The Housing Challenge for the Next Government:

Meeting the housing supply delivery gap

March 2024

CASE

Consortium of Associations in the South East

Contents

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WPI Strategy is a specialist policy and research consultancy with an experienced team drawn from senior roles in government, politics and the media. We combine economic research with political consultancy, providing clients with research and advice to deliver better outcomes through improved public policy design.

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About The Author

Paul is a former senior civil servant who played a key role in all the major housing, planning and local growth policy reforms delivered by government between 2004 and 2016, spanning both Labour and Conservative administrations.

He was director of a Swindon-based regeneration company from 2016 to 2019.

Paul has a Master's in Economics from the University of Kent and was a policy fellow at Cambridge University's Centre for Science and Policy from 2012-2014.

CHAPTER 1

Summary of key points

This report looks at the pattern of housing need across England over the next two parliaments after the general election. The purpose is to **assess the housing challenge any new government will face after that election and to propose the policy action it should take**.

The top line of our analysis is that, after many years of housing under-supply in England, the next government will inherit **a structural deficit of some 1.2 million homes over the next 10 years**.

Furthermore, around **80% of this represents need for social tenures**, which have been progressively squeezed out in recent years. This undersupply is driving increased homelessness, worsening affordability and other problems, and we suggest a complete step-change in policy and funding is needed to tackle this.

Our analysis shows:

- The sufficiency of the current official target to build 300,000 new homes a year is itself disputed, given levels of need (more later), but even against that, we show England has built up **a shortfall of around a million homes** over the 10 years to the end of 2023.
- This includes a present shortfall of at least **66,000** homes in the past year alone.
- Almost all the million homes deficit over the past decade is made up of **affordable and social tenures**, with over **830,000** being social rent. Social supply has been squeezed out due to lack of grant funding and worsening affordability.
- In terms of the future, our 10-year forecast shows that unless there is a very substantial change of housing policy, a structural shortfall in the projected delivery of new housing of around 1.2 million homes (central scenario) will appear over the next two parliaments.
- Breaking the numbers down regionally shows these **deficits will be especially acute in the South East**, for which we did a deeper-dive analysis at local authority level: an under-supply of up to **a quarter of a million homes** in the region is likely by 2032/33.
- We note the Labour Party goes into the election pledging 1.5m new homes over the next parliament, implying continuity with the 300,000 target. We judge this to be very ambitious unless **substantial structural policy changes** are made, including via more funding for subsidised tenures, but it is achievable if the right reforms are put in place.

In terms of the policy needed, we suggest an urgent package of reforms is undertaken for the next parliament, with a special focus on social and affordable tenures. A five-point plan including:

1. **Prioritisation and targets:** the effective removal of targets on local authorities for housing delivery has been widely-criticised by the housing sector and should be reinstated. Housing should be upgraded to a secretary of state-level brief.
2. **Tenure sub-targets:** there is no tenure element to the national target, which has allowed the steady decline of social and affordable tenures to escape proper attention. To drive progress on increasing this essential supply, create national, regional and local targets for social and affordable tenures. These can help meet targets quickly as they do not have the same need for slow 'absorption' into local markets that ownership tenures do.

3. **Funding:** Higher grant rates will be needed to tackle the severe shortage of new social homes across England. This will require a commitment of capital beyond the need just to replace the present Affordable Housing Programme, representing much higher grant overall. Greater capture of Land Value Uplift will not be sufficient to deliver these. Support also needs to cover the additional regulatory costs imposed on existing stock - such as decarbonisation and fire safety – over and above grants for new building. Additionally, the inequity of the Building Safety Fund being restricted to leaseholders should end, with funding made available for social and affordable rented homes as well.

4. **Shared Ownership:** shared ownership should not be displaced by a focus on First Homes. Shared ownership is more accessible for those on lower incomes, with lower borrowing costs while allowing for increasing shares later, while First Homes can be taken up by households who could otherwise meet their needs in the marketplace, squeezing out poorer households.

5. **Social rents:** a review of the social rent formulae will allow greater certainty and provision of affordable homes. This review should take account of changes such as the values used (the current values date from 1999) and other factors such as thermal efficiency. Rent convergence - suspended in 2015 - should also be reinstated with indexation so that tenants pay comparable rents based on property size and location.

The South East: within the above national plan, specific recognition needs to be given to the regional problem of the South East. High land values have driven acute affordability problems in the private sectors, putting increasing pressure on a dwindling supply of social tenures. In addition to local targets and better funding, etc, a **regional planning** solution is therefore also needed which better captures land value uplift to create more funding for affordable and social housing.

Unless this action is taken, we will certainly see the current problems associated with housing shortfalls increase over the next parliament, especially in the South East. As detailed later in this report, these include rising homelessness, overcrowding, declining ownership and other affordability problems.

CHAPTER 2

Housing need and housing targets

'Housing need' is a normative concept, rooted in societal beliefs about the types of housing people should have access to, often in relation to demographic and economic factors. For instance, it might be suggested that an individual of a certain age should be able to establish their own household, or that an individual of a certain income level should be able to afford homeownership.

The need concept is distinct from housing demand, which is defined by the willingness and ability of people to pay for housing. In a market-based system, housing outcomes are primarily determined by the dynamics of supply and demand, rather than by concepts of need.

While housing demand may therefore dominate current UK policy, the need concept remains useful, as indicators (symptoms) of unmet need include rising homelessness, overcrowding, and deteriorating affordability.

Housing supply targets in policy

In their 2019 election manifestos all the main political parties included commitments to increase the supply of housing in England.[1] The Conservative manifesto pledged to "continue to increase the number of homes being built" and referred to a need to rebalance the housing market towards more home ownership.[2] It said progress towards a target of 300,000 homes per year by the mid-2020s would continue, which would "see us build at least a million more homes, of all tenures, over the next Parliament."

Sir Keir Starmer recently pledged to build 1.5 million homes within the first five years of a Labour government – equivalent to 300,000 homes a year. [3] As part of this, Angela Rayner, Labour's shadow housing secretary, has said she wants to increase the provision of affordable homes.[4]

Whilst there are no regional housing targets (Regional Spatial Strategies were scrapped in 2010), 300,000 nationally suggests South East England needs to deliver around 54,000 new homes each year.[5]

Unfortunately, there are no official estimates of affordable housing need and no explicit national policy targets for affordable housing overall (though there are targets attached to specific programmes).

The Government's annual target of constructing 300,000 homes is primarily aimed at addressing worsening affordability, as indicated by the ratio of house prices to earnings. This target is a response to historical undersupply and the imbalance between housing supply and demand. It significantly exceeds the estimated number of homes (close to 200,000) needed to keep pace with projected household formation based on recent demographic trends.

According to a 2019 Bramley report for the National Housing Federation (NHF) and Crisis around 340,000 new homes need to be supplied in England each year, with c. 150,000 of these affordable tenures.[6] The report suggests the majority of affordable need is for Social Rent (c. 90,000).

The table below summarises the key figures.

Table 1. Housing requirement or need per annum

	England	South East
"Broad consensus" reflecting recent government policy and political statements	300,000	54,000 (implied by the national 300,000 ambition)
NHF/Crisis (Bramley 2019)[7]	340,000 (of which, 150,000 to 152,000 affordable)	72,000 to 90,000 (of which, 32,000 to 38,ooo affordable)

Professor Bramley's estimate of 340,000 homes annually accounts for trend-based household projections, with an additional allowance for factors such as suppressed household formation. This term refers to potential households that have been unable to form due to insufficient housing provision.

The concept of affordable need highlights the gap in the supply of affordable homes for those whose needs are not met by the market. Bramley's estimate of the affordable need (circa 150,000 homes per annum) is derived from demographic and other factors, notably affordability. His model employs normative standards of affordability (housing costs as a percentage of income) in conjunction with household characteristics like age and income to determine appropriate tenure shares.

Bramley's analysis suggests that new supply at this scale would significantly improve affordability and other housing market outcomes.

Although Bramley's figures pertain to a slightly different period than that addressed in this study, they offer a valuable alternative perspective to the Government's target.

However, for this report, which is aimed at those forming the next government, we are using the 300,000 a year as our reference point, due to its universal use in policymaking.

(We do, however, include references to the higher 340,000 estimate at various points in the report in order to illustrate the implications of a higher target.)

CHAPTER 3

Policy context

The survey of policies here is not intended to be exhaustive; rather it is to give a flavour of the policy landscape and to provide sufficient context for subsequent analysis.

Planning

The Standard Method for assessing local housing need was introduced in planning guidance in 2019 and intended to increase the sum of local housing targets towards 300,000. A revision to the Standard Method took effect in 2020 – with housing numbers in the 20 largest cities and urban areas topped up by a further 35% – to drive more housing into existing urban areas and encourage brownfield development.

In April 2022 Lichfields estimated local housing needs using the new method including urban uplift and confirmed it would support close to 300,000 annually. [8] For the purposes of this report we partially updated the Lichfields assessment and arrived at a similar conclusion.[9]

The table below shows the sum of housing targets in adopted local plans versus other estimates of need. The Bramley estimates sum to c. 340,000 – with a lower figure for London associated with higher figures in the South (i.e. East, South East, South West) and vice versa.

Table 2. Total Housing requirement or need per annum by English Region

Region	Housing targets in adopted local plans[1]	ChamberlainWalker estimate based on Standard Method[2]	Bramley 2019 for NHF/Crisis[3]
North East	7,488	6,500	7,000
North West	20,670	22,000	23,000
Yorkshire & Humber	19,080	19,000	19,000
East Midlands	20,140	22,000	17,000 to 19,000
West Midlands	18,867	25,000	21,000 to 24,000
East	22,548	35,500	42,000 to 46,000
South East	38,261	54,000	72,000 to 90,000
South West	24,833	29,000	37,000 to 42,000
London	48,766	87,000	74,000 to 97,000
England	**220,653**	**300,000**	**340,000**

Source: ChamberlainWalker / Lichfields (2022) / Bramley (2019)

(1) Sum of figures compiled by Lichfields, other than South East where the figures have been updated by ChamberlainWalker to reflect more recently adopted local plans (2) ChamberlainWalker estimates. Standard Method applied in Nov 2023 with regional figures adjusted to sum to 300,000, and figures rounded to the nearest 1,000. Figures may not some due to rounding. (3) Figures rounded to the nearest 1,000. Figures may not some due to rounding.

The plan-making process is slow, so many local plans do not include housing targets that are compliant with the latest Standard Method. Nonetheless, all plan-making authorities have, until recently, been required to identify a 5-year land supply that supports an appropriate level of new housing supply. According to Savills (Jan 2023), 1 in 5 local authorities lacked a National Policy Framework (NPPF)-compliant plan after ten years. 116 LPAs (Local Planning Authorities) did not have a 5-year land supply – around half of these in the South East.[10]

On 19 December 2023, the Government released a revised National Planning Policy Framework (NPPF). According to this revision, LPAs are no longer required to continuously demonstrate a deliverable 5-year housing land supply. This exemption applies provided they identified a 5-year supply at the time of their local plan examination and their adopted plan is less than five years old. As a result of recent changes, far fewer LPAs will be required to demonstrate a 5-year housing land supply. This is important because, the lack of a 5-year housing land supply means the "presumption in favour of development applies" i.e. more permissive development.

The Housing Delivery Test compares net homes delivered to the net homes required – with the latter based on either an up-to-date local plan target or Standard Method calculation. About 1 in 3 authorities failed the latest assessment, with half these failing to meet even 75% of their housing need. Under current rules, this means facing "presumption in favour of development", i.e. more permissive development.[11]

It is important to note that the status of housing targets has been downgraded to an "advisory starting point when establishing housing requirements through plan-making" rather than an "end point". The latest revisions to the NPPF provide much greater flexibility for local authorities in assessing local housing need – and to justify and alternative approach to the Standard Method.

Planning guidance also requires plan-making authorities to identify and plan for the housing needs of particular groups of people and provides guidance on how to estimate affordable need. However, many local plans currently adopted do not include a target number of affordable homes to be delivered. Rather, they provide planning support for the affordable housing delivery through planning obligations (s106 agreements). Most (if not all) adopted local plans require a proportion of homes on new developments above a certain site-size threshold to be affordable.

The Bramley figures suggest the following distribution of affordable housing need. Regional estimates sum to c. 150,000 – with a lower figure for London associated with higher figures in the South (i.e. East, South East, South West) and vice versa. Our research suggests that, based on a sample of local housing assessments in the South East, the Bramley estimates of affordable need are realistic.

Table 3. Affordable housing requirement or need per annum by English Region (all figures rounded)

Region	Bramley 2019 for NHF/Crisis[1]
North East	2,000
North West	11,000
Yorkshire & Humber	5,000
East Midlands	6,000
West Midlands	9,000
East	16,000 to 18,000
South East	32,000 to 38,000
South West	14,000 to 15,000
London	46,000 to 55,000
England	**150,000**

Source: Bramley (2019)

(1) Figures rounded to nearest 1,000. Figures may not sum due to rounding.

In 2021, the government introduced First Homes. These are new build homes offered to first-time buyers at a (minimum 30%) discount and considered as affordable housing for planning purposes. A number of First Homes have been delivered through a funded pilot – but future provision will be through s106 agreements. Planning guidance specifies a minimum of 25% of all affordable housing units secured through developer contributions should be First Homes.

Review of local plans in the South East

We reviewed adopted local plans and relevant research reports for all plan-making authorities in the South East and found:

- Housing targets in adopted local plans sum to c.38,000.
- Taking account of emerging new plans, the figure rises to c.44,000.
- The most recent local assessments of housing need (not all of which are recent or take account of the new Standard Method) sum to c.47,000.
- These assessments also suggest an affordable need of c.30,000 i.e. over 60% of total housing need (at 47,000) – though the proportion varies by local area.
- The 30,000 estimate is close to the lower-end Bramley estimate (32,000). Given many local housing assessments are dated, worsening affordability, changes to policy scope of affordable housing etc., Bramley's higher end estimate of affordable need (38,000) does not seem unreasonable.
- Applying the Standard Method in 2023, with an adjustment so that all regions in England sum to 300,000, indicates a total housing need of 54,000 in the South East.
- The Bramley estimates of affordable need are credible whether or not the overall housing need or target nationally is 300,000 or 340,000.
- Typical affordable housing requirements for planning obligations in the South East are 30% to 40% (with typical site size threshold of 10+ units). These requirements reflect assessments of need but also viability and deliverability considerations. In general, there are lower % requirements on previously development (brownfield) sites and smaller developments.
- Many local assessments of housing need do not reflect recent planning guidance so do not provide a full assessment of total affordable need, e.g. some are missing affordable home ownership needs. At the time of writing only a handful of local plan-making authorities had assessed the implications of the First Homes policy introduced in 2021.
- Many assessments of local housing need group together Affordable Rent with Social Rent or only provide a weak guide to the tenure proportions needed. Of those that do 50:50 appears typical.

Support for new build and the wider market

The Help to Buy equity loan scheme was launched in 2013, to help first-time buyers (FTBs) buy a new build home (by reducing the deposit requirement and size of mortgage needed). Independent evaluations for DLUHC show the scheme increased home ownership and housing supply.[12]

According to the latest statistics (up to May 2024), the scheme has helped nearly 400,000 people to buy a new build home since 2013.[13] The final phase of the scheme came into effect in 2021 and ended in early 2023.

The Mortgage Guarantee Scheme (MGS), launched in 2021, helps to support the cost and availability of mortgages to borrowers with only a small deposit (high Loan to Value, or LTV). The scheme offers lenders a guarantee on mortgage loans where the borrower has a deposit of only 5%. The scheme is not restricted to FTBs or new build.

According to the latest official statistics (up to end March 2023), the MGS has supported 37,376 mortgage completions.[14] At the Autumn Statement on 22 November 2023 it was announced the scheme would be extended by 18 months to June 2025.

In response to Covid-19, Stamp Duty rates on all transactions up to £500,000 were slashed to zero from July 2020. The threshold was halved to £250,000 in July 2021. In October 2021 the 2% rate on properties worth £125,000-£250,000 was restored, but then subsequently returned to zero in September 2022.

In addition to the above, the government has provided a range of soft loans and support for infrastructure – primarily focussed on private housebuilders.

The industry is now looking to fill the gap left by the closure of Help to Buy. Housebuilders have grouped together to offer Deposit Unlock, which is very similar to Help to Buy but currently with more limited mortgage options.[15]

Funding for affordable housing

There are three main sources of funding available to housing associations for the provision of new affordable housing supply: subsidy i.e. capital grant, debt and equity.

Subsidy

The government distributes capital grant for affordable housing through the Affordable Homes Programme (AHP) – delivered by the Greater London Authority (GLA) in London and Homes England (HE) in the rest of England.

2016 AHP (2016-2021)

- In June 2018, DLUHC published a target to deliver 250,000 new homes through the programme.
- According to a National Audit Office (NAO) report in 2022, the Department's internal central forecast falls short of this target (241,000 housing starts by March 2023, with some of these homes not expected to be completed until 2032).[16]
- The NAO report also said the Department forecast real-terms spend of £8.5bn (2021-22 prices). Based on grant-funded homes only, forecast spend suggests an average £53k per unit.[17] [18]

- Both the 2016 AHP and previous 2015 AHP (2015-2018) marked a shift from earlier programmes, away from Social Rent towards Affordable Rent.
- Outturn data published by the NAO shows that, of a total 54,466 affordable homes delivered outside London (as at March 2022), only 510 were Social Rent (less than 1%), whilst 40,656 were Affordable Rent (about 75%). The remainder were Home Ownership (8,247) and Specialist or supported homes (5,053).
- London is a bit different. Whilst very few Social Rented homes were delivered under the 2015 AHP, figures published by the NAO show the 2016 AHP has delivered slightly more homes for Social Rent than for Affordable Rent (as at March 2022).

