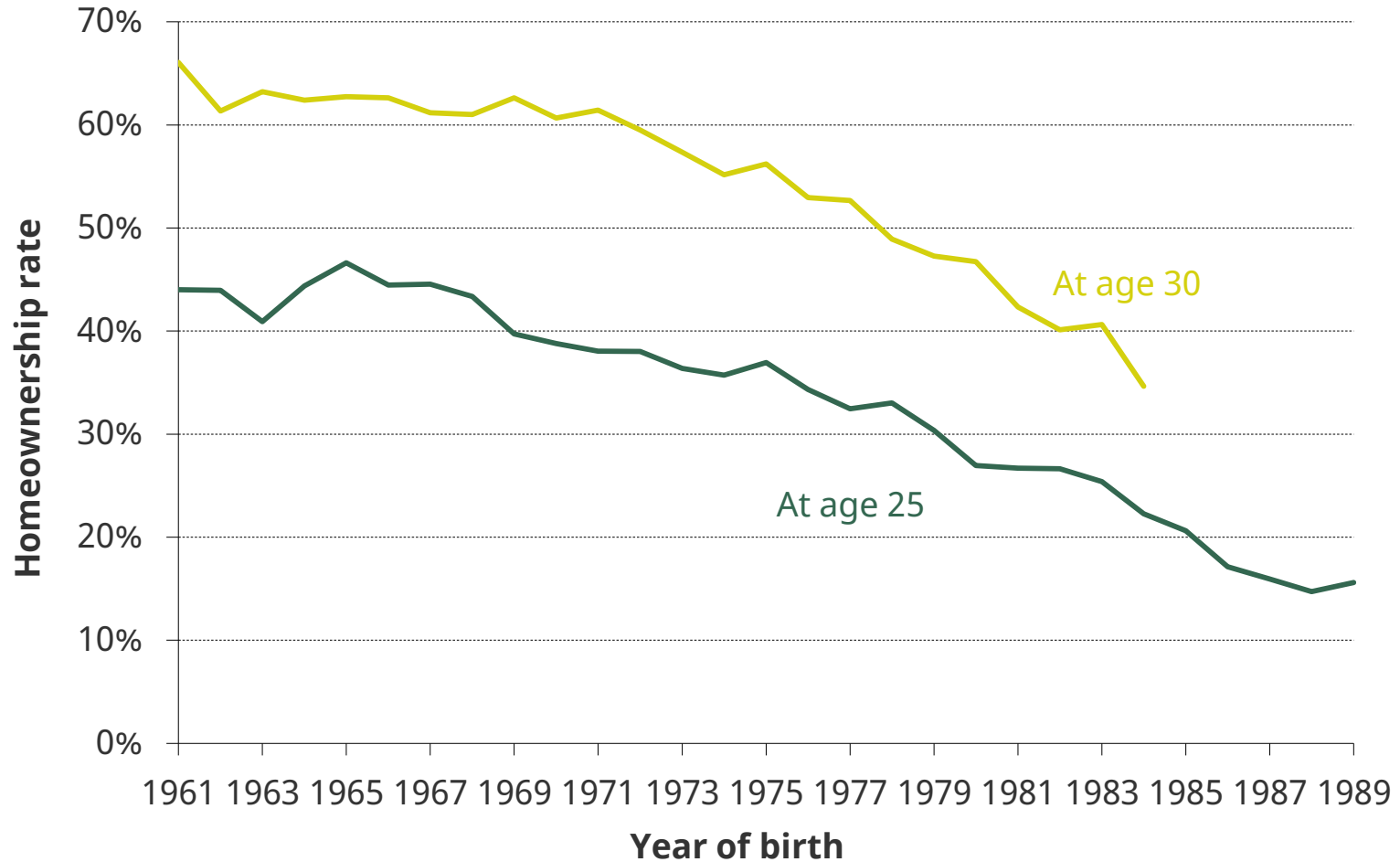


Housing measures

Robert Joyce

Homeownership at age 25 and 30, by birth year



Note: Great Britain only. '25' line includes those aged 24 to 26. '30' line includes those aged 29 to 31.

