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# ‘Developers are playing by the rules, but the planners are not’

I have been involved with the sale of residential land and investment for over 30 years. When I first started, planning was relatively simple. In the early nineties, when mixed-use development became the fabric of our cities, a good architect, planning consultant and common sense got you planning consent.

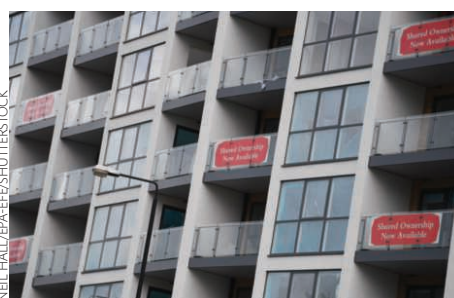
But as time and technology moved on, we’ve taken two steps forward and three back. I’ve seen countless white papers, heard a load of rhetoric and seen various fixes such as permitted development to try to speed up development and make up for the lack of homes.

Now that Covid-19 has taken grip of our world, we are on the precipice of a disaster. Most planning officers are working from home and are virtually impossible to contact. You can no longer engage directly at pre-application or planning committees. A simple button that needs to be pressed online to object, with no one held accountable, only starts to tell the story. The industry is wrapped up in the latest plans for reform. But talk is cheap. Now is the time for action, fast.

## Risky business

What most council planners – and in particular planning committees – fail to understand is the huge risk that traders and developers take buying sites without planning. For starters, unless there is some kind of existing use providing value, all purchases are funded with equity, which generally carries a big coupon.

You have to allow at least two years for a consent to be granted. Even with a planning officer’s support, applications are often refused purely for political reasons. Schemes that produce less than 15 affordable units are not really favoured by housing associations, which are growing in size. Instead, developers go through complicated two-stage viability studies, which typically



eradicate the affordable housing and also make development funding difficult.

We are now in a world where unemployment is likely to be at its highest levels in decades. Many new schemes which have employment-generating uses, including office, retail, leisure and restaurant uses, are worth substantially less than originally thought.

At my company, we are working on a number of consented or part-built schemes where development funders are valuing the commercial element at no more than build cost, if you are lucky. The chances are we will see swathes of empty offices and retail over the next few years.

Once you balance in the time it takes to get planning, cost of capital, loss in values of the commercial element and increased build costs, many sites are no longer viable.

## Simple solutions

The reductions in stamp duty and Help to Buy have, of course, helped – but that’s on schemes already under construction or completed, and it doesn’t apply to large parts of London for value reasons. Residential is also benefiting from the issues in other areas of the market, with new capital competing for schemes, and PRS and build-to-rent is going to play an even bigger part in the market going forward. Still, it’s not enough.

However, there are a number of simple solutions. Let’s start with affordable

housing. There’s been lots of talk about the threshold for affordable housing being raised – in broad terms this legislation needs to start at a minimum of 30 to 40 and that legislation needs to be rushed through now – particularly when it comes to social rented housing, which in land value terms is worthless.

The system needs to go back to placing a simple payment per unit or allow bigger densities and more height to keep everyone happy. Create a moratorium for two years and allow all consented unbuilt commercial elements, where appropriate, to be converted to residential, the decision resting with the planning officer.

Most importantly, stop decisions being made by politically motivated planning committees. Developers are playing by the rules, but the planners aren’t. Most of the committees now in place in London are Labour-run councils, whose obsession with affordable housing, employment retention and making sure there’s no construction disturbance are stymying the supply of new homes.

The mayor of London in particular needs to get off his high horse and instead of making his decisions based on what appeals to his voters, collaborate with the Conservative Party. They have one of the largest majorities in modern times and have the power to make changes, but that will only happen if everyone works together.

Don’t get me wrong, affordable housing is more important than ever. I was brought up in such an environment. But we are heading for a deep recession and forcing developers to stump the bill could push them over the edge.

Unless drastic action is taken now, the supply of new homes will dwindle to record lows. This will create more job losses in an industry which is already buckling under the strain of recession.