

Spotlight Public Land: unearthing potential

Autumn 2014



SUMMARY

Public land could deliver as many as two million new homes

■ **We estimate that** public land could deliver as many as two million new homes based on our analysis of public records of the Central Government Estate and the land holdings of the Greater London Authority (GLA) as well as our market knowledge of the potential for development on NHS and Local Authority land.

■ **Lack of transparency** regarding the full extent of these assets still remains a major drawback in bringing forward sites, despite huge progress by the Government in this area. Data recorded in the central database of Government property and land does not include all public land holdings.

■ **Our analysis** of 250,000 ha of land held by the Central Government Estate in England, for which there is data available, identified 13,000 ha (5%) which are likely to be most suitable for residential development. These sites could deliver 600,000 homes.

■ **Further analysis** of assets held by the Greater London Authority (GLA) shows there is space for an additional 100,000 homes. But these numbers are only part of the full potential.

■ **The capacity of Local Authority** land is not clear. However, we estimate that this could be around one million

if assets are actively managed and densities increased.

■ **NHS land** has the potential to bring forward a valuable part of the mix. NHS Property Services, which controls just 11% of the whole estate, released 24 ha of surplus land between April 2013 and July 2014.

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“NHS land has the potential to bring forward a valuable part of the mix”

Susan Emmett, Savills Research
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Distribution

PUBLIC LAND COULD DELIVER UP TO TWO MILLION HOMES

Analysis of public records of the Central Government Estate as well as our market knowledge, suggests there is huge potential to deliver more homes

It is widely recognised that England is facing a housing crisis and that we are currently building only half the number of homes our growing population requires. Releasing surplus or underused public land for development could help to alleviate the shortage of homes.

The Government has pledged to release enough public land on which to build 100,000 new homes within the 2011-2015 Spending Review Period. Having sold enough brownfield land on which to build 68,000 homes so far, this aim appears to be on track. The scale of the ambition and the speed of the progress is to be applauded. We must build on the momentum.

The public estate held by central and local government in England is worth £370 billion according to the figures from the Cabinet Office. The Audit Commission estimates that £170 billion of that sum are council owned assets (46% of the entire public estate). There is an urgent need to establish how much is really required for operational purposes and how much can be released to meet housing need.

However, we have analysed 250,000 ha of land held by the Central Government Estate in England and identified 13,000 ha (5%), which are likely to be most suitable for residential development. We believe these sites could deliver 600,000 new homes. We are making no judgement on

operational decisions but estimating the number of homes that could come forward if public bodies were able to free up or intensify sites.

Further analysis of assets held by the Greater London Authority (GLA) shows there is space for an additional 100,000 homes, bringing the known potential to 700,000. Our analysis represents only a portion of land held by public bodies. We estimate there is enough public land suitable for the development of as many as two million new homes if we take into account the full extent of central government and Local Authority land holdings.

Public assets

NHS and Local Authority land, which we were not able to include in our analysis, has significant potential. In the absence of public records, the capacity of Local Authority land is not clear, although we do have some indication of how much these bodies are capable of bringing forward.

We know that assets owned by Local Authorities make up 46% of the public estate. Although most of these assets are not council housing, we estimate Local Authorities could deliver around

one million homes if assets are actively managed with development potential in mind and council estate densities are increased. Local Authorities are already moving in this direction.

A separate report by the think tank Localis suggests Local Authorities are planning to develop £13.4 billion worth of assets over the next five years.

Similarly, little data is available regarding NHS Land. However, based on market experience Savills knows these sites include many prime developable locations. We also know NHS Property Services, which controls 11% of the total NHS estate, sold 88 surplus sites between April 2013 and July 2014, releasing 24 ha of land.

Hence Savills best estimate for the number of additional homes that could be delivered through the reconfiguration and intensification of operational sites within the NHS estate could be 300,000.

The assets held by Local Authorities and the NHS are not only a large proportion of the overall public estate but are also likely to be a particularly valuable part of the mix. Given the nature of these operations, their portfolios contain mostly urban land

where sites are most likely to be developable for residential property.

