

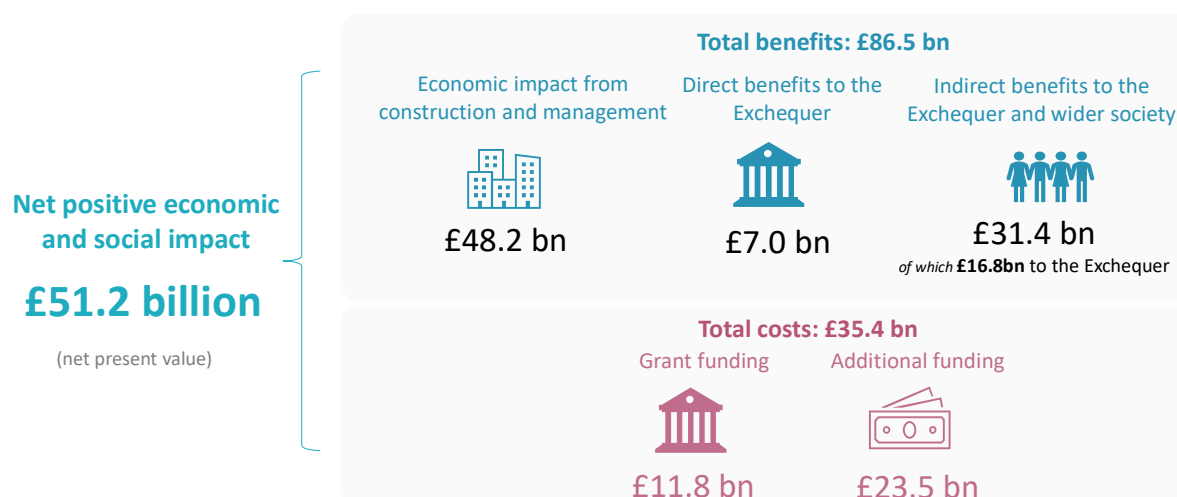
The economic impact of building social housing: executive summary

A Cebr report for Shelter and the National Housing
Federation.
February 2024

Executive Summary

- It is widely acknowledged within the housing sector that there is a need to build a minimum of 90,000 social rented homes a year, over a span of ten years, in England.¹ This commitment is considered crucial for clearing social housing waitlists and effectively combatting homelessness.
- The Centre for Economics and Business Research (Cebr) has been commissioned by Shelter and the National Housing Federation (NHF) to assess the economic and social impacts of building 90,000 social homes – i.e. the level of delivery needed annually for a ten year period.
- Our report includes a comprehensive long-term assessment of how building social housing benefits the economy, the government, the people who will live in social homes and society at large. The specific scenario modelled within this report, is the construction of 90,000 new social homes once. This is intended to demonstrate the impact of one singular year of a scheme, which would be expected to continue over multiple years.

The combined socioeconomic value of building 90,000 social homes is estimated to be £51.2 billion



