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Spatial Economics Research Centre

Thursday, 1 December 2011

Is the New Homes Bonus Working? (Part 2)

DCLG have just announced that this year's New Homes Bonus payment will be £430m. As DCLG point out 'this is more than double the first year's payment'.

At first, this sounds like great news, until you remember that the bonus is paid for 6 years on any new build, so this year's figures *include* the second year of payments for last year's house building. [According to DCLG](#): "This year's larger payment includes £210 million for new and empty homes delivered in 2010 -11, a second instalment of almost £200 million for homes built in 2009 -10, and the first premium for affordable homes totalling £20 million"

A better comparison comes from looking at the actual housing numbers. The first year's payments were for a 150,000 increase in the effective housing stock. This year's are for a 159,000 increase in the effective housing stock.

Several things help put those numbers in to perspective. First, [as I have discussed before](#) last year's increase of 150,000 in effective housing stock included the worst net addition figures for the last 5 years. So the 159,000 increase this year makes for the second worst figures in six years. Second, the NHB was announced sufficiently late last year that it was hard to imagine that it would have had much impact on the numbers to October 2010. One way to view the 159,000 number therefore is that the NHB resulted in 9,000 additional completions (because this was the first year that it had bite on decisions). That doesn't sound like very many. Two caveats. One is that starts might be a better measure for tracking the impact of NHB than completions (because its those decisions that will have been made since the NHB was introduced). But [according to DCLG](#): "Annual housing starts reached 96,070 in the 12 months to September 2011, down by 7 per cent compared with the 12 months to September 2010". The other far more significant factor is, of course, the dire economic situation. If we could net out the effect of that, the impact would look better than 9,000 additional completions, although it's hard to figure out how much better. [If anyone has seen an attempt to do that I would be very happy for any pointers.]

In short, it remains difficult to tell how much impact NHB is having on the willingness of local communities to allow more building.

Posted by [Prof Henry G. Overman](#) on [Thursday, December 01, 2011](#).

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