



Shelter

Building the homes we need

A programme for the 2015 government

17 April 2014

To set out:

- Why the current house building system is failing to deliver, despite consistent high demand and government support
- How we could reach a target of 250,000 annual housing completions by the end of the 2015 – 2020 parliament

Within the constraints:

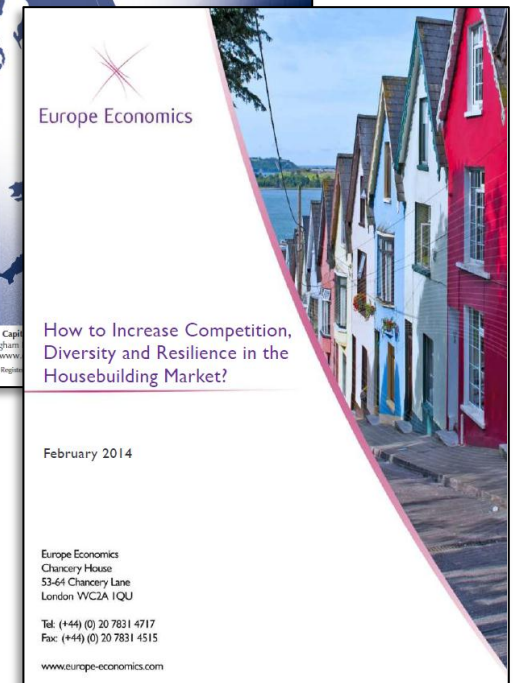
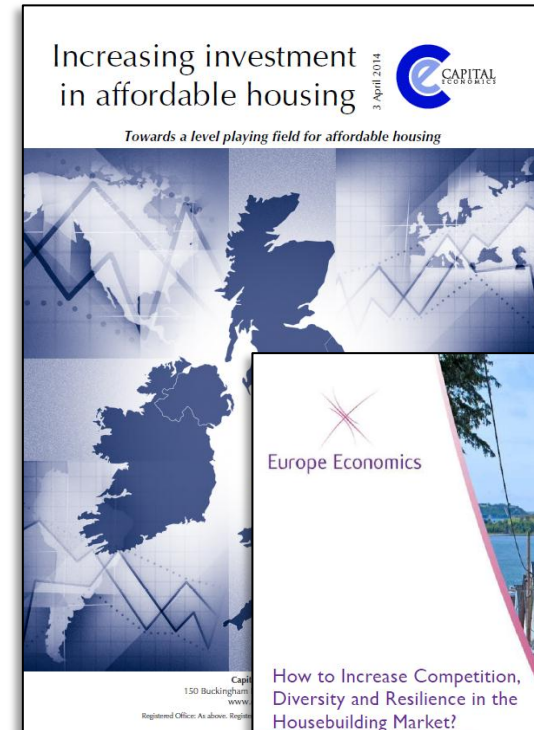
- Any level of new investment recommended is realistic
 - Reform can work broadly within the current planning system, to avoid further major planning upheaval
-

Consulted widely with:

- Private developers
- Local authorities
- Housing associations
- Experts and national stakeholders

