



BUILDING HOMES  
MAKING PLACES  
ENHANCING LIVES

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## Academy of Urbanism

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# 'What Next for Affordable Housing in the UK?'

**Paul Hackett**

CEO, Optivo

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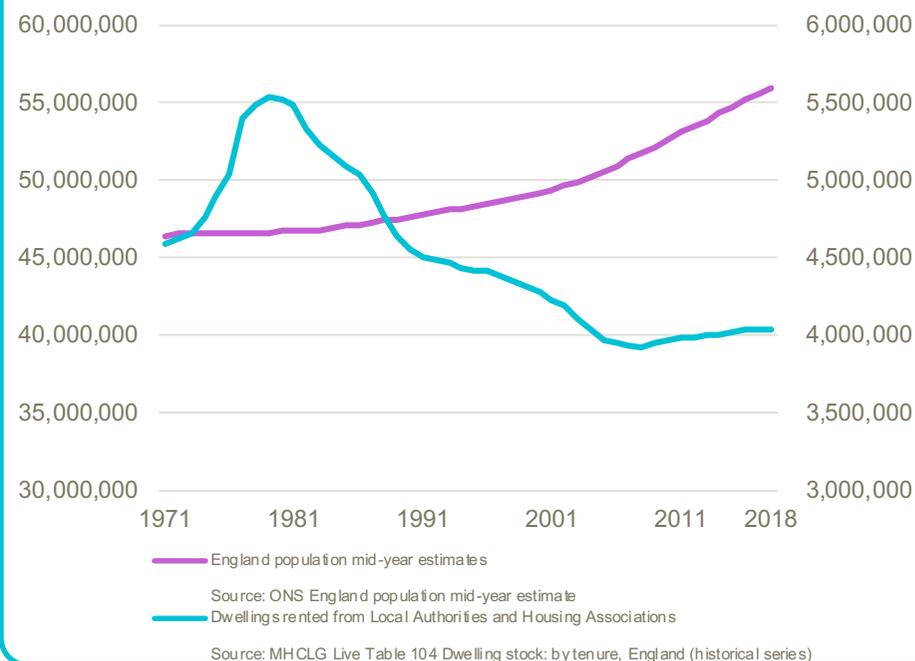


# CONTEXT – THE HOUSING CRISIS



- **1.1m** people on council waiting lists
- **81,000** households living in TA
- House price : income multiple is **8x**
- **145k** affordable homes need to be built pa
- **90k** of which need to be social rent
- 22% increase in 2018-19 to: **57,485**
- 40 years ago there were **5.5m** affordable homes
- Today just over **4m**
- Meanwhile population has grown by **10m**
- **2m** homes lost through RTB

England's population is rising, but it's stock of affordable rented homes is declining

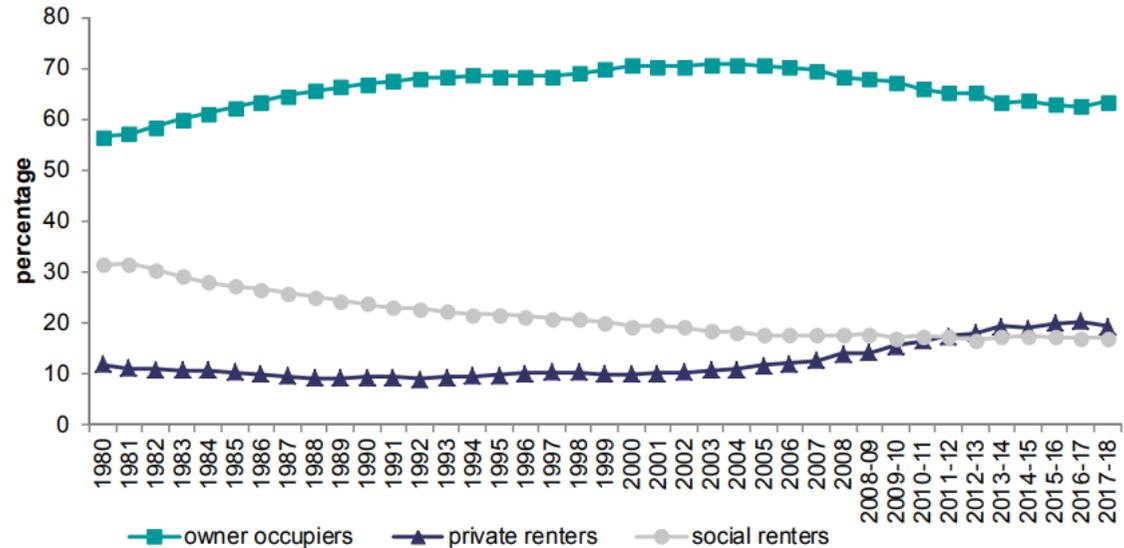


# CONTEXT – HOUSING MARKET IS BROKEN AT EVERY LEVEL



- Not enough social housing
- 1st time buyers struggling with affordability
- Transactions down
- **8m** people in England living in unaffordable, insecure or unsuitable home
- Generation rent – 30% of 24-34yr olds in PRS

