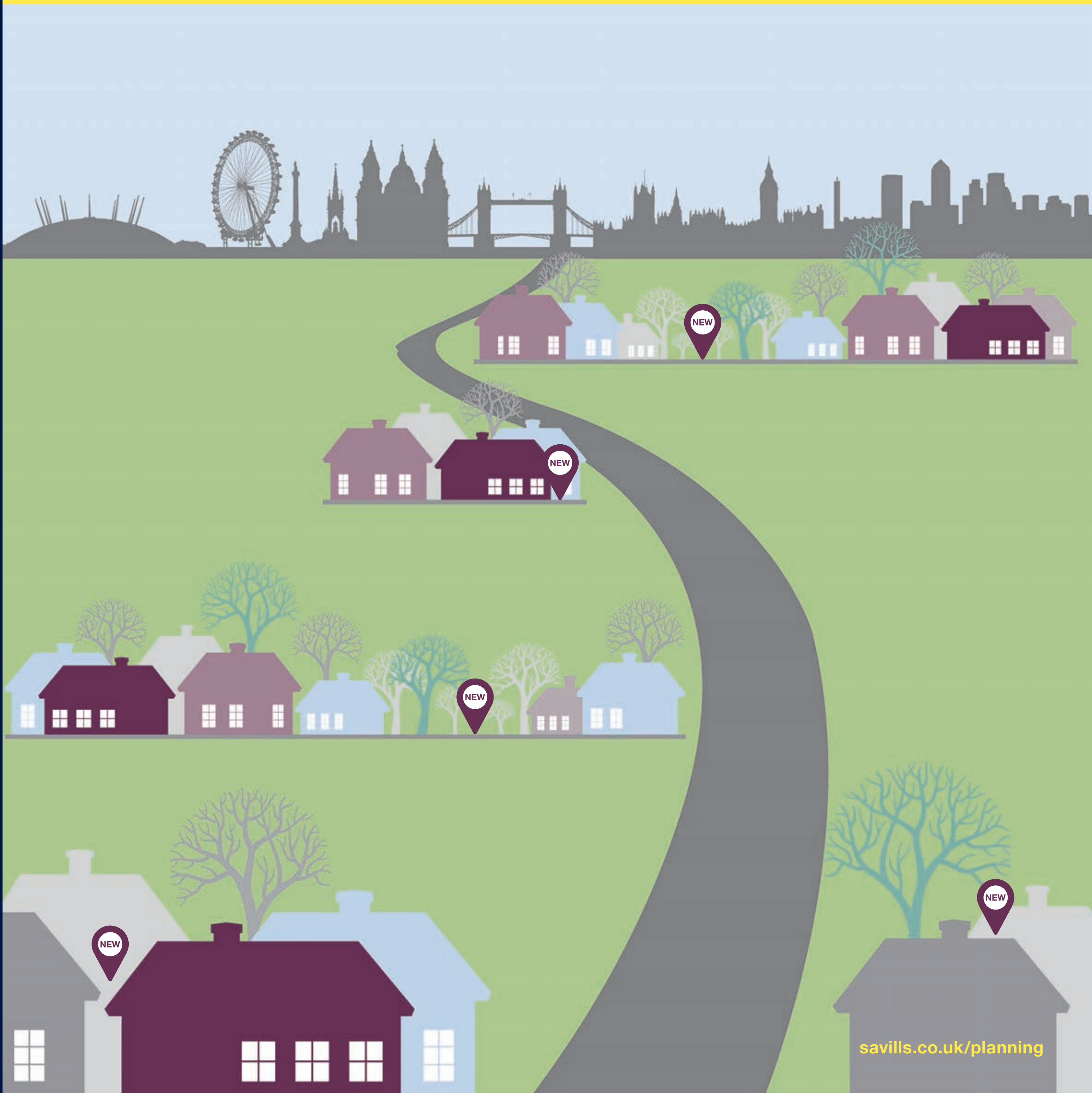
savills

Savills Planning
UK Development & Planning

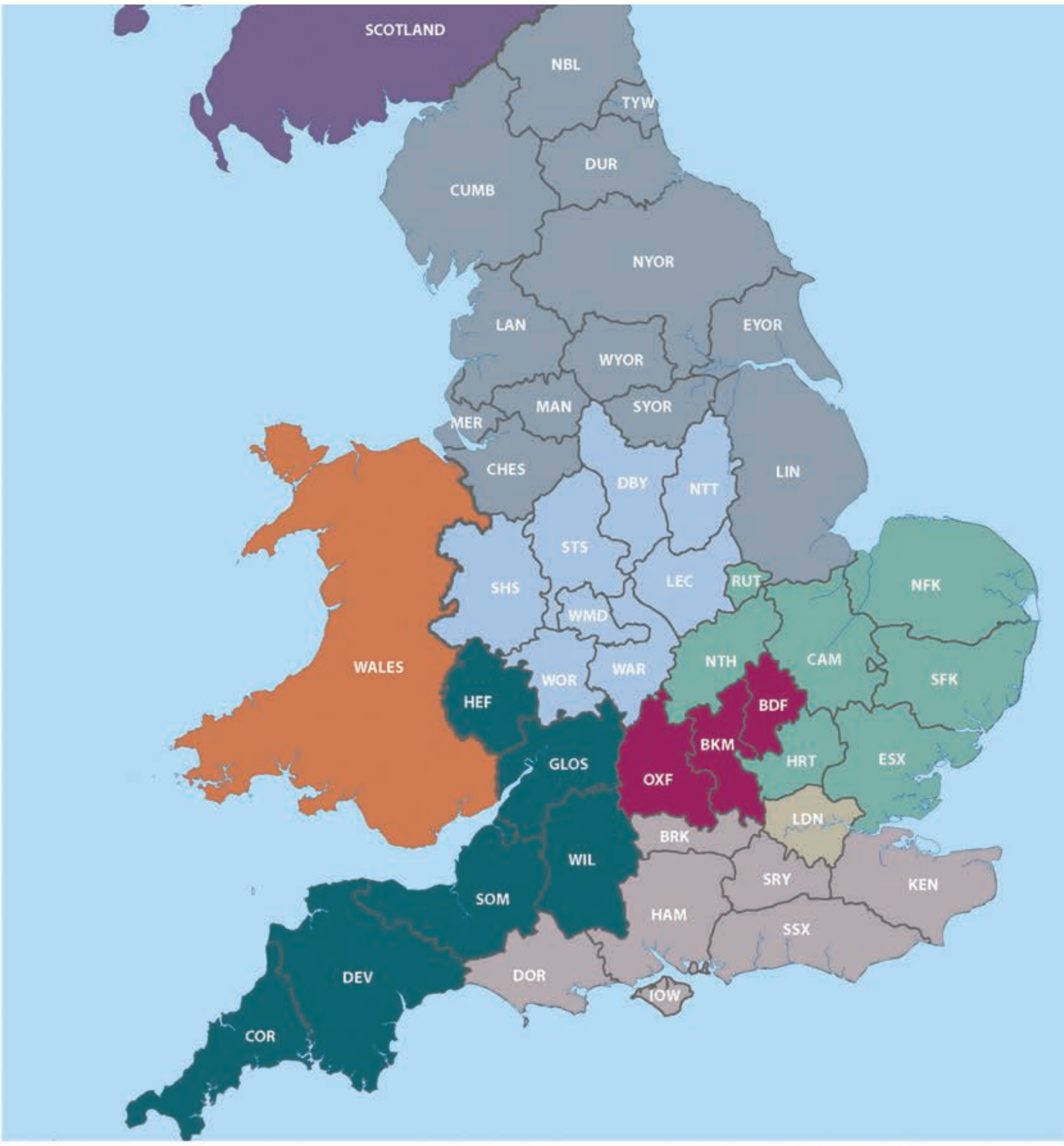
Planning
COUNTDOWN TO THE ELECTION

Spring 2014



Strategic Land
Planning Contacts

National Lead
Jonathan Steele
jsteele@savills.com
023 8071 3949



Northern England
Adam Key
akey@savills.com
0113 220 1278

Midlands
Michael Davies
mpdavies@savills.com
01216 348 436

Central
Roger Smith
rasmith@savills.com
01865 269 057

South East
Chris Rees
crees@savills.com
023 8071 3944

South West
Nick Matthews
nmatthews@savills.com
01179 100 364

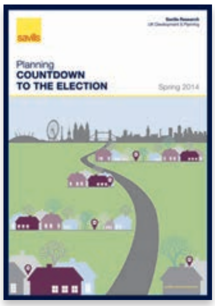
East
Colin Campbell
ccampbell@savills.com
01223 347 068

Wales
Tim Gent
tgent@savills.com
02920 368 914

Scotland
Simon Herriot
sherriot@savills.com
0141 222 4138

London
Jane Barnett
jabarnett@savills.com
020 3320 8274

Notes about the publication
This document was published in March 2014. The data used in the charts and tables is the latest available at the time of going to press. Sources are included for all the charts.



HOUSING IS HIGH ON THE POLITICAL AGENDA

The planning system needs to accelerate housing delivery. As the General Election approaches, political differences on how this can be achieved will come to the fore

It is widely recognised that England faces a substantial housing shortage. The three main parties are all in favour of building more homes to meet the needs of a growing population and to encourage economic growth.

However, there is always a big gap between the politicians' objectives and their ability to deliver, and, with an improving economy and the return of growth to the housing market, this is more apparent than ever.

Planning reforms

The planning system is frequently criticised for being a constraint on growth, and major planning reforms over the last four years have sought to address this.