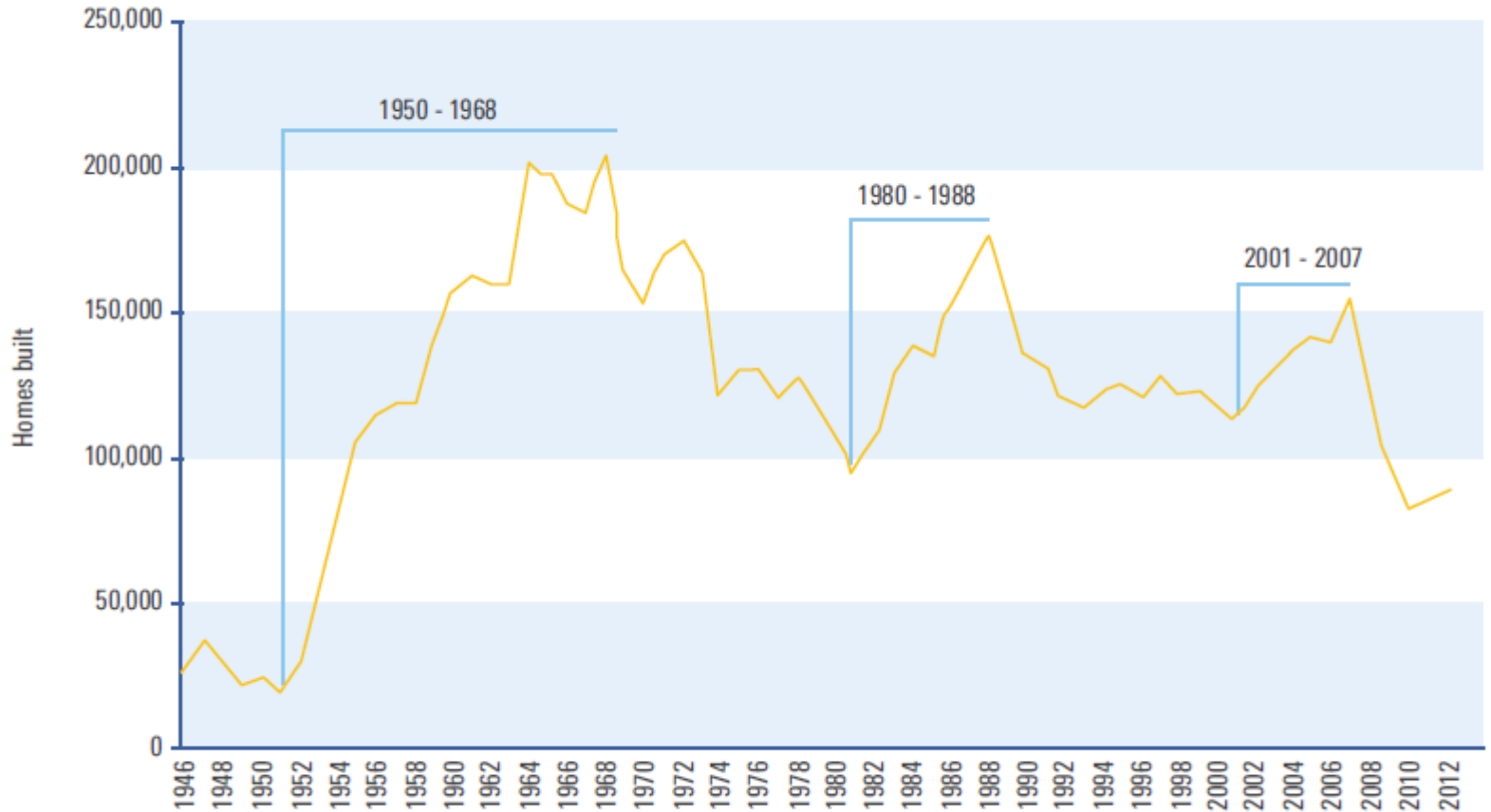
Bespoke research commissions:

- Europe Economics: competition and diversity in the housing supply sector
- Capital Economics: long term investment models
- IPPR: land market interventions in a localist context



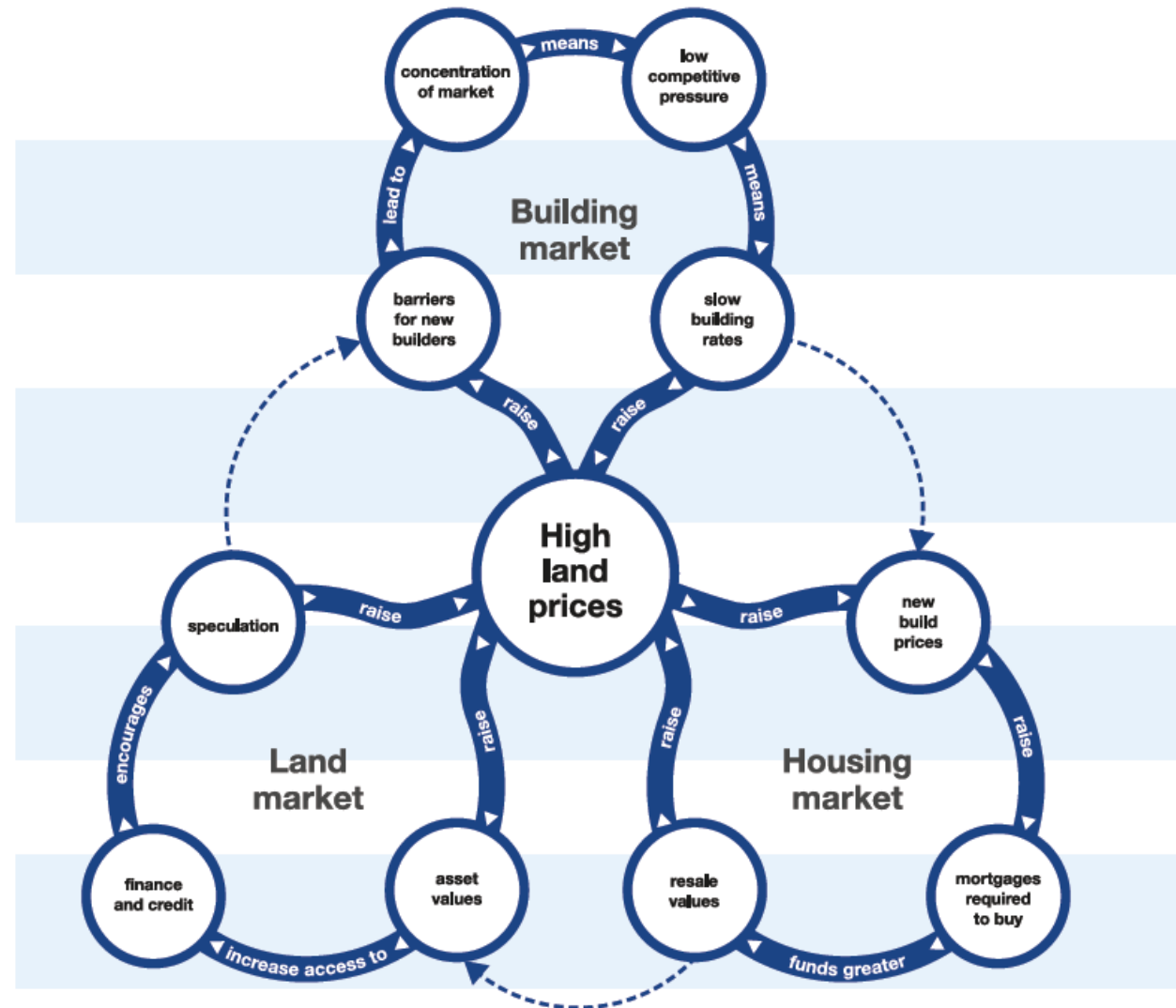
- Supply does not respond to demand
- Pattern is entrenched, and worsening
- Need to tackle some of the fundamental dysfunctions.

