

New housebuilding and the changing planning system

Recent changes in the planning system may help to reconcile the growing concern for environmentally sustainable development with ensuring an adequate supply of housing to buy and rent, according to a new study by Glen Bramley and Craig Watkins of Heriot-Watt University.

f Environmental sustainability is increasingly influencing planning policies for housing, through a variety of informal constraints, including housing targets which take account of pressures on the local environment, more concentrated development, higher densities and greater re-use of urban sites.

f Urban land already accounts for around half of new housing sites, and increasing this share appears to have only a moderate penalty in terms of costs, prices and output.

f Land allocated for housing in statutory Local Plans - which are produced at a district level - is more likely to be developed than provision in more general county-wide Structure Plans. Translating Structure Plan provision into allocations in the Local Plan therefore has as much effect on the numbers of homes built and on house prices as increasing potential provision in Structure Plans which is not then realised.

f Targets for building affordable housing which are flexibly related to land values and needs could meet some shortfalls of affordable housing, although currently policy on the ground falls well short of its theoretical possibilities.

f House prices would only be reduced by a moderate amount if a large amount of extra land were allocated for housing.

This study follows an earlier one undertaken for the Foundation. It explores key policy issues in planning and housing, looking at environmental capacity, household projections, re-use of urban land, planning and affordable housing.

Environment versus housing needs in planning policy

Planning policies are increasingly influenced by ideas about the sustainability of development and environmental protection (often referred to as the 'environmental capacity' of particular developments). In addition to well-established constraints represented by Green Belts and Areas of Outstanding Natural Beauty, less formal constraints relating to land protection, nature conservation and containing the spread of towns are of considerable and growing importance. The project found that such informal constraints were most prolific in districts which have experienced or continue to experience rapid housing development, for example, Berkshire, Hampshire, Oxfordshire and the former Avon. Both formal and informal planning constraints, as well as patterns of demand from buyers, tend to concentrate private housebuilding into certain districts (see Figure 1).

A minority of areas have seen their planned targets for housing reduced in the last decade. Again, this was most likely to happen in areas that have experienced a high level of new housing development.

In two-thirds of the districts surveyed environmental capacity played some part in determining planned targets for housing. Eight per cent claimed to have provision based mainly on environmental capacity. These districts are scattered widely around the country and include historic cities such as Canterbury, Chester, Oxford and Cambridge.

Environmental priorities in planning may be in conflict to some degree with meeting housing needs and demands; releasing more land to boost output and reduce prices may mean using more rural land and developing over a more widespread area.

