Chapter 3
Private housing

As the *UK Housing Review 2014* makes very clear, housing has moved high up the political agenda. This is rare because of the complexity of the issues and the fact that most people are relatively well-housed. However, the government (and the Bank of England) have moved to re-energise the housing market, backing it with substantial financial support. This is because they faced a combination of needing a quick stimulus to the economy and a boost to household confidence, plus recognition of the economic and political problems being generated by a worsening housing situation – not least in the limited supply of new homes.

In this chapter the main aim is to review where the market has reached in terms of prices and affordability, and whether and how government measures are working. Attention then is focussed on owning versus renting, and future prospects for both markets. Finally, the chapter looks at the new housing and mortgage market which is emerging on the back of the downturn and of the various financial and regulatory interventions, and what impact it might have on households and on housing policy.

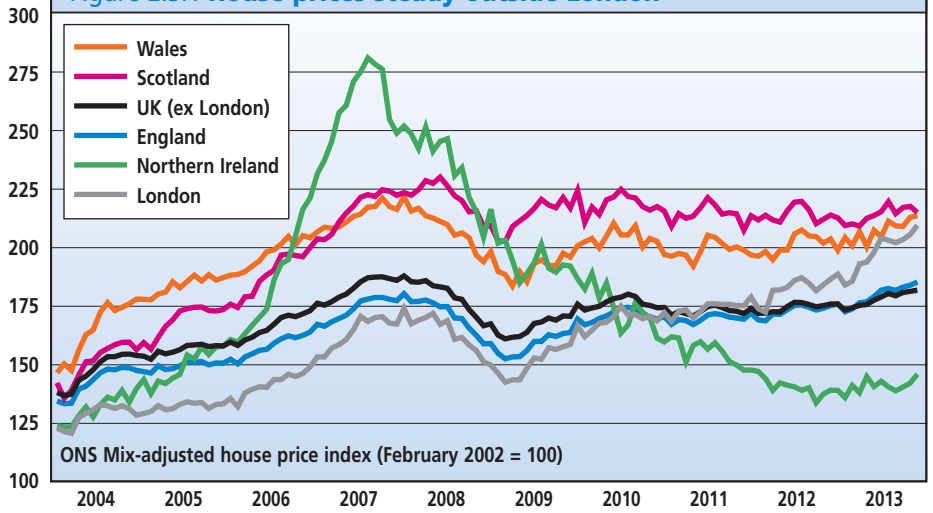
House prices and the housing market

In last year's *Review* the prospect of a tentative recovery was raised given the scale of government interventions, but at that time there was little to suggest the market would do much more than remain steady. There was a widespread view that house prices, transactions and mortgage advances would remain depressed and at best might stabilise over the following year. In reality we have seen a significant recovery, albeit to varying degrees depending on the region or part of the UK in question. The market overall has moved ahead strongly in the second half of 2013; most commentators expect this to continue and indeed strengthen in 2014, reflecting a sharply improving economy, jobs market and consumer confidence, along with continued strengthening of mortgage supply and rising prices.

There are a myriad of different measures of house prices. However the ONS average house price for the UK increased by 5.5 per cent during the year to October 2013. This was substantially above the average for the year to October 2012 (1.4 per cent). There are substantial variations in house price trends across the UK (Figure 2.3.1). Prices in nominal terms in England, Wales and Scotland have recovered from the 2009 trough and are now broadly stable, though prices in Northern Ireland remain depressed. London is clearly outperforming the rest of the market.

