

At last the government gets it; a more diverse housebuilding sector is the key to increasing supply

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Government funding to help small builders deliver more homes is welcome but safeguards will be needed to ensure the land doesn't end up in the hands of the volume housebuilders



Despite everything that the previous two governments have done to stimulate demand through help to buy schemes and the like, the house building industry has proved resistant to delivering the number of homes their own research says the country needs. The volume housebuilders have received plenty of planning permissions for sites but the number of housing starts has increased only slightly, and is still 26 percent below the 2007 peak, despite aggressive government efforts to stimulate demand. At the same time, few new homes are being built by local authorities — only 440 units in the last quarter — or housing associations, according to the Department for Communities and local Government.

And so, apparently, a combination of Brexit induced economic anxiety and a recognition that the supply side of the ledger needs stimulating has led treasury secretary Philip Hammond and communities secretary Sajid Javid to announce £5 billion of new lending for a Home Building Fund and an Accelerated Construction fund, with an emphasis on government owned brownfield sites. Of the £5 billion, £1 billion is to be dedicated to small builders and custom builders, and another £2 billion in an “Advanced Construction” fund will be used to make public land with planning permission available to smaller builders, whom the government says can get moving more quickly than the volume housebuilders.

My own experience tends to support the idea that smaller builders are both more interested in increasing the number of homes they deliver and able to mobilise more quickly. At the same time, medium sized regional housebuilders tend to see delivering quality as important, as they depend upon a good reputation more than the national housebuilders, who rely upon managing land supply and drip feeding housing starts to keep prices constant. But the number of small builders has declined dramatically since the recession, and many of those that are left don't have the resources or leverage to take on large sites.

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That's why I think the government is onto something with the idea of adopting the model once used by English Partnerships by taking government owned land through to planning permission before selling serviced sites to builders. It will be important to ensure that the planning permission comes with a design code or design guidance that is enforced, and to ensure that the smaller sites actually go to smaller

builders. My experience with English Partnership projects, particularly at Upton in Northamptonshire, was that as soon as the code was made optional, the larger builders bid on the sites and the quality declined precipitously.

The announcement that the funding will be made available to custom builders is also welcome. This might allow developers to bid on a site, attach design guidance and sell individual plots to homeowners who engage their own builder. There is a tradition of this kind of development from plot lands in Essex to the wild settlers of Red Vienna to the first new urban town of Seaside. The big obstacles to self build and custom build have been the availability of land and the delivery of infrastructure, and this programme could address both problems.

It is early days yet, of course, and past experience can make one cynical that any program to stimulate housebuilding will end up benefiting the volume house builders, making it easier for them to get planning permission, subsidising infrastructure and building their land banks. The government will have to show a kind of sternness that it has not done previously, restricting availability of funding to the regional and smaller companies. At the same time, it is worrying that design was not a feature of the government's announcement, and of course bad design is part of the reason for NIMBYism. And one wishes that there had been some support for a renewed programme of local authority house building.

But there are signs here of a government that has begun to understand why building more homes has proved so difficult as well as understanding that investment is needed to keep the economy moving.

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