

Spotlight | November 2017

# Towards a regional affordable housing policy

## Inflexible policy and funding lead to a mismatch between the need for and provision of affordable housing.

What is affordable housing for? In our housing sector survey earlier this year, housing providers overwhelmingly told us the priority should be housing vulnerable households and low income workers unable to access the market. Policy and funding have not been sufficiently flexible for them

to meet the needs of these groups across the country, but the Government's Housing White Paper acknowledged that building more of the right homes in the right places should be a key focus.

More recently, the Prime Minister announced a £2bn increase in funding targeted at the most unaffordable areas, with social rent specified as an option for the first time since pre-2011 programmes.

This is a step in the right direction but more flexibility across all affordable housing funding is needed to truly respond to the breadth of challenges facing different markets and areas.

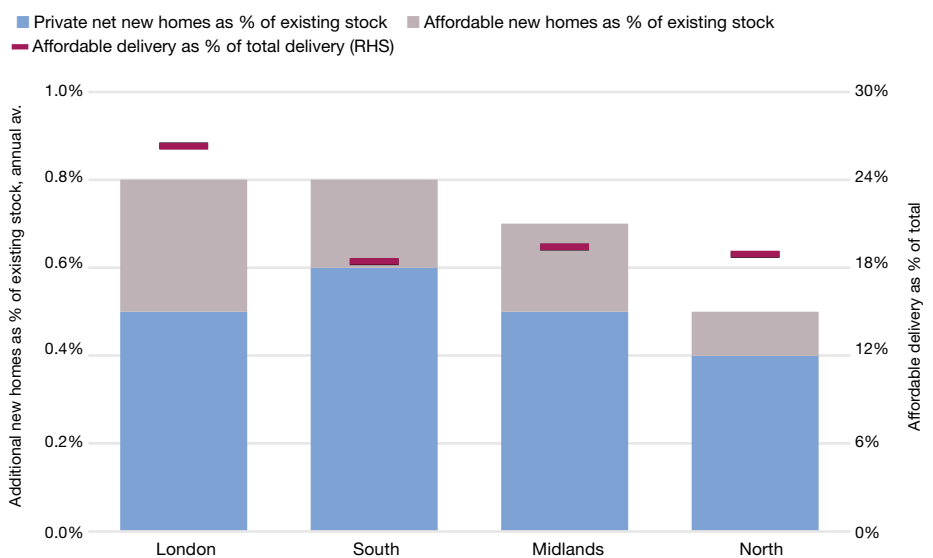
A new rent policy was also confirmed, in the form of CPI+1% for five years from 2020, and the application of Local Housing Allowance (LHA) to social housing is now off the agenda, providing more certainty for the sector.

## London and the rest

London, where there is some level of financial and policy devolution, is delivering the most new affordable housing (relative to existing housing stock) and the widest range of affordable products. Outside the capital the delivery patterns are similar across the regions, despite large differences in affordability and housing need.

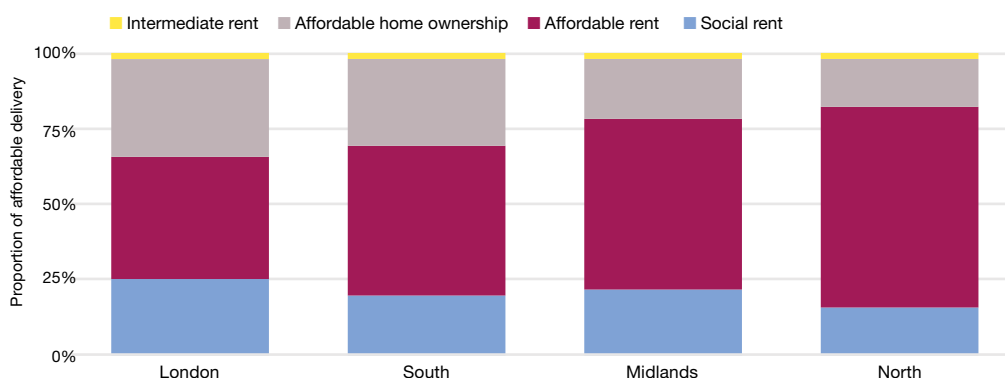
Over a quarter of homes built in London from 2013/14 to 2015/16 were sub-market, compared to 19% in the North. Over that same period all the new homes, market and affordable, built in London added an average of 0.8% to the existing housing stock each year; by contrast the figure in the North was 0.5%. By these metrics alone a "London and the rest" housing policy broadly seems to be working. It has led to higher levels of overall and sub-market delivery in the region with the highest housing needs. But much more must be done to fully meet this need.

## Market and affordable delivery 2013/14 to 2015/16



Source: DCLG Live Tables 100, 122, 1011

## Affordable delivery by type 2013/14 to 2015/16



Source: DCLG Live Table 1011

**67%**  
of sub-market  
delivery in  
the North was  
Affordable Rent.

## Not one housing crisis

Over 100,000 emerging households are unable to access market housing every year in England, half of them in London. Across different regions the kinds of households affected by this undersupply of sub-market housing vary hugely, but the policies don't reflect the diversity of issues.

In the higher value markets of London and the South the main issue to be solved is affordability. High house prices and

rents mean that thousands of households with incomes over £40,000 are unable to access market housing.

Land values are sufficiently high for s106 to fund some sub-market products, with grant also playing a role. These upfront subsidies allow rental homes to be delivered at a significant discount to the market, leading to a long term revenue saving compared to using housing benefit

to house people in the private sector in these markets.

While the product mix is good, the volume is nowhere near enough. More supply of all sub-market tenures is needed, as well as tapping into demand for lower priced market homes (for more on this subject see our Development Spotlight: *On Track To Solve The Housing Crisis?*).

## Quality or quantity?

By contrast, in the Midlands and North we have seen affordable rent dominate sub-market delivery, with the majority of those homes delivered via grant from national affordable homes programmes (around 13% came via s106, partly due to lower land values). Where the gap between Affordable and market rents is narrow, this type of delivery is not necessarily increasing access to housing or providing much of a housing benefit saving compared to market rented housing.

But it is doing another important job in lower value markets. Grant for

affordable rent supports delivery in general by increasing the viability of schemes and provides a better quality of rented housing compared to the private sector.

But should this be the job of an affordable housing programme? A more pressing housing challenge than affordability in these areas is often urban renewal, but the national focus on affordable housing numbers potentially stops it from being tackled, leaving areas of what could be affordable second hand properties unoccupied or in poor repair.

**+100k**  
The number  
of emerging  
households unable  
to access market  
housing every year  
in England, half of  
them in London.

## Is there a better way?

The solution is to first recognise that the housing crisis is very different across the country, and that a national or, at best, 'London and the rest' set of housing policies is unable to respond to the diversity of local issues and needs.

Flexible policies that target specific local issues – market access in unaffordable markets and housing quality and renewal in more affordable ones – will ensure that grant is able to be directed where it is most needed, improving value for money

and making more of a dent in the crisis. In our next report, launched on 27th November, we will look at how a different policy approach could deliver a better mix of homes, save money, and insulate housing providers from market risks.

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