

2. futureproof: strategic perspectives on housing delivery

The futureproof concept needs to be quantified to attract investment. We needed to understand the wider housing market context – and the competition – to baseline futureproof for subsequent development.

Housing initiatives and delivery

The SELEP funded ‘proof of concept’ project was carried out in the context of the national housing crisis and the need to diversify the housing market. The method adopted by the project team was to deconstruct and analyse the constituent parts of the current methods of housing delivery.

Initiatives such as Help to Buy have been successful in increasing housing supply and maintaining the volume developer status quo by securing the ongoing ‘life-blood’ to that sector, the first-time buyer.

However, it has failed to address any of the structural issues within the housing sector, and The National Audit Office in June 2019 concluded that three fifths of those in receipt of Help to Buy monies did not actually need it to buy a home.

The effect has been a sustained – and over inflated - price increase or new build premium, longer term / deeper debt for buyers and increased market share and profitability for the volume house builders. The scheme will operate on a more restricted and targeted basis from 2021 and will come to an end in 2023. The NAO concludes that developers and lenders may need to innovate and develop:

‘their own measures to support home ownership, and to help buyers raise deposits and access finance’ ... or we may see a slow-down in supply again.

Shared Ownership

A recent report by Savills on Shared Ownership (June 2019) concludes that the take up of shared ownership has been suppressed by Help to Buy as the target markets overlap.

However, once Help to Buy ends in 2023, Shared Ownership will offer the most affordable route to home ownership and is an attractive market for institutional investors as it provides an opportunity for long term inflation linked returns which could, in turn, open opportunities to unlock capital for mixed tenure developments.

Innovation

Innovation was also an important theme in the Elphicke-House Review (2015) into the local authority role in housing supply which emphasises the role that local government can and is playing as a housing delivery enabler.

This includes establishing housing development companies, using their powers and influence to shape a stronger housing finance market and the opportunity to use their pension funds to provide long term investment for local schemes.

The review also found evidence of the need for local and national government to help overcome “Innovation Inertia” which was preventing new types of developer accessing opportunities for land and partnerships, pointing out that housing businesses are not necessarily builders but may be investment funds, commissioners, or designers.

A new scheme to help First Time Buyers with deposits has been announced by the Scottish Government. However, like many initiatives, they remain within the current overall structure of the broken housing market characterised by the slow delivery of homes.

Deloitte, in a March 2018 blog entitled ‘Accelerating Housing Delivery’, suggest that the UK could create a vibrant and ‘smart’ house building sector, with more small and medium sized players using technology to achieve speed and efficiency by embracing digital technology, AI and robotics. PUT PARAGRAPH BELOW with heading

OUTCOME: A New Approach

Our assessment of the current housing construction sector – in line with considerable recent research – concludes that it is not structured in a way that will deliver the quantity of quality homes envisaged by policymakers. Our view is that simply tinkering with the current volume developer model will not on its own solve the housing crisis.

The current volume developer model does generate significant profit levels for shareholders and continues to deliver a significant number of the 300,000 additional homes needed annually in the UK. The Letwin Review recognises that the volume developer model will continue to play a role in the construction of new homes in the UK.

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As an alternative to the current financial models our research has shown that that long term, low-cost institutional finance would be the way to do this. We could secure those returns but on a much longer basis (over the whole lifecycle of the property), and at a much lower rate. In addition, if we allocated risk within the construction process to those best placed to deal with it, delivery margins would inevitably come down.

The **futureproof** approach that was developed through this proof-of-concept study, could act as a counterpoint, an alternative approach that - professionally designed - would merit serious consideration by central government, local authorities, landowners, and investors to help diversify the housing market and increase or accelerate supply, within attractive timescales.

futureproof has been developed by abandoning accepted wisdoms and approaches and embraces both innovation and change. As a result, it seeks to offer a highly compelling – and land market competitive – alternative in the market. Importantly, it does this with zero emissions as standard and ensures development will be fit for 2050 and beyond.

We decided to model whether:

Offsite construction breaks the entrenched relationship between supply rate that maximises sales value and short-term profitability.

Improving accessibility and affordability to the housing market, and in particular homeowner finance and affordability with a new form of flexible tenure which adapts to, and meets the needs of, anyone's personal circumstances does it change the dynamics of the housing market?

Overall, this would confirm that **futureproof** should adopt designs with a view to ensuring quality – and traceability - of build and confidence that it has been constructed exactly as designed and will perform as such.