



Building a Recovery

How tackling the housing crisis can rebuild local economies across the country

December 2010

Key Findings – Meeting Housing Need and Rebuilding the Economy

If house building meets the Government's projection of household growth:

- Over 215,000 jobs will be created across England
- More than £1.2billion of extra Government investment, through the New Homes Bonus, will go into the regions every year

Region	Additional Jobs Created	Annual Potential New Homes Bonus Investment
North East	6,660	£37,668,960
North West	22,425	£126,835,800
Yorkshire & The Humber	31,260	£176,806,560
East Midlands	22,230	£125,732,880
West Midlands	15,180	£85,858,080
East	29,910	£169,170,960
London	35,160	£198,864,960
South East	30,180	£170,698,080
South West	21,945	£124,120,920
England	216,465	£1,224,326,040

The Housing Crisis

In 2009 England saw the lowest peacetime house building rate since 1923 – just 118,000 completions.

Affordability has plummeted – in the last 40 years the average house price to salary ratio has almost doubled; the price of the average home purchased is now almost 5x the average annual salary of the buyer.

First time buyer numbers are at record lows. Eight of ten first-time buyers require financial help from family or friends, and the average age of unassisted first-time buyers is now 37.

Close to a fifth of women and a third of men aged between 20 and 34 are still living at home.

Social Housing Waiting Lists have almost doubled in the last 13 years to 1.75 million households; around 5 million people are waiting for a home.

50,000 families live in temporary accommodation and 250,000 families in social housing are in over-crowded accommodation.

Official projections show the need for an additional 232,000 homes in England per year just to meet growth in the number of households.*

Our housing crisis has been created by a chronic lack of supply over the last few decades, exacerbated recently by other more temporary economic factors. It has put unprecedented pressure on social housing and left hundreds of thousands of young people unable to access home ownership. Private rented accommodation is also becoming more difficult and expensive to obtain. **

* DCLG Live Tables (Table 403: Household projections by region, England, 1971-2033)

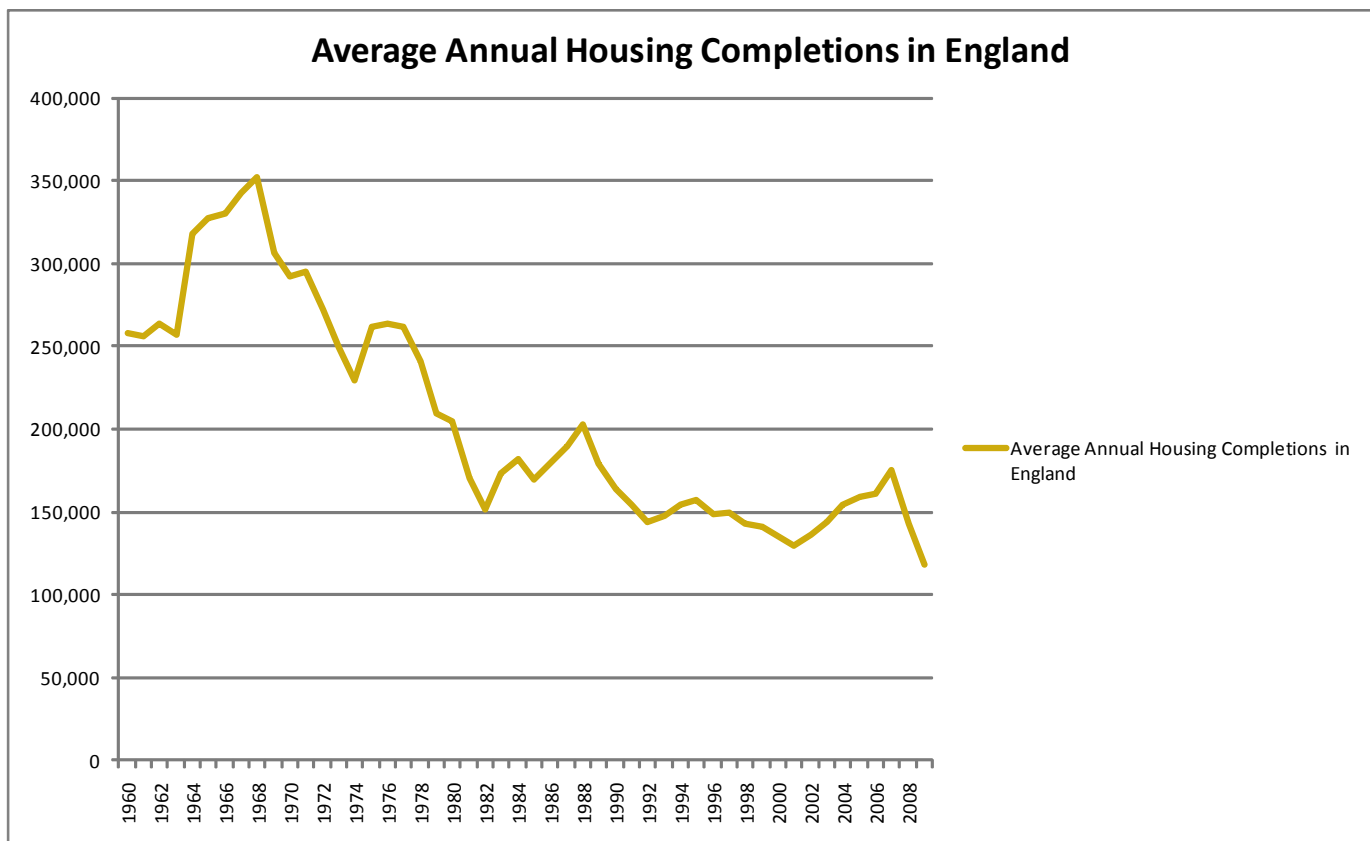
** http://www.rics.org/site/scripts/press_article.aspx?pressreleaseID=346&categoryID=509