2021 AHP (2021-2026)

- In September 2018 the government announced an initial £2 billion funding for the 2021 programme. At the March 2020 Budget, the government announced an extra £9.4 billion, bringing the total to £11.4 billion.
- The Department's public target is to fund "up to 180,000 new homes, should economic conditions allow". However, according to the NAO, the Department's final business case (not published) set a target of between 157,000 and 165,000 new homes.
- Again according to the NAO, the Department forecasts that in real terms it will spend £10.5 billion (2021-22 prices) on the 2021 programme. Forecast spend suggests an average subsidy of £64k to £67k per unit.[19] [20]
- It should be noted that the 2021 AHP consists entirely of grant-funded housing supply, whereas under the 2015 and 2016 AHPs HE/GLA could count nil grant s106 affordable homes.
- Compared to previous AHPs there has been a shift in support further towards affordable home ownership.
- In London the Mayor has agreed nearly half the programme will support households into home ownership, with the remainder being for Social Rent.
- Outside London, it has been estimated the programme similarly comprises around 50% on home ownership tenures (in line with Homes England's original guidance), around 14% on social rent, and with the 36% balance on mostly affordable rent.[21]

There are a number of other programmes intended to support new affordable housing, e.g. Right to Buy replacement. However, these are relatively small in scale.

The other main source of subsidy for new affordable housing supply, alongside AHP, is nil grant s106 supply - which has accounted for roughly half of total affordable supply in recent years. As already noted, local planning policies require a proportion of homes on new developments to be affordable tenures, supported by national policy guidance.

Debt and equity

Housing associations are largely reliant on debt – though the amount of private equity in the sector has grown exponentially in recent years – to finance the cost of new affordable homes net of any subsidy. The financial viability of new affordable housing depends on factors such as interest rates and rental income net of costs. Rental income is highly dependent on government rent policy, and accounts for roughly two-thirds of housing association income.

The Welfare Reform and Work Act 2016 saw a reduction in the level of social rents. As part of the Summer Budget 2015 the Chancellor announced that rents in social housing would be reduced by 1% a year for four years resulting in a 12% reduction in average rents by 2020-21. In 2017, the Government capped rent increases to CPI plus 1% for 5 years from 2020. The Autumn Statement 2022 announced rent increases would be capped at 7% in 2023/24. Rents have consequently not kept up with sector cost inflation, squeezing sector surpluses.

Certainty over future indexing is essential to allow housing association boards to invest in the supply of new affordable housing. This certainty has been undermined by recent high profile instances of policy decisions. For instance, the decision to reduce housing association rents by 1% annually for 4 years from 2016/17, or the sudden 7% cap to rents in 2023/24 which was imposed at short notice.

Affordable housing definitions

Affordable housing can be for sale or rent – for those whose needs are not met by the market. Although the products / tenures listed below are classified as "affordable", many of them are unaffordable to people on mid to lower incomes, as concluded by the Affordable Housing Commission in 2020.

For rent:

- Social Rent
  Social rent is a low cost rent set by a government formula. It is significantly below the rent a tenant would pay in the normal market.

- Affordable Rent
  Introduced by the Cameron-Clegg coalition in 2011. Affordable rents are set above the social rent but below the market rent. Affordable rent is subject to rent controls that require a rent of up to 80% of the local market rent (inclusive of any service charge).

- Intermediate Rent (including London Living Rent)
  Introduced by New Labour. Similar to Affordable Rent. As part of the intermediate rent arrangement there may also be a future opportunity to purchase the property (or a share of the property) being rented. It is worth noting that allocations for Intermediate rent were different to Affordable Rent, which is effectively the same as Social Rent.

For ownership:

- Affordable Homeownership
  "Low cost" homes are provided for sale at a price equivalent to a minimum 20% below local market value. Where public grant is provided the homes must remain at an affordable price for future eligible households, or for any receipts recycled (for alternative affordable provision) or refunded.

- Shared Ownership
  The purchaser pays for an initial share of between 10% (or 25% prior to 2021) and 75% of the home's value with the option to increase their ownership later on ('staircasing'). The registered provider owns the remaining share and rent is paid on the landlord's share. The rent is up to 3% of the share's value and rises with inflation.

- First Homes
  A new government initiative in England that offers discounts to first-time buyers. The discount can range from 30% to 50% of the market value of the home.[22] The discount is funded by developers / landowners on new build developments. Onward sales can only be to someone eligible – with the same discount applied to the market value at the time of sale.

  "First Homes are the government's preferred discounted market tenure and should account for at least 25% of all affordable housing units delivered by developers through planning obligations."[23]

For the purposes of this report we have grouped products/tenures together:

- Affordable Rent "AR": Affordable Rent and Intermediate Rent. These are similar and Intermediate Rent has now been largely displaced by Affordable Rent.
- Affordable Ownership "AO": Affordable Homeownership / Shared Ownership / First Homes. Shared Ownership is (currently) the main affordable home ownership tenure. First Homes are set to grow and we expect there will be some displacement of other home ownership tenures in the years to come.
- Social Rent "SR"

First Homes v Shared Ownership

First Homes are intended to improve access to home ownership for middle-income households and offered as something of a replacement for Help to Buy scheme, which has now closed. First Homes are new homes to be sold at a discount of between 30% to 50% to the market value. There are a number of issues with the policy:

- A requirement for 25% of homes on new development to be First Homes will squeeze out shared ownership and affordable rented housing – within the overall envelope of affordable housing % requirements as set out in local plans.
- Local plans could be changed to maintain shared ownership and affordable rented housing, but this takes time and subject to viability considerations – particularly an issue in lower value areas and/or brownfield developments.
- There are some similarities between First Homes and the shared ownership housing it could displace. However, shared ownership provides a number of unique benefits, such as the ability to purchase as little as 10% of a property at its market value and to increase ownership this share later on ('staircasing'). First Homes are bought at discount but must also be sold at a discount and the availability of mortgage lending is untested. The costs of borrowing are likely to be much higher than shared ownership, favouring better off households.
- There is a risk that a sizeable portion of First Home could be taken up by households who could otherwise meet their needs in the marketplace, at the expense of poorer households in need of shared ownership or affordable rent.
- This would displace market demand, reducing the absorption rate at market prices. Developers would face more of the sales risk, because they would be reliant on individual buyers rather than being able to sell shared ownership and affordable rent completion to housing associations.
- Whilst First Homes is intended as a replacement for Help to Buy, a key difference is that the latter, supported by public funding, added to demand and reduced rather than increased sales risk.

This report would therefore recommend that Shared Ownership housing is prioritised over First Homes, as First Homes reduce the number of first-time buyers helped because it squeezes out Shared Ownership provision. First Homes also require significantly more subsidy, which is another key disadvantage, versus Shared Homes greater affordability for those on lower incomes.

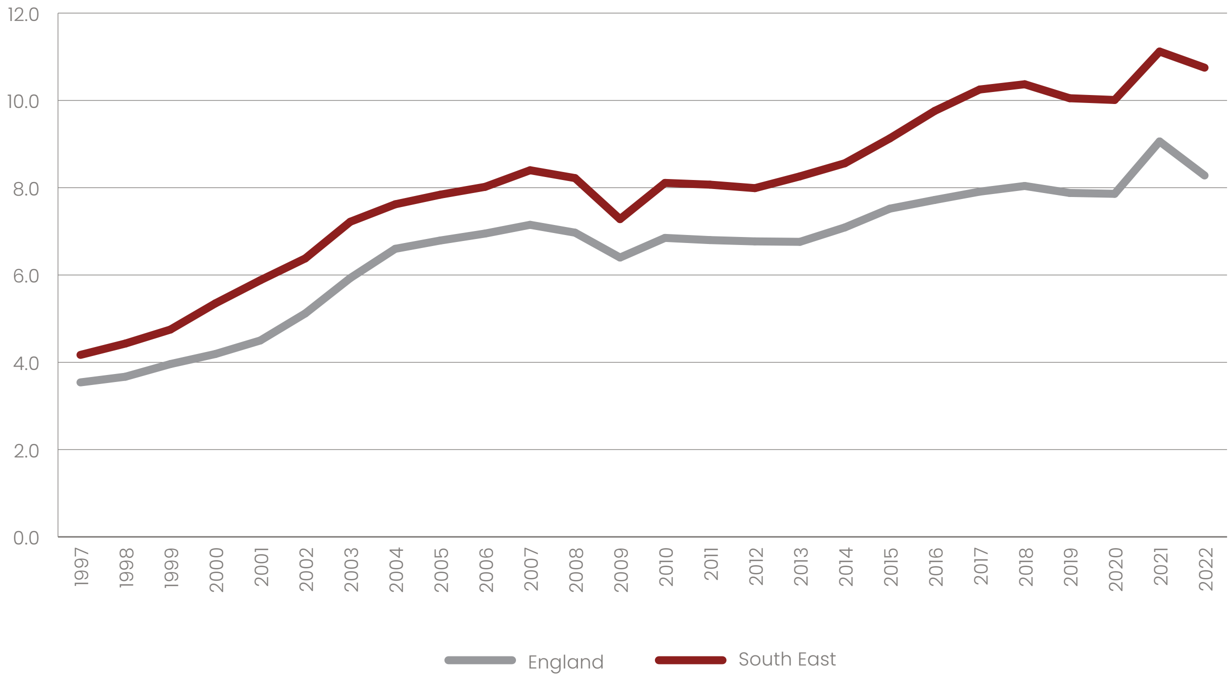
CHAPTER 4

Historic supply of homes

A symptom of the historic undersupply of housing, and the imbalance between supply and demand, is worsening affordability. Chart 1 shows affordability (measured as the ratio of median house price to median workplace-based earnings) has deteriorated over a very long period of time. In 1997 house prices were roughly 4x earnings and by the turn of the decade had increased to 8x earnings, or 10x in the more pressured South East. The housing targets considered in this paper are intended to address historic undersupply and stem or improve the affordability of housing. If we have another decade of under-supply relative to these targets, affordability will continue to worsen yet further

The affordability ratio fell slightly in the aftermath of the Great Financial Crash in 2008, but was only temporary and linked to credit constraints on demand. The affordability ratio has recently fallen back again though remains very high. There is some potential for a further slowing of house prices relative to earnings, as house prices adjust to higher interest rates.

Chart 1: Ratio of median house price to median gross annual workplace-based earnings (source ONS)[24]



Other symptoms of inadequate housing supply

Homelessness: There are various measures of homelessness, such as numbers in temporary accommodation. In the decade to 2022/23 the number of households in temporary accommodation approximately doubled to more than 100,000 households. Without any action, a continuation at this rate would mean a further 100,000 in temporary by 2032/33.

Local authority spending on homelessness services in 2022/23 was £2.43m, up from £0.97m (or £1.18m at 2023 prices) in 10 years. Further rising costs are a particular strain on hard-press local budgets.

Fiscal cost: A more sizeable financial impact on the public sector is the cost of supporting people's housing cost through Housing Benefit and housing element of Universal Credit. Housing benefits expenditure - including that on universal credit housing element - has risen by 60 per cent in real terms since 2000/01, reflective of worsening housing affordability and households' increasing reliance on government help towards their housing costs. A real terms increase since 2010/11 comes despite below-inflation increases in social rent setting overall and curtailed access to housing benefits for those in the private rented sector from the cheapest 50% to the cheapest 30% homes in a local area.

The housing benefits caseload has risen from nearly 4 million in 2000/01 and 4.8 million in 2010/11 to 5.4 million in the latest financial year, again reflective of worsening housing affordability with a much more significant rise for households living in the private rented sector, the lack of social housing supply contributing to this.

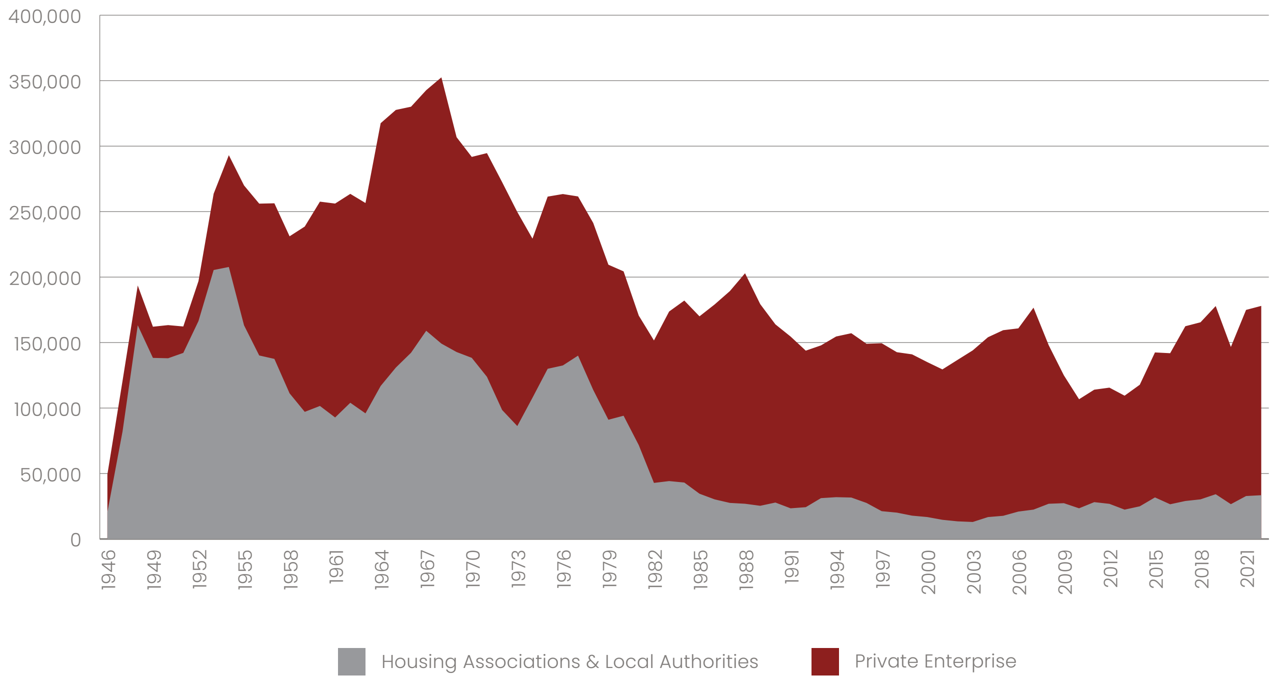
A recent NHF report highlighted the fiscal savings of building 90,000 new social rented homes. The estimated £51.2bn includes savings on housing benefits and reduction in homelessness.[25]

People living at home with parents: Worsening housing affordability has presented alongside increasing numbers of young people living at home with their parents because they cannot afford to move out (to any tenure) - not good for these young people, and probably not great for parents either. In 1996, 21% of 20-34 year olds (2.7m) lived with their parents but by 2016 this had risen to 25%. The latest data for 2022 shows the percentage at 27%, some 3.4 million young adults, according to the Office for National Statistics.[26]

Adequate housing supply has been historically achievable

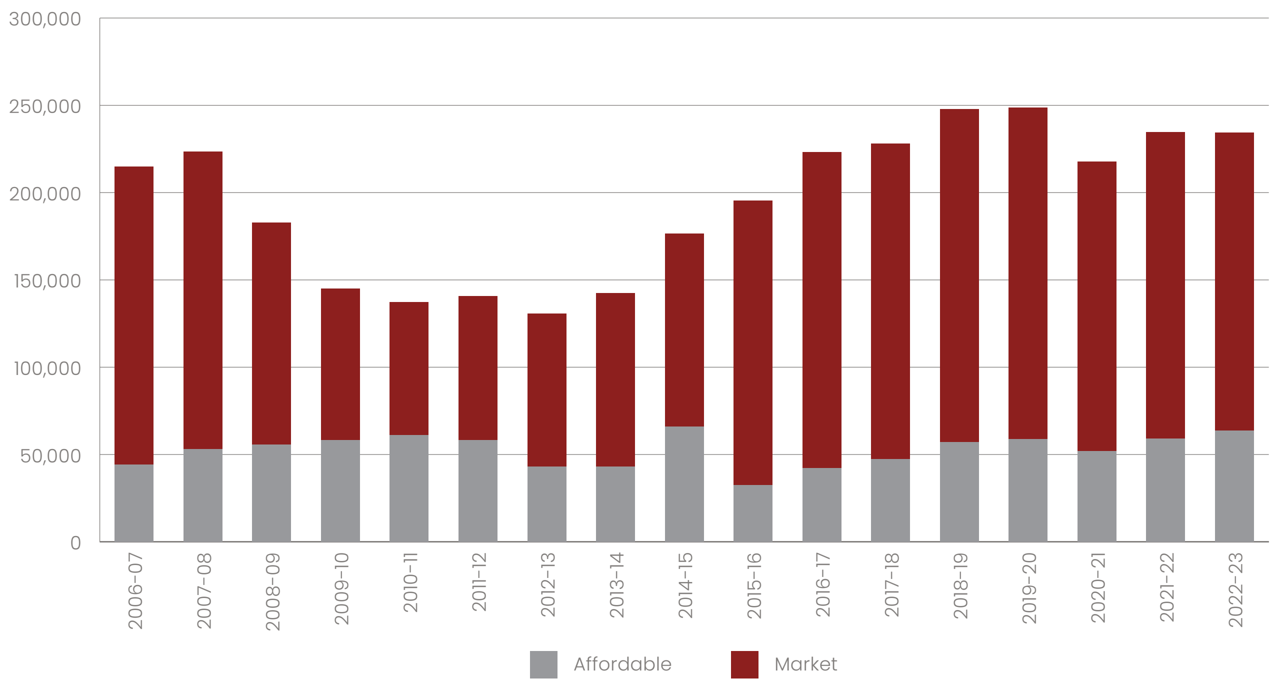
Meeting housing supply has historically been achieved within living memory, and with bolder policy ambitions and the correct mechanism design, this can be delivered again. Chart 2 below shows how total housebuilding completions by housing associations, local authorities and private enterprise were capable of delivering above 300,000 dwellings per year. Crucially, this was not achieved by private enterprise alone. Between 1964 and 1969 total housebuilding completions averaged 330,000 – with 190,000 of these by private enterprise. Since the collapse of council housebuilding in late 1970s private enterprise has never been able to achieve the numbers of homes needed. This points to the crucial role of publicly funded housing in meeting the country's housing needs. As is often explained by private housebuilders themselves, their rate of supply is ultimately determined by the 'absorption rate' i.e. the rate at which new homes can be sold without significantly affecting market prices. In contrast, publicly-funded social housing is not limited by this rate and can be delivered more rapidly, aiding in meeting housing targets more efficiently. Any Government serious about ramping up housing numbers needs to consider ways to mitigate the absorption constraint on new supply – including but not limited adequate levels of public funding for social housing.

