

RESIDENTIAL BRIEFING

Knight Frank



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THE FUTURE OF HOUSING POLICY



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“The Queen’s Speech on 25 May contained several bills with significant implications for the future of the housing sector. The key themes may have been ‘localism’ and ‘decentralisation’, but in reality the policy aims of the two coalition parties were overshadowed by the necessity for fiscal austerity and the need to do more for less.

“The proposals for planning reform had been widely trailed in advance, to a less than enthusiastic response from the building industry. More worryingly, the immediate aftermath of the first formal policy announcements and Eric Pickle’s surprising letter to local planning authorities, seem to point to the creation of a serious short term policy vacuum around the planning system.

“The huge structural undersupply of housing in the UK is a key reason why the future for the house building sector in the UK looks positive. The problem for the Government is that, even without a fight over its new policy proposals, the financial position of the property industry means that expansion of output will be slow to recover, and problems of housing affordability will remain critical for many across the country.”

[Liam Bailey, Head of Residential Research, Knight Frank](#)

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Summary of new housing policies

The main policies announced in the Queen’s Speech that impact on the housing sector were contained in the Decentralisation and Localism Bill. There were additional relevant announcements made in the Energy Security and Green Economy Bill.

We have already seen a clear intention from Eric Pickles, the minister in charge at Communities and Local Government (CLG), to enact early primary or secondary legislation to abolish regional spatial strategies and housing targets, a key proposal in the Decentralisation and Localism Bill. In addition, ideas from the localism agenda are finding their way into policy formulation, with the plan to give neighbourhoods (however they are eventually defined) increased rights to local consultation with developers.

The implication of this latter point is that any developer will need to discuss their plans with local people in order to obtain support for schemes before planning consent is applied for. The impact on planning costs and delays has not been estimated at this stage.

The bill contains several proposed housing policies, most of which are aimed at broadening the supply base for affordable and intermediary housing.

A central policy contains the objective to promote shared-ownership schemes by offering help to social tenants and others to own or part-own their homes. This proposal directly reflects a key Conservative Party policy, offering social tenants a 10% equity share in their home that can be ‘cashed in’ when they leave the sector.

A separate policy aims to make it simpler for communities to provide homes for local people. This proposal assumes the creation of local housing trusts, based on the model provided by the community land trust. The concept appears to be that if the local housing trust is able to persuade the community to agree on the size and type of housing development it wants, there will be a mandatory presumption in favour of development.

The bill contains a pledge to promote “home on the farm” schemes which encourage farmers to convert existing farm buildings into affordable housing.



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“Unless the Government is able to confirm a simple transition from the old target-driven approach to planning to the new decentralised version, there is a real risk of a renewed slump in house building volumes.

“We have already seen in Newmarket a direct result of the uncertainty caused by Eric Pickle’s letter to local authorities – with a well advanced scheme for 1,200 units rejected on the back of the imminent demise of the RSS.

“House building is already at a critically low level and affordability concerns are rising steadily as the growth in housing demand remains unaddressed.

“There is nothing wrong in principle with the localism agenda, and there are some very interesting proposals in the new bills that were proposed in the Queen’s Speech. The concern is to do with timing; once a change has been announced, the reality is no-one will do anything until the details have been fleshed out.

“Grant Shapp’s announcement this week that full details of the new planning system will be announced within a month is welcome and suggests that the Government is recognising the risk for a planning vacuum if no action is taken.”

Other changes were announced, including the intention to abolish the Infrastructure Planning Commission. We can expect to see more cutting of housing and planning quangos over time. Separate announcements have been made on social housing grant, and very quick action has already been taken on the suspension of the Home Information Pack.

Timing

While CLG has confirmed that there is still a large amount of work still to be done on the Decentralisation Bill, Eric Pickles has confirmed his intention that it will be enacted in autumn 2010.

The important caveat over shadowing all of the new proposals is that the measures announced in the Queen’s Speech will be subject to the deficit reduction programme. The speed of implementation for policies requiring additional finance will depend on what decisions are made in the forthcoming comprehensive spending review.

Knight Frank’s view: The risk of a policy vacuum

The letter from the Secretary of State for Communities Eric Pickles to local authority heads of planning, which was sent on 27 May, has created something of a stir in the housing industry. The confirmation of the abolition of RSS only confirmed what was already known. The real issue was the comment that stated local planning authorities should regard the letter as a material consideration for current decisions.

There now seems to be an increasing level of concern from local authorities about what this means in practice. The RSS in many cases has become an integral part of the planning strategy for local authorities and the housing targets required within it support many large applications currently in the planning process.

There has already been a widely reported move by local authorities in Oxfordshire to abandon their core strategies, causing confusion regarding the outlook for future large development applications in these areas.

Knight Frank, among others, has flagged from the outset that a reform to the current planning system before the new system was fully researched would lead to confusion, delay and the creation of a policy and guidance vacuum.

There is now a pressing need for the Government to release full details of the new planning system so that developers and councils can understand where they stand. Until that point private and public-sector investment in planning applications will be placed on hold, with further delays to the resumption of larger-scale residential construction volumes.

There is evidence that the Government is recognising the potential for the policy vacuum to become a significant threat to future development volumes. Grant Shapps confirmed on 8 June that he understood the concerns and that new “powerful incentives” would encourage home building. He added that he hoped to make a planning policy announcement to parliament within a month.

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