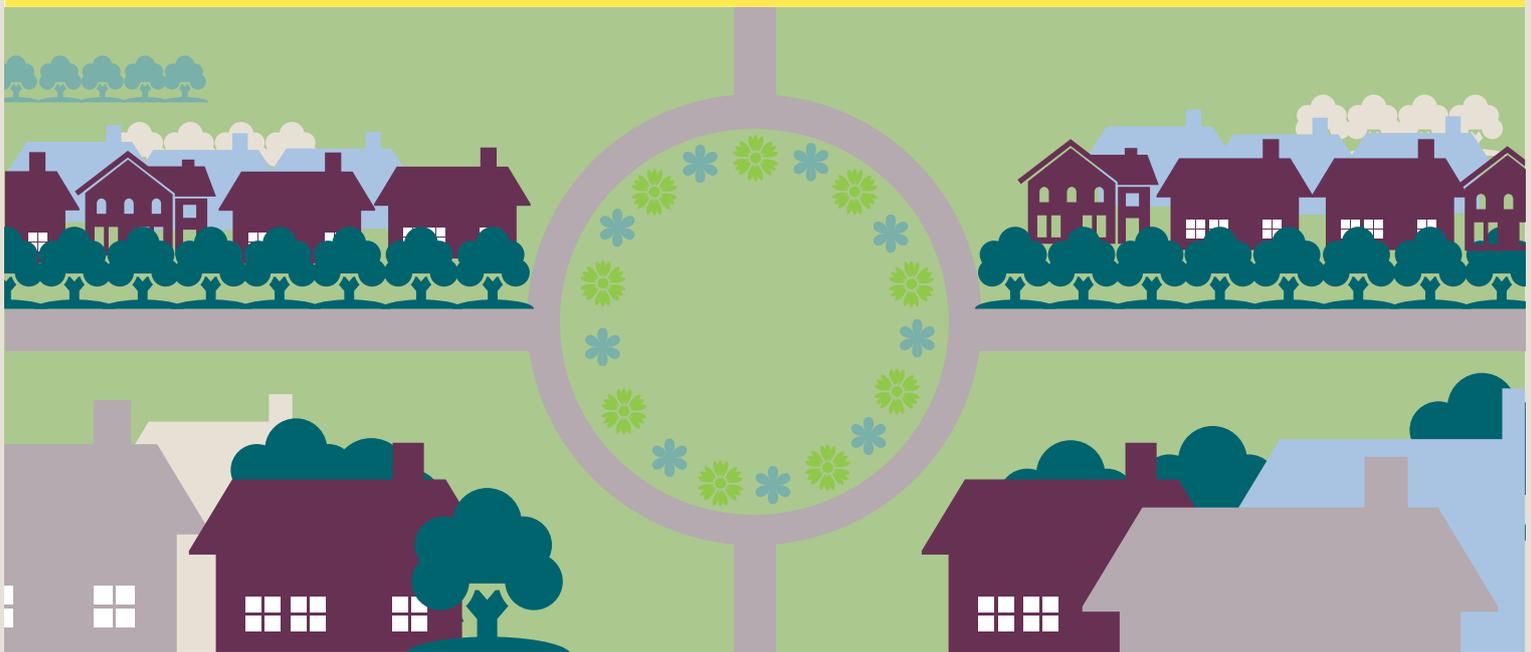


Garden Cities

Breaking new ground

June 2014



SUMMARY

New settlements are only part of the solution to the demand for housing spilling out of London

■ **Housing undersupply:** London and the wider South East face an acute shortage of housing. Building rates are below planning targets and our research reveals that these targets are well below housing need. p.2/3

■ **Planning shortfall:** We calculate that the deficiency will leave London, the South East and the East short of 129,000 homes over the next five years. London's planned undersupply will total 72,000 homes over the same period. This shortfall plus high property values in London will prompt migration out of the capital. p.2/3

■ **Garden Cities not a panacea:** The Government prospectus for Garden Cities states these new settlements

should be 'at or above 15,000 homes'. At this level we would need to build one new Garden City a year simply to accommodate the London overspill. p.2/3

■ **Beyond targets:** The Garden Cities programme will not meet housing need and address the housing crisis unless locally-set targets add up to current household projections of 240,000 new households a year in England. p.2/3

■ **Best locations:** We take a look at the possibilities with the greatest potential. p.4/5

