City Growth Commission
Submission by the Home Builders Federation (HBF)
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Key conclusions

New housing supply plays an essential role in supporting economic growth.

Housing investment adds directly to GDP, but housing supply's economic impact is much greater, most notably through the labour market. England has suffered a serious undersupply of housing for at least two decades.

At sub-national levels, including cities, there must be an adequate total supply of housing, an appropriate range of values, types and sizes, for all household types (first-time buyers, working age movers, retired trade downs) in locations where there are viable markets. Because the existing stock is spatially fixed, new housing is a crucial adjustment mechanism for the changing economic geography of cities.

Land with planning permission is the key to new housing supply. The National Planning Policy Framework (NPPF) should allow a substantial and sustained increase in home building, given favourable economic conditions.

Regeneration, in which housing plays a critical role, is a major focus in many cities. But regeneration aspirations must be tempered by market realities. Heavy constraints on greenfield housing in outer city or surrounding markets are unlikely to force demand into regeneration areas and could damage the city's economy.

Cities offering a range of good quality, affordable housing, could gain a competitive advantage to help counter London's influence on the national economy.

Green Belts, which impose tight development boundaries on many cities, influence economic activity, labour supply, commuting patterns and housing supply.

Too often Local Plans fail to reconcile economic aspirations and planned housing supply. The linkages are complex, but cannot be ignored.

City economic activity and housing supply cannot be planned in isolation of plans in surrounding local authority areas (thus the idea of city regions). However the Duty to Cooperate provides a weak mechanism for cross-boundary economic, housing and "larger-than-local" infrastructure planning. LEPs, which rarely consider the role of new housing supply, do not have adequate resources or powers.

1. The Home Builders Federation (HBF) is the principal trade association representing the interests of private home builders in England and Wales. Our membership, which ranges from major national firms, through regional companies to smaller local firms, is responsible for more than 80% of the new homes built every year.

Introduction: housing supply and the economy

2. We very much welcome the Commission's efforts to "develop an overarching plan for supporting city-led growth and rebalancing the economy" and wish to contribute to its thinking. However the fact that the Call for Evidence did not make any reference to the economic importance of housing supply is, we believe, a major omission.

3. Housing is often seen as largely a social or environmental issue. However housing supply, both the existing stock and new housing, has a crucial economic role. This is at both the national/macroeconomic level and at sub-national levels. In addition, housing has a two-way relationship with the economy: housing supply influences economic growth, but economic growth in turn influences housing demand and therefore supply. Given the Commission's remit, we focus our comments on how housing development can support the economic growth of cities and their surrounding areas.

4. Housing production adds directly to GDP through its contribution to fixed capital formation. New home building contributed 2.2% to GDP at the peak in 2006, although this fell to less than 1.5% after the credit crunch. HBF estimates there are approximately 1.5 jobs per dwelling directly involved in home building, with perhaps another 0.9 in the supply chain, a total of 2.4 jobs per dwelling.

5. However housing supply has a much greater impact on the economy than new build's direct contribution to GDP, most notably through its influence on the labour market.

6. To quote the interim report of the Barker Review of Housing Supply[1]:

> "The long-term upward trend in house prices and recent problems of affordability are the clearest manifestations of a housing shortage in the UK. In some regions and localities there is a mismatch between the nature of the houses available and what is required to meet the needs and aspirations of that area. The consequence of these shortages is not simply a matter of unmet housing need. Housing has profound and often unappreciated impacts upon our lives. It directly affects our quality of life, our health and well-being; it determines our transport needs and often our choice of work; it affects our family structures and our friendship networks. Housing also affects our national economic well-being: the rate of economic growth and our prosperity. It also

[1] *Kate Barker Review of Housing Supply; securing our future housing needs. Interim Report – Analysis.* December 2003

influences the distribution of resources between regions, individuals and generations."

Background: the scale of housing undersupply

7. England has experienced an inadequate supply of housing for over two decades, most notably since the plan-led system was introduced in 1991. It has been estimated that we would require 240-245,000 additional homes per year from 2011-31 to meet projected household growth in England. Yet net additions to the housing stock were 124,720 in 2012-13, barely half projected requirements. Appendix 1 provides more data on the mismatch between requirements and supply and looks at the broad economic consequences of undersupply.

The economic role of housing supply at the sub-national level

8. Housing supply is not just a question of matching the total number of dwellings across a market areas, such as a city, with future housing requirements, though this is clearly extremely important.

9. The types of homes in a local economic area are also important – a broad mix of values and sizes to meet all requirements, from homes for highly-paid, high value-adding employees, through to lower-value homes for those on more modest incomes, to subsidised Affordable Housing[2] for low-income households.

10. The locations of housing within an area are also important. It will be very damaging if a large proportion of new housing supply in a town or city is allocated in a depressed area if the housing market in that areas is very limited, housing development is not viable and, for example, transport links to employment are poor.

11. Because the existing housing stock is spatially fixed, new housing provides the only way the location of housing can gradually evolve in response to the changing geography of economic activity. (This might be through new housing on greenfield land, or through demolition and redevelopment of obsolete existing housing or non-housing land uses within the existing urban boundary.)

12. The accommodation provided by the existing stock can change to some extent, for example through extensions or conversions, but new housing supply also provides a crucial adjustment mechanism to meet the changing accommodation needs generated by economic growth and change.

[2] Affordable Housing is defined in planning terms as housing for those unable to afford market housing (to buy or rent). The subsidy required to provide sub-market prices or rents comes primarily from Government or from land value (via S106 planning obligations agreements with private developers).

13. Housing tenure will play an important part in all these factors: housing numbers, types and sizes, location, etc.

14. As economic requirements change, whether through changes in the composition of economic activity, or through economic growth more generally, the immediate impact on the housing market is likely to be felt largely through changes in relative house prices – whether between housing markets within a city, or between markets in the city and its neighbouring areas. These price signals will in turn be interpreted by house builders as they seek to build the right numbers of homes, of the right types, at the right prices, in the right locations – assuming planning does not ignore these price signals and attempt to over-ride the market by allocating housing in the 'wrong' economic/market areas.

Planning and housing supply: the national perspective

15. The key to new housing is land with planning permission. As Kate Barker observed[3]:

> "The underlying constraint on housing is the supply of land."

16. The planning system must bear by far the greatest responsibility for the housing undersupply of the last two decades.

17. The plan-led system, introduced in 1991, had a dramatic impact on the industry's ability to respond to housing demand. Because the availability of permissioned land was now driven by provision in local plans, rather than house builders' assessment of market demand, and because many local plans only allowed for very low levels of home building, the planning system effectively imposed a ceiling on housing supply.

