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ENGLISH RURAL



# Rural recovery and revitalisation

The economic and fiscal case for investing in  
rural affordable housing to drive post-pandemic  
recovery

EXECUTIVE SUMMARY

October 2020

**pragmatix**  
advisory



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A report for CPRE, English Rural and Rural Services Network

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With research support from Grace Day and Grace O'Mara



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## Executive summary

Pragmatix Advisory has been commissioned by CPRE, English Rural and Rural Services Network to evaluate the case for building more new affordable homes in rural areas.

**BUILDING MORE AFFORDABLE HOMES** in rural communities makes sense economically, socially and fiscally. It will provide a needed boost to the post-covid recovery of some of the most seriously impacted local economies, support the longer-term sustainability of fragile rural communities and deliver to the Treasury substantial savings in public sector expenditure.

# Affordable housing delivers rural sustainability





# Building more affordable homes in rural communities ...

# ... makes economic sense

## Ten new rural homes provide £1.4 million boost to help level up disadvantaged local economies

Building new homes is an effective economic stimulus to help communities and regions recover from the impacts of the covid recession.

Ten new affordable rural homes cost just under £1.1 million to build and directly support the equivalent of around nine full-time jobs in the construction sector. The economic boost is multiplied along the supply chain as employees in the construction sector and its supply chain spend their incomes, while small businesses and self-employed traders become more economically active. Across this wider ecosystem, a total of 26 jobs are supported, £250,000 of new tax receipts are generated and an overall £1.4 million extra gross value added (GVA) is created.

With a greater dependence on construction, as well as tourism and retail, rural economies have been among the hardest hit by the business and financial consequences of the pandemic. Rural communities have seen the highest rates of furloughed employees. Building new homes could bring workers into employment who would otherwise be unemployed and receiving benefits – saving the government up to a further £12,000 per new home built.

## Rural challenges

Economic vulnerability. Commercial activity concentrated in relatively few sectors.

Homebuilding rate per head of population lower in rural than in urban areas.

Second homes increase pressure on housing availability and push up prices.

Rural wages are lower than those earned in urban areas.

Lower-income families face house price-to-income ratio of almost 9.5.

Farms employ 70,000 seasonal workers each year, mostly EU nationals, and will now need to recruit more locally.



# ... makes societal sense

## 124,000 extra rural households as covid prompts families to move out from the cities

New affordable homes will help ease existing pressures on rural communities which are likely to be compounded by the long-term impacts of covid.

Even before covid, rural families faced some of the least affordable homes outside of London. Rural key workers and lower income employees spend a greater proportion of their incomes on housing – if they can find accommodation at all.

The potential longer-term implications of covid will further compound the difficulties faced by rural workers finding and affording rural homes. Although it is too early to make reliable predictions of the post-pandemic 'new normal', likely future trends are becoming clearer. Current town and city dwellers have begun to seek homes with more space and fresh air; remote and flexible working will become a permanent way for some office-type jobs to be carried out; and interest in 'staycation' domestic tourism will increase. All will add to demand for rural homes and services.

On conservative assumptions about the proportions of current city and town workers who may relocate to rural communities given the 'new normal', we estimate a further 124,000 homes may be needed in rural England over the next decade, over and above pre-existing demand. This is the equivalent to three years of additional homebuilding at current rates.

## Features of the rural economy

England's rural economy contributes an estimated £229 billion to national output.

Key workers represent 33 per cent of the rural employed population.

Rapidly ageing demographic, with a higher proportion of retirement-age residents than in urban areas.

More people aged 16 to 30 years are leaving rural areas than migrating into them.

## ... makes fiscal sense

### **Each new rural affordable home pays for itself and returns an extra £54,000 to Treasury coffers**

Building new affordable homes will improve public sector finances. Upfront costs to councils and housing associations are partially mitigated by higher central government tax receipts from the construction sector as well as reduced unemployment and welfare spend on builders who may otherwise have been without work.

Once built, every new home will save the government money through a reduction in housing and unemployment benefits, spending on the health service, and costs of providing temporary accommodation. Each new home will reduce the annual deficit by an average of £6,500.

A programme of building affordable rural homes will improve public finances over 30 years by the equivalent of £54,000 per house in today's money – even after taking account of the cost of construction and land acquisition.

