Fixing the supply side: evidence on the problems and some modest proposals

Prof Glen Bramley
(Heriot-Watt University, Edinburgh, UK
Contact: g.bramley@hw.ac.uk; +44 (0)131 451 4605)

Workshop: 'Housing and the Economy: the Crisis and Beyond'
University of Reading, 19 September 2013

Elements of Supply Problem

- Credit/financial crisis and aftermath
- Affordability (alias effective demand)
- Localised planning
  - sentiment & incentives
  - target numbers and evidence
  - co-operation
- Planning for larger scale development
- Infrastructure
- Land development process ('pushing string')

Financial Crisis and Aftermath

- 'Obviously' record low supply levels of last 5 years primarily reflect financial crisis, via (a) famine of low deposit mortgages (b) limited finance for developers (c) general recession & pessimism re demand
- Current 'improvement' reflects relaxation of (a) & (c) (esp 'Funding for Lending' & M Carney 'forward guidance'); also pent-up demand, foreign/finance-led demand in London, etc.
- But this masks what was previously sluggish supply performance in boom conditions, as addressed by Barker (2004) but not really solved by 2007
- Some argue that adverse structural features of housebuilding industry have not been resolved but probably accentuated by crisis
- I & others argue that post-2010 'Localism' policy reforms to planning add a further significant layer of difficulty to supply side

Affordability and 'Effective Demand'

- To understand supply behaviour of housebuilders you have to understand their perception of future demand
- In financial crisis lack of (high-LTV) mortgages has been decisive factor
- But arguably there has been a longer term 'affordability' problem and this looks set to continue – not enough new/younger households can afford to buy
- This reflects changes in distribution of earnings/income, demographic and labour market factors, uneven access to family help
- Partly offset (but also exacerbated) by rise of Buy to Let
- It would be nice to see some measures to reduce income & wealth inequality, but don't hold your breath
- There may be a longer term need for significant intermediate LCHO and secure market rental products

Localist Planning Reform

- Critique of previous system as 'broken', 'bureaucratic' (and unpopular)
- Scrap regional planning bodies and regional strategies
- Scrap top-down numerical housing targets (& NHPAU)
- Remove some planning guidance (re density, 'garden grabbing')
- Local authorities to take decisions (except where devolved to local communities)
- Incentives – extra grant related to number of new homes (NHB)
- Broad continuance of planning gain agreements but formalised in 'Community Infrastructure Levy'
- Presumption in favour of sustainable development
- Retain SHMAs & SHLAAs

The Problem – public attitudes

- Past evidence/literature suggests NIMBYism quite prevalent in England
- 2005 survey suggests strong resistance to additional housing within existing urban neighbourhoods ('CityForm')
- Impacts on traffic, pollution, parking were strongest -ve factors
- 2010 BSAS suggests majority opposition, esp among
  - those with a strong view - middle classes - owner occupiers
  - Tory/LibDem/Green - South - suburbs

Attitudes by Tenure & Overall

Table 4: Support for or Opposition to More Homes being Built in Local Area by Tenure, UK 2010

	All	*Own*	*Social Rent*
Support strongly	4.9	2.7	13.3
Support	24.8	21.5	34.4
Neither supp/opp	22.5	22.8	17.7
Oppose	30.3	32.9	22.2
Oppose strongly	15.1	18.0	10.3
It depends	2.0	1.9	1.1
Don't know	0.4	0.1	1.9
Total	100.0	100.0	100.0
Base	3297		
Net Support	-15.7	-26.8	15.2

Source: British Social Attitudes Survey 2010: see Bramley 'The Housing Challenge' in Curtice et al (forthcoming)

Park et al (eds) (2011) *British Social Attitudes: the 26th Report*. London: National Institute for Social Research
Chapter by Glen Bramley on 'Housing Attitudes and Changing Policies'

What would persuade them?

- Side benefits of new housing, particularly
  - employment opportunities
  - greenspace, parks
  - improved transport links
  - schools, leisure, shops, medical etc.
- Financial incentives to residents not rated per se
- Smaller starter homes, affordable homes to buy & rent