18. Supply was almost totally unresponsive to rising demand in the 1990s as this ceiling was set very low, in part because large numbers of local authorities did not have up-to-date plans, reinforced by the principle of "prematurity"[4]. Completions in 2001 were lower than their recessionary trough of 1992, and in fact the lowest peacetime level since 1924.

19. The Labour Government elected in 1997 tried to tackle undersupply through planning reforms from around 1999, culminating in the *Barker Review of Housing Supply* in 2004, the *Barker Review of Land-use Planning* in 2006, and reforms introduced by the Planning and Compulsory Purchase Act 2004. These reforms had some success, allowing the industry to increase housing completions by around a third between 2001 and 2007, though this was achieved largely through a very sharp rise in average densities, and a

[3] *Kate Barker Review of Housing Supply; securing our future housing needs. Interim Report – Analysis.* December 2003

[4] Prematurity meant a local authority could refuse permission for a housing scheme because it didn't yet have a local plan (i.e. a planning decision would be 'premature'). This inevitably created an incentive for authorities in areas with strong opposition to housing development not to have a local plan.

massive shift towards apartments, rather than any significant increase in the supply of housing land.

20. However the Coalition Government elected in 2010 abolished Labour's top-down regional planning tier and regional strategies (RSs), introducing a bottom-up system known as localism, as set out in the National Planning Policy Framework (NPPF). It is still early days for planning under the NPPF, and the new approach is far from perfect, but it is starting to change attitudes and have a significant impact on planning for housing in many areas.

21. The key requirements of the NPPF from a housing perspective are that the local authority:
    - must have a sound Local Plan,
    - in which housing numbers are based on "objectively assessed needs",
    - and must identify a five-year supply (+5%) of deliverable sites[5].

22. We believe the Coalition's planning reforms will go a long way towards helping to achieve a substantial and sustained increase in home building, provided the industry benefits from a fairly long period of favourable economic conditions. In particular, the NPPF has a robust approach to planning for housing and should work over the medium to longer term, as long as the new rules are enforced by the Planning Inspectorate (PINS), and provided central government continues to require local authorities to make the new planning system work and supports decisions by PINS which will often be politically unpopular.

Planning and housing supply: the sub-national perspective

23. A crucial aspect of housing supply is that planned housing numbers across the country should broadly add up to a sensible national total, and the distribution of housing across local authorities should broadly match the distribution of requirements (need and demand[6]), including the requirements generated by economic activity. Put another way, to meet the country's housing requirements, every housing market area should play its appropriate

[5] The NPPF requires that the local authority should: "identify and update annually a supply of specific deliverable sites sufficient to provide five years worth of housing against their housing requirements with an additional buffer of 5% (moved forward from later in the plan period) to ensure choice and competition in the market for land. Where there has been a record of persistent under delivery of housing, local planning authorities should increase the buffer to 20% (moved forward from later in the plan period) to provide a realistic prospect of achieving the planned supply and to ensure choice and competition in the market for land". The NPPF explains that: "To be considered deliverable, sites should be available now, offer a suitable location for development now, and be achievable with a realistic prospect that housing will be delivered on the site within five years and in particular that development of the site is viable. Sites with planning permission should be considered deliverable until permission expires, unless there is clear evidence that schemes will not be implemented within five years, for example they will not be viable, there is no longer a demand for the type of units or sites have long term phasing plans."

[6] Housing requirements is a broad term covering market demand and housing need, the latter covering households requiring some form of subsidy because they cannot afford to buy or rent market housing.

part – from modest provision in villages, to greater provision in market towns, through to large-scale provision in cities.

24. Quite understandably, a primary focus of city authorities will often be on regeneration areas. In most cases, new housing will have a crucial role to play in supporting economic regeneration. Regeneration of local economies and housing markets will have many benefits. It will improve the size and quality of the housing stock of the area and bring a broader mix of tenures and house types. By introducing new people into the area, of different income levels, it will bring increased household spending and support local economic and social activity. It will increase the local labour supply and broaden the range of skills in the area, thereby supporting new investment and boosting economic development and growth.

25. Because regeneration can be such a major focus within a city, it will often be expected to make a major contribution towards the land required to meet a city's total housing requirements. However this aspiration needs to be tempered by market realities as there may be quite limited substitution between housing markets, especially between inner-city regeneration areas and markets in suburban areas of the city or surrounding market towns.

26. If there is heavy constraint on housing supply in greenfield locations in and around a city in the hope that this will force housing demand into another market area, such as an inner-city regeneration area, there is no guarantee actual markets will respond in the way hoped. Buyers who want to live in greenfield locations may well stay put, or move away to other locations offering more appropriate housing. Rather than restraint policies in one area automatically promoting housing and economic growth in another area (the analogy of squeezing a balloon is often used), these policies may actually worsen the economic situation. Ultimately economic and market forces cannot be over-ridden, however much planners would like to do so. City Local Plans need to understand that there are complex links between the multiple housing markets within and beyond the city boundaries. Allocating land on unrealistic hopes and aspirations risks resulting in housing shortages, population and labour supply loss, increased commuting and damage to the city's economy.

27. There has recently been a great deal of debate about the enormous economic impact of London (positive or negative) on the rest of the country. However there is rarely, if ever any discussion about the role housing could play in rebalancing economic activity in England. House prices in much of London are extremely high in relation to household incomes, as they are in many markets around London. This surely provides a golden opportunity for other cities. By ensuring there is enough home building to meet "objectively assessed needs", so that house prices are kept in reasonable relationship to incomes, these cities could provide very attractive housing opportunities (more affordable prices, more accommodation for any given price, a broader mix of house types, etc.) to households priced out of markets in London and the South East. As migration tends to be strongest among better-educated and more-skilled households, the impact on the local labour market could be very positive. Cities that restrict housing supply, or attempt to force most of it

into very limited market areas (especially regeneration areas), are unlikely to generate what could be a competitive advantage over London.

28. We have referred several times to the interrelationships between city economies and housing markets and those in surrounding areas. In this context, the one major weakness with the NPPF is the Duty to Cooperate.

29. Labour's "top down" system, whatever its faults, ensured that the housing targets in the individual local authorities in a region all added up to the total regional estimate of future housing requirements. The Regional Assembly would work out each local authority's contribution towards meeting total regional housing requirements (in discussion with the local authorities), and then issue these (thus the accusation of "top down") to the local authorities in the region. This meant that any shortfall in authorities which could justify not meeting their housing requirements, for example because of Green Belt constraints, would be matched by other authorities which took more than their fair share of housing. In effect, growth areas like Milton Keynes allowed areas like Surrey to undersupply in relation to housing requirements.

