RESEARCH & CONSULTANCY

THE VALUE AND BENEFITS OF PRIVATE HOUSEBUILDING IN NORTH LANARKSHIRE

HALLAM LAND

PRIVATE AND CONFIDENTIAL
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CONTENTS

1 INTRODUCTION

Hallam Land commissioned Rettie & Co to produce a review of the available literature on the value and benefits of privately delivered (market) housing.

This has been produced on a whole Scotland basis.

Hallam also asked us to produce shorter local reports that looked at the value of market housing in local authority areas.

This report considers the North Lanarkshire local authority area in the context of the supply and demand housing issues examined in the national report and role that the delivery of private market housing plays in generating economic and social benefits.

Much like the rest of the country, housebuilding levels in North Lanarkshire have failed to recover to levels achieved before 2008/09. Many of the issues relating to supply and demand imbalances discussed in the national report can also be seen in the North Lanarkshire housing market, with nearly 32% of all households in North Lanarkshire faced with some form of housing need.

2 HOUSING DELIVERY

Private or market housing has been the main driver of new housing provision in Scotland for the last 45 years.

2.1 NORTH LANARKSHIRE'S DELIVERY RECORD

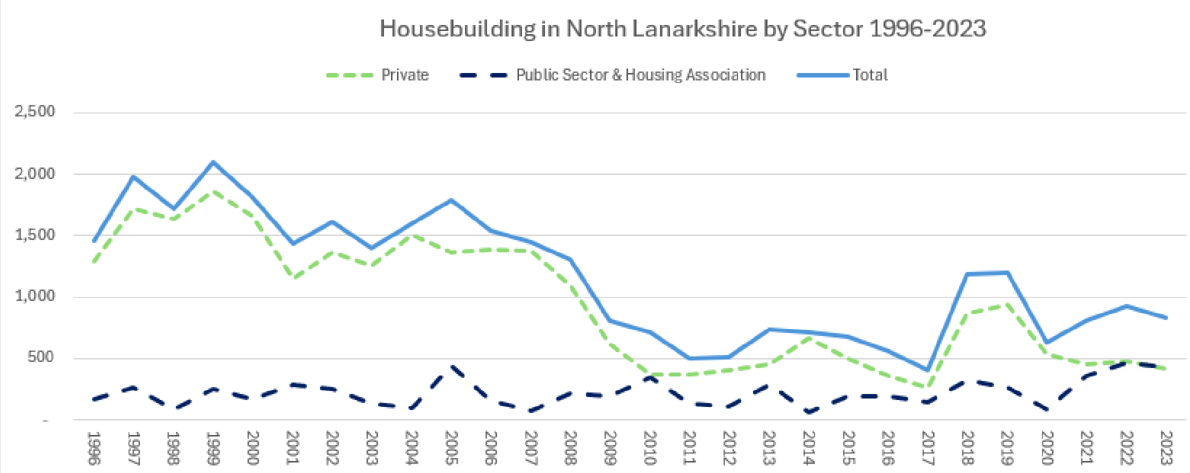
Whereas the public sector was the main source of new housing in Scotland for most of the 20th Century, private/market housing has been the main source of such housing from the late 1970s as public sector provision was dramatically scaled back and private housebuilding accelerated.

Housebuilding in North Lanarkshire gradually rose in the years preceding the Global Financial Crisis (GFC) of 2008/09, in line with Scotland's delivery. In the years since, delivery levels have failed to return to the pre-GFC level of housebuilding and have fallen behind new household formation.

The sharp increase in completions in 2018 arrived on a 193% increase from 2016/17 in completions of sites with a capacity greater than four units. The six years prior to this witnessed the lowest level of housebuilding records in North Lanarkshire in the last 30 years.

Although private housing usually predominates, in recent years, the gap has closed with social housing as it is taking an increasing share of new supply.

