London IHP Leadership Exchange
Assets – Real Estate Production and Acquisition
Review of Global Markets

Robert Grundy, Head of Housing, Savills
Tuesday 7th October, 2014
Winckworth Sherwood, Minerva House, London

I will talk about...

- Policy
- Population
- Structure
- The Market
- Affordability
Housing policy: **Australia**

- Market driven system
- Dominated by home ownership
- Housing policy tools not well integrated into socio-economic objectives
- Public housing in decline
  - Cut backs
  - Deficits (rents based in individual tenant’s income!)
  - Asset sales
- Limited initiatives to build capacity in the sector
- Talk of stock transfer and asset strategies?
- Tax Credits - National Rental Affordability Scheme
  - US model
  - Early days

Housing policy: **Canada**

- Primary focus on home ownership: Affordable Homes Programme (AHP)
  - Forgiveable loans & Silent mortgages
  - Mortgage deposits - FirstBuy, NewBuy
  - 5% - recycled on sale
  - Simple & transparent
  - No ongoing admin or operating costs

- Sundry local provincial support for social rental
  - Rent subsidies, land etc
  - Mortgage insurance
Housing policy: **UK**

- Grant funding – affordable housing
- Stock transfers – LAs to HAs
- Town Planning obligations: affordable housing
- Home ownership – help to buy – mortgage indemnity
- Private Rented – build to rent – stimulate
- Substantial equity and debt capacity
- More focus on assets

Housing policy: **US**

- Planning eg Inclusionary Zoning
- Promotion of Home Ownership – variety of initiatives, indemnities, vouchers to support borrowing
- Low Income Housing Tax Credit (LIHTC)
  - Tax relief to investors in affordable rented housing
  - Income threshold sub 60%
  - 30 years, 30% of local incomes,
  - 25% of rental apartment construction
  - Entrepreneurial not for profit sector
- Federal block grants – targeted at local initiatives
- Multi family mortgage insurance
- Small scale and ad hoc
- Build up of equity?
Providers of social/affordable rental housing

<table>
<thead>
<tr>
<th>Country</th>
<th>Provider types and scale</th>
</tr>
</thead>
</table>
| Australia | • Public (85%)  
           |  
           | • NGOs (8%)  
           |  
           | • State and community-managed Indigenous housing (7%)                        |
| Canada    | • Not-for-profits; co-ops (two-thirds of social housing)                      |
|           |  
           | • Provincial housing authorities                                            |
|           |  
           | • Municipal housing companies (Toronto, Vancouver)                          |
| USA       | • Private and not-for-profit owners (69%)                                   |
|           |  
           | • Public housing authorities (31%)                                         |
| UK        | • Local authorities (54%)                                                   |
|           |  
           | • Housing associations (46%)                                                |


Population growth

<table>
<thead>
<tr>
<th>Country</th>
<th>2000</th>
<th>2013</th>
<th>Increase %</th>
<th>Average Increase pa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>19.1m</td>
<td>23.2</td>
<td>21.2%</td>
<td>315k</td>
</tr>
<tr>
<td>Canada</td>
<td>30.6m</td>
<td>35.1</td>
<td>14.5%</td>
<td>346k</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>58.9m</td>
<td>64.1</td>
<td>8.8%</td>
<td>400k</td>
</tr>
<tr>
<td>United States</td>
<td>282.3m</td>
<td>316.4</td>
<td>12.1%</td>
<td>2.62m</td>
</tr>
</tbody>
</table>

Source: OECD
Selected Housing Characteristics: 2007

<table>
<thead>
<tr>
<th>Country</th>
<th>Population</th>
<th>Housing Tenure</th>
<th>Population density (per km²)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Owner Occupation (%)</td>
<td>Social Rental (%)</td>
</tr>
<tr>
<td>Australia</td>
<td>20.1m</td>
<td>69%</td>
<td>5%</td>
</tr>
<tr>
<td>Canada</td>
<td>31.6m</td>
<td>66%</td>
<td>6%</td>
</tr>
<tr>
<td>UK</td>
<td>58.9m</td>
<td>70%</td>
<td>20%</td>
</tr>
<tr>
<td>USA</td>
<td>291.6m</td>
<td>69%</td>
<td>2.5%</td>
</tr>
</tbody>
</table>


savills.com
Homeownership %
Peaked at around 70%?

Tenure Type and Landlord by numbers:
Australia
### Tenure Type and Landlord by %: Australia

<table>
<thead>
<tr>
<th>Tenure type and owner</th>
<th>2001</th>
<th>2006</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owned outright</td>
<td>39.7%</td>
<td>32.9%</td>
<td>31.3%</td>
</tr>
<tr>
<td>Owned mortgaged</td>
<td>26.5%</td>
<td>32.5%</td>
<td>33.6%</td>
</tr>
<tr>
<td>Market Rent</td>
<td>19.6%</td>
<td>20.4%</td>
<td>22.2%</td>
</tr>
<tr>
<td>State or territory housing authority</td>
<td>4.5%</td>
<td>4.1%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Housing co-operative/community/church group</td>
<td>0.6%</td>
<td>0.7%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Not Stated/ Misc other</td>
<td>9.0%</td>
<td>9.5%</td>
<td>8.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Statistics Canada