30. However the new system does not have a robust mechanism to reconcile growth and restraint areas, cross-boundary linkages or "larger-than-local" strategic infrastructure requirements, apart from the very weak and somewhat ill-defined Duty to Cooperate.

31. Green Belts, one of the most politically sensitive issues in planning, are extremely important to any debate about the economies and housing markets of cities[7]. It should be noted that Green Belt is not an environmental designation. The objective is to prevent urban sprawl and the coalescence of settlements. Statistics from 2001 show that around 9% of Green Belt land is developed, while more than a third is protected from development through being part of an Area of Outstanding Natural Beauty or National Parks[8].

32. Green Belts cover 1.6m hectares of England, or 13% of its total land area, with 186 local authorities having designated Green Belt land within their area[9]. The following 14 settlements have Green Belts[10]:

- London (Metropolitan)

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[7] The NPPF says of Green Belts: "The fundamental aim of Green Belt policy is to prevent urban sprawl by keeping land permanently open; the essential characteristics of Green Belts are their openness and their permanence.

Green Belt serves five purposes:

- to check the unrestricted sprawl of large built-up areas;
- to prevent neighbouring towns merging into one another;
- to assist in safeguarding the countryside from encroachment;
- to preserve the setting and special character of historic towns;
- and to assist in urban regeneration, by encouraging the recycling of derelict and other urban land.

[8] DCLG Local Planning Authority Green Belt Statistics, England 2011/12
[9] DCLG Local Planning Authority Green Belt Statistics, England 2011/12
[10] Campaign to Protect Rural England (CPRE) Green Belts; a Greener Future. January 2010

- Avon
- Burton/Swadlincote
- Cambridge
- Gloucester/Cheltenham
- North West (Greater Manchester, Merseyside, etc)
- Nottingham/Derby
- Oxford
- Hampshire/Dorset
- South & West Yorkshire (Leeds, Bradford, Sheffield)
- Stoke-on-Trent
- Tyne & Wear
- West Midlands (Birmingham, Coventry, Wolverhampton)
- York

33. The original Green Belts were drawn in such a way as to allow for future expansion of urban areas. However these boundaries have subsequently become very tight, which means they have a significant impact on patterns of urban development. It is often observed that Green Belt constraints on development around London has meant that urban development have "jumped the Green Belt", which in turn has led to increased commuting distances from settlements beyond the Green Belt. However politically sensitive, discussion about economic growth in a number of cities cannot ignore the impact of the Green Belt.

Planning for housing and economic growth

34. A long-standing criticism of local planning has been that there is often a serious disconnect between a Local Plan's ambitious economic aspirations and its constraints on housing supply.

35. Most local planning authority assessments of future housing requirements rely on analysis of demographic trends, particularly household projections. However some local authorities attempt to build employment forecasts into their assessment of housing requirements. These may be used alongside demographic projections, or in some cases instead of demographic projections. However these three approaches (purely demographic, a mix of demographic and employment, or purely employment) can lead to very different estimates of future housing requirements.

36. There is no simple mechanistic link between a local authority's economic and employment projections and its future housing requirements. Key factors will include the match between labour supply and demand at the time a local plan is produced, unemployment and the skills match or mismatch between future labour demand and those who are unemployed, the likely scale of growth in labour demand and its composition (skills, income levels, etc.), economic and

housing relationships with neighbouring authorities, the scale and patterns of commuting[11], etc.

37. There must be a case for trying to improve our understanding of the links between housing and economic growth to assist local planning authorities. However the fact that the relationship between future labour demand and future housing requirements is complex, and does not lend itself to a mechanistic formula such as X jobs translates into Y homes, does not mean there is no relationship, nor that it should be simply ignored in the housing requirements set out in Local Plans.

Planning for housing in cities

38. There is huge demand for housing in cities, not just because of their large populations, but because of their often dynamic economies.

39. Broadly speaking, cities share the same housing and economic relationships as other geographical or economic areas, although on a much larger scale. Similarly all the adverse economic consequences of housing undersupply (outlined in Appendix 1) will be just as relevant in cities as they are in other settlements. From an economic and housing perspective, cities cannot be treated as islands, isolated from the housing markets and economies in the local authorities surrounding them.

40. To avoid the adverse consequences of housing undersupply, medium to longer-term housing supply must match housing requirements. This means the planning system in a city must (a) provide sufficient residential land with planning permission ("permissioned land") to allow housing providers to meet aggregate housing demand, (b) in locations where there is housing demand and which will support economic activity, (c) including taking account of linkages with economies and housing markets in surrounding areas, (d) allow home builders to determine the appropriate mix of house types to meet local demand, and (e) ensure local planning policy demands (for Affordable Housing, Community Infrastructure Levy, space standards, etc) do not make housing unviable, and so undevelopable.

41. The Duty to Cooperate problems outlined above are especially important in the context of cities. If a city authority (or authorities) cannot meet the city's housing requirements, as implied by projected demographic trends and economic and employment forecasts/aspirations, the Local Plan(s) will have to rely on additional housing supply from neighbouring (often semi-rural) authorities. This can be especially difficult for cities with physical limitations on the adjoining hinterland, such as those on the coast. The Duty to Cooperate does not provide a strong enough mechanism to ensure neighbouring

[11] Commuting patterns can be quite complex and counter-intuitive. For example, if we imagine two settlements fairly close to each other, each with its own economic activity and housing market, there can be considerable cross-commuting between such settlements, rather than the labour requirements of each area being met largely by people living in the same area.

authorities will provide for the overspill housing needs of the city, and at present there is no other satisfactory way to resolve this issue.

42. This is really a question of the appropriate economic geography for city planning. If there are complex economic and housing links between a city and surrounding areas – a city region – then there needs to be some sort of institutional structure to manage the required cross-boundary planning for economic growth, housing and infrastructure. At present only London, with the GLA and Mayor, has any sort of strategic planning institution, and even in London this is restricted to the boundaries of Greater London.

43. The only cross-boundary institutions at present (apart from London) are Local Enterprise Partnerships (LEPs). However these have a rather odd set of geographic boundaries, in some cases overlapping, in others pulling together areas that have very little economic or housing linkage. Most LEPs have shown little or no interest in housing, which means any mismatch between planning for economic growth and future housing supply will be ignored. The economic growth strategies of a LEP may not accord with the strategies in Local Plans in the LEP's area. And LEPs do not have strategic planning powers, and so cannot solve the cross-boundary problems created by the weakness of the Duty to Cooperate.

