



THE HOME BUILDERS FEDERATION

TOWARDS THE MAYOR'S HOUSING STRATEGY CONSULTATION PAPER – FEBRUARY 2007

The Home Builders Federation (HBF) is the principal trade federation for the home building industry. Its member firms account for over 80% of all new homes built in England and Wales in any one year and a number of our largest members are active within London, including involvement in a number of large strategic schemes across the Capital.

Thank you for inviting our views on the Mayor's consultation paper entitled 'Towards the Mayor's Housing Strategy,' in advance of the Mayor's inaugural Housing Strategy later this year.

From the outset, we believe that the key to producing a successful Housing Strategy which meets the need of all Londoners, and to support London's function as the UK's economic hub and aspirations to remain as a principal World City in an ever-changing global economic climate, is reliant upon the increased provision of new housing and better management of the existing stock, particularly in the social rented sector.

Going forward, the crucial contribution of the private sector, and their associated investment in London, should be recognised and not under-estimated. 3 in every 4 new homes built in London over the last 3 years, across all tenures, has been by the private sector. Incentives to develop in London are imperative if the increased levels of housing provision are to be secured to improve the life of Londoners and support the Capital's economy.

Our views are set out in relation to relevant sections and consultation questions.

Section 3: Putting people first

Paragraph 4 indicates *"the failure to provide an adequate number of affordable larger homes has contributed to this major problem of overcrowding. For families, this is a major problem in social rented housing, where opportunities for transfers have dried up."*

When we look closer at the statistics from the Survey of English Housing 2003/04 we gain a better picture of the breakdown of under/over-occupying in London, by tenure.

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Tenure	Difference from the Bedroom Standard %					
	2 or more below	1 below	Equal	1 above	2 or more above	Total
Owner Occupied	0	3	22	38	37	100
Social Rented	1	10	59	22	8	100
Privately rented	2	8	61	23	7	100
All Tenures	1	5	39	31	24	100

Source: Table 5.xxiv London Housing Strategy Evidence Base 2006, GLA

The statistics suggest that the most effective solution to overcrowding in the social rented sector, would be better management of stock and encouraging the 30% of households who are under-occupying to make way for the 11% who are over-occupying. This could be achieved through targeted initiatives to incentivise over-occupying tenants into smaller properties, for instance by prioritising them for new-build smaller affordable properties in the area.

The Strategy needs to actively promote better management of the social rented stock and suggest initiatives to be carried out by boroughs.

3.1 How can the Mayor's Housing Strategy support the achievement of his wider social, economic and environmental aims?

By encouraging the building and delivery of more housing in the Capital, particularly for those that wish to be economically active. There is a lack of sufficient housing to meet the growing numbers of single and couples who wish to work and live in this city, and are needed to support London's burgeoning economy.

3.2 How can the Mayor's Housing Strategy best address the enduring problem of homelessness and the growing problem of overcrowding?

By making better use of the existing affordable stock, and by delivering more housing overall. An increase in supply will have a positive impact on house prices and affordability, as housing is identical to any other consumer good regarding supply and demand.

3.5 How can more families with moderate incomes be encouraged and enabled to live in inner London to maintain social mix?

We live in a free society, where individuals and families make choices and hold aspirations. The provision of more family dwellings in inner London will not by its

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self attract families back into the area, particularly where there are other factors such as transport, crime, employment, health, education, open space and quality of life issues that matter more to the public. As such, without the Mayor delivering on these other quality of life issues people have choices, and they will continue to choose to live where they see fit.

3.6 How should the Mayor's Housing Strategy address the issue of unaffordable rents, especially in the temporary accommodation and private rented sectors?

Once again these issues are open to market forces, and other primary legislation, unless the Mayor is proposing to control private sector rents? Such an approach would undermine the valuable role of private sector rented provision. The age profile of the private rented sector has changed dramatically since deregulation 1988, so that young mobile households, whom are vital to London's economy, now largely occupy the tenure.

Again, we come back to supply and demand; encourage the building of more new homes in all tenures to meet demand and aspirations.

Section 4 Building more homes

The objective of building more homes has to be the cornerstone underpinning this Strategy.

As stated at the outset, 3 in every 4 new homes built in London in the last 3 years, has been by the private sector, the majority by HBF members.

Financial Year	Private Completions	Total Housing Completions	% Completions from Private Developers
2003/04	15,066	19,394	78%
2004/05	17,855	24,063	74%
2005/06	13,604	18,809	72%

Source: CLG

The key to building more new homes is dependent on engaging private home builders, and harnessing their expertise and innovation in delivering quality homes in the tough, competitive environment of London.

