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Introduction

Planning and housing: concepts, policy instruments and market analysis

Since the 1980s, international commentators have debated extensively the impact of neoliberal reform agendas that have sought both to reduce the influence of planning and to make policies and practices more responsive to market processes. This reform agenda has been particularly evident in the context of planning for housing, where in many countries, the clamour for greater deregulation of land and housing markets continues apace. For example, in the UK the Coalition Government appointed a Planning Minister in September 2012 who had openly revealed that not only did he see little value in planning, but by extension, provided considerable evidence that he appears to accept – as do his colleagues in government – that the planning system merely prevents the market from delivering economic growth. As Nick Boles commented in 2010:

Do you believe that Planning can work? ... I believe it can't work, David Cameron believes that it can't work, Nick Clegg believes that it can't work. Chaotic, in our vocabulary, is a good thing. (Ipsos MORI debate, Westminster, December 2010; available to view at www.guardian.co.uk/politics/2010/dec/18/coalition-local-planning-boles-chaos)

He went on to suggest that it was both impossible and undesirable to attempt to predict or control urban development.

There would be little point in this Special Issue if we were to agree with these views. They obviously represent an extreme and very simplistic position, but they do help to underscore the context for this themed issue. The issue is motivated by the fact that the primacy given to the market, and the extent to which this is driven by economic motives, has seen debates about planning for housing come to be dominated by 'economists', by which we mean academics, researchers and commentators whose analyses are based on largely quantitative forms of economic thinking. Thus, it has been economists who have provided the evidence about the negative impacts of planning on the housing system and the wider economy; about the ways in which planning processes fail to account adequately for the structure of markets;

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and about the failure of planners and their policies to identify and respond to the price signals that emerge in local markets. In recent years, it has been professional economists within government departments who have been setting the research questions, designing the project briefs and driving the methods of investigation used to develop the evidence base for policy. It has also largely been economists that have been conducting the research, interpreting what are often highly codified findings, and transmitting the messages to policy makers. Depressingly, planners and other social science researchers have tended to be excluded from this process and these key debates: they simply do not speak the right language to have been able to contribute to a largely economics-dominated research and policy formation agenda.

The purpose of this Special Issue is twofold: first we seek to showcase some of the rich applied research that can be used to shed light on how we might better plan for housing, and second we hope to demonstrate the ease with which the richness of academic findings can be lost in translation between the research community, policy-makers and political pronouncements of the sort presented above. Thus this editorial and the contents of this issue are intended to provide a less codified introduction to key debates about the interaction between planning and the housing system, and they seek to illustrate the importance of framing debates about the relationship between planning and the housing system within a range of evidence bases that should include, but also transcend, the current economic orthodoxy. Here, we suggest that our contributors help encourage a more nuanced take on the assertion that planning constrains markets to an unacceptable degree. We go on to argue that the contributions also help to explore the challenges associated with dealing with the spatiality of markets and illustrate some of the problems associated with monitoring the dynamics of complex (and not fully marketised) housing systems. Our editorial concludes with a brief attempt to set out the challenges that the international research community might embrace.

Planning constrains markets

It is clear that planning constraints lead to higher house prices, fewer new homes and higher building densities (Bramley et al., 1995). What is less clear, however, is the scale of these impacts or how these ‘negative’ outcomes might be balanced by, say, the environmental benefits associated with containing sprawl. There has been a tendency to use macroeconomic models to highlight the negative impacts of planning and by extension to argue that planning is anti-growth. As Wong and Watkins (2009) argue in a previous issue of this journal, this is a particularly unhelpful way to use the evidence derived from these models. It fails to recognise that models of this sort only measure the costs and, without an assessment of the benefits, it is difficult to assess whether higher housing costs and densities are a price worth paying for containment.

They also point to the need to recognise the theoretical, technical and measurement problems common to econometric analyses.

