

Overview of the market

Paul Broadhead

Head of mortgages and housing

 **Building Societies**
Association

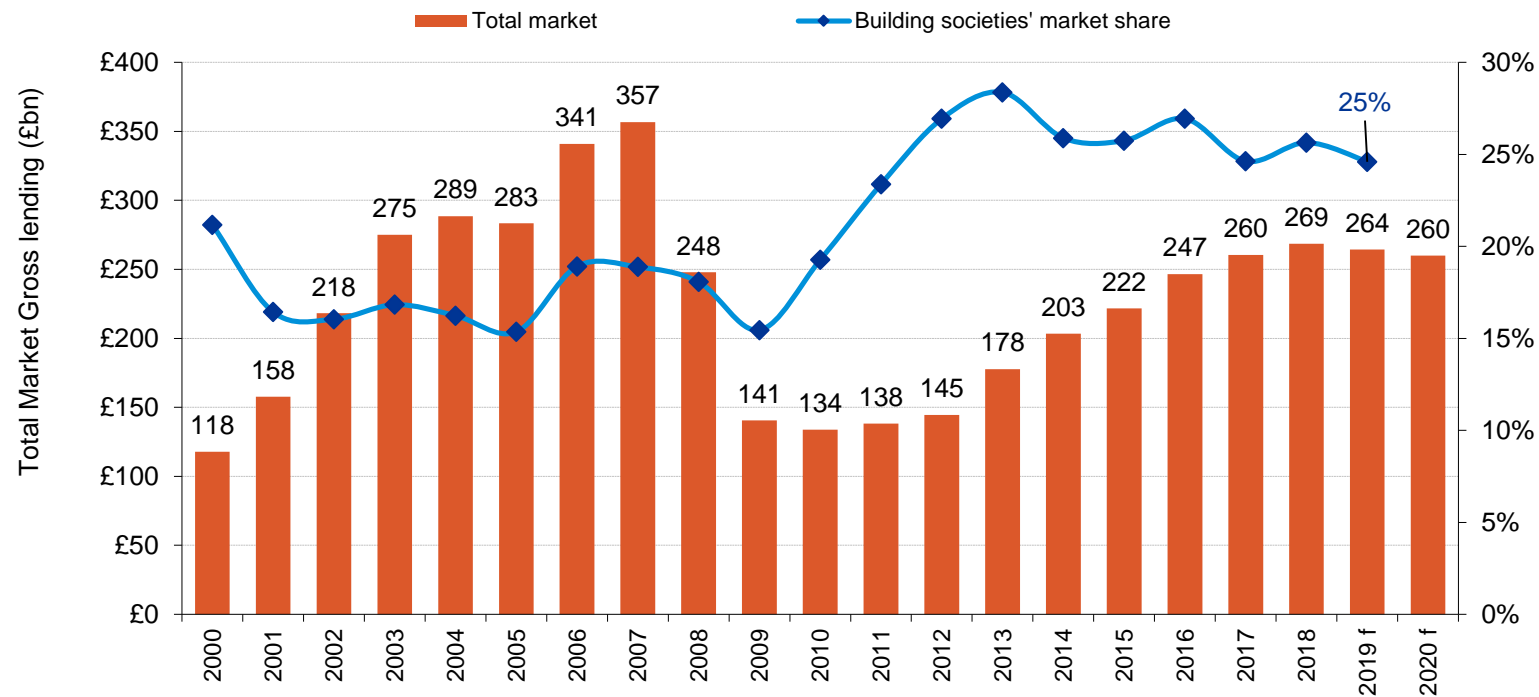
Introduction

1. The Mortgage Market.....and building societies' contribution
2. Pressures in the housing market – economic, social and demographic
3. The outlook for 2020

