

## **Grant Shapps Speech - HMI 2010**

12 October, 2010

### **Check Against Delivery - Housing Market Intelligence**

#### **INTRODUCTION**

What would an intelligent Housing Market look like?

Quite simply, it would be a market that met people's aspirations:

Maybe to buy their own home;

Or to live close to their family and friends;

Or to move to find work.

That's not the market we've inherited.

By presiding over a system which saw house prices double in just ten years, Labour ensured that buying a home was out of the question for the vast majority of wannabe first time buyers.

With a house now liable to cost perhaps seven times someone's earnings, it's no surprise that the average unsupported first time buyer is 37 years old.

This country is in danger of letting down the aspirations of yet another generation if homes do not become more affordable in the long term.

#### **HOUSE PRICE STABILITY**

So what is required now is a period of house price stability.

House price booms keep people out of the market.

And house price busts mean people's homes are worth less than they paid for them.

It's a market where today's expert tells you to "hold on folks, cos prices are gonna fall".

But don't be surprised if tomorrow's expert tells you that "now's the time to buy to make a killing" as house prices resume their upwards march.

It might even be the same expert! It will definitely be from the same paper!

Now I'm fully aware of the dangers of talking about the end of boom and bust.

But I think we need a market that's boring. Where things are really quite predictable.

Where the pressure of making what could be the single biggest financial decision of your life, is based on your needs and desires, not on whether you feel lucky.

Buying a home shouldn't be like playing the lottery.

Sometimes it seems like we've all forgotten what our housing market is actually for.

To provide a home.

A home where we feel safe, comfortable and happy.

A place that makes us feel secure. Somewhere we can bring up our family or live happily alone.

I have a simple ambition.

An ambition for a period of house price stability.

This would provide a stable business environment for the building industry.

A market that means the house building industry can contribute to a sustainable economic recovery.

Of course I understand that market conditions don't exactly match this picture at the moment.

The economic legacy we inherited has made things very difficult for you and will do so for sometime. I know that.

## **CUTTING THE DEFICIT**

But we must look at the bigger picture and cut the public deficit.

We will abolish the structural deficit in this Parliament and we plan to make rapid progress towards that goal.

In case you think deficit reduction is all pain and no gain you should ask Martin Lewis, the money savings expert. He pointed out yesterday that the cost of tracker mortgages fell to a record low during September as competition continued to return to the market.

So it's really important that we keep interest rates low and improve credit availability for first time buyers, house movers, landlords and yes, housebuilders.

Cutting the deficit not only creates the right conditions for banks to lend to prospective home-buyers, but also better terms for housebuilders.

As a business man I know the personal investment and the hard work that makes for success.

And I wouldn't want that success to be threatened by letting interest rates rise quickly.

And, yes, the need to address the deficit means that the level of public expenditure will diminish.

This audience already knows that.

You know that the old assumptions have gone and if you are still in any doubt you will only have to wait til next week.

## **TARGETS**

You didn't have to wait that long for us to scrap housebuilding targets.

Of course we must build more homes.

The "demographic imperative" demands it.

But attempting to impose supply on local communities from the centre failed you, and failed those communities.

It makes a good headline to say that the abolition of targets has meant X fewer homes being built.

But it's a lazy headline

Because the numbers just don't stack up.

It's a false comparison – the targeted number of homes was simply never going to be built.

The communities they were imposed on were already making sure of that through judicial reviews, and NIMBY opposition.

Targets set neighbourhoods against development.

All the community saw was central Government imposition.

## **INCENTIVES**

Instead what communities need is the incentive to accept new homes.

And that's where the powerful incentive of the New Homes Bonus kicks in.

Communities could see reductions in council tax, or a redeveloped town centre or a new community centre in compensation for accepting new homes.

When the previous Government imposed a 10 000 home target in my constituency I led the No Way to 10 K campaign.

Revealingly all the political party candidates joined up.

They had no alternative – the pull of opposition was too strong in their communities.

But what if the communities could see the benefit?

If the regeneration of Hatfield's town centre could be paid for through the New Homes Bonus?

It would transform the debate.

Incentives will be a powerful driver of an intelligent market.

But for the private sector to respond to that driver it must be set free from unnecessary regulation.

## **COMPLEXITY OF REGULATION**

So as we cut public expenditure, we will also cut state interference.

As you know HIPs are history.

Today I can announce I am intent on further reducing the burden of regulation.

I will make sure any regulation must be cost-effective and proportionate - driving down unnecessary expense.

You will have heard this before, but the difference is that we mean it.

Just as we are serious about cutting the deficit, we are serious about reducing regulations.

Of course, Building Regulations will continue to set a national minimum requirement for all new homes to make sure they are safe and help us reach our climate change targets.

But we have already launched a review of the Building Regulations to identify where we can ease the burden on industry.

I know that Building Regs are not the only burdens: over time, the home building industry has been asked to deal with a growing number of additional standards.

CABE have produced a simple diagram to explain how the various regulations, codes and standards relate to each other.

Of course this audience understands this diagram perfectly!

But to others it is a complex web of duplication, contradictory requirements, multiple points of assessment and compliance.

We will work hard to reduce this burden but we will need your help.

## **COMMITMENT TO REDUCE BURDEN**

And I applaud the constructive way you are engaging with us to meet the zero carbon challenge.

Many of you will be working with the Zero Carbon Hub to test the appropriate carbon compliance level.

We are also exploring the option for developers to meet further obligations through payments to fund local energy projects. We are working with the Treasury on what this might look like.

I will also want to consider carefully the costs and benefits of continuing to have the same standards for market and social housing.

I can also promise that we will keep planning information requirements to a minimum, both in national policy and regulations.

Reducing the truckloads of paperwork required for a planning application.

There will be no more mad dash to load up the three ton trucks with planning documents as the deadline draws near.

In fact we will reduce all the administrative burdens imposed on business. I know the impact these have – especially on small businesses.

## **CONCLUSION**

Because what we want is a market where councils and housebuilders are free to act in the interest of local communities.

We will reduce the burden of regulation.

We will provide a powerful incentive that works.

We will free communities to demand that you build more homes.

We will do our bit.

In return we want you to do your bit.

To get out there and sell the benefits of new homes.

Not just to prospective home buyers but to the whole community.

To make the market more intelligent the whole community must see the benefit of new homes.

Show them what the incentive can buy – what they can get for their money.

Together we can make localism work.

Together we can create the intelligent market we all want.

Thank you.