A large proportion of these impacts are realised immediately

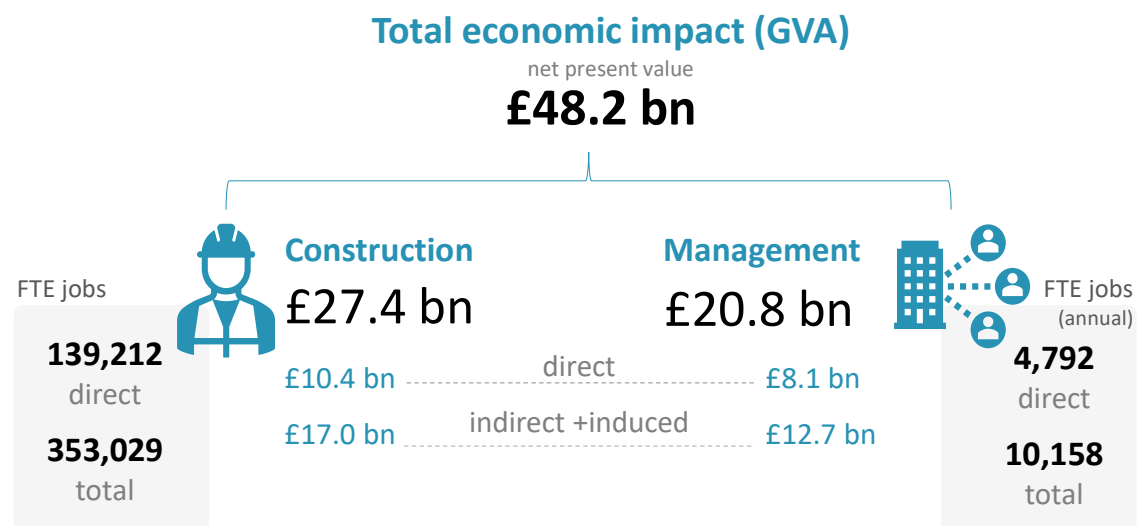
- Within the first year following construction, the programme is projected to generate substantial benefits of £32.6 billion, driven by the economic impact of construction.
- Starting from the second year onwards, it is expected to generate recurring annual benefits, resulting from:
 - management of increased social housing stock.
 - savings on housing benefits.

¹ [Housing supply requirements across Great Britain for low-income households and homeless people: Research for Crisis and the National Housing Federation; Main Technical Report](#) | Bramley, G (2019)

- wider indirect benefits including reduced homelessness, increased employment, and savings on healthcare, among others.
- These recurring benefits are projected to bring the programme to break even in the third year post-construction, achieving a positive net present value of £2.4 billion.
- We have assumed that the upfront cost of building 90,000 homes in a given year would be £35.4 billion, with one-third (£11.8 billion) funded by the government and the remaining portion covered by providers of social housing such as housing associations or local authorities. These figures serve as inputs in our models rather than findings of this report. Our analysis does not consider any potential reduction in costs that could be realised through land or planning reform, or changes in cost over time.
- The specific scope for evaluation within this report is the construction of the initial 90,000 new social homes. This is intended to demonstrate the impact of one singular year of a scheme which would be long-term. The above costs and benefits are based on the construction of the initial 90,000 social homes in the current context. Any subsequent construction phases may be subject to changes in the operating landscape, leading to potential adjustments in the underlying assumptions of our model. As such, the economic impact of successive additions of 90,000 homes may vary with evolving economic and social conditions.

The most significant impact would arise from the construction and management of these homes

- The construction and ongoing management of 90,000 social homes is expected to generate £48.2 billion in economic activity. This represents 56% of the total benefits, making it the greatest impact channel.
- Of this, £27.4 billion is attributed to the economic impact during construction. £20.8 billion represents the impact of managing more social housing.



- **The construction phase is expected to directly generate £10.4 billion in Gross Value Added (GVA).** This represents the direct economic activity supported during construction, which contributes to GDP.
- **A further £17.0 billion in GVA is expected to be supported along the supply chains, as:**
 - construction firms purchase goods and services for their operations.

