

Caroline Flint - Speaking No

38660
9108

7.3% car
sales

State of Housing market

PAPERS FOR
CABINET MEETING
13 MAY 2008

- Colleagues will know the present.
- Leading house price index falls for the first time in recent years. Given present trends, they will clearly show sizeable falls in prices later this year - at best down 5-10% year-on-year.
- House building is also stalling. New starts are already down 10% compared to a year ago. Housebuilders are predicting further falls. Having seen net additions reach roughly 200,000 in each of the last two years, the figure for 2008-09 is almost certain to be well down on that.
- Repossessions are also rising, although we need to remember that the 2007 figure was still only around a third of that in 1991.
- Underlying demand for housing remains high and the fundamentals of the economy are sound. But the market is being affected by the global credit crunch, which is making it difficult for many who would like to buy to do so.
- We can't know how bad it will get. But we need to plan now to put in place effective measures against the risk that it does get worse and to prepare for the up-turn.
- We are continuing to monitor the situation, and take appropriate action.
- The Chancellor and I met some of the largest mortgage lenders recently to continue discussions on what more the Government and the industry could be doing. I have subsequently met a number of the smaller lenders.
- We are playing our part to get the market moving with the Bank of England's £50 billion liquidity scheme. We have also put in place new measures to ensure the small minority of buyers facing repossession receive the support and advice they need. And I will tomorrow announce a package of measures to assist first time buyers.

But it is vital that we show that at this time of uncertainty we show that we are on people's side:

Repossessions

- Last Friday Alastair and I announced a new package of measures to support home owners.