Homes &
Communities
Agency

The Homes & Communities Agency

Housing, Regeneration and the Credit Crunch: Strengthening communities through tougher times

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My Presentation

- Introduction to the HCA
- The Market Downturn
- Our Response
- Conclusions

Our vision

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To create opportunity:

- For people to live in homes they can afford in places they want to live
- For local authorities and communities to deliver the ambition they have for their own areas

A national agency that works locally

Our Tasks

- **Support** the delivery of new homes
- **Secure** the delivery of affordable homes
- **Accelerate** regeneration of under-performing towns and cities
- **Improve** the quality of existing stock and transform deprived neighbourhoods
- **Ensure** delivery is economically, socially and environmentally sustainable with good design

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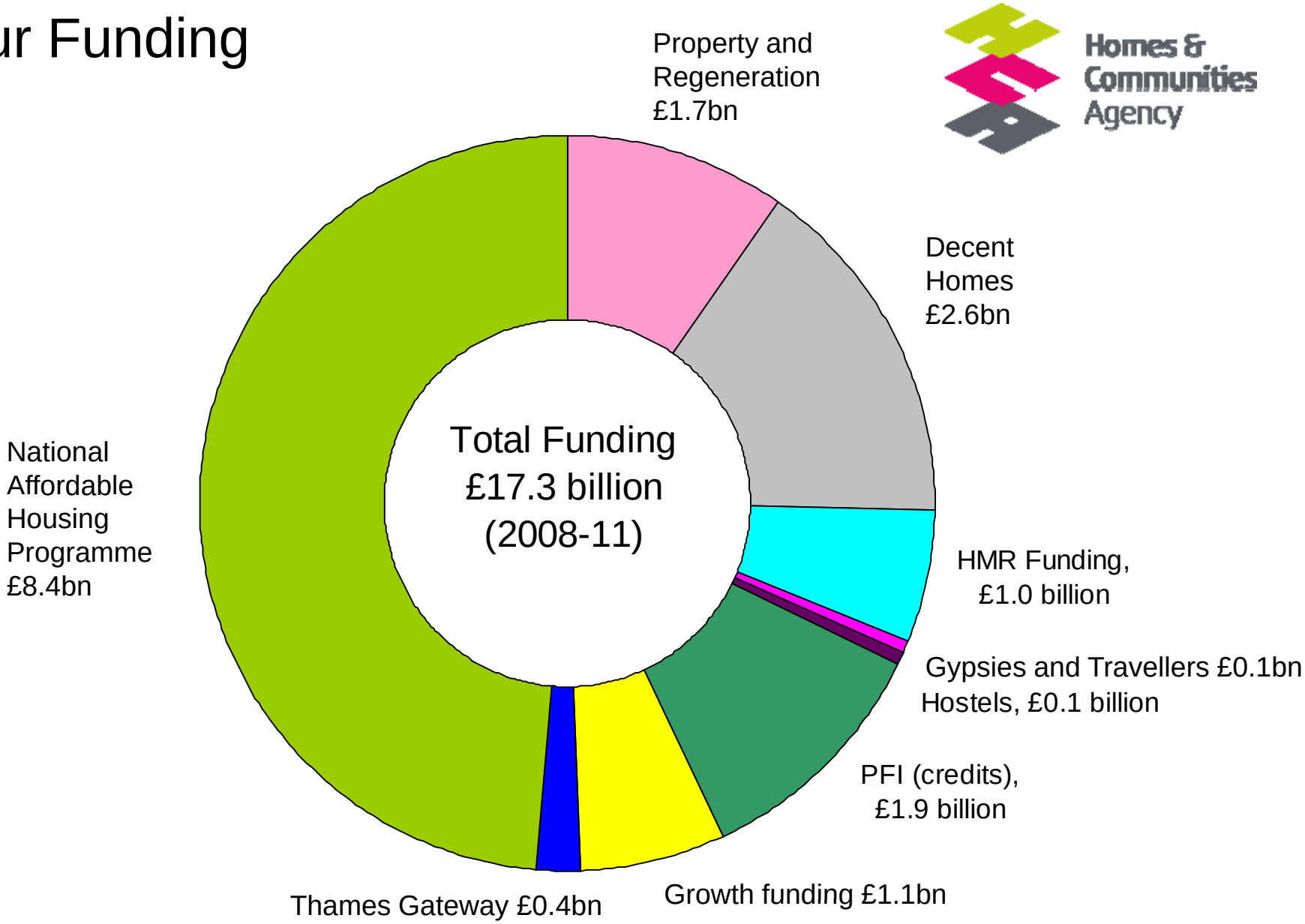
Our Funding