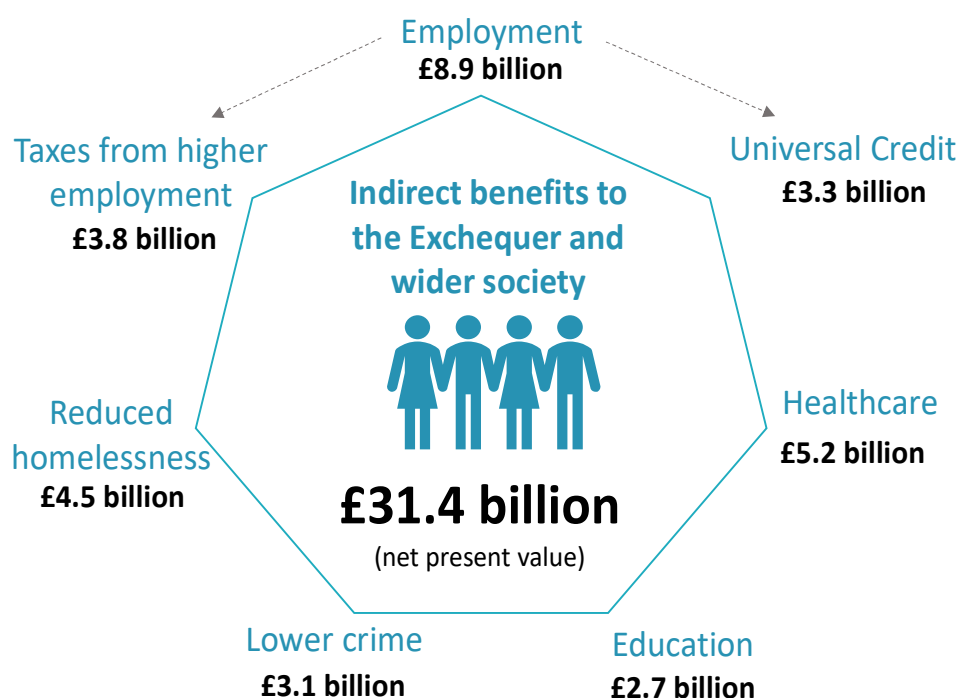
→ employees directly and indirectly involved during the construction stage spend their earnings in the wider economy.

- **Unlike the one-off impact of construction, the economic impact from the management of these social homes is recurring throughout the project's lifetime.**
- Agents involved in the management of social homes would directly generate £441 million in nominal GVA each year, resulting in a cumulative present value of **£8.1 billion** over 30 years. Along their supply chains and through employee spending in the wider economy, a further £691 million would be annually supported, summing up to a present value of **£12.7 billion**.
- The analysis also highlights the role of grant funding for social housing in **boosting and stabilising the construction industry overall, especially in times of recession.**

Building 90,000 social rent homes would support more than 350,000 jobs

- Building 90,000 social homes would **directly support over 139,000 jobs, resulting in £4.8 billion in wages and benefits** paid to individuals directly involved in construction (nominal employee compensation).
- **The construction stage has the potential to sustain over 353,000 jobs** when considering the multiplier effects along supply chains and employee spending in the wider economy. This translates to £13.6 billion in total employee compensation.
- Similarly, **the management of these homes is expected to directly support 4,792 jobs annually**. Extending the analysis to include supply chain impacts and employee spending, this figure could rise to **10,158 jobs annually**. These represent an annual employee compensation of £247 million and £560 million in nominal terms, respectively.

Moving households to social homes would generate £31.4 billion in indirect economic benefits to the Exchequer and wider society



- Social rented housing, with rents tied to local incomes, is the most affordable housing option. On average, rents are typically about 50% of market rents. It is also more stable than the private rented sector, as people in social housing usually have secure tenancies, giving them stronger rights and greater protection from eviction. This stable foundation leads to numerous benefits for tenants and wider society, which often translate to fiscal benefits for the Exchequer. The addition of 90,000 social rent homes is anticipated to generate indirect benefits across the following areas:

Employment

- A stable home increases people's access to employment and their productivity. The cumulative value of this channel is estimated at **£8.9 billion** with a further benefit of **£3.8 billion** to the Exchequer through increased tax revenue.

Universal Credit

- Due to higher employment, yearly UC claims would be cut by £1,218 per household, adding up to a saving of **£3.3 billion** for the Exchequer over the long term.

Healthcare

- Social housing tends to have fewer health hazards like damp and mould than private rented properties. A stable home is also linked to better wellbeing. Introducing 90,000 new social homes could save **the NHS £5.2 billion**.