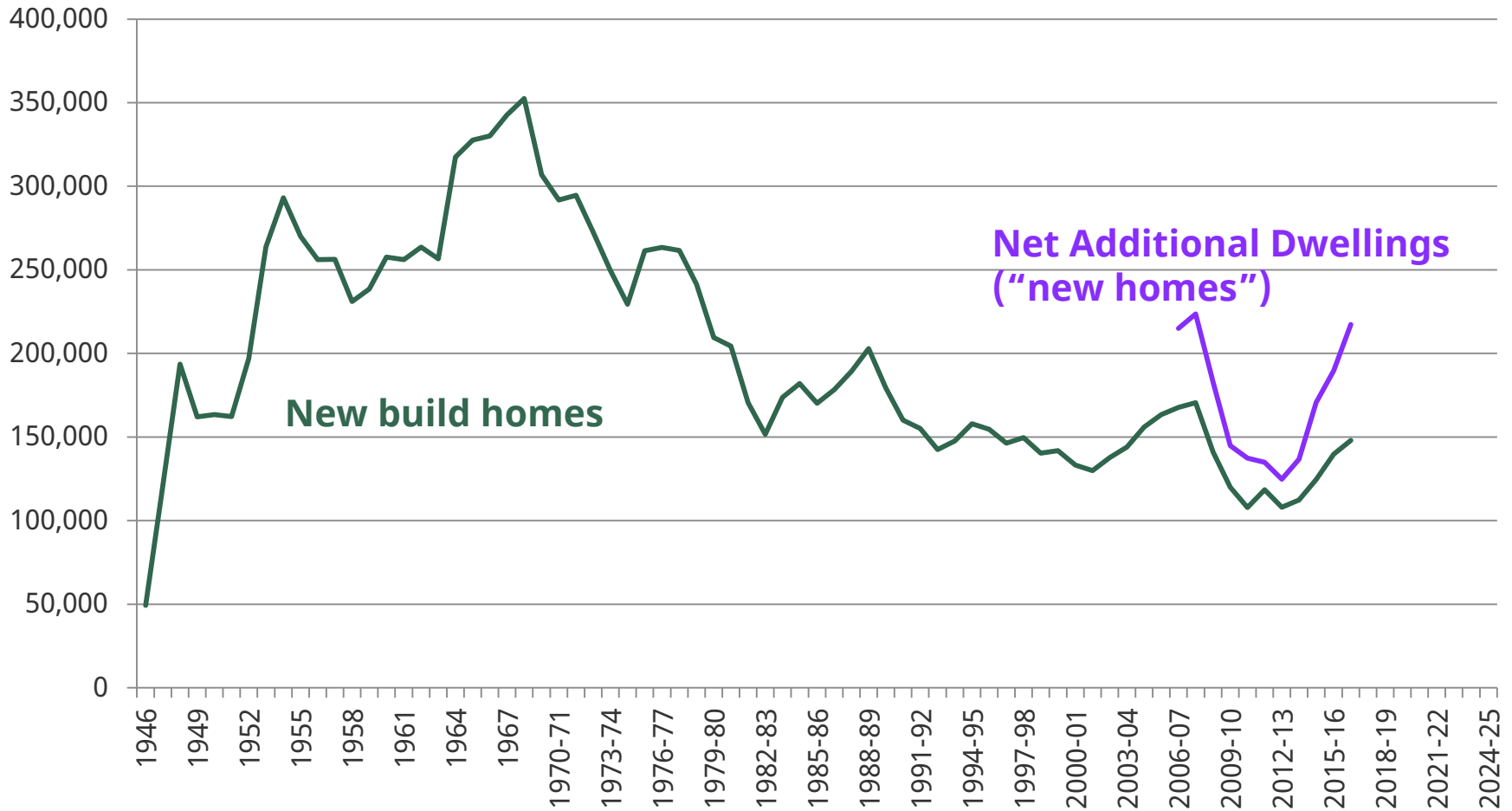
Source: Family Expenditures Survey and Family Resources Survey, various years.

