

swimming against a cornish tide?

Nick Gallent, John Kelsey and Iqbal Hamiduddin reflect on the outcome of the recent referendum on the St Ives Neighbourhood Development Plan, the requirement that all new build housing is occupied by 'full time residents', and the risks – and possible consequences – of this type of planning restriction



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St Ives in Cornwall, where a policy contained in the Neighbourhood Plan is seeking to restrict the occupancy of new homes to full-time residents

On 6 May 2016, the residents of St Ives in Cornwall voted in a referendum on a Neighbourhood Development Plan, unremarkable but for one key policy: 'H2 Full time principal residence requirement'.¹

St Ives has a fair number of second homes – 25% of its total housing stock – and there has been growing concern over their impact for a number of years. They are viewed by many as a cause of escalating house prices and declining affordability,

locking a great many 'local households' out of the housing market. Their harshest critics view them as agents of 'financial cleansing'.²

It is in that context that 'new open market housing without a restriction to ensure its occupation as a full time principal residence (occupied for at least 270 days per year) will not be permitted'.³ Guaranteed full-time occupancy will come from the imposition of a planning condition on new development, and anyone found to be occupying a home for fewer than the minimum number of days each year will find themselves on the wrong end of a 'breach of condition order' and subsequently a 'planning contravention notice'.

Notwithstanding the problems of enforcing such conditions,⁴ these are interesting times for St Ives. Plymouth University's Chris Balch was quoted on referendum day as having some concerns about the new policy: 'we live in a society where we have free markets [and] if you choke off new homes, second home owners may start buying up existing ones'.⁵

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purpose was then written into the Cumbria and Lake District Joint Structure Plan three years later.⁸ Like the St Ives policy, it sought to restrict the occupancy of all new-build housing to 'full time residents'. The policy was not without its critics. The Panel Report following the EIP of the Joint Structure Plan concluded that it was 'unreasonable' to use 'planning powers to attempt to ensure that houses should only be occupied by persons who are already living in the locality', adding that planning should be 'concerned with the manner of the use of land, not the identity or merits of the occupier'.⁹

Things have of course moved on since then: planning is regularly called upon to procure affordable homes for target groups. That was not the case in 1981, and three years later the Secretary of State deleted the full-time residency/local need policy from the Joint Structure Plan. Yet the policy had remained in force, first in the Draft National Park Plan and then in the Joint Structure Plan, for a full seven years between 1977 and 1984.

During these seven years, the impacts of the policy were studied by Shucksmith, the results being published in two books – *No Homes for Locals?*,¹⁰ in 1981, and in greater analytical detail in the aforementioned *Housebuilding in Britain's Countryside*, in 1990. The author made a number of observations. First, households seeking second homes in the Lake District were largely undeterred by the restriction; they had always preferred second-hand property anyway (older village homes rather than new build), but now demand from them became entirely concentrated in that segment of the market. Second, although new-build housing was now targeted at 'local need' – at full-time residents – the supply of that housing began to dip. It was observed that 'builders ceased speculative residential development, partly because of the uncertainties raised by the new policy, but principally because of the greater difficulty of acquiring suitable land with planning permission'.¹¹

Third, the aggregate impact across the entire housing market – comprising second-hand housing and a declining quantity of new build – was a slightly faster rate of house price inflation. This, combined with the restriction on non-local purchase in the market for new build, choked off some of the external demand. Some aspiring second-home buyers found the Lake District suddenly too expensive and shifted their attention elsewhere, outside the area of restriction.

But overall, price adjustments for second-hand and new-build property were largely balanced out across the market. Excess external demand shifted entirely to second-hand property, benefiting existing homeowners. That same demand was removed from the new-build segment, but prices there were largely unaffected owing to changes in land values,

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undertaken in the Lake District in the 1970s. The intent of that policy was broadly the same as St Ives', and the restriction on occupancy was achieved through the use of Section 52 planning conditions. Its impacts were forensically detailed by Shucksmith.