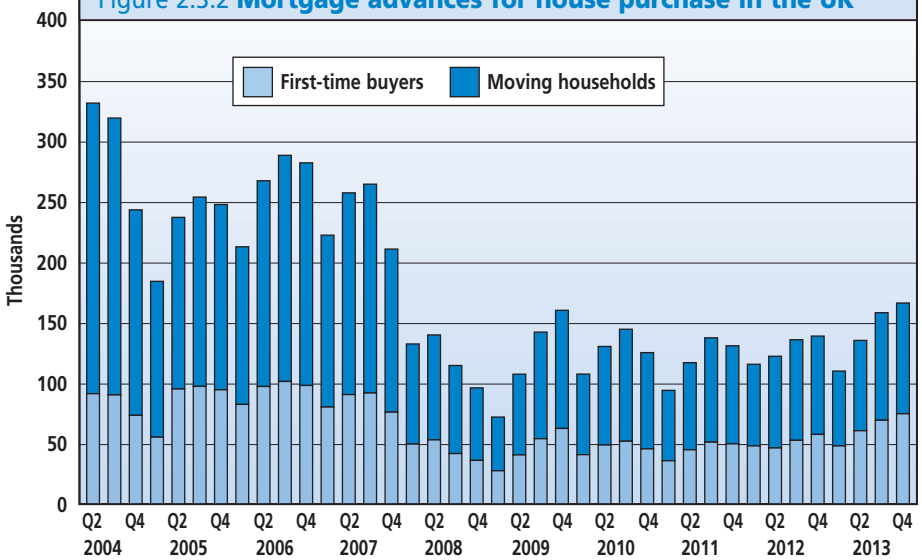
Compendium Tables 47a and 47b provide average prices and a mix-adjusted index across English regions and the four UK administrations. The picture painted above about stable prices is repeated on an English region basis, aside from London. While all English regions have recorded house price increases in recent months, prices in London have risen much faster than elsewhere. According to the ONS in October, the average London house price was 12 per cent higher than a year earlier, compared with two per cent higher in Wales, 1.3 per cent in the North West and 0.8 per cent in Yorkshire & The Humber. The ONS measure suggests that only in London, the East and South East of England have prices risen above their pre-2007/08 levels. Compendium Table 48 gives regional prices by size of dwelling and it is worth noting that the average price for a one-bedroom flat in London in 2012 would secure a four-bedroom house in Wales.

Figure 2.3.1 **House prices steady outside London**



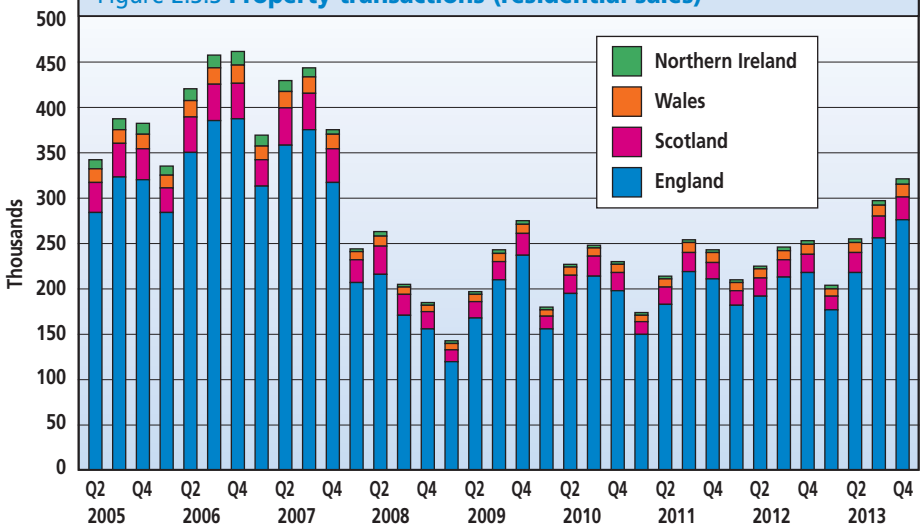
Source: ONS Mix-adjusted house price index.

Figure 2.3.2 **Mortgage advances for house purchase in the UK**



Source: Regulated Mortgage Survey, Council of Mortgage Lenders.

Figure 2.3.3 **Property transactions (residential sales)**



Source: HMRC Statistics, ONS website.

Mortgage advances for house purchase have been slowly rising (Figure 2.3.2) and most recently the number of mortgage approvals for house purchases was 32 per cent higher in the last quarter of 2013 than a year earlier, with the cumulative annual total being the highest since mid-2008. Gross mortgage lending in 2013 will exceed £175 billion and is expected to rise to more than £200 billion in 2014 or 2015; this will be the first-time this level has been reached since 2008. Indeed a recent Intermediary Mortgage Lenders Association report suggests that gross mortgage lending will rise from an estimated £177 billion in 2013 to around £215 billion in 2014 and then to £240 billion in 2015.[1] However, it notes that the 2015 forecast is still one-third below the peak of gross lending recorded in 2007. This increasingly strong recovery is also reflected in rising transactions across the UK. Figure 2.3.3 shows transactions rising from the second quarter of 2013 across all four UK administrations. Total transactions have now risen over the one million mark to reach an estimated 1.1 million residential transactions in 2013, up from 932,000 in 2012 (Compendium Table 39b); but they are still well below the 1.7 million made in 2006.