Property and Regeneration £1.7bn
Decent Homes £2.6bn
HMR Funding, £1.0 billion
Gypsies and Travellers £0.1bn
Hostels, £0.1 billion
PFI (credits), £1.9 billion
Growth funding £1.1bn
Thames Gateway £0.4bn
National Affordable Housing Programme £8.4bn
Total Funding £17.3 billion (2008-11)

The New World

- New organisation with increased flexibility
- New challenges – both short term and long term
- New culture – national objectives and local ambitions
- New partnerships with local authorities, the private sector, RSLs and regionally
- New approaches:
  - New business process (the single conversation)
  - New business products (the HCA toolkit)
- New relationship with Government – the voice of delivery

The Market Downturn

- Global liquidity crisis means increased cost and reduced availability of credit for:
  - Mortgages (lender over-exposure)
  - Housebuilders and RSLs (risk)
- In the wider economy: credit crunch - reduced economic activity - reduced confidence - increased unemployment - recession
- Leading to reduced demand for housing
- Further falls and expectations of falls in house prices

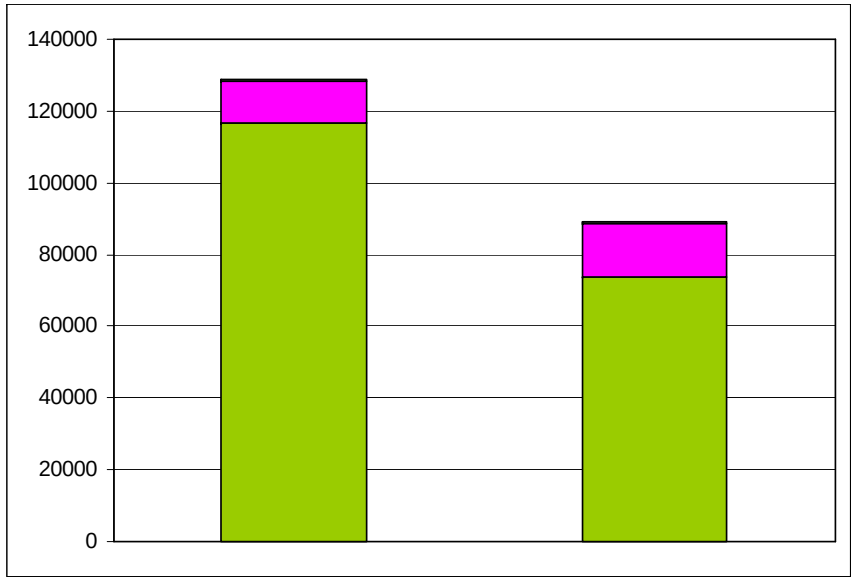
Impact on House Prices

Annual Price Change by County to October 2008

Impact on Housing Supply

- Private supply sharp falls, RSL holding – so far
- Fall in private supply means fall in S106
- Developers – falling income, rising risk, higher financing costs, land write downs
- RSLs – higher cost of capital and exposure on mixed tenure / LCHO
- Harder to turn the tap back on than off

Housebuilding: starts



Q1-3 2007 Q1-3 2008

Impact on Demand

- Private sale
- Low cost home ownership
- Private renting
- Social rent
- Demographics

Impact on Regeneration

- Most marginal schemes and places most affected
- Residential led very difficult
- Mixed use more resilient
- Those schemes that have started most likely to keep going
- Financial position of the developer

How long and how deep?

