

Introduction

Ahead of the Senedd debate on housing supply on Wednesday 7 February 2024, led by the Welsh Conservatives, the Home Builders Federation (HBF) has produced this briefing to provide some background on housing supply in Wales and an overview of the main barriers to delivery.

We hope you find this briefing a useful overview of some of the key issues but if you have any questions or would like to discuss an issue in more detail, please get in touch.

About HBF

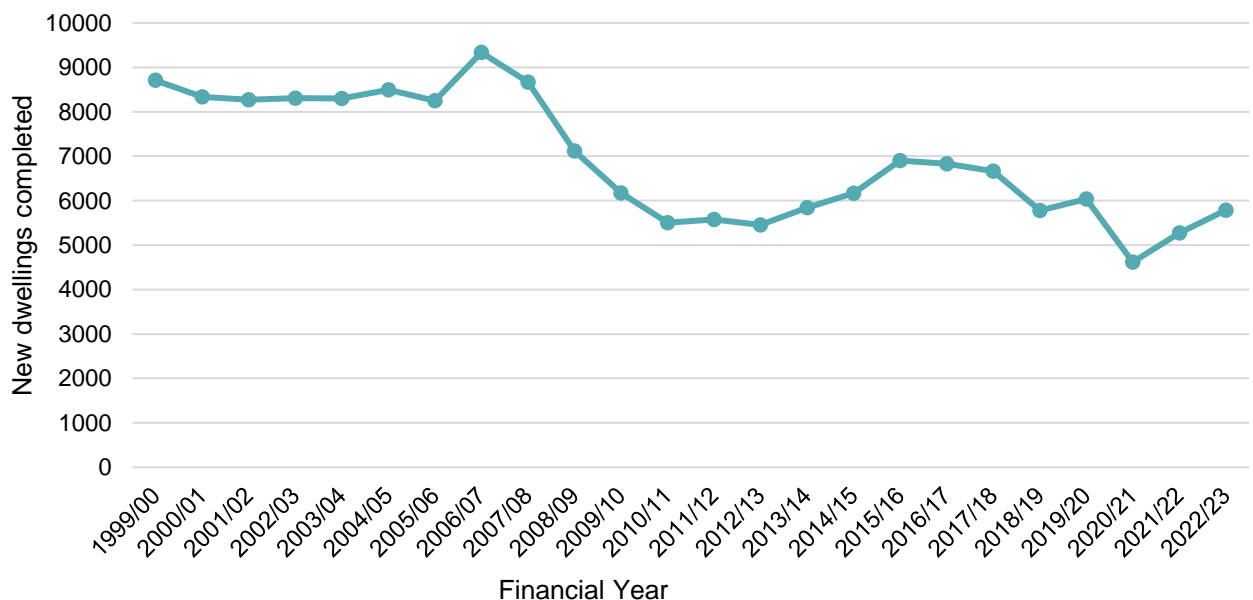
HBF is the representative trade body for home builders in England and Wales and our hundreds of members are responsible for around 80 per cent of all new build completions each year, with the majority of those companies being small and medium-sized enterprises.

Background: Housing supply

While some progress has been made over the past decade to tackle the undersupply of housing, rates of new housing supply in Wales remain low by historical standards and current levels of supply continue to fall short of housing need.

The latest data on housing supply in Wales confirms that housing supply remains well below the delivery levels achieved during the 1990s and early to mid-2000s, with 5,785 new dwellings delivered in the 2022/23 financial year - 38% below the 2006/07 peak¹. Supply in the third quarter of 2023 was also 25% lower than in the third quarter of 2022.

New dwellings completed in Wales, 1999-2023



¹ Welsh Government figures.



The [Welsh Government's Future Wales: National Plan 2040](#) estimated that an average of 7,400 additional homes were required per year from 2019-20 to 2023-24 to meet additional housing need, with the majority of these new homes required for market sale or rent. However, the average number of homes completed over the last five years was just 5,498.