Graph 2: Private sector house building, England 1946-2012



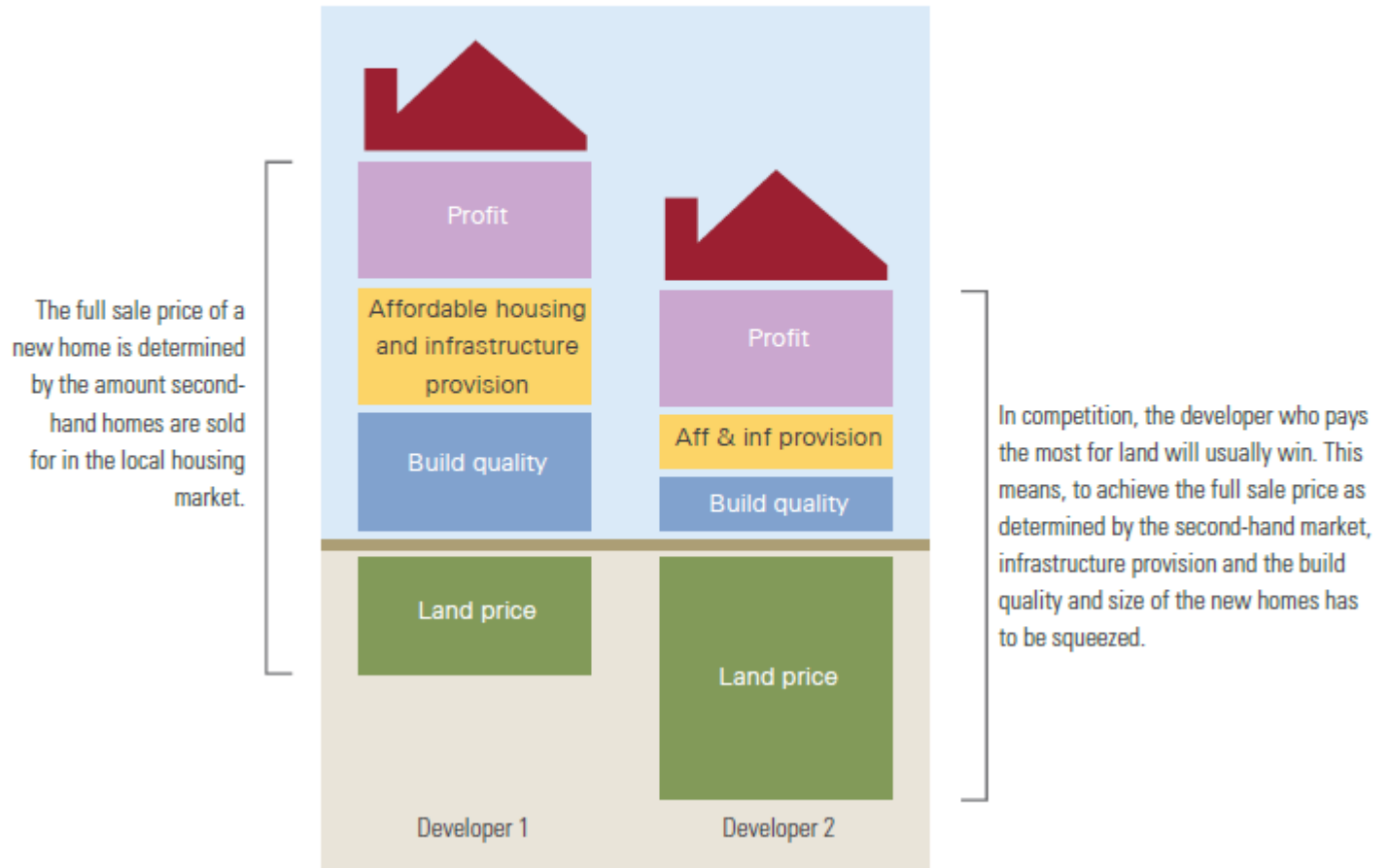
Sources: DCLG

- Housing supply is determined a set of interconnected markets
- The land market, the second hand sales market in homes and the building market
