ARCADIS Design & Consultancy for natural and built assets

BUILDING HOMES MAKING PLACES

The economic benefit of better housing

HOUSING IN CRISIS

Systematic underinvestment in regeneration and housebuilding carries far greater consequences than merely inflating the much-maligned housing bubble. Failure to create homes and amenities in the places where people want to live and work has the potential to threaten our nation's competitiveness – more important than ever now that our future lies away from the European Union.

The housing market is not providing for those it is there to serve. Each and every home built creates jobs and generates wealth for the surrounding area. Where placemaking is effective – through well-planned towns and cities that offer good quality housing and transport links – investors, a skilled workforce and major employers will follow. Places that fail to invest in housebuilding, amenities and infrastructure will be overlooked.

The newly-appointed metro mayors in regions around the country should all have regeneration and placemaking at the top of their to-do lists. However, questions surrounding lack of skills, developers' reticence to significantly grow output, and punitive planning restrictions overshadow any considerable attempts at progress.

One thing is certain. If we continue to do what we have always done, absolutely nothing will change. As we enter the hiatus before our eventual divorce from the European Union, Britain's prosperity and that of its people and businesses will depend on bold, positive decisions around investment and development. Effective placemaking could be the difference between ensuring our long-term prosperous future and missing out on the opportunities Brexit provides.

"Failure to create homes and amenities in the places where people want to live and work has the potential to threaten our nation's competitiveness."

AT A GLANCE

- The economic benefit of building each home outstrips the cost of construction by approximately 2:1*.

- Brexit means our cities must now be quicker to respond to inward investment opportunities. Our housing offering must allow us to grasp these opportunities or pay the hefty price of inaction.

- The radical new era of institutional providers who deliver truly multi-tenure options in the country's main cities could be the answer to the ongoing housing crisis.

- We must look more widely than just at homes themselves. Only through quality placemaking can the maximum benefit be drawn from every home for communities, businesses and the economy.

*Based on an average construction cost of £163,000 per house across the UK, including base build, plot externals and strategic infrastructure.

EACH NEW HOME BUILT GENERATES WIDER WEALTH

Housing can be a core economic driver for the UK and its regions. A lot of airtime is given to the large-scale economic stimulus generated through big infrastructure, but seldom do we discuss local housing in the same breath. The much-lauded Northern Powerhouse and Midlands Engine can only work if they are supported by more high-quality, multi-tenure homes. Each and every home built offers both direct and indirect economic benefits to the Treasury, UK businesses and those who buy or rent them.

Total economic benefit per house built

£316,000

BRITISH ECONOMY

Building homes creates jobs, generates tax revenue for the Treasury and lessens the housing benefit bill. This allows funds to be diverted into improving public services and making our communities safer and healthier.

Benefit from jobs created and profit through the supply chain

£196,000

Reduces housing benefit need, allowing government to spend the money elsewhere

£31,000

Revenue created in construction process, such as through land and machinery, recycled through the economy

£11,000

Local council taxes and property taxes collected

£12,000

BUSINESS

In areas where the cost of living is high, businesses of all kinds have to pay a premium to their people. Also, building new houses brings in new residents; they spend money with local businesses, which is further recycled through the economy.

Addresses the affordability issue, lowering the wage premium businesses must pay for efficient labour market allocation

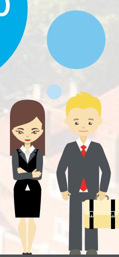
£18,000

Reduces wage premium, so that companies can invest into their business the funds that were previously diverted to housing costs

£3,000

Resident spend in the local area to decorate and furnish new housing

£32,000



£53,000

COMMUNITIES

Building homes encourages investment in supporting roads, leisure facilities, public spaces and additional affordable housing. On top of this, housebuilding takes the steam out of the affordability crisis and allows people to spend more on improving their quality of life.

Relieves the affordability crisis by allowing more disposable income to be spent on productive uses such as consumer goods. Allows people to live closer to work, meaning less money is spent on commuting

£7,000

Benefit to the community through Section 106, local infrastructure and other social spending

£6,000

£13,000

Total economic benefit per house built £316,000

RECOGNISING THE BREXIT OPPORTUNITY

Post-Brexit, the ability to compete at a national, regional, sub-regional and even local level with our counterparts in Europe and beyond will prove critical. To this end it is imperative that we can respond quickly to opportunities and not be constrained by something as fundamental as housing.

If major employers and investors are going to be drawn to our towns and cities we must demonstrate that we can respond by attracting and retaining people with the right skills. Big businesses are planning their long-term future around the cost of living, and public authorities need to demonstrate that an area has the potential to attract and retain the brightest talent. This can only be achieved through placemaking.

Many people now entering the workplace understand that home ownership is no longer a given, but the industry and policymakers have so far failed to catch up. The old adage of living and working in the same place for years is now outmoded and our cities must reflect this through a wider variety of tenure and design types, with strong transport connections and social infrastructure.