The Mortgage Market

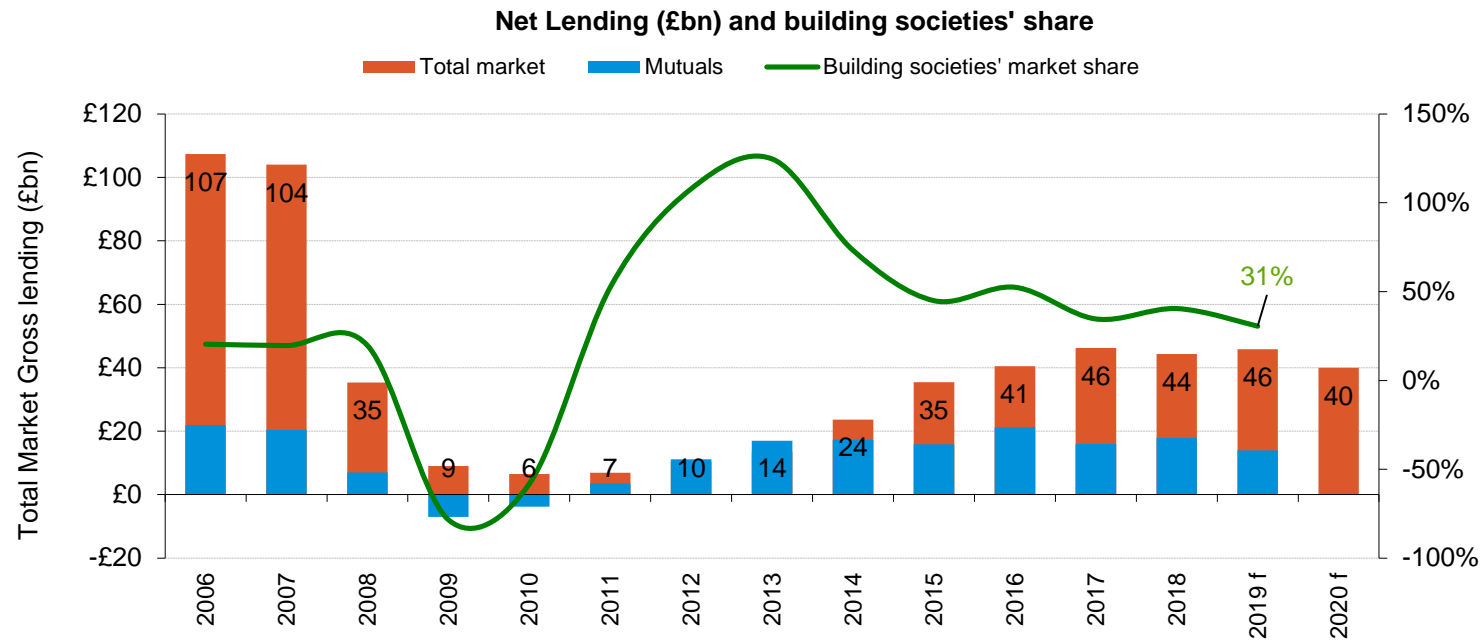
- Because building societies are largely mono-line lenders, they are specialists and lend consistently throughout the economic cycle. Having different types of financial services provider results in greater systemic resilience.
- Gross lending is the amount actually lent to customers (and differs from approved lending as this can be cancelled).

Gross Mortgage Lending, £bn



The Mortgage Market

- Net lending is the gross lending by firms minus repayments by customers and shows the growth in mortgage balances.