- All currently push up land prices

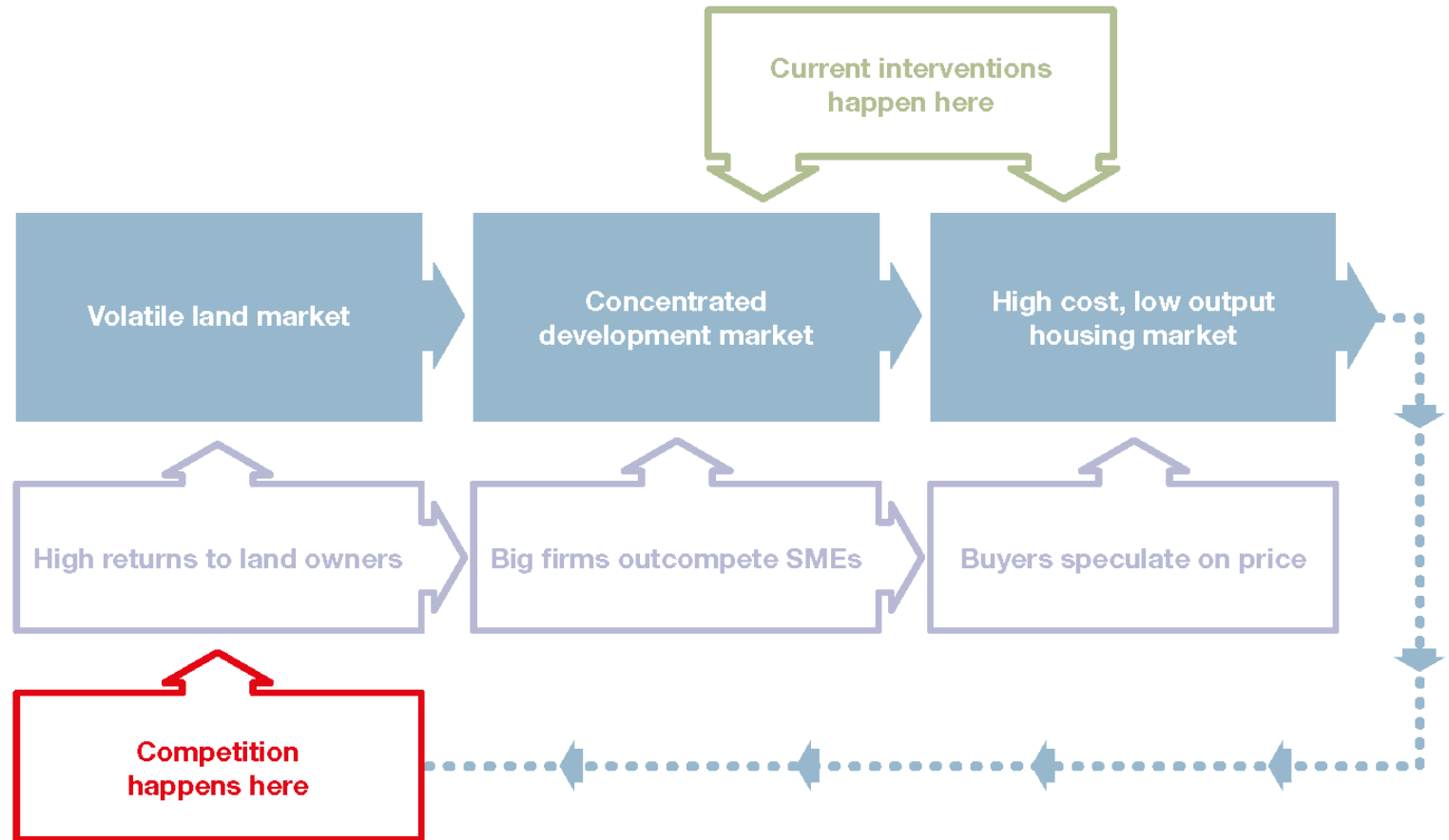


- The land market not only concentrates the market & delivers fewer homes
- It also deliver smaller homes of variable quality

