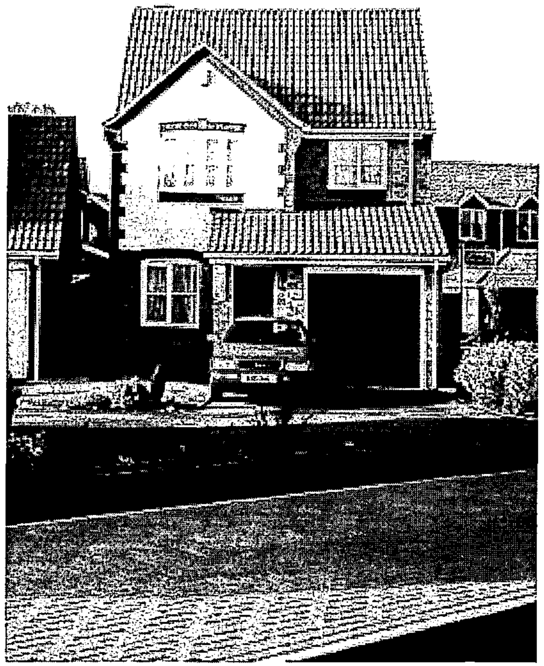
Irresistible force?

Pressures for Change in English Speculative Housing

Tom Hughes



Introduction

The housing industry in England is facing a double crisis. Firstly, demographic shifts are creating a projected demand for housing that significantly outstrips current capacity. Secondly, societal changes such as new working and leisure practices, increased environmental awareness and greater mobility are creating a need for new housing types. These demands, in combination with specific commercial and regulatory pressures, are forcing speculative house builders to re-examine both the nature of their products and the construction methods used.

Change is more difficult for the housing industry than other sectors because, in cultural terms, housing fulfils a need unlike any other tradable product: it makes both our shelter from- and, as a status symbol, our point of contact with- the outside world. Even in purely commercial terms housing is unusual: a framework of regulation, financial speculation and politics surrounds, and invades, the market. And yet the house builders have similar motivations to any other manufacturing industry; the commercial imperative to maximise profit ensures that working practices and the nature of the product will only change in order to increase saleable value, decrease production costs or create a house that is in greater demand amongst buyers.

This complex interleaving of commercial and cultural factors makes it impossible to consider the future of the housing industry in isolation from its customers

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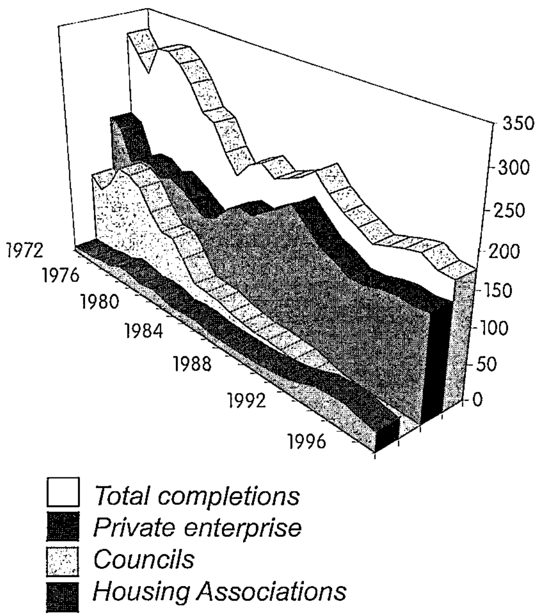

Figure 1: New house completions by sector, 1972-1997 (thousands).

and the wider society which it serves. This essay examines the particular pressures for change in the English housing market, and the role within it of the speculative house builder. British housing crises of the past, such as those experienced in the aftermath of the two world wars, have been tackled through large scale, state sponsored housing programmes. However, the capacity for the state to meet housing demand has been systematically reduced during the last 20 years (Figure 1). Despite a steady rise in Housing Association and private self-build completions, 70% of English housing was supplied by speculative developers in 1998, and it is clear that this sector will have a pivotal role in the supply of housing in the future.

Demographic shifts

Although the rate of population growth in England is low and decreasing over time, the rate of household formation is comparatively high, and is increasing (Figure 2). This disparity is primarily due to the break down of the traditional nuclear family and a consequent reduction in average household size (Figure 3): the young are leaving home earlier and living alone longer, divorce rates are increasing and single-parent families are becoming more common. In addition, life expectancy is increasing but the older generations are less likely to be accommodated under the same roof as the rest of the family.

