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Factors driving competitive local economies

Why planning matters for city centres, high streets, and the housing crisis

Anthony Breach

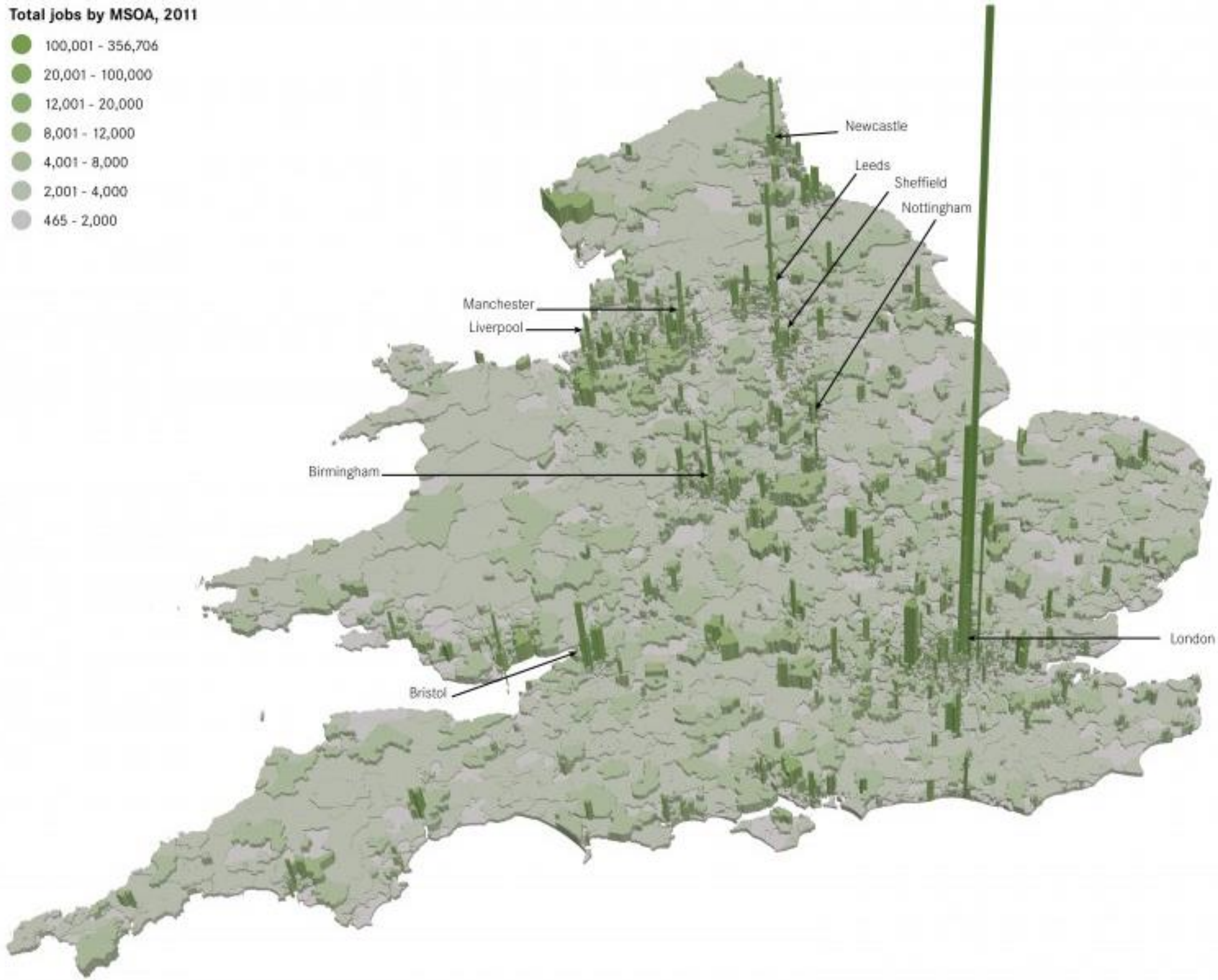
December 2019

Structure

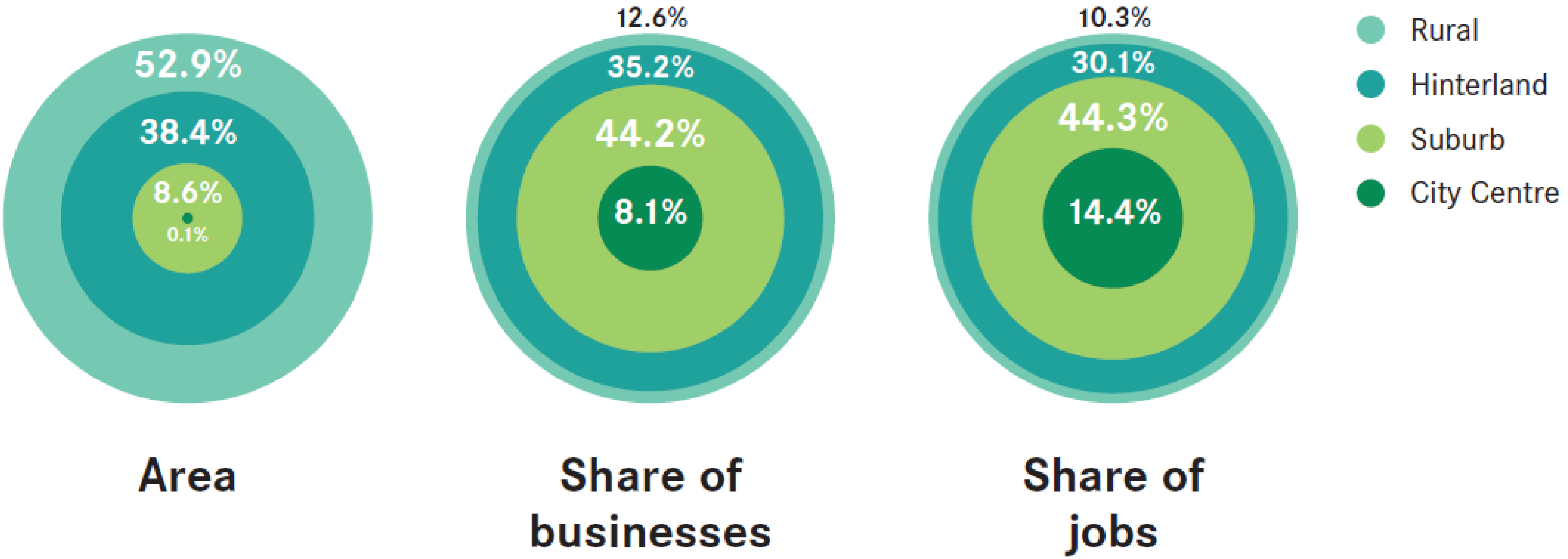
- How do our local economies differ?
- What drives local economies?
- How can planning help city centres and high streets?
- What needs to change in planning to solve the housing crisis?

How do our local economies differ?