■ **Land value uplift:** A balance must be struck between encouraging

landowners to bring forward land willingly and achieving the right price for land that allows schemes to be deliverable. However, the assumption that all Garden City infrastructure can be funded from land value capture alone is heroic. p.6/7

■ **Public funding:** Land value uplift would supplement rather than replace central and local Government funding. p.6/7

■ **Affordable housing:** There are trade-offs to be considered between a variety of tenures for new homes including innovative hybrids on a site by site basis. Generic requirements for Garden Cities should be avoided. p.6/7

Market analysis

THE CASE FOR GARDEN CITIES

As London and the South East face an acute shortage of housing, we examine the need for large scale developments around the capital

All three main political parties agree that we are experiencing a major housing shortage and that the rate of housebuilding needs to increase. Within this debate, the creation of new Garden Cities is often cited as one way to increase the numbers, particularly in the South East where the problem is greatest.

Strong price rises in London, which suffers an acute imbalance between the supply and demand for homes, has priced out large numbers of households. Many will leave the capital in search of better value, placing added pressure in the property markets with the strongest migration links to London.

There is no single solution to this housing crisis. Savills believes that the creation of new Garden Cities, as defined by the Government's prospectus launched this spring, is not a panacea but a piece in a much bigger jigsaw. It is within this context that we examine the need for large scale developments, consider the best locations for new settlements (pages 4-5) and look at some of the factors affecting the viability of such schemes (pages 6-7).

Housing shortfall

Last year we built just 112,630 homes in England. That is less than half the numbers needed and 34% below what we were building in 2007/8. Yet low building rates are not the only problem.

In *Planning: Countdown to the Election*, published earlier this year, we revealed that many Local Authorities are failing to plan adequately for housing need in the first place. Our study of southern England showed that even if all Local Authorities (LPAs) met their local plan targets, the region would still face a shortfall of more than 160,000 homes over the next five years. That is before we take into account the backlog in demand resulting from years of undersupply.

London, the South East and the East will suffer 80% of that shortfall, a total of 129,000 homes over the next five years according to our analysis, which compared the number of homes planned for by LPAs with household projections for Town and Country Planning Association (TCPA).

By the same measure, London alone will be short of 72,000 homes over the next five years. High quality new settlements, built along existing public transport links to major cities or where there are real plans in place for its provision, would relieve some of the pressure.

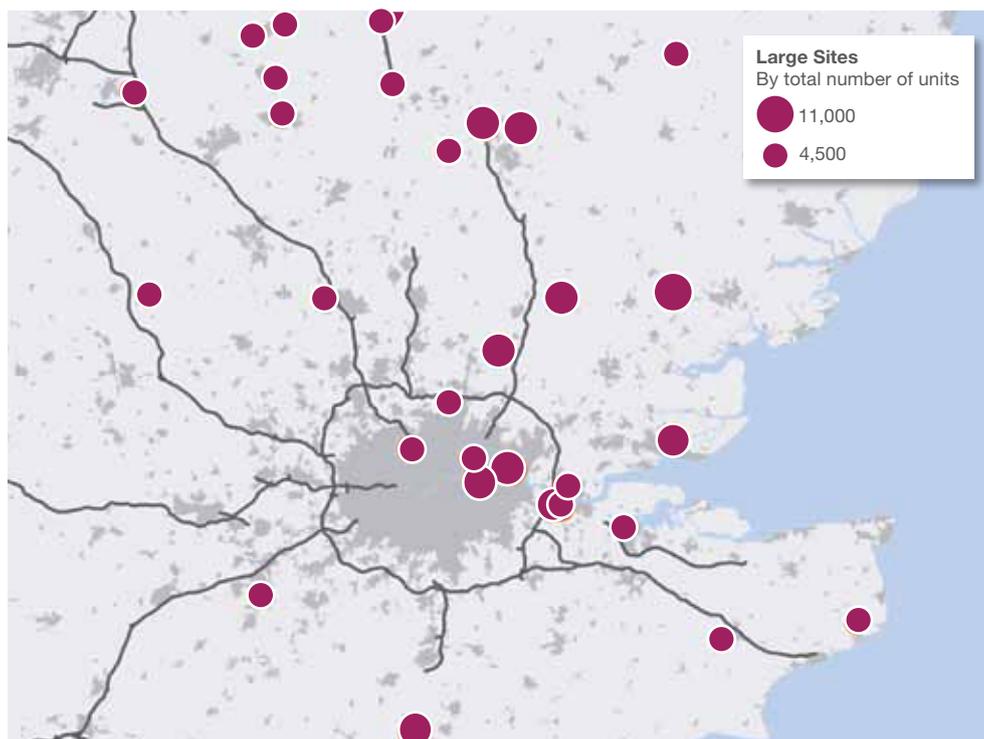
Back to the future

Garden Cities are not a new idea. The New Towns Act of 1946 launched a programme through which Britain built 32 new towns over the twentieth century and, according to the TCPA, these currently provide homes for 2.5 million people. Welwyn Garden City and Letchworth are thriving examples.

