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School of Social &  
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**University of Glasgow**

**School of Social and Political Sciences**

**Urban Studies**

**An exploration of the causes of the housing crisis in England**

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**Abstract:**

This dissertation seeks to explore the housing crisis in England, with the aim of establishing the underlying causes of this problem. The objectives of the research are to establish if there is a housing crisis and the extent of this crisis. This study also seeks to consider the impacts of the housing crisis on communities and to understand the factors underpinning this problem. The research also explores the policies at national and local levels of government designed to stem the crisis, assessing the effectiveness of these policies, identifying alternative solutions to the crisis.

The research is progressed using a survey strategy with the collection and analysis of secondary data gathered from the housing market in different cities England. This data is discussed along with a literature review covering national housing policies and the factors which affect the supply and demand for housing.

The study confirms that there is a housing crisis in England, with impacts including high rents and a lack of affordable properties, overcrowding and homelessness. It is concluded that government policies on housing and planning, have been ineffective. The solution requires a collaborative approach, supported by measures such as adhering to the affordable housing quotas in Local Plans.

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# 1 Introduction

The United Nations (2018) make the point that housing is a basic need in contemporary society, adding that there is growing pressure in most countries due to urbanisation and population growth. The result is that many countries struggle to provide sufficient housing for citizens. Although the rate of urbanisation is slower in Europe than in developing nations such as China, India and Africa, there is evidence to suggest that European nations, including England, are struggling to supply a sufficient number of housing to satisfy year-on-year increases in demand for housing in urban areas (Elliott, 2018). This dissertation explores the housing crisis in England, seeking to understand the underlying causes of the housing shortage and identify potential long-term solutions to this problem. The purpose of this chapter is to set the problem in context, providing a background to the issue and setting out the aim and objectives of the study.

## 1.1 Housing in Context

There is little doubt that there is a housing shortage in England, with for example Heath (2014) pointing out that the undersupply is estimated at up to 300000 units per year for the foreseeable future. This view is also supported by the media, where for example Elliott (2018, p.1) argues that the crisis in affordable housing has created pressures in the private rental sector and in social housing. It is noted that this crisis needs to be set in context, as England is not the only country in Europe experiencing these problems.

According to Housing Europe (2017), housing is now the highest expenditure for Europeans creating hardship for householders on the lowest income levels. In addition, the trend is that house prices are growing faster than income in the majority of Member States in the European Union, a fact that is contributing to socio-economic inequalities and increasing housing exclusion. Despite these issues, the political response at a European and national level remains poor, which means that there is little chance of a practical solution in the near future.

It is clear therefore that the situation in England reflects problems in wider Europe, however it is contended that the extent of the problem and the solution to this crisis needs to take account of national policies and local issues which exacerbate this crisis.

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## 1.2 Factors affecting Housing in England

The shortage of housing in England is essentially a gap between supply and demand, whereby there is an insufficient number of properties to satisfy demand for housing (May, 2018). There are many suggestions as to the causes of this undersupply, and it is argued that housing in England is affected by issues across a wide number of sectors including the construction industry, the property sector, planning and government policy, the state of the global, national and local economies, the cost of materials and land, as well as human behaviour with respect to development in the community. In short, the issue of housing is emotive and complicated (Madden & Marcuse, 2016; Wilson & Barton, 2018; Heath, 2014).

It is conceded that each sector contributes to the crisis, for example the construction industry in England could produce more housing, however this industry is regularly accused of poor levels of productivity and efficiency with suggestions that the industry needs to improve performance to meet the challenges in supplying housing (HM Government, 2013). Archer and Cole (2016) make the point that contractors prioritise profit over volume, which adds to the undersupply of housing. However, the construction industry suggests that the problem lies not with productivity but with inefficiencies in the planning system, where applications for development take a protracted amount of time and place overly onerous conditions on the developer (Confederation of British Industry (CBI), 2014). In addition, the construction industry complains that land prices are distorted by policies such as greenbelt protectionism (Gibbons *et al.*, 2011). The government acknowledged the need to transform the planning process, with the most recent reforms including the introduction of the Localism Act 2011, which implemented the National Planning Policy Framework (NPPF) and the concept of Neighbourhood Planning, along with a transfer of planning power to local levels of governance (Ricketts & Field, 2012). The intention was to stimulate development in local areas, empowering the local community to direct development that was essential to that area and to prevent objections to such development. However, to date this has not resolved the persistent problem of housing in England (Overman, 2012).

It is suggested that the problem persists because the solution does not take account of the interlinked nature of the issues underpinning the crisis. It is contended that the housing crisis has been evolving for decades, due to a combination of short-sighted government policies on housing and social welfare, as well as the financialisation of housing, as government sought to offload the financial burden of housing and to use housing as a commodity in economic growth. The result is that despite successive policies on planning

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and edicts about the productivity of the construction industry, the supply of housing is determined by a combination of these issues, as such a collaborative approach is required to increase the supply of housing in England (García-Lamarca & Kaika 2016).

The housing shortage is also affected by demand, whereby demand is typically linked to population growth. However, demand is also a factor of economic growth and employment, as well as rates of pay and the ratio of disposable income to rent and/or mortgages. The difficulty is that the undersupply of housing drives the cost of housing upwards, which increases the lack of affordability in this sector (Reeves 2013, pp. 29-59).

In summary, the housing crisis in England is complex, with several underlying issues contributing to the shortage of affordable housing. It is suggested that there is merit in carrying out research on this topic as housing should be a basic right in this developed nation.

### 1.3 Aim and Objectives

The aim of this dissertation is to explore the housing crisis in England and to establish the underlying causes of this crisis. The objectives of the research are to

- Establish if there is a housing crisis in England and the extent of this crisis
- Consider the impacts of the housing crisis
- Understand the factors which are driving this crisis
- Explore the current policies at national and local levels of government designed to stem the crisis
- Assess the effectiveness of these policies
- Identify alternative solutions to the crisis.

This research is based on the hypothesis that there is no single solution to this problem, rather this problem has evolved through successive governments and generations of householders. Whilst it is notable that England is not the only developed country to experience this issue, it is submitted that the housing market is particularly volatile, largely through government interference in housing and pressures created by socio-economic policies. It is hypothesised that the solution requires a multi-pronged approach taking account of the requirements of the private sector and developers and the effectiveness of public policies.



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## 1.4 Structure of the Dissertation

This research is presented in chapters, continuing with a critical review of literature in Chapter 2. The study seeks to add to the bank of existing knowledge on housing in England, as such Chapter 3 provides justification for the research methodology used to progress the study. Chapter 4 provides the results of the data collection, including an analysis and discussion of the results with respect to the research objectives and the findings of the literature review. The dissertation concludes with Chapter 5, which provides a summary of the findings of the research and the conclusions drawn from these findings. This chapter also sets out the limitations of these findings as this provides transparency in the wider body of knowledge on this topic. The chapter also recommends further study to validate these conclusions.

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## 2 Literature Review

The purpose of this dissertation is to explore the housing crisis in England and to establish the underlying causes of this crisis. The aim of this chapter is to identify key texts which exist on this topic and to identify a gap in existing research which can be addressed by this study.

### 2.1 Housing Tenure

It is noted that there are three main forms of tenure in the housing sector in England, ranging from owner-occupier, private rented accommodation and social housing.

#### 2.1.1 Owner-occupier

To clarify, in the context of this dissertation, a household that lives in a home they own are deemed to be owner occupiers. In this form of tenure there are two groups, namely mortgagors who are described as people who have taken out a loan or mortgage to purchase the property. The owner-occupier can also be an outright owner of the property, with the mortgage paid (DCLG, 2014).

#### 2.1.2 Private Rental Sector

Housing tenure also includes private renters, where the property is owned by a landlord and leased to the tenant using a tenancy agreement. In this market, the rent is determined by the landlord based on market value and consideration of what the tenant is willing to pay (Ministry for Housing, Communities & Local Government, 2012). Other factors which affect rent include location, the type and quality of the accommodation and amenities. This market varies from converted houses to purpose-built flats. Landlords can be individuals or commercial organisations with a portfolio of property. The commercial arrangement is determined by a tenancy agreement, which sets in place specific legal protections for both parties. However, this form of agreement does not provide the surety of long term accommodation typically associated with owner-occupier tenure (DCLG, 2014).

