Prospects for the UK house building industry

NHBC Foundation

Housing research in partnership with BRE Trust

NHBC Foundation
NHBC House
Davy Avenue
Knowlhill
Milton Keynes MK5 8FP
Tel: 0844 633 1000
Email: info@nhbcfoundation.org
Web: www.nhbcfoundation.org

Visit the NHBC blog at http://nhbcfoundation.blogspot.com

@nhbcfoundation

Research undertaken by Henley Business School

Report authors: Michael Ball* and Laura Dosanjh
Real Estate and Planning
Henley Business School, University of Reading,

* Corresponding author: m.ball@henley.reading.ac.uk

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ABOUT THE NHBC FOUNDATION

The NHBC Foundation was established in 2006 by the NHBC in partnership with the BRE Trust. Its purpose is to deliver high-quality research and practical guidance to help the industry meet its considerable challenges.

Since its inception, the NHBC Foundation's work has focused primarily on the sustainability agenda and the challenges of the Government's 2016 zero carbon homes target. Research has included a review of microgeneration and renewable energy technologies and the earlier investigation of what zero carbon and what zero carbon means to homeowners and house builders.

The NHBC Foundation is also involved in a programme of positive engagement with government, development agencies, academics and other key stakeholders, focusing on current and pressing issues relevant to the industry.

Further details on the latest output from the NHBC Foundation can be found at www.nhbcfoundation.org.

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Foreword

As further emphasis is placed on the house building sector to play an important part in aiding wider growth in the economy, this report by Michael Ball and colleagues at Reading University provides timely input on the underlying views across the industry.

As will be seen from the report itself, the outlook for any significant recovery remains more pessimistic than we may have hoped to see at this stage in the economic cycle. This seems to result from concerns that the actual implementation of many, broadly welcomed, recent government initiatives will fall short and hinder the ability of the industry to lift output to the desired levels. Of notable mention are the concerns around the local implementation of the National Planning Policy Framework (NPPF) and the risk of increasing variability of building standards requirements at a local level. These concerns are being exacerbated by a fairly wide range of concerns around resource constraints, and the fast pace of change already facing an industry striving to lift out of the most severe housing output decline in decades.

One other aspect that is clearly highlighted is the need for more debate and integration with those responsible for implementation of policy at local government level as well as with central policy makers. The industry does reflect that, while its voice has been heard at central government level, this is not yet the case at a local level.

It seems clear that the industry does feel able to meet immediate increases in output that are likely to stem from the general stabilisation of the market and the influence of initiatives such as the Mortgage Indemnity Guarantee Scheme (MIG). However, there remains significant concern among all survey respondents as to the viability of being able to build upon that progress and toward the housing output numbers that will be needed to address the growing range of economic and social need. This must be of concern to us all.

It is essential for the industry to fully understand the need for, and impacts of, dealing with increasing building output at a time of continued economic uncertainty and in the face of rapid regulatory change. It is perhaps not surprising, therefore, that there is also a significant concern around the lack of properly funded in-depth research to determine the most effective solutions to the range of problems faced.

This report cannot and does not seek to provide answers, but I hope you will agree that it does provide a useful background to the underlying views of those in the industry at a time when there is clear and urgent need for debate and research to assist housing output numbers increase in the medium and longer term.

Rod MacEachrane
Director, NHBC Foundation

Executive Summary

This research presents the results of a survey of senior house building managers, social housing providers and industry experts to gather views on which issues, if unaddressed, may constrain housing supply. It canvassed views on:

- The current state of the industry
- Barriers to house building growth
- Potential future changes in the industry, once the recovery is underway
- The likely impact of recent government policy developments
- Issues that would benefit from further in-depth research.

General background

The fifth anniversary of the onset of the downturn in the housing market will occur in 2012, with market prospects looking poor.

- At the international level, the decline in the UK housing market has now been amongst the worst.
- UK house prices in 2011 passed the symbolic benchmark of having fallen by a third in real terms since their 2007 peak.
- With regard to house building, this downswing is already the deepest in peacetime for well over a hundred years and it is on the way to turning into the longest. House building is at only half of its pre-crisis level and there is no sign of a significant revival.
- The housebuilding industry is a flexible one and capable of coping with sudden large increases in demand. However, demand is currently depressed; buildable land in short supply, despite the downturn, because of planning constraints; and regulation threatens to raise costs and limit site viability.

Survey findings

This survey was undertaken ahead of the announcement of certain recent government initiatives, such as the Mortgage Indemnity Guarantee Scheme (MIG). However, it is considered that, while those announcements, and particularly the MIG, are welcome, the pessimistic picture of an industry still struggling to recover is unlikely to be materially altered.

Key messages from the survey are as follows:

- Recovery from the downturn is slow and will remain so;
- Output will fall in 2012 and will still be almost 30% less than the previous 2007 peak in 2016;
- The major barriers to extra housing supply concern finance and the planning system;
- Localism in relation to both planning and building standards is a cause for concern;
- Regulation and bureaucracy remain a source of frustration;
- Firms and social builders are changing their strategies in response to the downturn;
- Industry consolidation is anticipated in both private and social sectors;
- Industry's impact on policy debate could be strengthened, particularly at the local level; and
- There is strong support for more independent, impartial research on housing supply issues.

Conclusions

The survey highlights that housing supply remains in crisis. It highlights that there is a widespread feeling that more could be done to stimulate demand and to create conditions whereby the house-building industry could get on with its job of providing new homes at affordable prices. Additional research would help in that endeavour and highlight the ways in which housing shortages damage the economy and people's lives.

The survey was undertaken in late 2011. Prospects improved somewhat in the early weeks of 2012 but the general sense of an industry in need of a helping hand remains. At the same time, evidence of the deleterious effects of a lack of housing supply continues to grow.

1 A troubled industry

The fifth anniversary of the onset of the downturn in the housing market will occur in 2012. With regard to house building, this downswing is already the deepest in peacetime for well over a hundred years and it is on the way to turning into the longest. Furthermore, though little publicised, UK house prices in 2011 passed the symbolic benchmark of having fallen by a third in real terms since their 2007 peak. So, in recent years the country has experienced major retrenchment in its housing market.

At the international level, the decline in UK house building has been amongst the worst. Moreover, what is exceptional about the UK is that the other badly-affected countries all experienced major building booms prior to their crashes, whereas the UK's supply upturn in the boom was only modest at most[1]. So, the UK does not have much extra housing for all the boom and bust of the past decade, which is of great concern given the scale of present shortages of accommodation.

The housing market has been volatile even in the short run. After some initial revival from the depths of the financial crisis in 2010, housing market recovery has since stalled and prospects for 2012 at present do not look bright. Widespread uncertainty prevails amongst buyers and builders regarding market prospects.

Some would argue that a housing market 'correction' was much overdue[2]. Furthermore, there is a view that prices will bounce back quite soon after the economy starts to recover, especially in Southern England[3]. However, while the revival is hard to forecast, there is a threat that it could be weak for some time to come. There is a history of slow recovery. For example, house prices lagged general economic recovery by a number of years after the last major downturn in the early 1990s and there are reasons to expect a slow and muted response this time as well. In any case, economic revival is expected to be weak and uncertain for some time yet. There are also specific housing market factors depressing activity. Mortgage finance is changed and constrained; mortgage debt remains high; housing-related public expenditure is being cutback; real interest rates are rising; and market expectations have been badly dented. Housing shortages cannot be relied on to push up house prices and stimulate a building boom in the near future. Market conditions have been appropriate to induce more building and they are simply not there at the moment.

In this rather gloomy context, the research reported here investigates what those involved in house building and experts identify as holding back house building. It focuses on immediate issues associated with the downturn but also aims to look further into the future when the recovery is well underway.

It canvassed views on:

- The current state of the industry
- Barriers to house building growth
- Potential future changes in the industry, once the recovery is underway
- The likely impact of recent government policy developments, prior to recent announcements, such as MIG
- Issues that would benefit from further in-depth research.

The analysis of the responses puts them in the context of current housing market developments, on-going change within the house-building industry, and recent policy developments.

[1] Changes in the sizes of dwellings suggest that the increases in new total habitable floor area built were significantly less than in the number of dwellings in the pre-2007 years. However, the UK does not provide floor area data to enable accurate evaluation.
[2] Eg IMF (2010)
[3] Savills (2011)

1.1 Approach of the research

The survey information was gathered by contacting senior managers in private firms and housing associations and, in addition, housing experts from a range of backgrounds in universities and elsewhere. Those agreeing to participate filled in a confidential on-line survey on the Reading University website. The survey ran throughout November 2011. It asked about how different organisations – private, public, large and small – had been affected by the economic downturn; about industry confidence and forecasts; and views on the key factors holding up supply. Finally, the survey enquired about the value of further independent research for the industry and tested levels of enthusiasm for different research themes.