The Eco Towns championed by the previous Government were another, if less successful, version

MAP 1

Large development sites in and around London over 4,500 homes



Source: Savills Research

of the concept. Labour's aim was to build zero-carbon, largely car free, self contained small towns of up to 20,000 homes. However, of the four winning bids announced in 2009, only North West Bicester is still planned to be built to the standards that were originally proposed.

Defining Garden Cities

In contrast with previous "new settlements" where the concept originated with and was driven by a central body, the Government's prospectus for Locally-led Garden Cities published in April 2014 states that the next generation of Garden Cities are to be instigated and supported by Local Authorities.

The document offers no detailed definition of what constitutes a Garden City, but invites localities to consider the view of the TCPA, that they should be "holistically planned new settlements which enhance the natural environment, tackle climate change and provide high quality affordable housing and locally accessible jobs in beautiful, healthy and sociable communities".

Beyond that, the Government expects these new towns to comprise some 15,000 homes with access to existing or planned transport infrastructure. It prescribes no particular mode for delivery but suggests arrangements such as joint venture companies or statutory bodies such as Development Corporations, as proposed for Ebbsfleet in Kent.

Breaking ground

The Savills development database identifies several large developments being openly promoted or currently going through the planning system. These include a MOD site for 10,000 homes in Waterbeach, north east of Cambridge; 9,500 homes in Northstowe, north west of Cambridge; and outline planning permission for 6,200 new homes at Rugby Radio Station, north of Rugby.



South East still short of 129,000 homes over next five years after meeting planning targets



We would need a new Ebbsfleet every year to cater for London overspill



32 new towns provide homes for 2.5 million people

EBBSFLEET & THE THAMES ESTUARY

Government identifies site in Kent as a suitable location

Ebbsfleet has been identified by the Government as a Garden City, with some 15,000 homes planned around the station that offers links to London St Pancras in less than 20 minutes via High Speed 1. With targets at these levels, we would need to build a 'new Ebbsfleet' every year just to accommodate London's overspill.

Proposals from London Paramount to create the UK's largest leisure resort in the adjoining

Swanscombe Peninsula would provide employment and enhance the city's profile. Directly across the Thames to the north lies the new settlement of Chafford Hundred, where over 5,000 homes were delivered around the turn of the century.

Additional development around this area may be possible as it is not designated as Green Belt. Existing property values are low given the proximity to London.



New Garden Cities should complement these existing sources, not replace them. Extending existing towns and cities must therefore remain part of the wider strategy for meeting housing need.

However, creating completely new settlements is not just about housing numbers. Building Garden Cities allows for the delivery of new housing on a large scale while

integrating green spaces, amenities, employment options and public services into the design from the start. It also provides an alternative to placing greater pressure on infrastructure and services in existing towns and villages. However, the cost of building an entirely new infrastructure to support a new Garden City is an important challenge to their delivery. ■

Potential sites

LOCATION, LOCATION, LOCATION... BUT WHERE?

The Government has made it clear the decision should be ‘locally-led’. Here are a few ideas Local Authorities and developers may consider

While the development of the next generation of Garden Cities is to be locally-led, certain areas have particular potential.

The map shows some of the factors influencing development – the average property price in existing urban locations against factors that constrain development. For the purposes of this exercise, we have assumed existing constraints will remain, such as the Green Belt (light grey), Areas of Outstanding Natural Beauty (AONB) or Sites of Special Scientific Interests (both in dark grey).

We’ve also considered current development sites as well as journey times into London via existing roads and railways. These are some of the areas across the wider South East where the potential for large scale development exists. ■



Higher housing targets are needed for Garden Cities to make a difference



Generic requirements for Garden Cities should be avoided

A. NORTHAMPTONSHIRE AND PETERBOROUGH

There is good availability of land across Northamptonshire, around towns such as Northampton, Kettering and Corby. Large strategic sites include a 5,000 unit urban extension being promoted at West Corby and an 8,000 unit development under construction in The Hamptons, a collection of new villages south of Peterborough.

