BARRIERS TO HOUSING DELIVERY

WHAT ARE THE MARKET-PERCEIVED BARRIERS TO RESIDENTIAL DEVELOPMENT IN LONDON?

DECEMBER 2012

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This report has been produced for the Greater London Authority in response to the project brief 'Barriers to Housing Delivery' received from the GLA in mid-September 2012.

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MOLIOR LONDON LIMITED

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EXPLANATIONS

The project looks at residential development schemes in the Greater London Authority area.

Map 1: Study area

The focus is on larger schemes, and on those with a significant private sale element.

Three sets of research form the basis for this study:

- Interviews with the firms actually building schemes of 20+ private sale homes in London: Molior conducts these interviews quarterly and they form the basis for the data in Section 1.
- Interviews with the firms in control of permissions of 20+ private sale homes in London: Molior conducts these interviews bi-annually and they form the basis for the data in Section 2.
- Interviews with the 26 firms listed on the following page. This sample set of companies were interviewed for sections 3, 4 and 5. These interviews tended to focus on larger schemes and the issues in bringing them forward.

The following firms were interviewed for sections 3, 4 and 5 of this study

- Aitch Group
- Ballymore Properties
- Bellway Homes (North London)
- Bellway Homes (Thames Gateway)
- Bouygues (UK)
- Department for Communities and Local Government
- Durkan Group
- Fairview New Homes
- First Base
- Galliard Homes
- Galliford Try / Linden
- Kier Homes
- Land Securities
- London & Quadrant
- London Councils
- London Square
- MacDonald Egan
- Mount Anvil
- One Housing Group
- Poplar HARCA
- Quintain Estates
- Redrow London
- Shanly Homes
- Sellar
- Telford Homes
- Willmott Dixon Regeneration

EXECUTIVE SUMMARY

One Tower Bridge, Southwark © Molior / photo by AjDenny

This project seeks to understand the barriers to housing development in London from the perspective of the development industry itself. Interviews were carried out with London developers by the consultant Molior London during September 2012, these built on a wider set of developer interviews that are carried out by Molior several times each year. Interviews focused on schemes of 20+ private homes in the Greater London Authority area where planning permission has been granted.

This report finds four main constraints to housing development in London:

- Control of the 'realistic' pipeline
- Non-balance-sheet funding
- Private sector capacity
- Public sector speed and consistency

Section 1: Background

Private sale construction in schemes of 20+ homes is strong in London at the moment – almost back to 2007 peak-of-the-market levels. Section 1 of this report provides some commentary on construction, sales and pricing across London at present.

This market strength is in part due to high levels of pre-sales – almost half of new homes underway in the capital today already have an eventual owner. These 'eventual owners' include overseas investors, UK buy-to-let investors, developers retaining units for rental and some tenure switching from private sale to affordable housing.

Section 2: Constraint: Control of the 'realistic' pipeline

Superficially, planning permission exists for 210,000 new homes in London – roughly seven years' housing supply using GLA housing delivery targets. However, almost 180,000 of these permitted units are in 148 schemes each over 250 homes – such schemes are rarely built at a rate of more than 250 homes every three years. This means many of the permitted units – units in excess of 250 homes in each scheme – are not realistically deliverable in the next few years.

The debate on the availability of land for housing development in London has been done a great disservice by dwelling on numbers such as 210,000. In fact the 'realistic' planning pipeline is likely to be somewhere between 50,000 and 70,000 homes during the next three years even if EVERY consented scheme commenced construction tomorrow.

However every scheme will not commence:

- 45% of the permitted homes are in the control of firms that are not builders – firms such as owner-occupiers, investment funds, historic land owners, government and 'developers' who do not build.
- 55% of the pipeline is in the control of firms which do build.

Site-by-site interviews suggest the obvious: builders intend to build their sites, non-builders do not! So the fact that non-builders control of almost half of the planning pipeline is a constraint on housing development in London. When accusations of land banking are directed at builders, those accusations are misplaced.

But changing ownership of the 45% of permissions controlled by non-builders is not simple. Clearly the price has to be right for an owner to sell. But in addition, many of these consents have design problems which any purchaser would be forced to amend. Such changes could attract CIL and therefore a higher development 'tax'. It is unfortunate that one unintended consequence of the introduction of CIL is a new found reluctance on the part of builders to buy development sites where the planning permission was achieved by a non-builder.

Section 3: Constraint: Non-balance-sheet funding

Debt to help fund development is hard to obtain and is costly – many developers place debt-availability higher than debt-cost as a barrier to development.

In terms of location, debt is easier to obtain in Central London than in Outer London, but even some areas of London Underground Zone 2 are described as a 'debt-desert' by developers. The proportion of debt available for development is limited, with 60% loan-to-cost being seen as the norm. And the absolute amount of debt available is also limited – debt provision above £20m per project is particularly hard to secure.

Development funding is also costly. Total cost of debt can be 10%+ including fees and interest rates. Other forms of funding are even more expensive with private equity seeking 20-25% returns.

Prior to 2007 it was possible for developments to commence with debt secured at the scheme level in a Special Purpose Vehicle – such projects are now rare and as a consequence a series of small development companies which might have commenced large schemes 10 years ago are not developing today.

The result is that, with a few exceptions, only firms with large balance sheets are able to build new homes in London in any significant quantity.

Section 4: Private sector capacity

The firms interviewed in September 2012 were asked what could be done to help them build more. In terms of their existing schemes and their capacity to take on new schemes – the answer is 'very little'.

By and large the firms that build have no issues with their current sites, the sites are viable and funding is in place for construction. In part this is because they only buy schemes they think they can deliver. In part it is because during the last few years they have had the time to resolve issues with even their most difficult schemes.

With a few exceptions, these firms also say they are operating at capacity. They have already expanded following a retrenchment in 2008 and would be cautious about expanding further.

The study also shows that relatively few firms are responsible for London's housing delivery. In fact 70% of private sale housing starts in the 12 months to June 2012 were carried out by just 23 firms – and just one of those firms (Tesco) can be considered a genuine new entry in the market place. More new entrants might lead to more housing development, but barriers to entry – both in terms of planning/building complexity and the difficulties in acquiring land – are high.

Section 5: Public sector speed and consistency

Developers feel the planning system is slow and too changeable.

In terms of individual planning applications – most developers feel they achieve a viable planning permission eventually, but 'eventually' is the key word. Developers are frustrated by the speed at which the system works, both pre-application and post-application. They would like a greater appreciation from the system that time is money.

Developers say they appreciate the flexibility displayed by most local authorities when proposals are considered. However, a number of local authorities have idiosyncratic policies which thwart development viability – for example flexibility on affordable housing policy, s106 terms and demands for potentially un-lettable employment space.

Dealing with public sector bodies other than local authorities can also delay development. Developers mention frustrations with Transport for London, the Environment Agency and the District Valuer Service.

But the changeable nature of public sector demands is developers' biggest concern. They feel public sector rules and requirements are ever-changing. If the industry has one 'ask' from government it is this: stop changing the rules and in particular stop adding requirements that make development more complex and costly.

It is interesting to note that many of the concerns have been 'allowed' to happen by the industry:

- In the decade to 2008 building became more complex and costly as sustainability and other legislation came into force. Developers complained about this at the time, but by and large accepted government demands as development end values were rising.
- Viability assessments were sought by the industry as it wanted government to appreciate that the level of tax levied on schemes caused them to be unbuildable – now the whole area of viability negotiation can be a recipe for mistrust and delay for both developers and local authorities.
- Developers also fought for the requirement that local authorities decide planning applications swiftly. But all this did was force planning departments to demand extensive documents in support of planning applications and to elongate the pre-application period. The first step for a developer seeking a 100 unit permission in inner London 15 years ago would have been a £1,000 outline application ... the first step now is likely to be detailed plans costing many hundreds of thousands of pounds.

It is perhaps asking too much for a radical simplification of the planning system – but the system is complex and the government's response to industry concerns should not be to add another bit of complexity!