The rest of the report is divided into four sections. The first provides an overview analysis of the dynamics of the UK housing market in recent years. This is followed by a brief survey of recent policy initiatives. Then the survey results are survey results presented with commentary. Finally, there are some concluding remarks.

2 General market conditions

2.1 Boom and bust

Prior to the 2007 financial crisis, the UK housing market boomed for over a decade. By the end of the upswing, real prices were 2.2 times higher than at its start. To finance house purchase households acquired much higher levels of debt during the boom, so that the mortgage to GDP ratio rose to 85% in 2007[4].

Then, with the onset of the world financial crisis, the UK experienced substantial housing market decline. A sudden shrinkage in mortgage availability, the onset of recession, and a collapse in consumer confidence combined to generate the sharp downturn. Prices fell, transactions were dramatically lower, and house building was much reduced.

The worst of the crisis was relatively short-lived and there was some degree of recovery by 2009. However, a year later towards the end of 2010 hopes of a sustained revival were dashed when prices again began to drift downwards and continued to do so in 2011 (Figure 1).

During the worst of the crash in mid-2008, transactions fell to only a third of their earlier peak levels. In the initial recovery period, they steadied at around half of their pre-crisis levels. But the subsequent renewed market slowdown pushed monthly transactions 7% down in 2011 compared to the previous year[5].

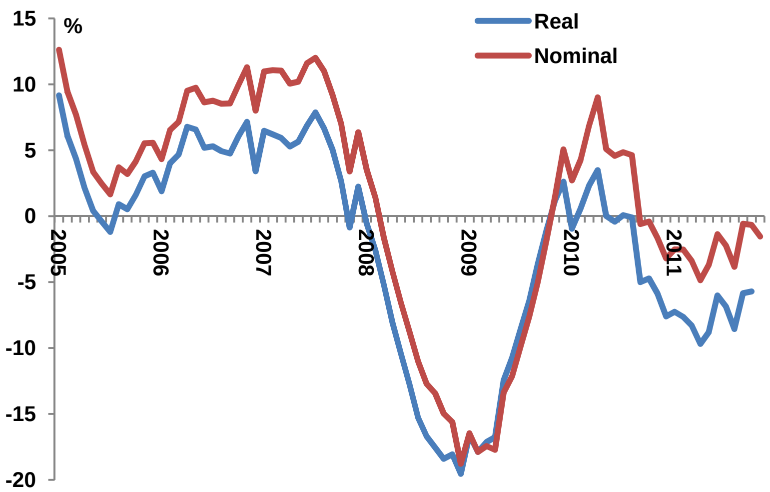

Figure 1: House price changes January 2005 to November 2011
Source: Halifax

Housing market prospects for the whole of 2012 are uncertain. The housing market weakness is likely to continue in the face of a faltering economy, reductions in public expenditure, rising unemployment, and tight mortgage availability. Home purchases may consequently fall compared to the previous year, presenting home builders with a tough sales environment. Sustained upward change in housing market transactions will only happen when the economy as a whole shows more signs of growth.

The economy is forecast to experience some recovery from mid-year, with faster expansion forthcoming in 2013 (HM Treasury, 2011). Economic revival should be transmitted through to housing market activity. However, weak house prices in nominal terms may persist for some time yet. In the meantime, the housing market remains a drag on the economy as a whole.

4 Source: European Mortgage Federation
5 Source: Land Registry.

2.2 The mortgage market

There has been a considerable reduction in mortgage issuance since 2007. Although there was some pickup after the worst of the slump, approval levels have been pretty flat over the past three years; with new mortgages only 42% of their 2007 levels in summer 2011 (Figure 2).

Number (in thousands)

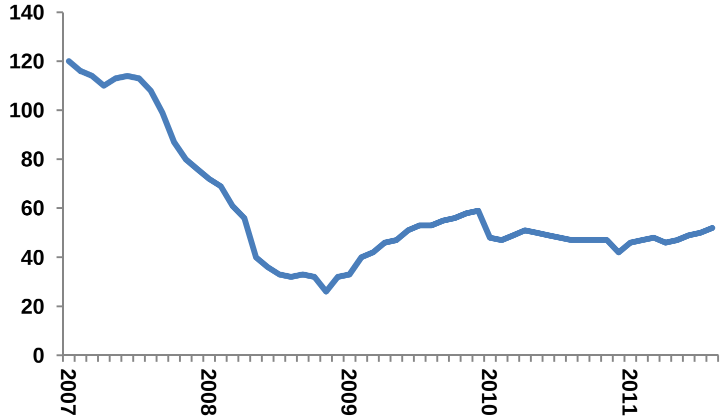

Figure 2: Mortgage Approvals January 2007 to August 2011
Source: Bank of England

No major lending upturn is yet in sight. The Council for Mortgage Lenders forecasts a contraction in mortgage lending in 2012, with gross advances falling from £138 billion to £133 billion and net lending down significantly from £9 billion to £5 billion (CML, 2011).

Part of the mortgage decline has been caused by less consumer interest in house purchase in a falling market but mostly because of substantially reduced loan availability. An inability to increase the supply of mortgage funds to meet potential demand has been a significant reason why the housing market has failed to revive substantially. Mortgage rationing through tight lending criteria has outweighed the positive effects on housing demand of lower mortgage interest rates, which have made mortgages more affordable in the past three years (Figure 3).

Rates for 2 year fixed interest rate with 75% LTV; base rate tracker with 75% LTV; & standard variable rate

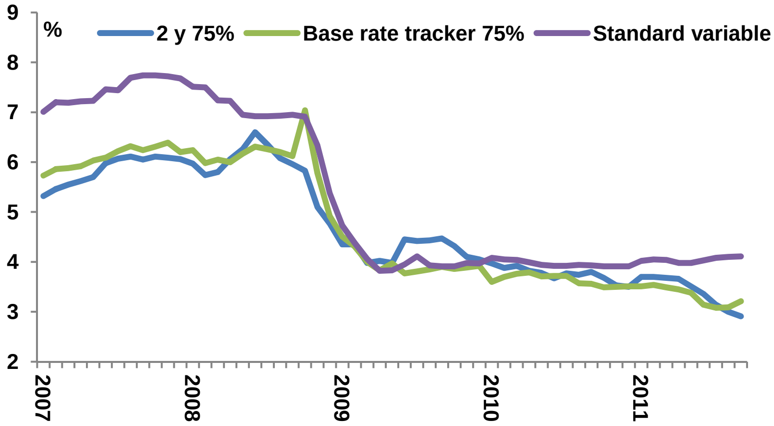

Figure 3: Mortgage interest rates January 2007 to September 2011
Source: Bank of England

Mortgage arrears have remained low, partly because of the favourable interest rate environment. This has limited forced sales. Overall, there has been some modest deleveraging but UK households on average remain highly indebted, with the total household debt to disposable income ratio falling from 183% in 2008 to 166% in 2010 (OECD, 2011). House price to income ratios have also become more attractive, with the ratio of average earnings to house prices had dropped from its spring 2007 peak of 5.8 to 4.4 by November 2011; though it was still higher than the long run trend[6].

First-time buyers' deposit requirements now average 20% and many struggle to save for them. However, lower house prices and attractive interest rates made purchase in 2011 the most affordable it had been since 2004. Data for October 2011 showed first-time buyers on average had loan-to-income ratios of 3.2 and spent 12% of their incomes on mortgage interest repayments and, when they moved and reborrowed, existing owners paid an average of 9%[7]. Even so, the number of loans continues to remain historically low.

2.3 Private renting

There has been a sizeable increase in private renting over the past few years, with 4.5 million dwellings now in the tenure. Between 2007 and 2010, the rental stock rose by over three-quarters of a million. As many as 17% of English dwellings are now believed to be in the private rented sector, this is up from 9% only two decades ago.

Prior to the housing market downturn, private investors were major purchasers of new dwellings. But the bottom dropped out of that market as house prices fell and investor interest melted away. New build purchases for rent are currently few in number, apart from some interest in London where recent rent and price growth has been strongest. Instead, much of the increase in the rental supply in recent years seems to have arisen from existing owners renting out their properties rather than selling them as they would have done in stronger market conditions (Ball, 2011).