Glen Bramley's paper provides an outstanding critical review of this literature (Bramley, 2013). He provides insights into how these models can be put to much more productive use as policy tools. He summarises the intellectual investment, conceptual advancements and technical innovation in this area, and explains how national policy, particularly on affordability, has been increasingly influenced by mainstream economic models. He also highlights the disjuncture between national and local use of these models and reflects on both the cultural reasons for this and the technical limitations of the models. It is interesting to reflect on both extremes – the desire to embrace models without fully recognising their inherent weaknesses and the lack of willingness to engage with this 'alien' work. Clearly, neither position is healthy. Bramley's rich and nuanced analysis is an excellent place to begin a full assessment of the strengths and weaknesses of econometric models and/or a rigorous review of how to use model outputs. It is hard not to be struck by the extent to which modellers have focused on getting their measurement of the impact of planning 'right' while failing to capture the important demand-side effects of lax financial regulation or to accommodate the behavioural responses of builders. This may not have been the case had the *Barker Review of Land Use Planning in the UK* (Barker, 2006) taken a more pluralist view of the research evidence base or a system-wide view of the supply problem.

Sarah Payne provides an exemplar of the very different (but complementary) view of the supply side of the housing system that can be unearthed using different theories and methods. Payne (2013) adopts an institutionalist approach to explore the capacity of the speculative housebuilding industry to respond to change. She looks specifically at the very different ways that volume builders responded to brownfield policy imperatives in the UK. The paper illustrates the inherent conservatism within the building industry and hints at the limits to assuming that the building industry might readily change business practices or expand its capacity.

Taken together, these papers would suggest that it is incredibly difficult to quantify the impacts of planning. It is also very difficult to determine cause and effect. While the macro-models give some indication of the extent to which planning might distort market outcomes, Payne's institutional analysis suggests that some of the effects the models are picking up might actually be a function of their failure to measure capacity constraints within the industry. The picture presented by these two very different studies is rather more complex than the snapshots they offer individually.

Planners should interpret price signals

In 2004, Cheshire and Sheppard produced a largely theoretical but influential discussion paper that argued that price signals should be a material consideration in deter-

mining how much land should be supplied for housing (later published as Cheshire and Sheppard, 2005). As Jones and Watkins (2009) describe, this was picked up in Kate Barker's 'Review of Housing Supply' and policymakers subsequently tried to put the ideas into practice (Barker, 2004). Cheshire and Sheppard's discussion illustrated the potential benefits that could be derived from incorporating price signals into the evidence base used to inform housing delivery but, at the same time, it also raised a number of questions (somewhat implicitly) about the complexity of doing so. First, how might house prices, or other market signals, be measured and monitored consistently and robustly given the technical challenges that would need to be overcome by analysts? Second, how might analysts deal with the spatiality of markets? Finally, how should analysts contend with the large parts of the housing system that are not marketised?

The challenges of dealing with this sort of complexity lie at heart of several of the contributions to this issue. Ken Gibb, for instance, picks up on the latter theme. He notes that there has been very little said about how we should plan for the social housing sector and points to the failure to develop a framework that might allow us to explore interactions with the private market (Gibb, 2013). The paper makes a clear case for the need to develop system-wide models if we are to plan housing market interventions properly. In methodological terms, it is interesting to note that in order to deal with the additional complexity this brings, Gibb proposes that it is necessary to draw on heterodox economic traditions including behavioural and institutional perspectives. Here, again, the combination of this heterodox analysis and that of mainstream economic theory offers more than the individual parts.

The papers by Liu and Roberts and Ferrari and Rae wrestle with both price measurement and the spatial configuration of markets. Liu and Roberts (2013) use standard econometric methods to explore complex spatial interactions and house price dynamics at the local level. The paper shows that, if we disaggregate markets, it is possible to explore the way changes in house price (generated by highly localised supply and demand interactions) are eventually transmitted from one part of the market to the next. This kind of analysis is what tends to be missing from the local market analyses conducted by planning professionals (see Ferrari et al., 2011 for a review of practice in the UK). However, as Liu and Roberts show, this applied analysis is both technically and conceptually challenging. The results will be sensitive to, amongst other things, changes in submarket boundaries. It is also very difficult to derive models that can accommodate not just spatial market cleavages but also quality (stock type) differentiation.

