Chapter 1

A waiting game: how Brexit might affect the housing market, supply and demand

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On 23rd June 2016 the UK voted to leave the European Union by a majority of 52 per cent to 48 per cent. The referendum turnout was 71.8 per cent, with more than 30 million people voting. While England voted quite strongly for Brexit, by 53.4 per cent to 46.6 per cent, as did Wales, by 52.5 per cent to 47.5 per cent, Scotland and Northern Ireland both backed staying in the EU. Scotland voted very clearly for 'Remain' by 62 to 38 per cent, and Northern Ireland by 55.8 to 44.2 per cent, i.e. more than the England vote to leave. Brexit has now become the dominating issue of British politics with huge implications not only for the economy as a whole but also for the continuation of the UK itself.

In this chapter our aim is to focus on the housing-related implications of Brexit – these are many, complex but still unfolding. What we offer here can only be a first assessment and no doubt it will be a topic that will occupy future editions of the *Review*. The starting point for our assessment must be the political and economic context; readers should obviously also see our overall coverage of the economy and of the private housing market in Commentary Chapters 1 and 3 respectively.

The uncertain political context

This is not the place to comment on the shifting sands of political discussion about Brexit but it *is* appropriate to point out that apparent certainties – for example that the referendum result will inevitably lead to a 'hard' Brexit ('Brexit means Brexit') or even to Brexit at all – are in practice far from certain. There are several reasons for this – various 'known unknowns' as well as a number of potential 'unknown unknowns'. Among the former are the ultimate outcome of the Supreme Court decision about parliamentary scrutiny of Brexit and how this plays out in the early months of 2017, whether the apparently growing unity of European governments behind a 'hard' exit will persist, the fact that any deal must be accepted by 27 separate governments and by the European Parliament, and that five EU countries face elections this year and six more in 2018. Of the 'unknown unknowns', it is obvious that unforeseen political events, whether in the UK (such as the unexpected Richmond Park by-election) or in the rest of the EU may also affect the chances of there being a 'softer' Brexit or possibly even result in no Brexit (e.g. because there is a backing away from a hard line on issues such as maintaining 'free movement'). The potential impacts of unforeseen changes in the economy are also crucial, since clearly people's attitudes to how they have fared economically in the years since the credit crunch appear to have been an important influence on how they voted in June 2016.

The economic context

Assessing the economic consequences of Brexit is also difficult, not least because of the political uncertainty about the shape that Brexit will take. In addition, it is still too soon to say what the ultimate economic effects will be simply because an exit from the EU is at least two years away. It is, however, possible to review alternative assessments of these effects.

One month before the vote, the Treasury published its estimates of the *immediate* economic impact of leaving the EU.[1] The analysis gave two estimates based on a 'shock' or a 'severe shock' to the economy, both of which foresaw sharp falls in GDP, a rise in unemployment and inflation, a drop in wages and a fall in house prices. This assessment was treated with considerable scepticism before the referendum but in reality we saw initial turbulence immediately afterwards, both in the value of the pound and in shares on the London stock market. Although they settled back, the pound is at a 30-year low with all the implications that has for exports and imported inflation and not least in terms of building materials (BIS has estimated that around 64 per cent of all building materials are imported to the UK from the EU).

A more recent IFS assessment distinguishes between short-run and long-run effects of Brexit.[2] In the short term these included the fall in the value of the pound, higher consumer price inflation as the prices of imported goods rise, and of course reduced household spending power. This short-run uncertainty will be reflected in the exchange rate and government interest rates as well as adversely affecting economic performance. In particular, IFS argues that uncertainty is likely to lead to both companies and households delaying their investment or spending decisions until the outlook is clearer. This may be particularly the case for business investment, for which returns often accrue over a long time-horizon.

In the longer run it is suggested that much will turn on the UK's future relationship with the EU and the rest of the world. The IFS report highlights the increased costs of trade as the first major factor, whether in relation to the EU or elsewhere. The second effect over both the short and long run is on foreign direct investment which ultimately feeds through into higher productivity. In addition IFS notes the potential changes to regulation and migration – with respect to the former we do not know how much appetite there would be for deregulation while the impact of Brexit on migration is still uncertain, as we discuss below. The report indicates that reduced immigration would also reduce national income and possibly national income per capita.