Barriers to delivery

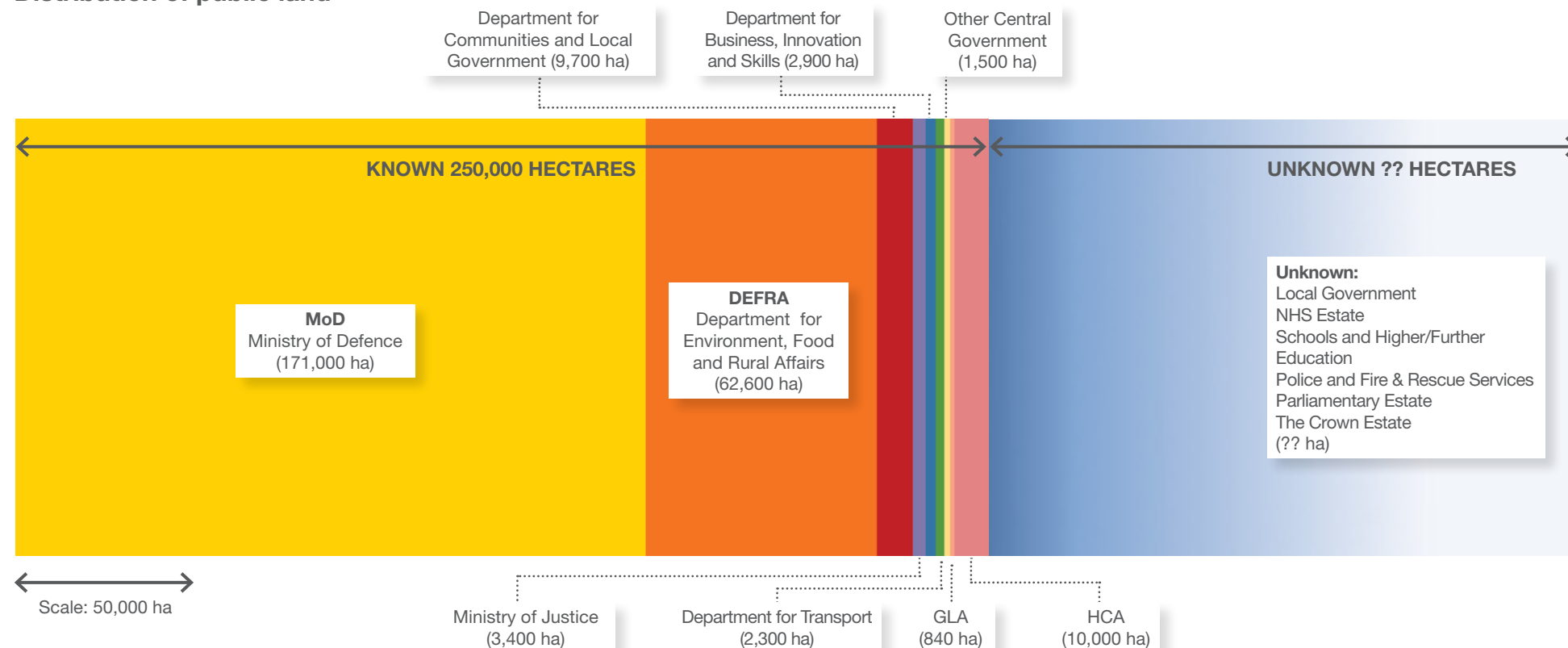
While much progress has been made in identifying and releasing public land for development, there are significant hurdles to overcome.

Although the decision to develop will be made at the devolved level, we urgently need a register of assets held by Local Authorities and NHS bodies. Only then will we be in a position to assess the full potential both for housing delivery and income generation for the public bodies currently holding the land.

But there are other factors at play. We would question whether public bodies are given enough incentives to either dispose of or to reassign their assets with the aim of bringing forward more housing. We would also question whether current public procurement rules deliver best value.

There is urgent need to accelerate research and discussion into these two points. This analysis should act as a launch pad to stimulate debate among key public sector bodies in order to better identify solutions. ■

FIGURE 1
Distribution of public land



Source: Savills; Central Government Property and Land public records – Cabinet Office

CASE STUDY

Springfield Hospital, Wandsworth

While the lack of public data on land held by the NHS has prevented us from adding it to this count, this is an area of huge potential. In some cases, the reassignment of operations within a site may make it possible to extract maximum use from the land while providing new medical facilities and bringing forward more housing.