Table 7: Type and Tenure of New Housing Needed Locally

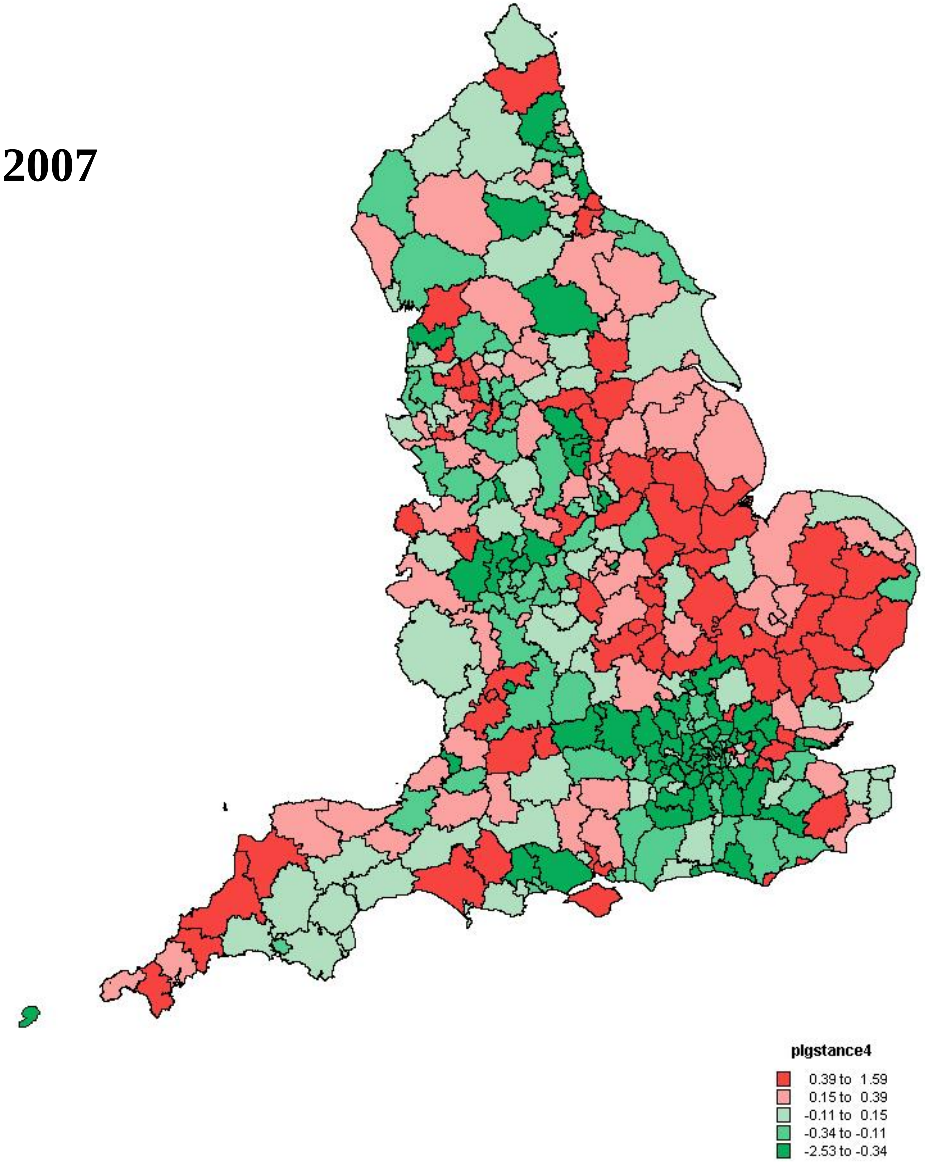
No New Homes Needed	20
Flats/maisonettes	14
1-2 bedroom houses	35
5+ bedroom houses	3
Homes to Buy	27
Private Rent	8
LA or HA	39

Summing up Predicted Patterns

- Using moderate assumptions about conditional support and delivery of some side-benefits (levels 2 & 3*)….
- ..more support in NE, Y&H, E Mids; still net oppos in other regions, esp SE and East
- …more support in central cities, and in 'most rural', and depressed areas; still more opposition in suburbs (esp London) & prosperous areas

*** Levels: 1. unconditional support 2. support if open space & leisure improved;**
3. support if wider range of improvements incl educn, healthcare, transport
4. as 3. but include switching from opposition to support
Comment: level 2 probably most realistic, given public spending and development viability constraints.

