



UK SOCIAL HOUSING MARKET 2012-15



SUMMARY

The Social Housing sector has been one of the victims of reduced government expenditure. The government's targets for increasing the availability of affordable housing are barely being achieved and the new-build programme – worth £4.5bn in 2011 at 2005 prices – will see further decline, notably in 2012. The Decent Homes programme has generated significant work for the £6bn Repair, Maintenance and Improvement sector but this is now largely complete and the effectiveness of the Green Deal will be important in determining the fate of this area over the next few years. Planning is seeking to introduce at least 25% of affordable housing into new developments, no doubt not helping developers' margins when consumer confidence is low and the availability of housing finance is under challenge.

OVERALL MARKET

There are 3 main reasons why social housing is seen as an important part of the government agenda – there is an overall shortage of homes in the UK, there is an even bigger shortage of affordable housing (both for rent and purchase – and a combination of the two) and there has been a major programme to improve the housing stock in the UK, largely through Decent Homes.

However, the Social Housing sector has seen mixed fortunes in recent years. Government support for social housing provision has been cut back sharply, with capital funding for 2011/12 halving to £3.3 billion and the role of the HCA is also being scaled back.

In terms of construction output, the Social Housing market in 2011 was worth £10.5bn at 2005 prices – £4.5bn in new-build and £6bn in Repair, Maintenance and Improvement (RMI).

NEW-BUILD

As shown in the table below, courtesy of CPA, housing starts in 2010 (and correspondingly completions in 2011) saw a major spurt. However, despite the HCA seeking to deliver up to 150,000 affordable new homes during the next four years, this seems optimistic and a figure of less than 100,000 is more likely, especially given the reduction in funding available.

Public Housing Starts and Completions Great Britain

	2010	2011	2012	2013	2014	2015
	Actual	Estimate	Forecast	Forecast	Projection	Projection
Starts (000s)	30,110	26,500	19,900	19,100	19,500	20,500
	15%	-12%	-25%	-4%	2%	5%
Completions (000s)	28,920	31,800	23,900	21,500	21,700	22,800
	-13%	10%	-25%	-10%	1%	5%
Output (£m)	4,367	4,455	3,564	3,350	3,283	3,381
	55%	2%	-20%	-6%	-2%	3%
RM&I Output (£m)	6,446	5,995	5,725	5,782	5,985	6,254
	7%	-7%	-5%	1%	4%	5%

Source: DCLG, ONS, Construction Products Association

REPAIR, MAINTENANCE AND IMPROVEMENT (RMI)

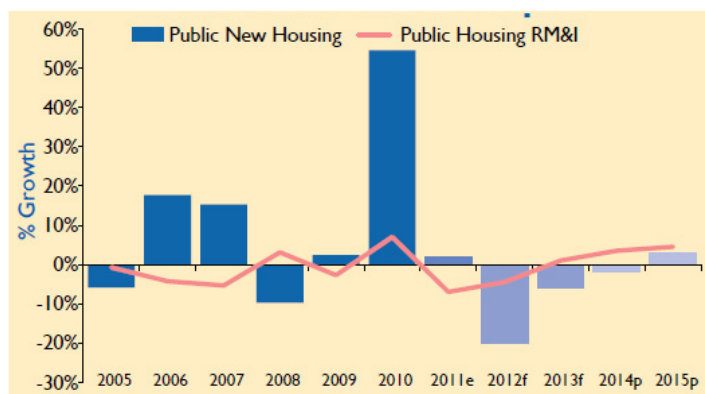
RMI grew by 7% in 2010, at least in part prompted by the need to meet the original Decent Homes target. (In 1997, there were 2.1 million houses owned by local authorities and housing associations that didn't meet the Decent Homes Standard. By the end of 2010, 92% of social housing met the standard of being warm and weatherproof with reasonably modern facilities).

However, output fell in 2011 by 7% and a further decline of 4-5% is anticipated for 2012 before returning to gradual growth from 2013 onwards. Potential funding issues for Decent Homes (notably in England – similar programmes in Wales and Scotland may have more legs, especially the latter) could be at least partially compensated by work under the Green Deal when it is launched in autumn 2012.



The table below from CPA illustrates the generally under-performing RMI sector in recent years.

Public Housing and Public Housing RM&I Construction Output



Source: ONS, Construction Products Association

PLANNING



Recognising the need to encourage the provision of Affordable Housing, Planning Policy Statement 3 (PPS3): Housing (June 2011) states that “The Government is committed to providing high quality housing for people who are unable to access or afford market housing, for example, vulnerable people and key workers as well as helping people make the step from social-rented housing to home ownership”. This includes the fact that “Regional Spatial Strategies should set out the regional approach to addressing affordable housing needs, including the affordable housing target for the region and each housing market area” and that Local Planning Authorities should “Set an overall (i.e. plan-wide) target for the amount of affordable housing to be provided”.

In practical terms, each Local Planning Authority has set its own objectives based on local need, with a 25% provision on new developments being a fairly common base target. For example, the Affordable Housing Viability Study (May 2010) for the City of London tested out varying affordable housing percentages between 30% and 50% (a strategic affordable housing target of 50% had been set out in the 2008 London Plan) It concluded that “affordable housing at a minimum of 30% should be viable and, in some circumstances, a level above 30% could be viable”.



KEY PLAYERS

HOMES AND COMMUNITIES AGENCY (HCA)

Replacing the Housing Corporation in December 2008, the HCA is the non-departmental public body that funds new affordable housing in England. The Affordable Homes Programme 2011-15 (AHP) aims to increase the supply of new affordable homes in England. Throughout 2011-15, the HCA will invest £4.5bn in affordable housing through the Affordable Homes Programme and existing commitments from the previous National Affordable Housing Programme.

In July 2011, it announced details of the successful bidders - almost 150 Housing Associations, Local Authorities, house builders and other providers – set to deliver 80,000 new affordable homes under the £1.8m investment programme.



HOUSING ASSOCIATIONS/RSLs

Other than local authorities, Housing Associations - also registered social landlords (RSLs) – are the main providers of social housing and in particular new build properties. There are over 2,000 Housing Associations in England, currently managing around 1.7 million homes and housing at least twice that many people. They are funded by the HCA with money raised in partnership with the private sector and local authorities.

CONTRACTORS

Leading providers under the Decent Homes programme include Apollo, Bullock, FHM, Lovell, Mansell, Mears, Mitie, Morrison and Wates.