So, in the downturn both specific demand and supply factors are contributing to expansion of the private rented sector. In relation to demand, those who could not raise mortgage finance, or were concerned about falling prices, rented rather than bought. With regard to supply, those who could not sell at or above their reservation prices, and were not prepared to adjust them downwards, let out their properties rather than sell them.

Rents fell in real terms quite markedly during the downturn but by a smaller margin than house prices. There has been much media commentary about substantial rent rises, whereas in real terms in recent years they have actually fallen. Nationally, real rents fell around 10% over the four years following summer 2007, based on deflating the LSL index. This modest real decline continued through 2011 and is likely to do so through 2012 as well. The LSL buy-to-let index recorded a 4% rise over the year in December, 2011, which represented a slight 0.2% fall when deflated by the CPI[8]. London had a 1.4% real increase over the same year, whereas many other regions experienced modest falls.

Taking poor rental growth and falling house prices together, the real returns to residential investors have not been good in recent years. In addition, letting risks have been rising; not simply because of uncertainty over house prices but also because rent arrears have been growing. In December 2011, LSL was reporting that unpaid or late rent was as much as 11% of all rent. There may be a seasonal element in that figure but prospects for arrears do not look promising in the current economic context.
The private rented sector has expanded, despite a period of weak real returns, because of a conjuncture of cyclical effects. Although returns are poor, investors have been encouraged to hold onto properties because that option for many is better than the alternatives. At the same time, adverse housing and mortgage market conditions have stimulated demand.

However, the expansion of private renting has not benefited house building, because none of its drivers positively relate to new dwelling purchase. In fact, it could be argued that the growth of reluctant landlords has been at the expense of new build, because such landlords tolerate returns that would be unacceptable to investors in new properties. Investor demand for new housing has collapsed and may stay that way for some time to come.

[6] Source: Halifax.
[7] Source: CML.
[8] LSL Property Services www.lslps.co.uk

2.4 House building

It is well documented that the UK has chronic housing supply shortages, particularly in the economically strongest parts of the country. On the one hand, demand is high and growing, driven by demographics, changing employment locations, and long-term rises in living standards. On the other hand, supply cannot respond effectively. By international standards, UK per capita house building rates are very low and supply responsiveness to rising prices is poor. The root cause is planning-induced constraints on land supply (Barker, 2004).

With respect to planning, there are the twin problems of, first, insufficient land permitted by the planning system for house building and, second, the length of time taken to process the land eventually allowed for development through local planning, which often takes years (Ball, 2010a). The extent of the resultant land constraint can be seen from the fact that the annual acreage of land used for house building in England fell by a quarter during the boom years from 1996 to 2006, while at the same time house prices more than doubled[9].

Most building is for the private sector, with housing associations the other main provider on a much smaller scale. House building levels have been significantly lower in recent decades than in the past, despite long-term rises in demand (Figure 4). Cyclical upswings in building rates are also relatively modest in scale. Moreover, part of the increases in the number of units during recent upswings has been generated by cyclical shifts in demand, leading to switches away from building larger dwellings towards smaller ones during price booms and subsequent movements in the opposite direction in the years after a boom ends. This means that the volume of housing output fluctuates somewhat less than does that derived by counting the number of dwellings built. However, the best data are available on dwelling units, so that measure is used here.

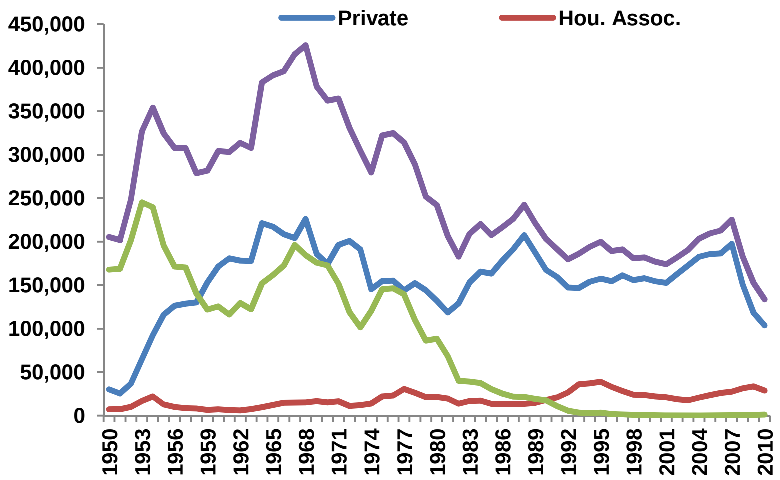

Figure 4: UK house building completions 1950 to 2010
Source: CLG

Housing starts had been running at over 40,000 a quarter in England prior to the crisis but collapsed with its onset. They fell to below 15,000 a quarter at the beginning of 2009, a 69% fall. The private sector was particularly badly hit as sales of new homes tumbled, with a low point in 2009 q1 of only just over 10,000 homes started: 73% down, only a quarter of what was built prior to the slump (Figure 5). Sites were mothballed and stocks sold off quickly during that period. However, the rapid cutback was from a relative modest level of output. For example, at the time, Spain was building four times as much and even France, which has not had a crash since, was producing 50% more dwellings. One consequence was that the housing market did not suffer the large overhang of properties that continues to blight the markets of the USA, Ireland and Spain. So, it has not been a supply glut that has pushed down house prices but rather a severe lack of demand.

[9] DCLG land use data

England, seasonally adjusted

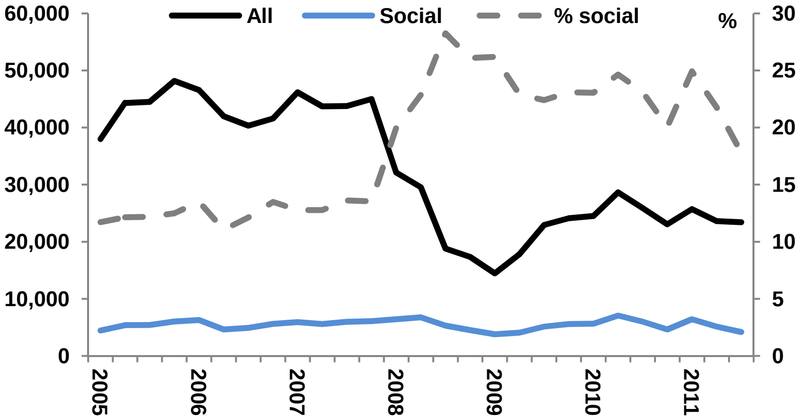

Figure 5: *Housing starts and tenure shares 2005 q1 to 2011 q3*
Source: CLG

The low output point was reached in the months after the failure of Lehman Brothers. House building then recovered somewhat and starts have broadly averaged around 23,000 per quarter since then. Consequently, output has virtually halved since pre-crisis levels, with no sign yet of a sustained recovery.

The scale of the house building collapse has consequently been huge. There is no peacetime precedent since the modern house-building industry came into existence in the 1920s and 1930s. Nineteenth century data are poor but the last comparable event was probably in the aftermath of the banking collapse at the end of the 1860s railway mania, 150 years ago, but the housing market and living standards were in any case obviously very different then.

There were some expectations early in 2010 of a marked house building recovery on the back an improving housing market but they were dashed as that revival petered out and house prices drifted downwards again[10]. Starts fell during 2011, as housing market conditions worsened. By 2011 q3, they were 10% down on the same period the year before (Figures 5 and 6).

Social house building output has been relatively steady and that kept total house building from falling even further. Its share of house building was around 12% prior to the crisis. But, during the worst of the downturn, social house building rose to over 25% of output as private starts collapsed and stayed proportionately higher for the next three years (Figure 6). However, fiscal retrenchment and reform of the way in which social house building is to be funded in future means that far less social housing is going to be built in the near future and possibly for much longer. Therefore, private sector output is going to have to rise by up to a fifth simply to sustain total housing starts in 2012 at their 2011 levels, which will be hard to achieve.

An unexplained paradox of recent house building has been a measurement divergence between the number of dwelling completions in the UK and house building output that is used in GDP data. The ONS calculates the latter as consisting of a mixture of new building and improvement, using a fixed 60:40 ratio, so that changes in improvements are by implication assumed to be the same as those for new build. Up until 2009, the two series closely followed each other during the 2000s (Figure 7). However, after 2009 the ONS house building value-added measured showed a gradual rise in output, whereas the dwelling completions data showed a fall, followed by a levelling off. If the GDP measure had continued to move in the same way as dwelling completions, it would have been up to 1% of GDP lower. The UK would also have been in recession for longer. Alternatively, if dwelling completions had continued to track the GDP measure they would have been about a quarter higher.

