



Altair

IUHF/AUHF Conference

# The Housing Affordability Crisis in the UK – Reflections for Africa

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Altair International

Making a better, more sustainable  
and socially responsible world

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# Learning from the UK housing crisis

## Overview of this session

### Altair International – Who we are:

- Leading global experts on affordable housing
- First hand experience of a range of affordable housing initiative and programmes
- Based in the UK, but work across the world including Africa

### Olu Olanrewaju – Director:

- Director at Altair International
- 28 years experience of affordable housing in UK and internationally
- Have direct experience of leading a range of housing organisations – as an executive and non-executive

The overall purpose of this session today is to:

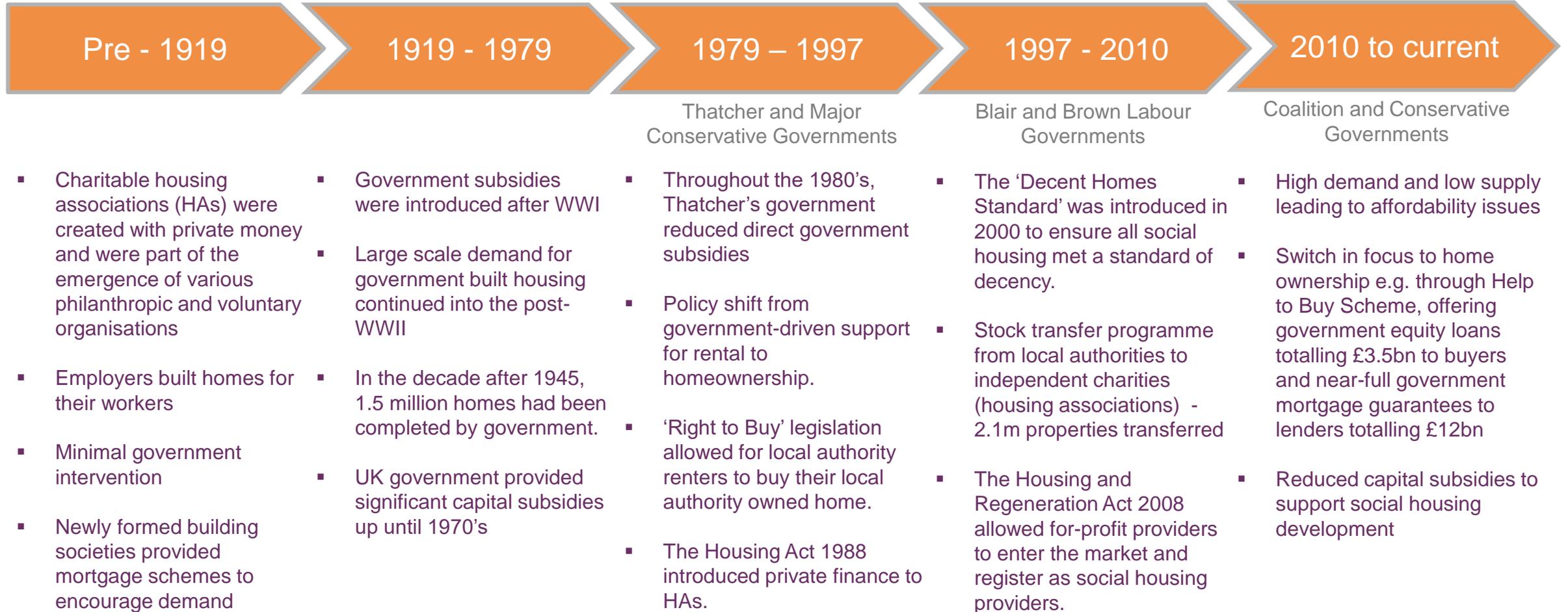
- Provide you with an overview of the affordable housing crisis in the UK and identify what lessons can be learned for housing in Africa

To achieve this we will cover the following areas:

1. Short history of housing in the UK
2. Details on the current UK housing crisis
3. Key lessons to be learned from UK housing
4. Key housing market interventions which can be considered

# Learning from the UK housing crisis

## A short history



The achievement against housing targets has become increasingly worse in recent years:

