

Affordable housing in Cornwall – a briefing paper

The Government's Green paper on housing, released on July 23rd, reiterates plans to 'build our way out of the problem' without addressing many of the fundamental causes. Increasing the level of social housing by 50,000 per annum equates to 600 per year across Cornwall, yet with an open market and increasing demand, house prices in Cornwall will continue to escalate, making the problem of affordability worse.

Executive Summary

CoSERG contend that current policies on affordable housing cannot resolve the issue of providing adequate housing for those unable to afford the current high prices.

There is constant emphasis by Government on the need to supply affordable housing by simply building more houses.

Yet, this ignores the factors which influence house prices:

1. Demand for second homes and homes for investment;
2. Properties bought under the 'buy to let' format;
3. Lack of investment by government in affordable housing;
4. Migration levels (particularly important in Cornwall);
5. Interest rates;
6. Lending policies of Building societies;
7. Impact of high earners on house prices.

In Cornwall, there is

1. High demand for second homes;
2. High proportion of people moving to Cornwall from affluent areas;
3. Low local incomes.

If the number of new dwellings built increases, it

1. Is unlikely to have an impact on overall prices;
2. Can induce migration into the area;
3. Is often built for the luxury or more affluent end of the market.

Policy depends on developers supplying affordable housing, but to provide this they need to sell the other houses at **unaffordable** prices.

Large numbers of houses have been built in Cornwall, but a rise in population due to in-migration has increased demand. The number of people living in Cornwall increased by 32% between 1971 and 2001, compared to just 6.5% in England. Analysis of the household projection figures for Cornwall indicate that 68% of the additional 85 thousand households expected in Cornwall from 2001 to 2029 will be created by people moving into the area.

Cornwall's environmental carrying capacity already exceeds existing limits, yet Government policy seeks to encourage a higher population

level, with significant negative impacts on quality of life, community cohesion and the Cornish environment. There is a focus on housing as a 'driver' of the economy rather than seeking sustainable economic activity.

Alternative policies should seek to

1. Reduce Cornwall's population growth;
2. Focus on provision of affordable housing;
3. Ensure through the planning system that residential property is kept for residential use rather than investment purposes;
4. Build for local need not luxury demand.

We have a bizarre situation where central government is obsessed with population growth in the United Kingdom, despite the contradiction between this policy, and the need to address climate change and provide affordable homes for the current population.

The constant repetitive refrain to 'build more houses', exemplified by the Barker report, is to concentrate on supply. Yet demand is an important understated element in the equation. As a solution this is simplistic and unsustainable.

Factors affecting house prices

As the Royal Town Planning Institute (RTPI) stated in 2003, house prices are influenced by a number of factors that affect demand and supply of housing. These include:

- Mortgage rates and the range of mortgage products;
- Stamp duty;
- Salary levels;
- Patterns of public investment;
- Demographic and migration factors;
- Interest rates;
- Attractiveness of housing for institutional investments;
- Public investment in housing (or lack of it);
- Availability of personnel and skills in the construction and related industries.

(Royal Town Planning Institute, 2003).

A more recent report by the RTPI indicates other issues, which influence house prices:

The relationship between the price set for new housing and the overall level of house prices – given that less than 15 per cent of house sales in each year are for newly built houses;

The use of housing as a personal investment as a substitute for perceived and actual deficiencies in personal pensions and as security against which to borrow money. In the UK, owners have borrowed £264bn against the rising value of their homes;

Political and public perceptions of housing development per se, of its quality and of its effect on local services and the environment;

The effect of 'buyer subsidies', such as the key worker initiative, on local house prices;

The effects of sub-markets such as buy-to-let, buying to lease back to local authorities for use as temporary accommodation, and purchase of stock by corporate investors or for use for business staff or on short-lets. For example, the number of buy-to-let mortgage advances per year increased from 44,000 in 1999 to 330,000 by 2006;

The relationships between empty properties and second homes in local housing markets;

The overall relationship between land supply and house prices;

The lending policies of building societies;

Trading in land with permission before it is developed or its acquisition as part of the process of mergers and take-overs within the development industry;

The relationship between house prices and the investment in facilities such as schools.