Urban extensions of more than 5,000 units have also been proposed at both Rugby and Wellingborough and are currently going through the planning process. Infrastructure improvements and major regeneration schemes could be key to moving development forward and improving values in the area.

B. THE “ARC OF PROSPERITY”

The arc outside London’s Green Belt, from west to north east, is a thriving economic area. Major centres such as Cambridge and Oxford are amongst the fastest growing local economies, adding skilled jobs in technology and R&D. Property markets are mixed, ranging from very strong in Oxford and Cambridge to more affordable locations such as Milton Keynes and Bedford. Land values reflect this, and can therefore support “traditional” development routes in the more popular locations.

Transport infrastructure improvements to both road and rail are underway, and more are planned – this is likely to open up new areas for development. At present there is a lot of activity in the east of the arc, with large sites around Cambridge (Alconbury, Cambourne, Waterbeach and Northstowe) and Bedford (Houghton Regis and Wixams) at various stages of the planning and construction process.

C. M11 AND EAST

A large area of relatively unconstrained land exists along the M11 corridor and to the east of the motorway. In locations with good transport links, land values are relatively high.

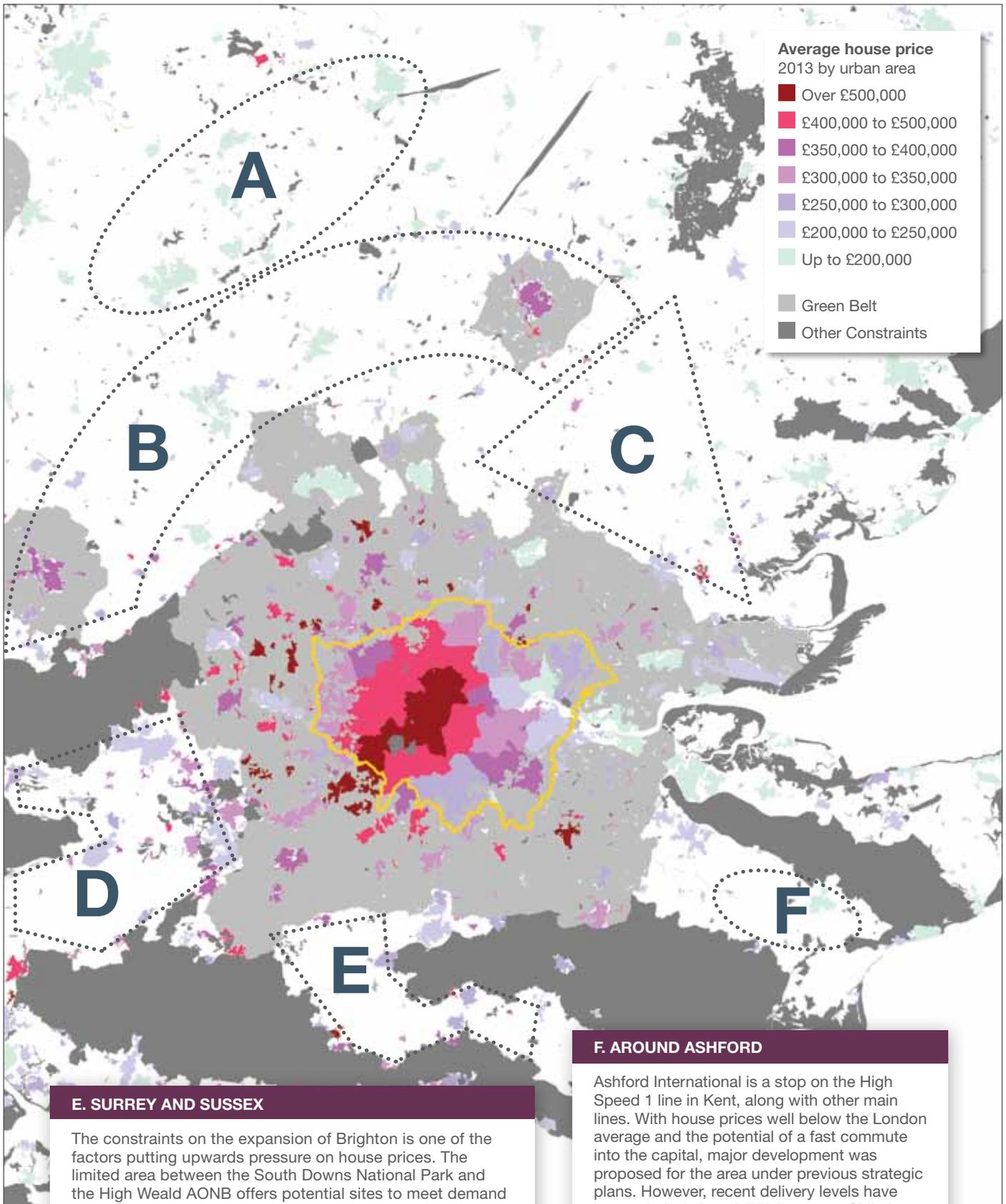
Additional supply here could take pressure off local authorities north of London where growth is constrained by the Green Belt. Large strategic sites include 9,000 units at Easton Park near Stansted and 4,000 at Beaulieu Park to the north of Chelmsford – both at the early planning and promotion stage.

