

20 March 2023

To the Competition & Markets Authority

Housebuilding Market Study

The National Custom and Self Build Association (NaCSBA) is the voice of the self build and custom housebuilding sector. Our membership reflects the breadth and range of the sector from large multinational companies to the self-employed, and every aspect of the self-commissioning process from searching for a plot through to the final finishing touches for one's home.

Our aim is to make custom and self build a mainstream choice for all those seeking a home of their own – just as is the case in every other developed country.

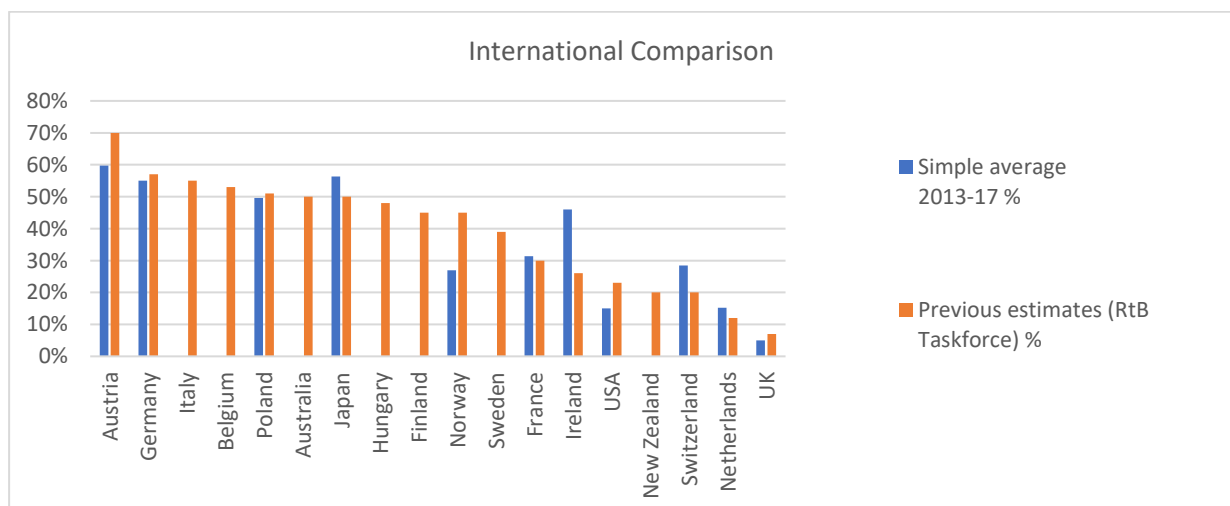
We are writing in support of your market study and to provide our initial comments on the review.

Overview

It is hard to understand why – in a modern open society – we have allowed a system to emerge in the country whereby customers have so little choice over the largest purchase that they will ever make. In every other market we embrace consumer choice recognising that such choice delivers improved customer outcomes – better products, greater variety and improved value. When it comes to new homes that has somehow become lost.