Planning permissions and future supply

A combination of ongoing economic uncertainty, inflationary pressures and slow progress on reviewing and updating development plans is posing considerable challenges for the home building industry. In turn, all available metrics indicate that delivery is set to decrease rather than increase in the coming months and years.

For instance, the number of planning permissions for new projects, a strong indicator of future housing supply, remain on a downward trend and is significantly below the levels seen during periods of peak housing supply (2006-7). The number of sites receiving planning permission fell to a record low in the third quarter of 2023 (the latest quarter for which data is available), with 102 projects granted planning permission – a decline of 22% from a year ago and 10% down from the second quarter of 2023².

The number of housing units approved in Wales in the year to September 2023 was also 29% down from the previous year, falling to 7,660 from 10,203.

Why does housing supply matter?

Increasing housing supply is important for several reasons, the most obvious being its pivotal role in enabling young people to get onto the housing ladder.

Increased housing delivery is also essential in delivering benefits for communities, such as new infrastructure and community spaces. The 5,785 new homes delivered during the year 2022-2023 has³:

- Supported around 18,000 jobs, including 200 graduate and apprentice positions
- Generated almost £1 billion of economic activity
- Invested £161 million in affordable housing
- Led to investments of £1.7m in open spaces and £4.7m in new and improved schools
- Enabled £152m of spending in local shops
- Generated £6.5m in council tax and £69m in tax revenue
- Enabled a £302m spend on industry suppliers

New builds in Wales also emit an average of 1.38 tonnes of carbon per annum, compared to 4.03 tonnes for an existing property - a 66% saving⁴. Therefore, increasing the supply of new housing in Wales can ensure that there is a sufficient stock of energy-efficient and low-carbon housing, supporting the Welsh Government's net zero commitments.

² HBF/Glenigan, Housing Pipeline, December 2023.

³ HBF/Lichfields figures.

⁴ HBF, Watt A Save figures.



In turn, the more that housing supply increases, the greater the economic, environmental and social benefits available to local areas - and the greater role the industry can play in delivering on the Welsh Government’s ambitions.

