



Making a bad situation worse

The impact on housing supply of proposed changes to the NPPF

February 2023



Housebuilding contributes £104bn to the economy, supporting 1.2m jobs, £3.1bn of tax income, £7bn of developer contributions via s.106 and CIL, and helps people buy and rent their own home



Economy

£43.9bn Direct GVA

£59.8bn indirect GVA

£16bn new build sales revenue in 2020-21



Jobs

496k direct jobs

674k indirect jobs

£1.2bn from people spending to "make their new house a home"

Supporting even more local jobs



Public Finances

£2.8bn from Stamp Duty Land Tax, Corporation Tax, PAYE and NI

£280m new build residents' council tax receipts

£7bn in developer contributions

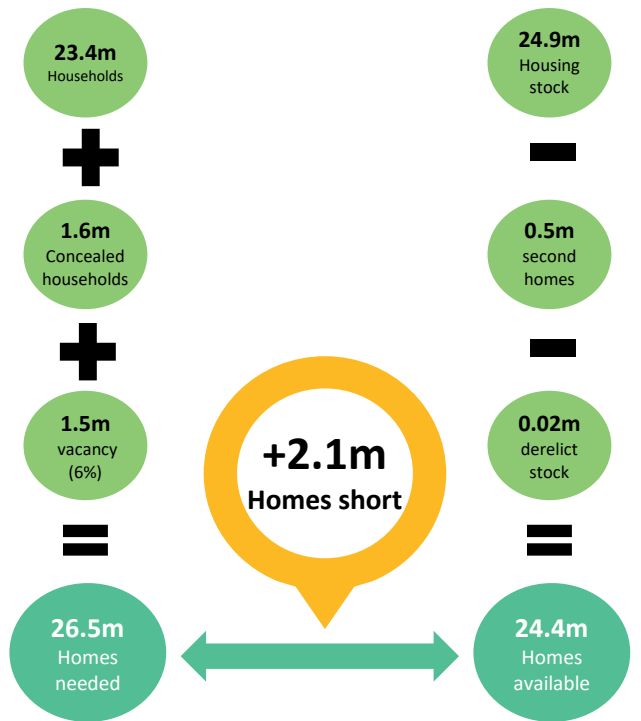
To invest in healthcare, transport, and education and other public services

To help fund infrastructure, social housing, and open spaces

Source: Lichfields analysis drawing on HBF (2018) *The Economic Footprint of Housebuilding* and its 'Evaluate' economic impact framework and utilising data from Experian, CEBR and ONS. Applied to 2021 new build housing supply (excl. conversions/permitted development rights). New build revenue from latest UKHPI. Council Tax from VOA data in 2021-22. First occupation expenditure uses average estimated amount in OnePoll in 2014. Tax Value is pro-rated from survey of housebuilders in 2016-17 for HBF report. Developer contributions figure from 2020 MHLGC commissioned research.

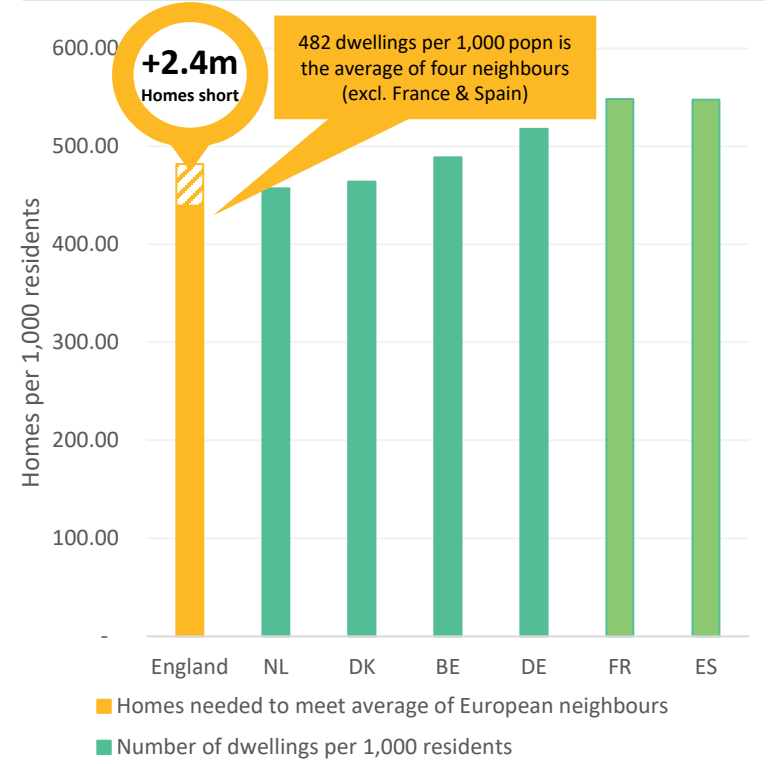
Too few homes are being built. In 2021, we were over 2 million houses short of what our population needs, and the problem is growing. By 2030, even if we continued building at current rates, there will be a backlog of 0.75m homes against the 300K per annum target

We have a backlog of 2.1m to accommodate those who currently need a home



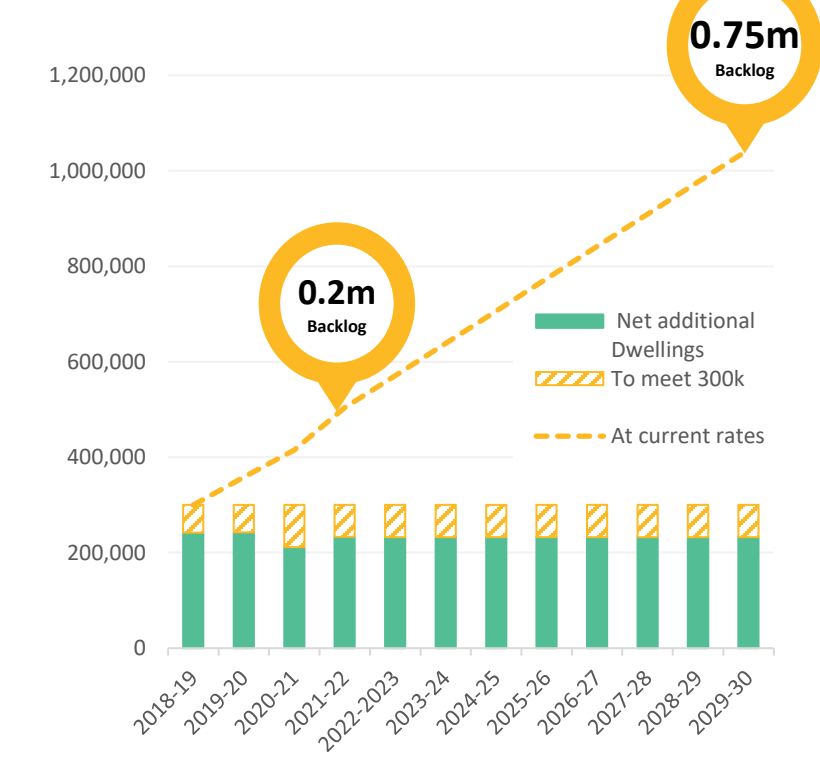
Source: Census 2021, English Housing Survey / Lichfields analysis
 Figures may not sum due to rounding. 2021 Base Date. Target vacancy rate of 6% based on lower range of averages from OECD. 1.6m concealed households based on estimate of number of households arising from the c.2.5m adults who are sofa surfers or living in a household but would prefer to buy or rent their own accommodation.