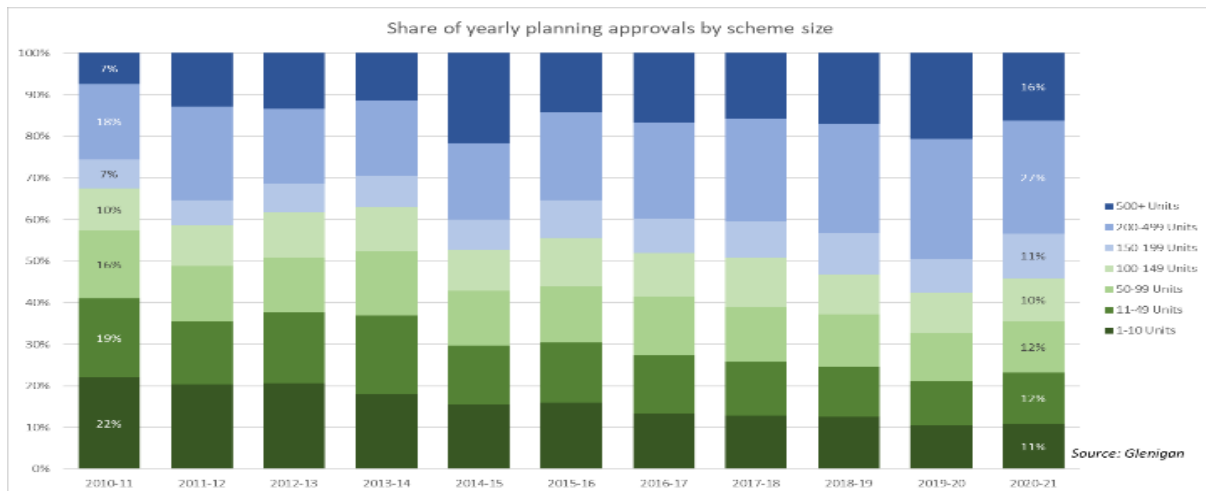
As a nation we appear to have become institutionalised to this delivery model – like a Soviet state the planning system and builders deliver homes that “they” have decided that “you” will want. The results are all too clear – most people do not want to buy a new build home. It is unsurprising therefore that most people do not want new homes to be built near them – they are viewed as pollution.

It should not be this way. It does not need to be this way. On average across equivalent developed countries around 40% of all new homes are self-commissioned. In Germany for example a single website www.musterhaus.net offer the choice of over 2,400 homes from over 350 different companies – each of which can be further tailored to your needs.

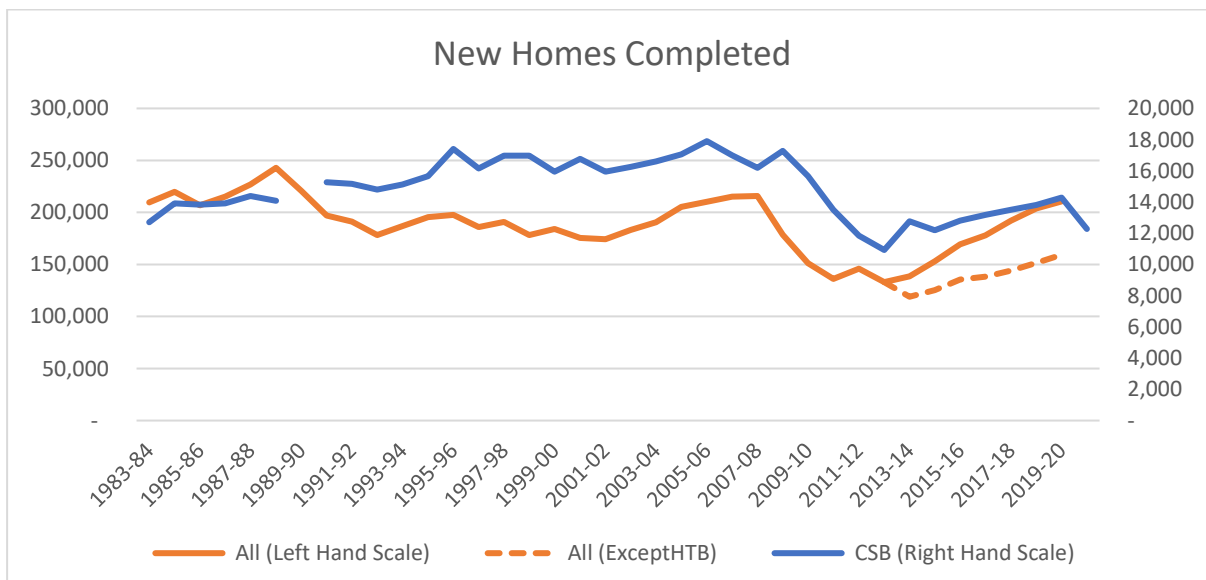


Source Bacon Review

Here in the UK, self-commissioned homes amount to just 7% of supply, but the differences are clear. For example half of such homes are built using modern methods of construction and half have a primary sustainable heat source. Despite its many benefits the sector has struggled to grow in recent years. Primary legislation to deliver more plots has been sidestepped by many local authorities, the share of houses built on smaller sites has halved and the Help to Buy scheme which supported the speculative build model excluded our sector.