### Tenure Type by %: Canada

Source: Statistics Canada

![Graph showing tenure type by % in Canada from 1971 to 2011](chart.png)
Tenure Type by Numbers:
**Canadian**, Occupied homes

- **Rented**
- **Owned**

Tenure Type and Landlord by %:
**UK**

- Social housing stagnant
- Home ownership in decline
- In-betweeners
- Market renting expected to increase
- Opportunity for social landlords and institutions

Source: Savills, CLG, Survey of English Housing
## Tenure Type and Landlord by numbers: UK

<table>
<thead>
<tr>
<th>Tenure Type</th>
<th>2002</th>
<th>2007</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owned</td>
<td>17,761</td>
<td>18,206</td>
<td>17,836</td>
</tr>
<tr>
<td>Market Rented</td>
<td>2,512</td>
<td>3,606</td>
<td>4,920</td>
</tr>
<tr>
<td>Rented Housing Association</td>
<td>1,712</td>
<td>2,303</td>
<td>2,746</td>
</tr>
<tr>
<td>Rented Local Authority</td>
<td>3,540</td>
<td>2,583</td>
<td>2,189</td>
</tr>
<tr>
<td>Other</td>
<td>112</td>
<td>75</td>
<td>75</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>25,636</td>
<td>26,772</td>
<td>27,767</td>
</tr>
</tbody>
</table>

Source: DCLG
savills.com

## Tenure Type by %: US

![Graph showing tenure type by % for US from 1940 to 2010](image)

- Owner Occupied
- Renter Occupied

Source: US Census Bureau
savills.com
Tenure Type by Numbers: **US**, Occupied homes

- **Source:** US Census Bureau

Housing Markets: **Australia**

- House prices beginning to cool
- Interest rates cut to stimulate declining economy
- End of mining boom
- Mixed activity levels between sub markets
- Canberra, Hobart, Darwin – early fallers
Housing Markets: **Canada**

- House price growth slowing
- Mortgage guarantees being limited
- Most markets still modest growth
- But Vancouver and Victoria slipping

Housing Markets: **UK**

- Prime London peaked
- Wave of price rises moving outwards
- Constrained but mortgage control
- Economy recovering
Housing Markets: US

- Continuing to grow stronger
- Modest economic growth
- Demand up
- Construction up
- Foreclosures down

Central bank rates: Current

<table>
<thead>
<tr>
<th>Current Central Bank Rates</th>
<th>Rate</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>2.50%</td>
<td>06-Aug-13</td>
</tr>
<tr>
<td>Canada</td>
<td>1.00%</td>
<td>08-Sep-10</td>
</tr>
<tr>
<td>Great Britain</td>
<td>0.50%</td>
<td>05-Mar-09</td>
</tr>
<tr>
<td>United States</td>
<td>0.25%</td>
<td>16-Sep-08</td>
</tr>
</tbody>
</table>

Source: Global-rates.com
Central bank rates: history

Current and history

Australia

Canada

UK

US

Source: Global-rates.com

Housing Starts: How do we compare?

000's per annum

Source: HIA, DMHC, DCLG, US Census
Housing Starts: How do we compare?
Indexed to 100 as at 2007

House price growth rates compared
Change over previous 12 months. % Real.

Source: HIA, CMHC, DCLG, US Census
savills.com

Source: OECD Economic Outlook. May 2014
savills.com
House prices last 12 mths: How do we compare?

House Price Growth by Country to 2013 Q4 or latest

IMF Global House prices

Heady days ahead?
Following a post-crisis stagnation period, global house prices have risen 7 quarters in a row.

Sources: OECD, Global Property Guide, Haver, and IMF calculations
House price growth: Global vs Country
Indexed back to 2000: Global

Source: OECD Economic Outlook. May 2014
savills.com

House price growth: Global vs Country
Indexed back to 2000: with US

Source: OECD Economic Outlook. May 2014
savills.com
House price growth: Global vs Country
Indexed back to 2000: with US & UK

Source: OECD Economic Outlook. May 2014

savills.com

House price growth: Global vs Country
Indexed back to 2000: With US, UK & Can

Source: OECD Economic Outlook. May 2014

savills.com
House price growth: Global vs Country
Indexed back to 2000: with US, UK, Can & Aus

Source: OECD Economic Outlook. May 2014

House Price Growth & GDP
Global

Source: IMF, OECD
House Price Growth & GDP

Australia

House Price Growth & GDP

Canada
House Price Growth & GDP
United Kingdom

Source: IMF, OECD
savills.com

House Price Growth & GDP
United States

Source: IMF, OECD
savills.com
Out of alignment?
House prices ahead of rents
House prices vs rents: Deviation in relationship from historical average. 12 months to Q4 2013. %.