2.4m extra homes would match the homes per capita average in comparable northern European neighbours



Source: OECD / Census 2021 / Lichfields analysis. 2021 Base Date. Benchmark based on Netherlands, Denmark, Belgium and Germany. This is a conservative figure; a much higher number would be generated if based on a wider number of European countries. Other ways of benchmarking with Europe – such as that produced by Centre for Cities in its 2023 report – generate higher figures of up to 4m.

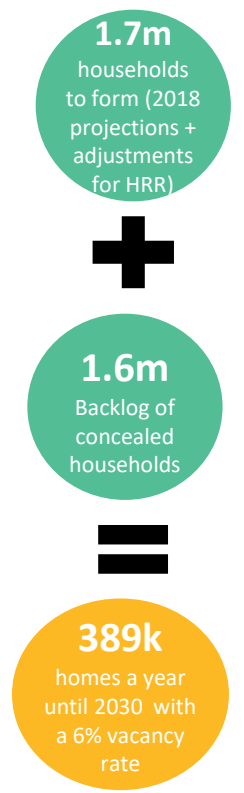
Since 300K became a national target in 2018, the backlog is already 200k and at current rates of housebuilding would be 0.75m by 2030



Source: DLUHC / Lichfields analysis compounding growth of backlog, assuming c.230K per annum net additions from 2022

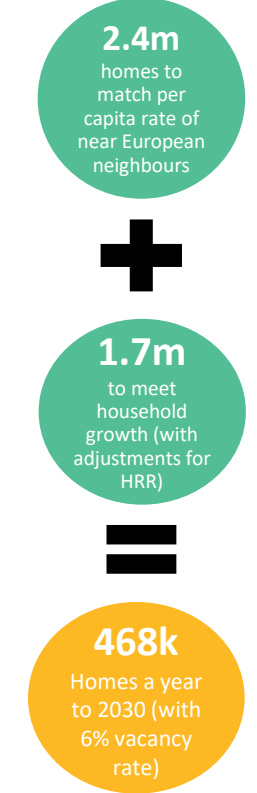
An annual target of 300k extra homes is the minimum necessary to begin addressing the housing crisis. Addressing household growth and shortfall, doubling affordable housing delivery, matching the stock of our near European neighbours, or moderating growth in prices would all support a higher target

389k homes a year to address the shortfall by 2030



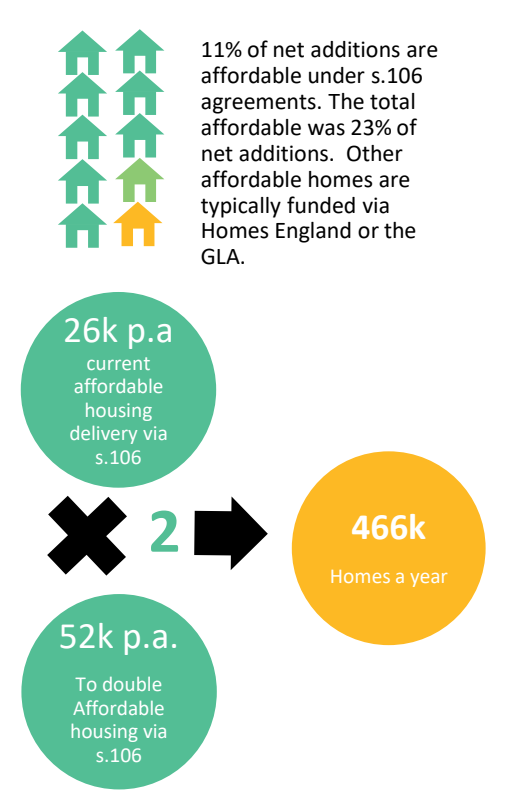
Source: ONS / DLUHC / Lichfields analysis (2021 base date). Backlog based on English Housing survey. Indicative 10% uplift applied to 2018-based projections to address change in methodology for Household Representative Rates (HRR) applied by ONS to projections since 2016 which assumes suppressed formation continues

468k homes a year to bring our stock in line with the average of our European neighbours



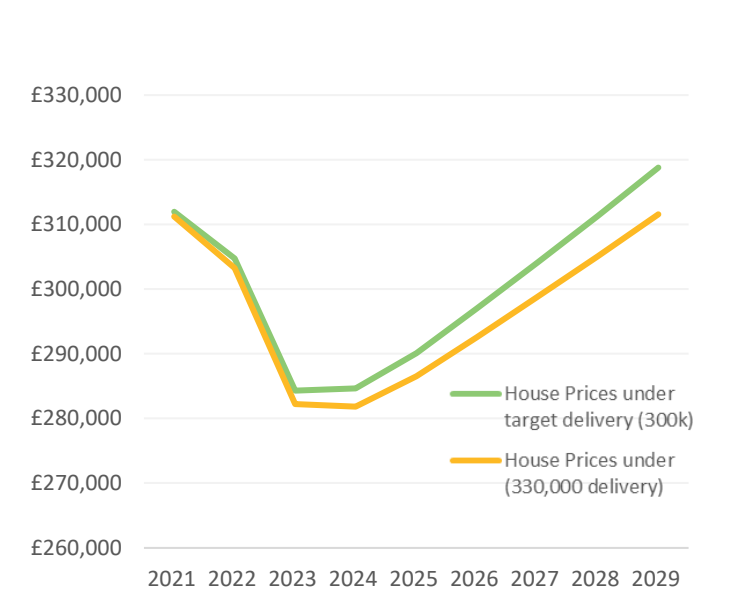
Source: ONS / DLUHC / OECD / Lichfields analysis (2021 base date). European Benchmark based on OECD comparison with NL, DE, BE, DK. Household growth based on 2018-based projections with indicative 10% uplift to reflect HRR as described left.

