

EMPTY PROPERTIES: TACKLING BRITAIN'S SOCIAL HOUSING CRISIS

Empty properties: tackling Britain's social housing crisis

The current situation

The current economic crisis is pushing house repossessions to record levels and the number of families languishing on social housing waiting lists has reached a record 1.8m, nearly double that of 1997. These trends will only get worse as the recession deepens and repossessions rise.

At the same time, as a result of an astonishing lack of ambition from the Government and years of John Prescott's planning rules, nearly 1 million properties lie empty across the UK (800,000 in England) – a shocking waste of much-needed potential housing.

Our solution

We will relax the regulations which mean that it is difficult for the Affordable Housing sector to bring some of this existing housing into use. We consider the plight of the 4.5m people on the housing waiting list to be of such great concern that a temporary suspension of the sometimes restrictive rules is urgently required. We therefore propose the implementation of special temporary arrangements to ensure that some of the many thousands of habitable empty properties are put to good use to house those on the waiting lists.

Major benefits for people and the economy:

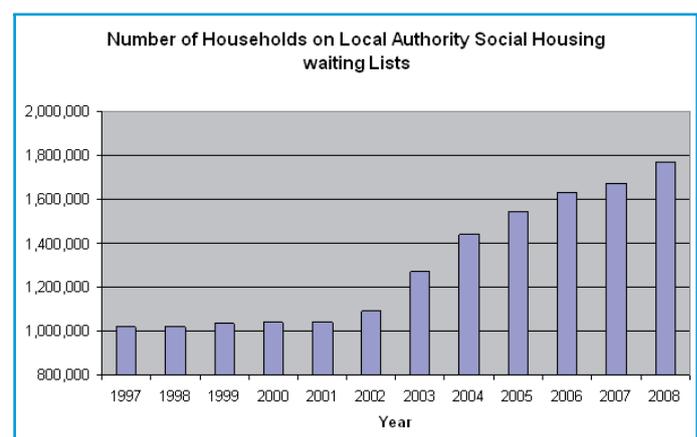
Our plans will:

- Provide thousands of families with much needed housing
- Deliver local authority and Registered Social Landlord housing much more swiftly than building it
- Reduce the crime and antisocial behaviour associated with empty housing and help regenerate neighbourhoods
- Help establish more mixed communities and tackle the 'ghetto-isation' of social housing tenants
- Help prevent an over-correction in house prices by putting a floor under the housing market
- Help counteract the deflationary pressures in the economy

A shortage of social housing

Since 1997 there has been a persistent shortfall in the provision of affordable housing. In particular, there has been a failure to deliver sufficient housing for social rent. Less new social rent housing has been built in every year under Labour (1997-2007) than in any year under the whole of the previous Conservative administration (1979-1997).¹ Even allowing for alternative sources of new social rent housing (acquisitions, local authority new build etc), the average annual number of social rent properties delivered has halved since 1997, compared with the last Conservative Government, from 52,000 homes a year to 27,000.²

The impacts of Labour's failure to provide social housing have been profound. As figure 2 illustrates, the last few years have seen an inexorable rise in the number of households on social housing waiting lists. The total has now reached nearly 1.8 million households, equivalent to about 4.5 million people.³ And this is before the impact of the recession feeds through into a surge in repossessions.



The future looks bleak

And this is a problem that is only going to get worse in the immediate future. The majority of social housing is now delivered by private developers working in partnership with housing associations. A proportion of the funding for new social housing comes from central government grant – the National Affordable Housing Programme (NAHP) allocated through the new Homes and Communities Agency (HCA). But the majority of funding comes from the developer as part of planning (section 106) agreements, and from housing associations who borrow from banks, cross-subsidise from market sales, and use their reserves.

This is a model that relies on a rising housing market to function, and even then it wasn't producing enough new social housing. Now, with a credit crunch and a severe slump in the housing market, the number of new social housing units is going to fall even further behind the number needed. Falling house prices mean that developers are cutting back on the number of new projects they start, so there will be less section 106 agreements. And, despite the billions of pounds of NAHP money on the table, housing associations are not able to pick up the slack. The economy-wide shortage of credit means they can't borrow new funds, and the ailing housing market makes cross-subsidy opportunities unviable. Unless action is taken, there is a real danger that these NAHP funds will not deliver the much-needed housing it should.

Too many empty homes

At the same time as social house-building has declined, there has been a steady increase in the number of empty homes. The Empty Homes Agency estimates nearly 1m empty homes across the UK as follows:

Estimate for the UK is 943,414 based on:

- **England 762,635⁴**
- **Scotland 67,715⁵**
- **Northern Ireland 50,000⁶**
- **Wales 63,064⁷**

Of course, a significant proportion of these properties are empty for a good reason – for instance they are involved in probate proceedings, or have been repossessed. Indeed the workings of the housing market require a certain proportion of the housing stock to be empty at any given time to provide fluidity in the market. There are further structural reasons for empty homes too, for example the long-term trend for people to move away from the North of England.