Source: OECD; IMF

Housing Affordability: World picture
Housing expenditure as a percentage of gross adjusted disposable income. 2011

Source: OECD
House Prices marching ahead of Household Incomes

House prices & Relationship to Household Incomes:
Comparison to historical average %

Measuring Affordability:
House Price to Income Ratios
Affordability
10th Annual Demographia International Housing Affordability Survey 2014

- Housing Affordability Assessed by “Median Affordability Rating”

  Median Affordability Rating = median house price divided by median household income

- Reliable and easy to understand

- Easy to compare internationally

- But doesn’t pick up fluctuations in outgoings, mortgage rates etc

Affordability: countries compared
10th Annual Demographia International Housing Affordability Survey 2014

<table>
<thead>
<tr>
<th>Country (all markets)</th>
<th>Median Affordability Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>5.5</td>
</tr>
<tr>
<td>Canada</td>
<td>3.9</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>4.9</td>
</tr>
<tr>
<td>United States</td>
<td>3.4</td>
</tr>
</tbody>
</table>

Median Affordability Rating:
median house price divided by median household income
Housing Affordability Ratings by Nation: All markets, by numbers
10th Annual Demographia International Housing Affordability Survey 2014

<table>
<thead>
<tr>
<th>Number of Markets</th>
<th>Affordable (3.0 &amp; under)</th>
<th>Moderately unaffordable (3.1-4.0)</th>
<th>Seriously unaffordable (4.1-5.0)</th>
<th>Severely unaffordable (5.1 &amp; over)</th>
<th>Total markets</th>
<th>Median Affordability Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>0</td>
<td>0</td>
<td>14</td>
<td>25</td>
<td>39</td>
<td>5.5</td>
</tr>
<tr>
<td>Canada</td>
<td>7</td>
<td>17</td>
<td>6</td>
<td>5</td>
<td>35</td>
<td>3.9</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>0</td>
<td>3</td>
<td>15</td>
<td>15</td>
<td>33</td>
<td>4.9</td>
</tr>
<tr>
<td>United States</td>
<td>84</td>
<td>100</td>
<td>29</td>
<td>23</td>
<td>236</td>
<td>3.4</td>
</tr>
</tbody>
</table>

Housing Affordability Ratings by Nation: by % of markets
10th Annual Demographia International Housing Affordability Survey 2014

- **Australia**
  - Affordable (3.0 & under): 36%
  - Moderately unaffordable (3.1-4.0): 64%

- **Canada**
  - Affordable (3.0 & under): 14%
  - Moderately unaffordable (3.1-4.0): 49%
  - Seriously unaffordable (4.1-5.0): 17%
  - Severely unaffordable (5.1 & over): 20%

- **United Kingdom**
  - Affordable (3.0 & under): 45%
  - Moderately unaffordable (3.1-4.0): 45%

- **United States**
  - Affordable (3.0 & under): 31%
  - Moderately unaffordable (3.1-4.0): 42%
  - Seriously unaffordable (4.1-5.0): 10%
  - Severely unaffordable (5.1 & over): 12%
Housing Affordability Trend: **Australian** major markets: 1981 - 2013

Source: 10th Annual Demographia International Housing Affordability Survey (2013: 3rd quarter)

Housing Affordability Trend: **Canadian** major markets: 2004 - 2013

Source: 10th Annual Demographia International Housing Affordability Survey (2013: 3rd quarter)
Housing Affordability Trend: **US 10 largest** major markets: 2004 - 2013

Source: 10th Annual Demographia International Housing Affordability Survey (2013: 3rd quarter)

---

Housing Affordability: **United Kingdom**

<table>
<thead>
<tr>
<th>Affordable. Median multiple under 3.0</th>
<th>Moderately Unaffordable Median Multiple 3.1 – 4.0</th>
<th>Severely unaffordable. Median Multiple 5.1 &amp; over</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>Belfast, Falkirk</td>
<td>Bristol, Bath, Liverpool &amp; Merseyside, London, Bournemouth &amp; Dorset</td>
</tr>
<tr>
<td></td>
<td></td>
<td>East &amp; South East England, Plymouth and Devon, Stoke &amp; Staffordshire</td>
</tr>
</tbody>
</table>

Source: 10th Annual Demographia International Housing Affordability Survey (2013: 3rd quarter)
Housing Affordability: **Australia** - major markets

Source: 10th Annual Demographia International Housing Affordability Survey (2013: 3rd quarter)

Housing Affordability: **Canada** - major markets

Source: 10th Annual Demographia International Housing Affordability Survey (2013: 3rd quarter)
Housing Affordability:
**UK** - major markets

Source: 10th Annual Demographia International Housing Affordability Survey (2013: 3rd quarter)

Housing Affordability:
**US** - major markets
Housing Affordability: Aus, Can, UK, US
Major markets

Source: 10th Annual Demographia International Housing Affordability Survey (2013: 3rd quarter)
savills.com

Housing Affordability: Aus, Can, UK, US
severely unaffordable markets 5.1 plus

Source: 10th Annual Demographia International Housing Affordability Survey (2013: 3rd quarter)
savills.com
Thank you

Robert Grundy
Head of Housing
Housing Division
Savills, 33 Margaret Street
London, W1G 0JD

+44 (0) 20 7409 5995
rgrundy@savills.com