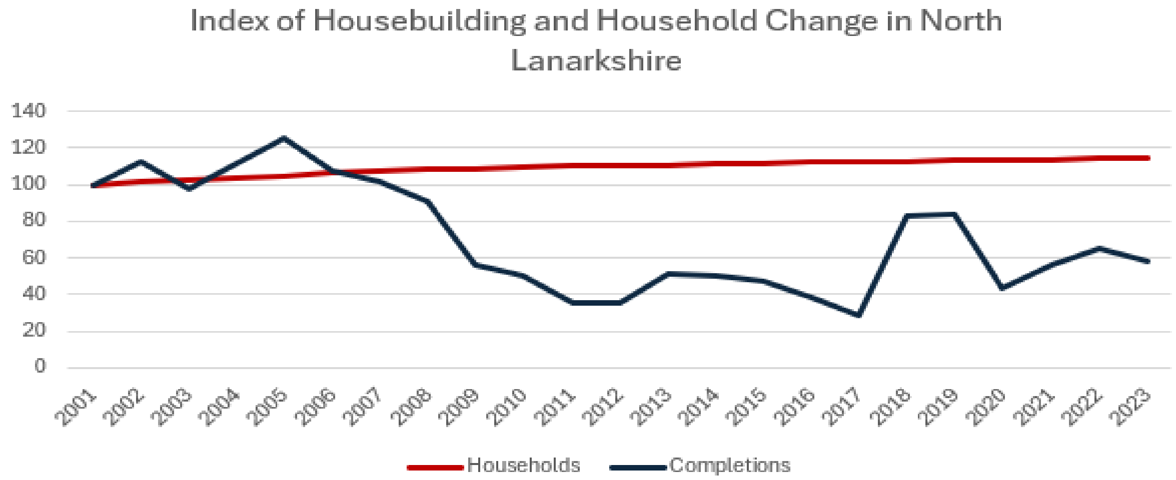
Figure 2.1 Recent house building levels in North Lanarkshire have been subdued
Longview of Housebuilding in North Lanarkshire by Sector, 1996-2023



Source: Scottish Government/Rettie & Co

The population of North Lanarkshire has risen only marginally from the early 2000s, however, housebuilding levels have fallen significantly from 2006.

Figure 2.2 Housing delivery in North Lanarkshire has fallen as the population has risen
Housing Completions and Household Change in North Lanarkshire, 2001-23

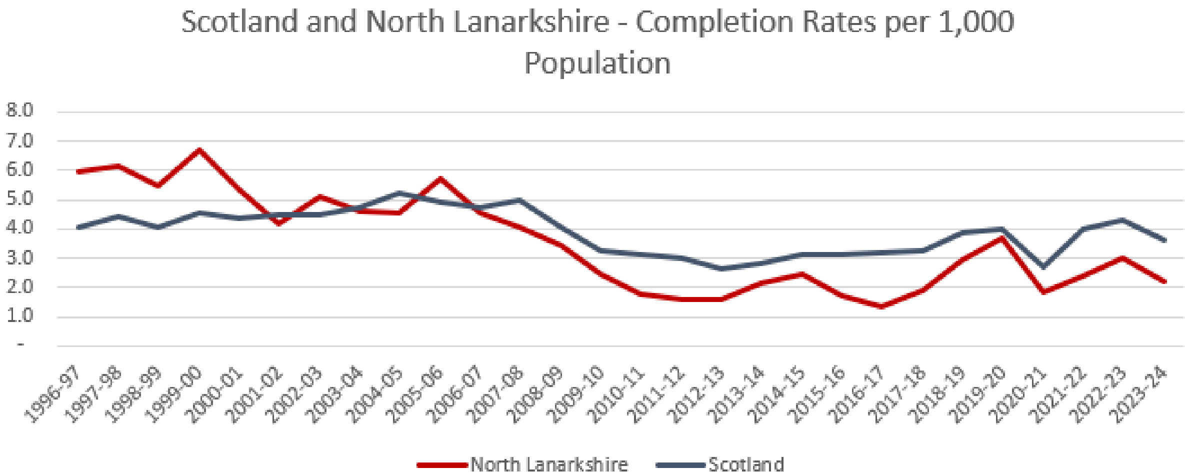


Source: Scottish Government/Rettie & Co

North Lanarkshire notably underperforms Scotland-wide trends on housing delivery rates. This delivery rate has also declined, from around 5 new houses per 1,000 population before the GFC to under 2 now and drifting at around 1-3 per 100,000 people for much of the 2010s.