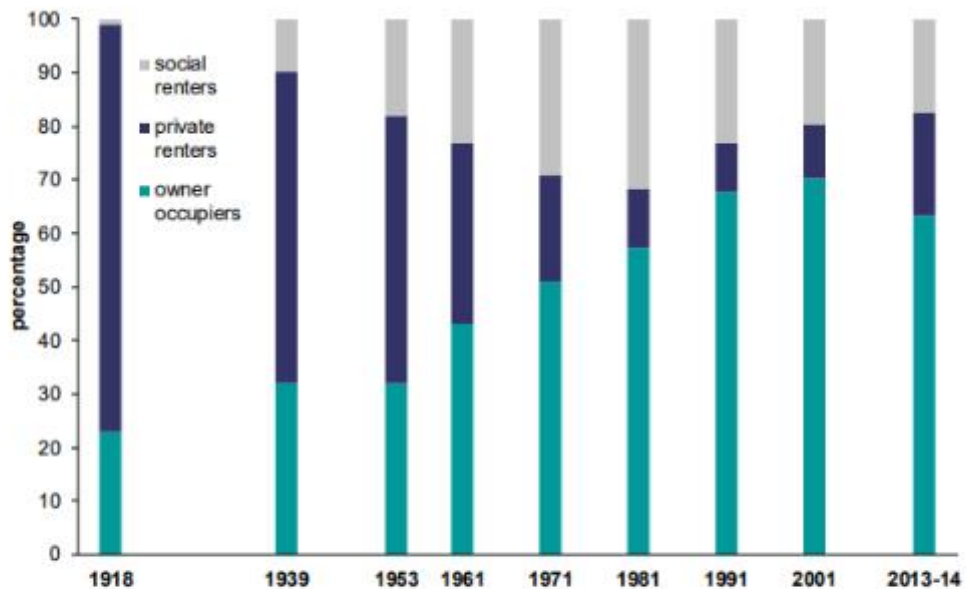
#### 2.1.3 Social Tenants

Social rented housing is essentially accommodation that is owned and managed by registered providers such as local authorities or housing associations. The latter are generally referred

to as Registered Social Landlords (RSLs), which are not-for-profit organisations as their aim is to reinvest any profits into the maintenance of existing properties and to finance new ventures. These providers are regulated and funded by the government through the Homes and Communities Agency. These properties are rented at subsidised rents, which typically equates to half of the market rent. There is also the relatively new concept of the ‘affordable rent tenure’ where the rent is set at approximately 80% of the market level, largely to increase access to housing for those on the lowest incomes. There are however specific requirements for accessing this type of housing. For example, there are typically waiting lists for houses. An individual has to apply for social housing and the application is assessed against rules set individually by each local authority. People who qualify are then put on a waiting list and depending on their level of priority, will be allocated a property when it is appropriate to do so (DCLG, 2014; MHCLG, 2012).

#### 2.1.4 Tenure Mix and Trends

It is argued that there has been a significant shift in tenure over the past few decades, with as shown in Figure 2.1. This figure indicates that in 1918, the main form of tenure was private renting, with just over 20% of the population in owner-occupier status and virtually no form of social housing.



Base: all households

Note: underlying data are presented in Annex Table 1

Sources:

1918: Estimates by Alan Holmans of Cambridge University Department of Land Economy

1939 to 1971: "Housing Policy in Britain", Alan Holmans, Table V1.

1981, 1991: ONS Labour Force Survey;

2013-14: English Housing Survey, full household sample

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Figure 2.1. Trends in tenure, 1918 to 2013-14 (Department for Communities and Local Government (DLCG), 2014).

Over the following decades, this completely changed, with over 60% of people living in owner-occupier status, and equal amounts of people in social and private rental sectors. It is also noted that social housing peaked in 1971-1981 when this tenure accounted for just over 30% of housing in the UK (DCLG 2014).

The literature review indicates that the term affordable housing is often mentioned in media and research, as such it is important to consider the concept of affordable housing and how this form of housing fits into the housing dilemma in England. There is no agreed or statutory definition of affordable housing in England and it is noted that the term can cover housing that is provided using public subsidy and it can also be used to describe housing of any tenure that is affordable in terms of housing costs, income levels and price. Affordable housing is described in monetary terms by the Office of the Deputy Prime Minister (ODPM) which describes affordable housing as subsidised housing which enables those who “cannot afford secure decent housing on the open market either to rent or buy” (Wilson & Barton 2018). Affordable housing is also noted in planning legislation with current legislation requiring developers to include an element of affordable housing to satisfy planning conditions. This is a legally enforceable obligation under section 106 of the Town and Country Planning Act 1990 (as amended) and is meant to mitigate the impact of development on the local community (Wilson & Barton 2018).

## 2.2 Housing Market

It is suggested that in order to explore the housing crisis in England, it is first essential to understand the housing market and the key variables which drive this market. It is argued that housing is a function of supply and demand, and in the simplest view of the market, there is an expectation that house prices will increase when there is increasing demand for properties and a decreasing supply (Kay, 2017). However, the housing market is more complex than this simple economic equation, because supply is a function of planning and building control systems (Leishman, 2015), and demand is a function of income, the availability of credit and the income to price ratio.

Other factors which affect supply include the planning system, which Allmendinger and Haughton (2012) point out is in place to mediate between the needs of private development and enterprise and the needs of the public. However, an overly complex planning system

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motivated and shaped by political ideology can also act as a barrier to development (Watt & Minton 2016). The housing market is also influenced by the ability of the construction industry to deliver a sufficient number of housing to match demand and factors such as available of financing and interest rates, as well as the medium and long-term predictions (confidence) in the economy (Heath, 2014; Eichholtz & Lindenthal 2014).

The point is that these factors combine to create the housing market in England and it is suggested that over the past few decades, these factors have conspired to create a housing deficit. In other words, the market is failing to supply a sufficient number of homes to meet demand.

### 2.3 Is there a Housing Crisis?

It is argued that there is a consensus in the literature that there is a housing deficit / crisis in England (Heath, 2014; Shelter, 2018), however there is disagreement over the extent of this crisis. It is noted that there are different figures given for the housing deficit. Kay (2017) maintains that the housing crisis is underpinned by the increasing population in England, with indications that prior to 1990, the population in the UK increased annually by one-half per cent per year. However, population growth has been increasing since the 1990s largely as a result of immigration, with net migration contributing over half of the rise in population between the 2001 and 2011 censuses. In addition, demand for housing has increased due to lifestyle changes, where for example the average size of households in the UK has decreased over the past few decades, with more people choosing to live alone, young people leaving home earlier and people living longer. These changes have increased demand for housing by an estimated half per cent per year. The point being that to take account of these changes alone, there would have to be a year-on-year increase in housing supply by at least 1%. Given that the current volume of housing is approximately 28 million units in the UK, such an increase equates to at least an additional 280,000 units per year, not accounting for replacement of older stock (Kay, 2017).

Schmuecker (2011) agrees that housing demand is a function of demographic and behavioural factors, including migration and increased life expectancy, as well as lifestyle changes. The way in which this demand translates to tenure choices is dependent on employment rates and household incomes, as well as the affordability of rents, interest rates and house prices, the accessibility of mortgages, and confidence in the wider economy and

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the housing market. Given these factors, it is difficult to predict the volume of housing demand over the coming decades, however Schuecker (2011) suggests that using historic data such as the household formation rates of 2001, then it is likely that there will be 25.1 million households by 2025, however this could increase to 26.3 million if there are high levels of immigration. In this scenario, it is estimated that between 206,000 and 282,000 housing units would be required each year until at least 2025.

## 2.4 How extensive is this crisis?

It is submitted that the extent of the crisis can be understood when it is noted that over the past two decades, there were 160,000 units completed per year. The point is that demand will outstrip supply by 750,000 by 2025, which is equivalent to the combined current housing demand of Birmingham, Liverpool and Newcastle. It is further noted that while the majority of regions within England will be affected by housing shortages, the degree of shortages will vary. For example, it is predicted that the greatest increase in overall housing demand relative to current demand, will be in the East of the country with increases of 20–25% by 2025, whereas demand in the North West will be the lowest at 9 to 15% (Schuecker, 2011).

Kay (2017) makes a valid point, stating that “300,000 completions a year have never been achieved during the last 40 years, and in the last decade new construction has been around half that figure”. In any case, it is argued that demand for housing far outweighs the supply of these properties and it is essential to ascertain the factors which affect supply.

## 2.5 Factors Affecting the Crisis

It is argued that the crisis is as mentioned a gap between supply and demand. There are a range of diverse issues affecting supply and demand, and it is prudent to explore these issues.

### 2.5.1 Supply of Housing

Supply is affected by the performance of the macro- and the micro-economy, as well as government housing, social and fiscal policy.