If the GLA is able to set up a task force to reduce public sector constraints on development, such a task force might focus on five areas:

- Press for more rapid consistency between national policy and local plans.
- Solve scheme specific issues in addition to affordable housing issues.
- Lend assistance to under resourced planning departments.
- Offer a one-stop-shop liaison between developers and public bodies such as TfL.
- And generally work to remove the small blockages and illogical elements in the planning system.

The following pages explore the four development constraints in more detail.

Grosvenor Waterside, Westminster © Molior / photo by AjDenny

CHAPTER ONE

BACKGROUND

1.1 CONSTRUCTION IS BACK TO PEAK LEVELS

Some official figures suggest residential development in London is still at a low level (see Annex 1). Molior disagrees, at least in terms of private sale development on larger schemes. Our data, which is used by 95% of London's top 40 development agents and 85% of London's top 100 developers/housing associations, shows private sale construction on schemes of 20+ private sale units to be close to (recent) peak levels.

We are able to work through each London development site scheme-by-scheme, phase-by-phase to justify the following statement: Private sale residential construction volumes in London are about as high now as they were at the peak of the market in late 2007.

Figure 1 shows construction levels since 2001. At the end of June 2012 there were approximately 23,000 private-sale homes under construction in London in schemes of 20+ private homes.

- This is fractionally below the levels seen at the peak of the market in 2007.
- And is virtually unchanged from the end of December 2011.
- But it is 30% ahead of construction levels at the end of 2010.

1.2 BECAUSE SALES RATES ARE VERY STRONG

The bars in Figure 1 are shaded to show the volume of off-plan sales:

- 48% of homes currently under construction are pre-sold.
- This figure was 40% during the recession.
- And last peaked at 48% in 2007.
- Between 2001 and 2006, 44% of homes under way were pre-sold.

So we now have the highest level of off-plan sales in at least a decade, perhaps explaining the very high levels of construction.

Figure 2 shows the pattern of starts, completions and sales during the last few years.

Figure 1 : Construction and pre-sales 2001-2012

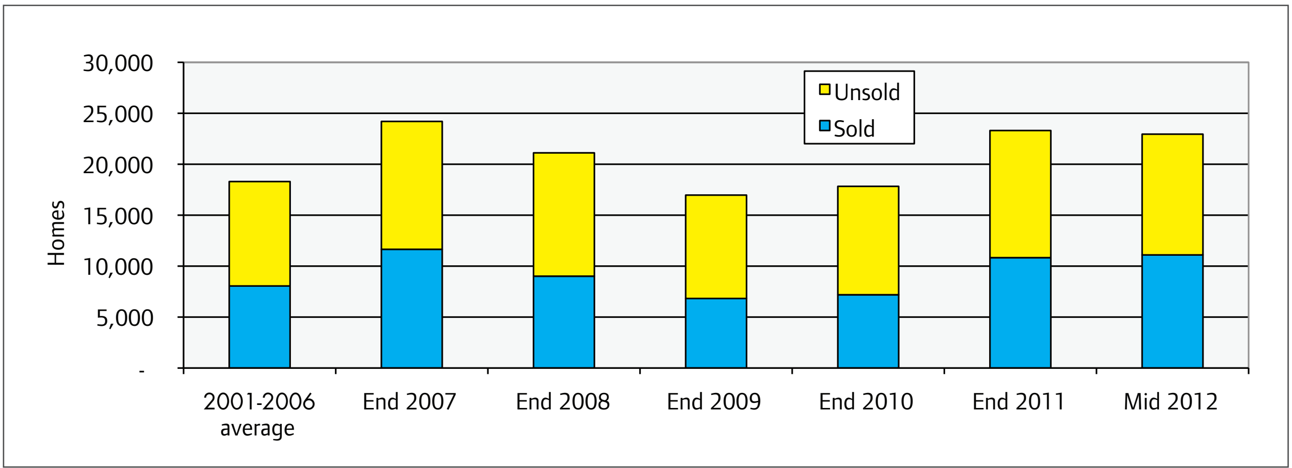
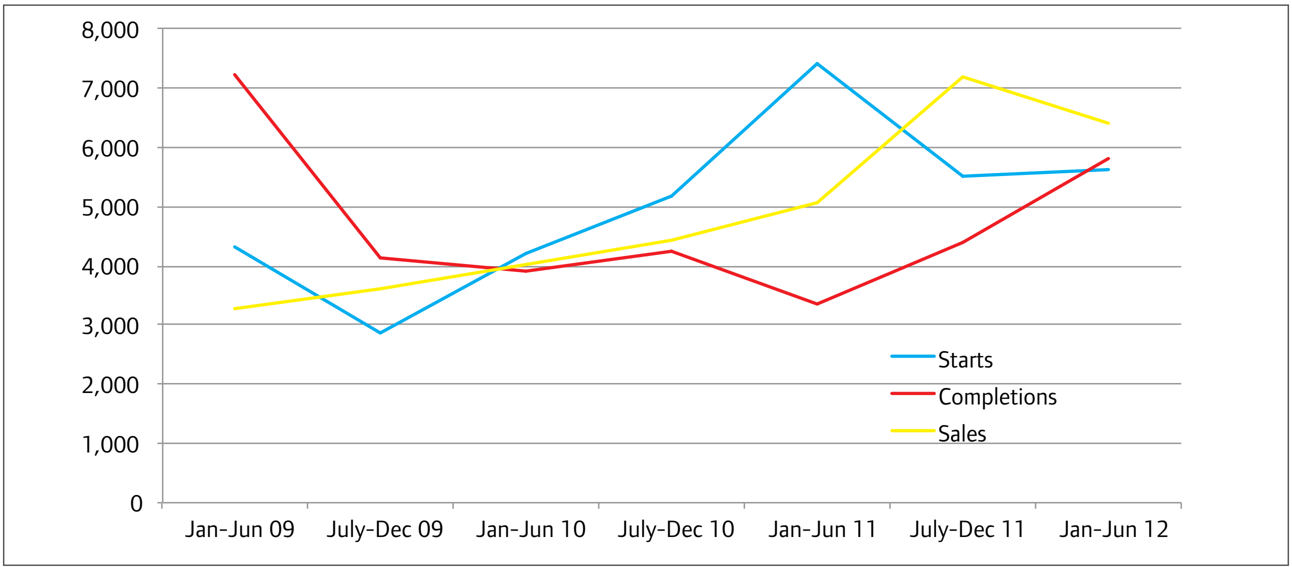


Figure 2: Starts, completions and sales since Q4 2008



1.3 BIG SALES = WHOLESALE NOT RETAIL

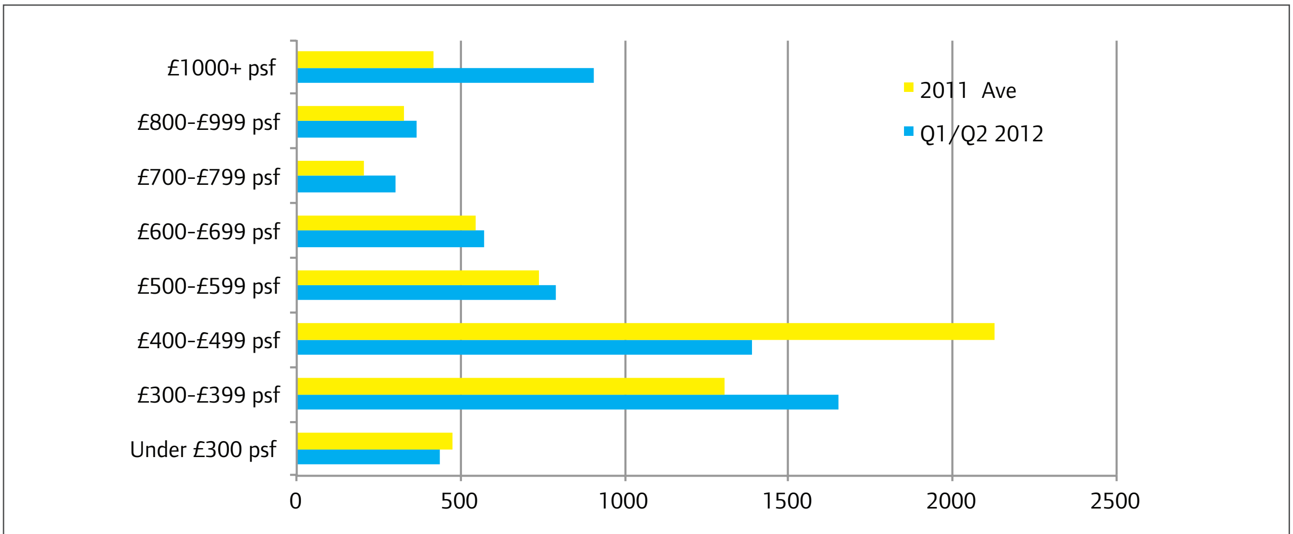
However, such high levels of pre-sale require a sales strategy which is 'wholesale' rather than 'retail' in the early stages of development.