### **New rural affordable homes deliver benefits**

Improve health and wellbeing and save the National Health Service money.

Cut spending on housing benefit.

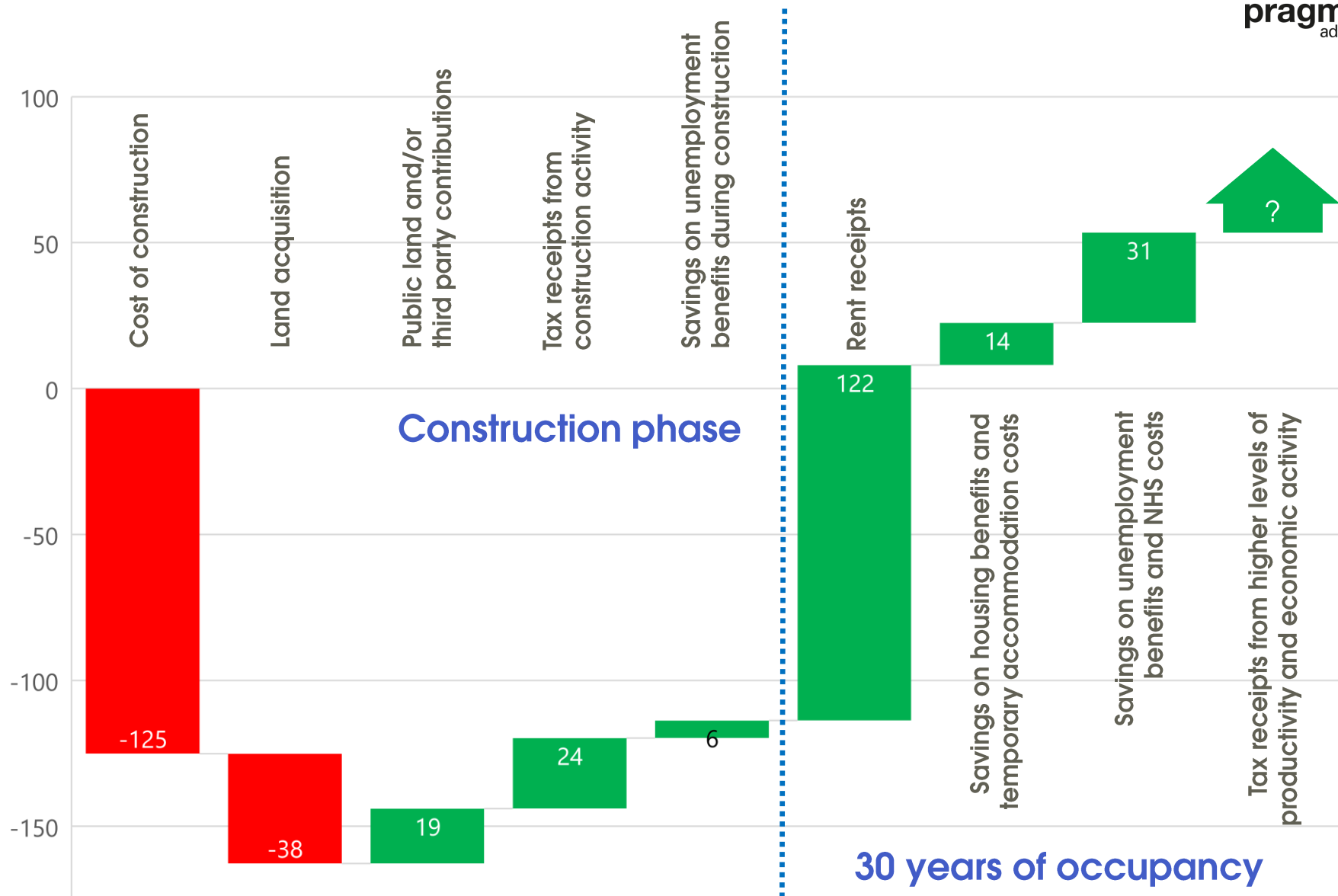
Enable key workers to live close to work.

Keep family networks together, reducing social care bill.

Support rural businesses, with local customers and workforce.

Help to keep village schools, pubs and post offices open.

Improve social mobility and level-up.



**Fiscal impact of building one typical new home for affordable rent in a rural community**

England, £ thousands 2020 net present value per dwelling



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