466k homes a year to double s.106 affordable housing delivery with nil grant



Source: Lichfields analysis of DLUHC 2022 live tables on housing supply

330k homes a year to moderate the growth in house prices to 2021 levels



Source: Lichfields analysis using assumptions about the elasticity of supply with prices that are applied by the OBR in its November 2022 Economic and Fiscal Outlook.

Extensive academic research shows that a shortage of housing impacts negatively on almost every aspect of our society and acts against the Government’s own policy objectives and Levelling-up Missions: quality of life, the falling birth rate, economic productivity, social mobility, addressing climate change and public services

Increased housing supply is part of the solution to the manifest housing problems, not just because of the gradual moderation in price levels it can achieve but also ... because it enables much more of other more direct solutions, notably the building of more social and intermediate affordable housing in mixed developments funded by land value capture.

Professor Glen Bramley, Heriot Watt University

A weak supply in housing means a less stable economy and higher house prices.

Kate Barker

Long-term increases in supply, sustained over 20+ years will be needed to reduce overall housing market pressure, increasing the ‘size of the cake’ and resulting in a ‘positive sum’ gain. Government’s primary role is in guiding the long-term environment that will support its objectives.

Redfern Review



Quality of life. The average owner spends 22% of their income on mortgages, but renters spend 33% (the EU average is 15% and 20%) meaning they have less money to spend on other things. This – amongst other things – undermines the Levelling Up missions for housing and well-being.



Families. The birth rate is falling and research shows higher house prices discourage people from having children. A 10% rise in house prices resulted in a 1.3% decrease in births in England between 1996 and 2014. Rising housing costs allied to high childcare costs make family life impossible.



Productivity. Lack of homes in England’s most economically successful areas, such as Oxford, Cambridge and London, locks people out of opportunities in these most productive places, limiting social mobility; being unable to find labour leads globally-mobile firms to direct investment overseas. This will undermine Levelling Up missions for productivity.



Inequality. In 2022, the average home in England earned more than the average job. Those who cannot own a home miss out, and spend more income on ever-rising rents; those renting in northern and midland Core City regions who could reasonably expect to buy but for high deposits will lose out a total of £945m in lost savings and equity over the next ten years.



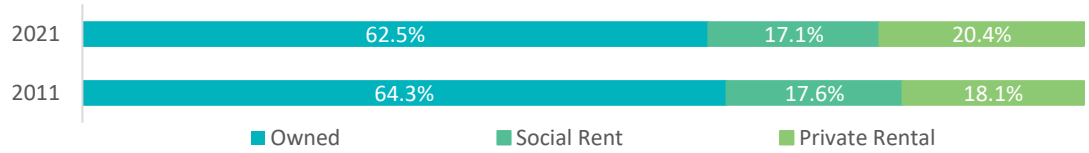
Climate Change. New homes are more efficient than old ones, emitting 1.4 tonnes of carbon compared with 3.7 for all homes. Restricting growth of cities leads to more carbon-intensive living, because those living outside cities account for 50% more emissions than city-dwellers.



Public services. Nurses, teachers, NHS cleaners, and community support officers are being priced out of areas that need them most. 2018 research found key public sector workers need to save between 5% and 7% of gross pay for more than 30 years just to afford the average deposit. Recruitment is a key barrier to Levelling Up missions for education, health and crime.

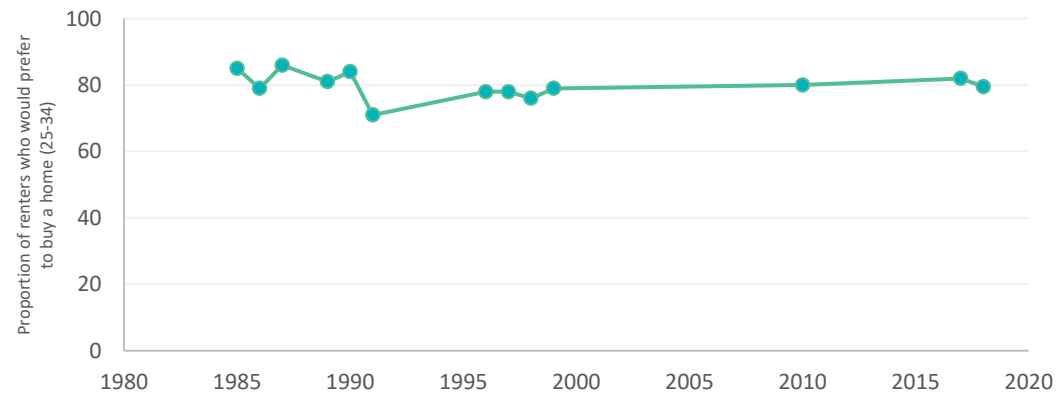
More people are renting, but the desire for home ownership is as strong as ever. 89% want to own, but only 62.5% do, near the lowest rate in Europe. Boosting supply relative to population growth over time moderates the increase in price of homes – most of all in least affordable areas – helping people achieve that goal

Renting is increasing and home ownership declining. Research has found 175,000 potential first time buyer households in Northern Core City regions stuck in the 'rental trap' over the next 10 years



Source: Census, 2021-2021

89% of renters want to buy, but only 62% of private renters and 27% of social renters expect to be able to and many expect it to take five or more years (English Housing Survey). The Resolution Foundation found little change in the preference of young people (25-34) to own over three decades



Source: Resolution Foundation, 2021, Hope to buy

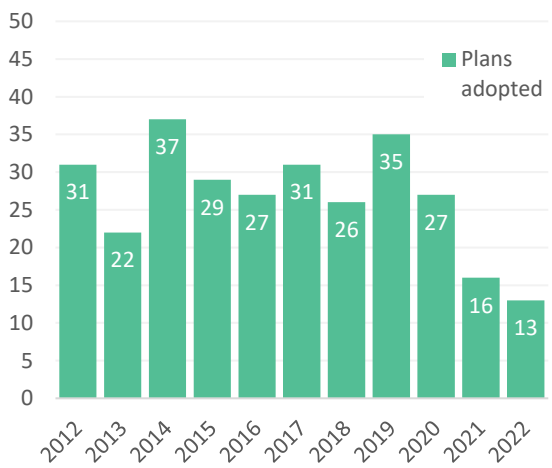
Boosting supply over the long term helps make homes more affordable. Analysis of affordability, rates of house building, and population change 2011-2021 shows extra supply relative to population growth in the least affordable housing markets had a positive correlation with relative improvements in rates of affordability.