The net effect of these demographic changes is a rise in demand for homes, with around 80% of the predicted increase comprising single-person households. In March 1999 the Department of the Environment, Transport and the Regions (DETR) released figures projecting an increase in household numbers of 3.8 million for the period 1996 to 2021. This demand for housing can be met from a number of sources, including the conversion of existing buildings and the renovation of empty and derelict properties, which makes it difficult to project demand for new-build housing. However, estimates of 250,000 units per year[1] and 300,000 units

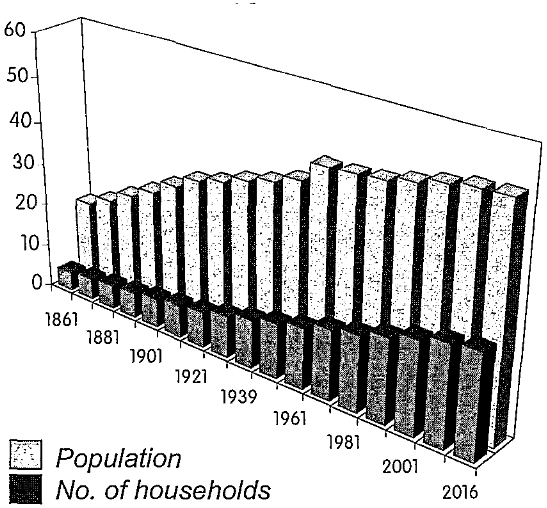

Figure 2: Population and number of households in England, 1861-2016 (projected, millions). The rate of population growth is slowing but the rate of household formation is increasing

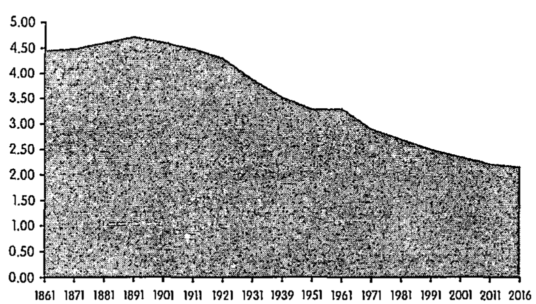

Figure 3: Average number of persons per household in England, 1861-2016 (projected). Population is growing but household size decreasing, creating demand for more homes.

per year[2] have been suggested as viable targets. Comparing these projections with the actual completion rate of 141,000 new homes in 1998[3] gives a clear indication of the scale of the increase in production which must be sustained if future demand is to be met. Housing completions need to return to levels last achieved in the mid 1970s, but this must be done without the contribution of the Local Authorities, whose output comprised over 40% of new homes during that time (See figure 1).

Lifestyle changes

The large stock of 19th century housing in England has proved remarkably resilient to the incremental changes in living patterns which have occurred during the last hundred years. Whilst they have proved difficult to bring up to modern standards in terms of energy conservation, basic room sizes have been adequate to accommodate most domestic and even some commercial uses. However, modern speculative housing is built to much tighter space standards, with smaller room sizes, reduced ceiling heights and more tightly planned circulation. This brings improvements in construction costs and energy efficiency, but makes the dwellings less flexible to inhabit and more difficult to adapt. At the same time it is becoming more likely that occupants will need flexible and adaptable accommodation to suit their rapidly changing lifestyles.

Space planning in the standard speculative house is somewhat out of touch with the realities of modern family life, and tends to be based on an increasingly outmoded assumption about the composition of the "family unit". The typical house plan has remained essentially unchanged during the second half of the twentieth century, despite slow but continuous change in occupation patterns over the same period. If the typical speculative house plan is examined, the "conventional" household might be assumed to consist of a parental couple with de-

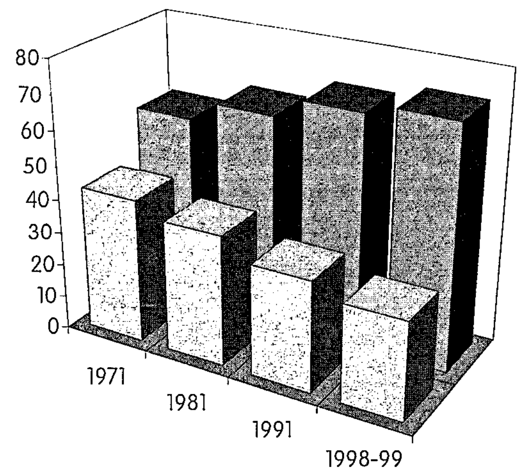

Figure 4: Decline in "conventional" households, 1971-1998/9 (millions).

pendent children, but in fact this is increasingly rare (Figure 4). Relationships between the generations, and gender roles, have also altered during this period, so that even when the "conventional" family unit does exist, its needs are unlikely to match the assumptions inherent in the layout of most speculative houses.