The Bank of England and the vast majority of independent forecasters expect lower growth and higher household inflation now than they did before the referendum. By the end of the Bank forecast, in 2019 Q2, national income is projected to be 2.1 per cent lower, with an implication of continuing weak growth beyond then.[3] This position was clearly supported by the OBR in its report accompanying the Autumn Statement.[4]

After the vote the Bank took early steps to support the economy with measures aimed at bolstering bank capacity. In August the Monetary Policy Committee agreed a 0.25 per cent cut in the Bank rate and introduced corporate and government bond purchase schemes plus a term-funding scheme – all aimed at bringing the cost of borrowing down (see Commentary Chapter 1). While showing vulnerability to Brexit, the pound is also responding to the changing fortunes of the dollar and the euro as a new US administration takes over and political events in the eurozone unfold.

It is clear from a variety of surveys that confidence overall and in specific sectors dipped in July and then recovered into September before slightly edging down again. The recovery was partly built on the clear and positive action by the Bank of England but it also reflected the swift moves to replace David Cameron with Theresa May and put in place a new government. The chancellor's Autumn Statement included a modest number of fiscal stimulus measures, not least in relation to housing. While a further cut in interest rates had been foreshadowed by the Bank this is now unlikely.

Specifically in housing, housebuilders saw a sharp fall in share prices in the immediate aftermath of the Brexit vote but they have since recovered. A Lloyds Bank survey[5] indicated that 42 per cent of housebuilders have improved their growth forecasts since the vote while 27 per cent said they had declined. Some 30 per cent of companies said that there were not enough skilled workers in the industry, adding that bricklayers, electricians, plumbers and joiners were the hardest professions to employ. This number is down from 35 per cent last year, but of course may itself be affected by Brexit-related migration controls (see below).

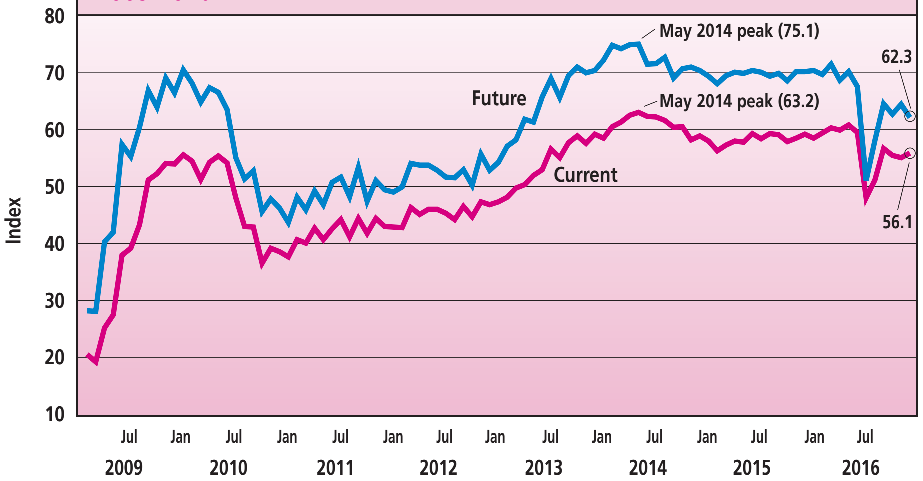
And the housing market reaction?

The initial housing market reaction paralleled that in the economy as a whole with forward-looking indicators suggesting that both housing transactions and house price inflation would decline. The RICS *Balance of Sales Expectations* was at its lowest-ever level, while new enquiries and selling instructions were also falling. At the same time the RICS noted that the shortage of homes on the market was underpinning prices and that this was likely to continue.[6] By October the RICS *Residential Market Survey* indicated that new-buyer enquires had increased 'modestly' for a second consecutive month while new instructions remained flat. RICS argued that near-term price expectations increased marginally but that there would be very limited growth over the months to come.

The Knight Frank and Markit *House Price Sentiment Index* (Figure 1.1.1 overleaf) also highlighted this early negativity and then later recovery.[7] The December 2016 index showed that the upturn in sentiment since those early months has been broadly sustained, with more households expecting the value of their home to rise over the next 12 months albeit at a slowing rate.

