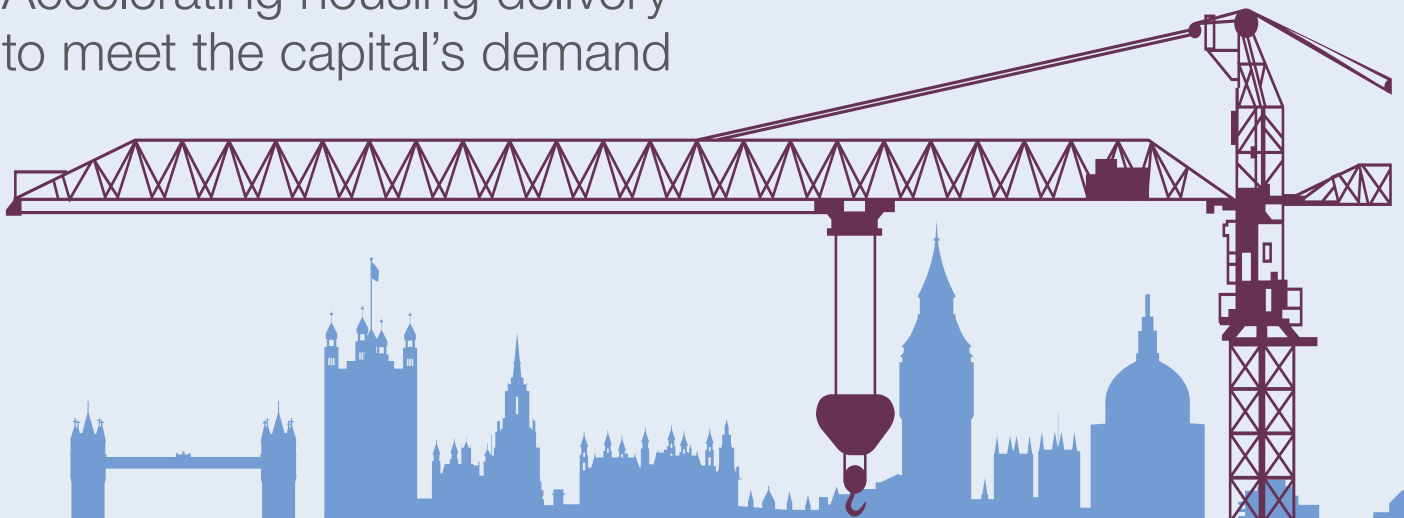


Spotlight London Development

Spring 2015

Towards 50,000 homes a year
Accelerating housing delivery
to meet the capital's demand



Outlook

SOLVING LONDON'S HOUSING CRISIS



London needs to capitalise on infrastructure improvements to deliver the necessary housing

In this report we have identified enough land to bring forward an additional 58,000 homes over the next decade. This is the equivalent of just under 6,000 extra new homes a year. Given that the existing five year pipeline is expected to deliver an average of 32,000 new homes a year across the capital, according to our estimates, these extra homes will bring the London annual rate of housebuilding to 38,000. While this brings us closer to the Mayor's target of building at least 42,000 a year, reaching these numbers depends on the following triggers:

Delivering infrastructure improvements is key: Plans for new train and tube lines would not only increase transport capacity but also have the potential to open up new parts of the city for development and boost housing delivery. Hence the benefits of investment in projects such as Crossrail 2 need to be regarded both in terms of transport enhancements and housing delivery. It is crucial that new station openings are coordinated with plans for residential development.

Housing zones: Our analysis shows that the delivery of housing is set to double within the nine Housing Zones in our study area. Therefore, we expect that the remaining 11 Housing Zones are likely to bring significant numbers if momentum is kept up.

Support a wider tenure mix: Our research shows that the biggest gap between supply and demand is in the lower price brackets. Building homes for a mix of tenures would help to address this imbalance. Providing homes for private rent at scale, in professionally managed blocks and backed by institutional investment, can also help speed up the delivery.

There could be further capacity, if:

Densities are increased: In this study we have applied existing densities to our calculations. However, higher densities can be achieved by reintroducing traditional streetscapes with mansion blocks and terraced housing as well as tower blocks. These options will be explored more fully in a future report.

More public land is released for residential development: The GLA has already made great strides earmarking non-operational assets for disposal. The recent creation of the London Land Commission to identify public sector land for development should help deliver greater numbers of homes on brownfield sites.

Look beyond the M25: There is a back log of housing need to consider. The revisions to the London Plan (within the SHMA) state the figure for housing need is 62,000 homes a year once historical undersupply is taken into account. While brownfield development within London's boundaries is the preferred option, there must be a dialogue with neighbouring Local Authorities to ensure surrounding councils play their part.

Green Belt: We also need to have an open debate about the potential for sustainable development in the Green Belt. A recent paper by London First shows 22% of land within London's boundary is Green Belt. This fact alone deserves attention. ■



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This publication

This document was published in March 2015. The data used in the charts and tables is the latest available at the time of going to press. Sources are included for all the charts. We have used a standard set of notes and abbreviations throughout the document.

