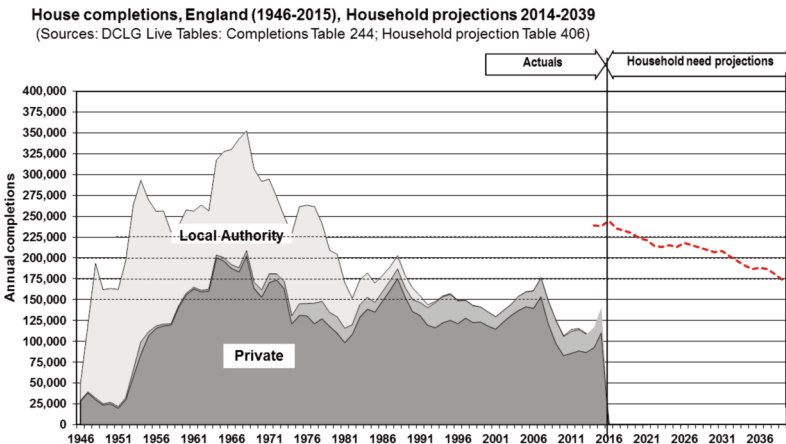


Five myths underlying current planning policies for housing



LEFT: Figure 1: Housebuilding since 1946 compared with current projection

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existing stock and more subsidised homes

Myth 5: Balance of new jobs and homes means less traffic

- 'Balance' will reduce net commuting (difference between in-flow and out-flow)
- But volume of traffic depends on sum of in-flow and out-flow of commuters
- In-flow and out-flow each depend on matching workers' needs across the whole stock
- New homes are a small proportion of stock, and aimed mainly at better-paid and retirees. ■

Background to all myths

- Policy assumption: meeting needs requires that New housing = net increase in households
- BUT: 'net increase' = new households forming minus old ones dissolving.
- Net household increase, England 2011-31 = 211,000 pa (DCLG 2014-based). Annual flows by age group (see Figure below)
- Newly forming households: 363,000 pa <25 in 2011, becoming <45 in 2031
- Plus 53,000 pa 25-65 in 2011, becoming 45-85 in 2031
- Minus dissolving households: -206,000 pa (>65 in 2011, becoming >85 in 2031)

Myth 1: Lack of land is preventing building to meet needs

- Increasing housing land supply has been a priority since Barker Report (2004)
- Since 2007 (at least) new permissions have exceeded starts by ~50,000 pa
- 9 big builders have ~900,000 consents in hand
- The development plan pipeline will provide sites for at least 2 million homes
- Output under 'brownfield first' policy (1999-~2007) reached highest level for 20 years
- Supply of brownfield land higher after than before (brownfield is a flow, not a stock)

- If higher output did stop prices rising, builders would stop building
- If prices continue to rise, more new households will be priced out.
- Eventual 'market correction' (aka price collapse)

Myth 4: Jobs growth depends on new houses

- Lower paid workers depend on cheaper existing homes
- Higher paid workers can choose from the whole stock (existing and new)
- Environment, schools and social cohesion more important than number of new homes
- Jobs growth depends on attractiveness of

Myth 2: New housing will meet the needs of new households

- Most (87%) of the annual flow of new households are young
- They lack resources to exercise effective demand (low, insecure incomes, rising costs)
- Builders target existing home owners (£369k average price*), not First Time Buyers (£226k*)
- * Average prices, England, 2016 Q3, ONS
- 80% mkt price means 'affordable housing' meets only a small niche of needs
- 'Starter homes' require income of at least £50k, and public support only £20k/unit
- 'Help to Buy' increases demand in under-supplied market sector, pricing more out than in

Myth 3: more output will lead to lower prices

- New houses are only 10% of the housing market
- Therefore house prices are very insensitive to increases in output (+70,000 pa to price in 5,000 pa – Barker)

Household changes x age group, England 2011-31 ('000s)

Source: DCLG 2014-based projections, Dec 2016, Table 414

