

DeVARGA COMMENTARY – MARCH 2015

Let's Cut Down a Few More Trees (and, of course, replace them)

I am encouraged by an article which appeared on the BBC News website on 19th February 2015, under the headline 'Housing Starts in England up 10% in 2014'. According to the Department of Communities and Local Government 137,000 homes were started in 2014, a rise of 10% on the previous year. As much as the industry welcomed the rise, it was quoted as saying it still fell way short of what the country needs.

This leads me conveniently to another article which appeared on 13th January 2015, entitled 'Why Can't the UK Build 240,000 Houses a Year?' This was the target set by the then Government in 2007 to be built every year to 2016.

Some interesting statistics came out of that article. For decades after World War II the UK used to build more than 300,000 new houses a year. The closest the UK got was in 2006 and 2007 when 219,000 were built. Not surprisingly, in 2012 to 2013 that figure came in at 135,500. Interestingly enough, Mark Carney stated that housebuilding in the UK was half that of his native Canada, despite the fact that the UK had a population of twice the size. Perhaps they have more timber there.

What is also interesting, the Home Builders Federation said that whilst things have improved recently the Planning system is far too slow, bureaucratic and expensive. HBF say there are 150,000 plots for new homes without outline Planning Permission that are 'stuck on a conveyor belt' (my words) waiting for detailed permission. Kate Henderson, Chief Executive of the Town & Country Planning Association, says that since the Government abolished national and regional Planning housing targets, leaving everything to local decision making, it has encouraged 'nimbyism'. She says there has been a doubling of legal challenges of local Plans by Planning Inspectors who are 'picking up' Councils for not properly assessing their housing needs.

It all seems to come down to what I reflected in my last newsletter: political interference and too overly-complicated Planning. What a shame.

Still, the good news is, for the first time in several months there has been the unanimous decision of the Bank of England Committee that interest rates should be kept on hold. However, according to the City Finance page of The Daily Mail (yes, I read it – I like the gossip pages!) on Thursday, 15th February, a record of the meeting in February 2015 showed that for two members the decision not to vote for a rise was finally balanced, and there could be a case for an increase in the Bank Rate later in the year. It continues, a third member, however, said the next change was roughly as likely to be a rate cut as a rate hike, exposing a split at the heart of the Bank over the best way to manage the economy. Nevertheless, the general consensus seems to be that interest rates are going to be held for some time.

All very interesting.

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STOP PRESS: Also on the BBC News website, on 23rd February Bovis Homes reported a 69% rise in annual profits after what they describe as an 'excellent year'. David Ritchie, Chief Executive of Bovis, told the BBC Today programme 'We have been gearing up for a big push for the past five years. We see this as a fantastic time to grow.' On the negative side, however, extra activity meant labour had become scarcer and more expensive, raising construction costs in 2014 by 12%, although prices of private homes had outstripped this with a rise of 14% over the year. They finished it by saying that whilst they expect a rise in construction costs in 2015, they do that because Bovis is shifting the balance of its business more towards the south of England. Again, all very interesting.