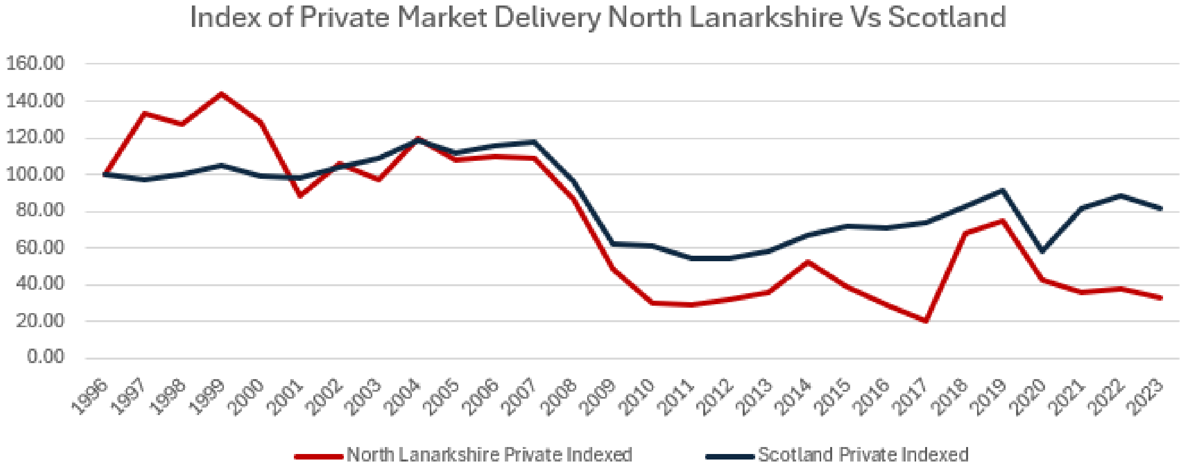
The delivery rate for private market housing in North Lanarkshire has stagnated for almost two decades. It has also declined in relation to the Scotland-wide delivery rate while the rate of social housing delivery has trended upwards, overtaking the Scotland-wide delivery rate.

Figure 2.3 North Lanarkshire's delivery rate has fallen well below pre-GFC levels
North Lanarkshire's Housing Completions Rate per 1,000 People, 1996-97–2023/24



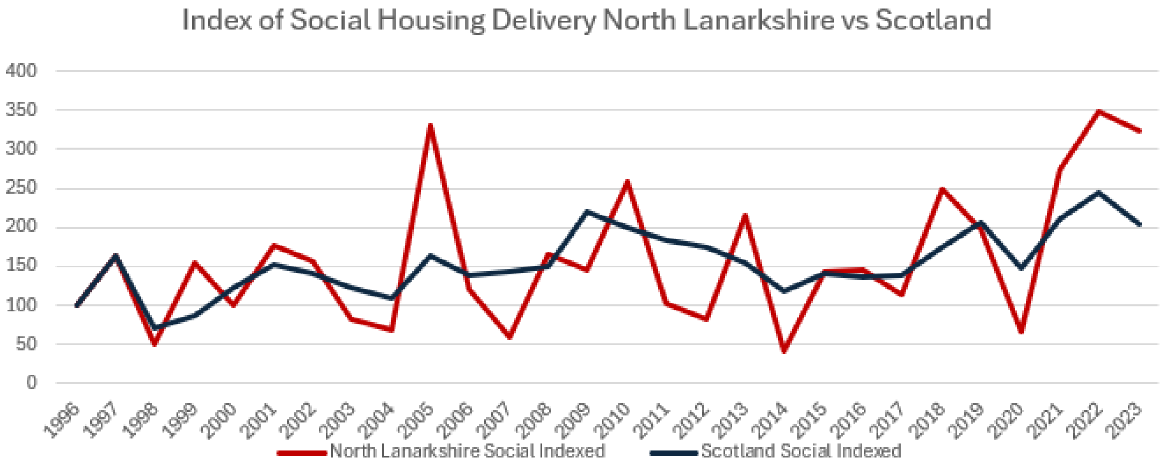
Source: Scottish Government/Rettie & Co

Figure 2.4 The delivery of private market housing has fallen substantially in North Lanarkshire
Index of Private House Delivery in North Lanarkshire and Scotland (1996=100)