Measures to increase the supply of housing

Aim: increase housing stock in England by 300,000 p/year by mid-2020s

300,000 in historical context: a big number

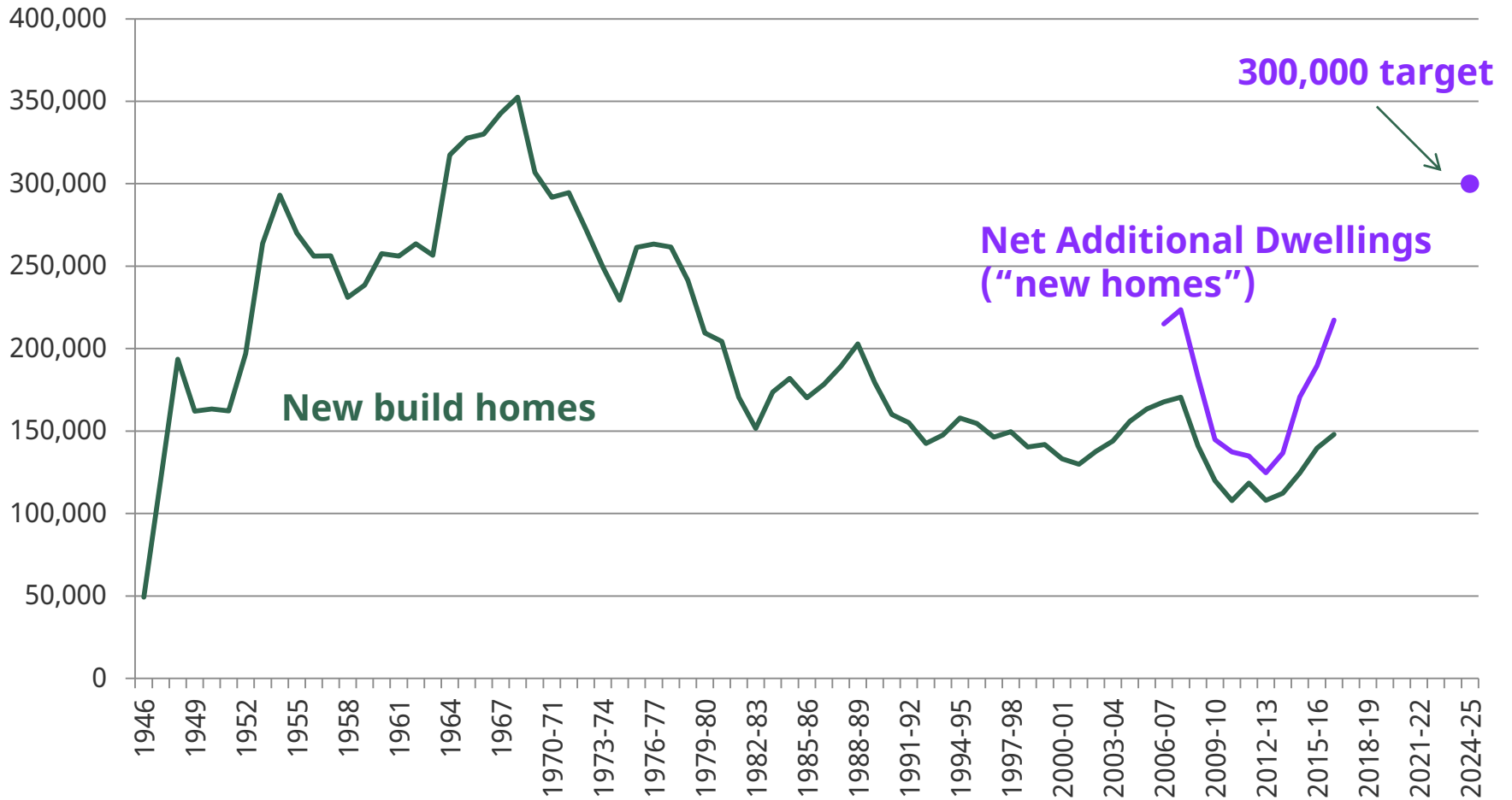
New homes over time (England only)



