

# Restarting housebuilding I

## Planning reform and the private sector

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# 00

## Executive summary

The politics of housing have changed. The Prime Minister, the Deputy Prime Minister, and the Chancellor have all declared that planning reform is central to the Government's national economic strategy. Higher growth, more investment, and greater disposable incomes all depend on more housebuilding, and their pitch is that planning reform is central to achieving their target of 1.5 million homes over the Parliament.

Despite this, the policies the Government has proposed so far have been very much in the vein of "small-r" planning reforms to the existing system, designed to reverse changes made by the last government. There is seemingly much less appetite to change the system itself.

Using newly available data on English housebuilding by local authority since 1946, digitised by Centre for Cities, this report shows how big changes to the planning system over the last 80 years affected different parts of the country.

The **introduction of the discretionary planning system** in 1947 (the basis for today's system) appears to have negatively affected brownfield development – which is inherently more difficult even without planning restrictions – in cities and London in particular. But it appears to have had less of an impact on greenfield house building in Shire counties, which had high building rates in the 1950s and early 1960s.

The subsequent introduction of the **further restrictions of the green belt in 1955 and the Town and Country Act 1990** (and centralisation of local government finances) changed this, with private housebuilding in the Shires declining from the 1960s and again in 1990s. These changes have reduced and disconnected supply from demand in every part of England.

These findings have two implications for the current Government's housebuilding ambitions:

- First, even if the Government was to repeal incremental changes not just since 2019 but since the 1960s, private housebuilding would still fall short of the 1.5 million new homes target by 388,000 homes (26 per cent). Annually, this would mean reaching just 281,000 homes of the target of 372,000. Public housebuilding alone will not be able to make up this difference.

- Second, this approach would only make it relatively easier to build on greenfield sites. While Shire areas risk falling short of the target by 7 per cent (68,000 homes), the big cities outside the capital risk undershooting by 35 per cent (96,000 homes), and London by 60 per cent (196,000 homes). This would mean increases in housebuilding would mostly be achieved through low density, car-dependent developments. These changes would do little to deal with the planning barriers to building within existing urban footprints.

This means that the Government has a stark choice if it is to meet the 1.5 million target that it will be judged on at the next election. It either **abolishes the green belt** to allow greenfield sites to build at much higher rates and go beyond their 1950s–60s high period. Or it **changes the system itself**, removing the discretionary, case-by-case approach to approving decisions and replacing it with a zoning system. This would see planning set clear rules up front and remove the huge uncertainty in the current system that undermines attempts to build more homes on urban as well as greenfield sites.

To allow the private sector to better respond to demand and maximise the benefits of planning reform for the economy and cities, the Government should:

- Replace the discretionary system established by the Town and Country Planning Act 1947 **with a new flexible zoning system**, similar to that in every other G7 country, along with development on small parts of the green belt around railway and tube stations.
- **Pursue an ‘Economy First’ English devolution agenda** that, by simplifying local government, would make it possible to merge local plans with local transport plans, and so plan for new housing and infrastructure in the same process, as well as reform local finance.
- **Overhaul the London Plan** to focus on spatial and strategic questions of urban growth, not detailed restrictions on development.
- **Review the “anti-supply measures”** of the previous Government, including Biodiversity Net Gain’s barriers to brownfield development, the delays with Building Safety Gateway 2, height limits for single-stair buildings that are set too low, nutrient neutrality, and minimum space standards that block flats small enough for single households to afford.

The Government should do this alongside a series of interventions in public housebuilding, looked at in more detail in the second paper in this research series.

# 01

## Introduction

Centre for Cities research has shown that the UK has a shortfall of 4.3 million houses compared to other Western European countries since 1955, and England would need to build 442,000 homes a year for 25 years to close the gap.<sup>1</sup> This housing shortage has hurt affordability, growth, and living standards.

The Government recognises this and has put reform of the planning system at the centre of its plans to spur economic growth.<sup>2</sup> The IMF agrees, identifying planning reform as the central supply-side reform that the British economy needs.<sup>3</sup>

But while there is widespread acceptance that there needs to be changes to the planning system there is still a debate on how far these planning reforms should go.

Despite the strong rhetoric, the Government has so far only proposed ‘small-r’ reforms – **tweaks to the existing system** that would overturn some of the litany of restrictions that the previous Government introduced. It seems though that there is little appetite to make ‘Big-R’ reforms and **change the system itself**.

Previous Centre for Cities research has established that discretionary planning makes development in urban areas much harder than rules-based planning such as zoning systems, as case-by-case decision-making is so uncertain and politicised.<sup>4</sup>

The question is: will these small-r changes be enough to allow the Government to hit the target of building 1.5 million new homes by the end of this parliament? Put another way, will turning back the clock, and trying to reverse the decline in housebuilding since the planning system’s period of high performance in the 1960s (see Figure 1) be sufficient? Or,

1 Watling S and Breach A, [The housebuilding crisis: The UK’s 4 million missing homes](#), Centre for Cities

2 Seddon P and Francis S (2023), [Sir Keir Starmer says he is a house building Yimby](#), BBC News 11 October 2023; Reeves, R (2024), [Chancellor Rachel Reeves is taking immediate action to fix the foundations of our economy](#), HM Treasury; Rayner, A (2024), [Deputy Prime Minister on changes to national planning policy](#), MHCLG

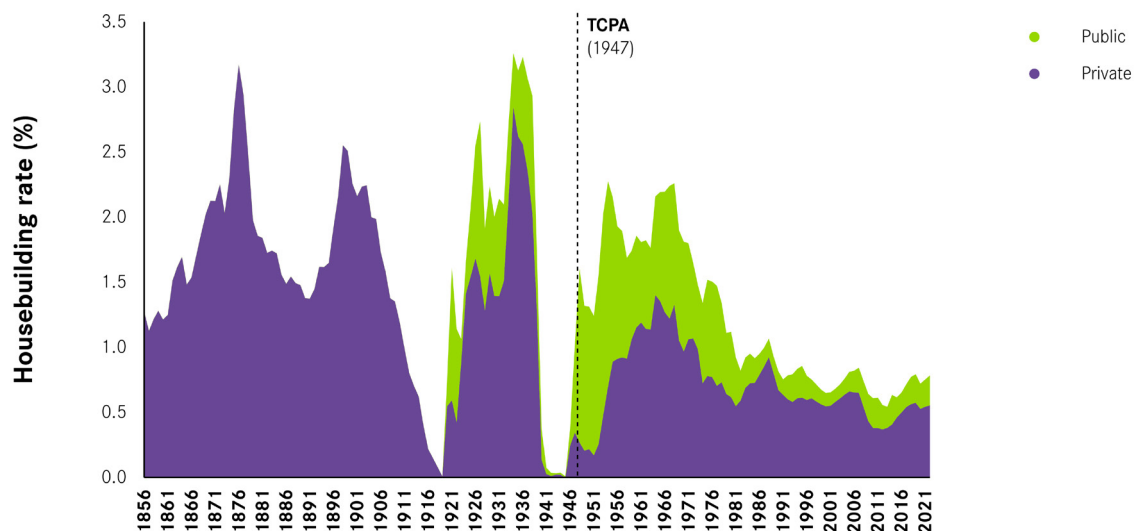
3 IMF (2024), [United Kingdom: Staff Report for the 2024 Article IV Consultation](#), IMF Country Report No. 24/203; Carella, A et al. (2024), [Construction Planning Reforms for Growth and Investment: United Kingdom](#), IMF, SIP/2024/031, IMF Country Report No 24/204

4 Breach, A. and Magrini, E. (2020), [Sleepy Suburbs: The role of the suburbs in solving the housing crisis](#), Centre for Cities; Breach, A. (2020), [Planning for the Future: How flexible zoning will end the housing crisis](#), Centre for Cities; Breach, A. and Swinney, P. (2024), [Climbing the Summit: Big cities in the UK and the G7](#), Centre for Cities; Breach, A (2019), [Capital Cities: How the planning system creates housing shortages and drives wealth inequality](#), Centre for Cities

will the clock need to be wound back further to before 1947, when the existing system was introduced? This is an important question not just economically but politically too – the Government will be judged on whether it hits its target of 1.5 million new homes come the next election.

**Figure 1: The English and Welsh private housebuilding rate fell after 1947**

Gross housebuilding in England from 1856



Source: Holmans, A. (2005), "Historical Statistics of Housing in the UK"; Cambridge University Housing and Planning statistics.; Ministry of Housing, Communities and Local Government, Table 253 and Table 1011

Building on Centre for Cities' previous work, this report answers this question. It does so by using new data to show where new homes were built by the private sector in England at the local authority level from the introduction of the discretionary planning system in 1947 (previously, this was only possible from 1980) and how this was affected by successive restrictions over this time. The limitations of this data are discussed in Box 1 and a full description is in the appendix in Box 6.

It does this by looking at private housebuilding, as ultimately the Government will need the private sector to fill much of the current gap (not least because large scale investment in new public housebuilding does not appear to be forthcoming). The patterns of public housebuilding are the specific focus of the second paper in this research series, *Restarting housebuilding II: social housing and the public sector*.

The value that the subnational data brings beyond the national data is that it is able to show which parts of the country were affected by changes. This paper splits the English counties that existed in 1974 into one of three types:

- **London** – Greater London.
- **Metros** – Metropolitan Counties (e.g. Greater Manchester, Merseyside etc.), plus Avon (West of England with North Somerset – essentially Greater Bristol) and Cleveland (Tees Valley, minus Darlington).

- **Shires** – All other counties.

This distinction makes it possible to separate between the big cities that are urban throughout this period and have little land available for suburban development, and Shire counties that retain a “town and country” character with lots of greenfield land available for new suburbs.

Of course, planning is not the only change that will have affected housebuilding in these groups. Over the longer term, there were two other important trends that will have changed local housebuilding by altering where housing was in demand:<sup>5</sup>

- **Suburbanisation** – The expansion of car ownership changed travel and living patterns, suddenly making it possible for households to consume much more space more cheaply while still accessing urban labour markets. This improved living standards after the Second World War but was mostly a one-off boom to housebuilding in the Shires.
- **The postwar decline of the big cities** – Linked to suburbanisation was a trend across the most industrialised countries of shrinking demand to live in big cities in the first decades of the postwar period. This process then reversed, with demand rising in cities from the 1980s onwards.

This means that beyond these trends we would have to observe the following if the planning system has constrained new house building:

1. The slow decline in private housebuilding from the 1960s to 1980s was primarily a decline in Shire/rural areas, in spite of suburbanisation.
2. The immediate decline in private housebuilding after the Town and Country Planning Act 1947 (shown in Figure 1) was primarily a decline in the big cities, and the subsequent increase in demand to live in London from the 1980s was not reflected in housebuilding numbers in the capital.
3. Private housebuilders did try to supply housing where it was in demand, but were unable to supply enough.
4. This underbuilding was the result of changes to planning policy.

The paper is divided into the following sections.

First, it shows where the private sector built new housing after 1946.

Second, it shows where new housing was in demand after 1946, and how the private sector tried to respond to this demand over time.

Third, it explains how the planning system established in 1947 disconnected new private housebuilding from demand first in urban areas, and then later, after further restrictions, in Shire areas.

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<sup>5</sup> Demographics and population growth is another factor, but is hard to identify at the local level due to domestic migration and household formation being determined by housing supply. Previous Centre for Cities research has established that even accounting for immigration and emigration, the planning system was underbuilding given population growth compared to the UK's international peers.

Fourth, it uses the historical analysis to assess how deliverable the new Government's small-r incremental planning reforms are, by comparing their new targets to the current system's period of high private housebuilding from 1954 to 1979.

And fifth, it concludes with the big choices the Government faces on housebuilding and sets out a path for it to reach its housing targets.

### **Box 1: Underestimates and interpolation in housebuilding by tenure data**

Data used in this report is almost entirely the local housing returns on gross housebuilding by tenure, which continues today as Table 253 on Gov.uk. Table 253 only goes back to 1980, but Centre for Cities has digitised the statistical annals before this point, which were scanned by the LSE Digital Library,<sup>6</sup> and extended the dataset back to 1946.

There are several known issues with Table 253. After 2000 but especially after 2010 it underestimates total housebuilding, primarily as tenure and the financing of public housebuilding becomes more complicated. To resolve this problem, affordable housing data from Table 1011 has been used from 1991 onwards for public housebuilding rather than Table 253.

Before the 2000s a number of local authorities, primarily in London, have no records on building by tenure for several years, and these have been interpolated. Annual records from 1947-9 and 1952 for both tenures were also unusable and have also been interpolated.

As this data is on gross housebuilding, it omits conversions, demolitions, and changes in tenure of existing stock. The effect is to overstate the net contribution of public housebuilding, which through slum clearances and council estate regeneration has led on demolition efforts since the 1950s.

