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Where are we & where are we going?

Gavin Smart
Chief Executive

What I'm going to talk about



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- The economy – where are we now, what might the future hold?
- Politics – what's going on and what do we all think?
- The housing market – where are we?
- The policy environment
 - What's happening now
 - What's not happening now
 - Where might we be going in the medium term?
- Conclusions – can we draw any?

CIH – an introduction/reminder



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- CIH is the professional body for housing in the UK
 - Cross sector, cross nations
- The independent voice of housing & the home of professional standards
- Supporting housing professionals to create a future in which everyone has a place to call home
- CIH exists to:
 - For our members
 - To train, educate and qualify the housing profession
 - To be the public voice of housing

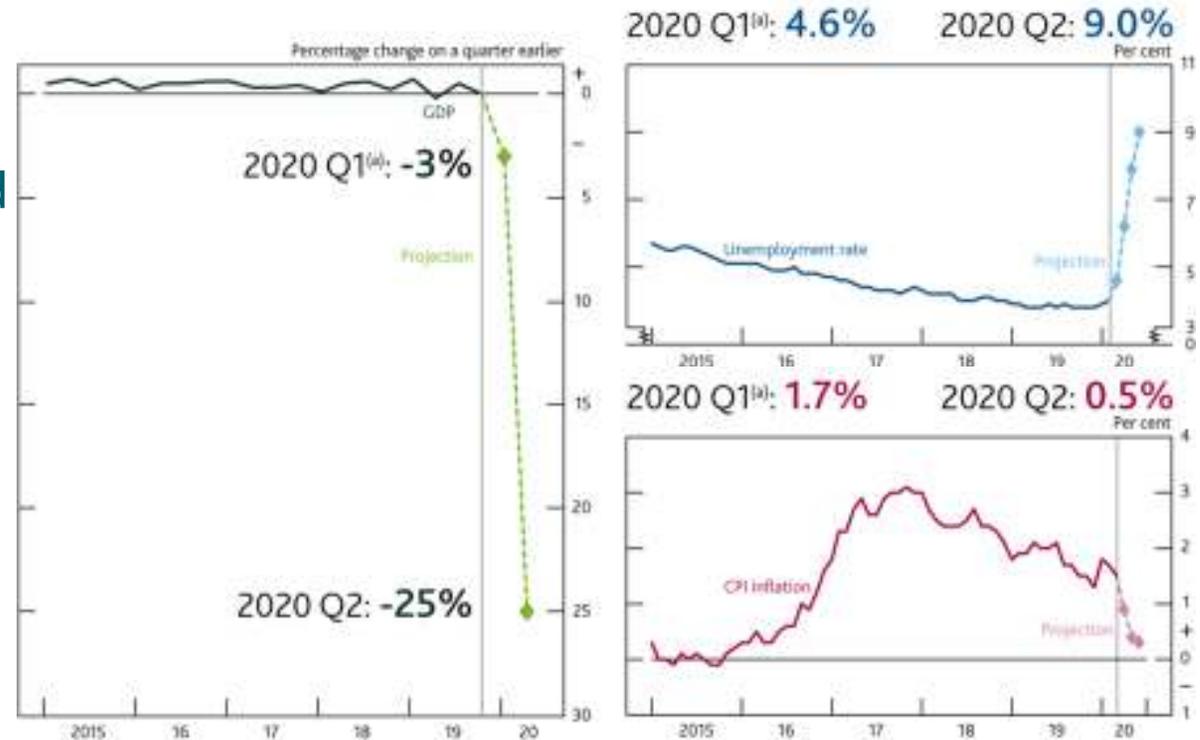
Where are we? The economy on one slide



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Economic activity has fallen sharply.
Unemployment is expected to rise and inflation to fall below 1%

Near-term projections



Sources: ONS and Bank calculations.

(a) GDP and unemployment projections are based on official data to February. CPI inflation figure is an outturn.

Uncertain economic future



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PMIs suggest that activity has fallen markedly in many economies

Composite output PMIs in selected economies^(a)



Sources: Eikon from Refinitiv and IHS Markit.

(a) April data points for the euro area, UK and US are flash estimates. Data for China are to March.

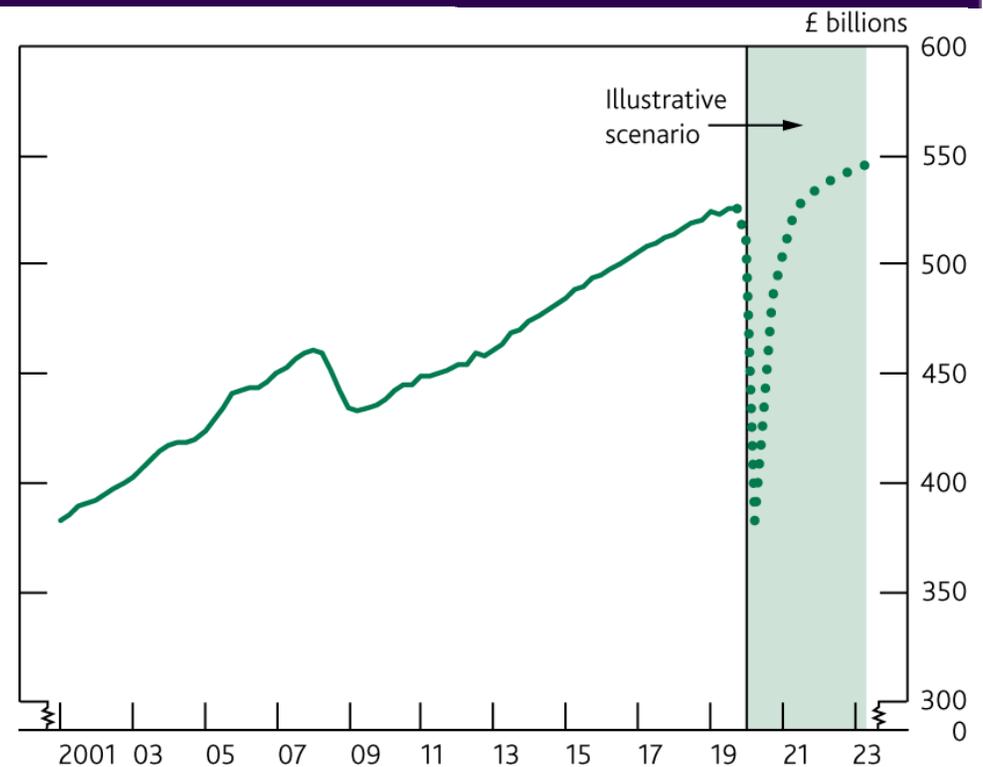
Big hit on GDP



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GDP is expected to have fallen dramatically over the first half of the year