Economic activity is not evenly or randomly distributed across space

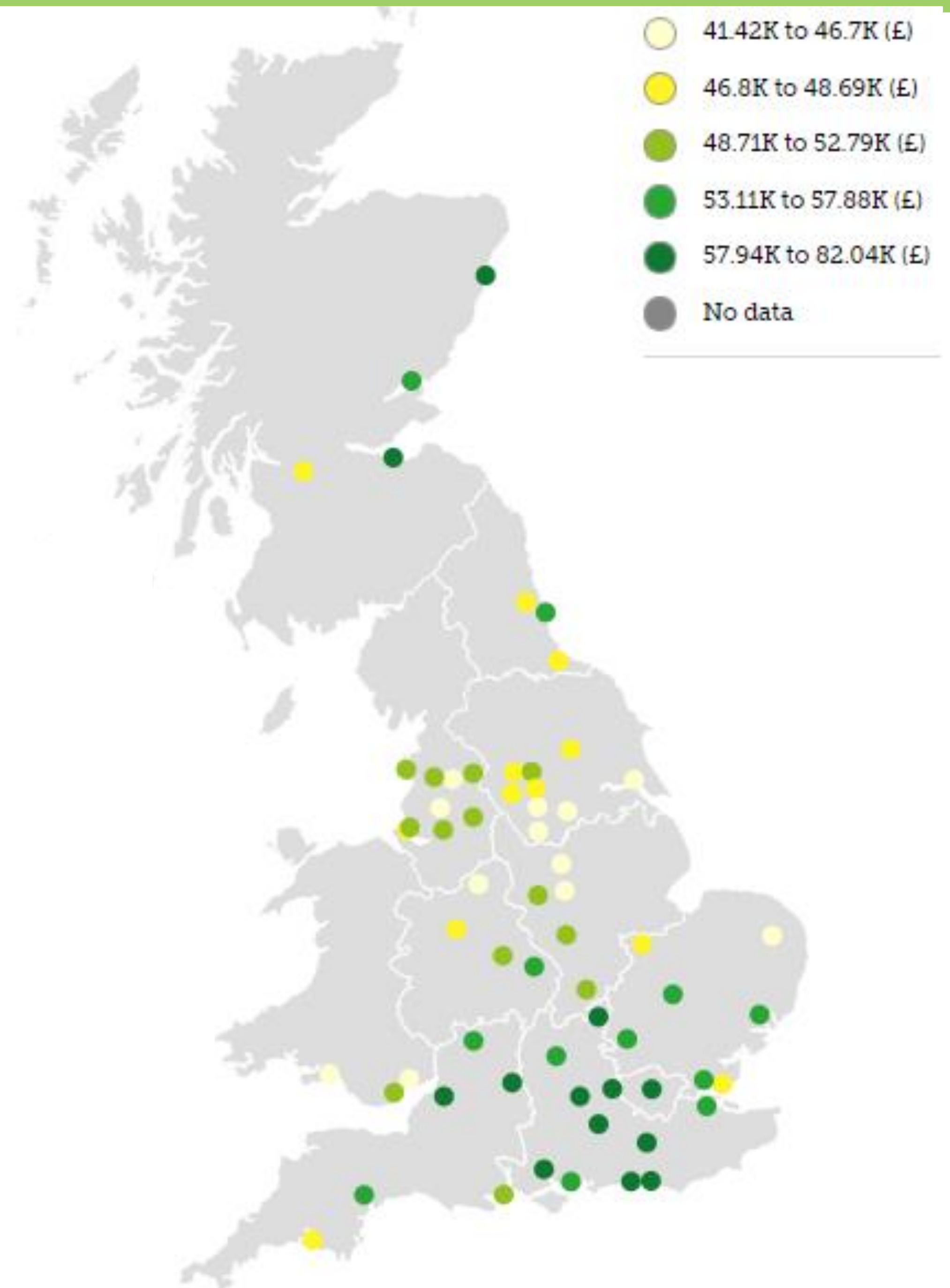


Cities are the hubs of the British economy



Source: ONS (2016), Business Structure Database 2015; ONS (2016), Census 2011, origin-destination data (WU02UK); Centre for Cities' own calculations.

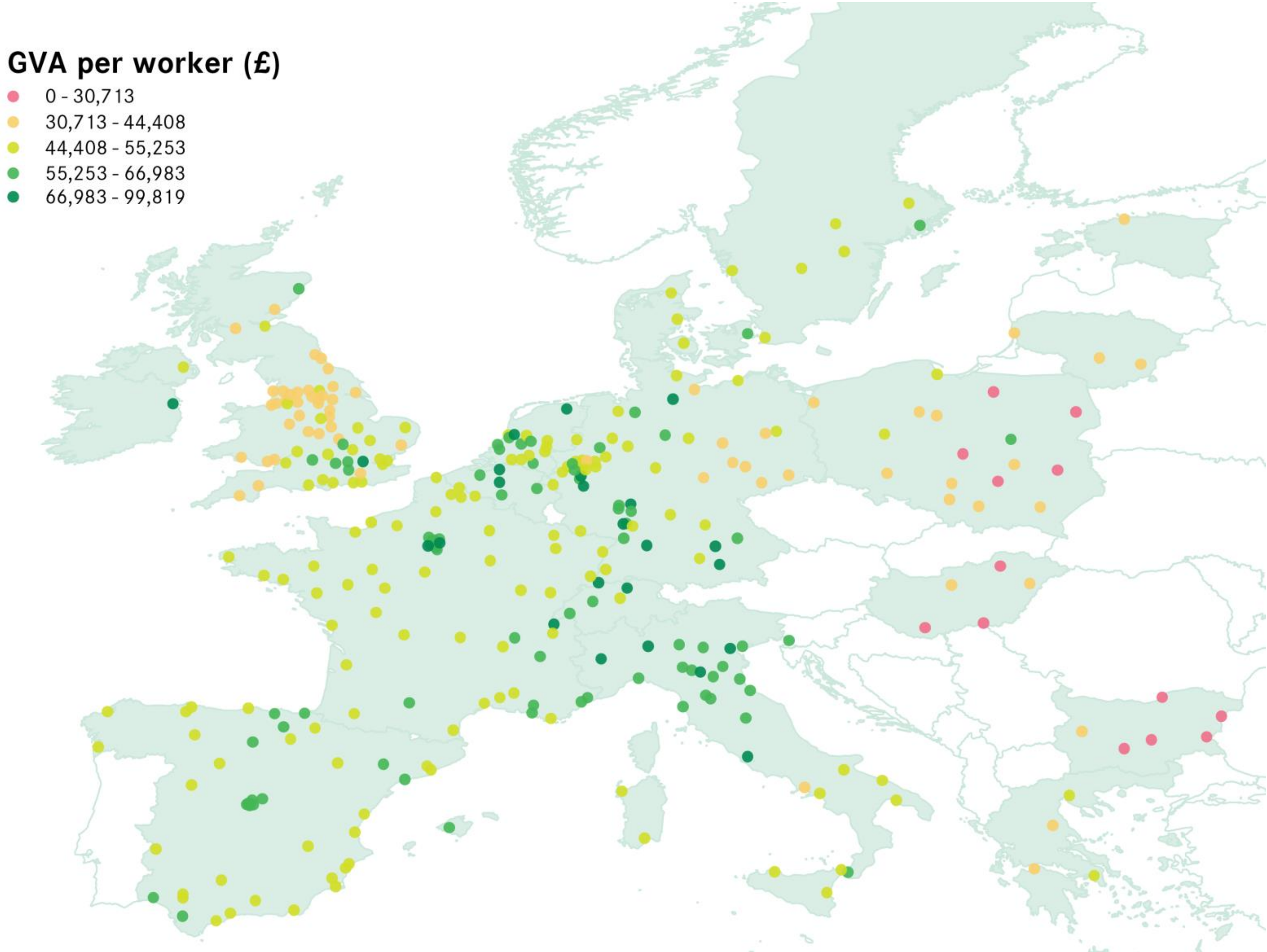
But only 14 of 62 cities have productivity levels above British average