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<sup>6</sup> LSE Library, [Economic History Digital Collection, UKLSE-DL1EH01](#)



# 02

## The geography of private housebuilding since 1946

The first two hypotheses of the report concern the history of housebuilding and the geography of new supply:

1. The slow decline in private housebuilding from the 1960s to 1980s was primarily a decline in Shire/rural areas, despite suburbanisation.
2. The immediate decline in private housebuilding after the introduction of the Town and Country Planning Act 1947 (shown in Figure 1) was primarily a decline in the big cities, and the subsequent increase in demand to live in London from the 1980s was not reflected in an increase of housebuilding in the Capital.

### The Shires had higher private housebuilding than urban areas

Figure 2 shows housebuilding in **Shire areas** from 1946 to 2022 strongly resembles the national pattern in Figure 1 after 1946. After spending the early postwar years suppressed at very low levels, private housebuilding underwent a large boom in the Shires from 1954, when Harold Macmillan relaxed building licenses that imposed discretionary rationing of materials for private developers.<sup>7</sup>

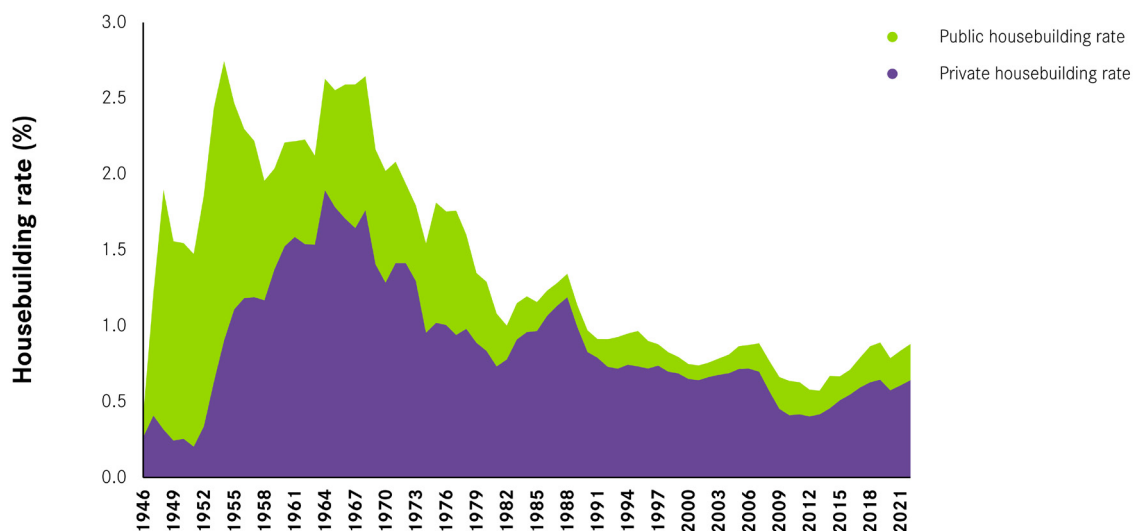
Private housebuilding peaked at 1.9 per cent growth per year in 1964 (146,000), before declining alongside council housebuilding in the 1970s. After a smaller boom in housebuilding through the 1980s, since 1990 private housebuilding has stagnated at an average of 0.6 per cent growth per year (97,000 in 2022).

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<sup>7</sup> HC Deb 30 November 1953, Vol 521, cols 776-780

**Figure 2: Private housebuilding in the Shires after the TCPA 1947 peaked in the 1960s and has fallen since**

Shire, 1946-2022



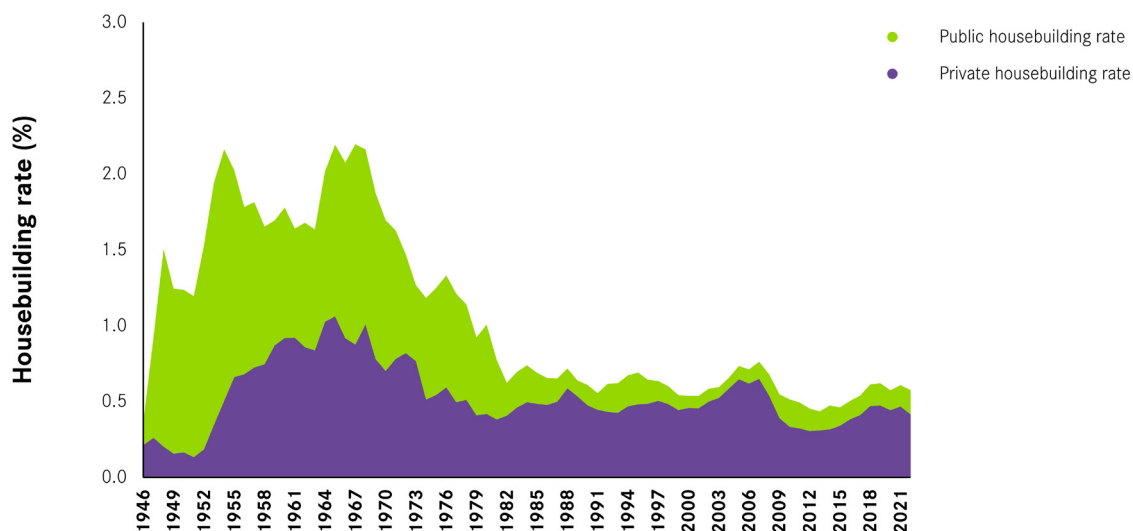
Source: UK Government, Local Housing Statistics annual reports, 1946-2001; Ministry of Housing, Communities and Local Government, Table 253 and Table 1011; Holmans, A. (2005), "Historical Statistics of Housing in the UK"; Cambridge University Housing and Planning statistics.

Although public housebuilding was important in the Shires in the very early years of the postwar period, private housebuilding took on a more significant role from the late-1950s. Across this large part of the country, housing conditions improved over the following decades thanks primarily to efforts by private housebuilders.

In contrast, Figure 3 shows that private housebuilding has been much lower in **Metro areas** than in the Shires since 1946. Even though the rise-and-fall of private housebuilding occurs over a similar time frame to the national story, private housebuilding in the big cities outside London before the 1980s was barely half of that in the Shires, peaking at 1.1 per cent growth in 1965 (45,000), before falling to an average of 0.5 per cent since 1990 (25,000 in 2022).

**Figure 3: The big cities have had low private housebuilding since 1946**

Metro, 1946-2022



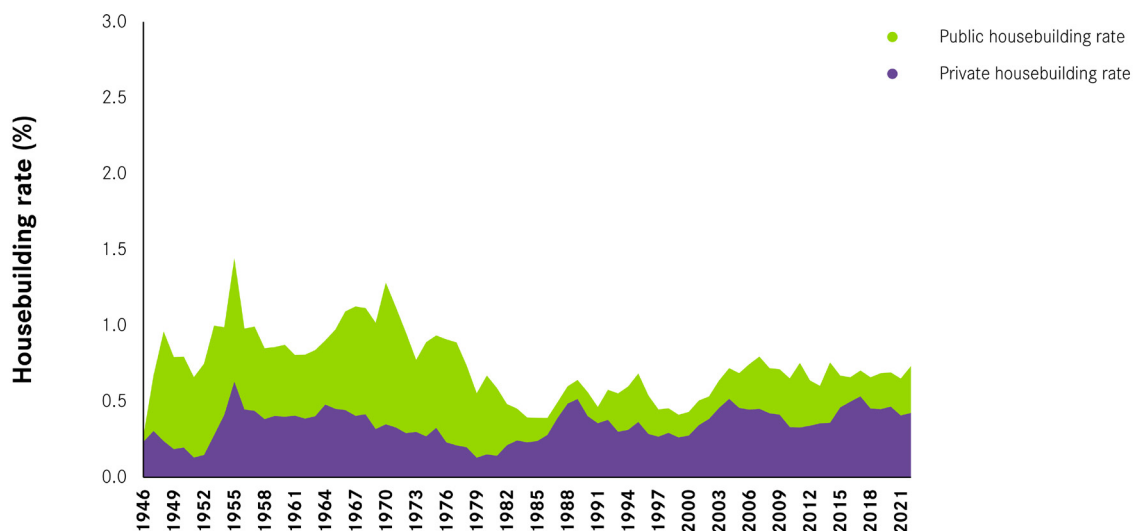
Source: UK Government, Local Housing Statistics annual reports, 1946-2001; Ministry of Housing, Communities and Local Government, Table 253 and Table 1011; Holmans, A. (2005), "Historical Statistics of Housing in the UK"; Cambridge University Housing and Planning statistics.

In contrast to the Shires, public housebuilding was much more important in urban areas right through to the 1970s. As *Restarting housebuilding II* explains, this was the intentional outcome of a shift in public housebuilding to focus on improving housing conditions in places where the market did not have strong incentives to build. The slum clearance programmes required extensive demolitions that reduced the net increase in stock below what is shown in the chart on gross housebuilding in Figure 3.

In **London** private and public housebuilding were even lower than in Shire and Metro areas, as Figure 4 shows. Despite significant public building, the capital did not have the same housebuilding boom experienced in the rest of England from the late 1950s to 1960s, with a peak private housebuilding rate of only 0.6 per cent reached in 1955 (14,000) – the same year the green belt was introduced.

**Figure 4: London has had very low housebuilding for the past 80 years**

London, 1946-2022



Source: UK Government, Local Housing Statistics annual reports, 1946-2001; Ministry of Housing, Communities and Local Government, Table 253 and Table 1011; Holmans, A. (2005), "Historical Statistics of Housing in the UK"; Cambridge University Housing and Planning statistics.

Figure 4 is particularly noteworthy as the demand for housing in London changes over this period. While London from the 1940s-80s is shrinking due to suburbanisation and the removal of "overspill" population to New Towns, with many parts of Inner London left depopulated and dilapidated, the shift back towards London being a high demand, and an increasingly expensive city, from the 1980s onwards did not prompt more than a minimal response in private housebuilding.

Between Shire and urban areas – and even within urban areas that contained greenfield sites on the edge of town – there were big differences in private housebuilding after 1946, and particularly from the 1950s to 1970s. The differences in peak annual growth rates may seem small, but over the entire 76 year period they add up – the total growth in dwelling stock delivered by private housebuilding from 1946-2022 in the Shires was 119 per cent (6.7 million); in Metro areas it was 58 per cent (2 million); and in London it was just 37 per cent (762,000).

The overall lesson is that the history of the national housebuilding crisis has a geography. Even though housebuilding is now low almost everywhere, the barriers in Shire and Metro areas and London are different and were erected at different times. Increasing national housebuilding will require distinct approaches in different places.

# 03

## The geography of housing demand since 1946

The third hypothesis concerns the nature of housing demand since the planning system was introduced:

3. Private housebuilders did try to supply housing where it was in demand but were unable to supply enough.

The previous charts show that private housebuilding declined across different geographies at different times. But in principle, these changes could all just be due to changes in housing demand, thanks to suburbanisation and changing demand to live in the big cities. This section uses prices and housing per person data alongside supply to investigate if changes to the planning system were disconnecting local housing supply from housing demand.