Ferrari and Rae also explore the issues of market dynamics and spatial differentiation at an entirely different scale and over a much longer time period (Ferrari and Rae, 2013). They look at regional disparities in the UK since the 1980s and emphasise the way in which selective migration has driven divergence and added to the analytical

complexity associated with identifying discrete markets and understanding the interactions between different localities. Dealing with the sensitivity of price signals to the spatial scale employed by analysts remains a clear challenge.

Planners should work with market boundaries

Hincks and Baker (2013) also tackle the problems presented by the spatiality of housing markets. They do this by reflecting on the way central government guidance about how to identify functional housing market areas (HMAs) has been operationalised in England. They suggest that the HMA framework is promising as an analytical device that can help frame evidence and policy development but that its effectiveness has been undermined by technical, cultural and political problems. A national system of HMAs has been developed for England in an attempt to capture the spatial reality of housing markets at sub-national level, albeit according to a particular set of theoretical and methodological principles (see Jones et al., 2010). The challenge for the future lies in exploring how such frameworks can be used to capture alternative spatial realities in a variety of different market contexts and trying to support and encourage the use of a consistent approach. The current variation in practice adds to the difficulties associated with measuring and monitoring market outcomes and interactions.

What next?

The papers in this issue all focus empirically on the UK. It is hoped, however, that the debates raised in this special issue will stimulate further critical thinking about the relationship between planning and housing markets in other contexts.

The papers highlight some important challenges for the planning and housing research communities, irrespective of national context. It is clear, for instance, that we collectively need to strive for a deeper understanding of the complex workings of the housing system and the way that it interacts with the planning system. We need to develop our models at different spatial scales and in different systems, making them more theoretically and technically sophisticated. It is our contention that this needs to be an interdisciplinary endeavour, one which is inclusive of a range of theoretical perspectives and encompasses a variety disciplinary approaches.

There is also considerable scope to expand the depth and coverage of our behavioural and institutional analyses. The adoption of different methodological perspectives – such as institutional and behavioural approaches – will offer valuable insights in their own right but they will also enrich the behavioural underpinnings of our econometric models (see Watkins and McMaster, 2011). Again, this requires a research community that is less segmented along disciplinary or methodological lines and that is more willing to embrace intellectual diversity.

Finally, we would contend that we must always continue to recognise that the world we are trying to understand is extremely complex. Housing systems are different from the markets that can be found between the covers of an economics textbook. They are only partly marketised, they are highly regulated, and they are institutionally diverse. Housing analysts have long complained that economists are too quick to dismiss talk about the ‘unique’ nature of housing systems as special pleading (Maclennan et al., 1994). We would also like to emphasise that treating housing like any other market is likely to be particularly unproductive. Housing units are durable and do not necessarily depreciate due to ageing; the supply of housing is highly regulated compared to the supply of products in other markets; housing units are geographically immobile while goods in other markets are mobile; and the heterogeneity of housing means that, even at the same market price, both suppliers and consumers can view units in significantly different ways. Ultimately, we would hope that this issue will help to strengthen the contention that analyses of complex housing systems need to be more sophisticated and pluralist if we are ever going to improve the way we plan for housing.

Planning is not about constraining markets: it is about steering and even stimulating them. To do this we need robust conceptual models to help us deal with the multi-tenurial nature of housing and the complex spatiality of the housing system. We need to recognise the institutional rigidities and (non-rational) behavioural tendencies of some actors. We must develop policy instruments that acknowledge and accommodate rather than ignore what we know. Unlike Nick Boles, the UK Minister for Decentralisation and Planning Policy, we think that planning can work! We also think there is a place for the evidence from rigorous, pluralist research in plotting the way forward.

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