Most of the UK's big cities underperform

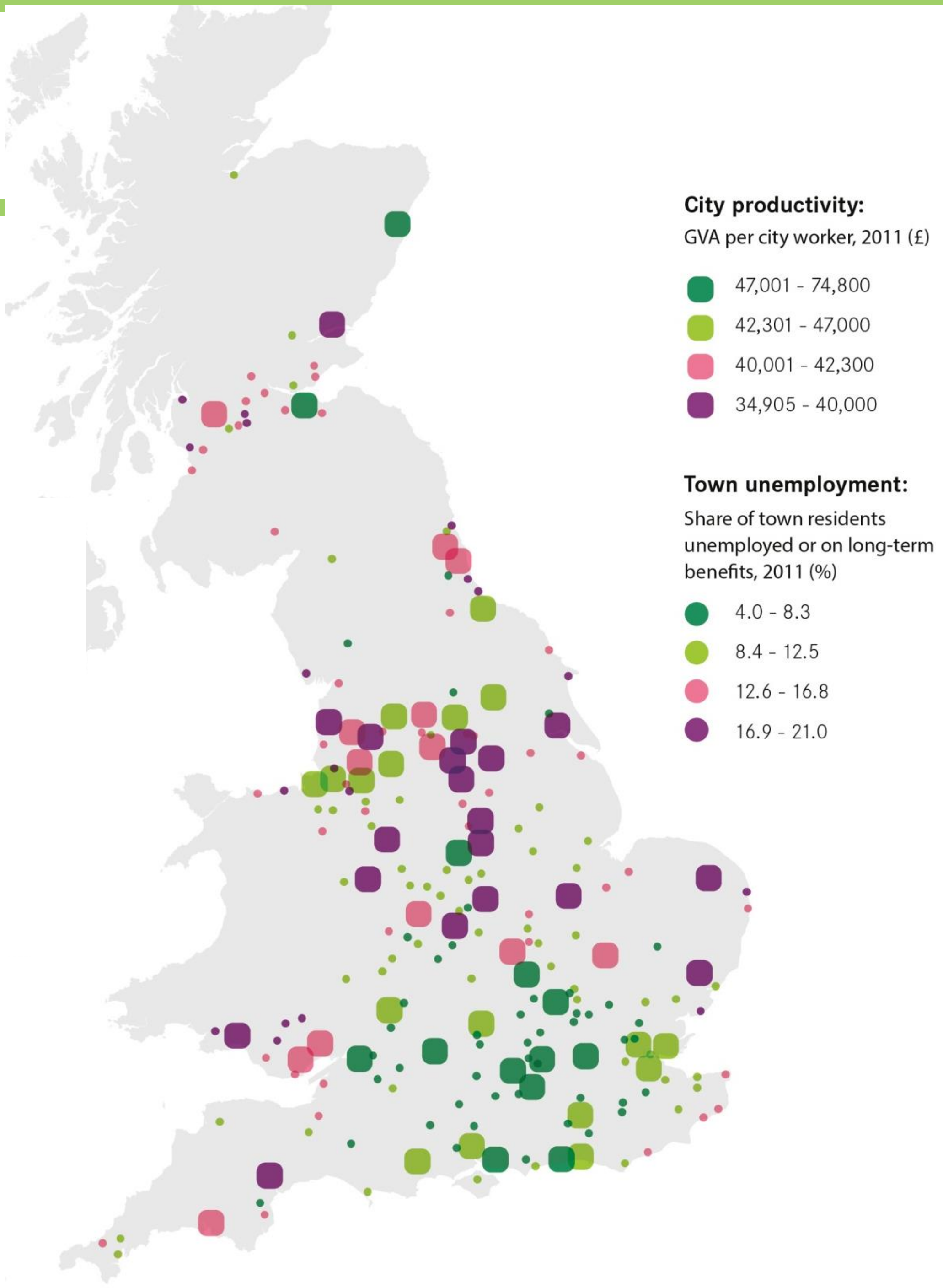
	GVA per worker 2017 (£)	Employment Rate 2017 (%)	Business Start-ups 2017 (per 10,000 population)	Working Age Popn with Qualification at NVQ4 or Above 2017 (%)	Average Weekly Workplace Earnings 2018 (£)
London	80,538	75	101	51	751
Birmingham	51,533	67	51	29	545
Bristol	59,755	79	50	49	571
Glasgow	47,248	70	45	47	512
Leeds	51,272	77	49	36	540
Liverpool	50,026	68	66	32	539
Manchester	50,437	73	90	36	526
Newcastle	47,922	71	42	34	504
Nottingham	43,933	69	41	33	487
Sheffield	45,888	73	37	37	490
National Average	**57,632**	**75**	**58**	**38**	**555**

Only 6 UK cities are more productive than the European city average



Source: Eurostat, ONS, INSEE, ISTAT, Statistical Office of Poland, FSO

Cities' economic performance also matters for nearby towns

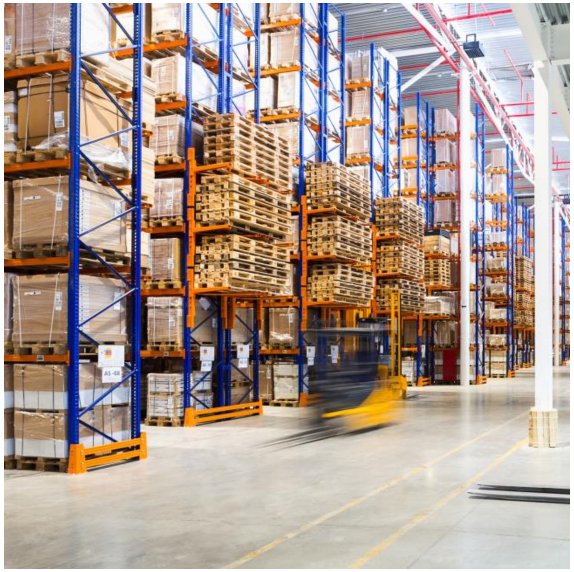


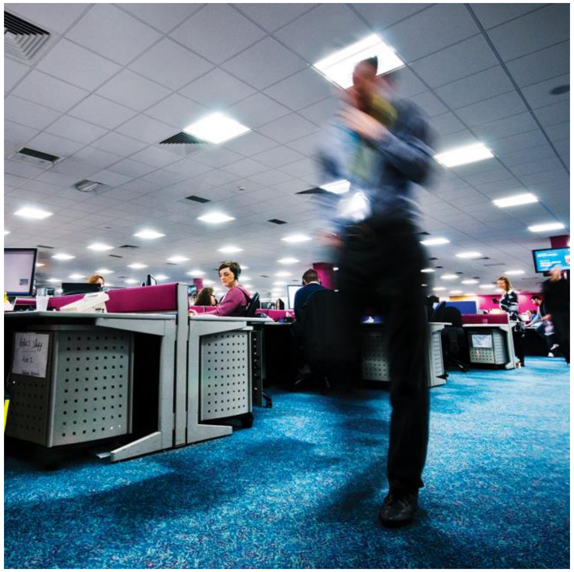
What drives local economies?

