

Housing – Critical Futures.

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House Builders Association –
a division of the National Federation of Builders

How do we achieve affordable housing? The role of SMEs

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Efforts to tackle the housing crisis have uncovered meaningful and complex conversations around the provision of affordable housing.

In the City of London, average rent far exceeds mortgage expenditure and many properties bring in higher rent than average wages. Owner occupancy in Britain is the lowest for two decades and those under the age of forty are struggling to find their way onto or up the property ladder.

Over the last three years changes to the planning system have been intended to improve that situation, in part by building family homes and releasing smaller properties to the next generation. However, regionally this has caused some frustrating consequences. In London and the South East, those transition properties have been snapped up by the more affluent and sit accruing rent and property prices have escalated in line with population increase. Thus, much of the region's working population has either moved further from their place of work or they endure wage-swallowing rents.

Outside of London, the situation isn't as catastrophic. Housing isn't swamped by population increase but quality housing is in short supply and family homes are not as readily available in infrastructure equipped areas.

Every region in the UK has its unique complications but similar concerns are felt nationwide: high land prices, nimbyism, slow planning decisions, material costs, skills shortages and a lack of financial support. The National Planning Policy Framework (NPPF) has begun tackling the land crisis and has forced identification of these sites for development

but while the viability of those sites is still in question there are larger concerns around infrastructure and making these developments a reality. To tackle that concern, the Community Infrastructure Levy (CIL) has started rivaling section 106 as a means to support community expansion. However, where councils have rushed to identify larger sites they have neglected smaller sites that classically needed SMEs to be developed.

SMEs are integral to tackling our infrastructure concerns; they build on smaller less, attractive sites already in infrastructure-equipped areas. They rarely build enough units to negatively impact localities. They collaborate on larger sites to support housing and social mix. They also build to high specifications and, through the Community Infrastructure Levy (CIL) and Section 106, contribute financially to ease the burdens large sites place on population increase.

The ability for the SME to traverse though planning concerns and deliver a steady stream of homes is a key component to our national house building ambitions, and the versatility of the SME house builder is crucially important in tackling our housing crisis - especially when we consider the variety of business models they provide.

While one SME house builder constructs luxury homes, another places its efforts in affordable housing for first time buyers and growing families. Some build accommodation for the over 55s and others build to rent, supporting housing associations, councils or their own business models. This variety should be regarded as an asset, especially when coupled with an industry desire to employ and train the local population.

The SME house builder is necessary if we are to improve the supply crisis. Yet, while there has been a vast improvement in making sites available, too many of these sites have been earmarked for the large house builders - organisations which build over half our homes and who are bogged down in infrastructure woes. In the 1990s we completed almost 200,000 homes annually and SME housebuilding flourished. Twenty years on and the operational roadblocks to SMEs have seen this 200,000 figure tumble as demand vastly outstrips supply, especially in affordable housing.

For SMEs, access to finance remains a cause for concern and while there has been a motivation to improve the situation, not enough is being done. Allowing local authorities to borrow against their current stock would surely help, but a creative approach to policy needs to count for regional needs. Wales is one place where creative policy has found a platform. Houses into Homes converts empty buildings into homes and investment is supported by a recyclable loan when dwellings are sold or rented. Further financial support has been introduced with the Housing Finance Grant where access to finance builds on social and housing mix in order to stimulate community growth and affordable housing.

Access to finance and land must improve, drastically, but the capacity to develop affordable housing continues to raise questions. How can we

tackle the deficiency of bricks? Will large construction projects such as HS2 further exacerbate the skills shortage? What is affordable housing?

The answers will require a lot of coordination but by moving construction opportunities higher on the political and educational agenda we can ease these complications and allow new inevitable industries to flourish. As well as employing locally, the SME is a proponent of new industry. Solar PV tiles have become more popular, ground and air source heating is a real consideration, high efficiency fabrics are standard and material variety is challenging our current rationale on energy efficiency. The determination of the SME to look to new industry when building homes points to a direction we will inevitably follow. Their generous contributions to section 106 should make houses affordable over their lifetime and not just their purchase price - our incredibly innovative green industry would also benefit.

Without openly and honestly looking at the factors stifling supply we cannot tackle the housing crisis or make homes affordable. Through responsive policy and infrastructure planning we can make a start but without unified political backing we will struggle to tackle unaffordable housing and unaffordable living.

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The National Federation of Builders seeks to be the influential voice for construction, creating the environment for business to thrive and contribute to the success of the UK economy. Its mission is to promote the building profession and influence the business environment to provide optimum conditions for successful building.

The House Builders Association is a division of the National Federation of Builders. It has over 600 house builders in its membership and, since its launch in 2006, has established itself with government and the media as the voice of the small and medium-sized house builder.

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