Table 1 on the next page shows London residential schemes that 'sold' at a rate equivalent to two units per week during the first half of 2012. Almost (but not quite) every single one of these schemes involved some form of wholesale endeavour – in fact the column heading 'sales' is completely misleading. The 'sales' numbers include launches overseas, bulk sales to investors, tenure switching to affordable housing and renting by the developer – sometimes voluntarily sometimes forced.

1.4 SALES BY PRICE POINT

During the first half of 2012 there were 6,407 new home sales in London in schemes of 20+ private units. Figure 3 shows the distribution

Figure 3: Sales by price point



of first half sales by price band based on asking price, and compares the distribution to average six monthly sales in 2011.

Two things stand out:

- Firstly, sales above £1,000 psf have doubled in number.
- Secondly, sales in the £400-£499 psf price range appear to have fallen substantially. However – it must be noted that in 2011 this

Table 1: Sales during the first half of 2012

Site name	Local Authority	Developer	'Sales'
Grosvenor Waterside P2 - Buildings A+B - Moore House and Caro Point	Westminster	Qatari Diar	168
Rathbone Market - Phase 1 - Vermilion	Newham	Muse Developments Ltd	138
21 Wapping Lane	Tower Hamlets	Ballymore Group	131
Maple Quays 3 (Canada Water Site A)	Southwark	Barratt (East London)	104
Xchange Square	Islington	Span Group	104
One Tower Bridge (Potters Fields)	Southwark	Berkeley Homes SE London	93
NEO Bankside (Bankside Industrial Estate)	Southwark	Native Land Ltd	93
Central Square EC1	Islington	Mount Anvil / One Housing Group	89
Pulse (Colindale Hospital)	Barnet	Fairview New Homes Ltd	87
Barking Riverside - 1 - City East / Meadow Lands	Barking & Dagenham	Bellway Homes Thames Gateway	84
Kings Cross Central - J - Arthouse	Camden	Argent Group Plc	84
Renaissance SE13	Lewisham	Barratt (East London)	84
Merchant Square 3	Westminster	European Land Property Limited	84
Seren Park - New Build	Greenwich	Urban Solutions	80
Saffron Square (Randolph and Pembroke House)	Croydon	Berkeley Homes (Capital)	80
One Commercial Street (Aldgate Station Site)	Tower Hamlets	Redrow London	77
Waterside Park - 2/D - Connaught Heights	Newham	Taylor Wimpey / Barratt	73
High Point Village (Hayes & Harlington Goods Yard)	Hillingdon	Ballymore Group	71
St Andrews - 4&5 - No.1 The Plaza	Tower Hamlets	Barratt (East London)	61
Sandringham Mews/Park/Grange (RAF Eastcote)	Hillingdon	Taylor Wimpey (West London) Ltd	61
Silver Wharf	Tower Hamlets	Genesis Housing Association	61
Kingsland Wharves	Hackney	London & Quadrant Housing Trust	58
Hannah Court (Holbrook House)	Newham	Urban Spectrum Property Management	55
Kidbrooke Village 1 - City Point	Greenwich	Berkeley Homes (Urban Renaissance)	54
Homesgate Place (Hayes Football Club)	Hillingdon	Barratt Southern Counties	53
375 Kensington High Street	Kensington & Chelsea	St Edward Homes	51
Ickenham Park - Cala / Explore Living	Hillingdon	Cala Homes (South) Ltd	50
Academy Central	Barking & Dagenham	L&Q / Taylor Wimpey	50
Hendon Waterside - 2A - Pilot & Lakeside	Barnet	Barratt (West London)	50

price band was hugely inflated by the sale of 1,439 units at The Athletes' Village to Qatari Diar Delancey.

1.5 SUB-REGION VARIATIONS AND CORRELATIONS

Broadly speaking, London's planning consents are split equally between East, Inner and Outer London. Map 1 earlier in this report shows our definition of these three regions. Table 2 analyses construction starts in these sub-regions and the correlation with off plan sales. 'Pre-Sales' show the percentage of homes currently underway but already sold.

Table 2: Development activity by sub-region

	Starts Jan-Jun 2012	Pre-sales levels 30 June 2012
East London	23%	57%
Inner London	46%	51%
Outer London	31%	34%

One number is skewed – the 57% level of pre-sales in East London. This number is significantly flattered by The Athletes' Village which makes up a large proportion of East London construction and which is 100% sold.

Taking out The Athletes' Village numbers, there is a clear correlation between construction starts and pre-sales levels. Speaking to developers the reason for this is straight forward and somewhat obvious – construction starts are driven by the expectation of homes being sold!

1.6 SUPPLY 'FOR SALE' IS LOW DESPITE HIGH CONSTRUCTION

London agents tell us the market is a very thin in terms of homes for sale – both second-hand homes and new homes. Most agents we speak to complain about a lack of stock to sell.

This is anecdote, but the agents feel existing home owners are holding off from selling for four reasons:

- Moving is expensive.
- There is very little available to buy.
- Few people are forced sellers due to high levels of mortgage free ownership, and low interest rates for those with mortgages.
- There is a trend amongst people trading up to retain their old property and rent it out.

In the new homes market there is also a low level of homes 'for sale'. This is because a high proportion of the homes, especially in inner London, are sold off-plan. The type of off plan buyer varies:

- In Prime London perhaps 75% of the buyers are from overseas.
- Across all of London approximately a third of buyers are from overseas.
- Perhaps another quarter of sales are to UK residents whose intention is something other than owner-occupation, usually buy-to-rent.

The points here are twofold. First, London has very low levels of supply 'for sale' for conventional owner occupation despite high levels of construction. Second, construction activity demands investor sales – many, if not most, major London residential schemes only commence due to the expectation of the sale risk being mitigated by the chance to sell to UK-based and overseas investors.

1.7 FRINGE PRICING IS PUZZLING

The people building and selling new homes in London – every single person we speak to – do not understand why values are so high. As sellers of homes they aren't complaining – obviously! But as buyers of land they are very concerned. How does one work out what to pay for land when end values seem irrational?

Two developers have put it this way:

- "In Prime London, the rents for homes - if they were ever let - would be under 2%."
- "The result is that Fringe-of-Prime London - Aldgate, Putney, Hoxton - are asking £700 to £1,000 psf, and much to everyone's surprise these prices, by and large, are being achieved".
- "Previously unfashionably central London locations such as Bayswater and Bloomsbury have nearly doubled in value in the last five years against a backdrop of a flat housing market".

So what does this mean? Is pricing:

- Detached from the home market? Possibly
- Occupancy/need driven? Possibly not
- Reflecting hoarding and wealth storage? Possibly

It is only natural to ask whether values for Inner London residential development are driven by the price that is able to be achieved in the export market – and is this source of money temporary? It is Molior's view that in the absence of an export market many London schemes simply would not commence construction.

1.8 MORTGAGES

When speaking to developers about development finance, mortgages were mentioned very little – even though mortgage availability is scarce. One or two developers commented that the banks seem to be seeking ways to turn down mortgage applications – even for people with large deposits.