Source: Lichfields analysis of Census 2011-2021 and ONS affordability data

Planning isn't working. The 2012 NPPF helped drive up supply, but 300K is out of reach for reasons explained by the 2017 White Paper. Policy uncertainty since 2020 has slowed plan making and reduced permissions, and will lead to fewer homes being built. Proposed NPPF changes will make it worse

Just 40% of LPAs have an up-to-date local plan. And things are getting worse, with the rate of plans submitted for examination and adopted now around half of the average in the years before the 2020 Planning White Paper



Source: PINS, 2022. Lichfields analysis

The average number of local plans submitted to the Planning Inspectorate each year since 2020 (17) is roughly half what it was before the 2020 housing white paper (average of 33 from 2012-2019). For adopted plans, the position is similar; the average since 2020 is 18, whereas the average 2012-2019 is 30. Last year just 13 plans were adopted and only 14 submitted for examination, a historic low.

Policy uncertainty means Local Plan production is stalling. The 33 local plans put on hold in the last year will cost 38,200 homes and £1.4bn of GVA.



Source: Lichfields analysis (2023) *Start me up but then you stopped* (analysis at 30th Jan 2023 – further plans have stalled since)

The number of planning permissions so far in 2022 (Q1-Q3) is 10% lower than five years ago and the trend is downward



Source: HBF, 2022 New Housing Pipeline / Lichfields analysis

In recent years, Local Plans have released Green Belt for much needed new homes, many of them in award-winning developments. The proposed changes to the NPPF remove the expectation that local planning authorities should look for opportunities to create these beautiful places

Trumpington Meadows, Cambridge.



A site-wide design code guided the architecture of 1,200 apartments and townhouses and the site additionally achieved 10% biodiversity net gain



North Wingfield Road, Derbyshire



Each house type is bespoke around a communal courtyard, encouraging interaction between residents



Pantiles Garden Centre, Lyne



50% on site affordable homes. Highly sustainable with 110% increase on policy for on-site renewables and all houses with electric car charging points.



Cane Hill, Croydon



Characterised by high-quality green spaces based around existing trees and landscape features, fronted by 677 new homes.



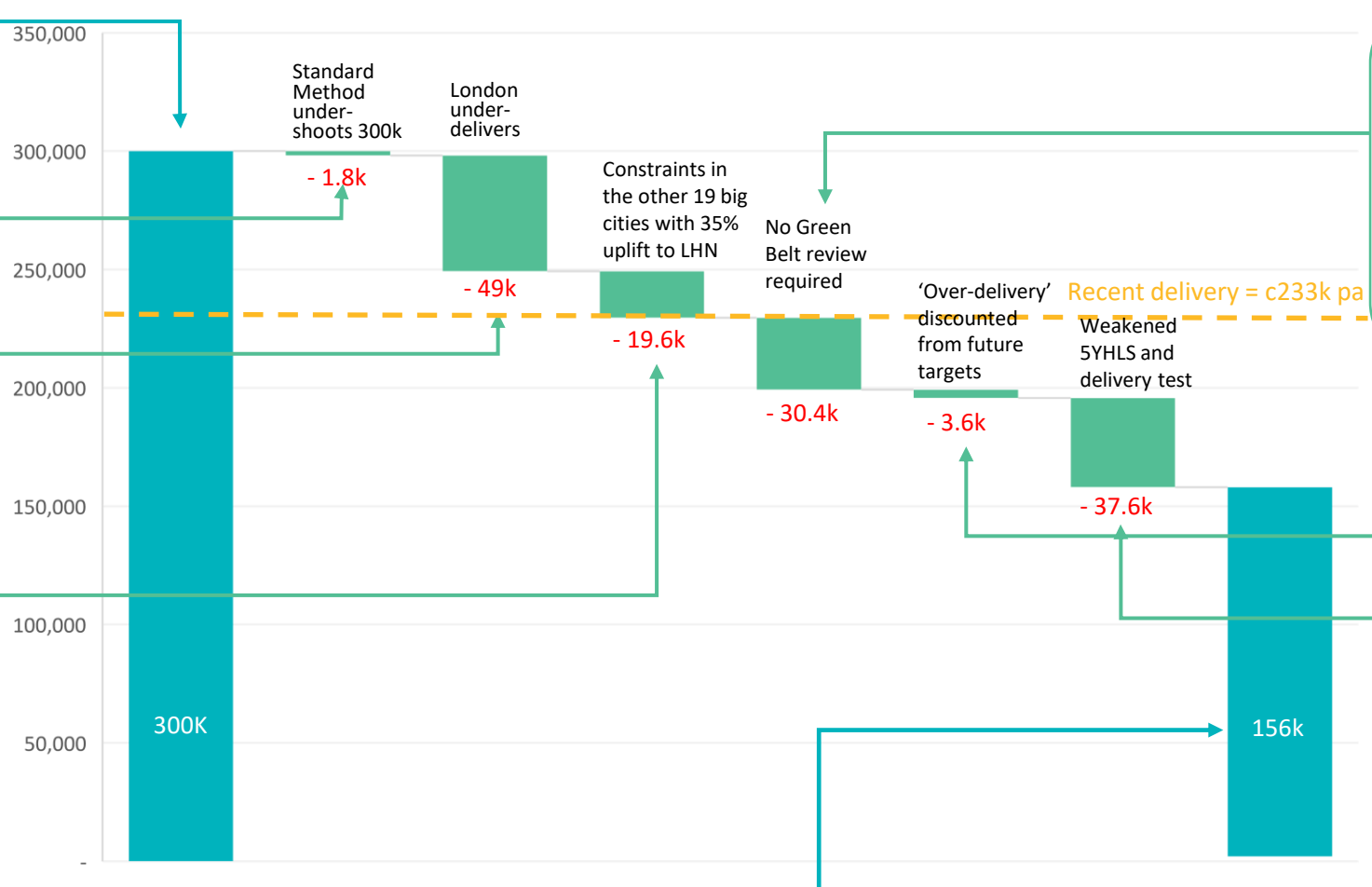
Proposed NPPF policy revisions on local plans and housing land will result in c.77k fewer new homes per year, dropping to just half the Government’s 300k ambition, even before accounting for homes held back by water and nutrient restrictions. By 2030, this means over a million fewer homes than the national target

300k p.a. is the Government’s housing target

The total homes estimated by the advisory starting point (the Standard Method for LHN) is slightly less than 300k = a loss of 1.8k homes p.a.