One example, are the plans for the redevelopment of Springfield Hospital, a dated Victorian property, set within an 85 acre site in Wandsworth, West London. The site, belonging to St George's Mental Health NHS Trust, has outline consent for 839 homes (20% affordable), 2,500 sq m of retail and leisure accommodation as well as 25,000 sq m of healthcare space.



Analysis

WHERE IS THE MOST DEVELOPABLE LAND?

Lack of transparency regarding government assets prevents us from conducting a full analysis of all public sector land. However, using e-Pims, the Government's Property and Land asset database, we have been able to analyse a part of central government land holdings in England.

The data we used includes the holdings of DEFRA, MoD, DCLG, and HCA among others but excludes the NHS and Local Authority assets.

Using existing information, we plotted the location of the sites and estimated the number of sites suitable for residential development according to the typology of the site.

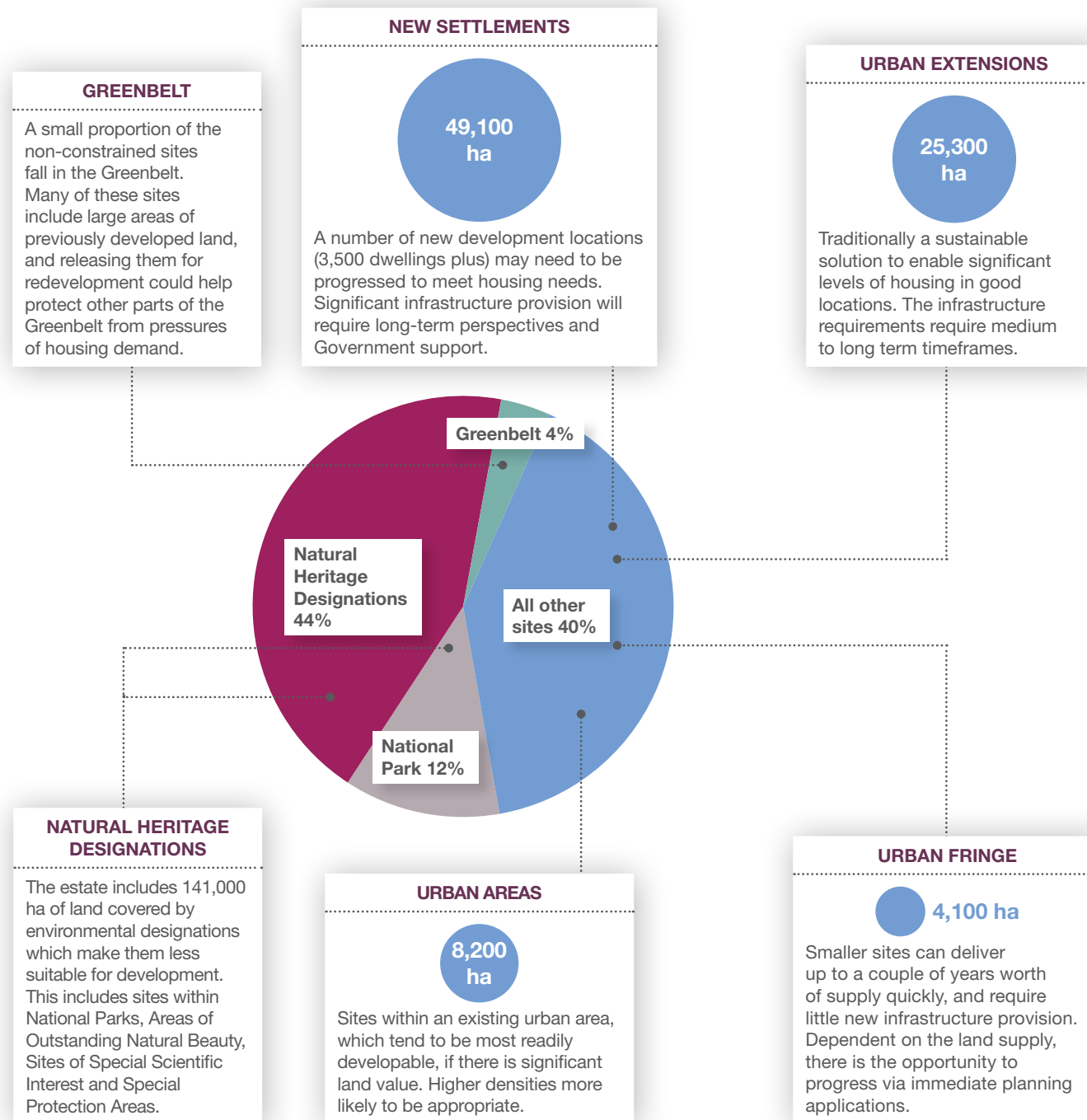
The analysed land amounts to 250,000 ha, but there is limited potential for residential development on much of this given that 12% are National Parks, 44% are Natural Heritage Designations and 4% is in the Greenbelt.