Planning Stance c.2007



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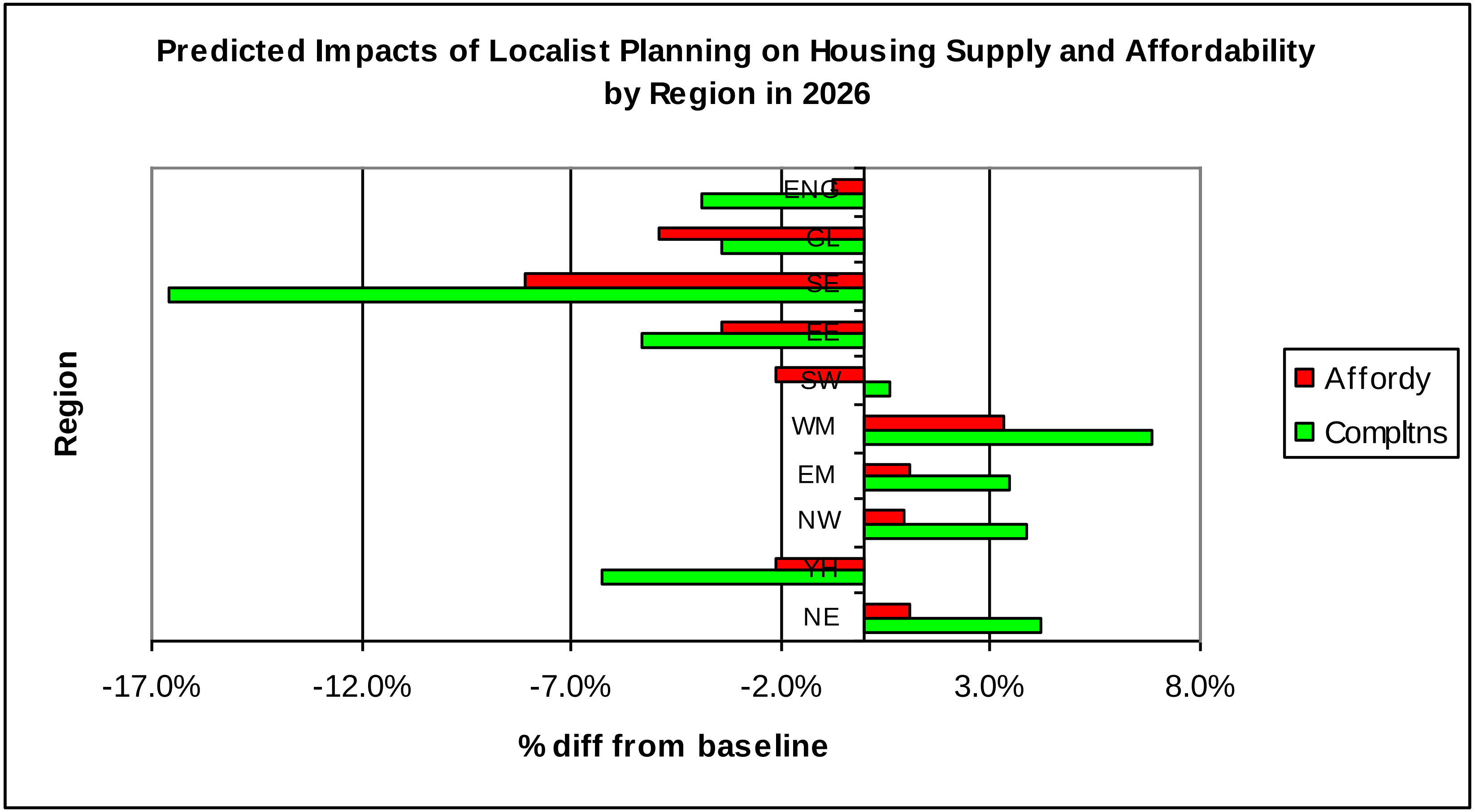
Predicting Change in Stance

- Combined predicted conditional support for development with existing planning stance index at LA level, to generate 4-way discrete typology
- A lot of LAs (60%) predicted not to change
- 95 predicted to shift down their supply, 44 to shift up (slightly more optimistic 87:53)
- Shifting up more common in north and midlands
- Shifting down predominant in London, south (and YH); in south outside London, 62 downshifts vs 3 upshifts (!)
- Minority of upshifters are City Centres and deeper rural – some of these have other constraints e.g. National Parks
- Downshifters include many areas formerly known as significant growth locations
- Recent survey by Tetlow King shows picture consistent with these predictions, altho bigger reduction in SW and some in midlands

Impacts on Supply & Affordability



School of the Built Environment

What is actually happening?

