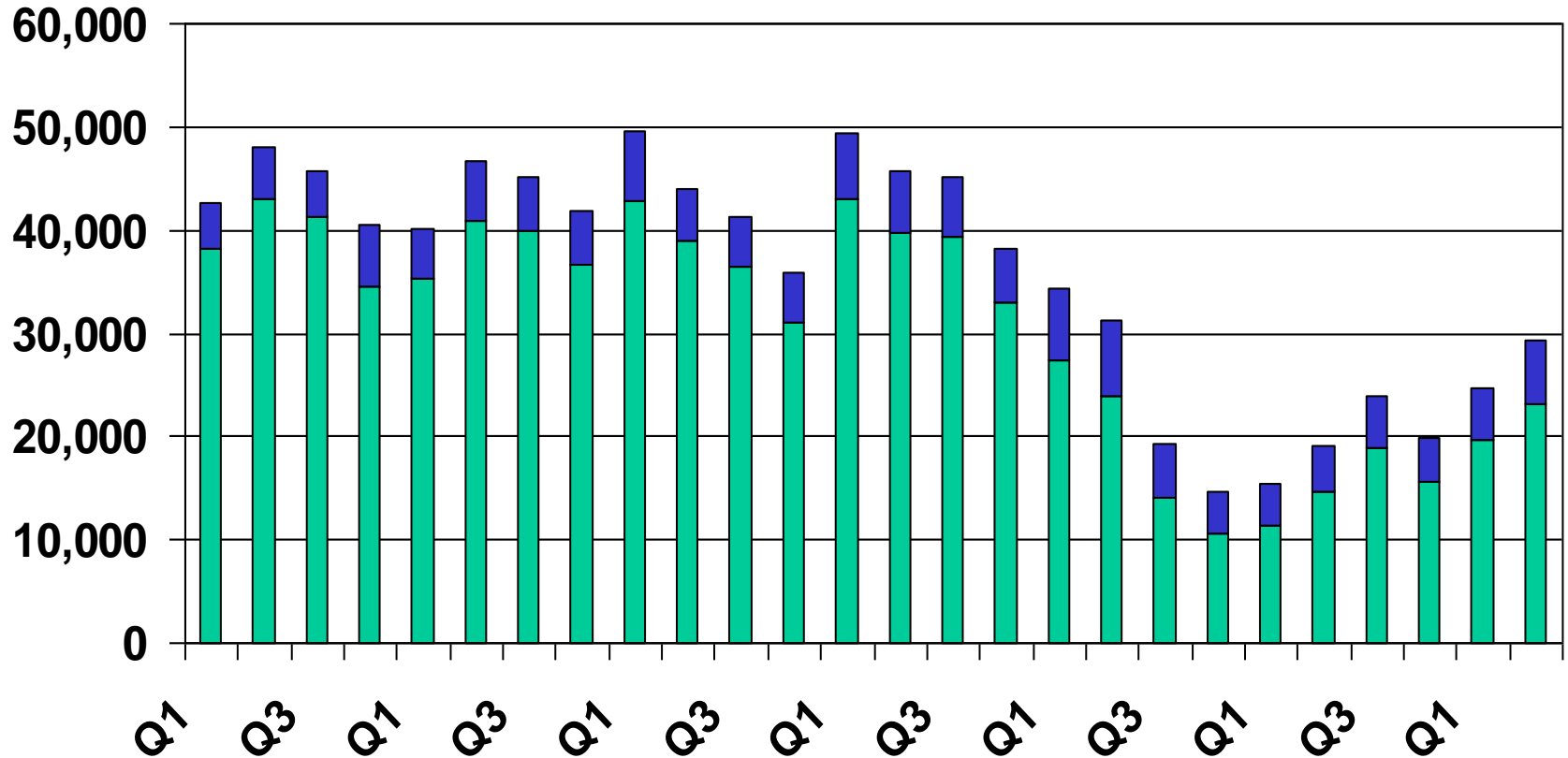


# Market Housing Challenges II

- ➔ Costs of Zero Carbon
- ➔ Inadequate safety net
- ➔ Supply Shortfalls
- ➔ Planning Localism

# New housing starts collapse

Market housing Social housing





# Renting or owning

- Undimmed aspirations to own
- Fiscal bias for ownership
- Regulatory bias for renting