D. THE M3 & M4 CORRIDORS

To the west and south west of the capital, towns such as Reading, Bracknell, Basingstoke and Wokingham offer good transport links around the region and into London. House prices are generally in line with or above the regional average. Greenfield land values are such that development through urban extensions should be viable.

MAP 2

Garden Cities of the Future Possible locations for large scale developments



E. SURREY AND SUSSEX

The constraints on the expansion of Brighton is one of the factors putting upwards pressure on house prices. The limited area between the South Downs National Park and the High Weald AONB offers potential sites to meet demand from the south and from London, with transport links via the main line into Waterloo and Victoria.

F. AROUND ASHFORD

Ashford International is a stop on the High Speed 1 line in Kent, along with other main lines. With house prices well below the London average and the potential of a fast commute into the capital, major development was proposed for the area under previous strategic plans. However, recent delivery levels have been relatively low. 5,750 homes at Chilmington Green currently have outline permission.

Source: Savills Research

Delivery

PIECING TOGETHER A NEW COMMUNITY

We need a strong larger-than-local body to bring together all interested parties



The Garden Cities prospectus emphasises that the proposals need to attract private capital and make use of land value uplift to finance infrastructure. The project must also be locally-led, brought forward by Local Authorities with the support of the community.

This is a tall order. Given the complexity of a development project on this scale, we would advocate that the delivery process is facilitated by a larger-than-local body to bring all interested parties together. We anticipate that the land needed to accommodate 15,000 homes will come from a number of landowners and could stretch across Local Authority boundaries. Hence there will be considerations that would need to be addressed on a wider than local scale.

To achieve the scale necessary in locations where people want to live at a realistic cost to the landowner, developer and end user, requires a solid and accountable framework.

A New Town Development Corporation (NTDC) could be the vehicle that helps deliver a long-term vision and reduce risk to investors and developers. Ensuring that it is locally-based and controlled (it could be set up by Local Authorities, for example) would ensure transparency, accountability and help build support at grass roots.

NTDCs could create a planning framework, borrow money to fund infrastructure, share land value uplift with the private sector and instigate compulsory purchase where necessary to complete land assembly.

Planning numbers

As we discussed on p.2/3, many Local Authorities are failing to plan for housing need. Even if current planning targets are met, southern England faces a shortfall of 160,000 homes over the next five years.

One of the challenges with the locally-led approach is that new settlements are unlikely to be justified purely on local requirements. However, if the ultimate objective of creating a settlement is to increase build numbers drastically to cater for the wider national need, we believe locally set planning targets should add up to the latest estimates for housing requirements of 240,000 new homes a year.

Local authorities will then find ways of working together, perhaps through stronger city regions and/or Local Enterprise Partnerships (LEPs), to meet a fully assessed level of need in the south, with Garden Cities being part of the solution. Existing plans for urban extensions and the homes already allocated in Local Plans should continue to underpin delivery.

The delivery process also needs to recognise that the beneficiaries of new towns are by definition people who do not live there yet. Given the long-term nature of the concept, these future residents may not have been born or are likely to be too young to vote. The case for Garden Cities needs to be made on behalf of future generations. Designation process requires more than a local planning framework.

Land value uplift

The planning system is based on the premise that there should be competitive returns to landowners to encourage them to bring forward land. For owners of Greenfield land, this represents the 'life changing sum' that persuades them to give up long-term ownership of that land, typically in agricultural use, after paying taxes and costs of sale.