Outturn				
for LAs who have decided	Reduce	Unchanged	Increased	
Region	-1	0	1	Total
NORTH	3	5	7	15
YORKS & HUMBER	4	10	3	17
NORTH WEST	6	10	14	30
EAST MIDLANDS	10	10	7	27
WEST MIDLANDS	13	17	2	32
SOUTH WEST	26	11	4	41
EAST	17	16	6	39
SOUTH EAST	22	35	3	60
	101	114	46	261
based on +/-2.5% threshold				

Change in Units p a	Previous	Net	Percent
	RSS No	Change	
Region	TKNo	TKChg	
NORTH	5208	337	6.5%
YORKS & HUMBER	19911	-359	-1.8%
NORTH WEST	18662	151	0.8%
EAST MIDLANDS	15141	191	1.3%
WEST MIDLANDS	16788	-1857	-11.1%
SOUTH WEST	22587	-5179	-22.9%
EAST	21398	-1368	-6.4%
SOUTH EAST	26803	-2980	-11.1%
Total	146498	-11064	-7.6%

Tetlow-King Survey of planned housing numbers by region, changes since 2010

Incentives

- Right in theory, but not enough in practice
- Best examples of cost of adequate infrastructure would be Milton Keynes ‘roof tax’, Cambridge Horizons tariff etc. c.3x N H Bonus
- S.106 already factored in for many LA’s before introduction of CIL
- Recession & ‘viability’ being used as reason to keep CIL low.
- Might sway ‘floating voters’ but not NIMBY’s with strong views, who tend to be most involved in local political action around planning

The not so hidden hand

- If not ‘top down targets’, then we must ensure that locally-chosen housing numbers are sufficient
- ‘Presumption in favour of sustainable development’ = ‘Presumption in favour of plan’
- LA vulnerable to appeal if does not have agreed plan (‘core strategy’) with housing target number
- This number has to be defensible in terms of reasonable evidence about need and demand
- Evidence collated in SHMA, now incorporated in slimmed down planning guidance
- Who decides soundness? – planning inspector, presumably

Evidence on Housing Need & Demand

- Should have regard to household projections (although these may embody 'suppressed' household formation)
- Should consider evidence of unmet need (overcrowding, concealed/sharing households, homeless & temp accom, insecure/unaffordable)
- Should consider affordability trends and relativities (to buy and market rent, including forecasts?)
- Market signals (price/rent trends, land prices)
- Should consider likely job growth and compare with working age population forecasts
- Should consider rate of development/delivery
- Evidence on size, type and tenure mix requirements
- Balance of existing + new need for affordable housing vs relet/resale supply – consider increasing total to allow viable level of supply

Bristol (WoE) Case

Model V.10 WoE Case **Greater Bristol (WoE)** Numbers over 20 years	Current	Baseline		A Low (0.6)	C Mod High (1.35)	Approx RSS 2008 D Fairly High (1.53)	F Mod Hi Hi quota	30/70 nat/local G Hi Econ Growth	I Lo Int Migrn	J End Credit Rat	V high supp+AH
'Provision' (check)	62,900	62,900	X	37,740	84,915	96,237	84,915	62,900	62,900	62,900	125,800
Completions	63,794	63,794		53,359	72,869	77,564	79,049	73,056	61,745	90,437	105,435
Household Growth	83,283	83,283	X	72,109	93,024	97,886	97,747	98,428	79,239	106,576	122,137
DCLG Household Projection	136,800	136,800		136,800	136,800	136,800	136,800	136,800	136,800	136,800	136,800
Net Migration inc internationa	47,055	47,055		20,872	69,737	81,079	77,060	55,547	21,777	87,539	122,334
Total Population growth	134,521	134,521		109,402	156,222	167,057	163,434	146,549	104,990	171,459	206,487
Working Age Population	42,830	42,830	X	28,447	55,294	61,515	60,066	66,199	20,467	65,407	86,690
Job Growth*	58,595	58,595		58,595	58,595	58,595	58,595	107,355	58,595	58,595	58,595
Affordability ave level % buy	25.8	25.8		24.5	26.9	27.5	27.8	22.9	26.4	36.5	31.8
difference from England	-8.4	-8.4	X	-9.6	-7.3	-6.8	-7.3	-11.0	-8.4	-8.5	-5.9
Affordability change % pt 07-3	-19.9	-19.9	X	-21.6	-18.2	-17.3	-17.1	-23.7	-19.2	-6.4	-11.4
Backlog need change 2011-3	9,792	9,792	X	10,274	9,432	9,266	8,446	10,598	7,734	3,778	5,838
Cumul Need-Aff Supply	58248	58248	X	56387	59788	60546	54384	64592	58865	50753	43190