This leaves 112,000 ha of potentially developable land. Of this, we have excluded 25,000 ha as the sites are too isolated to be considered viable residential development land.

The remaining land has been categorised into four broad types: new settlements, urban extensions, urban fringe and sites in an urban area. We then considered the viability of delivering the sites based on local sales values and how likely it is for the site types to come forward based on location, market demand and complexity of delivery.

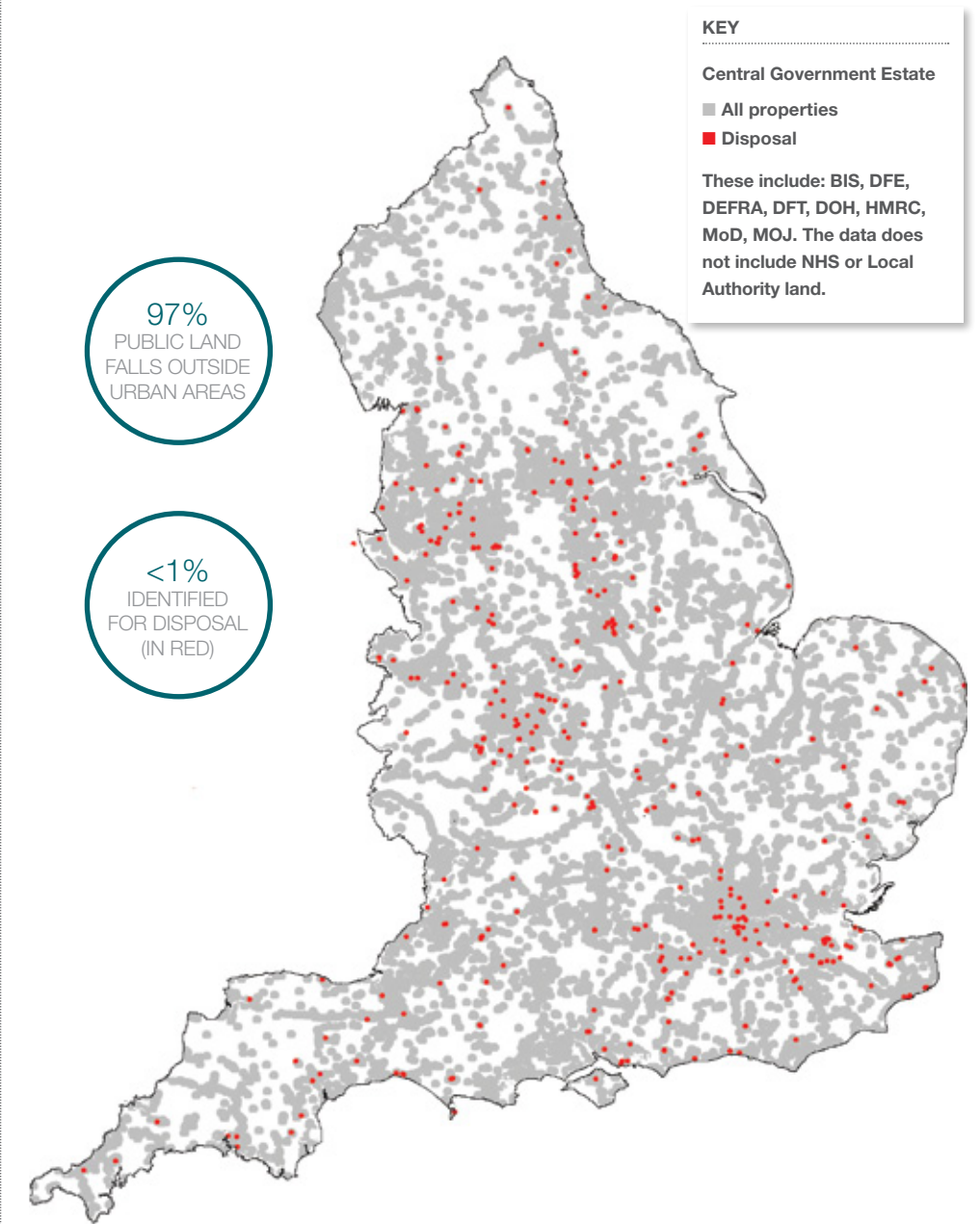
We concluded that previously developed sites in urban areas would be the quickest and easiest to develop, while the cost and complexity of developing a new settlement means a smaller proportion of the land sitting in this category is likely to be suitable for development. This analysis has produced a figure of 13,000 ha of "most developable land". We then applied a typical housing density for each site type, resulting in potential delivery from the most developable land of 600,000 homes. ■

