

The Role of International Evidence in Housing Policy

A report from the Ministry of Housing, Communities and Local Government to the Public Accounts Committee

Table of contents

INTRODUCTION	3
CHAPER 1: THE POLICY MAKING PROCESS AND INTERNATIONAL EVIDENCE	4
CHAPTER 2: THE ENGLISH HOUSING MARKET IN CONTEXT	6
CHAPTER 3: CASE STUDIES.....	13
Case Study: Modern Methods Of Construction (MMC) – Supporting The Industry To Deliver More Quality Homes	13
Case Study: The Housing First Framework For Tackling Homelessness.....	19
CONCLUSION	22
BIBLIOGRAPHY	23

INTRODUCTION

In April 2017, the Public Accounts Committee (PAC) published the *Housing: State of the Nation* report.¹ The report provided an overview of the housing market and reviewed the performance of the Ministry of Housing, Communities and Local Government (MHCLG – formerly known as the Department for Communities and Local Government) in delivering its two strategic housing objectives: driving up housing supply, with the ambition of delivering one million new homes over the five years of this Parliament; and increasing home ownership. The report shortly followed the publication of the [Housing White Paper](#) in February 2017, which outlined the measures that the Government would take to fix the broken housing market.²

To aid the Department's evidence-based consideration of alternative policy options to accelerate housebuilding, the PAC recommended that the Department should review international evidence and report to Parliament on the lessons to be learned from the housing policy and institutional landscape of other countries with higher rates of housebuilding than England. The recommendation particularly focused on innovative methods of accelerating construction and improving affordability.

In its response to the PAC, the Department noted that as part of the policy-making process international evidence is regularly reviewed and that they have drawn on the experience of other countries when developing many of the policies announced in the Housing White Paper. The Department agreed to write to the Committee on what can be learned from housing policies in other countries, and to continue to review international evidence as part of the policy making process.

This report provides an overview of how the Department uses international evidence when developing and reviewing policies. It includes two case studies that articulate the types of lessons learned from reviewing international policy making:

- the Modern Methods of Construction policy, which promotes innovative techniques used across the globe to speed up the building of new, more affordable homes; and
- the 'Housing First' framework for tackling homelessness, which drew inspiration from countries around the world including Finland and the United States.

¹'Housing, State of the Nation', Sixty-Third Report of Session 2016-2017, 24 April 2017, <https://publications.parliament.uk/pa/cm201617/cmselect/cmpublic/958/958.pdf>

²'Fixing our broken housing market', <https://www.gov.uk/government/publications/fixing-our-broken-housing-market>

CHAPTER 1: THE POLICY MAKING PROCESS AND INTERNATIONAL EVIDENCE

Opportunities and Challenges of using International Evidence

International evidence can be a valuable resource when developing our policy. It can help us to learn more about our own housing market and the challenges and opportunities faced in other countries.

Housing markets are complex, and slight variations in the economy, the social or political structure, cultural norms or even the established planning regime shape and create unique challenges and change the shape of the market. Policies that have been successfully pursued abroad may be politically, socially or economically unfeasible, ineffective or even undesirable in England – and may even have damaging unintentional consequences. This does not mean however, that International Evidence is not used as a vital tool in policy making. It means that it is essential to understand housing markets in context when designing and developing policy.

How we use international evidence in policymaking in MHCLG

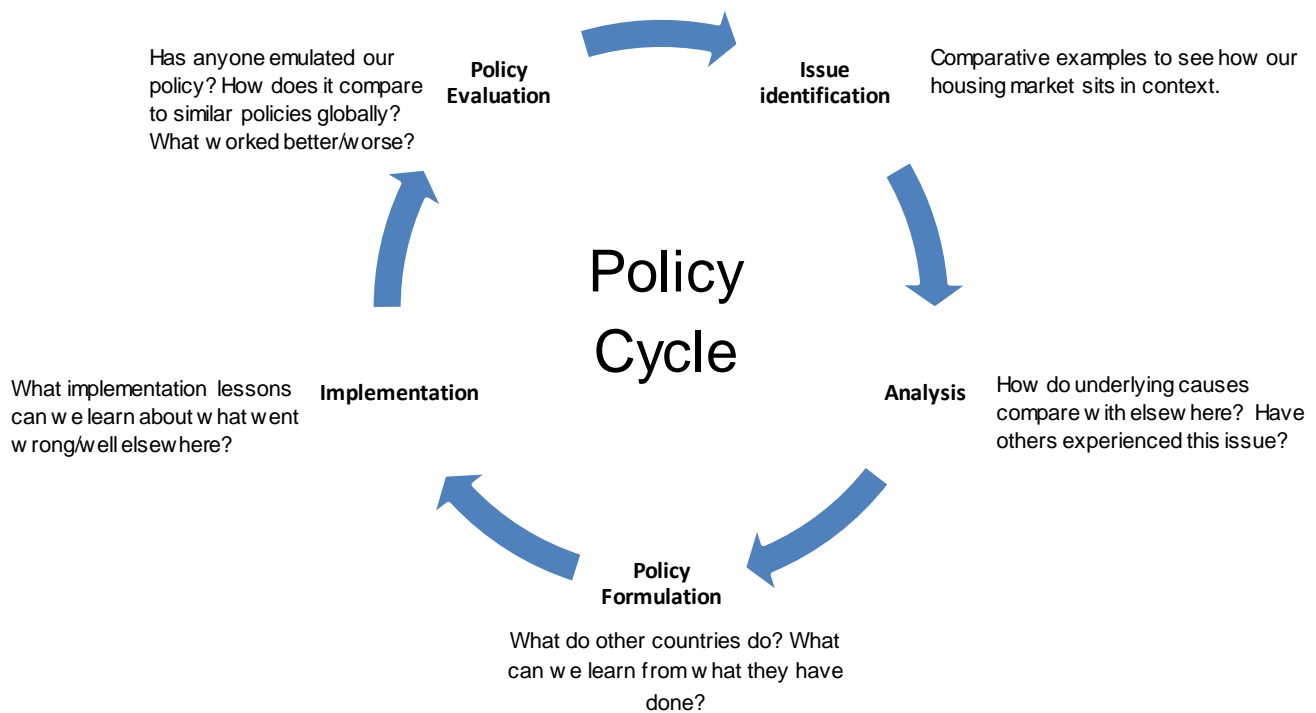
Evidence gathering and analysis is a central tenet of good policy-making. Civil servants are expected to gather, navigate and engage with the evidence base, external experts, stakeholders and delivery partners that relate to the policy area in which they work. They are expected to evaluate and use data in all aspects of their work, and continuously learn from and improve the policies that they develop and implement.

Reviewing and assessing international evidence when designing and refreshing policy is therefore fundamentally embedded throughout the Department's policy-making cycle: from issue identification to policy evaluation.

The Department collaborates closely with academics and think tanks, such as the new Centre for Collaborative Housing Evidence³ and the Cambridge Centre for Housing and Planning Research,⁴ in order to draw on their expertise and learn lessons. This helps to ensure that the Department take account of the latest thinking when designing new policies.