Is there a house price bubble?

With an increasingly resurgent housing market at least in some parts of the UK, it is little wonder that there has been sustained comment about the risk of a new house-price bubble. This is a much overused term. A price bubble is normally defined as a price level which cannot be sustained by underlying fundamentals relating to demand and supply. Clearly prices have risen especially in London, and with the government's Help to Buy scheme providing mortgage guarantees on homes up to £600,000 in value there have been suggestions that not only is there a bubble but the government is fuelling it.

Without doubt there are issues about rising prices, but the evidence for a UK bubble is so far very weak. Certainly, London prices have moved ahead sharply but it must be remembered that this is partly a consequence of high levels of overseas buyer activity in selected parts of the capital. Civitas has claimed that 85 per cent of prime London property purchases in 2012 were made with overseas money[2] and Savills estimated that £7 billion of international money was spent on 'high end' London homes, two-thirds of which were for investment purposes.[3]

A recent Ernst and Young Item Club report rightly argues that 'it is very difficult to find evidence that the housing market is in bubble territory again,' citing the relatively low overall UK average increase and the fact that – while in nominal terms prices have now exceeded the 2008 peak in some regions – in real terms they remain well below it.[4] Various factors combine to suggest that the case for a bubble has been greatly overstated: among these are the fact that sharp rises in market prices start from a low base, and clear evidence that the bulk of assistance so far through Help to Buy has been outside London and to first-time buyers.[5]

The UKHR Affordability Index 2013

The *UK Housing Review* Affordability Index (Table 2.3.1) provides a robust measure of trends in the relative ease or difficulty for households seeking to become homeowners. The index is based on house-price data for all first-time buyers from the Regulated Mortgage Survey (and for earlier years its predecessor the Survey of Mortgage Lenders).

The index uses the ONS regional mix-adjusted prices for first-time buyers. The mix-adjustment is based on a rolling three-year mix of dwellings purchased. This therefore serves to smooth out any house-price changes arising from a sharp annual change in the mix of dwellings sold; but it does not provide any long-term consistency in the mix of dwellings reflected in the price series.

Household incomes

The Index is also based on specially commissioned data from the Living Costs and Food Survey (and for earlier years the Expenditure and Food Survey) for the incomes of working households. The series starts in 1994 as the specially commissioned income data could not be obtained for earlier years.

These income data are preferred to the data on the incomes of actual first-time buyer households, as those already reflect variations in the degree of difficulty that households face in securing access to homeownership. They are also preferred to data on individual earnings, as it is households (not individuals) who purchase dwellings, and a high proportion are couples with dual incomes.

The LCFS/EFS income figures for all working households have been smoothed over three years. This provides larger sample sizes, and smoothes out the occasional erratic figures in the single-year regional data. For the latest years the EFS figures have been uprated by the increases in UK average full-time earnings from ASHE (Annual Survey of Hours and Earnings).

Mortgage costs

The Index is also based on average mortgage costs (assuming a standard 25-year annuity at the prevailing average interest rates), rather than average house prices. It therefore takes account of the extent to which variations in interest rates can offset the costs of changes in house prices. Measures that focus solely on house-price movements over a period when interest rates have varied quite sharply are simply inadequate.

The 2013 version of the Index is based on the average interest rates for all mortgages issued in the last quarter of the year, and is derived from the Regulated Mortgage Survey by the Council of Mortgage Lenders. The Index also assumes a constant 18 per cent deposit, and thus removes the distorting impact of variations in levels of deposit requirements.