FIGURE 2
Central government land holdings – analysis of 250,000 ha



Source: Savills Research

MAP 1
Mapping out public sector land holdings



PUBLIC SECTOR LAND

We have mapped out the assets listed in the government database which add up to 250,000 ha of land. Each of the dots represent land holdings of different government bodies.

These sites are operational so departments have to have development potential in mind when reviewing operational strategies. The highest concentration of central government land listed on the database is in the East of England and in the South West but there are over 20,000 ha in each region outside London. The vast majority, 97%, falls outside urban areas, due mainly to the major rural holdings of DEFRA and location of MoD bases.

We expect the spread would be different had we been able to include NHS and Local Authority land holdings as most of these estates are in urban locations.

Source: Savills Research

Housebuilding

DELIVERING MORE HOUSING IN LONDON

At least 100,000 homes could be built on public land in the capital but many of these sites will need infrastructure and co-ordinated planning to maximise delivery

Steep population growth coupled with years of undersupply of new homes means that London is bearing the brunt of the housing crisis. With the city's population expected to surpass its previous 1939 peak of 8.9 million early next year and continue climbing to 11.3 million by 2050, the need to make full use of public sector assets is pressing.

However, the process of identifying and co-ordinating the delivery of sites is more advanced in London than in other parts of the country. The position of the Greater London Authority (GLA) as a major landowner as well as Mayoral powers to facilitate land assembly are key to delivering more homes. Boroughs are also becoming more proactive at

managing their assets and building more homes.

Our analysis of the GLA's asset database, which includes land belonging to Transport for London (TfL), London Legacy Development Corporations (LLDC), London Fire Brigade (LFB) and the Metropolitan Police Service (MPS) has identified enough public land for at least 100,000 new homes in London. Many of these sites are operational.

However, this number also includes sites for the 40,000 new homes previously earmarked by the GLA when it acquired the London property assets of the Homes and Communities Agency (HCA) worth £365 million in 2012. Of the 635 ha portfolio inherited at that time, 85% has been developed, committed for development, or is being marketed.

Since April 2012 contractual commitments have been entered into for over 145 ha of land, with an estimated gross development value in excess of £3.6 billion. The Mayor is committed to having an exit strategy in place for all of the GLA's current landholdings by 2016 and the process is well advanced.

Bringing sites forward

Analysis of GLA sites marked for disposal showed that many of the saleable sites are grouped in lower value areas to the east of Canary Wharf. Our map shows the location of the non-operational assets, with the saleable sites highlighted in red.

Lower value, post-industrial land with poor infrastructure links can be difficult to bring forward through traditional development routes. A co-ordinated approach with the Mayor at the centre is essential to open up new neighbourhoods.