To understand why firms locate and perform as they do, we need to split them into groups

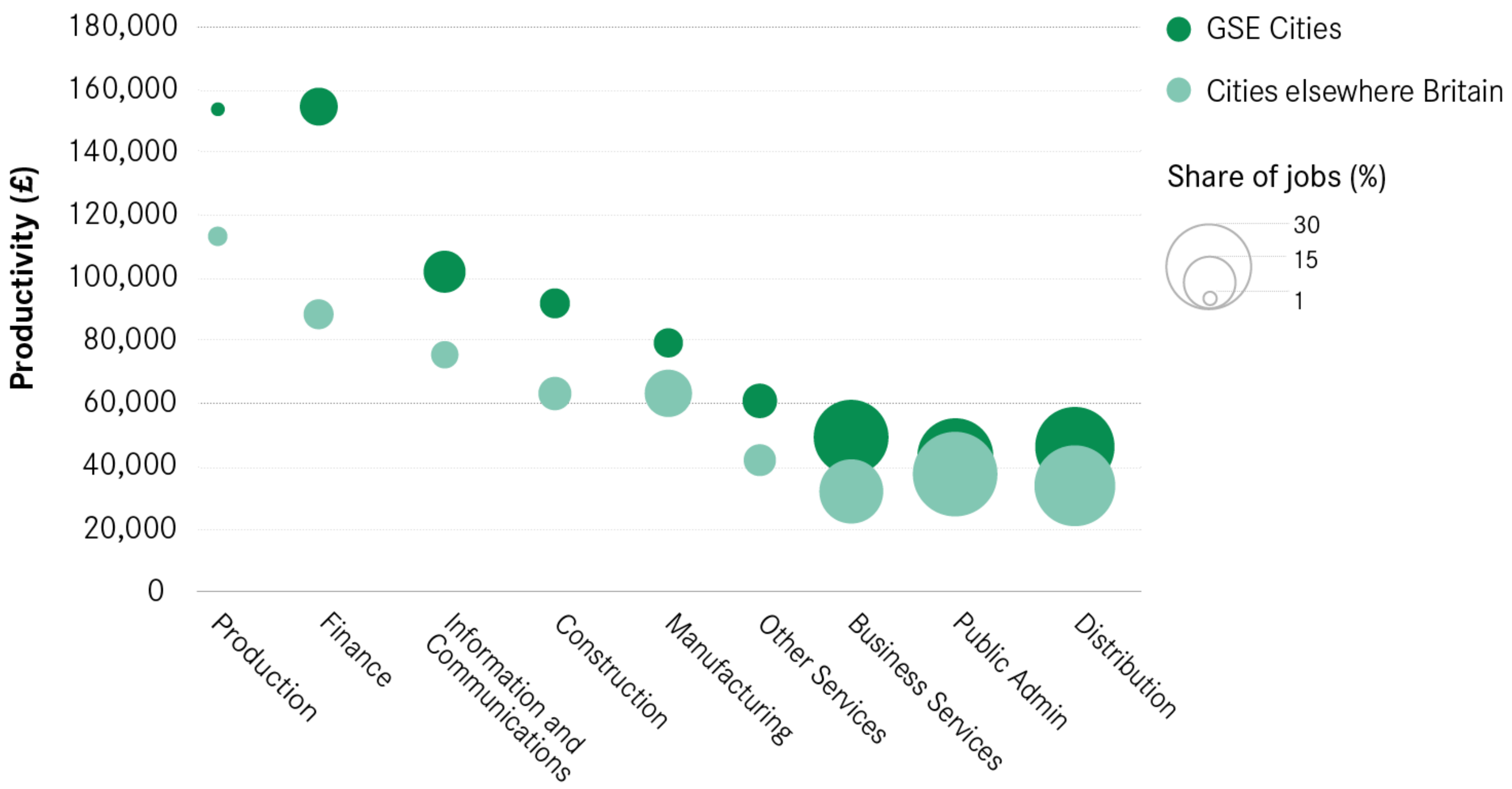
1. Local Services

2. Exporters

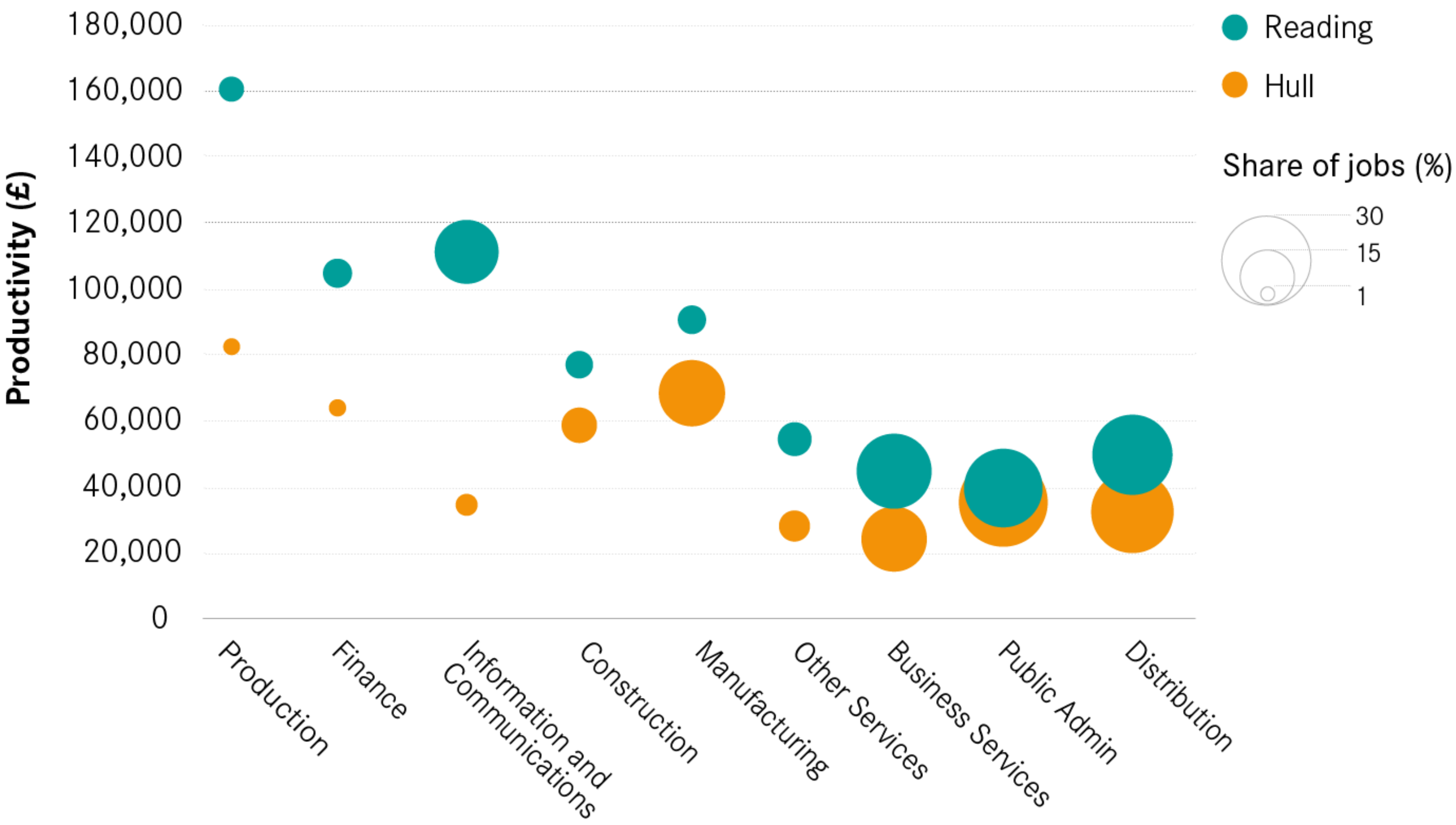




Exporting jobs in the Greater South East are higher skilled and more efficient



For example – Hull and Reading



How can planning help city centres and high streets?