Table 2.3.1 **The *UK Housing Review* Affordability Index**

Based on mortgage costs for first-time buyers and average incomes for all working households

Country/Region	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
United Kingdom	100.0	95.5	94.5	110.9	117.3	119.1	134.5	126.4	140.0	140.9	182.7	180.0	178.2	199.1	177.3	137.3	144.5	144.5	159.1	155.5
North East	100.0	93.5	93.5	106.5	112.9	109.7	118.3	100.0	115.1	123.7	184.9	177.4	171.0	189.2	168.8	138.7	135.5	134.4	143.0	133.3
North West	100.0	92.7	88.5	103.1	108.3	106.3	124.0	117.7	129.2	124.0	178.1	181.3	181.3	193.8	171.9	137.5	135.4	126.0	129.2	121.9
Yorkshire and The Humber	100.0	96.9	96.9	108.3	112.5	109.4	125.0	109.4	130.2	127.1	178.1	183.3	186.5	203.1	185.4	150.0	147.9	140.6	149.0	141.7
East Midlands	100.0	93.9	92.9	109.2	112.2	109.2	121.4	114.3	135.7	141.8	190.8	189.8	186.7	218.5	189.1	140.2	144.6	132.7	145.9	138.8
West Midlands	100.0	92.9	89.4	99.1	100.9	100.9	112.4	112.4	131.0	125.7	160.2	159.3	154.9	169.0	150.4	123.9	131.9	130.1	137.2	131.0
East	100.0	98.2	100.0	119.3	126.6	122.9	145.9	142.2	160.6	153.2	190.8	183.5	175.2	199.1	180.7	136.7	141.3	137.6	151.4	144.0
London	100.0	94.5	92.9	111.8	122.8	135.4	145.7	137.0	143.3	146.5	185.8	177.2	178.7	200.8	181.1	138.6	158.3	165.4	189.0	192.1
South East	100.0	93.4	93.4	109.9	117.4	112.4	134.7	133.9	148.8	149.6	185.1	172.7	172.7	190.9	168.6	128.1	138.8	138.8	150.4	143.8
South West	100.0	97.3	98.2	121.4	122.3	125.0	143.8	137.5	168.8	164.3	211.6	200.9	192.0	213.4	189.3	145.5	150.0	143.8	154.5	148.2
England	100.0	94.6	92.9	109.8	116.1	117.9	134.8	127.7	142.0	143.8	186.6	181.3	177.7	199.1	176.8	137.5	144.6	144.6	158.9	156.3
Wales	100.0	86.1	88.9	100.9	106.5	106.5	113.9	112.0	127.8	119.4	171.3	174.1	168.5	175.0	154.6	118.5	122.2	118.5	131.5	125.9
Scotland	100.0	102.1	101.0	119.6	121.6	115.5	118.6	113.4	124.7	108.2	148.5	151.5	154.6	176.3	156.7	126.8	117.1	126.8	135.1	126.8
Northern Ireland	100.0	132.9	139.7	167.1	175.3	175.3	195.9	179.5	189.0	182.2	219.2	235.6	260.3	356.2	290.4	209.6	194.5	175.3	164.4	150.7

Source: Computed from Regulated Mortgage Survey mix-adjusted house prices for first-time buyers and household earnings data from the Living Costs & Food Survey.
Note: 1. Mortgage costs assume a constant 82% mortgage-advance-to-house-price ratio, in line with the average over the period. They are based on average mortgage lender rates for new mortgages in the last quarter of the year, and assume a standard 25-year repayment mortgage. 2. The index is based on the mortgage cost ratios shown in Table 2.3.2 with 1994 as the base year (=100).

Table 2.3.2 **Mortgage cost-to-income ratios**

Based on first-time buyer house prices and average incomes for all working households