Homelessness

- There would be fewer people living in temporary accommodation and requiring homelessness assistance, leading to cumulative savings of **£4.5 billion** for local authorities.

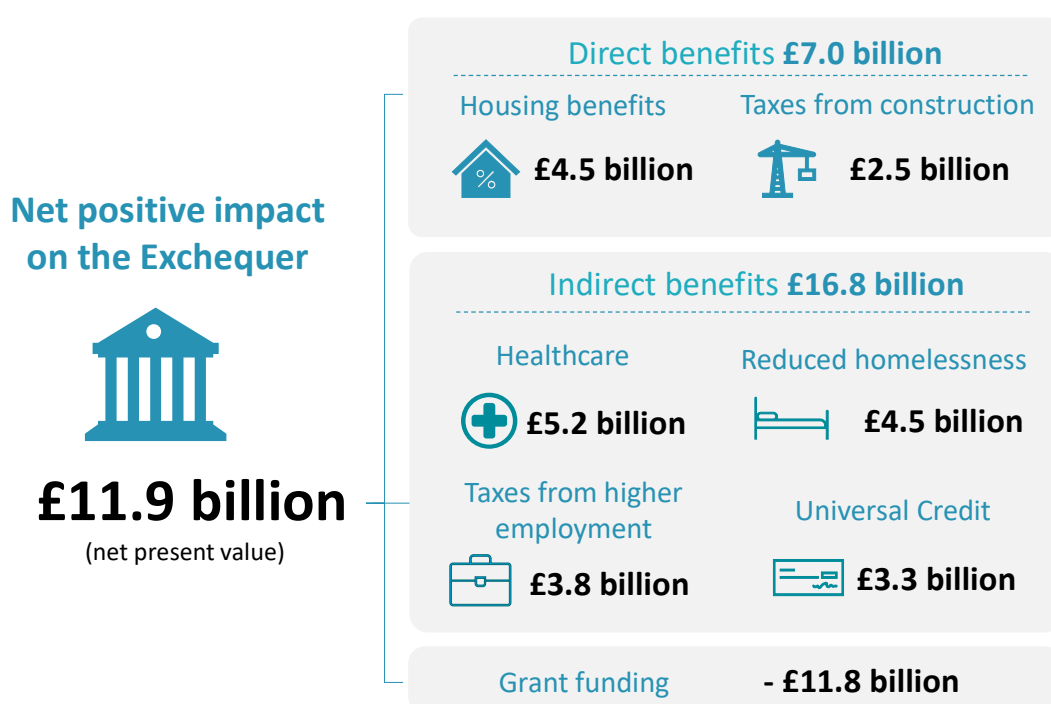
Lower crime

- Research shows social housing leads to fewer police callouts and tenants experiencing less crime. Introducing 90,000 new social homes could save **£3.1 billion**.

Education

- Unfit housing harms children by disrupting their education, which leads to lower economic contributions, increased crime, and greater use of public services. 90,000 new social homes would reduce such disruptions and lead to overall savings of **£2.7 billion**.

Funding the programme would generate a net positive value of almost £12 billion to the government over 30 years



- Shifting households from the private rented sector to social housing is estimated to lead to **direct annual savings of £243.8 million to the Exchequer in housing benefits**. Over 30 years, this would lead to **total savings of £4.5 billion** in present value.
- Additionally, increased economic activity in the construction sector is projected to yield **£2.5 billion in tax revenue**.
- Adding these to the indirect benefits described above results in **total benefits of £23.7 billion** for the Exchequer. This is twice the cost of the estimated grant funding, which is assumed to be £11.8 billion in capital grants, based on no land or planning reform to reduce costs.
- From the Exchequer's perspective, the project is anticipated to reach a break-even point in 11 years following construction, thereafter yielding a positive net present value.
- Over 30 years, the **net impact for the Exchequer of funding 90,000 social homes is expected to be positive, with a net benefit of £11.9 billion**.