London delivers far less than the 86k homes the standard method currently says it needs despite efforts over 20 years to boost brownfield output; NPPF proposals on character threaten higher density developments. Delivering at its average over three years of 37.4k = under-shoots need by 49k home p.a.

The 19 other big cities with a 35% uplift to their LHN have limited land for development once existing sites build out. With no need to review Green Belt, and reduced scope to densify ‘out of character’, their requirement is likely reduced by c.20%. A weakened expectation for neighbouring LPAs to pick up the slack = a loss against need of at least 19.6k homes p.a.



108 LPAs are significantly constrained by Green Belt and other national land use constraints. In future, no review of Green Belt will be required, encouraging LPAs to set lower housing targets. There will be less scope to build at high densities and weakened expectation for cross-boundary re-distribution; over time existing allocations will build out and not be replaced = a loss of 30.4k homes p.a.

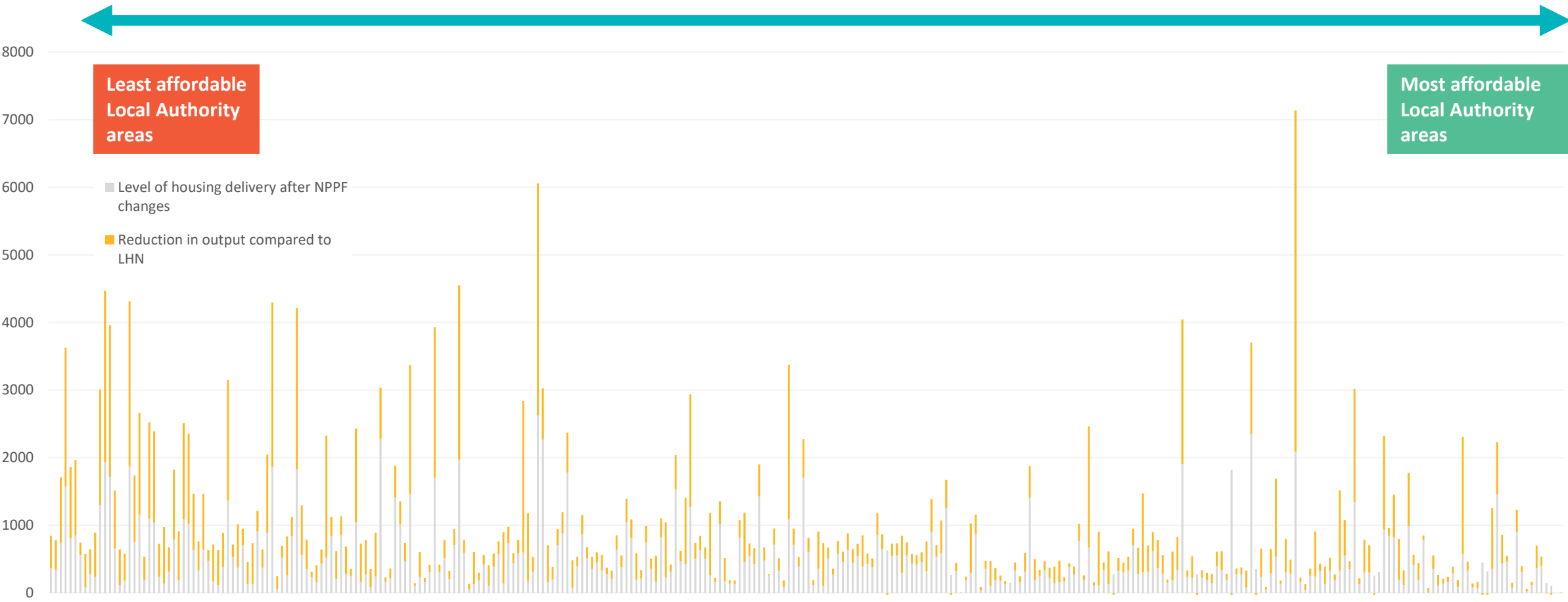
The proposed NPPF changes says that LPAs that have ‘over delivered’ on their LHN will have this ‘over-supply’ deducted from future output = a loss against need of 3.6k homes p.a.

The proposed NPPF reduces five year land supply obligations, removes buffers, and limits sanctions if homes are not provided. Research suggests LPAs typically over-estimate supply from sites by 10-25% in their trajectories and there will now be no policy remedy or incentive to grant extra permissions to make good deficits. We estimate a loss of homes granted at appeal in Y1 and then a big drop in delivery = a loss against need of 38k homes p.a.

The proposed revisions to the NPPF will cut housing supply to just 156k, undershooting recent rates of delivery by 77,000 and just half the Government’s minimum target

Source: Lichfields analysis

The big fall in supply of new homes due to the NPPF changes will mean the shortfall against national targets is concentrated in areas where it is already most difficult for people to rent and buy homes. 52% of the housing supply shortfall against local housing need will be in the third least affordable local authority areas

