

## **Eric Pickles foreword – Savills regeneration research proposal**

London is one of the most diverse cities on earth, but one thing unites all Londoners: they all need somewhere to live.

The Mayor understands this very well. That's why he has the most ambitious plan for house building in London since the 1930s.

But arguably a greater challenge is what to do with poor quality existing homes in the capital, particularly those high-rise council estates from the 1960s and 70s.

Many of these estates didn't work for the people who had to live in them. When built, they may have temporarily solved a few social problems, but in too many cases, they created and entrenched many more.

That is why, in the Budget, the government set aside £150 million that could be invested to regenerate and increase the number of homes on the most deprived housing estates.

There are three good reasons for doing this in the capital.

First, we need more housing capacity in the inner boroughs. Although record numbers will live in the capital by 2021, the inner boroughs will still contain 1.7million fewer people than they did in 1939.

According to research by Savills, re-discovering just half of this former housing capacity would supply the whole of London's projected housing needs for the next 17 years.

That means it's a challenge worth taking on.

Second, we want to radically increase the quality of housing on these estates. Past experience tells us mere tinkering won't work. We need to be more ambitious.

Completely re-building traditional streetscapes could provide more housing and commercial space using the same amount of land. These estates would resemble neighbourhoods such as Pimlico or Islington, with terraced streets of houses, apartments and commercial space.

The result will be more homes, which residents enjoy living in.

Third, this radical approach could also create value in land in a way that is not possible with the incremental, building-by-building regeneration, rather than optimal whole-scale, regeneration that has been favoured in the past.

A greater potential for private investment, could, over 10 years, lead to several hundred thousand additional new homes in London.

We want to get on with it. So we are part-funding a study by Savills to consider the best way to get started, redeveloping areas while fully involving local communities in the design and planning process.

The research will address some of the barriers that need to be overcome. These could even be the government's own rules, which sometimes restrict building the types of homes and streets that people value the most.

Although this will be a London study, it could have wider implications for the commuter belt and in other areas with high housing demand like Brighton, Cambridge and Oxford.

Re-building and regenerating London's housing estates will not be easy. But it must be done. London needs more and better homes and this Government believes there is an opportunity to look at a mass regeneration of our existing brownfield estates into new and attractive areas that house more people.

This research by Savills will get the process started.

# Regeneration and Intensification of Housing Supply on Local Authority Housing Estates in London

## Introduction

This is a proposal to conduct research and inform policy on increasing the supply of popular, high quality neighbourhoods in London. Savills Research would like to conduct a two part investigation of land potential and how barriers to the provision of desirable housing and 'neighbourhood commercial' uses for all tenures and sectors of society can be overcome.

We are asking for gap funding so that we can provide two papers that will be of immediate and practical use to policy makers and enablers in both the GLA and national Government.

## Background

We have noted that the government announcement in the 2013 Autumn statement to 'explore options for kick starting the regeneration of some of the worst housing estates through repayable loans' was followed up in the 2014 Budget by the announcement of a '£150 million fund to kick start the regeneration of large housing estates through repayable loans, helping to boost housing supply'<sup>1</sup> This is an area on which we have made several studies over the past two decades and one into which we believe we have unique insights.

We have noticed that when these estates have been regenerated in the past, the number of units is often increased, along with the quality of housing, but in a modestly incremental way rather than an optimal one. We have found that both traditional streetscapes and new, 'sustainable urbanism' could provide more housing in mixed tenures and other, mixed, uses on the same amount of land. This type of development is more highly valued in all sorts of ways by inhabitants and can have a higher eventual aggregate value in the real estate market than conventional, site based incremental, building-by-building regeneration. We think that this highly valued environment could provide scope for both popular housing and regeneration that involves minimal or possibly even no permanent public subsidy. This proposition needs testing.

We have conducted analysis in the past which suggests that social housing estate regeneration schemes may make improvements to a site but not fully optimise the land potential of the site by providing the most desirable, most dense and highest quality environments possible. (Valuing Sustainable Urbanism 2007, Create Streets 2013).

We are particularly concerned that the full potential of land in London is optimised because the shortage of housing in the Capital is particularly acute. (Savills Research 2013). This land will only become available for regeneration once in a lifetime - or hopefully longer - and the full social, urban, mixed, intensive and market value of it has to be optimised in order that as much housing as possible is provided and so that full social and, where appropriate, commercial value is achieved.