Housebuilding

BUILDING THE HOMES LONDON NEEDS

We've identified 21 hotspots which could deliver an additional 58,000 new homes by 2025

Words: Susan Emmett
Twitter: @saemmett

“Reaching these numbers depends on strong leadership and funding for key infrastructure projects”

Susan Emmett, Savills Research

The combination of several factors such as a change in land use, political will and new infrastructure can act as a catalyst to development, where there have been constraints to delivery.

In this report, we have analysed how the availability of development sites, the location of public assets and the potential re-use of some employment land, set in the context of the GLA's Housing Zones and Opportunity Areas, can accelerate housing delivery.

We have also assessed how new and proposed rail links such as Crossrail 1 and 2 would boost future housing delivery by improving access to outer boroughs and opening up new neighbourhoods for development. Where there is potential for development at scale, such as Old Oak Common, the creation of an employment centre

within a new neighbourhood will further boost housing capacity (see page 13).

Future hotspots

By mapping out eight key factors that influence housing delivery and highlighting where they converge, we have identified 21 future hotspots for development (see Table 1). While this list is not exhaustive, these locations provide some of the best opportunities to bring forward the greatest volume of homes at speed.

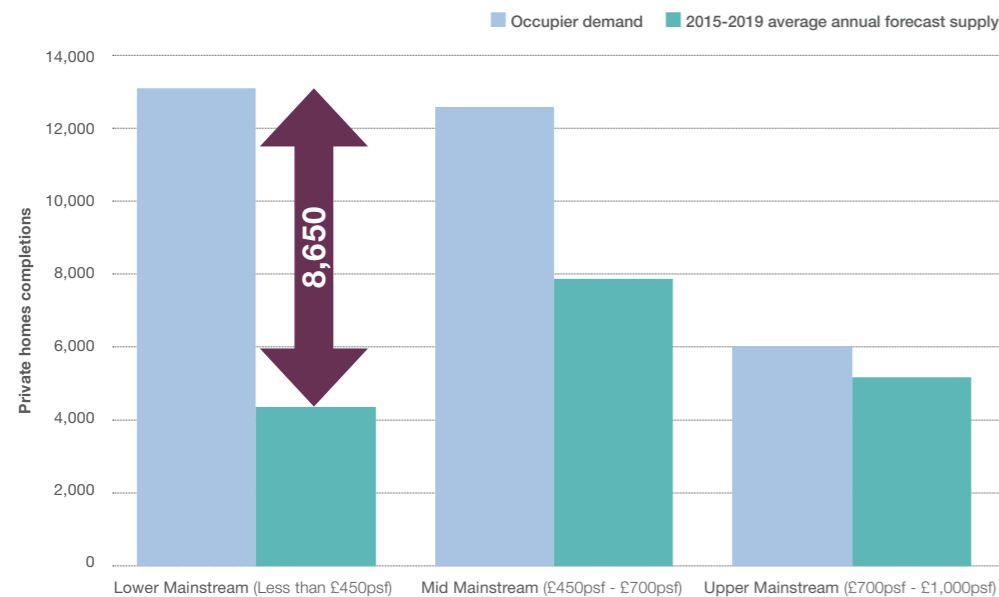
Our monitoring of development sites suggests there is potential to build 200,000 private homes and 70,000 Affordable Homes in these 21 locations. According to our analysis of the development pipeline in these areas, 32,000 new homes would have been built anyway over the next five years without the intervention of the catalysts we have listed.

More, faster

However, by making best use of the catalysts we have identified and building for a wider range of tenures, we can accelerate these numbers. We estimate that there is capacity to build another 24,000 new homes in these 21 locations within the next five years and a further 34,000 new homes after that. This brings the total additional capacity to 58,000 over the next 10 years – the equivalent of just under 6,000 extra homes a year.

However, reaching these numbers depends on strong political leadership, a more creative approach to existing assets, particularly public and under-used employment land and ultimately funding for new infrastructure. Big ticket items such as Crossrail 2 and the Bakerloo extension are essential to encourage more development in more peripheral areas. While at a more local level, roads, bridges and improvement to the public realm could be necessary to make sites work. ■

GRAPH 1 Demand vs supply The biggest supply gap is in the lower value markets



Source: Mollor, CACI, Savills Research

TABLE 1 21 areas with potential for greater housing delivery Ticked boxes indicate the catalysts for change

