



# **HBF BACKGROUND PAPER**

## **The Case for a Presumption in Favour of Residential Development for Brownfield Land**

**August  
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## Executive Summary

1. From the early-1990s, housing supply in England became very heavily reliant on the private sector. Yet at this pivotal change the plan-led system (1991) gave local authorities overall control of permissioned residential land supply; local authorities increasingly focused on maximizing land value capture (Affordable Housing, other planning obligations), which influenced viabilities; and they introduced a range of building standards and mix and density policies which influenced the products home builders could offer.
2. Until the end of the 1980s, a presumption in favour of residential development meant private housing supply was very responsive to market demand: during the 1980s' housing upturn, private completions rose sharply, as did the number and output of SME house builders.
3. By contrast, from the early 1990s, following the major changes outlined above, private house building became very unresponsive to demand: private completions fell slightly during the 1990s and rose only modestly during the 2000s' upturn, SME house builder numbers collapsed 80% between their peak in 1988 and 2014 and their output fell during the 2000s upturn.
4. Permissioned land shortages and other constraints triggered significant consolidation within the industry, the new build share of the major national companies rose steadily, and annual greenfield land use for housing fell by two thirds from 1994-2011.
5. To maximize housing supply, we need the widest possible range of sites, by size and market location, so that house builders of all types and sizes have access to suitable land and can offer the widest possible range of products.
6. Local development orders (LDOs), local authority brownfield land registers and Housing Zones will help, but will not necessarily boost supply significantly. Crucially they are all local authority led.
7. We recommend a presumption in favour of residential development for brownfield land within settlement boundaries. This will require a local authority to have a very good reason to refuse planning permission, whether or not a site has been allocated in the local plan or is on a brownfield register. This would put house builders in the driving seat, tapping their expertise in identifying suitable, viable, available residential land. It would help restore the industry's ability to respond to market demand and encourage house builders of all sizes, including SMEs, to bring forward sites for development.
8. However a brownfield residential presumption is not the same as 'brownfield first', a policy that was tried and failed in the 2000s.

## Allowing home builders to meet local market demand

9. The plan-led system, introduced in 1991, gave local planning authorities tight control of residential land supply through local plans.
10. The timing was especially unfortunate. Local authority house building had been very sharply reduced during the 1980s and almost ceased during the 1990s. Yet the very time housing supply became heavily reliant on the private sector, local authorities were given tight control over one of the industry's most important raw materials, permissioned land, thus severely curbing the industry's ability to respond to market demand.
11. In addition, in the 1990s local authorities recognized that land value could be extracted to subsidize Affordable Housing, while planning obligations (S106) agreements began to be used to extract yet more land value for a range of other demands. By 2007 many local authorities were attempting to maximize land value capture, site by site, to the "margins of viability". In addition, during the 2000s local building standards (energy, space, accessibility, etc) and mix and density policies escalated, influencing the products home builders could offer.
12. Taken together, these changes severely restricted permissioned land supply, squeezed viabilities, and restricted not just the quantity and location of homes house builders could build, but the types of products they could provide. In other words, rather than allowing supply to respond to local market demand in terms of numbers and products, local planning authorities attempted to micro-manage supply and ignore, or even work against the market through local plan policies.
13. Not surprisingly, the result post-1991 until the NPPF in 2012 was persistent housing undersupply and a weak supply responsiveness to market demand. (In 2003, Kate Barker was asked to investigate both the low level of home building and supply's unresponsiveness to demand.) This was most obvious in the 1990s: despite an economic recovery beginning in 1992, lower interest rates than in the two previous decades, rising real incomes and very strong household growth during the second half of the decade, private house building failed to increase from the 1989-92 downturn. By 2001 private completions had fallen to their lowest peacetime level since 1924, lower even than the recessionary trough in 1993. Although private completions rose by one third in between 2001 and 2007, this was entirely down to sharply higher average densities. Annual land use continued to fall.
14. The contrast between the 1980s and 1990s/2000s is illuminating:  
  
Between the trough in private completions in 1981 and the peak in 1988:

- Private housing completions (GB) rose 74% (+85,000)
- The number of SME house builders rose by 52%, their starts grew by 85% and they accounted for 34% of the upturn in starts<sup>1</sup> over this period
- The large national house builders accounted for 29% of the upturn in starts between 1981 and 1988.