44. Housing in cities, as in any large settlement, should provide a broad mix of types, sizes and price ranges. While the policy focus is often on first-time buyers or housing for those of working age, a city economy also benefits from housing for older people as this enables them to move and free up family housing for working-age households. Purpose-built private sector retirement housing requires relatively small sites in town-centre locations in the more affluent areas to meet the needs of owner-occupiers trading down. Regeneration areas are unlikely to be suitable locations for this type of housing. Yet local authorities are often opposed to retirement housing because it does not fit into the regeneration plans for the city. Councils should take a flexible and holistic approach to planning for housing, recognising that housing is required in suitable locations for all tenures, all ages, all household types and sizes, and all levels of income. Also, retirement housing occupiers are more likely to use local facilities such as libraries, post offices and shops, spending locally and supporting existing services and jobs.

45. Many city and town centres have suffered de-population over time. In addition the recent recession has severely damaged many retail areas, leaving large numbers of shops empty. This suggests that, with imagination, some areas could be regenerated by taking a new approach to the housing/retail/commercial mix. Too often local authorities refuse to allow "employment land" to be used for housing, even though there is little prospect of it ever having a viable future employment use.

46. Within cities and urban areas more generally, housing must compete more overtly with other land uses (retail, commercial, etc.), so that housing must generate land values that compete with the values created by these other

uses. This tends to drive up residential densities and it can raise concerns about the loss of employment land.

English cities: a review of economic and housing planning

47. We set out below brief comments on most of the cities identified by the Commission, looking in particular at how they match their economic aspirations with planning for future housing supply. (Unfortunately we have not received comments on all the cities in the list.) The comments are those of HBF planning staff, based on their extensive knowledge of local planning, along with some additional comments from house builders with hands-on knowledge of these city housing markets. They are deliberately brief, highlighting key issues. A comprehensive study of the links between housing and economic growth in each of the cities is beyond the scope of this submission.

48. Two especially important messages emerge from the comments, consistent with the discussion above.

49. From a private house building perspective, the deliverability of housing plans is critical: is there a large enough market for housing in the areas designated by the city local authority (or authorities) to meet the Local Plan's housing requirements? Are the housing numbers realistic from a market perspective? Will new housing developments in these areas be viable, given local market demand, prices and the Local Plan's policy demands on new housing?

50. As noted above, the major weakness of the NPPF is the Duty to Cooperate. Many of the comments below demonstrate that city authorities either struggle to reconcile their housing requirements with the plans of adjoining authorities, or they simply ignore the issue. The concept of a city region only has meaning if the local authorities within the city region work together to produce mutually consistent Local Plans. It is notable that LEPs are rarely mentioned, so the experts appear to have little faith in their ability to overcome the limitations of the Duty to Cooperate.

51. Finally we note that the list of cities provided by the Commission omitted London. We have however provided some comments on London, given the city's enormous economic and housing importance.

The Core Cities

- **Manchester (note: 10 Local Authorities make up greater Manchester)**

Response 1
There is already significant and compelling evidence that planning policies for the supply of housing in Greater Manchester have failed (e.g. Greater Manchester Growth Plan, March 2012 and the Integrated Greater Manchester Assessment (Planning Housing Evidence Base), March 2013. For example, annual completions across the 10 districts are currently running at about one third of policy requirements. The cumulative shortfall is now over 23,000 dwellings. Equally telling is that affordable completions amounted to over 50% of total completions in 2011/12. Although housing supply across the area is apparently healthy

(capacity for 180,000 dwellings according to Strategic Housing Land Availability Assessment (SHLAA) information), the poor deliver points to the lack of an adequate supply of sites which are attractive to the market and can deliver circa 10,000 dwellings per annum. If the supply side of the economy is to function effectively, Greater Manchester needs to meet the needs of a growing workforce and population by providing a wider range of housing sites in a variety of locations; this should be achieved in part by Green Belt reviews in places like Bolton, Bury and Rochdale.

Response 2
Greater Manchester (GM) authorities keen to pursue economic growth and have been working upon a GM Spatial Strategy for some time. To date the spatial strategy has not sought to tackle housing and employment requirements due to the different stages of the plan preparation across the 10 GM authorities.

The housing requirements of the 10 GM authorities are still heavily influenced by the now revoked RS which sought to focus GM growth around the regional center and surrounding inner areas. In particular the local authorities of Manchester and Salford took higher housing requirements to reflect this prioritisation. The RS approach was built upon assumptions rooted in circumstances of the time, including a reliance on high (and often very high) density apartment based schemes in locations which were only viable when supported by public sector funding.

The demise of the apartment market outside of the city centre has left significant delivery issues for GM. This has meant the majority of the GM authorities are failing to meet their housing requirements leading some LAs e.g. Salford to attempt to reduce their overall housing requirement (the Salford Core Strategy was withdrawn in 2012 due to inspectors concerns over the proposed housing requirement). Other LAs such as Bury are still heavily reliant upon Salford and Manchester taking high proportions of growth and are using this to restrain their own local housing requirements and justification for not undertaking a green belt review.

It is understood from discussions with AGMA that GM authorities are now beginning to work towards identifying a GM wide housing requirement which will be apportioned to constituent LA's.

- **Liverpool**

Response 1
Not unlike Manchester and Birmingham, Liverpool is defined in market terms by a collection of LAs. It is constrained by comparatively affluent West Lanchashire to the east, Sefton (better parts of) to the north, the Irish Sea to the west and the Mersey to the south. The markets are highly variable with considerable pressure for regeneration but no market as such – the harmony between the boroughs is often short lived in communal greenbelt assessments and Strategic Housing Market Assessment (SHMA) with those such as Sefton who must assist Liverpool generally failing to do so.

Response 2
Withdrew Core Strategy in 2012. Council is likely to retain suggested Core Strategy housing requirement of 40,950, 2011 to 2028. This is in excess of revoked RS requirement and 2008 based household projections. Council suggests intends to meet own needs as well as potential to deliver population growth helping the city become the heart of the city region.

Whilst potential for a significant supply of housing the Council places emphasis upon regeneration, with almost 90% of the gross housing capacity is on sites classified as previously-developed land or buildings. This may have economic viability implications.

- **Bristol**

Response 1
It is heavily constrained by Green Belt, does not have significant levels of brownfield land and has an approved plan with in the order of 10,000 dwelling shortfall below forecast – it says it has 5000 dwellings with permission on stalled sites, but these are small sites in poor locations which most agree will never be built out. Bristol is constrained by its administrative boundary and similar to its neighbour Bath has argued before Inspectors that they do not have the capacity to grown. Therefore it needs a city region approach to resolve land supply and promote economic growth.

Response 2
At the examination of Bristol's plan in 2011, the Inspector concluded that there wasn't an unmet housing need that required the neighbouring authorities to cooperate. However, he couldn't be categorical about this, and required Bristol's plan to be reviewed by 2016. He thought that if Bristol's assessment of need was wrong in downplaying international inward migration, then cooperation with BANES, North Somerset and South Glos would probably be necessary in the future. Bristol is running out of land. It is highly likely that cooperation with these authorities, especially BANES and North Somerset, will be required in the future to allow Bristol to meet its future housing needs.