GDP scenario^{(a)(b)}



(a) The illustrative scenario is conditioned on the assumptions set out in this section, including: Bank Rate following a path implied by market yields; the TFS and TFSME; the Recommendations of the Financial Policy Committee and the current regulatory plans of the Prudential Regulation Authority; the Government's tax and spending plans as set out in *Budget 2020*, updated to reflect additional announcements made up to 29 April; commodity prices following market paths for two quarters, then held flat; the sterling exchange rate remaining broadly flat; and the prevailing prices of a broad range of assets, which embody market expectations of the future stocks of purchased gilts and corporate bonds. The main assumptions are set out in the 'Download the chart slides and data' link at www.bankofengland.co.uk/report/2020/monetary-policy-report-financial-stability-report-may-2020.

(b) The dotted line begins in 2020 Q1, as ONS data are currently only available to February.

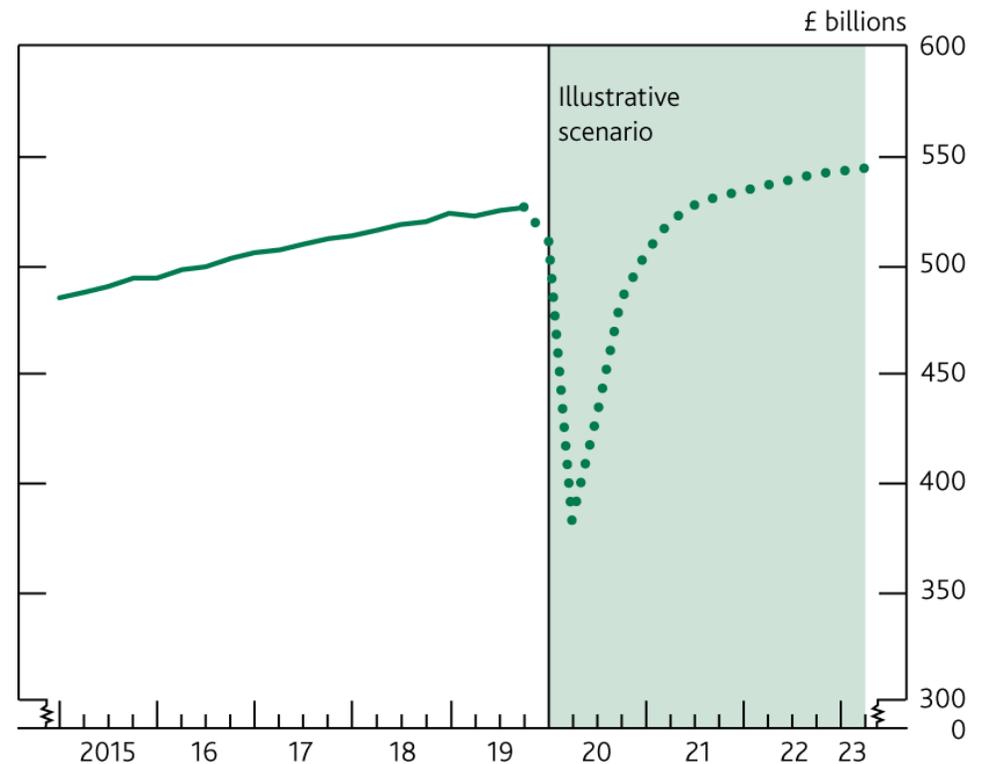
GDP bounce back?



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GDP picks up relatively rapidly in 2020 H2 in the scenario, although it takes some time to recover towards its previous path

GDP scenario^{(a)(b)}



(a) Conditioned on the assumptions in **Chart 1.2** footnote (a).

(b) The dotted line begins in 2020 Q1, as ONS data are currently only available to February.

GDP – Where are we going?



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- While there are wide bands of uncertainty around any estimates of activity at the present time, UK GDP is expected to be close to 30% lower in 2020 Q2 than it was at the end of 2019.
- UK GDP is expected to have fallen by around 3% in 2020 Q1 and then to fall by a further 25% in Q2

Forecasting! It's complicated!



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The conditioning assumptions underlying the illustrative scenario:

- The illustrative scenario is conditioned on social distancing measures and government support schemes remaining as they are until early June, before being gradually unwound by the end of Q3
- The Coronavirus Job Retention Scheme lowers the number of jobs that are lost
- It is assumed that most furloughed workers do not seek work elsewhere
- Some companies are assumed to cease or scale back their operations for a time
- Some of the spending foregone while social distancing measures are in place is assumed to be made up...
- ...but lower confidence and higher uncertainty are assumed to persist for some time and dampen spending
- Falls in risky asset prices also weigh on GDP
- But monetary and fiscal policy actions support spending
- And.....
- The illustrative scenario is conditioned on the assumption that the UK moves to a comprehensive free trade agreement with the EU on 1 January 2021!!!!