³ <https://www.gla.ac.uk/schools/socialpolitical/cache/>

⁴ <https://www.cchpr.landecon.cam.ac.uk/>



There are two broad principles about how we learn lessons from international evidence:

- **Differential lesson learning** – learning about the differences in other markets that help drive policies/behaviours helps to strengthen understanding of our own market, which is often critical for success. Understanding differences helps us to build a more intelligent picture of our own policies and landscape and helps make them more effective. Crucially, learning about what would or does not work in our housing market helps to refine our understanding of our market, and to develop more nuanced policy proposals. Vitrally, it helps inform decisions about what kind of a market we want to create.
- **Comparative lesson learning** – by monitoring trends in the housing market and learning from the success of policies in similar markets, where similar issues exist, we can learn about what we can do better and draw inspiration from these policies. Testing for similar policies abroad helps us to see if our approach is broadly recognised as effective or sensible and MHCLG ministers and senior officials visit and meet with their international counterparts to gain inspiration and learn from each other.

Build To Rent (BtR) : an example of how we use international evidence to inform and shape policy making

We know that the UK has a very different PRS landscape compared to many countries and this sector has seen an unusually high rate of growth compared to other OECD Countries.⁵ Whilst it is important to help people onto the property ladder, we need to develop a market that supports the people in this growing sector too. The Department has drawn inspiration from other countries that have more experience of higher PRS rates, with a specific focus on the Build to Rent (BtR) sector: the market for purpose-built rental homes.

The BtR market is already well established in France, Germany and the United States. In the US, so-called 'multifamily' rental accounts for some 14.5 million units across the 62 largest metro markets, according to the CBRE.⁶ But in England the market is still relatively young.

In the BtR model used across the world, developers are incentivised to build high quality products more quickly, as they cannot collect receipts until tenants are in place – and the long-term model only works if tenants want to keep living there. Multifamily and BtR properties are seen as attractive investments for investors as they provide reliable, low-volatility, long-term income streams.

It is therefore interesting that many UK BtR projects in London are financed by overseas investors. BtR specialist Grainger told the Department on a site visit to their BtR Argo apartments in London that they found it far easier to raise funds in the US, where the model is already proven.

The UK market for BtR is fast-growing. The British Property Federation say there are 117,893 BtR units either completed or planned across the UK, including 20,863 completed, 33,075 under construction, and a further 63,955 with planning permission. In London, there are 60,530 units. Outside London, there are 57,363 units.⁷

Building on international evidence, we are supporting the continued growth of the BtR sector in a number of ways. For example:

- The Department recently announced draft changes to the National Planning Policy Framework includes specific supporting guidance on Build to Rent;
- the £3.5bn PRS Guarantee Scheme, has approved around £1.5bn of debt guarantees for Build to Rent projects; and
- a joint committee with industry has been set up to look at how Government and industry can work together to overcome any practical barriers to what remains a relatively new sector of the housing market.

⁵ OECD, *Affordable Housing database*, Table HM 1.3.A2, December 2016, [link](#)

⁶ Multifamily tends to be purpose-built rental, with an emphasis on spaces designed for multiple families to live there, rather than discreet homes converted for rental. 'US Multifamily Housing: A Primer for Offshore Investors', CBRE, <http://www.cbre.us/real-estate-services/real-estate-industries/multifamily/us-multifamily-housing-primer>

⁷ 'BPF Build to Rent Map of the UK', British Property Federation, <https://www.bpf.org.uk/what-we-do/bpf-build-rent-map-uk>; see also 'Build to Rent Q1 2018 figures: Prepared for the British Property Federation', Savills, 2018, <https://www.bpf.org.uk/sites/default/files/attachments/Build-to-Rent-Q1-2018-BPF.pdf>

CHAPTER 2: THE ENGLISH HOUSING MARKET IN CONTEXT

It is crucial to view the English housing market in context and to understand the challenges that can arise when using international evidence, the most common of which are outlined below.

- **The nature of the existing housing market and its challenges** – the source and nature of the market challenge and factors such as housing tenure, the number and size of housebuilders, the type, affordability and quality of existing housing stock, housing costs and trends and individual market quirks, all drastically impact policy design, implementation and effectiveness.
- **Political environment, cultural norms and historical narratives** – affects what is possible and desirable and the vision for the future of the housing market and tenure distribution.
- **Economic and demographic trends** – the wider economy affects the feasibility of policy implementation, viability of increased housebuilding etc. and shape of the market. Population density, existing and projected age, income and social distribution can also significantly affect the scale and shape of market demand.
- **Planning legislation and systems** – these can act as a restraint or limitation on feasibility of new policy initiatives and/or have an impact on policy implementation;⁸
- **Evaluating impact** – it is almost impossible to disentangle the effects of policy implementation from any of the aforementioned contexts, or other related policies, making direct comparison between countries and policies problematic; and
- **Differences in welfare benefit systems** – different countries offer different sizes of subsidies for housing services and different types of services for the homeless.

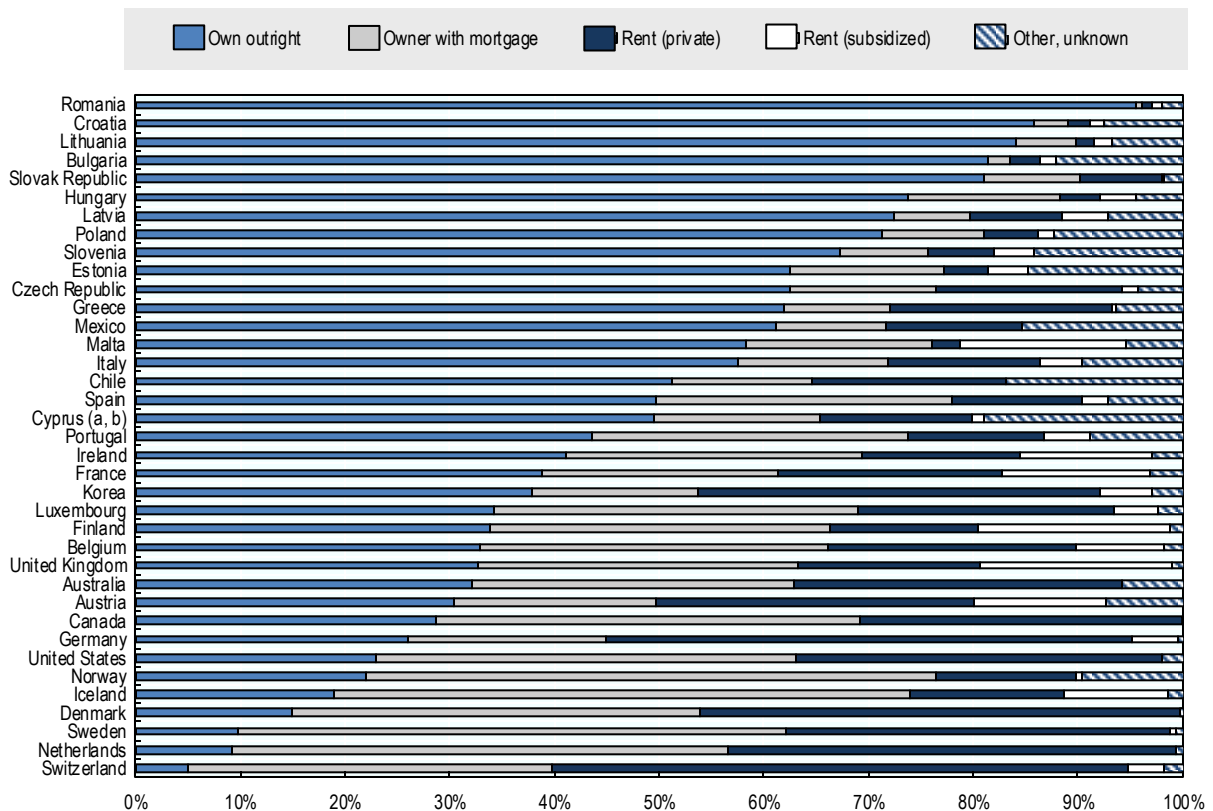
N.B. it is worth noting that whilst the Department has responsibility for housing in England, much of the available comparative international data is for the United Kingdom.