There needs to be an increase in the supply of new homes and they have to be the right types of home in order to meet the Mayor's vision and make London a *"more prosperous city with strong and diverse long term economic growth."*

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As Paragraph 4 indicates, average household size is declining and the number of households will increase. When we break down the CLG projections into household types, the results are very significant:

Household types	No. of Households Increase/Decrease 2006 - 2011	No. of Households Increase/Decrease 2011 - 2016
Married couple	- 55,000	- 41,000
Cohabiting couple	+ 74,000	+ 63,000
Lone parent	+ 20,000	+ 15,000
Other multi-person	+ 23,000	+ 24,000
One person	+ 120,000	+ 132,000

Source: CLG

The figures demonstrate a huge demand from single persons and couples for new housing. This is in contrast to the Mayor's assertion in Paragraph 9 of the requirement for more family-sized homes across all tenures. If London is to compete as a World City in the global market, it must provide the homes for the economically active singles and couples.

In Paragraph 8, there is a suggestion that '*planning permissions are obtained to increase land valuation for speculative reasons*'. Yet no evidence has been provided to support this and it would be necessary to understand who, how and why. In our experience HBF members seek to start on site as soon as the relevant authority has approved the Section 106 and reserve matters. Having gone through the protracted planning process in London, in terms of cost and time, it would be senseless to keep valuable capital and resources tied up in this manner.

Paragraph 9 references the large, strategic sites in the Thames Gateway and states "*these large sites may require specific interventions and improvements in the planning system*". There is no evidence presented to support a case for public intervention or any indication as to how any intervention may be manifested. The HBF strongly cautions against any attempt by public bodies to 'allocate' strategic sites to particular organisations, agencies or other bodies, rather the Mayor needs to understand how he may encourage greater private sector investment with appropriate public sector gap funding where required.

Paragraph 9 also adds, "*more family-sized homes may be required in the private, intermediate and social rented homes.*" The Mayor has no legitimate role in determining the mix in the private sector and as noted above, is at odds with the Government's household projections, which point towards the need for more homes for singles and couples. The Mayor needs to acknowledge that purchasers have choices, and 9 out of 10 homes sold in London each year are through the second hand market, not new build. In short, if the Mayor 'intervenes' and forces developers to build a product, which there is limited or no demand for

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and they cannot sell, it will merely act as a disincentive to invest and develop in London.

According to HM Land Registry, the average price of houses in London is significantly higher than the average flat price – £673,720 for detached houses in 2006 Q3, £371,791 for semis and £349,478 for terraced houses, against an average £270,964 for flats. If house builders were obliged to build more houses and reduce the number of flats, this would make the price of the resulting new homes unaffordable for even more households, and thus exacerbate London's affordability crisis.

In fact these London house price statistics understate the likely impact on prices and affordability of building more houses and fewer flats. If a house builder were to abandon a high-density apartment scheme for a much lower-density scheme of houses, the lower-density scheme would produce fewer units. If repeated across many areas of London, this would make it far more difficult to reach the new London Plan housing target. The reduction in supply would also worsen the affordability crisis by exacerbating the mismatch between supply and demand.

It should also be noted that worsening affordability, whether through general house price inflation, or through house builders being obliged to build fewer, larger, more expensive units has an undesirable distributional impact. All income or occupational groups do not suffer the adverse impact of poor affordability equally. The poorest have access to social housing, while those on relatively high incomes are always able to buy adequate housing. It is the middle and lower-income groups who are most damaged by the affordability crisis, a group that has been expanding rapidly as housing affordability has worsened in recent years. Such an approach would contradict the other messages in this document, which seeks to reduce the ensuing social polarisation caused by middle-income households leaving London

According to 'London Higher', London is home to over 378,000 students. It is common for a number of students to occupy a family home, which reduces the availability of these house types for families. As the GLA does not classify student housing as Affordable Housing within the London Plan, contrary to the original EiP Panel Report recommendation R4.10, there is no positive incentive to encourage increased supply of smaller, high-density purpose-built units for students, which would free up existing family units in the second-hand stock. A reclassification of student housing as Affordable Housing would create a virtuous circle by encouraging the supply of this type of housing, encourage the freeing up of existing family units for families, and encourage developers to maximise the potential of sites by developing high-density student accommodation.

Paragraph 10 indicates, "*the Mayor recognises that most of London's new homes will be built by the private sector and that a wider range of initiatives and intervention will be required to increase output sufficiently*". There is no

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indication as to what this 'intervention' might be, no business plans, no indication of legal powers, or what impact it may have on the market and industry confidence. We therefore object most strongly to the proposal of 'intervention' in the market.

HBF agree with the assertion in Paragraph 12 that "bringing land forward for development is *often slow, difficult and expensive*". There are a number of reasons for this, notably the vast majority of development sites in London have a high existing use value, with alternative uses other than residential. Another major reason is the planning process; both in terms of policy where London has hundreds of planning documents in place, many of them in conflict, and development control where boroughs are often under-resourced and find it difficult to recruit and retain planners, this inevitably affects the quality of service they can deliver. As neither Government nor its agencies have sufficient public resources to develop these sites, the Mayor will be dependant upon the private sector. The threat or use of Compulsory Purchase Orders will not incentivise developers or some of the longer term investment required to deliver these sites.

