

Will design quality suffer as the housing market recovers from the recession? If design quality wasn't outstanding in the recent boom period, can we be optimistic about the future? In this pamphlet, CABA chief executive Richard Simmons sets out the steps that local authorities, central government, the Homes and Communities Agency, the industry and CABA need to take to ensure that homes and neighbourhoods are of better quality. It highlights the opportunities that have been created by the recession to do things differently in the future. Embracing these opportunities can only help us to recover from troubled times better and faster.

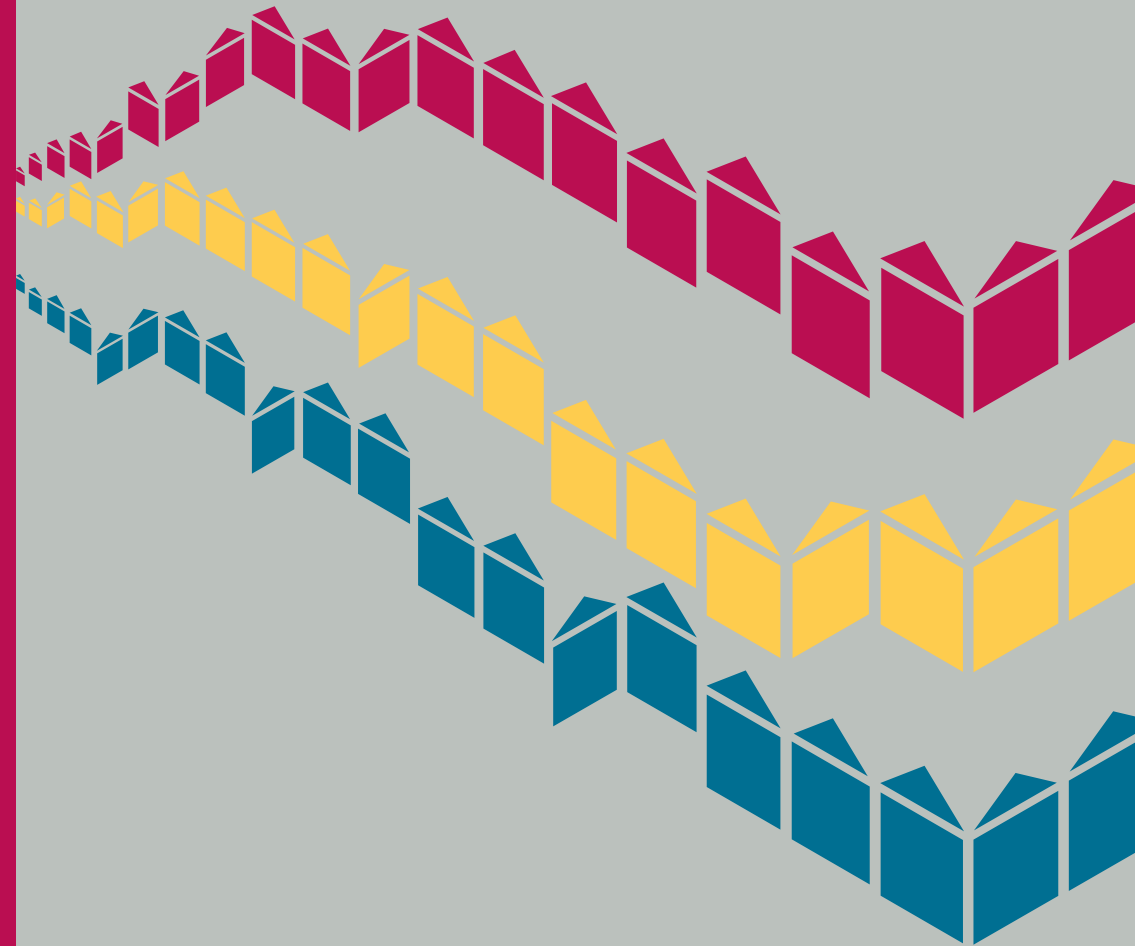
1 Kemble Street  
London WC2B 4AN  
T 020 7070 6700  
F 020 7070 6777  
E [enquiries@cabe.org.uk](mailto:enquiries@cabe.org.uk)  
[www.cabe.org.uk](http://www.cabe.org.uk)