Perhaps this indicates developers are building for people who don't need mortgages – Molior estimates that two thirds of new homes sold in London are sold to investors many of whom are cash rich. Perhaps, though, it is simply a reflection of who was interviewed at each developer: the land/planning directors rather than the sales directors – so further work might be needed.

CHAPTER TWO

CONSTRAINT: CONTROL OF THE ‘REALISTIC’ PIPELINE

2.1 TOTAL CONSENTS – THEORETICALLY SEVEN YEARS' SUPPLY

Table 3, with caveats, shows London's stock of residential planning permissions that have not yet started construction.

These are rough numbers and need a few caveats:

- Only schemes with 20+ private sale units are included (though in such schemes the unit numbers shown are for all tenures – private and affordable).
- Both schemes with full consent and those that have been through committee successfully are included. (i.e. schemes with the s106 signed and schemes with just a resolution to grant permission).
- Missing are permissions where the developer is currently seeking consent for a new scheme.
- Excluded are 10,400 unstarted private sale units in schemes that are currently on site – i.e. schemes where part of the consent has commenced and part has not. As our data covers the private sale element of such schemes, not the affordable element, one might add 50% for affordable housing implying 15,000 additional unstarted permissions.

Superficially, 210,000 permissions suggest seven years' housing supply based on a GLA housing delivery target of approximately 32,000 homes per annum.

Table 3: Unstarted planning permissions

Scheme size	Permissions	
	Schemes	Units
20-50 units	144	4,983
51-150	171	16,144
151-250	61	11,986
251-10,800	148	177,710
Total	524	210,823

2.2 RECENT STARTS INDICATE THAT…

However it is a complete nonsense to make policy decisions based on the 210,000 number. If the question is "why aren't developers building all these homes" it seems sensible to first to ask "all things being equal, how many of these homes could realistically start in the next three years?".

The following paragraphs attempt to turn the 'total' permissions numbers into what might be called 'realistically deliverable' numbers. By way of example, a consent for 20 homes can be built in a year or so, a consent for 10,000 homes cannot – the realistically deliverable number is 20 in the first instance and somewhat lower than 10,000 in the second. But how much lower?

In the 24 months to June 2012, in schemes of 20+ private homes, 23,700 private sale units started on 318 sites across London. This is an average of 37 starts per scheme, per year – or 100 private sale units on average in any three year period. Add in a further 50% for affordable housing delivery on these sites and the average delivery per scheme across London is roughly 150 units in any three years.

Molior understands that in the past the GLA has assumed that annual delivery rates on larger schemes would be in the region of 200-250 homes per annum.

2.3 CAPACITY ABOVE 150/250 UNITS IS MISLEADING

Molior would contend that permitted capacity above 150 units per site misleads any debate on housing deliverability. Perhaps a more realistic view of housing capacity is offered by Table 4 which only counts the first 250 and 150 units in London's 524 planning permissions.

This single exercise suggests that between two thirds and three quarters of London's 210,000 planning permissions should not be considered deliverable in the next two to three years. And that London's 'realistically deliverable' stock of planning permissions is nearer to 50,000 or 70,000 units.

2.4 DEVELOPERS/OWNERS INTENTIONS

In early 2010, as part of the Kickstart programme, the Homes and Communities Agency commissioned Molior to interview the developers/owners of London's development land. The goal was to find schemes which the Kickstart programme could affect.

Molior has continued this work, and twice each year interviews the developers/owners of London's planning permissions. The work isn't straightforward: some owners are elusive, some lie, some are optimists. We have found that getting an honest answer can sometimes require a dishonest question – mystery shopping as a potential buyer of land is very effective.

The outcome is an attempted prediction of who will build, who will sell and which schemes are on hold. Of course the work isn't a science: sometimes the next step with a development site doesn't fit into any simple category.

But as a result of these bi-annual interviews Molior commenced this current piece of work for the GLA with a good understanding of the intentions of 492 out of 524 London planning permissions.

Table 5 on the next page shows the intentions of the developers/owners of London's development land.

66 developers/owners were not interviewed – 32 because we have yet to pin down the owner for a conversation and 34 where a permission is a large outline consent which is being duplicated by further consents for individual phases – in these instances we have interviewed the land owners regarding the smaller phases.

Only seven consents have been abandoned (though 20 or so more have recently lapsed). These seven are mostly sites where there is an

Table 4: Permissions capped at 250/150 units

Scheme size	250 Cut Off		150 Cut Off	
	Schemes	Units	Schemes	Units
20-50 (units)	144	4983	144	4,983
51-150	171	16,144	380	47,494
151-250	209	48,986	n/a	n/a
251-10,800	n/a	n/a	n/a	n/a
Total	524	70,113	524	52,477

alternative use – such as education in the case of, say, Bolingbroke Hospital in Wandsworth.

100 developers / owners say the next step is a land sale. These are mostly schemes where a non-builder, usually a historic land owner or an owner-occupier, has won planning consent.

In 140 instances the developers/owners say they will start building before the end of 2012. We try to exclude situations where we simply do not believe the land owner – but nevertheless the actual number of starts is very likely to be lower than 140 due to over optimism on the part of the developer.

200+ schemes are 'on hold' for a variety of reasons – typically the need for more planning, the inability to get vacant possession, the inability to get development funding or simply because the land owner prefers to wait rather than develop.

Table 5: Intentions by schemes

Intentions	Schemes
1 - Not yet interviewed	32
2 – Outline Mega Permission	34
3 - Resi Abandoned	7
5 - Land Sale or JV	98
6 - On Hold	214
7 - Probable 2012 Start	139
Total	524

2.5 INTENTIONS BY UNITS

Table 6 combines Tables 4 and 5 to show developers / owners intentions by total units and by 'realistically deliverable' units.

At this point we would make two points:

- The first is a reminder of Figure 1, which showed high levels of current construction.
- The second is based on Table 6, which shows, roughly, a quarter of London's realistically deliverable units possibly on site soon.

If the premise for this study included the observation that "London is not building – there are lots of consents – what can we do to get them started?" … perhaps that observation should instead be "London is building – there aren't as many realistic consents as we thought – and more than we imagined are due to start".

Table 6: Intentions by units

Intentions	Total units	Limited at 150
1 - Not yet interviewed	11,759	3,094
2 - Outline Mega Permission	73,229	5,100
3 - Resi Abandoned	2,112	671
5 - Land Sale or JV	19,952	7,842
6 - On Hold	70,084	22,995
7 - Probable 2012 Start	33,687	12,775
Total	210,823	52,477

2.6 WHO CONTROLS THE SITES?

To allow further analysis, Molior has classified the developers/owners behind each site. We have a title document for each scheme, and over the last few years have put in a lot of effort in tracking down the developers and owners behind each project – this work, and the regular interviews, mean we have a good understanding of which of these firms are able to build and which are not.

Table 7 summarises our understanding of who is behind each project

- Builders include national housebuilders, specialist London developers and other niche development firms who – in our opinion – are willing and able to build new homes in London.
- The Housing Associations could also be included in the 'Builder' category.
- Non-builders are firms that we cannot see building a scheme themselves – either they don't have the skills or they will be unable to get the financial backing.
- Government could also be included in the 'Non-builder' category.

By way of further explanation, 'Non-builders' would include:

- Some developers that have, in fact, built in London in the past. In some instances we have taken the view that particular developers would be unwilling to commit their own equity to development at the moment, or would be unable to access debt, or both.
- Owner-occupiers.
- Historic land owners.
- Investment funds.
- Firms that specialise in gaining planning permission prior to selling to a developer.
- Other investors.

Table 7: Who controls London's permissions?

