Plan policy compliant schemes: Impact on land value and housing supply

Jim Ward, HBF Planning Conference, 11 September 2018

How big is the developer contribution pot…

The economic principles	
Sales receipts	
less costs	• construction (homes and infrastructure) • remediation • operational • finance
less developer profit	
less benchmark land value	• existing use value on gross land area • *reasonable* incentive for landowner to release • incentive to invest in land enabling, master planning, with market and planning risk
= surplus available for developer contributions	• affordable housing cross-subsidy • other S106 & S278 planning obligations • Community Infrastructure Levy

…without holding back land supply?

and what are the trade-offs within the DC pot?

NPPF shift to viability testing at Local Plan stage

savills

Realistic assumptions and relevant site typologies

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Unrepresentative justification of overly aspirational policies

The objective is
realistically ambitious policy
to achieve best socio-economic outcomes

How the pot could have been shared in 2012

How it varied for urban extensions in 2012

TABLE 1

Amount available for CIL and S.106 (£ per plot, all tenures)

Affordable Housing %	Sales value per sq.ft.								
	350	325	300	275	250	225	200	175	150
0%	45,800	39,400	33,000	26,600	20,200	13,800	7,400	1,000	0
10%	38,300	32,700	27,100	21,500	15,900	10,200	4,600	0	0
20%	30,900	26,000	21,200	16,400	11,500	6,700	1,800	0	0
30%	23,400	19,400	15,300	11,300	7,200	3,100	0	0	0
40%	16,000	12,700	9,500	6,200	2,900	0	0	0	0
50%	8,600	6,100	3,600	1,100	0	0	0	0	0

In 2012

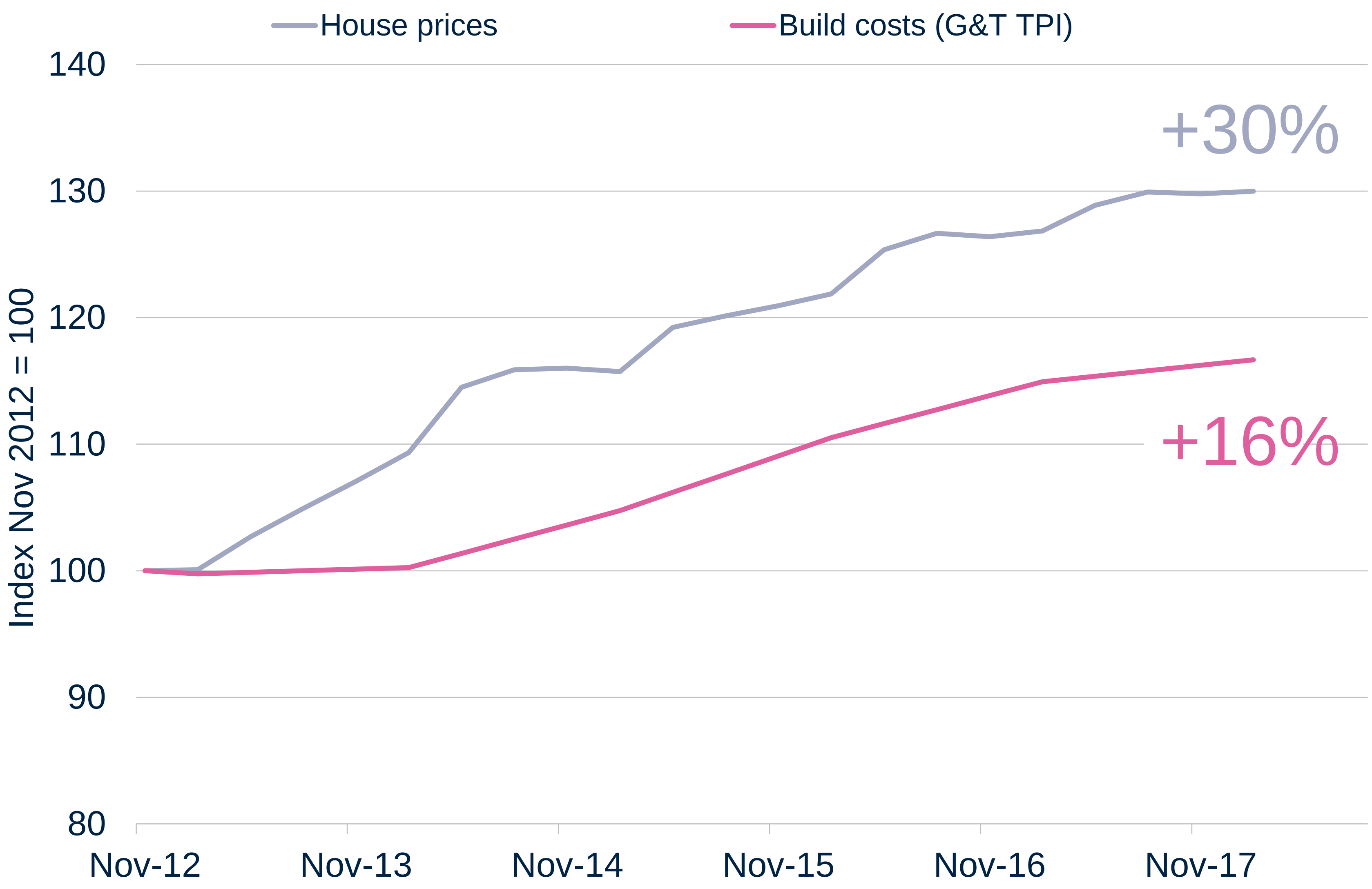
30% Affordable Housing + some CIL/ S106 was viable in 38% of English LAs outside London