[10] Data for England are used as they are more up-to-date but the experience of the other parts of the UK has been similar.

England, seasonally adjusted

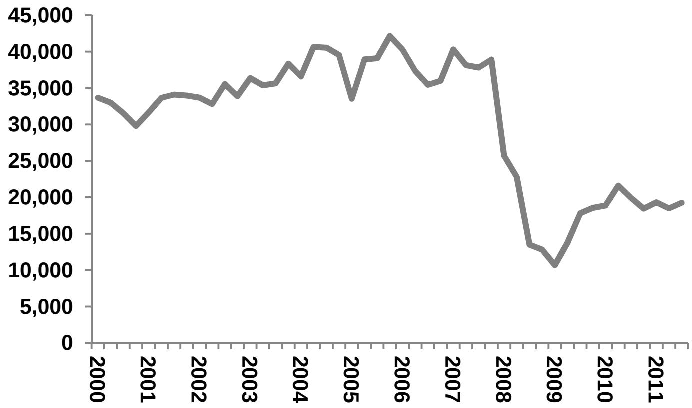

Figure 6: Private housing starts 2000 q1 to 2011 q3
Source: CLG

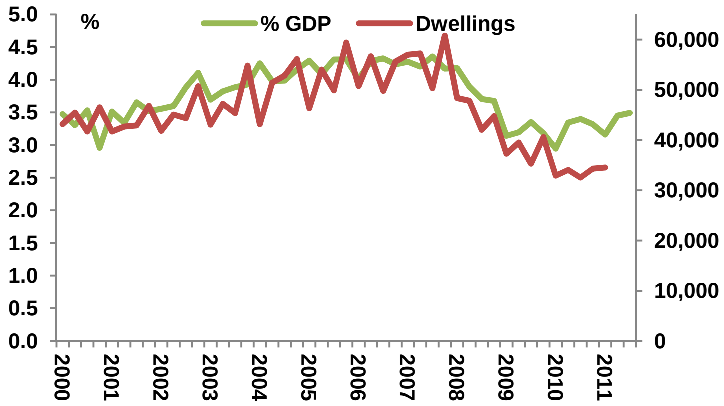

Figure 7: UK dwelling completions and house building as a % GDP 2000 q1 to 2011 q1
Source: CLG, ONS

Explaining the divergence is hard to do without detailed study of the underlying statistics and methods used by ONS and DCLG. It is difficult to measure short-run changes in house building and improvement in such a decentralised industry, so inevitably approximations have to be made. Moreover, the change in the relationship between the two output series may be reflecting some underlying cyclical or structural change. However, the scale of the divergence in recent years makes it important to explain.

2.5 Regional housing market variations

Differences in housing market performances across the regions of the UK have been relatively limited in respect of real house prices since the onset of the downturn, with the exception of Northern Ireland where real prices have fallen by almost two-thirds, twice as much as in the rest of the UK (Table 1). There has been somewhat greater price variation since the renewed weakness in the market began in 2010, but that has been a shorter time span with no clear regional geographic pattern, apart from inner London where prices have risen quite strongly.

Regional differences have been more pronounced with regard to house building. Overall, nationally, private starts in 2011 q3 were down by a half over the four years since the beginning of the downturn. The largest falls in starts have been in the northern regions of England. An arc running from East England across the Midlands into Wales, the South West and South East did somewhat better than the national average. The declines in Scotland and London have been only moderately worse than the national average (Table 1).

At the aggregate level, therefore, significant regional differences in terms of the strength of demand in England centre on notably more weakness in the northern regions than before the downturn started. However, those regions did experience atypically high regional shares in the final years of the boom, so that some of the decline may reflect readjustment to more normal regional shares.

House builders have reported greater sales strength in parts of London and amongst family homes, which are concentrated in commuter regions. In past cycles, there has been a tendency for a 'ripple effect' of market recovery; whereby the initial stages of recovery start in the London region and then gradually ripple out to other regions. Unfortunately, given the current weakness of the national economy, it cannot be surmised from these two pieces of information that a renewed ripple effect is currently in its early stages.

Table 1: Regional house price and house building changes

In 2011 q3:	House prices (real) % change from		Private starts % change from
	2007 q3	2010 q2	2007 q3
North East	-34	-10	-63
Yorkshire and Humberside	-34	-8	-82
North West	-33	-4	-60
East Midlands	-33	-7	-45
West Midlands	-32	-8	-49
East	-29	-4	-32
South West	-32	-10	-43
South East	-31	-9	-48
London	-33	-5	-54
Wales	-31	-6	-45*
Scotland	-31	-10	-58*
Northern Ireland	-65	-21	-50+
UK	-33	-8	-50*

Sources: Halifax, ONS, CLG * 2011 q1 +2001 q2

2.6 International comparisons

The UK's housing market downswing has been one of most substantial worldwide. In real price terms, it has been far greater than in the other major European countries and slightly more than in the USA (Figure 7). Only Iceland, Ireland and several Central and Eastern European countries have experienced greater house price falls at the national level.

Many other European countries did have similar pre-2007 house price booms to that in Britain but for many post-crisis adjustments have been modest and mainly in real rather than nominal price terms (Ball, 2012). Moreover, it should be noted that not all countries have experienced the same price cycles. The notable exceptions in Figure 7 are Germany and Switzerland, which did not have pre-2007 price booms.

In contrast to house prices, the pattern of house building decline has been more dramatic across most of Europe but the UK still ranks amongst those with some of the worst falls. This can be seen by comparison of post-peak decreases in residential building permits, a forward-looking house building indicator, across Europe (Table 2). The crisis-torn Mediterranean countries, Ireland, Hungary and some other Central and Eastern European countries have experienced the largest declines. Yet the UK is not far behind, while France and Germany have only seen moderate falls in house building. Moreover, most of those countries experiencing large falls in house building had substantial building booms during the earlier market upswings. However, the UK did not, but it has still suffered a major building decline.

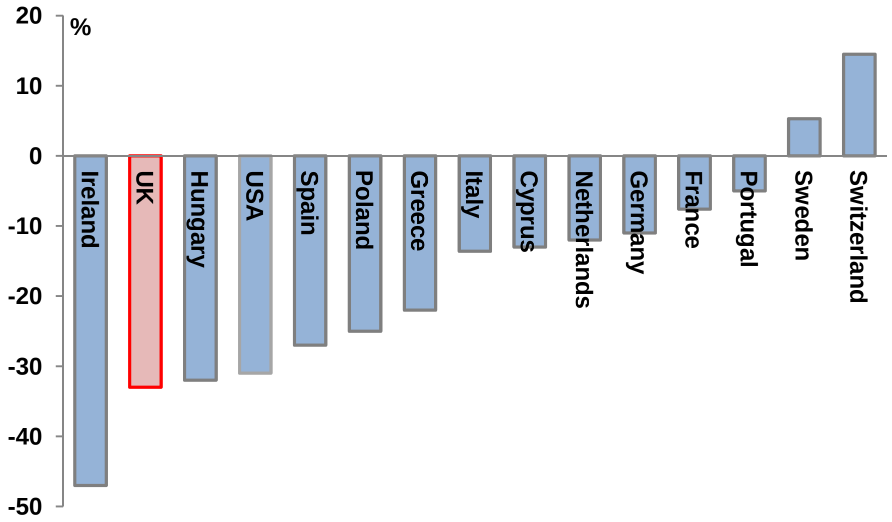

Figure 7: Real house price changes since recent peaks in selected countries
Note: Price peaks identified for each country, except where no recent peak where 2007 q3 was used as the base year.
Sources: (Ball 2012)

Table 2: Change in residential building permits 2007 to 2011 – % change between 2007 and 2011 Q2

EU27	-44
Spain	-89
Ireland	-86
Greece	-75
Portugal	-71
Hungary	-68
Cyprus	-60
Denmark	-43
United Kingdom	-42
Netherlands	-35
Norway	-33
Poland	-28
Sweden	-18
France	-13
Germany	-7
Switzerland	36

Source: Eurostat

2.7 Industry retrenchment

During the boom years of the 2000s the larger 500+ dwellings a year firms had been gradually losing market share to smaller enterprises (Figure 8). The larger firms were also the quickest to cut back production with the onset of the crisis, so that in 2008 and 2009 they significantly lost market share.

However, in 2010 their market share bounced back, recouping much of the losses of the previous decade. This may turn out to be a one-year event but this pattern does conform to experience in the previous major downswing in the early 1990s. The larger firms are better placed to take advantage of recovery because of their spatial and product diversification and their better access to debt and equity finance (Ball et al, 2010).