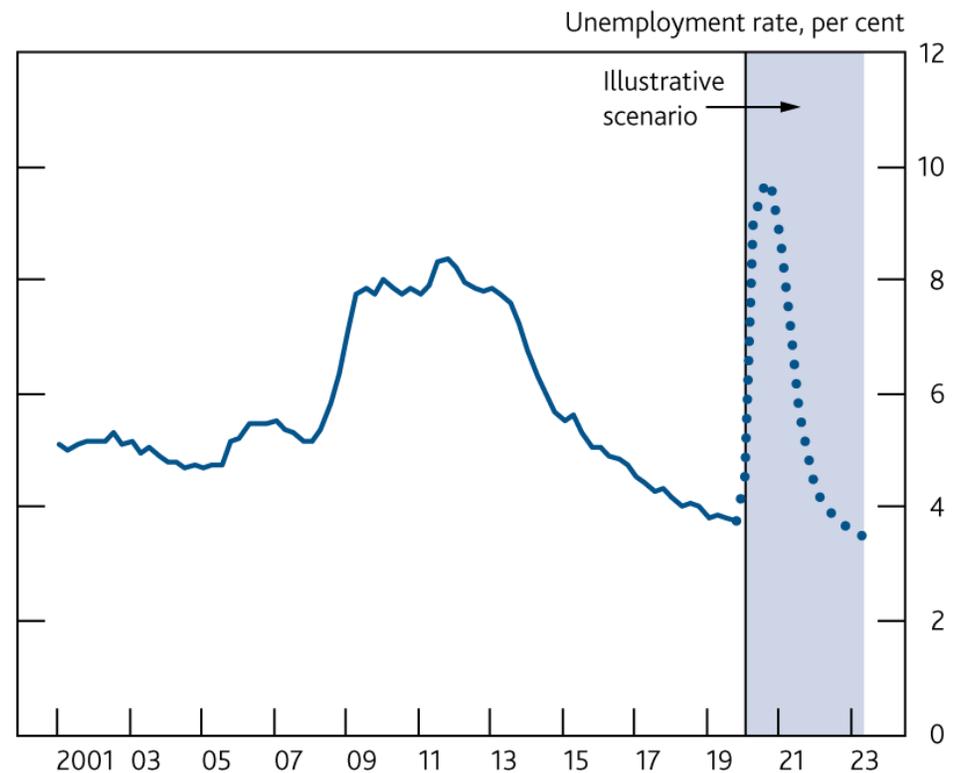
Rising unemployment



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Unemployment rises sharply,
before falling back gradually in the
illustrative scenario

Unemployment scenario^{(a)(b)}



(a) Conditioned on the assumptions in **Chart 1.2** footnote (a).

(b) The dotted line begins in 2020 Q1, as ONS data are currently only available to February.

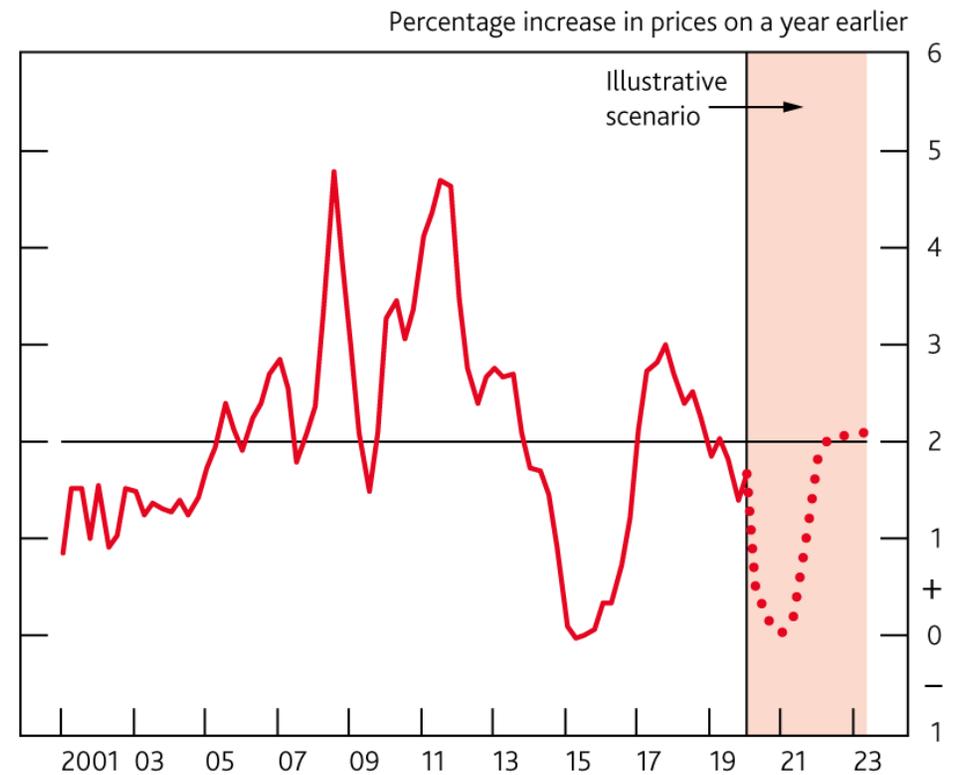
Low inflation levels



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CPI inflation falls in the near term partly due to the oil price, but rises further out in the scenario

CPI inflation scenario^{(a)(b)}



(a) Conditioned on the assumptions in **Chart 1.2** footnote (a).
(b) The dotted line begins in 2020 Q2.

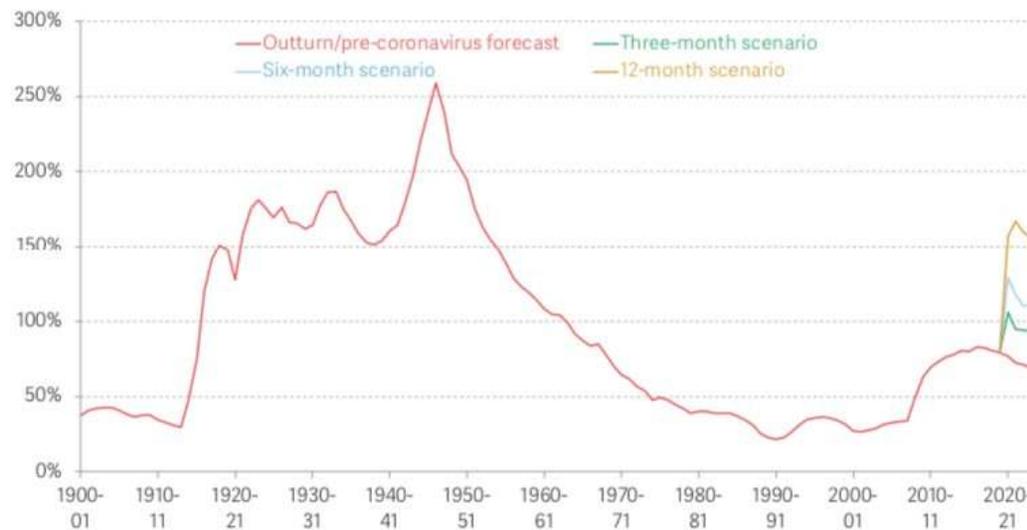
How much might COVID19 cost?