By contrast, between the trough in 1993 and the peak in 2007:

- Private housing completions rose 32% (+44,000)
- The number of SME house builders fell by 26% (following a 39% fall between 1988 and 1993), their starts fell by 10% and they accounted for 18% of the upturn in starts between 2001 and 2007
- The large national house builders accounted for 60% of the upturn in starts between 2001 and 2007<sup>2</sup>.

Several other very significant changes emerged between 1993 and 2007:

- Shortages of permissioned land were a major driver of industry consolidation between the mid-1990s and 2007: 15 of the top 30 companies in 1995 had disappeared by 2007;
- The share of the largest home builders increased significantly: from 24% of starts in 1981, to 33% in 1993, 50% in 2007 and 54% in 2014;
- The number of SMEs collapsed: down 80% from a peak of 12,215 in 1988 to 2,403 in 2014, a trend that long pre-dated the credit crunch and problems with development finance;
- The supply of greenfield land has been heavily restricted: annual greenfield land use fell almost continuously, year-by-year, from the early 1990s, with a cumulative 55% fall 1994-2007 (or 66% from 1994-2011).

15. If we are to solve the crisis in housing supply relying largely on the private sector, we must once again tap the experience and expertise of private companies, allowing the industry to respond to local market demand, and move away from local authorities attempting to second-guess or over-ride the market through local plans and micro-manage private housing supply. While a local authority can make an objective assessment of longer-term housing need, primarily using long-term demographic projections, it cannot possibly assess the cyclical, year-by-year scale and flow of demand, nor indeed make an accurate forecast of longer-term demand. And local authorities should not be trying to micro-manage the products house builders offer through performance standards or density and mix policies. House builders have experience and expertise in meeting market demand and in assessing the availability, suitability and viability of sites for residential

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<sup>1</sup> Our discussion of the industry by size categories is based on NHBC statistics for “starts” by registered builders. NHBC accounts for a large proportion of warranties, but it does not have 100% coverage, so the statistics are not a fully accurate measure of the whole industry. However the broad picture is likely to be fairly accurate. An SME is defined as starting 1-100 homes in a year.

<sup>2</sup> National home builders are defined as starting 2000+ units per year according to NHBC statistics.

development, and they have a powerful financial incentive (the threat of financial loss, and eventually bankruptcy) to get their judgements right. Local authorities, quite understandably, do not have these skills or disciplines.

## Maximising housing supply

16. In our paper, *Increasing private housing supply; HBF policy recommendations* (August 2015), we argue that in order to maximize new housing supply, local plans should be required to encourage availability of the widest possible range of residential sites by size and location.
17. The key to increased private housing supply is the number of sales outlets<sup>3</sup>. While some large sites can have multiple sales outlets, broadly speaking, increasing the number of sales outlets requires increasing the number of residential sites. (All else being equal, for any given time period we would expect faster overall sales and build-out rates from 20 sites of 50 units than 10 sites of 100 units or one site of 1,000 units.) This in turn means the widest possible range of sites, by size and location, should be available for housing development. This would help maximize supply not just because there are more sales outlets, but also because it would allow the industry to offer the widest possible range of products and locations, to meet the widest possible range of demand. A wider variety of sites of all sizes, in the widest possible range of locations, would also help ensure all types of housing supplier have access to suitable land, including smaller home builders, which would help maximize supply.
18. By contrast, a focus on, for example, a few large urban extensions will limit the pace of sales compared with what would be achievable with a much wider range of sites, it will limit the range of products house builders are able to offer new home buyers, and it will tend to cut out smaller house builders. All these consequences will constraint overall supply.

## A residential brownfield presumption

19. The government has introduced several policies to encourage the use of brownfield land for residential development: local development orders (LDOs), local authority brownfield registers, Housing Zones. However all three are local authority led. It will be down to local authorities to identifying sites that are considered suitable and viable. Experience with the National Land Use Database (NLUD) has shown how difficult it is for local authorities to judge the suitability, viability and availability of sites for residential development. In addition, LDOs and brownfield registers won't necessarily lead to any increase in land and housing

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<sup>3</sup> Discussed in *HBF Responding to market demand; understanding private housing supply*. August 2015

supply. A local authority attempting to restrict local supply could just as easily operate LDOs and a register as one with pro-housing, pro-growth policies.