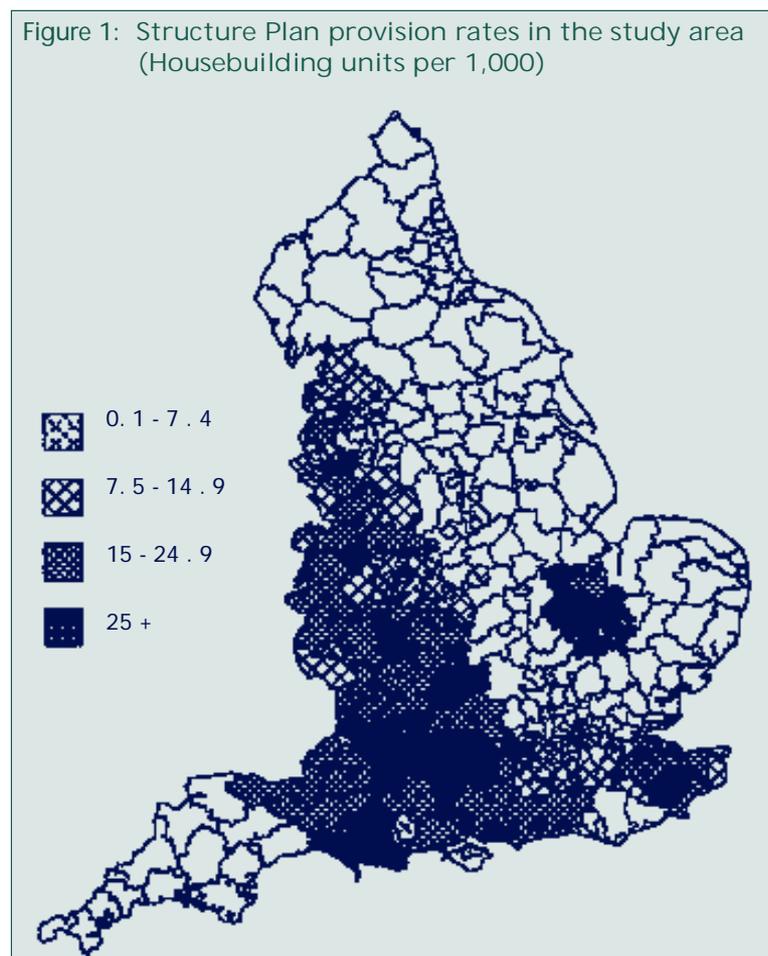
Recycling urban land

Considerations of sustainability also affect the type of land used and development built. In addition to the kinds of constraints mentioned above, environmentally aware policies emphasise higher densities and more concentrated development, and more re-use of urban land, in order to reduce car use as well as conserve rural environments.

Nearly half of all housing development is taking place on urban land which has already been used for some other purpose. This ratio is higher in metropolitan areas and in parts of the South East, and lower in rural areas and districts with high levels of planned new provision. The share of developed urban land being 'recycled' for housing is rising over time.

The cost of building homes is greater on recycled urban land and developers perceive it to be a more risky investment. Thus concentrating even more development on urban sites brings the penalty of fewer homes at higher prices, although the measurable extent of this penalty seems to be quite modest. Models developed in the study suggest that increasing the amount of urban land used for housing by a quarter would only reduce output by 1.5 per cent and increase prices by 1 per cent. In policy terms, this has to be weighed against the economic and environmental advantages (as well as disadvantages) of more concentrated development.

Figure 1: Structure Plan provision rates in the study area (Housebuilding units per 1,000)



According to the models, this policy would raise densities significantly, by 8 per cent.

The impact of Local and Structure Plans

Each County Council must produce a Structure Plan setting out its broad policies, alongside a diagrammatic map showing their approximate extent. District Councils must produce Local Plans with more detailed policies and a map on an Ordnance Survey base showing, as far as possible, the exact boundaries within which the policies will operate. Taken together, these form the Development Plan for an area.

In the 1980s the intended provision mapped out in the Structure Plan often did not correspond with the levels of new housing actually built; this indicates that Plans were not being fully carried through. Unless properly implemented, changing the amount of provision in Structure Plans has a surprisingly small effect on the numbers of homes being built and on prices.

Land allocated for housing in statutory Local Plans is more likely to be developed. As all areas are now obliged to produce comprehensive Local Plans, the gap in implementation should lessen. Simply translating Structure Plan provision into allocations in the Local Plan has as much effect on the numbers of homes built and on house prices as increasing potential provision in Structure Plans which is not then fully realised.

Planning and house prices

The overall trade-off between land release and house prices is relatively unattractive; releasing a lot of extra land has only a moderate impact on prices. For example, a 32 per cent increase in Structure Plan provision would only reduce prices by 4 per cent in the medium term. This trade-off would become more favourable under the Local Plan system; the same 32 per cent increase in provision fully backed by Local Plan allocations would reduce prices by 8 per cent.

Part of the effect of planning constraints is on land values and the number of homes on a given area of land ('housing density'), rather than on the price of an individual home. Densities are higher in areas with more restrictive planning policies. British densities are high compared with some other countries and are tending to rise over time, with more flats being built in areas where land prices are high. Releasing more land for housing would lower densities, by 5-6 per cent in the case mentioned above of a 32 per cent increase in local plan allocation.

Affordable social housing

Local authorities are increasingly adopting policies for the inclusion of affordable social housing in general housing developments. These policies are

present in about half of the districts studied, and are more common in the South East and in rural areas. These policies were not yet having much detectable influence on either the profits coming from developments or the behaviour of developers, within the time period of this study (up to 1992-3). One reason for this is that in practice such policies often do not seek to exploit a large proportion of land values for social housing subsidy, by requiring developers to include social housing as part of the proposed development.