The nature of the existing housing market and its challenges

The vast difference in tenure distribution across the OECD effectively illustrates the challenges we face when trying to draw conclusions from international evidence.

⁸ Whitehead and Monk, 'International Review of Land Supply and Planning Systems', <https://www.jrf.org.uk/sites/default/files/jrf/migrated/files/land-supply-planning-full.pdf>

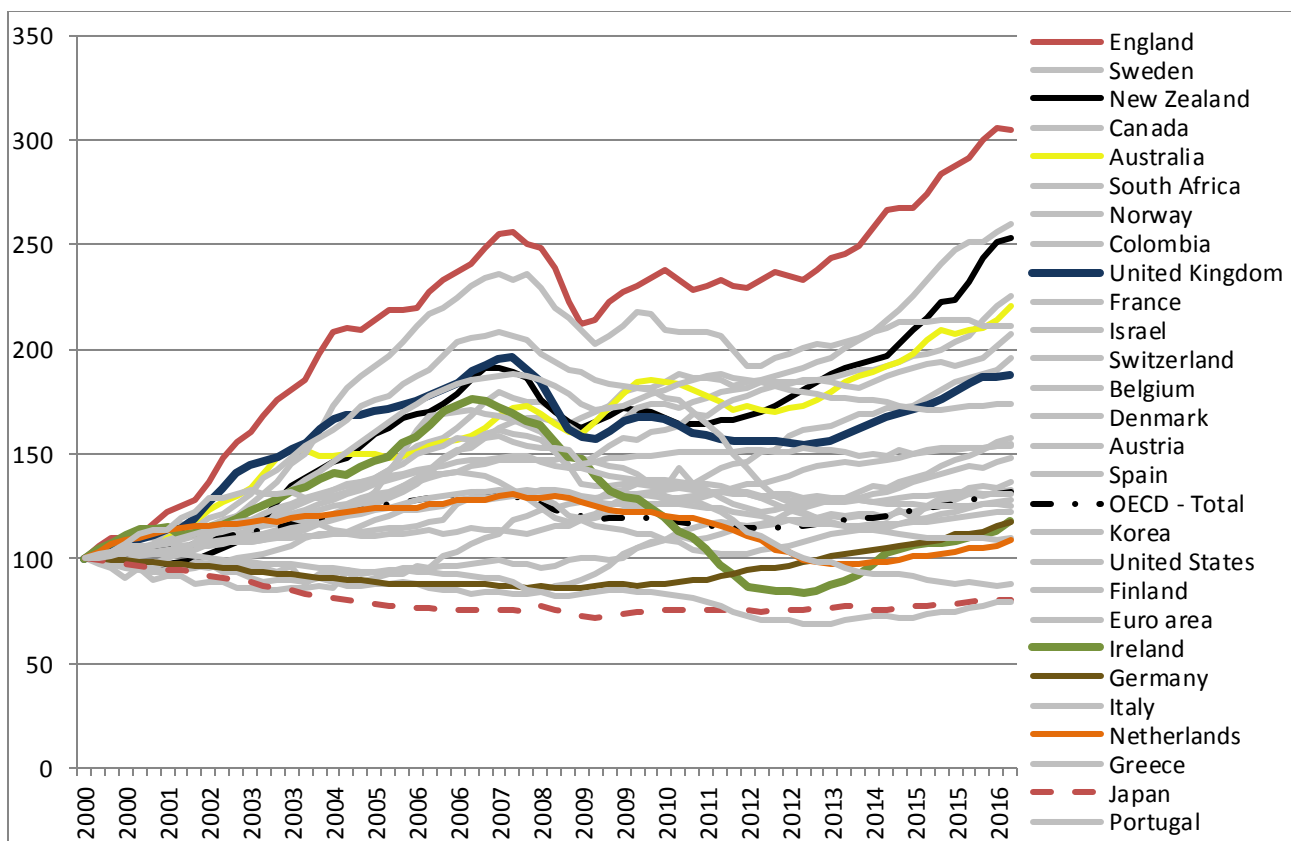
Housing Tenure distribution 2014, or latest year available



OECD, *Affordable Housing Database*, Figure HM 1.3.1, December 2016, [link](#)

The UK has a very mixed spread of tenure compared to other countries: with a comparatively large social/affordable rented sector, a relatively small (but fast growing) Private Rental Sector (PRS) and a diverse home-ownership market. Many Eastern European countries such as Lithuania have extremely high levels of outright home-ownership. As such, the principal challenge for these countries is the deteriorating quality of their housing stock and the financial capability of low-income residents to invest in repairs/renovations. In spite of these levels of homeownership, the proportion of people that spend more than 40% of their income on housing is very similar in Lithuania and the UK, in spite of the high levels of home-ownership in Lithuania – but for very different reasons. Countries like Germany and Switzerland have a completely different market landscape, with an extremely high proportion of private rental tenures. With such a diverse range of housing markets, policy interventions that are successful in one country cannot be assumed to have the same success in another country and lessons learned from other countries' housing policies need to be evaluated with clear awareness of these factors.

Tenure itself is of course not divorced from housing market forces: factors such as willingness of banks to lend, income of consumers, house prices or even attitudes towards buying or renting completely change the shape of the market.



OECD, *Real house price indices*, accessed 11 May 2017, [link](#)

These contexts may significantly change the design, effectiveness, implementation or feasibility of policy implementation.

Political environment, cultural norms and historical narratives

In countries such as Italy or Greece, young people are far less likely to move out of their parents' home, which changes the amount and nature of demand on the market. In 2014, 81% of 15-29 year olds in Italy were living with their parents, compared to 52% in the UK.⁹ Numerous factors from the impact of the 2008 financial crisis to cultural norms about living with family have helped shape outcomes like this.