There have been many: for example, financial incentives for local communities to accept housing development; neighbourhood planning, to encourage communities to direct growth in ways that meet local aspirations; removing some changes of use to housing from planning control; and the rejuvenation of Community Infrastructure Levy to provide funds for infrastructure.

Arguably, the most significant reform has been the publication of the National Planning Policy Framework (NPPF) in 2012, with its presumption in favour of sustainable development, its requirement that all local planning authorities (LPAs) should maintain a five-year supply of readily developable housing land, and its imposition of a duty to co-operate between local planning authorities.

Opinions differ as to how successful these measures have been, but there was a 22% increase in the number of homes approved in the 12 months following the introduction of the NPPF, and there has been a perceptible shift in sentiment within the housebuilding industry, with developers beginning to have more optimism about securing planning permissions.

The growth agenda

In this report we have focused on the South East, South West and East of England regions. In addition, we also look at a separate case study of the Yorkshire 'Golden Triangle'.

Our research compares the number of homes planned locally post NPPF with previous regionally set targets. It also assesses how these locally set figures match the requirement for new homes as the population grows.

Although the NPPF encourages LPAs to take a positive attitude towards growth, our analysis reveals that very few have embraced a growth agenda and planned for more housing – of the 50 LPAs with an adopted or advanced stage post-NPPF local plan we have assessed, only 15 (30%) are planning to deliver more homes than under the previous regionally-led regime.

This reflects many factors, including pressure by local interests to limit the development of housing; the existence of environmental constraints (with flood risk recently having come to the fore); and policy considerations, including the presence of Green Belt.