Identified Sites	LAND			POLICY		PLACE IMPROVEMENTS		
	Identified Sites	Public Land	Industrial Land	Housing Zone	Opportunity Area	Major Infrastructure	Ongoing Placemaking	Proximity of Period Stock
Lower Lee Valley	✓	✓	✓	✓	✓	✓	✓	
Clapham Junction	✓	✓		✓		✓	✓	✓
East London Riverside	✓	✓	✓	✓	✓	✓		
Southall	✓	✓	✓	✓	✓	✓		
Upper Lee Valley	✓		✓	✓	✓	✓		
Thamesmead	✓		✓	✓	✓	✓		
Harrow	✓	✓		✓	✓			✓
Old Oak Common	✓	✓	✓		✓	✓		
Elephant & Castle	✓	✓				✓	✓	✓
Wimbledon	✓	✓			✓	✓		✓
Surrey Quays / Surrey Canal	✓		✓	✓	✓	✓	✓	
Brent Cross to Hendon	✓	✓	✓		✓	✓	✓	
Hounslow	✓	✓		✓	✓			
Crystal Palace to Croydon	✓	✓			✓		✓	✓
Ilford	✓	✓			✓	✓		✓
Barking Town Centre	✓	✓		✓	✓			
Alexandra Palace	✓					✓	✓	✓
Ealing	✓					✓	✓	✓
Euston	✓					✓	✓	✓
South East London	✓	✓	✓			✓		
Waterloo/ Southbank	✓						✓	✓

Source: Savills Research

Development land

WHERE WILL THE HOMES GO?

Development first requires land. We have identified known private sites, public assets and concentrations of non-domestic land uses

Words: Katy Warrick
Twitter: @katywarrick

Availability of land for development is a prerequisite for increasing and accelerating housing delivery. Where sites exist or could potentially come forward, catalysts such as infrastructure improvements and political intervention can act to bring forward more new homes.

As we have explained on the previous page, by looking at the places where site potential converges with a raft of other catalysts, we have identified 21 development hotspots. Here we take a closer look at the spread of sites which underpin our analysis.

Identified sites

Savills has identified the supply of land for new housing and reviewed when the land is likely to come forward for development. We have taken a view on the likelihood of sales on each site during the next five years, with phasing in line with market capacity.

Map 1 shows the projected concentrations of supply coming forward over the next five years. The darker the shade of red, the higher the volume of private homes expected to be sold in the next five years. We have therefore highlighted existing hotspots

of delivery that include: Royal Docks, Greenwich Peninsula, Canary Wharf, Nine Elms, Colindale and Wembley.

However, there is potential for more. We have also considered many more sites which are not currently coming forward in the next five years but which could be accelerated with the catalysts we have discussed, such as the confirmation of Crossrail 2.

Constraints to delivery of these sites include the complexity and speed of the planning process, the need for vacant possession, site viability, market capacity, (especially for big sites running beyond the five year period), and the assembly of funding.

Public land

Using some public land for housing could be a major component of accelerating housing delivery and reaching the London Plan target

of building at least 42,000 homes a year.

Sites drawn from a combination of assets belonging to the GLA, Central Government Estate, NHS and Local Authorities could significantly boost housing delivery. Map 2 shows GLA holdings already earmarked for disposal.

However, funding worth £1million for a new London Land Commission to help create a record of surplus public sector land in London will be key to identifying additional new sites.

Land in other use

Changes in employment patterns means that there are now a number of employment sites in London which may be under-utilised.

