

UK faces £185bn housing gap – will UK Guarantees help solve the problem?



By **Mellissa Flowerdew-Clarke** on July 5th, 2013
In Bid Response EasyPQQ Propeller News

New research from the **Association for Consultancy and Engineering** (ACE) states that two cities the size of Birmingham are needed by 2021 to avoid a housing gap of 886,000 homes, worth £185bn.

House building has slowed to around 100,000 a year, leaving a housing gap equivalent to size of Portsmouth.

According to **Dr Nelson Ogunshakin OBE**, ACE's Chief Executive, there are currently 650,000 overcrowded homes in England, with the number of people under the age of 34 who own their own homes dropping from 61.5% to 39.8% over the past twenty years.

Dr Ogunshakin said,

"In the last 35 years house prices have risen 2035%. That is more than twice the 936%

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It can subsidise unsustainably high mortgages and deposits for people buying new homes, it can prepare for the rising social harm and welfare costs associated with homelessness, transience and over-crowding, or it can overhaul the housing-building market to establish a new model that will deliver enough new homes."

Housing Schemes to Qualify for UK Guarantees

The Government this week announced that regeneration and housings schemes will prequalify for UK Guarantees, as ministers roll out the initiative into the regions.

Regeneration and university accommodation schemes have joined infrastructure projects, such as Hinkley Point C and the Mersey Gateway crossing, as being eligible for the scheme. 25 schemes worth £13.5bn have now been prequalified, with £10bn applying to Hinkley.

When the Government launched the scheme a year ago, it stated it could provide up to £40bn in guarantees to help "priority projects in the infrastructure pipeline" raise finance. It extended the scheme last week for another two years to December 2016, after deals were made on just two projects last year.

The Treasury is currently in talks with the Greater London Authority about a UK guarantee for a £500m regeneration scheme in Tottenham, and is welcoming more housing and regeneration projects for talks.

Neil Rutledge, Head of Advisory and Business Development at Clubfinance Project Finance, said,

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"the clear emphasis on housing in the review shows that the Treasury now understands that the lack of affordable housing may be holding the economy back. I would expect to see IUK using UK Guarantees as a way of prioritising regeneration projects that they think make a difference."

Richard Threlfall, UK Head of Infrastructure at KPMG, has called for the Treasury to be clearer in the types of schemes winning backing, as the criteria seems to have widened, opening up opportunities for projects which are now eligible to apply.

Current UK Guarantees:

- £14bn Hinkley Project C
- £2bn Mersey Gateway
- £700m Drax biomass project, Selby
- Northern Line extension to Battersea
- Schemes for universities outside of the Russell Group have been flagged for support
- Potential guarantees for a gas storage facility and for a deal which the European Investment Bank would lend money to a UK company developing infrastructure to help bring more capacity to the UK.

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