The role of the 'duty to co-operate' has yet to become clear, with a number of LPAs having been criticised by the Inspectors examining their development plans. Over £2bn has been paid to LPAs under the New Homes Bonus scheme, rewarding them for delivering housing, but this incentive does not generally seem to be sufficient to overcome the forces acting against development.

CIL should provide funds for infrastructure, and thus help to make development acceptable, although as a development tax, it will also in some cases render development unviable.

More changes are on the way. Among the reforms outlined in the Autumn Statement is the proposal to make it a statutory requirement for LPAs to produce development plans, and one to create a specialist Planning Court to address Judicial Reviews with greater efficiency. The 2014 Budget Speech heralded some further permitted development rights.

It appears that a Labour-led Government would be inclined to retain most of the reforms of the last four years, and Ed Miliband has revealed a 'national aspiration' for building 200,000 new homes a year by 2020 (half as many again as are currently being built, but only half of what Kate Barker recommended the last Labour Government to achieve). All three established political parties have voiced strong support for the building of New Towns (or 'Garden Cities'). ■

"The three main parties are all in favour of building more homes to meet the needs of a growing population…"

Contents

Key findings

Land supply
WILL THE PLANNING SYSTEM MEET OUR HOUSING NEEDS?

The number of homes planned by Local Authorities in southern England will leave a shortfall of 160,000 homes over the next five years

Local Planning Authorities across our study area are not planning to deliver enough new homes, according to Savills analysis based on predicted need.

We expect to see a shortfall of at least 160,000 homes across London, East of England, South East and South West over the next five years. Our calculations compare the latest locally planned targets with the needs predictions from the Town and Country Planning Association (TCPA) - 240,000 new homes a year across the whole of England, of which 152,900 are needed within our study area.

The locally planned targets will leave the study area 21% short of its housing requirements before we even start taking into account the backlog of need resulting from years of undersupply, or the numbers that might be required to slow house price inflation.

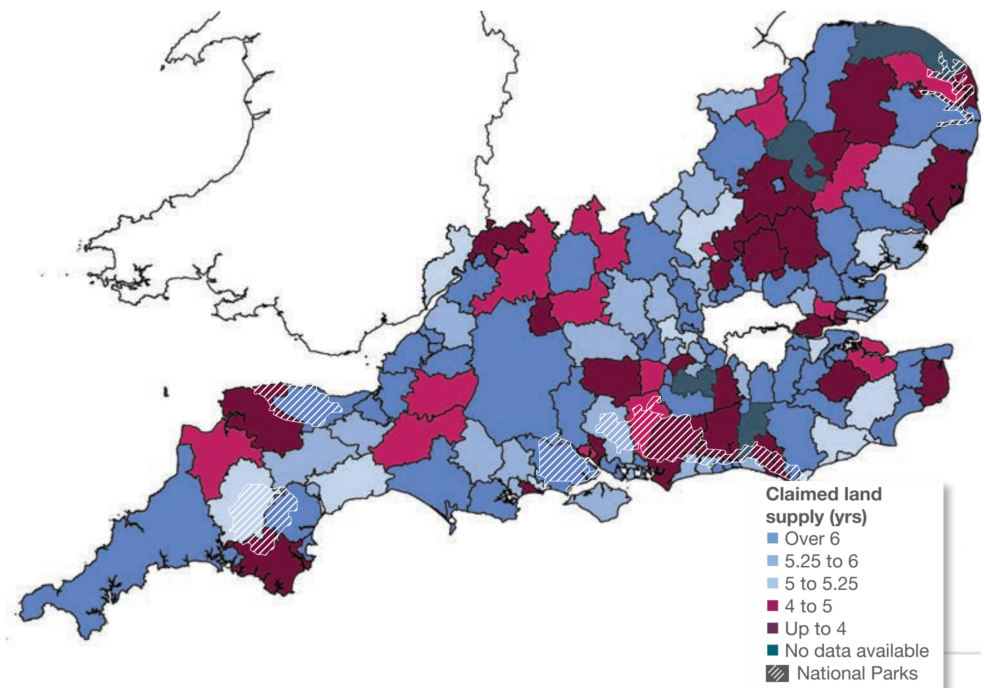
Government projections based on the 2011 Census indicate the annual formation of an additional 221,000 households across the whole of England.

Recent analysis from the University of Cambridge (Neil McDonald and Peter Williams for the RTPI and Alan Holmans for the TCPA) identify increased international migration and the constraints on household formation between 2001 and 2011 as key reasons for the 2011 figures being underestimates of actual housing need.

Holmans' work concludes that we need 240,000 new homes a year in England over the 20 years to 2031, which is the equivalent of a 1.04% per annum increase in housing stock. In the South East, particularly within London's commuter zone, housing requirements are likely to be even higher.

MAP 1.1

Five-year land supply map for the south of England



Source: Savills Research (Based on LAs own reporting to March 2013. Excludes national parks)

The London problem

London faces the greatest deficiency: the latest proposed alterations to the London Plan set a minimum target of 42,000 homes a year for the 10 years from 2015. Although this is an increase from the previous target of 32,000 a year, it represents a shortage of 7,000 homes a year against the finding of the strategic housing market assessment (SHMA) carried out by the Greater London Authority (GLA), which was that a minimum 49,000 homes are needed.

Savills analysis using TCPA predictions identifies an even greater shortfall – of 14,400 homes a year – resulting in a shortfall of 72,000 over the next five years. Furthermore, delivery of new homes in London has not in recent years got anywhere near even the 32,000 a year target, so there is the prospect of the actual shortfall over the next few years being even greater than indicated above.