There are broad benchmarks that represent this 'life changing sum' for large scale urban extensions. We need to ask whether the benchmark land value for Garden Cities is any different on account of the scale of land take. The only way to discover this is to hold a national competition for sites to come forward, from private land owners and Local Authorities.

Assuming a number of proposals are put forward, the competitive element would test the potential for lower land prices so that gains from value uplift could be used to fund infrastructure. Bidders would have the option to compete on land value by proposing Joint Ventures or other delivery structures.

One, possibly complementary, route could be via a vehicle whereby

existing landowners retain a minority share in the project value. This allows the landowner to benefit from rising land values but requires them to share some of the risks inherent in large-scale development.

On a note of caution, the assumption that all Garden City

.....
 “The assumption that all Garden City infrastructure can be funded from land value capture is heroic”

 Savills Research

infrastructure can be funded from land value capture is heroic. Contributions from landowners and developers would supplement, rather than replace, central and local Government funding.

The process for setting the rates for Community Infrastructure Levy (CIL), recognises that the levy is only one source of infrastructure funding amongst many. Garden City infrastructure is no different. The merits of any proposed site will be underpinned by its location relative to existing and planned infrastructure, together with its capacity to contribute funding from land value towards new infrastructure.

Affordable housing

The Government has stated that it would “not impose a particular level

of affordable housing for housing schemes” in Garden Cities. There is a realisation that prescriptive requirements on tenure mix can deter development.

Garden Cities offer the opportunity to provide for a range of need by delivering a variety of housing tenures – from social rent to market sale and rent, with various forms of subsidised housing in between.

This could come in the shape of shared equity, shared-ownership and homes at discounted and market rent as well innovative hybrids. Hence there are a number of trade-offs to be considered on a site by site basis. Generic requirements for Garden Cities should be avoided. ■

GRAPH 1
Viability and the Willing Landowner



Source: Savills Research

OUTLOOK

The way forward for Garden Cities

■ **Beyond locally-set targets:** Garden Cities are a mechanism to increase the supply of housing. Our research reveals that many Local Authorities are failing to plan adequately for need. Even if planning targets are achieved, southern England faces a shortfall of 160,000 homes over the next five years. Therefore, if Garden Cities are to make a difference, they should be seen as part of the answer, in addition to existing plans for urban extensions and the homes already allocated in the local plans.

■ **London overspill:** Plans for new settlements need to consider the acute housing shortage in the capital. Value growth in London has priced out large numbers of households. Many will leave the capital in search of better value, placing added pressure in the property markets with the strongest migration links

to the city. High quality new settlements, built along public transport links to major cities or where there are real plans in place for its provision, would relieve some of the pressure.

■ **Plans must be larger-than-local:**

The case for Garden Cities needs to be made on behalf of future generations. The designation process requires more than a local planning framework and rests on meeting wider than local needs. The creation of new settlements will not help solve the housing crisis unless locally-set targets add up to the latest estimates for housing requirement of 240,000 new homes a year in England.

■ **New Town Development**

Corporations: These could be the vehicle that helps deliver a long-term vision and reduce risk to investors

and developers. NTDCs could create a planning framework, borrow money to fund infrastructure, share land value uplift with the private sector and instigate compulsory purchase where necessary to complete land assembly.

■ **Land value uplift:** We need to encourage landowners to bring forward sites at a price that ensures schemes are deliverable. Two possible and potentially complementary routes include a national competition and for sites to come forward and the creation of contracts through which landowners retain an equity share in the project.

■ **Garden Cities are only part of the solution:** There is no single solution to this housing crisis. Savills believes that the creation of new Garden Cities is not a panacea but a piece in a much bigger jigsaw.

Savills team

Research



Susan Emmett
UK Residential
020 3107 5460
semmett@savills.com
Twitter: @saemmett



Jim Ward
Development
020 7409 8841
jward@savills.com



Chris Buckle
Development
020 7016 3881
cbuckle@savills.com



Nick Gregori
UK Residential
020 7409 5907
ngregori@savills.com



Emily Williams
Housing Supply Pipeline
020 7016 3896
ewilliams@savills.com

Development & Planning



Richard Rees
Head of Development
Services
020 7016 3726
rees@savills.com



Mike Shaw
Head of National
Strategic Development
07967 555 456
mshaw@savills.com



David Jackson
Head of Operations
Planning
07967 555 796
djackson@savills.com



Jonathan Steele
Head of Housing
Planning
07967 555 818
jsteele@savills.com



Charles Collins
Planning Research
07870 999 596
ccollins@savills.com