

Market Insights - July 2009

UK HOUSING MARKET A Review of Opportunities and Analysis of Issues

SAMPLE

In association with Barbour ABI

By Glen Ford, HobsonFord Associates
glen.ford@hobsonford.co.uk
Contact: 01449 760728

www.hobsonford.co.uk/market_insights

About This Report

The report is designed for industry professionals and housing policymakers. It provides an in depth review of the issues facing the UK housing sector. It sets out clear arguments for the future direction of one of the most important aspects of UK life – where we live and how we house our nation.

Good or bad, the housing industry affects all our lives. It has far reaching effects upon society and the national economy. Hundreds of thousands of jobs, livelihoods and the economy at large depend upon a healthy housing market. The report provides valuable insight into the future direction of the UK Housing market.

This report is updated 4 times each year, July, October, January and April. The next edition will be published in October 2009.

Future Topics

- 2010 election – what will this mean for housing?
- Impact from rising unemployment?
- Will local authorities re-enter the housing market, if so when and how?
- What is the future for mortgage lending?
- Will we see new models for affordable housing supply?

THIS IS A SAMPLE COPY ONLY

**For the full report please contact Barbour ABI
on 0151 353 3512.**

Single copy £750.

**Four editions, including July & October 2009,
January & April 2010 for £1,500.**

20% Discount for on-line orders.

CONTENTS

Page

PART 1 – KEY OPPORTUNITIES & ISSUES

Housing Demand – 2009 & 2010	6
Demand – 2011 to 2014	6
Social Housing Opportunities	7
Outlook for Suppliers	7

PART 2 – ANALYSIS AND INTERPRETATION

Housing Demand & Supply Pressures	9
Key Influences on the Housing Market	14
Current Developments and Implications	21

PART 3 – KEY FACTS AND FIGURES

Government Policy	25
House Sales Activity	29
House Prices and Affordability	31
Housebuilding	33
Social Housing	35
Housing Demand	39
Reports by Major Housebuilders	41

CHARTS AND TABLES

Charts

Page

1.	10 Year Household growth	14
2.	Housing Completions v Household Growth – England: 1946 to 2031	15
3.	Council House Waiting List v First Time Buyer Affordability	16
4.	Net Mortgage Lending	17
5.	Mortgage Applications	18
6.	Price Fall From March 2009 Required to Meet First Time Buyer Affordability	19
7.	Annual Change in Housing Transactions	29
8.	Mortgage Approvals	30
9.	Changes in Average House Prices	31
10.	First Time Buyer House Price Earnings Ratio	32
11.	First Time Buyer Loan to Value Ratio	32
12.	Annualised Private Housing Starts and Completions for England	33
13.	New Build Houses v Apartments	34
14.	New House Completions by Tenure – 1948 to 2008	35
15.	Social Housebuilding – 1946 to 2008	36
16.	Affordable Housing by Tenure – 1991 to 2007	37
17.	GB Housing Stock by Tenure – 1971 to 2007	38
18.	Council House Waiting List – 1986 to 2007	38
19.	Household Growth (England) – 1986 to 2031	39
20.	Household Growth 2006 to 2031 Split by Age of the Head of Household	40
21.	Movement in the Average Share Price of the Major Builders – Jan 07 to July 09	42

Tables

Page

1.	RICS Housing Survey Headlines	30
2.	Private and Social New Build (England) – 2007 to 2009 Q1	35
3.	Public Spending on New Build Social Housing – 02/03 to 07-08	36

SAMPLE EXTRACT

HOUSING DEMAND – 2009 & 2010

There is a modest upturn in demand. This will lead to improved build rates in the second half of 2009.

The housing market has warmed considerably since the dark days of late 2008. This is in sharp contrast to the outlook for non-residential construction, which escaped lightly last year. Does this amount to green shoots or a lull before another dip?

Many in the industry have seen short-lived revivals before and are wary of calling the current situation a sustained recovery. Many expect the market to turn down again and are planning for the worst. For example, the recent Construction Products Association forecast makes for a gloomy read and suggests 2009 will continue to be a challenge for housing with some improvement in 2010.

Our view is different. The immediate outlook for housing is positive. This is because supply had been cut back so much last year that almost any upward trend would result in a positive reaction. Industry was prepared for the very worst, so anything that is classed as simply 'bad' is in effect pretty reasonable.

Housebuilders aggressively cut-back new build activity to conserve cash. This reduction was much greater than the reduction in sales because of de-stocking. The upturn in sales activity, which is reported by all the major builders, will translate to a modest upturn in housing starts in the private sector. We expect the year to finish around 90-95,000 starts¹ with further upside potential. This will be slightly lower than 2008 as a whole but much improved on the last 6 to 9 months.

Prices will improve because of reduced supply.

We expect to see the current stabilisation in prices to continue, building slowly to modest monthly gains by the end of the year. This is based on the drastic reductions in supply over the past year, which will underpin prices.

New build activity in 2010 will depend upon confidence in the autumn. If builders see continued strength in the market they will plan for stronger volumes in 2010. Our forecast is for modest gains in activity, reaching a certain level. This will underpin further increases in starts in 2010 to around 120,000 to 130,000 units. The supply of credit will remain the main constraint.

DEMAND – 2011 TO 2014

We will see a chronic shortage of supply within 5 years.

Our forecast is the market will completely reverse within the next 5 years to become a chronic shortage of supply.

Limited credit and the recession will impede a full recovery in the next few years. The impact from Government debt will have a longer effect but this will mainly be felt in the non-residential market, where investment is likely to remain low for many years. However, by 2011 we expect the outlook will be considerably brighter for the housing market. Limited increases in supply during 2009 and

¹ Throughout this document figures for housing relate to England unless stated otherwise. This is because Government figures are typically published for England and quarterly updates on housing starts and completions only has England data for the most recent period.

Copyright

Copyright © HobsonFord Associates 2009. All rights reserved.

Enquiries:

HobsonFord Associates

HobsonFord Associates brings together a wealth of experience across a range of disciplines. Its Market Insights team is focused on understanding the implications of key market changes. Glen Ford, who spent 20 years working with Tarmac and was Head of Development for their Building Materials Division, heads up this team and has closely followed trends in the UK housing market for the past 10 years.

We are focused on helping businesses understand the strategic implications from key market information. We undertake speculative market research into key areas and bespoke research on behalf of our clients.

Contact

Glen Ford

01449 760728

glen.ford@hobsonford.co.uk

www.hobsonford.co.uk

Barbour ABI

Barbour ABI is the leading provider of sales leads and construction contract data for the UK market. Our UK-based research team track 100% of all planning applications on every planned project valued over £100,000 - we are the only company who provides national coverage for all scales of construction projects.

Our construction contract and project data can be delivered by email or online, daily or weekly in a variety of formats. Our ground-breaking Evolution web-based service provides fast search options with mail merge, notes sharing, contact tracking, CRM functions and even sales forecasting through Analytics.

Sign up for your free tailored trial, or call Barbour ABI now on 0151 353 3512 to find new work and help your business grow.

Contact

David Andrew

0151 353 3500

info@barbour-abi.com

www.barbour-abi.com