Similarly, political and cultural norms can change the shape of the market that we need to create. For example, we know that in the UK, 86% of people would choose to buy if they had a free choice.¹⁰ Public sentiment is very different in countries with

⁹ 'Society at a Glance 2016', OECD Social Indicators, https://read.oecd-ilibrary.org/social-issues-migration-health/society-at-a-glance-2016_9789264261488-en#page82

¹⁰ 'British Social Attitudes 28', NatCen Social Research, http://www.bsa.natcen.ac.uk/media/38952/bsa28_8housing.pdf

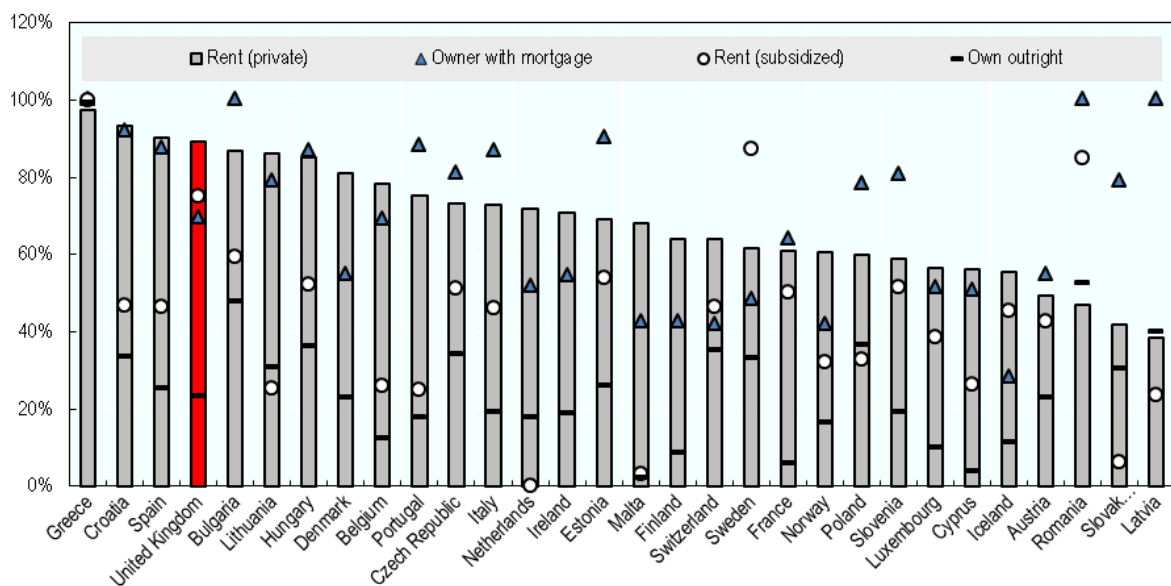
more established long-term rental markets such as Germany where 55% of people still prefer to rent, despite a recent surge in home-buying.¹¹

Economic and demographic trends

A country's economy, by affecting (for example) the feasibility of policy implementation and the viability of increased housebuilding, can significantly affect the magnitude and constitution of housing supply. Equally: population density, existing and projected age, and income and social distribution can significantly affect the magnitude and constitution of housing demand.

For example, the UK has a high proportion of households that spend over 40% of disposable income on housing. The below graph shows the proportion of those in the bottom quintile of income distribution that pay over 40% of their disposable income on total housing cost, with the main bar representing those in the private rented sector. Other tenures (e.g. outright-owners) are overlaid on this bar: in the UK, c.25% of outright owners in the bottom quintile spend more than 40% of disposable income on housing, compared to c.90% of private renters in the same quintile.

Total housing cost overburden rate among low-income households, by tenure, 2014 or latest year available



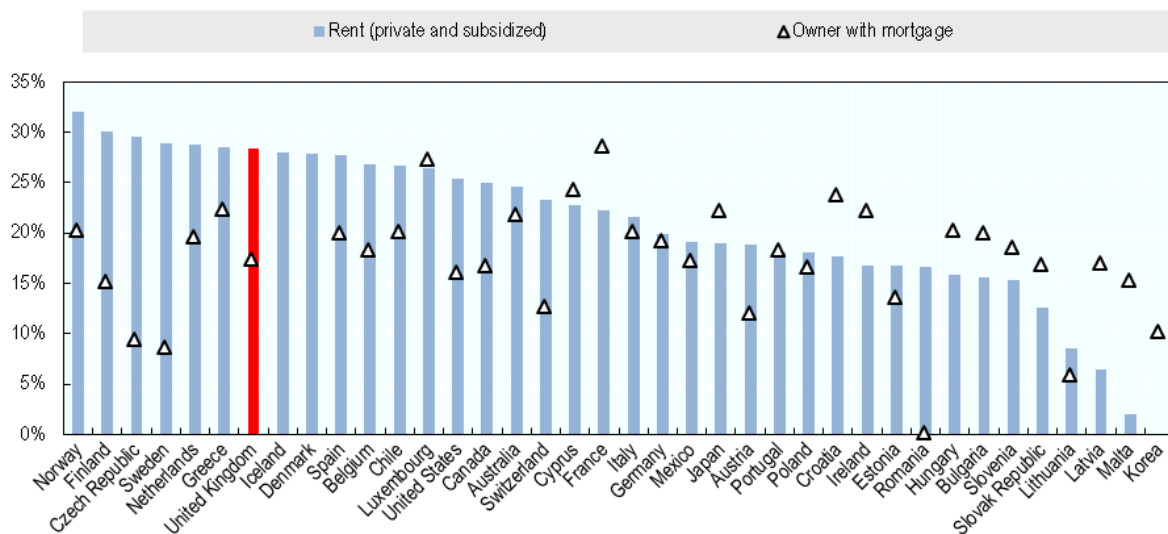
OECD, *Affordable Housing Database*, Figure HC1.2.4., [link](#)

The graph below, shows the proportion of disposable income that people in the rental (private and subsidised) sector spend on rent, mapped against mortgage repayment costs for those who own with a mortgage. This

¹¹ Joosten, H., Wisman, H., Klaver, S., 'Germany, France, The Netherlands: Housing Markets in Perspective 2016', BPD, https://www.bpdeurope.com/media/107467/q540_bpd_dunefra-2016_engels-lr-web.pdf

Taken together these show that housing costs place a substantial burden upon households internationally, and that in many Western European countries, median housing costs are higher for renters than for those who own with a mortgage, relative to households' income. When compared internationally, we can see that the UK housing costs are relatively high and that affordability is a challenge for renters in particular, but also for low-income families who own with a mortgage. Therefore, the UK faces a particular affordability challenge compared to other countries.

Households' housing cost burden (mortgage and rent cost) as a share of disposable income, 2014 or latest year available.



OECD, *Affordable Housing Database*, Figure HC1.2.1, [link](#)

Planning legislation and systems

It is clear that housing policy cannot be divorced from a country's planning system. Unlike the UK, most other countries in Europe operate a zoning system, which give less discretion and flexibility in planning decisions but more upfront certainty.¹² Given the different legislative frameworks and planning systems, the implementation of what appears to be a similar housing policy will be very different in the UK as compared to Spain, France or Ireland.

Conclusions on market context

These are just some of the factors that can drastically affect the impact of a policy in the housing market. These examples show that we must be careful not to draw too wide-ranging conclusions from the experiences of other countries, and not expect to

¹² Monk, W., Whitehead, C., Burgess, C. & Tang, C., 'International Review of Land Supply and Planning Systems', <https://www.jrf.org.uk/sites/default/files/jrf/migrated/files/land-supply-planning-full.pdf>

transfer policy from one context to another with the same impact on the market, on the homebuilding industry or on consumers.

CHAPTER 3: CASE STUDIES

Case Study: Modern Methods Of Construction (MMC) – Supporting The Industry To Deliver More Quality Homes

There is a global skills gap in the construction industry and countries across the world are facing low growth and productivity in this sector. Low labour productivity can affect everything from quality of homes to speed of delivery, ultimately affecting housing supply.¹³ Countries across the world are looking for ways to boost productivity and many are looking at encouraging the use of Modern Methods of Construction (MMC) to support growth.