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### 2.5.1.1 Government Policy and Supply of Housing

It is argued that the supply of housing in England cannot be explained without considering the impact of government policy on housing tenure. This is evident in the 1980s and 1990s when the Thatcher government instigated key changes in housing policy, largely to reduce the role of local government in housing and to reduce the level of public funding in the social housing sector. The government introduced the right to buy policy which gave council tenants the right to buy their properties at less than market value. In other words, the shift from social housing to owner-occupier status and expectation of home ownership is underpinned by successive government policies, which have financialised housing in England (Rolnik, 2013). For example, it is argued that after each World War there was a severe shortage of housing in England, necessitating an expansion of the social housing. This expansion had a dire impact on the cost of housing, social welfare costs and the private rental market which decreased significantly as people choose the less expensive and readily available option of social housing (Robertson, 2013). However, by the 1970s the cost of social housing was substantial and the Thatcher-led Conservative government introduced policies to reduce the social housing sector by increasing the desire and conditions for owner-occupier status (Robertson, 2013). These policies may have been introduced by a Conservative government however it is submitted that the policies were fully realised under Blair's Labour government (Robertson, 2013).

The government also reformed the private rental market, which until the 1980s had stagnated because of rent control and security of tenure issues which meant that landlords had little control over tenants and many owners waited until a tenant died before selling the property (Kay, 2017). The government's response was the introduction of assured shorthold tenancies, aimed at injecting confidence into this rental market as a means of stimulating growth in the sector. The result was the emergence of the buy to let market, creating a boom in the housing sector, albeit for those who could afford to buy these properties or who had access to credit (Edwards, 2016). Kay (2017) notes that since 2000, the bulk of expansion in housing stock in England has been in the private rented sector.

### 2.5.1.2 The Construction Industry

The supply of housing is also influenced by the ability of the construction industry to deliver properties and it is suggested that this process is hampered by the fragmented nature of this sector. It is widely acknowledged that the industry needs to improve efficiency and

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productivity, lower costs and reduce the time taken to complete projects (HM Government, 2013).

Lovell and Smith (2010) argue that the construction industry contributes to the under-supply of housing in England, because of the adherence to traditional forms of procurement and building processes. This form of construction is criticised as being inflexible and costly, which makes it difficult for the industry to adjust to the demands of a changing housing market. That said it is argued that the construction industry can only deliver housing if there is sufficient land available at a reasonable cost and if the planning system progresses development in a timely manner.

### 2.5.1.3 Land Availability

Cheshire (2014) argues that land availability lies at the core of the supply crisis, on the premise that land is a key input in housing. For example, the cost of land will influence the market price of the housing and rising house prices increases the number of people who are economically excluded from the owner-occupier market. The fact is that housing policies and planning policies which restrict/control the volume of available land are contributing to the increased house prices in the market and adversely affecting affordability (Hetherington, 2015). Gibbons *et al.*, (2011) make a similar point, adding that planning policies such as the green belt policy restricts large tracts of land that is close to urban areas and as such ideal for development. Yet there is a persistent reluctance by successive governments to release some of this land for housing development, even when this land holds no environmental or ecological function.

### 2.5.1.4 Planning and Housing Supply

As previously mentioned housing development requires planning permission and it is conceded that successive governments have sought to increase community involvement in the supply of housing in their regions. This is evident in planning legislation such as the Planning and Compulsory Purchase Act of 2004, which implemented Local Development Plan and instructed local authorities to identify the development needs in their area including housing. The Act 2004 also implemented the need for greater community involvement (Tewdwr-Jones 2012). However instead of stimulating development, it appeared to make the planning system more complicated, hindering development and impeding the supply of



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housing. At the same time the planning process was slowed by objections to development based on the not-in-my-backyard scenario. The Conservative government sought to remedy these problems with the introduction of the Localism Act 2011 and the National Planning Policy Framework (NPPF) where the former introduced the concept of neighbourhood planning to stimulate housing development where it is needed and the latter was implemented to facilitate the sustainability of these development (Ricketts & Field, 2012). It is argued that these changes should have had a positive impact on housing, however the reality is that the crisis increases from year to year. As such it is imperative to understand the drivers for housing demand.

## 2.6 Impacts of the Housing Crisis

The extent of the housing crisis is also influenced by growing demand, which it is argued that demand for housing is influenced by population growth as mentioned earlier and by affordability, access to credit and willingness to pay for inflated prices. Martin (2011) implies that demand for housing is affected by consumer confidence in the government, in employment and the stability of the economy.

It is argued that the housing crisis creates overcrowding, restricts movement and increases the pressure on the social housing and private rental sector. There are also problems with affordability, since house price increases and tighter controls on credit since the 2007-2008 market crash, mean that the lower income and younger generation of would-be owner-occupiers have less access to credit than previous generations. The result is that people who are waiting to secure sufficient funds to enter the owner-occupier market have to stay in private rented accommodation for longer, as house prices have increased at a faster rate than income/wages. This means that other people have to stay in the family home, live in overcrowded spaces or seek social housing because there are no properties available, rent is too high and purchasing any available house is too expensive. In other words, the housing crisis is created by a domino effect adversely affecting all forms of housing tenure. It is submitted that those within the lower income brackets are worst affected as there is no safety net, no available social housing and little options with respect to housing (Shelter, 2018 & 2015). The point being that this generation of first-time buyers are struggling to afford a property because of disparities between house prices and income as shown in Figure 2.2, which upsets the balance of the supply-demand curve.

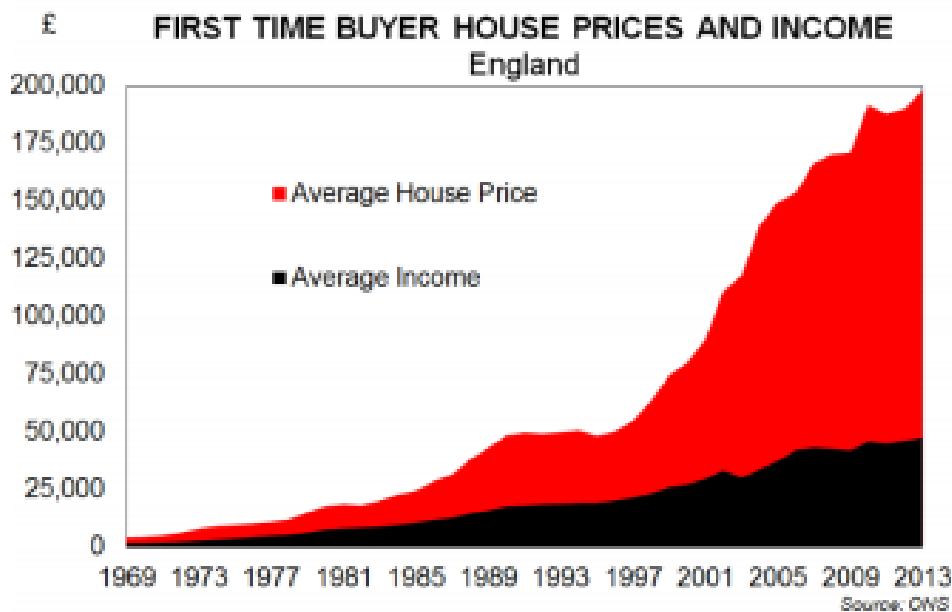


Figure 2.2. First Time Buyer House Prices and Income England 1969-2013 (Shelter, 2015).

The above figure highlights the problem as it is noted that 1969, house prices for first time buyers have increased by 48 times, which far out-paces incomes which have increased 29 times (Shelter 2015). To set this inequality in context, it is submitted that in 1969 the average first time buyer house price was £4,136. This price had increased to £198,039 in 2013. Over the same period the income for the typical first-time buyers has increased from £1,624 to £47,574. The point being that if house prices and income had increased at the same rate then first-time buyers would be paying £76,873 less than they are spending, which equates 30-40% less. The fact is that there is a high risk of overcrowding and homelessness due to the pressures in the housing market (Shelter, 2015).

Wilson and Barton (2018) make a similar point, describing this issue in terms of the housing cost to income ratio (HCIR), which is defined as the proportion of a household's disposable income that is spent on housing, is a key factor in demand for housing as it essentially quantifies ability to pay market prices. This means that in boom times, when house prices are increasing, demand is suppressed if wages/salaries do not keep pace these increases. The importance of this ratio in the current housing crisis is evident in the fact that between 1995 and 2003, the HCIR measure was stable because incomes and housing costs grew at the same rate. However, from 2003 to 2009, the average HCIR increased from 17% to 22% because house prices grew faster than average earnings. The recession of 2007-2008 brought a measure of control to the HCIR, which dropped to 20% by 2012, and while it is predicted

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that the ratio will continue to be stable, it is also unlikely that it will decrease further. It is acknowledged that there are regional variations in the HCIR ratio, with for example a much larger and increasing gap in London, which means that the majority of Londoners struggle to afford housing, despite these salaries having a London weighting. The fact is that the average HCIR is 28 per cent, as property prices increase year-on-year.