Chart 2: Housebuilding: permanent dwellings completed, England, 1946 to 2022[27]



The charts below show net additions split between market and affordable housing (England and the South East region).[28] Market supply plunged in the 2008 recession (Great Financial Crash or GFC) whereas affordable supply increased for a period. At the time of the GFC, affordable housing was widely acknowledged to be an important counter-cyclical stabiliser – helping to shore up overall housing supply and industry capacity through depressed market conditions.

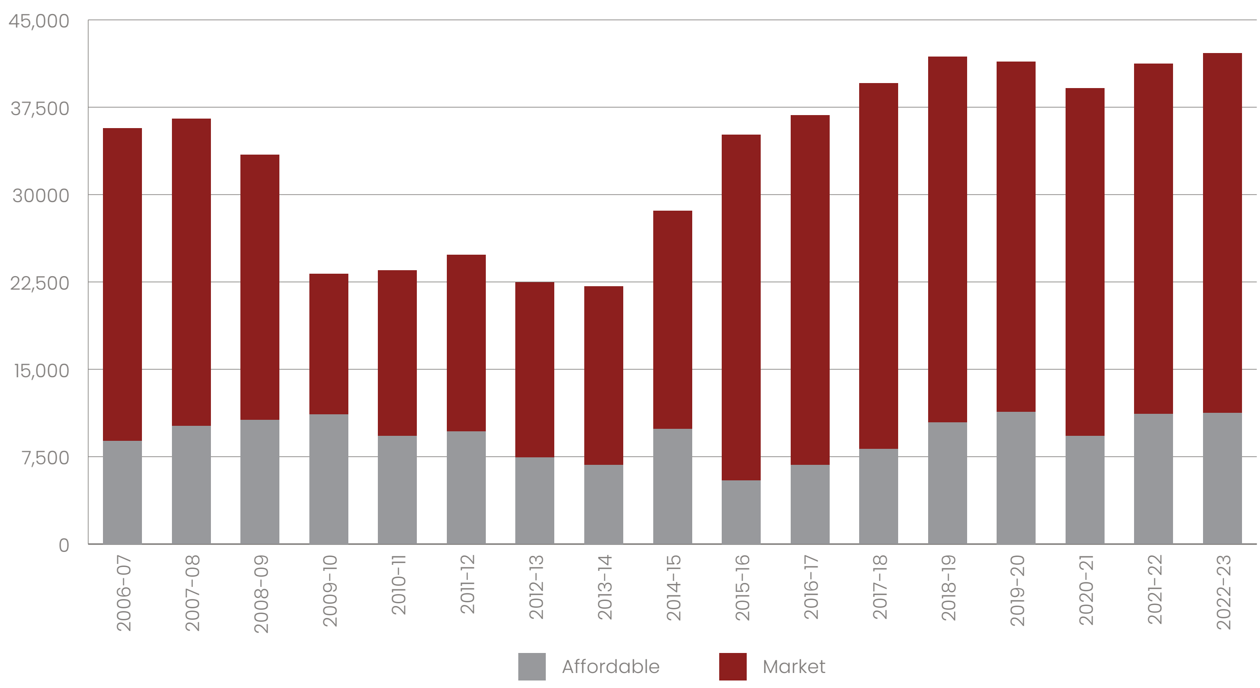
Chart 3a. Net supply of housing (2006/07 to 2022/23), England



Source: ChamberlainWalker based on DLUHC statistics

Market supply in England bottomed out in the period 2010/11 to 2011/12 (2009/10 in the South East, so the downturn was less protracted) before then rising steadily as market conditions improved. It took a decade for market supply in England to recover to pre-recession levels (9 years in the South East, so slightly quicker).

Chart 3b. Net supply of housing (2006/07 to 2022/23), South East region



Source: ChamberlainWalker based on DLUHC statistics

There was a drop-off in market supply in England due to Covid-19 in 2020/21, only partially recovered in the two subsequent years. In the South East, Covid-19 caused a stagnation in market supply rather than a fall.

Affordable supply peaked in 2014/15 – the back end of the 2011 AHP (2011-2015). Affordable supply dropped in the subsequent year with the transition to the 2015 AHP, before rising strongly - as previously mentioned, a move to longer-term (10 year) AHP could help smooth such peaks and troughs in supply.

As with market supply, there was a drop-off due to Covid-19, which imposed restrictive work practices and caused supply chain issues. By 2022/23, affordable supply in England was c.64,000 and c.11,000 in the South East.

The recent peak for total net supply in England was c.249,000 in 2019/20 (and for the South East c.42,000 in 2018/19 and 2022/23). Whilst positive progress towards 300k+ (54k+ in the South East), this was on the back of a rising market. Given the sensitivity of new build construction to a highly cyclical housing market it is unclear how 300,000 homes (with 54,000 to 90,000 in the South East) annually could ever be delivered and sustained without significant structural changes including more funding for affordable housing.

The table below summarises average annual net supply over the decade from 2013/14 up to 2022/23. The cumulative shortfall in total supply (England) was around 1m, with all or most of this affordable (particularly Social Rent) rather than market housing.

Of the English regions (with the exception of London) South East England accumulated the largest shortfall in absolute and relative terms in the decade from 2013/14 to 2022/23. In general, the biggest shortfalls are in southern regions.

It should be noted that these historic shortfalls have been evaluated in the context of relatively recent estimates of housing need which themselves reflect past under-delivery as well as worsening affordability.

While Build to Rent and Single Family Detached Homes (SFDH) can help marginal supply, they will not help those on the lowest incomes, which is why affordable housing is so crucial.

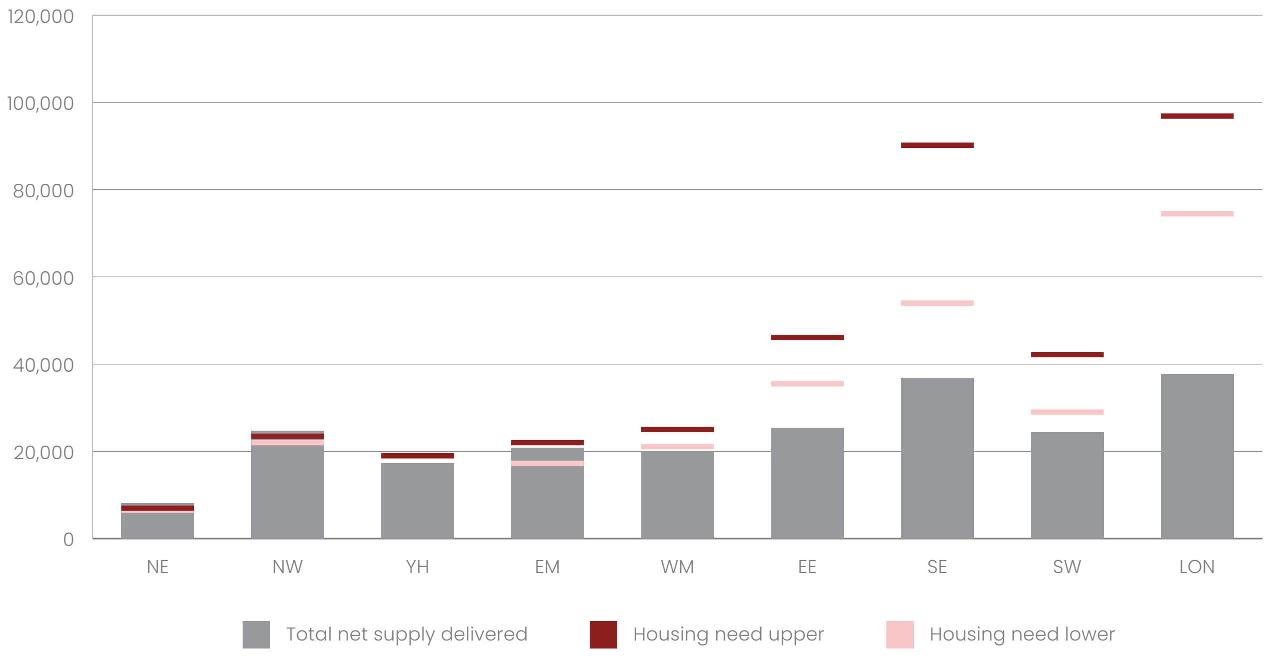
Table 4. Average annual net supply, 2013/14 to 2022/23 (all figures rounded)

	England			South East		
	Total	Affordable	Market	Total	Affordable	Market
Requirement/need	300k to 340k	150k to 152k	148k to 189k	54k to 90k	32k to 38k	22k to 52k
Delivered	215k	52k	163k	37k	9k	28k
Delivered % of requirement/ need	63% to 72%	34% to 35%	86% to 110%	41% to 68%	24% to 28%	53% to 128%
Supply surplus/(deficit)	(125k) to (85k)	(100k) to (98k)	(27k) to 14k	(53k) to (17k)	(29k) to (23k)	(24k) to 6k
Cumulative total supply gap over 10 years	0.85m to 1.25m	0.98m to 1m	0 to 0.27m	0.17m to 0.53m	0.23m to 0.29m	0 to 0.24m

Source: ChamberlainWalker

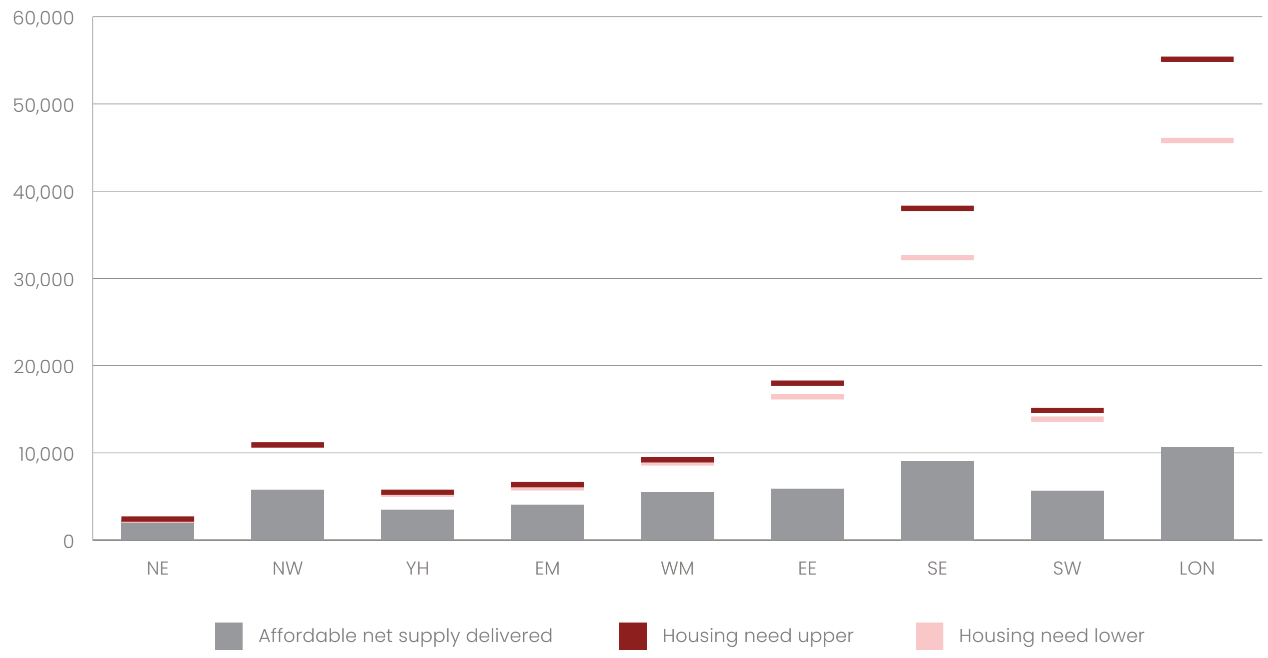
Figures may not sum due to rounding

Chart 3c. Average annual total net supply (2013/14 to 2022/23) v. estimates of need



Source: ChamberlainWalker based on DLUHC statistics and housing targets (sources: Bramley, Lichfields and ChamberlainWalker)

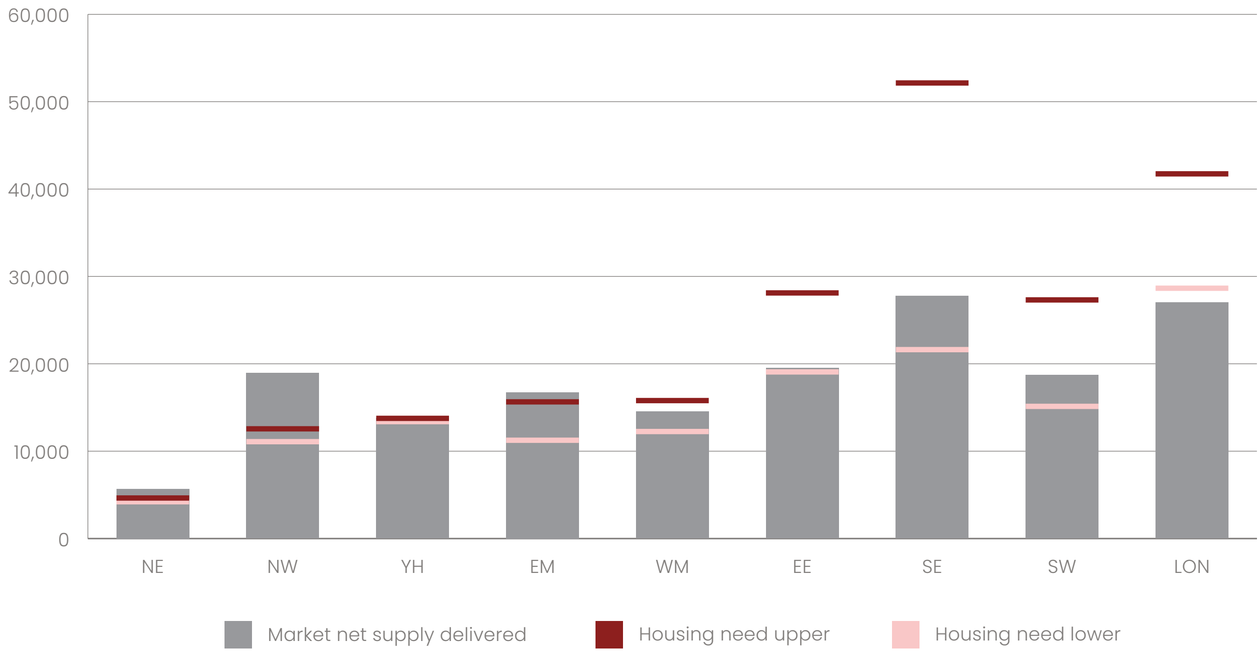
Chart 3d. Average annual affordable net supply (2013/14 to 2021/22) v. estimates of need



Source: ChamberlainWalker based on DLUHC statistics and housing targets (Sources: Bramley, Lichfields and ChamberlainWalker)

Affordable housing accounts for most of the shortfall in delivery over the last decade. Based on a national (England) housing target of 300,000, the South East delivered more than enough market homes, but far too few affordable ones. However, based on the higher target of 340,000 there was also a significant shortfall of market homes.