The complex array of variables impacting the housing market is always changing, but this presents an opportunity for the market to do things differently. The pressure is now on: city leaders, government agencies, developers and registered providers must make the necessary moves to drag the industry into the new era.

A RADICAL APPROACH TO PLACEMAKING

We cannot afford to pin our hopes of prosperity on a housing system that has long been unfit for purpose. City leaders need to use a mix of influence and statutory powers to enable developers to build and upgrade property in areas with easy access to employment, transport and amenities.

If this is allowed to happen, the next ten-to-fifteen years could see a housing and development boom the likes of which we have not seen in over a century. Institutional providers have the potential to redevelop our city centres, creating housing that is as flexible as the lifestyles of those who occupy them and that adapts to the vibrant economies and societies that these people serve.

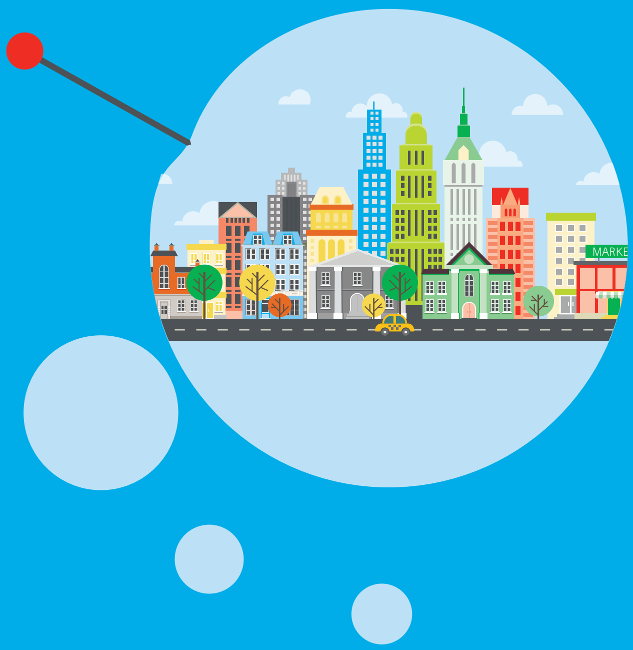
Developments where the option exists to buy, take shared ownership and short- or long-term leases on individual homes eases the affordability crisis. This means that more people can live closer to where they work, for as long as they need to. This revolutionary approach to housing would prove an attractive proposition to big businesses and investors, and would put the UK ahead of the competition when it comes to having an agile, skilled workforce.

"The answer to the UK's housing crisis lies in providing truly flexible housing tenures at every level of affordability."

BURSTING THE BUBBLE

The housing crisis is not going to be solved quickly or through minor adjustments to policy. What is needed is a radical shift in the way we build, sell and rent homes, as well as an acceptance that setting overly ambitious targets will only be counterproductive.

The supply chain that serves the housebuilding industry is currently operating at capacity. All current solutions to this well-worn problem are long-term and will take a number of years to bear any fruit.



BETTER PLACES

We must look more widely than just at homes themselves. Rarely does rhetoric progress beyond simply the need to increase the number of houses in the UK. However, the real issue is infinitely more complex. Quality masterplanning and investment in placemaking will ensure that communities, businesses and the nation's economy are able to take the maximum benefit from every home built.

Placemaking is about the entire offering. Be it the planning process, ensuring quality transport links, close-by social amenities, resilience measures to protect people and businesses, and blending all of this into the natural environment. By considering all of these vital elements we can make a real difference to the lives of people and put Britain squarely in the shop window for investors and major employers.

"City regions have the potential to become inward investment hot-spots. We need to put Britain squarely in the shop window for investors and major employers."

SKILLS AND TECHNOLOGY

We estimate that the housebuilding industry must recruit over 370,000 new people per year to meet housing need. This simply will not happen. What is required to fill this void is a major push towards using technological advances in the design and build process.

Tax incentives for developers that use these methods, as well as a public sector procurement drive, could be an excellent example to set to the rest of the industry and bring in badly needed funding.

In tandem with this, cross-industry training initiatives – such as we have seen with the HS2 Academy – could develop the next generation of housebuilders in regions around the country.

GOVERNMENT CONSTRUCTION

For the first time in decades, the British government and devolved administrations will need to start building homes. The ability to procure land and unlock sites in our towns and cities is pivotal and would be cost-neutral for the Treasury.

If progressed at the same time as sponsored investment in offsite construction methods, this could make a genuine difference to the number of homes of different tenures in our key cities. Furthermore, it would take part of the responsibility out of the hands of private developers who are not able or willing to significantly increase outputs for fear of affecting their business models.

ARCADIS

Our world is under threat – from climate change and rising sea levels to rapid urbanisation and pressure on natural resources. We're here to answer these challenges at Arcadis, whether it's clean water in Sao Paolo or flood defences in New York; rail systems in Doha or community homes in Nepal. We're a team of 27,000 and each of us is playing a part.