The nature of work is also changing, as traditional manufacturing industries are replaced by service and high-tech industries, and as communication technologies develop. These new industries often offer and require more flexibility from their employees in terms of working hours and employment conditions, creating a growing population of part-time, short contract and home-based workers. The focus of the conventional family home, planned around a central living room where the family gathers at the end of a working day, is shifting towards the kitchen, where the family meet in passing as they follow their individual daily routines. A new type of room has also been created, the home office, typically by the reuse of a bedroom but possibly also by loft or garage conversion. There is a growing realisation that working in isolation from home is not the idyll that many imagined, and that small speculative house bedrooms, with their high window sills, low ceilings and separation from the main access to the house, do not make the ideal working or business environment.

The development of communications technology is also increasing the number of services that can be provided in the home, virtually eliminating the need to venture out of the house to work, to seek entertainment, to shop, to gather information or to communicate. Television, DVD movies and games consoles are giving the house a new function as a centre for leisure and entertainment, whilst the Internet, with its associated communication and shopping facilities has led to a boom in home delivery of goods and services. Another trend within the home is likely to be towards integrated building management systems, controlling security, energy management, entertainment and appliances through one central com-


Figure 5: Urban infill housing on a brown-field site in Winchester, 1999. Innovative steel frame construction was required to make this speculative development viable.

puter system. To a certain extent these new functions and technologies can be retrofitted to conventional new houses, but integrating them into the design and construction from the outset will be cheaper, and make subsequent upgrading easier[4].

Regulatory framework

Housing is unlike other products on the market: the influence of housing on the standard of living, the overall economy and the built environment means that housing policy is a rightly matter for political debate and social control. Whereas standards for other industries and products focus on maintaining safety, housing standards are the principle method of enforcing a progress in quality. In the two main areas of regulation, planning and building control (the enforcement of standards in the fabric of the building), the nature of the regulations is to become ever more stringent. The profile of planning control is especially high in England due to density of population, with a large number of established residents almost inevitably affected by new housing developments. Meanwhile the increasing awareness of environmental issues is focusing attention on building control as a way to make improvements in domestic energy use and conservation.

These regulatory changes force up costs for house builders, but they may also eventually lead to a crisis in production methods, as existing practices are pushed to the upper limit of their technical capacities. In the area of planning, for example, there is increased pressure to build on brown-field sites in preference to previously undeveloped green-field land, which may make conventional construction methods less viable (Figure 5). The addition of demolition, decontamination and ecological regeneration to the already lengthy site-based building process may increase interest in off-site prefabrication, which can run alongside the site preparation works. In the area of building control, frame structures offer increased

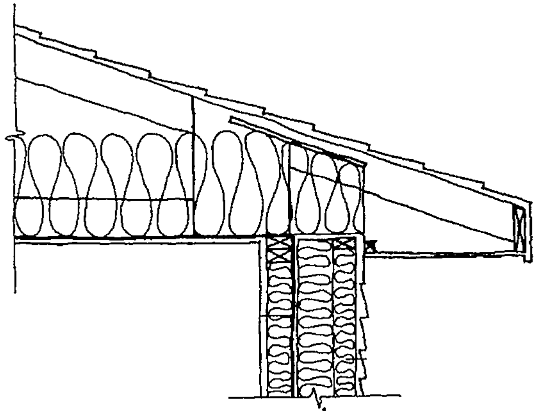

Figure 6: Cross section through a double-stud timber frame wall. It is possible to insulate the full depth of the wall, which would not be the case with conventional English construction (load bearing masonry)

capacity for insulation without a subsequent increase in wall thickness when compared to conventional brick/block cavity wall construction (Figure 6), and the tighter tolerances of off-site fabrication processes allow for better sealed and more energy efficient buildings. In both areas of regulation, conventional construction is increasingly being pushed towards its technical limits.

Environmental awareness

Resistance to green-field housing development is increasing, due in part to a combination of higher awareness of the environmental impact of such development and the rise of "NIMBY-ism" (Not In My Back Yard). The success since 1992 of the anti-roads protesters has encouraged an unprecedented collaboration between disparate segments of English society in resisting development in the countryside. The Eco Warrior has made an unusual but effective alliance with the middle and upper class country dweller, the former group seeking to protect the environment and ecology of the countryside, the latter to preserve a particular way of life and the value, through exclusivity, of their own homes. Organisations such as Friends of the Earth and the Council for the Protection of Rural England are focusing on green field housing development following the success of their anti-roads campaigns. Direct action has not, as yet, been used to the same extent as in the roads protest, but it is a threat that the house builders are taking seriously[5] .