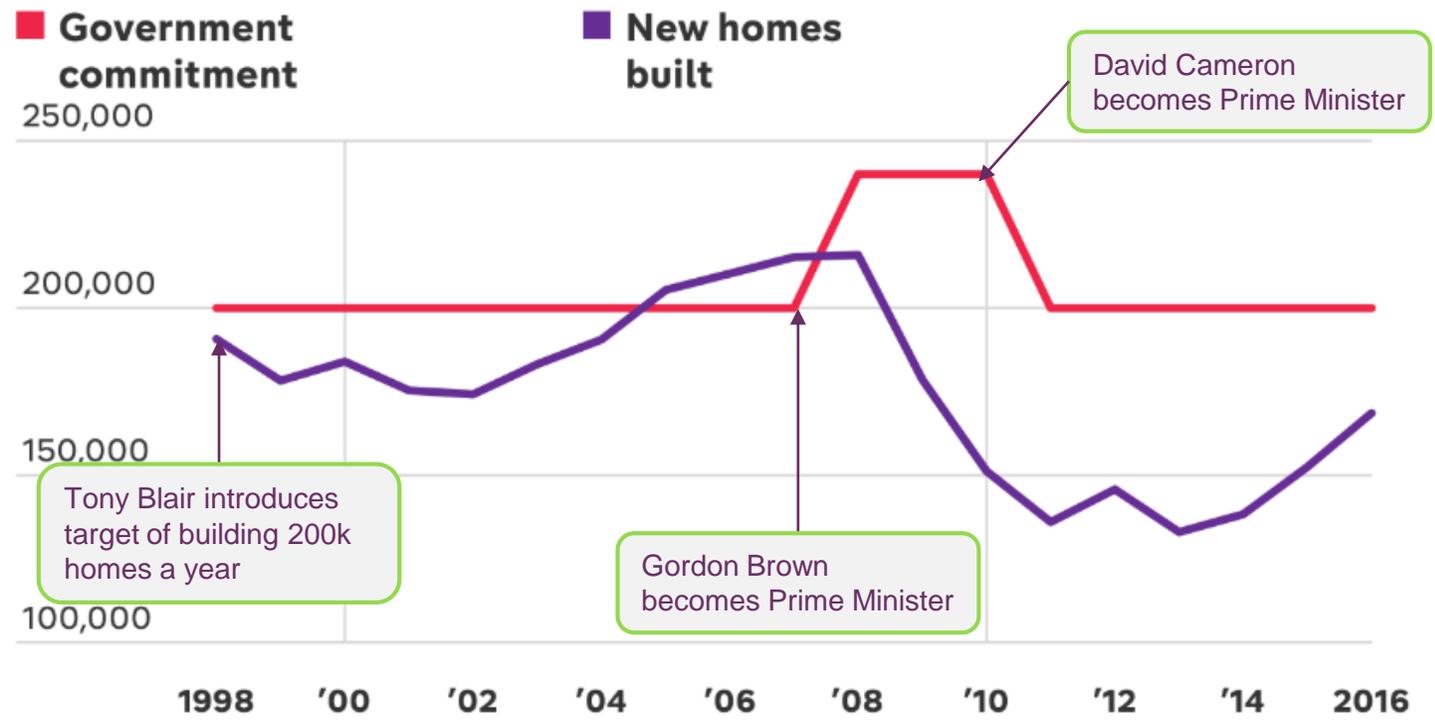
- Tony Blair – Target: 200k p.a. Outcome: on average 9.2k homes below target
- Gordon Brown - Target: 240k p.a. Outcome: on average 58k below target
- Cameron – Target: 200k p.a. Outcome: on average 65k below target

**Between 1997 – 2017 the UK Government failed to build 600,000 homes**

## Learning from the UK housing crisis

### A short history

#### Disparity between UK government targets and actual output



Source: Channel 4 News

# Learning from the UK housing crisis

A short history

Why were the UK government were unable to meet their target?

- Housing was no longer a major political priority
- This led to a reduction in government subsidy for affordable housing
- Coincided with decline in the performance of the UK economy
- Government resources were aimed at improving stock of existing government housing stock
- 2008 financial crisis