The locally planned levels of housing set by LPAs across the South East, South West and East of England will leave these regions short of 91,323 homes relative to their indigenous needs over the next five years. They take no account of the additional demand likely to spill out from London.

Five-year supply

Analysis of land supply shows that of the 147 LPAs (or combined LPA partnerships in some cases) across the three regions in our study, 102 (69%) claim that they have more than five years' supply and 61% say they have more than 5.25 years' (the equivalent of five years plus a 5% buffer, as required by the NPPF).

Recent appeals, however, have exposed the fact that the claimed supply figures are often less than robust when scrutinised in detail.

Of the 103 most significant planning appeal decisions issued since the NPPF came into effect, 69 were allowed. In 63 of these cases, a deficit in five year supply was a material factor in the decision. 20 of these 63 are located in the three regions of our study area and of those 20, half the relevant LPAs had reported in their latest published land supply analysis that they had a land supply of five years or more.

The greatest disparity between the LPA assessment and the land supply determined through the appeal process was in Sevenoaks, where the LPA reported a 9.7 year land supply, but it was found that the supply was actually less than five years because housing needs had been significantly underestimated. ■

"Supply figures reported by Local Authorities are not always proving to be robust when they are scrutinised in detail"
Jonathan Steele, Head of Housing, Planning

Local Authorities

Savills has analysed emerging plans published post-NPPF to ascertain patterns in emerging levels of planned housing. This has identified some 'leaders' – LPAs who have used their new powers to increase planned housing levels - and some 'laggards' – those who have either reduced their targets or planned well below their needs.

Leaders

■ Only Mendip (at examination) and Cherwell (advanced draft) have plans at an advanced stage seeking planned levels of housing above the previous regional spatial strategy (RSS) and deliver a percentage of stock above Holmans average need projections. However, neither location would be described as a 'growth' area, Cherwell for example has lost a number of land supply appeals.

■ Winchester, South Glos and Milton Keynes have all adopted plans post NPPF, which although they plan for reduced levels of housing compared to the RSS, include provision above the Holmans average.

Laggards

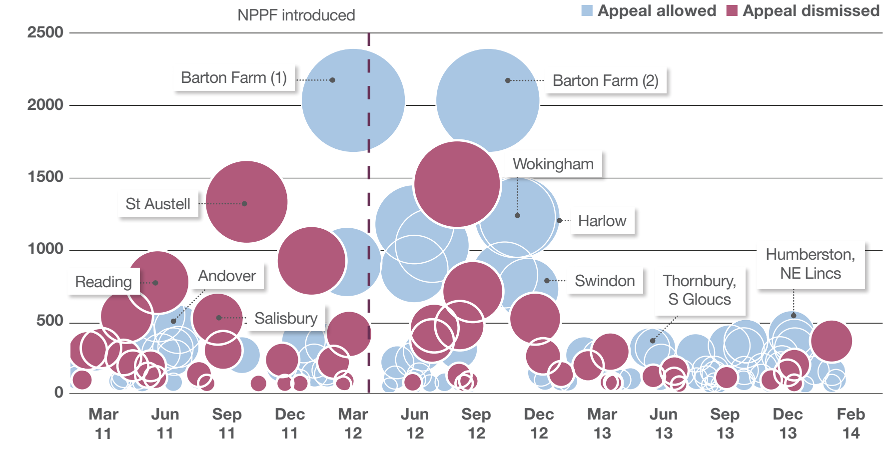
■ A number of Local Authorities (12) are planning below their previous RSS target and below the need projections. In two cases these low targets have been enshrined in adopted plans: Wealden, where the target has fallen by 18% and will only deliver an 0.7% increase of stock; and South Oxfordshire, where the target has fallen by 15% and only delivers a growth rate of 1.0% of stock.

Development plans

Evidence-based housing needs should inform the local plan

Regional Spatial Strategies outside London were all finally revoked in 2013. Initially, the Planning Inspectorate (PINS) allowed some flexibility in the application of the NPPF. More recently PINS has taken a more robust stance, and emphasised that evidence-based housing needs should inform the Local Plan. There has been a flurry of appeals since the NPPF, with a better success rate than before. The scale of appeal schemes has reduced markedly, to below 500 homes – a result of housebuilders finding medium-sized schemes more cost-effective, and less likely to run into prematurity objections at appeal, and of the demise of some large land allocations that were previously being promoted under the RSSs.

GRAPH 1
Dwellings allowed at Appeal pre- and post- NPPF



Source: Savills Research (including all appeals up to the end of Jan 2014)

