

# Why Aren't We Building Enough Attractive Homes?

## Myths, misunderstandings and solutions

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*This research note examines why the UK is unable to build enough homes and why development is often mediocre. Building more could drive UK growth over the short and medium term, whilst changes to build more attractive housing and urban environments would drive up our quality of life. The failure to build the numbers of attractive homes we need is created by complex overlapping factors, including politics and the economic structure of the development industry. These are rooted in the UK's deeply flawed land planning system. The Coalition has grasped some key arguments (e.g. local incentives and design) but has not yet made an impact. Our Cities for Growth report argued Coalition policies would not raise housing numbers. 2012 is currently on course for the second lowest annual level of new homes since World War II (2009 was the lowest).<sup>1</sup> We repeat a failing cycle between central/local government control over the planning system. Government must avoid short term fixes that make things worse (propping up land prices), and focus on boosting housing numbers while starting to create a more flexible system that mediates between property owners and their neighbours, not imposes a top down plan. This report sets out short term options to help do this such as new models for self-build, brownfield liberalisation, urban extensions and new Garden Cities.*



### Land and Housing

House prices are really about land prices. Higher house prices simply mean land with residential planning permission has increased in value, including the land crystallised in existing homes. 'There is not enough mortgage lending to build homes' really means there is not enough mortgage lending to prop up land prices, unless mortgages cannot cover building costs (not the case in England). Mortgage lending raises the cost of land crystallised in homes and land with planning permission. Rising prices should mean more land converted to homes, but in our system it does not.

### The land market in this country is more like a command economy

This is because in this country, council plans control land use. These plans try to work out housing demand via household projections about the level of future demand in their area. This method fails to adequately assess demand, (e.g. it ignores small households living in large houses). Complex and often contradictory local plans mean it takes two years to get land through the system.

### There is no shortage of land in England

Just 6-10% of England has been developed and only 2.3% has been 'concreted over'. We can see there is no overall shortage of land given, for example, in Oxford a hectare of land costs £20,000 for agricultural purposes but £4 million for homes. It is artificial scarcity created by planning we are concerned with. Releasing just 2% of our land would allow 8 million family homes. There is a myth we have lots of brownfield land. Such derelict land exists for 1 million homes but this is only a few years supply, and is in areas we need it less. London has such land for just 30,000 homes. In addition, most of this needs to go to new commercial property as our commercial land and property is very expensive. We have six of the top 50 most expensive cities for offices globally.

### This system has created developers' land banks and reliance on rising land prices

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<sup>1</sup> All figures used in the Executive Summary are referenced within the main document.

Developers hold land for hundreds of thousands of homes as a) land prices rise as the planning system releases too little land, and b) land takes time to get through the planning system. Developers land bank due to planning. They earned high profits in the 2000s from this model. It is a farce for groups like CPRE to pretend developers oppose the current planning system when big developers' response to the draft NPPF strongly supported the current plan-led system. Developers borrow to buy land as they think land prices will rise. This model only works when land prices are stable or rising. But land prices only rise when too little is being released to satisfy demand. By definition therefore the current model can never build enough homes over time. It needs to change.

### **We have both a house price bubble and a shortage of housing**

The planning system has created a shortage of homes as shown by rising rents. Rents tend to reflect current but not speculative demand. On top of this a speculative bubble in house prices has built. Rents suggest house prices are overvalued by around 20%. If this begins to correct it will push down land values and shred developer balance sheets. Development needs a model that insulates it from credit turmoil, especially given the Eurozone's ongoing troubles. Without planning restraint and/or deeply flawed monetary policy, e.g. the Euro, bubbles are impossible. Even with the Fed's poor monetary policy in the 2000s some states avoided a bubble due to sensible planning policies.

### **Lack of credit is not key**

The Department for Communities & Local Government (DCLG) and Treasury argue a lack of credit has hit housing. This misunderstands how land/house prices interact. From 2000-07 lending increases doubled, land and house prices soared, and housing output barely moved.

### **More credit/land guarantees are self-defeating**

It is self-defeating to argue we need to stabilise house prices by raising supply, but to raise supply we need more credit. Credit mostly increases existing house prices in our overly restrictive system rather than raising supply, defeating the whole point of the exercise. The £10 billion in credit guarantees for land purchase is similarly unhelpful if not counterproductive, as it mostly just props up land prices. Helping developers on specific sites are likely to mean higher profits not more homes, and this model failed to boost development in the 1980s.



### **Land The current system treats people and property rights unfairly**

The current planning system not only hugely misjudges land release but also treats existing residents unfairly. The 1940s system is 'socialist' as it requires councils create a 'socially optimal' plan then impose it on everyone. But we know in reality such changes impose clear costs and benefits on specific individual existing residents. This is explored in our Cities for Growth report. As 'neighbourhood' is people's number one priority for homes, many NIMBYs are not selfish or unreasonable but defending their property rights. Attractive new homes with green space and compensation and infrastructure are a benefit. Squashed ugly homes up against a back garden with no compensation and infrastructure are a cost.

### **Council incentives don't work in this country**

The Coalition's £1 billion New Homes Bonus for councils that built new homes was dwarfed by the last government's £5 billion for councils via Section 106 in 2007, (£30,000 a home). This didn't work. Incentives are useful but must be at the right level. In Germany, with 13,000 planning authorities, this might be local government. In England with 326, incentives per home per resident are too small.

### **Mediocre new homes are the inevitable result of the current system**

Guidance on quality has been part of the system for a long time and has failed to produce results. There are three reasons mediocre quality is inevitable in our system. First, developers build what local plans not local people want, (they are often mutually exclusive, e.g. plans like high density and zero car use, not favoured by ordinary people.) Second, high land prices squeeze out quality design and force smaller homes and gardens to be built. Third, developers profit from, and hence focus on, land capture not quality design. This means a cycle where fewer homes push up land prices, which strengthens factors reducing design quality, and leads to even more hostility to new homes.

### **There is an endless and failing central/local government cycle**

The current system cycles between council control and poorly designed central interference under the direction of the Treasury. The late 1980s saw central imposition via a push for growth through circulars (which failed). The 2000s saw regional spatial strategies (which failed). The early 1980s and 1990s saw local councils take control (which failed). We will soon show councils are reducing future housing numbers. So central control is being reconsidered despite past failures and treating local

people unfairly. We must break this cycle by pushing decisions past local government to those living near proposed changes.

### **The Coalition has not yet got to grips with structural issues or vested interests**

In *Cities for Growth* we argued proposed reforms would not work. Good ideas such as neighbourhood plans or larger incentives for local people via a Community Infrastructure Levy (CIL) were made weak and optional, and CIL is now largely captured by councils. If the cost of building a home is less than buying one, construction should rise. If it is not, this is the result of the underlying systems failing, not lack of credit. But instead of realistic reform DCLG pushes failing local plans and Treasury pushes failed top down fixes.

### **The system supports itself and is an integrated slow and failing whole**

This prevents both short and long term resolution. For example, reforming brownfield to allow conversion to homes from commercial premises would illustrate councils' failure in land allocation. Thus when the Chancellor announced this in 2011 councils effectively fought it off, (though it has possibly now returned, which is a strong positive if it actually goes through). Centralised pushes on housing fail to tackle essential points around quality or land banking but feed into the myth and panic about lack of land in England. Self-serving myths from vested interests abound on planning, e.g. our planning system 'has regenerated our cities' despite huge internal migration from cities (only developing country immigration props them up) and from Dallas to Denmark urban cores were all regenerated by demographic shifts (twenty something urban living).