Commission for Architecture  
and the Built Environment

The government's advisor  
on architecture, urban design  
and public space



## No more toxic assets Fresh thinking on housing quality



Richard Simmons



## Summary

Published in 2009 by the Commission for Architecture and the Built Environment. Written by Richard Simmons, chief executive, CABE.

Graphic design: Duffy

Printed by Seacourt Ltd on Revive recycled paper.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, copied or transmitted without the prior written consent of the publisher except that the material may be photocopied for non-commercial purposes without permission from the publisher.

CABE is the government's advisor on architecture, urban design and public space. As a public body, we encourage policy makers to create places that work for people. We help local planners apply national design policy and offer expert advice to developers and architects. We show public sector clients how to commission buildings that meet the needs of their users. And we seek to inspire the public to demand more from their buildings and spaces. Advising, influencing and inspiring, we work to create well-designed, welcoming places.

CABE  
1 Kemble Street London WC2B 4AN  
T 020 7070 6700 F 020 7070 6777  
E enquiries@cabe.org.uk www.cabe.org.uk

This publication is available in alternative formats on request from the publisher.

CABE has been warned to have low expectations about design quality when the housing market finally recovers from the recession. The warnings have come from housebuilders, professionals and public sector alike.

There is also a growing consensus that the old model of housebuilders as traders may not continue to exist post-downturn. Instead new models may emerge based around longer-term investment, a stronger role for the public sector and more variety of tenure.

Is this consensus right? If so, is it good news for design quality, or not? This pamphlet looks at some of the well-documented problems created by the downturn. It considers eight areas of change that could present opportunities for good design to emerge from the ashes of the recession:

- 1 Local authority policymaking**
- 2 The role of regulation**
- 3 Reducing risk to developers**
- 4 Establishing location**
- 5 Investment, not trading**
- 6 Explore new development models**
- 7 Productivity and sustainable design**
- 8 Procurement and public sector market power.**

## Summary

CABE believes there are three top priorities to ensure that design improves as we recover from the recession:

- 1 Encourage developers to take a long-term stake in development and support them to invest in quality.
- 2 Use the public sector's market power to insist on good design wherever public money is being invested.
- 3 Invest in planning for good placemaking through local development frameworks, site preparation and use of non-regulatory methods to set the agenda for working together to achieve good design.

CABE wants to work with its partners in local government, the Homes and Communities Agency (HCA), Communities and Local Government (CLG) and the industry to make sure that they share and act on these priorities.

The downturn has seen some housebuilders stopped in their tracks



'CABE has been told that the major housebuilders won't be able to afford good design when the market starts to recover'

## Toxicity and housing

If the first casualty of war is truth, is the first casualty of recession beauty? CUBE has been told that the major housebuilders won't be able to afford good design when the market starts to recover; that a choice will have to be made between the quantity of homes and their quality.

Professor Michael Parkinson's January 2009 report on the credit crunch and regeneration contains a devastatingly simple analysis. Toxic financial practices, originating with sub-prime mortgages in the USA, have led to the collapse of the British financial system. This in turn has, he says, had dire consequences for the British development sector. 'Lenders won't lend, borrowers can't borrow, builders can't build and buyers can't buy'<sup>1</sup>.

