



NEW CIVIC

HOUSEBUILDING

2017

Reviving the great English tradition of
building attractive, affordable homes

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That, when they should have occasion to enlarge their city by purchasing ground [outside] the town... not only were the proprietors of such lands obliged to part with the same on reasonable terms, but when in possession thereof, they are to be erected into a borough **in favour of the citizens.**

Duke of Albany (later King James II), on proposals for the Edinburgh New Town, 17th Century

In England we are not building enough homes – and haven't for at least a generation. It's at the heart of every housing problem we see, from rocketing house prices and falling home ownership to worsening homelessness.

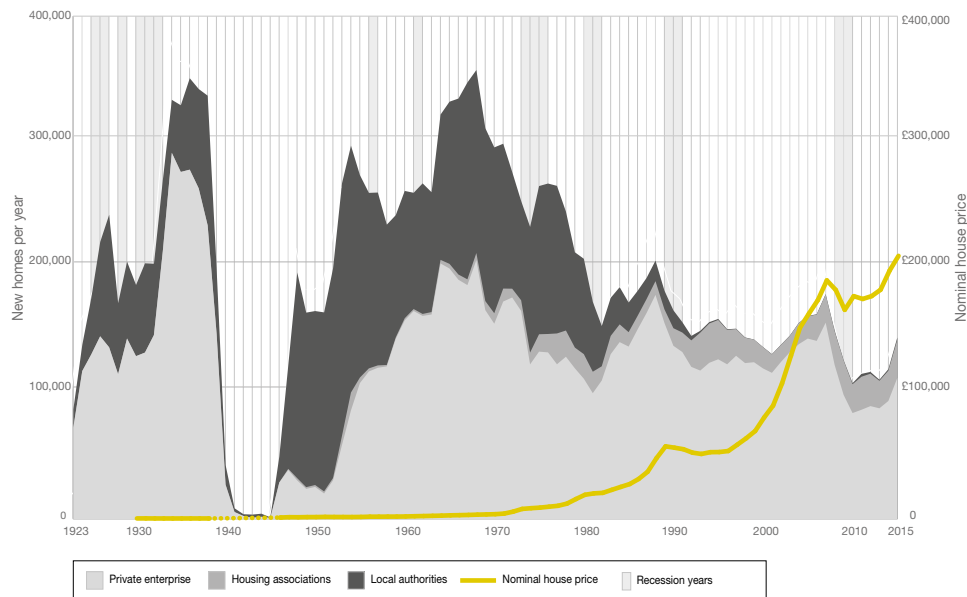
This manifesto makes the case that our current housebuilding system cannot solve this housing shortage on its own. We need new forms of Civic Housebuilding, drawing on the best traditions from our past, to build good homes which are affordable and come with decent new infrastructure.



The problem:

England's housing shortage

House building in England since 1923



The speculative housebuilding model

For decades now, successive governments have relied on just one business model to deliver homes – the ‘speculative’ housebuilding model. This model has its benefits, but on its own it simply can’t build the number or the quality of the homes we need.

Speculative developers must compete to buy land, pushing up the price as they outbid each other. Because they pay so much for land upfront, they have to drive down all other costs – such as the quality of construction, local infrastructure and affordable homes.

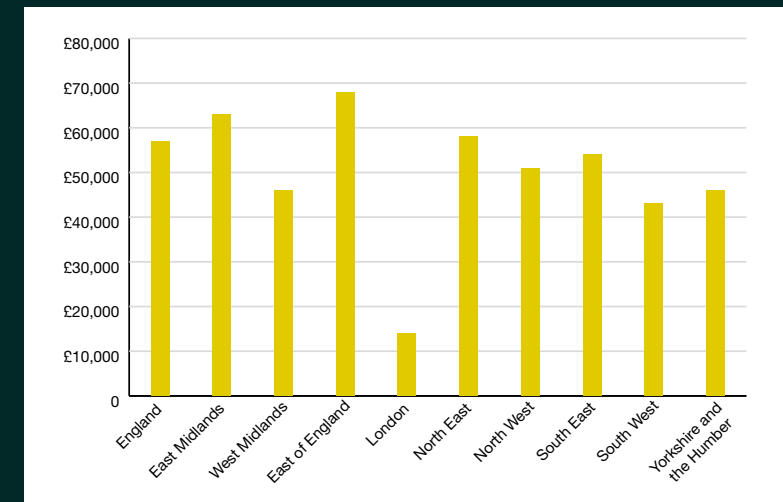
Too few homes, built too slowly

High land prices mean developers have to maximise the prices of the homes they sell – which means they can’t build too many homes too quickly, as this would risk undermining local prices. Instead

they phase their building at a rate which sustains market prices. A speculative business model that relies on keeping house prices high will never build enough homes to bring prices down.