## **Part 3: Solutions**



### **Why we need a planning system**

Aside from protecting exceptionally beautiful areas from change, we need it to protect existing property owners from nearby changes infringing their property rights and allow for infrastructure planning. This means a very different system from our present one.

### **Externality-led not plan-led systems; giving control to local people**

We need to give control to those affected by planning changes. This includes two groups, those directly adjacent and those in the immediate vicinity. Those directly adjacent are most affected by the change, (e.g. it is visible from their property), with those in the immediate vicinity the group of people that are affected by larger changes (e.g. major developments). Our reports *Making Housing*

*Affordable* and *Cities for Growth* investigate these ideas. Different size groups should judge different applications as a development of 10, 100 or 1,000 homes affects a different size area, and has different impacts in green and brownfield sites. This system could work by either requiring an absolute majority to accept or block change.

### **A new rhetoric; quality, compensation and direct control in order to build more homes**

The legitimate fears of NIMBYs must be acknowledged, rather than NIMBYs being insulted. Quality must rise to the fore. Planners and people must see we will have more Cubbitt and less Corbusier. Local people must have ultimate control, and greenfield development come with compensation. The government should consider having a 50% maximum of development in non-urban local authorities. This would allow enough development and reassure people about their local area. As noted earlier, just 2% of England being developed will allow 8 million family homes.

### **Policies between now and 2015**

We urgently need popular policies that could get more homes built and move change forward, not more counterproductive measures that simply boost credit.

### **Reforming brownfield (i) change of use**

Brownfield development is much less controversial than greenfield development and so should be high on the list of priorities. Change of use refers to uses buildings are allowed to be put to (e.g. shop/office/home etc). Changes that reduce nuisance (e.g. a shop to a home) should be taken out of the system. Changes that increase it, (e.g. a home to a shop) should require approval by those affected. One useful by-product of this would be to expose the myth there is a lot of 'spare' brownfield as commercial land switches to residential, which will over time increase commercial costs. This will make liberalisation on greenfield easier by creating an extra ally for reform.

### **Reforming brownfield (ii) permitted development, heritage and building regulations**

Building regulations are not about planning but mandatory requirements for new homes that have grown beyond what is sensible (e.g. all new homes must have a downstairs toilet). Permitted development needs an overhaul. Change should be allowed if it doesn't affect others (e.g. if an extension is not visible from other homes it would automatically go through). But otherwise extensions should require those directly adjacent to approve change. In return for granting change it would be reciprocated. Property rights can begin to be traded. Finally, heritage regulations for more common Grade II building should be looked at, (e.g. changing internal floor layout should be easier).

### **Specific urban extensions approved by local people**

For over two decades we have insulted NIMBYs. Instead NIMBYs need to see how a better system might work. The forthcoming economic bill should make provision for secondary legislation to allow specific urban extensions if local people support them (not just councils redesignating green belt). This should use the principles of local support and compensation, as well as a levy to create new parks and other attractive spaces where new development goes ahead, showing this will improve the natural environment in these areas.

### **Garden Cities**

The ideas behind this are explored heavily in our Cities for Growth report. We are not China and this is not the 1960s. We cannot impose these centrally and those who think we can ignore that private property is the very foundation of Western wealth. But if local people and developers can agree on attractive new development and compensation, central government should support this. Again, secondary legislation should be enabled in the forthcoming bill if possible.

### **Self-build**

As government has noted, self-build is much higher in other countries. This is largely due to planning. Self-build could be encouraged here in England through allowing neighbourhood plans to designate plots for it, (perhaps for local people's children), possibly using land auctions to try to get land to come forward. This would release land for homes and create a powerful lobby for change consisting of those who wanted to a 'right to build' similar to the 'right to buy' of the 1980s.

### **Better incentives and/or land auctions**

Incentives from land values need go to the correct level, those affected by development not councils. Compensation should not be unlimited but should act to compensate for loss of nearby greenfield, and be allied to quality control. Compensation for greenfield not brownfield would prioritise brownfield redevelopment in a sensible manner.

### **Making the New Homes Bonus work and focusing planners on accommodating change**

The New Homes Bonus is a payment for new homes to councils. This should be earmarked for infrastructure with new homes. Planners should be required to have a reactive framework for new infrastructure, focusing minds on accommodating change. The best councils already do this well, but not all do.

## These changes will end land banking and eventually land bubbles

Reform to release land would show developers the government understands their current system and incentives and is set on changing them, making land banking a sub-optimal strategy. This would push developers to de-risk their land models as they would think land prices would fall over time. They would pass land risk to land owners, allowing development to continue even if land/house prices fall due to the Eurozone's difficulties. A reformed system would, over time, also stop land bubbles destabilising the wider economy.

## Politics is not an optional extra

Top down increases in housing and local plans won't deliver. Without new principles and a new narrative reform will fail. Reform must empower local people to have the final say, reassuring not attacking NIMBYs. To stop this parliament seeing the lowest house building since the 1920s we need more haste and less speed. There is no social or economic mission greater than reforming our planning system in order to build the attractive homes we need.

# Part 1: The Economics



## House Prices are Really Land with Planning Permission Prices and Vice Versa



People misunderstand what house prices are, and what rising house prices represent. House prices rising are not a magical alchemy turning bricks and mortar to gold. House prices rising are really rises in the cost of land with planning permission. The building remains the same in value. Instead the land with planning permission the house sits becomes more valuable. There are two reasons land values rise; long term, a scarcity of land with planning permission, and short term, a bubble created by rapid injections of credit pushes up the value of this land. The two elements can interact.

The land market in the UK has two elements. Firstly, there is the land market where large scale land purchases are made, (e.g. a hectare of land with residential planning permission in the South East in 2011 was worth £1.5 million).<sup>2</sup> Secondly, there is the land market crystallised into house prices. A house costing £200,000 on the open market but only £100,000 to build costs more due to the value of its land. So the 'housing market', either rents or house prices, is largely not about the cost of

bricks and construction, but about the land market and changes in the value of land with residential planning permission, which are then expressed through a rise in the price of housing.

Once this fundamental issue is grasped then many issues fall into place. For example, when developers complain that “there is not enough mortgage finance to build”, what they really mean is there is not enough mortgage finance to maintain existing land prices. Mortgage lending could cover the cost of building new houses. But it cannot support existing land prices. This does not mean government should intervene to increase lending. In fact, such intervention is counterproductive if the goal is to see housing become more affordable over time and credit redirected toward business.

Land values move in tandem but more sharply than house prices as they represent the variable element of house prices. For example, if in a region, construction costs and land are each 50% of a property’s value, then if house prices rise 10%, land prices rise 20%. The open land market (i.e. land not crystallised in existing homes) is thus more volatile than the housing market. In a functioning market, a rise in the value of land with residential planning permission as expressed through a rise in general house prices will create a greater release of land for new housing. This release will bring down the value of land with residential planning permission, including land tied up in house prices. In this manner house prices should be kept close to construction costs. Short term bubbles may emerge due to poor monetary policy (as discussed later), but these cannot be sustained long term.

It should be obvious from this that while specific locations (e.g. Central London) will see a premium on their land price, there is no reason that the average house in any region should cost significantly more than construction costs. In the long run, deviation from this is the result of failure by government policy unless there is no land left available and no possibility of increasing density. As discussed later, this is not the case in England. Unwinding the mess that has been created will take time, and avoiding sharp price corrections may be a legitimate policy consideration. But the longer the current system is supported the more difficult unwinding it will become.