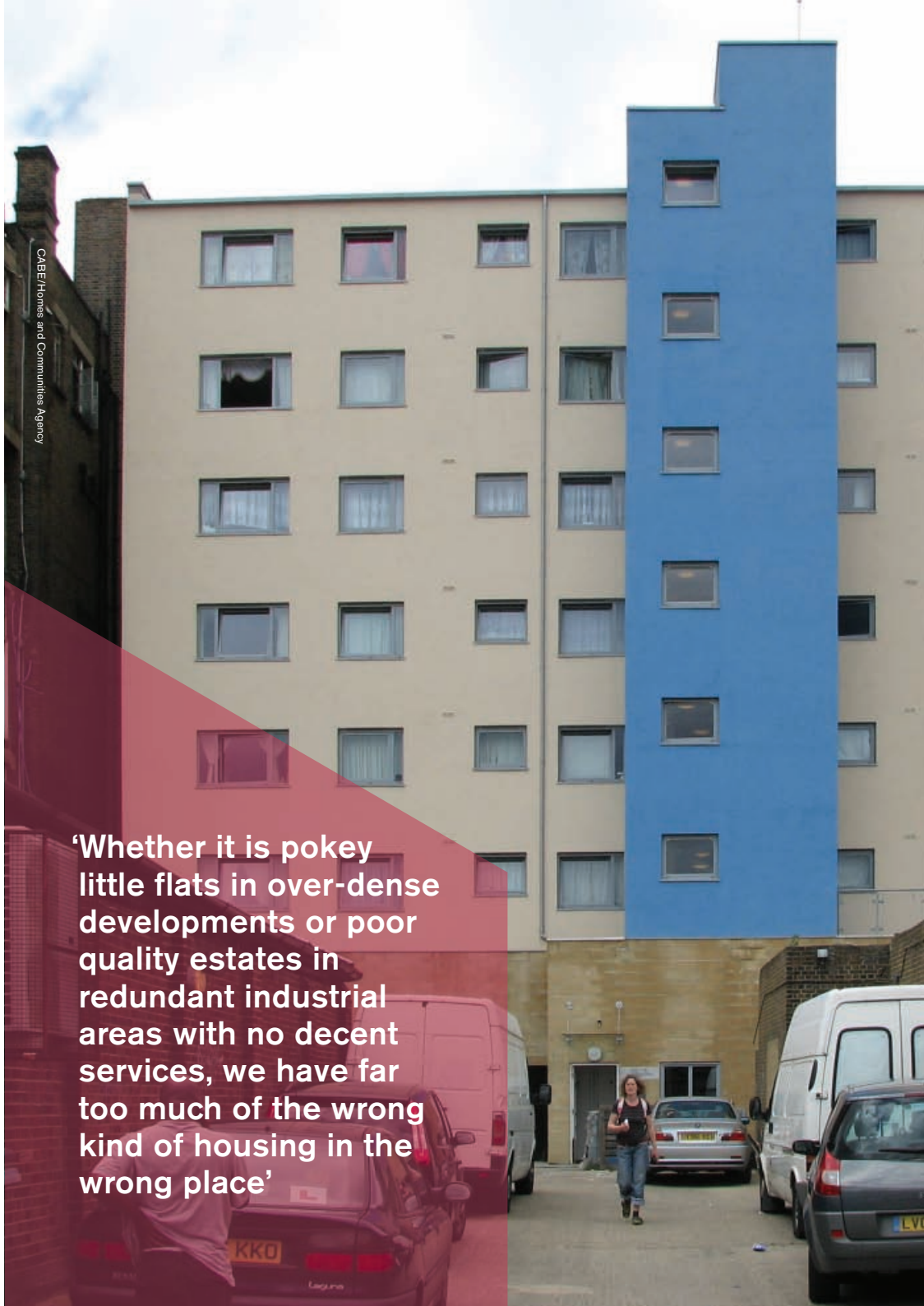
As we contemplate the problems of toxicity that triggered the credit crunch, we should not forget that the housing boom has bequeathed us more than a broken banking system. Along with that legacy goes another – toxic housing and an equally broken housebuilding industry. Much of the housing built in the boom wasn't designed well enough to stand the test of time; and the test has come sooner than anyone expected.