City centres: past, present and future

Their evolving role in the national economy

Rebecca McDonald and Paul Swinney
February 2019

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What's in store?

How and why cities differ for consumers

Rebecca McDonald, Lahari Ramuni and Lizzy Tan
September 2019

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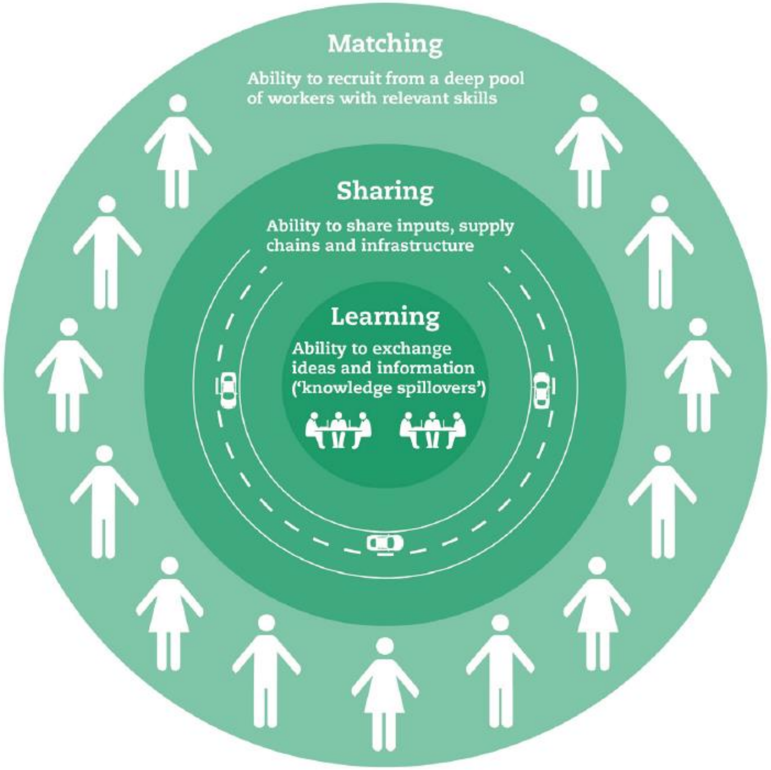
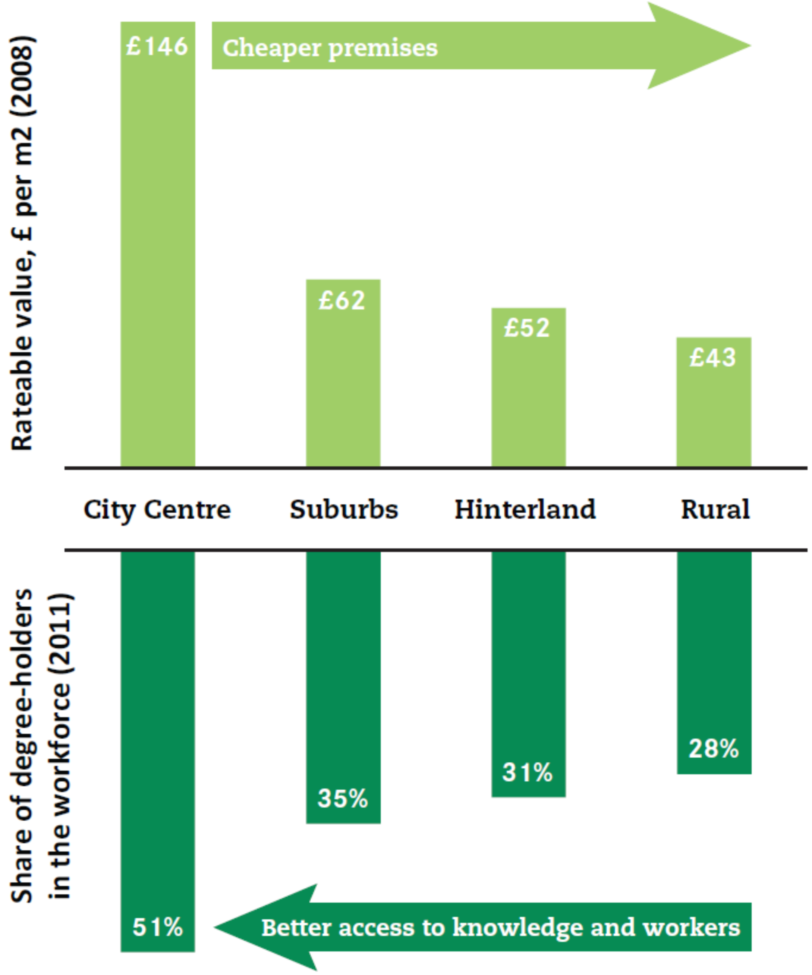
https://www.centreforcities.org/publication/city-centres-past-present-and-future/

