



HOMES FOR SCOTLAND

improving living in scotland

**Chairman's Speech
Annual Lunch
Friday 1 May 2009**

Good afternoon Ladies and Gentlemen,

On behalf of the Board and our Executive Team, it gives me tremendous pleasure to welcome you to the 2009 Homes for Scotland Annual Lunch and Awards ceremony here at the EICC in Edinburgh.

This is my first full day as Chairman, having just taken up the reins at our AGM this morning, so I'm sure you will be gentle with me during the course of what is our most important event of the year!

I'd like to extend a very warm welcome to our top table, keynote speaker, judging panel, headline lunch sponsors (Bell & Scott), our guests, together with all of our members and associates that have joined us to recognise and reward the talented people within our industry.

As the theme behind me suggests, the past twelve months have been a year full of challenges and fundamental changes within our industry.

However, we know all too well personally how we have felt during that time and are now probably punch drunk with the past 12 months with the torrent of economic woes, staff losses and other unpleasant decisions that our members have had to make ...

So today is not going to be allowed to progress like a wake after a funeral!

No ... much more importantly and positively, part of today is about recognising the success and resolute progress that we have all been able to achieve in spite of what has happened all around us ... because the industry is alive and kicking! Still contributing to the Scottish economy, still putting roofs over families' heads. We may even now be starting to consider how to bounce back when the conditions are right for us to do so.

Each and every one of us in this room have a vitally important role to play when that time comes ... so we need to be prepared, focused, willing and able to shape and subsequently grab those opportunities with both hands when they come our way.

This year's Awards theme – "People" - was specifically designed to allow us to do just that, because it is the skills and achievements of all those people who still remain within the industry that will be key to taking us beyond the current crisis and implementing its recovery in the months and years ahead.

So I'd like to take this opportunity to thank our generous lunch sponsors Bell & Scott, pre-lunch drinks reception sponsors Bank of Scotland Corporate and with each of our People Award sponsors (Foster Roofing, Halliday Fraser Munro, Powerwall Systems, BRE, NHBC, Paull & Williamsons and Savills), all of whom have shared our vision, wanted to recognise your achievements and been wholly committed to the success of our event today.

All of us within Homes for Scotland, along with each of our members, have been tremendously active in dealing with the pressing issues of the "here and now" during this past year, as even just a cursory glance at our Annual Report and Activity Summary will demonstrate, and we are all indebted to the sterling work and tireless efforts of our Chief Executive and his supporting team.

As your new Chairman, over the coming period I want to continue to support that focused range of actions within our Executive Team whilst also giving our Board an expanded sense of strategic direction and leadership.

The future long-term trends and direction of travel for our industry as a whole are particularly difficult to decipher at this very time, especially in a constantly changing regulatory environment.

Nonetheless, we have been able to identify, review and comment on many of the developing themes for the future, (often at the very earliest opportunity), due to the constant interaction and communication we enjoy with our active membership. In that context, the future funding and provision of new infrastructure investment, both physical and community-based, in support of housing development, together with the rapidly changing policy environment surrounding public and private financial investment in housing supply, are two of the most fundamental issues that we face.

Our continued involvement in the reconvened "Housing Supply Task Force", which has been refocused on strategic issues under newly appointed Housing and Communities Minister Alex Neil MSP is especially timely.

Turning to such strategic issues, the Scottish Government remains committed to stretching goals here surrounding "Sustainable Economic Growth" that would be the envy of the rest of the UK. In that respect, effective Housing Supply with its recognised capacity to drive economic recovery has seldom ever been as high up the Policy agenda as at the present time.

The fundamental demand for new homes has not simply evaporated. Indeed, current tight lending conditions and our inability to bring forward new supply in response to

increasing customer interest actually strengthen the short-term need for new homes across Scotland if we are to avoid the “boom & bust” cycles which now appear to be so abhorrent to politicians.

This is leading us into a much wider debate in relation to the future tenure mix of housing supply in Scotland ... however, in having that debate, there can be no doubt that the majority of Scots will still continue to own, or aspire to own, their own home.