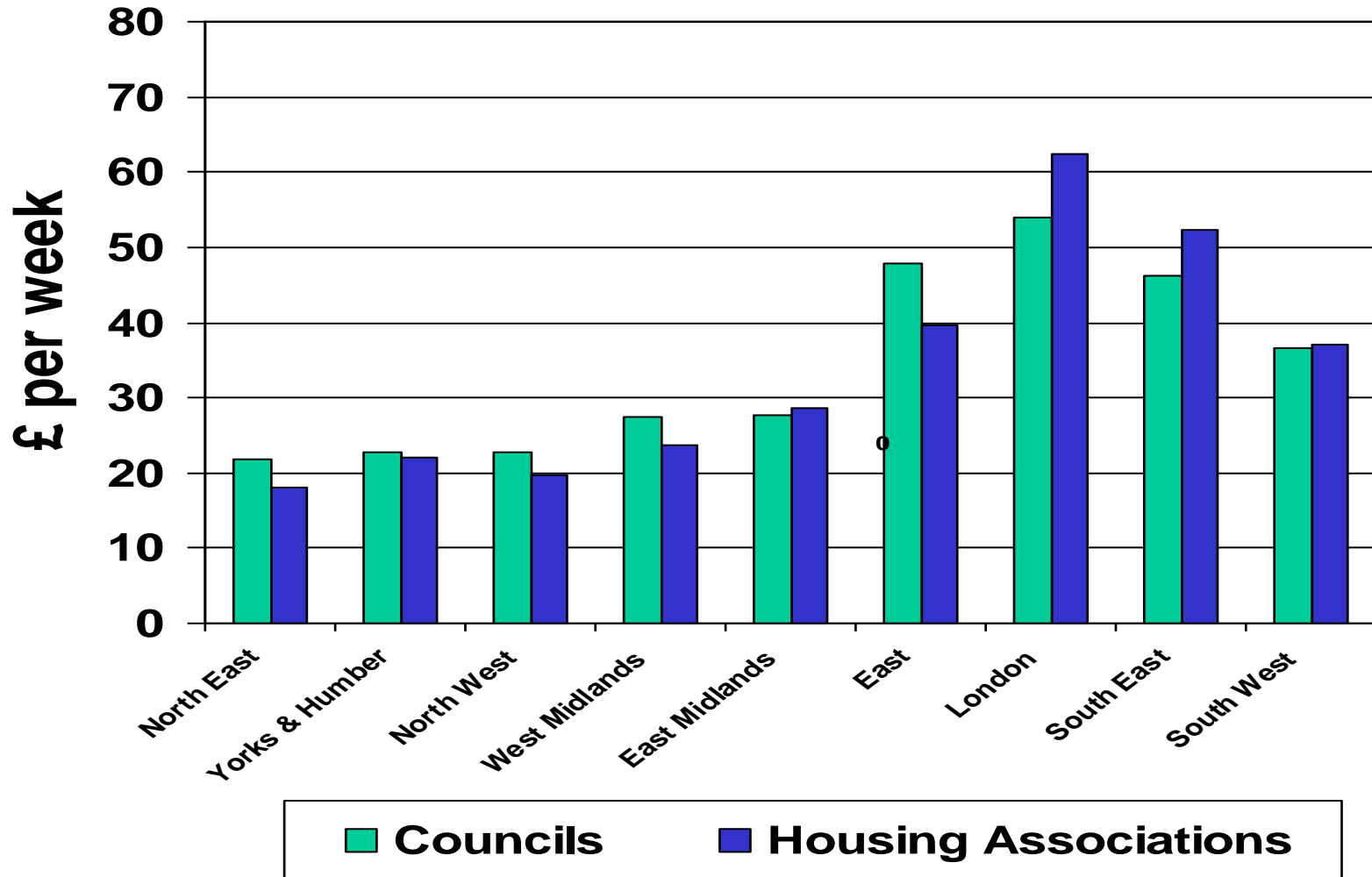
# Affordable Housing Challenges

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

# Affordable Housing Options

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

# Economic subsidy per dwelling



# The net costs of higher rents

- Subsidy & Grant Savings
- Housing Benefit Costs
- Inflation Costs
- Work Disincentive Costs

# Rent levels and housing benefit

Rent Levels	Tenants on HB
Current Rents	66.7%
Plus 10%	68.2%
Plus 20%	69.4%
Market Rents	73.7%

# Rents Increase Options

- Increase all rents
- Switch to Intermediate
- New build and/or relets
- Reviews for existing tenants
  
- How to 'capture' higher rents?