Source: Scottish Government/Rettie & Co

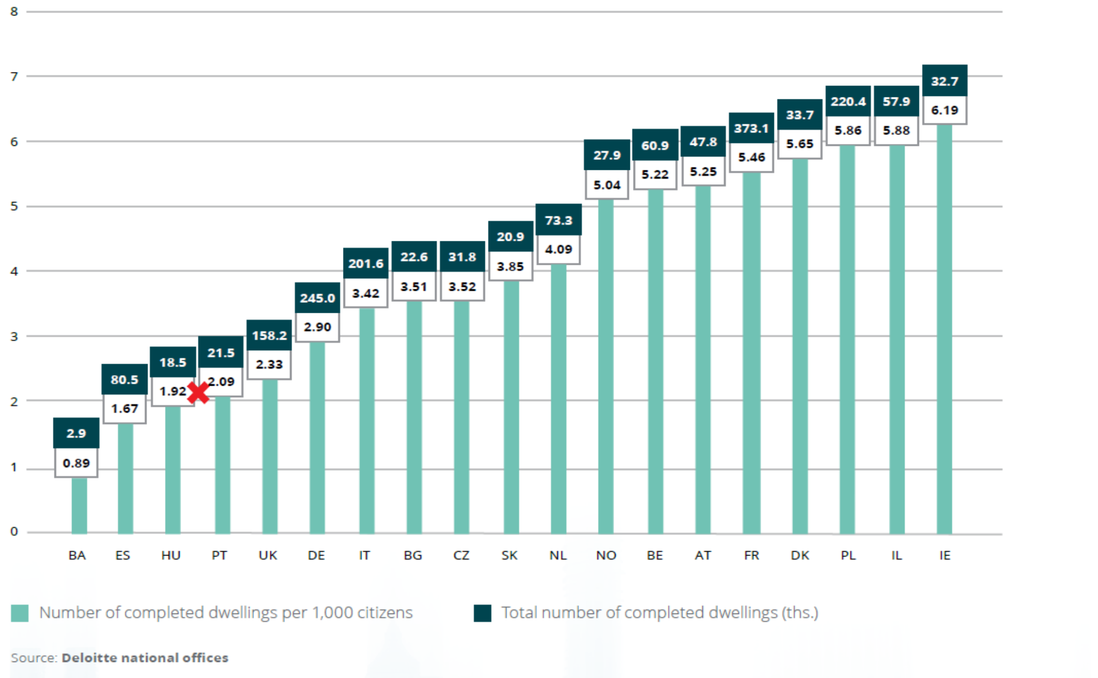
Figure 2.5 Delivery rate of social housing in North Lanarkshire has overtaken Scottish levels
Index of Social House Delivery in North Lanarkshire and Scotland (1996=100)



Source: Scottish Government/Rettie & Co

The UK performs relatively poorly in terms of the number of new homes built per capita. Scotland performs a little better but is still relatively low. North Lanarkshire's rate is lower than Scotland's and particularly low on the international scale.

Figure 2.6 Housing development intensity is low compared to the UK and other OECD countries
Index of the Number of Completed Dwellings per 1,000 People (North Lanarkshire marked with a Red X)



Source: Deloitte

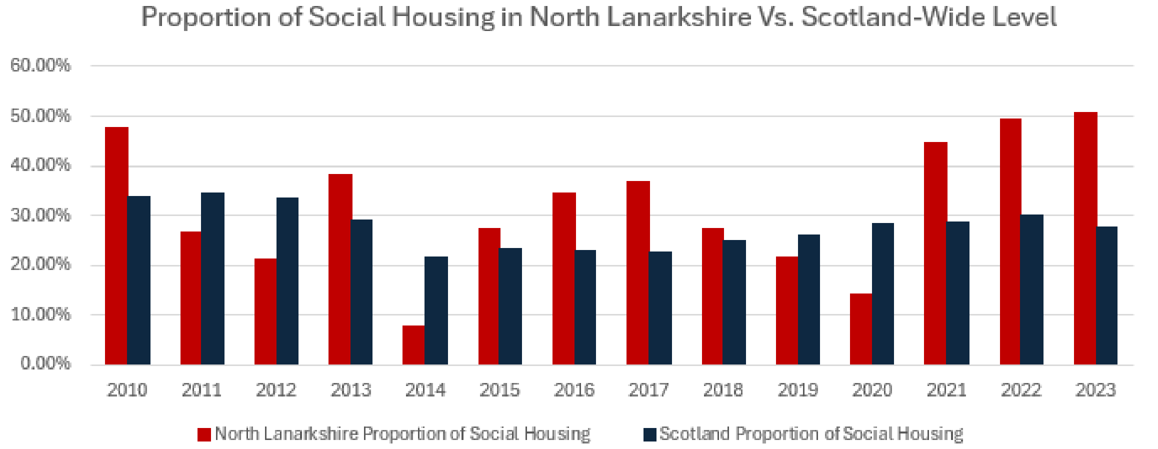
2.2 NORTH LANARKSHIRE'S HOUSING TARGETS

In 2013, North Lanarkshire Council introduced the Open Market Purchase Scheme (OMPS). A total of 756 privately owned homes were purchased in an initiative to increase the supply of public sector housing. The Strategic Housing Investment Plan (SHIP) currently targets the completion of 2,750 new affordable homes, however, delivery rates in recent years, along with Scottish Government housing budget cuts, suggest this will be unlikely to be met. The North Lanarkshire Local Housing Strategy 2021-26 sets a target of 759 new private sector houses per annum and 300 social housing units, derived from the House Need Demand Assessment 3 (HNDA3). The strategy recognises in its key actions that sufficient land supply must be made available for housebuilding to meet housing need.