Graphic: Land prices are set through competition to squeeze other costs

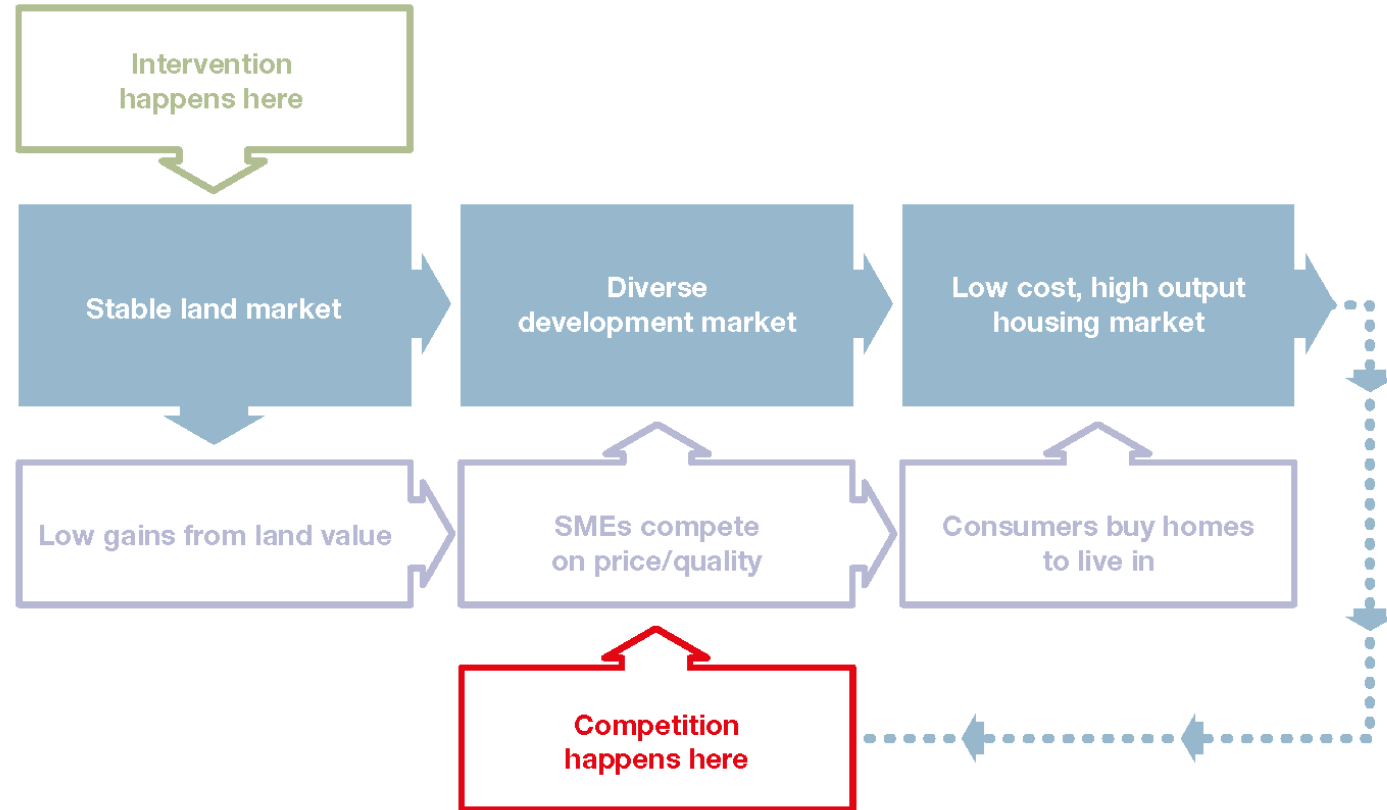


- This volatile land market is the site of competition for developers
- Competition for land concentrates the market & delivers poor results for consumers



We need to:

- Provide more land at lower cost
- Make competition drive higher quality and lower cost
- Increase public and private investment
- Lead change at the local level



To deliver this vision we therefore need:

- 1. Land market reform**
- 2. House building market reform**
- 3. Public & private investment in affordable housing**
- 4. Strategic local leadership**

Land Market Reform

Our vision is for a land supply system that is transparent, efficient and stable and most importantly provides much more land at lower prices

To ensure more land is available for homes at better prices:

1. “New Homes Zones” & new garden cities

- Use strategic planning as in Europe
- Joint public – private models to deliver quickly & capture land value