In attempting to lead recovery in the market and unblock new home supply, this fundamental reality must be taken seriously by our Government, politicians, planners, housing professionals and, particularly, funders in both their corporate funding and mortgage lending silos.

Whilst great play has been made of “accelerated” public investment in affordable housing delivery, the reality is that to date the public resources committed to these programmes fall far short of what is actually required just to stand still in housing supply, far less increase it in the longer-term towards those most pressing aspirational targets that we all in Scotland hold so dear.

Therefore, we must continue to hold Government, public agencies and funding partners alike to account over their role and ability to work effectively with the private sector to meet Scotland’s housing supply demands and lead our nation back out of recession and onto the road to recovery.

WE are not asking for a bottomless pit of handouts or bailouts, but simply the best possible environment for us to invest in Scotland’s future communities, skills and leading businesses at a time when the case for such investment is at its most compelling.

In working with Local Authorities and their individual Planning teams on a day to day basis, it is clear that, whilst much change to primary legislation and national frameworks has indeed been completed, the fundamental “local” culture that sits behind these good intentions has still to improve by anything like the same magnitude.

Plan-led systems that they have relied upon for the last decades now largely consist of land supply allocations that cannot be considered as viable in the short to medium term. We must as a result see concerted efforts to increase land supply and open up new opportunities for development on a wholly different economic basis if industry activity is to be sustained and then recover in due course.

The new Planning System so far appears to have become much faster at refusing applications but considerably slower in approving them. It’s certainly not yet enabling, encouraging and promoting them to the local community in the kind of ways that we had all hoped for.

Given this context and the vitally important political messages that sit behind it, it is particularly disappointing that Scottish Government has not been able to field a single

Cabinet Secretary or even a Minister to address our annual lunch today. Shame on them ... but they are undoubtedly the poorer for it!

That said, much of the wider economic and financial frameworks within which we are having to operate have been developed and shaped by UK-wide bodies and organisations.

The corporate funding environment and retail mortgage market have changed beyond recognition over the past twelve months and this means we have to engage and work with banking sector colleagues to a far greater degree than ever before.

Our keynote speaker Michael Coogan – Director General of CML will no doubt be able to cast some very helpful light upon future trends and influences in this connection later in his speech, but we must be clear and remind the lenders that they have a significant role to play in getting our industry and the economy off its knees and that they must adjust their appetite for investing in existing stock to the detriment of new housing – after all, these are where real jobs in our sector and the broader economy depend.

We have been at the forefront of measures to improve transparency and recover confidence in retail lending to our sector through the development and implementation of the CML Disclosure of Information Forms and their useful Q&A guide - both of which have been hailed as a great step forward by lenders and valuers alike.

This process was designed to ensure that the legitimate, professional and responsible businesses (as represented within our membership) were not blindly penalised as a result of actions of those who continually try to operate mortgage fraud schemes on the margins of legal business practice.

Unfortunately, and if I was being brutally frank, that level of transparency and openness coming forward from the industry has not yet been fully reciprocated by all lenders, some of whom appear to continue to want to force down valuations simply as an additional means to control their own product demands or mortgage book risks.

Recently published RICS guidance on the Valuation of New Build properties is useful, but it remains wholly silent on the issue of “lender specific instructions” - the very tool that allows this valuation virus to continue unchecked.

This is an issue that Homes for Scotland has lobbied both CML and RICS on very directly over the past few months and I’m sure that progress could be made on this shortly.

In the meantime, we must as an industry focus on new horizons which haven’t evaporated from our thinking, even whilst we were dealing with more pressing and immediate issues of the past eighteen months!

The policy impetus that is driving us toward a low carbon economy continues. Low and zero carbon buildings for the future are clearly being signalled as a key way to mitigate against the impacts of unstoppable climate change.

This is an agenda that the industry fully understands and engages with, after all it did sign up to the Sullivan Report. Yet a recent SBS/BRE report demonstrated that we have already reduced the carbon emissions of the average Scottish house by well over 60% from their 1990 levels.