Whether it is pokey little flats in over-dense developments or poor quality estates in redundant industrial areas with no decent services, we have far too much of the wrong kind of housing in the wrong place. CUBE's housing audits are a litany of the worst excesses of cheeseparing housebuilding. Overall quality is inadequate. Twenty-nine per cent of new estates in our audits were so poor that they shouldn't

<sup>1</sup> *The credit crunch and regeneration: impact and implications*, CLG, January 2009, [www.tinyurl.com/bmdnkr](http://www.tinyurl.com/bmdnkr)

Wrong houses, wrong place: poor design creates uninspiring places

CUBE/Homes and Communities Agency



**'Whether it is pokey little flats in over-dense developments or poor quality estates in redundant industrial areas with no decent services, we have far too much of the wrong kind of housing in the wrong place'**

## Toxicity and housing

have received planning permission. Another 53 per cent had serious shortcomings<sup>2</sup>.

Floated on a land and house price bubble, this poor quality housing is going to be a huge burden now that the bubble has burst. Although the Rugg Review<sup>3</sup> couldn't yet assemble enough evidence conclusively to prove the damage done by shoddy buy-to-leave-empty speculation, we can now see an increasing number of examples of 'investments' that aren't, and 'homes' that nobody wants to live in.

Our built environment is the foundation asset of our economy. Its physical capital underpins our capacity to create wealth and social value. The toxicity of so much of what has been built, through what one influential commentator calls the 'build it and b\*\*\*\*r off' business model employed by most of the major housebuilders, will leave us bearing the costs of bad design for many years to come. The physical capital that has been created using this model has not been a good investment for anyone. Even the housebuilding companies themselves have suffered through not owning robust assets with long-term value. Their very survival is threatened by the poverty of an approach to business which makes high profits in booms but leaves them washed up in busts.

Is it true that, in a highly risk averse market, the perceived costs of designing homes and neighbourhoods well might be seen as an unacceptable risk to affordability and delivery?

*2 Housing audit: assessing the design quality of new housing in the East Midlands, West Midlands and the South West, CABE, 2007*

*3 The private rented sector: its contribution and potential, The centre for housing policy, October 2008, [www.tinyurl.com/av54ke](http://www.tinyurl.com/av54ke)*

## What we mean by good housing and neighbourhood design

CABE isn't asking for anything fancy when it demands good housing and neighbourhood design. Well-made Georgian, Victorian and Edwardian terraces aren't iconic. They are decently proportioned, laid out on a plan that's easy to walk around, with parks and squares to stroll and play in. They are usually made up of standard pattern-book homes; but with reasonable room sizes, well-proportioned fronts and decent gardens. They can be reconfigured and extended in many ways. The best of them have adapted well to the car and to modern lifestyle changes. They are attractive, they work and they last. Not much to ask for in the 21st century, one might think, with an added sustainability dimension, of course.

© English Heritage/National Monuments Record. Photo: James O Davies



The best of Georgian, Victorian and Edwardian terraces have adapted well to modern lifestyle changes

## Pre-downturn design quality

If CABE's housing audits show that housing design quality before the downturn wasn't outstanding, the problem wasn't always about the homes themselves. True, some architecture was poor. Often, though, problems were down to poor estate layout, over-engineered highways, dominant parking, poor amenity spaces and lack of connectivity and local facilities. Many of CABE's design reviews add an all-too-frequent picture of small rooms, weak environmental sustainability strategies and over-dense developments, relying too much on flats. It would not be surprising, then, if there were pessimism about design quality now the market is failing.