## Our ‘land market’ is more like a command economy and does not supply enough land



This leads us into the second essential point. The UK’s ‘land market’ is in no real sense a market. Land release is not triggered by market mechanisms but is controlled by councils through the planning system. Land release by councils is governed by plans that try to micromanage all land use within a local authority. These plans can be found on council websites and run to hundreds of pages. They attempt to assess the level of new homes using inevitably flawed population and household projections. These project years into the future (e.g. in 2018/9 there will be an increase of 300 two

person households in local authority X) and require councils to plan ahead to meet these projections. Councils will tend to designate indicative areas for the new homes needed as well as the size of homes needed based on the population and household projections.

These plans hugely underestimate the real need for land because they ignore factors such as spare bedrooms. An increase in the proportion of one and two person households in three or four bedrooms is not taken into account through this method. Given that now 47% of home owners have two or more spare bedrooms then this failure is critical.<sup>3</sup> Moreover, councils often massage household projection figures down through internal/external migration projections, as they do not want to accept new homes. By deliberately and consistently using the lowest/highest plausible estimates new housing numbers are reduced. Outside of wartime, rationing and central planning is rarely successful and so it has proved with our land system. This is ultimately why our system fails.

In addition to councils not releasing enough land for housing, the contradictory and overly complex nature of local plans means that it takes long periods to steer land through the system. These legal and bureaucratic difficulties explain why the National Audit Office finds it takes roughly two years to get a significant housing development system from initial application to actually developing the site.<sup>4</sup> This again acts to restrict land supply and also helps create an increasingly oligopolistic house building sector, where a few powerful players interlock with council planning departments.

## There is no shortage of land in England



The rising cost of land with residential planning permission could be either due to a genuine land shortage or else an artificial scarcity created through the planning system. It is the latter. In 2005 one survey found just 10% of England was developed, including all commercial, residential, and industrial land. Most of this was gardens and parks.<sup>5</sup> Another study found 6.8% of England is urban, with most of this gardens, parks, allotments and so on. This study found despite current myths just 2.3% of England was 'concreted over' (e.g. built on or had roads or similar surface alterations).<sup>6</sup>

This artificial scarcity is reflected in the value of land with different planning designations. For example, in Oxford, a hectare of land with residential planning permission is worth some £4 million, while a hectare of land with industrial planning permission is worth some £1 million, and a hectare of land with agricultural planning permission is worth some £20,000.<sup>7</sup> Unfortunately our hysterical housing debate spurs destruction of green space in our cities. Because we refuse to build new homes that acknowledge higher car use, and build more housing space, front gardens worth 22 Hyde Parks have been lost since 1995 as people pave over front gardens to make car spaces and use decking and other features to try to increase their living space.<sup>8</sup> We are also losing gardens and

other green space. Satellite data shows the built up area of London grew 1.5% a year in the 90s as we lost valuable urban green space.<sup>9</sup> The demolition of family homes to be replaced by flats in towns and cities are the inevitable result of our refusal to allow any development on the urban fringe. (This has not been halted by the Coalition, although the rules have been tightened). Between 2006 and 2010 25% of all new homes were built on previously residential land, usually gardens.<sup>10</sup> This in turn hurts reform as people see valuable urban greenery vanishing nearby and believe we are running out of space in England, making them more hostile to liberalising planning.

It is a myth there is a large amount of 'brownfield' land in England. The total level of derelict brownfield land is enough for a million new homes, but mostly this is in the wrong place, (e.g. in London there is only space for 30,000 homes).<sup>11</sup> In addition, we have very expensive commercial space, for example six of the top fifty most expensive cities for office space in the World in the UK, and so much of this space will be needed to be recycled back into other uses.<sup>12</sup> Meanwhile, just 2% of England's 13 million hectares being built on at 30 homes a hectare would mean 8 million homes, taking us to just 12% of England developed but solving our housing crisis for decades to come.<sup>13</sup>

## This system created developer models reliant on land banking and rising prices



Our land release system has created a flawed development model with *land banking* at its heart. In part, land banking occurs because land takes so long to get through the system, as developers need a supply of future land. Major developers spend a great deal of energy monitoring (directly or via intermediaries) the planning system to identify future land release by councils. But large developers accurately believe that the release of land will be too tight over time, and so land will tend to rise in value. This leads them to hoard land rather than build on it and seek to sell it on. This explains why, although the exact figures are disputed, major developers hold enough land for hundreds of thousands of homes. To release this land they must believe that land values will decline not increase. Land banking is an understandable response to planning's rigid land release. Developers are also protected by the lengthy time it takes for significant decisions to be made by the planning system. This ensured high profit margins of big developers in the 2000s. In 2007 the major developers had profit margins of 17% compared to 5% profit margins among supermarkets.<sup>14</sup> Developers know in our restrictive system they will not be competing with new entrants or see new land release.

This model, which is squeezing out smaller developers and provided high profits during good years explains the support of large developers for the plan-led system. It was somewhat farcical for groups like the Campaign to Protect Rural England (CPRE) or the National Trust who oppose planning reform

to claim they were ‘standing up to the big developers’ during recent planning debates when the House Builders Federation argued clearly “*we support the plan led approach of planning*”.<sup>15</sup>

The model below shows how most developers operate.

A) Borrow to buy land —————> B) Build out —————> C) Sell at high mark up.

This system works if and only if between A) and C) land has risen or at least remained stable in value. Unfortunately, if this is the case, developers have a strong incentive to land bank. This leads to too few homes being built. Of course, the only reason that land values rise *is that the supply of land does not keep up with demand for land.* The entire system is therefore predicated on not being able to build enough homes. This creates the rising land prices that developers need. But if between A) and C) land falls in price the system collapses. This model is fundamentally flawed at delivering homes.

This system is also unstable, as discussed further on, since a bubble forms that eventually bursts. When this bubble bursts, and house prices fall, land prices fall faster since changes in house prices consist of the changes in the underlying land values. This then cripples developer balance sheets as they have borrowed heavily to purchase land, and they retrench. Thus not only in the upswing, but also the downswing the current unstable system delivers too few homes, explaining why since the 1980s the private sector has built too little, and why this shortage continues even with high prices.

## Why we have both a housing bubble and housing undersupply



Longer term land price rises are due to restrictions on supply. But in the short term, bubbles can form. We have both. This is indicated by the fact that in recent years both rents and house prices have soared but rents have risen at a lower rate. For example, in the ten years up to 2010 rents rose around 80%.<sup>16</sup> House prices rose by 140%.<sup>17</sup> This has meant a steady gap opening up between rents and house prices. House prices are now around 20-25% higher than they should be compared to rental costs.<sup>18</sup> Long term gaps between rents and house prices are not sustainable over time, and indicate a bubble has formed which may end in a crash. Unprecedented measures such as zero per cent interest rates, quantitative easing and other measures have helped keep up this bubble, but seem unlikely to prevent a correction forever. The development industry meanwhile wants the bubble to begin to inflate again, as they need rising land prices for their existing model to work.