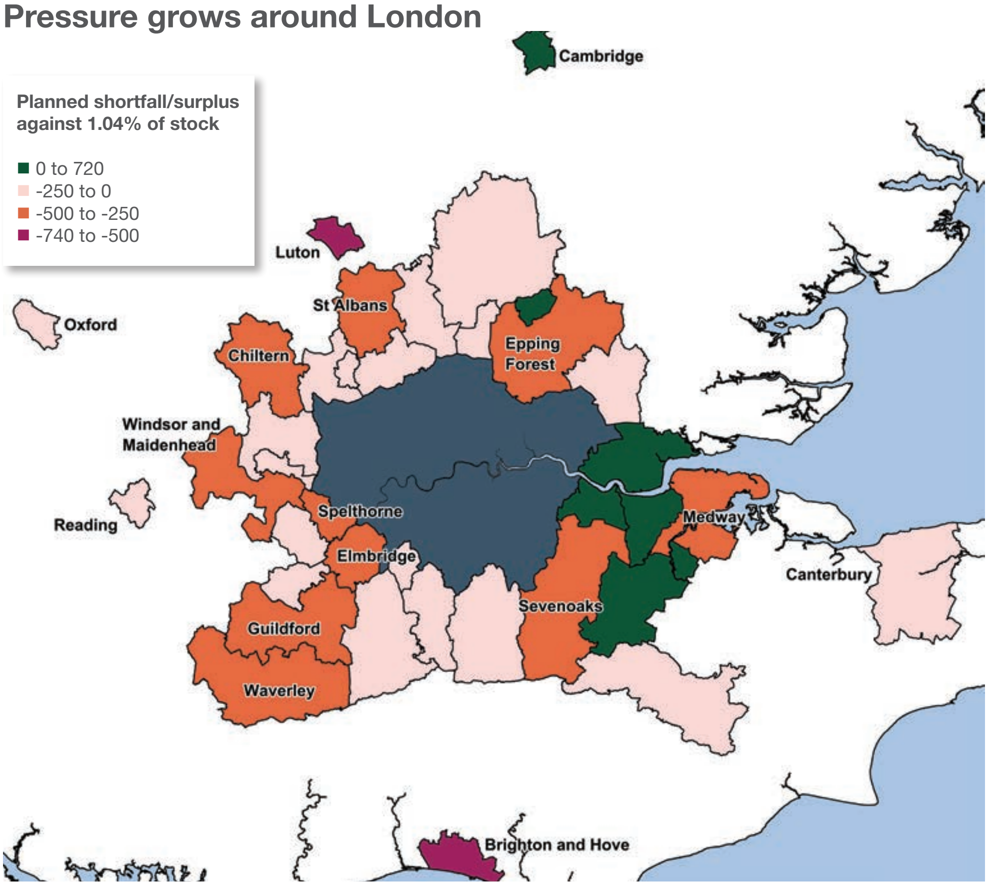
Case studies
PLANNING FOR LONDON'S OVERSPILL

The Home Counties must plan for higher demand for homes as people leave the capital in search of better value housing

Housing supply in London reached a low of 17,850 new homes in 2010/11 against the current minimum target of 32,000 per annum.

Although the draft amendments to the London Plan increase the target to 42,000 per annum, this still leaves a shortfall of at least 7,000 homes per annum against the new London SHMA assessment of need for 49,000 homes a year.

MAP 2.1
Pressure grows around London



Source: Savills Research (based on most recently adopted or published emerging plans)

The difference between house prices in London and the South East is higher than it has ever been, and we expect this to translate into increased demand in the Home Counties over the next five years.

This case study looks at the LPAs with the strongest migration links to London: the places likely to feel the greatest effect of people moving out of London in search of housing.

The colours on Map 2.1 indicate the difference between locally planned housing targets in each LPA, and predicted need, and the map shows clearly that there is currently little prospect of the shortfall in London being compensated for by surrounding authorities.

Market signals

The Planning Practice Guidance (PPG) requires that housing need assessments pay regard to market signals. In the South East, in which most of the local authorities in Map 2.1 are located, and where demand is higher, Holmans' projections indicate a higher need for housing, equivalent to expanding housing stock at a rate of 1.1% per annum.

In most of these LPA areas, market signals indicate high levels of demand relative to both the South East and national averages, indicating that need in these areas is higher. However, most of the LPAs have set themselves housing targets below the average required.

Authorities within the more affordable, lower demand areas to the east of London (Thurrock, Dartford, Gravesham) are amongst the few planning to deliver relatively high numbers of houses, in excess of 1.04% of stock. Conversely, in Surrey, Berkshire and Buckinghamshire, where there is higher demand, housing targets are below this rate.

We conclude from this analysis that there is a need for application of a broad 'duty to co-operate' across a sub-regional area in the South East, comprising London and its adjoining authorities, and also those locations with a close connection to the London Housing Market Area within roughly an hour's commuting time of the capital. It is within this sub-region that there maybe a particular role for New Towns to contribute towards meeting some of the unmet need.

Yorkshire's Golden Triangle

Moving away from our current study area, to Yorkshire's Golden Triangle – this high value property market, which lies between Leeds, Harrogate and York, suffers from high demand and low supply. The area's popularity with commuters, coupled with the Green Belt and other constraints on development, has resulted in affordability pressures.

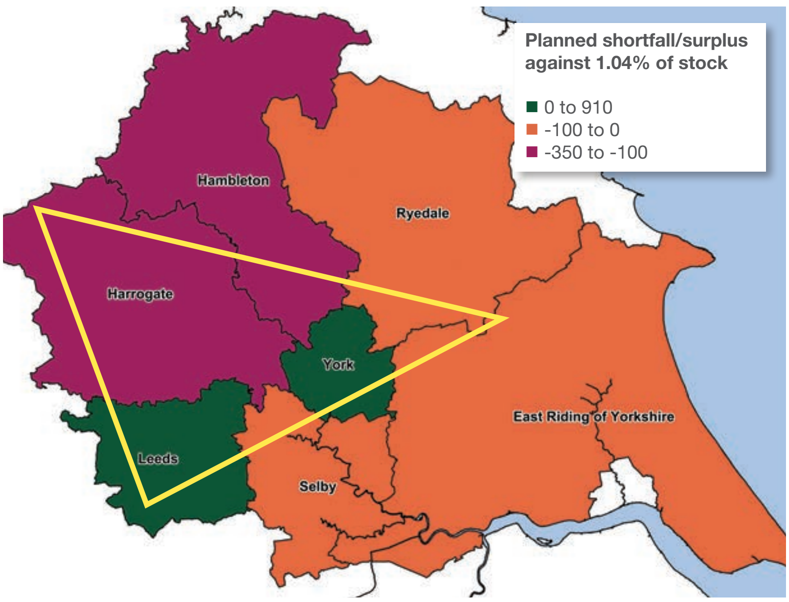
The Leeds 2012 Strategic Housing Market Assessment reported that within this area the average annual wage is £34,959 compared to an average house price of £274,477, an affordability ratio of 1:8.