There is no all tenure housing target in Scotland or North Lanarkshire despite market housing being the main source of addressing need and demand now and going forward. North Lanarkshire is at the lower end of the Scottish local authority area table for private housing delivery as a share of all housing delivery.

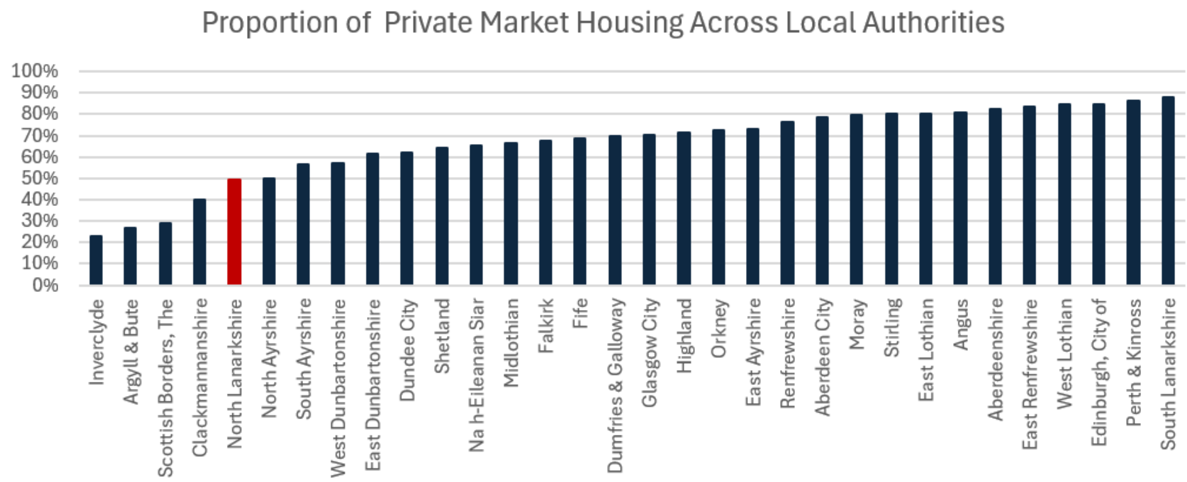
The Scottish Government (and North Lanarkshire Council) seem to see the provision of greater levels of social housing as the main way to address the housing affordability pressures. However, Scotland and the wider UK has a relatively high proportion of social housing within its housing stock. According to the recently published 2022 Census results, 22.5% of households in Scotland are in the social rented sector. Although this is down on the 24.3% recorded in the 2011 Census, it is high in both a UK and international context. In North Lanarkshire, this figure is even higher at around 33%. As shown in the Scotland-wide version of this report, countries without such high levels of social housing have fewer affordability and availability issues.

Figure 2.7 North Lanarkshire delivers a large share of social housing
Social Housing Delivery as a Percentage of All Housing Delivery in North Lanarkshire and Scotland, 1996-2023