A divergence between rents and house prices often heralds a crash as rents tend to be related to real demand for property.<sup>19</sup> This can fall, e.g. if employment falls and household numbers reduce (e.g. young people move back home with family). But these shifts are smaller than changes in house

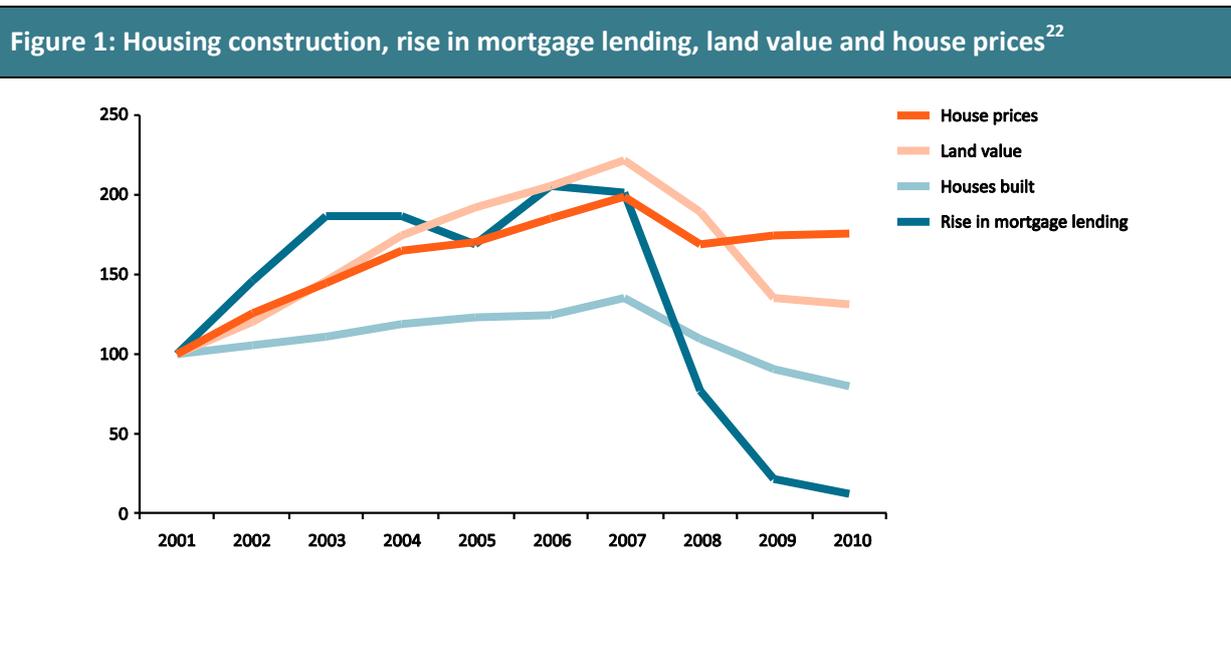
prices. House prices include anticipated price rises, meaning a large speculative element exists. People may buy larger homes than they need or want if they worry prices will rise (e.g. a couple wanting children years in future buy a two or three bedroom property not a one bedroom flat to protect themselves from future price rises), and thus help induce price rises. We have both an undersupply of new homes, as shown by rising rents, **and** a housing bubble caused by high prices, (albeit one that may be sustainable for some time). House prices may fall over the next few years and that this will in turn affect land prices. Developers must prepare for this eventuality.

In the long term, in the absence of overly strict planning constraints or dire monetary mismanagement, (as occurred in the Eurozone’s periphery), housing bubbles are not possible. This is shown by the fact that booming cities such as Dallas in the USA saw no real house price bubble in the 2000s,<sup>20</sup> unlike coastal states with restrictive planning constraints, or states where the Federal Government controls the release of land, as shown by the work of Harvard’s Ed Glaeser.<sup>21</sup> In the absence of extremely poor monetary policy or overly restrictive planning, bubbles cannot emerge.

### The problem is not a lack of credit



Because DCLG and other parts of government don’t recognise this fundamental problem around land they argue the planning system is not the problem and the issue is a lack of mortgage finance. But this is clearly not the case. As Figure 1 shows, between 2000 and 2007 the annual rise in mortgage lending doubled, but this simply meant higher house prices and land values.



If we adjust for the fact that between 2000 and 2007 smaller flats rose from 18% to 47% of new dwellings *there was no real increase in housing construction even as prices/new lending doubled*. This increase just went into land and house prices. Land prices would have risen even faster had councils not extracted ever higher Section 106 obligations, payments required by developers for planning permission, from rising land prices. If house prices rise but no extra land is released developer incentives shift to holding more land and reducing output, increasing land banks. This explains how high price rises allied to our planning system mean an increase in land banking and no real increase in housing construction. Indeed, page 13 of the 2004 Barker Review showed *negative* elasticity during one period of rising prices within the UK system, with output falling as prices rose.<sup>23</sup> But when this bubble implodes, mortgage lending falls, house prices fall, land prices fall and so housing construction falls as the land on developers' balance sheets falls in value and they cut variable costs and retrench, despite high house prices.

### More credit/government guarantees are self-defeating



Parts of government are in the grip of an argument that is not just wrong but logically self-defeating. They argue in order to make housing more affordable, we need more homes. In order to have more homes, we need more mortgage finance to allow developers to build using their current model. But by having more mortgage finance, we mostly increase house and land prices, making housing more unaffordable and encouraging land banking by big developers by propping up land prices.

A similarly self-defeating argument is by guaranteeing land prices we allow groups to build more. If developers receive such guarantees it effectively makes the current system win-win. If developers buy land at high prices with debt then if land prices rise, they gain by land banking. If land prices fall, they activate their government guarantees. We need to push developers to abandon it and find new land procurement models. While guarantees focused at 'build to let' are less unhelpful than existing big developers they encourage high risk and expensive land purchases by these groups, feeding the overall system and propping up land prices, and encouraging land banking by others. Such measures would only make sense if allied to wider measures to increase the flow of land into the system.

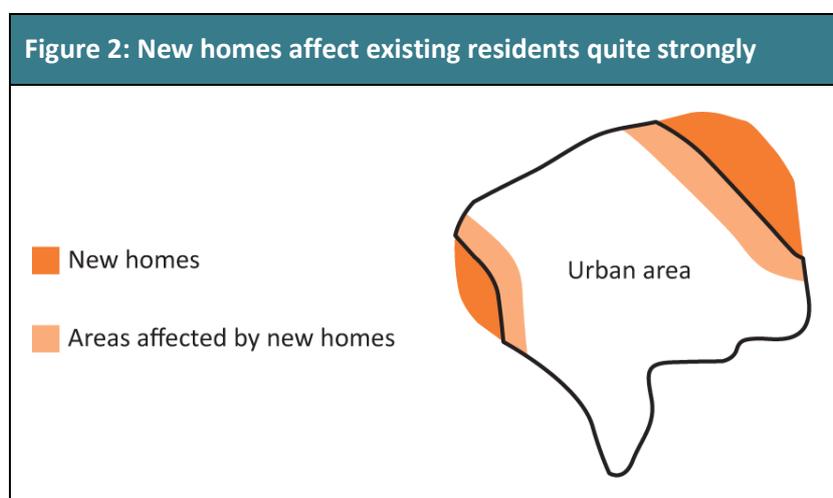
The most likely outcome of simply speeding up the existing system or reducing appeals on specific sites is large developers forcing through specific sites, a practice they used in the 1980s. This was politically toxic. It led to the 1990 Town and Country Planning Act and allowed developers to pick the most profitable sites not increase housing numbers. Private house building totalled just 159,000 homes a year in the 1980s and overall housing numbers fell sharply from the 1970s as the private sector did not take up the slack left by a sharp drop in social housing construction.<sup>24</sup>

## Part 2: Social, Political and Institutional Factors

The current planning system does not treat people fairly or respect property rights

Our plan-led planning system is a 'socialist' one from the 1940s. This is not hyperbole but a factual description. Each council tries to centrally plan the socially optimal solution in terms of land use and then imposes this without recompense or the direct approval of those involved. The idea behind this is that the government can create an optimal solution to impose on all individuals living in an area.