https://www.centreforcities.org/publication/whats-in-store-british-high-streets/

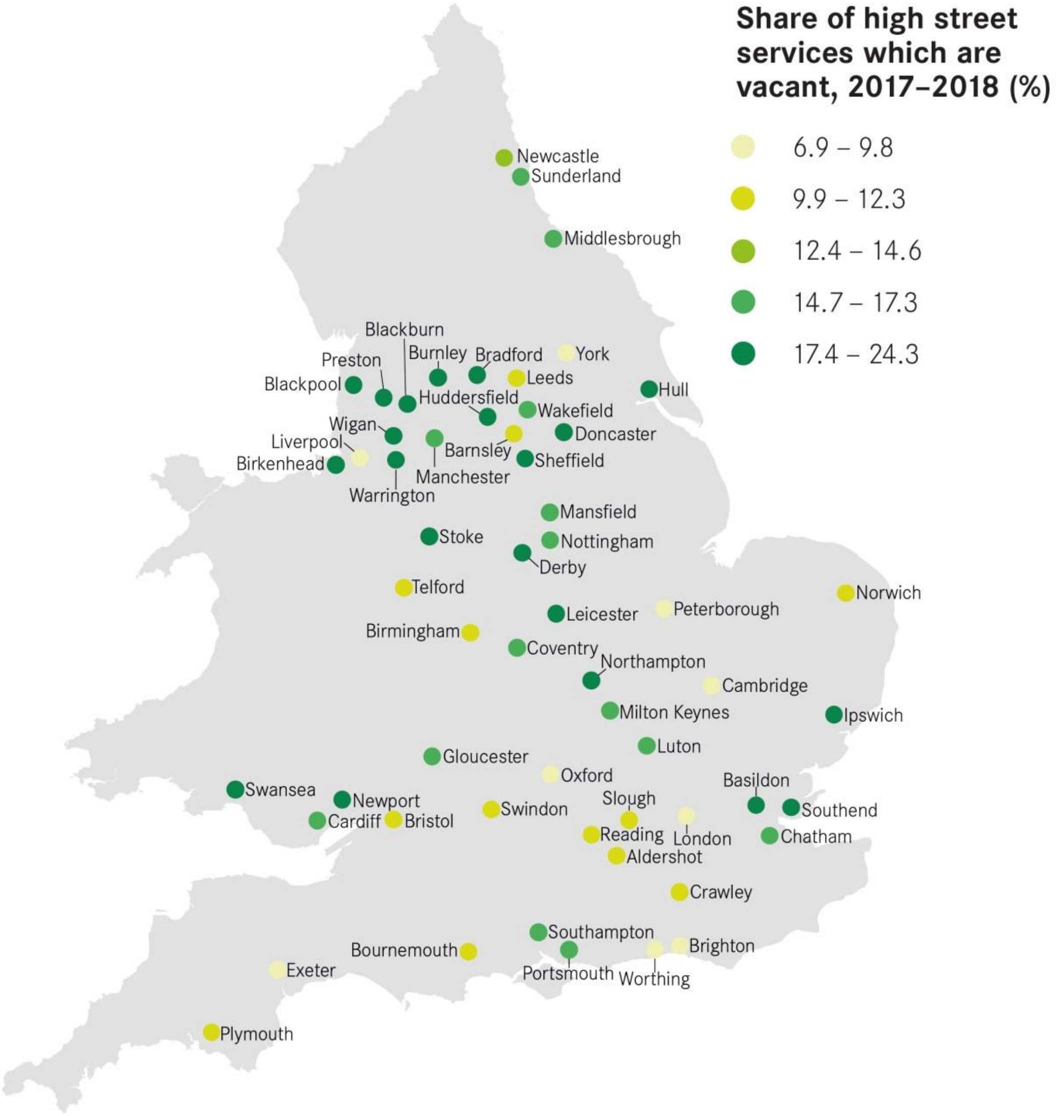
High-skilled exporters will pay a premium to access benefits offered by city centres



