A British Property Federation Response to the Outer London Commission questions to inform the full review of the London Plan

1. The British Property Federation (BPF) represents companies owning, managing and investing in real estate. This includes a broad range of businesses comprising commercial property owners, the financial institutions and pension funds, corporate landlords and residential landlords, as well as all those professions that support the industry.

2. While we welcome the opportunity to respond to the Commission’s questions, there are some which will have greater or lesser relevance to our members.

Introduction

3. London is unique in the UK in its ability to attract foreign investment, and projects which help it maintain its place as a leading world city for business and development should remain a priority. To support its world city role, it is estimated that the capital needs an additional 1.5m homes by 2050¹, and the future success of London will in many ways be dependent on its ability to deliver these homes, which must be available for people of all ages and for all those who want to benefit from a variety of tenures. A prospect of failing to meet housing requirements represents a strong risk to London’s global competitiveness.

Growth Options

Balance between housing and employment

4. Policy-makers must remember the need for a balance between providing housing and employment land, and that supply is not skewed too far towards one, or other land use. London clearly needs more homes, and those it houses need jobs.

5. In particular, there are concerns that the loss of industrial land risks seriously damaging the sector and the growth opportunities it presents. As demand for industrial land continues to increase, the availability of Grade A stock has declined across the country.

6. London has not been immune to this trend: a report by GLA member Jenny Jones² highlights the declining availability of industrial land in London, which is being lost at a rate that is over twice as fast as that predicted in the original London Plan.

7. London, like other cities, relies on the ability to have goods delivered and distributed quickly, and the nearby location of logistics centres as well as space for storage and start-ups are all vital to plan for, as part of ensuring the future success of the capital.

Mechanisms for delivering increased housing

8. In order to meet the target of 1.5m homes, it is crucial that a variety of mechanisms is used and that no one option suggested is seen as a “silver bullet”.

9. Opportunity Areas, infill sites, Garden Cities and a focus on transport interchanges all offer positive means of encouraging housing development, but all must be used complementarily in order to fulfil the capital’s need for homes.

Green Belt

10. Use of Green Belt land for development is clearly a contentious and often emotional issue. While we support the Government’s ‘brownfield first’ policy, there is a huge amount of land within walking distance of existing transport infrastructure which is of poor environmental or civic value. It is for local authorities to decide how they treat this, but it certainly worth debating whether Government should more actively encourage local authorities to review their Green Belt boundaries in Local Plan preparation and review.

Maximising the benefits of growth

11. Place-making is crucial to ensure communities feel involved in the growth of their area, and are able to benefit socially from any positive economic changes. We would encourage developers to take the lead in engaging at a very early stage with local authorities and community groups to: ensure public spaces created are linked to the needs of the local residents; take the opportunity to sustainably and constructively conserve any heritage assets in the area; and provide a ‘positive story’ around development.

New Approaches to Regional Co-ordination Function

12. Others within particular local areas will be better-placed to determine the geographical boundaries for managing growth. We would point out that London and the wider South East have different drivers and priorities, and there is a potential risk of not letting either achieve its full potential if this is not recognised.

13. However, the prospects of both are to a large extent interdependent and the existing Duty to Co-operate has in some areas not been as effective as hoped. There has also been the unintended consequence of some local authorities not wanting to take responsibility for meeting their own housing requirements, nor that of neighbouring authorities. Given that the duty is in law, it must be adhered to and central Government must further incentivise this.

14. There is a real opportunity now for areas to make the most of the devolved powers on offer. In order to fulfil their potential for economic growth, there needs to be improved cross-boundary co-operation on matters that also include housing. Learning lessons from successful examples, such as the Greater Manchester Combined Authority, or the Newcastle city region where seven local authorities share ownership of Newcastle International Airport, would be beneficial.

15. We would be wary of introducing any new levels of bureaucracy, particularly in a time of constrained resources. Any recommendations made on this must take into

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consideration the severe resourcing challenges facing local authorities, and not place undue burdens on them.

16. We would urge sufficient private sector involvement, potentially though Local Enterprise Partnerships which already work to bring together the public and private sectors.