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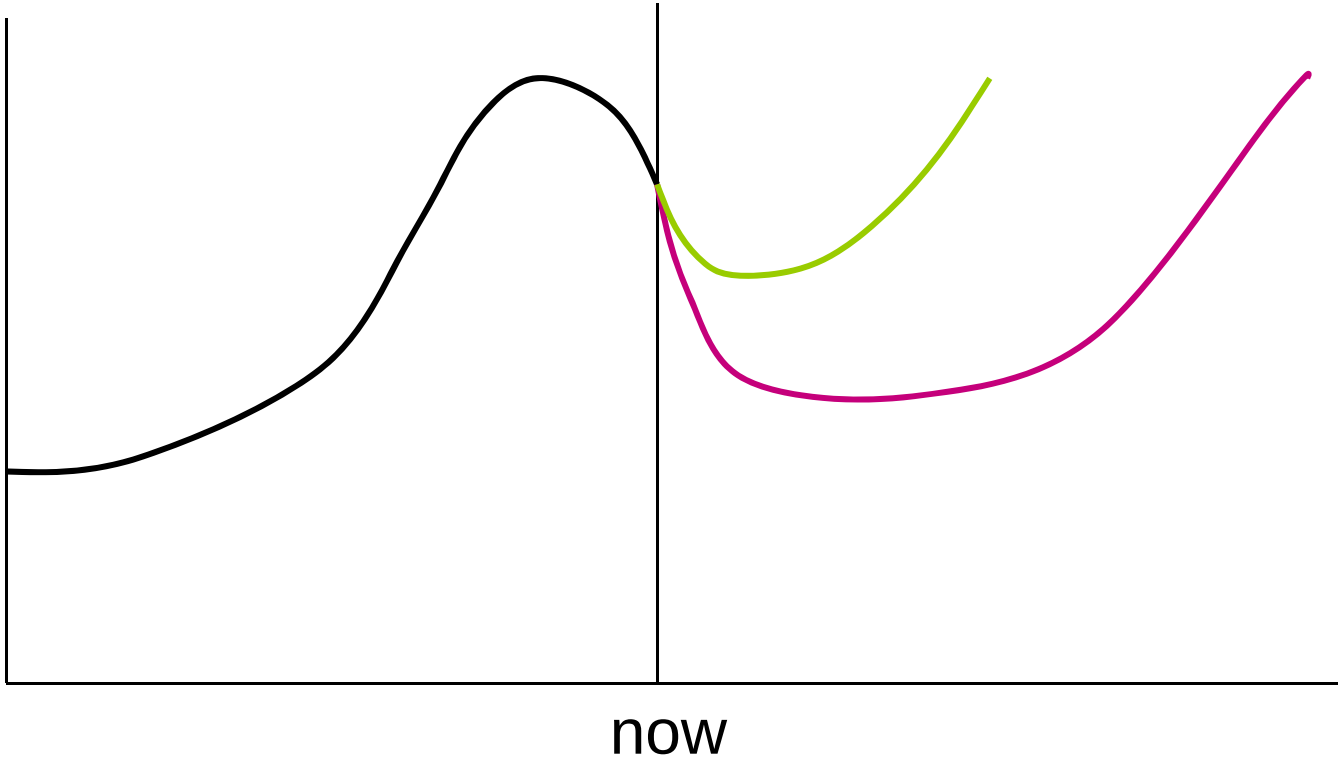
Uncharted territory