The price difference of new homes versus second hand²

Speculative developers limit production to a pace which does not reduce local sales prices. In fact, new build homes are sold at prices above local averages for second hand homes in every English region. This price difference ranges from £14,000 to £68,000 per home.



² Shelter analysis of 12 month rolling data from the Land Registry, 2016

Unattractive, unpopular developments

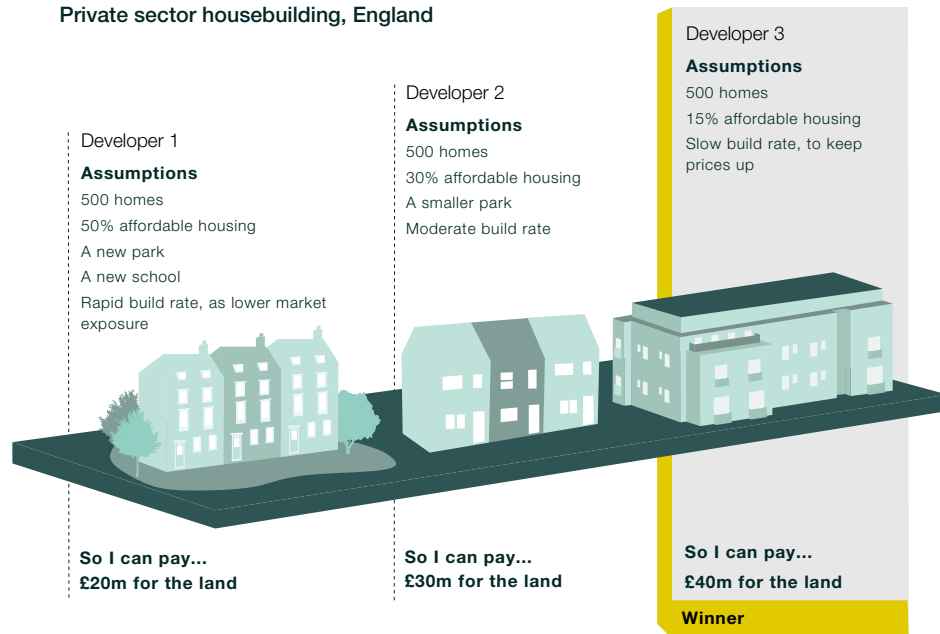
The developments built by the speculative housebuilding model are not just expensive, but often unpopular with local people too. A majority of people think that the quality of new housing supply is 'poor' or 'very poor', more so than in any other G8 nation. That is despite housing being the top priority for infrastructure investment for the public.³

People in England worry about the lack of community facilities in new housing schemes – such as extra healthcare or education places – and they worry about the impact on local transport.

All these issues are made worse by the way the speculative housebuilding model works: forcing housebuilding firms to compete to pay more to landowners at the expense of the quality of the scheme.

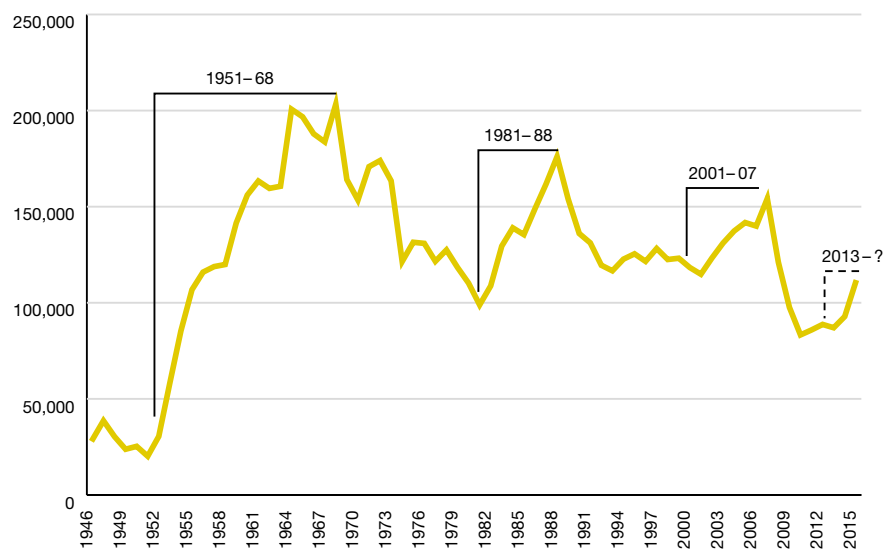
By the last general election housing had become a top 5 issue for voters. The public are now looking to the government for action. But politicians feel like they are pulling many levers, with none of them translating into substantially more homes – or more importantly, more affordable prices.

