



# Spatial Economics Research Centre

Thursday, 26 September 2013

## Labour's Housing Policies

[Posted by Prof Henry G. Overman]

Swamped with plans for new What Works Centre for Local Economic Growth plus policy book summarising lessons from first five years of SERC research - so not much time for party political conferences. However, a number of people have asked for my take on Labour's conference commitment on housing. Here's my first pass, building on Randeep Ramesh's helpful [summary in the Guardian](#).

Setting aside the issue of whether 200k per year is enough (and more or less than previous commitments) my thinking runs as follows:

1) Tackle land hoarding.

Fine in principle, assuming we are talking pure speculative activity. I'm not sure how big a problem it is, however.

If we are talking about land **with permissions** [my back of the envelope calculations](#) from earlier in the year suggest a 400k figure is highly misleading: "Unimplemented units are either unstarted or under construction. Of the 399,816 headline figure 37% are unstarted (down from 47% in 2008). Units under construction make up the other 63%. In terms of numbers of units that equates to around 150k units un-started, around 250k under construction (which squares with a more recent 200k figure coming from the National Home Builders Federation).

That's clearly not enough for the 1.4m homes that could go on 'strategic land bought with options' (the Guardian says that figure comes from Ed Milliband's office). That must mean that most of these options are for land **without permission**. You buy this land because it's cheap now but would be worth a lot with planning permission. Once it gets planning permission you have to build on it to realise those gains. What you don't do is buy expensive land with permission and sit on it waiting for prices to rise. How do we know this? First, because that would be counted in the 150k figure above (and it is not the only source of delay - much of that will be for developers that went bust). Second, because it doesn't make much sense to hold land with permission just because of general land price inflation (again, the 150k figure confirms this). All of this might suggest that Ed Milliband's office doesn't understand much about planning gain.

2) Give urban centres the right to grow

In other words, force the shires to take houses that they don't want. This could help (although it would be a return to the kind of top-down planning that Labour used during the 2000s) although it sure as hell won't be popular!

3) Create development corporations

According to the Guardian these "would seek cheap agricultural land to buy and build on – and use the profits from the sale of houses to repay the investment. The attraction for Labour of these corporations is that any borrowing stays off the government's balance sheet." This one is almost funny. Cheap agricultural land is land without planning permission, once it has planning permission it may still have plants growing on it but it's not agricultural land and it's certainly not cheap. For example, the latest [2011 VOA](#) report suggests agricultural land in Oxfordshire is worth £20,995 per hectare; with planning permission for residential it's worth £4m (i.e. 200 times as much). So, if this is really what Labour is planning the trick is to buy agricultural land where the LA will not grant permission and then over-rule the LA, grant central government planning permission and build housing on it. You could of course, achieve the same thing by getting rid of LA control over land planning, take the same land, grant permission and impose restrictions on the private sector developer that you then sell that land to (at £4m per ha). The beauty of this has nothing to do with whether or not it's on the government balance sheet. It is, however, going to require removing LA control over the land planning process and handing this to top down central government planners. To put it modestly, that's quite a big step.

I'd need more time for a proper analysis - and as I said the underlying interpretation of Labour policy came from the Guardian article linked above - but still doesn't look particularly convincing.

Posted by Prof Henry G. Overman on Thursday, September 26, 2013

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## 2 comments:

Jim said...

It's not clear to me whether you're criticising these proposals as policy or as politics. As you say, 'tackling land hoarding' is unlikely to make much of a difference, but it does seem to be a popular bit of rhetoric. Meanwhile, the 'right to grow' and development corporations could well make a positive difference, but as you say may well be unpopular. Isn't that the problem, though? NIMBYism is extremely popular and policies to reduce the power of NIMBYs are not. Knowing what policies might work would be a good start though. In my time I've heard plenty of academics complain about politicians not adopting effective but unpopular policies, so it is odd to see you do the opposite here.

As to the effectiveness of 2) and 3): The right to grow seems to be intended as a fix to the current 'duty to cooperate' system, which compels local authorities to consult each other when faced with an overspill of demand, but doesn't necessarily compel them to reach a constructive solution. Whether or not the right to grow would address that depends on the detail but it seems less a 'top-down' imposition than an attempt to make localism actually work.

On development corporations, yes the idea is that they can compulsorily purchase land (potentially at existing use value) and grant permission to build on it. This may well be very unpopular with the local authorities whose land is designated for DCs, but in policy terms I'm not sure why you're so keen to heap derision on it.

26 September 2013 at 19:24



**Prof Henry G. Overman** said...

Dear Jim,

Thanks for your thoughtful comments.

You ask whether I am criticising these proposals as policy or politics - I guess that the answer is 'both'. If the politics of planning means that our politicians keep on coming up with 'solutions' (e.g. land hoarding) that don't address the central problems then this muddles sensible debate and good policy making. Likewise, if politicians propose 'solutions' that are so unpopular that they are very unlikely to be adopted or won't last long if implemented (e.g. the specific development corporation model suggested here).

As you know, I favour solutions for our planning system that involve providing greater financial incentives to undertake development with (most) decisions remaining local. Top-down solutions to the NIMBY problem - including central government led development corporations that compulsorily purchase land don't fit well with that approach.

[NB: Fair point on 'duty to cooperate versus' versus 'right to grow' - will think some more on that]

27 September 2013 at 08:54

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