**Barriers to Housing Delivery**

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17. Having attended a number of Mayoral candidate hustings over the past few months, it is very concerning how much debate and discussion is focused on an inner-London housing agenda and how little on outer-London housing. Discourse is very much about social housing, estate regeneration, brownfield sites and private rented sector (PRS) standards. All of these apply to outer-London as well, but there is very little discussion on: infrastructure provision and how that will help release housing sites; the renewal of housing stock in outer-London, much of it built during the inter-war years; and the impact that older housing has on income-poor groups, such as the elderly, (and the aspirations of those seeking to own a home, or up or downsize).

18. At its simplest there are two significant barriers holding back housing delivery – land and capital. On land, there needs to be a debate about where London’s future supply will come from. Effectively, there are only four sources: developing on existing vacant land; added density on existing sites, for example through estate regeneration; removing land from the Green Belt that does not serve a Green Belt function; and building outside of London. A balanced policy would have all four elements:

- **Vacant land** – there are some good, more recent policy initiatives in this area (such as the London Land Commission) but there are concerns that land will simply be sold to the highest bidder. Also, there is a need to ensure that there is a strategic view on brownfield land, so that parts of it are reserved and retained for essential infrastructure: schools, workplaces, healthcare centres, etc.; and, what makes London special - namely its inner-city green spaces and public realm.

- **Estate regeneration** – viewed often with suspicion from existing residents, the Mayor needs to enshrine best practice and ensure that those living in such estates are provided with some sort of guarantees on how their re-homing will be handled.

- **Green Belt** – a balanced national and London-wide policy would consider whether the sensible removal of land from the Green Belt would lead to less pressure on other more valuable sources of land, and potentially a better quality of life for those in London.

- **The districts surrounding Greater London should provide for a greater share of meeting London’s housing requirement. Current national policy does not sufficiently support and enforce this stance.**

19. A related issue, which can help release land for development and change its use, is infrastructure provision. The Mayor’s current Infrastructure Plan is therefore welcome, and possibly the closest measure to a ‘silver bullet’ in resolving London’s
housing challenges, but many delivery and funding issues still need to be resolved. On a smaller scale, initiatives such as Housing Zones, which offer funding to provide smaller scale infrastructure that will help release development sites, should continue and be added to in further rounds.

20. On the issue of capital, the challenge is where to find the funding to build the homes London needs. We articulate elsewhere in this response one growing source – institutional investment in Build-to-Rent. There are now 18,000 Build-to-Rent units in the development pipeline in London (Source: Molior). Most of these schemes are in outer London, where yield-driven investors do not have to compete with inner-London land prices.

21. London, inner and outer, also needs investment in affordable housing, to ensure the capital is able to function, with key and shift workers being able to live close to their employment. As families develop, there is inevitably some migration from inner to outer London, and therefore there is a need for housing for these key workers in both locations, as their priorities and aspirations change and to ensure that their skills are retained in the capital. A quality rental offer and access to ownership through products such as shared ownership are therefore vital.

Private sector capacity and skills shortages

22. Skills shortage is a big issue for our members. As a body that represents investment in all real estate assets, we see it across the sector, whether commercial, residential or other development types such as student accommodation. There is not a lot that can help remedy the skills shortage at London-wide level, other than the Mayor investing in training projects that will help develop more skilled workers. Section 106 obligations for training or apprenticeship requirements, frequently used on major schemes, could also help.

23. In developing housing, it is often a lack of ‘finishers’ (plasterers, plumbers, electricians, etc.) that delays developments, rather than the base construction phase. One vital aspect of the sector’s ability to deliver at present is being able to employ skilled labour from other EU countries, and clearly any national Government policy that constrained such recruitment would have a critical impact on development activity. Thinking longer-term, the Mayor and Government could help smooth the cyclical nature of housing delivery, by investing in social housing for example, and supporting Build-to-Rent. This approach could help ensure that less skilled labour is lost from the construction sector during downturns.