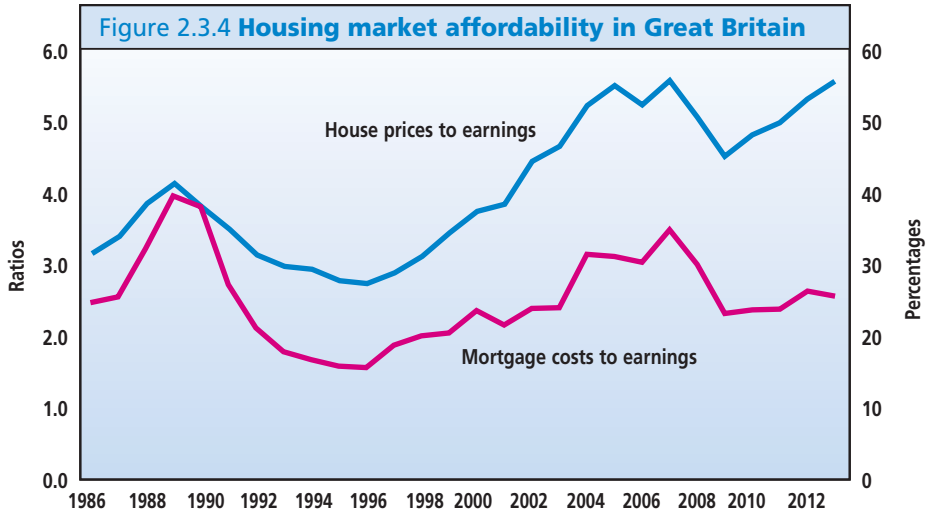
Country/Region	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
United Kingdom	11.0	10.5	10.4	12.2	12.9	13.1	14.8	13.9	15.4	15.5	20.1	19.8	19.6	21.9	19.5	15.1	15.9	15.9	17.5	17.1
North East	9.3	8.7	8.7	9.9	10.5	10.2	11.0	9.3	10.7	11.5	17.2	16.5	15.9	17.6	15.7	12.9	12.6	12.5	13.3	12.4
North West	9.6	8.9	8.5	9.9	10.4	10.2	11.9	11.3	12.4	11.9	17.1	17.4	17.4	18.6	16.5	13.2	13.0	12.1	12.4	11.7
Yorkshire and The Humber	9.6	9.3	9.3	10.4	10.8	10.5	12.0	10.5	12.5	12.2	17.1	17.6	17.9	19.5	17.8	14.4	14.2	13.5	14.3	13.6
East Midlands	9.8	9.2	9.1	10.7	11.0	10.7	11.9	11.2	13.3	13.9	18.7	18.6	18.3	20.1	17.4	12.9	13.3	13.0	14.3	13.6
West Midlands	11.3	10.5	10.1	11.2	11.4	11.4	12.7	12.7	14.8	14.2	18.1	18.0	17.5	19.1	17.0	14.0	14.9	14.7	15.5	14.8
East	10.9	10.7	10.9	13.0	13.8	13.4	15.9	15.5	17.5	16.7	20.8	20.0	19.1	21.7	19.7	14.9	15.4	15.0	16.5	15.7
London	12.7	12.0	11.8	14.2	15.6	17.2	18.5	17.4	18.2	18.6	23.6	22.5	22.7	25.5	23.0	17.6	20.1	21.0	24.0	24.4
South East	12.1	11.3	11.3	13.3	14.2	13.6	16.3	16.2	18.0	18.1	22.4	20.9	20.9	23.1	20.4	15.5	16.8	16.8	18.2	17.4
South West	11.2	10.9	11.0	13.6	13.7	14.0	16.1	15.4	18.9	18.4	23.7	22.5	21.5	23.9	21.2	16.3	16.8	16.1	17.3	16.6
England	11.2	10.6	10.4	12.3	13.0	13.2	15.1	14.3	15.9	16.1	20.9	20.3	19.9	22.3	19.8	15.4	16.2	16.2	17.8	17.5
Wales	10.8	9.3	9.6	10.9	11.5	11.5	12.3	12.1	13.8	12.9	18.5	18.8	18.2	18.9	16.7	12.8	13.2	12.8	14.2	13.6
Scotland	9.7	9.9	9.8	11.6	11.8	11.2	11.5	11.0	12.1	10.5	14.4	14.7	15.0	17.1	15.2	12.3	12.3	12.3	13.1	12.3
Northern Ireland	7.3	9.7	10.2	12.2	12.8	12.8	14.3	13.1	13.8	13.3	16.0	17.2	19.0	26.0	21.2	15.3	14.2	12.8	12.0	11.0

Sources and Notes: As Table 2.3.1. The mortgage cost ratios are based on house prices and incomes (and interest rates).