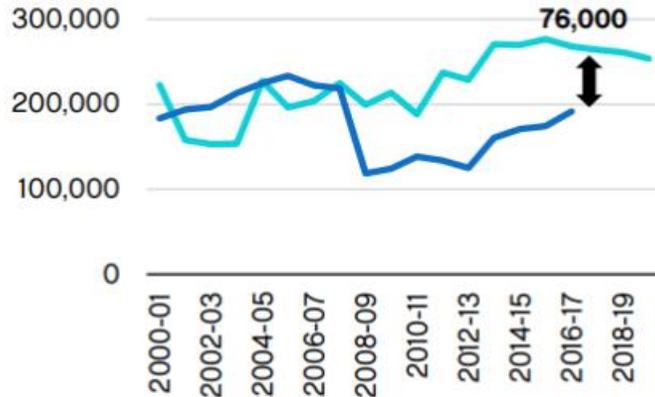


# Learning from the UK housing crisis

Where we are now – driving factors

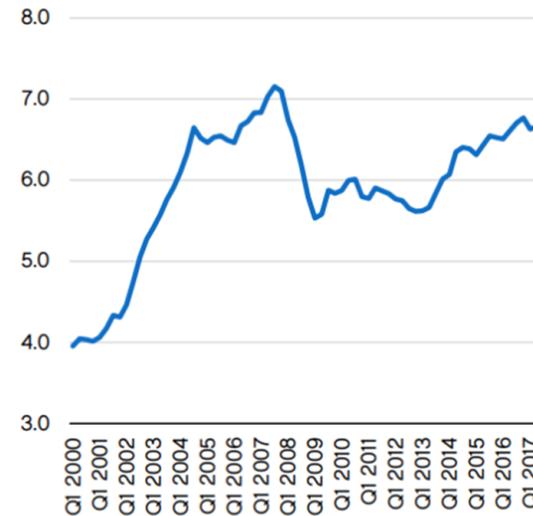
Three interrelated areas have been driving forces on the current UK housing crisis:

## 1. Demand outstripping supply



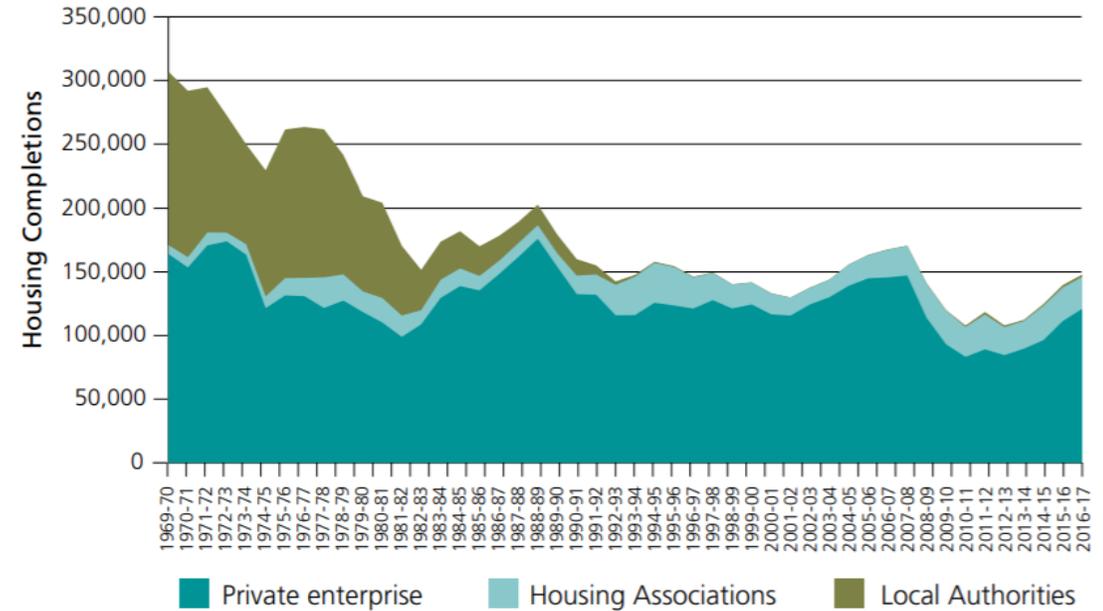
New household demand (light blue) vs Housing starts (dark blue)

## 2. Cost increasing more quickly than earnings



Source: ONS Earnings Data and Nationwide Price Data

## 3. Reduced public sector building



Source: Ministry of Housing, Communities & Local Governments

Source: Office of National Statistics

# Learning from the UK housing crisis

Where we are now – key numbers

15%

of the population in England are living in an unaffordable, insecure or unsuitable home

8.5%

of the population in England can only afford to live decently in social housing

400k

people are homeless or at risk of homelessness

2.5m

people are unable to afford their rent or mortgage

1.2m

households were on the social housing waiting list in 2018, with only 290,000 homes available