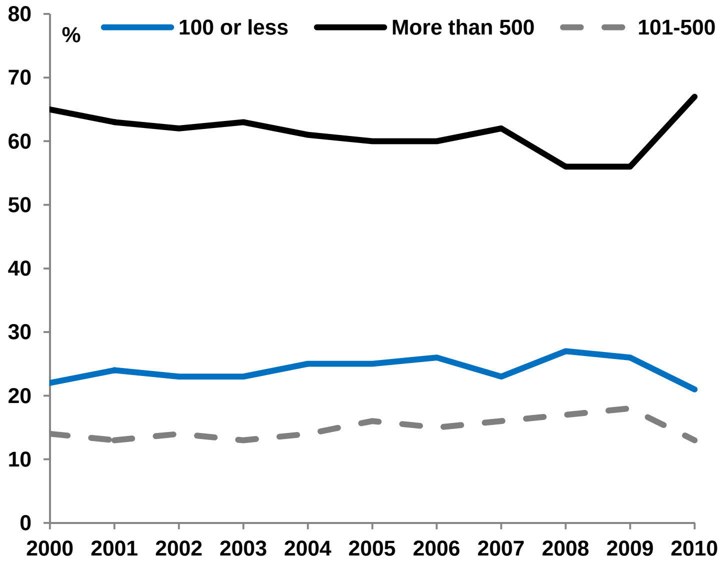

Figure 8: Market shares by size of firm
Source: NHBC

The overall loss of firms in industry in recent years proportionally has been at a scale similar to the loss of output. This can be seen in data for NHBC registrations shown in Table 3, which compares the number of active firms in each size category in 2007 when the market peaked and four years later in 2010. Obviously, as house building has fallen, there has been a cascade effect down the size categories as most firms now produce smaller outputs. Therefore, the change in number of active firms in any size category is a combined result of net firm losses and downward cascade effects.

Table 3: Change in firm numbers 2007 to 2010 (%)

Units produced	% change 2007–2010
1–10	-26
11–30	-58
31–100	-45
101–500	-53
501–2000	9
2000+	-40

Source: NHBC

The significance of the downward cascade effect can be seen most clearly in the 9% increase in the 500–2000 unit group while the larger 2000+ category fell by 40% over the four-year period. This suggests that some previously 2000+ firms have now fallen below that size threshold; reinforced by evidence that there have been few failures amongst producers of the 500+ units in the crisis. The biggest proportionate losses were in the 11–500 unit groups. These SME-type firms are most likely to be affected by such issues as development finance.

The industry still remains highly competitive when measured in terms of active firm numbers. There were still 33 firms producing more than 500 units a year in 2010 and, in addition, over 3800 enterprises building between 1 and 500 units.

A bigger concern is the loss of productive capacity represented by the reduction in firms and regional subsidiaries. Management teams, entrepreneurship and professional skills are lost as well as skilled labour and dedicated equipment in such cutbacks. This loss of capacity could represent a considerable brake on increasing output in the future.

House building is also characterised by substantial enterprise churn at the SME level. Part of the net loss of firms will have arisen because few new entrants are likely in recent years. This is partly because of reduced demand. Yet weak markets offer opportunities. However, few potential entrants will have been able to exploit this situation, given the virtual cessation of development finance opportunities. The weakening of a culture of entrants spotting residential development opportunities is a further loss of house building productive potential. This is because that culture is associated with significant network effects in local housing and land markets. When such networks atrophy, it becomes harder for new entrants to gather the information and support they need to contemplate building homes.

3 Recent policy and regulation

There has been a number of policy initiatives in recent years aimed at house building. They vary somewhat across the countries that make up the UK, as housing policy is a devolved issue, and differ with changes of government[11]. The current government's policies for England have been summarised in its housing strategy announced in November 2011 (DCLG, 2011a) and are summarised in Table 4. Alongside these housing market proposals are plans with respect of private and social renting plus design and sustainability. Further measures aim to reform the planning system through the national policy framework (DCLG 2011b). Not all recent policies have positive effects on house building. For example, lowering housing-related outlays has been an important element of recent planned public expenditure reductions.

It is not the purpose of this report to provide an evaluation of such measures. However, the house building survey gave an opportunity to ask participants their views on the impacts of specific policies on the number of dwellings being built. As a result, a prior list of policy initiatives was presented in the questionnaire and respondents were asked to score their effectiveness. As the English housing strategy document was only published in the last week of the survey, such programmes as mortgage indemnities could obviously not be included, although programmes in the strategy that had previously been flagged were incorporated.

Table 4: Recent housing market policy initiatives

Area	Initiative	Key points
Consumer finance	Mortgage Indemnity Guarantees (MIGs)	95% LTV (loan-to-value) mortgage for new-build properties with default guarantee on top slice of loan. Funded through house builder deposits into an indemnity fund and Government guarantees; interest rates to be comparable to 80% LTV products. Funding for up 33,000 loans p.a.
	First Buy	£400 million scheme to help 10,500 first-time buyers by providing an equity loan of up to 20% of property value.
Unlocking development	Get Britain Building	£400 million development fund to unlock stalled sites. Bidding process, with target of 16,000 new homes.
	Growing Places	£500 million fund aimed at Local Enterprise Partnership sites where infrastructure (roads, flood proofing) is a barrier to development. Bids invited.
	Reconsidering Section 106	Consultation on allowing developers and local authorities to reconsider S106 agreements negotiated before downturn.
	Streamlined planning on larger sites	Local Development Orders to be promoted to streamline planning.
	Freeing up public sector land	Aim to release land for up to 100,000 new homes over the duration of this Parliament.
	Infrastructure fund	Up to £30 billion announced for infrastructure projects.
Other	Right to Buy	Intention to raise discounts available.
	Private Rented Sector	2012 Finance Bill to introduce changes to stamp duty and REIT legislation.

Source: DCLG 2011b

[11] See Ball (2010b) for a survey of the previous government's 2007–2010 programmes with respect to England.

4 Survey results

4.1 Profile of survey respondents

A broad cross-section of people involved in the industry was approached and 107 people completed the survey. The breakdown of respondents was as follows:

- 54 from private building firms. These included 30 with an annual turnover of greater than £50 million and 10 with a turnover of less than £10 million. There was a good coverage of the English regions, Scotland and Wales.
- 37 from housing associations and local authorities. Average annual building expenditure was £46 million. Most UK regions were represented, but London and the South East were prominent. 70% did not solely build for the social sector with current build shares of 67% social renting, 16% other affordable (equity share etc.) and 17% market rent (including low cost home ownership). Most saw future growth in market and affordable rent and a decline in social renting.
- 16 from experts, including academics, finance experts and representatives from industry bodies.

Respondents were asked to select the questionnaire relevant to their background: one for private house building firms, one for social builders and one for non-house builders. All three versions of the survey contained generic questions concerning the industry and attitudes to the value of independent research.

To ensure that the findings were not biased towards smaller firms, managers of regional subsidiaries were encouraged to participate as well as the head offices of the larger firms. The majority of respondents from private house builders were from the 500+ dwellings built annually group, which reflects the current pattern of output.

There was a disproportionate representation from social housing institutions. However, separate analysis of the responses by sub-group did not reveal substantially different views between private and social providers, but rather emphasis on specific concerns, as is shown below.

4.2 Slow recovery in output and prices

Survey respondents were asked to forecast total housing starts for Great Britain over the next few years. The responses were generally pessimistic, with little change expected in 2012. Even by 2016, the forecast average was 153,000 starts, which is still nearly 30% below previous peak levels (Figure 8).

There are some interesting differences between the sub-groups in terms of their forecasts. Private house building firms were relatively more optimistic than other groups and social housing institutions the most pessimistic. The views also increasingly diverge as the forecast horizon becomes longer. Such differences may reflect the situations in which the respondents currently find themselves. For example, social housing providers are particularly worried about their future build rates. However, the divergences between each group were not that great.

When asked about their own organisations' expected output, on average respondents working in house building firms said starts in 2012 would be 13% lower than 2006 levels; social builders said their starts were likely to be 2% lower. Nevertheless, fortunes have varied sharply, with some private firms increasing output by 30% and others seeing falls of up to 50%. Regarding the reasons for these changes, those suffering marked declines frequently mentioned poorer mortgage availability (especially for first-time buyers) and less availability of land with planning permission (see Box A).

Those working in enterprises that had been relatively successful in the face of general market decline cited business strategies as key. The most important elements of strategy mentioned were focusing on favourable geographic and demographic market segments.