As housebuilding has become more concentrated choice and competition has diminished. Housebuilders primarily compete for land rather than for retail customers. The lack of consumer competition results in poor quality, high priced products and an industry that needs to be forced to innovate and invest, and which constrains supply to maximise profit. The responses by national and local government – to move towards larger sites and to address poor performance through regulation serves to strengthen the very hands of those who have driven these changes in the first place – our housing deliver market is broken – and increasingly so.



Source NaCSBA (from VAT and DLUHC data) – CSB is Custom & Self Build

Change is needed. Technology is making this increasingly accessible but first we must get beyond our national blind spot that starts with the view that the new build market here in the UK is normal – it is not.

Our home can protect us, it can inspire us, and it can sustain us and our planet. It can make us healthier and fitter - mentally and physically and it can enable us to live better lives.

The solution is simple – put the customer in charge. The outcome will be more and better homes that more people aspire to live in and that communities are happier to see built. This is a missing part of our new homes “market”.

Initial comments on the scope of the Review

Whilst we are supportive of the review we have some concerns that the scope of it is already limited by a failure to fully acknowledge how broken our new homes delivery system is. Too many core features of a market, not least customer choice, are absent for the term “market” to be used to the way in which homes are currently delivered.

On this basis we have suggested how we believe that the scope should be reworded, with the aim of putting the customer – the occupant, at the heart of the process.

From

- housing quality: looking at how builders are delivering the right sorts of homes that communities and buyers need – including the fairness of estate management fees charged for ‘unadopted’ roads and amenities
- land management: examining whether the practice of ‘banking’ land before or after receiving planning permission is anti-competitive
- local authority oversight: exploring how councils oversee the delivery of homes and how developers negotiate affordable home requirements
- innovation: considering whether factors may be holding builders back from adopting new building techniques or moving towards more sustainable, net zero homes

To

- housing quality; to examine the impact of the absence of consumer empowerment and choice in determining the nature and quality of the new homes that we currently build.
- land management; examining whether the separation of land delivery from house building and the bringing forward of more smaller sites would deliver more and better homes more quickly.
- local authority oversight; exploring how councils oversee the delivery of the number and mix of homes across their local authority area and whether their processes favour particular delivery models
- innovation: considering whether factors may be holding builders back from delivering the homes that people want to live in including adopting new building techniques and moving towards more sustainable, net zero homes.

Together with the additional area of focus:

- To examine how we can move from a market where builders compete for land on which to build to one where builders compete for customers to purchase their product.

We would also strongly encourage the CMA to consider the Bacon Review – *“The Prime Minister’s independent review to develop a plan for a major scaling up of self-commissioned new homes across all tenures – to boost capacity and overall housing supply”*. The Review was published in August 2021

and includes a comparison of overseas markets and an economic analysis of the impact of this missing market. It provides the solutions to the current failures.

The review notes that “An additional number of new homes are delivered via self-build; we have not included this as the data is not readily available and it is believed to be a very small proportion.” The number is not small, it is estimated at around 13,000 self-commissioned homes are built each year - a key market for most small house builders. Furthermore, it is the fact that it is “relatively small” that marks the greatest single difference between our housing market and similar economies. This single point is a key question for the market study to address.

In summary

A CMA enquiry into our new homes “market” is urgently needed. The current system fails to deliver the quantity and quality of homes that are needed in places where people want to live. The market failure is clear. Most people do not want to buy the product due to its poor quality and high price yet the market is highly profitable for the small number of players who dominate it, whilst at the same time we have a desperate need for more homes. I would challenge anyone to identify a market that is more broken.

Yours sincerely

The National Custom & Self Build Association