In its latest quarterly *Inflation Report* the Bank of England noted that mortgage approvals and annualized house price growth were somewhat higher than forward-looking indicators at the time of the August report and although transactions and house price inflation were expected to remain 'subdued', the outlook was more resilient.[8] However, in its Credit Conditions Survey, lenders reported that demand for secured lending for house purchase fell significantly in 2016 Q3 with the demand for buy to let loans falling sharply.[9] Overall demand was, however, expected to rise in Q4.

Figure 1.1.1 **Knight Frank and Markit House Price Sentiment Index 2009-2016**



Source: Knight Frank Research / IHS Markit House Price Sentiment Index.

What these different surveys show is how confidence and activity has ebbed and flowed since the Brexit vote. Clearly the current outlook is more positive than predicted before or immediately afterwards. Moreover it is important to remember that the housing market at least in London and the South East was already slowing before the referendum. Tax changes and curbs on buy to let lending had seen the rate of increase in house-price inflation falling and this has largely continued (October 2016 showed a slight uplift).

London (especially central and inner London) had seen a sharp drop in asking prices in the referendum's initial aftermath but the weakening of the pound has triggered strong overseas-buyer interest in the London market (to the extent that the GLA is running an inquiry into overseas investors in the residential property market). It would seem reasonable to assume that London prices will bear the brunt of the Brexit decision in the short to medium term but the question then is: how far might that spread?[10] For example, were London to see an outflow of well-paid City jobs to Frankfurt or elsewhere, there would be localised reductions in demand and some impact on both London and then overall rates of house-price inflation.

Overall mortgage lending has continued to remain strong, helped by buoyant remortgage activity as borrowers have taken advantage of record low mortgage rates. The gap between transactions and lending was seen as likely to continue, as transaction numbers soften while lending remains supported more by remortgage activity which in turn reflects the maturity profile of previous cycles of lending. An early market assessment by PWC[11] argued that there would be a pause in house-price inflation (dropping from a projected 3.1 per cent in 2016 to 0.9 per cent in 2017 before recovering to 4 per cent in 2018), albeit with strong regional differentials. Capital Economics' early analysis *After the Referendum – how will the housing market fare?* argued that underlying supply shortages, alongside low rates and continued demand, were enough to help ensure that prices will not collapse, though they might stagnate.[12] CE rightly argued that a major price correction would require a significant demand shock via unemployment and a rise in forced sales, and so far neither seem likely.

Further reports in the annual round of pre-2017 forecasts have all had to take a view on Brexit.[13] In broad terms they all concur that there will be a slowing in UK house-price inflation in 2017 to well under one per cent, and then rises over the years to 2021 albeit with slightly different trajectories; transactions will roughly following suit but still remaining well below historical averages of 1.6 million per annum (see Compendium Table 39b). The general consensus seems to be that the housing market will suffer short-term disruption and then return to normality over the longer term. However that view assumes the London market settles in line with historical trends and that housing output is sustained despite possible labour shortages and higher costs.

These forecasts give some overall indication that although there have been and will be housing market consequences of Brexit, and a slowing in house-price inflation, prices will remain in positive territory. If wage growth and employment hold up these will bring demand back into the market and house price growth of the order of four per cent per annum is likely to resume in the medium term. Transactions bear the main brunt of a loss of confidence and a slowing in price growth, potentially dipping back below the one million mark if a deeper recession comes to pass. First-time buyers and higher loan-to-value ratio (LTV) lending could face a modest squeeze after the government closed the Help to Buy Mortgage Guarantee scheme at the end of 2016[14] – perhaps resulting in a minority of lenders reducing their higher LTV offers.