Unfortunately, this leads to great unfairness. Plans impose different costs and benefits on specific individuals that cannot be simply ignored. New homes for example have a clear impact on existing residents. We know location is the number one issue for people when looking for a home.<sup>25</sup> The evidence shows different factors near a property raise or lower its value (e.g. parks and open water raise house prices, whilst nearby pylons lower them).<sup>26</sup>



New homes have a major impact on local people. They convert existing open space (or brownfield) into new properties. How this is done has a huge effect on the house prices and quality of life for those living nearby. Attractive new homes with green space and amenities attached and with adequate new infrastructure provided will have a positive, or at worst, neutral impact. Squashed rabbit hutches right up against someone's back garden with no new infrastructure will have a seriously negative impact.

However, the current plan makes no attempt to compensate for or control these effects. It therefore treats existing property owners deeply unfairly. This is the anger that drives much of the NIMBY lobby. Ministers must understand the legitimate nature of many complaints with the planning system, rather than seeing NIMBYs as selfish or aggressive. In such a system, the optimal strategy for residents will be to fight and oppose new homes near them in an attempt to push councillors to force planners to either reduce the total amount of new homes, or at least move them elsewhere.

## The failure and proliferation of council incentives



Government has tried to resolve the issues around the current council plan-led system by creating council level incentives. The newest of these is the Coalition's 'New Homes Bonus'. This is a payment made to councils for new homes in their area. It was set at £1 billion.<sup>27</sup> Yet this sum is dwarfed by the £5 billion raised in 2007 under Section 106 agreements to councils, which worked out at over £30,000 per house.<sup>28</sup> Council incentives simply do not work in the UK. They are often promoted due to a misunderstanding of other systems. For example, Germany uses incentives as part of its system to build new homes (largely through the tax system), but Germany has over 13,000 local planning bodies<sup>29</sup> versus England's 326. Each existing homeowner receives a much larger incentive for nearby new homes in Germany. There is evidence the Community Infrastructure Levy, (CIL), originally aimed at local people is being set too high and is being captured by councils. This proliferation of incentives is unhelpful, and it also occurs at the wrong level. Incentives are indeed a critical element in reform, but they should not focus on the council level in our system.

## Mediocre new homes are the inevitable result of the current system



One of the problems with current plan-led system is that it leads to inevitable failures, which are then 'solved' by re-applying variations of past solutions (that did not work), usually involving even more control by planners. A critical issue is new homes' mediocre quality. This leads to calls for more regulation and central emphasis on design quality, despite clear evidence that it fails. The National Planning Policy Framework contained dozens of references to design, as did its many predecessors and almost all local plans.<sup>30</sup> Yet design quality and space in new homes has not increased in the past twenty years. The current plan-led system creates poor quality new homes for three reasons.

Firstly, developers must build to standards that government requires, not what local people want. As *Cities for Growth* discusses, these two can often be diametrically opposed. Planners, for example, try to build out car spaces in local plans to make more 'sustainable' developments. But local people worry that nearby new homes or flats without car spaces will mean parking in front of their

property. High density building and flats are supported by planners, but opposed by local residents. This is even before various building codes are applied on top of planning requirements, some of which impose costs and features that individuals would rather not have.

Secondly, as the value of land rises homes become smaller and smaller, with developers trying to cram in as many new homes as possible or demolishing homes to make way for flats. The increase in the value of the land also reduces consumer choice, first time buyers are mostly just paying for land with planning permission. Developers can't build more attractive homes even if they want to as once purchasers have paid for the land they have less to pay for attractive housing on top of it.

Thirdly, developers don't really care about the quality of their new homes above a basic minimum. Because their profits are largely related to their role as land speculators, they focus on this aspect rather than designing and building attractive homes. Capturing land and creating effective strategic land banks is much more important than coming up with schemes that local people support. They need planners to designate new homes, not nearby homeowners' support.

We have yet another failing cycle. Too few homes push up the value of land. This rise in the value of land means worse quality homes, which makes people resist new homes and even more interference by planners in how homes look, making it yet harder to build enough attractive homes.

## The endless and failing central/local government cycle



Since the collapse of social housing funding in the 1980s successive governments have been baffled by the failure of the private sector to build enough housing and increase the quality of new homes. This has given rise to a permanent and futile central/local government control cycle. By the mid-1980s central government was frustrated with local councils not allowing enough homes to be built. It issued circulars instructing councils to allow new developments unless there were good reasons to block them. It did so while keeping the local plan system. This failed. In the 1990s local plans were supreme. This also failed, with housing numbers falling. In the 2000s supra-national central plans (Regional Spatial Strategies) were introduced to overcome the inability of local councils to build. These also failed and were politically toxic. The cycle just repeats itself fruitlessly.

After the current round of reforms, local councils have yet again been told they are in control. We will soon be publishing work which shows that after the last attempt at planning reform which angered many people, councils have cut the levels of new homes. Yet this failure has led to another centralised response with Ministers imposing a 'house building package', the last thing that we need.

Reforms can produce change within months – but it has to be done in a way that begins to dismantle, not support, existing failing systems, and doesn't repeat past errors.

## The Coalition has not yet got to grips with the vested interests or structural issues



In *Cities for Growth* we argued that the reforms being pushed through would not work. There were good ideas within the government's reforms, such as neighbourhood plans, which could have been used to drive more local control over design quality. Yet these ideas were mangled by the machinery of government and vested interests into mild experiments. They are weak and optional. Neighbourhood plans are trumped by the council's local plan, which keeps planners in ultimate control. They have no ultimate say so the incentive to develop them is weak. We argued the government's course would mean a failure to deliver more homes. The government must realise existing policy failures, not lack of credit, are behind falling construction. Housing construction costs are well below the price of a house, a sign that we should increase the level of house building. But the planning system and the development industry's structures prevent this from occurring.

The government also appeared to grasp local incentives needed to be stronger when they first came in, with a renewed interest in the Community Infrastructure Levy (CIL), which would have moved some incentives down from council level to a more local setting. Yet this has now again been watered down to an optional possibility, and is now being increasingly taken by councils. The Coalition has also been too willing to listen uncritically to large developers and been unable to distinguish between their goals and the goals of more homes, which for the reasons set out earlier do not coincide. Councils have jealously guarded their role in the system, halting real reform.

Whitehall is, unfortunately, the battleground for vested interests. This favours the big developers, the large housing associations, and local government associations. The average person suffering higher rents, or the first time buyer priced out of the market, has little lobbying clout. The Treasury has for over three decades pushed a top down model that has failed, and tends to push short term schemes that favour big bodies (developers, housing associations). The DCLG is a mouthpiece for councils, who focus on retaining local planners' control over the planning system, not more homes.

## The system supports itself and is a slow and failing integrated whole



The current system is a relatively integrated whole. It has so far successfully rebuffed reform that might undermine the key principles that underpin it. Anything which shows that the plan led system doesn't work in terms of providing the right amount of the right type of new development in the right place is fought tooth and nail. For example, George Osborne indicated that converting

commercial to residential space would be looked at in 2011, but it was successfully squashed by DCLG. It now has returned again, hopefully to be implemented this time. The reason DCLG squashed this was that individual property owners indirectly deciding how many homes, offices or shops are needed in an area undermines the whole purpose of a plan imposed by the local council, and would also reveal the fact we are running out of brownfield space (as business space would switch to residential and push up rents). Chancellor after chancellor in recent years has expressed frustration at the 'slow' nature of the planning system and the failure to build more homes. But they must understand this cannot be solved by imposing solutions. The politics prevents this. Trying to force homes from the centre creates backlash that then destroys reform. We need a new system.