(Royal Town Planning Institute, 2007).

We can sum up. The affordable housing 'debate' is notorious for its unanswered questions, such as how many houses coming onto the market each year in Cornwall are bought for

- Investment;
- Buy to let;
- Second homes;
- New residents;
- Local needs.

How many affordable homes are built by each developer as a percentage of all homes built, as distinct from the percentage on selected sites?

More dwellings lower prices?

Work carried out by the South West Regional Development Agency (RDA) also questions the assumptions underpinning the Barker Review

There are areas where new housing supply has been significant relative to population growth and, yet, it has done little in terms of dampening house price rises. There is no clear link between the relative levels of housing supply and price increases. ... New housing supply adds only marginally to the overall stock and is, usually, insufficient to alter price trends set in motion by other factors (South West RDA, 2005).

The changing nature of housing demand – from being an asset whose price principally represents its 'shelter value' (flow of housing services) to an asset whose price also reflects capital investment value – has shifted the market. Increasing housing supply at any feasible rate, given construction capacity, has not, and will not, necessarily dampen people's expectation of further capital or rental gains. Recent price rises have been based on these demand shifts, almost irrespective of supply (South West RDA, 2005).

Exploring the issue of simply increasing the supply of dwellings the RTPi suggest that

A very initial look at some research is set out below and this shows that, on one model, a doubling of the flow of permissions and a progressive increase in stock of land available by 20% per year (so doubling in four years) and a doubling of social rented new supply leads to a modest impact on price (a reduction of 4% in year 5) (Royal Town Planning Institute, 2007).

Other recent research which looked at what would happen if land supply in Berkshire was trebled, suggested that the resulting additional housing

would perhaps produce a 5% fall in house prices, a rather insignificant figure. It also indicated that levels of in-migration would rise.

Cornwall

Much of the housing demand in Cornwall arises not from a local need but from:

People moving to Cornwall. For some years Cornwall has had high population growth compared to other parts of the United Kingdom. The number of people living in Cornwall increased by 32% between 1971 and 2001, compared to just 6.5% in England. Analysis of the household projection figures for Cornwall indicate that 68% of the additional 85 thousand households expected in Cornwall from 2001 to 2029 will be created by people moving into the area.

Second and retirement home ownership

... represents housing demand that is not necessarily captured in population figures. This also highlights wealth effects and the recent switch of capital from equity investment into property assets (South West RDA, 2005).

Cornwall is a place where people want to live, due to a number of factors, including familiarity with Cornwall through tourist visits and the promotion of Cornwall as a pleasant place to live. This demand is also fuelled by developers and estate agents who actively create a market for housing. Despite an awareness of a need for affordable housing, there are too many developments allowed which obviously cannot contribute to local need. A glance at newspaper adverts and the hoardings outside new development sites, clearly indicate substantial numbers of 'luxury apartments,' and 'select developments' catering for those with sufficient finances to purchase a property for investment, a second home or simply to make a new life in Cornwall.

There is some evidence to support the argument that increasing housing supply induces in-migration: *"for every extra 100 units of private housing built, 46 extra net migrant households settle in a district and 23 extra new households are formed"* (Bramley, cited in Miller, 2006). There are thus what has been termed '*housing market feedback effects*'. You could build two, three or four times as many houses in Cornwall as are currently being built and they would all be sold, such is the latent demand. The problem is that with an open market people who wish to move to Cornwall will be able to do so and as people moving in usually have higher equity/purchasing power than local people then prices inevitably rise. So simply building more houses when we cannot control the housing market cannot possibly solve the problem of local needs and homelessness. Additional house-building in Cornwall therefore would be likely to lead to further demand for second homes, investment property and further in-migration.