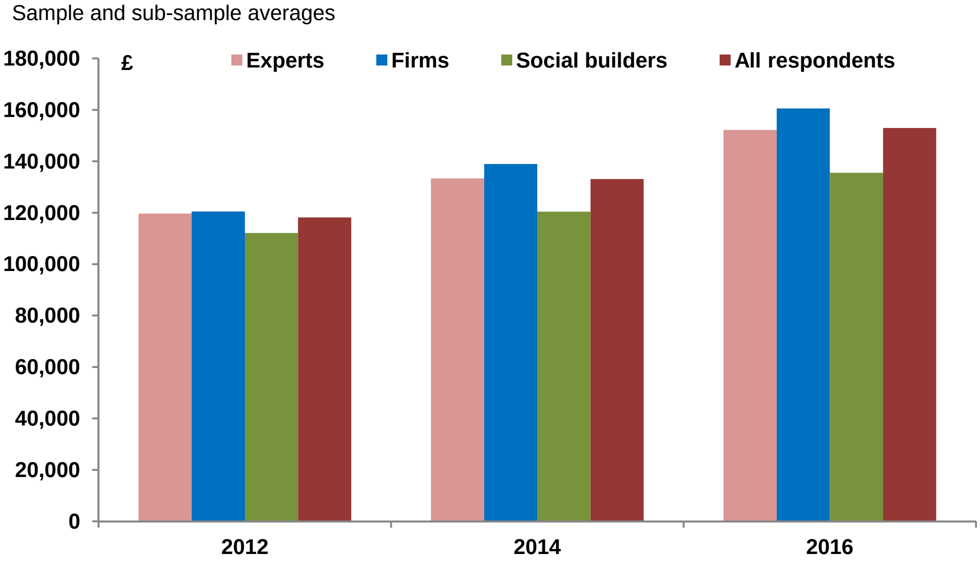

Figure 8: Forecasts of house building starts in 2012, 2014 and 2016
Source: House building survey

Box A: What factors underlie views of market prospects?

Private house building firms were asked about the thinking behind their forecasts. These examples illustrate the importance of finance, regional location and land availability:

- "Reduced activity in market caused by recession and lack of FTB mortgage finance." (Medium national, forecasting down 20%)
- "Mortgage availability." (Large national, down 40%)
- "No new sites acquired in late 2008 or 2009 during worst of credit crunch." (Builder operating in two regions, down 20%)
- "Reduction in lending making mortgages more scarce and numbers of borrowers able to get a mortgage rarer. Also land availability reduces outlets." (Regional arm of national, 40% down)
- "Expect to be in line or slightly higher, driven by business model (not volume driven) and business strategy through the downturn." (0% forecast, large regional firm)
- "We operate in south east England and produce mainly family housing so did not suffer the big decline of some housebuilders. We are also adequately funded with substantial shareholder funds (£80m+) and bank facilities (£45m)." (0% forecast, large regional)
- "Increased volume output due to outturn of land investment programme in 2010 leading to increased outlets." (Forecast up 30%, regional arm of national)

The average decline in starts reported by the private firms responding to the survey was typically far less than the overall decline in industry output. This is unsurprising as these firms are the survivors from the downturn. Much of the loss of output in recent has been associated with a loss of enterprises and closed subsidiaries of the survivors.

For social builders availability of AHP (Affordable Housing Programme) funding was key influence on their forecasts. 88% said the AHP reduction would have a fairly negative or negative impact on their organisation.

With regard to house prices, respondents forecast a further modest decline in new house prices in 2012, followed by a modest recovery by 2014 and continuing modest increases, reaching 8.3% over current levels by 2016 (Figure 9). There was little difference between survey groups although, once again, the house building firms were more optimistic in the short term. This may to some extent reflect the typical three-year planning horizon for many businesses. Any optimism should however be tempered by acknowledging that this increase would still be a decline in real terms, given current rates of inflation.

% increases in house prices above 2011 levels, sample and sub-sample averages

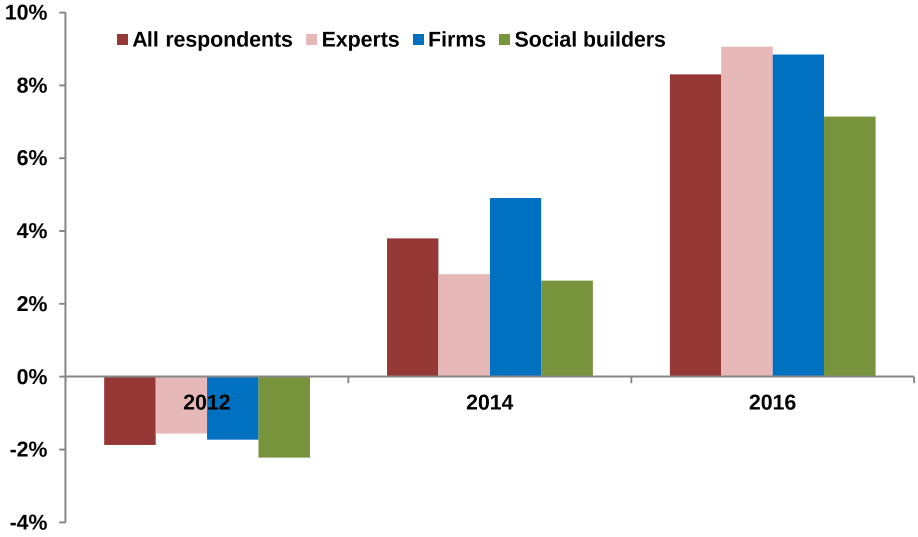

Figure 9: Forecasts for new house prices, UK
Source: House building survey

4.3 Finance and planning constraints

Respondents were asked to score 14 different factors on a scale of 1 to 10, in terms of their importance as issues in holding up house building in the UK. The results are given in Table 5. The four top-scored factors all relate to finance and the economy. The next four relate to planning and land availability. However, no factors were scored lower than 5 out of 10, so that there are a range of problems rather than a single 'magic bullet' issue.

Whilst there was general consistency of scores between sub-groups, the differences between them are interesting. They highlight the fact that house building is a diverse industry so that market and policy factors affect individual parts of it differentially.

Table 5: Survey respondents' ranking of factors holding up housing supply

Scores 1 = not important, 10 = very important in holding up supply	**All**	**Firms**	**Social builders**	**Experts**
Mortgage availability, including first time buyer deposits	9.1	9.1	8.9	8.6
Instability in financial markets	8.1	8.1	8.2	7.4
Consumer confidence	8.0	8.7	7.6	6.5
Availability of development finance	7.4	6.5	8.7	7.3
Section 106 and Community Infrastructure Levy requirements	7.1	7.8	6.5	6.4
Planning (speed of processing of applications)	7.0	7.7	6.1	6.7
Permissioned land (overall supply of suitable land)	7.0	7.1	6.6	7.5
Planning confidence (confidence in land assembly pipeline)	6.6	6.9	6.2	6.5
National regulations	6.3	6.7	6.2	5.3
House prices	6.2	5.8	6.6	6.9
Local standards	6.1	6.7	5.8	5.0
Current/planned levels of Government capital expenditure	6.1	5.6	7.0	5.5
Supply of labour	5.2	5.6	5.0	4.8
Manufacturing supply chain	5.1	5.1	5.4	4.8

Source: House building survey

Private house builders were particularly concerned about consumer confidence and the speed of planning applications. Furthermore, there were differences across the firm size spectrum. Larger firms were more likely to state that availability of permissioned land was a key barrier, while smaller firms were more likely to put greater emphasis on access to development finance and, to a lesser extent, weak house prices.

Social builders were most likely to state that access to development finance was a problem. This perhaps is unsurprising given current reductions to public expenditure related to social house building and the proposed switch in financing model.

4.4 Localism and changing local attitudes to development cause concern

Respondents were asked whether it had become more difficult in the last 18 months to progress development sites or obtain planning consent. This appeared to be a significant problem.

25 out of 49 private firms (51%) said that they had had development sites refused in the last 18 months because of the changed attitude of local planning authorities. An even greater number, 31 out of 50 (62%), said they had experienced greater difficulty in obtaining planning consent. For social builders the proportion was lower: just 4 out of 27 (15%) said they had had development sites refused in last 18 months; 8 out of 27 (30%) said they had experienced greater difficulty getting planning consent. However, many social house building sites form part of 'Section 106' agreements negotiated between planners and private developers, so a substantial proportion of social house building has in effect already been processed through the planning system.