The Housing Crisis

The public also understand this crisis – a recent YouGov Survey showed that more than 80% of people think we need more homes* while a separate survey revealed that 85% of people want to be home owners within ten years**.

Supply:

Decade	Average Annual Housing Completions in England ***
1960s	301,138
1970s	257,537
1980s	180,317
1990s	150,419
2000s	145,624



* YouGov Survey for the New Homes Marketing Board - <http://tiny.cc/y1w0s>

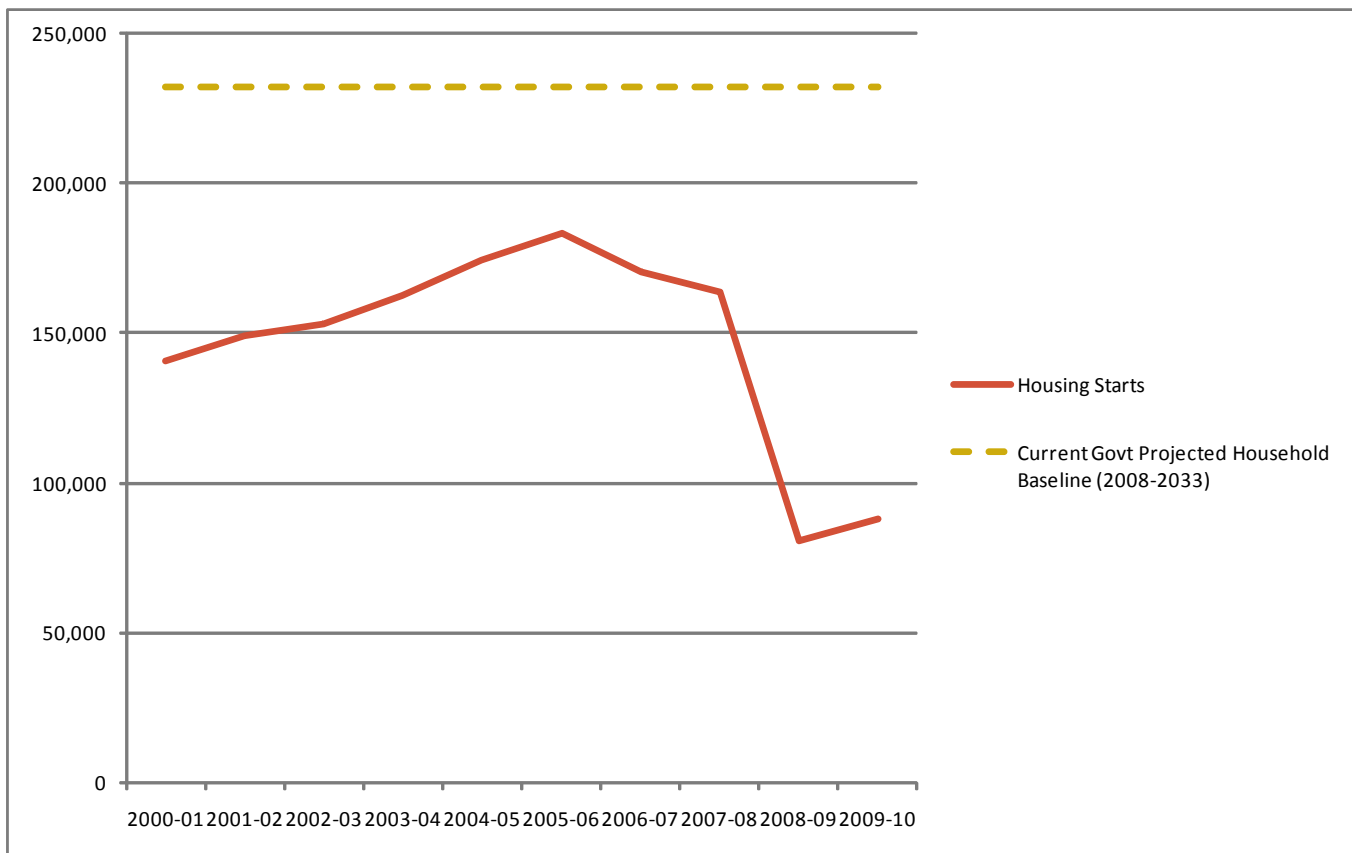
** YouGov Survey for the CML - <http://www.cml.org.uk/cml/media/press/2708>