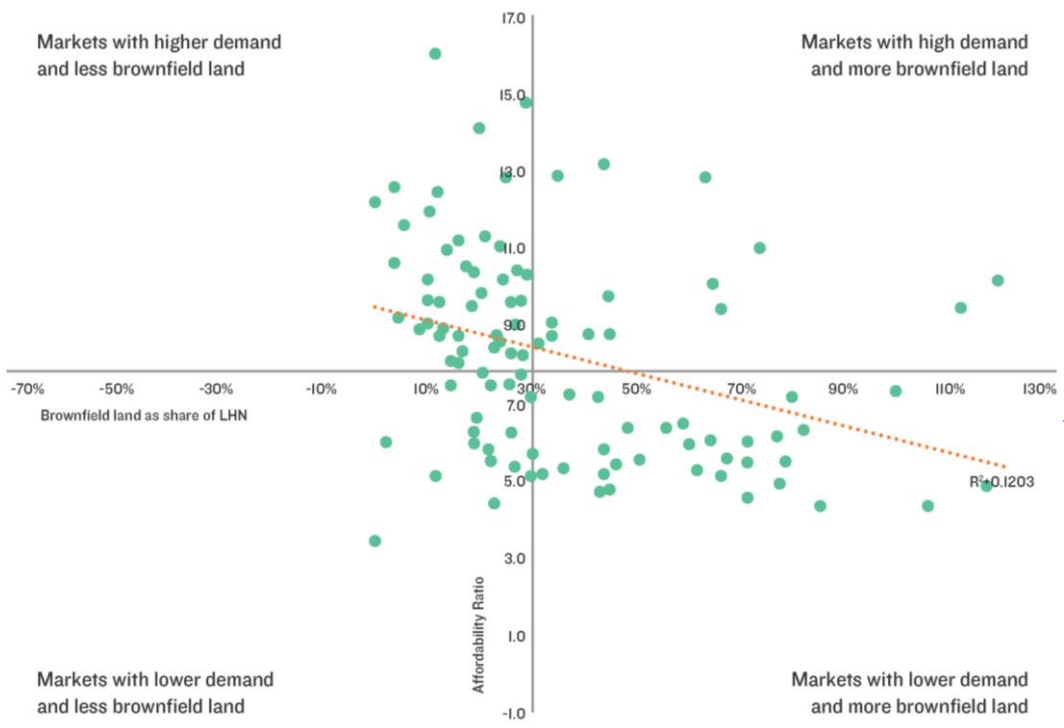


Source: Lichfields analysis based on applying indicative reductions to output derived from preceding analysis to LHN for LPAs based on typologies derived from their planning circumstances.

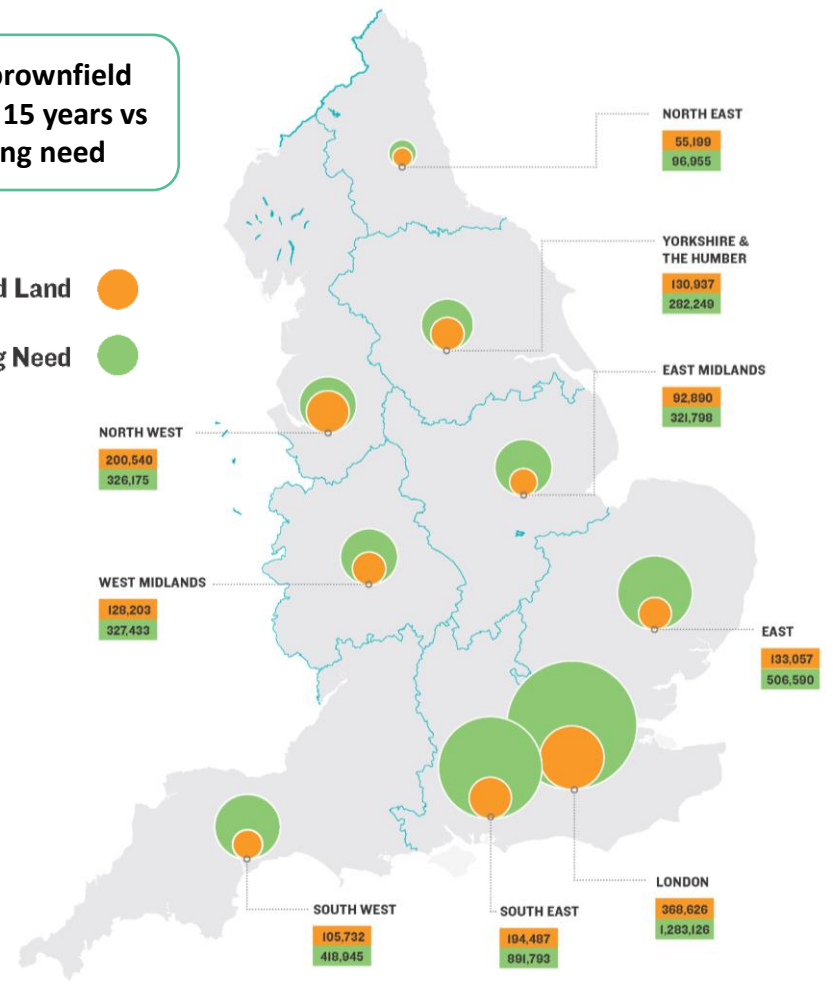
There is not enough brownfield land to meet housing need in any region, at just 31% nationally. Beyond the South East, 57% of capacity is in the two least viable quintiles (20%) of LPA areas (compared with less than 3% of those in GSE). In the South East, 48% of homes on Brownfield Registers estimated to be flats; compared with 17% of households likely to live in flats. 68% of the HMAs with more brownfield capacity (relative to their housing need) are already more affordable than average.

31%	net brownfield capacity as a proportion of amount of housing needed over next 15 years	57%	of brownfield capacity outside the Greater South East is within the two least viable quintiles (20%) of LPA areas (compared with less than 3% of those in GSE)
48%	of homes on Brownfield Registers estimated to be flats; compared with 17% of households likely to live in flats	68%	of the HMAs with more brownfield capacity (relative to their housing need) are already more affordable than average