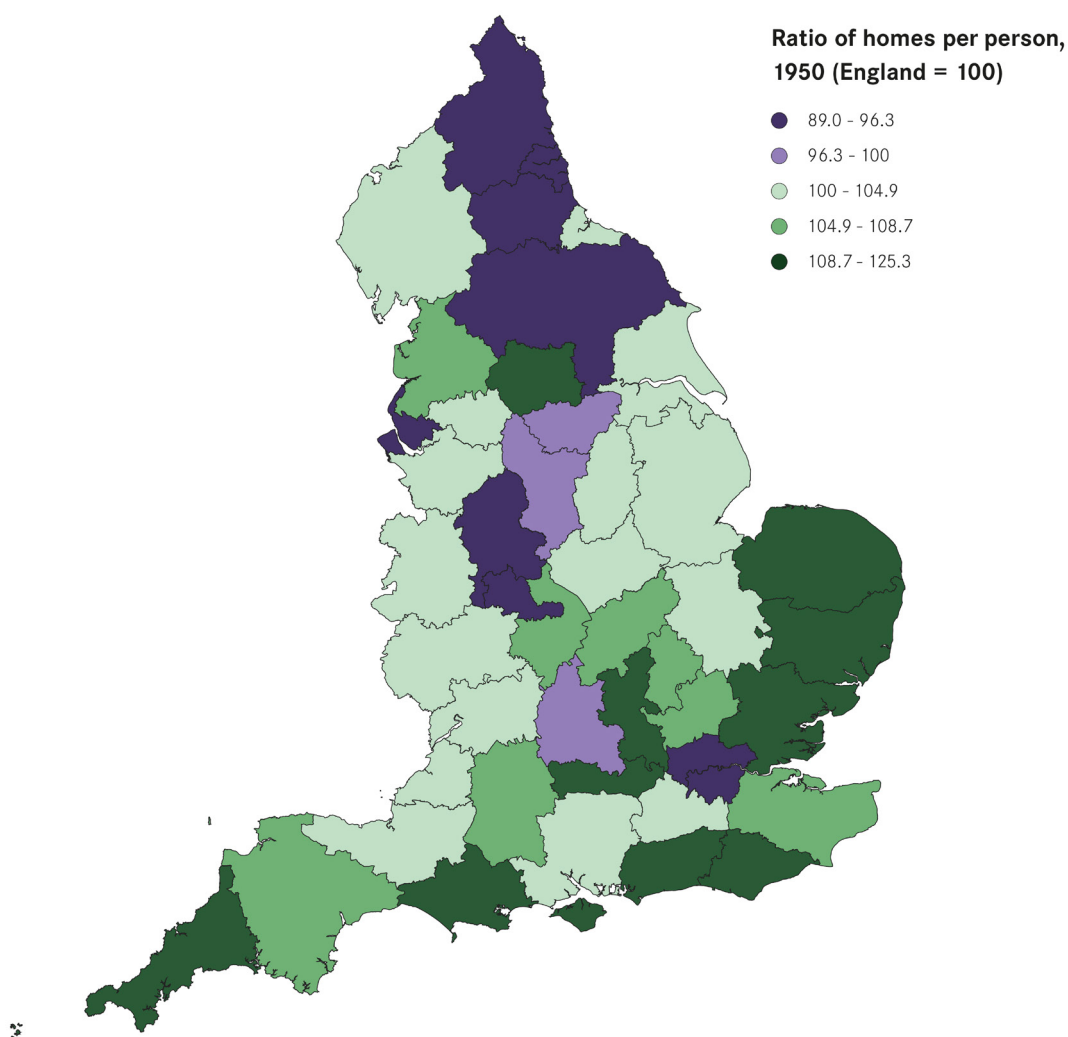
### Relative housing availability declined in the Home Counties

Higher housing demand is a central reason why housing outcomes improved after the Second World War. Rapidly rising incomes meant households could afford indoor toilets and plumbing, central heating, and more space per person in both new and existing homes.

In an ideal world, local housing supply and demand would be linked, with rising incomes prompting greater responses by private housebuilders.

The relative availability of housing – the difference from the national average in the number of homes available per person – in 1950 shows this state of affairs in Figure 5. Green areas are the metropolitan and Shire counties with more homes available per person than the England average in 1950; Purple areas are those with less availability. Box 2 explains why this report uses counties as the basis for its analysis.

**Figure 5: Housing availability in 1950 was lowest in London, and parts of the Midlands and North**



Source: UK Government, Local Housing Statistics annual reports, 1946-2001; Holmans, A. (2005), "Historical Statistics of Housing in the UK", Cambridge University Housing and Planning statistics.

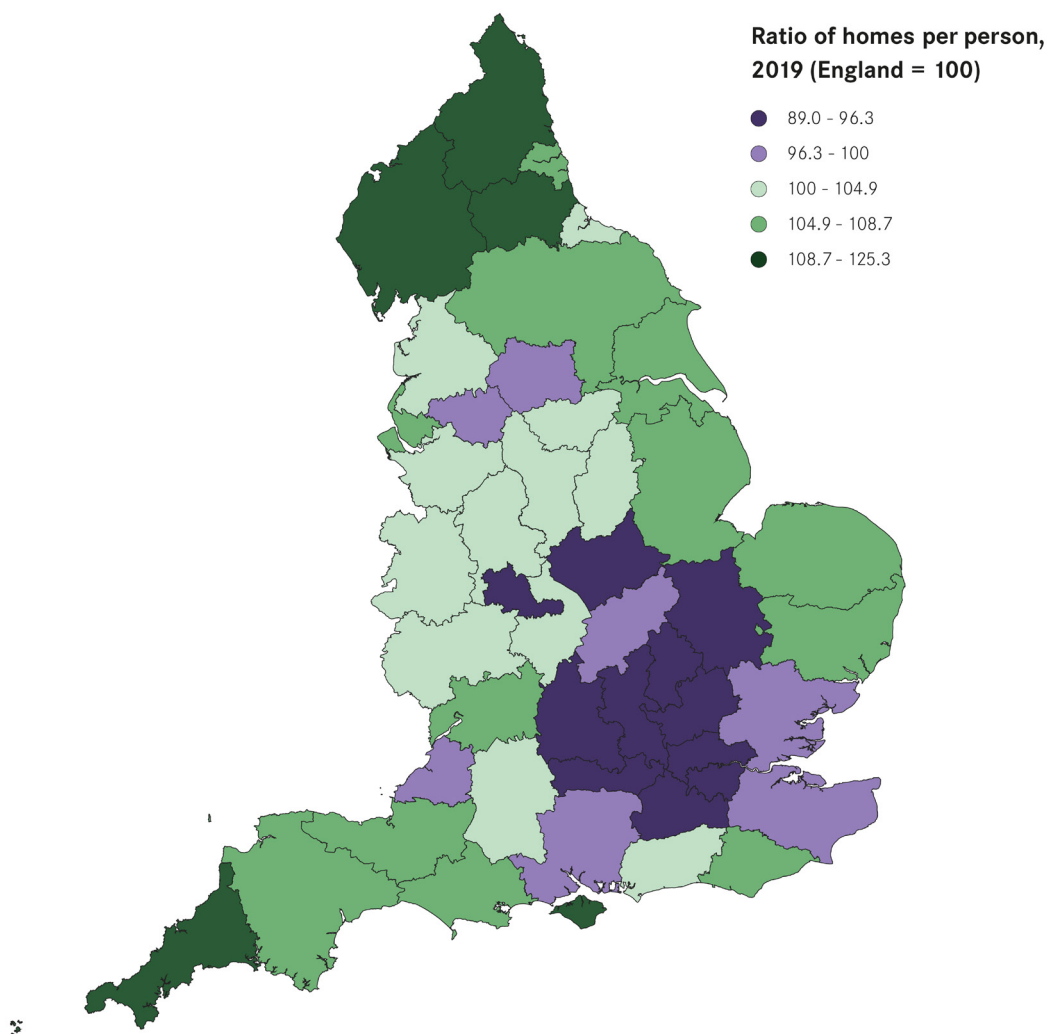
Figure 5 shows that the postwar housing problem was primarily a problem of poverty and of urban areas. The large conurbations, including London, Merseyside, the West Midlands and Tyne and Wear, which were all hit hard by the Blitz, and counties with lots of mining, such as Derbyshire, County Durham, Staffordshire, and South Yorkshire had the lowest availability of housing stock of anywhere in England.

In contrast, more affluent counties around London, such as Buckinghamshire, Berkshire, and Essex, or coastal counties in the Greatest South East and South West such as Norfolk, Cornwall, and Dorset had the highest availability in 1950. This broadly reflects a geography in which average incomes determined housing conditions – higher local incomes and higher demand for housing resulted in a greater supply and availability of stock.

By 2019, this geography of housing availability had inverted. Figure 6 shows that even as housing conditions had improved across the country, and some of the counties with the

lowest incomes and worst availability in 1950 had seen the biggest improvements, affluent counties with high demand for housing in the Greater South East and near London had by 2019, some of the worst housing availability of anywhere in England.

**Figure 6: By 2019, housing availability is lowest in and near London, and some large cities**



Source: UK Government, Local Housing Statistics annual reports, 1946-2001; Ministry of Housing, Communities and Local Government, Table 253 and Table 1011; Holmans, A. (2005), "Historical Statistics of Housing in the UK", Cambridge University Housing and Planning statistics; ONS 2024.

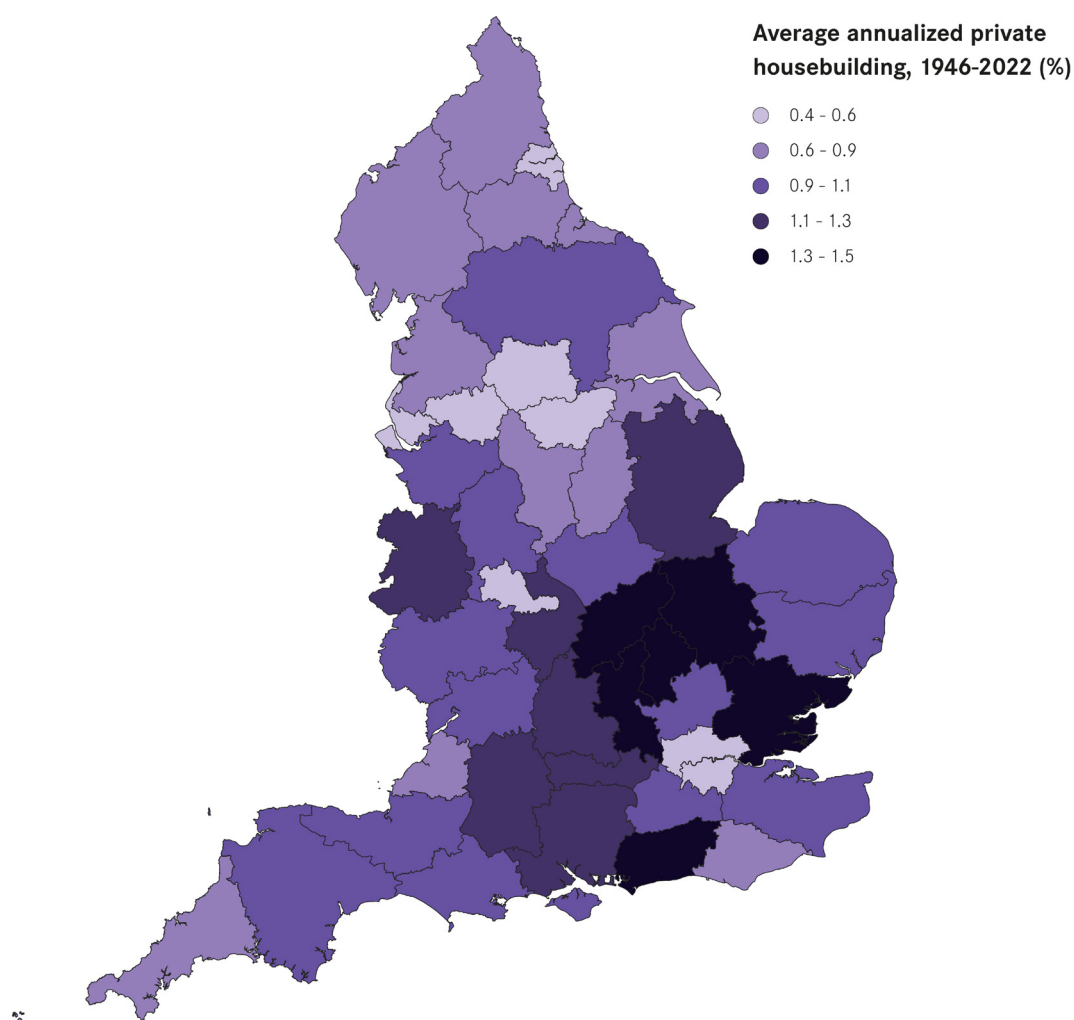
The changes between the two maps aligns with a shift away from incomes and towards housing costs as the determinant of housing conditions. **While, housing availability in 1950 was low in poor places, by 2019 housing availability was low in expensive places.**

## Private housebuilding tried to respond to local housing demand in the Shires

One response might be to wonder whether high demand areas seeing housing shortages in Figure 6 is because the private sector built in the wrong places. Although previous charts have shown that housebuilding was at times high in Shires, it is possible that they could have built the most in low demand areas where outcomes improved the most.

Figure 7 shows is that the private sector did try to supply new housing in Shire areas where it was in demand – but they were unable to build enough to meet housing demand. Private housebuilding was highest in some of the high income and demand Home Counties around London. But given the findings in Figure 6 it did not meet demand.

**Figure 7: Private housebuilding from 1946-2022 was highest in Shire counties near London, and lowest in the big cities**



Source: UK Government, Local Housing Statistics annual reports, 1946-2001; Holmans, A. (2005), "Historical Statistics of Housing in the UK", Cambridge University Housing and Planning statistics

Housebuilding was in contrast lowest not in low demand rural areas, but in the big cities – the Metro areas and Greater London – aligning with the charts earlier in this report indicating that the big cities built less than the Shires and experienced relatively worsening performance in housing availability between 1950 and 2019.