Chart 3e. Average annual market net supply (2013/14 to 2022/23) v. estimates of need



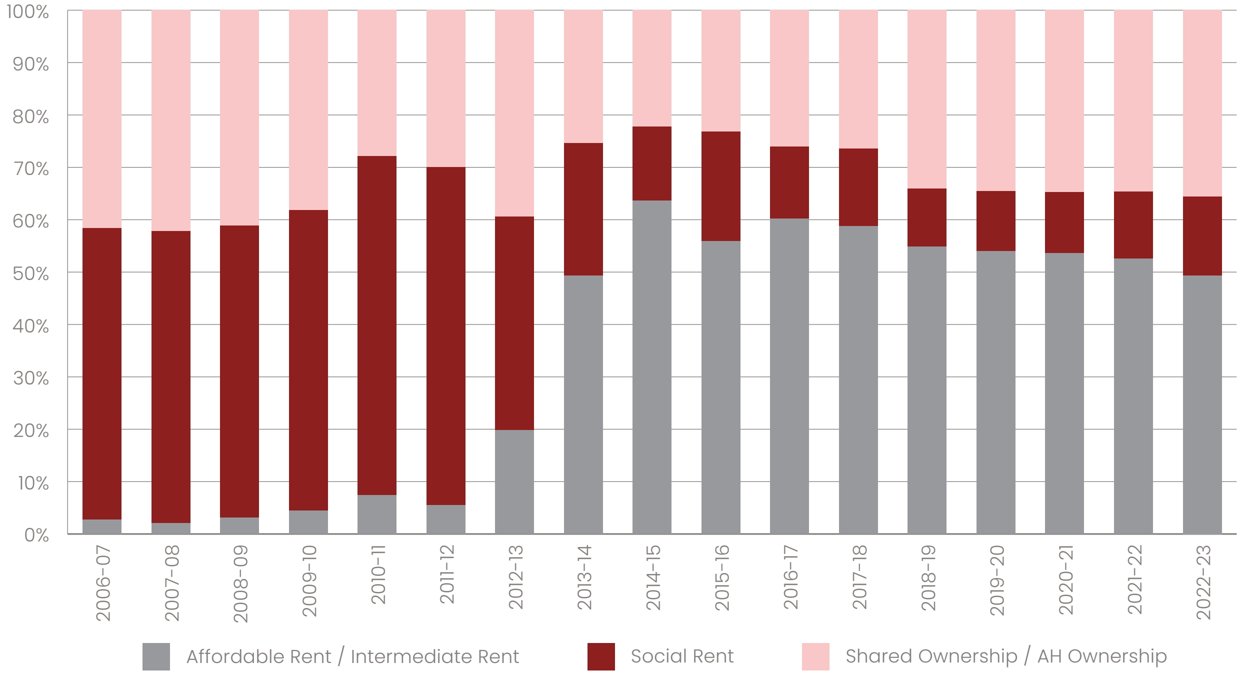
Source: ChamberlainWalker based on DLUHC statistics and housing targets (sources: Bramley, Lichfields and ChamberlainWalker)

Affordable housing tenures

Chart 4a below illustrates how the balance of affordable tenures has changed through time in England. It can be seen that, from the advent of the 2011 AHP (introduced by the Cameron-Clegg government) the supply of Affordable Rent squeezed out other affordable tenures, particularly Social Rent. A move to longer-term (10 year) AHPs could avoid some of the recent peaks and troughs in supply and enable their historical counter-cyclical role in housing delivery.

The supply of Affordable Ownership homes in England fell to as low as 22% in 2014/15 but made up some ground in more recent years – settling at around one third of total affordable supply – reflecting a shift in policy emphasis in the context of political pressures to address declining rates of homeownership.[29]

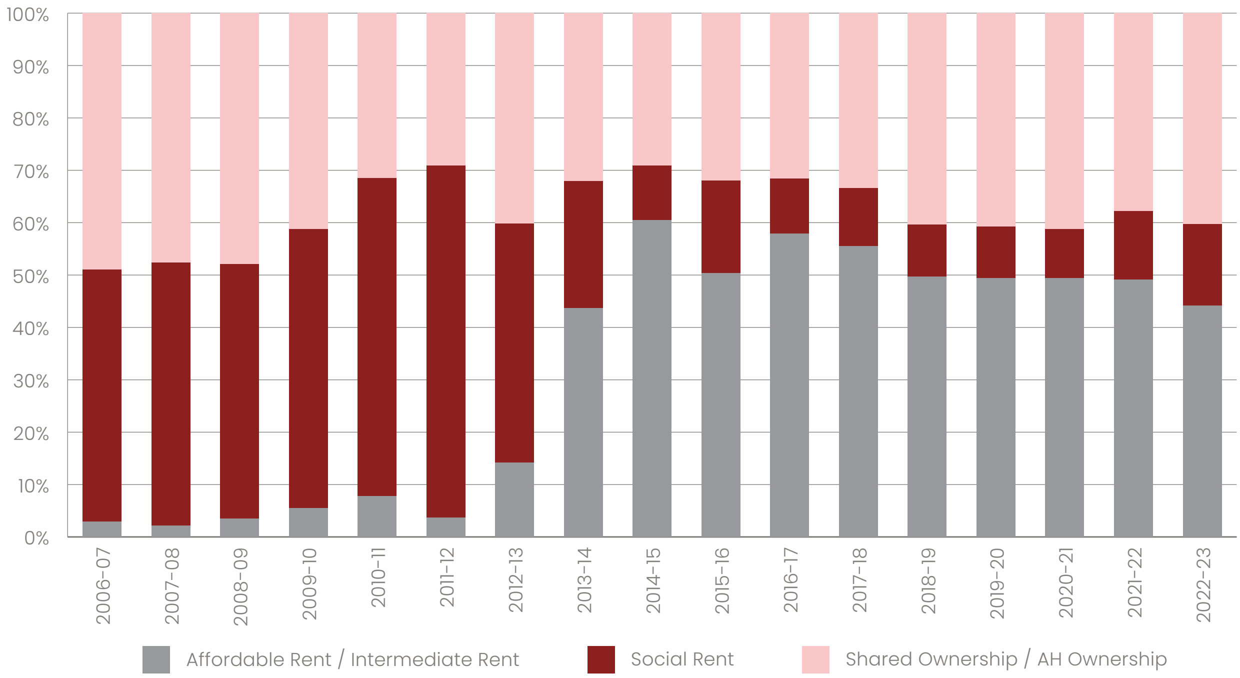
Chart 4a. Net supply of affordable housing (2006/07 to 2022/23), tenure shares, England



Source: ChamberlainWalker based on DLUHC statistics

The supply of Affordable Ownership homes in the South East region declined to 29% in 2014/15 and in recent years settled at around 40%.

Chart 4b. Net supply of affordable housing (2006/07 to 2022/23), tenure shares, South East



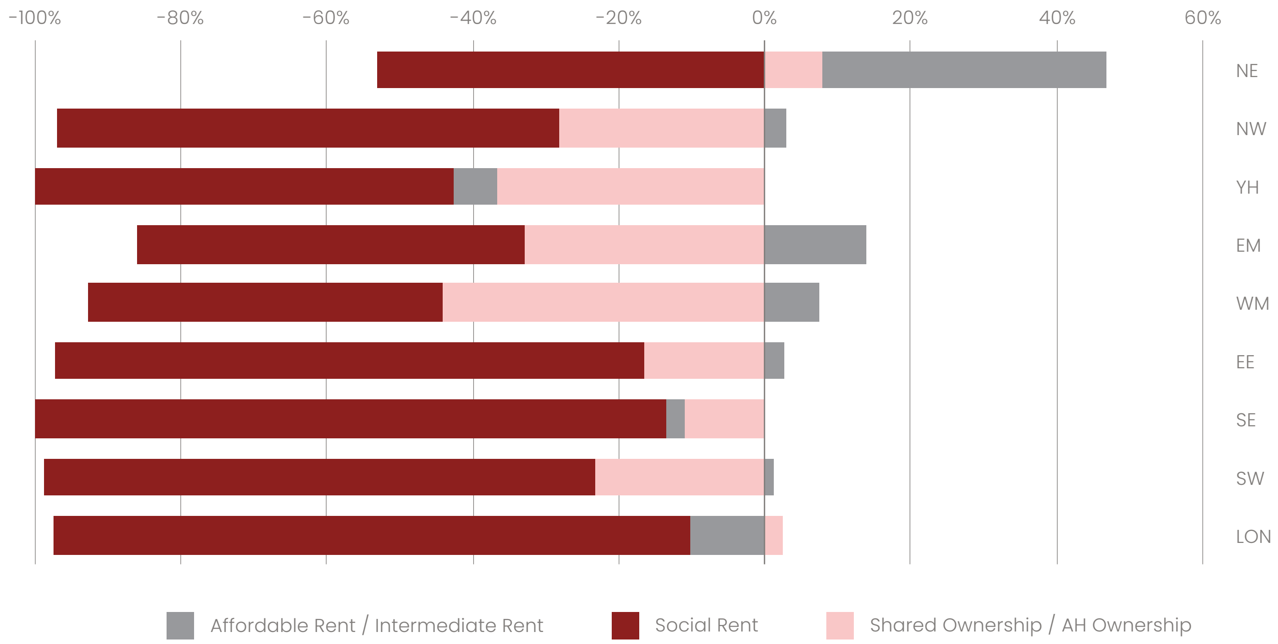
Source: ChamberlainWalker based on DLUHC statistics

The patterns are similar across the other English regions.

Social housing has been squeezed out well below levels of estimated need. For example, Bramley's figures suggest the majority of need is for Social Rented homes – in stark contrast to recent delivery.

Chart 5 below provides an indication of affordable tenure shares for the supply gaps (i.e. the difference between housing need and what was actually delivered) highlighted in chart 3c. The chart below uses the supply gaps implied by the upper estimates of need (using the lower estimates tells a similar story).

Chart 5. Affordable tenure shares in the affordable housing gaps identified in Chart 3c (upper estimate of housing need)



Source: ChamberlainWalker

The above chart, informed by Bramley estimates of need, clearly shows that Social Rent accounts for most of the affordable housing shortfall. It should be noted that this contributes to the shift from supply- to demand-side subsidy since Affordable Rents (especially in the South East) are much more expensive than social rents and therefore increase the housing benefit bill.

Whilst the North East delivered sufficient affordable housing overall (as indicated in chart 3c), a higher proportion of these needed to be Social Rent, rather than Affordable Rent or Affordable Ownership. In the South East region, Social Rent accounts for most of the affordable housing supply gap. However, based on a large sample of local housing needs we think there could be more of an even balance between Social Rented and Affordable Rented.

The table below includes alternative estimates based on the evidence gathered.

Table 5. Average annual net affordable supply by tenure, 2013/14 to 2022/23 (all figures rounded)

		England				South East			
		All AH	AO	AR	SR	All AH	AO	AR	SR
Require-ment/need	Bramley	150k to 152k	27k	33k	91k to 92k	32k to 38k	6k	5k	21k to 26k
	Alternative estimate[1]	-	-	-	-	32k	10k	11k	11k
Delivered		52k	16k	29k	8k	9k	3k	5k	1k
Delivered % of requirement/ need		34% to 35%	58%	88%	8%	24% to 28%	34% to 51%	41% to 86%	4% to 10%
Supply surplus/(deficit)		(100k) to (98k)	(11k)	(4k)	(84k) to (83k)	(29k) to (23k)	(6k) to (3k)	(7k) to (1k)	(25k) to (10k)
Cumulative total supply gap over 10 years		0.98m to 1m	0.11m	0.04m	0.83m to 0.84m	0.23m to 0.29m	0.03m to 0.06m	0.01m to 0.07m	0.10m to 25m

Source: ChamberlainWalker

Figures may not sum due to rounding

[1] Informed by detailed review of local housing assessments

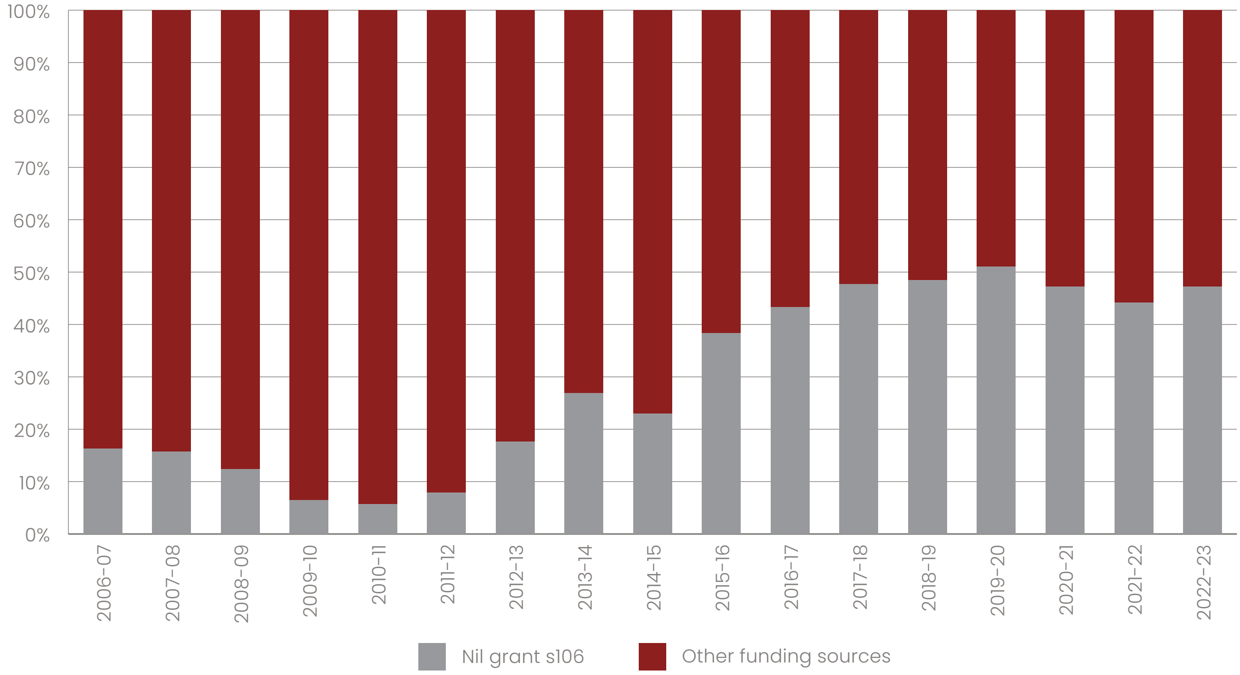
Affordable housing finance

Nil grant (s106) affordable housing delivered through s106 agreements in England reached 51% of new affordable supply in 2019/20 (compared to less than 10% in 2009/10 to 2011/12). The proportion has fallen back slightly since then. In the South East region the s106 proportion reached 64% in 2017/18 and since that time has averaged around 60%. As with England the proportion then declined slightly with the market slowdown.

The s106 proportion is much higher in the South and London than elsewhere, helped by higher land values. Higher land values mean there is more planning gain to be extracted whilst in lower value areas affordable housing contributions are more likely to be unviable.

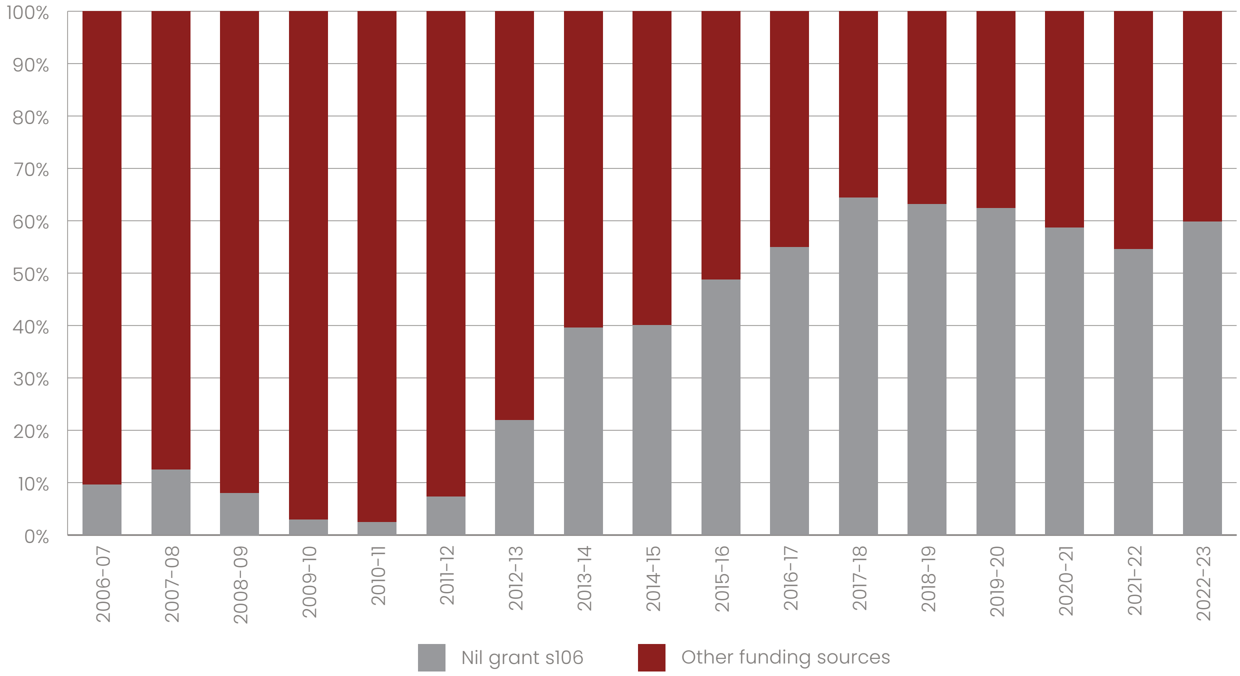
Whilst s106 makes an important contribution to supply, it does mean the affordable housing it delivers is tied to the success of private housing developments, and therefore affordable supply is more sensitive to the housing market cycle (pro-cyclical rather than counter-cyclical). Delivery through the S106 route also means housing associations have less discretion over choices such as design and service charges, which can reduce satisfaction.