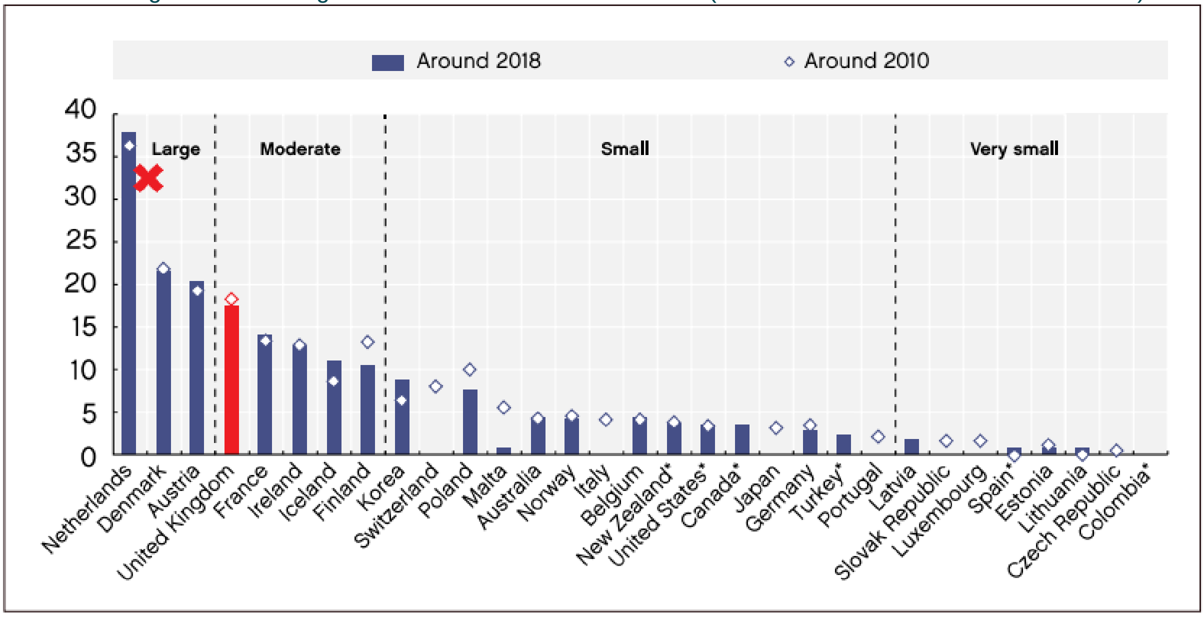
Source: Scottish Government/Rettie & Co

Figure 2.8 North Lanarkshire is at the lower end of the Scottish local authority area table for proportion of private market housing delivered in 2023-24
Private Market Housing Delivery as a Proportion of all Housing Delivery in Scotland's Local Authorities, 2023-24



Source: Scottish Government/Rettie & Co

Figure 2.9 Scotland's proportion of social housing is larger than most OECD countries and North Lanarkshire has a larger proportion than Scotland
Social Housing as a Percentage of Total Stock in OECD countries (North Lanarkshire marked with a Red X)

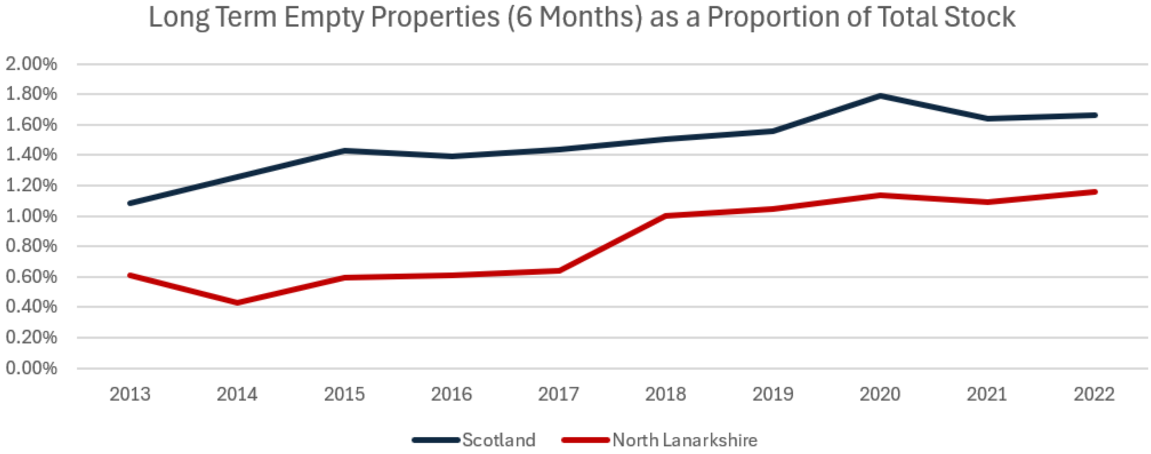


Source: Centre for Policy Studies

As shown in the Scotland-wide report, there is a much lower level of vacant stock in the UK compared with other nations, which is to be expected when supply is not matching-up with demand. There will always be some level of vacancy, especially given market churn and in areas of low demand, but the level of vacancy in the UK is particularly low and Scotland's level is similar

There is a notably low level of vacant housing stock in North Lanarkshire. Long-term empty home levels are around 1.2% and below the Scotland wide figure of 1.6%.

Figure 2.10 The proportion of vacant properties in North Lanarkshire is low
Long Term Empty Properties (6 months) as a percentage of total housing stock in Scotland and North Lanarkshire, 2013-2022