**Box 2: Why use counties?**

Although the underlying data has been collected and processed at a district level, this report uses the upper-tier counties established in 1974 as the primary unit for presenting and analysing the findings, as they are consistent and large enough to approximate housing markets over time.

Using a Primary Urban Area or district definition presents a problem as many cities expand over the course of this period, and authorities that were once rural become suburban. In contrast, the counties retain a steady character over time (e.g. Greater Manchester remains very urban, while Leicestershire retains a ‘town and country’ character).

Each of these counties are classified as one of three categories – Shires, Metros, and London. Boundary changes in 1974 create small discontinuities in some counties where a perfect alignment between pre-1974 districts and post-1974 counties was not possible.

## Housebuilding in the Shires was disconnected from land values over time

Land values are another way of measuring housing demand. Higher land values should be linked to higher housebuilding at the local level if supply and demand are connected.

Figure 8 to Figure 11 show how that the link between land values<sup>8</sup> and supply has weakened over time.

Until 1972 (the period where housebuilding was highest under the current planning system) there was a link between the two – places with higher demand (southern Shires) had the highest private housebuilding rates. All Metros are below the line – suggesting they underbuilt<sup>9</sup> – but they do have a similar slope to that of the Shires. London was a clear outlier, where private housebuilding was very low despite high land values.

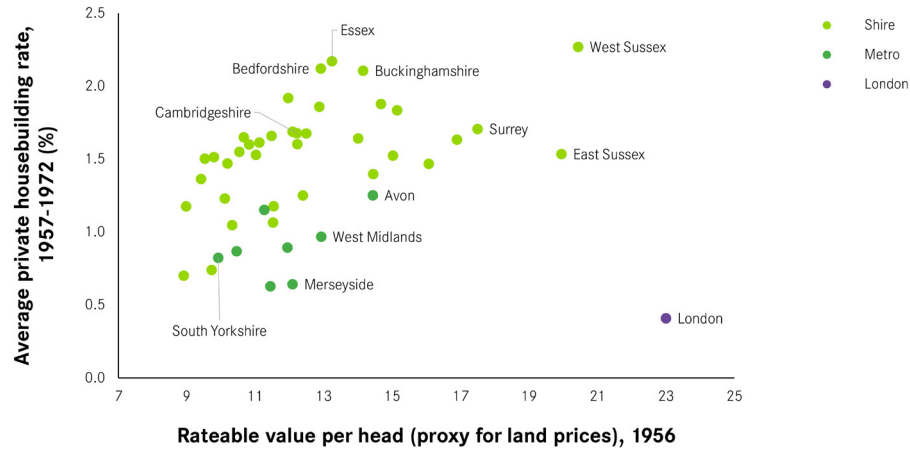
This relationship progressively weakens after 1972 as housebuilding rates in the southern Shires fall. Some of the most affluent and expensive parts of the country, including Home Counties with previously high growth such as Surrey and Hertfordshire, are today building at comparable rates to some of the poorest parts of England, Merseyside and South Yorkshire. One exception to this is Buckinghamshire in the 1973–90 period (see Figure 9). This is mainly the result of the building of Milton Keynes.

8 Land values are measured by different proxies in the charts. The closest dataset at the local level after the Second World War and before the 1990s is rateable values per head. This was a measure of the residential and commercial property tax base for local authorities (used in Figure 8.). By the 1970s it becomes possible to look at rateable values solely for domestic properties, and so this measure is used in Figure 9. From 1995 house price data becomes available and is used in Figure 10 and Figure 11.

9 This could plausibly be due to high levels of public housebuilding in these cities during this period, rather than planning restrictions. On the other hand, suburbanisation in the big cities could still have driven demand for private sector housing on their outskirts, even if demand to live in the urban core was falling.

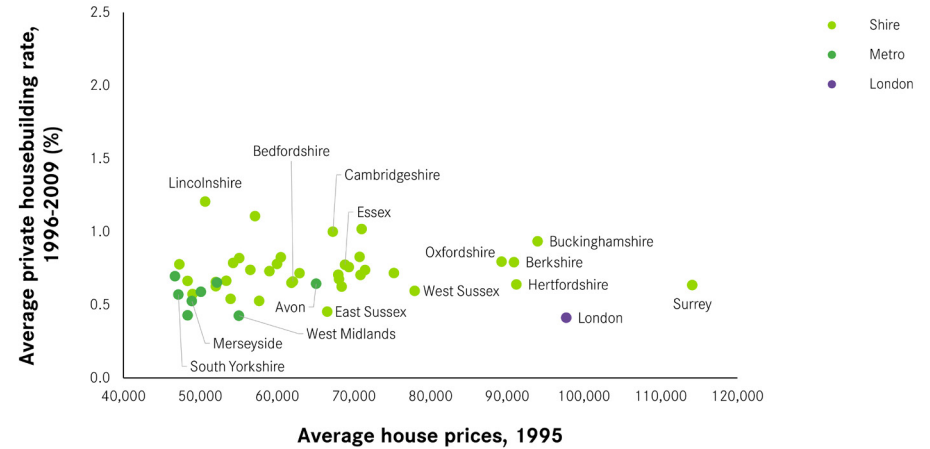
**Figure 8: Private housebuilding is responsive to demand from the 1950s-60s, except in the big cities**

Average annualized private housebuilding rates by county, 1957-1972 vs rateable values per head, 1956



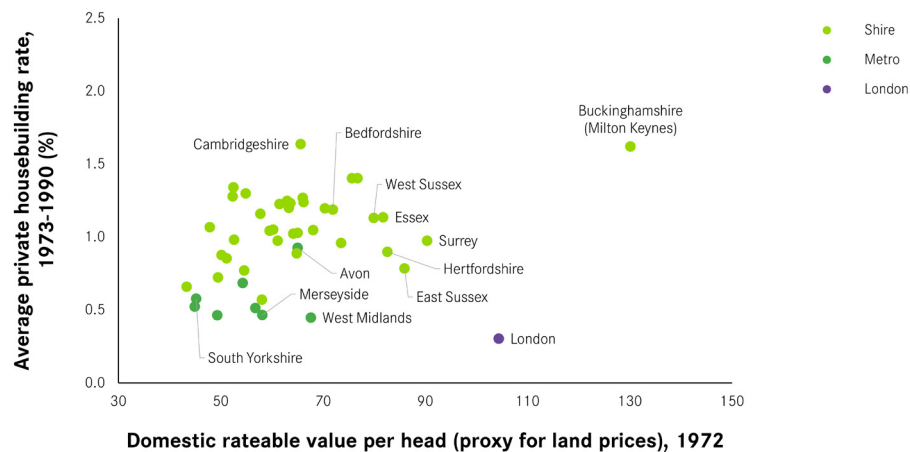
**Figure 10: In the late 1990s and the 00s, housebuilding had no connection to house prices**

Average annualized private housebuilding rates by county, 1996-2009 vs average house prices, 1995



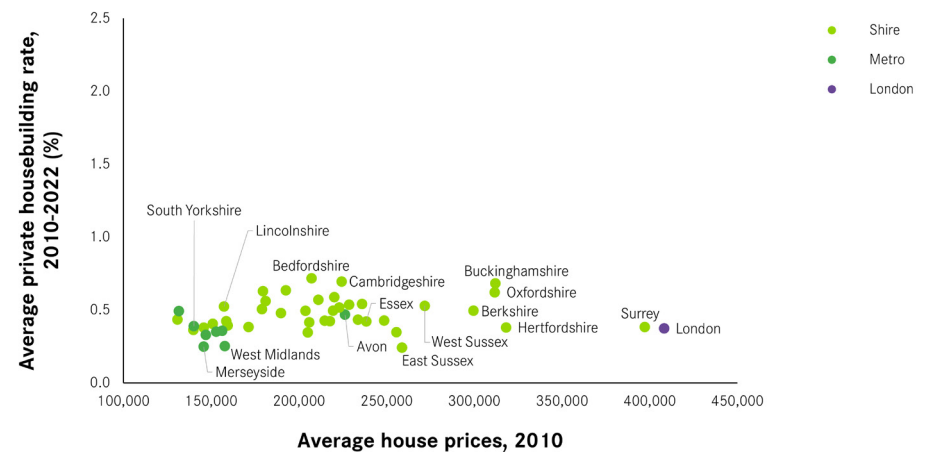
**Figure 9: In 1970s and 80s, supply and demand are disconnected further**

Average private annualized housebuilding rates by county, 1973-1990 vs domestic rateable values per head, 1972



**Figure 11: Housebuilding remains low everywhere after 2010**

Average annualized private housebuilding rates by county, 2010-2022 vs average house prices, 2010



Source: UK Government, Local Housing Statistics annual reports, 1946-2001; Holmans, A. (2005), "Historical Statistics of Housing in the UK", Cambridge University Housing and Planning statistics; MHLG (1956 and 1974), Rates and Rateable Values in England and Wales 1955-56 and 1973-74, HMSO, HM Land Registry, Price Paid Data (2024)

This aligns with other evidence suggesting that housebuilding at the local level has in recent decades been extremely unresponsive to demand ('inelastic'), with Metro areas even less responsive than the Shires.<sup>10</sup> What is new about these findings is they explain why the Home Counties around London saw higher building after 1947 but now have worse outcomes – they were in fact responsive, but only for a short period after 1947.

## The decrease in housebuilding was not just due to falling demand

Together these maps and charts demonstrate that over time there has been an increasing disconnect between local supply and local demand since the planning system was introduced.

As a result, the geography of housing outcomes shifted. In the 1950s, affluent areas around London had some of the best housing outcomes in the country. Incomes remained high, but as local housebuilding fell, relative outcomes deteriorated, as high local demand was no longer resulting in high local supply.

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<sup>10</sup> Drayton E et al. (2024), [The determinants of local housing supply in England](#), IFS, Working Paper 24/35; Drayton E et al. (2024), [How have local house prices and house building changed across England?](#); Hilber C and Vermeulen W (2014), The Impact of Supply Constraints on House Prices in England, The Economic Journal, Volume 126, Issue 591

# 04

## How does the planning system restrict private housebuilding at the local level?

The fourth hypothesis concerns whether planning policy was restrictive in the ways we would expect to see to explain the results in the previous section.

4. This underbuilding was the result of changes to planning policy.

This section contrasts the declines shown in private housebuilding against the introduction of three main planning restrictions: discretion into the planning system through the Town and Country Planning Act 1947, the green belt in 1955 and Town and Country Planning Act 1990.

### Planning restrictions in the Shires

#### The green belt restricts building on greenfield land

The green belt (see Box 3) was introduced in 1955, and expanded in the 1980s, specifically and only to prevent development of countryside and the outwards expansion of cities.

#### Box 3: What is the green belt?

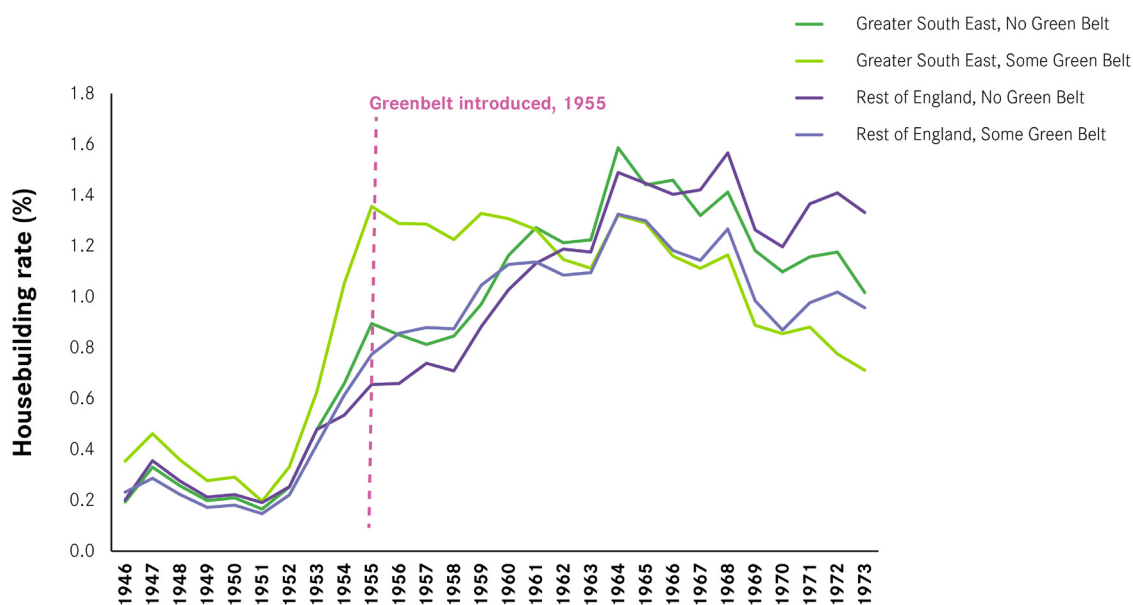
The green belt is an urban containment designation. It is not – as is commonly believed – an environmental designation (unlike other designations that exist to protect nature (e.g. Sites of Special Scientific Interest) or areas of high amenity (National Parks, Areas of Outstanding Natural Beauty)). It is a major restriction on housebuilding due to its size (13 per cent of England) and its purpose of preventing development in some of the highest demand areas in the country.