Source: DCLG Live Tables 244 and 120

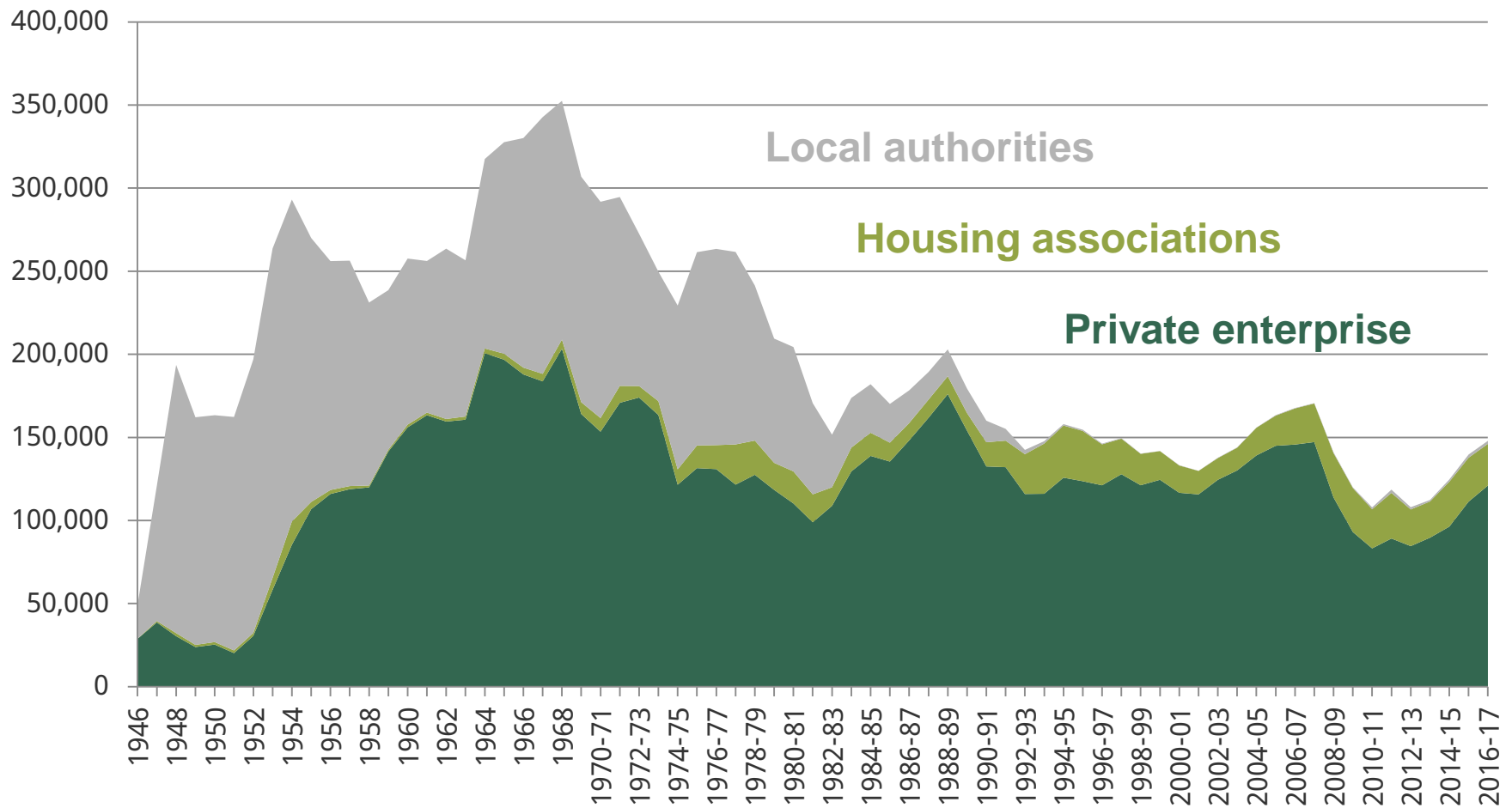
300,000 in historical context: a big number

New homes over time (England only)