340k

New homes are needed ever year, including 145,000 social homes, to meet the UK housing demand

# Learning from the UK housing crisis

## Lesson for Africa from the UK

The UK has experienced problems in its housing market – but lessons can be learned. Some key themes are:

Strong and transparent institutions and legal structures

Regulation is important - particularly to build lender confidence

Need to provide access to the capital markets for funding

Seek ways to bring in additional investment from the private sector e.g. Section 106

Effective market demand

Stable economy and government intervention

A stable welfare systems is key for social and affordable

There is a need for a wide range of actors – no single bullet

Need a diverse range of tenure types and housing products

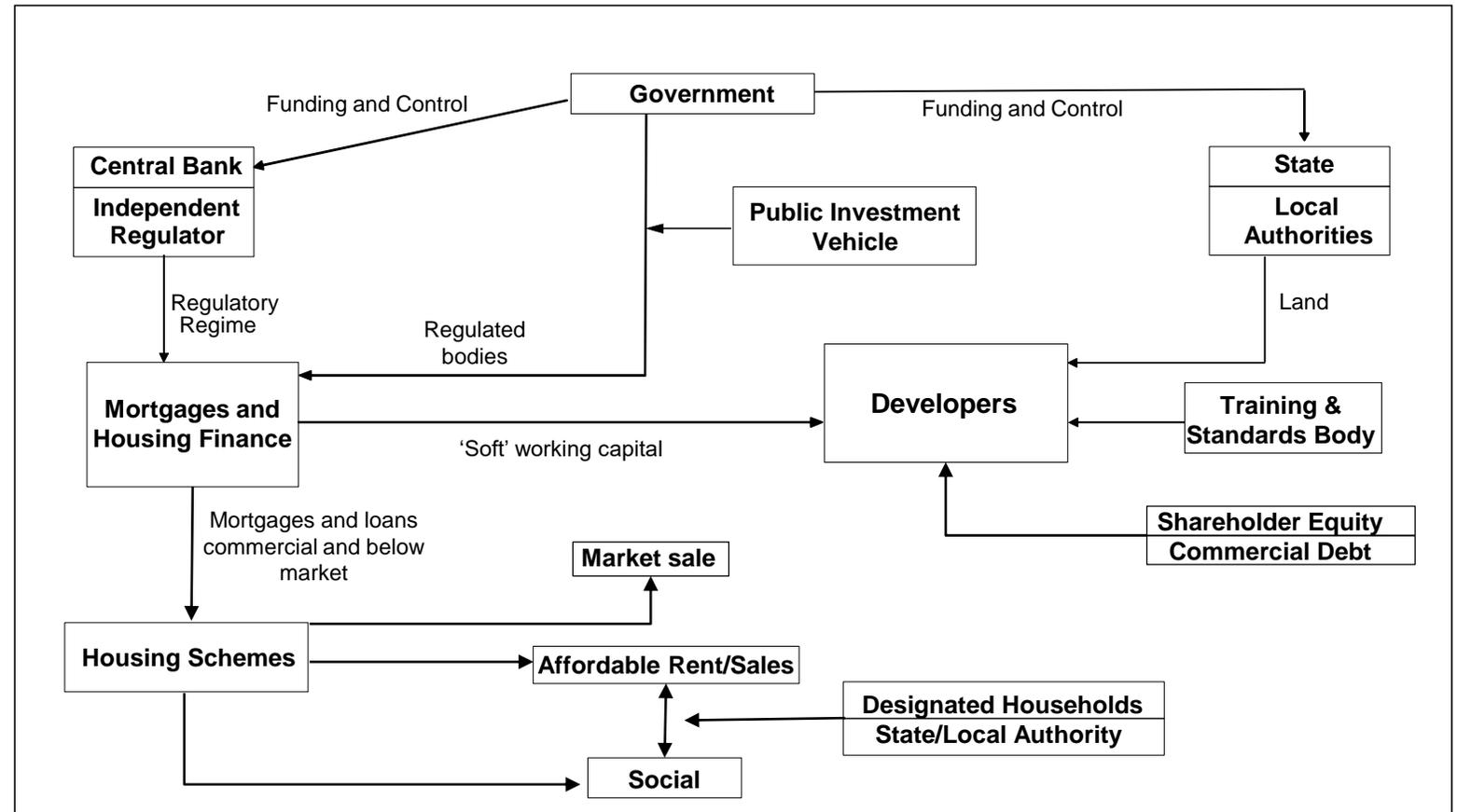
Need to look at the whole housing system – supply and demand