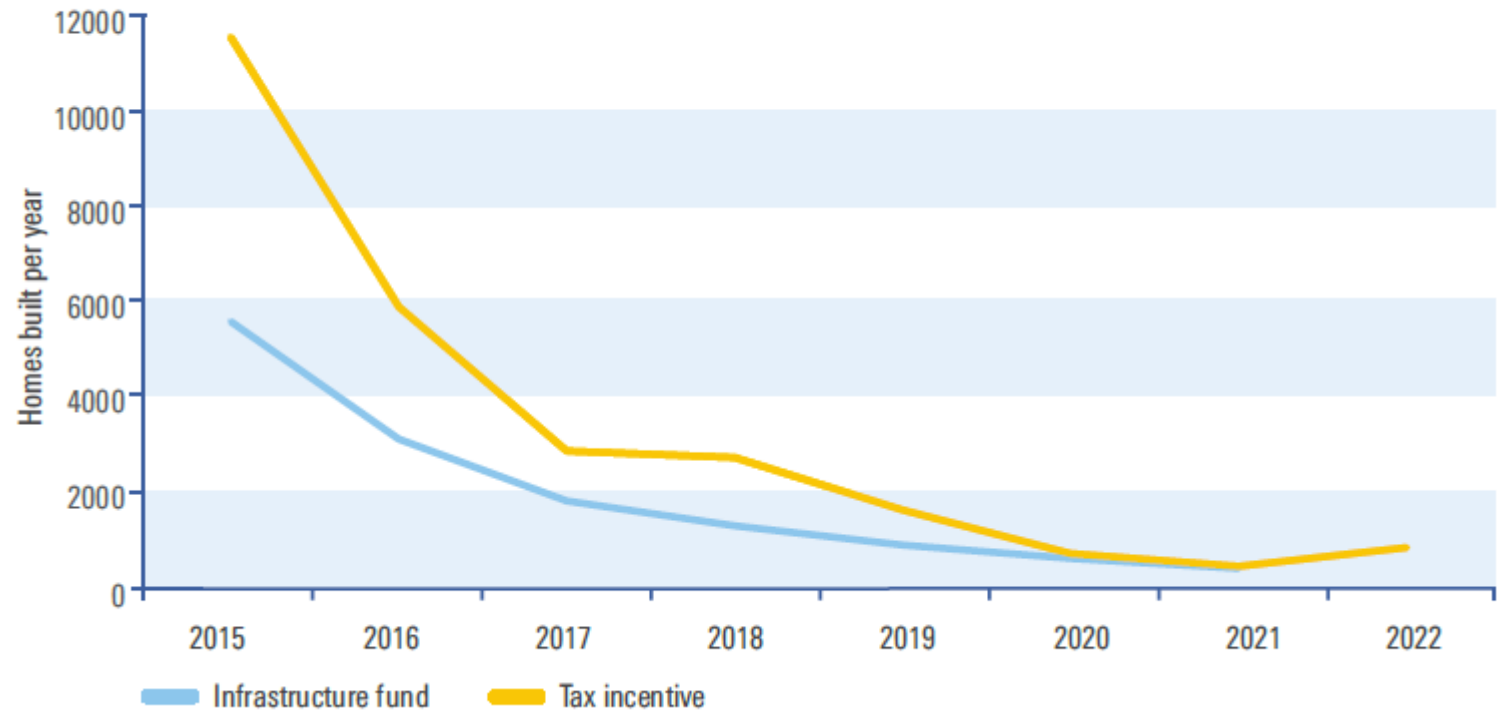
Image: HafenCity Hamburg

Credit: www.kcap.eu

To encourage sites to be built more quickly:

2. Infrastructure deals & stalled site tax

Graph 14: Impact of infrastructure incentive and stalled site tax¹⁴³



- £250m for infrastructure deals
- Council tax levied on the site if not built out, equivalent to if the units were built

To make the entire land market more efficient:

3. Open up the land market with far more data

- Land market is non-transparent which is one barrier for new firms to enter the market
- We recommend data is collected and released in a universal, accessible form on:
 - Land price by site and per hectare
 - Land ownership in a format that can be mapped
 - PP granted in a form that can be mapped
 - New units granted by floor space
 - Ownership of new build by tenure and nationality