Type of firm	Schemes
Builder	212
Housing Association	78
Non-builder	203
Government	31
Total	524

2.7 INTENTIONS BY TYPE OF CONTROL

Table 8 combines Tables 5 and 7 to show developer/owner intentions by type of control:

- Firms that build control 55% of London's development sites. These firms hope to commence 40% of their consented sites before the end of 2012.
- Firms that do not build control 45% of London's development sites. These firms hope to commence 10% of their consented sites before the end of 2012 – these 25 projects are controlled by a mix of investment funds, overseas investors and owner-occupiers, firms that if they do one project, are unlikely to do a second.

Table 8 suggests two things:

- The first is stating the obvious: Builders are building, non-builders aren't.
- The second is merely logical: Unlocking London development sites is not about helping builders build, but more to do with changing the ownership of sites controlled by non-builders, i.e. getting them into the hands of firms that build.

Table 8: Intentions by type of control

Owners' Intentions	Builder/ HA	Non builder/ Government
1 - Not yet interviewed	11	21
2 - Outline Mega Permission	31	3
3 - Resi Abandoned	2	5
5 - Land Sale or JV	20	78
6 - On Hold	112	102
7 - Probable 2012 Start	114	25
Total	290	234

2.8 CIL - MAJOR UNINTENDED CONSEQUENCES

Developers tell us that consents achieved by non-builders – 45% of London's permitted sites – typically have some problem or other impeding deliverability. Put simply the consents are not designed with delivery in mind – they usually have one or more issues that makes them difficult, sometimes impossible, to build. This might be unit sizes, access issues, traffic flow around the site during construction or payment timing within the s106 – most schemes have one or more issues.

Changing control of the sites owned by non-builders highlights an unintended consequence of the introduction of CIL.

Many developers tell us they are currently – to some degree – ignoring existing planning permissions that were achieved by non-builders.

The developers we have spoken to repeat the same concerns:

- We would like to buy consented sites … but what we buy needs to be tweaked so we can build it.
- The introduction of CIL makes this much harder … our concern is that the tweaks we wish to carry out will trigger CIL.
- Developers feel that proposed changes to S73 legislation are not going to solve this completely.
- And this makes buying consented sites much less easy than it used to be – it is easier to look for fresh sites.

Developers feel that a CIL moratorium, allowing pre-April 2012 consents to be changed without attracting CIL would enhance the chances of permissions 'on hold' becoming desirable to builders. If necessary this could be time limited for, say, a two year period – such a time limit would put pressure on land owners to sell sooner rather than wait and sell later.

CHAPTER THREE

CONSTRAINT: NON-BALANCE-SHEET FUNDING

Portobello Square, Kensington & Chelsea © Molior / photo by AjDenny

3.1 DEBT IS HARD TO GET

Molior has no first-hand experience of development funding – most of the comments which follow come from London's developers.

Developers tell us their biggest issue is debt – both the cost of debt and its availability. When pushed they place debt availability as a more pressing issue than cost.

Apparently banks are cherry picking schemes to fund:

- Getting debt for a scheme in Underground Zone 1 is easier than in other London areas.
- And availability tails off quickly – funding in Zone 2 depends very much on postcode – Clapham is OK, Peckham is not.
- One developer told us "some parts of Zone 2 are a development-funding desert".

When banks do fund, the quantity of debt available is limited – both:

- In percentage terms: with 60% of cost being seen as the norm.
- And also in terms of quantity: finding debt provision above £20m is particularly hard.

The criteria for debt provision are also tough. We are told lenders require schemes to show a 20-25% profit margin. One developer also noted "even at 60% debt lenders require additional guarantees, making gearing closer to 50% loan-to-cost."

3.2 DEBT IS ALSO EXPENSIVE

One developer with a project in Zone 2 has worked out his cost of (60%) debt at 12% after all various fees are added up including:

- 1% on arrangement.
- 2% when the loan is repaid.
- Roughly 6% above base – 2/3/4% above LIBOR depending on perceived risk.
- And various monitoring fees.

3.3 NON-BANK FUNDING IS DEMANDING

Having to find 40% of development costs leaves many of the less well capitalised developers struggling to get a funding package together.

This lack of debt, and its expense, means alternative sources of development finance are able to demand high returns:

- Mezzanine is at 16-18%, which many developers consider astronomical.
- And private equity requires a 20-25% return, which can equate to all of the development profit.

3.4 STARTS WITHOUT LAND CHARGES

The result of demanding lending criteria is development without scheme-specific debt. Table 9 on the next page shows information taken from the HM Land Registry title documents of 86 schemes that have commenced construction in London so far in 2012. 25 title documents list a bank in the Charges Register, 61 do not.

So the schemes starting construction in London are being funded at the level of the developers' balance sheets, rather than on a scheme-by-scheme SPV level. This means smaller less well capitalised developers are not commencing development in London.

3.5 SPECULATIVE BUILDING IS WHAT'S MISSING

Before the 2007 crash funding was not a barrier to entry into the London residential development market. In fact during the early parts of the last decade a large number of small firms were able to build big projects using other people's money.

It is obvious to say but worth repeating: back then loans were plentiful and there was significant competition amongst banks to lend large volumes of money. And the money was cheap – in effect the banks became the risk bearers; some smaller developers were genuinely speculating using bank debt to deliver large schemes. Rising end values allowed (sometimes amateur) development mistakes (including accepting unviable s106 terms) to be absorbed by rising profit margins.

Table 9: Starts and land charges

Lender	Schemes
AIB / Allied Irish Bank	1
Anglo Irish Bank / Irish Bank Resolution Corp.	2
Bank of Cyprus Plc	1
Bank of Ireland	2
Barclays Bank Plc	3
Clydesdale Bank Plc	1
Deutsche Postbank AG	1
HSBC	4
Investec Bank	1
Kaupthing Singer & Friedlander Ltd	1
Lloyds Banking Group / Bank of Scotland	4
Marfin Popular Bank Public Co Ltd	1
RBS / NatWest / Ulster Bank	1
Santander / Abbey National	1
United Overseas Bank	1
Total 1	25
No bank shown on title document	61
Total 2	86

But all that has gone – the single schemes done by a series of risk takers are missing from the housing delivery numbers. Thankfully, in London the more professional side of the development industry has stepped into the gap and private sale construction is back top peak levels.

3.6 BANKS: LAND DEALS OF 20+ UNITS

Out of interest we looked to see if this lack of scheme-specific debt was being repeated in the land market. Across the whole of London in schemes of 20+ private sale units there were 139 land sales registered at HM Land Registry in the 18 months to June 30th 2012.

Table 10 on the next page shows the lenders against each land purchase.

Table 10: Greater London large scheme land purchases and lenders 2011/2012

Lender on title document	Schemes
AIB / Allied Irish Bank	1
Anglo Irish Bank / Irish Bank Resolution Corp.	1
Bangkok Bank Plc	1
Banif-Banco International Do Funchal S.A.	1
Bank of India	1
Barclays Bank Plc	3
Close Brothers / Commercial Acceptances	1
Clydesdale Bank Plc	1
Cronus Debt (Morgan Stanley)	1
Eurohypo AG	1
HSBC	11
Investec Bank	3
Lloyds Banking Group / Bank of Scotland	2
Mizrahi Tefahot Bank	1
RBS / NatWest / Ulster Bank	5
Santander / Abbey National	1
Total 1	35
No bank listed on title document	104
Total 2	139

3.7 GOVERNMENT FUNDING GUARANTEES?

One solution to this would be for government to offer funding guarantees to developers. However the firms we interviewed were wary of this – they are cautious of any initiative that would feed straight into the land value and not actually get anything done. Their concern is that funding guarantees would simply increase competition in the land market.

So whilst the industry wants easier and cheaper development loans, the people Molior has interviewed have major concerns about another boom/bust cycle if the money is made available to risk takers. (Though the cynic would note that, to protect their own profit margins, developers would be against any initiative that caused greater competition!)

3.8 ENCOURAGE PRS

A number of developers expressed the desire for more help in getting PRS started. They say PRS needs to be kick started – investment funds are still shy of the sector and need to see it working before they will join in. One interviewee asked whether government pension money could be used to seed an initial fund – Molior understands that this is being actively looked at by government.

