Will Affordable Housing Exist in 10 year's time?

Newsletter dated:

3rd September 2015

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Social housing and affordable living

An Englishman's home is said to be his castle, but in ten year's time it may not even be there if the belief continues that house builders will meet demand for affordable dwellings.

The problem is that policymakers are producing proposals to deal with the growing affordability crisis mired by political agendas and some confused, basic economics. A future where no housing exists for those who cannot afford to buy or rent on the open market, once unthinkable, is not now beyond the imagination.

Affordable housing is complex even as a concept, involving those with an absolute need through poverty or infirmity; but there are also others, not otherwise disadvantaged, struggling to buy. Both are important. And as a society we clearly have an additional problem when, in certain areas, even relatively well-paid key workers such as doctors are priced out of ownership.

The consequences for social cohesion when people are unable to meet either needs or aspirations are profound, so the duty of Government to intervene is clear. Both Labour and Conservative governments have wrestled with funding mechanisms to try and increase the particular supply of social housing over the years. But the problem never seems to be eased. Instead, it seeps into further sections of society and could be about to get worse.

We are entering an uncertain world of extended right-to-buy and reductions on how much rent housing associations can charge. Both will make it harder for housing associations to build new homes as there is less cash available to build.

Housebuilders are no philanthropists

The truth is that affordable housing provision does not lend itself well to the ideological underpinning that so often drives policy, including market economics.

Housebuilders have been at pains to point out to George Osborne, the Chancellor of the Exchequer, that they are not in the business of meeting the short supply of housing, however showered with

incentives and exhortations. What they are there to do is meet demand for those who can pay and, above all, to satisfy their shareholders. The mix of units to build, how many and how to make the most profit are at the heart of how builders value a development and how they themselves survive. These are not issues of social policy but raw market economics and there is absolutely nothing wrong with that.

Yet still the weight of expectation has been put upon them. Ins stark terms, the Government seeks to stop giving grants for affordable housing and only offer limited support for developers offering starter homes and shared ownership projects, which does not address the housing crisis.

At present there is not a sustainable position given the range of homes needed across the country and the sheer number. We are in for a rocky ride before this realisation changes Government policy, as I believe it will eventually need to.

When Government does accept the need for a direct role, smaller and medium housing associations may have a part to play. There is every possibility that the Government will use its localism agenda to disguise a U-turn and give grant funding directly to local authorities.

Capping social rents, hence decreasing the ability to build more affordable housing

However, before that happens, affordable housing faces political headwinds. The strongest of these was the decision to force a cut of 1% in housing association rents every year from now until 2020. Good news

for whom? This was a policy to reduce welfare payments rather than anything else.

The result will be fewer homes built as associations find their income decreased dramatically. As simple equation: less cash to build.

The starter home policy means that homes for sale are provided at 20% below the market value by private developers in the main. This may free builders from having to negotiate with local authorities and housing associations over an area’s housing needs, as opposed to what the developer might find most advantageous to sell. Neither, of course, do the changes stimulate an alternative to home ownership. The housing charity, Shelter, has claimed that families on average earnings will not be able to afford these new homes in 58% of local authorities by 2020.

Unfortunately, the public debate around affordable housing is often set in the context of a muddled, sometimes deliberate, irritation over the perceived benefits culture and a political wish to grow home ownership.

Both are proper concerns. However, as a matter of reality, any belief that housebuilders will plug the affordability gap is simply an economic delusion that fundamentally misunderstands how they work. This is no criticism, as both developers and housing associations have a key role to play in a complex housing market.

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