20. We believe a powerful mechanism to increase housing supply would be the introduction of a presumption in favour of residential development for brownfield land within the boundary of settlements (a 'residential brownfield presumption'). This process would be developer led, encouraging companies to use their expertise and experience to identify available, suitable, viable brownfield sites for residential development and bring them forward for planning, whether or not they were allocated in the local plan or identified in the brownfield register. It would increase the range of sites open to home builders, and so increase the number of sales outlets; ensure the broadest possible range of products could be offered; assist the full range of housing suppliers, including SME house builders; ensure maximum use of brownfield land; and speed up the grant of planning permission.
21. A residential brownfield presumption would mean that a local authority would have to have a very strong reason to refuse permission for residential development of a brownfield site within the settlement boundary, whether or not the site was identified in the local plan or brownfield register. This would represent a return to something like the successful presumption that operated up to the end of the 1980s, but operating within our plan-led system. It would complement LDOs, brownfield registers and Housing Zones.
22. We use the phrase 'within the boundary of settlements' to encompass settlements of all sizes. A presumption covering, for example, 'urban areas' would exclude large numbers of smaller settlements that should play an important role in meeting housing supply (and meet the land needs of SME house builders). However our definition excludes free-standing and remote brownfield sites. Their suitability for housing development has to be judged against a wider range of planning and market criteria.
23. The success of the pre-1991 presumption in favour of residential development, compared with the post-1991 supply failures, can be seen in the long-term evidence.
24. In the 37 years from 1954<sup>4</sup> to 1990, the private sector exceeded 150,000 completions per year (England) in 17 years, including three years in the 1980s (peak 176,000 in 1988). The introduction of the plan-led system in 1991 replaced the presumption in favour of development with a presumption in favour of sites identified in the local plan. In the 24 years from 1991 to 2014, private completions exceeded 150,000 in England in only one year.

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<sup>4</sup> Post-war materials rationing ended in 1954.

25. A brownfield presumption would ensure that local plan housing requirements were treated as a necessary minimum, and not, as so often happens, a maximum. The local plan would still identify land to meet objectively assessed need, but the industry would be encouraged to bring forward more sites if companies judged there was a viable market for the homes on these sites. The process of land identification would be led by the private sector, and would move away from expecting local authorities to second-guess the market and micro-manage housing supply through the local plan.
26. We use the expression a 'presumption in favour of residential development', as opposed to 'sustainable development', because sustainable development is the guiding principle of our planning system as a whole, not of single sites.
27. A brownfield presumption, alongside LDOs, local brownfield registers and Housing Zones, would maximize the contributions of both the private sector and local authorities, allowing each to bring its own skills and expertise to bear on land supply. Local authorities would be able to focus their efforts on adding to and complementing what the private sector does.
28. A residential brownfield presumption should not alter the way local plans are prepared. They would still have to be based on objectively assessed longer-term housing need and allocate known brownfield and greenfield sites accordingly. The brownfield presumption would apply to any brownfield sites allocated in the local plan, but it would also apply to other sites as they came available and/or were brought forward by the private sector, ensuring, as already noted, that local plan numbers were treated as a minimum rather than as a maximum (which puts a cap on market responsiveness).

## Brownfield presumption is not 'brownfield first'

29. We must stress however that a brownfield presumption is not the same as 'brownfield first'. The latter has nothing to do with increasing housing supply. It simply imposes a crude one-dimensional rule, based solely on the previous use of the land, and undermines the principles of sustainable development.
30. A local authority operating a highly restrictive approach to land supply could just as easily operate a brownfield-first policy as one with a positive attitude to housing supply. The evidence from 2000 to 2009, when England had a brownfield-first policy, as well as a sequential test and a minimum density requirement, was that the quantity of brownfield land used for housing development did not increase significantly, while the use of greenfield land continued its long-term decline. House builders have often noted that 'brownfield first' in effect meant 'greenfield never'. In other words, the policy was often used to thwart development. Our proposal for a residential brownfield presumption is, by contrast, designed to increase housing supply and encourage growth and development.



## About HBF

The Home Builders Federation (HBF) is the representative body of the home building industry in England and Wales. The HBF's members account for around 80% of all new homes built in England and Wales in any one year, and include companies of all sizes, ranging from multi-national, household names through regionally based businesses to small local companies.

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