# Learning from the UK housing crisis

## Housing as whole system

A key lesson is to ensure that you focus on the whole housing system – this includes a balanced focus on a range of areas e.g. :

- There is sufficient market demand
- Mortgage providers are in place
- Welfare systems is in place to support those in need
- Housebuilders are able to develop homes at scale
- Organisations are available to manage homes
- There is a sufficient legal and administrative system in place etc.).
- Low interest rate and inflation environment
- Development of capital markets to provide long term finance
- Different housing tenures to cater for different housing groups



# Learning from the UK housing crisis

## Income pyramid

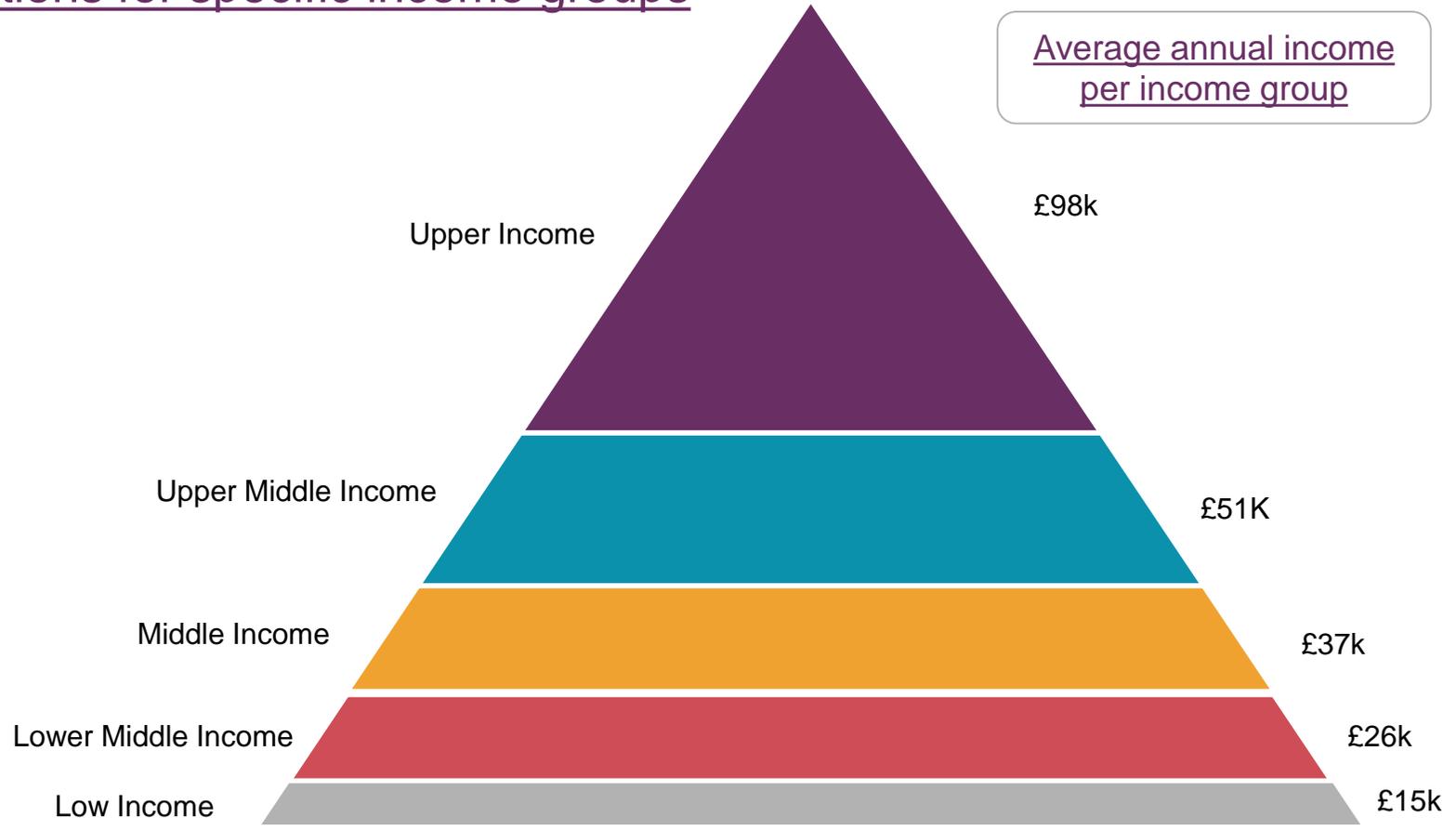
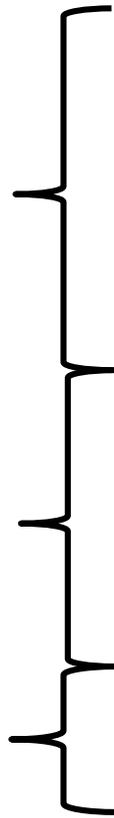
### Targeted market interventions for specific income groups