In 1977, the Lake District Special Planning Board issued a draft plan which set out its intention to 'restrict completely all new development to that which can be shown to satisfy a local need'⁷ and began using Section 52 planning conditions to that end. A broader policy with that same stated

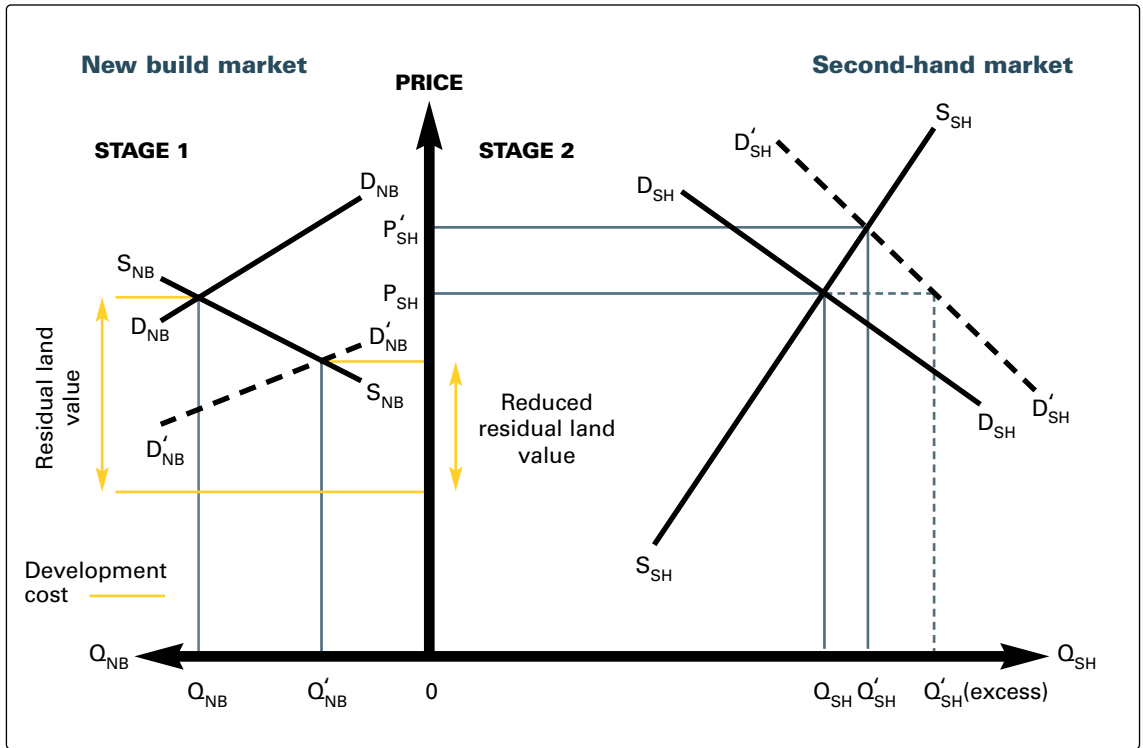


Fig. 1 Segmentation of the housing market into its new-build and second-hand components

development activity and therefore reduced supply. Indeed, 'local people who could afford to buy new housing will have found prices roughly the same as before, once the shifts in the demand and supply schedules had worked through'.¹² Those unable to access the market before were not assisted greatly by the policy.

These outcomes can be explained with some basic theory; and that same theory points to possible risks and consequences for St Ives. Fig. 1 shows the segmentation of the housing market into its new-build and second-hand components: it is not to scale, but simply illustrates the direction in which the market may move.

The new-build (NB) segment of the housing market is shown on the left of the origin. Restricting that segment of the market to local buyers (through a St Ives-style policy) is assumed to reduce demand from the solid line D_{NB} – D_{NB} to the dotted line D'_{NB} – D'_{NB} (which represents a lower-income subset of the overall demand) resulting in lower selling prices for new homes. This, in turn, depresses the value of land with planning permission for housing development (subject to there being no alternative use with a higher value), which may lead to a longer-term decline in the supply of development land for housing, particularly if local developers and other landowners choose not to develop land in the belief, or hope, that the restrictive policy may be reversed through legal or other action. Developers

may also shift their attention to opportunities elsewhere, causing land values outside the area of restriction to increase.