The Bank of England has recently announced that selected housing association bonds will be eligible for their purchase scheme – an important breakthrough in the recognition of housing associations although the actual impact may be quite limited in the short term given the strong investor appetite for HA paper. The appetite to lend to households also remains strong, partly because of intense competition in the mortgage market and because more lenders are entering it. Recent research has suggested there will also be sufficient lender interest to support the government's planned expansion of shared ownership.[15] There is also evidence from housebuilders and associations that new housebuilding will continue to increase, albeit more slowly, confirmed in the OBR's latest Economic and Fiscal Outlook (discussed in more detail in Commentary Chapter 4).[16]

The plentiful government initiatives in England (and to a lesser extent Wales and Scotland) to stimulate housing supply and the housing market (see Commentary Chapter 3) take on a new meaning in the Brexit context. The tensions arising from the many 'forced' renters and frustrated would-be homeowners – estimated variously at around two million households and possibly a factor in the referendum vote – remain a real source of tension which Brexit does little to resolve. The economic response to Brexit which conditions people's ability to secure the housing they want will play out over the next decade; in the short term the government's stimulus measures may help sustain the housing market but may fall well short of meeting these frustrated expectations.

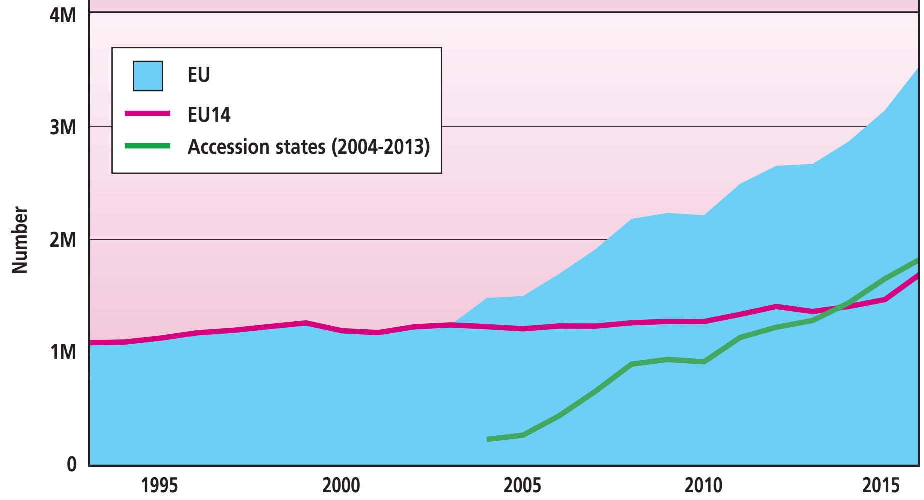
How Brexit might affect migration, housing need and eligibility

Once Brexit takes place and migration from the EU is subject to significant new controls or falls because of a decline in Britain's economy, there could eventually be a considerable effect on household growth and therefore on future housing demand. In England, net migration (the difference between numbers coming in and going out) accounts for 37 per cent of the projected growth in household numbers over the next 25 years – and hence of the demand for extra homes (in Wales, Scotland and Northern Ireland, in contrast, migration has little impact on projected household growth.)[17] However, current household projections were made before the referendum. Obviously, all will be subject to revision once it becomes clearer what changes in migration policy might occur.

Post-Brexit, the prime minister Theresa May promised that 'we will decide for ourselves how we control immigration'. However, the issues are far from simple and at the moment we can only speculate on what tighter controls might mean for different types of migrant and their eligibility for services (such as welfare benefits and social housing). Here we sketch out some of the possibilities, but first we look at the known impact of EU migration pre-Brexit.

How significant is EU migration and how does it affect household growth?

Figure 1.1.2 **Changes in number of EU-born people living in the UK, 1993-2015**



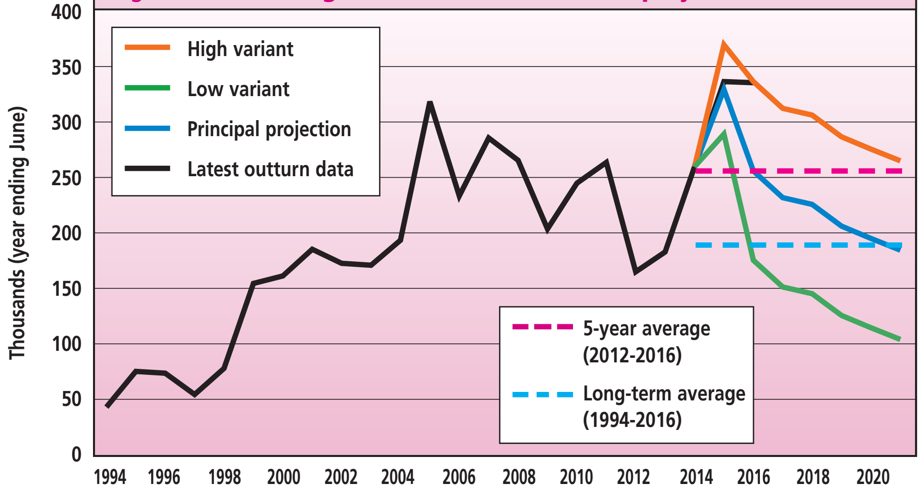
Source: Migration Observatory.

