



RESPONSE TO CMA HOUSEBUILDING MARKET STUDY

INTRODUCTION

We are writing to recommend that the CMA takes account of self commissioned housing, including community-led housing, in its study of the housebuilding market.

We are the official membership bodies for over 400 Community Land Trusts and Cohousing Communities in the UK.

Government policy has recognised that community-led housing has the potential to increase the **volume** of housebuilding, offer greater **choice**, improve **quality**, and support **innovation**.

Along with self and custom build housing, self commissioned housing turns the premise of your study on its head. It puts consumers in control of the process, as clients, with housebuilders there to meet their demand.

Official market data doesn't capture the current extent of the community-led housing market, which already accounts for an estimated 0.3% of recent housebuilding. Nor does it capture the consumer demand for these approaches; current projects might account for up to 2% of housebuilding in the next five years, and there is good reason to think that if consumers were more readily able to exercise this choice then that number would be much larger - one study estimates 12% of older people might want to exercise these options.

We therefore encourage the CMA to include self commissioned housing in its scope. We would be glad to assist in providing expert evidence and testimony to any roundtable discussions and evidence sessions the CMA may hold. We have provided basic answers to the consultation questions on the basis of existing research, but can undertake further work within our sector to give fuller answers where this would be helpful.

GOVERNMENT POLICY CONTEXT

In his letter to the CMA in May 2022, the Secretary of State noted the government's intention to "give consumers greater say over the homes in which they live", "provide communities with more say over new developments in their area" and "make self and custom build a more mainstream option for aspiring homeowners".

These are objectives which a more diverse and competitive housebuilding industry should be able to achieve.

In its response to the Bacon Review, the government stated that it "strongly believes that self and custom build housing can play a crucial role - as part of a wider package of measures - in securing greater diversity in the housing market, increasing overall supply and helping to deliver the homes people want". It accepted many of the recommendations of the review, including establishing a Self Commissioned Homes Delivery Unit in Homes England. The government further noted that "given the interlinkages with community-led housing, the new unit will look more broadly to all forms of self-commissioned homes encompassing self-build, custom build and community-led housing."¹

The government's interest in community-led housing goes back to 2016, when the Chancellor announced a £60m pa fund to grow the sector. In the prospectus for the Homes England fund, the government stated its policy to "increase housing supply in England by increasing the number of additional homes delivered by the community-led housing sector"². This was reiterated in a manifesto pledge in 2019 to support community housing.

Welcoming research on the pipeline of community led homes in September 2021, the Housing Minister noted that the sector has "an important, indeed you might say, unique contribution to make to meeting our housing need" and that the projects in the pipeline "align very closely with many of MHCLG's ambitions".

Baroness Scott of Bybrook, in a letter to Baroness Jones of Moulsecoomb, wrote in January 2023 that the sector "will help deliver a range of benefits including diversifying the housebuilding sector, improving design and construction quality, developing modern methods of construction and helping to sustain local communities and local economies." She added that the "close involvement of the local community enables the community-led approach to secure planning permission and deliver housing that could not be brought forward through mainstream development."

¹

<https://www.gov.uk/government/publications/government-response-to-the-independent-review-into-scaling-up-self-build-and-custom-housebuilding/independent-review-into-scaling-up-self-build-and-custom-housebuilding-government-response>

²

<https://www.gov.uk/government/publications/community-housing-fund-prospectus/community-housing-fund-prospectus-accessible-version>

Most recently, the government recognised the importance of community-led housing by including a definition in a new draft of the National Planning Policy Framework, and a series of questions in the accompanying consultation³.

We would also note that in our most recent survey half of local authorities had adopted policies of practices to support community-led housing⁴.

SIZE OF SELF COMMISSIONED HOUSING MARKET AND HIDDEN DEMAND

In para 1.19 of the Statement of Scope, the CMA split the housebuilding sector into private developers, housing associations and councils. A footnote suggests that the CMA recognises self-build but believes it to be a very small proportion of the market. We would argue that this is incorrect, and that it misses a demand that the current uncompetitive market is failing to respond to.

England has the lowest known rate of self commissioned homes in the world. On average in developed countries 40% of new homes are delivered this way whereas in England this number is nearer 5%. At the same time only a third of the public would ever consider buying a new speculatively built home. These two facts are connected.

Community-led housing is a form of self commissioned housing in which a community group commissions their own homes. They may plan, build, own and manage the homes themselves, or partner with housing associations or private developers to undertake some of those tasks. The group can consist of households looking to live in the homes as a community, or members of the wider community looking to provide more homes for other local people, or a combination of the two. Community led housing, in the words of the Secretary of State, gives consumers greater say over the homes in which they live and provides communities with more say over new developments in their area.

