

# Housing Sector Update

January 2022

## Getting by just got a little bit harder

Statistics released in January indicate that UK **households are struggling to support their standard of living as costs rise**. They put less money in the bank in December, depositing only £2.7 billion compared to a monthly average of £10.6 billion over the previous year. Borrowing increased by £800 million, a significant jump from the average monthly increase of £700 million over the previous 6 months. In some years this could be attributed to a healthy increase in consumer spending over the holiday season. However, retail sales fell by 3.7% in December and inflation reached a 30 year high of 5.4%, suggesting increased strain as households struggle to pay the bills.

This week the **government is set to announce an increase of the cap on energy prices** by up to 50%. This could see it rise to around £2,000 a year. Advocacy group, *National Energy Action*, predicts this will result in over 2 million more households falling into fuel poverty. Fuel poverty occurs when a person can't afford to keep their home adequately heated. To limit the impact, government will underwrite loans to energy companies which can then be passed on as a rebate to customers. Energy companies can recoup the money from customers to pay back the loans in future years as energy costs drop.

The **end of 2022 saw UK house prices reach a record average of £276,091**. Price increases were initially fuelled by the stamp duty break, which ended in September, but they have been sustained by low interest rates. Prices are expected to increase more slowly this year, as the Bank of England incrementally raises interest rates to contain inflation.

## Merger complete

**Central and Central Housing Trust officially became a subsidiary of Aster Group** on 1 January. The merged group manages around 34,000 homes.

## Release of Levelling Up White Paper

According to the government, the aim of the paper is to "spread opportunity more equally across the UK". It **scraps the '80/20' rule**, which prioritises spending in low affordability areas. The rule resulted in 80% of housing funding being directed to high-cost housing areas in the South and South East of England. The paper also extends the decent homes standard to private rented accommodation. It also lays out a path to devolution. Areas ending up with a directly elected Mayor will have significant control over housing spend and grant funding.

## Major change to housing law in Wales

The Welsh government has announced that the *Renting Homes (Wales) Act* will come into effect on 15 July, 5 years after it was passed. It will prohibit landlords from issuing 'no-fault' evictions during the first 6 months of tenancy, and require the landlords to give at least 6 months' notice. Effectively **protecting tenants in Wales from 'no-fault' evictions for the first 12 months**. The Levelling Up White Paper abolishes 'no-fault' evictions in England.

## Fight over cost of cladding continues

The Housing Secretary, Michael Gove, has scrapped the controversial cladding loan scheme for leaseholders in buildings below 18 metres, and replaced it with a planned **£4 billion fund to cover cladding remediation work**. He intends to compel developers to finance the fund. The proposal affects developers with over £10 million of annual profits from residential developments. Gove will host a series of roundtables with ministers, developers and leaseholders to reach a settlement. However, in an open letter to developers, he threatened to impose a solution through legislation if they resist.