

COMPETITION AND MARKETS AUTHORITY SCOPING REPORT ON HOUSEBUILDING

Comments from the Highbury Group on Housing Delivery

The Highbury Group comprises an independent group of specialists from the public, private and independent sectors with a membership drawn from housing, planning and related professions; it offers advice and makes representations to Government and other agencies on a variety of subjects, with the aim of maintaining and increasing the output of housing, including high quality affordable housing.

We note that in para 1.10 you specify that the study will focus on the supply of new homes to consumers. It is important however to distinguish between homes for effective occupation rather than housing as an investment asset. Clearly home owners are purchasing homes as an investment as well as for occupation, while corporate investors may also let or sell on properties, though their main focus will be capital appreciation, with revenue income from letting being a secondary consideration. It is important to recognise that the nature of housebuilding, and the form of housing output, is in some areas of the country (notably many parts of London and other city centres) is driven as much by investment interests as by effective occupation. Consequently, some new housing output is left empty or only partially occupied and does not make an effective contribution to meeting housing requirements, whether assessed nationally, regionally or at a local level. While local authorities may and should use their planning powers to ensure that new housebuilding output responds to objectively assessed housing needs, in line with government guidance, the nature of the housing market, driven by the value of housing as an asset, with purchases based on the assets and income of the purchaser, whether individual or corporates, acts as a severe constraint on the effective use of planning powers by local authorities. We support the case for diversifying the housebuilding sector and for increased competition. Even if there were constraints on effective demand in terms of limiting purchasers to first time buyers or to other purchasers seeking to buy a property as their only home (and selling their existing property), this would not in itself lead to a reduction in property prices to a level which would make them affordable by most households. Whatever interventions may be made to the operation of the housing market by Government, there will still be a need for publicly subsidised provision of new housing for lower income households in most parts of the UK.

There are a number of factors which in our view should be included in this study:

1) The transparency of interests in land ownership and development. This includes information on option agreements as well as equity. The greatest barriers to competition in the land market are probably the options which can be negotiated between sellers and buyers. These options serve the purpose for buyers of sterilising land, preventing others from acquiring it, and thus directly increasing scarcity. If options are widespread in a locality they would be a barrier to entry for SME developers. There is still no requirement that options be recorded in the Land Registry to be valid contracts. Little is known about their extent, provisions or duration. Careful empirical study of some case study localities could be invaluable in casting light on these factors.

2) The impact of taxation of land, development and housing both on the housebuilding industry, and on the dwelling type, tenure, affordability and location of new housing output. This needs to include existing taxes (including tax exemptions) and proposed new taxes or levies such as the proposed infrastructure levy (with a cross-reference to the Infrastructure Levy impact study recently published

by DLUHC).

3) The impact of both current and proposed national planning policies on both the housebuilding sector and on housing output. This could include case studies of the operation of local planning policies in different areas.

4) A study of the returns/ profit levels of different agencies within the housebuilding sector, distinguishing between land owners, construction companies, developers and investors, This needs to include trends both over time and in different locations.

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