Figure 1.1: Trends in tenure (proportions), 1980 to 2017-18



# CONTEXT – HOUSING AFFECTS ECONOMIC PERFORMANCE



- MacLennan
  - Deeper labour pools
  - Deeper markets
- Moretti and Hsieh
  - Economic growth 50% lower than it could be
- UK Labour mobility
  - 25-34 year olds moving for work down 40% over 20 years
- Fertility
  - Higher housing costs = lower birth rates



Why housing matters for economic growth?

Nationally,  
**\$1.6 trillion** a year in lost wages and productivity attributed to insufficient housing production

Source: Hsieh, Chang-Tai and Enrico Moretti. 2018. Housing Constraints and Spatial Misallocation. MBER Working Paper

# INTERNATIONAL COMPARISON: FRANCE v UK



- Population and GDP
  - Population – both c.67m
  - GDP – both c.2.3%
- Funding affordable housing
  - France:
    - long-term, low interest government loans
    - Affordable housing not reliant on cross-subsidy
    - Real HPI <50% of UK
  - UK:
    - Grant c.15% of cost
    - Cross-subsidy dependent
    - Higher land costs
    - Double number of people who spend >40% of income on housing

Measure	France	UK
Home building since 1970	16.7m	8.9m
Expansion of housing stock since 1970	91%	46%
HPI since 1970	232%	480%
Affordable homebuilding p.a.	>100k	<50k

# CONTEXT – HOUSING IS A POLITICAL ISSUE

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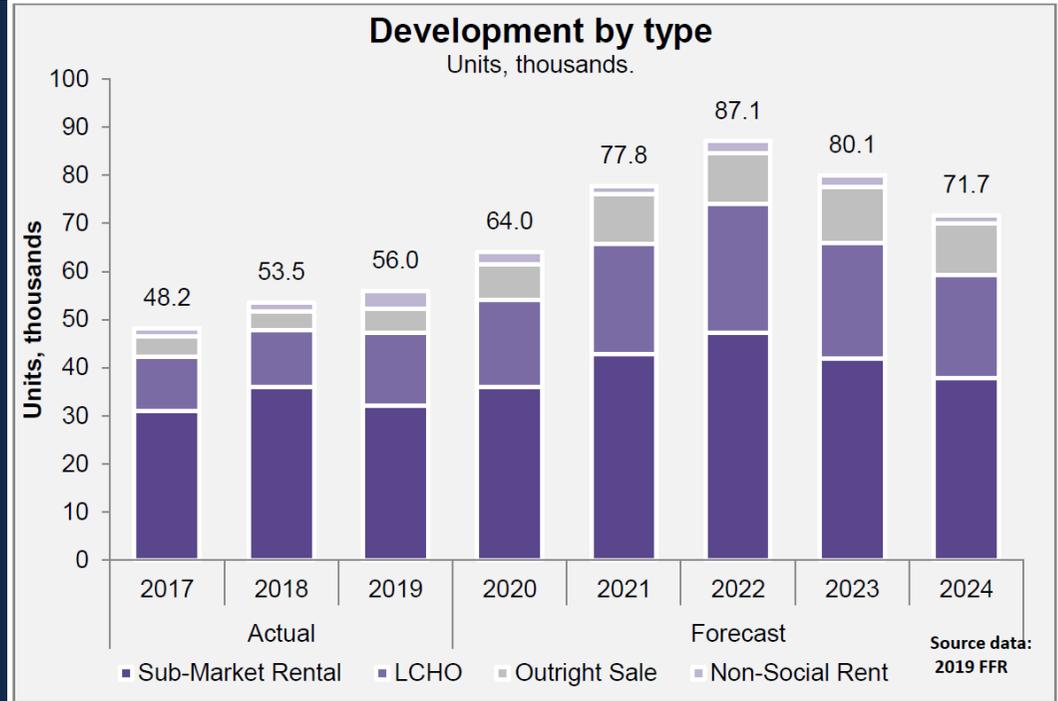


- Politicians need solutions
- Profile and sentiment:
  - British Social Attitude Survey:  
**57% happy to see homes built in their neighbourhood – just 23% opposed**
  - Goldsmith Street wins Stirling Prize