Many community-led homes would be counted in official statistics as 'housing association' or 'private SME developer' homes. Sometimes they are registered as Registered Providers and so would be counted as a 'housing association', and those that instead partner with a Registered Provider would likewise see the homes counted as 'housing association' homes. But they are quite different in character. No official data is currently collected specifically on this market, something the Bacon Review recommended be remedied.

A study by the Smith Institute in 2016 put some numbers on the scale of this market. Community-led housing groups, including cohousing communities, community land trusts, and

³

<https://www.gov.uk/government/consultations/levelling-up-and-regeneration-bill-reforms-to-national-planning-policy>

⁴

<https://www.communitylandtrusts.org.uk/news-and-events/strong-council-support-for-community-led-housing-2022-foi/>

housing co-operatives, owned or managed an estimated 172,548 homes in 2015. New development was estimated to account for around 0.3% of housebuilding in England - very small, but a result of the barriers to meeting consumer demand for these approaches⁵.

The latest independent academic study of this sub-market identified a robust pipeline of 11,818 homes⁶, and an earlier study put the potential pipeline - if projects at an early stage were included - at over 23,000 homes. If this potential pipeline were able to be built over the next five years - a typical development timescale - it might account for up to 2% of the housebuilding market. If the market were more competitive, making this a more readily available option, we believe that percentage would be higher still.

As another indication of unmet demand, a survey by u3a (previously University of the Third Age) of their 400,000 members across the country found that 12% are interested in a co-housing/ co-operative scheme, either specifically for older people or for intergenerational living.

A study by Capital Economics added further understanding of consumer motivations in this market. The top three motivations for consumers were: providing affordable housing; providing better security of tenure than the private rented sector; developing environmentally friendly homes. Creating communities with shared values was also a priority for consumers in urban areas⁷.

The National Custom and Self Build Association has further evidence on unmet consumer demand for self and custom build homes, another form of self-commissioned housing.

Taken together, there is no reason to think that these approaches might not represent 40% of market demand, the average across comparable advanced economies.

5

<https://www.smith-institute.org.uk/book/local-housing-community-living-prospects-for-scaling-up-and-scaling-out-community-led-housing/>

6

https://www.communitylandtrusts.org.uk/wp-content/uploads/2021/09/Delivering-the-Community-Led-Housing-Pipeline-in-England_Final-Copy.pdf

7

<https://www.communitylandtrusts.org.uk/wp-content/uploads/2021/08/999-final-report-capital-economics-housing-by-the-community-for-the-community-sept-2020-2.pdf>

RESPONSE TO CONSULTATION QUESTIONS

2. Do you agree with our areas of focus for the market study, as set out in paragraphs 2.1 to 2.31? If not, what other matters should we focus on and why?

We agree with much of the scope, and note the following points in which self commissioned housing could be relevant:

- Land market incentives for larger developers and land promoters to over-bid for sites is a key factor in making self-commissioned housebuilders uncompetitive, as they will always want to bid with a residual land value on the basis of a high quality, policy compliant scheme.
- The lack of transparency in the land market, and the prevalence of opaque option agreements in the south east in particular, make it difficult for self-commissioned housebuilders to buy land, and increase the search costs for under-capitalised organisations.
- LPAs favouring large sites with volume developers is detrimental to self-commissioned housebuilders, and as the Letwin Review noted⁸ the NPPF policies to encourage a greater diversity of supply on large sites have not worked. The gradual introduction of Local Plan policies requiring a percentage of self and custom build plots is beginning to change this.
- Delays in planning determinations, and accessing pre-application meetings, have a disproportionate impact on self-commissioned housebuilders and their enablers who are generally undercapitalised and find it difficult to sustain projects with long delays.
- There is a role for community-led housing structures such as the community land trust in addressing concerns about opaque and unaccountable estate management structures; these are already in use on some larger developments and could be more widely applied.

However, we note that the area of focus neglects to mention the consumer demand for self commissioned housing. As we have noted, this is currently poorly monitored, and there is significant unmet demand. The CMA should consider this as part of its focus on consumer choice in para 2.29 of the Statement of Scope.

8. Have any of the following aspects changed significantly over time? If so, how and why? **a. Time and cost for developments to go through different stages of the planning process.**

We have observed that planning delays are becoming more common and longer. The main reason seems to be a lack of capacity in planning departments. In some parts of the country this has been amplified by the issues around nutrient neutrality, with at least 6 community land trust schemes in the rural South West currently held up by this issue.

⁸ <https://www.gov.uk/government/publications/independent-review-of-build-out-final-report>

12. As regards land: a. What issues (if any) do developers face in identifying and securing land for development and how do they navigate these? Do these issues differ depending on the size of the developer?