There are about 2.8 million citizens of other EU countries already living in the UK (excluding those who have UK citizenship: the ONS has recently revised down earlier estimates that exceeded three million). Since 2004, both the scale and composition of EU migration have changed: inflows from the eight states that joined the EU in that year and later from other new member states such as Bulgaria and Romania have accounted for half of all those migrating from the EU. Figure 1.1.2 shows how this has affected the total of people living here but born in other EU countries over two decades. While numbers from the older member states have grown only slightly in this period, the significant inflows from new accession states from 2004 added almost two million to the total 'stock' of EU-born residents in just eleven years. Between the 2001 and 2011 Censuses, the EU accounted for about two-thirds of the total growth in the number of foreign-born people in the UK (whose numbers increased from 4.6 million to 7.5 million). Currently, EU migration accounts for just under half the inflow of non-UK nationals, although the true proportion may be somewhat higher as the last Census showed that migration statistics under-estimate flows from the newer EU states.

Clearly migration has had a considerable effect on population size and hence on projected household formation and housing demand. The DCLG's 2014-based projections for England noted that migration is expected to account for 49 per cent of future population growth, but a lower proportion (37 per cent) of household growth. In figures, the number of households is projected to grow by 210,000 per year, of which 77,000 is due to migration. However, these projections assume net migration falls to only 170,500 per year from 2020/21, while recent levels have been much higher. EU net migration alone is estimated at 189,000 in the past year and non-EU at 196,000.[18]

Post-referendum the OBR considers its projections for net migration will stay the same, with a fall to 185,000 by 2021 on its principal projection, similar to the figure used in the English household projections (see Figure 1.1.3).[19] It specifically assumes that while there will be tighter controls the prime minister's recently repeated aim of cutting migration to the 'tens of thousands' will not be met. The NIESR and other commentators consider that EU net migration might fall by about half, which would still leave overall net migration higher than the OBR's principal projection.[20] Yet even supposing it could be cut to zero, non-EU migration (minus 49,000 outward migration by British nationals) would still be well in excess of the prime minister's target, unless it were to be even more drastically restricted than is currently the case.

Figure 1.1.3 **Net migration to the UK and OBR projections to 2021**



Source: OBR: Economic and Fiscal Outlook, March 2016 and ONS Quarterly Migration Statistics.

What happens to people who have already migrated?

There was speculation that many EU nationals might leave Britain following the referendum result, or alternatively that there could be a surge in EU migration by those wanting to take advantage of 'free movement' before it ends. A related question is the future of the estimated one million UK nationals currently living in other EU countries. If negotiations do not protect their position, they may return, putting extra pressure on services here.

The rights of both groups appear to be part of the Brexit negotiation process although there have also been calls for them to be resolved beforehand.

