

JUSTIN'S COMMENTARY

SEVEN 
Investment Management

Justin Urquhart Stewart is one of the most recognisable and trusted market commentators on television, radio and in the press. Originally trained as a lawyer he has observed the retail market industry for 30 years whilst in corporate banking and stockbroking, and has developed a unique understanding of the market's roles and benefits for the private investor.



UK Housing

When it comes to housing policy, Governments of all hues look like desperate men trying to catch an untrained dog. The more they shout, the further away it runs, then they go one direction and it will go the other. This has been carrying on for decades with little realisation that some more radical action is going to be necessary.

The FT had some interesting figures which highlight our housing failures, when you see that between April 1969 and April 1979 we started an average of 260,000 dwellings in England. Then if we roll forward to 2008- 9 this reduced to a paltry 88,000 and then by 2014 -15 increased marginally to 138,000.

To answer this, the Government has over the years come up with an array of ideas of varying complexity including more 'starter homes', 'help to buy shared ownership homes' and some 'rent to buy homes'. All of these will have some impact, although some of the rules around them are likely to confound many. However even if you add all these up, we are still going to be significantly further behind the numbers we will need. So if we did build 138,000 last year, that is nearly 100,000 short of what we will be needed, which is 240,000 every year.

'just keeping pace with demand and certainly won't be tipping the supply numbers so far that prices might start to level or even fall.'

Even this figure though is only to achieve that we probably need to be aiming for something closer to 300,000 per annum to make housing more affordable. The trouble is that the longer we let this shortfall continue, the further the dog runs away.

So what is to be done? Time for some more radical changes in ideas. Firstly is the fixation we have that we all must own our homes. The number of owner occupied homes has been steadily

dropping with a figure of 60% for the UK and even lower at just 40% for London. We could adjust the leasehold laws to allow for longer periods of assured tenancy. This would give assurance to both tenants and landlords, that leases are likely to be lower for longer periods, and tenants can redirect what would have been significant amounts of mortgage interest charges into their longer term savings and pensions. That could easily be in excess of several hundred thousands of pounds. This doesn't address the issue of the number of new houses, but it could at least ease some of the pressure to buy.

Secondly we could create significant inducements for local governments, and especially those in cities and conurbations, to redevelop their brownfield sites. To be fair this has started in some areas, but a lot more could be done to accelerate these moves, especially with inner city sites.

Thirdly and the most controversially would be the use of the green belts around cities. Many of these hark back to a quieter world, but their structure and design needs to be re-thought given the pressures of today. More effective transport infrastructure to new larger scale developments will allow new build demand to spread around the country. An example is Peterborough, where virtually a new town (although in fact an old one) was developed with the high speed train down to Kings Cross. This has meant that such a trip is easily commutable and this has relieved some housing pressures. The trouble is we need another ten Peterboroughs. Thus a redesign for certain areas of the green belt will be essential to get the necessary supply levels up. Unfortunately any number of "clever" schemes won't achieve the necessary goals in the right time frame. Governments are going to have to grasp a very sensitive nettle - there are after all lots of nettles in the green belt.

A brief glimpse for Williams and Glyn's?

Although it can date part of its roots back to 1771, with the founding of the private bank, Williams Deacon & Co, the bank remained independent before being taken over by Royal Bank of Scotland (RBS) on the eve of the Second World War as it struggled to compete with larger rivals. The Williams & Glyn brand only came into being in 1969 following RBS's merger with National Commercial Bank and was used as the brand name for the lender's 326 branches across England and Wales. However, only 15 years after being brought back to life, the Williams & Glyn's names were lost once again when RBS decided to merge the business with its English subsidiary to form the new Royal Bank of Scotland Plc.

The banking bailout of 2009, the European Commission required that some part of its branch network be spun out and thus the bank and the brand is probably coming back. It will have some 300 branches, employ around 4,500 staff and have 1.8 million personal customers. On the business side it should have 250,000 small business customers and around 1,200 medium sized business customers with around £20 billion of loans.

However before the brand even sees the light of day again, it may not appear as before. The RBS have already sold 49% to the private equity firm Corsair Capital for £600m before flotation and there is significant mutter from the gutter that some banks may already see themselves as potential buyers possibly valuing the business at £1.7bn. The Spanish bank, Sabadell, which recently bought TSB after it was spun out of Lloyds has been mentioned. So it may be an old brand back again but under a new name.

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And finally...A 22-year-old man suspected of breaking into homes in Florida recently was killed. This came about as he was trying to escape but unfortunately was partially eaten by an 11-foot (3.4 metres) alligator as he waded into a lake.

An autopsy on the man, a Mr Matthew Riggins of Palm Bay, determined that he drowned after an apparent alligator attack. A necropsy on the alligator revealed parts of the man's body in the reptile's stomach.

Sheriff's deputies chased Riggins and another suspect with dogs and a helicopter after residents in the community reported two men walking behind houses.

No suspects were caught that night. Riggins was reported missing by his family when he did not return home. His body was found 10 days later floating in a lake, with an aggressive gator standing guard, sheriff's Major Tod Goodyear said.

"I believe he was hiding", Goodyear said of how Riggins ended up in the lake. "With the dogs out there, it's not a bad idea to go into the water."

Yes, but only if you don't think that there are alligators out and about!

Have a good week.

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