

# Shelter

## Briefing for Debate on Housing: 1 May 2008

Shelter welcomes the profile given to housing issues in motion S3M-1812.

### Key points:

- Despite media reports of falling house prices, house price inflation continues in Scotland. This means that acute affordability problems are as pressing as ever.
- Ministers should spell out how many affordable rented homes will be built 2008-11.
- Shelter welcomes reforms to the Right to Buy to bring it into the twenty-first century.
- Based on an assessment of investment needs, ministers should bring forward a range of alternative ways of raising sufficient finance, in the absence of large-scale stock transfer.

### Crisis of affordability in the Scottish housing market

Despite recent media reports of a slowing market, continuing house price inflation is the real issue in Scotland. It is **65% less affordable** to buy your first home than it was 10 years ago. The ROOF Affordability Index produced for Shelter shows that affordability in Scotland is at an all time low:

- House prices for first time buyers have risen almost **180 per cent** in ten years, from an average of £38,845 ten years ago to £108,446 at present.
- The average weekly income of working households has risen by only **55 per cent**, from £548 in 1997, to £851 now.
- Mortgage repayment costs account for 15.2 per cent of the average household's income in 2007, compared with 9.2 per cent in 1997.
- The average monthly mortgage repayment is now £563, compared to £219 ten years ago.

In response to the growing problems in the housing market, Shelter Scotland is bringing together key commentators to look at both the state of the Scottish housing market and its possible future. Professor Steve Wilcox, who compiled the ROOF Affordability Index, is one of the experts speaking at the Shelter event, '**The Scottish Housing Bubble**' on 22<sup>nd</sup> May 2008. We believe that alternatives to home ownership are needed just as much as measures to make home ownership more affordable and sustainable.

## **Supply of affordable rented housing**

Unsurprisingly, there is a high demand for social rented housing with over 200,000 households on waiting lists and over 9000 stuck in temporary accommodation.

Shelter welcomes the recent Scottish Government announcement of £25 million to incentivise councils to begin building again. As long as homes are affordable, of good quality and secure, we do not think it matters whether housing associations or councils own them. However, it seems that the £25 million will come from the existing affordable housing budget, which is already far short of meeting the need for 30,000 affordable rented homes over the next three years. Shelter believes that fewer than 20,000 rented homes will be built and we urge MSPs to press ministers to set out their specific target for the provision of affordable rented homes over the years 2008-11.

## **Reforming the right to buy**

Right to Buy was conceived in a very different housing landscape of the late 1970s and urgently needs overhauled for the twenty-first century. As a monolithic policy it pays very little heed to the very diverse market circumstances in Scotland. This means that, in some areas, high levels of Right to Buy have made it almost impossible for people on lower incomes to secure a home.

Ending the Right to Buy for all new build property is a welcome first step. We are encouraged that, in Firm Foundations, the Scottish Government signalled an intention to explore ways to achieve local flexibility within the scheme. We think local authorities, as strategic housing bodies, should be given the discretion to decide how and where the Right to Buy should apply in order to best meet housing need in their areas. By the time Right to Buy reaches its thirtieth anniversary in 2010, we look forward to significant reform having taken place.

## **The future of stock transfer**

The momentum for new large-scale transfers of stock from local authority ownership to housing associations has ground to a halt. Recent high profile rejections of proposals in ballots of tenants have led to questions over the future of the scheme in its current form. However, the urgent problem of bringing new investment into the social rented sector to improve housing quality remains. The Government must look urgently at alternative mechanisms to secure investment for councils with high levels of debt without relying on further rent hikes.

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