Build-to-rent

24. Rented homes are absorbed far quicker by renters and long-term investors’ motives are to let to tenants as quickly as possible. Indeed, Build-to-Rent can enable a larger site to be developed at a quicker pace. It can help to establish ‘place’ and therefore the attractiveness of a mixed residential development to home buyers. It can generate quick cash flow for the developer. It helps reduce risk in the early phases of a development.
25. Build-to-Rent is also helping to diversify the housing supply base, with developers less familiar with market housing becoming involved in the sector. Some of the large construction contractors and housing associations are already involved in Build-to-Rent developments.

26. The current Mayor has been at the forefront of seeking to provide a supportive policy environment for Build-to-Rent. The recent Supplementary Planning Guidance (SPG) on Housing devoted some attention to this sector of the housing market, with the Mayor advocating the use of covenants on land to retain buildings for market rental for fixed periods - a different treatment to that for affordable housing requirements where there is a covenant clawback arrangements if not retained as market rented housing for the covenant period. On affordable housing, the SPG states that the affordable housing on Build-to-Rent should be in the form of discounted market rentals. This approach certainly assists with viability.

27. It also means that the development can be managed as a whole, rather than managing the market and affordable housing separately. This makes it more attractive to investors and means they have control over their investments. The development can be managed day-to-day more efficiently. It also means developments can be ‘tenure-blind’, with discounted market tenants treated no differently than full market rent tenants. Such a policy is already being deployed on sites across London, such as in Acton, and Greenwich.

Student Accommodation

28. For tenants of specialist student housing, or purpose built student accommodation (PBSA), location is critical. PBSA is built in high density units to maximise the use of building land and amenity. Students are usually making a short term lifestyle, as well as an economic, decision when determining where to live. Proximity to educational institutions, transport nodes and an attractive social life are therefore key considerations for PBSA developers considering investment, and Outer London boroughs may not offer the same opportunities as inner boroughs. Exempting such developments from the Community Infrastructure Levy (CIL) charge may therefore incentivise PBSA developments in Outer London, as in central London the CIL charges can be extremely high for these.

29. This, along with competing land value in particular for residential use, has deterred PBSA development and therefore limited the social benefit of providing high density rental accommodation to students through efficient use of land and freeing up private rented sector accommodation to the wider community.

Older people

30. London and the South East are expected to see a 21.5% and 24.7% rise respectively in the number of people aged over 65 between 2012 and 2022\(^4\). It is vital that local authorities are planning for these changes, not only through the granting of permission for retirement housing but also by recognising the increased need for

http://www.ons.gov.uk/ons/dcp171778_363912.pdf
care homes and including provisions to meet such housing requirements in their Local Plans.

**Other solutions**

31. As we have explained, there is large potential for additional housing to be built through estate regeneration schemes, but naturally anxiety from residents that they are taking the strain for trying to address London’s housing crisis. It is therefore important that there is an all-encompassing debate about where London’s future housing should be sited. For the sake of all, the approach taken to consultation on such schemes, the process of redevelopment, and acceptable offers being made to residents needs to be codified in some way, to try and mitigate what are very natural concerns.

32. Town centres also provide scope for significant additional housing. Existing space above shops is often vacant and dilapidated, and the retail unit on the ground floor is often not suitable for modern retailing (the current permitted development right (PDRs) to change the use of a shop to residential are seldom-used as the right is too narrowly defined). Significant renovation and redevelopment are therefore necessary and as alluded to in the question; a further challenge can be that of ownership, which is often disparate. The strategic use of compulsory purchase orders in such circumstances can help to deliver scalable investment opportunities. One aspect of policy in this area, which local planning authorities (LPAs) need to carefully consider, however, is ground floor use. From examples of where such development has taken place, the residential use is quickly occupied, but the ground floor can be very slow. This may explain why there has been very limited take-up of the PDR. The ground floor units therefore need to be flexible in terms of their design and planning use.

**Boosting supply – Planning**

33. The increased use of Planning Performance Agreements and pre-application discussions, the use of deemed discharge of conditions, and more widespread adoption of the Local Government Association’s Planning Advisory Service’s principles of good use and discharge of conditions\(^5\) would all encourage a more certain and faster development management process.