Capacity of brownfield registers over 15 years vs local housing need



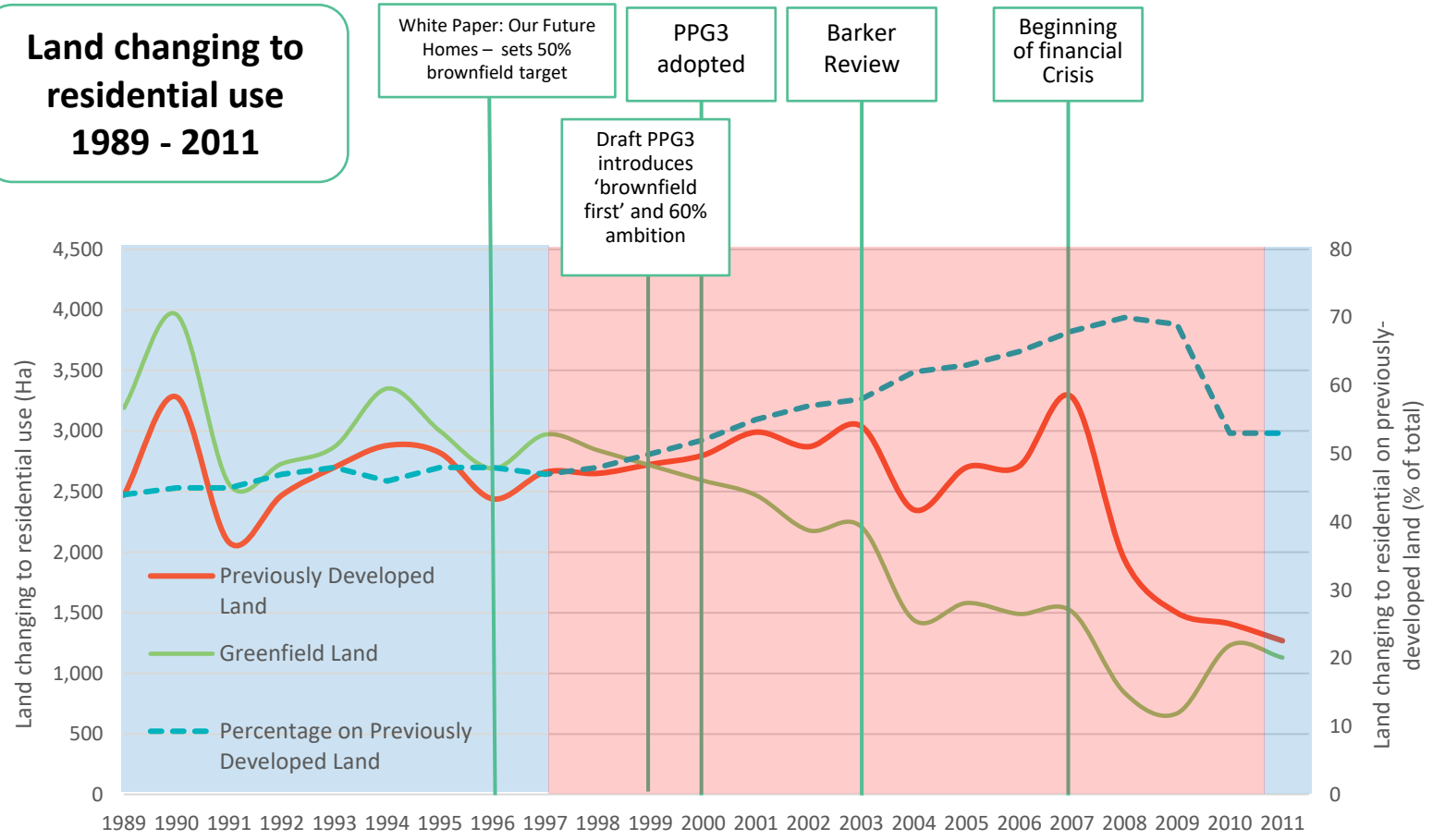
Brownfield Land (orange circle)
Local Housing Need (green circle)



Source: Local Authority Brownfield Registers / DLUHC Local Housing Need / Lichfields analysis
Extract from Lichfields, (2022) *Banking on Brownfield*

The 'brownfield first' policy of the late 1990s reduced building on greenfield land, but the small increase in brownfield development – boosted by public spending on regeneration and the buy to let boom - did not compensate; new housing supply fell and by 2003 policy had to change, beginning with the Barker Review

Land changing to residential use 1989 - 2011



Between 1996 and 2000, successive Governments shifted policy to prioritise brownfield land



PPG3 told plans to direct growth to areas with brownfield land, with no requirement for land supply to be deliverable. The Government 'calls-in' housing applications on greenfield sites



Many local authorities interpreted policy not as 'brownfield first' but as 'greenfield never'



Housing supply drops to 132K
Net housing additions in 2001 falling from 156K in 1998

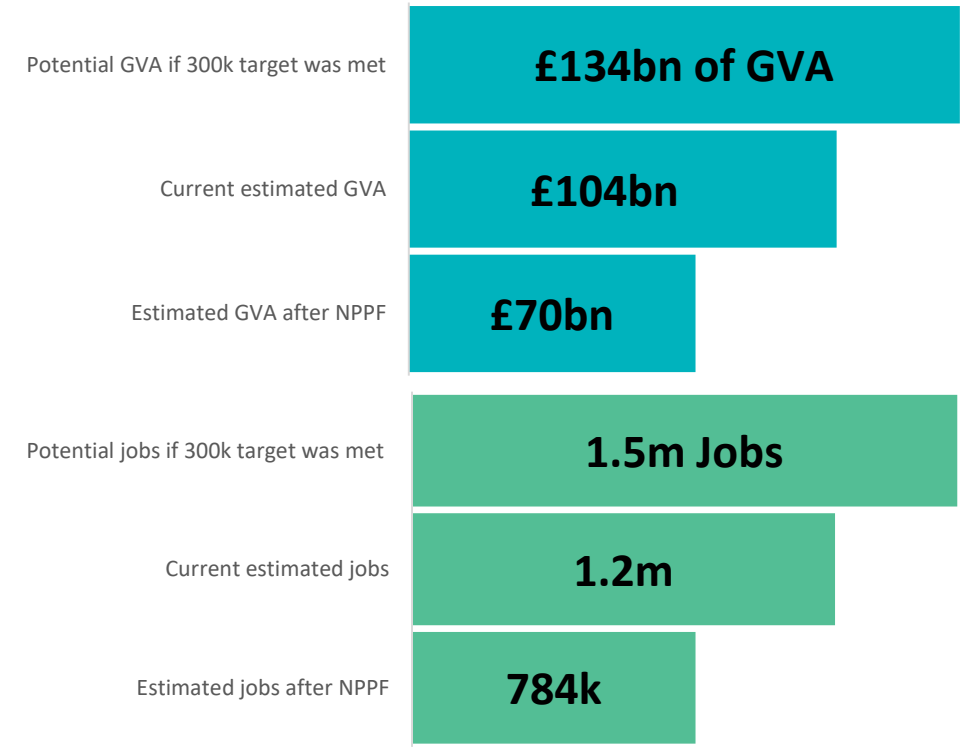


By 2003, Government policy shifts to tackle the housing shortage. Barker Review of Housing Supply commissioned. New PPS3 released in 2006 establishing policy similar to that in current NPPF

Source: Government Land Use Change Statistics - Statistical Release published on 19th December 2013 (discontinued)

The NPPF reforms will weaken the economy by undermining the housebuilding sector by over £34bn and 386k jobs. Limiting greenfield land release for housing will reduce the supply of land and buildings for business in the most productive cities which have no realistic prospect of delivering on the 35% uplift to LHN

The reduction in housing supply will reduce its contribution to the size of the economy by billions of GVA and thousands of jobs



Source GVA and jobs estimated using Lichfields' 'Evaluate' framework of analysis on the latest DLUHC and ONS data