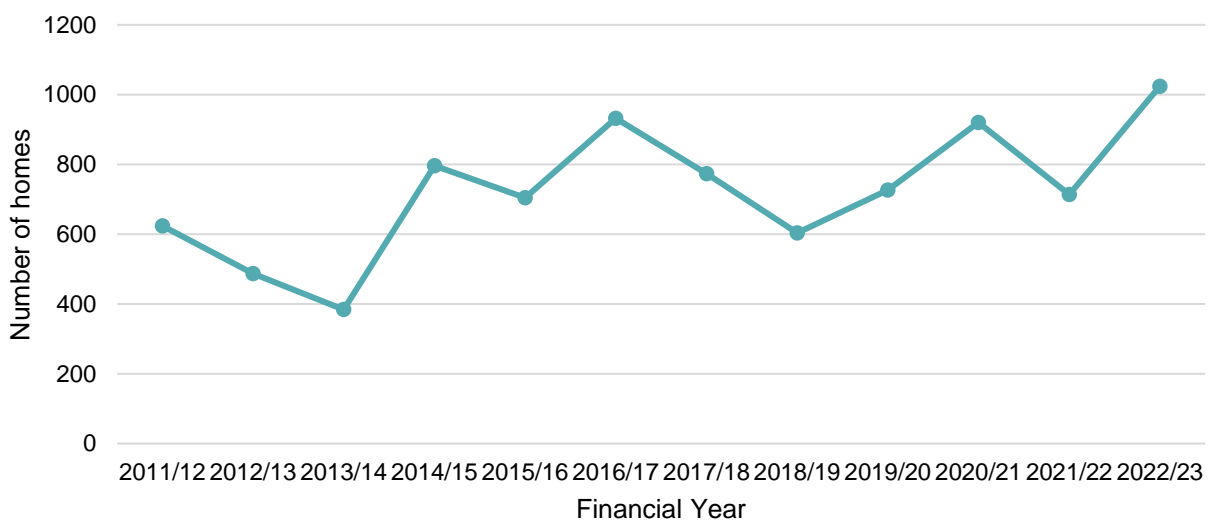
Affordable housing

Not only does the home building industry support the delivery of new infrastructure and amenities for local communities, it has also played a crucial role in delivering the supply of new Affordable Homes via Section 106 Agreements in recent years. Indeed, 30% of additional affordable housing units were delivered through planning obligations (Section 106 agreements) in 2022-23 (1,024 units), compared with 27% the previous year and 26% during 2020-21⁵. Planning consent was also granted for a further 1,040 units to be delivered through planning obligations in 2022-23.

The private sector also delivered 21% of affordable homes (2,136 units) over the course of the last Government from 2016-2021.

Therefore, it must be recognised that the forecasted decrease in the overall supply of market housing will in turn lead to a fall in supply of new Affordable Housing - as the opportunities for using the Section 106 mechanism are reduced. In other words, increasing the supply of Affordable Housing will also require a significant uplift in the number of new homes for private market sale.

Number of affordable homes delivered in Wales through planning agreements



Barriers to housing delivery

Alongside the ongoing economic uncertainty, including rising costs and high interest rates, the main barrier to increasing housing supply in Wales is slow progress in reviewing and updating Local Development Plans (LDPs). Indeed, when first introduced in 2005, it was envisaged that LDPs would take around four years to

⁵ Welsh Government figures.



adopt in the first instance, but in practice this process often takes much longer. Furthermore, once adopted, these plans should be reviewed every four years and replaced once time expired. However, 14 of the 25 LDPs in Wales expired in 2022 and progress on their replacements remain slow, with a number having decided after several years of work to start the process again.

There is also slow progress on the development of Strategic Development Plans (SDPs), which are required to support LDPs. The new tier of SDPs was introduced in 2021 yet to date not one of the four regions in Wales have formally started production of a plan. All of this makes it difficult to plan and work within a plan led system, which ultimately leads to a delay in housing delivery.

Overall, this slow progress is having a significant impact on housing supply, as out-of-date Plans often contain unviable and undeliverable allocations. Delays in updating LDPs also create further uncertainty for the industry, making it hard to plan future development. This is particularly challenging for SME home builders who may have their capital tied up in just one or two projects at a time and more limited equity. Therefore, without appropriate mechanisms to ensure that local authorities produce and adopt Local Development Plans within appropriate timeframes, housing supply will continue to be stifled.

Another significant issue for the industry in Wales is the lack of resources in Local Authorities, which often lack the staff and skills to deal with planning applications in a timely manner. In 2022, the Wales National Audit Office found:

- In real terms, authorities' net planning expenditure has fallen by 50% since 2008-09
- The average time taken to determine major planning applications is increasing and above Welsh Government targets
- 70% of stakeholders responded to the survey said that LPAs were not engaging effectively with them

Added to the ever-increasing complex nature of the planning process and the need to consider more and more issues, this is resulting in significant delays at all stages including preapplication, application and discharge of conditions, which in turn is holding back housing delivery. In a recent HBF survey of SME home builders, 100% of respondents in Wales cited delays in securing planning permission or discharging conditions as a major barrier to growth and the majority also said staff and resource shortages in local authorities were a major barrier⁶.

HBF would welcome exploring options to ensure planning authorities are better resourced in the years ahead, including the use of consultants in the short term or the establishment of a Task and Finish Group to examine this issue.

Contact us

HBF would welcome the opportunity to discuss barriers to housing supply and the opportunities and challenges facing the home building industry with you in more detail. If this would be of use to you, please contact Laurence Thompson, Policy and Campaigns Officer, at laurence.thompson@hbf.co.uk.

Further information can also be found on our website www.hbf.co.uk.

⁶ HBF, State of Play 2023-4.