## Rationale

The chart below shows how the population of London has changed over the past two centuries. It is important because it sets in context the conditions under which the large, local authority owned housing estates of the 1950s, 60s and 70s were built.

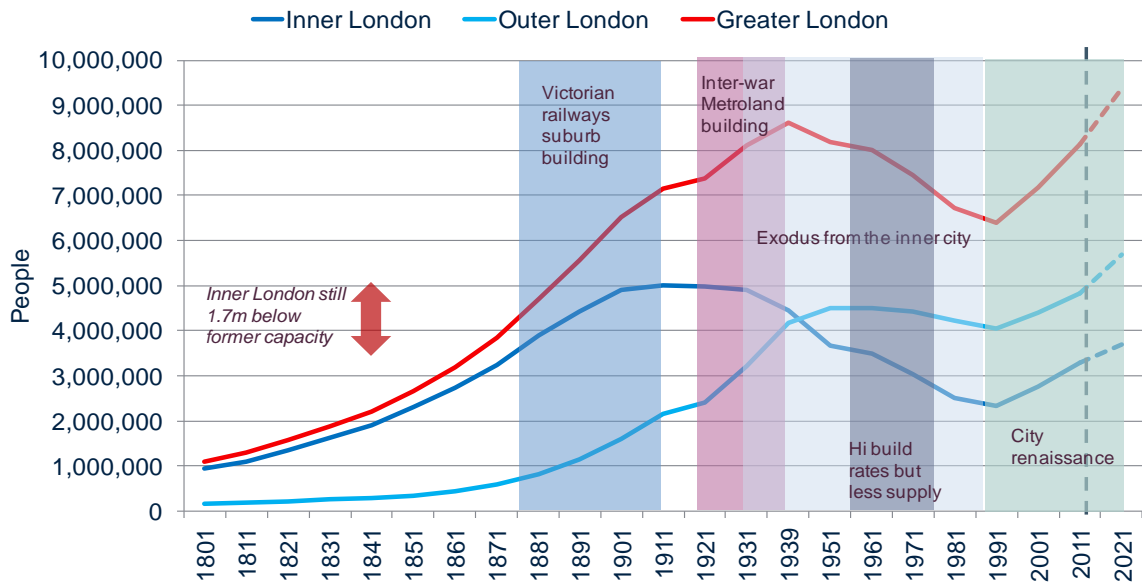
There are three features which are particularly pertinent to the proposed piece of work.

First, there was a dramatic decline in London's population, mainly from the inner boroughs, in the post war era which continued until the late 1980s. This has since been dramatically reversed and is set to continue according to GLA projections.

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<sup>1</sup> HM Treasury, *2013 Autumn Statement* (2013), p. 61. HM Treasury, *2014 Budget*, Section 1.143, p.40.