In summary, the housing crisis is impeding movement within the housing market, putting pressure on household incomes, increasing overcrowding and the threat of homelessness. This leads to the question as to whether the government is aware of the crisis and what measures are being taken to resolve these issues.

## 2.7 How is the Government and Property Sector addressing the Crisis?

Heath (2014) acknowledges that the government is aware of the crisis and it is clear from a review of the media that this crisis is a key political and emotive issue in the UK. The literature reviewed as part of this study indicates that there are several solutions offered depending on the perspective of the research.

According to Kay (2017) the solution is for local governments to build more houses using derelict and brownfield sites to minimise the environmental impacts of such development. Heath (2014) takes the view that the solution lies with the construction industry and argues that the number of houses delivered each year could be increased if there is investment in the construction industry and an increase in the use of off-site manufacturing. Nadim and Goulding (2010) argue that offsite production is the optimal solution for the supply of new housing and suggest that this form of construction would speed-up the rate of supply.

Watt and Minton (2016) take the view that there is a need to develop more social housing as this would relieve pressure in the worst affected areas and could potential create more growth (supply) in other tenures. Shelter (2015) take the same stance, arguing that there is a social, financial and moral case for the provision of government funding to increase the supply of affordable homes. There is also a suggestion that the government needs to address fiscal policy with respect to income to address the income-housing costs imbalance, supporting lower income households until the market stabilises.

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## 2.8 Summary of the Literature Review

In summary, this review indicates the complexity of the housing crisis in England and confirms that there is a crisis in this sector. Housing may be a function of supply and demand however it is evident that supply is influenced by a diverse range of factors including the productivity of the construction industry, the availability of land, construction and land costs, planning policy and housing policy relating to funding for social housing. Demand for housing is influenced by government social, fiscal and housing policies which have created an expectation of home ownership and persistently failed to invest in or support alternative forms of tenure.

It is found that social-housing policies such as the right to buy and associated cuts in funding for social housing has created an impediment within the housing sector. The fact is that there is insufficient social /affordable housing and this coupled with the HCIR differences, makes it neigh impossible for low income households to secure a property. This in turn has put pressure on the private rental market, and the gap in supply and demand in this sector is driving rents upwards.

There are several solutions proffered including increasing the delivery of housing using offsite manufacturing, yet this will not resolve the issue without changes to land release and simplification of the planning process. In short, the problem is created by a combination of government policies and exacerbated by the free market. It is suggested that there is a need to explore the factors underpinning this crisis in greater detail, at a national and metropolitan level, as this would be useful in highlighting and assessing the measures currently in place to address this crisis.

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## 3 Methodology

The literature review in the previous chapter suggests that the housing crisis will continue unless action is taken at all levels of the housing sector. This research seeks to add to the bank of knowledge on the housing crisis in England, as such it is important that the research is conducted in an academic and transparent manner, which optimises the reliability of the research findings and sets the study in context (Fellows & Liu, 2015). To this end it was decided to develop the research methodology following the stages of the research onion as developed by Saunders *et al.*, (2009).

The benefit of this tactic is that as pointed out by Saunders *et al.*, (2009) it optimises the chance of achieving the research goals. The purpose of this chapter is to set out the options considered at each stage of the methodology development and to justify the selection made. The benefit of this tactic is that as pointed out by Saunders *et al.*, (2009) it optimises the chance of achieving the research goals. The purpose of this chapter is to set out the options considered at each stage of the methodology development and to justify the selection made.

### 3.1 Approach and Strategy

There are two key approaches to this study, as indicated in Figure 3.1, namely deductive study and inductive study.

#### 3.1.1 Deductive Approach

It is argued that this dissertation is a deductive study, because it seeks to answer questions about the housing crisis in England, while an inductive study would seek to build a theoretical position on the topic and then test that theory (Fellows & Liu, 2015). It is submitted that dividing the main question into a series of sub-questions has merit, as it can be useful in highlighting the optimal strategy for the research (Roberts, 2010). It is argued that the literature review confirms that there is a housing crisis in England, as such there is a need to further understand the underlying issues which drive this crisis. The questions prompted by the literature review which will be addressed in the research are

- What current policies are in place to stem the crisis?
  - This includes exploration of social policies such as right-to-buy and economic strategies which have altered the housing tenure in England.

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- How does this crisis and potential solutions fit within the sustainable agenda for the government?
    - This includes an examination of the NPPF, the need for planners to take a proactive stance on development and the housing targets set by government.
  - Does the housing crisis require an understanding social and fiscal policy?

### 3.1.2 Research Strategy Options

These questions highlight the breadth of the task which needs to be addressed by the strategy, with options ranging from case studies, surveys and ethnographic studies to experimentation, action research and grounded theory (Saunders *et al.*, 2009; Biggam, 2015). There are some of these strategies that were immediately eliminated as unsuitable for this deductive, mixed methods study, including grounded theory which is essentially an inductive form of study which is underpinned by qualitative reasoning (Bryman & Bell, 2011). Experimentation was also eliminated as impractical (Farrell, 2011) and ethnographic studies was eliminated as useful in determining the link between housing and culture, but impractical in terms of the requirements of this dissertation (Bryman & Bell, 2011). Action research can be useful in assessing the impact of change, as such it could be loosely applied to this study in testing the impacts of changes to housing policy in a specific community. However, the researcher needs to be embedded in the sample and it would be difficult to create a boundary for the sample, as such this strategy was discounted (McNiff, 2013).

This rationalisation left case studies, surveys, archival studies and action research as potential strategies which needed further investigation to select the optimal choice for the study. To this end it is noted that case studies offer the chance to view the topic of housing shortages from a range of perspectives including that of planners, politicians, and other regulators. The case study could also be addressed from the developer's (supplier) point of view or those at the forefront of the shortage, including people waiting for a property or affected by over-crowding or those being forced into the rental sector because of a shortage of affordable housing (Thomas & Brubaker, 2000). The drawback of this strategy is that the case studies have to be representative of the wider population (that is the housing crisis) otherwise the reliability of the research outcomes could be compromised (Fellows & Liu, 2015). The survey strategy was also investigated and it is noted that this also provides a flexible form of study for this dissertation, enabling the researcher to choose the variables to be explored, which could involve ascertaining the links between supply, demand, and

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planning in an area in England. The drawback of this strategy is that there are, as explained in the literature review, high degrees of variability in supply and demand throughout the country and it was decided that this could be difficult to find a sample that is representative of the housing shortage issues in England within the time allotted to this study (Bryman & Bell, 2011). It is submitted that archival research has merit in assessing the background to current policy, however this has essentially been carried out in the literature review, as such this strategy would add further value to the study (Saunders *et al.*, 2009).

Based on the above discussion, it was decided to progress this research using the case study approach, as this offered the flexibility needed to examine the wide number of variables underpinning the housing crisis and offered the optimal strategy for completing the research on time.

### 3.2 Data Collection and Analysis

There are two types of data collection that can be used for case study research as illustrated in Figure 3.1. These options include primary data and secondary data, the former typically involves observations, interviews or questionnaires and the latter typically involves the collection of published data. The selected option should be based on the time allocated to the study and the method that optimises addressing the research objectives.

The literature review carried out in the previous chapter, highlights the complex nature of this problem and the fact that the extent of the crisis varies from region to region. It was decided that the optimal solution to this study was the collection of secondary data, by conducting a survey of two cities in England namely Manchester and Bristol.

The selection of two cities is justified on the premise that it explores the housing crisis from a metropolitan level and it reduces the risks associated with the collection of reliable data as the case studies can be compared. The data from the cities is then compared to national performance of the housing market. Thus, the issue is addressed from a national and local perspective. The purpose of the survey was to assess the extent of the housing crisis in terms of supply and demand. The data collected, as discussed in the next chapter included house price data, and the supply of properties in each area. It also sought to examine ways in which each authority addresses this issue, and to take a view on the success of these measures. The data collected was analysed using a mix of quantitative and qualitative analysis, including statistical analysis and coding as necessary (Bryman & Bell, 2011).