*** DCLG Live Tables (Table 244 House building: permanent dwellings completed, by tenure¹, England historical calendar year series)

The Housing Crisis

As house building has fallen, household creation has risen leaving a huge gap between demand and supply.

- In 2008, there were 204,000 new households created* and only 166,570 new additions** to the housing stock – **a shortfall of almost 40,000 homes.**
- Internationally too we are falling behind - In terms of building new dwellings per 1,000 households among the EU15, the UK was third from bottom in 1985, third from bottom in 1995 and **second from bottom** in 2002***.
- In housing starts in England the figures are even more alarming; housing starts have plummeted to between **80,000 and 90,000 in the last two years, record lows****.**

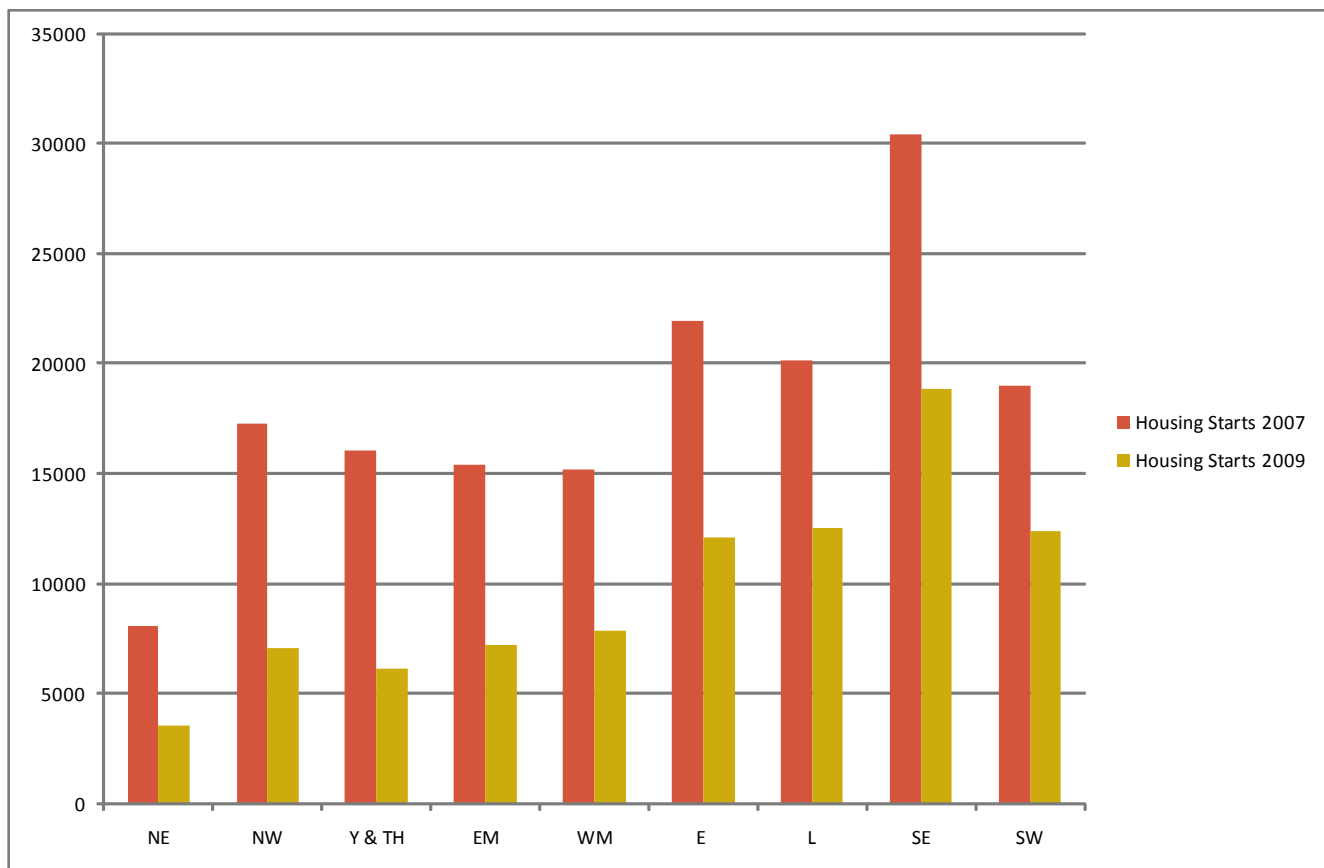


* DCLG Live Tables (Table 401: Household projections, United Kingdom, 1961-2033)
 ** DCLG Live Tables (Table 118: Annual net additional dwellings, England and the regions, 2000-01 to 2009-10)
 *** Making Housing Affordable – Policy Exchange 2010
 **** DCLG Live Tables (Table 231: Housebuilding: permanent dwellings started by tenure and region)

The Housing Crisis

House building across the regions has collapsed*

Region	Housing Starts 2007-2008	Housing Starts 2009-2010
North East	8070	3560
North West	17290	7050
Yorkshire & The Humber	16030	6160
East Midlands	15370	7180
West Midlands	15160	7880
East	21900	12060
London	20170	12560
South East	30420	18880
South West	18960	12370
England	163370	87690



* DCLG Live Tables (Table 231 Housebuilding: permanent dwellings started by tenure and region)

The Housing Crisis

As house building has fallen, household creation has risen leaving a huge gap between demand and supply. So the need for a dramatic expansion in the number of homes built is obvious. In all areas that need equates to increases of more than 100%, in many areas there needs to be over 150% improvement in the number of units constructed, and in Yorkshire & the Humber the communities need an increase of over 300% from the current very low base.

Region	Housing Starts 2009	According to Govt Projections: Dwellings needed annually to meet projected household growth.	% Increase Required in House Building to Meet Govt Projected Need
North East	3560	8000	125