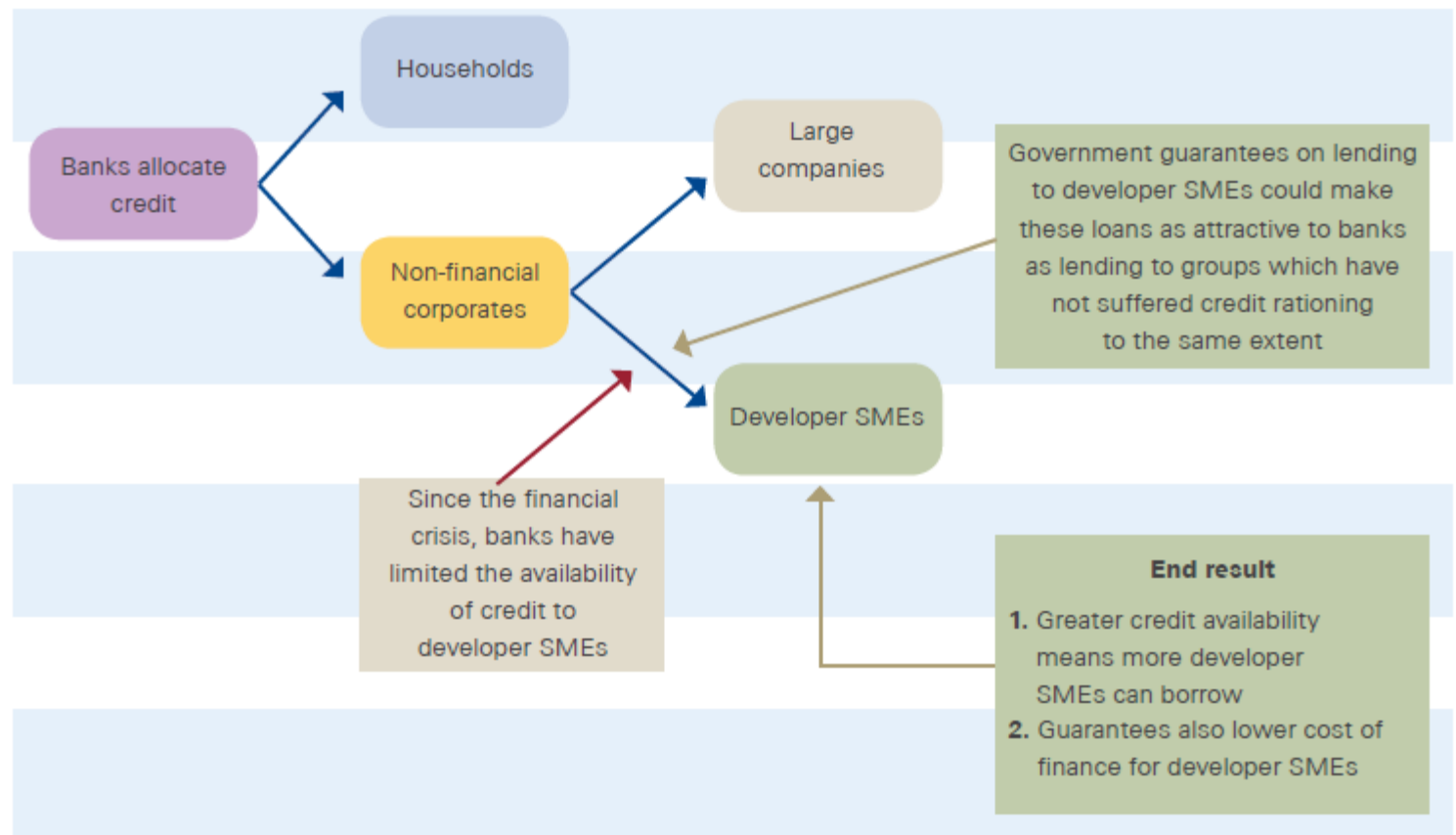
Development market reform

***Our vision** is for a house building sector with many more local builders and more innovative models of development such as custom build. We need the big players running at full throttle, but alone they won't be able to solve the housing shortage.*

- Local builders struggled to access credit since financial crisis
- £40m guarantee could unlock £435m lending

Help small builders access finance:

1. Help to Build guarantee scheme



To increase the diversity of house builders

2. Provide serviced land for custom builders

- Up to 20% of new plots from land interventions for custom build
- Boost consumer offer (mortgage access, advice)



Image: Custom Build
Scheepstimmermanstraat,
Amsterdam

Credit: Jones the Planner, Blog

Investment in affordable housing

***Our vision** is for an affordable house building sector that's well funded, has a variety of developers and produces high quality homes for a wide range of income groups, including social rented homes for those on low incomes and shared ownership for those on middle incomes*