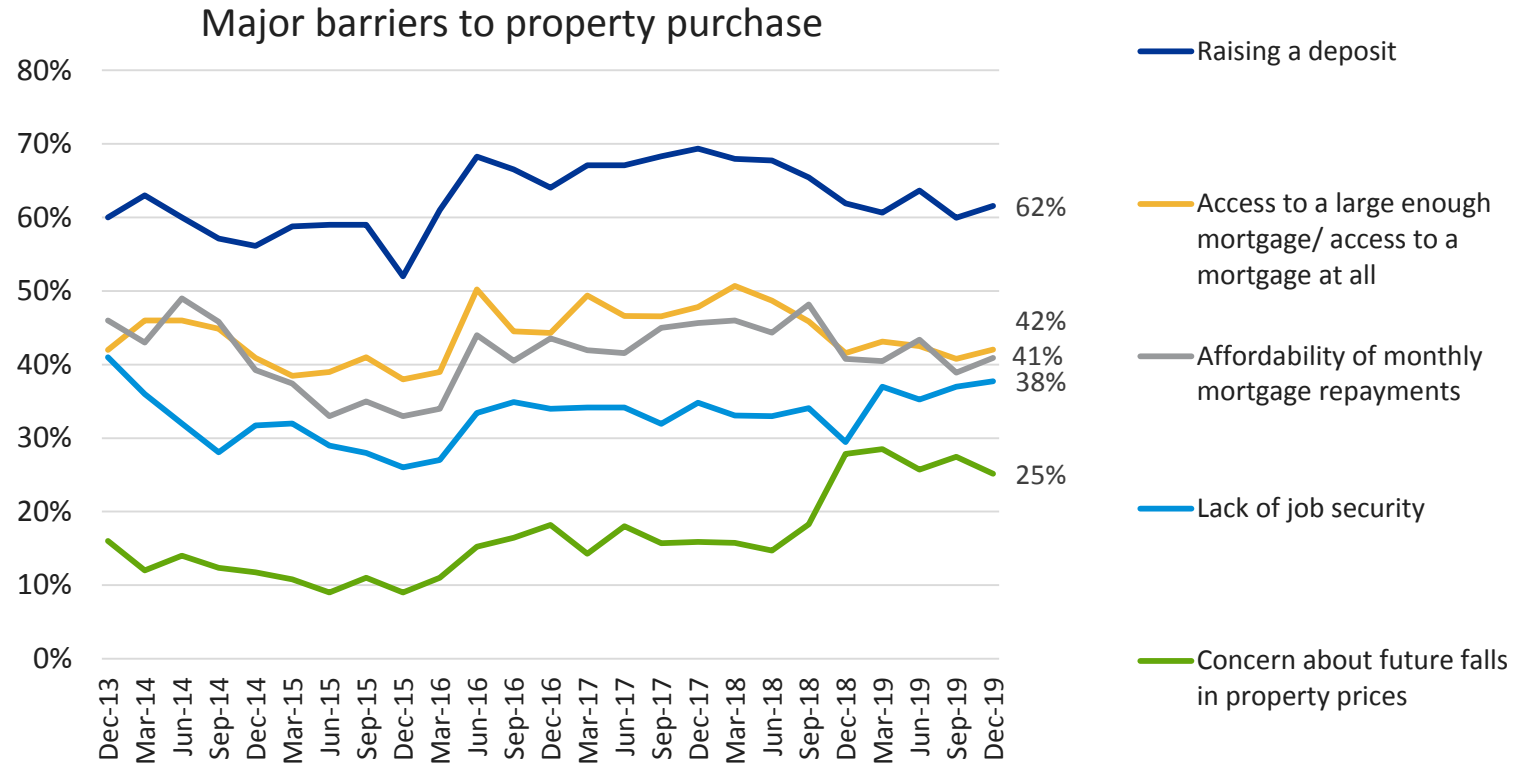


Making the difference in mortgages

