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**Conference or Workshop Item**

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# Can the development of sustainable urban extensions help to stabilise house prices?

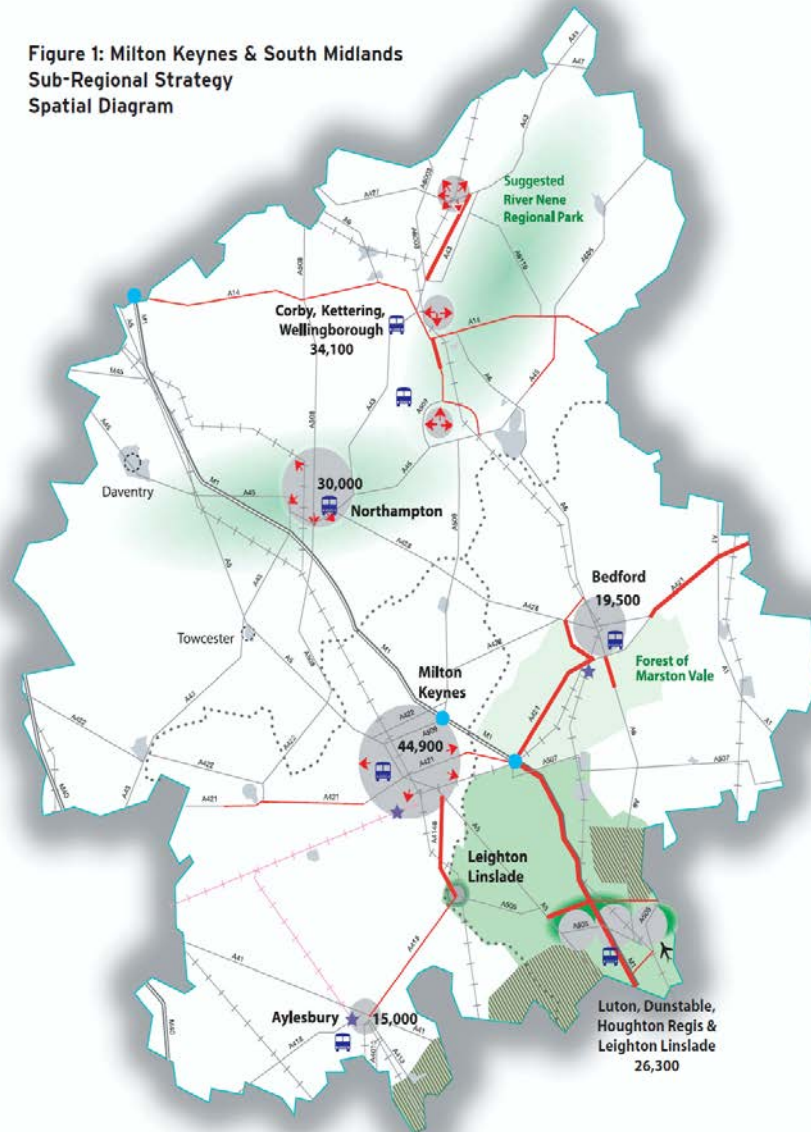
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April 9<sup>th</sup> 2013, HSA Conference, University of York

# Scope of the Presentation

- What is the relationship between house prices and the level of supply? i.e. will building a lot more housing stabilise prices?
- This is the theory broadly at a national level – see Barker Review of Housing Supply 2004
- Could it apply at a local or regional level?- see Centre for Cities Outlook 2012
- Case study of Northamptonshire/Milton Keynes – a growth area, with a lot of new housing in large urban extensions (1000 homes plus)
- Did it make any difference/could it make any difference?
- What are the issues/what are the alternatives?

Figure 1: Milton Keynes & South Midlands  
Sub-Regional Strategy  
Spatial Diagram



# Housing Supply Policy 1997-2010

- Government policy: Concern about low rates of supply; The Sustainable Communities Plan 2003 called for a step change in supply with four Growth areas identified, MKSM among them
- MKSM – 144,400 new homes 2001-2021. Mainly in Growth Towns; 50% in large urban extensions
- Special Delivery Vehicles and Growth funds to fund infrastructure
- Core Spatial Strategies to allocate enough land to meet regional targets
- Reliance on the private sector to deliver the step change – i.e. the volume the house builders and (except in MK) mainly private landowners

# What Happened to Delivery?

- *Planned trajectories.*
  - slow start with focus on planning and infrastructure
  - rapid increase in supply from 2012 onwards
  - levelling out at a high rate of delivery in 2020
  
- *Actual trajectories*
  - slow start; long planning period
  - delivery behind schedule 2008
  - infrastructure behind schedule
  - post crash delivery falls back
  - by 2012, delivery 25% below target

## Annual Development rates for North Northants 2001-2021



# The role of Sustainable Urban Extensions

- *What are SUEs?* :
  - Urban extensions requiring extensive planning, infrastructure investment
  - Emphasis on sustainability measures – environmental (low carbon measures), social and communities facilities,
  
- *Why are lead times so long?*
  - often complex land assembly
  - high cost of infrastructure
  - extensive master planning, design, and consultation
  - complex multi-agency collaboration
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## The House builders model

- Two main sources of profit: land ownership/land value; and profit on units sold
- The house builders development process;

*Acquire options on land > obtain planning permission > borrow money to buy land and service plots > build out first phase> repay loans> maintain prices by drip feeding supply > build later phases or sell plots> take profits >move on to other sites*

- A critical part of the process is to *drip feed supply* - to hold up prices by holding back demand. In this way prices are levered upwards even when supply is increased or demand is low (see the work by Adams, Leishman, Moore 2009)
- *This means that permissions can remain unimplemented and even if there is plentiful land to build on it will remain undeveloped. The house builders demand for more permissions and more land to be released is not likely to produce more homes but will help their balance sheets*

## What are the options for increasing supply?

- Landownership options. Advantages of single ownership and critically public ownership (as in MK) to ensure more control over delivery
- Mechanisms for forward funding of infrastructure
- Remove the adversarial nature of the process by collaboration models
- Introduce new providers – non-profit housing companies; community trusts; small builders; self build who have the willingness to build more quickly
- Increase the number of smaller sites- or plan new towns or Garden Cities
- Introduce planning conditions that require faster delivery

## House Prices and Supply

- Context: commentators have argued that by substantially increasing supply, prices will be stabilised or affordability increased
- House prices nationally have risen very dramatically since 2000 but it is not clear these prices, at a national level, reflect the balance between supply/demand
- At a more local level, what we can say is that the nature of the supply *process* itself has the capacity to hold up prices, whatever the state of the market
- In Northamptonshire/Milton Keynes, there is a clear priority given to SUEs for delivery of over 50% of housing targets. The long planning and development timescales and the practice of housebuilders to drip feed supply is likely to mean that the reliance on these sites to deliver substantial new supply will take too long to impose pressure onto prices.
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House price index by region, East Midlands



## Conclusions

- The original question was will substantially increased supply stabilise house prices?
- In the case of Northamptonshire/MK, with its reliance on SUEs and their very long time scales, suggests No
- More important are the limitations of relying on the house builders for delivery. Their model of drip feeding supply holds up prices *and* reduces potential supply
- Thus, if politicians heed the call for house builders for more land for housing and more planning permissions, there is no guarantee there will be an increase in supply, or a fall in prices.
- The MKSM strategy relied on the private sector to deliver quantity and sustainable development. This strategy to a large extent failed - and in the context of current calls for more housing to be built, it is important that other models of delivery that do not rely on volume house builders are explored.