**Chart 1 Population rise, decline and rise in Inner & Outer London 1801 to 2021**

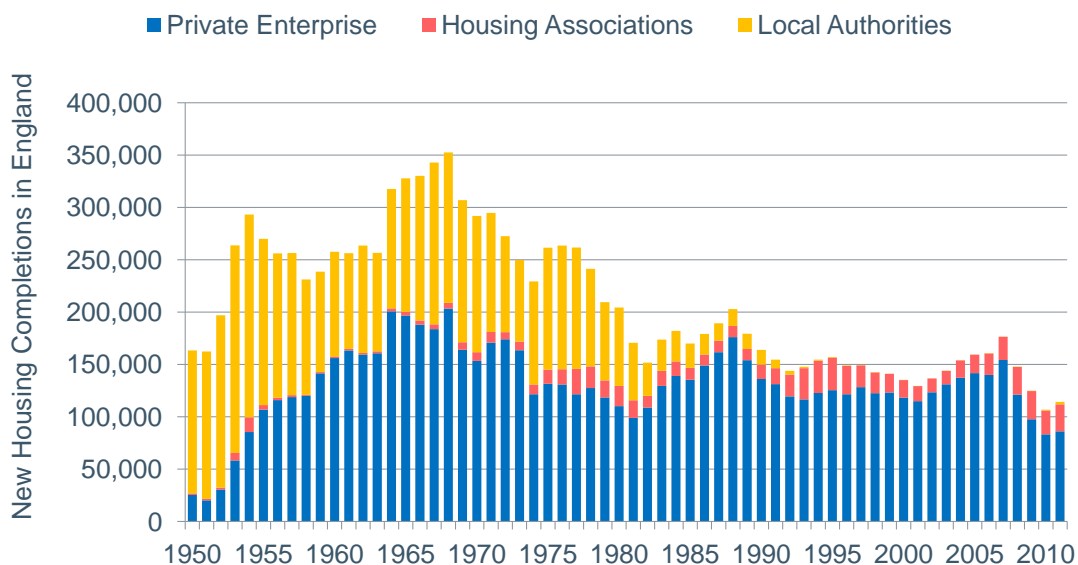


Source: ONS, Greater London Council

Second, the era of very high house building activity during the 1950s-70s resulted in a managed decline in housing density which both responded to and accelerated the population exodus. Thanks to the scale of demolition at this time, fewer homes were provided on new estates than had been on the streets they replaced. The population of Southwark, for example, fell by two thirds. Regardless of social, aesthetic or ideological arguments about the housing that was provided in this era, it can be seen as either a rational response to, or an accentuating factor in, declining inner city populations – or perhaps both.

The effect was to introduce suburban densities (though not suburban form) into the inner city. However, the sharp reversal in population trends since the 1980s and the extremely high pressure of demand for housing in the inner city since then, not to mention its further projected increase, makes this type of housing topography deeply inappropriate for current and coming decades.

**Chart 2 New housing supply in England 1950 to 2011**



Source: Savills Research, DCLG

Third, population growth in London is set to return back to its 1939 peak imminently and to exceed this figure before 2021. BUT, until recently, all of this excess has been absorbed by the outer boroughs. The population of the outer boroughs grew in the immediate post war era (as a result of emigration from the inner city) and did not decline so significantly during the 1950s, 60s and 70s. The population of outer London boroughs now stands higher than it did in 1939 but is suffering from de-gentrification as the wealthiest households have returned to the inner city and poorer households are displaced from the centre.

Inner London in 2021 will still contain 1.7million fewer inhabitants than it did in 1939. Re-discovering just half of this former housing capacity would supply the whole of London's projected housing needs for the next 17 years (Savills demand projections).

### **Hypothesis**

Our hypothesis is that the restoration of traditional street patterns and the replacement of slab blocks and point blocks with traditional housing types, including terraced houses and Mansion blocks, as well as the appropriate construction and retention of towers, would significantly increase the housing capacity of land and better provide for the social and other needs of inhabitants while providing more successful, desirable and authentically 'Londonish' neighbourhoods.

It is striking that a recent YouGov poll found that only 33% of Londoners supported more high rise residential housing to solve London's housing crisis. While the creation and/or retention of towers should not be ruled out in all cases, they cannot be relied on alone to solve the London housing shortfall.

In the 2004 research by the LSE (Density and Urban Neighbourhoods in London) looking at London Wards with particularly high densities, it is striking how many of those wards retain a large proportion of traditional grid street-patterns, regardless of social, economic or value status. We have also participated in research in the past (Space Syntax, iValul, Urban Buzz and Savills Research 2010) which correlates well-connected streets with greater value and we are aware of the consistent evidence (Cabe 2010 et al) that majorities prefer to live in houses or flats in buildings with a smaller number of units in them.

It would appear that the restoration of streets and optimisation of built form, in line with some of London's most socially and economically successfully neighbourhoods, could provide enough land to begin addressing London's housing crisis at a significant scale while allowing for the provision of the sort of homes that people want. That some of the least optimised pieces of land are largely in the ownership of local authorities or housing associations is good news as it means that they have the potential to be regenerated and redeveloped in their entirety, while retaining and extending existing communities. This would have to treat both existing social and private leasehold residents fairly, but it does make such regeneration easier to manage.

Our proposed research is designed to ensure that when this regeneration takes place, it makes optimal use of land and provides the homes and neighbourhoods that people want without wasting scarce land resources for future generations.

We believe this programme may be able to lead to the creation of several hundred thousand new homes on brownfield sites – as well as enhancing the lives of existing residents. If this was built out in the next decade, it would substantially alleviate London's housing crisis - which is currently seeing new housing construction run at around half the level of annual need.

### **Research Proposals**

We wish to conduct our research in two parts. First to determine the true optimal real estate solution for publicly owned housing estates. Second, to look at the practical implications of this and the appropriate policy responses.

As necessary, we will informally review with non-Savills experts and/or sub-contract to specialist organisations (e.g. urban designers).

## **Proposal for First Paper**

This paper will be largely empirical in nature, making large-scale measurements of land, street and housing topographies and value in order to establish the economic viability of grid-based regeneration.