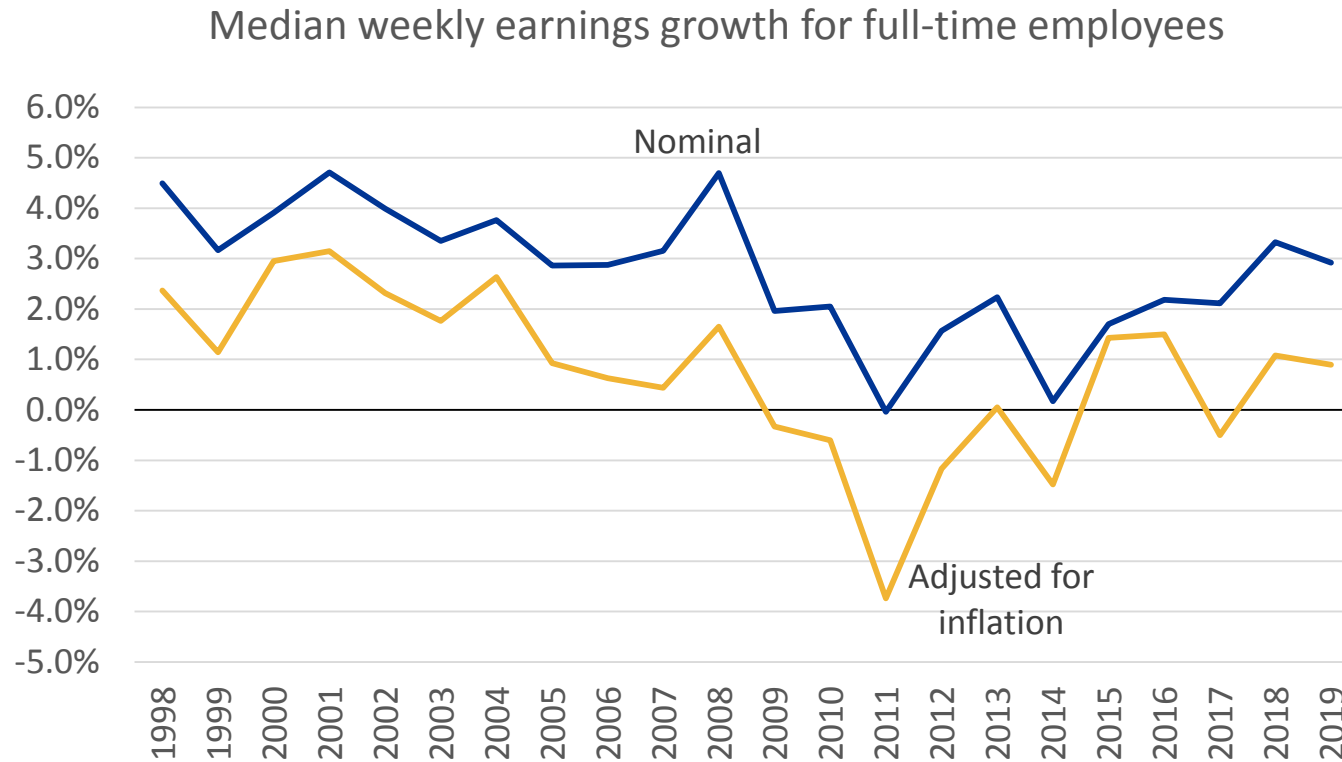
- Building societies are helping high numbers of first time buyers.



