

Digging Deeper

Residential Analysts Ltd

Unbuilt Planning Permissions

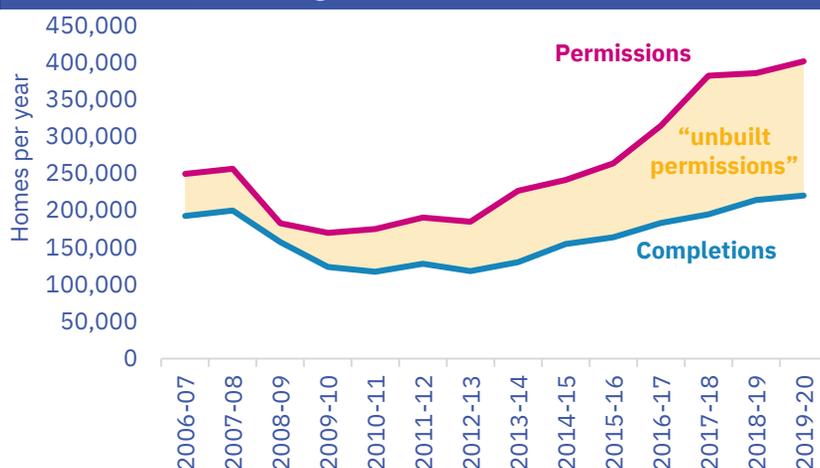
Calculations suggesting there are over one million unbuilt planning permissions are too simplistic and don't accurately reflect the realities of planning and housebuilding. Regular analysis comparing the number of new planning permissions and housebuilding completions suggests there are over one million homes with permission but unbuilt in England. The latest [analysis](#) is by the Local Government Association (LGA) and suggests that "More than 1.1 million homes granted planning permission in England in the last decade are yet to be built". This is regularly cited as evidence of developer land banking and that the planning system is not a barrier to housebuilding. Unfortunately, the result is probably too high due to poor data and an overly simplistic calculation.

Simplistic Analysis

The analysis of "unbuilt permissions" typically uses two data sources. The first is the number of homes given permission every year which is usually based on Glenigan data published by both [MHCLG](#) and the [HBF](#). The second is the number of new build completions from MHCLG's net additional dwellings [release](#). The number of unbuilt permissions are then simply the total number of homes granted permission less the number of new build completions over a given timeframe. Using this approach based on HBF's planning data suggests the number of unbuilt permissions has risen to 1,140,000 in the ten years to Q1 2020.

Figure 1: Planning Permissions & Completions

Source: MHCLG, HBF, Glenigan



Stock and Flows

This approach to calculating unbuilt planning permissions is easy and generates a headline-grabbing number. Unfortunately, it is too simple and not an accurate representation of the housebuilding process in the current planning environment. The single biggest problem with this approach is the calculation of a stock of unbuilt permissions using just two flows. The two flows being a single flow in (permissions) and single flow out (new build completions). The realities of the housebuilding process suggest this approach probably overstates the in-flow and definitely understates the out-flow of homes. The following points highlight some of the reasons why:

Over-Counting Planning Permissions – The Glenigan planning data published by the HBF attempts to correct for double-counting and other related issues like the estimated 15-20% of permissions that are re-planned. However, it is unlikely they remove all instances and so the data is most likely an over-count of new permissions.

Under-Counting New Homes – The planning permission data explicitly includes conversions of non-residential property (where planning permission is required) while most calculations just use new build completions. This leads to under-counting the number of new homes built which over-states the number of unbuilt permissions.

Time Lag – Homes granted planning permission are not always built immediately. It can take time to reach agreement on final details (reserved matters). There may be roads, junctions or other infrastructure that must be built first. It can also take time for utility companies to deliver the required networks. On larger sites, it can take many years for all the homes to be built. Therefore, a comparison over a fixed time period may not be fair.

Lapse Rate – Some planning permissions will not be delivered, with many factors beyond the control of the landowner or developer. These factors include the wider economy, national and local conditions in the housing and land markets, the cost and availability of development finance, the viability of the development, and other delays. Research by Lichfields ([PDF](#)) suggests this could affect up to 20% of homes granted permission.

Summary - Not all the above reasons are desirable, but they do reflect the current realities of the planning and housebuilding process. Taking just these above issues into account suggests that the number of unbuilt permissions that should have been built by now is much lower than one million and could even be lower than 100,000. Ultimately, the only accurate way to know the number of unbuilt permissions would be to monitor individual sites and aggregate the data. That suggests we need a better and joined-up approach to monitoring housing and planning data that allows us to track housebuilding numbers from unbuilt site to completed home.

Digging Deeper

How Many Planning Permissions Are Needed?

The preceding page shows that the issue of unbuilt planning permissions has probably been overstated and misunderstood. But, given the issues highlighted, how many planning permissions really are needed to allow the housebuilding industry to hit current housing targets? Experts have considered this question before and their findings are summarised below.