We have conducted similar studies in the past (The IPD Regeneration Index 2007-2010, Valuing Sustainable Urbanism 2007) and have developed these methodologies so that we are confident of being able to make reliable observations. We also have access to increasingly sophisticated and detailed census and other household data that will enable us to reliably scale up the results of our sample-based findings.

Part one of the research will therefore:

1. Select an appropriate range (probably around 6) of un-named examples of currently un-regenerated post-war social housing estates that represent a mixture of the following attributes:
  - a. Outer, Inner and Central London
  - b. High, medium and low value locations
  - c. Small, medium and large estates
2. Measure numbers, types and tenure of units
  - a. As the estate is currently
  - b. As it might be regenerated using notable recent examples of incremental estate regeneration
  - c. As it would be if the pre-1939 streetscape and terraced housing were completely and authentically restored
  - d. As it would be if the pre-1939 streetscape were restored with terraced housing plus the judicious and appropriate use of mansion blocks, retention or build of residential towers using the most socially mixed and successful existing areas of London for guidance
3. Measure the number and types of retail units, workspace and business premises resulting from each of the four scenarios above.
4. Value each type of housing identified above at today's values. This would mean open market reference to comparables in the case of owner-occupied housing but also value to landlords based on income and yields for both open market rented sector and social housing sector lets less cost of maintenance and repair.
5. Value the non-residential property identified above under each scenario.
6. Identify the resulting population, household and unit number densities per hectare for each site under each scenario
7. Identify a measure of overall built intensity (including commercial uses) 'gross development value' per hectare under each scenario
8. Identify a measure of gross development value (all uses) per hectare for each site under each scenario and compare gross development value under different build and hold strategies

## **Proposal for Second Paper**

The aim of the second part of the research would be to examine build costs and their impact on potential optimal solutions. Then to identify potential outcomes, using optimal solutions across London. This project would then go on to identify any barriers to delivery of these optimal solutions.

In order to do this, we would look at what optimal delivery might look like on each sample site and then measure the potential for optimal delivery across London by applying the appropriate examples measured in part one to all identified, currently un-regenerated social housing estates. We would therefore aim to end up with an estimate of the total numbers, types and tenures which might be possible to achieve across London if all social housing sites, able to be regenerated, were executed to the identified optimal numbers and values.

We would make comment on our previous assessments of real estate value in surrounding areas deriving from different types of regeneration scheme and examine some of the evidence on social outcomes of different types of regeneration. We would discuss typical values and possible land value implications and viability implications (without providing any definitive land values or development viability assessments). We would also comment on the relative need for public subsidy in the process to achieve optimal outcomes, focusing on the construction costs that vary according to the solution chosen, rather than the costs of specific site factors (including abnormal costs, cost of decant and CPO of Right to Buy) that are common to all solutions.

Please note that this section will be discursive rather than definitive as we would not be making detailed site viability studies but rather seeking to establish relative viabilities or comparative advantages of one option over another, to include a discursive outline of how funding aspects vary between solutions.

A discussion of the issues arising will then be key to determining the final section of our report, looking at possible policy responses arising from the research.

Part two of the research would look at some examples of how policy can be changed/utilised to ensure optimum outcomes including, but not confined to:

1. National policies that increase cost of construction/rehousing/demolition by rendering the process sub-optimal or by perversely favouring one built form against another
2. London policies that increase the cost of construction/rehousing/demolition by rendering the process sub-optimal or by perversely favouring one built form against another
3. Land procurement and disposal issues that may act as a barrier to optimal outcomes
4. Business models and practices, such as investment time horizons or margins, that may act as a barrier to optimal outcomes
5. Other provider models and practices, such as how decanting works, that may act as a barrier to optimal outcomes
6. What models and practices may be missing in the UK/London which prevent optimal outcomes
7. Local consent and support issues that may act as a barrier to optimal outcomes. Levels of public trust (or mistrust) in regeneration, with reference to parallel workstreams including polling and focus groups where available. For example, how planning policies such as neighbourhood plans might change or affect levels of local support.

## **Further possible future work (not covered in this proposal)**

We note that many of the barriers to optimum outcomes emanate from perceptions of optimal land value amongst landowners, developers, architects, regulators and planners. A series of appraisals of land value under different scenarios would help to change these perceptions. This exercise, based on the metrics of the first two pieces of research, could form a subsequent piece of work.