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### 3.3 Summary of the research methodology

In summary, this research is underpinned by the Realist view of reality using a mixture of quantitative and qualitative reasoning. The research is deductive, seeking to answer a specific question on the housing crisis. A range of strategies were investigated, and it was decided that the survey strategy was the optimal selection, using secondary data gathered from the housing market in different parts of England. It is acknowledged that there are limitations to this methodology, however it is argued that the research provides a snapshot of the housing crisis at this time.



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## 4 Results, Analysis and Discussion

The purpose of this chapter is to set out the data collected with analysis and discussion in relation to the findings of the literature review and the objectives of this study. In the interests of clarity, it is useful to reiterate that the objectives include the need to explore the casual factors in the housing shortage in the England and to understand ways in which this crisis is being managed. Choose one south and one north city.

### 4.1 Housing in Manchester

This section explores the housing market in Manchester, government policy on housing and the impacts of shortages in this city.

#### 4.1.1 Housing Market

According to Jones Lang LaSalle (JLL, 2017), there is an under-supply of housing in the city centre in Manchester with predictions that this shortage will continue for at least another five years. It is likely that this will continue to drive up capital values and rents. The shortage is estimated at 3,000 homes, and while the construction industry is actively increasing the number of properties in this city, the fact is that demand is increasing faster than supply. In short, the city has been and will continue to experience relatively rapid population growth which results in sustained high demand for housing. At the same time, the current development pipeline is not keeping pace with this growth resulting in a shortage of housing.

Silver (2018) points out that Greater Manchester, and in particular the ‘city-regional centre’ which includes central Manchester, central Salford and Salford Quays is experiencing a housing boom, with rising house prices and billions of pounds of investment into the built environment. However, the high market prices and problems of affordability mean that there are increasing numbers homeless, and there are 120,000 people on the social housing waiting list with many families living in sub-standard rental properties, and major problems in terms of affordability (Cathcart 2017).

#### 4.1.2 Housing and Planning

In keeping with planning policy, Manchester City Council (MCC, 2012) have developed and agreed a Local Plan within which there is a Core Strategy that sets out housing aspirations. Clause SO3 of the core strategy states that MCC will provide a significant increase in high

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quality housing at sustainable locations throughout the City, to address demographic needs and economic growth.

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Figure 4.1. Housing Numbers (MCC, 2012).

These aspirations, shown in housing number in Figure 4.1, are linked to the fact that the city’s population is predicted to increase to 581,300 by 2027, which underpins the need for the housing. In addition, the plan is to facilitate this market as it will ultimately improve the local economy. The Core Strategy acknowledges that there is a need to support first time buyers and to regenerate parts of the city with older housing stock. MCC (2012,) acknowledge the need to distribute the housing to encourage sustainable communities and seeks to increase the level of owner-occupiers in Manchester. In addition, MCC (2012) state that the “Council wishes to maintain a flexible approach to the delivery of housing generally and affordable housing in particular by reflecting changes to market conditions and by taking advantage of the development of new equity based products”. MCC (2012) confirm that this housing will be achieved through the promotion of high density developments of over 75 units per hectare in the City Centre and parts of the Regional Centre, as such there is a presumption towards high density housing development, within mixed use schemes.

#### 4.1.3 Impacts of Shortage

It is noted that the city of Manchester has aspirations for sustainable economic growth “based around a more connected, talented and greener City Region where the prosperity secured is

enjoyed by the many and not the few.” (Affordability Research Communities(ARC), 2010). In order to achieve this and to ensure that the city is competitive and has sufficient workers with suitable skills to attract inward investment. In other words, the city must be attractive to workers, which it is argued means that the city must also facilitate housing development within the city. The knock-on benefit is that by providing housing in central locations, this reduces the need for commuting and enhances the environmental quality of urban life (ARC, 2010).

Figure 3B: Average starting price for one bed apartment

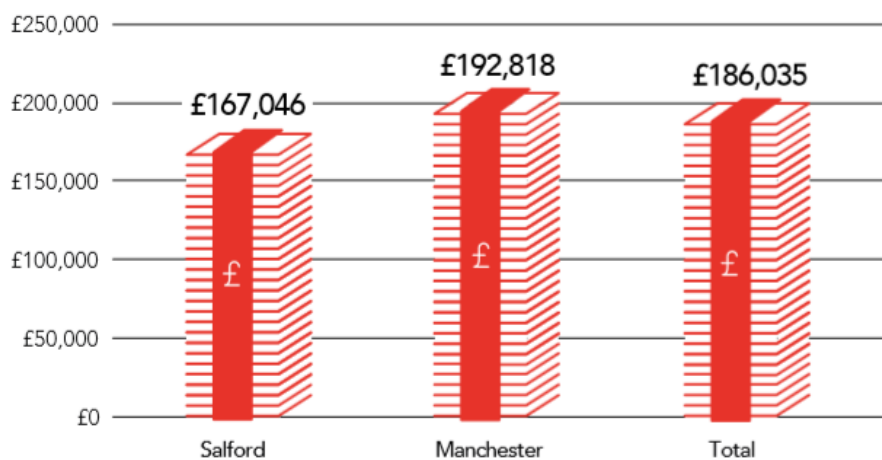


Figure 3C: Calculated mortgage payment per month (1bed) apartment



Figure 4.1. Average House Prices and Mortgage returns in Manchester (Silver, 2018).

Cathcart (2017) argues that a key impact of the shortage of housing in Manchester is that external investors are driving prices upwards, with the result that the average worker in the city/region is priced out of the market, with the average price for a one-bedroom property being £186.035 as shown in Figure 4.1, which requires an average monthly mortgage repayment of £882. The reality is that the majority of workers or households in Manchester cannot afford to purchase these properties.

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## 4.2 Housing in Bristol

This section explores the housing situation in Bristol, England.

### 4.2.1 Housing Market

It is noted that according to the 2011 census that housing tenures within Bristol, include 21% as social rented of which 15% is owned by Bristol City Council (BCC) and 6% is owned by housing associations; 55% is owner occupied and 24% privately rented. By 2016, this has changed 18% social rented, 53% owner occupied and 29% private rented, which indicates reductions in all forms of tenure except private rented which has increased by 5% (BCC, 2016). In fact, the private rental sector has been growing for decades with an increase from 12.2% in 2001 to 29% in 2016 overtaking the entire social sector. The private sector is dominated by younger households and those on lower incomes who cannot afford to buy a property in the city. According to BCC (2016) there is increasing demand in the city with a persistent undersupply of new homes, in the owner-occupier tenure and private rental sector. The situation is exacerbated by the fact that Bristol is also at the top of the league table for house price growth in the 20 major cities of the UK. The city is also experiencing increasing levels of homelessness, 489 homelessness acceptances in 2014, increasing to 872 in 2015, 1006 in 2016 and 979 in 2016-17 (BCC, 2016).

BCC (2016) make the point that the average house price in the UK is £219,544, whereas the average house price in Bristol was £259,791, equating 18.3% higher than the UK average. This is a persistent trend as house prices in the city have increased by 47.4% in the past decade. This is confirmed by Knight Frank (2015) who point out that over the last decade, the mainstream housing markets in both Bristol have outperformed the average in England, at 46% compared to 30% respectively. In prime residential markets the annual price growth in 2015 was 5.1% in Bristol compared to 2.3% across the rest of the country.

The fact is that there is a housing shortage in Bristol with BCC (2016), as such the local authority is committed to providing the community with housing to enhance quality of life. The vision for housing in Bristol is to increase the number of new homes; ensure optimal use of existing homes and to intervene early to prevent people ending up in housing crisis. BCC (2016) also commit to working with investors to increase delivery.

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## 4.2.2 Housing and Planning in Bristol

In accordance with planning policy, BCC (2011) prepared a Core Strategy which highlights the housing needs for the city over the next decade or more. The demand for homes within the city was determined using a range of sources of evidence including the West of England Strategic Housing Market Assessment (SHMA) and central government's demographic of economic growth. The SHMA acknowledges an increasing need for affordable housing and also cites the difficulties associated with the provision of these houses, due to reduced levels in public subsidy. Policy BCS17 of the core strategy indicates that 30% to 40% affordable housing will be required within private developments, depending on economic viability of such developments, which in turn will depend on the wider economy. In terms of actual demand, the Core Strategy suggests that demand needs to be linked to growth forecasts, indicating that the development of an additional 30,200 new homes up to 2026 would be adequate to support economic growth of at least 2.3% within the city. In terms of supply, BCC (2011) maintain that there is sufficient available land for the supply of 30,000 homes up to 2026. In a recent update to the Core Strategy, BCC (2016) developed a Joint Spatial Plan (JSP) as part of the statutory Development Plan Document to provide the strategic development framework for the West of England to 2036. The JSP sets out the framework to deliver up to 105,000 additional new homes between 2016 and 2036, of which 32,200 are affordable homes, equating to 1,610 affordable homes needed each year for 20 years.