Source: Scottish Government/Rettie & Co

3 CONSEQUENCES OF THE LACK OF DELIVERY

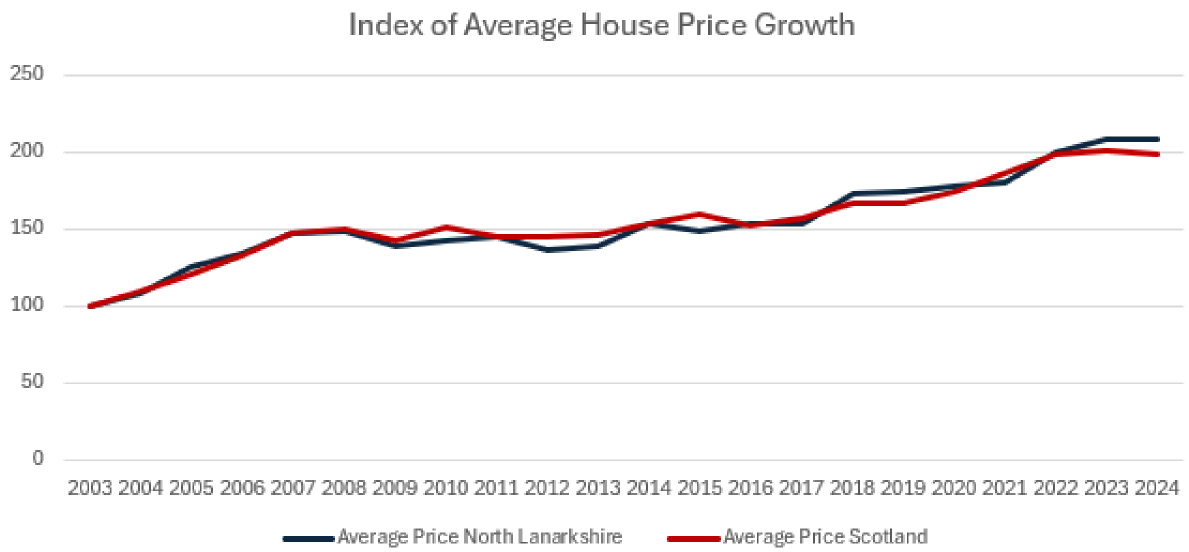
A lack of delivery has contributed to a series of negative social and economic outcomes in Scotland and the wider UK, which can also be seen in North Lanarkshire.

3.1 HOUSE PRICE INCREASE AHEAD OF INFLATION

As shown in the Scotland-wide report, the slowdown in housebuilding has led to an affordability crisis in the UK and affordability is not solely linked to not building enough affordable housing, but rather not building enough houses across all tenures. House prices in the UK have moved well-ahead of house prices in other economies since the late 1980s and consistently so. Raising supply levels of market housing would help to deal with the increase in demand that has arisen from higher levels of migration and housing need.

Scottish average house prices have moved in line with those in the wider UK, albeit at a lower level, whereas average prices in North Lanarkshire have moved in line with Scotland (at a lower level) as a whole and approximately doubled since 2003.

Figure 3.1 North Lanarkshire average house prices have moved in line with those in Scotland
Average House Prices in North Lanarkshire and Scotland – Indexed from 2003



Source: Registers of Scotland

3.2 HIGH LEVELS OF NEED

High levels of existing housing need in Scotland were found in the recent Homes for Scotland (2024) report undertaken by The Diffley Partnership and Rettie & Co., with nearly 700,000 households found to be in some form of acute housing need, which netted off to around 550,000 households after accounting for those who could make in-situ repairs to bring their existing houses up to standard.

In North Lanarkshire, the study found:

- 600 households homeless or in temporary accommodation
- 5,000 households in unfit properties
- 9,000 living in properties that do not have specialised adaptations/support required

- 10,000 living in overcrowded accommodation
- 12,000 financially struggling sue to high housing costs
- 29,000 having at least one concealed household.

Netting off for those who could make in-situ repairs, this provides a total need figure of 36,700

The study also found that around 16,700 of these households could afford a market housing solution.