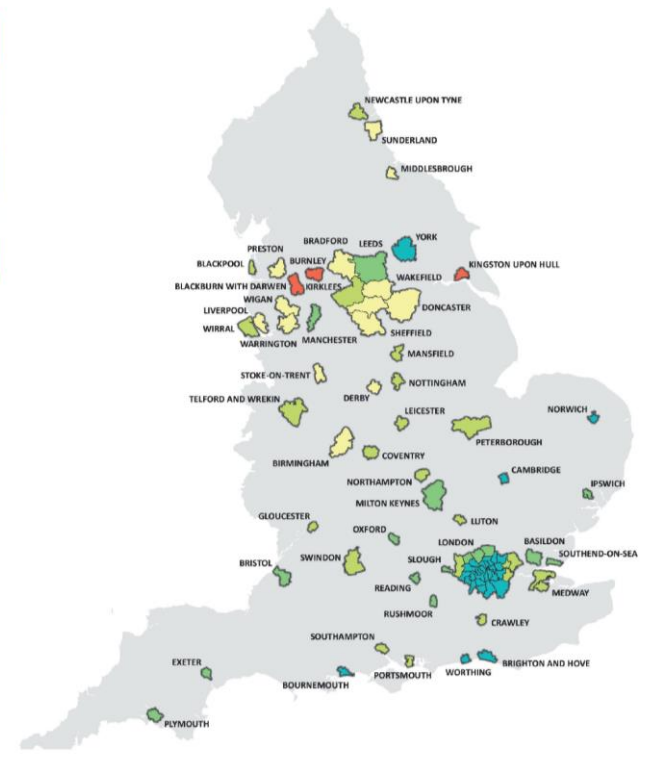
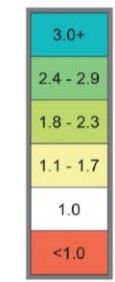
The 35% Urban Uplift in housing figures will squeeze out employment space in the most productive areas of the country which are already constrained.

20 urban uplift cities account for 40% of England's GVA. They are already losing employment space to housing

Since 2000 London lost a quarter (24%) Greater Manchester 20% and the West Midlands 19% of industrial floorspace to housing

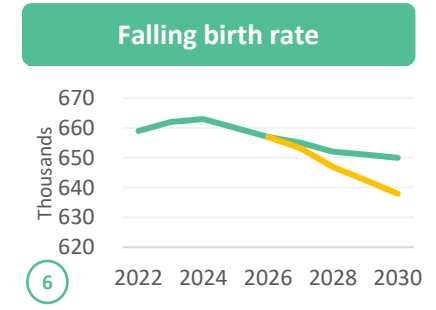
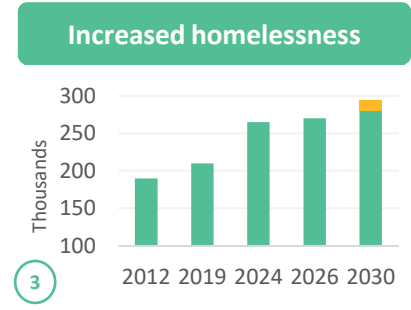
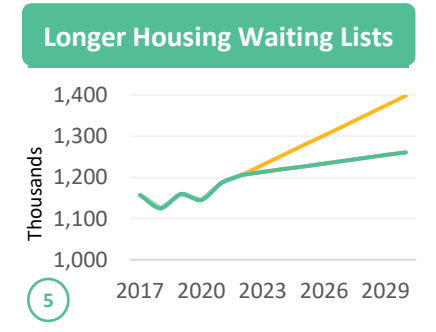
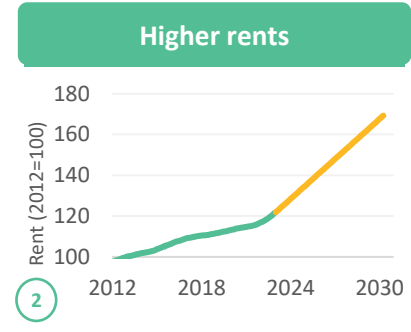
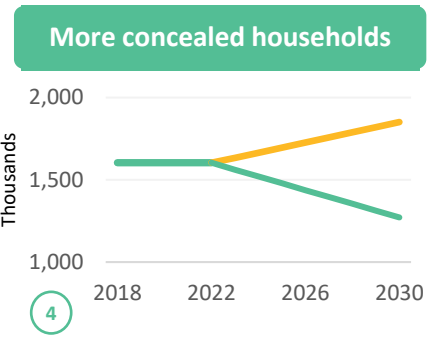
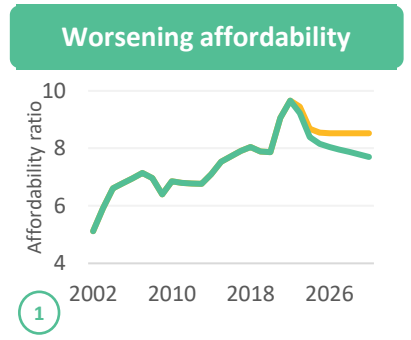
In some other cities, industrial values will outbid residential which means the ability to get residential units on those sites is limited.

Ratio of residential to industrial land costs



Source Lichfields analysis of VOA data, 2019

With c.77k fewer homes built each year, by 2030 the draft NPPF proposals alone will undermine the economy, reduce home ownership, increase rents, prevent young people from starting families and having children, add to the housing waiting list, increase homelessness, and harm living standards



By 2030, compared with what would happen by maintaining the current rate of housebuilding (which itself is not enough and will lead to adverse outcomes), the cut in supply caused by proposed changes to the NPPF will lead to a series of adverse consequences.

- Sources:
1. Lichfields analysis of OBR 2022 forecasts and ONS affordability ratios
 2. Lichfields analysis of ONS 2023 Index of Private Housing Rental Prices.
 3. Lichfields analysis of CRISIS, 2022 Homelessness Monitor forecasts (including housing supply sensitivities)
 4. Lichfields analysis of English Housing Survey, ONS Household Projections
 5. Lichfields analysis of DLUHC local authority housing waiting list data
 6. Lichfields analysis of research by ASI (2017) Children of When

£34bn
lost GVA in the economy due to reduction in size of the house building industry and associated indirect impacts

386k
Fewer jobs directly and indirectly supported by house building

£8,700
extra savings needed for a typical deposit by First Time Buyers

£18,400
extra added to the price buyers pay for the average house

25%
extra income people will need to buy the house they want

17,500
Shortfall in new affordable homes each year, adding to a large backlog

137,000
extra households added to the social housing waiting list

13,400
more people made homeless due to lower housing supply, up by 54% since 2012

580,000
extra increase in concealed households and sofa surfers

£208
extra cost each year for renters (on top of £1.9k pa rent increase under current trends)

11,500
extra fall in already declining number of births due to further house price increases

Sources: Various research / Lichfields analysis