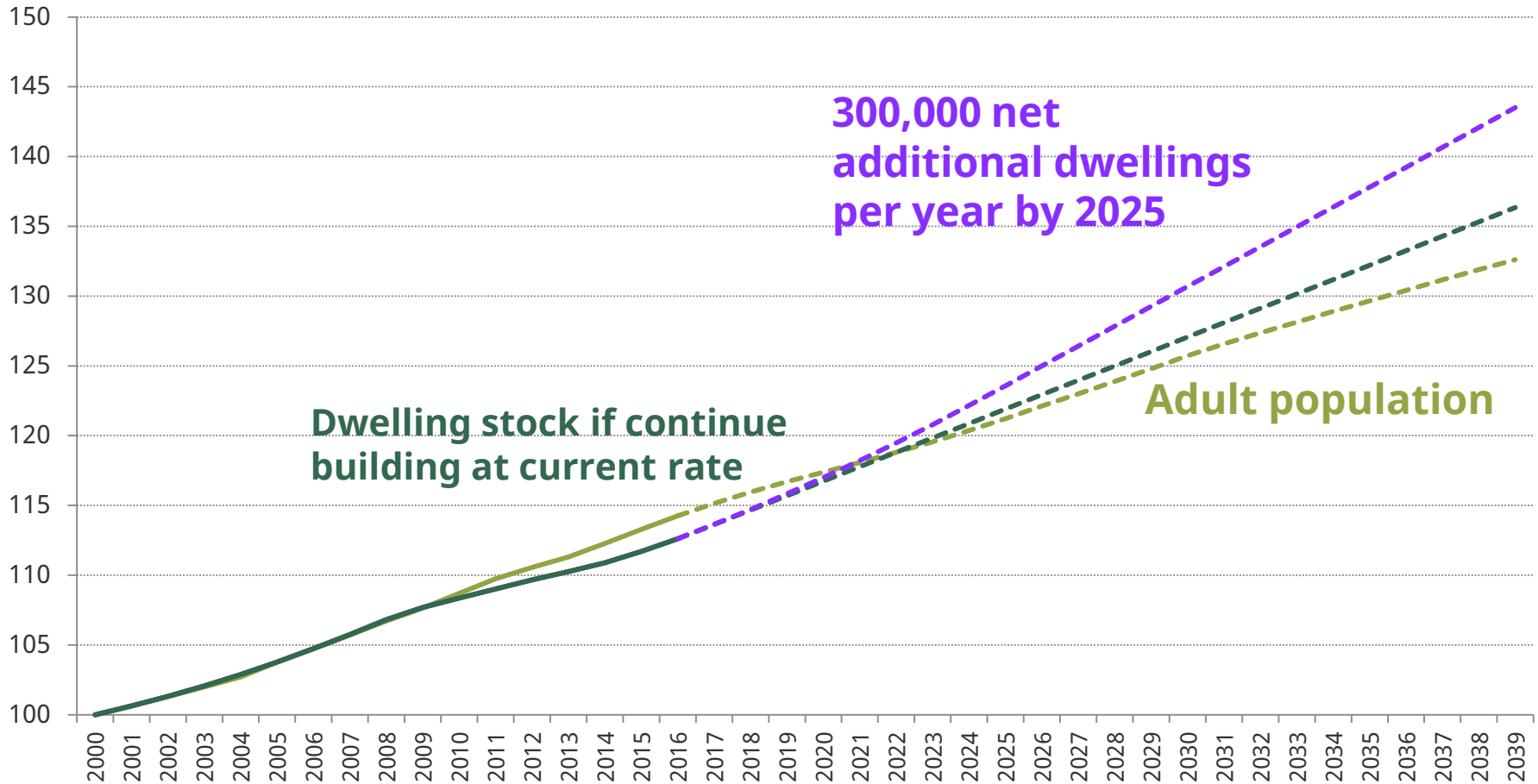
Source: DCLG Live Tables 244 and 120

Who's been building our houses? (England only) Institute for Fiscal Studies



Source: DCLG Live Table 244

Number of adults and number of homes Indexed to 100 in 2000



Note: Purple series assumes linear progress from current building rate to targeted building rate between now and 2025
Source: ONS population estimates and 2014-based projections; DCLG dwelling stock live table 104

Measures to increase the supply of housing

Aim: increase housing stock in England by 300,000 p/year by mid-2020s

Suite of measures to try to achieve this, including:

- Leaning on councils and developers to grant permissions and convert them into actual building
- Grants for housing-related infrastructure and land assembly
- Easing credit constraints for public and private developers

So not a govt house-building program: emphasis on facilitation

Impossible to say with confidence how many houses it will deliver

- OBR have built in no increase in housing supply to forecasts, but will re-assess as policies are delivered

Would hitting 300,000 target increase home-ownership among young adults?