More than £11K CIL/ S106 was viable in 17% of LAs

Potential for developer contributions is skewed towards higher value markets

Source: CIL – Getting it Right, Savills, January 2014, a report sponsored by the HBF

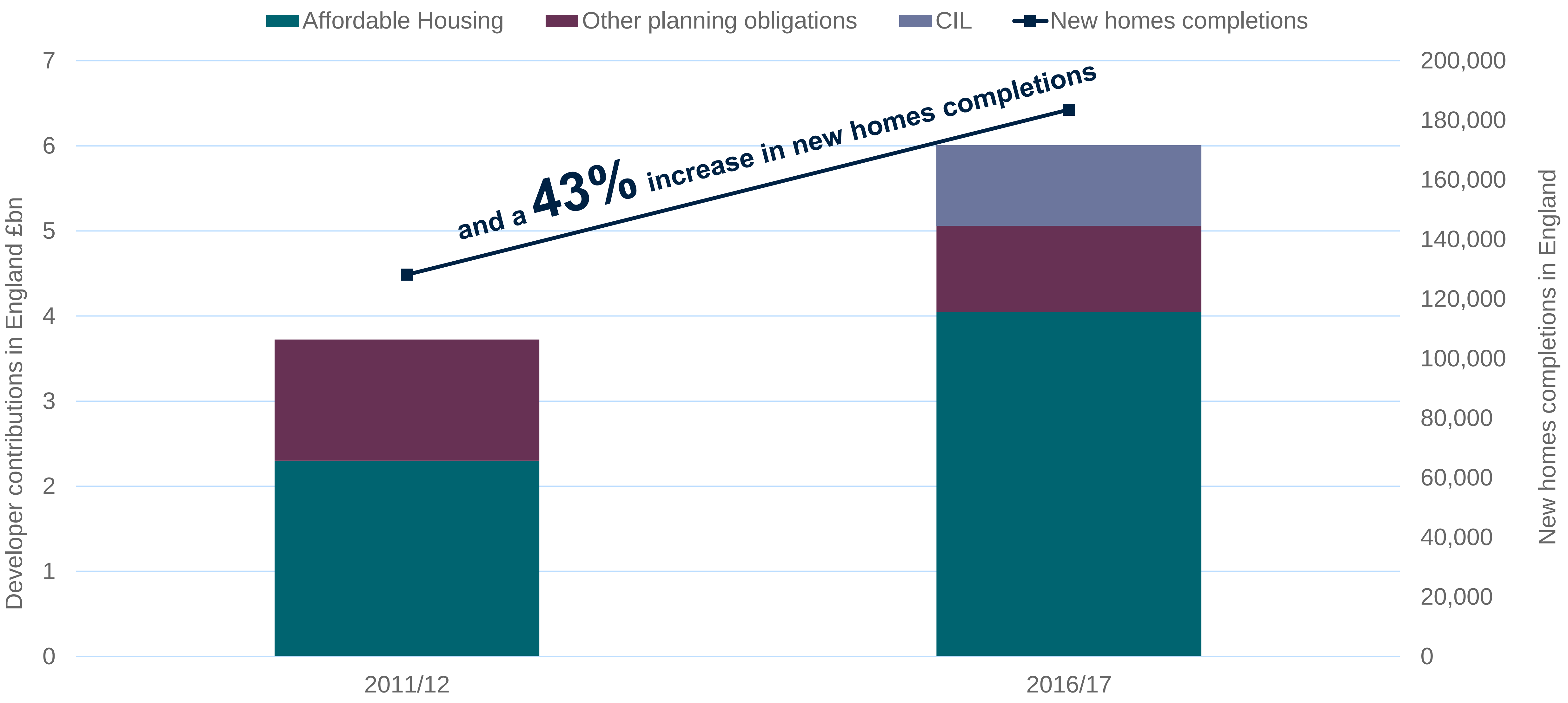
Based on house price and build cost inflation since then…