The initial green belts agreed are large, binding around the urban form and persist over time.<sup>11</sup> For example, the green belt in Bristol has remained the outer boundary of large parts of Bristol’s built up area since the 1950s.<sup>12</sup> London, Metro areas (except Cleveland), and Shire areas all have green belt, but specifically in the parts of each local economy and the country that are most suitable for suburbanisation.

It has done what it was intended to do. Figure 12 shows that Shires in the Greater South East – where demand was highest – had the highest housebuilding rates before the green belt was introduced. **By the mid 1960s they had the lowest.**<sup>13</sup> Authorities in the rest of England without green belts also invert their ranking, going from last in the country for housebuilding in 1955 to first by the mid 1960s.

**Figure 12: Green belt stops housebuilding when it is introduced**

Annual private housebuilding rates by local authority, 1946-1972



Source: UK Government, Local Housing Statistics annual reports, 1946-2001; Holmans, A. (2005), “Historical Statistics of Housing in the UK”, Cambridge University Housing and Planning statistics

The spike in housebuilding rates and the introduction of the green belt in 1955 comes one year after the relaxation of building licenses in early 1954, a major liberalisation that released construction materials to private housebuilders for all but the largest dwellings. Figure 12 demonstrates not just that the private sector can quickly respond to planning reform, but also that the window between the relaxation of immediate postwar controls and the tightening of permanent controls on development was extremely short.

11 Elson, M (1986) Green Belts: Conflict Mediation in the Urban Fringe, Heinemann

12 Selby, O (2024), [Ship shape? How the planning system is holding back Bristol's economy](#), Centre for Cities

13 This analysis is limited until 1973 as before 1974, local authorities are at small enough geographies that the presence of green belt typically indicates that a large swathe of available greenfield land has been designated as green belt.

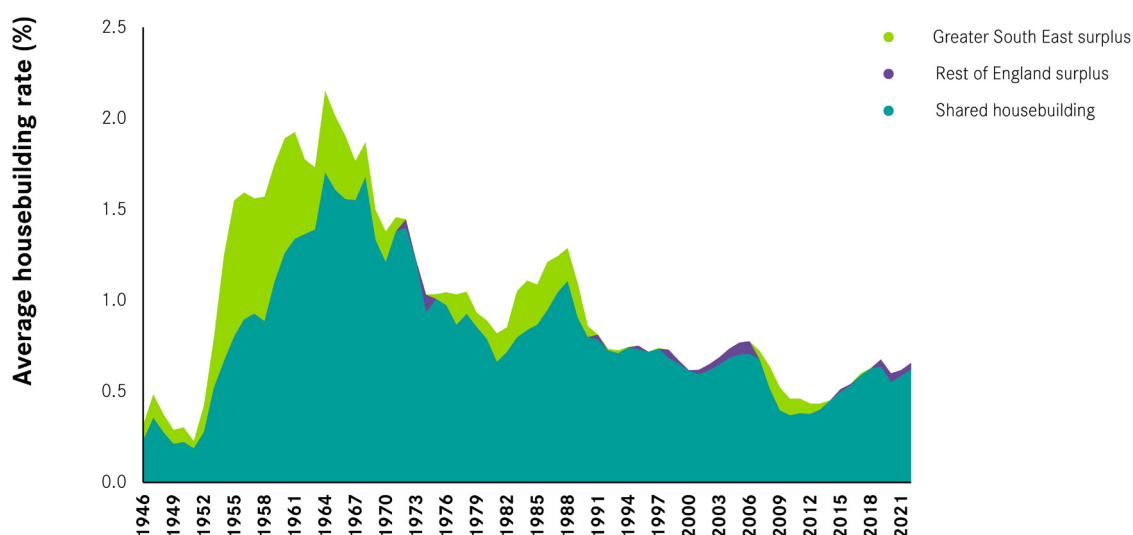
## High housebuilding Shires converge with low housebuilding Shires

A further restriction that was introduced was the Town and Country Planning Act 1990 (see Box 4). This appears to further restrict building in Shires.

Figure 13 shows the base level of private housebuilding across all of the Shires in England from 1946 to 2022, with the “surplus” in Shires above that level in either the Greater South East and Rest of England also shown. As well as the boom in the 1950s which was curtailed by the introduction of the green belt, there was a second, smaller boom in the 1980s. Despite the overall decline in housebuilding and the tightening of the system, some responsiveness did remain in the system in the 1980s.

### Figure 13: Housebuilding in the Shires in the Greater South East converges on the Rest of England over time

Annual private housebuilding rates in Shire areas by Greater South East and rest of England, 1946-2022



Source: UK Government, Local Housing Statistics annual reports, 1946-2001; Holmans, A. (2005), “Historical Statistics of Housing in the UK”, Cambridge University Housing and Planning statistics

This mini boom ended in 1990 at the time of the Town and Country Planning Act 1990 and the reduction of incentives for councils to permit development through the centralisation of local finance (after the rates were replaced with the poll tax and then council tax). Given the growth of the Greater South East’s economy from this point, it is reasonable to expect to see a continued divergence in housebuilding between Shires in different parts of the country.

#### **Box 4: How does the planning system tighten and restrict housebuilding?**

Private housebuilding was tightly restricted from 1947 until the early 1950s, as rationing of materials through building licenses and heavy taxation of land value uplift effectively eliminated non-state housebuilding. Macmillan’s liberalisation, removing building licenses in 1954 and reducing taxation on land value uplift improved incentives for private developers and allowed them to respond at scale.

The green belt was introduced and implemented at scale in 1955 in response to two perceived problems that emerged from urban growth. First, though green belts as an idea had been proposed before, they were mooted again in response to the private sector boom of the early 1950s, with similar architectural and planning criticism of suburbs and ‘ribbon development’ as was seen in the interwar period.<sup>14</sup>

Second, before 1974 local government was fragmented between counties and large urban areas known as county boroughs. Once urban areas were large enough, they could apply for ‘promotion’ to county borough status, or if already county boroughs petition for expansion into county areas. In both cases, the county would lose rates income – but green belts could and did prevent this process.<sup>15</sup>

Local government reforms in 1974 saw the transfer of planning powers from counties and county boroughs to districts. This fragmented planning policy and transferred decision-making to authorities that had few incentives to support urban growth.

The 1980s saw unsuccessful attempts to liberalise planning, culminating in the backwards step of the TCPA 1990. This was originally intended to secure the best of both worlds by increasing the importance of the local plan in decision-making (which discretion had undermined) while retaining the flexibility of discretion.

In practice, the effect if the TCPA 1990 was the worst of both worlds – all of the rigidity of a plan-led planning was suddenly introduced into the system while the uncertainty of discretion was retained. It was particularly restrictive for small builders, who now came under greater pressure to comply with local plans without the capacity to do so.<sup>16</sup>

Efforts to unlock higher housebuilding through strategic or regional planning, such as the South East Study in 1965 and the regional plans under New Labour failed to increase housebuilding due to local political opposition and collapsed upon changes in Government.<sup>17</sup>

Further policy under New Labour to encourage “brownfield first” (PPG3) saw housebuilding in the Shires sink to its lowest levels since the immediate aftermath of the Second World War.<sup>18</sup>

14 Hall, P et al. (1973), *The Containment of Urban England v.1 (Urban and Metropolitan Growth Processes or Megalopolis Denied) and v. 2 (The Planning System: Objectives, Operations, Impacts)*, George Allen and Unwin, Sage Publications

15 Elson, M (1986) *Green Belts: Conflict Mediation in the Urban Fringe*, Heinemann

16 The Home Builders Federation, (2017), [‘Reversing the decline of small housebuilders’](#), HBF

17 HC 6 July 2010 Vol 513 Col 5WS

18 Spry, M (2021), [A brownfield-based planning policy? The lessons of PPG3](#), Lichfields Blog

The NPPF in 2012 saw for the first time in decades a reversal in tightening with the introduction of the presumption of sustainable development, with the planning powers of local authorities removed for those refused to allocate sites for development in local plans or hit housing targets. Even this suffered a backlash, with negative changes introduced at the end of 2022, which have been reversed by the new Government.

Urban areas also experience tightening. The Civic Amenities Act 1967 that created Conservation Areas in response to slum clearances made urban development considerably more difficult. Despite nominal policy for brownfield first and the initial version of the London Plan encouraging high-rise development in sites with high public transport accessibility against the wishes of the “heritage Taliban”<sup>19</sup>, recent changes to the London Plan, some changes to building regulations and processes since the Grenfell Tower fire, and new measures such as Biodiversity Net Gain have all made urban redevelopment more challenging.

## The discretionary planning system is restrictive in urban areas from 1947

If the planning system gradually restricts over time in the Shires, the consistently low levels of housebuilding in Metro areas after 1946 requires a distinct explanation. The discretionary system is today particularly restrictive in urban areas, and it reduced national housebuilding after 1947 – but did it reduce urban housebuilding in 1947?

Prior to 1974, local authorities were of a much more distinct character to today, with an ascending hierarchy of urbanness from rural districts to London Boroughs. Figure 14 shows the average housebuilding rate by type of authority in England from 1946 to 1973 – the more urban an authority was, the lower private housebuilding was.

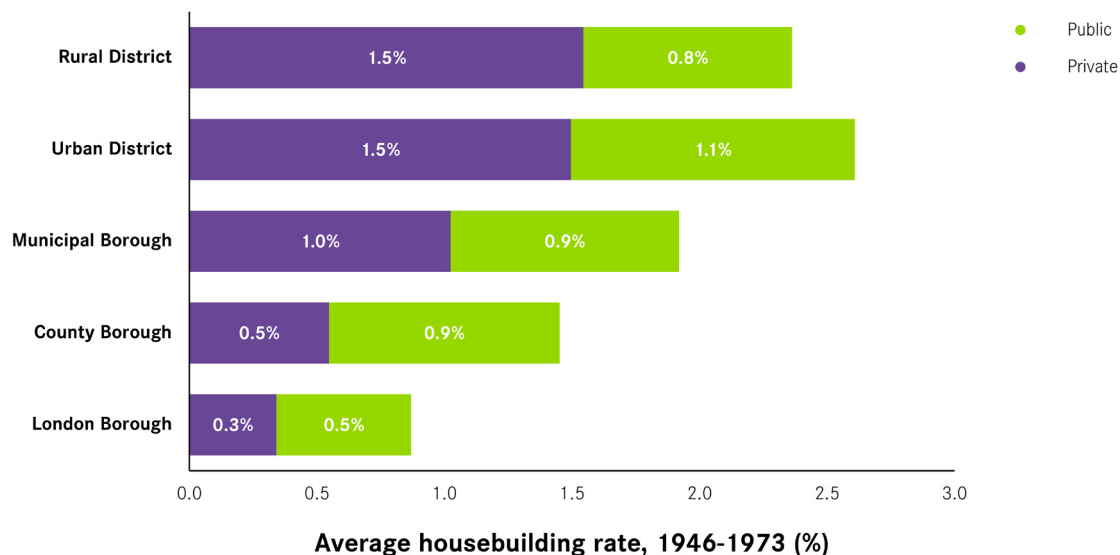
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19 Architects Journal (2001), [EH is ‘Taliban of architecture’](#), [Livingstone tells schoolkids](#) [EH refers to English Heritage]



**Figure 14: Private housebuilding was lower in all urban areas from 1946-1973**

Average annualized housebuilding rates by type of local authority, 1946-1973



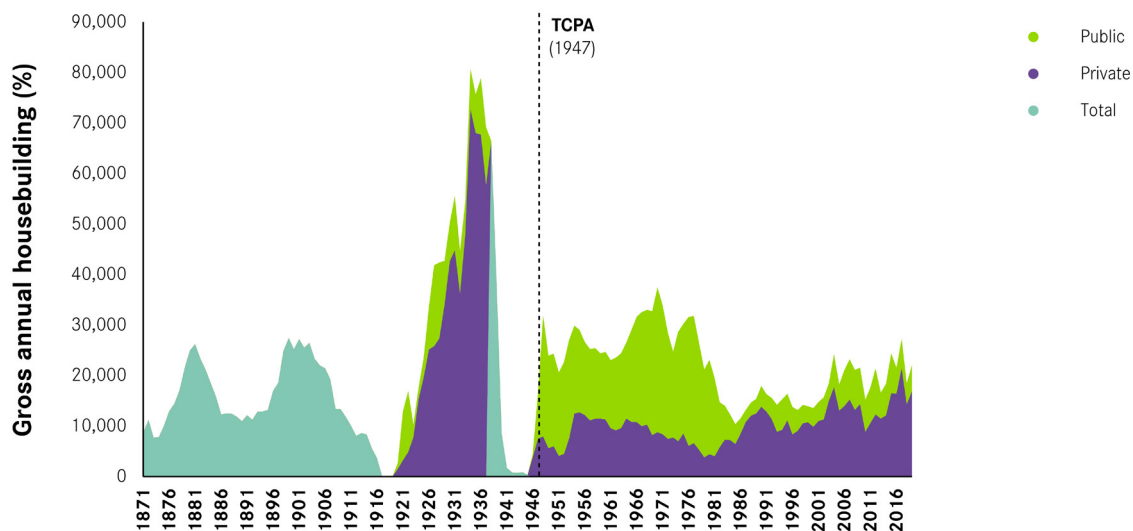
Source: UK Government, Local Housing Statistics annual reports, 1946-2001; Holmans, A. (2005), "Historical Statistics of Housing in the UK", Cambridge University Housing and Planning statistics

The consistent anti-urban bias of the planning system can also be seen by comparing housebuilding at the local level in the only city for which we have data from before the Second World War – London. Figure 15 shows that housing numbers in London have never recovered from the discretionary planning system being introduced in 1947, with housebuilding barely reaching half of the interwar peak of 80,000 homes a year.