False arguments supporting the existing system are backed by so many vested interests they just go round and round. For example, despite the fact that the rise of young inner city living has been a phenomena from Dallas to Denmark, and, as our *Cities for Growth* report points out is due to demographic shift (the rise of the twenty and thirty-something professional without children and a near tripling of student numbers), it is claimed that the current system 'has saved our cities'. In fact as discussed in our *Cities for Growth* report, far from helping regeneration, not only is office space more costly in the Northern cities than the South, there is continued large scale internal migration away from our cities. Effectively only spill over from developing country urbanisation has halted our urban population declining as international immigration to our cities has risen.<sup>31</sup>

## Part 3: Solutions



### Why we need a planning system



Given the high social and economic costs of our current system, we need to go back to first principles and consider why we want a planning system at all. After all, there is an argument that people should be able to do what they want with their property. But outside of a limited number of areas where we want strict controls to protect exceptional beauty, (AONBs etc), we need a planning system to give owners as much freedom as possible but accommodate the interests of those nearby. Planners must also oversee changes that require co-ordination (e.g. public services and utility provision). Ironically, our overly complex plan led system often fails on these two core issues.



These principles would create a very different planning system. Government must slowly move toward an ‘externality-led’ not plan-led system that will more fairly protect the rights of private property owners but allow more development. In plain language, this would give greatest say to those affected by planning decisions nearby, not refer to an imposed plan. This would not control land allocation but simply account for the impact of changes on those who own or live in nearby properties. We developed these ideas further in our *Cities for Growth* report. But the essential points are that planning permission should focus on any clear impact on those nearby. To obtain planning consent majority support should be required from a) those directly adjacent, and, for large developments b) those in the immediate vicinity. These are somewhat flexible definitions. For the directly adjacent, this would be those who are adjacent to what is proposed and usually those whose visual amenity is affected. The term ‘those in the immediate vicinity’ is a slightly more variable group which would clearly alter depending on what is proposed.<sup>2</sup> It would be roughly the area the change affects. It will vary based on the size and visual impact of the proposed changes. It will be larger on greenfield than brownfield (a small development 200 metres away in the city is probably a couple of streets away and probably won’t affect your house’s value, but in open countryside it is probably visible from your house and it certainly will). The larger the development, the greater the impact and the more widely it will be felt. As *Cities for Growth* notes there are various economic studies of how land values change and databases of property values exist (e.g. Savills Research). Planning policy should take into account different size changes affect different numbers of people. This system should prove more effective than simply relying on top down plans and central policy. It deals with the points discussed earlier about the impact of new homes on an area by making those affected the arbiters of whether or not change will go ahead. Reform could either require that if the majority of those in each group do not oppose a new development by writing to the local planning authority or notifying them of their objection development could proceed, or it could require a set threshold or majority of each group approve the measure. It could be that different approaches to this are trialled as we move to a better system.

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<sup>2</sup> In *Cities for Growth* and *Making Housing Affordable* then the phrases ‘immediate vicinity’ and ‘directly affected’ appear. This proposal is an amalgamation of the proposals in these reports, although the same principles are espoused and inform the proposals in this report as the two others.



The legitimate fears of people about change to their area must be acknowledged. Instead of attacking local people the focus must be on the poor quality that our current system creates. The splendours of Georgian England, from Bath to Edinburgh, were often the creations of inspired master planners. Planners need more Cubbitt, less Corbusier. Politicians must remind people that there are depressingly few modern areas that can compete with our pre-1947 Town and Country Planning Act communities. Far from the current planning system protecting our quality of life, it does not deliver attractive homes or enough homes. As *Cities for Growth* discusses, by giving control to local people we effectively recreate the incentive for quality single ownership created in previous centuries. Single ownership meant each house affected the overall value of each street, and each street affected the overall value of the area as a whole, driving up construction quality.<sup>32</sup>

The government should also make it clear that if local people agree to new homes, they will be adequately compensated on greenfield sites. There is a great deal of evidence to suggest that green space near housing confers a premium on it, although of course the exact nature of the green space and the alternative use is the main factor.<sup>33</sup> Sadly distrust of new development is so high (due to the failures of the planning system) that loss aversion may mean without such compensation new development on greenfield will be difficult in the next few years.<sup>3</sup> Finally, it should consider a maximum level of development within non-urban local authorities (e.g. 50%). This is a centralist measure, but it is helpful in terms of reassuring people that they will not lose all green space in their area. Only 2% of England being built on would allow 8 million homes to be built, so this measure will not act to constrain land release in the way that the existing plan led system does.

The rhetoric must be about removing a system that has done harm to all of us and directly empowering local people instead. This is not about getting rid of planning or planners. But it is about changing how planners operate. Rather than being part of a top down state bureaucracy, they would be used by developers and local communities to help create new and desirable spaces. Different styles and methods would compete. Instead of proactive control, planners would react to new development by providing the relevant core infrastructure, ensuring that people realise that any changes in their area will be accompanied by the necessary new infrastructure and support.

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<sup>3</sup> Obviously, over time the level of compensation necessary and available would fall because land values would fall and the attractiveness of new development would rise. Developers will focus on building a reputation and brand focused on quality in order to win over local people.



What government urgently needs in the next few years are popular policies that build more homes now, and begin to shift us toward a new system. Demand-side measures to increase credit are not just unhelpful but counter-productive. Instead, the following ideas should be investigated:

### **Reforming brownfield (i) Change of Use**

Brownfield reforms are much less controversial than reforms to greenfield. Many people do not grasp just how restrictive the system currently is. One such restriction is imposed by the 'use classes' system. This restricts the use that particular land or buildings can be put toward. There are four broad categories; retail (A), employment (B), residential (C), and miscellaneous (D), which can be further subdivided, (e.g. C1 is a hotel, C3 are homes, although C3 is further subdivided). There is a clear need for a use classes system. If someone wants to turn an office (class B1) into a drinking establishment (A4), then this has a major impact on their surroundings. But this is not the current purpose of the use classes system. It is about control of the flow of buildings and land with reference to the overall plan.

On the principles espoused above, change of use should be altered in two ways. Firstly, then where a change moves from a higher to a lower level of 'nuisance' then change of use should automatically be granted. For example, a drinking establishment changing to a home should be allowed to change without requiring planning permission, instead merely requiring notifying the local authority. In some specific cases change of use is allowed without planning permission. For example, a restaurant and cafe (A3) can move to a shop (A1) or Financial and Professional Services (A2) without planning permission. But it could not convert to a home. There is no reason this should be the case. This reform will also help expose the myth that England has a great deal of brownfield land. Commercial land is very expensive in this country, indicating that we need more commercial as well as residential space. By allowing conversion from commercial to residential on brownfield this will push up prices even further and so begin to build a coalition to allow more greenfield development. Secondly, those who are involved in deciding on change of use should be those living directly adjacent to the development, and for any particularly large decision, those in the immediate vicinity as well. For example, if a declining high street sees some large shops wishing to convert to housing, it should be (at most) the owners of the adjacent buildings who judge this. If an ex-industrial site wants to convert to a supermarket, then it should be those who own the neighbouring buildings who are brought in to rule on the planning application, not planners.