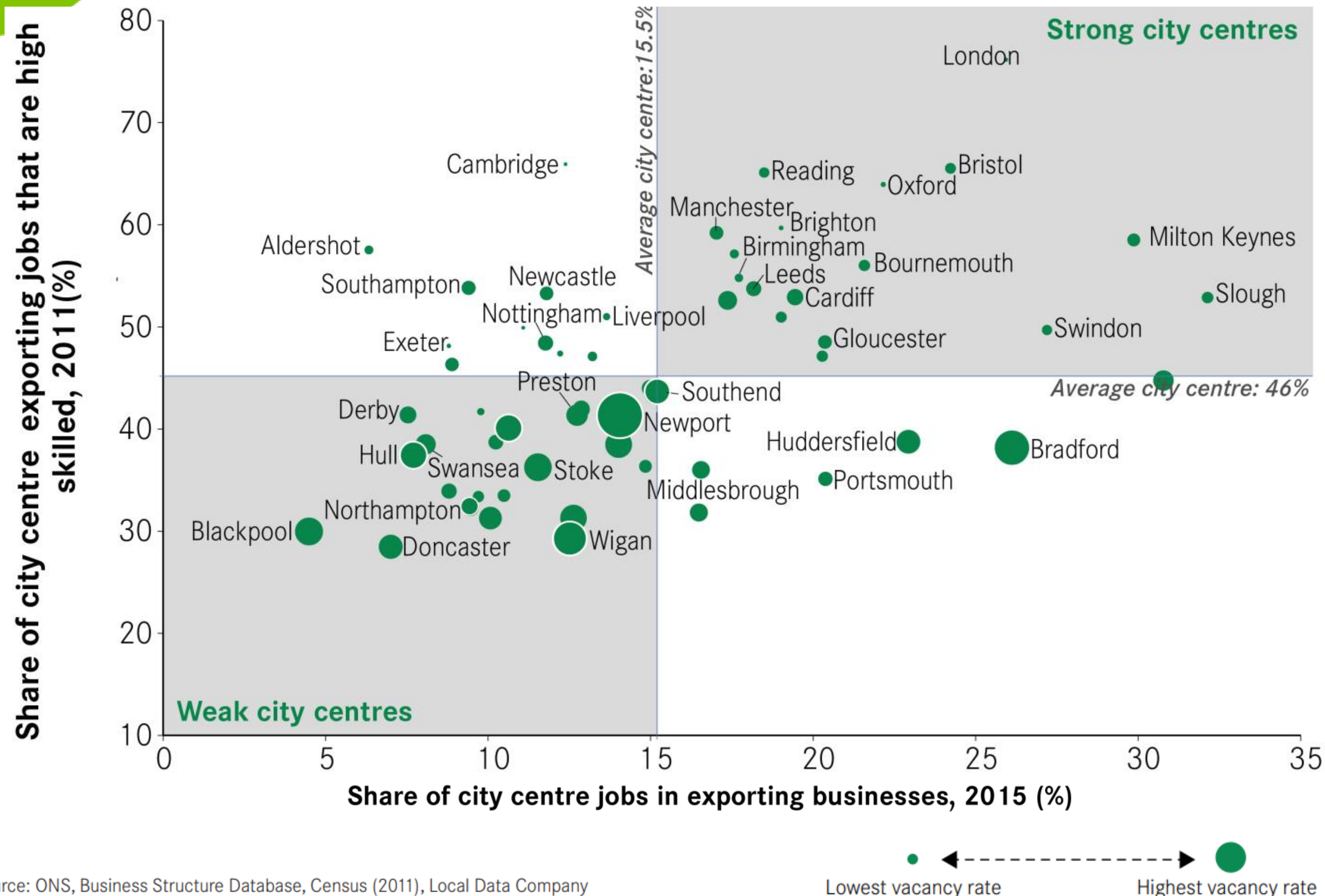


But not all city centres are successfully attracting these businesses

Not every high street is struggling

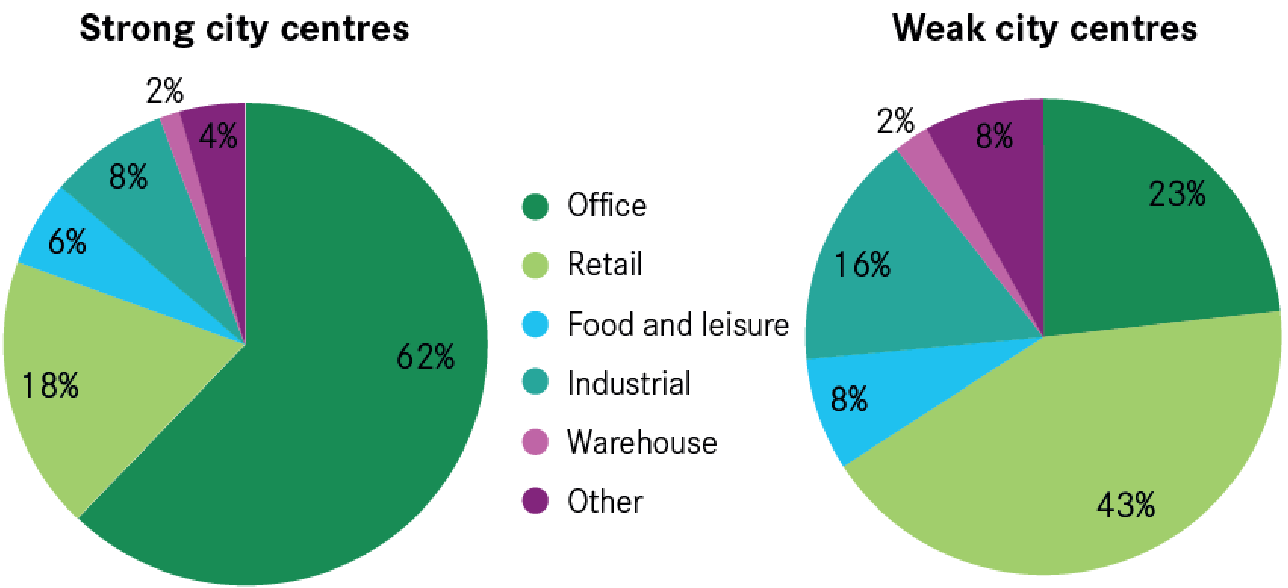


Strong high streets need strong cities



Source: Source: ONS, Business Structure Database, Census (2011), Local Data Company
Note: High street services are defined as retail and leisure property uses.

Weak city centres have too many shops and too few quality offices



- Strength of underlying economy also impacts commercial space
- Strong city centres are much more focused on workspace and less on retail
- Weak city centres have too much of a reliance on shops

Source: VOA (2018)

Which suggests they maybe less able to adapt to changing high street trends

Figure 8: Supply of food and leisure space in city centres and vacancy rates of high street services, 2017 – 2018

Type of city centre	Food and leisure as share of high street services (%)	Average high street services vacancy rate (%)
Strong city centres	24	9
Moderately strong city centres	17	11
Moderately weak city centres	12	17
Weak city centres	15	16

Source: VOA (2018), Local Data Company (2017, 2018)

How can planning help city centres?

1. The high street is not dying – city centres are more important than ever. Density in city centres matters
2. Weaker city centres should remodel away from retail towards a diverse mix of uses including offices.
3. Food and leisure experiences may help in some cities as demand changes, but cannot do all the heavy lifting
4. Funds to support cities must look beyond the high street
5. Strengthening the economy is a long-term route to a healthy high street

What needs to change in planning to solve the housing crisis?

Capital cities

How the planning system creates housing shortages and drives wealth inequality

Anthony Breach
June 2019

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Homes on the right tracks

Greening the Green Belt to solve the housing crisis

Paul Cheshire and Boyana Buyuklieva
September 2019

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Making room

How and why living space varies between cities

November 2019

Recent proposals to further expand permitted development rights (PDR) would make it easier to extend residential buildings upwards by one or two floors. The policy is intended to deliver additional homes, and space, primarily by allowing groups of residents to collectively build upwards.

This report investigates the amount of space people have in different cities and how this has changed since 2011. It sets out what should be done to give people more space and make housing more affordable as the economy grows. The main findings are:

1. **The amount of floor space residents have varies between cities, with residents of cities in the Greater South East[1] of England having less space.** In the Greater South East of England, the average floor space per resident is 34.8sqm (374.3sqft) and in the rest of England and Wales, this average is 7.5 per cent higher at 37.4sqm (402.7sqft). This is due in part to the economic success of many cities in the Greater South East of England and their housing shortages, which means that residents in these cities attempt to save money on expensive housing by purchasing less space. An example of this is that the average resident in Blackpool has 64.2 per cent more room than the average person living in Slough.
2. **Some of the most cramped cities have continued to see the space per person shrink.** Although residents living in some cities have seen their average space grow, a number of cities, including in the expensive Greater South East of England have seen their space per

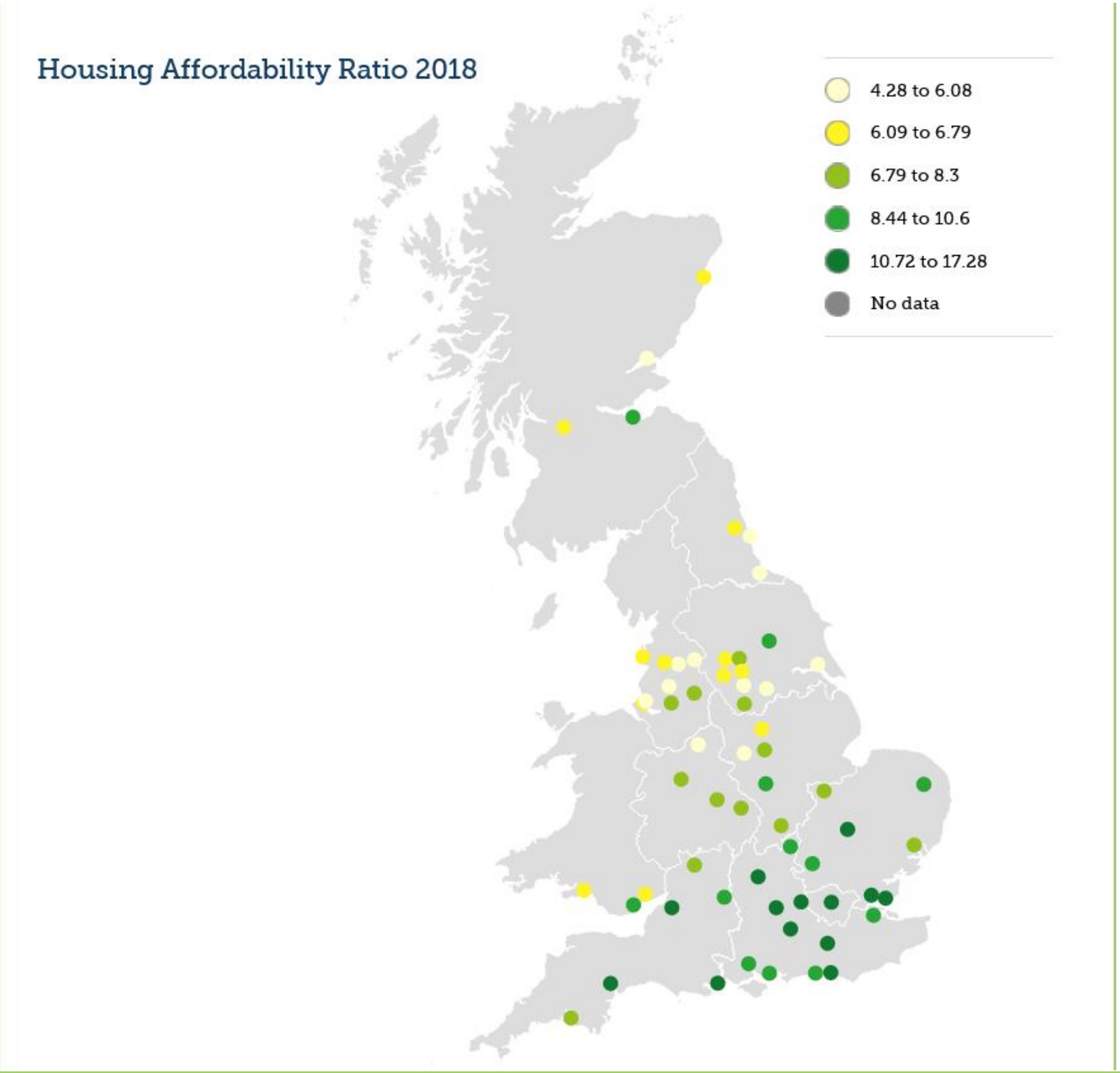
1 Comprising London, the South East, and the East of England.

