

Private housing sites operating at 80% of productivity due to Covid-19



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The latest Covid-19 construction statistics suggest that sites were operating at 80% in terms of productivity in August – according to the new Private Housebuilding report which was published by AMA Research this week.

At the start of 2020, it looked as if it was going to be another year of growth for the private housing sector. Mortgage fixed-interest rates in Q1 were at their lowest for at least five years, while in February mortgage approvals reached 73,660, the highest level in at least a year.

However, the impact of Covid-19 and the Spring lockdown is forecast to lead to at least a 30% decline in contractor's output in 2020 and over 40,000+ fewer private homes being built. Mortgage approvals dropped to 15,865 in April and then down again in May. All but a relatively small number of SME builders temporarily closed their sites in the week beginning 24 March. At the peak of the first wave of Covid-19

in the UK, around 2,600 private residential building projects with an aggregate value of £40bn were shut down.

Following the publication of new guidance for businesses in May, building sites began re-opening and after the easing of lockdown restrictions from 23rd June, all sites had re-opened.

In August many leading housing developers reported that sites are generally operating at around 80% of typical productivity, although activity has mainly been on completing homes originally scheduled for March-May. This suggests that starts have been delayed by around 3 months. The value of contract awards reached in July, is approximately 45% lower than in July 2019.

While interest rates remain on the lower side, mortgage deals are likely to remain competitive, although interest rate rises could easily stifle growth in demand. Affordability will continue to be a key factor in sustaining demand. The extension of Help to Buy equity loans in England to 2023 will be a key driver for new private homes. Thereafter, it may be superseded by the government's new First Homes scheme, targeted at keyworkers with offers of discounts up to 30%. However, previous affordability programmes have not come to fruition, such as the recent Starter Homes scheme under which not a single home was built.

Currently, forecasting for the medium term is particularly challenging. Not only is it unknown how long the Covid-19 pandemic will continue but, in 2021, uncertainties will be compounded by the impact of the UK finally leaving the EU.

The information was taken from the [Private Housebuilding Market Report 2020-2024](#) by AMA Research, which is available to purchase now at www.amaresearch.co.uk or by calling 01242 235724.

Editors Note:

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