

A New Model of Housing Supply

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Central argument of the paper

- The current housing supply model - the cross subsidy model - has not delivered the quantity or type of housing the country needs.
- No amount of tinkering or exhortation will change this
- A new model is urgently needed

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The scale of the task

- 1.5 million new homes in 5 years
- Crisis estimates the country needs 90,000 new social housing units per year
- Can the existing model deliver this?

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The existing supply model

- Private development cross-subsidises social and affordable housing
- Private development underwritten by large infrastructure grants and by Help to Buy
- The level of private supply has barely moved above 150,000 per annum for 20 years while affordability has worsened and social housing supply has shrunk dramatically

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Can the existing model do more?

- The planning and housing system has already been extensively deregulated and incentivised and this has produced little effect
- Exhortation won't work because of landowner and developer profit thresholds
- If there is further public financial subsidy it would be better spent on an alternative model

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An Alternative model – Following Dutch Vinex model

- Central and regional contracts with local authorities and other public agencies
- Land assembly (at less than market price) of designated sites
- Master planning by local authorities
- Infrastructure put in by local authorities and public agencies
- Priority given to build out of social and affordable housing
- Private developers focus on housing for sale

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Finance

- Invest to Save model
- Starting by switching subsidies from the private sector to the public sector
- Long term public investment in the public estate recouped from rents, rising land value, and reduced health, housing benefit and homelessness costs
- Shelter and NHF estimate savings of £50bn from building 90,000 social homes per annum