

Written Submission from LSE London (London School of Economics) on Matter M18 for consideration in the Examination in Public of the New London Plan, 2019

Matter M18: Housing Strategy

This submission only addressed the question of build out rates in detail plus some general comments of GG4 overall.

The question posed is how the provisions in GG4E will be put into effect but the more fundamental question is whether, even if put into effect, will they make any real difference.

Build out rates

The set of policies suggested appear to be about good business planning within a constructive framework between the developer and the local authority.

The evidence that LSE London drew from GLA data covering the period to 2014 was that while around half of all planning permissions were on very large sites only around 5% of output had been on these sites. The build out rate on many of these sites has improved since 2014 but it remains a massive problem. Some of the issues are structural and can at best only be alleviated; some can be addressed by better business planning; and some are the outcome of the developers' business models. Not all of these problems can be addressed simply by making another plan which will almost certainly have to be modified because of external circumstances and indeed sometimes policy change.

The Letwin Review of Build Out Rates examined the potential for using this type of approach in a more formal way than currently undertaken by local authorities and developers. There was seen to be benefit from agreement about build out times but the potential for incentivising meeting agreed delivery times by imposing costs on the developer was seen to be limited by the range of unpredictable circumstances that might emerge, especially on a large site that might take a decade or more to complete. At the limit it could slow development down as disputes take time to resolve.

The rather different approach taken by the Letwin Review was basically to go with the grain of the developers' business model based on relatively slow build out rates to ensure that sales prices do not fall. The evidence on this model is that developers tend to build properties that will be priced somewhat above the existing units of similar type and that prices should if anything rise as the development is built out. It is not just developers that benefit from such an approach but also existing owner-occupiers and those who buy the new units who do not see falls in prices; and indeed the local authority in terms of public acceptance of development. This is a highly sub-optimal position and arises from the structure of the industry - but over time it probably generates more output. It also suggests that it is very important that there are far more planning permissions than appear to be necessary to achieve the stream of output desired by the Plan. (Evidence of 'excess' planning permissions is therefore positive rather than negative).

However, Letwin then examined what factors would increase build out rates and the answer was diversification into sub-markets and other provision which would be able to absorb development more effectively— i.e. a wider range of products (in terms of sizes, types, quality, location etc.) and outlets for market housing; more Build to Rent; more affordable housing; more custom build and more of any other type of dwelling where there was basically a contractual rather than a speculative building model involved. The wider the mix of providers and the wider the range of sub-markets included, the speedier and more desirable the outcome.

Observation of existing sites also suggested that there were many 'unique' features of each large sites which generated considerable uncertainty – so demand was by no means the only reason for slow build out rates on large sites. Other agencies and their incapacity and lack of preparedness to address required infrastructure issues – notably with respect roads, water and sewerage were often the reasons for significant hold ups and extra costs – even after the development had started. These issues need to be addressed before one can expect to see large phased developments build out significantly more quickly.

The answer therefore to the question whether policy GG4E can be implemented and achieve its goals is that improvements can undoubtedly be made. However, they are very unlikely to be enough to make a significant difference. Developers, once the site is on the books, do not generally have an incentive to do anything other than complete as soon as possible except with respect to the absorption rate. Bringing more developers on to large sites, eg by sub-dividing sites at the outline planning permission stage as well as encouraging a wider range of dwelling types and tenures could almost certainly improve build out rates and help to provide for different needs. However, this will impact not just on land values but also on risks and potentially profitability. In particular, it will not be enough to make a major difference if infrastructure and other constraints cannot be overcome in a timely manner.

General comment on delivery

More generally, policy GG4 reads more like a set of aspirations rather than a set of planned actions. These aspirations are mainly entirely appropriate. However as stated they are almost certainly inconsistent with one another in that for instance GG4B may reduce the numbers of sites coming forward and thus negatively impact on GG4A. The fundamental issue is that while the GLA can provide a framework they inherently do not have the tools to deliver such a large step change. This is reflected in the proper statement that Those involved in planning and development must address these issues.