24. What are the key challenges for small and medium developers in: a. Securing sites for development?

Self-commissioned housebuilders face great difficulty in identifying and securing land. The key reasons are:

- lack of transparency and the cost of land searches, exacerbated in parts of the country where significant swathes of land are already optioned by volume developers, often including most or all sites allocated in the Local Plan;
- lack of working capital to negotiate and secure ownership of, or an option, on land, prior to securing planning permission (before both ownership and planning permission are secured, loan finance is extremely difficult to obtain and very expensive);
- lack of access to finance at rates available to large developers, councils and housing associations (naturally leading to more expensive build out and long-term mortgage debt, and so less competitive offers on land);
- lack of familiarity with, and ability to engage with, self commissioned housing in the wider housebuilding industry - in other European countries this market is mainstream well understood, and catered to by developers, promoters and local authorities who will identify and secure land and then bring it forward in a manner that provides opportunities for self commissioned housing.

13. As regards charges made to freehold owners on residential estates:

b. What influence (if any) do homeowners have over the companies managing their estates?

c. Post-sale, what safeguards exist to ensure the quality of the management service or that the estate charges applied are fair, reasonable, and transparent?

Community-led housing developments give homeowners and tenants significant influence, and strong safeguards. For example:

- in the Manor Farm development built by Stretham & Wiburton Community Land Trust in partnership with Laragh Homes (an SME), the CLT has adopted the roads and open space, manages the estate, and owns and manages the shared ownership and affordable rent homes. All residents who live there can join the CLT and have an equal and democratic say over its governance, and the management of the estate. Two residents of the state sit on the CLT's board. The CLT has a legal duty to further the social, economic and environmental interests of the residents of the estate and the wider community.

- Chapel Town Cohousing is a mixed tenure scheme in Leeds which has been designed, developed and managed by existing local residents - creating a collectively owned, low carbon housing that meets the longer term needs of the local community and reflects the demographics of the surrounding area. It is fully self-managed by the homeowners and tenants.

These models could be much more widely adopted to give homeowners and tenants real influence, and to safeguard their interests.

23. What differences (if any) are there between small, medium and large developers in:

a. The types of developments they develop (eg types of housing provided).

b. The type of land they develop on (eg size of site, propensity to use greenfield vs brownfield sites, urban vs rural).

Self-commissioned housebuilders may take forward developments on their own, or choose to partner with private housebuilders or housing associations on developments.

The majority of homes developed are affordable housing, with market housing (owner occupied and private rented) representing 15% of the 11,818 current pipeline.

Where they develop directly, the developments are typically small (fewer than 50 homes), evenly split between urban and rural locations, greenfield vs brownfield⁹. There is significant sub-regional variation in this - for example in low-value markets like the Tees Valley and Liverpool city region, community led housing groups are typically developing derelict or underused brownfield land and buildings; in high value markets in national parks and AONBs they are typically developing small greenfield rural exception sites.

Where they develop in partnership, they can be involved in all types of development and land opportunity. For example, Kennett Community Land Trust is part of the development partnership of a 500 home garden village being built out by a volume housebuilder, Bellway, on a rural greenfield site. The housing association Housing 21 is working with a diverse range of communities across Birmingham to develop high quality cohousing schemes for social rental occupancy managed in partnership with residents.

25. What differences (if any) exist between the developments built by large, medium and small builders, eg in terms of quality of housing built, speed of build, diversity of housing built?

There is some evidence of the difference in community-led developments:

⁹ See the Capital Economics study cited above for an example sample of market data on this.

- Quality and energy efficiency - a study of a random sample of community land trust developments found they all met or significantly exceeded requirements in national and local planning policy for energy efficiency, following through on of the stated motivations for groups to bring forward development¹⁰. Research into cohousing schemes has shown they have on average 65% lower carbon emissions compared to mainstream housing.
- An academic study found that community-led development was no faster or slower than private housebuilder or housing association development¹¹. But the high proportion of affordable tenures, and the fact that in many cases groups will already have all the intended occupiers involved, mean that the problem of slow build out rates and market absorption is unlikely to apply to these developments.
- There is a much greater diversity in the tenure and typology of homes built, particularly where community groups employ custom build enablers - giving the occupants choice over the design and internal layout of the homes, and in some cases being able to self-finish the second fix (kitchens, bathrooms, decoration).
- There is also a greater diversity of other facilities for consumers as part of the developments. It is a frequent complaint of consumers that volume housebuilders put up boxes to live in but nothing to do nearby. One survey of community land trusts found that 42% of developments would include other assets, the most common being shared green space, work space, and a common house or community centre. These features are integral to and always found in other forms of community-led housing, like cohousing communities.

¹⁰ https://www.communitylandtrusts.org.uk/wp-content/uploads/2021/11/Leading_to_Net_Zero.pdf

¹¹

<https://nationwidefoundation.org.uk/projects-we-fund/current-funding/sheffield-hallam-university-speed-of-development/>