What is MMC?

There is no single type of MMC – rather a spectrum of different technologies used to manufacture houses, in part or fully, offsite and assembled onsite. Techniques range from components (e.g. the roof) being factory made, but the house is built in a traditional way, through to panelised systems such as timber frame or volumetric/modular where even fixtures and fittings have been installed at the factory.

MMC in the UK

The majority of homes in the UK are built using techniques similar to those used 150 years ago – this is labour intensive and contributes to the construction industry having one of the lowest increases in productivity since the 1990s of any sector.

To address this and ensure the UK housing market has the capacity to build 300k homes a year sustainably, the Department need industry to modernise and embrace new technology as part of our broader commitment to diversify the market.

UK industry data suggests that MMC requires less on-site labour to assemble homes than traditional construction, helping to address issues relating to long-standing construction skills shortages. Use of MMC from across the world shows that they too acknowledge these benefits. And countries like Japan and Scandinavia have achieved significant volume when using MMC (though market factors such as tenure have a strong impact on speed/delivery).

There are no official figures for the number of homes built using MMC, but in 2015 industry estimated that 10% of homes were built this way – equivalent to c.15,000 homes. This has been expanding since 2015. The National House Building Council

¹³ 'Reinventing Construction: A Route To Higher Productivity', McKinsey Global Institute, February 2017, <https://www.mckinsey.com/~media/McKinsey/Industries/Capital%20Projects%20and%20Infrastructure/Our%20Insights/Reinventing%20construction%20through%20a%20productivity%20revolution/MGI-Reinventing-construction-A-route-to-higher-productivity-Full-report.ashx>

(NHBC) Foundation claim that 98% of large and medium-sized house builders and housing associations have used or considered at least one form of MMC in the last 3 years. The Department is aware that the number of new factories opening or expanding operations into house manufacturing has doubled across England since 2015 – and industry suggests that this sector will continue to grow.

Investment from volume builders such as Berkeley, Barratt and Crest Nicholson shows that they too see the benefits and new entrants like ILKE homes, who plan to deliver 2,000 MMC homes in 2 years, are entering the market.

Whilst currently some MMC – particularly the most advanced types – are more expensive than traditional build in the short term, due to the need for upfront investment, it is widely agreed that once it reaches a critical mass, MMC has far greater economies of scale. Research by KPMG in 2016 found that in spite of initial increased construction costs involved with MMC, financial net savings of 7% are still possible due to the shortened construction period.¹⁴

The industry estimates that MMC has the potential to be 25% cheaper, delivered up to 30% faster,¹⁵ three times more productive than onsite labour and resources,¹⁶ and to produce homes with up to 80% fewer defects.¹⁷ They are high quality, reliable, more productive and can be highly energy efficient and can require fewer people on site, helping to mitigate the skills shortage.

Overseas Examples

Scandinavia

Prefabrication makes up to 90% of new housing in Sweden and more than 50% in Finland, according to a report by New Zealand's national MMC proponent, PrefabNZ.¹⁸ The market is primarily pre-cut timber standalone houses and precast multi-unit affordable housing, and there is significant emphasis on quality, energy efficiency and environmental protection in the drive to use MMC.

Despite both having high proportions of new homes that are prefabricated, the housing markets in Sweden and Finland differ considerably. Around 40% of the

¹⁴ 'Smart Construction: How offsite manufacturing can transform our industry', KPMG, April 2016, <https://assets.kpmg.com/content/dam/kpmg/pdf/2016/04/smart-construction-report-2016.pdf>

¹⁵ Davies, G. (2013), 'Design for Manufacture and Assembly is helping revolutionise construction, making it faster, cleaner, cheaper and more reliable', Engineering Excellence Journal (Laing O'Rourke). See also Woetzel, J., Ram, S., Mischke, J., Garemo, N. & Sankhe, S. (2014), 'A blueprint for addressing the global affordable housing challenge.' McKinsey Global Institute, <https://www.mckinsey.com/~media/McKinsey/Global%20Themes/Urbanization/Tackling%20the%20worlds%20affordable%20housing%20challenge/MGI%20Affordable%20housing%20Full%20Report%20October%202014.ashx>

¹⁶ 'Smart Construction: How offsite manufacturing can transform our industry', KPMG, April 2016, <https://assets.kpmg.com/content/dam/kpmg/pdf/2016/04/smart-construction-report-2016.pdf>

¹⁷ Construction Industry Council (2013) *Offsite Housing Review*, www.cic.org.uk/download.php?f=offsite-housing-review-feb-2013-for-web.pdf

¹⁸ 'Prefab Roadmap: A Way Forward for Prefabrication in New Zealand 2013-2018', Prefab NZ, [http://www.prefabnz.com/Downloads/Assets/8012/1/PrefabNZ%20Roadmap%20for%20Prefab%20in%20New%20Zealand%20\(2013\).pdf](http://www.prefabnz.com/Downloads/Assets/8012/1/PrefabNZ%20Roadmap%20for%20Prefab%20in%20New%20Zealand%20(2013).pdf)

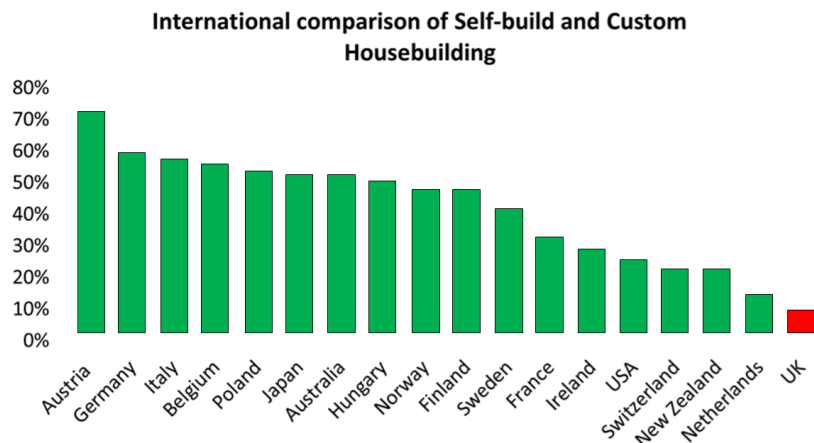
Swedish housing market rent at market price compared to just 14% in Finland and 17% in the UK.¹⁹ We have seen a interest in MMC from Build to Rent developers who want to quickly build lasting, quality products at scale as investors don't see a return i) until tenants are in place; and ii) if upkeep costs are high throughout the lifetime of the product. But the experience in Finland suggests a large Build to Rent sector is not a prerequisite for a high proportion of MMC.

Japan

MMC is used extensively in Japan. Off-site houses are occupied by a broad spectrum of Japanese society, and tend to be viewed as medium to high end products.²⁰ Japanese completions far outstrip the UK – in 2010 by nearly six times more.²¹

Whilst much of this is market-driven, the use of MMC has helped to facilitate the high level of completion – showing that it is possible to build better homes and produce them more productively with less labour.

Much housing construction is owner initiated – with one third of completed houses commissioned by individual owner-occupiers.²² With widespread use of MMC, custom and self-builders are able to commission factory-built materials/homes. This could indicate a link between increased self-build and wider use of MMC, or vice versa.