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FIGURE 16: Debt is forecast to increase above 100 per cent of GDP in all scenarios

Public sector net debt as a proportion of GDP – outturn, pre-coronavirus forecast and three scenarios: UK



SOURCE: RF analysis of OBR, Economic and Fiscal Outlook, March 2020; and sources for economic and policy costings for scenarios given above.

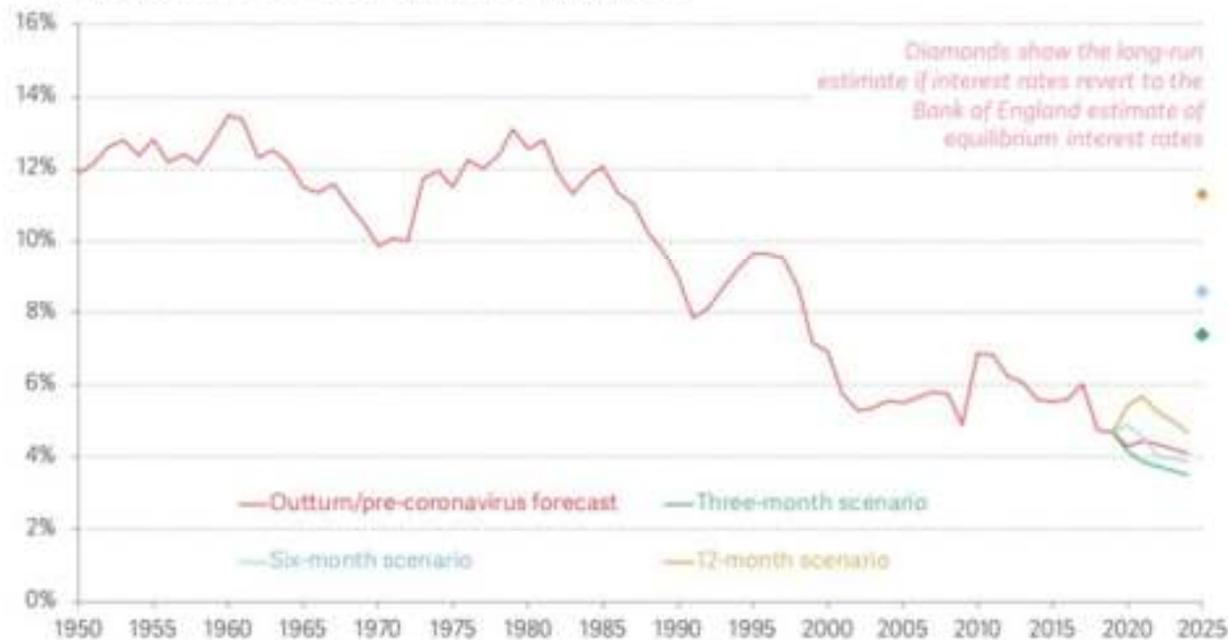
And can we afford it?



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FIGURE 19: Debt-service-to-revenue ratios reach a new low across all three scenarios

Public sector debt interest as a proportion of public sector revenue – outturn, pre-coronavirus forecast and three scenarios: UK

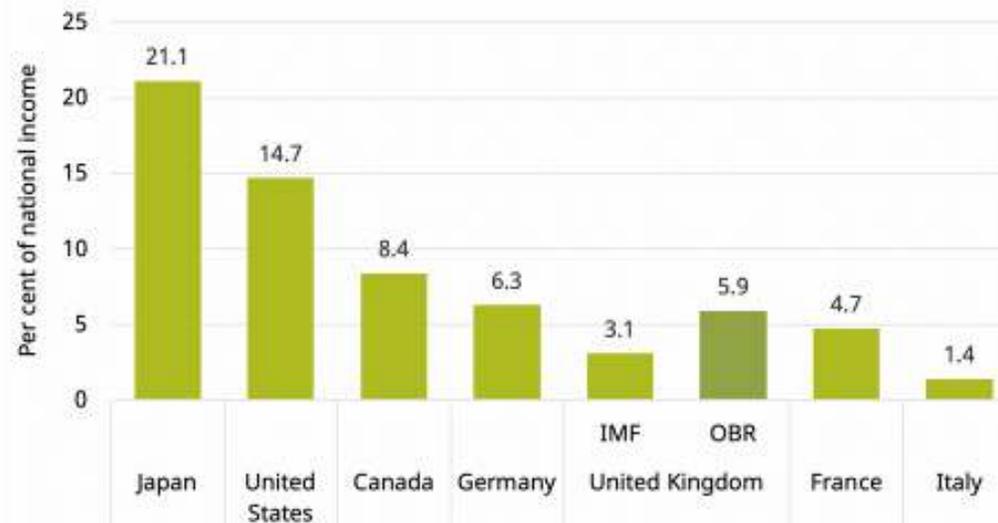


What's everyone else spending?



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Figure 1: IMF estimate of the size of the fiscal measures implemented in response to Covid-19



IMF - £65bn
OBR - £120bn

Note: Figure for Germany includes packages at both the state and federal level. OBR figure for the UK incorporates the extension of the CJRS until the end of July, but not for the scheme that will be in place over the subsequent three months as details of how that scheme will work are yet to be announced.