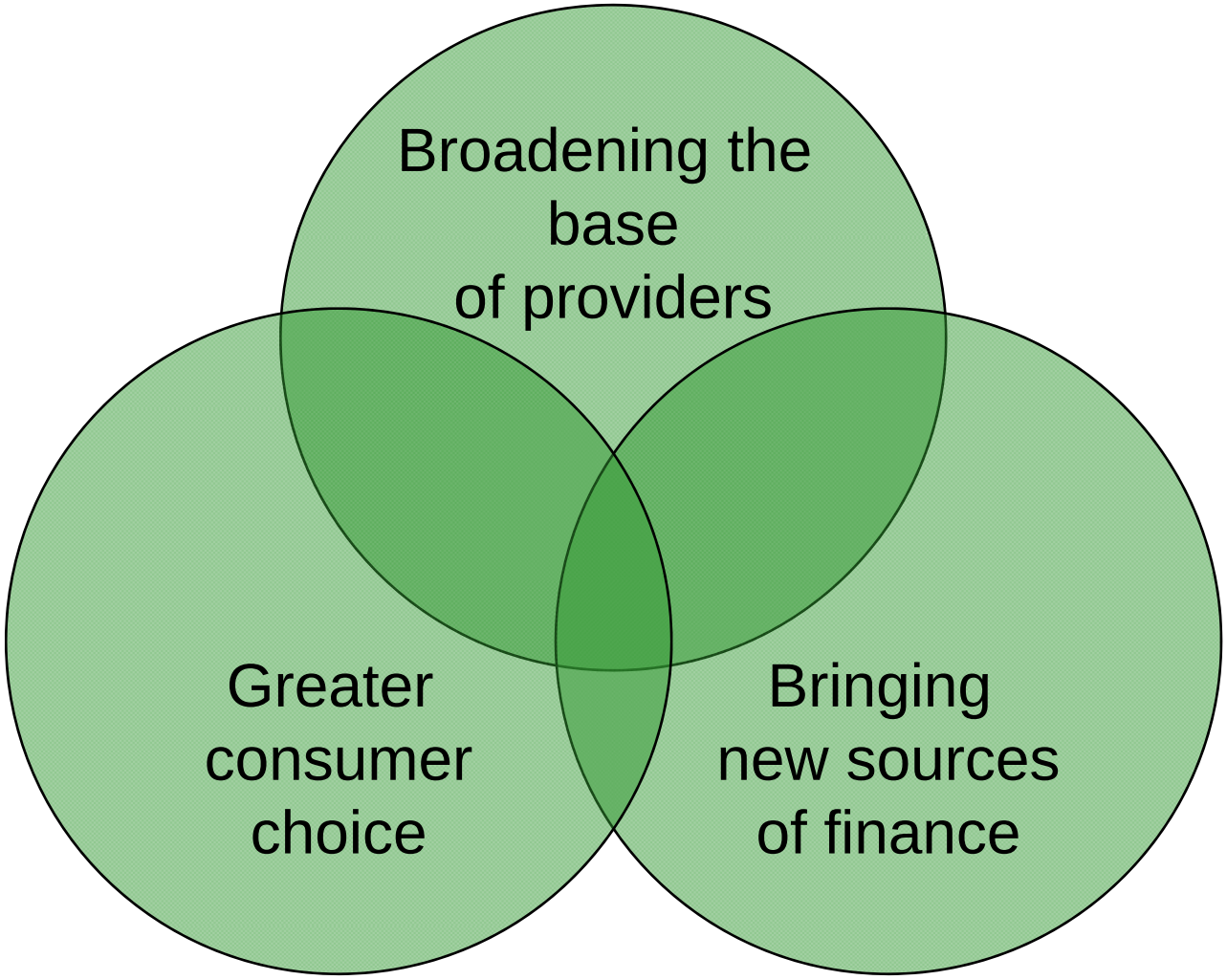
Responding to the Market Downturn: what has already been agreed

- £1.2bn brought forward to invest in housing and regeneration
- Introduction of Clearing House Scheme
- Homebuy Direct
- Mortgage rescue
- Work with RDAs on priority regeneration projects

Responding to the Market Downturn: what the Agency is exploring

- Tailored programmes for individual housing associations
- The potential for local authorities to come forward with their own development packages
- The funding of infrastructure works on a returnable basis
- The scope for land purchase
- The potential to access new sources of finance

Responding to the Market Downturn: longer term



Responding to the Market Downturn: not losing sight of the our priorities

- The downturn hits places at very different stages in their regeneration journey
- It is essential to hold on to the long term vision
- Realism and adaptability in the short term is essential, but the commitment to quality must not be lost
- Where development cannot be progressed, there is good preparatory work to be done
- The HCA will provide active support and constructive challenge

Conclusions

- HCA brings opportunities for genuinely new approaches to delivering housing and regeneration
- Our immediate priority is to ensure we maintain as much delivery and capacity during the downturn
- Working collaboratively with local leadership is critical to our success

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