NEW IDEAS FOR HOUSING

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NLA INSIGHT STUDY
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The facts are stark: in 2015 London’s population passed its previous peak of 8.6 million people and continues to grow. The population is likely to be around 10 million by 2030, adding nearly 70,000 people and 34,000 jobs every year.

The current net delivery of new build homes in London of all tenures stands at about 20-25,000 homes per year, a number that has not changed significantly in the last 15 years. This figure is made up of new build homes as well as homes created through the conversion of houses to flats. At least 40,000 new homes per year over the next 20 years are needed to house the new population, and a further 9,000 a year are needed to ‘catch up’ with current latent demand.

So the delivery of new homes has to at least double from its current rate in London. How are we to do that?

The private housing sector is at maximum capacity, there is a shortage of skilled labour, a shortage of some materials, and it is not to housebuilders’ benefit to radically shift the imbalance between supply and demand. Smaller housebuilders were decimated in the last recession thus making it more difficult to address the sort of smaller and more difficult sites that abound in the capital.

It is clear that there is no silver bullet that will increase the level of house building and make up for years of under investment. That is why the NLA sought new ideas from architects, contractors, manufacturers, economists and housebuilders. We wanted to look at a multitude of ways that we could implement to chip away at the big numbers that are needed.

We were not disappointed. This study illustrates a wide range of ideas and approaches to the delivery of new homes – some that can be delivered within the current regulatory system, others need a shift in policies in planning and funding. The ideas, in the main, occupy areas of delivery not covered by the major housebuilders and, taken together, can go a long way to making up the shortfall of the current system.

Peter Murray
Chairman, New London Architecture

Housing supply has become the most critical issue facing London. For decades, the number of homes built has simply not kept pace with population growth. In some ways the city has become a victim of its own success and for many Londoners, housing availability is rightly their biggest concern.

At City Hall we are pioneering new ideas such as Housing Zones, which use focused planning and flexible funding to create high quality places, fast track homes and build much-needed infrastructure. The Mayor is on track to deliver a record 100,000 low cost homes for low income Londoners by 2016, with over 94,000 already completed, and we have released 99 per cent of City Hall’s land for development, including major regeneration schemes at Greenwich and Barking.

Yet we know that more needs to be done to achieve the level of housing building required – at least 49,000 homes a year, around double the current rate. Such is the scale of the challenge that no single solution can provide this increase and nor can any single organisation deliver this change. The Mayor, London boroughs, government, private and public sector developers, construction companies and architects must work together to find new ways to drive delivery of new homes.

More than that – we need creative new solutions that will improve the speed, scale and quality of housing supply.

That’s why I have been delighted to join the NLA in our quest to bring fresh thinking to building the homes that Londoners need. We asked for innovative and ambitious ideas, and we were certainly not disappointed. The range and sheer number of well-considered and imaginative entries was truly impressive. Some ideas were eye-catchingly radical – such as a floating neighbourhood transforming sites on the Thames. Others were simple yet brilliant – such as redefining the index of public transport accessibility (PTAL). Without a doubt, the entries showcase some exciting ways to challenge the traditional approach to housebuilding and we look forward to pursuing the ideas set out by winning entries in discussions here at City Hall.

Richard Blakeway
Deputy Mayor for Housing, Land and Property
Introduction.

Claire Bennie
Architect and Housing Development Specialist

A home is fundamental infrastructure for a decent life – it is as basic a human need as food and water. A civilised society would not accept people managed without these nutritional basics so why does it seem to put up with such stark inequality or shortage of accommodation in London? If a minority of people were hoarding food and trickling it out at extortionate prices, with food banks being the norm for most people, there would surely be civil unrest. Of course the demand for food can be met from anywhere in the world now, but the creation of new housing suffers uniquely due to its reliance on a finite and static commodity: ‘land near employment’. London, with its global reach, productive economy and vibrant atmosphere, has recently created many thousands of new jobs and thus continues to attract fresh residents year on year in search of their livelihoods. But it cannot create more land. And in that basic imbalance is the housing problem born in the capital.

Neither is the remedy as simple as turning on a tap and supplying an adequate number of homes. Affordability is the other crucial factor at play, and is a factor not solely related to that lack of supply. Renting or purchasing accommodation in London is so expensive relative to earnings that it hurts many Londoners, causing flight outwards or away, overcrowding, or at worst, homelessness. Fiscal policy, whether public spending, interest rates or tax, has just as a large a part to play in the affordability aspect as pure supply.