Source: International Monetary Fund, Fiscal Monitor – April 2020 (<https://www.imf.org/en/Publications/FM/Issues/2020/04/06/fiscal-monitor-april-2020>) and Covid-19 Policy Tracker (<https://www.imf.org/en/Topics/inf-and-covid19/Policy-Responses-to-COVID-19>) with information up until 7 May; Office for Budget Responsibility Coronavirus Reference Scenario (<https://obr.uk/coronavirus-reference-scenario/>) and Coronavirus Policy Monitoring Database (<https://obr.uk/download/coronavirus-policy-monitoring-database-14-may-2020/>).

How is the government doing?



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Approval of government's handling of the crisis

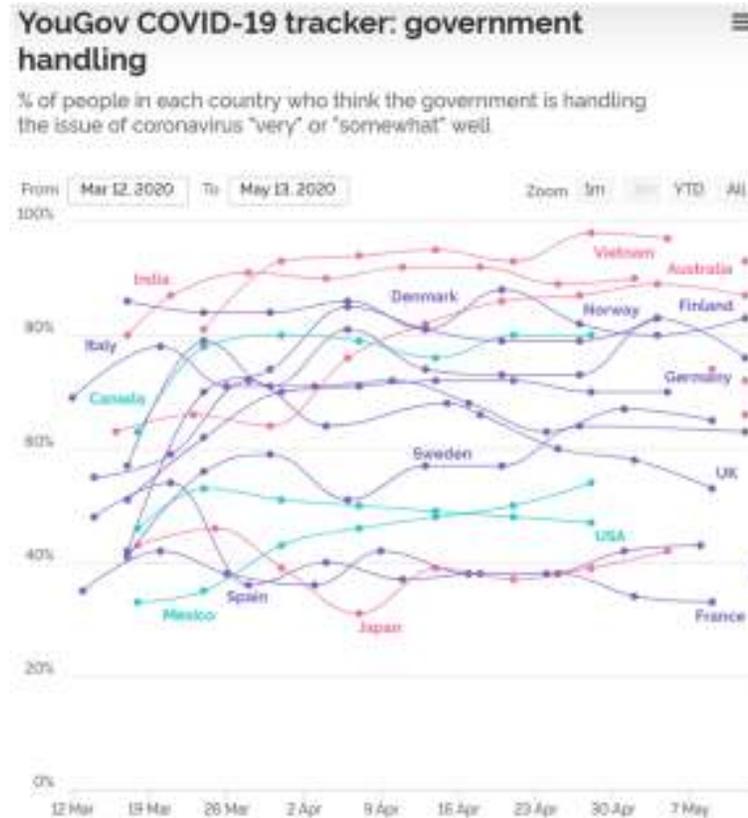


Confidence in the government's ability to handle the crisis has also dropped 9 points and is now at its lowest point so far. This is a drop from a net +16% confidence rating to a net 0%.

Versus other governments?



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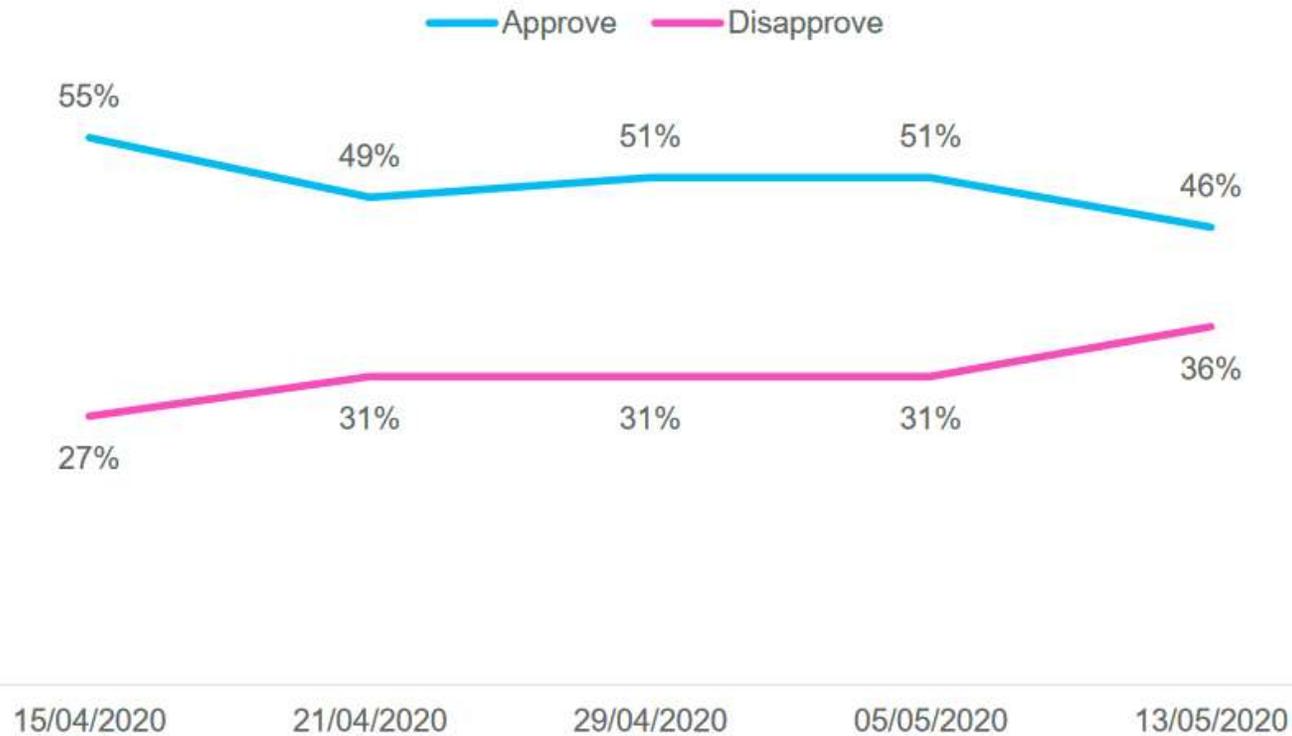


A challenge for Boris?