- **Birmingham**

Response 1
The City Council is currently consulting on its Pre submission Plan (ending 3rd March). The City has major problems with its housing requirements, the objectively assessed need is at least 80,000, circa 30,000 dwellings more than actual land available within in its administrative boundary. Although Birmingham is going round talking to neighbouring authorities no one has given any commitment to provide for this unmet need which makes a complete mockery of the Duty to Co-operate - in fact there must be a suspicion that neighbouring authorities are rushing to get plans adopted ahead of Birmingham. The Greater Birmingham & Solihull LEP also identifies the problem but provides no solution either. The Council has suggested as there is a surplus of land in the Black Country so the City's unmet need could be moved into the Black Country, which could in turn shunt this unmet need on into Telford & Wrekin. However the point is that economic growth and market demand aren't in these two alternative locations.

- **Nottingham**

Response 1
The City has produced an Aligned Core Strategy with its neighbouring authorities of Broxtowe and Gedling, which is at the end of its examination. The Greater Nottingham Housing Market Area comprises of the 3 authorities in the ACS plus Erewash and Rushcliffe. Nottingham's administrative boundary is drawn very tightly around the city so it can't meet its own objectively assessed housing needs and it is reliant on neighbouring authorities within the HMA taking more than their own share. It is a very uneasy alliance. The housing requirement figure of circa 30,500 dwellings for Nottingham, Broxtowe and Gedling accepted by the Inspector is reflective of 2011 based statistics and is lower than we argued for.

- **Sheffield**

Response 1

The Sheffield City Region LEP have a growth plan to create 70,000 net additional jobs, increase GVA by 10% (or £3bn) and create 6,000 additional businesses beyond baseline growth rates – however, no reference to housing in the plans. We understand that they have had to suspend work on their site allocations in order to review housing projections in light of their lack of 5-year land supply and out-of-date housing requirement set out in the Core Strategy (CS).

Response 2
The city in constrained by Green Belt and the Peak District national park and has not yet committed to a review of its Green Belt boundaries.

The current Core Strategy (adopted 2009) only makes allowance for 1,425 net additional new homes per year. This requirement is not based upon the objectively assessed housing needs of the district, but rather is based upon policy decisions made through the RS. The '*What Households Where'* website identifies a need for 51,389 new homes between 2009 and 2026, or 3,023 new homes per year in Sheffield, over twice the figure currently being planned for.

Whilst it is understood that the Council is considering a review of its Core Strategy this would take a number of years to complete. In the interim the Council is progressing a City Policies and Sites document which, if adopted, would effectively enshrine its lower housing requirement. Indeed the issue of housing under-delivery is further compounded by the fact that the City Policies and Sites document does not contain sufficient sites to meet the full, albeit inadequate, requirement that is set out in the Sheffield Core Strategy.

The neighbouring LA of Rotherham shares a housing market area with Sheffield and is proposing to reduce its housing requirement from the revoked RS (the Inspector's report upon the Core Strategy examination is currently awaited). Sheffield originally objected to this reduction. The authorities have tried to overcome this objection by agreeing a memorandum of understanding committing the authorities to review their plans in due course. However should the Inspector agree to a reduction in Rotherham's housing requirement this will further impede housing growth in the area.

Sheffield CC cannot currently identify a 5 year housing land supply with only 46% of the net 5 year requirement currently met. This is supported by recent appeal decisions.

- **Leeds**

Response 1
A city with a well-documented aversion to housing despite having considerable economic growth aspirations. Like many cities it contains significant areas of land which is in need of regeneration. There has been some debate that difficult brownfield sites could use greenfield land in a cross-subsidy mechanism…i.e., more profitable greenfield land development could be used to facilitate/contribute towards the costs of development of more expensive brownfield land. This is a principle that has been discussed with Leeds Council over recent years where they have struggled to politically support the release of greenfield land due to their lack of 5-year land supply. However, as this would involve potential reductions in the provision of affordable housing on greenfield sites, with the money being used as funding for the regeneration scheme shortfalls it has its own problems.

Response 2
Leeds has a vision to become the best city in the UK by 2030. A successful and prosperous economy is seen as key to delivering this vision. The Council's Core Strategy (currently progressing through examination) seeks significant economic and housing growth. However the proposed housing requirement is only based upon the needs generated within the

council boundaries and pays little regard to the needs of surrounding districts, many of whom share housing market areas with Leeds. Given the importance of Leeds to the wider Leeds City Region economy it is arguable that the Council should be seeking a higher level of housing growth to account for low requirements in neighbouring authorities such as Harrogate, Bradford and Kirklees.

A significant proportion of the housing requirement (30,000 dwellings) are anticipated to be provided in the main urban area of the city with a brownfield first approach suggested. However, viability concerns within parts of the main urban area may hamper deliverability.

The Council has failed to demonstrate a defensible 5-year supply and lost a series of appeals in 2013.

- **Newcastle**

Response 1
The city in conjunction with Gateshead is seeking economic growth and promoting this through regeneration and release of Green Belt. The proposed level of housing growth is on the low side but represents an aspirational yet realistic target providing a significant uplift from current delivery levels.

Economic viability issues remain a concern across parts of the city.

The Key Cities

- **Bath and NE Somerset**

Response 1
Bath is listed by the Commission as Bath and NE Somerset but assume it is the city of Bath rather than its rural hinterland. The city is heavily constrained by green belt and does not have much in the way of brown field land. BANES is proposing a similar approach. BANES has argued before Inspectors that they do not have the capacity to accelerate growth.

Response 2
The CS examination is still on-going 2 years after commencement. The Council has convinced the Inspector that it is its own self-contained housing market area with no relationship to Bristol because the plan was submitted for examination pre NPPF the Duty to Co-operate does not apply which is just as well because they don't seem to work with anyone else. The Council's objective assessment of housing need is very low, circa 8,500 dwellings, but it is proposing an over provision of housing land of up to 13,000 plots to stimulate the provision of affordable housing. A concern has been raised as to whether such a low housing figure is consistent with the West of England LEP Economic Plan, which is currently out for consultation. The Council claims to be following quality rather than quantity of jobs in its CS economic policies.