Private sector housebuilding, England



³ Ipsos Mori, Base: 1,001 GB adults 16-65 (online), 26 Aug-9 Sept 2016 (Britain's Infrastructure: Public Satisfaction and Priorities, October 2016). Ipsos Mori, Base: 18,517 adults (online), 26 Aug-9 Sept 2016

If we continue to tinker with the current system rather than trying something new, things will continue to get worse – home ownership will continue to decline, and soon enough there will be another cyclical crash in housebuilding. Speculative housebuilding has ratcheted down three times already in the past half century: without intervention we should expect it to do so again.



SOURCE: DCLG Live Table 244

The choice we face is between sticking with a low volume, high price housebuilding model – or actively promoting a new high volume, low price housebuilding model alongside it.

Why the alternatives don't work

There are alternative strategies that the government could use to increase housebuilding to the level required. However, they have major drawbacks.

Deregulating the planning system. Taking away the ability of the planning system to say 'no' to speculative developers could fundamentally change their business model. Because land would become much cheaper and quicker to develop, they'd be forced to compete with each other on the quantity of homes they build, rather than profit per home. Advocates of this approach often point to the 1930s, when the size of London doubled along new train lines.

However, this approach would require planning deregulation on a major scale to work, such as the scrapping of city green belts. Developers already receive 50% more planning permissions than homes they start without their model being disrupted. There's also the risk that land use continues to be controlled, but outside of the democratically accountable planning system. Planning exists because land is naturally scarce and its use contested: it doesn't create the conflict over use. Finally, scrapping green belts is deeply unpopular and politically unlikely.

Spending public money. Another alternative strategy would be for the government to substantially increase investment to directly procure more housebuilding. A variant on this is providing major public subsidies to buyers to help them buy homes from speculative housebuilders in greater numbers.

However, the risk of public subsidies is that without reform they feed through into land prices or developer profits, without making homes more affordable relative to wages. There is also the risk with a public spending approach that the focus on delivering as many homes as possible leads to poor quality development. This is what happened in the 1950s and 1960s when tens of thousands of council homes had to be demolished due to safety issues from poor quality construction.



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...land planned for major development should be bought well in advance by a public authority for disposal to private enterprise or to public enterprise as required, both to control and phase the development and to help in meeting the cost of bringing it into development.

Sir Keith Joseph MP –
Conservative Minister for
Housing, 1963

A better choice:

New Civic Housebuilding

Using the New Civic Housebuilding model, we can create a large number of good-quality, affordable homes with the infrastructure that communities need. It's a model that draws on the approach that built places like Bath, Letchworth and Poundbury.



Instead of relying solely on speculative housebuilding we need the government, local councils, landowners and communities to grow an alternative at scale. We need New Civic Housebuilding. Under the New Civic Housebuilding model, land is brought into development at lower, more stable prices with strict conditions attached (for instance, on build out times and quality).

Clearer, and lower land costs mean that:

- Homes can be built out quicker and sold at lower prices – putting downward pressure on prices, while still returning reasonable profits to developers.

- Local communities can have real influence on masterplanning and the design of homes.
- The scheme can support quality infrastructure, and so won't stretch local services.

This model of housebuilding has a rich heritage in England. It was used to deliver the Georgian new towns of Edinburgh and Bath, the Edwardian Garden Cities and the post-war New Towns.



Aligning the interests of landowners, communities and investors

In speculative housebuilding, the major stakeholders in a development are pulling in opposite directions. Landowners want a maximum windfall upfront; providers of finance want to minimise risk and get their money out quickly; and the community wants to minimise the impact. The result is a conflict of interests and a highly combative local planning process.

In Civic Housebuilding, the interests of landowners, investors and the community can be much better aligned. All want high quality,

locally affordable development with steady, stable returns. Landowners can choose to sell at reasonable prices, or to invest their land as equity (so they own shares in the development) meaning that they take long term returns and a share of the profit. If they refuse, the land should be brought into the scheme at a fair value through the use of legal powers. This is well established principle in England, used since the Victorian age, and from the post-War New Towns to the modern Olympic Park in East London.