House price affordability

Indeed when we consider affordability, house price-to-income ratios are lower than the peak, not least in Northern Ireland, although London has now exceeded its previous high. In that regard there is cause for concern but the earlier comments regarding foreign investors and the super prime market do rather put a different complexion on the issue. The trends can be seen in the *UK Housing Review* Affordability Index (Table 2.3.1: see the box for full details of this index covering both affordability and mortgage costs) and in the Mortgage cost-to-income ratios (Table 2.3.2; see also Compendium Tables 43a and 43b). The time series of both indices highlight the fact that outside London there has been a sustained easing in both measures for first-time buyer households from the peaks in 2007, and indeed from the run up to that peak from around 2003/2004.

Figure 2.3.4, which uses a different base (based on individual average gross full-time earnings, to allow for a longer time-series analysis), highlights the rise in prices in relation to earnings. But it also shows the reduced mortgage cost-to-income ratios, reflecting competition in the mortgage market on the back of the Bank of England's Funding for Lending Scheme (first discussed in this chapter of last year's *Review*).



Sources: As Table 2.3.1, except earnings data from ASHE.
Note: All full-time earnings and first-time buyer mix-adjusted house prices and mortgage advances.

If the housing boom was partly about easy credit, the credit-crunch aftermath involved significant tightening, with lending criteria becoming quite restrictive especially for first-time buyers. Lenders withdrew from the higher loan-to-value (LTV) market (above 80 per cent LTV), thus severely limiting access to the market for purchasers without a 20 per cent deposit. It was an era of assisted house purchase with the CML estimating that, in 2012, 64 per cent of first-time buyers were helped by the 'bank of mum and dad'.[6] Savills suggested that some 500,000 households per annum were excluded by the credit crunch with the greatest impact being felt by those on lower incomes.[7]

Elsewhere in the *Review*, Compendium Table 42a shows a decline in first-time buyer loans from 403,000 in 2006 (and 568,000 in 2001) to 192,000 in 2008 and then rising back to 218,000 in 2012 and 268,000 in 2013. A recovery in first-time buyer LTVs was apparent from 2010 – also no doubt helped by continuing low interest rates making higher LTVs affordable, at least for the present. According to the latest CML data (January 2014) the median advance is now at an LTV of 80 per cent. However, according to the price comparison website Moneysupermarket.com the number of 85 per cent LTV mortgages has increased by 22 per cent since December and there has been an 11 per cent rise (to 165) in the number of 90 per cent LTV products. All the evidence points to an easing in credit supply and this has clearly allowed larger numbers to come into the housing market. However the market's assumption is that access to low-deposit mortgages will remain below the levels previously seen, as a consequence of the new Mortgage Market Review rules. (Some 60 per cent of all first-time buyer mortgages over nearly three decades to 2007 required a deposit of less than ten per cent.) To date all this has been backed by positive news regarding arrears and repossessions (Compendium Table 51) with cases in all categories falling. Clearly much attention will focus on any emerging problems with loan repayments, once interest rates start to rise.

Government and Bank of England measures

This market recovery needs to be considered against the background of the considerable array of government and Bank of England measures introduced to support and stimulate the economy in general, but with specific housing elements and impacts. These have been discussed at some length in previous editions of the *Review*. They include the Bank of England's low bank base rate since 5 March 2009 (0.5 per cent), quantitative easing at £375 billion and the Funding for Lending Scheme (FLS) which runs until January 2015 with a four-year run-off period after that (some £22.1 billion is currently outstanding). The DCLG , Treasury and in some cases the devolved administrations have then put in place a range of housing supply initiatives (the House of Commons Library has a valuable summary[8]), including the Help to Buy (HtB) equity loan scheme launched in April 2013 (£3.5 billion to April 2016 – there are Welsh and Scottish versions), the Help to Buy mortgage guarantee scheme for the UK (up to £12 billion of guarantee cover for up to £130 billion of mortgage lending to January 2017), the Build to Rent fund (£1 billion) and other smaller funds for Growing Places (£0.5 billion) and Getting Britain Building (£0.6 billion). Total housing-related spend through these could add up to around £35 billion over a number of years, a huge intervention by any standards.