© Doug Norman/Alamy

It is not surprising that there is pessimism about design quality now that the market is failing

## Recovery and fundamental changes

4 'Breaking the cycle',  
*Local Government Chronicle*, 6 November 2009, [www.tinyurl.com/btc8pv](http://www.tinyurl.com/btc8pv)

There is a growing consensus that the downturn is leading to fundamental changes in the way the housing market and industry will work when they start to recover. Stephen Hill of *C<sub>2</sub>O futureplanners* and the RICS offered an interesting resumé in an article in the *Local Government Chronicle* in November 2008<sup>4</sup>:

- 'Housebuilders depend on just two things: the value of their land, and cash flow. No one knows what land is worth. Cash is not flowing. With little other fixed or intellectual capital, a household name disappearing... would be a reasonable bet.'
- Mortgage lenders aren't lending if they can avoid it. Shared ownership is off limits with over £1 billion of unsold stock being converted to sub-market renting.
- Housing associations' current financing model is obsolete. Without cross-subsidy from sales or staircasing receipts, they now need land at nil cost and up to twice current grant levels to build for social rent.
- Land supply has dried up. Housebuilders are reported trying to sell land back to previous owners, including English Partnerships whose land sale-based business plan is 'under review'.
- Spatial plans and planning activity have little meaning or purpose in a land market vacuum.
- Infrastructure and affordable housing due to be delivered through current and future Section 106 agreements and the putative community infrastructure levy cannot now happen.'

## Recovery and fundamental changes

All of the above are leading many (Hill included) to believe that we will not see the return of the old model of housebuilding founded on continuously rising land values, relatively big and rapid returns on capital and high dependence on turnover and easily available credit. Many have argued that it should not be allowed to return and that new models should replace it.

This may be inevitable but it may take time for the inevitability to hit home. The industry may be more resilient than we expect and there is more at stake than shareholders' investment. The public sector has a strong vested interest in the industry. UK housebuilding is unusual in its dependence on a small number of very big companies for so much of its output. Not only do they control most of the private sales of new properties, they now finance or build much of our affordable housing, education buildings and infrastructure. The public sector has become so interdependent on these firms that it must be difficult for policymakers to contemplate life without them.

So far, of course, the industry has responded to the shortage of credit by stopping production, reducing its workforce and with novel sales devices – mortgage holidays, try before you buy, part sale-part rent and so on. Others are trying to sell for rent. This is intended to sustain turnover and shift land and stock bought and built at pre-downturn prices. Whether it will suffice to shore up companies with share values at rock bottom remains to be seen.

## Recovery and fundamental changes

There is a real risk that, as recovery begins, quality-driven customer value (including good design) will be forced even further out of the system by the cost-minimisation culture that characterised the industry before the downturn. To paraphrase what a leading industry figure said to CABI recently, 'in a recession we have to stick with what we know'. What gets cut generally tends to be what adds quality – sustainability measures, landscaping, play space, room sizes, even door and window sizes.

Estate quality which reflects the 'build it and b\*\*\*\*r off' business model of most of the major homebuilders

© Jon Walter/Third Avenue



Several other problems have the potential to bear on design quality:

- Housebuilders report that the need to fund planning agreements up front is now crippling viability. This matters for design quality because CABE is frequently told that planning agreements squeeze design quality out of the system at the best of times.
- Mortgagees are already alleged to be averse to design innovations to make homes more environmentally sustainable. That isn't likely to improve in a weak market, even though we need urgently to improve design to reduce carbon emissions.
- One of the biggest losses is already happening as skilled people are laid off. In the last recession many designers and planners left the business never to return. We paid the price in a skills shortage once the market picked up.
- Local planning authorities report a serious decline in income from planning applications<sup>5,6</sup>. This reduces the money available to pay for all planning work, including preparing local development frameworks and design policies.