Chart 6a. Net supply of affordable housing (2006/07 to 2022/23), s106 (nil grant) v other funding, England



Source: ChamberlainWalker based on DLUHC statistics

Chart 6b. Net supply of affordable housing (2006/07 to 2022/23), s106 (nil grant) v other funding, South East



Source: ChamberlainWalker based on DLUHC statistics

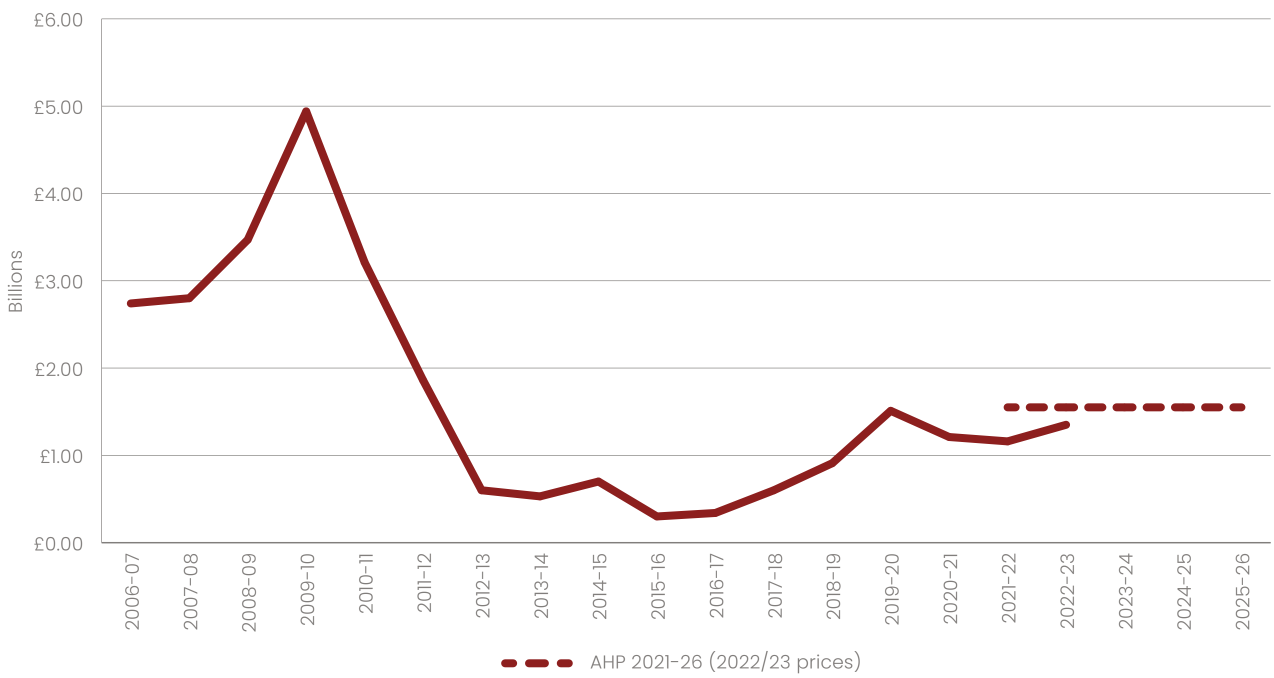
Alongside the rise in nil grant s106 affordable supply, the average grant per home has declined on the previous decade. The grant per home has fallen overall – largely due to the rise in s106 – but also for non-s106 supply, associated with the decline of Social Rent. The shift to other tenures, notably Affordable Rent, means tenants paying more (as well as the taxpayer through higher benefit costs), with the residual shortfall in subsidy met by other (private) sources of finance such as cross-subsidy from market sales by providers.

As previously mentioned, this increases the pro-cyclical nature of affordable housebuilding. It is also worth noting that it makes it harder for residents to taper off benefits, even when they are in full-time employment - which in turn means that they are paying very high effective marginal tax rates, diluting work incentives.

The underprovision of affordable housing means that the vast majority of public subsidy going into the housing system goes to private landlords. According recent analysis of the latest official statistics found that the Government will spend six times more on housing benefits for PRS landlords than on the AFP - a subsidy of over £70 billion in the years between 2021 and 2026[30]

Chart 7 shows how public capital subsidy for new affordable housing in England has fallen over the last decade.

Chart 7. Gross housing capital investment, England



Source: ChamberlainWalker based on UK Housing Review, Homes England Annual Report, D Local Authority Capital Expenditure and Receipts

S106 delivery and private development

Historic data shows a clear upward trend in supplying new build s106 nil grant affordable housing. It also shows fluctuations in nil grant affordable housing supply. These fluctuations correspond to changes in new build private supply.

Based on a simple model we find s106 affordable supply responds more than proportionately to private new build housing supply: in a market upturn a 1% rise in private new build is associated with a 1.3% rise in nil grant s106 affordable supply; and, conversely, in a market downturn a 1% fall in private new build is associated with a 1.3% fall in nil grant s106 affordable supply. The model includes a "time trend" to reflect the rise in nil grant s106 affordable housing over the housing market cycle – the impact of local planning policies.

In the forecasts in Chapter 5 we assume there is no further trend-based rise in s106 delivery given the proportion is ultimately capped at around 30% to 40% (of sites above a certain unit size threshold) in local plan policies.

Land Value Uplift is not sufficient to deliver affordable housing

Some policymakers believe that the gap in affordable housing supply can be addressed by extracting more value from new developments, specifically through Land Value Uplift (the increase in land value due to external factors such as planning permission). However, this approach faces several challenges:

1. **Complexities in the Current Land Value Capture System:** The existing mechanisms for capturing land value, namely s106 planning obligations and the Community Infrastructure Levy, are often seen as cumbersome and a drag on new housing development. More radical reforms, like land auctions, have not gained significant political traction, indicating challenges in overhauling the current system.

2. **Competing Demands on Land Value:** There are various claims on land value, and in some cases, mandating additional affordable housing can detract from the provision of local amenities and infrastructure. This can lead to developments that are not acceptable in planning terms.

3. **Economic Viability of Development Sites:** Imposing additional demands on land value might render some sites economically unfeasible. While developers could potentially offset these costs by paying less for land, this adjustment process can be lengthy. In areas with lower land values or high development costs, such as brownfield sites, there may be little scope for reducing land prices further.

4. **Shift in Affordable Housing Types:** There has been a significant increase in the proportion of new affordable housing supply delivered via s106 agreements (51% of net affordable supply in 2019/20). Part of this increase is due to a shift from social rented housing to 'affordable' housing options closer to market rents/prices, which require less subsidy per unit.

5. **Market Dependency and Cyclical Nature of Affordable Housing Delivery:** Increased reliance on land value subsidy makes affordable housing delivery more dependent on market conditions and thus more cyclical. A market upturn leads to more s106 affordable

housing, but the opposite is true in a downturn. Our forecasts show the impact of a market downturn on s106 affordable supply, with an annual decline from 30,000 units in 2022/23 by by between 30% and 50%. In both scenarios, a sustained market recovery until 2031/32 is needed to return to the s106 affordable supply levels of 2022/23. This has wider ramifications for the supply chain, which loses long-term capacity in every downturn, in part because affordable housing supply does not act as a counter-cyclical buffer.

6. **Absorption Rate and Housing Delivery Pace:** A crucial factor for the pace of private development, and consequently s106 affordable housing supply, is the 'absorption rate' – the rate at which new homes can be sold without significantly affecting market prices. In contrast, publicly-funded social housing is not limited by this rate and can be delivered more rapidly, aiding in meeting housing targets more efficiently.

In summary, while the concept of leveraging Land Value Uplift for affordable housing is appealing, it is beset with challenges. These include navigating the complexities of the existing land value capture system, balancing competing demands on land value, ensuring the economic viability of developments, addressing the growing need for more social housing, and maintaining a resilient housing supply throughout the fluctuations of the housing market cycle. Given the challenges, it is impossible not to conclude there is a need for greater public subsidy.

Summary so far

- The overall level of housing need in England is assessed against at least a target to supply 300,000 new homes per year, of which potentially 150,000 need to be affordable.
- The overall level of housing need has grown over time because it reflects both current needs and the impact of historic delivery shortfalls (relative to assessed need) over recent decades.
- The proportion of housing that needs to be affordable (subsidised) has also grown so that it is now nearly 50%. This is because homes in the market (to buy or rent) are increasingly unaffordable – thus the need for more subsidised housing.
- Planning policy is intended to support the delivery of 300,000 homes annually in England.
- The plan-making process is slow but policies should be in place to support an appropriate land supply. In some places, under-delivery of homes has led to the more permissive "presumption in favour of sustainable development" being applied.
- Plan-making authorities can support affordable housing delivery through the adoption of local plan policies and negotiation of developer contributions (s106 planning obligations). However, beyond this the overall rate of delivery depends on other factors, notably public funding, outside the control of planning authorities.
- Local affordable housing plan policies reflect local assessments of affordable housing need as well as viability and deliverability considerations. The relatively new First Homes policy overrides these local assessments, by prescribing a minimum 25% whether or not this is appropriate.
- Various interventions have provided support for new build and the wider market – notably Help to Buy, and the recently extended Mortgage Guarantee Scheme. Other support has been in the form of soft loans and grants for infrastructure.

- The AHP is fundamental to new affordable housing supply. The overall headline level of output in England has been maintained at around 50,000 per year. However, this is well short of needs, and masks two significant changes.
- Firstly, the mix of affordable housing has changed over the last decade with big reductions in Social Rent (with the highest level of subsidy) and big increases in Affordable Rent (with rents at up to 80% of market levels) and subsidised ownership schemes (like the now mandatory First Homes). This has meant that the cost to Government of each home has gone down but the cost to households has gone up.
- Secondly, there has been a big increase in numbers of homes cross-subsidised by landowners and developers. This includes affordable housing through s106 planning obligations but also many registered providers have become more reliant on the sale of homes at market rates to provide cross-subsidy. Affordable housing supply used to be counter-cyclical meaning supply could rise (or at least not fall) when market housing supply falls. Affordable housing supply is now being hit by house price reductions just like market housing.
- The scale of these changes can be seen in the real-terms reduction in government grant per unit of affordable housing.
- These changes have been less marked in London because the affordable housing grant is devolved to the Mayor of London who has decided to focus on supporting London Living Rent (as opposed to cheaper options). This means that the changes outside London are much greater.
- Targeting Land Value Uplift to deliver affordable housing is appealing to some policymakers, but faces many challenges and complexities that will limit its effectiveness. There must also be an increase in public subsidy in order to deliver the affordable volume required.

CHAPTER 5 Outlook for housing supply

Within the policy context previously described, the short- to medium-term outlook for market supply largely depends on demand (influenced by factors such as mortgage availability, interest rates, living costs) and the cost and availability of construction inputs, i.e. land, labour and materials, as well as construction finance (supply side factors).

- Bank Rate now stands at 5.25%. Mortgage rates on new and existing loans have been rising.[31]
- House price growth has slowed and transactions fallen.[32]
- New build cost inflation exceeded 10% in 2022, well ahead of CPI inflation – though inflationary pressures are anticipated to fall.[33]
- At the Autumn Statement (Nov 2023) the OBR downgraded its forecasts for UK house prices and transactions.[34]
- The OBR also downgraded its forecasts for UK private enterprise starts and completions.

Affordable housing is also subject to market pressures:

- s106 affordable supply, as previously noted, is dependent on the success of private housing developments.
- Registered providers are more reliant than they were historically on cross-subsidy from market sales – as well as income from Shared Ownership 'staircasing' – to deliver new affordable homes (associated with lower public subsidy per affordable home).
- In contrast to Social Rent, other affordable products are more directly exposed to market conditions e.g. Shared Ownership. Rising mortgage rates and cost of living pressures reduce sales prices and volumes, as well as registered providers' income from first tranche sales and staircasing. First tranche sales especially are vulnerable to these factors.
- The supply of affordable homes, like market housing, is also affected by the supply of construction inputs and borrowing costs. A CEBR report for the National Housing Federation (NHF) in 2022 highlighted the pressures of inflation on housing associations.[35] To date the effective interest rate faced by providers has, in aggregate, remained relatively stable – due to the high proportion of borrowing at fixed rates – but is likely to rise in the near future.[36]

"Providers continue to face a difficult operating environment. There is ongoing fallout from the sequence of severe shocks the UK economy has faced over the past few years, with persistently high inflation, higher cost of borrowing, challenges accessing skilled labour, and a declining housing market all still playing out. There continues to be significant risk of further unexpected shocks from the ongoing war in Ukraine and instability in the Middle East, and as higher interest rates weigh on the UK and global economy."

Regulator of Social Housing Sector Risk Profile 2023 [37]

Regulatory pressures also have a bearing on the rate of new affordable supply.

- Rents – The Welfare Reform and Work Act 2016 saw a reduction in the level of social rents. As part of the Summer Budget 2015 the Chancellor announced that rents in social housing would be reduced by 1% a year for four years resulting in a 12% reduction in average rents by 2020-21. In 2017, the Government capped rent increases to CPI plus 1% for 5 years from 2020. The Autumn Statement 2022 announced rent increases would be capped at 7% in 2023/24. Rents have consequently not kept up with sector cost inflation, squeezing sector surpluses.
- Building safety – Following the tragedy at Grenfell Tower, housing associations carried out significant remediation and mitigation works. This meant higher capital costs, particularly in London and other urban centres with high rise developments. The push to Net Zero has also place additional capital costs on housing associations. The Future Homes Standard means that new affordable homes must significantly reduce carbon emissions (at least 75% lower than current standard) from 2025. Savills (for NHF) calculated that, to hit Net Zero by 2050, housing associations in England would need to spend £36bn.[38]

While not regulatory, an increase in general inflation has likewise pushed down surpluses.

The above pressures have had an adverse impact on housing association finances – reflected in declining surpluses. There has also been a decline in 'interest cover' (specifically, EBITDA MRS interest cover[39]) – to its lowest level in more than a decade. This is also driven by the suspension in 'rent convergence' since 2015 and the hike in interest rates. In other words, a decline in the sector's ability to meet interest obligations, which has implications for credit ratings and borrowing capacity to fund new affordable supply.

Housing associations spent a record £6.5 billion on existing homes in 2022-23, a 20% increase on the previous year reflecting increased investment in building safety, disrepair and decarbonisation.[40]

Beyond 2026 affordable delivery also depends on policy decisions as to what succeeds the current 2021 AHP, in terms of its size, tenure mix and average grant subsidy per home. These decisions need to be made well ahead of time so that registered providers gear up appropriately and transitional periods of lost output avoided.

A BPF/L&G 2022 report highlighted the tensions within the cross-subsidy model even before the current market slowdown. The report concluded that non-for-profit housing associations have a maximum long-run capacity to deliver 77,000 homes per annum in theory, due to limits on indebtedness.[41] Taking the headwinds facing the sector into account, this falls to 65,000. The report concluded that the only new equity funding, along with additional public subsidy, would address the problem. The report called for £10bn of new equity and £9bn to £14bn of additional subsidy (dependent on the tenure mix).

CHAPTER 6

Forecast of housing supply and housing delivery gaps up to 2031/32

The table below summarises two scenarios considered:

Table 6. Main forecast assumptions for two scenarios

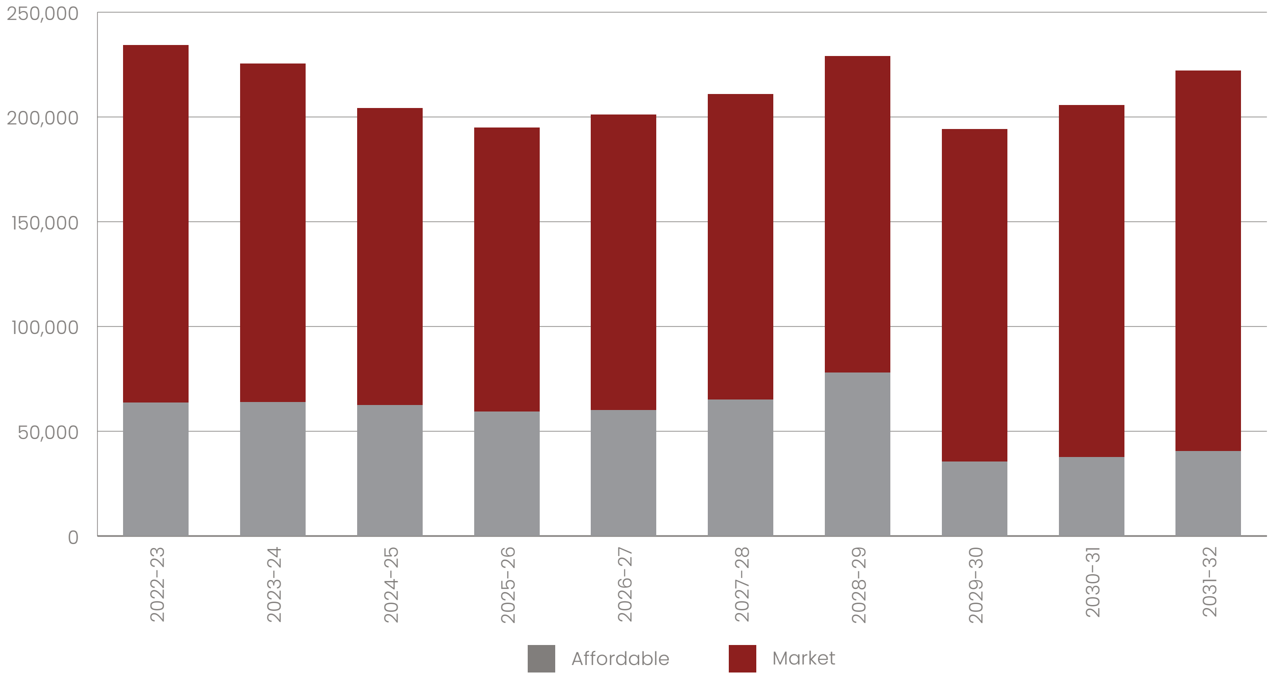
		Scenario 1	Scenario 2
Market Housing		Informed by the OBR forecast for UK private enterprise completions (2023/24 to 28/29), plus projection to 2031/32.[42]	Informed by the latest Chamberlain-Walker (Nov 23) short-term forecast for GB private enterprise starts (2023/24 to 2024/25)[43], plus projection to 2031/32.
Affordable Housing	Nil grant s106	Linked to market housing (elasticity of 1.3).	Linked to market housing (elasticity of 1.3).
	Other funding sources	2021 AHP reprofiled to deliver 90% of DLUHC's internal business case target. Other affordable supply informed by recent trends and/or policy assumptions and similarly reprofiled. No AHP beyond final completions in 2028/29 under the 2021 AHP.	2021 AHP reprofiled to deliver 80% of DLUHC's internal business case target. Other affordable supply informed by recent trends and/or policy assumptions and similarly reprofiled. No AHP beyond final completions in 2028/29 under the 2021 AHP.