Average annual income per income group

Market Solutions  
 Shared Ownership  
 Help to Buy  
 Build to Rent

Shared Housing  
 Shared Ownership  
 Help to Buy  
 Intermediate Rent

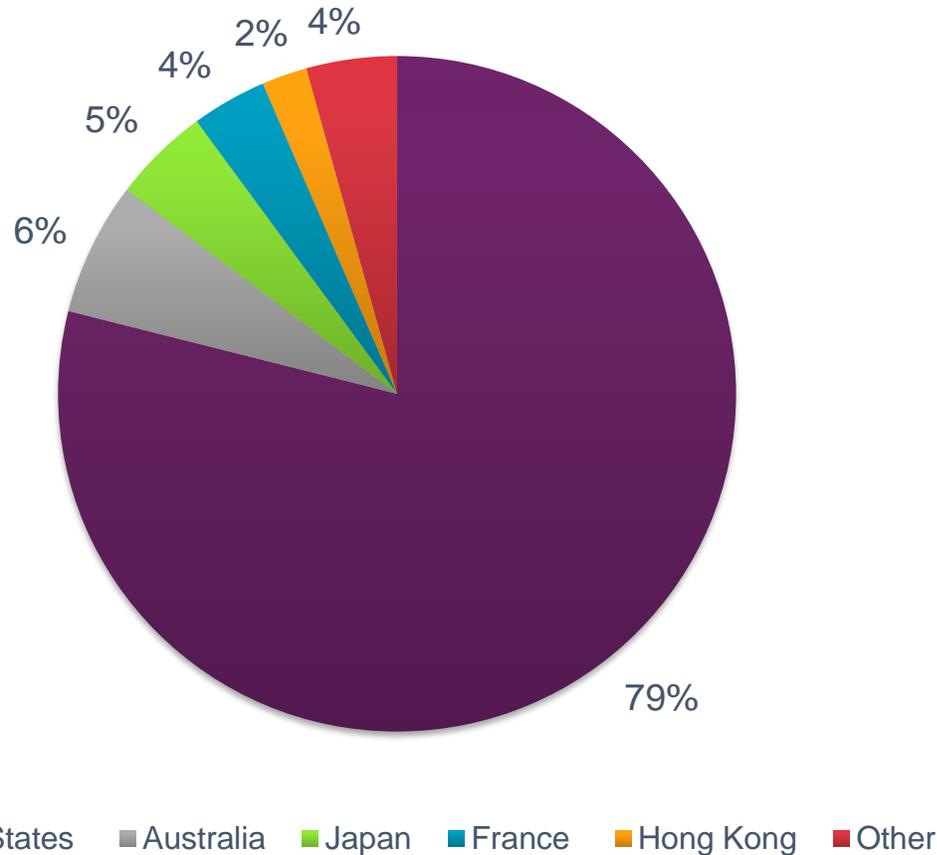
Social/Affordable Housing  
 Shared Housing