Governmental pressure is also being brought to bear on green field housing development, through Planning Policy Guidance Note 3 of March 2000. This sets a target figure of 60% of new housing to be built on previously developed land by the year 2008[6], and states that Local Authorities should use the planning system to allocate land for development sequentially, releasing green-field sites only if it can be demonstrated that no alternative brown-field site or conversion capacity exists.

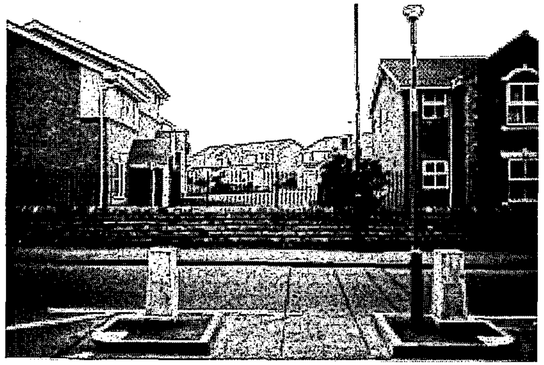

Figure 7: Typical developer's estate: The visual link serves only to emphasise the physical impossibility of moving between the public space of the existing street and the public space of the housing development.

The combination of increased demand for, and decreased availability of, previously undeveloped land means that an increasing proportion of new houses must be built on brown-field sites. This is problematic for house-builders, as profits are generally lower and development costs more unpredictable than for previously undeveloped sites[7]. By comparison, green-field sites are more simple to develop and more predictably profitable: large parcels of green-field land can be relatively easily assembled to allow economies of scale in development; there are no complications with demolition of existing structures or soil decontamination; and green-field site layout is relatively free from restrictive connections to existing fabric and infrastructure (Figure 7). In addition, green-field sites are more likely to appeal to consumer aspirations for a "tidy, leafy, village-like" environment[8].

Cost and competition pressures

In the period 1996-1998 there were around 990,000 housing transactions per year in England and Wales[9], but only about 12% of these involved the purchase of new speculative homes. The majority of transactions are private sales by individual home owners, and whilst house builders compete amongst themselves for buyers, their industry's real competition comes from the second-hand housing market. Newly built houses tend to cost more than second-hand houses of a similar type[10], due in part to the increasingly stringent regulatory standards in force. Unfortunately for house-builders, the improved value of new housing in terms of efficiency and build quality that results from these higher standards, does not translate into increased consumer demand.

New housing also suffers because existing housing can usually offer more in terms of location and space standards, factors which rate highly with house buyers. Location is a particular problem for speculative housing developers, as a "critical mass" of site area can rarely be assembled close to established facilities, in particular schools, health centres and public transport routes. It would require a significant public investment to enable new speculative developments to offer the same access to such facilities as established neighbourhoods in the same region. This is particularly relevant for the regenerated former industrial sites, which could be significant sources of brown-field land close to existing urban areas, but which have had no previous need for public facilities.

An additional factor in the house-price equation is a shortage of skilled labour, coupled with a general rise in labour costs. Current construction methods are site based and labour intensive, relying on a tightly coordinated sequence of work from specialised tradesmen, who in effect use craft techniques to mass-produce standard housing types. A greater reliance on unskilled labour effectively increases the amount of supervision required if the quality of site work is to be maintained, pushing the wages bill yet higher. If new housing is to compete on cost with second hand housing, and capture a larger share of the market, labour costs would appear to be the area where most savings can be made.

Decline in demand for starter homes

The stock-in-trade of the speculative housing developer, the "cheap and cheerful" starter home on a minimally sized plot, is decreasing in popularity. As has been shown, the proliferation of single-person households is not solely the result of population increase, but is due in the main to a larger number of elderly people and the proliferation of fragmented families[11]. In fact, many of the new household heads will be older, wealthier and have higher aspirations, expecting better space standards, a greater number of bedrooms and more exclusivity to match their experience and status.

The unpopularity of "standard box" houses requires an increased ingenuity from house-builders, who must offer more varied and complex housing solutions if they wish to suit the demands and expectations of experienced home owners. Competing for the attention of an increasingly sophisticated consumer will inevitably involve either focusing on the needs of specific groups, such as young singles or the elderly, or offering a range of housing solutions to suit a variety of requirements and tastes. The rise in popularity of "loft" style conversions in redundant industrial buildings, and of apartments formed within large country houses, indicates that there is a market for alternatives to the conventional house, but it is a market for which the speculative house-builders have so far been unable to find a product.

