

The Government's Housing Strategy is a step in the right direction, but the goal of constructing enough homes for the projected increase in households is slipping out of our grasp.

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Last week saw the concomitant announcement of the government's intention to build almost half a million new homes by 2015, and a 99 per cent drop in affordable housing construction. [Christine Whitehead](#) finds the government's strategy to be an encouraging move but it is essentially lacking in efforts to source a long-term solution to the housing crisis.



It was a unhappy 'coincidence' that the Government's Housing Strategy to get Britain building was announced one day before the latest affordable housing figures showed that only 464 affordable homes were started in England over the six months from April to September 2011. Yet the strongest part of the government announcement made on Monday 21st November is probably the expectation of building 170,000 new affordable homes by 2015.

Why is this – given the apparent astonishing fall by over 95 per cent from the same period the year before? Last year's figures reflected the final stages of the Labour stimulus package which has been effectively delivered on time (mainly by supporting shovel ready projects which had been stalled by the last of development finance). The 170,000 to be built by 2015 equally reflects the current government policy. The coalition has put in place a new 'affordable rents' regime by which rents on newly built affordable homes may be as high as 80% of market value which enables housing associations and other social providers to borrow more and thus develop more homes.

Under this scheme contracts have been put in place between the Homes and Communities Agency and social providers to build 170,000 new homes – significantly above the average for the last three years. The six months figures announced on Tuesday reflect the interregnum between the two schemes – a cost of change but one which the government argues will be offset by the sustainability of the new approach. As the contracts have been put in place – and there are large costs to providers for not maintaining the required output – this part of the government's housing strategy has a reasonable chance of success.

The other elements of the Strategy are less certain to produce effective results, at least in the short term. There are four other important strands to the strategy:

- (i) a 'Get Britain Building Fund' for which developers can compete to get further shovel ready projects completed;
- (ii) an industry mortgage guarantee scheme backed by government which aims to help 100,000 mainly first time buyers to buy new build housing with mortgages of up to 95 per cent of value;
- (iii) an improved Right to Buy offer which will enable more council tenants and housing association tenants with a preserved Right to Buy to purchase their homes – and allow a one to one replacement of affordable homes;
- (iv) the release of public sector land for house building based on 'buy now, pay later', so reducing the funding requirements faced by developers.

The first of these should prove relatively successful as it simply follows on from the earlier stimulus package and involves no obvious additional complications. Even so it will not start until next year.

The second is far more problematic as the rules are not in place and may take a long time to clarify. There are also concerns that it will support non prudential lending –although this does not have to be a problem given how many people with good and secure incomes are finding it difficult to secure a deposit. Yet this scheme needs a lot of managing and is likely to take some time to put in place. If, and when, it does start to work it should help support new construction – but at the cost of helping those who regardless should have been able to afford to buy.

The Right to Buy story is equally complex, particularly where preserved Right to Buy is involved, as by

contract the proceeds often go back to the local authority rather than to the association which now owns the property. Also if there is to be a real scale programme, the discounts will have to be large so the promise to build depends on being able to borrow effectively, and to charge higher rents for the new build properties.

Finally, bringing additional public land into use for housing is likely to face long delays given the backlog of undeveloped schemes while there are, as yet, few obvious incentives to encourage local authorities (who own much of this land) to bring land forward at a time when prices are so uncertain.

Overall the elements of the strategy are in line with the Government's stated objectives. More homes will undoubtedly be built as a result but the process is likely to be slower than suggested yet this is a lot better than nothing. However, only improvements in the finance market and in consumer confidence will get us back on track to build even the numbers seen in the early 2000s – itself a time of historically low output levels. Building the numbers necessary to house the projected increase in households over the next few years looks more and more like an unobtainable dream.