The study's simulations of the generalised application of social housing targets suggest that variable targets relating to land values would be more effective than rigid, uniform quotas. Such a policy could generate 12,000 affordable homes per year nationwide by utilising half of available land value where appropriate. The policy would increase the numbers of homes available in the affordable social sector (at the expense of those for the open market) and would reduce unmet need to some extent. The impact of the policy would be concentrated in high priced areas in the South, but these areas often have greater unmet need. The policy would not have a large impact on house prices; indeed, any impact might even be favourable (a reduction of 2 per cent in the simulation reported). The scope for obtaining subsidy from land value for social housing is significantly limited in practice by the current weak market and by the growing emphasis on recycled urban land, where there may be significantly greater values associated with alternative commercial use.

Local housing markets and demography

The new evidence from this study generally confirms and reinforces the conclusion that local housing markets in England are very open, because buyers can move between districts. Therefore the effects of changes in housing supply (including those stimulated by changes in planning policy) on prices tend to be diffused over a wide area. This is confirmed by evidence on what determines local prices and people's decisions to move between areas. Localities with tight planning constraints have somewhat higher relative house prices in the longer term, even allowing for geographical and socio-economic influences.

New settlements

Major concentrated land releases, such as large-scale new settlements, could have significant local as well as regional price effects. An illustrative simulation of seven large new settlements in the outer South East and adjacent areas suggests that these could boost the overall numbers of homes (including affordable

housing) being built by 5.6 per cent and reduce average house prices by 3.5 per cent. In the districts directly affected, new building would more than double and prices might fall by as much as 16 per cent. In other districts in the surrounding region, both building rates and prices would fall by modest amounts (1.5-3 per cent and 3-7 per cent respectively).

The housing market slump and housebuilder behaviour

The behaviour of developers is consistent with the view that operating in this market carries considerable risk, and that this reduces the responsiveness of supply to market price signals. Developers are cautious about expanding supply when macro-economic conditions are uncertain and when they perceive a finite market in particular localities as well as potentially rising costs. Development is heavily influenced by the actual supply of land with planning permission, but expectations of future land supply have only a small effect.

The study confirms the finding from the previous study that the supply of new housing responds relatively weakly to changes in house prices. In the very weak and uncertain market of the early 1990s, supply appears to have been even less responsive to price and other variables, and generally more difficult to predict.

The ability of the system to respond quickly to surges in demand by increasing supply remains low, although this may be increased somewhat by having more land formally allocated for housing. Thus, sharp increases in demand triggered by monetary or fiscal policy continue to carry the risk of causing economically destabilising price rises. However, in the short term, the market remains very weak owing to job uncertainties and other factors.

About the study

This research was carried out by Glen Bramley and Craig Watkins between late 1993 and mid 1995, initially based at SAUS, University of Bristol, and subsequently at the School of Planning & Housing, Edinburgh College of Art/Heriot-Watt University, Edinburgh. The study was designed to follow up earlier research carried out for the Foundation in

1991-2 and reported in JRF *Housing Research Findings* 72. Both projects have involved using economic and statistical models to predict variations between local authorities in land supply, housebuilding, house prices and related factors. The study drew on a database of a sample of 162 district council areas, including that created for the earlier study.

Further information

The main report of the research, entitled *Steering the housing market: new building and the changing planning system* is published by The Policy Press in association with the Joseph Rowntree Foundation (price £11.95).

A full account of the previous project and related issues is to be found in Glen Bramley, Will Bartlett and Christine Lambert, *Planning, the Market and Private Housebuilding* (UCL Press, 1995). For further details contact Professor Glen Bramley, School of Planning & Housing, Edinburgh College of Art/Heriot-Watt University, 79 The Grassmarket, Edinburgh EH1 2HJ, Tel 0131 221 6174, Fax 0131 221 6163, e-mail address: G.Bramley@eca.ac.uk.

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