34. The most important aspect for our members is clarity. An LPA that has an up-to-date Local Plan, which reflects housing requirements and allocates sites – and that has realistic, clear expectations on affordable housing provision – is critical to our members, who do not wish to foist unwanted development on local authorities and would rather be working with areas to provide development they need.

**Boosting supply – Compulsory Purchase Orders**

35. As we have articulated elsewhere in this response, there is a need sometimes for local authorities to exercise their CPO powers; they are in a position to help create opportunities, or unlock sites. This greater use of CPO would be welcomed,

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http://www.pas.gov.uk/documents/332612/7077236/bestpracticeprinciples/55731cd6-d2dd-424c-bb0a-a5b82c0bc1de
particularly if the CPO process was to be streamlined and made more accessible for local authorities and residents. We responded to the technical consultation on improvements to the CPO process and are awaiting the Government’s response (expected this autumn). In addition, we would urge Government to look further at other changes which could be made, including those recommendations in the Portas Review.

Boosting supply – Housing Zones

36. Housing Zones are effective because they provide clarity to developers, and also there is funding to help address small-scale infrastructure issues and other obstacles to development proceeding. The Mayor should seek to secure funding for another round.

Boosting supply – ‘Use it or lose it’

37. We appreciate the emotion in the argument behind suggested ‘use it or lose it’ powers, but this often misunderstands the real issues posed by the reduction in the life of a planning permission. In a buoyant economy, where permissions are granted and schemes built out, this would not necessarily pose a problem, but when viability is brought into question and the economy is suffering, restricting permissions to a two years’ life span could result in a very slow recovery. Each applicant would have take time to reapply and therefore the development would be further delayed.

38. If such powers are being considered, we would urge an exemption for large, phased schemes, or at least the scope for LPAs to continue to choose the lifetime of a permission on grant. In addition, raising the fees on a repeat application for an expired permission, combined with the change in the definition of ‘greater substantive work’ to close some of the loopholes, might be a more nuanced solution to the problem.

Surplus public land

39. Leasing public land on long leases, and providing local authorities with an income during that leasing period, plus overall control of their land and its return when the lease expires, is a good example of collaboration between local authorities and the development sector.

40. One barrier to that type of model is ‘best value’, which local authorities still too-often interpret as the highest bid on an instant capital receipt. Some greater clarification in guidance that this is not necessarily the case and income models such as leasing of land are equally acceptable, would be helpful.

Local authority resourcing

41. This is obviously an issue. National Government provides some assistance, for example the Advisory Service ATLAS, and has now proposed to include a housing

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element of Development Consent Order schemes within the Nationally Significant Infrastructure Project regime, thus allowing a different planning process with determination by the Planning Inspectorate. Neither of these, however, resolves fundamental resource issues at a local level. In an outer London context the issue is most acute, as outer London boroughs do not have the same steady stream of large-scale developments as inner London boroughs and therefore they do not have the skills or resource to consider and determine them. There may be some justification for a pan-London resource that boroughs could call on for assisting with considering such developments.

42. A related challenge for developers is competing visions on cross-borough schemes and we support the use of Mayoral Development Corporations and similar structures on key strategic sites, used sparingly, and the need for their use left to the judgement of the Mayor.

Modern methods of construction

43. There is a ‘chicken and egg’ scenario to modern methods of construction. If units, or parts of them, are to be built off-site this requires off-site manufacturing plants to run efficiently. At least one of our members has dabbled in doing this, but even with production for student accommodation and catering for the budget hotel market, could not achieve a level of capacity that would justify running an off-site plant. The fluctuating nature of demand from the development sector in the UK also does not help. Such methods need a sustained and reliable source of demand and that is only probably likely to come from the public sector, or its funding. Rental housing probably lends itself better to modern methods, and one of the other barriers has traditionally been acceptance of such construction methods by mortgage lenders, therefore inhibiting modern methods’ use in the build-for-sale market.

44. We would be happy to discuss or elaborate on any points in our response.

Rachel Campbell
Policy Officer (Planning and Development)
rcampbell@bpf.org.uk
020 7802 0107