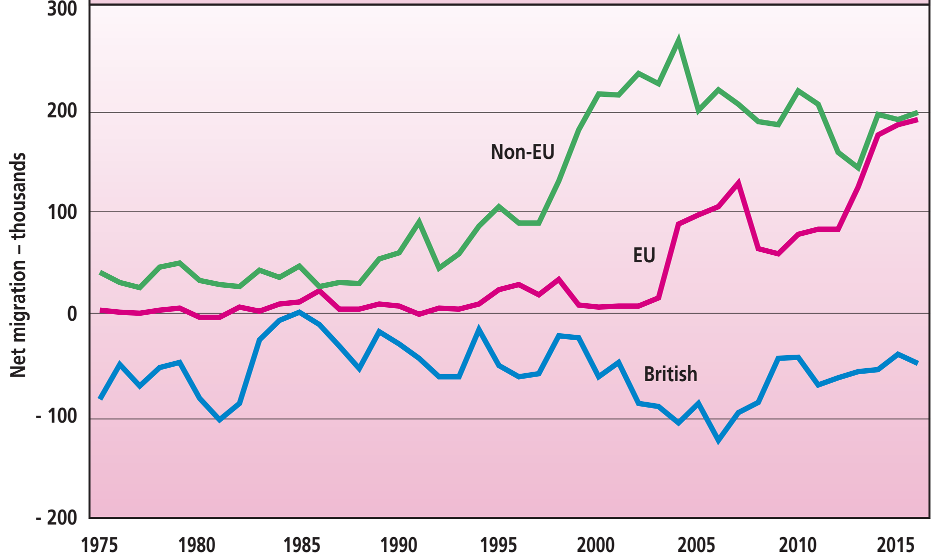
The government clearly has it in its power to decide the future status of EU nationals currently in the UK, which could trigger reciprocal decisions by EU members such as Spain to grant rights to resident UK nationals. But quite apart from the political issues, there are many technical complications that will need to be addressed. For example:

- If a 'cut-off' date were to apply to the rights of either group this would inevitably cause anomalies and injustices and may be very difficult to enforce. Nevertheless an April 2017 cut-off date has been suggested by the group British Future.[21]
- Many EU nationals currently in the UK have residency rights which are not documented, and there is already a lengthy backlog of applications for the relevant documents. At the same time, mass deportation of such large numbers looks an impractical threat.
- UK nationals who return may not at first be able to demonstrate they are habitually resident and will not be eligible for a housing allocation. If the government were to change the rules (e.g. in response to an influx of retired UK nationals) this might create considerable pressure on housing resources.
- If either group wins the right to stay where they now are, new rules on their entitlements (to health care, benefits, housing assistance, etc.) may be required. Any changes might provoke further migration (e.g. if Spain refuses free healthcare to UK pensioners).

What were the pre-referendum EU migration trends?

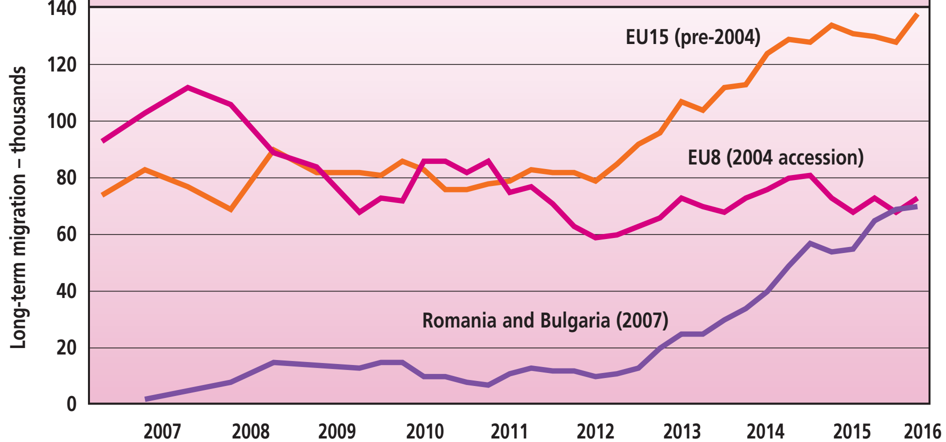
Compared to non-EU migration to the UK, that by other EU nationals was on a strongly rising trend prior to the referendum (Figure 1.1.4). This was particularly marked for two groups – the 'EU15' (i.e. the longer-standing EU member states), and the most recent large states to join the EU (Romania and Bulgaria). As Figure 1.1.5 shows, in contrast the eight countries including Poland and other Eastern European states that joined in 2004, which contributed markedly to inward migration in the period 2004-2007, now account for a falling proportion of new EU migrants. The main point however is that EU migration was of growing significance in the build-up to the June vote.

Figure 1.1.4 **EU and non-EU migration to the UK up to June 2016**



Source: ONS: Migration Statistics Quarterly Report: December 2016.
Note: Figures for 2015 are provisional.

Figure 1.1.5 **Contrasting patterns of EU migration to the UK up to June 2016**



Source: ONS: Migration Statistics Quarterly Report: December 2016.