The ‘supply failure’ issues do not stop there. Have we got the right sized homes for our households? Does their tenure and regulation provide very necessary stability? Are existing London homes in an enduringly fit state, affordable to run, and easy to get into and around? Are they chronically under or over occupied? All of these factors compound to exacerbate both the affordability and supply crisis, and may not lead society necessarily to ‘building more homes’ as an exclusive solution.

The ultimate outcome of an inadequate supply of the right housing is that London will cease to function as a city which creates £10-£20 billion of added value per annum to the UK economy. It will decline economically if the people necessary to sustain it cannot be accommodated in a dignified, let alone comfortable or affordable, way.

So what exactly is the situation now, how did we get here, and what do we do next?

London’s housing crises: A bit of history

A leading figure in housing, education and health reviewed the state of affordable housing in the city. The causes of the problems he encountered were rapid growth and immigration, increased cost of land and rents, public improvements (e.g. new railway routes), migration to the suburbs and the need of those on low incomes to live near their work. He identified the slow progress with any reform as due to inefficiency and neglect of local authorities, ignorance of ratepayers and the inadequacy of compulsory powers exercised by government. He bemoaned that no-one would provide homes for those on low incomes because of the inadequate return. It was almost 150 years ago in 1866 that James Hole, an educationalist and reformer with an interest in health, made these observations.

How depressingly familiar this all sounds. Scanning the literature about London from the mid-nineteenth century onwards reveals that a housing crisis, whether of supply or affordability, has dogged London since its first industry-inspired expansion. The causes and attempted remedies have been different over the 150 intervening years, but the ‘holy grail’ that London’s housing supply should meet its demand in both numbers and quality (including affordability) seems to have eluded all generations including our own.
The historic drivers to increasing supply have always involved the plentiful and easy supply of land and funding, as well as favourable fiscal policy. The creation, improvement and expansion of public transport in London has also been a significant enabler of new housing development. The late 19th century and pre WW1 population boom was met with a mix of private housebuilding, the majority of which was by multiple small actors, and some philanthropic and public housing in five-storey tenements. The volume of both was wholly inadequate to meet demand and was very expensive relative to wages. It is interesting to note that both Land Value Tax and Rent Freezes were introduced before the First War and both had the effect of stunting supply. The prevailing political mood nonetheless was that the market would provide – a mood and a reality only changed by the huge expectation of decent housing rightly demanded by the population after the horror of WW1 was over.

After the First War, various Acts incentivising both public and private sector housebuilding as well as slum clearance resulted in a new increase in housing supply. Private sector housebuilding was demand-led with lots of choice and builders competing. It was fuelled by plentiful and cheap land, easily obtainable funding to small builders, burgeoning transport, availability of mortgages from Building Societies and low interest rates. There were 200,000 homes built a year in the UK between the wars: the subsidised homes comprised 25 per cent by the new local authorities and a further 10 per cent ‘affordable’ homes by the private sector. This period added 50 per cent to the UK housing stock but new families were forming so the crisis did not abate before WW2 commenced.

DEMAND

Page one of any economics textbook would state that there must be two interventions which might resolve a market imbalance: creating more supply of a good, and/or managing down demand. It would be wrong to plough ahead with an essay, or indeed a set of studies of London’s Housing Crisis, without addressing the issue of ‘managing demand’. Many people will ask: why even allow London’s seemingly unstoppable population rise? Can that rise not be cooled in order to avoid over-densification, tower blocks, strains on public services and yet more focus on London and not on the North? ‘Demand management’ suggests both unpalatable issues such as population control, and what might be perceived as ‘anti-London’ strategies for investment and job creation outside the capital. It is worth noting that both before and after WW2, central government tried to diversify employment locations with limited effect. This is not a new issue: the 1940 ‘Barlow’ Royal Commission noted that ‘The continued drift of the industrial population to London and the Home Counties constitutes a social, economic and strategical problem which demands immediate attention.’

London’s housing crisis now

So what are the factors and dynamics which underpin London’s housing crisis now? The data and evidence is in some areas surprisingly difficult to come by, or even pin down as fact. It might be imagined that the basics of land ownership or population change were undisputed and matters of public record, but this is not the case. Readers must therefore tolerate ambiguous or contested data and make up their own minds.