As will be explored later, the majority of respondents welcomed the National Planning Policy Framework approach. Nonetheless, all parties were united in their concerns about recent events in planning in a practical context, whereby local authorities are reinterpreting ground rules on the own initiative prior to detailed legislation. Many building firms and social builders were frustrated about changes to the planning system, which they think are holding up development. Their worries focus on local attitudes to planning and uncertainty at a time of change. The situation is captured in the comments in Box B.

Box B: Survey comments on localism, development and planning

Private firms

- "(Council X) is very difficult to persuade of the value of development."
- "Growing trend towards committees going against officer's recommendations."
- "Obtaining planning consent has been extremely difficult both before and after the recession. Around two thirds of our planning applications are refused first time by local planning authorities. Since the recession, viability has increasingly been in an issue to progressing sites, yet councils have shown little flexibility or appreciation of the challenging housing market, including in their requirement to pay affordable housing contributions."
- "Opportunity for procrastination taken by local authorities. Committees more easily influenced by objectors."
- "'Hiatus' created in planning system due to proposed far-reaching changes."
- "We have seen allocated sites being refused (at least six) and sites which have never been in plans before approved (around 100–150 units) because of 5-year housing supply. However it depends on the Authority, the variation in their actions widens."
- "There are so many hoops now to jump through in terms of remediation, SUDS, sustainability and ecology that the whole system has slowed down."
- "Planning authorities difficult and localism a complete disaster."
- "Nimbyism is causing expensive delays due to pressure on councillors. We haven't yet had a refusal but expect a refusal where we are confident of winning an appeal."
- "Abandoning any sort of plan has been disastrous. Changing back garden from brown field has led councillors and residents to believe that it cannot be built on at all which has led to all recent applications being refused. We have been advised not to appeal because we did not have officer approval."

Social builders

- "More local consultation along with changes to the local political climate."
- "Sites are getting turned down more frequently by local members but are generally all won at appeal."
- "Far more red tape – numerous reports now needed - planning applications take much longer to approve."
- "No change, effect of planning changes still to hit."

Although the majority of respondents did identify localism and planning delay as important, a minority did not. Some firms said they had invested the expertise to resolve problems or had even experienced favourable local outcomes. It should also be said that localism is a particular issue for development and planning in England rather than in the rest of the UK where different legislation prevails. For brevity, policy is limited to the English situation here.

4.5 Response to the new policy environment

Survey respondents were asked to state what they thought would be the mid-term impact on their organisation of a range of Government policy changes and innovations (Table 6). The degree of positive responses varied widely across the 11 programmes cited in the questionnaire. For example:

- National Planning Policy Framework (NPPF): 53% positive or fairly positive
- First Buy: 38% positive or fairly positive
- New Homes Bonus: 38% positive or fairly positive.

The results do not suggest wholehearted support for current Government policy initiatives related to the way in which the industry functions, as opposed the additional demand initiatives announced in the Housing Strategy for England after this survey was initiated. Only one policy initiative out of the 11 cited in the questionnaire narrowly achieved majority endorsement, the NPPF.

In fact, there were much higher majorities believing that specific policies would have negative impacts. As many as 7 policies out of the 11 cited received a resounding negative response, focused upon Zero Carbon, SUDS, Building Regulations, cuts to affordable housing, and other reductions in public expenditure. Private firms were particularly against zero carbon, regulations, and reduced public expenditure; with 90% plus negative scores in some cases.

Table 6: Anticipated mid-term impact of policy changes and innovations

P/FO = Positive/fairly positive NI = No impact N/FN = Negative/fairly negative	**All**			**Building firms**			**Social builders**		
	P/FP	NI	N/FN	P/FP	NI	N/FN	P/FP	NI	N/FN
National Planning Policy Framework/Localism	53	23	20	63	12	18	35	42	23
First Buy	38	51	7	45	43	6	27	65	0
New Homes Bonus	38	54	4	34	54	6	46	54	0
Zero Carbon (allowable solutions)	15	29	56	12	16	71	19	54	27
Red Tape Challenge	14	41	41	15	38	45	12	46	35
Zero Carbon Initiative (general)	12	14	73	6	2	92	23	35	38
Reduction in affordable housebuilding programme	11	13	72	14	18	64	4	4	88
Building Regulations in general	7	27	66	4	11	85	11	56	33
Sustainable Urban Drainage Systems	7	29	64	4	14	82	12	58	31
Reduction in Government Capital Programme (eg expenditure)	0	25	70	0	27	67	0	22	74
Reduction in general public expenditure	0	5	65	0	8	90	0	0	22

Note: percentages do not sum to 100 because of non-responses.

4.6 Business strategies changing in response to the downturn

The survey asked about how individual organisations were adapting their strategies in the downturn. Both private and social builders identified the need to formulation new strategies in the face of changed market and policy environments.

Private building firms were very likely to agree that they were changing their market focus in some way. Specifically, they agreed that they were changing their customer profile (84%), the value point of properties they were selling (78%), and were consolidating their geographical focus (54%). Just 12% said that they were not making any changes in these respects. Respondents' comments particularly related to strategies aimed at achieving greater focus on certain regions and on those demographic groups with equity and access to finance. Amongst the elements of such approaches were building fewer flats and more houses; targeting older age profiles with less emphasis on first-time buyers; and consolidating in regions where the local economy is stronger.

The survey provided much evidence of moves away for many from building flats to focusing more on family housing. On average, private firms in the sample said that their current mix of dwelling types was 34% flats and 66% houses. Almost a half (46%) said this had changed in the last 3 years. Typical reasons stated were:

- "Level of flat building decreased in our region as mortgages even harder to achieve on flats than houses."
- "Reduced flats as less demand due to over saturation of market and purchasers would prefer a house to a flat – this has also been affected by mortgage availability from lenders who have been reluctant to lend on flats".

However, 30% of firms said they expected this new mix once again to change at some time in future, with some predicting a resurgence of demand for flats. Others seemed more convinced of a sea change in the market, seeing their typical purchaser wanting a house. Generally, the view was that there was permanently less investor demand for flats.

If the new build market does experience a significant underlying shift towards larger properties, this does not bode well for the ability of the planning system to accommodate changing consumer preferences. Planning strategy continues to be geared towards high density developments. Greater local responsibility for planning is likely to reinforce that policy rather than to dilute it. Therefore, the changing structure of the market may underlie some of the concerns of house builders with local planning policies, noted earlier.

In operational and organisational areas, private firms were very likely to be changing the way they organised their business (89%) as well as the productivity enhancing technology they use (88%). Comments from respondents included how firms were working to improve efficiency, deploy less working capital and less direct labour (through greater use of sub-contractors), achieve greater customer focus, and undertake more R&D into greener methods to achieve sustainability regulations.

Private house building respondents were asked whether their firm invested in strategic land. 78% replied that they do. Many identified it as an important part of their strategy, with 50% of their sales accounted for through plots acquired in this way. One firm reported that they had 10 to 15 years supply and others described 10,000 to 12,000 plots currently in their land bank. The holding of strategic land for many was seen as a component part of the way in which the industry had adapted to the requirements of the planning system, with its long lead times and extensive negotiation in respect of large-scale development. One commented in relation to its land holdings that "we have always believed in the planning process although it is becoming a bit of a bun fight at the moment". Out of those who replied that they invested in strategic land, just over half agreed that it would become harder to progress this land through the planning system in future.

Finally, respondents were asked whether they were experiencing problems in the availability or cost of labour or materials. Private firms were more likely to be experiencing labour and materials cost inflation (78% to at least some degree) and supply chain problems (57%) than labour shortages (31%). However, few rated these issues as great problems at present, which is unsurprising given the inevitable focus on the causes of the collapse in demand and worries about future land availability.

Almost all social builders expected their focus in future to grow in the affordable and market renting and shared ownership sectors. This is against a backdrop of reductions in public expenditure and, in particular, the AHP budget. Some organisations commented how they were actively seeking a greater level of private investment through an increasingly diverse range of partnerships. Some associations indicated that they might limit further expansion because they were not proposing to maximise 'affordable rents' and other possible ways of growing their stocks. Some expecting to complete existing programme plans but were highly pessimistic about further building beyond that.

63% of social builders were planning changes to their organisation and operations and three-quarters were planning modifications to the technology they used to enhance productivity. Specific comments included:

- Focus on value for money and savings in production technology.
- Continued search for cheaper, imported renewables and sustainable technology.

Only a small minority (12%) of social builders reported that they were currently experiencing problems with labour shortages. More said that they have difficulties with labour and materials cost inflation (40%) and supply chain.