## 4.2.3 Impacts of Housing Shortage in Bristol

The impacts of the housing shortage in Bristol is rising house prices and increased waiting lists for social/affordable housing. This is evidenced by the fact that Bristol is an increasingly expensive place to live with the highest private rental costs outside of London, which makes it difficult for low-income and younger people to secure a property. Particularly as house prices are over 10 times the average salary, despite the city having a buoyant economy, highly skilled workforce and increasing wages. In addition, the under-supply of housing means that the houses that are available are priced unrealistically, and increasing at a rate higher than the national average. Whilst it is acknowledged that the government has put schemes such as the help-to-buy scheme in place, it is argued that this scheme does not provide sufficient help for younger people struggling to secure a property in Bristol (Partington, 2017). It is also argued that whilst the economy in Bristol is buoyant, there is concern among employers that rising house and rent prices and the persistent undersupply

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of housing will ultimately deter workers from seeking employment in the city (Partington, 2017).

## 4.3 Comparative Analysis

### 4.3.1 Summary

It is suggested that the above data confirms the findings of the literature review and the notion that there are not enough homes being built in England, particularly those in the affordable range (Grayston, 2017). A comparison of the housing markets in Manchester and Bristol reveal that there are significant commonalities between the housing markets, including

- the fact that both authorities indicate their commitment to the provision of affordable housing and acknowledge the problems associated with housing shortages.
- both authorities link housing with economic growth/success in their regions.
- the problems in both cities are reflective of the national issue of housing shortages, and suggest that the worst affected include lower-income households, young people starting their careers and those in employment but on low salaries.
- in both cases, the local authority has addressed housing in the Core Strategy and indicated willingness to work with investors and developers in the region, however there is very little practical guidance on the ways in which housing will be increased.

It argued that the above comparison and the findings of the literature review highlight the fact that this is not a new problem as it has been evolving for decade due to a complex mix of government interference in the housing market, social policies and dwindling support for social housing, along with an overly complicated planning system and reluctance to realise land for development (Kay, 2017; Leishman, 2015; Eichholtz & Lindenthal, 2014).

### 4.3.2 Causal Factors in Under Supply

There are issues that are exacerbating the housing shortage, including the financialisation of housing (Fields & Uffer (2016), property-led development and regeneration and a legal loophole in viability assessments (Fraser, 2017; Grayston, 2017).

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### 4.3.2.1 Financialisation of Housing

The data gathered in the above sections also revealed another key causal factor which is exacerbating the housing crisis in England and that is that over the past decade there has been increasing financialisation of housing, despite the fact that housing is a basic need (McNally and Granger, 2016). The term financialisation means treating housing as a pure financial asset as opposed to homes for people. Fields and Uffer (2016) agree, describing financialisation as changes to the housing market where housing is treated as a commodity rather than a basic human. The United Nations (2018) add that housing is the centre of an individual's social, emotional and economic life, it should be a sanctuary of peace and security. However, the fact is that housing is increasingly viewed as another commodity. It is suggested that socio-economic and housing policies in England over the past five decades have slowly been leading to the financialisation of housing, with successive governments seeking to offload the financial burden of housing, creating an expectation of home ownership without providing the necessary support for lower income families to access this asset.

Fine *et al.* (2016) imply that financialisation of housing is affected by property-led regeneration, concentrated development in city-areas and facilitating/enabling investment in housing. Given the extent of the housing crisis in England and the fact that there are few agree, practical solutions to this problem, it is argued that it is important to explore these issues in greater depth. It is argued that the process of financialization of housing can be understood by exploring the case of Manchester in greater detail. This necessitates examining a report prepared by Silver (2018) who conducted research on housing in Greater Manchester and concluded that the shortage of housing in this city/region is due to the evolution of successive policies at local and national levels of governance, using three measures in directing the housing market and controlling urban development. It is argued that the findings of the report while specific to Manchester could equally be applied to other cities, including but not limited to Bristol.

Silver (2018) takes the view that property-led regeneration has been encouraged by local levels of governance in Greater Manchester for more than two decades, as evidenced by measures attract private investment, changing the image of an area (gentrification) and creating flagship projects as new cultural attractions. It is noted that this is noted a new concept, as it was used by the Conservative government in the 1980s as part of urban regeneration projects and again by the New Labour government during its time in

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government from 1997 to 2010, resurfacing again in 2014 with the Conservative government (Stewart, 1994; Carley, 2000; McNally and Granger, 2016). The point being that this process is not simply a problem in Manchester, it is endemic in the housing market in England and acts as a major barrier to addressing the shortage.

Silver (2018) maintains that the national housing problem is typified in Manchester where the city-regional centre is essentially being transformed through urban development sites such as offices and commercial space, with economic growth underpinned by the housing sector through conversion of abandoned warehouses and mills into new skyscrapers and apartment blocks. This type of development repopulated the city centre in Manchester, with the provision of over 4,000 units in 2006, before a significant decrease to less than 1500 units from 2010 to 2012, as a result of the global recession. By 2014, this situation reversed and development recommenced on a bigger scale than before the crisis, largely aided by government support and inward financial investment. In 2016 and 2017 for example there was an 133% increase in the number of residential units under construction attributed to the government's focus on private rented market, and the shift from 'Buy to Let' sector to institutional investors in large scale, private rented developments. At the same time, rising house prices coupled with difficulties accessing credit and relatively stagnant income has resulted in a significant decrease in levels of home ownership, with for example the policies in Manchester contributing to a decrease from 72.4 % in owner-occupier tenure in 2003 to 58% in 2016 (Silver, 2018). Montgomerie and Büdenbender (2015) point out that financialisation of housing as a means of trickle-down social welfare is incorrect and a short-sighted socio-economic policy.

#### 4.3.2.2 Property-Led Development and Regeneration

The housing shortage is also underpinned by the property-led regeneration, pursued by Local Authorities and the private sector in England (Tallon, 2013). It is argued that local authorities are also seeking ways to increase the supply of housing by optimising the use of existing housing, as in Bristol which it is suggested includes urban regeneration. This is not a new policy as property-led regeneration has been a planning and socio-economic instrument in England for over three decades. This process was first introduced by the Conservative government in the 1980s as a way of regenerating inner-city areas using private investment. The ethos at that time was that such development would improve the quality of life of the local community and increase opportunities such as work which in turn would improve the local economy. However, the reality is that such processes led to gentrification, often driving



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local communities out of an area, as house and rent prices increased (Watt, 2009). Although the policy was started by the conservatives, it is submitted that it was continued by the Labour government albeit with greater involvement of the local community in the development planning of these schemes (Broughton *et al.*, 2011).

It is submitted that a key problem in this form of housing provision is that developers appear to have control over the development process, to the detriment of affordable housing supply. For example, it is noted that the housing strategy in Bristol requires developers to ensure that 20-30% of housing schemes are affordable housing and this figure is 20% in Manchester. Yet there is evidence to suggest that developers appear to have the power to provide whatever suits their profit margins (Pidd, 2018). According to Grayston (2017), developers are using confidential viability appraisals to avoid the provision of affordable housing which indicates that the inclusion of affordable housing will make the development non-viable. This essentially leaves MCC with the choice of accepting the developer's appraisal and permitting the development of much-needed housing or withdrawing permission.

For example, the Central Manchester Strategic Regeneration Framework (SRF) which forms a core strategy as part of the region's Local Plan actively encourages high-density housing (Silver, 2018). The result is that developers are typically granted permission to build properties on a scale that is out of keeping with the local area to optimise profits. The ethos underpinning such a housing strategy is that the development of profitable projects will trickle down to the economy in surrounding neighbourhoods. This policy has been prevalent in Manchester for over thirty years and is based on using housing as a competitive, market to transform urban space, attract inward investment and employment and ultimately to attract flows of finance (Tallon, 2013). This pursuit of housing as a commodity, was facilitated by the regeneration strategy used by Manchester City Council, who created a supportive fiscal context to secure private sector investment. This developer-friendly approach granted planning permission for new buildings whilst overriding concerns about heritage and the impact of such regeneration in local communities and affordable housing. During the crisis, the approach also included a reduction in the developer Section 106 contributions with the result that developments contain significantly less than the 20% requirement for affordable housing (Silver, 2018).

