Editor's introduction
Brexit: what next for housing?

By Andrew Heywood

Since Christmas the EU referendum debate has become louder and distinctly less friendly. In February, David Cameron returned from negotiations in Brussels with a deal that was claimed to establish a new relationship between the UK and the EU but which has been greeted with much scepticism.

Boris Johnson, the Conservative Mayor of London was probably the highest profile politician to declare himself in favour of leaving the EU since the Cameron deal, but a number of senior politicians have now declared themselves as supporters of the "out" campaign. Opinion polls have consistently shown voters to be almost equally divided between leaving and staying in the EU with two out of three recent polls showing a small majority in favour of Brexit.

The pound has weakened against the dollar and the euro, reflecting that international markets do not discount the possibility of Brexit and do not like the prospect. As one might expect, there is no consensus in the UK on the broad economic impact of leaving the EU over the medium and longer term. However, many commentators have suggested that a weaker pound and more volatile economy would be likely.

To try and predict the impact of Brexit on the UK housing markets is a distinctly risky venture. Nevertheless, even though housing is not by and large a UK export industry it is difficult to argue that Brexit would have no impact. London house prices are a case in point. Overseas investors have seen London as a safe haven and sound investment in an unstable world; average prices rose by 14% for the year to January 2016. If Brexit led to the UK being perceived as less sound in terms of rising house prices and a stable economy, investors could decide that other cities such as Paris (which already has substantial inward residential investment) were more attractive. A partial exit of overseas buyers could put downward pressure on house prices, which would exacerbate any cyclical downturn. For London homeowners, this raises the prospect of negative equity and inability to move. Developers could curtail future development plans. For those struggling to buy a home, lower house prices might seem like good news, particularly if the London market was no longer indirectly putting upward pressure on prices in the surrounding regions. However, other impacts could wipe out such perceived benefits.

Higher interest rates caused by a weaker pound could cause mortgage rates to rise. This could in turn make housing less affordable, push up mortgage arrears and possessions, and damp down demand. This could cause developers to be more cautious, thus exacerbating the chronic under-supply of new homes in the UK. At a time when the Government's policies are directed towards promoting growth in homeownership at the expense of market and sub-market renting, homeownership levels could continue to fall.

Higher interest rates and a weaker pound could re-enforce the pressure on government to further reduce public spending. Will future governments feel as able to support housing markets and promote homeownership? Currently government support for the UK housing market ranges from provision of mortgage guarantees and equity loans to supply-side grant for affordable housing. Welfare benefits in the form of housing benefit and universal credit underpin the viability of social renting.

Of course, the above impacts may not materialise. However, the UK referendum experience is already illustrating a fundamental economic truth regardless of the outcome of the vote; uncertainty about the future can itself be a destabilising factor.

The first article in this issue of HFI is Housing affordability in the New Europe. In this study, based on a review published by Habitat for Humanity, Wolfgang Amann examines nine countries in Central, Eastern and South Eastern Europe, including Russia and Ukraine. Mr Amann, examines incomes, housing costs and affordability of housing across tenures against the backdrop of the transition from communism, conflict, migration and other challenges.

While HFI focusses mainly on residential property, many readers will find the article by Noah Kofi Karley, The determinants of office rents in Accra, Ghana to be of genuine interest and of indirect relevance for the determination of rents in the residential rented sector. Accra has some of the highest premium office rents in the world. The author traces the key determinants of demand and supply of office space which in turn determine rental levels. The article provides a fascinating insight into the range of factors at work, from location to government policies.

This issue contains two articles on India, in Financing homeownership: some sectoral perspectives, RV Verma, former Chairman and Managing Director of the National Housing Bank of India, examines the financial issues surrounding the expansion of homeownership in India. He concludes that there is tremendous potential for the mortgage industry to expand from its current position, where mortgage debt as a percentage of GDP is around 9%. Our second article from India is by Francis Eddu. He points to population projections suggesting that by 2050 the Indian population will increase by 900 million. This highlights the need for additional housing, particularly for those without access to mortgage finance. He then focusses on an innovative low-cost housing project in Telangana state in South-Central India, which aims to provide housing for low income households.

Zaigham Mahmood Rizvi is a regular and respected contributor to this journal. For this issue he has contributed an insightful article Population growth, urbanization and slums: challenges for developing low-Income affordable housing. Drawing on data from around the globe, Mr Rizvi, examines the plight of those who have difficulty accessing suitable affordable housing. With the world population expected to reach almost 11 billion by 2050 and with urbanisation (much of it un-planned) proceeding apace, the need to develop affordable housing in adequate numbers has never been greater. Mr Rizvi articulates many of the issues facing policy makers and planners and suggests solutions.

Our final article draws on research using US Census Bureau American Community Survey data to analyse the relationship between income inequality and the level of homeownership in US urban areas. Interestingly, Daniel Singer and his fellow authors conclude that there is an inverse relationship between inequality of incomes and the level of homeownership, and that programmes to increase homeownership should seek to address the inequality issue.