4.7 Changes anticipated at the industry level

All respondents were asked how they saw the industry changing in the next five years. Key themes that arose included:

- More mergers, greater consolidation with fewer small firms/providers (in both the private and social sectors).
- Changes in market structure caused by problems for first time buyers in trying to access mortgage finance, discussed earlier.
- Consequences arising from difficulties in accessing development finance for smaller organisations in both the private and social sectors.
- More sophistication in marketing in order to enhance customer value and raise revenues.
- Continued attempts to alter production methods to achieve required carbon targets.
- Greater focus on cost efficiency in processes and materials including, for instance, more prefabrication.

Consolidation was seen as a product of the other issues, because responses to them could only be effectively dealt with when an enterprise had a large enough scale of operation.

4.8 Industry's policy impact could be strengthened

The survey asked about views on the impact the house-building industry has on policy debate at central and local government level (Figure 10). Average ratings were only around 5 of 10, with lower scores for impacts on local authorities. It is noticeable that private firms were much less positive about the industry's impact on local authorities than the other two sub-groups. This suggests that the main focus of concern is related to potentially negative local authority attitudes rather than to central government.

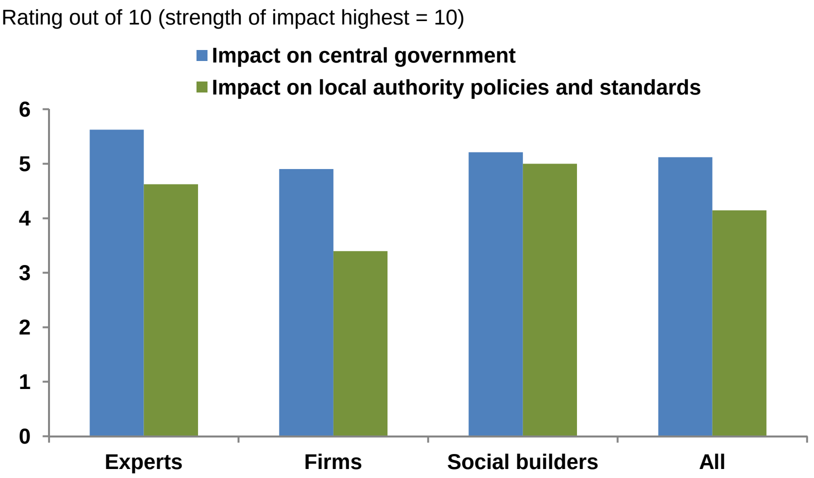

Figure 10: Industry impact on policy agenda
Source: House building survey

Taken together this all suggests that the industry does not feel it has a particularly strong voice with key elements of public governance.

4.9 Strong support for independent, impartial research

Finally, the survey asked respondents for their views about the value of additional independent, impartial research on house building. On average over 90% of respondents were in favour of more research into house building – either very enthusiastic, interested or seeing a wider value for others in the industry (Figure 11).

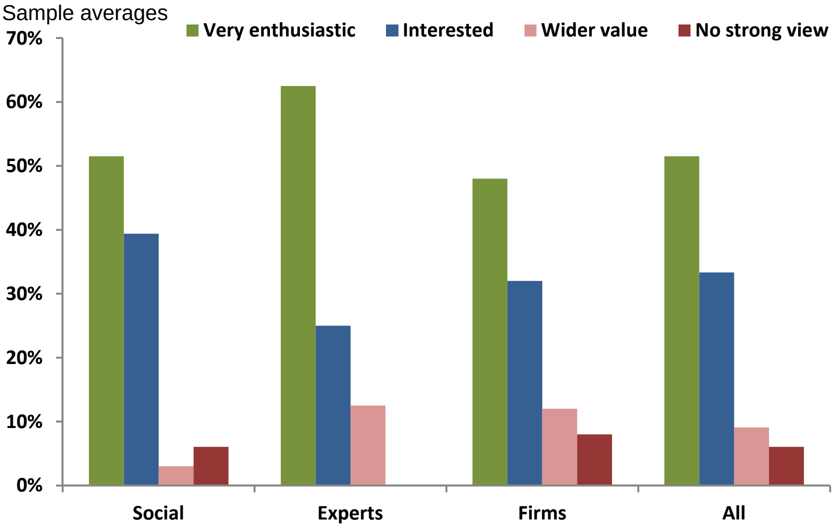

Figure 11: Levels of enthusiasm for independent, impartial research on house building
Source: House building survey

When asked which themes were most the important issues for research, on average all respondent groups gave all themes a score of 6 or above, showing that all had support (Table 7). The three most popular themes were:

- Understanding the links between housing and the economy
- Policy action to stimulate recovery in the housing market.
- Social benefits of extra housing supply and consequences of under-supply.

Table 7: Survey respondents' scoring of levels of importance of issues for research
Ranked by importance scores

Score 1 = not important, 10 = very important	All respondents	Firms	Social builders	Experts
Understanding the links between housing and the economy	8.2	8.1	8.4	8.1
Policy action to stimulate economic recovery in the housing market	8.0	8.2	7.7	7.8
Social benefits of extra housing supply and consequences of undersupply	7.7	6.9	8.4	7.6
Development finance and housing supply	7.6	6.9	8.4	7.6
Understanding the impact of housing supply on regeneration, quality of urban life and future of cities and towns	7.5	7.3	7.8	7.0
Current planning policy and its emphasis on local control	7.0	7.5	6.1	7.5
National regulatory burdens	6.9	7.6	6.3	6.1
Evidence base for local planning policies used by Local Authorities	6.8	7.3	6.1	6.6
The impact of energy saving/zero carbon initiatives	6.6	6.9	6.2	6.6

5 Conclusions

This report highlights that UK housing supply remains in crisis. House building is only half of what it was before the onset of the downturn almost five years ago and even more below reasoned estimates of what is required to overcome chronic shortages. On the positive side, the industry is capable of expanding production rapidly if given the demand, the resources and the conditions in which viable returns can be made. The riskiness of housebuilding has been abundantly shown in recent years but the survey responses indicate that the industry and experts still feel that too many regard house building as something that can be made to bear costs, constraints and directives that would be recognised as unviable in other industries.

Housing supply is not managing to recover in strength and prospects look weak for the rest of 2012. The housing market remains mired in a substantial downswing. Demand is deficient. Land use planning and other regulations hamper production, although the industry itself remains capable of meeting any viable demand.

The survey highlights that there is a widespread feeling that more could be done to stimulate demand and to create conditions whereby the house-building industry could get on with its job of providing new homes at affordable prices. Policy measures are being introduced by the current Government and not all of them are covered by this survey, because of their recent announcement. Even so, the survey contains a great deal of pessimism about the possibility of raising supply by substantial amounts without significant stimulus to demand and a positive planning and regulatory environment.

While the majority of house builders and the others approached in the survey welcome reforms to the land-use planning system, experience on the ground indicates greater reluctance to permit building in many areas. Housing providers are consequently worried about the future consequences of localism and would clearly appreciate more involvement by local government in creating affordable and sustainable housing supply, through appropriate planning and building standards policies. However, they also worry about the costs of having to engage individually into hundreds and potentially thousands of individual localities. Achieving net benefits in such a framework is recognised to be a challenge, one which may make many potential housing sites unviable.

New housing providers recognise the benefits of research in highlighting issues, offering solutions and furthering debate and argument in relation to housing supply. Additional research would help identify and explore barriers to house building recovery and highlight the ways in which housing shortages damage the national and local economies and severely diminish people’s quality of life.

Unfortunately, housing research faces a crisis that is perhaps even worse than that of housing supply itself. Funds are now much reduced and so the volume of research is shrinking dramatically and will continue to do so without further support.

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Prospects for the UK house building industry

This research presents the results of a survey of senior house-building managers, social housing providers and industry experts to gather views on what is holding back housing supply.

It canvassed views on the current state of the industry, barriers to house building growth, potential future changes in the industry, once the recovery is underway, the likely impact of recent Government policy developments and issues that would benefit from further in-depth research.

NHBC Foundation

Housing research in partnership with BRE Trust

The NHBC Foundation has been established by NHBC in partnership with the BRE Trust. It facilitates research and development, technology and knowledge sharing, and the capture of industry best practice. The NHBC Foundation promotes best practice to help builders, developers and the industry as it responds to the country's wider housing needs. The NHBC Foundation carries out practical, high quality research where it is needed most, particularly in areas such as building standards and processes. It also supports house builders in developing strong relationships with their customers.

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