From 1930 to 1939, London accounted for 22 per cent of all new homes built in England and Wales. London’s share of national supply fell to a postwar low of 8 per cent from 1980 to 1989, but only recovered to 13 per cent from 2010 to 2019.

**Figure 15: Housebuilding in London has never recovered from the TCPA 1947**

Total houses built by year in Greater London Area, 1871–2018



Source: GLA (2019), New build homes in Greater London, 1871 to 2018, Housing in London Report 2019; UK Government, Local Housing Statistics annual reports, 1946–2001; Holmans, A. (2005), “Historical Statistics of Housing in the UK”, Cambridge University Housing and Planning statistics

The interwar housing boom is famously the spread of new London suburbs and the construction of Metroland. But other big cities, that were experiencing growth, saw similar levels of development, such that by 1938, a third of Birmingham’s homes had been built in the preceding 19 years.<sup>20</sup>

Crucially, it was not just new suburban homes. As the market for suburban housing was saturated in the 1930s, at least 56,000 mostly art deco mid-rise flats were built within the existing built up area of London for private rent and sale between 1934 and 1939, with more in other cities. These developments stopped after the war, and similar mid-rise apartments built by the private sector do not return to London for many decades until there is specific policy support to encourage them.<sup>21</sup>

This interwar period of peak London housebuilding was when England had a nascent zoning system more similar to those in the rest of Europe and other common law Anglosphere countries. **England’s interwar private housebuilding boom that was brought to a halt immediately after the Second World War was therefore an urban housebuilding boom.**

The same pattern of planning being used to restrict urban growth can also be seen with commercial space. Office space initially sat outside the planning system due to an oversight, and private developers in London responded by shifting from the heavily controlled residential to city centre offices, with almost 45 million square feet of office space approved in central London between 1948 and 1958.<sup>22</sup>

20 Powell, C. (1996), *The British Building Industry Since 1800: An economic history*, Spon Press

21 Neale, J. (2024), [Britain’s interwar apartment boom](#), Works in Progress

22 Hall, P (1962), *The Industries of London Since 1861*, Routledge

However, in the early 1960s, the scope of the planning system was expanded to cover commercial property. These controls were specifically intended to restrict new city centre office space, most notably with the ‘Brown Ban’ on new offices in central London and Birmingham and the creation of the Location of Offices Bureau.

As Box 5 explains, these planning policies to restrict urban growth all emerged out of the 1940 Barlow Report – the intellectual genesis of the discretionary planning system. The Town and Country Planning Act 1947 had such a disproportionate impact on national housebuilding, because it was designed to reduce housebuilding in and near urban areas, especially London.

### Box 5: What is the Barlow Report?

The Royal Commission on the Distribution of the Industrial Population – also known as the Barlow Report – was published in 1940 and centrally concerned with three matters:<sup>23</sup>

- The disadvantages of the big cities in the national economy, especially London and Birmingham.
- The emergence of deindustrialisation and growing regional inequalities since the 1920s in the North of England and Scotland
- A belief that the nascent English zoning system did not give planners enough powers to determine the scale, nature, and location of development.

The Barlow Report’s argument was that these three matters were connected and merited a land-use planning response, and in particular:

- Urban containment of the big cities, especially London (eventually through the creation of the green belt in 1955).
- The forcible location of new industrial sites to deindustrialising areas to reduce regional inequality (through discretionary permits).
- Housebuilding delivered outside large urban areas and ideally through New Towns/Garden Cities.

Although the Second World War delayed their implementation, these three responses have exercised an enduring influence in the purpose and operation of the planning system since the Town and Country Planning Act 1947 was passed and are why it marks such a strong anti-urban turn in English housebuilding and policymaking. They are not necessary for the operation of a planning system, and zoning systems in other countries successfully resolve local and strategic planning matters without them.<sup>24</sup>

<sup>23</sup> Royal Commission on the Distribution of the Industrial Population (1940), HMSO, Cmd. 6153, p. vii

<sup>24</sup> Breach, A, (2025), A Zoning System for England, Centre for Cities

# 05

## Will the Government's planning reforms work?

The historical record shows the planning system restricts private housebuilding across geography. To guide planning reform today, this evidence must be connected back to the policy questions on planning reform.

The debate is between incremental '**small-r**' planning reforms within the discretionary system and larger '**Big-R**' planning reforms that would fundamentally change the principles of the current planning system. The choice matters for the Government's aspirations on housing outcomes and its economic strategy.

### Incremental reforms imply the planning system has previously delivered housebuilding at a level to reach the Government's targets

The Government is currently pursuing an incremental strategy with a series of 'small-r' planning reforms. Some of these changes, such as the 'grey belt' definition to small parts of the green belt, the new National Planning Policy Framework (NPPF) and New Towns are already underway. Others are still forthcoming, such as the promised return to strategic planning, 'Brownfield Passports', and the National Development Management Policies.

Nothing so far suggests that the Government is intending to revisit the fundamental principles of the planning system. 'Big-R' planning reform is not currently on the table, even though the Minister for Housing and Planning has accepted that reaching the 1.5 million home target across the Parliament will be more difficult than expected.<sup>25</sup>

**For incremental reform to deliver the Government's agenda, then the 1.5 million target must have been previously met by the post-1947 planning system.** The Government makes this clear when they claim that the reason housebuilding is so low is because of the previous Government's "anti-supply measures" in the NPPF which are being reversed.<sup>26</sup>

25 Housing, Communities and Local Government Committee (2024), [Oral evidence: Planning for 1.5 million new homes, HC 432, Q2](#)

26 Housing, Communities and Local Government Committee (2024), [Oral evidence: Planning for 1.5 million new homes, HC 432, Q9](#)

## Comparing the high period of postwar housebuilding to the target allows us to estimate the potential of incremental reform

The planning reforms will succeed or fail based upon how they impact housebuilding across different geographies. The national target must therefore be compared to levels of private housebuilding across geography.

To create the estimate, the 372,000 national target of homes for each local authority can be aggregated to the counties as they existed in 1974, which can be turned into a target housebuilding rate.

These target rates for each county outside London can then be compared to the average private housebuilding rates from 1954-1979 for each county. Comparing solely to the tip of the peak would be unfairly stretching, and so the comparison is towards the rise and fall of private housebuilding in the post-1947 system's biggest boom from a very low base – the relaxation of building licenses that rationed construction materials for private construction from January 1<sup>st</sup> 1954.

For London, as private housebuilding is so low throughout this period, the capital's best possible performance can instead be compared against the higher level in 2001-2020. Private housebuilding increases in London from a very low base after 1980, so this allows the comparison to more closely reflect the planning system at its strongest period of performance.

The historic comparison presents a realistic best case scenario for incremental reform. The targets are being compared against not the absolute zenith of the post-1947 planning system, but a period in which it was building considerably more than the present day.

## The planning system could at best meet 281,000 of the Government's annual housing target of 372,000

Even if the Government reformed the existing discretionary planning system to perform as well as it did in the 1950s-70s (and 2000-20s in London), it would undershoot its housebuilding target of 372,000 homes a year by 91,000, only achieving 281,000 new homes a year.

**If this was sustained, it would mean the Government would only build 1.12 million of its target of 1.5 million homes over the Parliament, missing the target by 388,000 homes.** This aligns with estimates from the OBR that only 1.1 million homes will be built in England over this Parliament.<sup>27</sup>

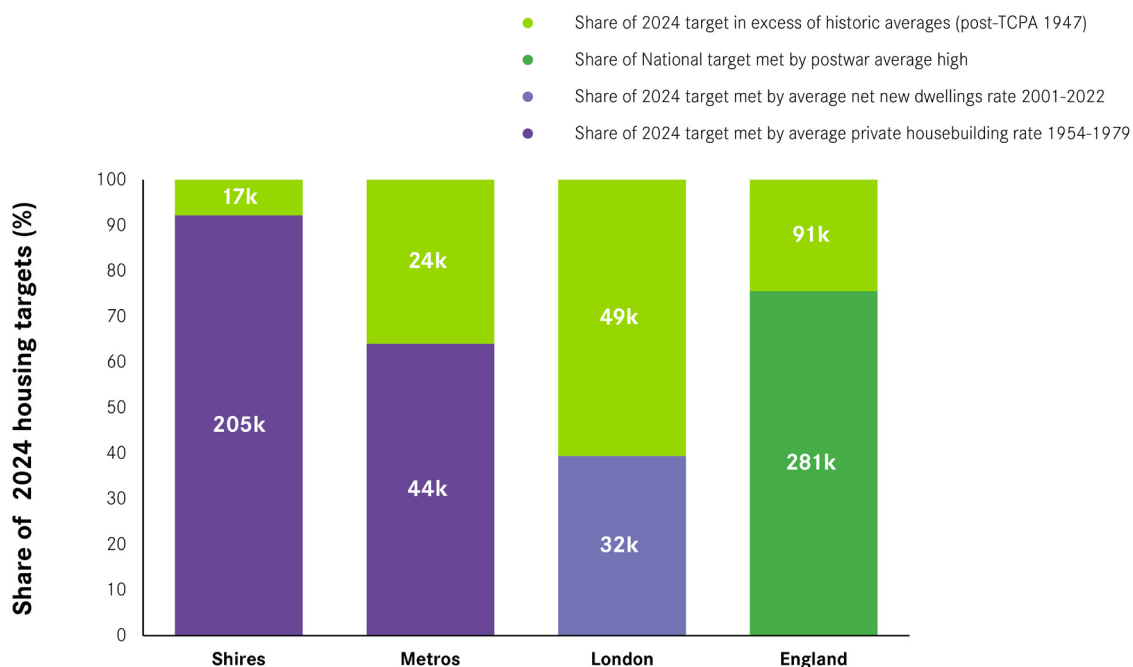
Figure 16 sets out the shortfalls between average private housebuilding at the postwar period of high performance and the Government housebuilding targets for England by Shires, Metro areas, and London.

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<sup>27</sup> OBR (2024), [Economic and fiscal outlook October 2024](#); Gill, O (2024), [Labour set to build fewer houses than the Tories](#), says OBR, Times of London, Sunday 17th November

**Figure 16: The new housing targets require housebuilding in urban areas unprecedented since TCPA 1947**

Share of 2024 housebuilding targets



Source: UK Government, Local Housing Statistics annual reports, 1946-2001; Holmans, A. (2005), "Historical Statistics of Housing in the UK", Cambridge University Housing and Planning statistics; MHCLG (2024), [Outcome of the proposed revised method](#)

Figure 16 shows that there would be a strong geography to this undershooting of the Government's targets. If Shires built private houses at the average rate they did from 1950-79, they would undershoot their 2024 targets of 223,000 a year by 17,000 a year.

This 8 per cent gap is perhaps closeable with some extra effort by central government – tough enforcement of penalties against councils that do not reach their targets, or public housebuilding efforts such as through Homes England or the New Towns programme might make a difference here.

The planning system's shortfall is more stark for urban areas. Undershooting by 24,000 homes a year is much more significant for the big cities outside London as their target is just 68,000, creating a 35 per cent gap.