To address this issue, there is an emerging requirement of approximately 150,000 new homes within the Golden Triangle over the next 18-20 years. Most LPAs within the triangle have sought to retain the previous RSS targets, with the exception of Selby, which has sought a lower figure.

The key cities in the region, Leeds and York, are planning to meet the growing demand for homes. Savills analysis shows that planned levels of development in Leeds and York exceed the Holmans' average, although in both cases, Green Belt reviews are proving necessary. ■

MAP 2.2

Leeds and York plan for need



Source: Savills Research (based on most recently adopted or published emerging plans)

New towns

Prospects for new settlements

London's population is growing fast and is set to rise to over nine million by 2021 according to current projections. It is becoming increasingly clear that we cannot accommodate the needs of this expanding population within the boundaries of the capital's 33 boroughs.

This growth will put pressure on housing in the surrounding Home Counties and we need to plan larger scale developments to meet this demand.

A recent report by the TCPA calls for the creation of comprehensively planned, larger scale developments and the modernisation of current legislation to facilitate the delivery of New Towns.

The NPPF allows for larger scale development such as new settlements, including 'Garden Cities', as a means of addressing housing needs. The 2014 Budget indicated the publication by Easter of a Garden Cities Prospectus to encourage locally-led new settlements. Savills is aware of a number of emerging new settlement proposals in the south, for example at Wisley and Dunsfold Airfields in Surrey, Mayfields in West Sussex, and Ebbsfleet in Kent. All are currently being promoted by landowners.

Savills considers that New Towns are not a panacea for the housing shortage, but can be an additional source of new housing that complements existing sources.

Genuine new places

New Towns require a long term commitment by Government and other agencies to ensure their success. Only over longer timescales (25-30 years) can the investment in infrastructure and place-making be recovered from land sales as development takes place. In the past, this level of commitment has been underpinned by the creation of New Town Corporations, vested with the necessary Planning and CPO powers.

In order to be successful, New Towns should be located in areas where high demand for housing coincides with high levels of economic activity capable of generating adequate local employment. Also there needs to be an existing capacity in local infrastructure or Government commitment to the delivery of new infrastructure capacity.

It is only by creating genuine new places which combine new jobs with quality of life, good design and good transport choices, that we can hope for public support. The Chancellor of the Exchequer's recent announcement of a new 'garden city' with an initial 15,000 homes at Ebbsfleet in Kent will give a boost to this long-standing major housing development, and meet some of the need for housing in London and the South East; however, it is little more than a drop in the ocean.

Arc of Co-operation

WORKING TOGETHER TO DELIVER MORE HOMES

Local authorities around London must positively embrace the 'duty to co-operate' and plan for an overflow of demand from their neighbours.

Local Planning Authorities in the Home Counties must be prepared to meet demand for more homes not only from local people, but also from people leaving London and other urban hotspots in the region in search of housing.

The growing cost of housing in London and key southern settlements – largely the result of a mismatch between supply and demand – will continue to put pressure on the housing market in surrounding areas.

In order to meet this challenge, Savills is calling for LPAs around London to form an 'Arc of Co-operation' when producing their Local Plans. Following the abolition of the RSSs, many local authorities have produced their Local Plans largely in isolation, paying little proper regard to the housing needs of neighbouring LPAs.

Planning Inspectors are now enforcing the duty to cooperate more rigorously. Inspectors have recently determined that 10 local authorities have failed in the duty to cooperate, including some which are close to major urban conurbations such as Aylesbury Vale (which is near Milton Keynes) and Mid Sussex (which is near Brighton and Crawley).

This has led in one case to the Planning Minister, Nick Boles, expressing his disquiet at an Inspector recommending Reigate & Banstead Council to carry out a Green Belt review – a decision the Minister considered should rest with the LPA.

In all these cases, the emerging plans had not been informed by a sufficiently meaningful engagement with neighbouring LPAs, or a process whereby the evidence base could have been robustly formed and then apportioned.

Savills believes we need a more coordinated approach which looks beyond local authority boundaries, rather then the current 'patchwork' system which is only tested and enforced too late in the plan making process.

"Most emerging plans had not been formed by meaningful engagement"

David Jackson, Head of Operations, Planning

Green Belt Review

Land designated as Green Belt remains very strongly protected against development. This is clear following the Castle Point (Thundersley) High Court decision (January 2014) (Fox Land/Gladman vs Castle Point Borough Council) in which the Court held that the Secretary of State's decision to dismiss an appeal for 165 dwellings on Green Belt should be upheld.

This has been followed by a number of Ministerial statements indicating that the release of Green Belt land must be a local decision in the form of a review of Green Belt boundaries and the allocation of land for development in emerging Local Plans.

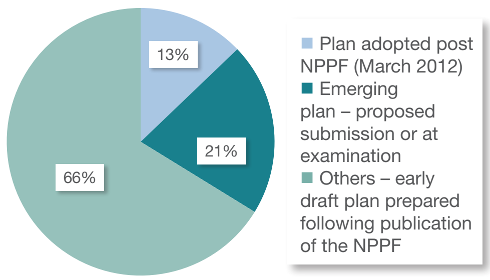
The Inspector's Report on the Reigate & Banstead Core Strategy, despite drawing the Minister's fire, makes clear that the identification of areas of search for sustainable urban extensions in the Green Belt is only appropriate in 'exceptional circumstances'.