*Regional figures based on historic shares or published information regarding the allocation of funding by programme

*The split between affordable tenures based on historic shares or published information regarding the allocation of funding and/or stated policy aims by programme

Chart 8a and 8b. Net supply of housing (actual 2022/23 and forecasts for 2023/24 to 2031/32), England

Scenario 1



Scenario 2

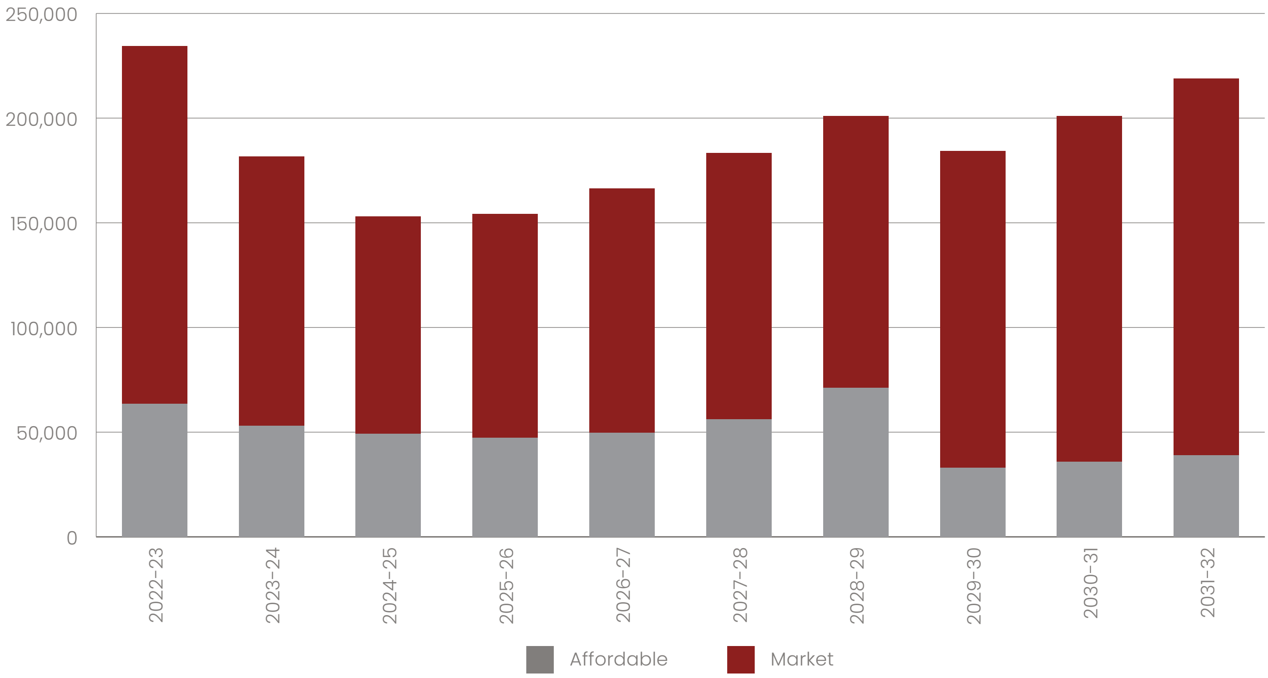
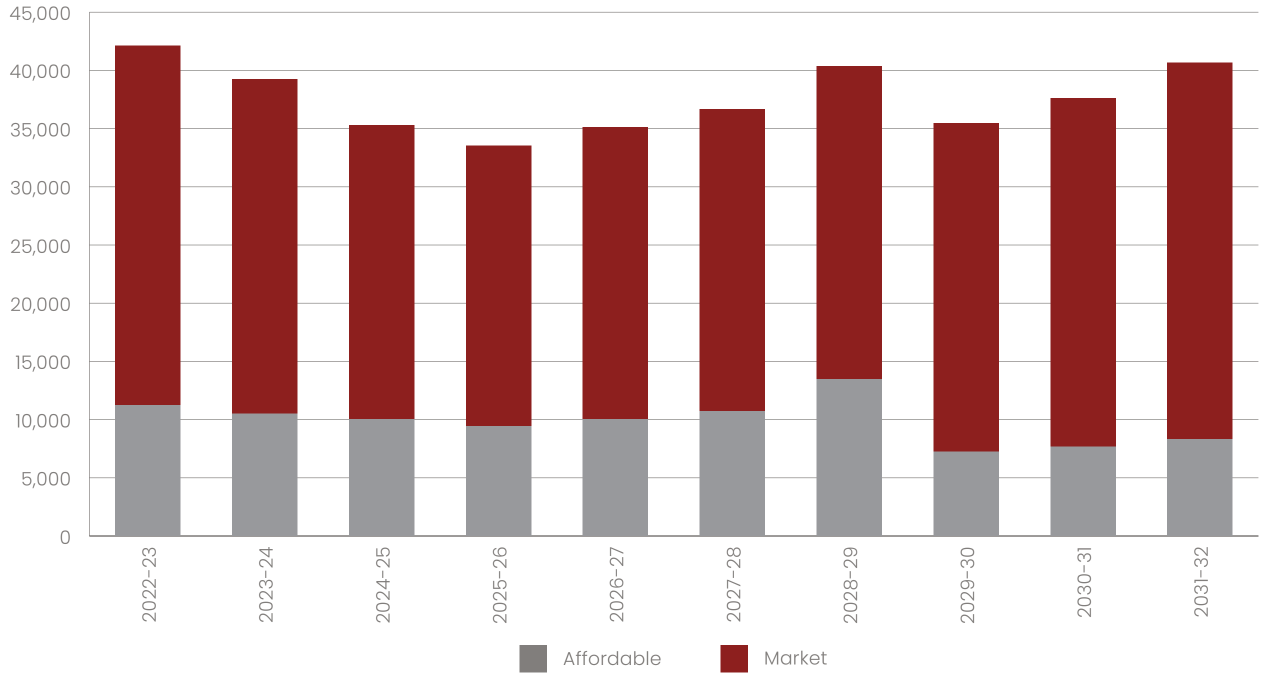
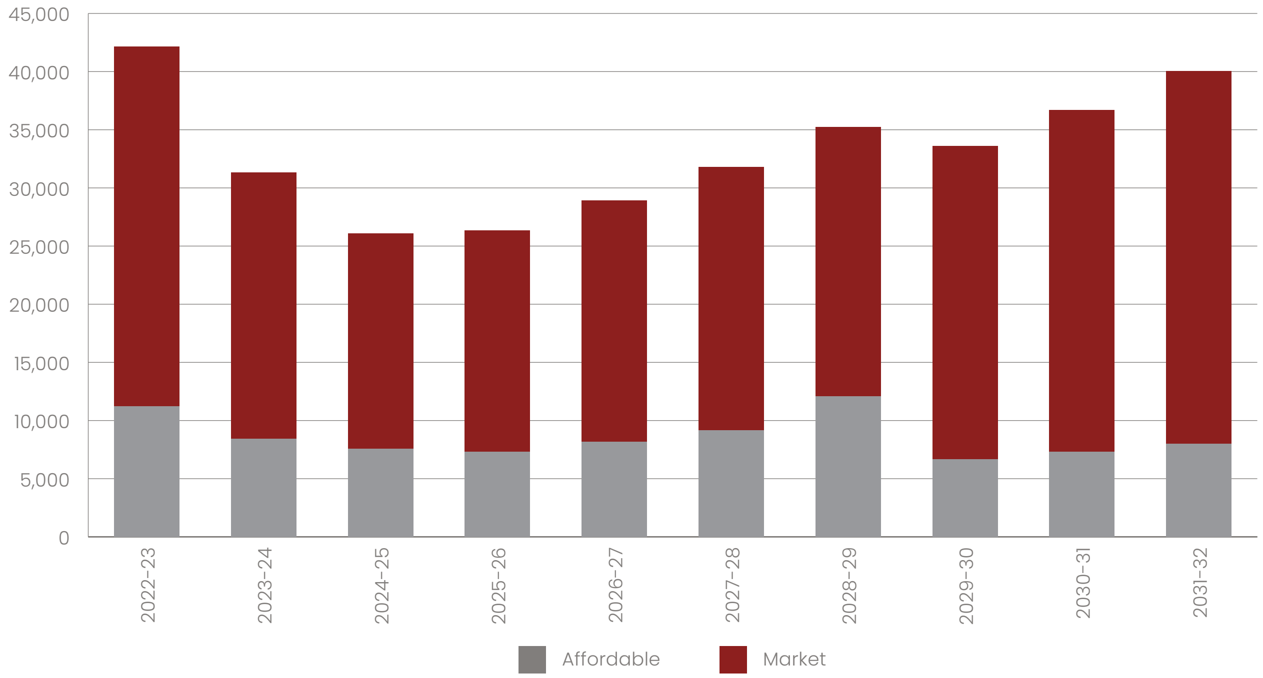


Chart 9a and 9b. Net supply of housing (actual 2022/23 and forecasts for 2023/24 to 2031/32), South East

Scenario 1



Scenario 2



Source: ChamberlainWalker

Housing supply is widely anticipated to decline for a period and this is reflected in both scenarios. The decline in market supply is much sharper in the second scenario and this also means a sharper decline in s106 affordable supply. In contrast to market-led development, non-s106 affordable supply is expected to be relatively stable in both scenarios (though below trend, or the levels anticipated by policy-makers).

Market supply picks up from around 2026/27 onwards – and with it s106 affordable supply. However, with no replacement AHP assumed, non-s106 affordable supply drops back and causes overall net supply to dip in 2029/30. Total net supply subsequently rises thanks only to continued growth in market supply and associated s106 affordable supply. However, net supply in 2032/33 (222k) remains short of the mostly recently achieved peak (c.250k). Further growth beyond 2032/33 would be highly dependent on the continuation of supportive market conditions.

Although not modelled, there is potential for an additional boost to the building of market homes towards the back end of the forecast, subject to market conditions, due to reversed 'displacement' effects – but the impact of this would be very modest, though depending on the impact of First Homes, which has not been modelled.[44]

The tables below summarise key numbers for England and the South East region – for the optimistic and pessimistic scenarios.

In scenario 1, the overall number of homes delivered in England over the next decade (average annual 210k) is only slightly lower than the previous decade (average annual 215k). The South East region delivers approximately the same number of homes as it did in the previous decade (average annual 37k). In essence, the best case scenario means a repeat of the previous lost decade of under-supply.

The main difference from the previous decade is that the balance is tilted slightly towards affordable, away from market supply. This is despite the assumption of no replacement for the current AHP beyond 2028/29. There are a couple of explanations for this. Firstly, in the previous decade there was a period of lost non-s106 affordable supply in the transition between 2011 and 2015 AHPs (the forecast assumes no such transitional loss between the 2016 and 2021 AHPs).

Secondly, the forecast includes a rebound and growth in s106 supply as market conditions improve, whereas in the previous decade the rise in s106 delivery started from a much lower base. Nevertheless, affordable supply is expected to fall well short of need – with another c.1m shortfall.

Table 7a. Scenario 1: Forecast of average annual net supply, 2023/24 to 2031/32 [compared to net supply delivered in previous 10 year period] (all figures rounded)

	England			South East		
	Total	Affordable	Market	Total	Affordable	Market
Requirement/ need	300k to 340k	150k to 152k	148k to 189k	54k to 90k	32k to 38k	22k to 52k
Forecast	210k 215k	56k 52k	154k 163k	37k 37k	10k 9k	27k 28k
Delivered % of requirement/ need	62% to 70% *63% to 72%*	37% *34% to 35%*	81% to 104% *86% to 110%*	41% to 69% *41% to 68%*	26% to 30% *24% to 28%*	53% to 127% *53% to 128%*
Supply sur-plus/(deficit)	(130k) to (90k) *(125k) to (85k)*	(96k) to (95k) *(100k) to (98k)*	(35k) to 6k *(27k) to 14k*	(53k) to (17k) *(53k) to (17k)*	(28) to (23) *(29k) to (23k)*	(25k) to 6k *(24k) to 6k*
Cumulative total supply gap over 10 years[1]	0.9m to 1.3m *0.85m to 1.25m*	0.95m to 0.96m *0.98m to 1m*	0 to 0.35m *0 to 0.27m*	0.17m to 0.53m *0.17m to 0.53m*	0.23m to 0.28m *0.23m to 0.29m*	0 to 0.25m *0 to 0.24m*

Source: ChamberlainWalker calculations

Figures may not sum due to rounding

[1] The forecast covers a nine year period so this is based on multiplying average annual figures 2023/24 to 2031/32 by 10.

Scenario 2 suggests a significant decline in numbers of homes delivered compared to the previous decade of under-supply. In other words, an even bigger supply gap. This largely reflects the more severe impact of a market downturn on market supply (compared to scenario 1). Affordable supply is also affected by the downturn – due to reduced cross-subsidy via s106 and market sales – as well as real-terms reductions in public subsidy. Towards the back end of the forecast – whilst there is a strong market upturn, which boosts s106 supply – affordable supply overall suffers due to the assumption of no replacement for the current AHP. If we assumed a continuation of the 2021 AHP in its current form, which would require a real-terms increase in public subsidy, this would improve the numbers to be (at best) broadly the same as delivered in the previous decade. Regardless, there would still be another c.1m shortfall in affordable supply (largely Social Rent) in England over the next decade.

Table 7b. Scenario 2: Forecast of average annual net supply, 2023/24 to 2031/32 [compared to net supply delivered in previous 10 year period] (all figures rounded)

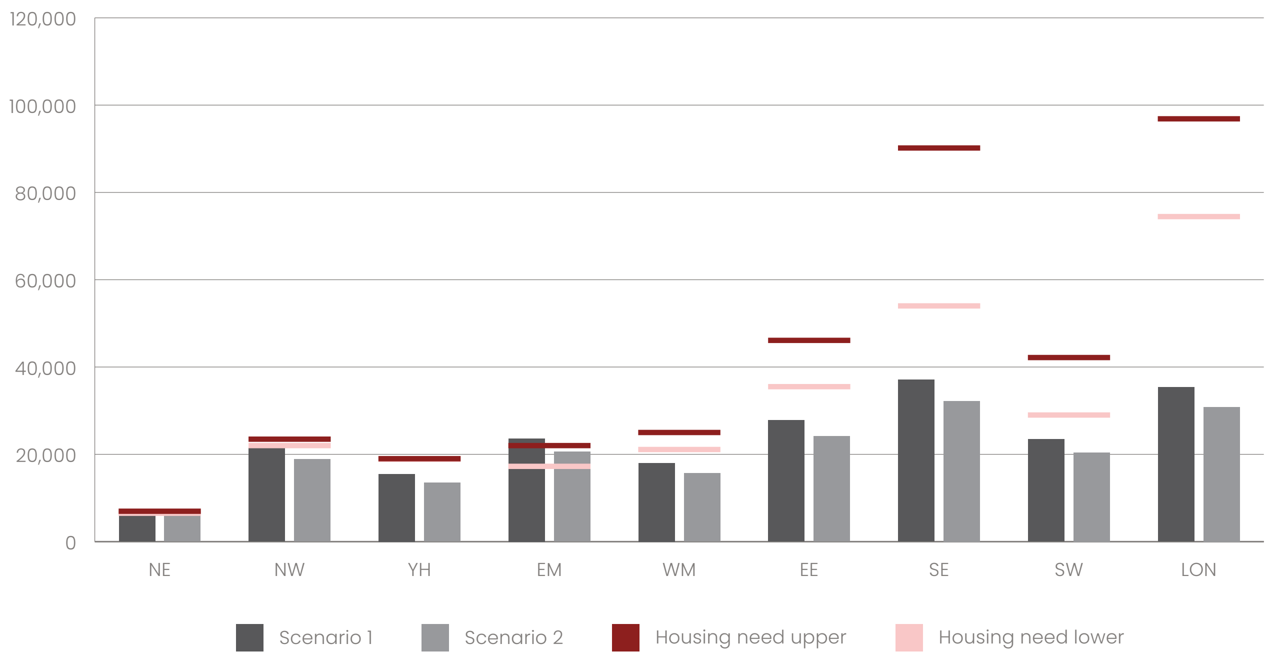
	England			South East		
	Total	Affordable	Market	Total	Affordable	Market
Requirement/ need	300k to 340k	150k to 152k	148k to 189k	54k to 90k	32k to 38k	22k to 52k
Forecast	183k 215k	48k 52k	134k 163k	32k 37k	8k 9k	24k 28k
Delivered % of requirement/ need	54% to 61% *63% to 72%*	32% *34% to 35%*	71% to 91% *86% to 110%*	36% to 60% *41% to 68%*	22% to 26% *24% to 28%*	46% to 111% *53% to 128%*
Supply surplus/(deficit)	(157k) to (117k) *(125k) to (85k)*	(104k) to (102k) *(100k) to (98k)*	(55k) to (14k) *(27k) to 14k*	(58k) to (22k) *(53k) to (17k)*	(30) to (24) *(29k) to (23k)*	(28k) to 2k *(24k) to 6k*
Cumulative total supply gap over 10 years[1]	1.17m to 1.57m *0.85m to 1.25m*	1.02m to 1.04m *0.98m to 1m*	0.14m to 0.55m *0 to 0.27m*	0.22m to 0.58m *0.17m to 0.53m*	0.24m to 0.3m *0.23m to 0.29m*	0 to 0.28m *0 to 0.24m*

Source: Figures may not sum due to rounding

[1] The forecast covers a nine year period so this is based on multiplying average annual figures 2023/24 to 2031/32 by 10.