North West	7050	22000	212
Yorkshire & The Humber	6160	27000	338
East Midlands	7180	22000	206
West Midlands	7880	18000	128
East	12060	32000	165
London	12560	36000	187
South East	18880	39000	107
South West	12370	27000	118
England	87690	232000	165

House Building – The Industry and the Economy

The National House Building Council has around 16,000 house building companies registered across the country. These range from multinationals building thousands of homes annually to small family builders erecting a couple of dwellings every year.

According to Government figures, even in its current crisis state, housing supply accounts for around 3% of UK GDP*.

Housing Supply also provides over a million jobs across the UK.

The recession and financial crisis have had a severe effect on the house building industry. Not only were the direct outcomes of the downturn obvious as house builders were forced to reduce activity, but there have been continuing constraints on building – in particular the lack of mortgage availability. This environment has seen first time buyers – vital for a healing housing market – virtually disappear; the average age of the unassisted first time buyer has hit 37. Currently, net mortgage lending is at modern historic lows, running at just 6.5% of 2006 levels in the first eight months of the year and even down 40% since last year. Forecasts are that total net lending in 2010 will only be around 10% of that in 2006 and 2007.

Many smaller builders have also been unable to build as many homes as they might have done because of project and business finance only being made available on unattractive terms. These factors have been keenly felt across the country as regional economies have suffered.

* New Homes Bonus Consultation - <http://www.communities.gov.uk/publications/housing/newhomesbonusconsult>

Job Losses in Housing Construction

The house building industry was hit hard between 2007 and 2009. Michael Ball's report Labour Needs of Extra Housing Input points to an average of 1.5 jobs directly created and maintained by each property built. These jobs are those in the developers and on site and will be hereafter referred to as direct jobs.

The Government's own most recent figures state that housing supply provides between 1 and 1.25 million jobs in the UK* .

