

News Release

BROWN URGED TO PREVENT SHARP FALL IN FUTURE SUPPLY OF NEW HOMES

UK housebuilders have warned the Prime Minister that the current housing market downturn could make the shortage of new homes even worse in the future unless the Government considers proposals to encourage local authorities to grant planning permissions for more houses rather than apartments and brings forward planned social housing funding.

The National Federation of Builders (NFB), which represents over 800 housebuilders, says falling prices and the growing shortage of mortgage finance has brought the housing market to its worst level in over a decade, with sales of apartments being worst hit.

Last week, the Nationwide confirmed its three-month statistics on the rate of price growth fell to - 0.3% - down from 0.9% the previous month. The Bank of England also reported the number of mortgages approved for people buying a home in December fell to 73,000, its lowest level since July 1995.

As a result of continued weakening conditions, many housebuilders are delaying new starts, particularly of flats, until the market recovers.

In a letter to Gordon Brown, the House Builders Association (HBA) – a division of the NFB - says Government funding earmarked for social housing should be brought forward and used to kick-start development.

Its spokesman, Roger Humber, said: "There is currently an estimated £8 billion of Housing Corporation budget already earmarked for additional social housing in the period 2008-11. Allowing Registered Social Landlords to work with housebuilders to bid for that funding now will help speed up supply."

Housebuilders argue this guaranteed cash flow would help restore confidence and encourage development of sites that may not be considered viable in the current market.

HBA is also calling on local planning authorities to prioritise development of schemes with two, three and four-bedroom homes where demand is stronger than it is in the worst hit flatted sector of the market.

Mr Humber adds: “Urgent advice to local planning authorities on the importance of allocating such sites rapidly could assist in speeding up the recovery in output.

“Adverse economic prospects and the fall in real disposable incomes, measured by RPI against increase in earnings, are compounding a lack of confidence on the demand side.”

“Housebuilders are facing massive uncertainty, which is likely to lead to tens of thousands of units forecast to be built this year being put on hold. We need to see some urgent action by government to maintain output otherwise its ambitions for 240,000 new homes every year could be seriously threatened.”

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