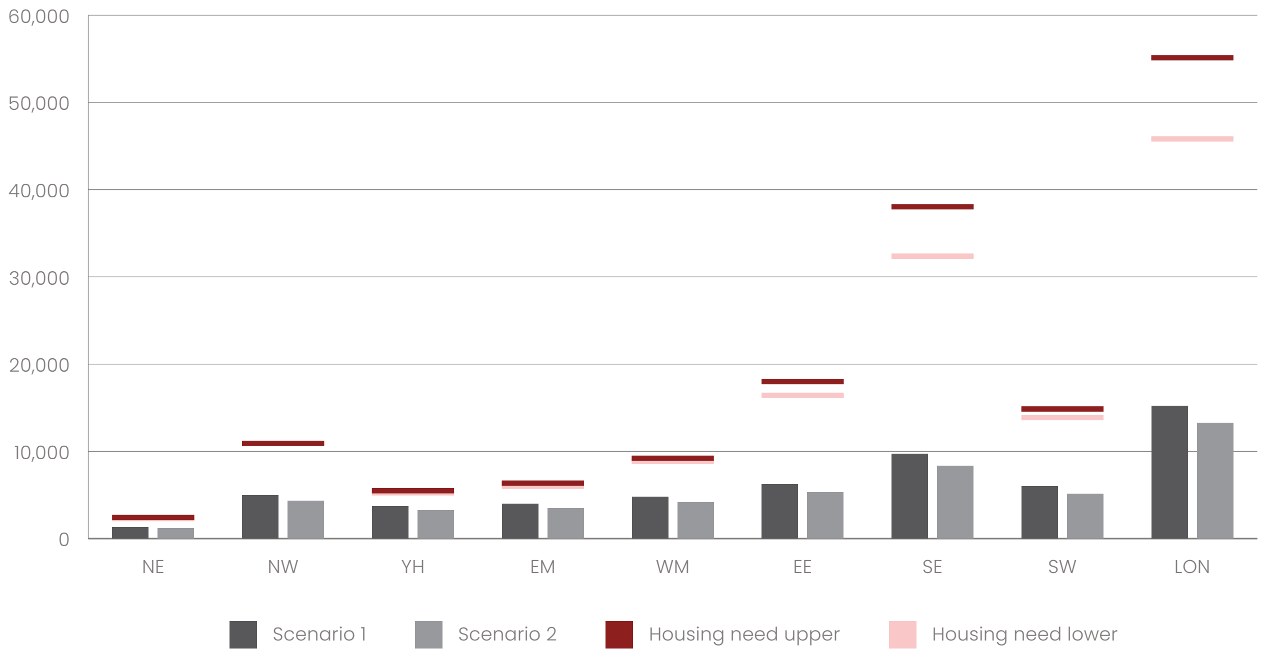
The charts below provide a summary of the supply gaps for all English regions.

Chart 10a. Average annual total net supply (2023/24 to 2031/32) v. estimates of need



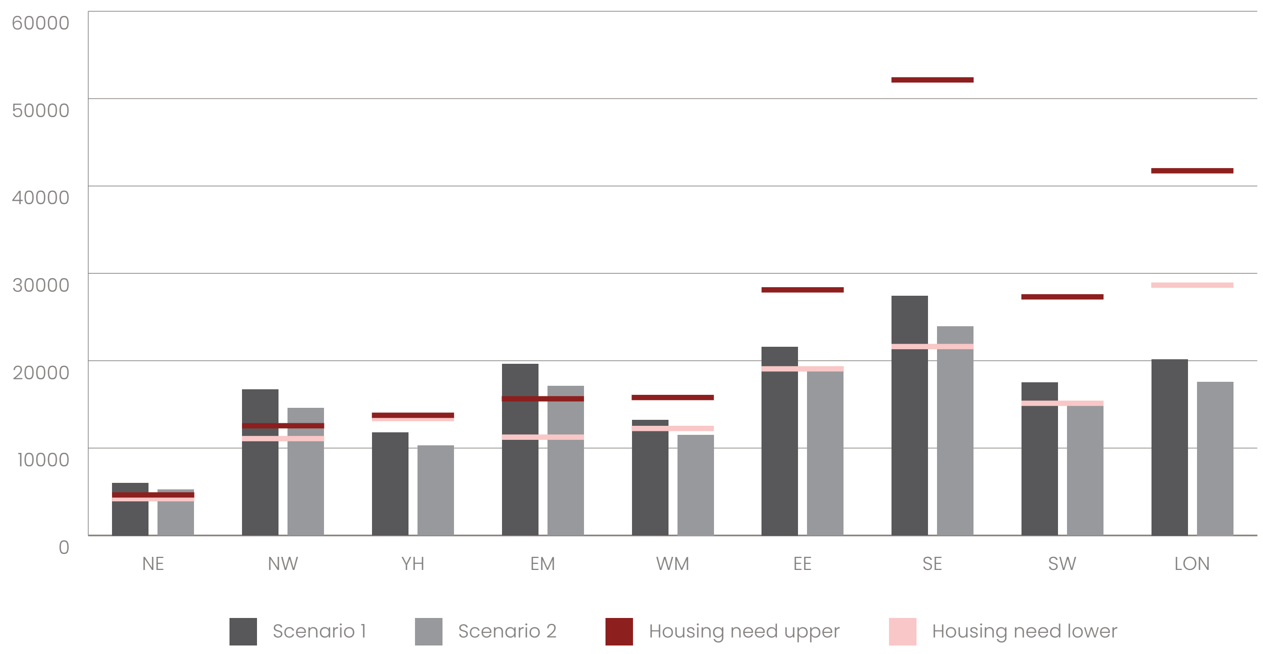
Source: ChamberlainWalker calculations (forecast net supply) and housing targets (sources: Bramley, Lichfields and ChamberlainWalker)

Chart 10b. Average annual affordable net supply (2023/24 to 2031/32) v. estimates of need



Source: ChamberlainWalker calculations (forecast net supply) and housing targets (sources: Bramley, Lichfields and ChamberlainWalker)

Chart 10c. Average annual market net supply (2023/24 to 2031/32) v. estimates of need



Source: ChamberlainWalker calculations (forecast net supply) and housing targets (sources: Bramley, Lichfields and ChamberlainWalker)

Affordable housing tenures

In scenario 1 there is an increase in the supply of Social Rented homes in England compared to the previous decade – reflective of the policy position in London. However, the increase is from a low base and falls well short of assessed need. There is also an increase in Affordable Ownership supply in England, but offset by a fall in Affordable Rented supply. In the South East, there is an increase in Affordable Ownership supply but the supply of rental tenures remain approximately the same.

In common with the previous decade, affordable housing delivery is anticipated to fall well short of need across all tenures – with the largest shortfall being Social Rented.

Table 8a. Scenario 1: Forecast of average annual net affordable supply by tenure, 2023/24 to 2031/32 [compared to net supply delivered in previous 10 year period] (all figures rounded)

		England				South East			
		All AH	AO	AR	SR	All AH	AO	AR	SR
Require-ment/need	Bramley	150k to 152k	27k	33k	91k to 92k	32k to 38k	6k	5k	21k to 26k
	Alternative estimate[1]	–	–	–	–	32k	10k	11k	11k
Delivered		56k *52k*	20k *16k*	25k *29k*	11k *8k*	10k *9k*	4k *3k*	5k *5k*	1k *1k*
Delivered % of requirement/need		37% *34% to 35%*	73% *58%*	77% *88%*	12% *8%*	26% to 30% *24% to 28%*	37% to 56% *34% to 51%*	44% to 93% *41% to 86%*	4% to 10% *4% to 10%*
Supply surplus/(deficit)		(96k to (95k) *(100k) to (98k)*	(7k) *(11k)*	(7k) *(4k)*	(81k) to (80k) *(84k) to (83k)*	(28k) to (23k) *(29k) to (23k)*	(6k) to (3k) *(6k) to (3k)*	(6k) to 0 *(7k) to (1k)*	(25k) to (10k) *(25k) to (10k)*
Cumulative total supply gap over 10 years		0.95m to 0.96m *0.98m to 1m*	0.07m *0.11m*	0.07m *0.04m*	0.80 to 0.81m *0.83m to 0.84m*	o.23m to o.28m *0.23m to 0.29m*	0.03m to 0.06m *0.03m to 0.06m*	0 to 0.06m *0.01m to 0.07m*	0.10m to 0.25m *0.10m to 25m*

Source: ChamberlainWalker

Figures may not sum due to rounding

[1] Informed by detailed review of local housing assessments

[2] The forecast covers a nine year period so this is based on multiplying average annual figures 2023/24 to 2031/32 by 10.

In scenario 2, there is more of a decline in Affordable Rent in England – and a decline also in the South East. There are only small increases in Affordable Ownership and Social Rented supply in England compared to the previous decade (with the supply of these tenures lower than in scenario 1). In the South East, the supply of Affordable Ownership and Social Rented housing mirrors the previous decade of under-supply.

Table 8b. Scenario 2: Forecast of average annual net affordable supply by tenure, 2023/24 to 2031/32 [compared to net supply delivered in previous 10 year period] (all figures rounded)

		England				South East			
		All AH	AO	AR	SR	All AH	AO	AR	SR
Require-ment/need	Bramley	150k to 152k	27k	33k	91k to 92k	32k to 38k	6k	5k	21k to 26k
	Alternative estimate[1]	-	-	-	-	32k	10k	11k	11k
Delivered		48k *52k*	17k *16k*	22k *29k*	9k *8k*	8k *9k*	3k 3k	4k *5k*	1k *1k*
Delivered % of requirement/need		32% *34% to 35%*	63% *58%*	67% *88%*	10% *8%*	22% to 26% *24% to 28%*	32% to 47% *34% to 51%*	37% to 80% *41% to 86%*	4% to 9% *4% to 10%*
Supply surplus/(deficit)		(104k to (102k) *(100k) to (98k)*	(10k) *(11k)*	(11k) *(4k)*	(83k) to (81k) *(84k) to (83k)*	(30k) to (24k) *(29k) to (23k)*	(7k) to (3k) *(6k) to (3k)*	(7k) to (1k) *(7k) to (1k)*	(25k) to (10k) *(25k) to (10k)*
Cumulative total supply gap over 10 years		1.02m to 1.04m *0.98m to 1m*	0.10m *0.11m*	0.11m *0.04m*	0.81 to 0.83m *0.83m to 0.84m*	0.24m to 0.30m *0.23m to 0.29m*	0.03m to 0.07m *0.03m to 0.06m*	0.01 to 0.07m *0.01m to 0.07m*	0.10m to 0.25m *0.10m to 25m*

Source: ChamberlainWalker

Figures may not sum due to rounding

[1] Informed by detailed review of local housing assessments

[2] The forecast covers a nine year period so this is based on multiplying average annual figures 2023/24 to 2031/32 by 10.

CHAPTER 7

South East local supply gaps

We examined local data to produce estimates of the potential housing supply shortfalls for each plan-making authority in the South East. The maps below provide an indication of where the greatest mismatches between supply and need are likely to be over the next decade.

The first set of maps (1a and 1b) are based on scenario 1 in combination with the lower need estimates (54,000 total supply and 32,000 affordable supply). The second set of maps (2a and 2b) are based on scenario 2 in combination with the higher need estimates (90,000 total supply and 38,000 affordable supply).

The charts therefore reflect a total supply gap of between 0.17m and 0.58m over 10 years; and an affordable supply gap of between 0.23m to 0.30m over 10 years. The low-end affordable housing gap estimate (0.23m) is higher than the low-end total supply gap (0.17m), which implies a surplus of market homes in relation to estimated need.

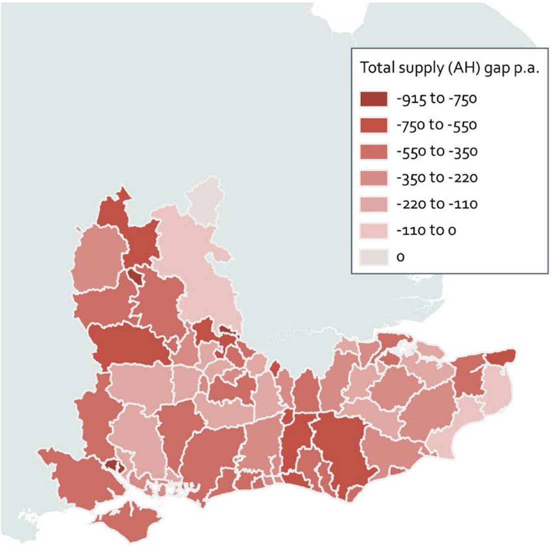
More information is summarised in the Annex.

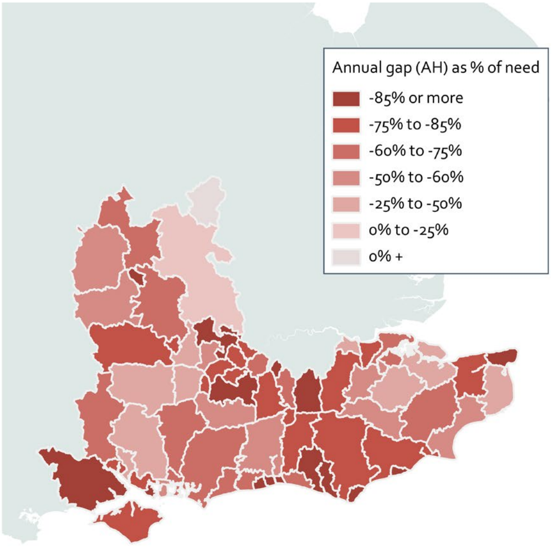
In the maps below, the left hand panel shows the absolute size of housing supply shortfalls, whilst the right hand panel show the size of these shortfalls as a proportion of local need.

In scenario 1 (in combination with lower need estimates), a number of authorities – almost all to the West of, but not immediately adjacent to, London – deliver sufficient homes overall (net total supply surplus) yet under-supply affordable housing to varying degrees.

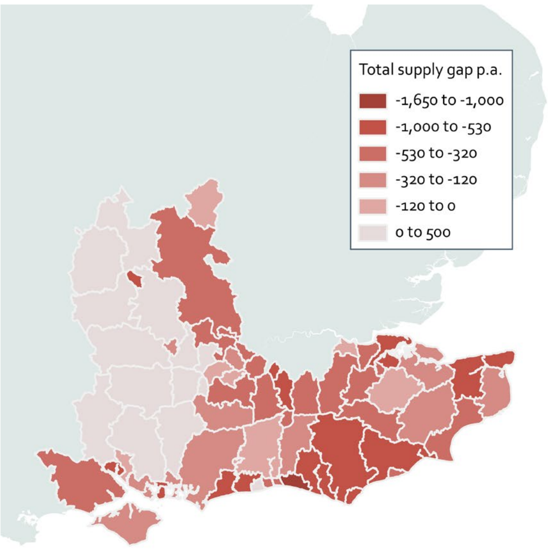
In scenario 2 (in combination with higher need estimates), there is an under-supply of total housing in all authorities and affordable housing shortfalls more acute than scenario 1.