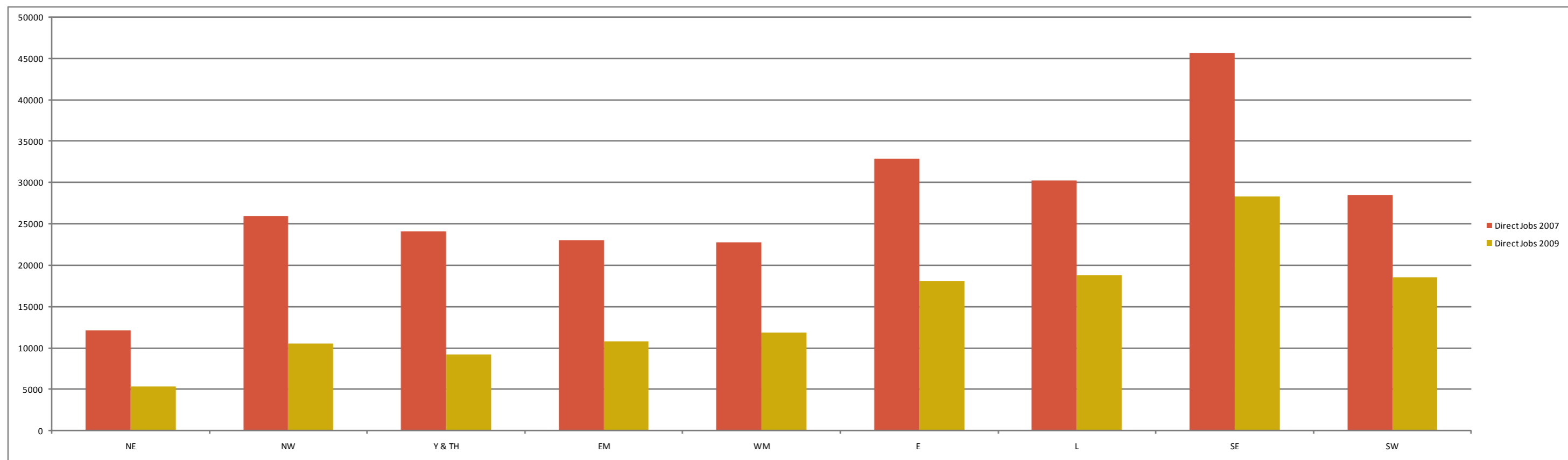
From this number we can see the effect of the economic downturn on the house building industry. In Housing Construction over 110, 000 direct jobs were lost from 2007-2009

Region	Total Direct Jobs Lost in Housing Construction Industry 2007-9
North East	6765
North West	15360
Yorkshire & The Humber	14805
East Midlands	12285
West Midlands	10920
East	14760
London	11415
South East	17310
South West	9885
England	113520

* New Homes Bonus Consultation - <http://www.communities.gov.uk/publications/housing/newhomesbonusconsult>