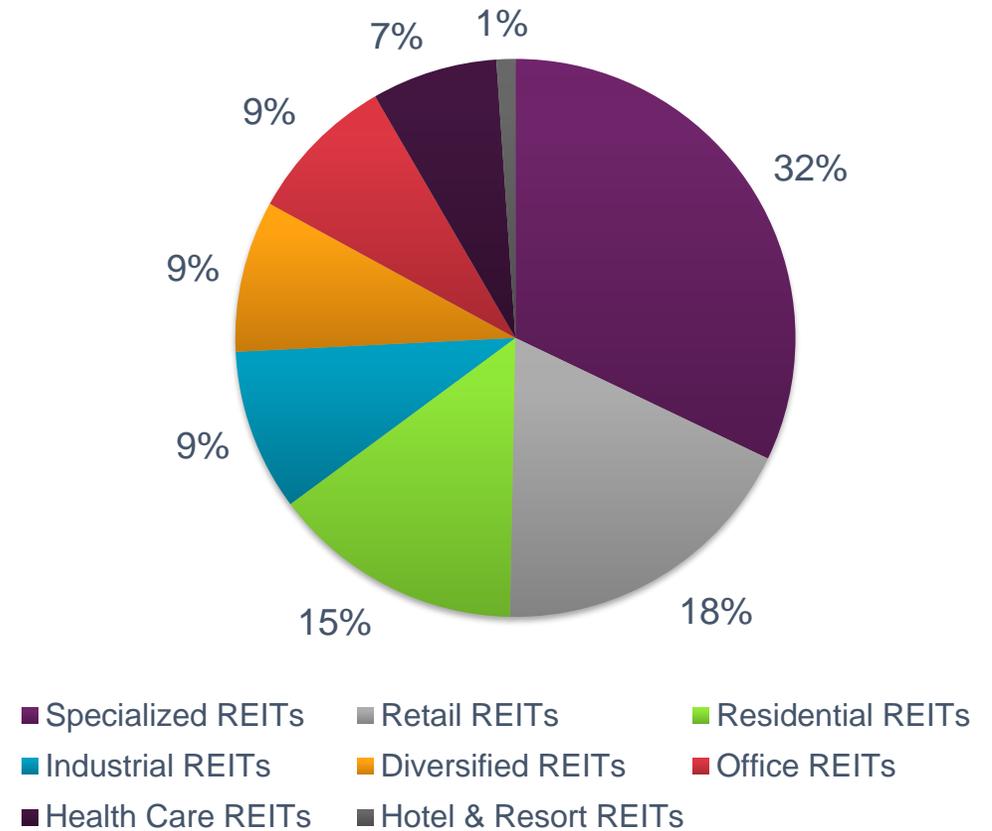
# Learning from the UK housing crisis

## Real Estate Investment Trusts

REITs weighting by country



REITs Sub-Industries





# Learning from the UK housing crisis

## Real Estate Investment Trusts

### Pre-conditions to a successful residential REIT industry

- Net rental yields are better than the return on government debt
- An established formal residential rental sector
- An active second hand residential property market for both sales and establishing value
- Low residential tax transactions, pension funds and institutional investors that can benefit from the tax break
- An active capital market to give shares in REITs liquidity
- Limited government interference in the residential rental market
- Debt costs below net rental yields so REITs can benefit from gearing

