

*improving living in scotland*



18<sup>th</sup> June 2008

**Dear MSP**

It was encouraging to see such a good turn out at our reception in the Garden Lobby yesterday evening. Thank you to all those who were able to attend. I hope that, from the presentation given at the reception, the various conversations you will have had with home builders and the significant press coverage of recent weeks, you are now all well aware of the severity of the situation which the industry is now facing. For those who were unable to join us, I have summarised the key points below. I do hope we can rely on your support to press these home at every available opportunity.

### **THE CURRENT CONTEXT**

The overly cautious approach being taken by mortgage lenders means that all home purchasers, particularly first time buyers, key workers and those requiring bridging loans, are finding it difficult to secure finance on acceptable terms. This is placing great strain on the production rates of new homes and is resulting in a significant deterioration in general market and consumer confidence. There have been immediate, marked knock-on effects. Indeed, output is falling fast and thousands of jobs within our sector have already been lost. Based on the evidence that we have seen firsthand, together with the daily feedback that we receive from our member companies, we believe these problems are set to intensify without urgent Government action.

1. A large proportion of the 100,000 jobs Scotland-wide (which are directly affected by the health of the home building industry) are now at serious risk. Several thousand have already been lost.
2. The industry annually contributes £6bn to the Scottish economy so even a small reduction in business activity at this scale will have a marked impact on Scottish GDP.
3. Vital investment in community facilities (such as schools, roads and infrastructure) will be lost or significantly delayed until market conditions improve

4. Any weakening in building capacity now will have long-term consequences for The Scottish economy (as 70% of the population are now homeowners) and this will take some time to repair because people and skills lost now will not return for several years

5. Precious few homes of any tenure can be delivered without a buoyant home building sector - one that is confident, and is able to invest in its future.

7. The Scottish Government's ambitious housing targets, which all parties agree are needed to avert a housing crisis, will not be achieved without real political leadership now to help settle the economy and consumer confidence.

8. For the time being, Scotland remains in relatively better shape than the rest of the UK. Baseline consumer demand has not changed in recent months.

**THERE ARE PRACTICAL WAYS IN WHICH THE SCOTTISH GOVERNMENT COULD DIRECTLY SUPPORT THE HEALTH OF THE SECTOR, THESE INCLUDE:**

- demonstrating strong political leadership to help settle the economy and increase consumer confidence
- influencing lenders operating in Scotland to take a more balanced view of any actual risks north of the border
- increasing funding to Registered Social Landlords in order to assist the industry by buying surplus stock and land
- increasing the proportion of funds placed in 'LIFT' and other shared equity schemes to improve availability and affordability generally
- increasing the availability of mortgage to rent funding to protect those who may be most affected by an economic downturn

**WE ARE ALSO ASKING THE SCOTTISH GOVERNMENT TO HELP US TO LOBBY THE UK TREASURY AND BANK OF ENGLAND MONETARY POLICY COMMITTEE BY:**

- requesting improved availability of bridging finance to unblock chains

- demanding a temporary moratorium of stamp duty in order to re-energise the market
- requiring lenders to pass on any falling interest rates to home buyers
- pressing for measures which can be put in place to encourage the return of First Time Buyers (who lack equity and are worst affected by lenders' caution) in order to unblock the sector
- calling for the re-introduction of Income Support/Mortgage Interest Relief Benefits and review thresholds to assist home owners who are facing rising costs across the board.

### **IN CONCLUSION:**

The sustained long term trends, (both in terms of housing output and average house prices), are always upward in spite of the various significant market corrections that have taken place in past decades. Therefore opportunities to make progress and invest for the future do exist, provided we can enable consumer to have the confidence to grab them with both hands.

Scotland has unique characteristics, therefore we should take every opportunity to differentiate our position relative to the rest of the UK wherever possible.

Our task, together with that of Scottish Government, MSPs and policy makers, is to ensure that when market confidence and a more dynamic economic outlook return, as it surely will in the future, the industry is well placed to step up to the plate of increased production at the first practical opportunity. I do hope you are able to help us to achieve our goals.

Thank you, once again for your support. If you have any questions or observations, please do not hesitate to contact me.

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

**Jonathan Fair**  
**17 June 2008**

Beth Hocking  
Membership and Communication  
**Homes for Scotland**  
Tel: 0131 455 8350  
Fax: 0131 455 8360  
Email: [b.hocking@homesforscotland.com](mailto:b.hocking@homesforscotland.com)  
Web: [www.homesforscotland.com](http://www.homesforscotland.com)  
5 New Mart Place, Edinburgh EH14 1RW