Dependence on developer-led housing projects cannot succeed as a solution to the provision of affordable housing where the developer has agreed to build such housing as part of a wider development, (assuming a 25% rate) depends on building three times as many houses that are unaffordable. This underestimates the actual number of unaffordable houses built as developers often have sites where affordable houses are not included in the development.

There is also another issue pertinent to Cornwall. If so many people currently want to move to what is still perceived as a deprived area, and as a result house prices are zooming up, what happens when areas such as Camborne-Redruth are seen as being more attractive as a place in which to live and work due to regeneration activities? After all that's what the idea of regeneration is all about! Demand could rise even higher, further increasing house prices.

The current situation

House building in rates in Cornwall have been rising since 1995-6 (1500 a year) to between 2,000 and 2,500 per year (Miller, 2006).

It is not an obvious conclusion from the available statistics that there has been limited supply of new housing in Cornwall. Indeed house building has been at or only just below set housing targets for thirty years (Miller, 2006).

Camborne-Redruth: a case study

a) Housing and population growth

Past trends show how the supply of houses is related to the numbers who move to Cornwall. The proposed annual rates of housing development for Camborne-Redruth illustrate the point well. Between 2005 and 2016 the proposed development rate is 260 new houses a year and between 2017 and 2026 it is 300. Recent proposals from the unelected South West Regional Assembly (SWRA) suggest a further rise to either 360 or 400 houses a year. The actual number of houses built in the period 1996 – 2001 averaged just 155, with a similar figure over the last five years. The latest plan figures therefore envisage a massive increase in building levels of 68% and then 94% and now, if the SWRA figures are implemented, a rise of 132% to 158%. For every ten houses being built now, an additional sixteen are planned. The extra dwellings will be sold. Hence the population will increase!

If development rates continue at the rate suggested in the most recent plans, then the number of houses in Camborne-Redruth will double by 2061 (from 20,700 in 2001 to 40,500), while the total population will increase from 46,200 to 70,000 within just two generations. Have the people of Camborne-Redruth been asked whether they want to live in an urban area that is twice its present size? [An additional 6,000 dwellings mean an additional population of between 12,000 and 13,000, an increase of between 25% and 27%. If 7,560 to 8,400 dwellings are provided, the figures range from 15,000 to 18,000, the latter a massive increase of 38%].

Camborne and Redruth are expected to absorb a rate of housing growth far higher than elsewhere in Cornwall. And Cornwall's development rates are already higher than the average for England!

What is somewhat amazing is that all of this takes place against a background of increasing recognition that current growth policies are environmentally unsustainable, whether on a local, UK or global basis. Indeed, figures suggest that the population of Cornwall is already living far beyond Cornwall's carrying capacity.

b) Why? The official myths

Local needs

Without inward migration, the population would fall slightly each year. Against that, household size is expected to decline slowly. Taking the two factors together and if it was considered appropriate to allow in-migration to continue to keep the population at its current level then there would be a need for about 80 new dwellings per year in Camborne-Redruth, equal to an additional 1,720 houses from 2005 to 2026. This is considerably less than the 5,860 planned and substantially less than the potential 7,560 or 8,400 envisaged under the new proposals. In other words, for every house actually required to meet local needs another four will be built.

Affordable housing

It has been stated that 'the majority of residents can afford less than a quarter of the houses in the area' (CPR Regeneration, 2005). Reference is frequently made to the need for affordable housing. But what is meant by affordable housing? People on low incomes seeking accommodation state that even 'affordable' housing is often beyond their means. Current proposals indicate that only 25% of new dwellings in Camborne-Redruth will be 'affordable'. Yet Restormel states that a minimum of 45% of new housing for sites within Newquay and St Austell should be affordable. Why the difference?