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Boris Johnson's approval rating since leaving hospital

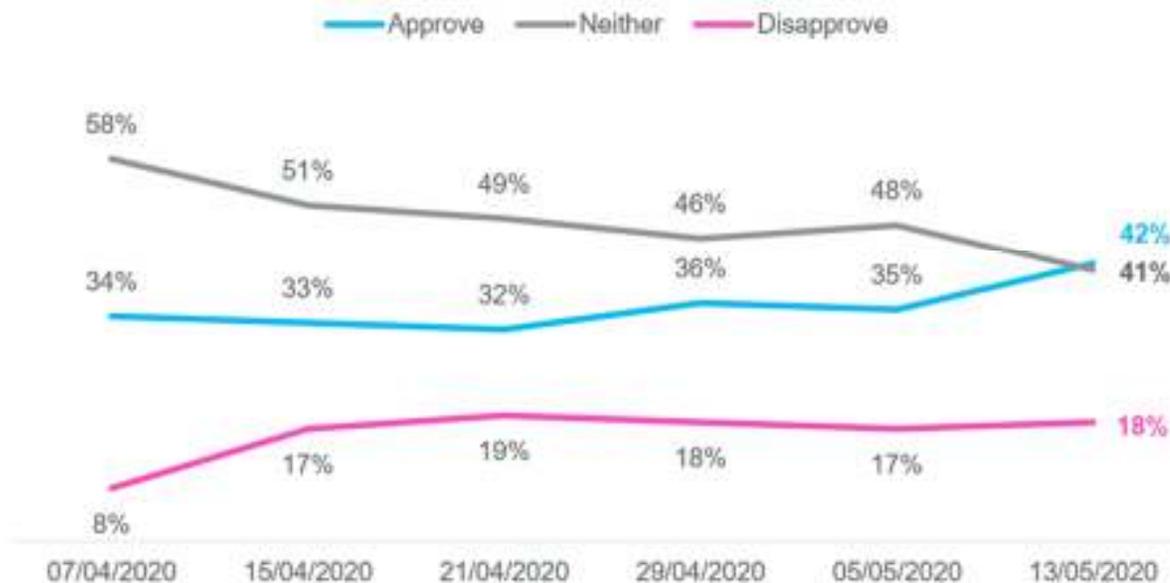


Better news for Kier?



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Keir Starmer's approval rating since becoming Labour leader

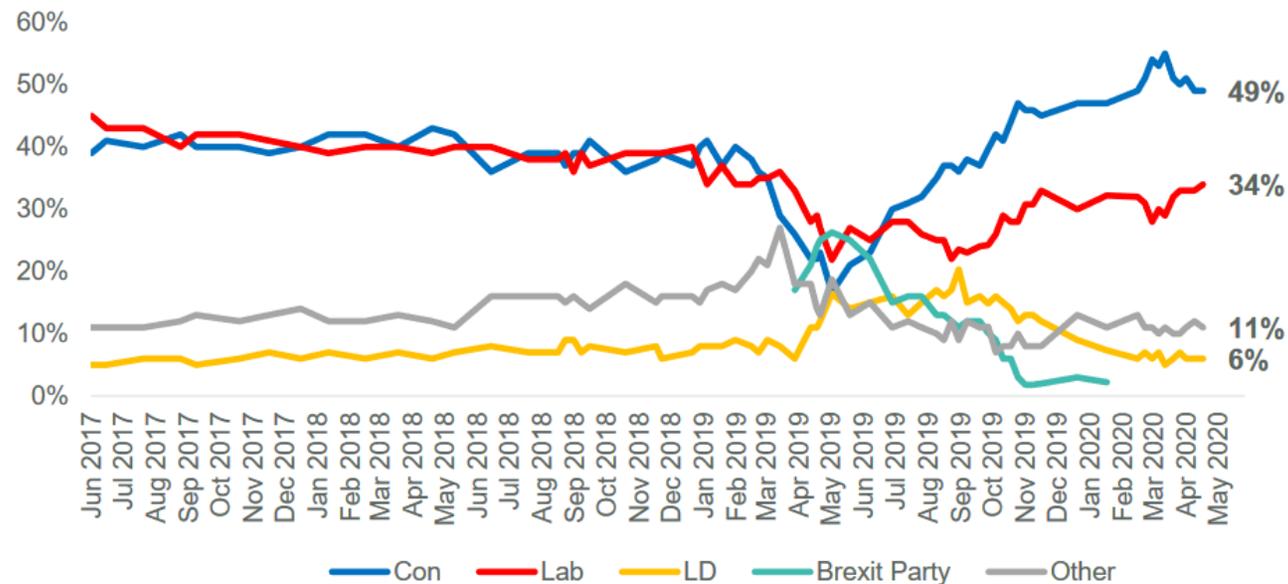


Government still has margin for error



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Voting intention since the 2017 general election