The beauty of PRS, so developers say, is that it allows more delivery without more sales risk:

- PRS schemes would not need to be sold.
- And they would not increase sales risk on non-PRS schemes.


Riverlight (Tideway Wharf), Wandsworth © Molior / photo by AjDenny

CHAPTER FOUR

CONSTRAINT: PRIVATE SECTOR CAPACITY

Canaletto London, Groveworld, Islington © Molior / photo by AjDenny

4.1 BUILDERS – CURRENT SITES

When interviewing private sector developers and house builders for this study it was hard to get any active major player to suggest anything was needed to get their current schemes on site. This was the single most startling finding … considering the project was intended to find the reasons why London planning permissions are not being built.

By and large the firms that build have no issues with their current sites, they are viable and funding is in place for construction. In part this is because they only buy schemes they think they can deliver. In part it is because during the last few years they have had the time to resolve issues with even their most difficult schemes.

They admit that selling homes in some locations is risky and construction here is avoided – and indeed some builders are sellers of selected sites at the moment.

In summary: amongst those professional builders interviewed, they say they need little help in getting schemes ready to build.

4.2 JUST 23 FIRMS ARE RESPONSIBLE FOR 70% OF PRIVATE SALE STARTS

But the number of firms that build significant quantities of homes in London is limited.

During the 12 months to June 2012 just over 11,000 homes consented for private sale commenced construction in London (in schemes containing 20+ private sale homes). 70% of these units – roughly 8,300 homes – were commenced by just 23 firms:

1. Berkeley Group: 1,492 homes started
2. Barratt: 1,468
3. Bellway Homes: 821
4. Tesco / Spenhill: 509
5. Telford Homes: 493
6. Taylor Wimpey: 433
7. London & Quadrant Housing Trust: 392
8. United House Developments: 213
9. Redrow London: 209
10. Genesis Housing Association: 203
11. Groveworld: 190
12. Mount Anvil: 184
13. Countryside Properties: 177
14. Linden Homes: 174
15. Ballymore Group: 173
16. Crest Nicholson: 171
17. European Land Property: 159
18. TRS Asset Management: 149
19. Circle: 148
20. Notting Hill Housing Group: 146
21. Galliard Homes: 134
22. London & Regional Properties: 125
23. Aitch Group: 123

NB. We have split schemes delivered as joint ventures equally between each partner, and only count units originally consented for private sale.

4.3 BUILDERS – FIXED BUSINESS PLANS

Convincing these firms to build more might not be easy. With one or two exceptions, the interviewees were very cautious about their own ability to expand. Molior feels increasing capacity amongst larger firms is restricted by two factors:

- First, the bigger developers have recapitalised and in effect have already expanded back to where they were prior to the downturn. Several firms told Molior they had a new business plan in place together with funding and staff to deliver it. Many if not most firms have scaled up only recently, they feel the need to let

recent changes settle in and certainly do not want to expand yet again soon.
- Second, there is a supply chain issue. One of London's largest developers said the smaller firms they subcontract building work to have dwindled in number during the recession, and this would be an issue if they aspired to build more homes. Though other commentary suggests sub-contractors have always been a development constraint whatever the state of the economy.

Getting the smaller firms to build more also poses challenges. The smaller developers are small because they want to be – they are loathe to scale up as expansion requires greater overheads which demand volume which require competing for land which is the boom/bust model.

4.4 BARRIERS TO ENTRY: COMPLEXITY

The only other way to get more capacity in the industry would be via new entrants to the market. Indeed it is interesting to see Tesco / Spenhill in the list in section 4.1.

However the complexity involved in London development is seen as a significant barrier to entry – as one developer said "firms that build houses in Reigate would find stepping into London required a completely different development team."

The complexity developers talk about includes that associated with getting planning permission and navigating varied and changing building regulations.

4.5 BARRIERS TO ENTRY: ACQUIRING LAND

There are only two ways to get development land:

- Pay more than anyone else thinks it is worth.
- Or work hard for many years alongside a land owner. Helping them to get a planning permission.

Neither is really an option for the new entrant unless very well capitalised.

4.6 EVIDENCE OF LAND BANKING

The shock-horror stories of developers land banking come to national attention from time to time and with 210,000 permissions in London it is only natural that questions are asked about land banking in the capital. To repeat things said elsewhere in this report:

- The people who build either don't have land banks (Redrow) or have two to three years of deliverable raw material (Bellway).
- The majority of the big consent numbers are years away from delivery (using a 150 or 250 unit cut off).
- People unable to get the cash to build are not land banking by choice!
- And many of the owners of consented land are land owners due to history not because they have bought a development site for speculative reasons.

To deny land banking is happening would be wrong. But finding specific evidence of such activity in London, especially amongst firms that build, is extremely hard.

However, the industry feels that vendor price aspirations definitely lead to sites lying dormant – when the vendor wants too much for their site either the site does not sell, or the site is sold but then does not get developed. Both scenarios would lead the outside observer to make accusations about land banking, and rightly so.

Which is why it is nice to have a public sector example of land price leading to a site remaining undeveloped; it isn't necessarily developers who are guilty of land banking …

Barratt and Berkeley are believed to have been the under bidders on the North Wharf Gardens site in Paddington recently sold by LB Westminster. Molior understands they each bid in the £80-85m range. An overseas buyer eventually won the site with a £121m bid. Which means someone who does not build in London paid 50% more than the price London's two largest developers consider being the value of the site as a 'factor of production'. LB Westminster appears to have gained a planning consent and then disposed of the site at a price and to a buyer which makes building the consent soon rather unlikely.

4.7 DEVELOPMENT IS AN 'OPTION'

Finally a word about the natural optionality in development land value.

Land value is a residual value: sales values are large and uncertain, build costs are large and variable – this means that the residual land value is a volatile number which can change dramatically over time. With low interest rates the cost of holding land is low, unless the site has security and maintenance costs.

Molior would contend that residual land value acts like an option. The developer has the option to develop at any time, and until that point the fluctuations of end value and cost are largely irrelevant. An asset with such characteristics is very valuable – certainly more valuable than 'today's' residual land value.

Add to this the fact that for many land owners/speculators one deal offers relatively life changing wealth, and that despite three year planning permissions in practical terms the optimist will assume permissions can be renewed for ever:

- Leaving land undeveloped for a very long time can be logical.
- And over paying for land can be even more logical.

This isn't to suggest there is anything right or wrong in land banking, simply to observe that if you are keen to change development land ownership from non-builders to builders, you need to make it valuable to the land owner to sell sooner rather than later.

Just to be clear, Molior is not suggesting an annual tax on undeveloped land – the 'stick' approach will lead to all manner of unplanned consequences. Rather we would argue for some kind of 'carrot' which makes development land more valuable in the short term if the site is sold to someone who subsequently builds the scheme.

Notwithstanding warnings elsewhere in this report that government activity must be careful to avoid inflating land values – one way to make non-builders sell sites sooner rather than later is to make their sites more valuable in the short term.

A time limited moratorium that increases land value for a window would achieve two things:

- It would force land owners to think hard about selling sooner rather than later.
- And it would attract capital into the industry.

The simplest way to achieve this would be to allow a very large profit in viability assessments for a limited period in return for housing delivery guarantees. Affordable housing delivery would suffer, but total housing delivery might (only might) rise.

CHAPTER FIVE

CONSTRAINT: PUBLIC SECTOR SPEED AND CONSISTENCY

375 Kensington High Street, Kensington & Chelsea © Molior / photo by AjDenny

5.1 PLANNING SYSTEM

By and large the developers Molior interviewed had very positive things to say about local authority planners and the GLA. That isn't to say there weren't some gripes and moans – but the consensus seems to be that workable deals are struck eventually and that the planning system is flexible and helpful.

The main concern amongst developers is the speed at which the planning system operates – there is a general feeling that the planning system doesn't appreciate that time is money. We are told that pre-application negotiations have become elongated. One person familiar with the way the system is working observed that planners might consider 'time' to be their main negotiating tool. Some planning departments are considered under staffed.