London's gap is more severe still. Even if London hit its period of high performance under the current planning system (average net new dwellings from 2001-2022), the capital would still undershoot its housing target of 81,000 a year by 49,000. This 60 per cent shortfall in London would alone account for more than half of the national shortfall of 97,000 homes a year.

**Over the course of the four years over which the 1.5 million target is expected to be delivered, these shortfalls amount to 68,000 homes in Shire areas, 96,000 homes in Metro areas, and 196,000 homes in London.**

## The housing targets are most difficult to meet in urban areas

Much of the debate on planning reform since the election of the new Government concerns the new housing targets. The Government has reduced the role of affordability and population projections, and removed a 35 per cent ‘urban uplift’ in Greater London and the 19 most urban local authorities.

The new targets tend to be higher in less expensive and therefore lower demand authorities, as well as Shire areas with a low recent record of delivery. Targets have generally fallen in London and the other urban authorities. This shift has provoked controversy, particularly the decrease in London’s target from 100,000 to 80,000.<sup>28</sup>

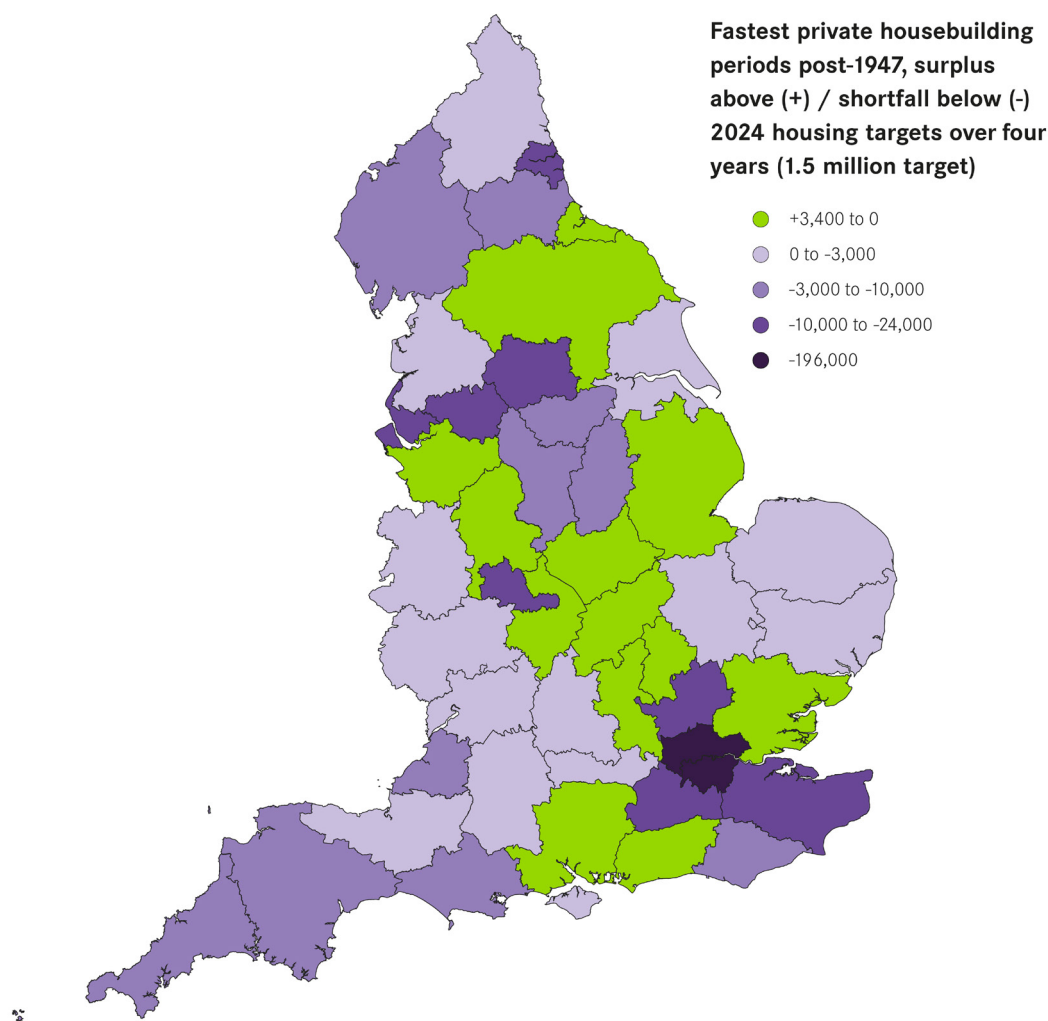
The targets can be assessed by comparing them to the historic high period of private housebuilding since 1947. If low demand areas have targets far above their historic performance and thereby have large shortfalls, then the new targets risk a severe misallocation of new housing.

These comparisons between historic performance and the new targets is shown in Figure 17.

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28 Hopkinson, B (2024), [A lower target won't fix London's housing shortage](#), CapX; Leunig T (2024), [More houses? Great...](#), Tim Leunig's Policy Substack

**Figure 17: Since 1947, most big cities and some Home Counties have never built at the rate the Government’s new housing targets require**



Source: UK Government, Local Housing Statistics annual reports, 1946-2001; Holmans, A. (2005), “Historical Statistics of Housing in the UK”, Cambridge University Housing and Planning statistics; MHCLG (2024), [Outcome of the proposed revised method](#)

London and all the other Metro areas (except Cleveland) report large shortfalls between their post-1947 high period for private housebuilding and the Government’s targets. This aligns with this report’s evidence that urban areas face particular difficulties in supplying new housing.

Figure 17 shows why recent debates over decreasing London’s notional housing targets from 100,000 a year to 80,000 are a distraction. Neither of these numbers nor the urban change they would require have ever been, or probably could ever be, reached under the current planning system. High housing targets for London are simply notional, as the system restricts urban development so tightly even though London desperately needs more housing.

The picture in the Shires is more complex. Some Shires would more than meet their 2024 targets by building at the rate of 1954 to 1979. Most Shires have housing targets which are now set slightly above that of the strongest performance of the planning system, and a small



number have large shortfalls. This variation suggests that the individual characteristics of each county will matter a great deal in determining whether it will meet its target.

## The Government economic strategy depends on ‘Big-R’ planning reform

Figure 16 and Figure 17 have a number of other implications for Government policy.

First, these estimates indicate that **the currently proposed ‘small-r’ reforms to the planning system will not be enough to fulfil the Government’s goals on economic growth.** Even under this best-case scenario, 281,000 new homes a year would be only 28 per cent more than the peak of 219,000 achieved under the previous Government in 2019.

The shortfall is even more stark if comparisons to other estimates of housing need are used. Taking the Centre for Cities estimates that 442,000 homes a year are needed for twenty five years to close England’s share of the national shortfall of 4.3 million missing houses. Other recent estimates suggest that 450,000 homes a year are needed by the end of this Parliament just to meet the Government’s 1.5 million target.<sup>29</sup> 281,000 homes under incremental planning reform would only provide 62 to 64 per cent of what these estimates suggest England’s housing market actually needs.

It is sometimes mooted that incremental planning reform is preferable to big planning reforms to move towards zoning as such a radical reform risks reducing housebuilding in the short term. This must be balanced against the risk that incremental reform to the discretionary system may never result in enough housebuilding.

Similarly, it is sometimes argued that the priority for policymakers should be demand-side subsidy, either directly for homeowners in the form of Help to Buy or for social housebuilding. These again may be desirable, but the fiscal costs are large and are at best complements to wider planning reform, as more considered proposals for demand-side support recognise.<sup>30</sup>

## Incremental planning reform is a commitment to sprawl while flexible zoning would unlock urban housebuilding

Second, Figure 16 and Figure 17 shows that debates about planning reform are also debates about what the future urban form of England should be.

The current discretionary planning system has and perhaps could deliver lots of new suburban housing on greenfield land. Doubling down on this would ultimately be a commitment to a low-rise, sprawling urban form, similar to cities in North America. Mobility and commuting would depend on cars and have a minimal role for public transport, and access to urban labour markets could only be provided at scale through new urban motorways delivered through extensive demolitions across existing built up areas.

This may not be an intended outcome from defenders of the existing planning system. It would though be unavoidable if the planning system actually supplied sufficient new housing

29 Clarke, A (2024), [Roadmap to 1.5 million new homes: What does the Government need to do and when?](#), The Housing Forum

30 Formston, D. et al (2024), [Delivering 300,000 homes per year in England](#), Savills Research

while retaining its discretionary barriers to housebuilding in urban areas. **If cities are unable to change as much they should, greenfield housebuilding would have to deliver even greater numbers just to achieve the minimum the country needs.**

In contrast, if cities, density, urban living, and public transport are taken to be important to the national economy and social fabric, then it should be recognised that it is impossible to deliver substantially more of this without major planning reforms that would replace the Town and Country Planning Act 1947 system with a new flexible zoning system.

Conversely, it would not be possible even with major planning reform to have an entirely urban response as some politicians suggest. The Shires provide scale to housebuilding, and there is no possibility of meeting a housing target of 371,000 solely or even primarily in urban areas. However, where urban areas and greenfield meet, the same policy – green belt – restricts building in both, and it will need to change whichever approach is chosen.

### Keeping the discretionary planning system means substantive planning reforms

Third, Figure 16 and Figure 17 shows that reform within the existing planning system faces a perverse political problem. For incremental planning reform to have even a hope of success, those incremental planning reforms must be radical.

This is because the planning restrictions that have emerged since the 1960s have had the greatest effect on housebuilding in Shire areas and on greenfield land, which is the only place where the discretionary planning system has ever built housing at scale. These barriers inside the current system are what would need to change under an incremental approach.

**Of these, the green belt is by far the biggest obstacle to housebuilding in the Shires, and would require major reform if the discretionary planning system is left intact.**

If major changes to the green belt are also ruled out, the only way to secure large increases to housebuilding inside the discretionary system would be wildlife and nature protections; Nutrient Neutrality; judicial review of planning decisions; archaeological protections; and Biodiversity Net Gain among would have to be part of the planning reform agenda if reform of the discretionary element is off the table.

For urban areas to pick up some of the slack, they would need similar controversial changes. Conservation Areas; Protected Views; Listed Buildings; height limits, including for single stair buildings; and many of the restrictions in documents such as the London Plan and building regulations would need to be scaled back.

In contrast, while a shift towards flexible zoning would require bigger changes to legislation, it would also reduce the need for difficult incremental reforms. Debates about planning reform under zoning would be structured around changes to the zoning code and its application as they are in other countries, rather than the contentious debates set out above.

## Public housebuilding will need to make choices on geography and funding

Fourth, public housebuilding in its current form will be unable to close the gap between the estimates and the targets shown in Figure 16 and Figure 17.

One response to the data might be that as these estimates and targets focus on private housebuilding, public housebuilding should easily make up the 97,000 gap.

Public housebuilding will and should make up some of the difference. As an average of 46,000 affordable homes a year were built by the public sector from 2012 to 2022, it might appear that simply returning to the levels of public housebuilding seen in the 1960s and 1970s would close the gap entirely.

However, in its current state public housebuilding will not be enough, as *Restarting housebuilding II* explains for three principal reasons.

**First, unlike in the 1960s and 1970s, the social housing sector now has a large stock of homes that require maintenance.** It is more expensive for the public sector to build new houses today than in the past, as any injection of capital is split between new stock and existing stock, even before the increased costs of development are considered.

**Second, almost half of affordable housing today relies on private sector delivery.** An average of 45 per cent of affordable homes built from 2012 to 2022 were financed by cross-subsidy from private development through Section 106 (s106) agreements – essentially a tax on private housebuilding, and therefore a drag on total housebuilding. These 21,000 affordable homes a year are already accounted for in the estimates as private homes because as public housebuilding of the 1960s and 1970s did not depend on cross-subsidy they would instead have been built for private sale.<sup>31</sup>

**Third, the geography of public housebuilding today is mostly not in the urban areas where the shortfall is greatest.** From 2012 to 2022 an average of only 8,500 affordable homes were built in London (5,000 without s106) and only 8,000 in Metro areas (6,000 without s106). The shift to s106 cross-subsidy since 2010 has diluted the geographic focus of public housebuilding in earlier eras, such as New Towns, slum clearances, and council estate regeneration.

**Closing the gap in Figure 16 solely through public housebuilding would require a ninefold increase in non-s106 funded public sector housebuilding in Metro areas and big cities.** Public housebuilding could increase through grant and land value capture mechanisms, but there is no politically plausible path to higher national supply without higher private housebuilding.

## Planning reform depends on local government reform

Fifth, Figure 16 and Figure 17 show that for the Government to successfully achieve its targets, local government in England must undergo reorganisation.

<sup>31</sup> And the London estimates include both tenures as an estimate of their period of high performance.