Elsewhere in the Home Counties, the first example of a major Green Belt land release post NPPF is that of land to the north of Houghton Regis, Central Bedfordshire, where the LPA has systematically planned the release of land from the Green Belt to accommodate 5,150 homes and 200,000 sq.m. of commercial space. ■

Plan-making

Two years post NPPF

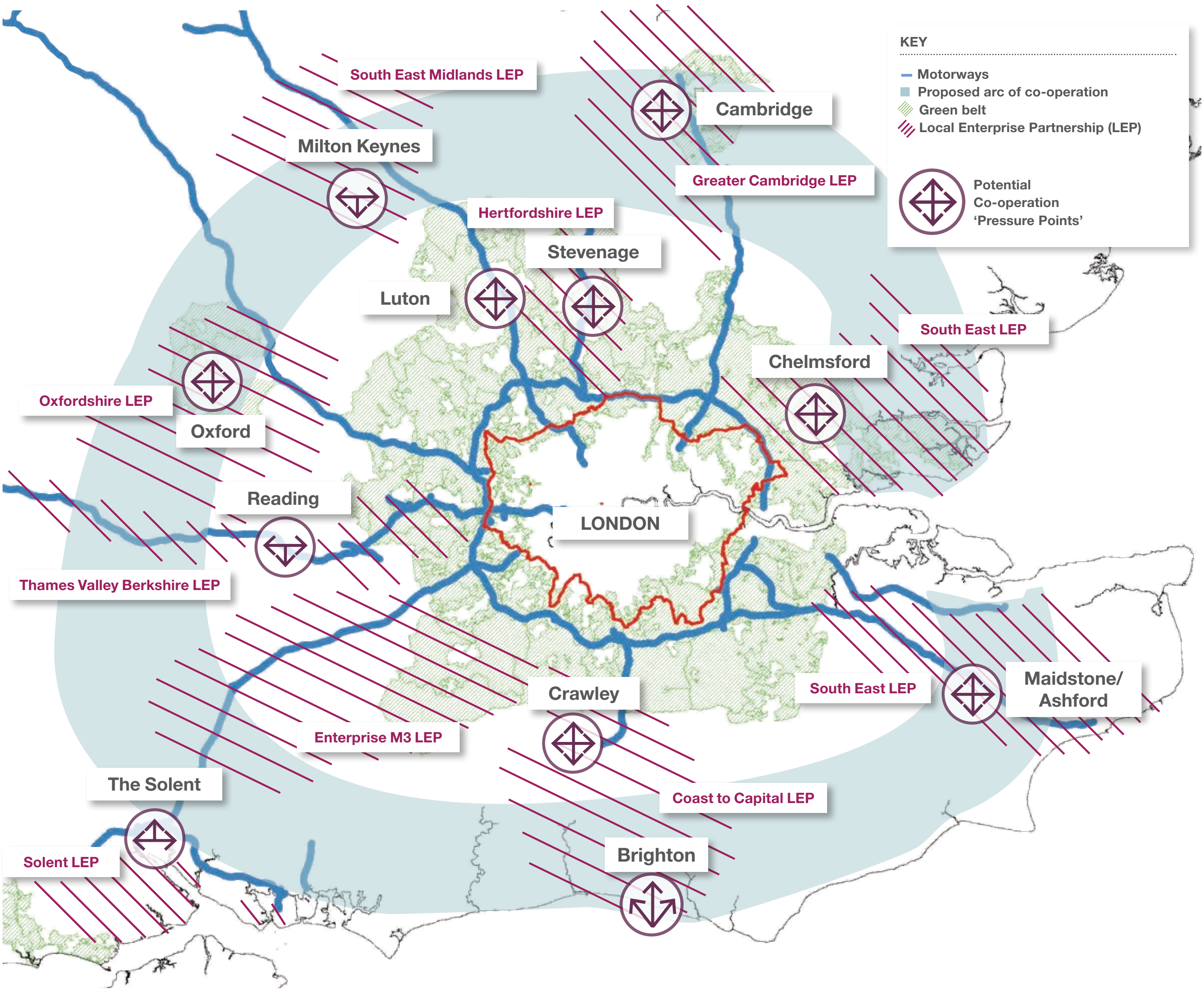
Some Local Authorities have struggled with the transition from regional plan-making to locally set targets.



Source: Based on 147 LPAs in the study area

MAP 3.1

The Arc of Co-operation: A strategic approach to meeting housing need



Source: Savills Research

Green Belt Reviews

■ The NPPF requires that LPAs with Green Belt consider a review at the time of Local Plan production. This is in order to provide a comprehensive evidence base, so that meeting housing needs may be balanced with maintaining a Green Belt which endures.

■ Savills is aware Green Belt Reviews have been (or are being) undertaken in a number of locations within the Metropolitan Green Belt - in particular, by a number of Surrey LPAs, including Guildford, Mole Valley, Reigate & Banstead and Woking.

■ In Dacorum, a Judicial Review of the recently adopted Core Strategy is in progress. Should this succeed then additional land may have to be released from the Green Belt.

■ To the north and east of London, there is anticipated pressure for a review in St Albans, Welwyn & Hatfield. Three Rivers and Stevenage, and the adjacent Hertfordshire LPAs will also need to consider expansion opportunities. Basildon, Castle Point, Epping Forest, Harlow, Rochford and Thurrock are committed to Reviews. In Oxfordshire, the Vale of White Horse has committed to a review. In Cambridge, a partial review has been undertaken, but given the significant growth pressures, further work may be required.

■ Beyond the South East, land has been released from the Green Belt in Bath & North East Somerset, and is also proposed for release in the emerging Tewkesbury, Cheltenham & Gloucester Joint Core Strategy. In time, North Somerset may have to review the Green Belt around Bristol.