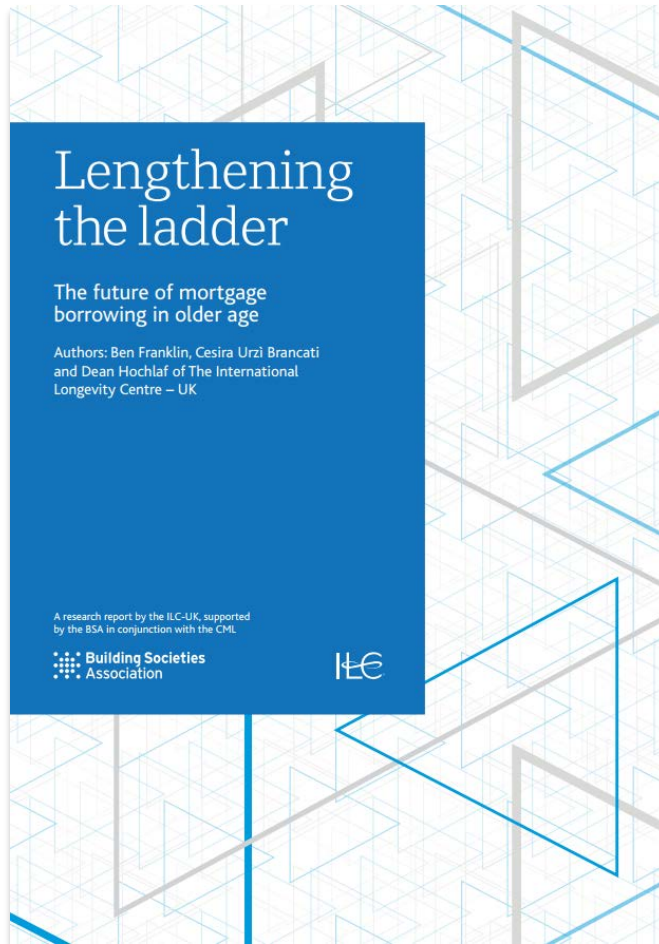
Pressures in the housing market



Affordability remains challenging for many...

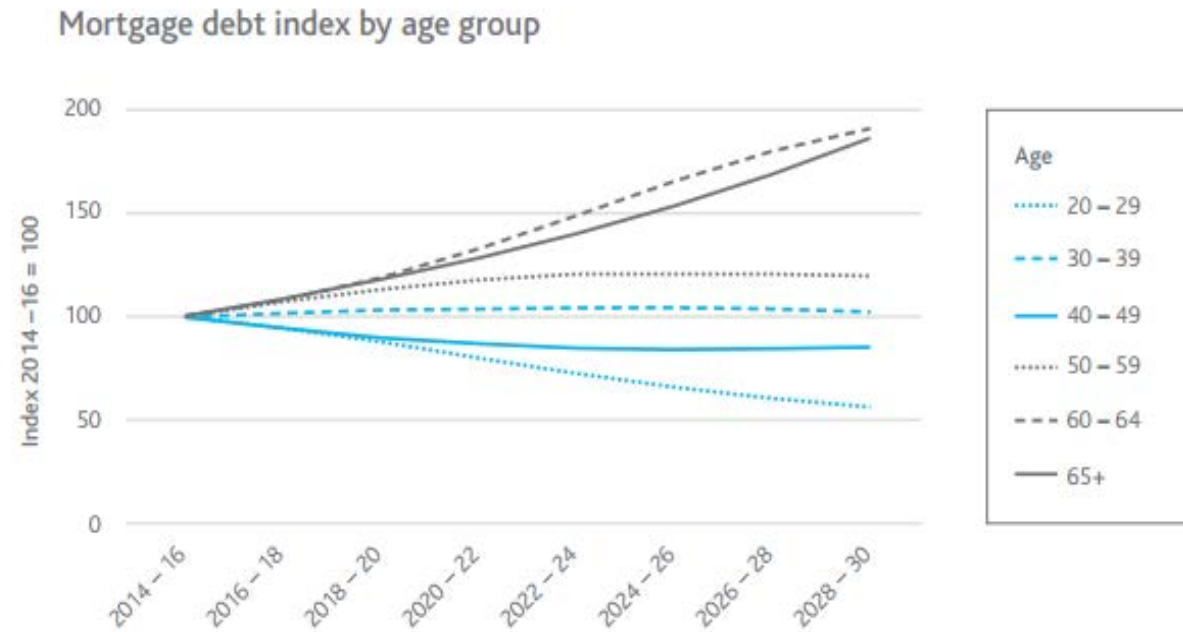


While demographic, economic and social pressures...