*5 The credit crunch and regeneration: impact and implications, CLG, January 2009, [www.tinyurl.com/bmdnkr](http://www.tinyurl.com/bmdnkr)*

*6 Reduction in the number of planning applications submitted not a reason to reduce number of planners says POS, Planning Officers Society, January 2009, [www.tinyurl.com/c63msd](http://www.tinyurl.com/c63msd)*

So, can we rescue beauty from the beast that is the downturn? We certainly have some opportunities. In response to the recession, Michael Parkinson's report calls on us to 'deliver quality products in future' and to look again at placemaking and business models while the market is quiet. Much of the new thinking about how we will recover has a bearing on design quality. As usual, though, good design is not something that will simply emerge or prosper without positive action and careful nurturing. There are essential steps that must be taken to improve quality. If we get them right, they will help us to come back better and faster.

**'In the last recession many designers and planners left the business never to return. We paid the price in a skills shortage once the market picked up'**



## 1 Local authority policymaking

Local authorities play a big part in deciding how well-designed new places will be. Good local leadership leads to good localities. Developers coming into a recovering market have the right to be set clear expectations and to be welcomed as providers of homes which the community knows that it needs.

Now is the time for councils to get their policies right. Their local development frameworks should be written as a prospectus setting out how they will attract high-quality development. Supplementary planning documents should give a sound policy footing for good design. New homes in attractive, sustainable neighbourhoods are welcomed by existing communities.

Councils should use the planning system in partnership with housebuilders, not as adversaries. They should use frameworks for constructive dialogue, such as Building for Life, to offer certainty about their approach to the design agenda. They should get a grip on their highway engineers and get rid of car-dominated estate roads. The *Manual for Streets* allows them to lay out beautiful streets that make walking and cycling attractive without banishing the car. It also allows for more efficient use of land. Using it should be the norm.

## 1 Local authority policymaking

Home zones give priority to pedestrians without banishing cars



© Stephen McLaren

Areas which are not overlooked can lead to crime and fear of crime



© Michael Harding

## 2 The role of regulation

The Home Builders Federation has made no bones about its belief that the housebuilding industry is overregulated and that the cost of regulation will have an impact on affordability in any recovery. They argue that it may depress land values to the point where landowners will keep property in existing uses rather than bring it forward for development. This is debatable. It is an approach to value, which relies on continuing with the existing business model – a single point of sale beyond which someone else (the developer and the purchaser) profit from uplifts in value, rather than a model where participation in growth is accessible to a wider range of parties.

Nevertheless it is obviously right to ensure that regulation of the industry meets the five tests set by the 2005 *Hampton Review*<sup>7</sup>:

- clearly understood (transparent)
- applied in the same way across the country (consistent)
- open to scrutiny (accessible)
- enforced in relation to risk (proportionate)
- focused on areas of greatest need (targeted).

Seen in this light, improving design quality is focused on greatest need and is proportionate, given what has gone before. Consistency can be difficult to achieve in a locally managed, democratic system. CAGE advocates design review and Building for Life as ways of structuring dialogue about design in local democratic decision making, without being drawn into tick-box regulation.

<sup>7</sup> *Hampton Review*,  
Reducing Administrative  
Burdens: Effective  
Inspection and  
Enforcement, 2005,  
HM Treasury,  
[www.tinyurl.com/b2htdc](http://www.tinyurl.com/b2htdc)

## 2 The role of regulation

Homes are consumer products. Reasonable regulation is needed to protect the consumer. Housebuilding, though, creates more than homes. It creates places – neighbourhoods of roads, schools, parks, shops used by the whole community, not just home buyers.

Planning is how the community specifies the parts of the development which it uses. It is legitimate and essential for good design to be part of the specification. Coming out of a recession it becomes even more important to understand and protect planning's public interest role as pressure is applied to reduce regulation.

**'Homes are consumer products. Reasonable regulation is needed to protect the consumer'**

### 3 Reducing risk to developers

The public sector is already working on ways to reduce risk to developers and lead the market out of the doldrums. Measures in use or under consideration include:

- getting outline planning permissions
- buying land at existing use value
- making compulsory purchase orders where necessary
- putting in robust green infrastructure and serviced sites with well laid-out streets and design codes to guide developers
- selling on terms that allow developers to get in at low cost, with payback to come when the market is stronger
- taking account of the effect of planning agreements on cash flow and spreading their cost.