In addition, '*reduce the impact of competitive bidding for sites*' would be contrary to primary legislation (The Competitions Act 1998, the Enterprise Act 2004) and European requirements (The Treaty of Rome as amended by the Maastricht Treaty). The Mayor does not have the power to impose developers (RSLs or house builders) onto landowners.

The HBF would strongly caution the Mayor from pursuing such interventionist policies, rather we would encourage the Mayor to seek partnerships with the private sector, and find ways and means of jointly funding such large-scale developments, under Public Private Partnerships.

Under paragraph 13 the '*Mayor is concerned about the long delays between granting permission and starting on site*'. The industry holds the same concern, for it locks-up valuable capital and resources. In our experience this delay is due to a 'resolution to grant' being provided by the Planning Authority and the 12-48 month lag due to complex s106 negotiations subsequently taking place. To improve the position we need clarity, speed and accountability in the planning system, rather than the complex, slow and protracted process at present.

4.1 How can landowners - both public and private - be encouraged to focus on long-term sustainable development, incentivised to release land when it is needed, and discouraged from land speculation?

Land is a commodity of the free market. As such the Mayor does not have the powers to control land release at the price required. Indeed any threat of intervention is likely to result in land supply being suppressed and a reduction in house building.

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4.2 How can the public agencies - that often pay for costly land assembly and remediation work - capture and recycle a share of development gains to help fund social infrastructure? How can co-operation between public and private landowners be improved, for example through joint venture partnerships?

Many HBF members have extensive experience of public private joint venture partnerships, and we would recommend that the Mayor engage with HBF members in one to one confidential discussions accordingly.

4.3 What specific interventions are required to speed up the building rate on very large sites, for example more stringent use of contract conditions and compulsory purchase?

The use of Compulsory Purchase Orders will not speed up delivery of new homes on site. Why should it? There are no planning powers to enable the Mayor to impose build-out rates, and in any event if they were threatened it would be a further disincentive for developers to invest in major capital-intensive large-scale projects. A better means of delivering more homes faster is to have more operational development sites, releasing more new homes across the area rather than saturating the release of new homes concentrated on fewer sites.

4.4 How can the development process be improved and risk reduced to encourage home builders to increase delivery and take a longer term approach to development, especially in the growth areas?

Through improving the incentive to build homes in London; at present there are only ten major house builders registered on the London Stock Exchange, of these only four have more than a dozen sites each in London. The Mayor needs to encourage those existing house builders to invest more and attract house-building capital that is being spent in other parts of the UK, USA and Spain by these majors. The Mayor could use a variety of incentives:

- Improve the Three Dragons Tool kit, so that the returns are increased.
- Ensure planning consents and s106 obligations are concluded much faster than at present, this would allow house builders to improve their cash flow and hence increase capital investment.
- The public sector could invest the necessary infrastructure en-mass rather than piecemeal through s106 obligations. Thus providing greater confidence to the house-building sector.

4.5 How should the provision of social and physical infrastructure and public services be planned and delivered to maximise housing output in the growth areas and help integrate new residents with existing communities?

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Delivery should be via the public sector, and paid for by the public sector where benefits are for the wider and existing communities. New development should contribute to provision in accordance with the tests set out in Circular 05/05 on planning obligations.

4.6 What measures would increase the efficiency and effectiveness of the London residential building sector?

The most effective measure would invariably be less intervention and less disruption! If the private house building sector could get on and improve the return on their capital and deliver more new homes then it would be a win-win for house builders, the Mayor, customers and ultimately the Capital as a whole.

Section 6 Designing places where people want to live

6.2 How should the Strategy address issues around the standards of new homes (for example space, thermal efficiency, carbon emissions, accessibility), to ensure homes are suitable for 21st century living?

Firstly, thermal efficiency should be addressed via Building Regulations, not a Housing Strategy.

Secondly, Space standards is not a new issue, HBF re-iterates its stance against an unjustified public intervention in the internal space standards of private market housing. Indeed the English House Conditions Survey 2004 clearly showed that those people living as homeowners have more space per square foot than those living in social rented dwellings. Social rented housing is already subjected to rigorous Housing Corporate Scheme Development Standards, which includes minimum space provision.

Such interventions are unlikely to lead to increased investment in developing homes in London. Indeed, if house builders were obliged to increase the floor area of dwellings, this would increase the price of the dwellings, as well as lowering the number of units being built, both of which would worsen the affordability of housing.