https://www.centreforcities.org/publication/capital-cities/

https://www.centreforcities.org/publication/homes-on-the-right-tracks/

https://www.centreforcities.org/publication/making-room-living-space-cities/

The housing crisis is urban, not national

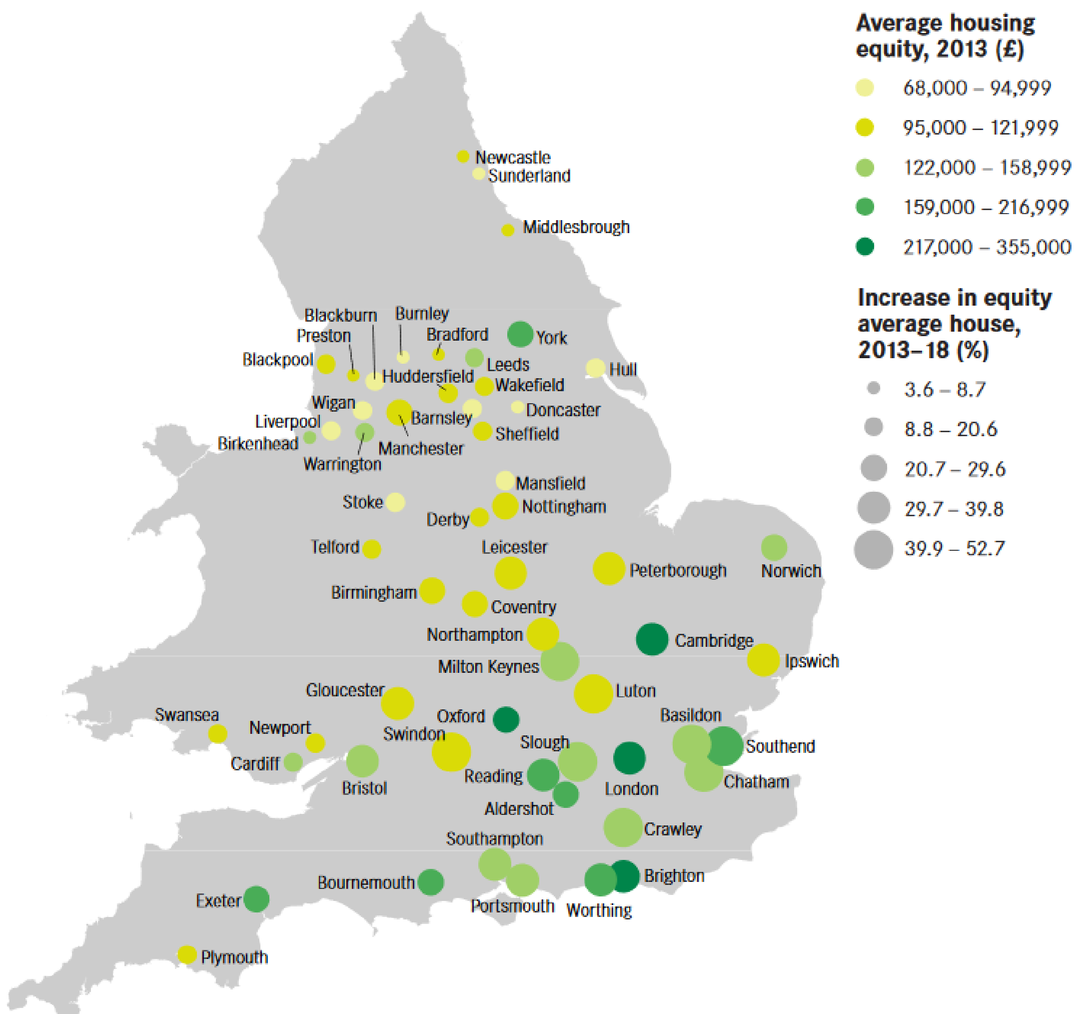


But the supply of homes has no link to demand

Figure 5: Housing supply and city economies

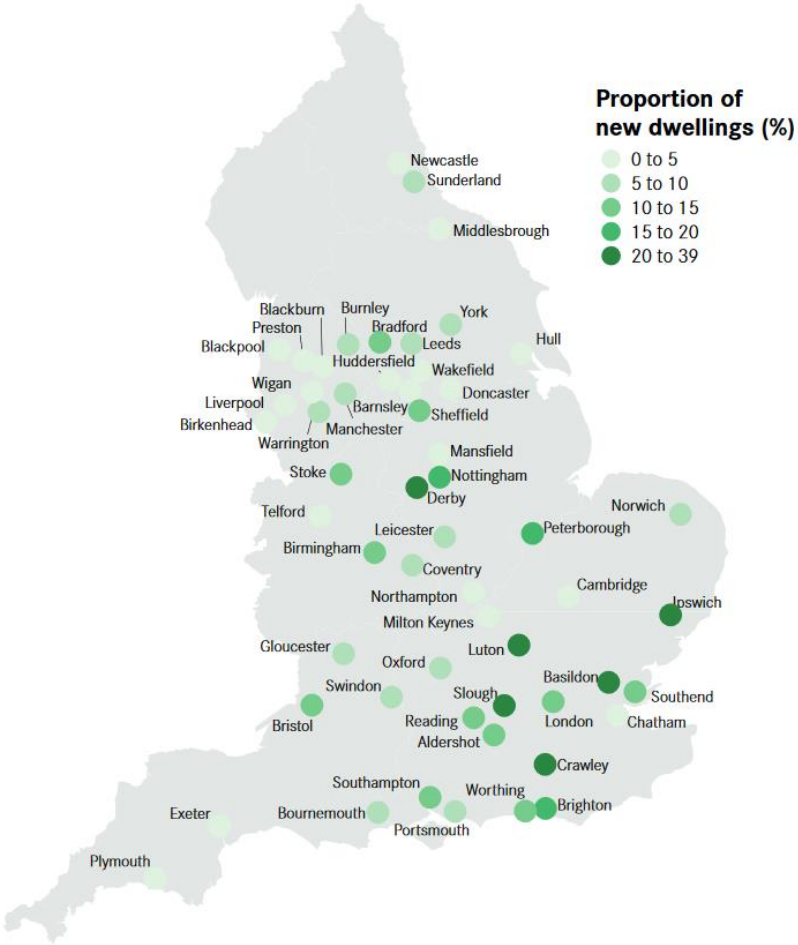
Planning's decoupling of supply from demand means the rich get richer

Figure 1: Average housing equity 2013 and growth to average equity 2013-18



Discretionary planning permissions appear to disconnect supply from demand

Figure 3: Proportion of new dwellings as permitted development rights, 2015-2018



Source: Ministry of Housing, Communities & Local Government, 2019

How can planning address housing challenges in cities?

- 1. Green belt reform to release more land for development near expensive cities
  - This could be done through land value capture by giving development rights to TfL, TfGM, TfWM etc

- 2. Greater use of prices to determine supply targets
  - In the meantime, build more houses in expensive cities – go for growth!

- 3. Shift away from our discretionary, planning permission system to a flexible zoning system
  - Once a local plan is agreed, development can occur unless the local authority says 'no', rather than blocking development until the local authority says 'yes'.
  - Japanese zoning?

Questions?

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