Housing Growth in the South East: Meeting the Challenge

Monday, 3rd June 2013
South East RTPI and CIH
GVA Research Agendas

• Tracking delivery of large scale residential schemes across the South East and East of England

• Tracking delivery against local targets or requirements

• Informed by and underpins advice to public and private sector on evidence bases, housing strategies, economic strategies, spatial planning and delivery vehicles
GVA Large Scheme Research Findings

• Two primary corridors
  – M11/A14 from the East of London to Cambridge (87,250 new homes)
  – Cambridge to Oxford (84,430 new homes)
• 40 schemes over 3,000 units in South and South East region
• 250,000 units between them
• £58 billion of sales
• 110,000 construction jobs
• 80,000 affordable housing units
GVA Research Findings

- 35,000 (14%) built or under construction
- 65,000 (26%) have planning permission
- 25,000 (10%) in planning system
- 60,000 (24%) pre planning
- 85,000 (35%) on public land
Factors Affecting Delivery

- Of 143,000 units where we were able to extract information:
  - 80,000 (56%) infrastructure was major issue
  - 30,000 (21%) market conditions were a barrier
  - 10,000 (7%) faced planning challenges
  - Multiple (13,000);
  - Political opposition (7,000) 5%; NIMBY
Location of Large Scale Housing Schemes

Large Scale Housing Schemes
(Potential New Homes)
- Less than 3,000
- 3,000 - 5,000
- 5,000 - 7,000
- 7,000 - 10,000
- 10,000 - 20,000
- Over 20,000

A Typical Case Study

- Over 40 acres
- 10,000 units
- Mix of public / private ownership
- Masterplan
- Planning permission – phase 1
- 1,500 units
- 10 year delivery programme
- Land costs - £40m
A Typical Case Study

- Enabling infrastructure costs – over £400m (£27,000 per dwelling)
- 50% in first 2 years (equivalent to 250 new homes)
- Master developer – 20-25% IRR
- Cost - £100m / value £90m
- Scheme not viable: principal reason is cost and timing of enabling infrastructure
Delivery Needs to Address the Delivery Context: 1

- Mortgages still rationed, consumer confidence is sensitive
- Public funding cut for affordable housing
- Public funding cut for infrastructure
- Private sector restricted by investor requirements – covenants, annual profits
- UK’s small number of large home builders restricted to single-site multi-1000 unit schemes
Delivery Needs to Address the Delivery Context: 2

- Planning not major problem for large schemes
- Infrastructure burden is the major issue
- Need to accelerate pace of delivery while protecting value and viability
- Clarity on funding sources needed
Delivery Against Targets

- Analysis of 112 South East and East of England Authorities
- Annualised average across 3 years
- Latest targets or requirements assembled
- Gross outputs and performance against targets reviewed
- Purpose: understand patterns of delivery and challenges faced by local authorities
Summary Position

Regional Annual Output (3 Year Average)
36,100

Current Target
54,980

Regional Performance Against Target
66%

% Meeting Targets
19%

Average Local Authority Output
320

Average Local Authority Target
490

Average Local Authority Shortfall
170
Findings 1: Gross Output

Top 20% of authorities delivered 42% of output across SE and East
More than half still not meeting targets
15,250 homes against 17,543 target – 87%
High Performing Geographies: Hampshire, Bucks, North Essex, Kent

Bottom 20% of authorities delivered 7% of output
2,467 homes against 6,863 target – 36%
Challenged Geographies: North Surrey, Essex, South Coast
Findings 2: Performance Against Targets

Top 20% Performers against Targets generate 9,613 per year
Combined Annual Target across top 20%: 6,910 per year
Actual Percentage of annual regional output: 27%
Responsible for 13% of target
High Performing Geographies: Hampshire, Surrey, Bucks

Bottom 20% Percentage Performers generate 3,450 per year
Combined Annual Target across bottom 20%: 12,981
Actual percentage of annual regional output: 10%
Responsible for 24% of target
Challenged Geographies: South Essex and the South Coast
Emerging Positions 1

Strongest performers tend to be in higher value areas and closer to London.
Weaker performers have lower values and some local economic issues.
However, not universally the case.

Actual delivery raises challenges to the NPPF.
If 80% are failing a test – is the test flawed?
Local authorities increasingly concerned about punitive measures.
Adding the delivery backlog to targets will not solve the problem.
Emerging Positions 2

Blanket NPPF refinement to address the ‘local distinctiveness’ of delivery context

Key LA assessment factors should include:

- Market interest
- Comparative values
- Land types: large brownfield, ex industrial sites, etc
- Infrastructure requirements
- Rate of planning consents
- Housing Delivery Strategy – not just SHLAA, Site Allocations DPD
- LAs delivering own sites, special purpose
Discussion

Are there other issues large sites face?

What interventions are needed to advance a range of sites – including smaller opportunities that may have a greater cumulative impact?

Could we reward and challenge local authority performance differently:

- The good: high gross outputs – regardless of percentages
- The trying: pro-active housing strategy – with viability challenges
- The foot-draggers: repeated evidence, policy, plan making delays, slow decision making, high rate of refusals overturned on appeal?

What is an appropriate sanction in addition to a target backlog for the unwilling?
East of England & South East Price Growth and Targets

Change in house price Q3 2007 - Q3 2012

Increase in shortfall from target DPA as % households
East of England & South East: Delivery and Values