Section 7 Reviewing intermediate housing

The key issue is the provision of more new homes, rather than arguing over the types of affordable housing provision (Paragraph 11 - *"In some years the provision of intermediate homes has exceeded the target of 30 per cent of affordable housing output, leading to a relative under-provision of social rented homes"*)

Inner London is becoming ever more disparate in its social composition, because only the wealthy are able to afford to live there and the very poor are, in effect,

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being subsidised to stay there. Middle-income households are moving out of Central London, to meet their home ownership aspirations. Intermediate housing has a valuable role in securing their residence in London and a sustainable, balanced community.

7.1 How can intermediate housing better address both housing need and London's wider economic needs?

We need to look sensibly at what people actually want, rather than what policy-makers telling them what they should want. Social rented or low cost home ownership? Too many Housing Needs Surveys demand social rented when what the occupier aspires to is ownership at an affordable level. This is also in line with what the Government and HM Treasury are seeking: more people in ownership and at less cost to the Exchequer. Intermediate housing will, if it receives enough public subsidy, be as affordable as social rented. This will meet housing need and the wider economic needs of London, in terms of securing a skilled workforce, and securing prosperity for more Londoners.

7.2 What are the consequences of shifting investment in intermediate housing to new supply rather than the purchase of existing homes?

Such a shift will reduce choice and opportunities for customers, but at the same time may also increase the number of new affordable homes in this sector.

7.3 How can intermediate housing help to tackle overcrowding and homelessness?

By creating vacancies in the existing stock for those people who can and who wish to become homeowners.

7.4 What should the balance of public investment be between building larger intermediate homes to assist moderate-income households with children and building smaller one or two-bedroom units?

The greatest need in numbers is for smaller one and two bedroom dwellings. If the public sector used the existing social housing asset better and tackled under occupation, such as 'empty-nesters', it could house more people and more families. Building larger family dwellings will reduce density, reduce the overall number of dwellings, and reduce the number of people being housed in the Capital.

7.5 What role can housing providers play in providing intermediate housing without government subsidy and what impact could more private investment in the intermediate housing sector have?

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If there was less restriction then the private house builder could deliver more for less, faster. HBF members have a range of ideas and initiatives, but they are commercially confidential and we would encourage the Mayor to enter into direct dialogue with HBF members and encourage them.

Section 8 Promoting choice and mobility

8.6 How can Londoners who want to move to affordable housing outside the capital be enabled and supported to do so?

In the 1970's the GLC built some 3,000 flats and bungalows along the coasts from Lincolnshire to the South West under the 'Seaside and Country Homes' initiative. London Boroughs had 100% nomination rights, specifically for mature tenants who were prepared to vacate family dwellings. These homes still exist, and there are over 3,000 existing households on the waiting list.

If we directed both private and public funding into initiatives such as delivering new Seaside and Country homes, it would be far more cost effective, and meet the aspirations of the customer. It would free up larger under-occupied family dwellings in the social rented sector. Similar initiatives could be used to meet social rented tenants aspirations into home ownership with intermediate schemes on the fringes of London, again this would release social rented stock.

Section 9 Tackling climate change

9.1 What initiatives, policies or guidance are needed to improve the environmental performance of London's existing housing, much of which is owner occupied?

The Mayor, and the Housing Strategy, has very little, if any, influence on owner-occupied housing. It is up to individual householders to respond to the climate change agenda. Education and awareness is key to changing attitudes and behavior. Homeowners need to be incentivised, whether that is through grants for improvements to properties or Council tax credits.

9.2 What measures should be incorporated within the Mayor's Housing Strategy to mainstream the best environmental practice and technologies in newly-built and refurbished homes?

The proposed London Plan Further Alterations contain a number of policies related to new-build homes. They do not need to be duplicated in the Strategy.

Conclusion

The consultation paper is full of ambitious objectives, but light on financial business planning or practical means to achieve the key objective of delivering

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more and better homes. The core sections of this consultation paper are varied, and significantly widen the remit, set against the current Housing Strategy. The effectiveness of the Strategy to achieve the key objective of housing delivery should not be undermined by a determination to examine every aspect of the strategic housing issues facing London.

Recommendations

Members of the HBF deliver the vast majority of new homes in London, without their capital investment, resources, innovation, project management skills and commitment, London would be producing a fraction of the new homes output currently being achieved.

In order to achieve the Mayor's objective of more homes, we recommend he does not attempt to intervene in the market place, and indeed reduces the burdensome regulatory details.

In addition, a review of the Three Dragons model, increasing the returns available to developers should be implemented, in order to attract house builders into London.

Furthermore, because our members are commercially competitive, we recommend that competition between RSLs is not removed, and that RSLs and developers must be free to agree terms for land and build contracts free from intervention.

The Strategy should actively examine and pursue ways to use existing social rented stock more effectively as a resource to help overcrowding.