Source: National Custom and Self Build Association (2016)

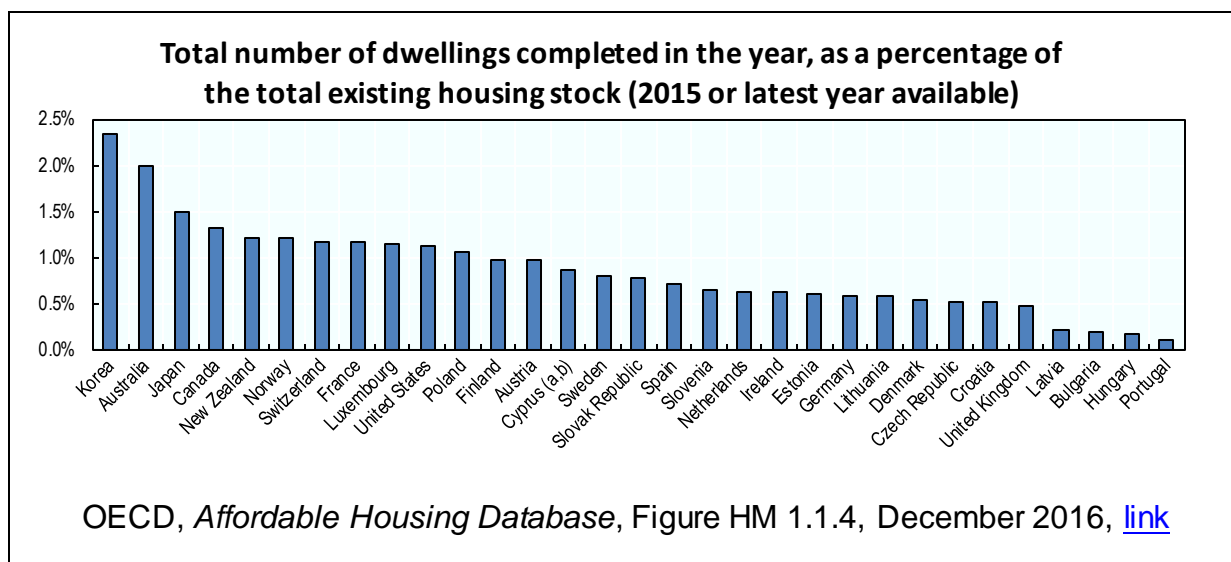
Japan and Sweden both build more homes relative to the total existing housing stock.

¹⁹ OECD Affordable Housing Database, <http://www.oecd.org/social/affordable-housing-database.htm>

²⁰ 'Prefab Roadmap: A Way Forward for Prefabrication in New Zealand 2013-2018', Prefab NZ, [http://www.prefabnz.com/Downloads/Assets/8012/1/PrefabNZ%20Roadmap%20for%20Prefab%20in%20New%20Zealand%20\(2013\).pdf](http://www.prefabnz.com/Downloads/Assets/8012/1/PrefabNZ%20Roadmap%20for%20Prefab%20in%20New%20Zealand%20(2013).pdf)

²¹ Walker, J.F., Crawford, C.A., 'Cash in a Housing Context: Transitional Shelter and Recovery in Japan', *International Journal of Disaster Risk Reduction*, volume 24, September 2017, <https://www.sciencedirect.com/science/article/pii/S2212420916306628#bib40>

²² Walker, J.F., Crawford, C.A., 'Cash in a Housing Context: Transitional Shelter and Recovery in Japan', *International Journal of Disaster Risk Reduction*, volume 24, September 2017, <https://www.sciencedirect.com/science/article/pii/S2212420916306628#bib40>



What have we learned from international evidence?

International evidence shows us four key lessons:

- It is possible to innovate in the market with techniques such as MMC and build more homes than traditional models allow;²³
- It is possible to build better homes and produce them more productively and with less labour;
- MMC can deliver good quality and efficient homes that are embraced by the public; and
- Countries that use a lot of MMC such as Sweden and Japan also have bigger self-build markets – so efforts to improve MMC and increase self-build could be mutually supportive.

The ability of countries like Sweden and Japan to use MMC on a wide scale to build more homes shows that innovation in the market is possible – and in the right market can help support the delivery of many new homes.

A clear demonstration of the benefits of MMC can help to drive uptake. Offsite-construction companies in Germany and Sweden often emphasise the eco-friendly, high quality and bespoke nature of their products. They market their products at consumers that value low running costs, energy efficiency and environmentally conscious homes.

MMC is particularly suited to driving up quality: the factory environment enables greater oversight of quality and can provide certainty – with industry data suggesting

²³ Farmer, M., 'Modernise or Die: The Farmer Review of the UK Construction Labour Model', October 2016, Construction Leadership Council, <http://www.constructionleadershipcouncil.co.uk/wp-content/uploads/2016/10/Farmer-Review.pdf>

reduced onsite assembly creates **more reliable build schedules that are not impacted by the weather conditions or traffic**²⁴.

This narrative has supported uptake and helped to build a market that widely accepts off-site construction in Sweden, Japan and increasingly on the continent, which in turn enables greater economies of scale.

What are we doing to boost the growth of MMC in the UK?

The Government's Housing White Paper, published in February 2017, sets out specific measures to stimulate the growth of MMC. This includes how we will help to create a pipeline of opportunities to give confidence to the sector and investors using the Government's commissioning power through the Accelerated Construction programme, growing build to rent, custom build and Housing Association developments to make greater use of MMC. Work is also ongoing with industry to implement a Construction Sector Deal that will support innovation and skills in the sector, including £170 million of investment through the Government Industrial Strategy Challenge Fund, a proportion of which will be specifically for housing. Furthermore, the Government has established a working group to look at the assurance, insurance and mortgages for Modern Methods of Construction. The group had its first meeting in December 2017 and set out clear priorities to take forward.

The Department have already invested £120m from our Home Building Fund in developments using MMC, and at Budget 2017 the Government added a further £1.5bn to the Fund.

These developments will deliver over 4000 homes across England, and will see homes built using MMC in 11 local authority areas across the South, Midlands and the North.

Affordable Housing

Affordable housing providers have begun to invest in MMC and factories to deliver homes. For example, Accord group in the West Midlands have been producing homes offsite through their offsite delivery arm since 2011, with a new partnership to deliver pilot projects across their region with other housing associations. Swan Housing Association in Essex, in partnership with its development company NU living, has a secured development pipeline to deliver over 3,500 new homes across East London and the South East.

Whilst Housing Associations like Swan and Accord are at the forefront of delivering change through innovation within their sector, we would like to see an increased take

²⁴ 'Smart Construction: How offsite manufacturing can transform our industry', KPMG, April 2016, <https://assets.kpmg.com/content/dam/kpmg/pdf/2016/04/smart-construction-report-2016.pdf>

up of MMC, particularly as, like the build to rent sector, there are potential advantages of using MMC in builds. That is why the Government supports the use of MMC through the Affordable Homes Programme, setting out the benefits of MMC and encouraging its use.

Conclusion

Internationally and in the UK developers using MMC are showing what the future of house building could look like, building high quality homes at a much faster pace while embracing the latest technology. New technology and innovation has improved productivity, quality and choice in a range of sectors in the UK and we want to see the same happen in housing.