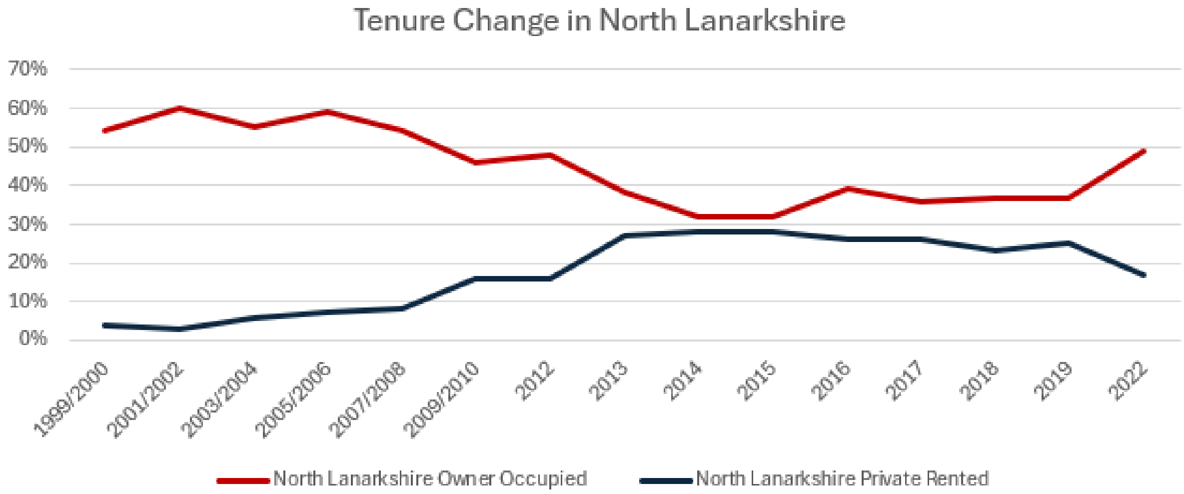
3.3 LACK OF HOME OWNERSHIP OPPORTUNITIES AND INEQUALITY

For younger people in North Lanarkshire, home ownership rates are now much lower than they were at the start of the millennium, indicating a pressured housing market. Over half of households headed by someone under the age of 34 owned their property in the year 1999/2000, by 2014-15 this had fallen to around 30%m although it has improved in recent years and was close to 50% in 2022. The relative affordability of the local market may be a factor here.

During the same period, the number of private rented households under the age of 35 has steadily increased from less than 5% at the start of the century to nearly 30% in the mid-2010s, although it has recently dipped under 20%.

As shown in the Scotland-wide report, an increasing percentage of younger people are living at home for longer and have higher housing costs relative to previous generations. This is in part due to lack of supply. It has also played a significant role in growing wealth inequality

Figure 3.2 The proportion of younger people in the private rented sector has risen in the last 20 years in North Lanarkshire
Proportion of Private Rented Households and Owner-Occupied Households in North Lanarkshire (highest earning householder is aged 16-34), 1999/2000-2022



Source: SHS (2022)/Rettie & Co.

4 ECONOMIC AND SOCIAL IMPACTS

Housing plays a significant role in the economic functioning of the country.

As shown in the national report, housing supply promotes macroeconomic stability, labour market flexibility and economic growth.

This report highlights the significant wider societal benefits of new housing, including helping to tackle poverty and inter-generational inequality; supporting regeneration and placemaking; supporting health and education outcomes; enhancing quality of life and improving access to fit-for-purposes and energy efficient homes.

Using Lichfields (2022) estimates of the impacts of housebuilding in Scotland, estimates of North Lanarkshire's proportionate share of these impacts can be made. Lichfields study is based on 22,673 new homes constructed in 2019 across Scotland. In 2019, North Lanarkshire contributed to 5% of Scotland's housing delivery, with 78% of its housing delivered through the private market.

Taking a proportionate share of the national impacts, this implies that new housing in North Lanarkshire contributed:

- 3,960 jobs (3,105 from private housing)
- £170 million gross value added (GVA) contribution to the economy (£133 million from private housing)
- £30.25 million ongoing resident expenditure per annum (£23 million from private housing)
- £6.25 million one-off first occupation expenditure (£4.9 million from private housing)
- £26 million in tax paid (£20.4 million from private housing)
- £1.4 million in Council Tax receipts (£1.1 million from private housing)

The regeneration project at Ravenscraig in North Lanarkshire, led by private development, shows the wider benefits of new housing provision. It has delivered new education facilities, a sport complex, leisure, retail and an urban park.

5 SUMMARY OF KEY FINDINGS AND CONCLUSIONS

Residential development in North Lanarkshire, as in wider Scotland, has had 15 years of under-performance.

Given population growth, it is clearly at much lower levels than it should be, which is confirmed by international comparators. A lack of housing is a cause of unmet need and demand, with 32% of households in North Lanarkshire having a type of acute housing need.

The lack of home building in Scotland has caused significant affordability issues, especially for younger people and low-income households, and has increased wealth inequalities and reduced housing quality.

As the national report shows (from a broad range of national and international sources), higher levels of market housing can improve the affordability of housing; increase new household formation rates; improve housing quality; reduce housing market volatility; improve people's heath; improve educational attainment; and increase social mobility.

Provision of social/affordable housing is also clearly important in this regard, but it is not the only response. Countries with far lower levels of social housing do not have Scotland's affordability and availability problems.

As the Scottish Government report on *the Value, Incidence and Impact of Developer Contributions in Scotland* (2021) showed, housing provision in Scotland is interconnected, with market housing playing a direct role in delivering affordable housing.

The recent Homes for Scotland (2023) report showed that market housing can be a solution to around 17,000 of households in a form of acute housing need in North Lanarkshire.

Building market housing has clear economic benefits. Annually, it contributes over 3,000 jobs and £133 million in GVA to the North Lanarkshire economy as well as over £21.5 million in tax receipts.