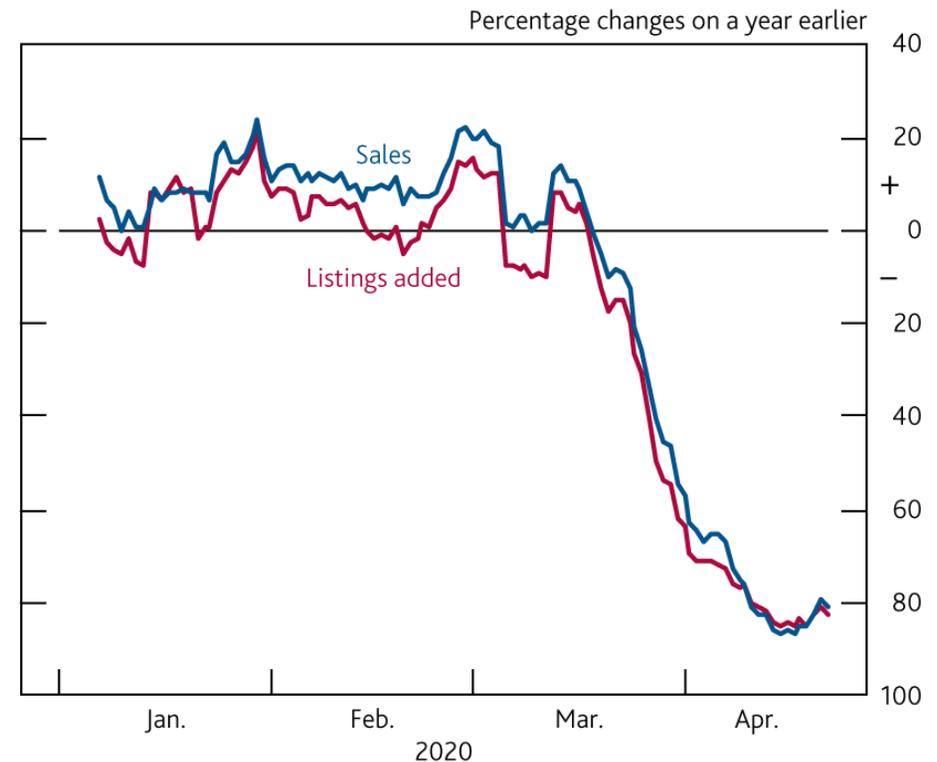
Housing market on pause



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Housing market activity has stalled

Listings added and sales of properties on Zoopla^(a)



Sources: WhenFresh, Zoopla and Bank calculations.

(a) Seven-day moving averages. Data are not seasonally adjusted.

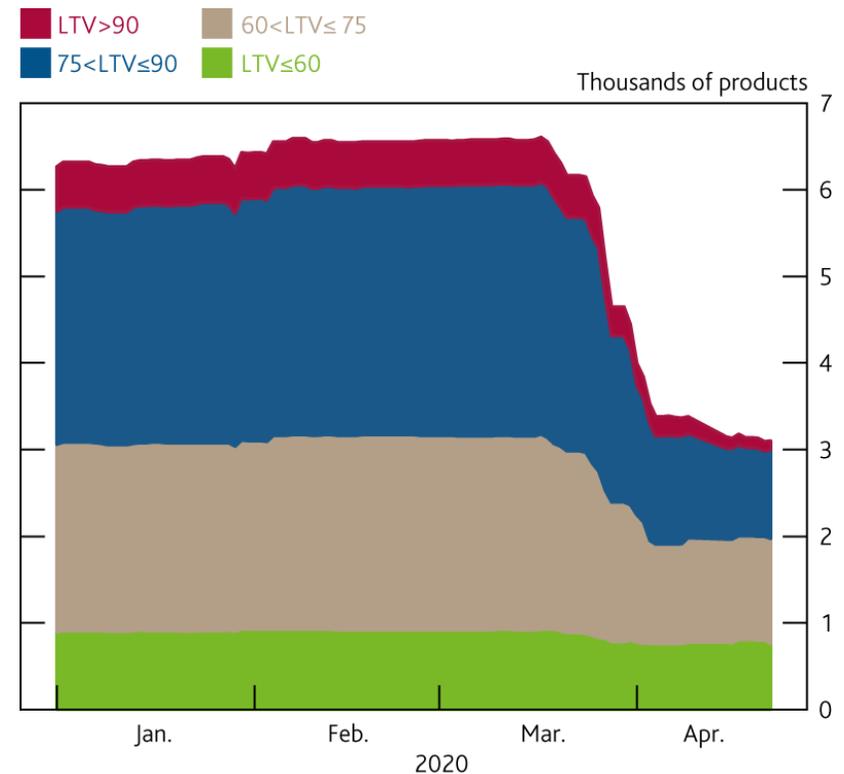
Lenders are cautious



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The availability of new mortgage products has fallen, particularly at higher LTVs

Number of advertised mortgage products, by maximum LTV^(a)



Sources: [Moneyfacts.co.uk](https://www.moneyfacts.co.uk) and Bank calculations.

(a) For products which have different maximum eligible LTVs for different subsets of borrowers, the highest has been taken. Buy-to-let mortgage products are excluded. Data are not seasonally adjusted.

Is the rental market bouncing?

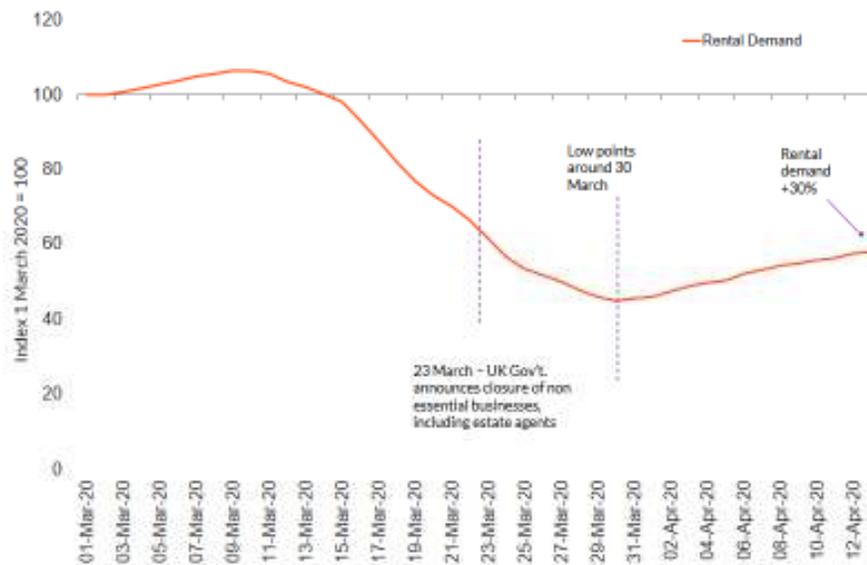


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Impact of COVID-19 on rental market demand