There is a real opportunity to seize the benefits of technology. MMC also has the potential to put people in the driving seat in designing their own home. Manufacturers are looking at how they can combine digital technology with their factories to offer customers thousands of choices of homes, ending the one-size-fits-all approach.

Not only will consumers benefit, MMC will help address the pressures in today's housing market – tackling skills shortages, improving site efficiencies, eliminating waste and improving health and safety.²⁵

²⁵Krup, D., Miles, J., 'Offsite Construction: Sustainability Characteristics', BuildOffsite, June 2013, www.buildoffsite.com/content/uploads/2015/03/BoS_offsiteconstruction_1307091.pdf

Case Study: The Housing First Framework For Tackling Homelessness

One of the Department's top priorities is to halve rough sleeping by 2022 and eliminate it altogether by 2027.

International evidence has demonstrated that programmes that use the Housing First framework can demonstrate impressively high housing retention rates and in some cases, considerable savings. This is why the Department is piloting Housing First programmes as part of our strategy to eliminate rough sleeping.

What is the Housing First framework?

Traditional programmes aimed at reducing homelessness move the homeless individual or household through different 'levels' of housing. Each level moves that individual or household closer to independent housing. For example, a homeless person might traditionally move from the streets to a public shelter, and from a public shelter to a transitional housing program, and from there to their own flat or house in the community.

In this way, traditional programmes are underpinned by the principle of 'housing readiness': i.e. the principle that individuals or households must first address the issues that provoked their homelessness (e.g. drug addiction, alcohol addiction, or poor mental health) and thereby demonstrate that they will, in all likelihood, be able to healthily and properly occupy their own flat or house.

In contrast, a programme that uses the Housing First framework moves the homeless individual or household immediately from the streets or homeless shelters in which they reside to their own flat or house, skipping the intermediate steps.

Correspondingly, the Housing First framework is founded on two key principles: i) that a homeless individual or household's first and foremost need is to obtain stable housing, and that other issues should be addressed once such housing is obtained; and ii) that the individual's or household's other issues are better addressed after such housing is obtained than they are before such housing is obtained (an empirical principle).

What do other countries do?

Programmes that use the Housing First framework have been widely adopted in North America and Western Europe, including the US, Belgium and Spain. Furthermore, they are a central part of national homelessness reduction strategies in Canada, Denmark, Finland and France.

What can we learn from international evidence?

- **Programmes that use the Housing First framework can yield a higher degree of tenancy stability than traditional programmes.** The *At Home/Chez Soi* Randomised Control Trial (RCT) study in Canada reported

that participants of a programme that used the Housing First framework spent 73% of their time stably housed during a two-year period. Conversely, participants of a traditional programme spent only 32% of their time stably housed over the same period.²⁶

Similar results were found in an RCT based in New York – 80% of programme participants spent the two-year period stably housed under Housing First compared to 30% under traditional programmes.²⁷ Similar results have been reported in the Netherlands, Denmark and Portugal.²⁸

- **Programmes that use the Housing First framework can reduce contact with hospitals.** A large scale RCT into the *Un Chez-Soi D'abord* programme in France revealed that participants of a programme that used the Housing First framework had a) significantly less contact with hospitals and b) a significantly lower frequency of hospital stays.

Moreover, after using this programme for 12 months, these participants spent an average of 8.8 nights in hospital within the most recent six-month period. Conversely, prior to the commencement of the programme, those same participants spent an average of 18.3 nights in hospital within the most recent six-month period.²⁹

- **Housing First programmes can significantly offset their costs by generating savings elsewhere.** The *At Home/Chez Soi* RCT concluded that every \$10 invested in a programme that used the Housing First framework generated an average reduction in the costs of other services (shelters,

²⁶ Goering, P., Veldhuizen, S., Watson, A., Adair, C., Kopp, B., Latimer, E., Nelson, G., MacNaughton, E., Streiner, D., & Aubrey, T. (2014), 'National Final Report: Cross-Site At Home/Chez Soi project', Mental Health Commission of Canada, https://www.mentalhealthcommission.ca/sites/default/files/mhcc_at_home_report_national_cross-site_eng_2_0.pdf

²⁷ Tsemberis, S., Gulcar, L., & Nakae, M., 'Housing First, Consumer Choice, and Harm Reduction for Homeless Individuals With a Dual Diagnosis', *American Journal of Public Health*, April 2004; 94(4): 651–656, <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1448313>

²⁸ Pearson, C. L., G. Locke., Montgomery, A.E. and Buron, L. (2007) *The Applicability of Housing First Models to Homeless Persons with Serious Mental Illness* (Washington DC, Department of Housing and Urban Development), <http://www.huduser.org/portal/publications/hsgfirst.pdf>; Goering, P., Veldhuizen, S., Watson, A., Adair, C., Kopp, B., Latimer, E., Nelson, G., MacNaughton, E., Streiner, D., & Aubrey, T. (2014), 'National Final Report: Cross-Site At Home/Chez Soi project', Mental Health Commission of Canada, https://www.mentalhealthcommission.ca/sites/default/files/mhcc_at_home_report_national_cross-site_eng_2_0.pdf; and Busch-Geertsema, V., 'Housing First Europe Final Report', Housing First Europe, (GISS Bremen, Germany), <https://www.habitat.hu/files/FinalReportHousingFirstEurope.pdf>

²⁹ Tinland, A. and Psarra, C. (2015), 'Housing First: Lessons from France: Presentation at the IGH Homelessness in a Global Landscape Conference', Chicago, June 2015

hospitals, food banks, etc.) by \$9.60 for high-need participants and by \$3.42 for medium-need participants.³⁰

- **The benefits of programmes that use the Housing First framework are largest for participants deemed ‘hardest to house’.** The Joseph Rowntree Foundation claims that people experiencing all of a) homelessness; b) substance misuse; and c) contact with the criminal justice system bring about at least £14,735 (and possibly as much as £41,125) of *extra* costs to the state compared to individuals experiencing just one of these circumstances. In other words, the costs stack.³¹ Therefore, a programme that uses the Housing First framework is most potent – and the savings generated are largest – when the programme is targeted at those who are deemed ‘hardest to house’.

What are we doing in the UK?

The Government is examining the Housing First framework as part of its wider plan to tackle homelessness. We have committed £28 million of funding to pilot a Housing First approach for entrenched rough sleepers in the West Midlands Combined Authority, in Greater Manchester, and in the Liverpool City Region.

Moreover, in November 2017, the Department set out the details of a new Rough Sleeping Advisory Panel, comprising representatives from Crisis, Shelter, the Local Government Association, St. Basils, the Mayor of Greater Manchester, and the Mayor of the West Midlands. The group also includes Peter Fredriksson, a homelessness advisor to the Finnish government, which has successfully piloted the Housing First approach.

These measures sit alongside the Department’s other work to tackle homelessness, including:

- spending over £1 billion until 2020 to tackle homelessness and rough sleeping;
- implementing the Homelessness Reduction Act which will make sure more people get the help they need to prevent them from becoming homeless in the first place;
- investing £9 billion by March 2021 to build new affordable homes; and
- a £20 million scheme to help homeless people and those of risk of homelessness to secure homes in the private rented sector.