# SO WHAT ARE HAs DOING? – DEVELOPMENT FORECASTS



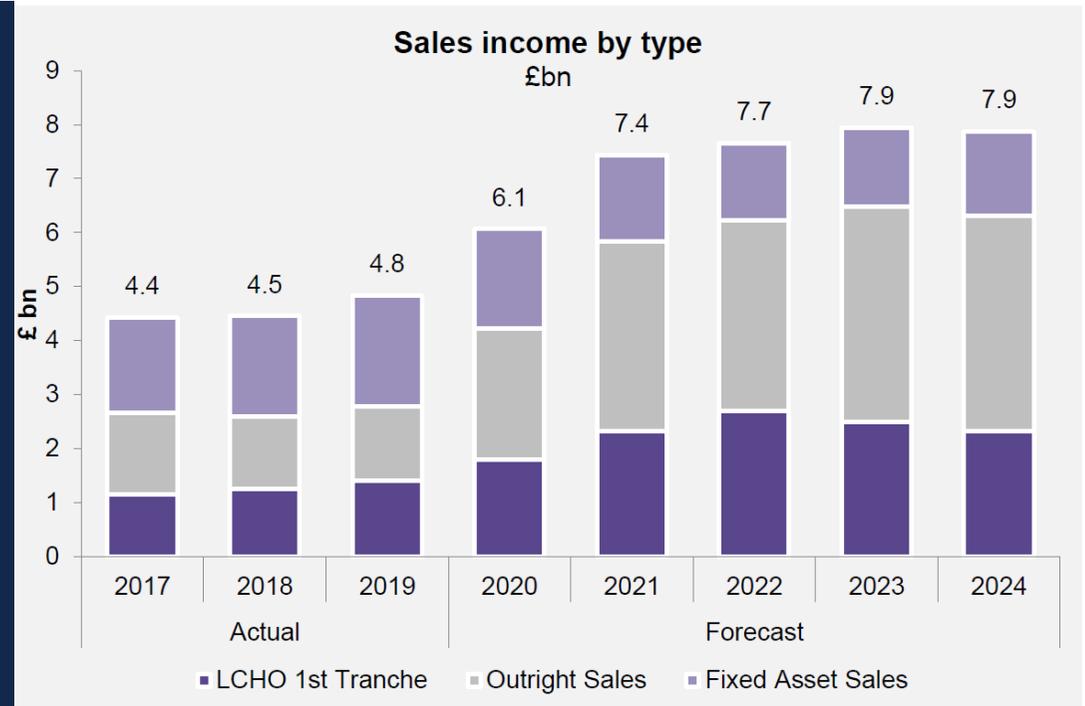
- HAs ramping-up supply:
  - **64k** in 2019-20
  - **78k** in 2020-21
  - **87k** in 2021-22



# HA SALES FORECASTS



- HAs forecasting **£37bn** sales income by 2024
- Q1, **56%** increase unsold homes >6 months – highest for 10 years
- Is the model broken?
- Different solutions needed at different points in cycle



# 'PERFECT STORM' FOR HOUSING ASSOCIATIONS

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1. Fire safety
2. Climate emergency
3. Weak housing market
4. Political and economic uncertainty





- Residents' safety
- G15 estimate we need to spend **£6.9bn** responding to Hackitt
- EPC Band C by 2030
- Net Zero Carbon by 2050

# COST PRESSURES AND INFLATION RISK



- HA business plans sensitive to differential inflation
- CPI + 1% from 2020-25
- Cost pressures >CPI + 1%
- **£13.8bn** each year managing our homes including **£5.1bn** on R&M
- Inflationary impact of Hackitt / retro-fit



# POLITICAL AND REGULATORY RISK



- White Paper
- 2016 Housing & Planning Act
- Rent settlement
- Letwin
- Council HRA caps removed
- 2022-2029 funding



*“Fixing Britain’s broken housing market is my number one domestic priority”.*  
Theresa May

- 1 million homes
- “First Homes”
- Regulation?
- Building Better Beautiful Commission
- Planning White Paper
- Housing White Paper

# THE FUTURE FOR HOUSING ASSOCIATIONS



## 1. Place

- Land-led
- Control
  - Quality
  - Affordability / whole-life cost / cost-in-use
  - Socially, economically and environmentally sustainable

## 2. Funding

- Supply v demand
  - Currently 1 : 4
  - HTB will have reached £30bn by 2023
  - Capital Economics:
    - HB will increase 250% to £60bn by 2065
    - building 3m SR homes would pay for themselves by 2060
- Help with fire remediation & new build grant
- New models – maximum output for given input

## 3. People

- Trust
- Co-creation





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# Thank you for listening