How might rules about EU migration change, post-Brexit?

How might this change if the prime minister attempts to implement her promise? Currently, the EU single market provides 'four freedoms' – the free movement of goods, services, money and – most controversially – of workers. In addition, EU nationals are all 'EU citizens' with rights in any EU country. So 'free movement' in practice means:

- freedom to enter, leave and reside in any EU state
- freedom to work
- freedom to bring family members (who may be non-EU nationals)
- the right to equal treatment (in jobs, tax, welfare, social housing, etc.).

Free movement applies not only to the EU itself but also to Switzerland and the wider European Economic Area (EEA), which includes Norway, Iceland and Lichtenstein. While EEA nationals are therefore generally able to enter the UK freely and, once resident, are eligible to apply for social housing and for housing benefit, there are exceptions (such as job seekers).[22]

At this stage discussion about free movement appears polarised between the 'hard' Brexit stance which rejects it completely and a 'soft' Brexit position which accepts that – perhaps in modified form – it is a price worth paying for continued access to the European market, possibly via continued membership of the EEA or the European Free Trade Area once the UK leaves the EU itself. If free movement were to be qualified in some way, this might take the form of:

- An 'emergency brake' which might be applied in different ways and for different timescales. For example, the one agreed in the government's negotiations before the referendum was a seven-year brake on in-work benefits during new arrivals' first four years in the UK. As part of negotiations to stay in the EEA, the government may aim for a more wide-ranging brake that restricts access to services or benefits by new EU migrants for several years, justified for example by relieving pressures on public services.
- A general acceptance that free movement should be more narrowly defined, e.g. requiring workers to have a job before entering the country or that there should be an initial period in which there is no entitlement to public services.

However, any change in free movement rules will be controversial within the EU and could face many practical difficulties of application.

If Britain leaves the EU in a 'hard' Brexit, does not join the EEA and pursues individual trade and migration deals with EU countries, then free movement would obviously end. This would raise several questions, not just those noted above about EU nationals already in the UK, but also questions about the rules affecting future migration between the EU and Britain. For example, would long-term rules applying to EU/EEA nationals apply across the board or would they differentiate, e.g. between the older member states and newer ones such as Poland? Would such rules be ready when Brexit takes place, or would there be an interregnum with much more limited movement (and fewer people eligible for services such as housing)?

Exiting the EEA and current free movement rules will create huge uncertainty about future immigration rules. It may lead to even more complex regulations about entitlements to housing and other services, which may change more frequently as individual trade agreements are concluded with different countries. Some possibilities that have been discussed are:

- *New work visas that allow entry to the UK from EU countries for people with pre-arranged employment in various categories of skilled work.* This would debar many current EU migrants whose work falls outside those categories. Numbers of new entries could depend on annual caps applying to different categories. The system could be similar to the one that applies to non-EU nationals coming to the UK to work at present, under which there is no entitlement to housing assistance or housing benefit. Given that 71 per cent of EU migrants to the UK come for work, demand could be very high.[23]
- *A scheme for unskilled workers from the EU in sectors like farming that depend on migrant labour.* Such schemes have existed before and would probably include a requirement on the employer to provide accommodation.
- *Revised rules about EU visitors, students, family members (including new spouses, etc.)*. Most entrants in these categories will not have housing eligibility, but rules may cater for those who subsequently need it (e.g. because of marital breakdown), as they do at present.

- *Agreements with individual countries*. For example, the government says it plans to retain the open border with Ireland, which suggests that Irish citizens would have the same or similar status to what they have now (including eligibility for benefits and housing if they are resident in the UK). Also at present, an agreement with the French government effectively puts UK border controls at the French ports of exit to the UK: were this to change, it might be easier for those seeking asylum in the UK to reach (say) Dover or London and make an application, raising numbers of asylum seekers.
- A *radically devolved UK immigration policy*. This option put forward by IPPR[24] would see different policies in the devolved administrations, London and possibly other English regions, enabling (for example) the East of England to have quotas for low-skilled farm workers. It has some attractions in 'humanising' migration policy but could be enormously complicated.

No doubt many different options will emerge as Brexit gets closer, and the government's white paper already indicates that implementation will be a 'phased process'.[25]

How does EU migration affect housing demand?