³⁰ Goering, P., Veldhuizen, S., Watson, A., Adair, C., Kopp, B., Latimer, E., Nelson, G., MacNaughton, E., Streiner, D., & Aubrey, T. (2014), ‘National Final Report: Cross-Site At Home/Chez Soi project’, Mental Health Commission of Canada,

https://www.mentalhealthcommission.ca/sites/default/files/mhcc_at_home_report_national_cross-site_eng_2_0.pdf

³¹ ‘UK poverty: Causes, Costs and Solutions’, Joseph Rowntree Foundation, York, September 2016, <https://www.jrf.org.uk/report/uk-poverty-causes-costs-and-solutions>

CONCLUSION

There is significant difficulty in trying to draw conclusions from housing policies of other nations. Housing markets are unique, and it is almost impossible to draw conclusions about specific policies and their overall effectiveness, divorced from the market context. Market factors such as tenure distribution have a profound impact on housing policy.

However, with these caveats, the case studies included in this report demonstrate that by reviewing international evidence we can learn more about our own policies, market quirks and in some cases look for inspiration about how to trial what has been successful abroad and adapt it to suit our market, where there are sufficient similarities.

BIBLIOGRAPHY

British Property Federation, 'BPF Build to Rent Map of the UK',
<https://www.bpf.org.uk/what-we-do/bpf-build-rent-map-uk>

Busch-Geertsema, V., 'Housing First Europe Final Report', Housing First Europe, (GISS Bremen, Germany),
<https://www.habitat.hu/files/FinalReportHousingFirstEurope.pdf>

CBRE, 'US Multifamily Housing: A Primer for Offshore Investors',
<http://www.cbre.us/real-estate-services/real-estate-industries/multifamily/us-multifamily-housing-primer>

Construction Industry Council (2013), *Offsite Housing Review*,
www.cic.org.uk/download.php?f=offsite-housing-review-feb-2013-for-web.pdf

Davies, G. (2013), 'Design for Manufacture and Assembly is helping revolutionise construction, making it faster, cleaner, cheaper and more reliable', Engineering Excellence Journal (Laing O'Rourke).

Department for Communities and Local Government, 'Fixing our broken housing market', <https://www.gov.uk/government/publications/fixing-our-broken-housing-market>

Farmer, M., 'Modernise or Die: The Farmer Review of the UK Construction Labour Model', October 2016, Construction Leadership Council,
<http://www.constructionleadershipcouncil.co.uk/wp-content/uploads/2016/10/Farmer-Review.pdf>

Goering, P., Veldhuizen, S., Watson, A., Adair, C., Kopp, B., Latimer, E., Nelson, G., MacNaughton, E., Streiner, D., & Aubrey, T. (2014), 'National Final Report: Cross-Site At Home/Chez Soi project', Mental Health Commission of Canada,
https://www.mentalhealthcommission.ca/sites/default/files/mhcc_at_home_report_national_cross-site_eng_2_0.pdf

Joosten, H., Wisman, H., Klaver, S., 'Germany, France, The Netherlands: Housing Markets in Perspective 2016', BPD,
https://www.bpdeurope.com/media/107467/q540_bpd_dunefra-2016_engels-lr-web.pdf

Joseph Rowntree Foundation, 'UK poverty: Causes, Costs and Solutions', York, September 2016, <https://www.jrf.org.uk/report/uk-poverty-causes-costs-and-solutions>

KPMG, 'Smart Construction: How offsite manufacturing can transform our industry', April 2016, <https://assets.kpmg.com/content/dam/kpmg/pdf/2016/04/smart-construction-report-2016.pdf>

Krup, D., Miles, J., 'Offsite Construction: Sustainability Characteristics', BuildOffsite, June 2013,
www.buildoffsite.com/content/uploads/2015/03/BoS_offsiteconstruction_1307091.pdf

McKinsey Global Institute, 'Reinventing Construction: A Route To Higher Productivity', February 2017, <https://www.mckinsey.com/~media/McKinsey/Industries/Capital%20Projects%20and%20Infrastructure/Our%20Insights/Reinventing%20construction%20through%20a%20productivity%20revolution/MGI-Reinventing-construction-A-route-to-higher-productivity-Full-report.ashx>

Monk, W., Whitehead, C., Burgess, C. & Tang, C., 'International Review of Land Supply and Planning Systems', <https://www.jrf.org.uk/sites/default/files/jrf/migrated/files/land-supply-planning-full.pdf>

NatCen Social Research, 'British Social Attitudes 28', http://www.bsa.natcen.ac.uk/media/38952/bsa28_8housing.pdf

OECD Affordable Housing Database, <http://www.oecd.org/social/affordable-housing-database.htm>

Organisation for Economic Co-operation and Development, 'Society at a Glance 2016', OECD Social Indicators, https://read.oecd-ilibrary.org/social-issues-migration-health/society-at-a-glance-2016_9789264261488-en#page82

Pearson, C. L., G. Locke., Montgomery, A.E. and Buron, L. (2007) The Applicability of Housing First Models to Homeless Persons with Serious Mental Illness (Washington DC, Department of Housing and Urban Development), <http://www.huduser.org/portal/publications/hsgfirst.pdf>;

Prefab NZ, 'Prefab Roadmap: A Way Forward for Prefabrication in New Zealand 2013-2018', [http://www.prefabnz.com/Downloads/Assets/8012/1/PrefabNZ%20Roadmap%20for%20Prefab%20in%20New%20Zealand%20\(2013\).pdf](http://www.prefabnz.com/Downloads/Assets/8012/1/PrefabNZ%20Roadmap%20for%20Prefab%20in%20New%20Zealand%20(2013).pdf)

Public Accounts Committee, 'Housing, State of the Nation', Sixty-Third Report of Session 2016-2017, 24 April 2017, <https://publications.parliament.uk/pa/cm201617/cmselect/cmpublic/958/958.pdf>

Savills, 'Build to Rent Q1 2018 figures: Prepared for the British Property Federation', 2018, <https://www.bpf.org.uk/sites/default/files/attachments/Build-to-Rent-Q1-2018-BPF.pdf>

Tinland, A. and Psarra, C. (2015), 'Housing First: Lessons from France: Presentation at the IGH Homelessness in a Global Landscape Conference', Chicago, June 2015

Tsemberis, S., Gulcar, L., & Nakae, M., 'Housing First, Consumer Choice, and Harm Reduction for Homeless Individuals With a Dual Diagnosis', *American Journal of Public Health*, April 2004; 94(4): 651–656, <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1448313>

Walker, J.F., Crawford, C.A., 'Cash in a Housing Context: Transitional Shelter and Recovery in Japan', *International Journal of Disaster Risk Reduction*, volume 24,

September 2017,

<https://www.sciencedirect.com/science/article/pii/S2212420916306628#bib40>

Woetzel, J., Ram, S., Mischke, J., Garemo, N. & Sankhe, S. (2014), 'A blueprint for addressing the global affordable housing challenge.' McKinsey Global Institute, https://www.mckinsey.com/~media/McKinsey/Global%20Themes/Urbanization/Tackling%20the%20worlds%20affordable%20housing%20challenge/MGI_Affordable_housing_Full%20Report_October%202014.ashx