Job Losses in Housing Construction

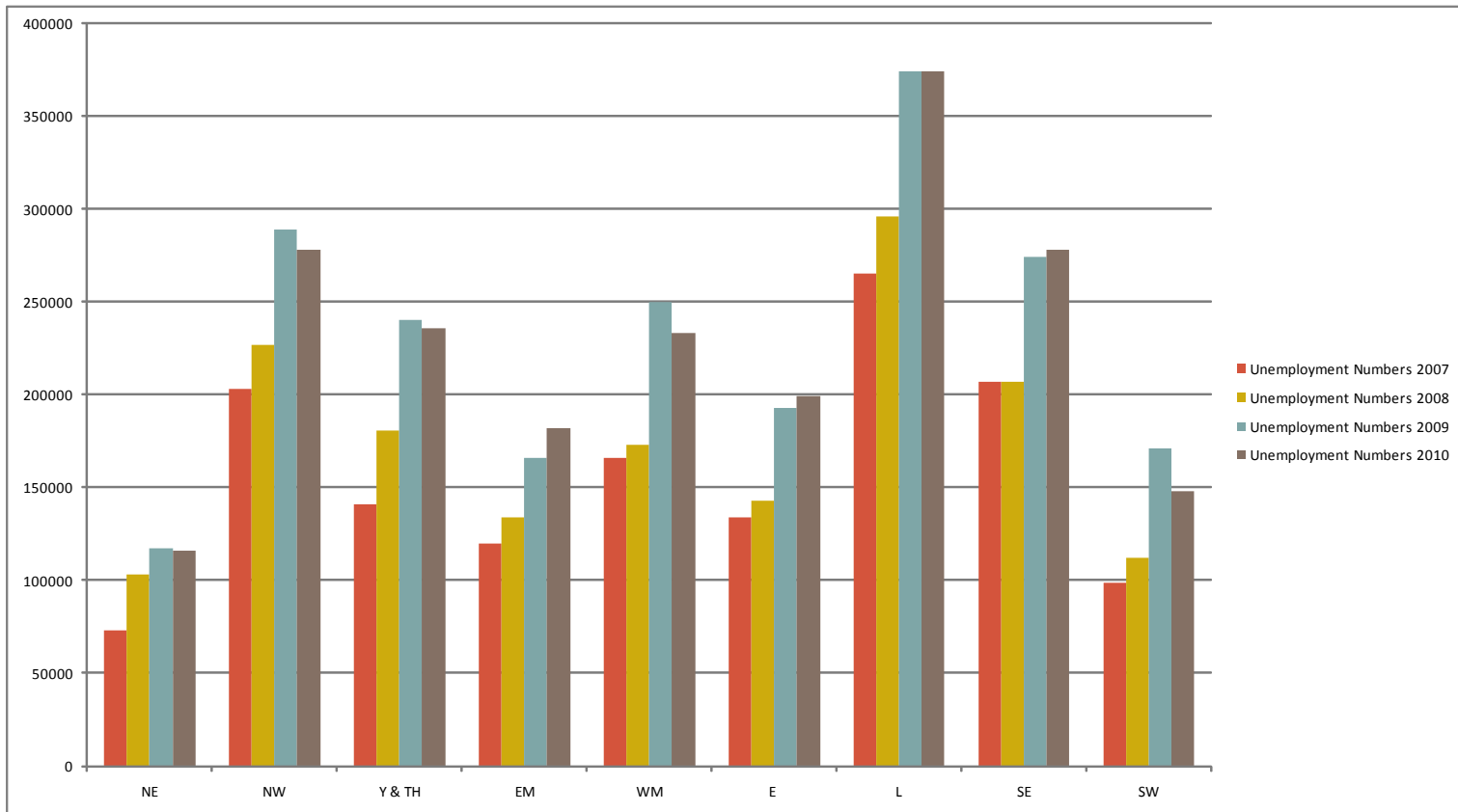
Region	Housing Starts 2007	Direct Jobs	Housing Starts 2009	Direct Jobs	Direct Jobs lost 2007-9	% Direct Jobs Lost 2007-9
North East	8070	12105	3560	5340	6765	56
North West	17290	25935	7050	10575	15360	59
Yorkshire & The Humber	16030	24045	6160	9240	14805	62
East Midlands	15370	23055	7180	10770	12285	53
West Midlands	15160	22740	7880	11820	10920	48
East	21900	32850	12060	18090	14760	45
London	20170	30255	12560	18840	11415	38
South East	30420	45630	18880	28320	17310	38
South West	18960	28440	12370	18555	9885	35
England	163370	245055	87690	131535	113520	46



Unemployment - General*

Of course, all regions and industries saw unemployment rise between 2007 and 2009 and although in some areas there has been evidence of slight improvement much more progress is needed over the coming years. The importance of growth in every region is crucial to the wider UK economy and the creation of jobs is vital to that growth.

Region	Unemployment Numbers 2007	Unemployment Numbers 2008	Unemployment Numbers 2009	Unemployment Numbers Dec 2010
North East	73000	103000	117000	124000
North West	203000	227000	289000	279000
Yorkshire & The Humber	141000	181000	240000	244000
East Midlands	120000	134000	166000	188000
West Midlands	166000	173000	250000	238000
East	134000	143000	193000	202000
London	265000	296000	374000	376000
South East	207000	207000	274000	276000
South West	99000	112000	171000	154000
England	1408000	1576000	2074000	2080000



* Office of National Statistics (<http://www.statistics.gov.uk/statbase/Product.asp?vlnk=15084>)

Local Authority Finance – Central Government Investment

The October 2010 Spending Review saw Local Authority grant funding cut by more than a quarter – around £7bn - over the review period. Capital funding cuts and the scrapping of the Regional Development Agencies have been softened somewhat by the introduction of a regional growth fund but there is no doubt that councils will be struggling to maintain services and investment in the foreseeable future.

Tackling the Housing Crisis - Rebuilding Regional Economies

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Department of Communities and Local Government Household Projections

As previously stated, England is in the midst of a housing crisis with a shortage of homes across the country. The Government's Household Projections* are put together by the Office for National Statistics and are based on a number of factors including birth rate, family size and migration. According to the report published by the DCLG on the 26th November 2010, the number of households in England is projected to grow to 27.5 million in 2033, an increase of 5.8 million (27 per cent) over 2008, or 232,000 households per year. The Government projections indicate the need for more homes across the country and show how important an increase in annual home-building is – from the current meagre total of 87,690 starts**.

These figures do not take into account the existing housing shortfall. In her review*** of housing in 2004, Kate Barker stated there was shortfall of some 450,000 homes. Assuming a need for 230,000 homes a year since, undersupply has been in the region of 40-50,000 homes per year until 2007, and significantly more since then, with an estimated shortfall of well over 100,000 for 2010 alone.

