

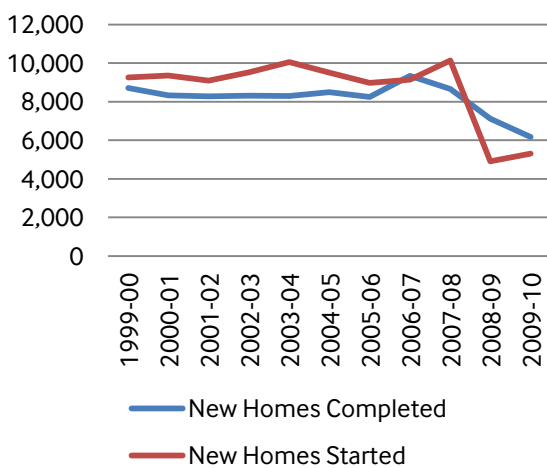
Is Wales facing a housing crisis?

Jonathan Baxter

The new Welsh Government must address the growing requirement for new homes.

Wales does not have enough homes. Research commissioned by the Welsh Government estimates that over 14,000 new homes are needed every year in Wales for the next 15 years. This is in addition to existing unmet need and far in excess of current levels of supply.

Homebuilding in Wales



Source: Welsh Government

The existing dwelling stock can help ease pressure to some extent. Buildings can be converted and subdivided to provide extra homes (e.g. a house could be converted into several flats) and some of the 25,000 empty private sector properties could be brought back into use with the necessary investment. However, it seems clear that existing dwellings alone cannot meet future requirements. New homes will need to be built.

Why the demand?

Demand for housing has outstripped supply in Wales, as across the UK, for many years.

The extra requirement for housing is mainly due to the expected increase in the number of

households, especially one person households, but also other factors such as an increase in the overall population, the number of second homes, and the loss of social housing through Right to Buy.

The home building industry

The number of new homes built in Wales has fallen during the economic downturn.

The restricted lending criteria introduced by banks after the credit crunch effectively excluded many potential buyers, particularly first time buyers, from the market. A shortage of development finance also affected builders, and was another factor that led to cut backs on new developments.

The Home Builders Federation (HBF) has claimed that public policy objectives in Wales are putting an extra burden on the home builders it represents in what are already difficult times for the industry. In particular the HBF cites the forthcoming requirements for new homes to have fire sprinklers and to meet increased environmental standards, both of which they claim will add significantly to the cost of each new home.

Affordable housing

The supply of affordable housing was a key priority for the previous Welsh Government. Although there was no overall target for homebuilding, its commitment to deliver 6,500 affordable homes by 2011 was met one year early.

Much of this new provision of affordable housing was rented accommodation provided by

housing associations, some of which was supported by public funding through the Social Housing Grant programme. There has been very little home building by local authorities for many years, although some authorities have recently discussed plans to reverse this trend and start building again.

The need for affordable housing is reflected in lengthy waiting lists, and official homelessness figures have started to increase in recent quarters after a long period of decline. When combined with other factors, including overcrowding and the many 'hidden households' such as adult children unable to afford to leave the paternal home, the scale of the problem becomes apparent.

Private rented housing

The private rented sector (PRS) accounts for about 12 per cent of the whole dwelling stock, which is more homes than are owned by local authorities.

Many people unable to obtain social housing have turned to the PRS, with a significant proportion claiming housing benefit to help pay their rent. Some commentators believe that this role the private sector plays in absorbing unmet need from the social sector will be damaged by the cuts made to housing benefit by the UK Government.

The difficulties the housing market is experiencing has affected the PRS in several ways:

- first time buyers unable to obtain a mortgage have contributed to extra demand for private rented housing; and
- vendors unable to sell their property have become 'reluctant landlords', letting their property where they haven't been able to sell it - increasing the availability of rental properties.

While many have concerns about standards and regulation within the PRS, the crucial role it can play in meeting housing need has been recognised by many local authorities and social landlords. This has led to formal partnerships and schemes being established to raise standards and to enable easier access to the sector, particularly for vulnerable groups.

A whole sector solution

The lack of suitable housing puts at risk the effective implementation of health, education, economic and other policies.

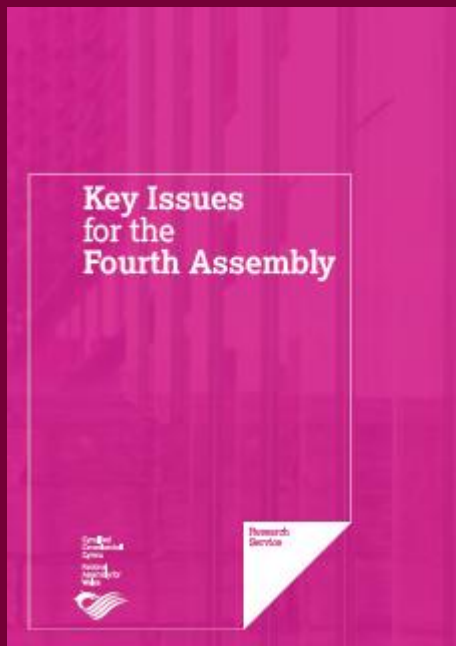
This has long been recognised by policymakers in Wales where much of the previous Welsh Government's policy focus was on affordable housing. However, many housing professionals are calling for a wider, whole sector solution that encompasses all areas of need and demand.

The Chartered Institute of Housing (CIH) Cymru recently launched its Housing Pact Cymru campaign, one strand of which focuses on meeting housing need. The campaign calls for a cross-sector national housing delivery plan as a cornerstone of the new Welsh Government's programme for government. The Royal Institution of Chartered Surveyors (RICS) has also said that the need for affordable housing should not be viewed in isolation from other demands.

While there is an acceptance that the need to build new homes presents many challenges, it also brings new opportunities, particularly the potential to create high quality skilled jobs and training opportunities throughout the entire supply chain.

Without doubt, the new Welsh Government will face a significant challenge in seeking to tackle this issue as housing need, demand and supply are not problems that can be dealt with through regulation or legislation alone.

Article taken from Research Service publication



Key Issues for the Fourth Assembly

This document has been specially prepared for Assembly Members by the Research Service. It sets out some of the key issues likely to matter to Members during the Fourth Assembly.

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