Analysis of Census 2011 data shows that EU passport-holders resident in the UK make much greater use of the private rented sector: over 60 per cent are private tenants, compared with 14 per cent for UK passport-holders. If the test is country of birth, the difference is slightly less marked: of those born elsewhere in the EU, some 48 per cent are private tenants compared with 15 per cent for UK-born residents. However, looking at EU-born people who have lived here since before 1990, only 11 per cent are private tenants. The Census therefore confirms evidence from elsewhere that it is new migrants who are most dependent on the private rented sector, so that curtailing EU migration might ease pressures in that market. Indeed, of the 9.8 million private tenants in the UK in 2011, some 3.8 million held non-UK passports and almost one-third of these were other EU nationals.

The effects might be particularly strong in areas to which EU migrants have been most attracted, especially places which have experienced the greatest changes since 2004 such as parts of eastern England. The biggest percentage changes in non-UK born population between the last two censuses in England were in Boston (467 per cent change), South Holland (225 per cent), Hull (195 per cent) and Corby (187 per cent), in all cases very largely as a result of EU migration. This has boosted demand for private rented properties in areas where beforehand the sector was often small, leading to large numbers of conversions (including of 'traditional' single family units into houses in multiple occupation). In Northern Ireland, where 76 per cent of EU passport-holders are private tenants, new houses intended for home-buyers have been bought by private landlords specifically for letting to EU migrants. A particular example is Dungannon, which saw an extraordinary growth of 1,139 per cent in its non-UK/non-Irish population between the last two censuses. [26]

Overall, the percentage of EU migrants in social housing (15.9) is slightly lower than the 17 per cent for UK nationals. Even if eligible, migrants are unlikely to get a housing allocation until they have been in the UK for several years. In terms of new social lettings, only four per cent annually go to nationals from other EU countries (although the proportion has been slowly increasing). If new rules were to deny social tenancies to most EU migrants who are currently eligible, the effect on lettings would therefore be small, although more significant in areas where more EU migrants currently live. These include inner London where the percentage of EU nationals in the population is ten per cent. It would also cover some parts of eastern England such as those noted above, together with Slough, Barking and Dagenham and Waltham Forest. However, any shift in demand might take place even more slowly if EU nationals already resident in the UK were to retain their eligibility for housing and benefits.

Are there other ways in which Brexit might affect housing providers?

Changes in housing demand are only one consequence of Brexit for housing providers. Potentially, there are several more:

- The construction industry may well be affected as nine per cent of its workers are other EU nationals and the proportion is higher in London than elsewhere. CIH has urged social landlords to develop apprenticeship schemes, in part to respond to such skill shortages, taking advantage of the apprenticeships allowances which begin in April 2017.
- EU nationals dropping out of the benefits system if they lose their jobs already feed significant levels of rough sleeping, especially in London (see Commentary Chapter 5). Further restrictions on eligibility are likely to make this worse.

- EU nationals are currently exempt (like UK nationals) from the government's 'right to rent' document checks which currently apply only in England. After Brexit, more than one million tenants with EU passports would likely lose this exemption, increasing problems of access to the PRS.

However, if the UK decides to remain in the EEA to benefit from the free market in trade, and part of the agreement is maintenance of free movement of people, then eligibility rules may stay the same and the above problems avoided. Any changes in rules are in any case likely to take several years. This is because the political negotiations are due to take two years and then time would be needed to produce new immigration rules. In the meantime, EU citizens may be able to enter the UK and be eligible for benefits and to make a housing application or seek homelessness help, as they are now.

Conclusion

Clearly uncertainty is the order of the day. The housing market has stabilised and stimulus measures will give it further forward momentum. Brexit has implications for both housing demand and for housing supply, the latter due to the shortage of skills in the housebuilding sector which Brexit could well make worse. Certainly Brexit does not solve pressures of housing demand because although migration is a key factor in household growth the housing deficit is so great that it will persist. Reduced EU migration will mostly alleviate pressures in the private rented market, particularly in those areas where demand from EU nationals has been greatest. However as this suggests the Brexit story will unfold gradually over a number of years and as the social and economic effects become more evident we will begin to see them find expression in the housing market. At present and for the medium term, so far it looks like business as usual.

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