Map 2 also highlights in blue the areas where a high

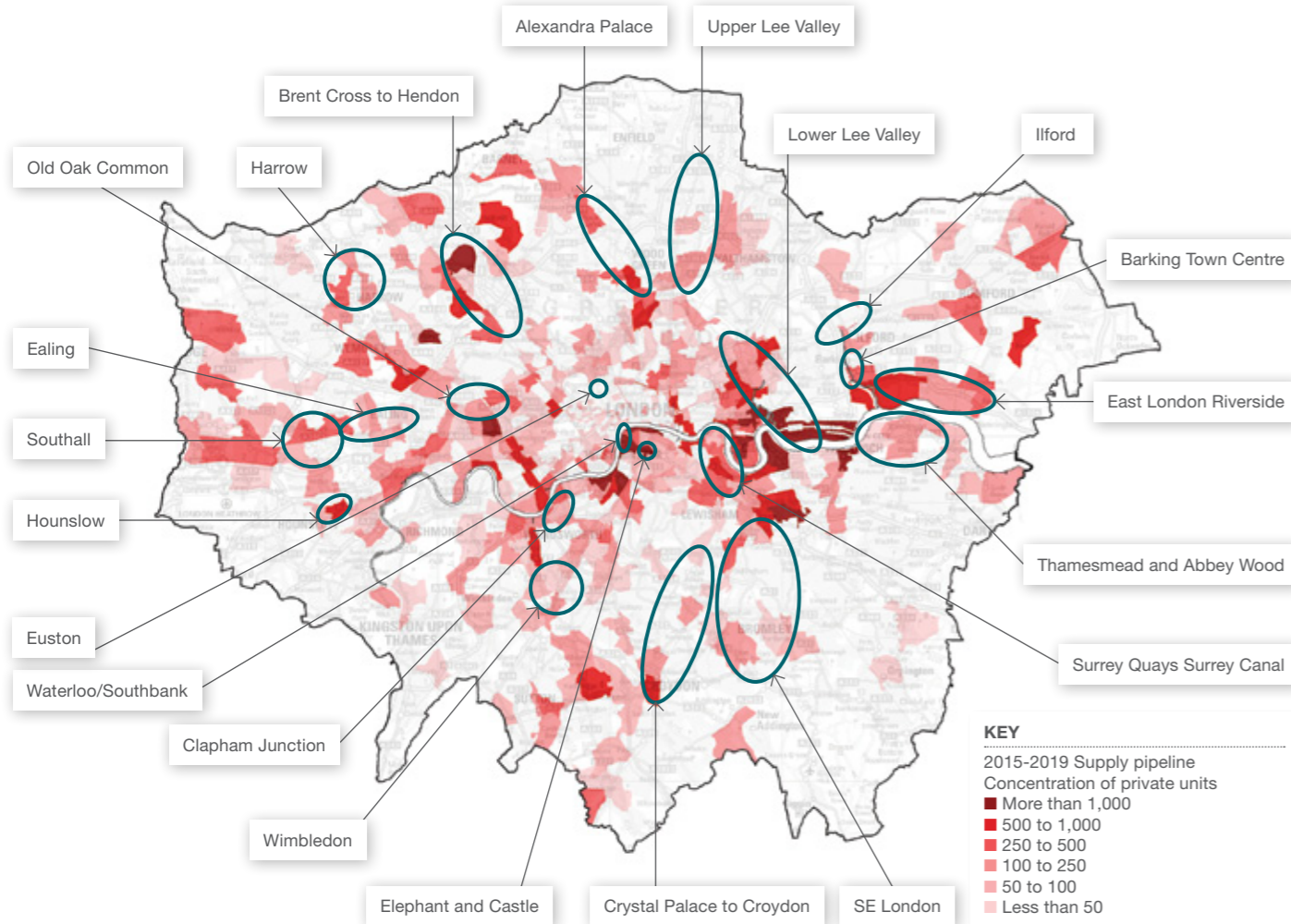
proportion of land is used for non-domestic purposes.

In locations where development is being triggered by the catalysts we have discussed, employment sites which are under-utilised could be appropriate for residential development, boosting delivery. ■



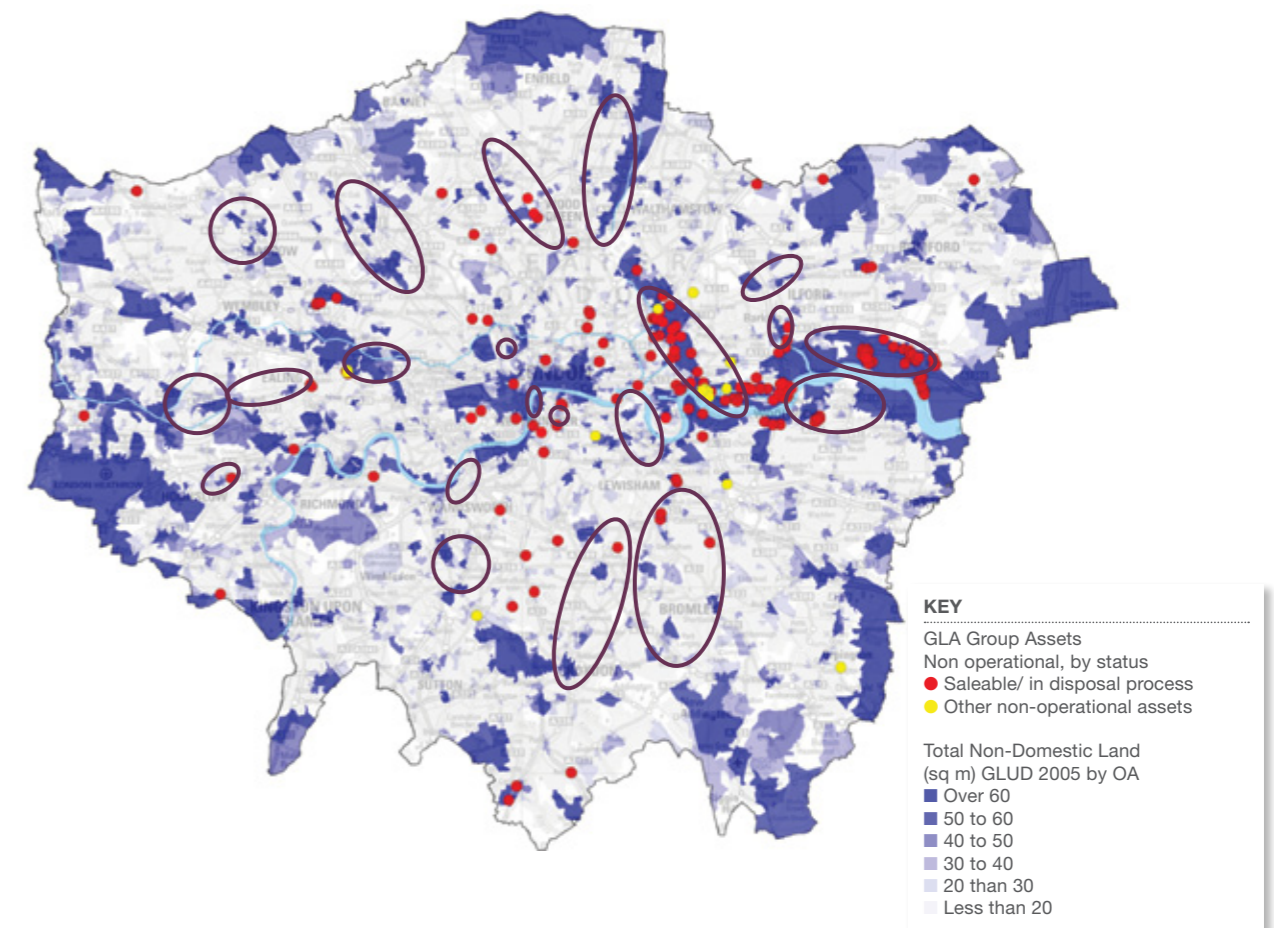
The London Plan target is set at building 42,000 new homes a year