After the Second War there was a huge increase in the number of London households at the same time as unprecedented prosperity across classes, causing owner occupation to become the ‘normal tenure’ for the first time. A huge political will existed to invest public money in housing in earnest for the first time and land was compulsorily purchased with public money in substantial quantities. UK housing delivery thus hit 200,000 – 300,000 a year varying from 75 per cent subsidised down to 40 per cent in the final years of that unprecedented era. Parker Morris Standards (essentially large space standards) and Cost Yardsticks proved in the end an unsustainable pairing of generous standards and impoverished grant monies. The 1970s slump, the collapse of Ronan Point and 1980s political antipathy to subsidised housebuilding brought our most recent housing boom to a close.

New Towns formed part of this public growth in the 1960s and 70s but were not as significant a factor in relieving demand as might be thought, only adding 4 per cent to the national stock. Both New Towns and town additions experienced problems such as lack of facilities or transport which undermined their success considerably.

The collapse in housebuilding after about 1980 was accompanied by the Right To Buy policy which allowed council tenants to purchase their own homes, thus reducing the stock of public rented housing by about 300,000 homes (there are only about 800,000 public or charitable homes in London now so this was a significant reduction). Other tax, rent and mortgage reforms all combined with this undersupply to push property values and rents to the limit of acceptability relative to wages for most Londoners in the 21st century. The housebuilding sector underwent a significant slow-down and has never recovered sufficiently to respond to new demand in the capital, especially as that demand is highly vulnerable to the boom and bust culture.
be housed outside London, as previously stated, in town extensions or New Towns with striking distance of the capital. The conflicts between the people of London, fearing intolerable densities, and those of the wider region, fearing growth and loss of character of their chosen low density environment, will be bitter.

Further demand side management could involve curbing investment possibilities e.g. second homes, overseas investor behaviour and easy mortgage credit. Inevitably this kind of demand suppression has unintended consequences and is the subject of fierce debate between the various policy-makers about whether it would both suppress demand and supply simultaneously.

Homes, people and households
What have we got?
Greater London has approximately 3.4 million dwellings and 8.6 million residents. Households are mostly housed at the moment, even if only on a temporary basis. The average household size is 2.5 people, which is an increase of 13 per cent over the last census period. Historically, this figure has been as high as 5.5 (nationally): the population of England and Wales in 1801 is roughly equivalent to London’s population today but there were a mere 1.6m distinct dwellings then. London’s homes are split roughly into 50 per cent houses and 50 per cent flats.

In terms of tenure, 76 per cent of homes are owned privately in the capital, a third of which are then rented out on the market. The remaining 24 per cent are in public or third sector ownership and rented at a subsidised rate, a significant amount having been lost to Right to Buy during the last 30 years. The trend is clear: many households cannot buy homes any more and are turning to private renting as the only alternative. 50 per cent of those private renters don’t want to be renting.

Trend in household tenures, London 1961-2011
Source: Strategic Housing Market Assessment (SHMA) – GLA - 2013

Further qualitative issues affecting London’s stock are its suitability for older or less mobile people, its age and condition, its energy efficiency and the stability of tenure afforded to the resident. These are all factors which will affect London’s offer to its new and existing residents, and make them consider their choices when deciding whether to stay or go.

What is currently being added?
The current net delivery of new build homes in London of all tenures stands at about 20-25,000 homes per year: this has not changed significantly in the last 15 years. This comes from new build homes as well as some homes created through the conversion of houses to flats.

Overview of new homes in Greater London
Source: Housing in London – GLA - 2014

What do we need?
Overcrowding is rising and the projected number of people in the capital is set to rise by a further 1.6 million over the next 20 years. In households, this equates to 800,000 households due to the expected smaller household size emerging. Thus 40,000 new homes per year over the next 20 years are needed to house the new population, and a further 9,000 a year to ‘catch up’ with current latent demand. Some experts say that the backlog should be met far more quickly, resulting in a 62,000 home per year supply need during the first ten years. Others even go as far as 85-100,000 homes per year as an immediate need. So the delivery of new homes has to at least double from its current rate in London, with some saying it needs to quadruple. Tokyo and New York have managed to add enough new homes to meet population growth over the last ten years, whereas London has failed.

What tenures are needed is a matter of considerable debate and argument. The GLA evidence shows that 52 per cent of new homes should be affordable (either rented or intermediate homes) with a substantial amount of these being smaller homes for social rent and larger homes for intermediate tenures. Some commentators note that there is a significant backlog of affordable housing demand which should be addressed more quickly than over the 20 year period envisaged. The market demand is thought to be for larger homes in the future, a need which some say could be met through a redistribution of households in the existing stock.