- **Bournemouth**

Response 1
Though not strictly a City the town performs the function of the main focus for the east Dorset region that takes in Poole, Christchurch, Wimborne and Ferndown. Over the last decade most development in Bournemouth has been flatted schemes. In fact back in 2007 93% of all dwellings built were flats. There is little evidence to suggest that this has changed much over the last few years. Therefore there is a desperate shortage of family housing in the town, but these will need to be delivered on mostly brownfield sites though green field

opportunities do exist to the north towards Bournemouth airport. Given Bournemouth's role as the sub-region the need to deliver houses to those who work in the town is essential. Bournemouth is also a large generator of commuters to Southampton & beyond along the rail connection to London. This is not really linked to value for money, but more to the perceived quality of life given Bournemouth's beaches and the general surrounding area. In recent years Bournemouth has seemingly retained its strong banking and insurance businesses and these will be driving increased demand for new homes in and around the town. Bournemouth is a Unitary Authority [as is the adjoining Poole Borough] and is therefore a strong centre for Council related employment.

Response 2
Has an adopted plan but they need to review this to bring into line with the NPPF. I'm not sure what the most recent picture is but I imagine that they will become constrained. None of the surrounding authorities are meeting their own needs, except Poole I think. An increasingly young population of household forming age owing to the university and other colleges.

- **Blackpool**

Response 1
Significant regeneration ambitions but economic viability issues across much of the area will make the realisation of such ambitions difficult. The rural areas of neighbouring Flyde are likely to be more attractive to the market under current economic conditions.

Despite its economic ambitions Blackpool Council is seeking to reduce its housing requirement from 444 (revoked RS target) to 300 (draft plan target) dwellings per annum.

- **Brighton and Hove**

Response 1
The recent examination has clarified that B&H has a need for 20,000 homes over the next 20 years. It only has capacity for 11,500. The capacity constraints are the same for B&H's other Sussex Coastal authorities although not to the same degree.

- **Coventry**

Response 1
Under the revoked RS Coventry was very much a growth area including 30,000 new homes. Such a Plan had undergone examination but before adoption the Council withdrew the Plan and embarked on a new Plan for only 10,000 new homes. Subsequently this new Plan was thrown out by the Planning Inspectorate for failing the legal requirements of the Duty to Co-operate, a success story for the Duty but it was a unique and extreme case. Now the Council is working on a revised Plan in co-operation with its neighbouring authorities but this is a perfect example of the disintegration of urban renaissance following revocation of the RS. The Council is hardly embracing a regional city growth role.

Response 2
Coventry's latest assessment of housing need is for about 22,000 dwellings. We are not sure at this stage whether Coventry will try to meet its unmet need entirely within its boundary, but if it does, this will probably necessitate Green Belt review. So, it may be doubtful.

- **Derby**

Response 1
The City forms part of the Derby HMA together with South Derbyshire and Amber Valley District Councils. The Council has just undertaken a consultation on its Draft LP (ended 13 December). The objective housing assessment across HMA is 30,630 after adjustments to headship rates and migration. It isn't possible to distinguish the actual housing needs of each authority but I suspect some of Derby's needs are met in SUEs on the edge of Derby but in the admin areas of South Derbyshire and Amber Valley. Again I don't have the impression the Councils are embracing growth by adjusting down their housing requirements.

- **Doncaster**

Response 1
The city is seeking strong economic growth but does not link this to wider housing growth. The Core Strategy was examined pre-NPPF and therefore no objective assessment of need has been undertaken.

The Council has a poor record with regards housing delivery.

The Council's growth ambitions are likely to be hampered by economic viability concerns. The allocations document identifies 58% of the plan allocations will come from the Main Urban Area (MUA). However once affordable housing contributions are added the majority of the MUA becomes unviable.

- **Hull**

Response 1
The Council is seeking economic growth and renewal particularly within the city centre. The Core Strategy was withdrawn from examination due to concerns regarding the robustness of the housing requirement. At this stage no further details are available.

- **Milton Keynes**

Response 1
Cities like Milton Keynes certainly have a vital role to play in supporting new high quality homes and communities through the renewal of deprived areas and the introduction of new attractive and sustainable development sites. As ever though, the theory is very often undermined by the reality, in that generally the development economics of trying to develop, particular in brownfield city centre locations, acts as a 'brake' on the delivery of development. Generally, the city (brownfield) versus greenfield argument is a balancing act and one that will doubtless run and run. The DNA of Milton Keynes is that of a New Town. Now over 45 years on, Milton Keynes has become a place where numerous businesses operate and people work in the town or local vicinity. Looking ahead, the Milton Keynes brief within the adopted Core Strategy (July 2013) is to become one of the country's top ten cities, which is sensible as it is a sustainable location with growing infrastructure, leisure and retail and should play an even larger role in contributing to housing supply. All of this furthers the original New Town brief. Household projections data (published April 2013) highlights that the Unitary Authority of Milton Keynes is forecast to have an increase of 16,000 households, from 99,000 to 115,000 households, between 2011 and 2021. Allied with this, the South East Midlands Local Enterprise Partnership (LEP's), which incorporates Milton Keynes, has a major ambition to drive economic growth and to create local jobs. The projected increase in households and ambition to increase economic activity all point towards the necessity for substantial increases in housing. <u>The challenge is trying to deliver the growth ambitions within a bureaucratic, politicised and uncertain planning framework.</u>

Response 2
MK's plan was adopted last year. MK will need to review its adopted plan by 2016 to reassess housing needs. Subject to the outcome of this review, and if the housing requirement is greater, then MK will need to be able to expand into Central Bedfordshire or Aylesbury Vale (AV). Neither of these councils is happy about that. At the examination of AV's plan before Xmas, MK objected to AV's plan on the basis that it didn't allow for the future expansion of MK, and that AV's low housing requirement would constrain MK's economic growth (on the basis that people commute out of AV to MK).

- **Norwich**
- **Peterborough**
- **Plymouth**

Response 1
It has been willing to release employment sites for residential development and is not as constrained as the two above. Greater protection for employment is not yet showing from the new Labour administration, but it is early days and without Sherford, in S Hams, it would be difficult to accommodate the growth required.

- **Portsmouth**
- **Preston**

Response 1
It is suffering from a chronic under-supply of housing due to historic restrictive planning policies (greenfield moratoria) and the failure to tackle the infrastructure requirements necessary to support new development at an early stage. Ambitious plans have recently been unveiled for a major urban extension on the NW side of the City (+5,000 units), but these will only be realised through genuine collaborative working with developers/owners to ensure the viability of the whole project.

