Housing associations: building through uncertain times
A proposal from the National Housing Federation

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Summary

• Economic uncertainty following the EU referendum could have a significant impact on the number of new homes built. A number of large developers have lost capacity and the appetite to develop following a significant fall in their share value. At the same time fewer people are buying homes. We must learn from the last period of economic uncertainty and act fast to ensure we continue to build the homes the country needs to reduce the housing deficit and shore-up the economy.

• Housing associations are ready and able to deliver. They have a strong track record of building through uncertain times. That’s because they reinvest all their profits in homes and communities. During the height of the crash between 2007 and 2009, output from private developers dropped 37%. Housing associations, working in partnership with the Government, increased their output by 22% over the same period.

• With the right support, housing associations can build 300,000 homes for home ownership and rent over the course of this parliament. They are determined to deliver on this, despite the economic uncertainty we currently face. To do that, associations need greater flexibility within the Government’s investment programme which currently sets strict limits on the types of homes that can be built. By relaxing these restrictions and without any new money, housing associations could maintain their strong housebuilding ambitions and build homes quickly to deliver a boost to the whole economy.

• With additional support from the Government they could do even more. For every additional £1bn the Government invests in affordable housing, housing associations could build 33,000 homes, adding a further £3.5bn to the economy and supporting an extra 72,000 jobs.

• Government backed guarantees would also help housing associations continue to borrow at competitive rates and invest in the development of new homes.

The proposal

• At the 2015 Autumn Statement, the Government announced plans to invest up to £7bn in affordable housing. This comprised of £4.7bn for shared ownership, rent to buy and supported housing and £2.3bn for the remediation of brownfield land for starter homes.

• By making this funding available on a more flexible basis, focusing less on tenure and more on overall supply of affordable housing, the Government can ensure associations are able to continue to build in the face of uncertainty. We estimate that, with these additional flexibilities, associations could deliver over 300,000 new homes over the course of this parliament – close to a third of the Government’s one million home ambition.

• Not only would these flexibilities result in more new affordable homes, they could also help private developers continue to build during uncertain times. This is because the early and certain cash flow from forward sales of affordable housing can help improve the viability of schemes and boost the financial capacity of private developers.
How this could be delivered

- Housing associations would be able to use government investment more flexibly to deliver a range of affordable housing, including affordable rent, rent to buy and shared ownership. This flexible approach would enable housing associations to deliver homes that meet the needs and challenges of different areas and markets.

- Housing associations could sign up to deliver an agreed number of affordable homes, but with flexibility to decide what tenure these homes should be as the market changes. This could include a target for the number of homes that are available for home ownership, either immediately or over time.

- Alternatively, the Government could offer a commitment that if the market cannot support homes built for sale, then housing associations would be able to switch the tenure of these homes to rented homes with Government support.

- The Affordable Homes Guarantee Programme provided £2.5bn of guaranteed lending to 70 housing associations to deliver 27,000 affordable homes. By providing a lower cost of finance, the programme produced an interest saving that delivered further affordable homes. The sector’s no default record means this guarantee comes at no cost. It should therefore be extended to use the estimated £4bn of unused housing guarantee capacity to support affordable house building through this period of uncertainty.

Further information

- The Government plans to invest £4.1bn in 135,000 new shared ownership homes, £200m in 10,000 rent to buy homes and £400m in 8,000 specialist and supported homes. Together these make up a Shared Ownership and Affordable Homes Programme of £4.7bn to deliver 153,000 homes. In addition to this, the Government also announced plans to invest £2.3bn for the remediation of enough brownfield land to deliver of 60,000 Starter Homes.

- Our recent survey shows housing associations built 32,823 affordable homes (22,837 with government support and 9,986 outside of the programme) and 7,301 homes for market rent and sale over the last year. However, the sector is concerned that, in light of the EU referendum, without the flexibility to respond to this period of uncertainty, it will be more difficult to deliver.

- We believe that investing the £4.7bn of funding available under the Shared Ownership and Affordable Homes Programme more flexibly would enable housing associations to deliver over 155,000 affordable homes for affordable rent, rent to buy and shared ownership. Investing the full £7bn of funding currently available for affordable housing on a more flexible basis could support housing associations in delivering over 230,000 affordable homes.

- These 230,000 homes would be in addition to the 70,000 homes housing associations plan to build through existing investment programmes, and the significant number of homes they plan to build without any government support. This means housing associations could build well over 300,000 over the next four years.