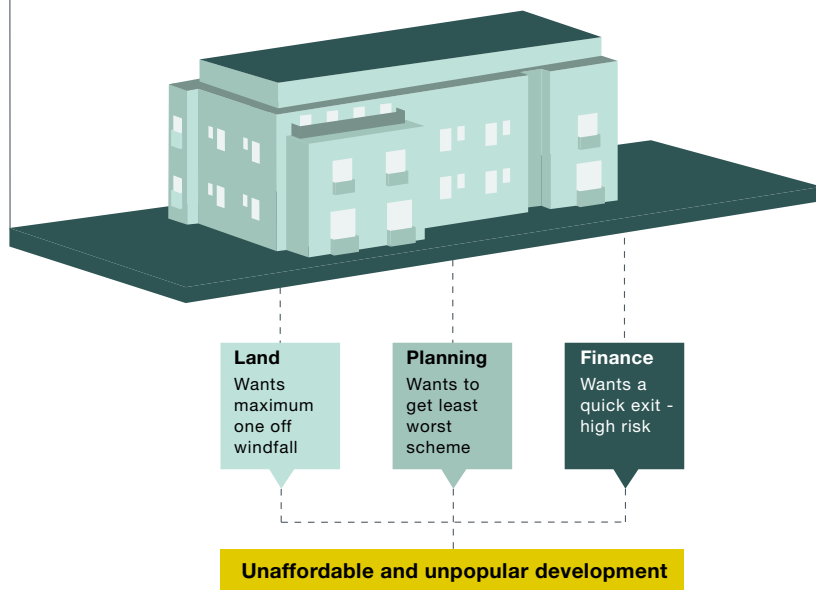
Developers, landowners and local authorities have their part to play – but without strong government leadership they can't turn this around. The full weight of government must be put behind creating an additional model of housebuilding, which can get the overall level up to what we need.

To deliver this, government needs to set up a new generation of

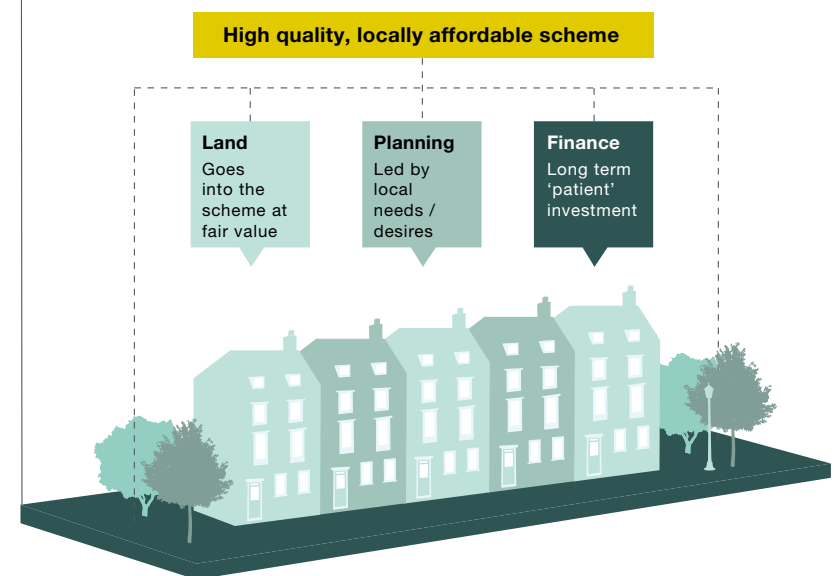
Development Corporations with new powers to buy land at cheaper prices, and get it into the hands of those who want to build high volumes of good quality and affordable homes.

Public land should also be used differently. Instead of being sold to the highest bidder, it should be invested at lower up front costs, in exchange for better quality development and long term returns.