- **Southampton**

Response 1
Southampton City Council is heavily constrained as an area with New Forest DC, Test Valley BC, Eastleigh BC as its immediate neighbours. As such it suffers from a lack of green field land and will need to find most, if not all, of its future housing land from brown field sites. Similar to Portsmouth the answer in the past has been to build tall blocks. However this led to a gross over supply of flats as the recession bit in 2008. No doubt all concerned will seek to avoid repetition of this problem. Southampton's economic prosperity is tied in to the hinterland where employees live and commute in to the City. Therefore one of the City's biggest problems is one of transport so that employers are not put off locating in the City for fear of their staff being unwilling to suffer lengthy commutes. Closely tied to the transport problem is the presence of the UK's 3rd largest container terminal. This generates considerable road and rail traffic though the dock operator. Network Rail and the rail freight operators have all taken steps to improve the capacity of the network in recent years. The same cannot be said for the road network. Therefore family housing within the City is an issue, there are few opportunities to address the issue and therefore the City Council is reliant on its neighbours to address the demand. In terms of opportunities within the City the

Council seem to have plans in place and have thought long term about the City Centre, the retail facilities and the leisure aspects. In all a more positive position than Portsmouth and one that encourages us as a business to actively pursue opportunities in the City.

- **Southend on Sea**

- **Stoke on Trent**

Response 1
It has significant regeneration potential in several of its suburbs such as Prittlewell .On the housing number front the council has a land supply of 4.6 years.

Response 2
Stoke has many problems but land supply for housing is probably not the most pressing issue. People with means leave to live in Newcastle under Lyme and Cheshire East. Stoke did object to a land allocation made by Staffordshire Moorlands near it boundary because it detracted from Stoke's regeneration ambitions.

- **Sunderland**

Response 1
Between 1991 and 2008 the population of Sunderland declined at a rate of 5.1%. Whilst ONS projections anticipate that this trend will reverse. Much of the forecast growth is anticipated to be within the older age groups. Council has ambitions to reverse the trend in out-migration and retain a higher proportion of its younger age groups to assist economic growth.

Significant delivery issues in relation to housing over recent years with low levels of net additions. This was, however, set against a backdrop of a period of substantial demolition.

The Council are at a relatively early stage in plan preparation but the most recent consultation (autumn 2013) indicates they are planning for a housing requirement (751 net per annum) higher than the 2008-based household projections (650 per annum) or 2011-based interim household projections (733 per annum), but lower than revoked RS requirement (880 per annum). The proposed housing requirement would, based upon the Council's own modelling, still lead to a loss of at least 40% of the working age workforce. This will do little to assist the Council in achieving its economic aspirations as it will inevitably mean a dwindling proportion of residents who are of working age.

The Council are placing significant reliance upon regeneration sites, many of which have been allocated for a number of years but have yet to be developed. Significant economic viability issues across the city are likely to further hamper the development of these sites.

- **Wakefield**

Response 1
The City has experienced significant regeneration in recent years. The Council has an adopted plan which is generally pro-growth, however it has failed to meet annual housing targets over recent years.

- **Wolverhampton**

- **York**

Response 1
York is seeking to become '*the most competitive city of its size, not only in the UK but globally, leading to increased growth in the overall economy and jobs'* (Draft Local Plan, 2013). This significant economic ambition is not matched by the proposed housing requirement of 1,090 dwellings per annum which is lower than the 2008-based household projections (1,270) but higher than the 2011-based interim projections (850). The proposed housing requirement, whilst identifying potential for economic growth, would not meet the affordable housing needs of the city. A higher requirement of 1,500+ would be required to meet economic aspirations and housing needs.

The Council is suggesting a mix of regeneration sites and Green Belt releases to fulfil its housing requirement plus a buffer of 15% to account for any under-delivery.

Response 2
Part of the Black Country Joint Plan (Walsall, Sandwell, Dudley). Not a land supply issue, more about trying to retain population. Developer friendly.

London

The Mayor of London published for consultation his new draft London Housing Strategy on 25th November 2013.

The new strategy sets out the scale of the challenges confronting the capital: chiefly an unprecedented increase in population and household formation over the last ten years, with this trend projected to continue with the possibility of population reaching ten million by 2030 (up from the current 8.4 million).

To address the challenge of a rising population and the increasing unaffordability of housing in the capital, the Mayor proposes to increase housing supply to 42,000 dwellings a year, and for this to be supplied for the next ten years (the precise plan period has not been specified). This compares to the 32,000 dwellings a year that is the target in the current iteration of the London Plan (adopted in 2011).

The London Housing Strategy will inform revisions to the London Plan. The London Plan is the spatial planning strategy for the 32 boroughs and the City of London. The local plans of the 33 boroughs will need to be brought into conformity with the new London Plan in due course.

The London SHMA that fed into the *London Plan 2011* identified a need for 34,900 homes a year for the next ten years (2011-2021), but the Panel Report on the Replacement London Plan concluded that this must be regarded as the very minimum and considered it more appropriate to postulate a range between 34,900 and 37,400 (see paragraphs 3.26-27 of the Panel Report). Furthermore, the Panel Report noted that housing provision in the East of England and South East Plans were already well below the 2006-based household projections (paragraph 3.25 of the Panel Report). In the end the London Plan made provision for 32,200 dwellings per year – a figure that is below the bottom end of the range deemed necessary by the GLA and the Panel Report.

In view of these uncertainties regarding the adequacy of the London housing requirement the London Plan included provision for an early review of the housing requirement by 2015/16. Moreover, to remain in balance the London Plan relies on some 20,000 households net leaving the metropolitan area each year. The Panel Report concurred with the HBF and others who were concerned regarding the adequacy of the London Plan target the GLA placed too much reliance on voluntary migration to the surrounding regions. As the Panel Report noted: *"With the intended revocation of the Regional Strategies, there could be less housing available to house migrants from London within travel to work distance"* (paragraph 3.25). The obverse of this is that the outward migratory trend will continue, but the problems of affordability being experienced in London will radiate outwards. The trend in the number of households leaving London appears unlikely to abate, yet new supply in the Greater South East is not keeping pace with the trend indications.

We consider, therefore, that there is a need for the Mayor to plan collaboratively with the authorities in the Greater South East (consisting the former South East and East of England regions) to accommodate London's considerable trend of outward migration. The Mayor may also need to collaborate to ensure that an element of the 42,000 dwellings is provided for elsewhere in case the revised London Plan may be unable to accommodate all of these. The policy framework for achieving such cooperation is exceedingly weak and entirely voluntary. By statute the Mayor is only obliged to coordinate the planning activities of the 33 London authorities, with no legal duty to cooperate with the authorities making up the Greater South East. As households continue to migrate into London's hinterland, the problems associated with this will only increase. The surrounding authorities, however, are not making provision for this in their own plans. It is increasingly difficult to view London in isolation, although this is precisely what both the Mayor and the surrounding authorities are doing.