Discussion

The pressures for change in English housing could be conveniently categorised into three groups: those which relate to simple demand for a greater number of houses; those which relate to the desire for more choice in housing types; and those which relate to improving the quality of the homes being built. Each of these has a different impact on the speculative house market because the mechanism by which pressure is brought to bear on the house-builder is different in each case.

The argument that a greater number of houses are required is a relatively simple one to make: the demographic changes that are leading to increased demand are pronounced and easily demonstrable. The publication by the DETR of figures for projected demand has also helped house-builders to overcome some of the uncertainties produced by the volatility of the English housing market. Speculative developers can be more confident that demand will be sustained in the long term, which reduces the perceived risk of investing in increased production capacity. These developers clearly stand to profit commercially, but the consequences of failing to increase house production would be far more wide ranging than simply a missed economic opportunity. House prices would rise, reducing access to housing for the less well off, which would in turn increase homelessness and the number of "hidden households", that is families and other groups sharing a single dwelling[12]. Economic development could also be stunted in areas of low housing availability, due to the lack of a local work force and high wages required to compensate for expensive housing. More strain would also be placed on the existing stock of housing, reducing already low replacement rates for aging and less energy-efficient properties. These factors serve to make increasing the output of new houses into a social and political necessity, as well as a simple economic opportunity for speculative house builders.

If the demand for more houses is obvious and broadly-based, the demand for increased choice in the types of housing on offer is more subtle. Lifestyle changes alone are unlikely to produce obvious discrepancies between the type of speculative housing produced now, and current housing needs. Patterns of living in fact change incrementally, and at a slow rate when compared to other societal activities such as leisure and work. In housing the cultural need for continuity and conformity is far more powerful than that for newness and change, particularly when the home functions as a shelter from the rapidly changing and bewildering world outside. In this situation it is more likely that there will be a slowly cycling feedback loop between lifestyle change and housing provision, rather than a sudden pressure from the customer for fundamental changes to the product. These lifestyle changes, though not noticeable on a daily basis, will be dramatic over the lifetime of a house, putting the short-term flexibility and long-term adaptability of standard speculative houses to the test. The most notable medium-term consequence might be a reduction in resale value of homes that cannot accommodate change easily, but this in itself will not have repercussions for the original house builder. Offering increased choice for the consumer would make one house-builder's product more attractive than another, but this would only really become a significant commercial advantage in a highly competitive "buyer's" market, rather than at times of high demand such as these. A similar argument might apply to the speculative house-builder's competition with the existing housing stock: as household numbers increase new homes are required simply to keep pace with demand for numbers, and a safe commercial option might be to build standard house types for the middle and bottom end of the market.

Whilst it would seem unlikely that more varied house types will result from consumer demand or commercial pressures alone, the nature of the speculative house-builders' product is certain to be affected by changes to the regulatory framework and increasing levels of environmental awareness. The planning system already has a significant effect, but has so far proved to be a blunt-edged sword, preventing the grossest of over-exploitations but also limiting house-builders to conventional, difficult to refuse proposals. More stringent building regulations have improved the build quality and energy efficiency of new dwellings, and they can continue to do so, whilst environmental pressure groups may force the industry to take resource conservation and energy use seriously. These changes could be categorised as improvements in quality of the house-builder's product, in that they bring it more in line with the demands of the wider society. However, the unfortunate fact is that these regulatory and protest-based pressures are confrontational by nature, and are likely to be resisted, overtly or otherwise, by the industry.

The awkward juxtaposition of a dominant, commercially motivated industry with the fundamental requirement of decent homes for all sectors of society is creating a gap between need and provision in English housing. The evidence at the moment is that, on balance, commercial pressures favour maintaining the status

Figure 8: Typical speculative estate, with views to existing Victorian terrace beyond. In both these speculative developments housing forms and details have little to do with their physical, social or cultural context, and, like the car in the centre of the view, are identical to others throughout the country.

quo: the homogeneity of speculative housing developments across the country (Figure 8) demonstrates that house builders are offering few alternatives to the norm, whilst their healthy balance sheets suggest that this is a commercially sensible stance to take. To make genuine improvements in speculative housing will require a collaborative effort, involving house-builders in discussion with their customers, the regulators and pressure groups, and an acknowledgment that commercial incentives will be necessary if the industry is to change.

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