## Reforming brownfield (ii) Permitted Development, Heritage and Building Regulation

There are a second set of brownfield rules that need to be overhauled, the last of which are not strictly speaking planning rules but refer to regulations buildings must conform to. Many of these last set are sensible, but there has been a steady 'creep' whereby standards that might make sense as guidance are now strictly enforced. For example, all dwellings are now required to have a downstairs WC in order to cater for wheelchair users. But this is too strict. People who have disabled relatives or close friends are likely to look for a house with this for guests. Many houses do have this, but it should not be mandatory as it is not crucial or important for many people.

Permitted development also needs an overhaul. This should not simply mean dropping existing rules. The recent moves on extensions were deeply unhelpful. Allowing such large extensions permits what could essentially mean major impacts on their neighbour's property without any mediation – exactly the opposite of what a reformed system should aim at. There are some areas where change would have no effect, and in such cases permitted development should exist. For example, there are some older streets where bombing damaged upper floors and this has never been rebuilt, leading to an odd streetscape where the 'line' of the roofs is uneven. Allowing these properties to build up a floor to create a uniform roof line seems a sensible permitted development. For areas like extensions, then the idea must be to try to require neighbours to mediate. If an extension is not visible from other properties (e.g. for a large detached house) then this should be allowed automatically, regardless of size. If not, then those immediately adjacent should be able to veto it. But in return for allowing an extension next door an owner would automatically gain permission for a similar extension for a set period (e.g. ten years). This begins to move us to a more liberal system where property rights and changes can begin to be traded. It means both sides have an interest in coming to arrangement, rather than all out conflict.

Finally, certain rules on heritage need to change. There is no reason to tamper with the rules on the rarest and oldest buildings that exist, the Grade I and Grade II\* buildings that make up 5% of those listed.<sup>34</sup> But for the 95% that are Grade II buildings then there could be a loosening of constraints. Internal changes in particular should be allowed more liberally. Often these buildings do need changes for the modern age and their owners need to rearrange layout or undertake other changes. Given these do not affect the facade, (which often is part of a wider streetscape) and ensure these buildings are used and valued as much as possible this seems sensible. This is sometimes attacked as modern 'facadism' by some, but seems to ignore that throughout history most buildings have been more enhanced by change than attempts to pickle them in aspic.

### Specific urban extensions approved by local people

The Coalition often ends up attacking Nimbyism, often pushed by the Treasury. This continues a long fruitless tradition over recent decades, which has got us nowhere but made planning reform ever more difficult, and is designed to push politicians toward what many civil servants want – the power to impose a vision on people. This needs to stop. Instead we need to move to the more liberal system outlined above. We need to show people how this system could work. In the forthcoming bill reforming planning specific rules around urban extensions approved by local people should be included, or provision for secondary legislation to do this at a later date. These could use the model we have proposed above and in *Cities for Growth*. Local people should be required to vote for, or else tacitly approve, large new development near them. This would come with compensation attached, as well as a levy for green belt development that would then go toward open public spaces like parks or nature reserves. These could be proposed by a group with a strong public profile, such as the Prince's Foundation for the Built Environment. The best way for this would be for compensation to be offered by developers on specific sites with a cap by government. This would replace other obligations (such as the Community Infrastructure Levy or Section 106), although the New Homes Bonus would still apply as this comes from central government not land values. A cap helps remove the idea that this is just about money and ensures that people have a strong incentive to look at the design quality as well. This both enhances our country's aesthetic environment as a whole and makes development more politically acceptable. This could also encourage new entrants into our development unencumbered by land banks, and in return for swift planning permission if local consent is granted, could come with a time limit (e.g. the majority of construction must be completed within two years).

### Garden cities

Similarly, the idea we can impose new cities is wrong practically and politically. We are not China and this is not the 1960s. Those who seem to believe we should bulldoze centrally for short term growth ignore strong private property rights are the very foundation of Western prosperity. But as we set out in *Cities for Growth* then there is a strong case that if local people vote to allow new cities, and this is paid from land value uplift, this should be allowed. After all, if a developer comes up with a beautiful new town, and local people are compensated and happy to allow it then central government should not stand in their way. Such Garden Cities must not be spoilt with interference from planners imposing their vision or we will end up with another failure like Eco-Towns as occurred under the Brown government. The only rule imposed should be a set proportion of the

area should be open green space; beautiful new parks and spaces that people will cherish and refute claims this is damaging our natural environment. Again, groups and architects that are popular with people, not necessarily the planning community, must lead the charge.

### **Self-build**

The government should also look to encourage self-build. As the government itself has noted, self-build is much higher in other European countries. This is almost entirely down to the planning system in these countries. Germany, for example grants a right to build where development is expressly not forbidden, which when combined with strong incentives and a large number of councils pushes forward development.<sup>35</sup> In England, such a right would have to come with strings attached, but be wider than the rather feeble 'Community Right to Build' recently created. Again, provision in the forthcoming bill, or better still, provision for secondary legislation in the forthcoming bill, could allow a greater release of land for self-build. A neighbourhood might want to allow the children of local people to build their own home for example, as long as they make a payment to a pot for amenities and conform to locally determined criteria (e.g. use of local materials, a certain amount of window space or other aesthetic considerations). This could even be combined with a land auction process to act as a real incentive to get the scheme off the ground by lowering land costs. Such reform is also useful as it creates a potentially large and powerful lobby for more homes and land release – those who want to build their own home.

### **Better incentives and/or land auctions**

As well as pushing decisions down to those who are actually impacted by them, compensation and incentives need to go to the right level. This is not councils. Instead it should be those who are directly adjacent and in the immediate vicinity. Section 106 should be scrapped. However, without a more liberal planning system removing this merely boosts the profits of developers and pushes up land values. Instead of going to councils, incentives should go to those affected by new homes on greenfield land. On brownfield land, the removal of this cost would make it easier to redevelop existing sites, which often do have a higher cost to them. This makes the planning system biased toward brownfield without stifling the greenfield development needed in some areas. With land value in most of the country increasing by a factor of fifty when it moves from agricultural to residential designation, there is a clear ability to pay compensation to those nearby, and this recompenses them for the loss of open space.<sup>36</sup> Land auctions may be a useful way to achieve this, although they will fail if done at council level just as Section 106 or other incentives have. Land auctions at a council level will not particularly increase the level of compensation compared to

Section 106, which as noted reached £5 billion in 2007, more than £30,000 per home. But it would be perfectly possible to create a scheme that used the land auction method to create local compensation, possibly using neighbourhood plans. This would also stop the neighbourhood plan scheme slowly fading, which seems likely without such a policy.

### **Making the New Homes Bonus work and focusing planners on accommodating change**

The New Homes Bonus is a good idea, but it should be earmarked for infrastructure related to new homes not just pocketed by the council. In this way, local people can allow new homes while knowing it will not impact on the quality of local services. Planners should also be required to plan for new homes more effectively rather than focusing on building an over-arching central plan. The best do this already, but others do not, making it harder to get new homes through.

For those concerned reform will mean attractive housing not 'affordable' housing, as our report *Making Housing Affordable* showed, housing markets move in tandem (e.g. there is relatively little segmentation of more expensive and less expensive markets within regions, bar Central London where foreign buyers are heavily involved). Increasing the flow of desirable homes will reduce all house prices.<sup>37</sup> What we need to be concerned with is the increase of overall housing, not specific segments of the market. Further, most areas already have a substantial housing stock, and developers will build less expensive housing in some areas. If demand is higher for less expensive housing than the current supply of this stock it will shift relative prices, making it more profitable to build such housing and so make developers offer more amenities in order to build this.