Important that new housing is built where people want to live

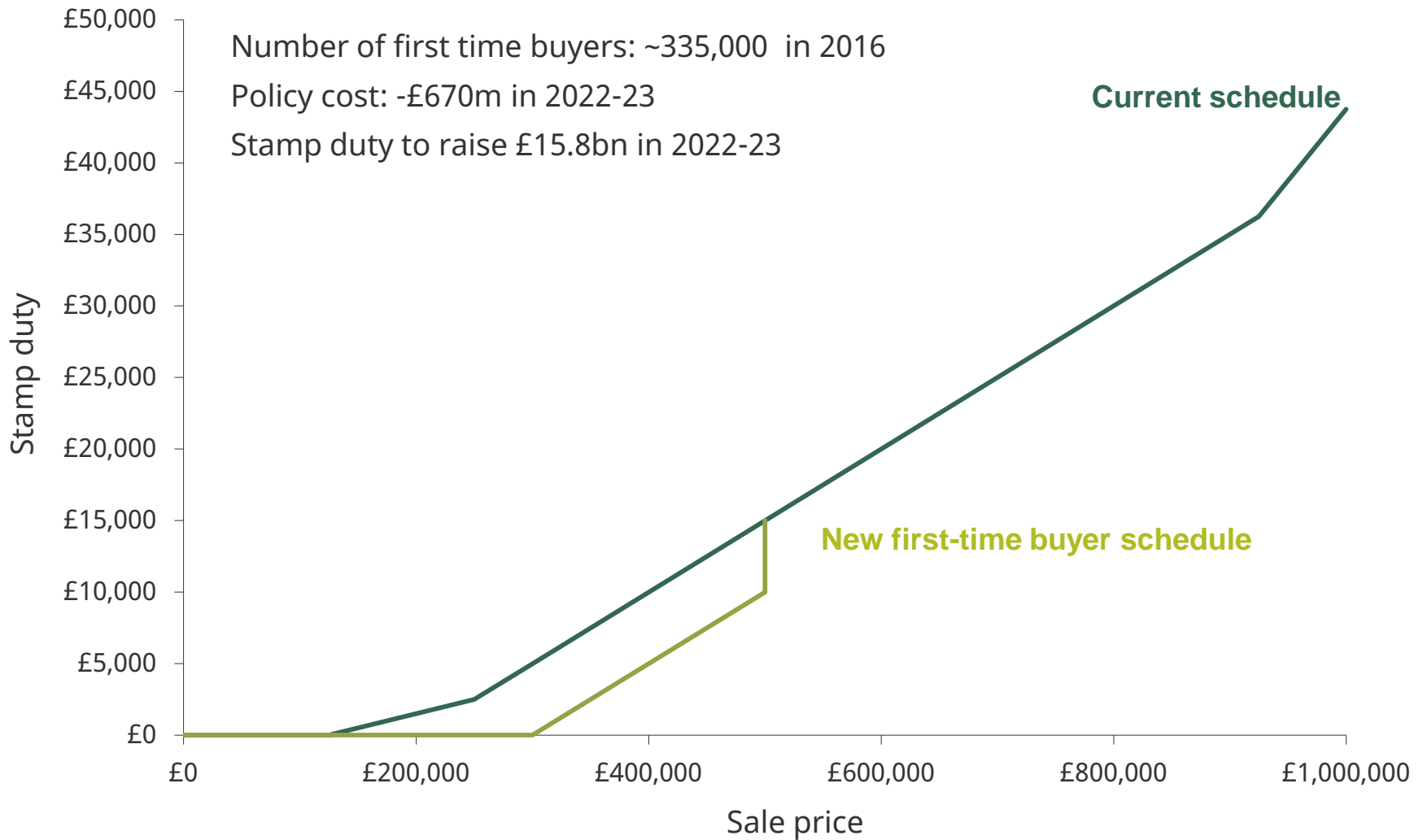
Not all additional homes translate into more young home-owners

- Rather than being bought as second homes or buy-to-let

Though if supply policies/target reduce expected future house price growth, would reduce relative appeal of housing as an investment

Could be a role for other attempts to 'tilt the playing field' in favour of young adults...

Stamp duty change



Effects on house prices

Stamp duty cut for first time buyers will increase house prices

- especially in parts of market with more FTBs

Lower SD → more buyers willing to pay given price → higher prices

OBR predicts:

- Cut to stamp duty feeds through into house prices 2 for 1: house prices rise by more than stamp duty falls for first-time buyers
- Increase in average house prices of 0.3%

Regarding size of price effect:

- Capitalisation: most properties will change hands multiple times in their life, and all expected future stamp duty will be priced in
- Leverage effect: £1 less in stamp duty means £1 more available for deposit, which can be used to obtain larger mortgage – so house price you can afford could increase by well over £1

Winners and losers

Many first-time buyers gain, *even if house prices rise by more than their stamp duty falls*

- Housing is an asset: if it's more expensive to buy, it's more valuable to hold; but clear gain from paying less stamp duty in process
- Some housing not otherwise in reach will become in reach - larger available deposits secure bigger mortgages

Some FTBs could lose if can't secure the extra credit to cover higher prices – can't buy housing they would otherwise have bought

- e.g. because constrained by their earnings level

Existing home-owners tend to gain, but can lose if want to downsize

A large group of young people would have been renting with or without this policy – they are not directly affected

Conclusion

There is a problem in the housing market and it is seriously disadvantaging young generations

Increasing housing supply is key, and new targets are genuinely ambitious

- much less clear whether will be delivered

Stamp duty cut for first time buyers will probably tilt playing field more in their favour overall

- Though will be losers too (including among first time buyers)
- Lots of young people will still not buy a house and will not be helped by this

There are broader problems with taxation of housing that need sorting