Housing Sector Update

14 July 2021

A return to normality?

On Monday, the Prime Minister announced that **almost all social distancing restrictions will be lifted from 19 July** in England. The UK has been in various states of lockdown since March 2020 to limit the spread of COVID-19. The PM has encouraged a cautious approach to the change, with businesses being left to decide for themselves how they keep staff and customers safe. While some will immediately ease mask and social distancing restrictions, several have indicated they will keep limits in place for some time. Many are only allowing employees back in the office from September.

On 30 June, the **stamp duty break ended** for homes worth less than £500,000**.** The threshold will remain at £250,000 until the end of September. The break, low interest rates, and a lockdown-inspired preference for larger homes has helped sustain strong demand for new homes. House prices hit record levels at the end of the 2020/21 financial year. Prices should now start to stabilise, which will be good news for some. High prices alongside stagnating wages has resulted in a significant number of people being priced out of the housing market.

Hot off the press… English Housing Survey

The 2019-20 English Housing Survey showed that roughly 4 million households (17%) are socially rented, from housing associations or local authorities. **Only 12% of socially rented homes fail the Decent Homes Standard**. This is much better than the proportion of private rented (23%) and owner occupied (16%) homes that do not meet the standard.

Overcrowding reached record levels, with 9% of socially rented and 7% of private rented homes being overcrowded. A home is said to be overcrowded if there are fewer bedrooms than the notional number needed in terms of the government's bedroom standard. This is concerning as we are encouraged to social distance to limit the spread of COVID-19.

Over 27% of renters find it difficult to afford their rent. **Social renters are more likely to fall into rent arrears**, with 23% reportedly missing rent payments at least once over the last twelve months. In contrast, only 8% of private renters reported falling into arrears. This survey only covers the year ending in March 2020, so the impact of the COVID-19 lockdown is not clear. *HouseMark* estimates that rent arrears increased by 30% since then. The *Joseph Rowntree Foundation* estimates that a third of those in arrears have taken loans to try cover their rent, heightening concern about wave of evictions as tenants face acute financial strain.

English housing stock continued to boost its energy efficiency, with a record average SAP rating of 65. The SAP rating is a government assessment of energy efficiency scaled from 1 (highly inefficient) to 100 (highly efficient with zero energy cost). Although all tenure types saw improved efficiency, socially rented homes were the most efficient with 61% in EER bands A to C. In contrast only 38% of private rented and 36% of owner-occupied homes were in the same bands. The EER bands are based on the SAP rating, with A indicating low energy costs and G indicating very high energy costs.

Planning Bill expected in the Autumn

The government has changed its stance and **will now allow the new infrastructure levy, introduced in the planning reforms, to be set locally**. It will respond to consultations on the planning white paper in the autumn, and introduce legislation soon after. There was concern that a nationally set levy would have discouraged development in lower value areas and brownfield sites.

Biggest builders building less

Inside Housing released its list of the Top 50 Housing Associations, by number of homes built over the last year. Unsurprisingly, **the number built fell by 15% compared to the previous year**. The drop was influenced by several factors, including diversion of funds for fire remediation works; the cost of retrofitting properties to be more energy efficient; material shortages; and the effect of COVID-19 social distancing restrictions on building sites. On a more positive note, one third (16) of the top 50 builders are M3Pamwin Plus users.

Modular homes builder, **Ilke, has launched a net zero emission home**. It is powered by air source heat pumps and solar PV panels. It has already been tested on schemes in Gateshead, Newark, London, and Newcastle. While it currently costs more than Ilke's other modular homes, they hope to achieve cost parity by 2030.

Building Safety Bill is finally here

The Building Safety Bill was published last week. The Bill establishes a Building Safety Regulator, which will have sanctioning and enforcement powers. It incorporates many of the recommendations from the Grenfell Inquiry, and introduces a new system for regulating safety for high rise buildings.

The Bill also **extends the limitation period for leaseholders to bring legal action against developers** from 6 to 15 years. This is meant to partially address the potentially massive bills faced by leaseholders for cladding remediation works. However, a survey by the *UK Cladding Action Group* found that 236 buildings built more than 15 years ago would not benefit from this.

More Mergers

Riverside Group is in merger talks with G15 member, One Housing, who would join Riverside as a subsidiary. The combined group would manage over 75,000 homes. It is hoped this will lead to more investment in the housing stock of One Housing, who posted a loss of £8.6m last year.

Aster Group and Central & Cecil Homes have announced plans to merge. The combined group would manage around 34,000 homes. This follows the merger of East Boro Housing Trust with Aster Group last year.

New entrants

Salford Council has established a new housing association, Dérive RP. Prior to this, homes purchased by Dérive were rented and managed by other local housing associations. It is expected to manage at least 200 homes by Summer 2022.

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