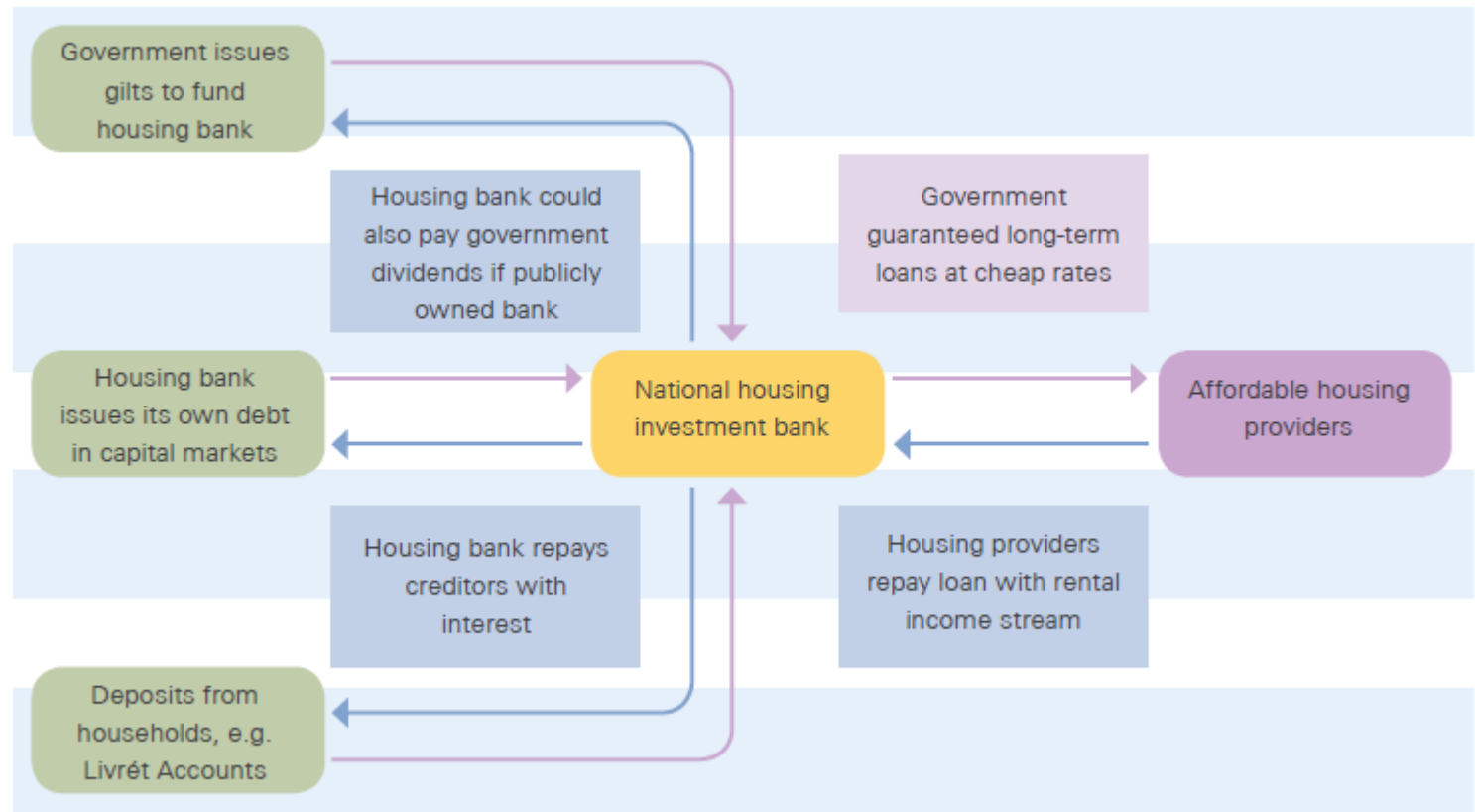
To build genuinely affordable homes & kick-start entire programme

1. Prioritise investment in affordable housing

- Capital Economics recommend £3.6 billion per annum additional capital investment as fiscally responsible given current government finances
- With our wider programme, just £1.22 billion per annum additional investment would be needed. Primary aim to increase low rent tenures to meet objectively assessed need.
- Extra investment is also necessary to substantially increase affordable home building and kick-start other elements of the programme.

But with money tight, we need to look to new models too:

National housing investment banks & use of public land



- Model developed by Capital Economics
- Long term, low cost finance to HAs and other affordable home builders across the sector

Strategic local leadership

***Our vision** is for cities and towns which plan strategically: linking jobs, services, transport and homes. Local leadership will be vital to get us building the new places we need.*

We need to plan the growth of our cities and towns strategically:

- **Enhanced City Deals**, with devolution of the HCA house building budget and strategic land powers. Devolution should be tailored to city regions in such a way that incentivises cross boundary working.
- **Integrate major infrastructure and new homes**, use development corporation models that capture land value along new transport routes and make large new settlements a category of nationally significant infrastructure.
- **Green belt flexibility**, give city leaders more powers to swap ugly or marginal green belt land out in exchange for new green belt elsewhere.

KPMG and Shelter programme for the next government