MAP 1 Supply pipeline (2015-2019) and future development hotspots



Source: Savills Research

MAP 2 Concentrations of non-domestic land and key GLA Group Assets



Source: Savills Research

Policy

DELIVERY TO DOUBLE WITHIN HOUSING ZONES

Words: Natalie Ingham

Political drive and investment can act as a major catalyst to open up new parts of London

Of the 21 locations we have identified as development hotspots, nine have been awarded Housing Zones status by the GLA. Two more Housing Zones, in Waltham Forest and Wembley, have recently been announced and a further nine zones are to be announced shortly.

The £400m programme, jointly funded by the Mayor and central Government, will act as a significant catalyst to housing delivery by providing key infrastructure improvement, greater planning certainty for developers and political focus to drive schemes forward.

The initiative is designed to be flexible. Plans to boost development are being driven by each London borough and are based around local circumstances rather than a centrally imposed formula. The confirmed 11 zones are expected to deliver 32,757 homes following an investment of £317m.

Within the nine Housing Zones included in our study area, we estimate at least 8,900 new homes could be delivered before 2019, with a further 19,000 expected by 2025. Other programmes supporting growth include the recently announced investment of £7 million for the Croydon Growth Zone, which aims to create 4,000 homes and 10,000 jobs.

Opportunity areas

Beyond that, the Opportunity Areas identified in the London Plan highlight key stores of brownfield land which could be used for volume development.

While there is no funding pot associated with Opportunity Areas, it is likely many of the new Housing Zones will emerge within these locations. These are locations with significant capacity for new housing, commercial and other development linked to existing or potential improvement to public transport.