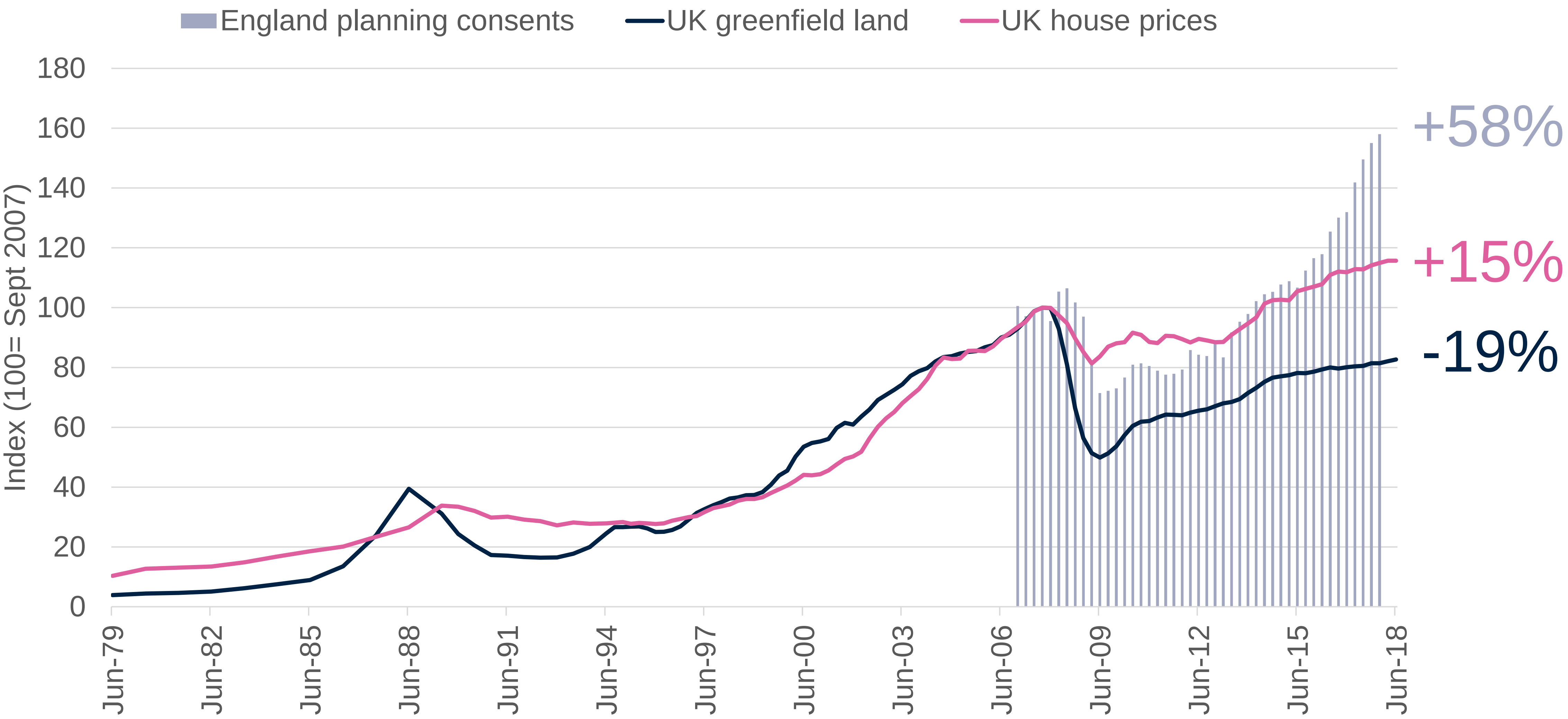
…affordable housing + CIL/ S106 can be delivered by more sites in more markets in 2018, compared with 2012

Source: Nationwide, Gardiner & Theobald

Leading to a 60% increase in developer contributions to £6bn in 2016/17



But high land supply is limiting land value uplift



and house price inflation will be less supportive during the next five years

Source: Nationwide (to Sept 2017), Savills

+28%

Last 5 years

Next five years

+14%

and there are limits to how much land value can be captured

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centre for **progressive** **policy**

- **Total value uplift pot of £12.4bn in 2014/15**
- **23% was captured via affordable housing, other S106 and CIL**

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£6bn pa

captured from affordable housing, other S106 and CIL in 2016/17

MHCLG study, March 2018

Savills interpretation:

- **Add in costs of site remediation/ servicing/ enabling**
- **Allow for land value inflation**

probably more than 50% of land value uplift was captured in 2016/17

The remaining uplift incentivises market activity and land supply:

- **Landowner release from existing use**
- **Investment in master planning and site enabling, with planning and market risk**

Different tenures

Different types

Faster build out rates will restrict land value uplift

1. Wide range of price, size, specification and tenure
2. Build to Rent - in renting markets
3. Downsizer/ Retirement housing where there is older equity
4. Affordable housing => more subsidy (grant/ lower land value/ x-subsidy)

The radical (and difficult) option

savills

Sharing land value with communities: An open letter, 20 August 2018

The Government should … reform the 1961 Land Compensation Act to clarify that local authorities should be able to compulsorily purchase land at fair market value that does not include prospective planning permission, rather than speculative “hope” value.

ONWARD
Shelter
CPRE Campaign to Protect Rural England
Standing up for your countryside
CIVITAS
IPPR
LONDON YIMBY
Crisis
GENERATION RENT
NLA National Landlords Association
tcpa
NEW ECONOMICS FOUNDATION
NATIONAL HOUSING FEDERATION
JRF JOSEPH ROWNTREE FOUNDATION
centre for progressive policy
CREATE streets
PricedOut.org.uk
The campaign for affordable house prices

OR

Allocate more land (including/ adding garden settlements) in high demand areas to promote competition amongst landowners