### **These changes would end land bubbles and land hoarding**



The schemes above all increase the flow of land for new development. They would also show that the government has realised that simply pumping in credit and attempts to centralise planning have failed. This would shift the incentive for large developers from land banking and land hoarding and encourage them to de-risk their land purchases, no longer agreeing a future set price for land that they then borrowed to pay for, but instead requiring land owners to retain an equity stake in the land that they develop, not paying them until the homes were completed. This would mean that developers would focus on development not land speculation, as well as reducing the level of debt needed on their balance sheets. It would also push land owners to then in turn require developers build at a faster pace in order to realise their gains.

Such models would mean that if the price of land fell there would not be any impact on developers. The risk would instead be borne by land owners. If land prices fall, land owners would simply receive

slightly less than they might otherwise have done. Land owners would still be prepared to strike such deals if pushed by developers as a group to do so, because they still gain hugely from releasing land. The point is that such change will not occur while developers believe real reform is not supported by the government, who don't seem to understand changing developer mindsets is critical.

## Politics is not an optional extra



Without holding on to the principles set out earlier in this research note, it will prove particularly impossible for the Coalition or any Conservative government to reform planning. The top down method is not politically sustainable. The reliance on local plans has failed for decades. But what is necessary is a political narrative that can sustain reform. Tearing up the planning system is not such a narrative. Unfortunately the Coalition so far has used rhetoric that implies this is the case while making very minor revisions that have not broken either the economic or social and political cycles that have blocked us from building enough attractive homes.

The government needs to make the case that the existing system is not working for any of us. It must reassure not attack NIMBYs. It must show the end goal is a system that builds the attractive new homes we need while respecting the private property rights of those living nearby. This is about taking control from top down bureaucracy and giving it to local people. Each move must add up to a coherent argument that people can understand. As we move forward again on planning reform and try to stop this being the Parliament with the lowest level of new homes since the 1920s, the Coalition needs more haste and less speed. It needs to understand where it is going and stop seeing planning as a level to pull frantically in order to increase growth, as this risks both failure to deliver and political unpopularity. There is no social or economic mission more crucial than planning reform.



- <sup>1</sup> Table 213, *House building: permanent dwellings started and completed, by tenure, England (quarterly)*, DCLG, available at their website
- <sup>2</sup> *Property Market Report (Jan, 2011)*, Valuation Office Agency (VOA), p .12, available at their website
- <sup>3</sup> *English Housing Survey 2008-9*, DCLG, 2010, available at their website
- <sup>4</sup> *Planning for Homes: Speeding up planning applications for major housing developments in England*, National Audit Office, 2008
- <sup>5</sup> *Land Use Statistics, Generalised Land Use Database*, DCLG, 2005
- <sup>6</sup> *UK National Ecosystem Assessment - Synthesis*, UKNEA, June 2011, available at their website, and repeated by *The Great Myth of Urban Britain*, BBC News Online, 28 June, 2011
- <sup>7</sup> *Property Market Report 2011*, Valuation Office Agency, 2011
- <sup>8</sup> *Better Homes, Greener Cities*, Policy Exchange (2006), p.7
- <sup>9</sup> *Better Homes, Greener Cities*, Op Cit
- <sup>10</sup> *Table P221 Land Use Change: New dwellings by previous land use, England, 1989 to 2010*, DCLG, available at their website
- <sup>11</sup> *Previously Developed Land that May be Available for Development: England 2007*, DCLG, 2008
- <sup>12</sup> *Global Office Real Estate Review*, Colliers International, 2010
- <sup>13</sup> *Land Use Statistics, Generalised Land Use Database*, Op Cit
- <sup>14</sup> *Britain's Biggest Housebuilders*, Housebuilder, October 2007 and Thanassoulis J, *Supermarket Profitability Investigation*, University of Oxford, 2009
- <sup>15</sup> *Consultation Response: Draft National Planning Policy Framework*, The Home Builders Federation, (18 Oct, 2011), p.1.
- <sup>16</sup> *LSL buy-to-let index, LSL property services*, August 19, 2011, available at their website
- <sup>17</sup> *Table 502: Housing market: house prices from 1930, annual house price inflation, United Kingdom, from 1970*, DCLG, available at their website
- <sup>18</sup> *Global House Prices: Searching for Solid Ground*, The Economist (August 12, 2012)
- <sup>19</sup> See for example, Mikhed, Vyacheslav and PetrZemčik "Testing for Bubbles in US Housing Markets: A Panel Data Approach", CERGE-EI working paper 338, 2007
- <sup>20</sup> *Case –Schiller Index of House Prices; Dallas, (and other cities) Standard & Poor's*, available at their website
- <sup>21</sup> See Edward L. Glaeser's *Rethinking Federal Housing Policy: How to Make Housing Plentiful and Affordable*, (Aei Press), 2008
- <sup>22</sup> *Review Nationwide house prices*, available at their website; *Monthly changes of total sterling net secured lending to individuals and housing associations (in sterling millions) seasonally adjusted*, Bank of England, available at their website, *Property Market Reports*, The National Archives, available at their website; *Permanent dwellings completed, by tenure UK, historical calendar year, Table 244*, DCLG, available at their website
- <sup>23</sup> *Housing Supply: Delivering Stability: Securing our future housing needs*, HM Treasury (2004)
- <sup>24</sup> *House building: permanent dwellings completed, by tenure Table 241*, DCLG, available at their website
- <sup>25</sup> *Occupier Demand Survey; Research Summer 2007*, Savills Research, 2007
- <sup>26</sup> *The Blight Guide on Where Not to Live*, *The Times*, June 10, 2003
- <sup>27</sup> *New Homes Bonus Impact Assessment*, DCLG, 2011, available at their website
- <sup>28</sup> *The Incidence, Value and Delivery of Planning Obligations in England in 2007-08*, DCLG, 2008
- <sup>29</sup> *United Cities and Local Government Country Profile: Germany*, UCLG, available at their website (the UCLG is the UN body for local government)
- <sup>30</sup> *Planning Policy Guidance 1*, DETR, 1997, and *The National Planning Policy Framework*, DCLG, 2012
- <sup>31</sup> *Cities for Growth: Solutions to our planning problems*, Policy Exchange (2011), p.34/5
- <sup>32</sup> The works of Hermione Hobhouse (e.g. *Thomas Cubbitt, Master Builder*, Macmillan, 1971) are a good introduction to some of these issues
- <sup>33</sup> *Cities for Growth: Solutions to our planning problems*, Policy Exchange (2011), particularly pp.55-56
- <sup>34</sup> *Guidance notes for: Application for Listed Building Consent for Alterations, Extension or Demolition of a Listed Building*, Planning Portal – Application Type Guidance V3.2

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<sup>35</sup> For a greater explanation of the German system see our report, *Bigger, Faster, Better, More; why some countries plan better than others*, 2005

<sup>36</sup> *Property Market Report (Jan, 2011)*, Valuation Office Agency (VOA), available at their website

<sup>37</sup> *Making Housing Affordable: A New Vision for Housing Policy*, Policy Exchange (2010), p.68

## About Policy Exchange



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## About the Housing and Planning Unit



Policy Exchange published *Making Housing Affordable* in 2010, which went on to win the 2010 Prospect Think Tank Publication of the Year. They subsequently published *More Homes; Fewer Empty Buildings* and *Cities for Growth* in 2011. They published *Ending Expensive Social Tenancies* earlier this year, which recommended selling off vacant expensive social properties and reinvesting the proceeds into a major social housing programme.

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