GLA Housing Zones are expected to fast track 32,757 new homes



The confirmed 11 Housing Zones are driven by a £317m investment



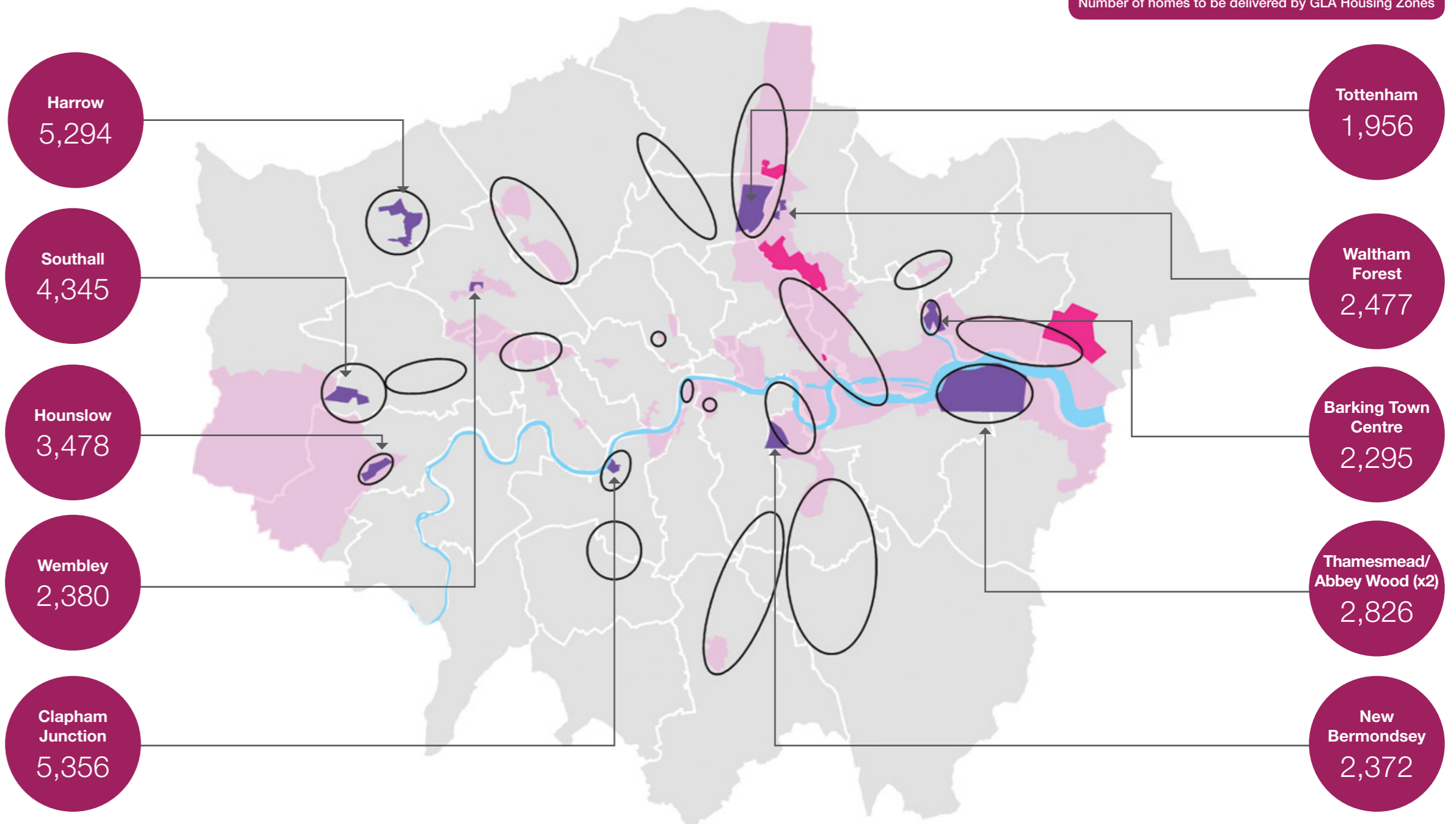
£7m investment to support 4,000 new homes in Croydon

MAP 3

GLA Housing Zones (purple), possible Future Housing

Zones (pink) and Opportunity Areas (light pink)

Number of homes to be delivered by GLA Housing Zones



Source: Savills Research

London infrastructure

LINKING TRANSPORT AND HOUSING

Words: Natalie Ingham

New rail and tube lines are essential to opening up new parts of the city for housing

Transport improvements and new station openings can act as a catalyst for development and regeneration, including additional housebuilding. However, given the time taken to approve and implement large projects, the effects of new infrastructure are longer term compared to the other catalysts we have identified in this report.

To deliver the transport infrastructure London needs by 2050 will cost over £100bn according to figures from Arup and TfL. The budget for Crossrail 1, already underway, is set at £14.8 billion. The cost of a second Crossrail line, running diagonally from south west to the north east, has been estimated at £27.5 billion including a 66% optimism bias and the cost of rolling stock.

Smaller projects are also important including a £3 billion extension of the Bakerloo line and a £1.7 billion extension of the DLR between Bank and Victoria. Extending the London Overground line to Barking Riverside would cost about £200 million.

Crossrail 2 opportunity

While the central aim of Crossrail 2 is to provide additional transport capacity, the reach of Crossrail 2 could unlock the latent potential of many outer London areas, particularly if plans for new stations are accompanied by plans for regeneration, more new homes and new employment space.

Up to 500 meters from proposed Crossrail 2 stations, there is currently capacity on identifiable development sites for 20,000 new homes. However, the new line will bring opportunity for more if plans for transport improvement and housing are closely integrated.

The development of Crossrail 1 provides some valuable lessons. Our

analysis shows property values in some areas immediately surrounding new Crossrail 1 stations have already outperformed the rest of the borough ahead of the line's opening in 2018.

However, value uplift has by no means occurred uniformly along the line. The strongest performance has been recorded where there has been a corresponding increase in development activity. Hence reduction in journey times and increased connectivity must be accompanied by place improvement, including mixed use development and the creation of public space.

Where development is occurring, new build schemes are selling at a premium to existing stock, benefitting from the value uplift larger scale development can provide. This demonstrates the need to proactively integrate housing into the planning for Crossrail 2.