But the steady increase in the number of empty homes over recent years is a serious concern. In particular there are a large number of empty flats, many in city centres. This glut has been created by the combination of John Prescott's planning rules which forced flats to be built in the places of houses, and a speculative buy to let boom fuelled by Gordon Brown's taxes on pension funds and the ensuing flight of money into property. And the current housing market turmoil will inevitably lead to yet more properties becoming unused as a result of:

- Developers finding it hard to sell new build homes
- Increasing repossessions – 75,000 are expected this year⁸ – which further increases pressure on social housing
- Delays to partially completed regeneration and development projects
- Market conditions inhibiting the small entrepreneurs who have been investing in renovating empty properties

Unoccupied properties are not just a waste of a scarce resource; they often act as a magnet for crime and anti-social behaviour and so can have a negative impact on local neighbourhoods and can undermine community spirit.

The Government announced in May 2008 a £200m scheme – National Clearing House (NCH) – to buy up unsold new build properties from developers. While this is a laudable aim, this scheme is unnecessarily focused on new build homes, and sums involved are far too small to make any serious impact on the problem. The most up-to-date figures show that, with more than 80% of the funding allocated, less than 5,000 properties have been purchased.⁹

The way forward

We will relax current restrictions in order to encourage use of some of the already existing empty properties for the benefit of those on the waiting lists. Our Empty Property Rescue Scheme (EPR) will:

- Encourage housing associations or others to pursue a variety of models for bringing empty properties back into use. These models might, for example, include property management, social rent models, options to buy or vacant repossession – thereby ensuring maximum flexibility by recognising that there are wide variations within the existing empty stock.
- Allow short term tenancy agreements of, for example, 3 to 5 years.
- Aim to provide the tenant with an option to buy or obtain shared equity in the future.
- Partially suspend Design and Quality Standard requirements - for the existing empty homes - to enable the EPR programme to flourish under these special circumstances.
- Remove the requirement for the empty property stock to comply with Sustainability Codes. However we will make all homes used under this scheme eligible for installation of smart meters and ensure that they benefit from our £6.5k Just Do It' energy efficiency retrofit programme¹⁰ [links to our low carbon green paper], thereby increasing the sustainability of stock which would otherwise not be improved.

Because the standard of some of the properties purchased may not be as high as new build, it may therefore only be suitable for certain proportion of those on the social housing waiting lists. For this reason, we will give housing associations the flexibility to allocate the properties acquired as they see fit, i.e. they will not be bound by the overarching national criteria for assessment of need, but will be allowed to exercise their own nomination rights. The EPR programme is therefore likely to provide a way of helping those who might not otherwise benefit from affordable housing.

The Mayor of London has already made a commitment to take similar action in London.

Funding

We would apply existing HCA funding flexibly in order to assist RSLs and others to access funding to assist with purchases. However, in some circumstances Housing Associations might opt to leave the properties in the hands of a developer for new build or the current owner for existing empty properties and simply rent the house.

This policy requires no new funding – it will use money already allocated to the existing Homes and Communities Agency budget in order to cover renovation costs, as well as technical and professional fees.

We do anticipate that some of the empty properties will require an investment in renovation to bring them up to a habitable standard. If we assume that 50% of the properties will need to be renovated, at an average cost of £25,000¹¹, this will add an average £12,500 to the cost of bringing each property back into use.

Having obtained these properties, Housing Associations will manage these properties and set rents as usual. And because the quality may not be good enough for housing associations to wish to retain these properties as part of their long term stock, we will permit them to offer this housing on non-lifetime tenures, so allowing the possibility of selling this housing in the future, when prices have risen. When any such properties are sold, we will ensure that a proportion of the capital receipt is returned to the HCA and used to fund future affordable house building.

Co-ordination

At the moment, local authorities are charged with taking the lead in bringing empty properties back into use. It is therefore crucial that Housing Associations work closely in concert with local government to ensure that they do not simply displace funding streams that are already in place. The success of Local Space Housing Association in Newham has demonstrated how a ‘purchase and repair’ model, operated in conjunction with the local authority, can procure a considerable number of properties for social rent without distorting the local housing market.

In order that Local Authorities have a reason to engage with Housing Associations on this, empty existing homes brought back into use will count towards new supply in performance indicators. At the moment only new build homes count towards new supply.

In addition, this proposal will allow people on the social housing waiting list - but who are not in priority need - to complete renovations on empty homes themselves and take on a tenancy. There is the possibility here that a reward for renovation may be an equity stake – similar to the stake for good behaviour.

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- 1 DCLG, *Live housing statistic tables*, Table 244
 - 2 DCLG, *Live housing statistic tables*, Table 1000
 - 3 DCLG, *Live housing statistic tables*, Table 600
 - 4 DCLG CTB1 *Council tax data October 2007*
 - 5 <http://www.gro-scotland.gov.uk/files1/stats/gros-estimates-of-households-and-dwellings-in-scotland-2007/j9646a13.htm>
 - 6 http://www.dsdni.gov.uk/index/ssa/benefit_information/focus-on-volunteering/assembly_debate_on_vacant_properties_210507.htm
 - 7 <http://wales.gov.uk/news/archivepress/environmentpress/enviropress2005/707914/?lang=en>
 - 8 *Council of Mortgage Lenders, Market Forecasts, December 2009*
 - 9 *Hansard, 27 January 2009, column 350W*
 - 10 *For more detail, see our recently published Low Carbon Economy Green Paper*
 - 11 *Empty homes consultant Andrew Lavender, quoted in Inside Housing, 30 January 2009*