All this can reduce risks for developers, set out the community's expectations about quality and leave headroom for good design to add value. For that headroom to be created, of course, it has to be planned for. The value that it creates for the community, individual buyers and developers has to be protected throughout the life of the project.

### 4 Establishing location

Councils must continue to focus on improving the quality of local services. Successful schools, clean, well-maintained streets, low crime rates, attractive parks, accessible public transport all make locations attractive to buyers. The better the location is perceived to be, the more likely that a premium for quality will be paid, even coming out of a downturn.

A well-designed successful school can act as a focal point for a new community



©David Spoto

## 5 Investment, not trading

The evidence from the old landed estates and, interestingly, some new PFI partnerships, is that those who think long term tend to invest in quality because that creates assets that last and are cheaper to maintain and run. This is an attitude which, more often than not, fosters good design. We need to encourage and offer incentives to investor-developers, not traders.

The reluctance of banks to lend is forcing housebuilders to look at ways to make new models of tenure feasible. Co-ownership in various forms, build-to-let and renting rather than selling could help to drive the trend towards developers or their funders becoming investors. This might even give builders the chance to remedy one of their own complaints: their inability to capitalise on growth in house prices once they have sold to the first buyer. This does, of course, assume growth.

Long-term ownership isn't always a guarantee of quality, although it does improve the odds. Not all landed estates are a Grosvenor. Not all landlords care for their investment. The Rugg Review found that institutional investors didn't necessarily bring to housing the same benefits that they bring as commercial landlords. This was partly because of high overheads and partly because of the different nature of residential covenants and the sheer volume of individual tenancies. Yields on letting are lower than those which have traditionally been available for building for sale. So, while incentives to invest in quality should be greater for long-term investors, they may need a helping hand. It may be necessary to find

## 5 Investment, not trading

reinforcing measures such as fiscal incentives or guaranteed follow-on development on public land to reward quality and willingness to take a long-term stake.

© Design for Homes/Richard Mullaney



Footpaths that are overlooked provide safe routes for pedestrians

## 6 Explore new development models

New models of housing development are already being conceived by entrepreneurs from the private and not-for-profit sectors, eager to fill the void left by the near paralysis of the majors. Some of them have access to capital. The question for CABE and partners such as the HCA is how to support those that want to build sustainable, well-designed homes and neighbourhoods rather than those who want to continue the old ways. If we are to foster more diversity of provision and support new entrants to the market we will need to be generous with our advice and help to create opportunities through procurement briefs which encourage innovation.

**‘The question is how we support those that want to build sustainable, well-designed homes and neighbourhoods rather than those who want to continue the old ways’**

Groups of prospective residents commissioned their own homes in Tübingen-Südstadt, near Stuttgart, arranged in blocks surrounding semi-private courtyards where children’s play is informally supervised by overlooking apartments



© Christian Junge

## 7 Productivity and sustainable design

We will need the industry to increase its productivity substantially to make up for the production lost or delayed in the downturn. As it also has to address the obligation to build low or zero carbon homes by 2016, this seems like a good time for it to be reviewing its product ranges and moving to production methods and materials that are faster to market and more sustainable. That creates a good opportunity to look at architecture and urban design as well.

Built environment carbon and methane emissions come from outside the home as well as within. Pushing developers beyond affordable levels of the Code for Sustainable Homes may produce diminishing returns. CABI argues that it is better to adopt an energy standard such as Passivhaus plus, which concentrates on reducing energy consumption. We should then invest in off-site renewables and improved public transport.

CABI supports the government's decision to take a hierarchical approach to the definition of low and zero carbon homes which focuses on reducing energy consumption before more costly approaches such as off-site renewables.

Places designed to reduce all their carbon and methane emissions and with robust green infrastructure must be the post-recession norm.