Reduced interest rates and increased credit supply have probably had the widest impact on the housing market, not least through helping many overstretched homebuyers through the downturn and easing the access costs to those who have been able to secure credit. The HtB equity loan schemes have been a very explicit stimulus to new building and have made a major contribution to helping restore builder confidence and profitability – though as we discuss in Chapter 2, output has not yet lifted dramatically as a consequence. Somewhat ironically, although the HtB mortgage guarantee scheme was rushed into launching ahead of its scheduled start in January 2014, the market itself had already begun to re-populate the higher LTV loan spectrum. This applied particularly to smaller lenders who had been squeezed out of the mainstream prime market by large lenders offering ever cheaper loans funded via FLS. The HtB guarantee scheme is very much a demand-side measure although it can be used to purchase new as well as existing homes.

By the end of January 2014, some 13,000 purchasers had used HtB equity loans. Because of the early start to the HtB guarantee scheme with loan approvals being 'warehoused' prior to the official January opening, around 1,000 loans have already been granted at the time of writing with a pipeline building up towards 10,000 applications. With some owners 'trapped' by negative equity and/or with a mortgage that was granted on terms no longer available in the market, the guarantee scheme does offer help to movers. Although the focus of the housing market is often first-time buyers, so called 'second steppers' are crucial to releasing homes that first-time buyers can then occupy. Lloyds TSB issues an annual report on this market[9] and in 2013 this highlighted the impact of deposit constraints and negative equity along with greater optimism for 2014. What was clear is that mobility is much reduced and this will have an impact on turnover and transactions. In future we may see a much less liquid housing market than in the past.

Owning v renting

Given the constraints around homeownership it is hardly surprising that across the UK we have seen an expansion of private renting to the point where it is now larger than the social rented sector. Compendium Table 21 highlights the trends on an administration and English regional basis. In 2011, there were over 4.7 million homes in the sector and it was already bigger than public renting in seven out of nine English regions and over England as a whole. Market expectations are for the sector to grow by at least one million in the next five years.[10] Much of this growth has been financed through the buy to let mortgage market which has recovered sharply after the downturn – lending fell from a peak of £46 billion of loans in 2007 to £9 billion in 2010 before moving back up to £21 billion in 2013 (Compendium Table 55). As noted in the *UKHR Briefing Paper 2013* buy to let landlords have been able to access interest-only mortgages more easily than first-time buyers (although more products are now coming on-stream for the latter).[11]

Unsurprisingly this new dynamic has generated substantial comment and analysis. Household survey evidence suggests that although the PRS continues to be regarded as a short-term solution, more people are renting for longer. Most tenants are aged between 25 and 34 but Savills research suggests the 35-44 age group is

the fastest growing.[12] Many have young families and there is a clear appetite for longer-term tenancies. The annual *Generation Rent* surveys now being published by Lloyds Bank/Halifax are indicative of the pressures.[13] The 2013 survey suggested one-fifth of non-owners aged 20-45 had given up on owning a home (and 43 per cent of 40-45 year old respondents), with a further 29 per cent saying they had no plans at all to buy. Such evidence certainly suggests a major stepping away from homeownership though inevitably this response is conditioned by the current market context.

The *BSA Quarterly Property Tracker Survey* shows little change in the underlying sentiment to buy and the main constraints – raising a deposit, affordability, access to mortgages and job insecurity – hardly improved through the year despite that wider context.[14] Taking a longer view the 2012 CML/YouGov survey on attitudes to ownership highlighted the stability of preferences through the cycle – in 2007, 78 per cent of respondents wanted to be homeowners in two years' time and 84 per cent in ten years' time; it was 76 per cent and 85 per cent in the 2010 survey and 74 per cent and 81 per cent in the 2012 survey.[15] However, aspirations were much higher than current homeownership levels among those aged under 35. More than half of this group of respondents (54 per cent) would like to become homeowners in two years but only a third actually expected it to happen. These different surveys highlight the difference between underlying attitudes and practical realities.