Interviewees also commented on a perceived skills gap in some planning departments.

A third area of concern is the range of borough specific requirements which are unhelpful. Examples would include:

- The requirement to replace employment space (Lewisham / Hackney) even when the space is un-lettable.
- The inflexibility over required affordable housing quantities (Islington).
- The inflexibility over affordable housing mix (Tower Hamlets).
- The borough's own development standards (Islington).

A fourth concern is the speed with which local planning policy alters following changes in national guidance. Officers seem to be too keen to stick with adopted policy when national guidance changes in favour of developers, but are quicker to react with changes in the opposite direction. One might comment that such behaviour is only natural.

Finally, there is also evidence of what we would prefer to call 'questionable' local authority behaviour. To Molior as an outside observer the behaviour of a minority of planning officers is, at best, bullying. At worse … the words we would like to use would almost certainly be struck from this report by the GLA's legal team. Developers are loath to take a confrontational stance against such behaviour as they are aware they need to continue working with the boroughs in the medium and long term. The situation is reminiscent of the kid in the playground being bullied but not telling anyone – because if they do they are concerned the bullying will get worse.

5.2 TFL, ENVIRONMENT AGENCY, DISTRICT VALUER SERVICE

Most interviewees commented on the difficulty in dealing with public bodies other than the local authorities.

Some interviewees expressed frustration with their dealings with TfL. There is the feeling that its huge size can make it difficult to work with. In particular it can be hard for developers to find the right person with the right authority to make decisions within TfL. Areas which are often problematic relate to clarification regarding property issues, which can often be complex commercial property deals. These concerns have been fed back to TfL and we understand that they are being addressed.

Issues with TfL were echoed when the Environment Agency was discussed.

- One developer said dealing with the EA delayed a scheme by three years.

- Another said they spent nine months dealing with an EA officer who then returned home to Australia. His replacement decided the situation needed to be handled in a completely different way causing even more delay.

The District Valuer Service is also considered to be a slow organisation to interact with.

5.3 GOVERNMENT CONSISTENCY - STOP ADDING COST ITEMS!

Above all other things the industry wants government to stop changing things and allow it to work against a backdrop of consistency, and stop making development more costly.

Builders say the following feels like an endless list for expanding constraints on the way they run their businesses:

- Sustainability
- Design standards
- Building regulations
- Changed grant regime
- Mix of affordable housing
- Disabled requirements
- Pepper-potting / indistinguishable facades
- Service charge subsidy
- CIL
- Etc!

One interviewee said he felt that the issues causing problems five years ago have gone as difficult elements have been relaxed / changed – and that recent changes in planning are causing the current problems, because there hasn't been time to iron out the illogical elements. If new initiatives were stopped, if the system didn't change for a few years, there would be time for a smooth way of operating to become the norm.

5.4 DEVELOPERS ONLY HAVE THEMSELVES TO BLAME

During the last Labour administration it sometimes seemed that the public sector was piling one constraint after another on the residential industry in London – see the list above.

In terms of construction, it has got to the point where a developer with an engineering background said to us: "When at Arup I worked on a number of very complicated schemes from laboratories through hospitals to the Bank of England security system. Subsequently I worked as a house builder, developing simple blocks of flats, and found that the flats were by far the most complicated form of construction I'd ever encountered purely because of the many and conflicting standards one had to follow".

Molior remembers when the committee meeting for Marathon House near Baker Street was held and a commuted sum in lieu of affordable housing was agreed, the first of that economic cycle – this would have been 15 years ago. Since then the tax burden on residential development has risen to the point where any excess profit is completely taxed away by the system, other than the profit derived from that produced by lucky movements in end values.

And all the while the industry 'allowed' this to happen: debt was cheap; sales rates were high and values kept rising to absorb the cost of the constraints. All developers wanted to do was get their next consent and build their next scheme – they noticed the gradually rising tide of taxation, moaned a bit but generally got over it and got on with developing. In a way developers only have themselves to blame for high costs and high taxes!

5.5 GRANT REGIME

Requests for changes to the grant regime came from a small number of interviewees. Basically they want consistency:

- Consistency over the longer term: perhaps through a rolling programme of annual allocation to reflect the way sites come forward would avoid the end of period panic. Developers and Housing Associations say their development programmes are definitely harmed by a lack of grant visibility beyond 2014/15.
- Consistency in the availability of grant: The bias towards estate regeneration at the expense of s106 sites is unhelpful, and developers would like to be able to get 75% of the grant up front in the way housing associations do.

5.6 VIABILITY PROFIT MARGINS

Several developers recounted stories of local authorities demanding profit levels in viability assessments that simply didn't make sense.

These gripes are well rehearsed and have been rolling on for a few years, but that doesn't mean they shouldn't be repeated:

- One developer in a less-than-desirable part of Inner London was faced with a local authority 'allowing' a 10% margin for the affordable housing and 15% for the private sale units. As he said, "this implies 10% for construction risk and an additional 5% for sales risk which is ridiculous!"
- Another developer voiced frustration that the percentage profit demanded by banks (20-25%) was not considered relevant in a viability assessment by a different local authority.
- This inflexibility has also impacted on PRS schemes where the investment value of PRS as opposed to individual sales is lower, but is not recognised as such in appraisals.

Speaking to planning consultants, planning lawyers and developers it is clear that there is potential for considerable mistrust in viability negotiations, and that they can become adversarial if planners think developers are lying. Which, to be fair, they sometimes are. Though one might further comment that local authorities also have preferred consultants whose objectivity can also be questioned.

5.7 LOWERING PRODUCTION COSTS

The following is just an observation on production costs.

Most manufacturers in most industries seeking volume sales – whether they make cars or chocolate bars – will aggressively drive down production costs in order to lower price. Their route to volume sales is via lower prices.

In our industry viability assessments place a 100% tax on such endeavours. The illogicality of a marginal rate of taxation at 100% has never really been challenged head-on and one wonders what the Treasury view would be.

(Though in the absence of viability assessment you could easily argue that increases in land values would place a 100% tax on such endeavours.)

5.8 LOCALISM AND POPULISM

Developers say they want planning rules to be applied consistently and fairly. Concerns under this banner include:

- A feeling that 15 years ago it was unheard of for a planning committee to vote against a scheme with officer recommendation for approval, but now this is no longer the case.
- A feeling that localism has gone astray, and that localism has become the new name for NIMBYism .
- Rightly or wrongly, the Mayor is also perceived as being guilty of populist decision making in one or two isolated situations – giving backing to minority concerns when local planning departments are happy with development proposals. In fairness to the Mayor and his definition of what localism means in London (a blend of neighbourhood, borough and city wide interests), for broader planning reasons he may well have given more weight to neighbourhood and borough related issues than would a developer in these situations.

As one developer said "there is a creeping feeling that local and populist politics are causing the rules to be applied inconsistently on a more frequent basis".

5.9 A GLA DELIVERY TASK FORCE

The industry wonders whether the various issues with the planning system might be solved by the creation of a GLA planning task force. This task force might:

- Press for more rapid consistency between national policy and local plans.
- Solve scheme specific issues in addition to affordable housing issues.
- Lend assistance to under resourced planning departments.
- Offer a one-stop-shop liaison between developers and public bodies such as TfL.
- And generally work to remove the small blockages and illogical elements in the planning system.

But it would have to have the right staff: who were reachable, resourced, responsive and very commercially minded.

ANNEX ONE

COMPARATIVE STATISTICS

Molior, government (DCLG) and the GLA/ Boroughs through their joint London Development Database (LDD) all collect information on London housing development in different ways in terms of definition, timing of data collection and the way the information is collated. At worst this can lead to different sources telling apparently different stories about the London housing market at a particular point in time. More usually, once allowance is made for definitional and other differences, they may together tell a broadly similar story but in different ways. So it is with the story emerging from this project – or at least those parts of it which can be tracked by broadly similar but by no means identical indicators used by DCLG, LDD and Molior.