The GLA aims to assist in the regeneration of areas by investing in infrastructure and site decontamination. Better transport links and investment in the public realm are also important to encourage development, especially in new areas.

There are some good examples of public land already being used in regeneration schemes to bring forward more homes. One major site delivering a substantial number of homes is Barking Riverside (plans for up to 10,800 homes, including 40% affordable).

TfL is currently consulting on the extension of the Overground to Barking Riverside where a new station

would be built. If the plan goes ahead, the new station will make a significant difference to the future of the area.

Looking further ahead, the Mayor is playing a central role in shaping the vision for a new centre at Old Oak Common in west London by pulling together multiple landowners, including TfL and Borough of Hammersmith and Fulham.

Old Oak Common is set to become a transport hub at the intersection of HS2, Crossrail and Overground lines. To take advantage of this, plans for regeneration of the area with up to 19,000 new homes and 90,000 jobs are currently in a consultation process.

Local Authority & NHS land

Our 100,000 homes figure does not include assets held by the NHS or by the capital's 32 boroughs. We expect that the potential for public

land in London is even greater once these other assets are taken into account. Assets not held by the GLA include central government holdings (discussed earlier in the report); NHS Trust land; and Local Authority land.

Although Local Authority housebuilding is at a very low level, many boroughs are bringing forward surplus land and regenerating council estates in partnership with private developers. The London Borough of Camden has been particularly proactive, one example being a mixed residential and industrial site at Maiden Lane to the north of King's Cross. This is being redeveloped to provide 273 units across 10 residential blocks, with many apartments exclusively available to local residents and key workers.

Former hospitals are also a source of new housing across various markets in London. Two different examples include

the site of former Middlesex Hospital in Fitzrovia that has delivered 285 prime apartments at Fitzroy Place.

Meanwhile, the redevelopment of the former St Clement's Hospital in Mile End is an example of how such sites can deliver mainstream housing. The site, which was originally Bow Workhouse will deliver 252 homes, including 58 social rented properties and 23 units for the East London Community Land Trust (ELCLT), a locally-run non profit organisation. ■



London's population is set to soar to a staggering 11.3 million by 2050

ACTIVE PUBLIC ASSETS

Building around operational assets

Active public assets can also provide development opportunities. Building over and around transport nodes is one example. Crossrail is the first scheme of its kind to be part funded by the revenue generated from above station property development at its own sites. The contribution to Crossrail's core funding from the sale of development opportunities is £545 million.