Speculative housebuilding



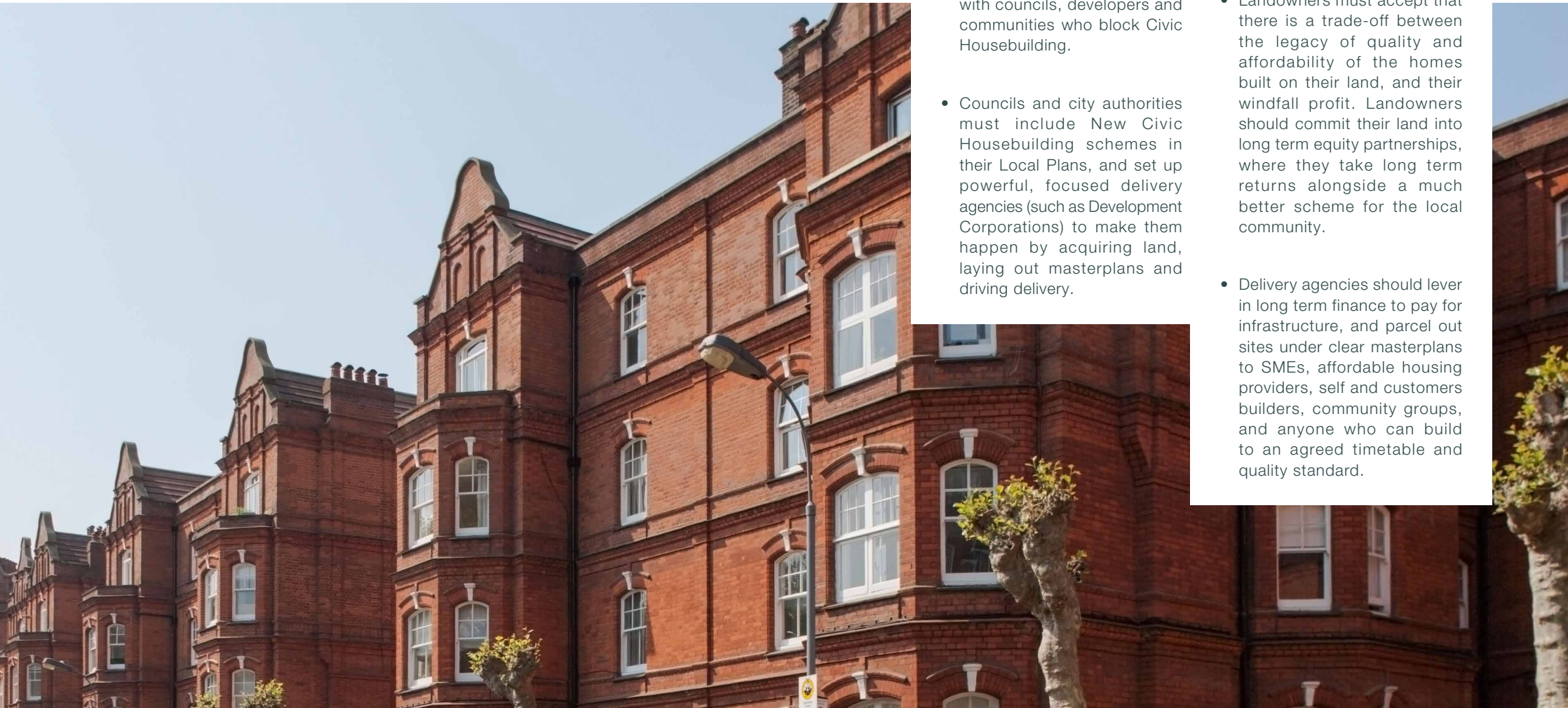
Civic housebuilding



Recommendations

If the government commits to growing this alternative model of housebuilding, we can build the homes England needs. Only that way can we ensure that everyone can have a decent, stable and affordable place to call home.

- The national government must create the conditions for New Civic Housebuilding to flourish by updating the rules on land valuation for compulsory purchase and putting public land into long term equity partnerships. The government should get tough with councils, developers and communities who block Civic Housebuilding.
- Councils and city authorities must include New Civic Housebuilding schemes in their Local Plans, and set up powerful, focused delivery agencies (such as Development Corporations) to make them happen by acquiring land, laying out masterplans and driving delivery.
- Neighbourhoods and local communities must engage positively with Civic Housebuilding schemes through their Local and Neighbourhood Plans, and support schemes to go ahead.
- Landowners must accept that there is a trade-off between the legacy of quality and affordability of the homes built on their land, and their windfall profit. Landowners should commit their land into long term equity partnerships, where they take long term returns alongside a much better scheme for the local community.
- Delivery agencies should lever in long term finance to pay for infrastructure, and parcel out sites under clear masterplans to SMEs, affordable housing providers, self and customers builders, community groups, and anyone who can build to an agreed timetable and quality standard.



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Shelter's report is essential reading for policy makers and very clearly explains the drag which the land market creates on housebuilding, and why many policy responses have not moved the volume dial sufficiently. New Civic Housebuilding provides solutions which draw on real examples across the ages and the world. It tackles head on the trade-off between the mechanics of land pricing and rate of supply for this unique type of commodity – an affordable house to live in.

Jan Crosby, Head of Housing,
KPMG LLP



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We have not the slightest intention of making profit ... We shall get our profit indirectly in the comfort of the town and in the health of the inhabitants.

Joseph Chamberlain, as Mayor of Birmingham using compulsory purchase powers, 1870s