Current proposals indicate that only 25% of new dwellings in Camborne-Redruth will be 'affordable'. Hence, if 25% of dwellings are affordable, then 75% are unaffordable! If local people are in the main limited to obtaining the affordable housing, then in practice the unaffordable housing will only be available to people wishing to relocate to the area from elsewhere in the UK. Houses will be marketed both locally and further afield, thus making the latent desire to move to Cornwall even more of a practical possibility. We have the odd situation that to provide affordable housing, we have to encourage wealthier people to move to the area and buy properties so that developers can make sufficient profit to provide the affordable housing.

c) The real reasons for house building

The real reason for this massive housing increase is that it is part of a broader plan to make Cornwall safe for continued population growth. Across Cornwall, population growth is still regarded by policy makers as a 'good' thing, a means of improving the economy. Of course, it is only a

good thing if you can afford to live in a desirable area; the rest of us will have no other option but to live in an increasingly congested and urbanised area. [As each version of land allocations has appeared, the number of dwellings per hectare has risen dramatically]. Locally this myth of housing (and population) led-growth is being driven by the Urban Regeneration Company (URC). Underlying all the hype about regeneration, the main aim of the URC's work is to build more houses in a rather desperate belief that more houses and more people will magically regenerate the area, in the jargon of the Urban Framework Plan 'using housing development as a regeneration-driver' (Llewelyn-Davis, 2001).

From the hype you might think that expanding the area through population growth is a novel and dynamic idea, never before tried before. But it's not. The population of Camborne-Redruth has increased by 43% since 1961, significantly higher than the 17% across England. Oddly it hasn't seemed to have made much difference to the area's economy. Camborne-Redruth is also Cornwall's largest urban area, yet this has not bestowed on it the alleged economic benefits hyped up by the URC.

Population-led growth was widely discredited as a solution to Cornwall's chronic economic problems back in the 1990s. But the URC appears unaware of this. Instead they stubbornly prefer to repeat on a larger scale the same old mistaken agendas and failed policies of the 1970s and 1980s. The failure to come up with really novel and yet sustainable policies for regeneration are disguised by a well-funded PR campaign that is high on rhetoric but sadly short on substance. The growth policy also sits rather uneasily with the concept of sustainability, particularly the statement in the CRP-Area Action Plan (AAP) that 'the policies and proposals of the AAP should be sustainable'. Apparently there are no limits to population growth in Camborne-Redruth, yet 'the concept of environmental limits is fundamental to sustainable development' (House of Commons Environmental Audit Committee, 2004). There is an important distinction to be made between development for regeneration in the sense of using resources to improve the economic well-being and environment of the local population on the one hand and growth on the other. The latter simply extends the urban area and increases population density. Growth without development merely gives the impression of regeneration and positive change but is fundamentally unsustainable.

Ownership and democratic accountability

The proposed housing developments in Camborne-Redruth perfectly illustrate the lack of democratic accountability and local ownership of regeneration projects. These so-called 'community' projects are by no stretch of the imagination under the control of the local community. Instead, large developers and the URC make the decisions. In addition neither the URC nor the Regional Assembly are accountable to people in Cornwall. Absence of local control combines with an uncritical and feeble response from our own elected local authorities, most of which are now due to be abolished in any case. What we are being given is actually a continuation of the unsustainable policies of population-led growth we have suffered since the 1960s and their deliberate channelling into

Camborne and Redruth. Sooner or later the temporary project-class who recycle these failed old ideas will move on to other things. Meanwhile, those of us who actually live in this 'regenerated' utopia will be left with lots of new high-density dwellings. But we will also be left with a declining quality of life, an increasingly polluted environment, a congested and suburbanised Cornwall and growing pressure on our transport systems, schools and health services.

CoSERG contends that a new approach is required to address the affordable housing issue, namely

- Ensuring that the planning system is able to restrict permission for inappropriate developments, which do not meet local, needs;
- Ensuring that the transfer of residential property to non-residential purposes is subject to obtaining planning permission;
- Directly providing social housing rather than relying on the developer-led approach;
- Seeking to reduce population growth in Cornwall.

Rather than repeating the government mantra of 'just build more', Cornwall needs to address the underlying issues to create a sustainable solution to affordable housing.

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