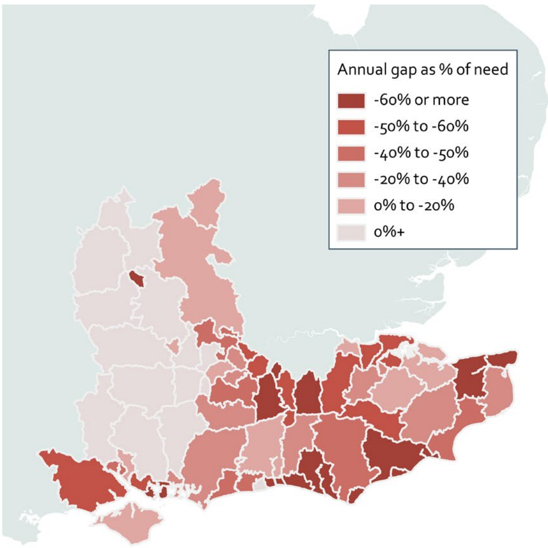
Map 1a. Supply scenario 1 in combination with lower need estimates: Forecast of average annual net total supply surplus/(deficit), 2023/24 to 2031/32



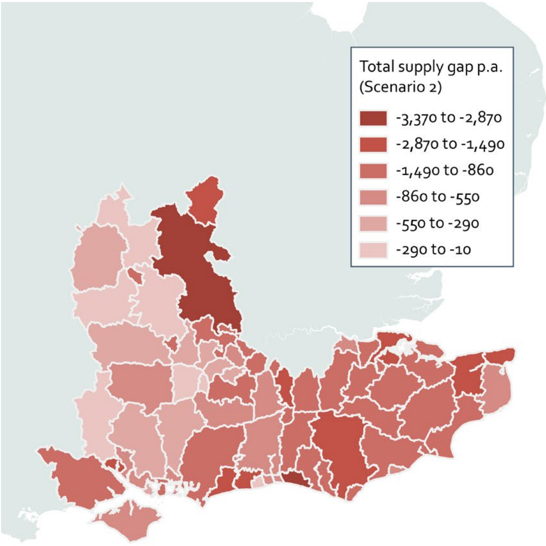


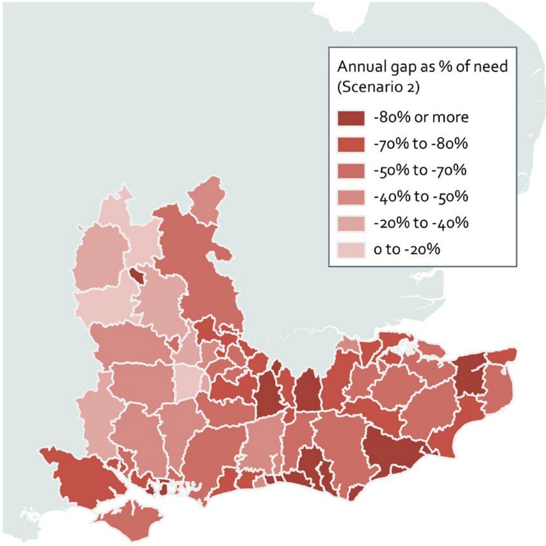
Map 1b. Supply scenario 1 in combination with lower need estimates: Forecast of average annual net affordable supply surplus/(deficit), 2023/24 to 2031/32



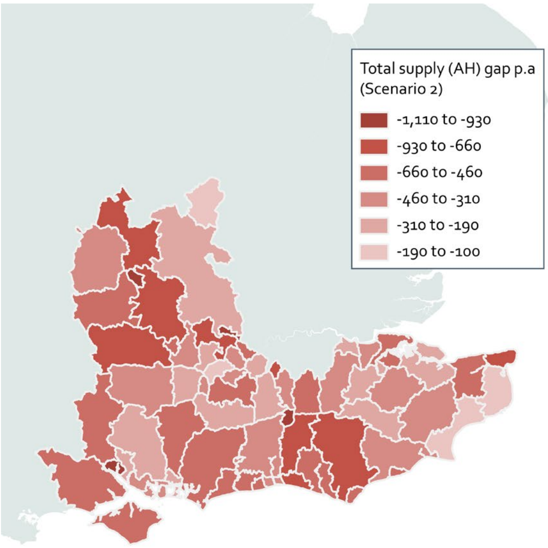


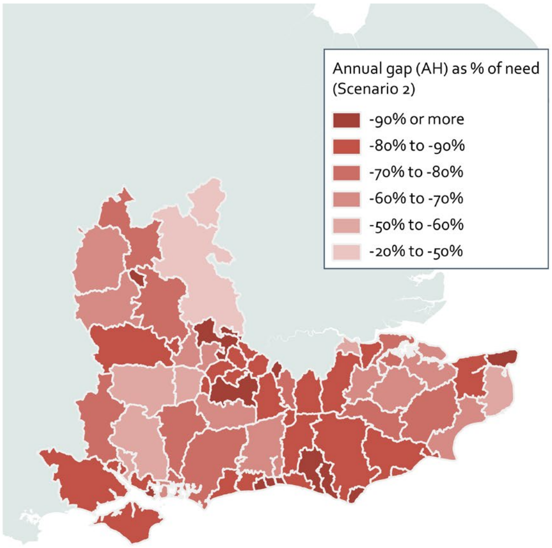
Map 2a. Supply scenario 2 in combination with higher need estimates: Forecast of average annual net total supply surplus/(deficit), 2023/24 to 2031/32





Map 2b. Supply scenario 2 in combination with higher need estimates: Forecast of average annual net affordable supply surplus/(deficit), 2023/24 to 2031/32





CHAPTER 8 Conclusions and policy recommendations

Unless urgent action is taken to address the shortfalls in housing supply set out in this report, we can expect current problems associated with housing shortfalls in social and affordable housing supply to increase over the next parliament. This could well mean rising homelessness and overcrowding, and worsening affordability pushing more people from market ownership and rental tenures into subsidised ones.

For these reasons, we urge policymakers to take some specific action as soon as possible. We propose is an implementable five-point plan to boost social and affordable supply:

a. **Re-introduce supply targets:** the effective removal of targets on local authorities for housing delivery has been widely-criticised by the housing sector and should be reinstated.

b. **Tenure sub-targets:** there is no tenure element to the national target, which has allowed the steady decline of social and affordable tenures to escape proper attention. To drive progress on increasing this essential supply, create national, regional and local targets for the supply of social and affordable tenures.

c. **Funding:** higher grant rates will be needed to tackle the severe shortage of new social homes across England. This will require a commitment of capital beyond the need just to replace the present Affordable Housing Programme, representing a much higher level of grant overall in order to support social and affordable tenures. Greater capture of Land Value Uplift will not be sufficient to deliver these. A move to longer-term (10 year) AHPs could also avoid some of the recent peaks and troughs in supply and enable their historical counter-cyclical role in housing delivery

d. **Shared Ownership:** shared ownership should not be displaced by a focus on First Homes. Shared ownership is more accessible, with lower borrowing costs while allowing for increasing shares later, while First Homes can be taken up by households who could otherwise meet their needs in the marketplace, squeezing out poorer households.

e. **Social rents:** a review of the social rent formulae will allow greater certainty and provision of affordable homes. This review should take account of changes such as the values used (the current values date from 1999) and other factors such as thermal efficiency, among others.

This action needs to be undertaken urgently in order to avoid current problems associated with housing shortfalls and lack of affordability becoming progressively worse over the next parliament and beyond. This would include rising homelessness, overcrowding, declining ownership and other affordability-related problems across all tenures.

Annex. South East local authorities

Authority	Supply scenario 1 in combination with lower need estimates				Supply scenario 2 in combination with higher need estimates			
	Map 1a		Map 1b		Map 2a		Map 2b	
	Average annual net total supply surplus/(deficit)		Average annual net affordable supply surplus/(deficit)		Average annual net total supply surplus/(deficit)		Average annual net affordable supply surplus/(deficit)	
	LHS	RHS	LHS	RHS	LHS	RHS	LHS	RHS
	No.	% of need	No.	% of need	No.	% of need	No.	% of need
Adur	(386)	-81%	(272)	-90%	(718)	-90%	(330)	-92%
Arun	(639)	-48%	(465)	-74%	(1,622)	-73%	(598)	-81%
Ashford	(231)	-23%	(301)	-62%	(995)	-60%	(411)	-73%
Basingstoke & Deane	26	3%	(195)	-39%	(667)	-46%	(326)	-56%
Bracknell Forest	51	9%	(176)	-53%	(410)	-43%	(257)	-66%
Brighton & Hove	(1,649)	-68%	(613)	-75%	(3,365)	-84%	(785)	-82%
Buckinghamshire	(496)	-16%	(50)	-9%	(2,866)	-57%	(230)	-33%
Canterbury	(749)	-62%	(371)	-81%	(1,615)	-80%	(463)	-86%
Cherwell	484	68%	(552)	-66%	(154)	-13%	(740)	-75%
Chichester	(245)	-27%	(376)	-66%	(947)	-62%	(503)	-75%
Crawley	(364)	-50%	(746)	-80%	(900)	-74%	(934)	-86%
Dartford	(28)	-4%	(125)	-36%	(640)	-50%	(217)	-54%
Dover	(133)	-24%	(52)	-32%	(555)	-61%	(97)	-50%
East Hampshire	30	5%	(423)	-70%	(437)	-45%	(554)	-78%
Eastbourne	(550)	-74%	(393)	-91%	(1,073)	-87%	(474)	-94%
Eastleigh	(35)	-5%	(173)	-45%	(566)	-51%	(271)	-60%
Elmbridge	(475)	-57%	(195)	-74%	(1,082)	-78%	(251)	-81%
Epsom & Ewell	(580)	-77%	(581)	-91%	(1,111)	-88%	(702)	-93%
Fareham	(294)	-55%	(247)	-80%	(681)	-77%	(310)	-85%
Gosport	(261)	-79%	(302)	-88%	(492)	-89%	(367)	-91%
Gravesham	(395)	-60%	(345)	-76%	(871)	-79%	(439)	-83%
Guildford	(383)	-49%	(449)	-88%	(962)	-73%	(546)	-92%
Hart	261	90%	(131)	-44%	(7)	-1%	(208)	-59%
Hastings	(338)	-72%	(403)	-86%	(669)	-86%	(495)	-89%
Havant	(153)	-30%	(210)	-70%	(549)	-63%	(276)	-78%
Horsham	(16)	-2%	(266)	-52%	(734)	-49%	(391)	-65%
Isle of Wight	(120)	-18%	(396)	-82%	(642)	-57%	(492)	-87%
Lewes	(538)	-65%	(416)	-87%	(1,129)	-82%	(509)	-90%
Maidstone	(57)	-5%	(261)	-46%	(992)	-51%	(404)	-61%
Medway	(814)	-50%	(411)	-67%	(2,000)	-74%	(547)	-76%
Mid Sussex	(248)	-23%	(689)	-76%	(1,085)	-60%	(880)	-82%

Authority	Supply scenario 1 in combination with lower need estimates				Supply scenario 2 in combination with higher need estimates			
	Map 1a		Map 1b		Map 2a		Map 2b	
	Average annual net total supply surplus/(deficit)		Average annual net affordable supply surplus/(deficit)		Average annual net total supply surplus/(deficit)		Average annual net affordable supply surplus/(deficit)	
	LHS	RHS	LHS	RHS	LHS	RHS	LHS	RHS
	No.	% of need	No.	% of need	No.	% of need	No.	% of need
Milton Keynes	(52)	-3%	31	6%	(1,500)	-49%	(144)	-23%
Mole Valley	(351)	-63%	(149)	-79%	(752)	-81%	(187)	-85%
New Forest	(429)	-58%	(484)	-86%	(966)	-78%	(595)	-90%
Oxford	(531)	-69%	(915)	-88%	(1,081)	-84%	(1,114)	-91%
Portsmouth	(619)	-70%	(223)	-56%	(1,243)	-85%	(317)	-68%
Reading	(159)	-18%	(419)	-79%	(862)	-57%	(528)	-85%
Reigate & Banstead	(639)	-52%	(246)	-68%	(1,540)	-75%	(325)	-77%
Rother	(555)	-67%	(291)	-75%	(1,142)	-83%	(372)	-82%
Runnymede	(201)	-36%	(354)	-80%	(618)	-67%	(444)	-86%
Rushmoor	110	42%	(280)	-75%	(115)	-26%	(359)	-82%
Sevenoaks	(450)	-57%	(339)	-82%	(1,022)	-78%	(423)	-87%
Shepway	(393)	-49%	(78)	-57%	(984)	-73%	(110)	-69%
Slough	(370)	-43%	(864)	-91%	(1,016)	-70%	(1,042)	-93%
South Oxfordshire	302	49%	(484)	-64%	(231)	-22%	(655)	-74%
Southampton	(725)	-49%	(789)	-82%	(1,809)	-74%	(984)	-87%
Spelthorne	(394)	-57%	(375)	-83%	(896)	-78%	(465)	-88%
Surrey Heath	(18)	-5%	(118)	-76%	(285)	-51%	(151)	-82%
Swale	(165)	-16%	(141)	-50%	(984)	-56%	(210)	-64%
Tandridge	(472)	-63%	(437)	-85%	(1,012)	-81%	(537)	-89%
Test Valley	278	52%	(421)	-66%	(184)	-21%	(564)	-75%
Thanet	(684)	-60%	(597)	-90%	(1,506)	-79%	(721)	-93%
Tonbridge & Malling	(318)	-35%	(158)	-57%	(997)	-66%	(224)	-69%
Tunbridge Wells	(436)	-57%	(188)	-59%	(992)	-78%	(262)	-70%
Vale of White Horse	502	78%	(376)	-53%	(82)	-8%	(548)	-66%
Waverley	(227)	-32%	(165)	-53%	(765)	-65%	(239)	-66%
Wealden	(538)	-42%	(631)	-75%	(1,495)	-70%	(808)	-82%
West Berkshire	45	9%	(556)	-81%	(370)	-43%	(694)	-86%
West Oxfordshire	99	18%	(255)	-54%	(362)	-39%	(370)	-66%
Winchester	28	4%	(114)	-34%	(514)	-46%	(205)	-52%
Windsor & Maidenhead	(433)	-49%	(687)	-92%	(1,087)	-73%	(827)	-94%
Woking	(94)	-21%	(285)	-77%	(434)	-59%	(362)	-84%
Wokingham	317	42%	(267)	-46%	(329)	-26%	(413)	-61%
Worthing	9	3%	(426)	-89%	(254)	-47%	(518)	-92%
Sum	**(16,888)**		**(22,667)**		**(57,962)**		**(29,723)**	
Cumulative surplus/(deficit) over 10 years	0.17m		0.23m		0.58m		0.30m	

Endnotes

1 This report is focussed on England and the South East region of England – though some of the analysis uses UK or GB data.

2 https://www.conservatives.com/our-plan/conservative-party-manifesto-2019

3 https://www.bbc.co.uk/news/uk-politics-67075706

4 Labour would oversee 'biggest boost in affordable housing in a generation' | Housing | The Guardian

5 Estimated with reference to the government's Standard Method in planning guidance. Using the latest available data, as at November 2023, the Standard Method produces a total figure of just under 300,000 (across English regions). For this report, regional estimates have been adjusted to sum to 300,000 and rounded to the nearest 1,000.

6 Bramley, G. 2019, Housing supply requirements across Great Britain for low-income households and homeless people: Research for Crisis and the National Housing Federation; Main Technical Report. Heriot-Watt University.

7 The ranges reflect different scenarios and the amount of housing accommodated in London v other, surrounding regions.

8 https://lichfields.uk/standard-method-for-local-housing-needs-april-2022/

9 Estimates depend on when the assessment is carried out, in terms of the base year chosen for the 2014-based household projections and the date of median workplace-based affordability ratios (both published by ONS and the latter subject to revisions).

10 https://www.savills.co.uk/research_articles/229130/338073-0

11 Housing Delivery Test - GOV.UK (www.gov.uk)

12 https://www.gov.uk/government/publications/evaluation-of-the-help-to-buy-equity-loan-scheme

13 Help to Buy: equity loan statistics - GOV.UK (www.gov.uk)

14 https://www.gov.uk/government/collections/official-statistics-on-the-mortgage-guarantee-scheme

15 https://hoa.org.uk/advice/guides-for-homeowners/i-am-buying/deposit-unlock/

16 https://www.nao.org.uk/wp-content/uploads/2022/09/The-Affordable-Homes-Programme-since-2015.pdf

17 £8.5bn divided by 160,500

18 Data published by Homes England in 2021 suggests an average grant rate of £37k (across England excl. London where grant rates are higher). Summary-report-end-of-March-2021.pdf (publishing.service.gov.uk)

19 £10.5bn divided by 165,000 or 157,000.

20 In 2020 Homes England announced grants to strategic partnerships point to an average grant rate of approx. £58k per home. The GLA's strategic partnership grant allocations in London suggest an average grant rate of £188k per home - much higher due to the high proportion allocated to social rent delivery (which requires the most grant).

21 https://www.housing.org.uk/news-and-blogs/blogs/nathan-pickles/what-do-the-ahp-strategic-partnerships-tell-us/

22 https://www.gov.uk/first-homes-scheme

23 First Homes - GOV.UK (www.gov.uk)

24 This is the government's preferred measure of affordability and reflected in NPPF planning practice guidance.

25 National Housing Federation - Investing in social housing could add over £50bn to the economy

26 Young adults living with their parents - Office for National Statistics (ons.gov.uk)

27 This chart represents housebuilding completions rather than net additions or final tenures. Demolitions and changes of use are not captured. In practice some market homes will be constructed by housing associations, and some social homes constructed by private builders. Regardless, the chart indicates historic building delivery.

28 Net additions equal the number of new house building completions plus any gains or losses through conversions, changes of use and demolitions (also referred to as Net supply of housing). Market housing includes owner-occupation and private rented sector (PRS) and is calculated as the residual of total net additions less affordable completions.

29 In 2021/22, according to the English Housing Survey, 64% of households in England were homeowners. The rate of home ownership in England has declined from 71% in 2005 despite being the tenure of choice for most people.

30 Government Subsidising Private Landlords £70bn Over Next Five Years, New Economics Foundation, February 2024.

31 Bank of England data.

32 ONS (UK house price index), Land Registry and HMRC data

33 ONS (construction output price index for new residential construction)

34 https://obr.uk/efo/economic-and-fiscal-outlook-november-2023/

35 PowerPoint Presentation (housing.org.uk)

36 2023 Global Accounts of private registered providers

37 Sector_risk_profile_2023.pdf (publishing.service.gov.uk)

38 https://www.savills.co.uk/insight-and-opinion/savills-news/320272/decarbonising-housing-associations

39 Earnings before interest, tax, depreciation and amortisation inclusive of all major repairs spend.

40 Many housing associations' earnings aren't enough to cover costs – it's grave news for housing delivery, Housing Today, February 2024.

41 Delivering a Step Change in Affordable Housing Supply, March 2022

42 https://obr.uk/efo/economic-and-fiscal-outlook-november-2023/

43 ChamberlainWalker model developed in partnership with The University of Liverpool

44 Within government, the provision of affordable housing is often assumed to boost net supply with an additionality rate of between 50% and 75%. In other words, support for one additional affordable home is associated with an increase in net supply of between 0.5 to 0.75 homes. The impact is less than 1 due to 'displacement', which is the extent to which an increase in economic activity in one area is offset by reductions in economic activity elsewhere. This could happen, for example, if land and other inputs used to provide affordable homes would otherwise have been used to provide market homes.

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