

Threes

In viewing recent world events some may be reminded that the “rule of three” suggests that things that come in threes are” funnier, more satisfying, or more effective than other numbers of things.”¹ For those of a less optimistic frame of mind the adage that bad luck always hits three times may appear more apposite.

Whatever one’s temperament, three major and unexpected political events have rocked the political scene and rattled financial markets in 2016. All three exhibited the power of anti-establishment sentiment to upset the political and economic status quo and all three could have a major impact on the housing finance industry going forward.

First there was BREXIT. In the UK, the BREXIT debate has now taken on an arcane constitutional turn. The Supreme Court is currently determining whether the UK Parliament or the Government should decide when and whether to trigger Article 50 and leave the EU. These issues look set to rumble on, but in the meantime, half-acknowledged fears that the UK economy could be crippled by BREXIT have led to a re-appraisal of housing policy as the Government dilutes austerity in public spending in the interests of providing a degree of economic stimulus.

The UK government has announced large increases in public spending on housing, aimed at boosting both the private and affordable housing markets. The Government has even reversed a decision taken only a year ago, that grant funding should be used exclusively to promote low-cost homeownership and grant may now be used to build homes for rent where this is necessary to increase new supply. Domestically, BREXIT is already having an impact on housing and mortgage markets, but its international impact is still evolving.

Then there was Trump. The election to the US presidency of a political outsider who challenges commonly-held policy assumptions has been seen by some- notably by Nigel Farage the erstwhile leader of UKIP, as part of the same anti-establishment backlash that led to BREXIT.

Be that as it may, there is now real uncertainty as to what a Trump presidency will mean for the global economy and even for geo-political stability. At home, there is real uncertainty as to how Trump will approach major unresolved issues such as the reform of Fannie Mae and Freddie Mac, and escalating house prices. In terms of housing policy, the appointment of former neurosurgeon Ben Carter to run the Department of Housing and Urban Development [HUD] raises as many questions as it answers; how will a Trump administration square opposition to affirmative action with fair distribution of resources for the inner cities for instance?

And now there is Italy. Although the referendum held on 4th December was formally about reform of Italian governance, the resounding defeat of Matteo Renzi has exposed the strength of populist anti-establishment feeling. The possibility that the 5 Star Movement might ultimately be in the position to hold a referendum on Italy’s membership of the euro caused the currency to fall temporarily. The plight of Italy’s banks, with an estimated 350 billion euro of bad loans, could pose significant wider risks. The prospect of continuing political, economic and financial instability in Italy (and hence in the EU as a whole) can only increase the uncertainty already engendered by BREXIT and the US presidential election.

All this has real implications for anyone involved with the provision of housing finance. Scottish politics have been unusually turbulent over the past two years and it is therefore fitting that our lead article should be an examination of Scottish housing policy. Ken Gibb, looks at emerging trends, analyses the extent to which there is divergence or convergence between English and Scottish policy and asks whether Scotland has a housing policy that is fully coherent and fit for purpose.

The election of Donald Trump has heightened debate about the appropriate international stance towards Putin’s Russia and has introduced uncertainty about the future trajectory of the relationship between the US and Russia.

We are therefore pleased to welcome Marina Khmelitskaya back to the pages of *Housing Finance International*. The title of her article in this issue is *Housing and housing finance in Russia at a time of crisis*. The article examines the impact of Russia’s economic crisis- caused in large part by sanctions and falling oil prices, on housing and housing finance markets and on the implementation of housing policy.

The New Year is a good time to remember those who do not have access to an adequate living environment. In his paper, *Pro-poor housing and energy poverty*, Zaigham Rizvi offers a clear analysis of the issues associated with providing decent housing and sustainable energy for those on low-to-middle incomes in an urban context. It has been estimated that globally, around 330 million urban households live in substandard homes and are financially overstretched.

Austria is the subject of a paper by Sandra Jurasszovich and Wolfgang Amann, based on a report for the UN Habitat III conference. The authors offer a very helpful overview of Austrian housing markets with emphasis on affordability and the provision of social housing. In the latter context, there are some valuable sections on limited-profit housing associations; a model that has worked well in Austria over many years.

In our final in-depth article, *Tracking changes in European housing finance*, Jens Lunde and Christine Whitehead draw on their recently published book *Milestones in European housing finance* to analyse how mortgage and funding markets have evolved over the twenty-five-year period since 1990 and to highlight how markets and regulators have reacted to the Global Financial Crisis [GFC].

As we look forward to 2017, the need for those involved in the provision and promotion of housing finance to keep informed has never been more apparent. *Housing Finance International* will engage with the key issues over the coming period, providing our usual depth of analysis at a national, regional and global level. Happy New Year.

¹ Wikipedia