The new Housing Strategy does not set out a timetable for the review of the London Plan. However, because the current plan includes a policy undertaking that the housing numbers in the plan will be reviewed by 2015/16, one might expect that the proposal to provide 42,000 dwellings per year will be incorporated into a revised plan that could be adopted by 2016 at the earliest. One assumes that the plan period will then run from 2016-2026. Because the borough plans will then need to be revised to be brought into conformity with the London Plan to reflect the new housing target figure, one can anticipate some delay before the ability to begin delivering 42,000 dwellings per annum is realised.

The figure of 42,000 is derived from a new London SHMA. This SHMA has yet to be published (expected in January 2014). It is difficult, therefore, at this juncture to judge whether the figure of need represents the objective needs of London until the evidence is published. However, it is notable that London Councils considers that the scale of need will be much greater. They argue that some 52,000 households will form each year in the period 2011-2021. It is unclear at this point, therefore, whether the figure of 42,000 represents the "objective need", as required by the NPPF, or is a capacity-constrained figure. If it is a capacity-based figure then the obligation upon the Mayor to cooperate with the surrounding authorities would assume even greater importance.

The Mayor, nevertheless, maintains that providing 42,000 a year would be unprecedented and is extremely ambitious target. A figure in excess of 42,000 dwellings would require cross-boundary collaboration with the Greater South East authorities. This requirement will no doubt gain more weight and urgency as the ability to achieve output of 42,000 dwellings per year will be delayed owing to problems associated with land assembly and the boroughs bringing their plans into conformity.

The Mayor acknowledges that land supply is critical. To this end he will focus on utilising the GLA's powers to work with the boroughs to promote the 33 Opportunity Areas defined in the London Plan. He will use his statutory powers to designate new Housing Zones within the Opportunity Areas. These Housing Zones will be analogous to Enterprise Zones.

Delivery on public-sector owned land is to be accelerated through 'fast and cost effective procurement' and flexible deals on landholdings.

New garden suburbs will be encouraged. Barking Riverside will provide one example. The new community there will be larger than Windsor.

Appendix 1
The scale of housing undersupply and its economic consequences

England has experienced an inadequate supply of housing for over two decades, most notably since the plan-led system was introduced in 1991.

The National Housing and Planning Advice Unit (NHPAU) estimated in a June 2008 report[12] that there were 522,400 households in England that had either not formed (termed 'constrained demand') or were in temporary accommodation, because of inadequate supply. Although this estimate does not appear to have been updated, the total must now be very much larger, given the historically low levels of home building since 2008.

The most up-to-date robust estimate[13] of projected new housing requirements to meet projected household growth in England is 240-245,000 per year from 2011 to 2031.

Net additions to the housing stock[14] in England, the best estimate of total supply, were 124,720 in 2012-13, barely half projected annual housing requirements for the next 20 years. New housing completion in 2012-13.

Therefore it is absolutely clear we need a very large increase in net stock additions, both to meet future requirements (demand and need) and to begin tackling many years of unmet demand. It is also clear that the vast majority of the stock increase will have to come from new home building: well in excess of 245,000 homes per year.

At the sub-national level, including cities, the imbalance between housing requirements and supply will vary enormously from place to place. London and the south show the most acute imbalances, but there are many markets in other regions where new housing supply has been well below requirements.

The most obvious impact of housing undersupply is on the labour market (labour supply, mobility, skills availability, wages and labour costs (and competitiveness), unemployment, etc). However there are other important economic influences.

The interim report of the Barker Review of Housing Supply summarised these wider economic impacts[15]:

> "The long-term upward trend in house prices and recent problems of affordability are the clearest manifestations of a housing shortage in the UK. In some regions and localities there is a mismatch between the nature of the

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12 NHPAU *Meeting the housing requirements of an aspiring and growing nation: taking the medium and long term view.* June 2008. Technical Appendix B.

13 Alan Holmans *New estimates of housing demand and need in England, 2011 to 2031.* TCPA. September 2013

14 Net stock additions are new build completions plus conversions (from residential and non-residential buildings) less demolitions.

15 *Kate Barker Review of Housing Supply; securing our future housing needs. Interim Report – Analysis.* December 2003

> houses available and what is required to meet the needs and aspirations of that area. The consequence of these shortages is not simply a matter of unmet housing need. Housing has profound and often unappreciated impacts upon our lives. It directly affects our quality of life, our health and well-being; it determines our transport needs and often our choice of work; it affects our family structures and our friendship networks. Housing also affects our national economic well-being: the rate of economic growth and our prosperity. It also influences the distribution of resources between regions, individuals and generations."

At the most basic level, if there are too few dwellings, so that some households cannot obtain access to a self-contained home, some potential households will not be able to form, some will have to share, and at the extreme some will have to be housed in temporary accommodation by a local authority, or may even be homeless.

The most immediate economic consequence of housing undersupply is that house prices are higher in relation to household incomes than they would have been if there had been a reasonable balance between housing requirements and supply.

High house prices in turn have many adverse consequences.

Young people, who tend to have relatively low incomes, find it very difficult to get onto the housing ladder, made much worse by the impact of the credit crunch since 2007 which drove up deposit requirements to 20-25%. Recent statistics[16] show a 25% increase in the number of 20-34 year olds living with parents between 1996 (the earliest available data) and 2013. In addition, households on lower and middle incomes already in owner occupation find it difficult to trade up to a larger home as their family circumstances change.

Labour mobility is constrained by housing undersupply and high house prices. Households in high-value areas may be reluctant to move to lower-value areas, fearing they will not be able to return. And households in low-value areas will be unable to move to high-value areas. Often high-value areas will have a more buoyant economy, with low unemployment, whereas low-value areas may have relatively high unemployment. Restricted labour mobility will therefore tend to perpetuate unemployment in some areas, while restricting the economy's ability to alleviate labour shortages in other more buoyant, low-unemployment areas. This in turn will have an impact on labour costs and competitiveness.

High house prices make it difficult for employees in lower-paid jobs, including in the public services, to live in many areas, making it very difficult for companies or public sector bodies to fill vacancies. Some low-paid jobs, such as those in call centres, which do not need to be located in a particular area, can move to locations where there is a plentiful supply of lower-paid labour. However all communities need many types of lower-paid jobs within the community – nurses, teaching assistants, bus drivers, shop assistants, cleaners, etc.

[16] ONS *Young adults living with parents, 2013*. 21 January 2014

High house prices also mean many more medium and lower-paid households are excluded from home ownership than would be the case if housing supply was in balance with housing requirements. This, along with the tendency of house prices to rise sharply whenever demand increases, exacerbates differences in the distribution of wealth. Those already owning a home make capital gains at the expense of those who do not own.

The high price of housing and housing shortages will also tend to force up rents. This in turn has adverse labour and distributional effects.

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