3

Fig. 1 - Index of rental demand from March to Mid-April



Source: Zoopla Research

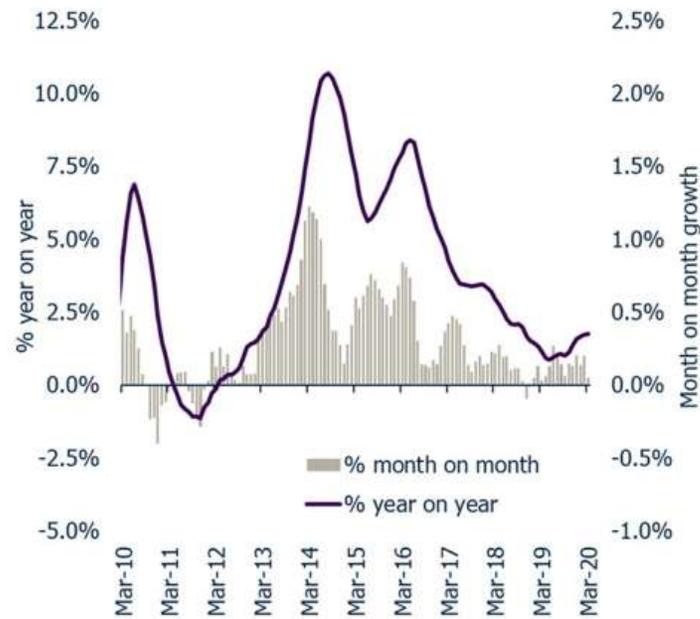
- Overall activity in the rental market has felt the impact of COVID-19, although to a lesser degree than the sales market. Tenant demand fell by 57% between March 7th and March 30th, a more modest decline than the 70% fall in buyer demand.
- Since then, rental demand has risen by 30% to April 14th.
- The additional flexibility in the lettings market, which has allowed agents to agree rental deals with delayed start dates, and agree terms based on online viewings, means that activity has continued during the lockdown, albeit at a significantly lower rate.
- Likewise, activity levels are likely to rise more quickly in the rental market than the sales market once the lockdown eases, given that in usual market conditions the average 'time to let' - time from listing a rental property to letting it out - is less than three weeks.
- The total number of properties listed for rent has remained broadly stable although the number of new properties listed has declined since the lockdown began.

House sales/prices in decline



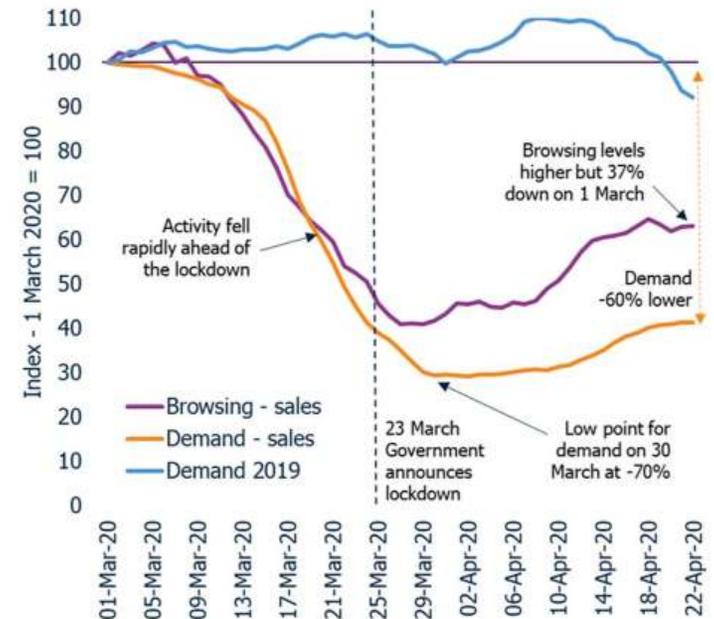
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Fig.1 – City house price inflation %yoy and %mom



Source: Zoopla House Price Indices, powered by Hometrack

Fig.2 – Index of demand and browsing (rolling 7 day)



Source: Zoopla Research

Housing market in summary



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- Courtesy of Zoopla....
- UK city house price growth +1.8%, with March recording lowest monthly growth for a year (<0.1%)
- Demand for housing fell by 70% from early March. The decline bottomed out in early April and has been increasing steadily over the last 3 weeks. Demand remains 60% lower than in early March
- We estimate that there are 373,000 sales held up by the lockdown for homes worth £82bn. We expect completed housing sales to be 50% lower in 2020 compared to 2019
 - (NB Note that transactions strongly correlate with price growth)

Policy – what’s survived



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- Fire safety/building safety
 - e.g. cladding fund, Hackitt working groups
- Supply
 - We know a “bigger” NAHP was in government plans
- Home ownership
 - A major focus for the Secretary of State
 - See First Homes, Right to Shared Ownership, Right To Buy for housing associations
- Existing homes, stock condition, sustainability
 - But feels a bit on the backburner

Policy – what's emerged



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- New ways of working
 - Core services, PPE etc
 - How to deliver services & also keep everyone safe
- Gas safety/wider safety
 - Now stable after a tricky period
- Street homelessness
 - What next after Everyone In
- Domestic violence
- Private rented sector
 - What next after evictions
- Threats to income
 - Arrears, bad debt, benefit payments – not yet causing major problems
 - No policy action at this point

Policy – missing in action?



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- Planning & planning reform?
 - Building beautiful places?
- Rents policy?
 - Don't mention ~~the war~~ rent cuts!
- Regeneration
- Maybe tenant & resident voice?
 - Expect a come back

Policy – where next?



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- What happens post crisis response/new (temporary) normal?
- What is housing's role in a post-COVID world?
- Are we/will we be at a 1918/1945 moment?
 - And if we are what do we want to do about it?
- How can we play housing's role in a new social contract?
- Government “fiscal stimulus” is also likely.
 - What role for housing?
- We must address access, affordability, condition, security, safety
 - Big role for social & affordable housing esp. social rent
 - Sustainability & carbon emissions must be central
 - Tenant & resident “voice” must be central
- Professionalism can play a critical role
- Timing and presentation will be everything
 - Not yet, but soon?
 - We may only get one chance

Conclusions – what can we say?



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- It's unclear what we are uncertain about!
- The pandemic will produce a big economic impact
- Failings of our housing system remain and have been exposed by the crisis
- We must do better and a post COVID settlement could offer that chance
- Even if politicians and governments don't want to play a role what can we do?
- The pandemic has shown us what we can do if we really need to
- Let's fix the damage but not lose the urgency

And finally...



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Thank you for listening!

Gavin.Smart@cih.org

@GavinSmartCIH