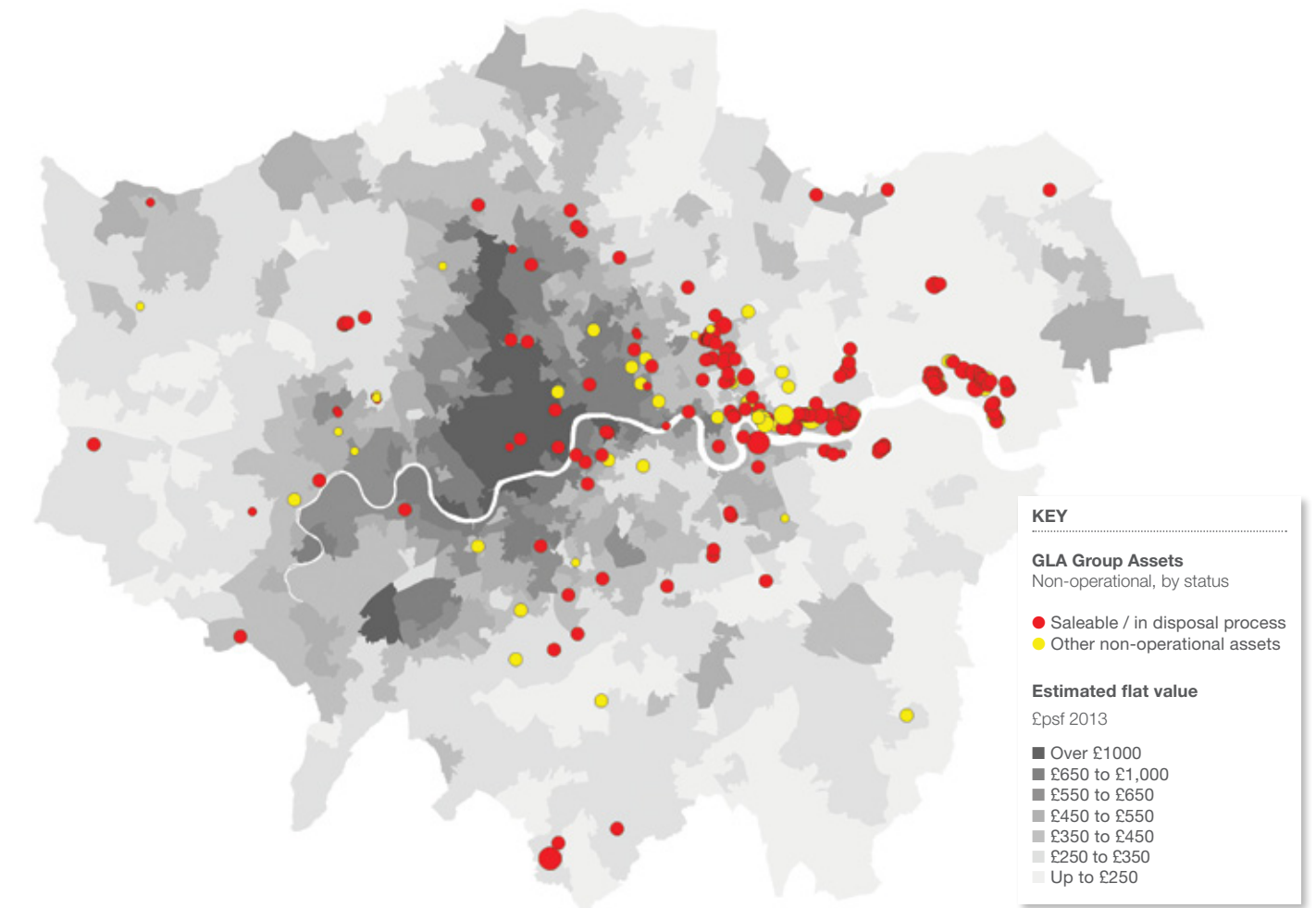
This must be raised from 12 key over station developments spanning 3 million square feet of residential, retail and office space. There are currently 8 sites where permission has been granted including Woolwich station (where Greenwich Council recently gave approval to plans for 400 homes), and Paddington where permission has been obtained for a 305,000 sq ft office building.



Future Tottenham Court Road Crossrail Station

MAP 2

Greater London Authority's Non-operational Group Assets



Source: Savills Research

OUTLOOK

■ **Greater transparency** and data analysis is needed to establish the full size and shape of public sector assets. Big strides have been made to provide data on central government holdings. Although the decision to develop will be made at a devolved level, we must build on this momentum to achieve a similar register of assets held by all sectors of the NHS and Local Authorities.

■ **Coordination is key:** Under the Infrastructure Bill currently going through parliament (latest draft published 10 November 2014), the Homes and Communities Agency (HCA) will be taking on a greater role in public land disposal. This will allow for a more joined up approach and provide a

central co-ordinated knowledge base for development land delivery.

■ **There must be clear incentives** for various public bodies to bring forward land. Accounting issues to allow public bodies to benefit from disposal receipts must be addressed to encourage development opportunities.

■ **The London experience** shows that strategic and considered land disposal will deliver better results than a more ad hoc approach. Much has been achieved in London via the GLA which might serve as a blueprint for other major cities such as Manchester.

■ **Seeking value:** A report by Localis, which included a survey of over 50 Local Authorities, revealed that one in six feel that they have been forced to dispose of assets for less than optimal value. We would therefore agree with the report's recommendation that Treasury guidance needs to change to encourage public sector bodies to focus on long-term best value.

■ **Opportunities exist** beyond taking one-off capital receipts for assets. We forecast that 24% of households will be renting privately by 2019. There is therefore potential for public bodies to maximise revenue income over the long-term by utilising various disposal and development structures including joint ventures, self-development and investing in PRS.

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