This point is reiterated by Pidd (2018) who argues that major problem in Manchester, is not the undersupply of housing, but the fact that none of the 14,667 homes granted planning permission by the council's planning committee in the last two years are classified as

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affordable. This is contrary to MCC's own policy of 20% of any development as affordable and also contrary to the spirit of the NPPF and government policy on planning. It is suggested that this is in part due to the increasing popularity of the city and competing goals of economic sustainability, the desire to be a major European city and a focal city in England. It is evident that the city is attractive to inward investment, with property typically selling three times faster in Manchester than in London. However, the bulk of the housing market is focused on luxury developments rather than catering for the lower economic groups. The result is that house prices are increasing, and a buoyant private rental market with average rent increases of over £100 year-on-year.

Whilst Fraser (2017, p.1) describes this process as exploiting a legal loophole, Pidd (2018) points out that MCC justify their actions or rather inaction relating to affordable housing on the premise that there are already 68,000 social rented properties in the city, which equates to one-third of the housing stock in the city compared to the national average of 16%. MCC also suggested that once properties are on the open market, the current market means that many flats meet the definition of affordability, whereby rent or mortgage payments do not cost more than a third of the average household's income of £27,000 in this city. According to Pidd (2018), MCC claim that the average rent is £687.50 per month and mortgages are in the region of £125,000. However, it is suggested that this is a mute argument given that there are over 12,900 people waiting for a house on Manchester's social housing register. In addition, the figures cited by MCC do not appear accurate as Pidd (2018) states that the average cost of a one-bedroom flat in Manchester city centre is £192,818, requiring a deposit of £20,000 and a monthly mortgage repayment of £914 excluding bills. The result is that key workers such as nurses, teachers and those entering professional services are being displaced as they cannot access housing in the city. The point being that while the viability process is legal and within the planning regulations, it is suggested that it is being used in a negative manner that is adversely affecting a key pillar of the NPPF and sustainable development, as it is blocking the supply of affordable housing.

#### 4.3.3 Inaccurate Viability Assessments

The viability assessment process is an appraisal of the amount of profit that can be made on a scheme. If expected profits are less than 20%, then the number of affordable homes the developer is required to build under Section 106 agreements can be reduced. In addition, the developer can also reduce other factors such as the size and quality of the new houses. In other words, the viability assessment provides a safety net for developers, enabling them to

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pay high land prices for a site in the knowledge the required community benefits can be reduced through the viability appraisal system (Royal Institute of Chartered Surveyors (RICS) 2012). However, it appears that developers are using this process to avoid the provision of affordable housing (Fraser, 2017).

Grayston (2017) makes an important point, suggesting that changes to the planning system in 2012, have made the problem worse. It is acknowledged that introduction of the NPPF and the localism agenda, were meant to facilitate and encourage sustainable development including housing where needed (Ricketts & Field, 2012), however Grayston (2017) takes the view that these changes made it easier for developers and planning authorities to avoid affordable housing by abusing viability assessments. To set this problem in context it is noted that the viability “loophole” was responsible for the loss of 472 affordable homes lost in Manchester and 196 affordable homes in Bristol in 2017 (Grayston, 2017). This means that “none of the 2,362 homes permitted on sites where developers used a viability assessment were affordable” compared to the provision of 11% affordable housing in other sites in the city where there was no appraisal (Grayston, 2017). In addition, only “8% affordable housing was achieved on sites where developers submitted viability assessments” in Bristol compared to 30% affordable housing achieved elsewhere (Grayston, 2017). In other words, local authorities appear complicit in developers using the viability assessment process to reduce the number of affordable homes provided.

This point is supported by a recent case, which although it is not in Manchester or Bristol, it does reflect the national scenario with respect to the supply of affordable housing, as such it has relevance to this study. In this High Court case, the London Borough of Islington challenged a developer’s viability assessment to secure affordable housing. According to Paine (2018), the case focused on the way in which the price of land should be determined in planning. Islington Council require developers to provide the “maximum reasonable” amount of affordable housing on a site, with 50% affordable housing being the starting point. The developer Parkhurst Road Limited, applied to build 96 homes on a former Territorial Army Centre in Parkhurst Road, and sought to build less than Islington’s affordable housing target, as such planning permission was refused. The developer appealed and then increased its offer of affordable housing to 10%, which was justified on the viability of the scheme using the purchase price paid for the site and land transactions of other similar schemes. Islington Council again refused planning permission for this development on the grounds of insufficient affordable housing. The scheme went to two public enquiries, both of which were won by Islington LBC and the planning inspector upheld Islington’s decision. The

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developer then mounted a legal challenge against the planning inspector's decision at the High Court. The court dismissed the challenge on the premise that the developer should abide by the councils' planning guidelines rather than overpaying for land and then seeking to recoup that money through decreasing the volume of affordable home requirements. The Court also stated that it was time to reconsider the manner in which land is valued and the methods applied to the viability assessment for housing developments, as this would avoid protracted disputes and potentially remove obstacles to the provision of housing (Paine, 2018). The point being that local authorities in Manchester and Bristol as well as throughout the country should adhere to the affordability requirements as set out in their development plans and not be swayed by developers who simply seek to avoid such development.

The risk is that issues over land values could deter developers from the housing sector, and at the same time the NPPF clearly indicates that planners need to take a proactive stance in driving development and the government has indicated that local authorities should incentivise developers (Solomon, 2017). It is argued that this case illustrates the complex nature of the housing debacle, as the price of land increases as demand for housing grows and supply declines, yet it is difficult for developers to secure land without paying market prices and given the democratic nature of UK society, it is also unrealistic to expect private development firms from reducing profits for social good. In short there needs to be a balance between the cost of development, profit and the supply of housing, which can only occur if the local authorities are given sufficient funding to supply social housing, if land is made readily available for affordable housing as this would decrease the supply costs and if the turnaround period for providing housing was reduced.

## 4.4 Solutions to the Housing Shortage

The data collected in the previous section, indicates that local authorities take the view that working with investors and developers is the solution to the problem, however it is clear that to date this process has failed due to the increasing shortage of properties in England.

### 4.4.1 Adhering to Planning Policy

It is argued that the solution lies, in part, by ensuring that developers adhere to the requirements of the core strategy in each city/region, with respect to the volume of affordable housing included in each housing scheme. Grayston (2017) agrees, arguing that developers should not be permitted to avoid their regulatory commitments to provide a percentage of affordable housing in every development. At the same time, local authorities should stand

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firm with their affordable housing requirements regardless of the pressure for development in an area. This process will only be successful if processes such as viability assessments/appraisals are fully transparent and subject to public scrutiny. In short, a key solution to the housing shortage is eliminating the viability loophole, which will increase the supply of overall housing and speed up build-out rates, whilst negating the need for additional public investment in housing and increasing stability in the housing market. In terms of the problem of property-led development, it is suggested that there is a need to ensure that the community is involved in the development planning process, as this could reduce the level of objections to proposed housing, make the supply process more efficient and ensure the sustainability of housing development (Nevin, 2010; Jones & Evans, 2008).

It is acknowledged that the above solutions would increase the volume of affordable housing, however it is argued that given the fact that an estimated 300,000 units are required each year, the problem requires more radical approaches, such as development of the greenbelt (Cheshire, 2014) and increasing the rate of supply by using off-site manufacturing (Chiheb, 2017).

#### 4.4.2 Improving Planning and the Construction Industry

Garton *et al.*, (2018) point out that potential solutions include increasing the volume of land suitable for development at a reasonable price, including increasing the release of public land. In addition there is a need for greater efficiencies in local authority planning departments by increasing resources for housing and ensuring that the planning system deals with applications in a cost effective and efficient manner. There is also a need to incentivise developers to complete development on permissioned land without delays. Garton *et al.*, (2018) also take the view that there is a need to improve productivity levels in the construction industry, and to encourage more companies into the housing market, whilst also ensuring that the “construction industry is in a fit state to deliver the housebuilding capacity that England requires”. The Redfern Review by Oxford Economics (2016) suggests that the provision of additional housing is unlikely to reduce house prices except in the very long term and this will occur only if output is sustained at a high level. For example, if housing supply was increased to 310,000 homes per annum, this would result in only a 5% decrease in house prices. The point being that there is a need for a combination of policies to reduce the cost of construction, the cost of land and the speed of construction (Garton *et al.*, 2018).