## Learning from the UK housing crisis

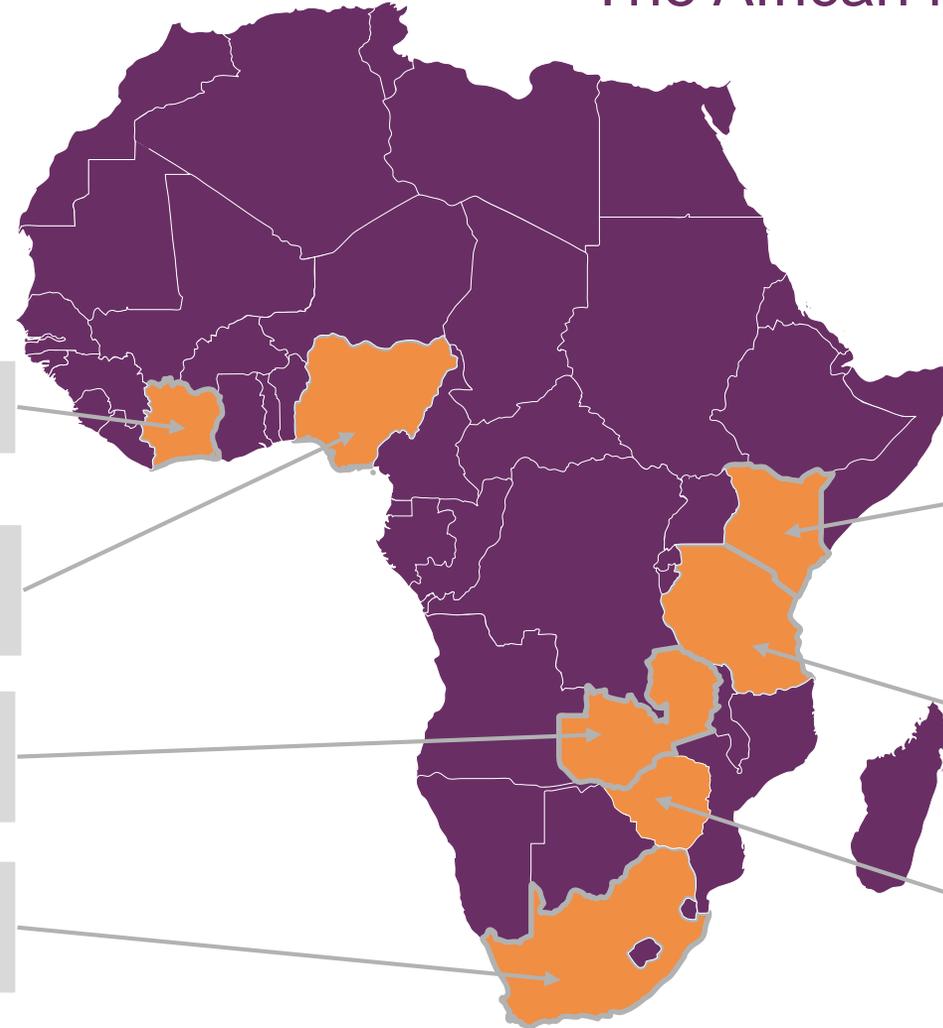
### The African housing market

Population of Africa will increase from 1.3bn to 2.4bn by 2050

Urbanisation to increase from 40% to 60% by 2050

Over 900m people will live in African cities by 2050

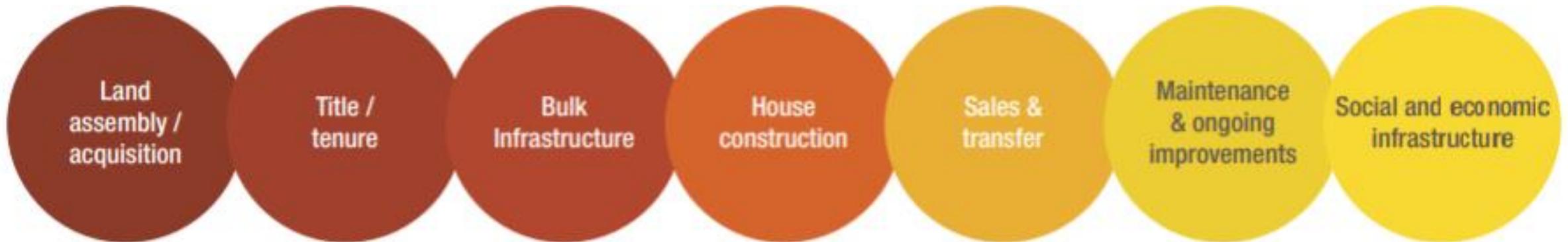
UN estimates that nearly half of the population in cities in sub-Saharan Africa live in slums



# Learning from the UK housing crisis

## The African housing market

### African Housing Value Chain



# Learning from the UK housing crisis

## Housing market interventions – Some examples

### State backed rental companies / joint ventures

- This can be completed through creation of JV orgs to tackle specific issues
- Example includes Capital Letters in London – supported by 13 local authorities to tackle homelessness

### Regulation to protect the assets and tenants – Decent Homes Standards

- Decent Homes Act in UK has helped ensure minimum living standards for all in social housing

### Housing Market Diagnostics

- Review of housing market
- Review of mortgage market
- Review of housing supply
- Review of affordability

### Help to Buy

- Government assistance programme to get first time homeowners onto the property ladder
- Nigeria's HTB scheme targets 100k households per year

### Modern Methods of Construction focus on sustainability

- Strength of the UK housing sector is now in looking at more affordable and sustainable building methods – including off-site manufacturing
- Modern methods can be more affordable to build and maintain

### Diversification in tenure types

- Shared ownership and help to buy products help to increase affordability and provide broader access to home ownership
- Examples in UK, but also Africa

### Build an attractive market to multiple potential players

- Government, local authorities, not-for-profit, private sector and own-build schemes – all have a role to play in increasing supply
- Need to create an environment attractive to all



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## Thank you

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