In this regard, it is worth noting that on private residential development Molior collects a much wider spectrum of market related information than either the LDD or DCLG, and does this on a more up to date and more direct basis than either – usually through site visits, as well as through interviews. However, it does this only for schemes containing 20 or more units. According to LDD, over the seven years to 2010/11 schemes of this size accounted for nearly two thirds (64%) of gross completions. In Table 1 below LDD based relationships between schemes of this size and total LDD completions have been applied to the Molior data to impute the total output with which its partial results might have been associated.

The common story

In essence, all three sources suggest that that there has been some recovery in private sector development activity since the downturn following the 2007 peak. Where they differ is in the scale of the recovery that they show, and the way in which it is being translated into completions: by and large, the overall level of completions which can be imputed from Molior's data lies between those shown by CLG and LDD, while the imputed overall level of starts shown by Molior is above that shown by DCLG. In the paragraphs below the GLA has sought to summarise some of the key similarities and differences between Molior and the other two sources on a consistent, financial year basis.

DCLG data

DCLG's nearest proxy to Molior's headline 'under construction' information (Figure 2 in the body of the report) is that provided by their 'starts' data for all market housing (rather than Molior's which records only market schemes with more than 20 units - see Table 1). Like Molior, DCLG shows a clear upturn in 2010/11 followed by a down turn in 2011/12, but that is still higher than the trough recorded by both in 2009/10. DCLG does not however follow Molior in showing a recovery in development activity above the 2007/08 peak. How much of this difference is due to differences in the data themselves and how much to the real level of activity cannot be disentangled.

Both DCLG and Molior show a recent upturn in overall output measured in completions. That imputed from Molior's sample based data is consistently higher than DCLG returns.

LDD data

Unlike DCLG, LDD does capture 'under construction' information. However, this is on a very different basis to Molior and to an extent that the actual levels of activity cannot be compared. LDD records a start for the planning permission as a whole as soon as the first work on site sufficient to exempt the permission from lapsing is carried out, be that demolition or the digging of a trench. All of the proposed units appear in the under construction total from the moment the first work on site begins until those units are completed. Molior and DCLG figures are more closely related to actual bricks and mortar construction. Nevertheless, it is notable that provisional figures for 2011/12 suggest that the historic, static level of capacity in the total pipeline of dwellings under construction has now started to trend upwards. It is unclear how far this can be attributed to actual house building activity and how far it reflects land owners 'digging a trench' to secure their permissions ahead of the introduction of the Community Infrastructure Levy in 2011/12.

While LDD's figures for the levels of starts cannot be compared with those from CLG and Molior, the LDD trend does show a surge in starts in 2010/11. From returns received so far this does not look likely to be sustained in 2011/12, and certainly not to the level recorded in 2007/08.

LDD's completions returns lag those from CLG and Molior. Those for 2011/12 are still being compiled and currently show only the beginnings of an upturn in trend.

The present project has focused on new build private sector construction. To place this in a broader context, LDD returns covering all private and affordable housing are shown in Table 1, including provision from changes of use and conversions.

Table 1 Financial year based housing activity/output comparisons: Molior, DCLG, LDD

	2007/08	2008/09	2009/10	2010/11	2011/12	2012 Q2
STARTS						
Molior (+20 dwelling schemes)	NA	NA	7,940	12,630	10,530	3,040
Molior est. total	NA	NA	12,220	20,370	16,980	4,900
DCLG market	14,770	9,140	9,170	11,920	11,450	3,480
LDD market new build	17,040	13,050	12,590	22,180	13,800*	NA
LDD total (public & private)	38,280	28,140	27,250	42,401	24,800	NA
UNDER CONSTRUCTION						
Molior (+20 dwelling schemes)	NA	19,740	16,650	22,020	23,420	2,310
Molior est. total	NA	29,030	25,620	35,480	37,770	3,730
CLG	NA	NA	NA	NA	NA	NA
LDD market new build	42,970	43,210	47,210	63,740	65,980*	NA
LDD total (public & private)	80,830	78,490	82,110	105,180	103,250*	NA
COMPLETIONS						
Molior (+20 dwelling schemes)	NA	NA	11,030	7,260	9,130	3,360
Molior est. total	NA	NA	16,970	11,710	14,730	5,420
DCLG market	14,820	13,180	13,110	9,350	11,260	3,260
LDD market new build	13,890	14,150	12,290	8,750	9,480*	NA
LDD total (public and private)	33,420	33,830	29,390	21,900	23,280*	NA

Sources:

- Molior (+ 20 dwelling schemes): Molior database
- Molior est. total: a proxy for total housing activity/provision which might be associated with Molior data derived by applying LDD completions figures for schemes of different sizes to "Molior (+ 20 dwelling schemes)". LDD shows that in 2007/08 59% of development was on sites of 20 or more units; 68% in 2008/09; 65% in 2009/10; 62% 2010/11; and 62% 2011/12. It is assumed that 62% would also apply to Q2 2012
- DCLG: gross market starts Live table 231; Live table 217 2012 Q2, Market units
- DCLG: gross market completions Live table 232; Live table 217 2012 Q2, Market units
- LDD market new build: gross new build (calculated without subtracting losses of existing units) and excluding conversions/changes of use – this data is intended to show the same trends as CLG and Molior data, but are updated on a continuous basis. Starts are recorded at permission, rather than at phase or unit, level. This means that all units in the scheme/permission are taken to be started when the first work is carried out on site, even though the scheme may be delivered in several phases. These units will remain in the Under Construction total until they are completed. Molior and DCLG figures are based on phased starts.
- LDD total (public and private): gross new build for all public and private sector dwellings including conversions and change of use.

** Borough data returns for 2011/12 are still being collected so figures may change.*

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Chinese

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Vietnamese

Nếu bạn muốn có văn bản tài liệu này bằng ngôn ngữ của mình, hãy liên hệ theo số điện thoại hoặc địa chỉ dưới đây.

Greek

Αν θέλετε να αποκτήσετε αντίγραφο του παρόντος εγγράφου στη δική σας γλώσσα, παρακαλείστε να επικοινωνήσετε τηλεφωνικά στον αριθμό αυτό ή ταχυδρομικά στην παρακάτω διεύθυνση.

Turkish

Bu belgenin kendi dilinizde hazırlanmış bir nüshasını edinmek için, lütfen aşağıdaki telefon numarasını arayınız veya adrese başvurunuz.

Punjabi

ਜੇ ਤੁਹਾਨੂੰ ਇਸ ਦਸਤਾਵੇਜ਼ ਦੀ ਕਾਪੀ ਤੁਹਾਡੀ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਚਾਹੀਦੀ ਹੈ, ਤਾਂ ਹੇਠ ਲਿਖੇ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਹੇਠ ਲਿਖੇ ਪਤੇ 'ਤੇ ਰਾਬਤਾ ਕਰੋ:

Hindi

यदि आप इस दस्तावेज की प्रति अपनी भाषा में चाहते हैं, तो कृपया निम्नलिखित नंबर पर फोन करें अथवा नीचे दिये गये पते पर संपर्क करें

Bengali

আপনি যদি আপনার ভাষায় এই দলিলের প্রতিলিপি (কপি) চান, তা হলে নীচের ফোন্ নম্বরে বা ঠিকানায় অনুগ্রহ করে যোগাযোগ করুন।

Urdu

اگر آپ اِس دستاویز کی نقل اپنی زبان میں چاھتے ھیں، تو براہ کرم نیچے دئے گئے نمبر پر فون کریں یا دیئے گئے پتے پر رابطہ کریں

Arabic

إذا أردت نسخة من هذه الوثيقة بلغتك، يرجى الاتصال برقم الهاتف أو مراسلة العنوان أدناه

Gujarati

જો તમને આ દસ્તાવેજની નકલ તમારી ભાષામાં જોઈતી હોય તો, કૃપા કરી આપેલ નંબર ઉપર ફોન કરો અથવા નીચેના સરનામે સંપર્ક સાધો.