Critically, in an environment where production costs are still rising but land values have been falling significantly, and indeed new home values themselves have also reduced, then it just isn't possible for the industry to swallow all of these costs without passing them on directly to customers.

Inevitably, such a move would further reduce new home supply at the precise moment in time when we all want to achieve the opposite.

So it is necessary for us to question the pace by which Building and Planning standards are to be raised in the course of the coming 2010 suite of standards.

Breathing space, to allow us to recalibrate our business models, appraisals and market knowledge, is required before our industry can step forward again on this road towards a low carbon economy.

On an entirely different but related theme, the OFT has taken a keen interest in the activities of house builders across the whole of the UK in recent times. Their market study report largely gave the industry a clean bill of health and that was a great testament to the tireless input and engagement of Homes for Scotland with OFT representatives throughout that period.

But the industry did not get off "scot free". Customer service standards, the quality of new build homes and the contract information provided to buyers were at times found to fall short of the standards that any of us would want to promote. In response, the OFT and our industry have agreed upon the implementation of a far-reaching and fundamentally different Code of Conduct for House Builders – to be implemented by March 2010.

Delivering this Code, which Homes for Scotland is committed to doing in conjunction with other industry bodies and warranty providers, will ensure that we can fully restore consumer confidence and help speed recovery in our sector. It will undoubtedly drive up standards of customer service and product quality even further than they are at present and this would be a real value adder to provide to our customers right now.

I would encourage all our members to fully embrace what is being proposed, carefully think about its impact upon their own business processes and ensure they are ready for

UK-wide implementation which has been committed to by March of next year and capture the obvious business benefits that satisfied customers provide.

Some would say that the events of the last year will drive a generational change in the buying habits of our customers and the industry's internal structures. That is most probably true, but our aspirational targets for future overall housing supply remain, so it's going to be a long-term journey back to the new "norm"!

We must use this current opportunity for thinking space to refresh and renew our progress towards delivering the much needed new homes in the places people want to live.

Whilst there is no doubt that we are in the middle of a sharp contraction in the whole of the economy, in every other cycle of this kind, no matter how deep, full economic recovery has always been "led out" by strong resurgent investment in housing and construction activities.

So whilst we may have been the first sector into the recession it is highly likely that we will also be one of the first to come out of other side.

The 1st quarter trends for 2009 have improved from Q4 2008, with the stronger levels of sustained footfall and customer interest in new house purchase albeit volume sales remain well down on 2007.

It is still the case that twice as many people are seriously interested in buying a new home than are currently able to follow through and complete a purchase, so demand does continue in spite of rumours to the contrary.

Conversion and signing off the deal as ever remains the key to survival.

Our members have been very adept at reducing levels of work in progress and trading out of higher stock levels, so the days of systematic discounting are numbered!

This means that an important "tipping point" is coming, when large swathes of our sector will simply have to find ways to actively fund strategic growth and restart their pipelines of production if supply in response to market demand is to be resurrected. Some have already begun to tentatively breathe life back into their mothballed sites. If this becomes a wider trend then it will send a very positive message to the market ... that house building in Scotland is indeed still alive and kicking!

On that positive note, and finally in conclusion, I must use this opportunity to extend a huge thanks to:

Andrew Mickel, – our immediate past Chair for his boundless energy, wit and positive outlook. Whilst handing over the reins to me today, he has also kindly agreed to fulfil a further year as my "Vice Chair" to ensure we achieve the maximum stability and

consistency of leadership within Homes for Scotland during what has been a truly turbulent period.

our Board - for unquestioningly continuing to give of their time, strategic leadership and experience, to the benefit of the whole organisation

to the Executive team - led by our Chief Executive Jonathan Fair, who make all of this possible. I'm looking forward to working with you all even more closely over the coming year.

but most importantly to all of you, - our members and associates for your unshakeable support as well as absolute commitment and engagement with our many activities.

Thank you for your attention and please thoroughly enjoy today's Lunch and People Awards ceremony!

John Low