Comments on WoE Case

- This is a problematic case
- In baseline, strategy fails on all criteria of soundness (X's)
- It does not help that LA's cut provision by 35% relative to RSS when they removed urban extension proposals in 2010
- Bristol is a pressured housing market with very poor affordability
- Bristol sub-region has enormous growth potential and job growth could well be much higher than baseline
- On all scenarios tested affordability remains much worse than national and deteriorates a lot over forecast period, while need backlogs increase
- The main opportunities to increase housing supply are in S Gloucs and N Soms, but framework for cooperation is weak

hmaname	Job Growth 1997-2007 abs pa	Job Growth 1997-2007 % pa
London	39053	0.72%
Gtr Manchester	10838	1.19%
Tyneside	8082	1.56%
Brighton-Sussex-Coast	7522	1.33%
Greater Bristol	7228	1.63%
Leeds	6965	1.67%
Liverpool-W Lancs	6326	1.47%
Greater Sheffield	6125	1.54%
Greater Exeter	5858	2.91%
Greater Birmingham	5814	0.74%

Bristol had one of the highest growth in jobs of 102 HMAs in decade to 2007. If they grew at this rate in next 20 years, that would be 145,000 extra jobs, compared with modelled growth of working age population of 20-65,000

Duty to Cooperate

- New legal duty on local planning authorities
- Need to consider unmet housing needs from neighbouring authorities is explicitly mentioned as example
- Local plan may be deemed unsound and not approved if not appearing to take such requirements on board
- However, process is complex because of different timing of local plans, arguments about interpretation of evidence, definition of housing market areas, judgements about sustainability of solutions
- Seems very cumbersome and uncertain compared with ‘rational’ solution of regional-scale planning!

Planning for Larger Scale Developments

- 2000s tested limits of urban intensification
- To meet scale of new housing requirements in England, the main options are new settlements and major urban extensions
- New settlements raise many issues and take a long time (see recent BSHF paper)
- Urban extensions must be the major short-medium term solution
- Green Belt is often barrier to this; current policy too uncritical of G B; widespread professional consensus that urban extensions within reshaped G B would be most sustainable approach
- Green Belt swaps, allied to better protection of best peri-urban greenspace assets, configured as green wedges/buffers/corridors, may be way to sell this.

Infrastructure

- Larger scale housing developments require a lot of infrastructure investment, often up front
- Assurance that transport and social facilities will be provided is part of key to persuading local resident/voters to accept development
- But austerity and financial climate militate against adequate provision
- Government could offer smarter incentives – bigger, more targeted, thresholded, conditional on cooperation
- Tariff schemes linked to prudential borrowing to spread costs offer a potential route
- J Walker proposal (TCPA) for SLICs – Strategic Land and Infrastructure Contract – pooling of private & public land & infrastructure contributions – brokered by LEPs, Counties or LAs

Land Development Process

- Initiative in most housing development remains with landowner/developer
- Evidence from all of our supply modelling that increasing supply of allocated or permissioned land does not lead to commensurate increase in starts/completions
- Reasons – concentration/ltd competition locally – corporate strategies – caution re future demand – fear of running out of land – fear of crystallising losses on book value of land
- Current evidence of quite large stocks of land with permission
- Planning itself lacks positive levers – 'pushing string'
- Traditional (1950s) mechanisms of large scale council housebuilding and NTDCs rely too much on public investment/borrowing
- Better to use scarce public funding to unlock or smooth infrastructure provision (e.g. through SLICs)?

Example of Supply Transmission

Impact of 40% increase in Plg Perm Flow on new build rate

	2016	2021	2031
SW	26%	21%	14%
EE	19%	15%	10%
SE	26%	23%	16%
GL	50%	43%	29%
England	25%	21%	16%

Based on Gloucestershire Model v.11 simulation

Modest proposal

- In designated major growth areas, eligible for enhanced incentives & funding, encourage SLICS & local joint venture land development vehicles
- Provide such bodies with additional power to expedite development (backed by CPO), triggered by underdelivery revealed by plan monitoring
- Land would be acquired and serviced by delivery vehicle, and auctioned under license to housebuilders willing and able to build to planning brief within defined short time horizon
- Freeholds conveyed to final occupiers
- Original landowners would receive value of disposals net of servicing costs and AH contributions i.e. fair effective market value, at time of completion

Summing Up

- Awareness of housing supply problem has deepened
- System was not working pre-crisis and will not bounce back easily
- 2009 diagnosis in *Open Source Planning* pretty implausible
- Switch to 'localism' populist but has added to complication of achieving better supply
- Reviving demand is a necessary but insufficient condition
- Rigorous interpretation of need/demand evidence in Local Plan approval process is critical
- Duty to cooperate may be an effective stick in some cases
- Green Belt policy needs to be modified
- Infrastructure funding mechanisms need more development
- Support delivery vehicles in designated growth areas
- Default power to acquire & auction land under license