Cheshire (2014) implies that a partial solution to the housing crisis is to release greenbelt land for development, however Spiers, (2018) indicates that there could be significant

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opposition to building in protected land in part because of the NIMBY concept and in part because of concern about urban sprawl and loss of the countryside. It is argued that the latter is based on the idyllic view that green belt land hosts nature reserves and picturesque vistas, which once lost would be lost forever, however Cheshire (2014) argues in favour of releasing greenbelt land which has no particular environmental value within 800m of an existing station in London's greenbelt would facilitate the construction of approximately one million homes. The fact is that greenbelt includes disused sewage works and brownfield sites which could ease the pressure on housing. The Organisation for Economic Cooperation and Development (OECD, 2011) agree that preservation of the greenbelt impedes development and economic growth in the UK. However, the issue is emotive and typically results in delays to housing development.

The battle over greenbelt and affordable housing affects more than 13 cities in England, including Nottingham, Sheffield and London, Newcastle and Bristol, all of which are experiencing severe housing shortages. It is noted that at times the government appears to support the development of brownfield sites within the greenbelt, but officially takes a neutral position over the development of the greenbelt on the premise that each case needs to be judged by local planners on its merits. At the same time, the government has warned local authorities that if they miss their housing targets they will lose their planning powers (Paine, 2018). The pressure of the housing crisis and from government means that in many areas local authorities are considering designating greenbelt land for housebuilding, with the Campaign to Protect Rural England (CPRE, 2017) suggesting that more than 425,000 new homes are planned for greenbelt including over 60,000 homes in Greater Manchester as part of the 30-year spatial framework. While using greenbelt may seem an obvious solution, the complexities of such a strategy can be illustrated using the case of Guildford where 89% of the district is in greenbelt (Paine, 2018). There is dire need for housing in this region, as such the local authority has included greenbelt land for 59% of housing in their local plan over the next 15-years. This has resulted in significant local protest to the development of new houses in the town largely over the community's desire to preserve the greenbelt (Paine, 2018). However, 23 miles north-east of Guildford, in Mitcham and Morden, there are an estimated 9,500 people on the waiting list for housing, and 190 families in temporary accommodation, with severe overcrowding with examples of a "five-person family sharing a single bed" and 80 local families currently in temporary housing in a damp converted warehouse (Paine, 2018). The result is stagnation, and is typical of the greenbelt debate throughout the country, with both sides entrenched in the battle on housing and little progress being made in the provision of such housing (Cheshire, 2014; Paine, 2018).

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## 5 Conclusion

This research set out to explore the housing crisis in England in terms of the underlying causes of this crisis. The objectives of the research included an assessment of the extent of the crisis, the impacts of the crisis and the ways in which the government at city and national level are addressing this problem. The research also sought to assess the effectiveness of these measures. The purpose of this chapter to set out the findings of the study and to present the conclusions from these findings. Given that this research seeks to add to the bank of knowledge on this topic, the limitations associated with these conclusions are also presented along with recommendations for further research.

It is argued that off-site manufacturing offers the potential to increase the rate of supply once land and planning issues have been agreed. Offsite manufacturing is also referred to as a modern method of construction whereby the bulk of construction is carried out in factory controlled conditions, by preparing fully fitted and serviced prefabricated units in the factory and then transporting these units to site for erection. The benefits of this process is that a house can be completed in less time than in conventional construction, with better quality finishes and a lower carbon footprint. In addition, this process can be used to provide sustainable housing with less waste compared to conventional housing. Prefabricated units can be used to develop high density, high-rise construction, reducing land consumption and optimising the volume of units provided in each building. The high quality of these products also reduces energy consumption throughout the operational life of the property. However, there are drawbacks to offsite manufacturing including a lack of interest from the public, higher capital costs and reluctance within the industry to embrace new methods of working (NHBC Foundation, 2016).

### 5.1 Findings

The findings of this research are as follows:

#### 5.1.1 Housing Crisis

This research finds that there is a housing shortage in England; in fact, this shortage has evolved into a crisis in some regions of the country, amidst predictions that the crisis will continue to increase through increased demand and undersupply. The fact is that this crisis is a product of increasing demand for housing through population growth, and changes to

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the way in which people live with an increasing pattern of single occupancy households. At the same time there is a persistent, year-on-year undersupply of housing which means that the gap in supply and demand is continually increasing.

### 5.1.2 Impacts of Housing Crisis

The impacts of the housing crisis are experienced by all sectors of society, with perhaps the low-medium households more affected than other groups. The impacts include overcrowding, with some people having to remain in the family home longer than anticipated due to a lack of affordable properties. The situation has also put pressure on social housing waiting lists and has created tensions in the private rental market with year-on-year increases in rent. There are also higher levels of homelessness.

### 5.1.3 Factors Underpinning the Housing Crisis

The data collected on the national housing market, as well as that in Manchester and Bristol Housing is a function of supply and demand however each of these issues is influenced by a plethora of related issues, highlighting the complexity of the problem and the difficulty in finding a reasonable/practical solution. This research suggests that supply is affected not simply by the construction industry's ability to produce a sufficient number of housing to cater for demand each year. Rather, it is also a function of the availability and cost of land, the availability of credit for construction companies and planning policy. Demand for housing is a function of a household's aspirations for owner-occupier tenure and government policy on social housing. Demand is also influenced by confidence in the economy, stability of employment, credit accessibility and salary to mortgage ratios. All of these factors determine the cost of housing which leads to affordability issues. The result of the combination of economic and policies to date is that the housing crisis is underpinned by affordability issues, whereby low-medium income households are excluded from available housing.

### 5.1.4 Government Policies in addressing the Crisis

It is found that to date, government policy on social housing and planning has contributed to this problem, particularly in the financialisation of housing. At a national level, the government virtually abandoned social housing in the 1980s and 1990s and regeneration projects have led to gentrification of some areas, effectively pricing low-income householders out of the housing market. The government has reformed the planning system



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in an attempt to empower local communities to determine what types of development is provided in their areas. However, the lack of available land and resistance to the use of greenbelt land reduces the benefits of these measures.

Local governments are also adding to the problem as indicated in Manchester and Bristol by failing to implement the conditions of planning policy with respect to affordable housing. It is found that local planners are under intense pressure to provide affordable housing and, at the same time, there is a need to promote economic growth. The reality is that these aspirations are in conflict in some situations and planners do not appear to have the power or the negotiating skills required to enforce the requirements of the local plan. In short, the government, at all levels of governance, has implemented planning reforms such as localism and the NPPF; however, the crisis persists.

### 5.1.5 Potential Solutions

It is suggested that none of the government's strategies to date have been effective and this indicates that the solution requires a collaborative approach across the private-public sector interface. This research finds that there are several potential solutions to this crisis include increasing the speed of supply of housing through the use of offsite manufacturing and releasing land such as brownfield sites in greenbelt areas. It is suggested that local governments could increase the supply of affordable housing by ensuring that each development includes a practical percentage of affordable housing as set out in the core strategy for that area.

## 5.2 Conclusions

It is concluded that there is a housing crisis in England. This crisis adversely affects low to medium income householders and has a particularly negative impact on the younger generation and those starting their working careers. The impacts include high rents, lack of affordable properties, increased overcrowding, lack of choice associated with living conditions and location, as well as increased levels of homelessness. Over the past few decades, the government has implemented a range of policies on housing and planning; however, these have largely been ineffective as the gap between supply and demand increases year-on-year. It is concluded that the solution requires a collaborative approach involving private enterprise and public bodies. It is also concluded that practical measures such as adhering to the affordable housing quotas in Local Plans and releasing additional land for affordable housing could reduce pressure in this sector.

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### 5.3 Limitations of this Research

This research has been based on a reasoned methodology developed in a logical and rational manner; however, there are limitations to the research which need to be highlighted to set this study in context with similar research. It is submitted that a key limitation is the collection of secondary data and the small sample of the population. This limitation was addressed by choosing local authorities from the North and South of England and comparing the data collected with national perspective on housing, however it is likely that even this diverse range of data may only provide a snapshot of the housing shortage in England.

### 5.4 Recommendations for Further Study

This research focused on secondary data gathered from two cities in England, so it is suggested that the findings of the study could be validated through further research on this topic. To this end it is recommended that primary data is collected from representatives of the housing sector in both cities, including for example planners, policy makers, housing contractors and people affected by the housing crisis. It is argued that such a study would be useful in considering the impacts of the crisis from different perspectives and in developing reasoned solutions to the crisis.

It is noted that this research highlighted the problems associated with testing the viability of developments, as such it would be useful to conduct further research into this practice, from the contractors and the planners' perspective. It is recommended that such a study would involve the collection of secondary data on viability studies and interviews with contractors and planners to ascertain the factors which affect the financial and economic decisions relating to the provision of affordable housing.

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