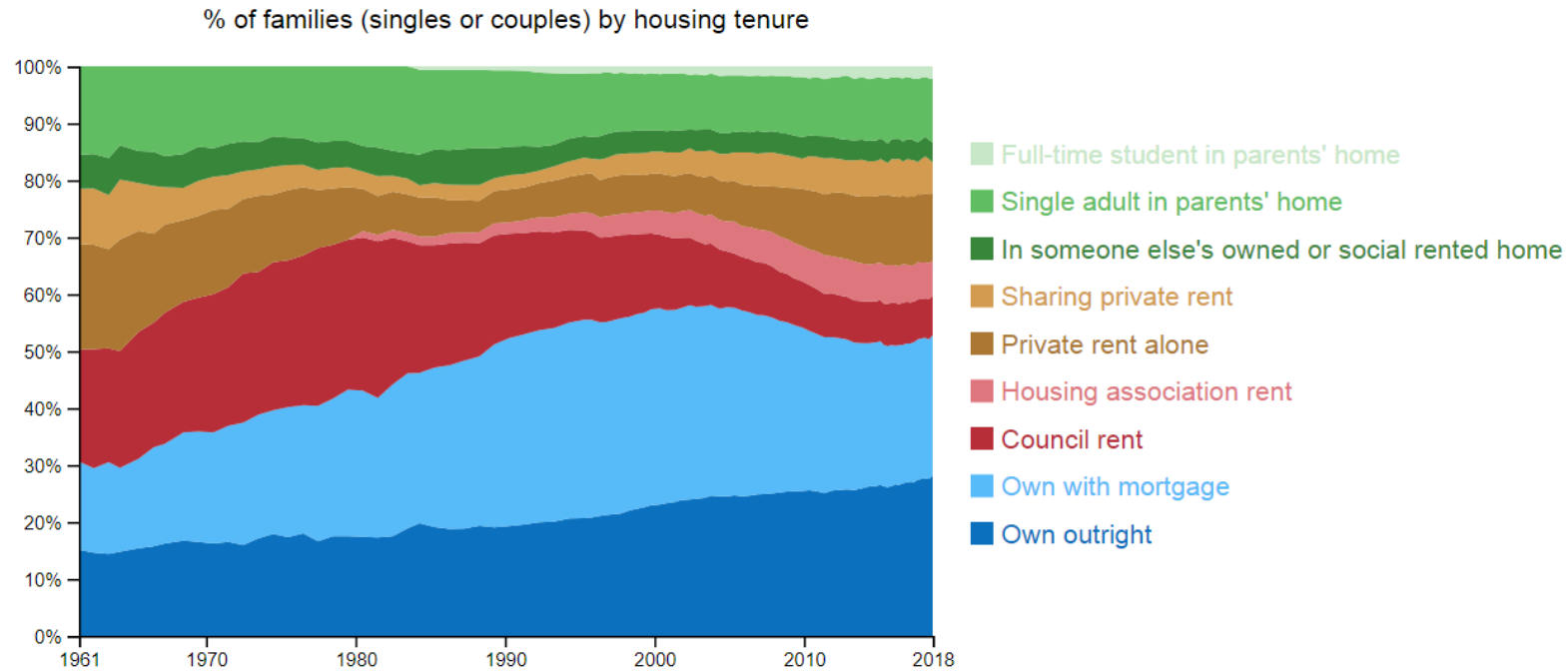
- Lack of housing affordability
- Stagnating incomes
- Ageing population
- People borrowing later in life, and over longer terms

...are also changing the shape of the mortgage market



- Unless something changes radically, mortgage debt in over-65s is set to double by 2030
- FCA recognises this with retirement interest-only changes