Therefore, there is an historic shortage of homes – approaching 1 million units - that is not included when using household projections to judge housing need going forward. For the purposes of this paper this shortfall will not be used but it is suggested that readers take it into account. In this context, further references to the number of units needed over the coming years should be taken as a (very) minimum figure.

Region	According to Govt Projections: Units Needed Annually
North East	8000
North West	22000
Yorkshire & The Humber	27000
East Midlands	22000
West Midlands	18000
East	32000
London	36000
South East	39000
South West	27000
England	232000

* <http://www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/householdestimates>

** DCLG Live Tables (Table 208 House building: permanent dwellings started, by tenure¹ and country)

*** The Barker Review - <http://www.barkerreview.org.uk/>

Tackling the Housing Crisis - Rebuilding Regional Economies

Employment

If enough homes were built to meet the demand from household formation we would see a huge number of jobs created in house building and related industries. Using our previous multiplier and taking into account existing jobs, over 215,000 extra posts would be created and maintained across England. Many regions would see over 30,000 additional jobs in the housing construction sector with a corresponding increase in skills and training.

Region	Housing Starts 2009	Direct Jobs	According to Govt Projections: Units Needed Annually	Govt Projections: Direct Jobs Maintained Annually	Number of New Direct Jobs Created
North East	3560	5340	8000	12000	6660
North West	7050	10575	22000	33000	22425
Yorkshire & The Humber	6160	9240	27000	40500	31260
East Midlands	7180	10770	22000	33000	22230
West Midlands	7880	11820	18000	27000	15180
East	12060	18090	32000	48000	29910
London	12560	18840	36000	54000	35160
South East	18880	28320	39000	58500	30180
South West	12370	18555	27000	40500	21945
England	87690	131535	232000	348000	216465

Indirect Jobs

This report does not go into the inevitable increase in the number of related or indirect jobs that will be created and maintained by increased house-building. Estimates suggest that each house constructed leads to up to 4 extra jobs in the wider economy – in primary industries, manufacturing and services. This would suggest that meeting the projected housing need could lead to the creation and maintenance of as many as 577,000 extra indirect jobs.

New Homes Bonus – Regional Economic Investment

The New Homes Bonus is the Coalitions' incentivisation of house building, offering Local Authorities match funding of council tax on new homes for 6 years. The calculation below uses the national average for band D Council Tax - £1,414 - and calculates the maximum total from the New Homes Bonus. This would kick in during the sixth year when the match funding reaches its peak and continues until the New Homes Bonus is withdrawn.

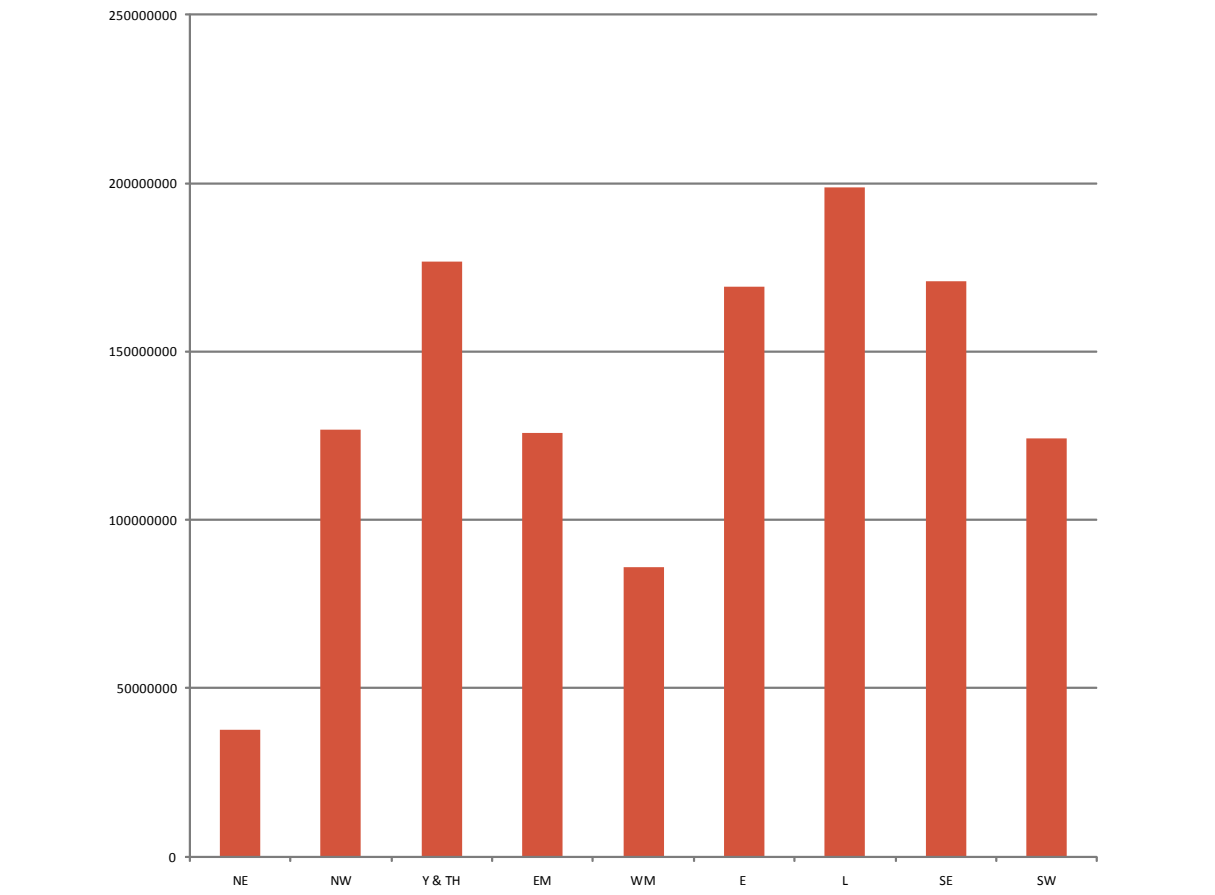
This money will be crucial as funding cuts bite; meeting the official household projections could mean extra Government investment across England - on top of currently expected New Homes Bonus - of over £1.2billion every year. Creating economic activity through house-building would be an important tool in the rebalancing of the UK economy from an emphasis and dependency on public expenditure to an economy built on private enterprise.