Arcadis. Improving quality of life.

DISCLAIMER

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METHODOLOGY

The calculations in this report are based on a number of assumptions, including:

Capital expenditure. Investment generated and multiplier effect of that investment. Based on L.E.K. multiplier of 2.84 and House Builders Federation figures on capital investment generated from constructing 100,000 houses.

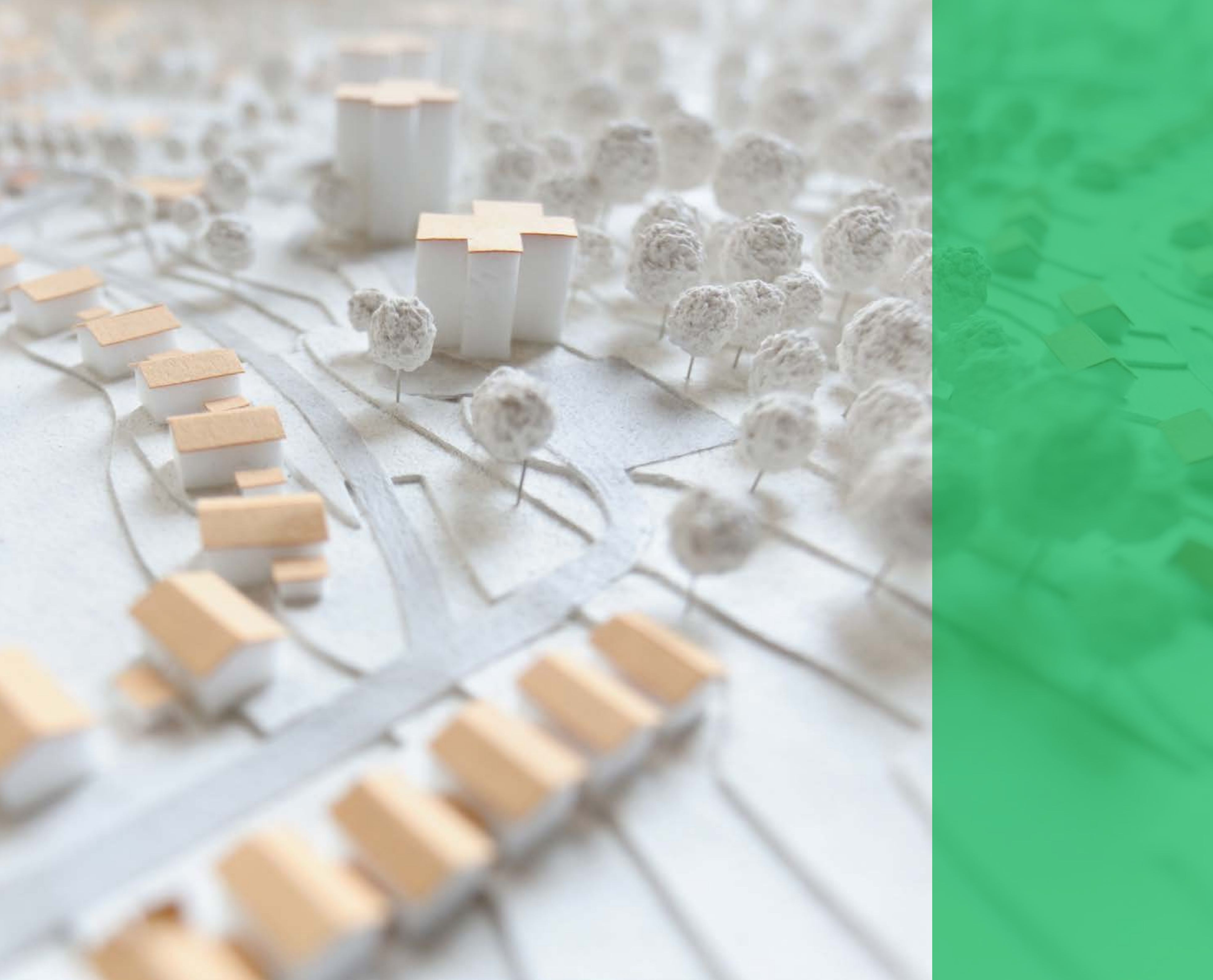
Social contribution. Based on average levies and S106 commitments per house constructed.

Consumer spending. Spending on household goods driven by increased number of homes. Assumed average spend on goods, furniture etc per new home. Plus more affordable housing and less spending on commuting increases disposable income. Based on assumed increases.

Housing benefit savings. Increased supply of homes reduces number of claimants. Assumed reductions in number of claimants.

Additional taxation. Additional taxes received from new households. Based on House Builders Federation figures.

Labour market efficiencies. Increased supply of housing makes for more efficient labour movement. Based on assumed wage growth and gross value added to economy.



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