Trends in tenure

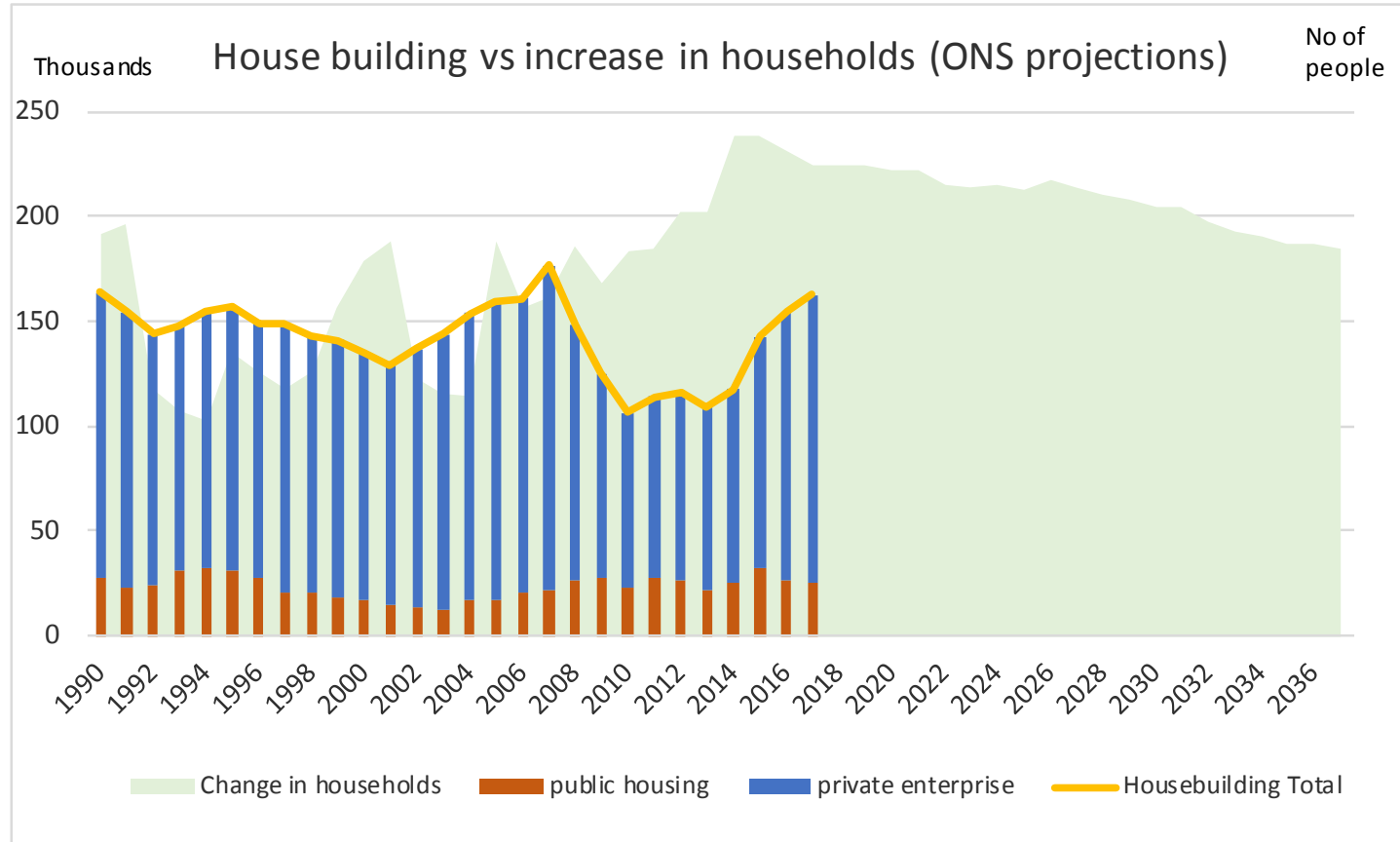


Source: Resolution Foundation

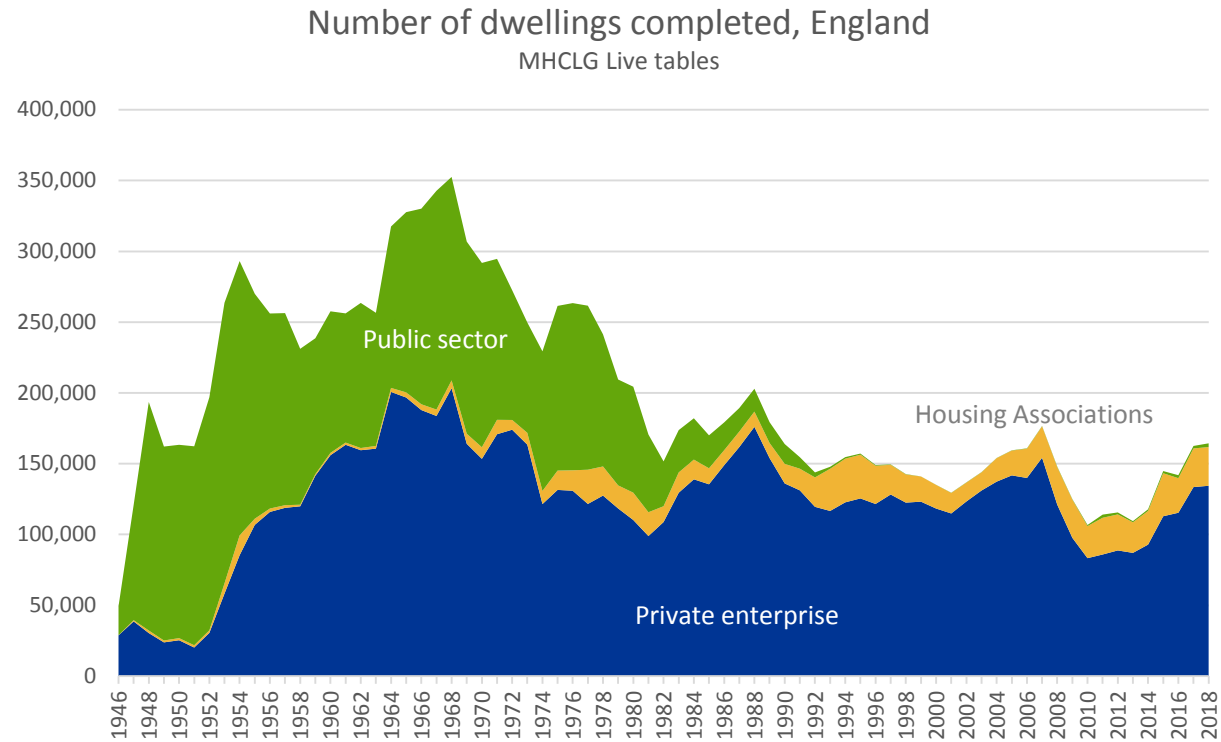
Government intervention in mortgage market remains high.....

- **Explicit interventions:**
 - Long lasting policy/ideology of the benefits of home-ownership
 - Help to Buy, Right to buy, Starter Homes, etc
 - Although Help to Buy is due to end in 2023
 - Housing benefit (underwrites rents)
 - Leasehold reform
- **But also important implicit guarantee:**
 - Huge vested interests (including individual MPs themselves). Mass of owner occupiers, BTL investors with wealth concentrated in this asset class, large house builders.
 - Solving the housing crisis by simply reducing prices would therefore cause huge distress to many currently comfortable households, and potentially disrupt the PRS.
 - Not credible for any Government to wilfully cause this to happen
 - This reinforces the perception of housing as a safe asset in which to invest

Housebuilding vs increase in households



We've built enough properties in the past



The outlook for 2020?

- We need a revolution in housebuilding and bold actions to address the huge shortage of supply across all tenures. Might we finally see some bold Government intervention now there is a healthy majority.
- The market is likely to remain flat with transactions subdued, although we are seeing a (small) bounce in consumer confidence.
- Mortgage rates, and BOE rate likely to remain at an all time low.
- Review the impacts of Help to Buy to avoid a cliff edge in 2023

Any Questions?