By meeting projected housing need, most regions will see additional Government investment of over £100million annually.

Tackling the Housing Crisis - Rebuilding Regional Economies

Region	Projections	NHB Available through meeting projections - p.a. (£)	Potential year 6 (max) annual NHB gain (£)	2009 Starts	Current expected NHB	Current year 6 max bonus	Potential uplift in NHB through construction to meet household projections
North East	8000	11312000	67872000	3560	5033840	30203040	37668960
North West	22000	31108000	186648000	7050	9968700	59812200	126835800
Yorkshire & The Humber	27000	38178000	229068000	6160	8710240	52261440	176806560
East Midlands	22000	31108000	186648000	7180	10152520	60915120	125732880
West Midlands	18000	25452000	152712000	7880	11142320	66853920	85858080
East	32000	45248000	271488000	12060	17052840	102317040	169170960
London	36000	50904000	305424000	12560	17759840	106559040	198864960
South East	39000	55146000	330876000	18880	26696320	160177920	170698080
South West	27000	38178000	229068000	12370	17491180	104947080	124120920
England	232000	328048000	1968288000	87690	123993660	743961960	1224326040

Potential uplift in NHB through construction to projections



Conclusion

England is in the midst of a housing crisis, we have had an undersupply of new homes for decades – over 120,000 from 2005-8 alone. This undersupply, caused by record lows in housing construction has led to huge pressure on social housing (record numbers on the waiting lists) and has pulled the housing ladder further away from first time buyers (record low numbers of first time buyers this year). The economic downturn has exacerbated this situation as finance for both house builders and potential home buyers has been significantly reduced. At the same time, the house building industry is responsible for around 3% of the UK's GDP and is incredibly important for employment and industry up and down the country.

It is vital from a social perspective that we start building the homes the country desperately needs but that process will also help rebuild our economy. Leaving aside our historic shortage of housing, if we were to simply meet the official projected household need over the next 25 years we would see **over 215,000 jobs created and £1.2 billion of Government investment maintained annually** for those regions committed to construction. Only by encouraging entrepreneurs and supporting employers will we bring about the radical rebalancing of our national, regional and local economies that the state of public finances makes so desperately necessary – housing construction can play an important part of that rebalancing.

Stewart Baseley, Executive Chairman of the Home Builders Federation, said:

“Building houses is a win-win for communities across the country. Not only will families get the homes they need but local employment and increased investment will be boosted both by the house building industry and by Government.”

“Economic growth is fundamental to a successful recovery and housing has a huge role to play – I urge Local Authorities to reap the rewards of development and start helping us to build the homes the country needs.”

About HBF

The Home Builders Federation (HBF) is the representative body of the home building industry in England and Wales. The HBF's 300 member firms account for some 80% of all new homes built in England and Wales in any one year, and include companies of all sizes, ranging from multi-national, household names through regionally based businesses to small local companies.

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