Investment costs

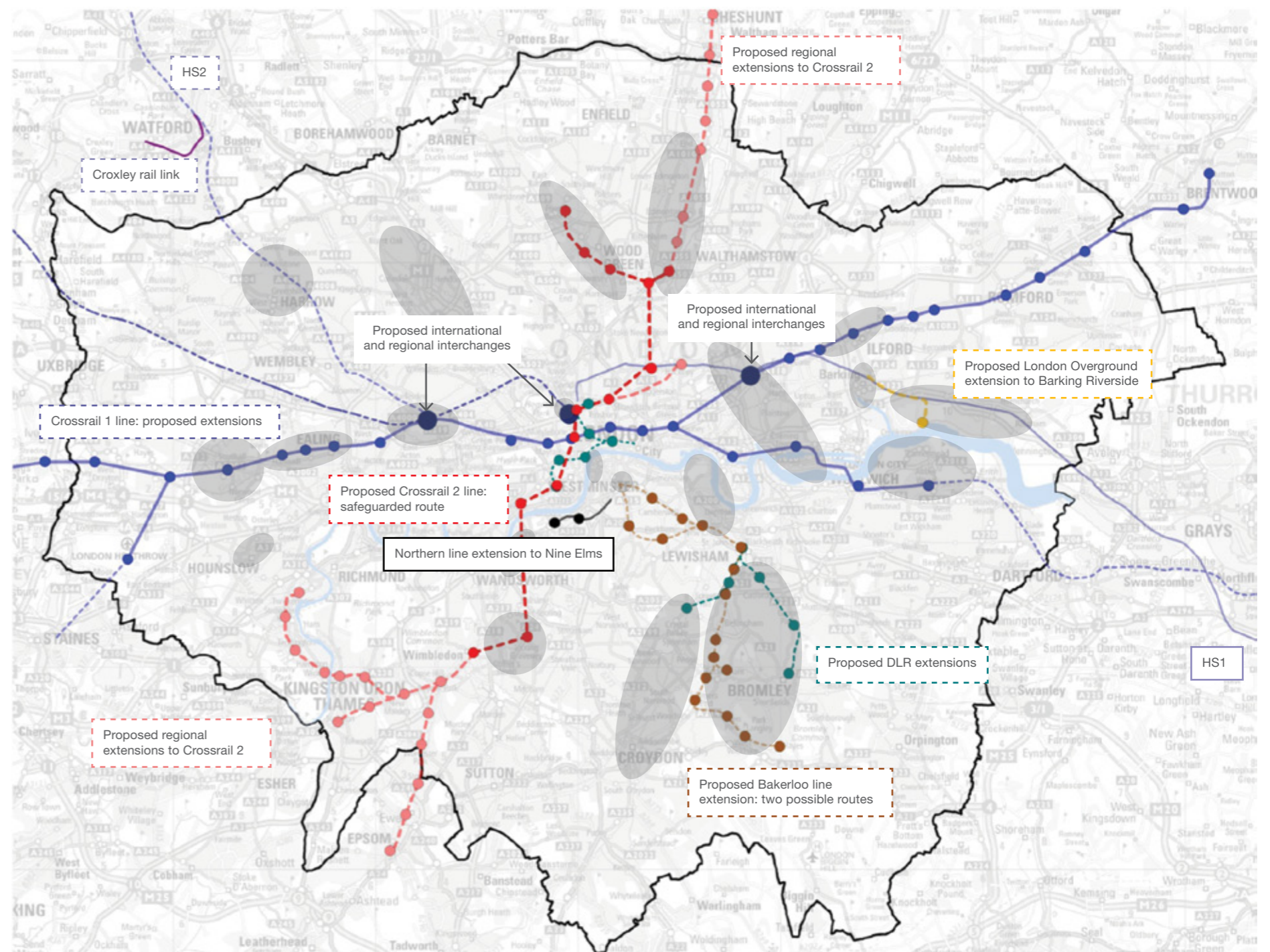
The cost of Crossrail 1 will be met by Government, the Mayor of London and London businesses. Around half of the costs will be met by the Mayor of London through TfL and the GLA, including contributions raised through the Crossrail Business Rate Supplement, Section 106 and Community Infrastructure Levy (CIL).

Similarly, a significant contribution for Crossrail 2 is expected to come from sources outside central Government. Research from London First suggests a combination of funds from fares, London taxes (business rates and council tax) and developers should contribute to the costs. The group, which represents London businesses, also argues for a degree of fiscal devolution to support big projects.

Beyond that, capturing new value created by development, particularly in emerging neighbourhoods, should help support the costs. Tax increment financing (TIF) structures, which rely on future gains in taxes to subsidise current projects, are worth investigating. ■

MAP 4 London's future infrastructure improvements, confirmed and suggested

 <p>The budget for Crossrail 1 is set at £14.8bn</p>	 <p>Cost of a second Crossrail line estimated at £27.5bn</p>	 <p>£3bn funding for extension of the Bakerloo Line</p>	 <p>£1.7bn extension of DLR between Bank & Victoria</p>
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Source: Savills Research

Case studies

SPEEDING UP HOUSING DELIVERY

Six London areas where different approaches apply

Words: Edward Green

There is no easy solution to the London housing crisis and no single formula that can be applied across the capital to instigate faster house building. The GLA has recognised this in its flexible approach to the Housing Zones programme which is borough led and tailor made to each location.

Our report has looked at the key role that political drive and funding play in opening up new areas and supporting the viability of new schemes. We have also assessed how further catalysts, such as new infrastructure, place improvement

and the creation of new centres of employment, can accelerate housing delivery where potential sites are available.