A major problem throughout the history of the planning system since 1947 has been local government fragmentation. **Yet strategic planning structures created to bypass this fragmentation have always collapsed.** Combined authority planning structures have struggled for this reason, as the difficulties Greater Manchester and the West of England have experienced with their strategic plans demonstrate, as is the Government’s push for “universal strategic plan coverage”.

The actual problem is the structure of local government in England. Instead of trying to force local authorities to absorb the targets of other local authorities without land, the Government should create a new local government system where all authorities have sensible geographies, amounts of developable land, and incentives to pursue growth.

## London needs big reforms

London requires special attention. Even in the optimistic case in Figure 16, the capital would still account for over half of the total shortfall in national housebuilding as it has seen substantial private housebuilding for almost a century.

Unfortunately, even within those constraints the current London development model is in a tailpin, with a negative phase of the business cycle worsened by a tightening regulatory environment. London has already missed an annual target’s worth of new supply less than halfway towards its ten-year target, and residential consents fell from over 89,000 in 2018/19 to 40,200 in 2022/23.<sup>32</sup>

**A key part of the capital’s housebuilding problems is the London Plan.** In its original form, the London Plan was a strategic and spatial document that provided a route to high-rise transit orientated development in pockets across London and a steady increase in housebuilding.

The London Plan today functions as a super local plan that duplicates the work of boroughs with prescriptive requirements across design, layouts, and amenities across 113 policies. The most notable are the requirements for cross-subsidies for affordable housing, for dual aspect, and limitations to building heights and density. The effect is similar to the “anti-supply measures” introduced at a national level under the previous Government – a combination of well-intentioned ideas that have together suppressed private development in London.

The previous Government commissioned a report into London highlighting these problems, followed by a statutory London Plan Review and a further written instruction, both of which were withdrawn after the election of the new Government. The party politics notwithstanding, the report’s analysis that housebuilding in London is severely constrained remains valid and now presents choices for the current Government as they try to meet their national housebuilding target.

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32 Katkowski, C et al. (2024), [Housebuilding in London: London Plan Review – report of expert advisers](#), Lichfields, 66087/14/MS/RR. 28819867v4.

# 06

## What needs to change

The choice facing the Government is either planning reform that rises to the scale of the challenge, or failure in the load-bearing policy area of its domestic agenda.

### A flexible zoning system would increase urban housebuilding

**The Government should replace the discretionary system established by the Town and Country Planning Act 1947 with a new flexible zoning system.**

A flexible zoning system that allows considerable freedom to vary buildings and the use of land within each zone would increase private housebuilding, concentrated in urban areas for the first time since the 1930s. London would particularly benefit, but other Metro areas that have underperforming economies due to low public transport accessibility from their low-rise urban form would benefit by seeing much more densification at scale in areas where zoning allowed it.

Zoning is simply rules-based decision-making applied spatially. The local authority would designate different rules to in different neighbourhoods, and proposals which complied with those rules would be granted planning permission by the authority. Planning would become less about case-by-case control of development and instead focus on strategic questions of infrastructure and urban change.

Zoning is the norm in every other G7 country and others common law English-speaking countries, and there are many ways a zoning system can be designed. While the Planning for the Future White Paper in 2020 was a particularly radical approach, Centre for Cities has previously set out an alternative flexible zoning system for England that is more conventional.<sup>33</sup>

Zoning would also make it much easier for planning to deliver urban extensions and land value capture to finance public works, as it would entail a shift to spatial planning and greater certainty for planners, landowners, and developers.

England's relaxation of building licenses in 1954 and planning reforms around the world,

<sup>33</sup> Breach, A. (2020), [Planning for the Future: How flexible zoning will end the housing crisis](#), Centre for Cities ; Breach, A., (2025), [A Zoning System for England](#), Centre for Cities

including New Zealand, demonstrate that once a new system is in place, private developers will respond very quickly and start building more housing immediately.<sup>34</sup>

## England needs zoning or the abolition of the green belt

### **If the discretionary planning system established by the Town and Country Planning Act 1947 is not replaced, the only alternative route to high housebuilding is abolishing the green belt.**

The reason is simple. Development has been blocked in urban areas for seventy years by the discretionary system. Green belt areas are the only places where the discretionary system has ever achieved high levels of private housebuilding. Doubling down on the discretionary system means these areas need to build even more than they did during the 1950s-1960s, which is impossible so long as the green belt rules out so much land for development.

As the restrictions on greenfield development established by the TCPA1990 would remain in place, abolishing the green belt would not lead to a complete free-for-all. Instead, the primary effect would be that green belt land without other designations would be redesignated as “white land”, and local authorities currently stalling on agreeing local plans would be forced to allocate some of this former green belt land for development.

The simplest and fastest way to abolish the green belt would be to remove it from the National Planning Policy Framework (NPPF) and introduce a National Development Management Policy (NDMP) that specifies any green belt policy in a local plan is invalid. Smaller releases, strategic reviews, and the currently proposed policies around “grey belt” and green belt reviews in the NPPF risk being held up by uncooperative local authorities, and drawing out the pain of reform for smaller gains in a system that would remain overwhelmingly restrictive.

Keeping the discretionary system would therefore be a commitment to solve the housing crisis solely through low-rise, car-reliant sprawl. It could work, but it would require major changes in English urban life, transport patterns, and infrastructure, as well as planning policy.

Even if public housebuilding was increased to help close this gap, this question about the geography of new supply and its urban form would remain.

If the discretionary system was replaced by zoning, some new suburban family housing would still need to be built. Green belt land around railway stations, where Centre for Cities has calculated that 2 million suburban homes could be built on less than 2 per cent of the green belt, and land immediately adjacent to urban areas would be particularly suitable for new suburbs even if the rest of the green belt remains off limits.

34 Breach, A. (2023), [New Zealand shows how planning reform will end Britain's housing crisis](#), Centre for Cities; Donovan, S and Maltman, M (2024), [Dispelling myths: Reviewing the evidence on zoning reforms in Auckland](#), Motu Working Paper 24-07; Greenaway-McGrevy, R. and P. C. Phillips (2023), [The impact of upzoning on housing construction in Auckland](#), Journal of Urban Economics 136, p. 103555; Greenaway-McGrevy, R. and Y. So (2024), [Can Zoning Reform Reduce Housing Costs? Evidence from Rents in Auckland](#), University of Auckland, Economic Policy Centre, Working Paper 016.

## Economy First English devolution would make strategic planning obsolete

**The forthcoming English Devolution Bill is a chance to fix fragmentation in planning.** The Government appears to be prepared to reorganise local government and two-tier local government in Shire areas, which would be a positive and substantial step towards ending fragmentation.

Centre for Cities has previously set out a proposal for Economy First English devolution.<sup>35</sup> It proposes a shift towards single-tier county councils in Shire areas and reformed, two-tier Metro mayoral government in the big cities, with economic geography in the form of High Skill Travel to Work Areas used to define new authorities.

With reformed counties and city region mayors in charge of planning (including a role for boroughs in Conservation Areas and similar designations) that matched local economies, strategic planning structures would no longer be necessary. Devolution to economic geography would also unlock fiscal devolution that protects public services and restores the growth incentives taken away by the centralisation of local finance in 1990 under the Thatcher Government.<sup>36</sup>

Economy First devolution would mean local plans and local transport plans could be merged into the same document. This would allow for a shift towards spatial planning, and would make it much easier to introduce a flexible zoning system as a result.

## Review the small barriers to housebuilding

The discretionary element and the green belt are not the only barriers to housebuilding. Other smaller restrictions are harder to quantify but together are a web that make development more costly with few benefits. Some of have been introduced relatively recently. **These small barriers are part of the “anti-supply measures” of the previous Government that have contributed to the recent downturn in housebuilding.**

Of these, the most important are Biodiversity Net Gain (BNG) making environmentally friendly development in cities unviable, the delays high-rise developers are facing with Building Safety Gateway 2, height limits for single-stair buildings that are set too low, nutrient neutrality blocking local plans across swathes of the country, and minimum space standards that block flats small enough for singles to afford.

These are all well-intentioned, but they are restricting development and reducing affordability without achieving their intended benefits. They are the lowest-hanging fruit for planning reformers to pick, and Centre for Cities will shortly set out the options for Government in each of these areas.

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35 Breach, A (2024), [Economy First: A pragmatic English Devolution White Paper](#), Centre for Cities

36 Breach, A (2024), [Devolution Solution: How fixing English local government will improve economic growth](#), Centre for Cities

## Overhaul the London Plan

The right approach for the Mayor and the Government to rewrite the London Plan to deliver 81,000 homes a year will depend on the overarching approach to planning reform. If a switch to zoning occurs, then the GLA should be the authority responsible for designating neighbourhoods with the national zoning code. If not, there will need to be further work to align the London Plan with local plans in London Boroughs, and improve the responsiveness of the latter to new housing, perhaps with NDMPs

Either way, the London Plan will need to return to its roots as a spatial and strategic document as quickly as possible to provide clarity for applicants and decisionmakers.

## End cross-subsidy of social housing from private housebuilding

Calls to end the cross-subsidy model and return to grant funding or land value capture for subsidised housing are often associated with the argument that social housebuilding should be the core tenure driving national supply.

**Helping private housebuilding is another good reason to end cross-subsidy.** The problems the cross-subsidy requirements for affordable housing are causing, most notably in London, demonstrate that shifting back to grant is a strong justification to try to assist total levels of housebuilding.

Public and private housebuilding are complements rather than substitutes. The postwar heights of public and private housebuilding were not delivered through cross-subsidy, and they co-existed largely pursuing different goals.

As *Restarting housebuilding II* and *Restarting housebuilding III* set out, there is a strong economic case for public housebuilding to be targeted in cities to help low-income workers and for public-sector led urban extensions to contain a land value capture element.

Private housebuilding should be trusted that if allowed to respond to demand that it will. Increasing it should be the centre of the Government's housing and economic strategy.

## Improve the quality of housebuilding data

The landscape for housebuilding data is both complex and patchy. Although historical records within the statistical annals digitised by Centre for Cities are high quality, more recent statistics suffers from underestimates (particularly by tenure), competing standards (e.g. Table 244 vs. Table 118), and fragmentation between the ONS and MHCLG. Along with making research more challenging, it creates a confusing picture for public debate and makes it hard to assess success.

Planning data is slowly improving as data standards are being introduced, allowing for centralisation of local data and designations in a single portal.<sup>37</sup> MHCLG should dedicate similar efforts to improving the quality of housebuilding statistics and create a single access point for all tables.

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<sup>37</sup> <https://www.planning.data.gov.uk/>



# 07

## Appendix

### **Box 6: Housing Returns 1946-2022**

This report uses multiple data sources to compare housebuilding and spending on public housing over time.

Between 1945 and 1990, all housebuilding and demolitions data uses Local Housing Statistics annual reports, newly digitised by Centre for Cities, and originally scanned by the LSE Digital Library.

After 1991, data on public housebuilding, and including the different forms of affordable housing, is taken from Table 1011.

Between 1991 and 2000, total housebuilding and private housebuilding continues to use Local Housing Statistics annual reports. After 2001, total housebuilding and private housebuilding data uses MHCLG Table 253.

Before 1945, housebuilding data at the national level is taken from Holmans (2005)<sup>38</sup>, adjusted for household numbers in England and Wales at each Census.

Before 1945 in London, housebuilding data from London is from the GLA, and the Housing in London Report 2019

Housebuilding rates are calculated using housing stock data for the appropriate geography. Between 1945 and 2000, housing stock in each year is calculated using housebuilding data, adjusted to stock in Census years (before 1981, calculated on basis of housing totals from Holmans (2005), apportioned according to household numbers). After 2001, total housing stock data is taken from MHCLG Table 125.

38 Holmans, A. (2005), "Historical Statistics of Housing in the UK"; Cambridge University Housing and Planning statistics

### **Box 7: Rateable Values 1955-1972**

This data was generously scanned and made available by London School of Economics Digital Library on our request.

Local authorities valued their properties according to rental values to send bills for local taxes (“the rates”), which were in place across all of England for domestic property from the 1601 ‘Old Poor Law’ under Elizabeth I until their replacement by the poll tax in 1990 by the Thatcher Government. Rateable values for commercial property remain how bills for business rates (national non-domestic rates) are calculated for commercial occupiers.

A standard way of measuring the tax base of a local authority was the ‘rateable value per head’, which provided an estimate of the ratio between revenues and demand for services.

Rateable values per head can be used to estimate land values and therefore demand for housing, especially at more aggregated geographies than the individual local authority level.

Rateable values were revalued three times after the Second World War, in 1956, 1963, and 1973. Rateable values per head immediately after revaluation provide the most accurate snapshot of land values across England.



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