Lichfields - Planning consultants Lichfields (then NLP) looked at this issue in some detail in their 2017 report *Stock and Flow* ([PDF](#)). They concluded that a total stock of 900,000 permissioned homes would be needed to reach 300,000 net new homes per year, based on typical development timelines and processes. This requires new annual permissions in the range 410-460,000, well above current levels. Their analysis showed that, far from being a problem, permissions in excess of completions is key to increasing delivery and to a functioning development sector.

Chamberlain Walker - Economics consultants Chamberlain Walker also studied this area as part of their 2017 review into housebuilder land pipelines ([PDF](#)). They came to a similar result as Lichfields. Their model showed that a stock of around 1 million detailed consents is needed to support 'steady state' housing delivery of 250,000 completions per year. They also found that housebuilders typically held consented land equivalent to 3.4 to 5.8 years' worth of annual volume.

Location, Location, Location

It is not just the total number of planning permissions that is important but also their location. If too many permissions are granted in places with lower demand for housing and too few are granted in higher demand areas, then this could result in a rise in the number of unbuilt permissions.

Repeating the simplistic approach for calculating unbuilt permissions but this time by region suggests this is not a problem. The number of unbuilt permissions is highest in the highest demand regions. It also suggests most regions have unbuilt permissions equal to 4.1 to 5.5 years' worth of supply. That is similar to the levels held by housebuilders. The one exception is London with around 8.1 years of supply and accounting for 27% of unbuilt permissions. London is the one region where there does appear to be some evidence for land-banking and a more speculative approach to planning as per this 2012 report by Molior ([PDF](#)). However, the latest Annual Monitoring Report from the GLA ([PDF Table 3.30](#)) shows that 56% of homes in the planning pipeline are on sites that have already started.

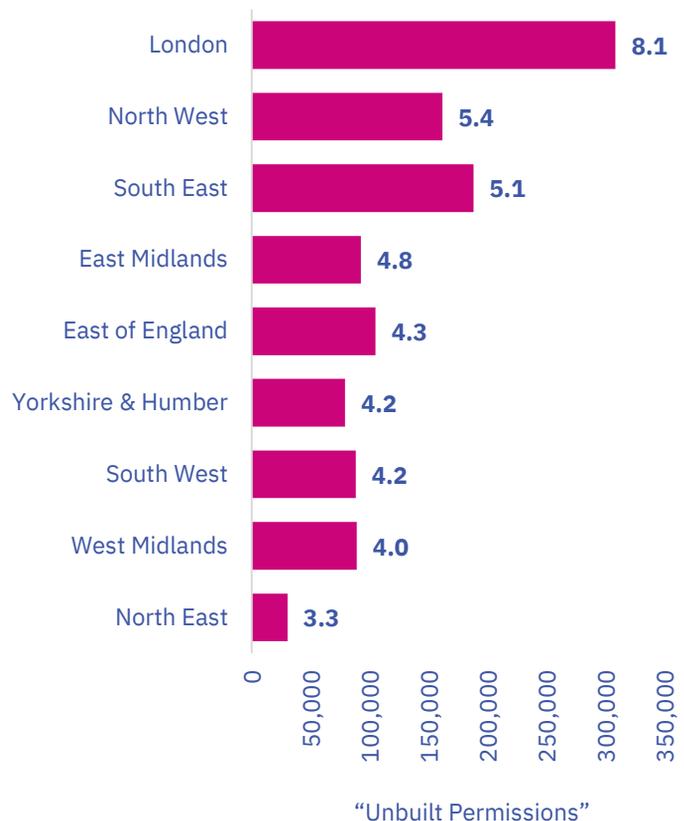
Despite the apparently sensible regional distribution of unbuilt permissions, a 2019 report by Savills ([PDF](#)) suggests that many of the highest demand locations within regions do not have enough permissions and some weaker areas may have too many.

Conclusion

The suggestion that there are over one million unbuilt planning permissions is simplistic and doesn't accurately reflect the realities of planning and housebuilding. However, it does raise some important issues that need to be addressed. The first is that the uncertainty around the number of unbuilt permissions arises due to a lack of good quality, comprehensive, open, and linked data that allows us to track housing delivery from pre-planning through to completed homes. Without this data, we are left with massive gaps in our understanding of the planning and housebuilding markets. The second issue is the lack of control that local authorities have over the delivery of homes once they have been granted permission. This is especially the case given the reliance on private sector delivery. While there could be unintended consequences to the LGA's suggestions of taxation and CPO powers, there is currently little they can do to meet delivery targets beyond granting more permissions. That is not a particularly efficient approach. Hopefully the government's proposed planning reforms help fix these issues.

Fig 2: Unbuilt Permissions by Region

Source: MHCLG, HBF, Glenigan



"Unbuilt Permissions"