As London's centres of employment become more dispersed from the West End and the City, the emergence of new hubs for retail and office development will also boost the capacity for housing. This is particularly the case in very large regeneration schemes such as Old Oak Common.

These catalysts do not apply uniformly across our study areas. Here we take a closer look at six case studies where different solutions apply. ■

TOTTENHAM

Catalysts: This part of Haringey has great potential. Housing Zone investment will instigate the delivery of almost 2,000 new homes around a redeveloped Tottenham Hale station. GLA funding for two new bridges will open up the Lee Valley Regional Park. The wider regeneration of Tottenham, which also lies within the Upper Lee Valley Opportunity Area, will bring forward even greater numbers and create 5,000 new jobs. There are over 20 possible private sites within the area including Hale Wharf and various plots of vacant land owned by National Grid.

1

USPs: A new Crossrail 2 station at Tottenham Hale as well as the redevelopment of Tottenham Hotspur football stadium would act as further catalysts for regeneration.

2

EUSTON

Catalysts: Flagship station for HS2. Euston is expected to become a core London transport hub serviced by both Crossrail 2 and High Speed 2. The overall number of new homes and jobs which could be delivered here are dependent upon the final design of Euston Station. Three main options are being explored.

1

USPs: Euston and the surrounding area could see huge improvement of place with the potential to mimic the success of its close neighbour King's Cross. The project is estimated to provide between 7,700 and 14,100 jobs, 20,000 sqm of retail floor space around the station and between 2,800 and 3,800 additional homes.

2



Retail Park, Tottenham Hale

CLAPHAM JUNCTION

Catalysts: Situated within the 57 acre 'Clapham Junction to Battersea Riverside' Housing Zone, which the GLA say will attract £1.4 billion of investment for 5,000 new homes, new commercial space and 1,300 new jobs. Proposed public transport improvements include Crossrail 2 and the upgrade of Clapham Junction Transport hub.

1

USPs: Redevelopment of the Winstanley and York Road Estates will drive place making effort. Good transport links to West End and City.

2

OLD OAK COMMON

Catalysts: This 950 hectare site, which cuts across the boroughs of Hammersmith & Fulham, Brent and Ealing and encompasses the Park Royal Industrial Estate and Wormwood Scrubs Common, has the potential to become a whole new district of the capital and employment centre. The Mayor's vision for regeneration here sees the creation of 24,000 homes and more than 55,000 jobs. Plans will be driven by the newly created Old Oak and Park Royal Development Corporation (OPDC).

1

USPs: Located within an Opportunity Area, Old Oak Common could become a transport super hub linking London to the rest of the UK provided there is an interchange between Crossrail 1 and High Speed 2.

2

ILFORD

Catalysts: The largest town centre in the borough of Redbridge, and currently awaiting a Crossrail 1 station, Ilford will benefit from travel improvements as an already established residential area.

1

USPs: Ilford has great potential with Crossrail 1 but more sites need to come forward.

2

HARROW

Catalysts: Harrow town centre sits within the "Heart of Harrow" Housing Zone where more than 5,000 homes are expected to be delivered in the next 10 years. The council-led transformation centres on three major sites and involves the reallocation of some of its operations to release sites for residential development.

1

USPs: According to the GLA, the Housing Zone will also accelerate delivery of the council's 600 home private rented sector programme.

2



5,000 homes in Clapham Junction to Battersea Riverside Housing Zone



Creation of 24,000 new homes in Old Oak Common



Between 2,800 and 3,800 additional homes in Euston



5,000 new homes expected to be delivered in Harrow



Clapham Junction

BUDGET 2015 ROUND-UP

George Osborne outlined plans to help meet a target of 400,000 new homes in London by 2025. Here are some of the key measures:

■ **Mayor power:** Devolving further powers over planning and skills to the Mayor of London. This will allow the Mayor to accelerate the provision of new homes by reducing planning delays.

■ **Croxley rail link:** The government will provide a further £34 million to support the delivery of the Croxley rail link project, subject to a £16 million contribution from Transport for London and final approval of the scheme.

■ **Public land:** £1 million to fund the London Land Commission which will create a database of public sector and brownfield land that could be used for residential developments.

■ **Brent Cross:** £97 million of funding and ring fencing of the local 50% share of business rate growth to support Barnet and GLA's regeneration plans for Brent Cross. This will unlock 7,500 homes and create 4.9 million sq ft of new commercial development space for up to 27,000 jobs.

■ **Croydon:** £7 million to support Croydon Growth Zone which could unlock 4,000 homes and 10,000 jobs.

On a national level:

■ **Commercially-driven:** The government is to adopt a more commercially-driven approach to land and property asset management across the central government estate. Departments are to pay market-level rents for freehold assets they own.

■ **Compulsory purchase consultation:** The government has launched a consultation into the compulsory purchase regime to make it clearer, faster and fairer to support brownfield development.

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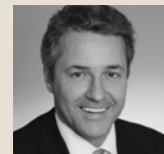


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