Jackson and colleagues have shown that such constraints on land release (linked to landowner behaviour) will affect the distribution of housebuilding activity and the type and timing of housing development and will result in local price adjustments.¹³

At least some of those buyers excluded by the restriction will seek homes in the second-hand (SH) market (shown to the right of the origin), pushing up demand in that segment: from the solid line D_{SH} – D_{SH} to the dotted line D'_{SH} – D'_{SH} . One important assumption here is that existing homes not occupied by full-time residents are owned by outsiders who wish to live in St Ives seasonally for a combination of lifestyle and investment reasons (available evidence certainly points to this reality). Accordingly, the supply of existing homes for sale will have a low price elasticity (a measure of the responsiveness of quantity supplied to a change in house prices). If so, house prices will be bid up from P_{SH} to P'_{SH} (shown as the blue-green horizontals on the right), and there will be unmet demand represented by the difference between Q'_{SH} and $Q'_{SH}(excess)$, thus creating a longer queue of would-be non-resident buyers. The price rise and potential competition from increased external demand (from those who do not wish to be full-

time residents) will further diminish local access to the second-hand housing market.

Essentially, because of these changes to the development context on the left of the diagram, and a displacement of external demand to the right, local access to the second-hand market will be reduced possibly by more than any increase in access to the new-build market, depending on relevant elasticities.

This modelling of shifts in supply, demand and residual land values explains the key outcomes observed by Mark Shucksmith in the Lake District (although all contexts are of course different): price rises in the second-hand market and reduced access for local households, a reduction in the supply of new-build development (and corresponding price adjustments), and a relocation of development interest to other places. The observed outcomes appeared broadly favourable for existing homeowners, who saw the value of their property rise faster than it would have done without the restriction. But those seeking to buy for the first time, or rent, saw little or no benefit from the policy and had less chance of accessing the second-hand market than before.

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Only time will tell how it all pans out for St Ives. The Town Council is responding to what is perceived as a particular set of local circumstances. The money that holiday-makers bring is welcomed; but second-home buying has reached a level that has brought significant disruption to the local housing market. ‘Normality’ – local families being able to access local homes – has been undermined. Action is needed and seems entirely justified.

But second homes are merely symptomatic of the investment and consumption pressures that many areas, rural and urban, now face. Local action is likely to either push the problem elsewhere or have a range of unintended consequences in this society of ‘free markets’. These types of demand

pressure are a symptom of this society, of the commodification of housing, and of a long transition away from thinking about housing as home to housing as asset. The problems in St Ives speak to a much deeper and more fundamental housing crisis that planning cannot resolve. St Ives Town Council is acting in the face of national inaction and should be applauded for that, whatever the final outcomes.

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Notes

- 1 *St Ives Area Neighbourhood Development Plan 2015-2030*. St Ives Town Council, 2016. <https://stivesnplan.files.wordpress.com/2013/08/final-st-ives-area-ndp.pdf>
- 2 ‘To the lighthouse: one seaside town in Cornwall is taking on the out-of-towner’. *The Economist*, 9 Apr. 2016. www.economist.com/news/britain/21696553-one-seaside-town-cornwall-taking-out-towners-lighthouse
- 3 A similar restriction was inserted into Lynton and Lynmouth’s Neighbourhood Development Plan in 2013 and met with severe criticism – see J. Geoghegan: ‘Minister attacks neighbourhood plan policy’. *Planning*, 14 Dec. 2014, www.planningresource.co.uk/article/1321835/minister-attacks-neighbourhood-plan-policy
- 4 N. Gallent and M. Tewdwr-Jones: ‘Use class answer to second-home ills?’. *Town & Country Planning*, 2001, Vol. 70, Oct., 266-7
- 5 ‘St Ives referendum: Second homes ban backed by voters’. *BBC News*, 6 May 2016. www.bbc.co.uk/news/uk-england-cornwall-36204795
- 6 M. Shucksmith: *Housebuilding in Britain’s Countryside*. Routledge, 1990
- 7 *Draft National Park Plan*. Lake District Special Planning Board, 1977
- 8 *Cumbria and Lake District Joint Structure Plan. Written Statement*. Lake District Special Planning Board/Cumbria County Council, 1980
- 9 *Proposed Modifications to the Cumbria and Lake District Joint Structure Plan*. Department of the Environment, 1981
- 10 M. Shucksmith: *No Homes for Locals?* Gower Publishing, 1981
- 11 *Housebuilding in Britain’s Countryside* (see note 6), p. 122
- 12 *Housebuilding in Britain’s Countryside* (see note 6), p. 123
- 13 A. Jackson, S. Monk, C. Royce and J. Dunn: *The Relationship between Land Supply and Housing Production*. Joseph Rowntree Foundation, 1994. www.jrf.org.uk/report/relationship-between-land-supply-and-housing-production