The more house prices move ahead, the more the appetite to be owners increases among renters or those living at home with parents, even if the ability to fulfil the aspiration remains stymied. It remains a permanent tension and a political problem. ONS recently reported that there were 3.3 million 20-34 year-olds living with their parents in 2013, the highest number since 1996 when records began. Over that period the number of young adults sharing a home with their parents rose by 25 per cent, even though as a proportion of the population aged between 20 and 34 it remained static. The ONS data showed that people were most likely to live with their parents in their early 20s, with 49 per cent of 20-24 year-olds in the family home, up from 42 per cent in 2008.[16] ONS also analysed the 2011 Census for evidence of concealed households, finding that there were nearly 300,000 such households in 2011, 70 per cent up from 2001.[17]

The new housing and mortgage market

As this commentary has highlighted, the UK in general is showing signs of strong recovery albeit there are wide variations by country, region and locality. That recovery is from a low base and in the context of substantial and continuing assistance from both the government and the Bank of England. In both respects we are far from any new 'normal' market. Indeed given we do not know how the market will react to the unravelling of the various interventions over the next three to five years, it is hard to say with any certainty what the emerging market might look like – is it a march back to boom or is a new more stable and less volatile market coming into being? Clearly the supply response remains modest so far compared to new demand and the backlog. As the supply of credit improves and assuming wages and incomes rise as well, we could have sharply rising demand inadequately addressed by new supply. However, the withdrawal of the support measures along with the inevitable rise in interest rates will act as a partial brake on the market. In addition, it is important not to overlook the impact of what has recently been described as 'the triple-lock of new regulation' – higher capital adequacy requirements, the new mortgage market rules and macro-prudential regulation by the Bank of England – all of which suggest a more subdued mortgage market in the future serving a narrower base of customers.[18] Furthermore, it is important not to disregard supply response. There is evidence that housing output (at least through new starts) is rising and that we are now seeing initiatives such as the £1 billion Build to Rent fund beginning to bring homes on-stream. Round 1 will support the construction of between 8,000 and 10,000 new private rented homes, a quarter of which will be in London; bidding for Round 2 has just been completed.

The Bank's Financial Policy Committee (FPC) has given close consideration to what it can do if a housing bubble emerges. Aside from raising interest rates – a crude response given wider economic effects – it has looked at a variety of measures such loan-to-value limits and shorter mortgage terms (as have been imposed by other countries in recent years). At this stage it is more likely that the Bank would proceed via warnings to the industry before it took any direct action. However, RICS published a paper suggesting it should curb any price rise above five per cent,[19] and the recent Ernst and Young report favours income multiples

for loans in London specifically (as an alternative to amending the Help to Buy scheme, another short term option for the FPC).[20] This debate has opened out the whole issue of the state and the market. In essence government has recognised how important the housing market is to the economy and on the back of that is now paying close attention to how it evolves.[21] Housing market volatility is now on the agenda in ways it was not before, along with how to control it; this in turn is edging the debate in somewhat unexpected directions such as the question of property taxation. Though this is seen as fraught with political difficulty we note Scotland and Wales now have the right to amend stamp duty (see Compendium Table 108 for the regional yields on this tax). The Scottish Government has now moved to do this and to break from the slab system imposed across the UK towards an (as yet undefined) more progressive structure. The UK government has also amended capital gains tax regulations for foreign property investors.

We have also seen government move away from direct grant-based investment in new affordable homes – via the creation of loan guarantee arrangements. This was a long-resisted funding structure but constraints on public expenditure (guarantees score very little in those terms) and the need to increase housing supply made necessity the mother of invention. Although this is helpful it does cede more power to the market, as government is less able to direct and is more reliant upon persuasion and incentives. The mix of what is provided through the private market has changed – less homeownership, more renting – but overall we now have a bigger market sector. Much turns now on how the housing association sector evolves under the affordable rent regime and what happens to the very significant and now freer and land-holding local authority housing sector (see Commentary Chapter 4). Like the private market as a whole, it is difficult to predict how the situation might develop over the next few years but one thing for certain is that it is not a case of 'back to the future'. Structural change is taking place and, even if homeownership recovers some of its previous momentum, we will see a more mixed and diverse housing economy than we have in the past, with all the costs and benefits that might imply.

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21 A recent NAO report on HtB equity loans says the £3.7 million scheme is expensive yet DCLG 'does not have a joined-up approach to evaluating the combined impact of its housing market initiatives'. NAO recognised this is difficult when the objectives are so broad and there are overlapping schemes. See NAO (2014) *Help to Buy Equity Loan Scheme*. London: NAO.