Savills Manifesto Steps needed to deliver more homes

1. Housing delivery must be given the highest priority. We must ensure that needs assessment is transparent, robust and takes full account of the demand that may transcend LPA boundaries.

2. Local housing targets must in aggregate meet need at a national level. Localist initiatives should be supported but we should ensure that Governmental powers are used where necessary to avoid logjams.

3. LPAs around London must form an "Arc of Co-operation" to absorb overflow of demand from the capital. The London Mayor needs to co-operate with authorities outside London to ensure that the housing needs that cannot be met within the capital are met elsewhere.

4. LPAs should consider the release of Green Belt land at key nodes and along transport routes where it is more sustainable to build for identified needs than in less well situated locations.

5. Landowners (public as well as private) and developers should continue to bring forward land to form a five year land supply in LPA areas where higher housing targets are emerging via new Local Plans or where there is a shortfall in deliverable five year supply.

6. Central Government needs to continue to invest in infrastructure to facilitate growth through investment such as City Deals and ensure that housing development is not inadvertently killed off through regulatory and fiscal burdens. It should create New Town Corporations where appropriate to co-ordinate the bringing forward of land for development.

7. The development potential of land should be maximised, especially in London, though well-designed higher density development.

Positions of the three main political parties

Conservatives

- Encourage the principle of allowing communities to shape development, cut red tape, speed up the planning system and apply incentives to stimulate housebuilding
- A new planning court to fast track Judicial Reviews of planning decisions
- A statutory requirement for Councils to produce Local Plans
- Further measures to identify poor performing councils and enable planning applications to be made direct to the Planning Inspectorate
- Web based Planning Practice Guidance (PPG) to replace dozens of previous circulars/guidance and enable rapid updating
- Emphasis on brownfield development and Green Belt protection

Liberal Democrats

- Support the creation of new settlements and more competition among housebuilders, while further strengthening localism and the bottom-up approach to planning
- Reduced powers for the Secretary of State to 'call-in' planning applications, and reduced powers for the Planning Inspectorate
- Introduce local appeals system for minor proposals, and more resources for Neighbourhood Plans
- Third party right to appeal in cases where planning permission is granted as a departure from an adopted Local or Neighbourhood Plan
- Reform of the 1981 New Towns Act to assist the creation of new settlements

Labour

- Aspires to increase housebuilding to 200,000 new homes per year by 2020
- A new generation of New Towns and Garden Cities via New Town Development Corporations, with powers to raise finance, assemble land and undertake development
- Measures to discourage landbanking, including powers to allow LPAs to charge fees on developers not releasing land, and additional CPO powers
- Reform of the 'duty to cooperate' including a new 'right to grow'
- Ensure communities receive a larger share of development 'windfall'

2014 Budget Update

- The Budget includes a series of finance initiatives to boost housebuilding, notably the continuation to 2020 of Help to Buy, and £525 million of loans to unlock smaller scale housing schemes.
- A mechanism for the designation of Garden Cities was announced and is to be locally led. There is also a willingness to invest in infrastructure where it directly facilitates growth; for example in specific locations in London and Greater Cambridge.
- The release of £5bn worth of public sector land in the Autumn, giving rise to major opportunities for developers.
- Permitted development rights to allow a change from warehouses to residential.
- A right to build for self builders.
- An experimental scheme, to pass a share of the benefits of development directly to individual households.

About Development Services

From site identification through to product delivery, Savills Development provides a bespoke or fully-integrated service. The whole process is driven by innovative, top quality research tailored to your individual needs.

Whatever the exact requirements of your scheme, we can provide a full range of development services for residential, office, industrial, retail, commercial and many other specialist sectors.

Understanding current market conditions and the implications of these for our clients and their business is a key focus. Specialised teams are formed internally to deliver a commercially astute, innovative and entrepreneurial focused solution.

Planning

The difference in value between a good planning permission and a bad one – or no permission at all – can be considerable. Our national team of planning consultants have experience across the planning spectrum to ensure you always remain a step ahead in the planning process. Planning is a key, and often complex, factor in all transactions involving land and buildings, and gaining permission is crucial to a site's value. We have up-to-date knowledge of evolving policy and practice, considerable experience in building the case for planning permission to be granted, and a long track record of achieving positive results.

Savills Development and Planning

Please contact us for further information

Roger Hepher
Head of Planning
+44 (0)7807 999 230
rhepher@savills.com

Richard Rees
Head of Development Services
+44 (0)7967 555 431
rrees@savills.com

David Jackson
Head of Operations Planning
+44 (0)7967 555 796
djackson@savills.com

Jonathan Steele
Head of Housing Planning
+44 (0)7967 555 818
jsteele@savills.com

Chris Rees
Strategic Land Planning
+44 (0)7812 965 396
crees@savills.com

Mike Shaw
Head of National Strategic Development
+44 (0)7967 555 456
mshaw@savills.com

Charles Collins
Planning Research
+44 (0)7870 999 596
ccollins@savills.com

Savills plc
Savills is a leading global real estate service provider listed on the London Stock Exchange. The company, established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now has over 200 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

Savills Research

Jim Ward
Residential Research
+44 (0)20 7409 8841
jward@savills.com

Susan Emmett
Residential Research
+44 (0)20 3107 5460
semmett@savills.com
Twitter: @saemmett

Chris Buckle
Residential Research
+44 (0)20 7016 3881
cbuckle@savills.com

Nick Gregori
Residential Research
+44 (0)20 7409 5907
ngregori@savills.com

33 Margaret Street
London W1G 0JD
020 7499 8644

savills.co.uk