## 8 Procurement and public sector market power

The role of the public sector in funding and procurement is crucial. Local authorities can now build homes and finance them more freely. The HCA has a statutory duty to deliver high-quality, well-designed, sustainable homes. Councils have a duty to act in the best interests of their community and local planning authorities have been given a statutory duty to require good, sustainable design. Building for Life has been introduced as a measure of the quality of new homes in local authority performance indicators.

Both the HCA and local government should use their market power to insist that nothing poor is built with public money or on publicly owned land. When it comes to spending public money, insisting on good standards isn't about regulation. It's about avoiding waste and insisting that taxpayers get good value for their taxes. Registered social landlords can play their part in this as well, setting clear briefs for good quality homes and neighbourhoods.

There should be a *quid pro quo* for the private sector. Bidding costs were often immense before the downturn and public procurement was long and complex. It doesn't have to be like this. One housebuilder with a good track record on design describes a recent 'beauty parade' (his words) in which his company was selected as a development partner based on its track record of good design, willingness to open its books and an approach to risk sharing which allowed the public and private sectors to achieve fair returns over time. Partnership must be one of the keys to getting good value (including good, sustainable design) out of public assets. We won't make a success of getting out of the recession if we don't collaborate.

## What is CABE doing?

CABE is an advisory body. It has to work with those who plan, procure and build housing if design quality is to be improved. CABE's methods for encouraging good housing and neighbourhood design as we aim for recovery include:

- Design review for major projects. Design review exists to support local decision makers and developers. It's free at the point of delivery. It works best early in the planning process but it is always a good way to avoid regulatory entanglements and speed up the process.

Well designed, energy efficient homes situated in attractive places, with access to green space, public transport and other amenities must become the post-recession norm



© Design for Homes/Richard Mulrane

## What is CABE doing?

- CABE is working with local authorities, the Planning Inspectorate, the HCA through ATLAS, the Planning Advisory Service and government offices to help to develop clear, deliverable LDF core strategies and design policies which give certainty to developers about what is required to meet local aspirations and get quick planning permissions.
- CABE is promoting non-regulatory approaches to dialogue about design in the planning and highways system and public procurement, such as Building for Life and the *Manual for Streets*. Building for Life is being adopted by an increasing number of local planning authorities as a negotiating and performance measurement tool.
- Research into the value of good design and quality standards. CABE is planning research on the role of design quality in maintaining value during a recession, and the lessons for creating viable housing in the future. It is also developing work on new models for delivering homes and places.
- CABE has just launched the 'Sustainable Cities' website [www.sustainablecities.org.uk](http://www.sustainablecities.org.uk) to support local authorities in practicing sustainable urban design and management, in order to reduce greenhouse gas emissions and adapt cities to climate change. An associated programme of learning for Core Cities is also planned.

## What is CABE doing?

CABE believes that there are three top priorities to ensure that design improves as we recover from the recession:

- 1 Encourage developers to take a long-term stake in development and support them to invest in quality.
- 2 Use the public sector's market power to insist on good design wherever public money is being invested.
- 3 Invest in planning for good placemaking through local development frameworks, site preparation and use of non-regulatory methods to set the agenda for a non-adversarial approach to getting good design.

CABE wants to work with its partners in local government, the HCA, CLG and the industry to make sure that these priorities are shared and acted on. The recession is deep and profound. Recovery will not be easy. We must resist the temptation to despair. We can learn from the last few years. We must stand up to those who would add more toxic assets to our built environment. We can do better. From so many endings we can create new beginnings. Now is the time to set our sights on building homes and neighbourhoods which are efficient, sustainable and beautiful. If we make that our goal and stick to it, we can do more than recover. We can excel.

CABE wants to work with its partners in local government, the HCA, CLG and industry to ensure that design improves post recession



**'We must stand up to those who would add more toxic assets to our built environment. We can do better'**