

Housebuilding Market Study

Persimmon PLC's response to the CMA's Statement of Scope

1. Introduction and key points

- 1.1 Persimmon PLC ("**Persimmon**") welcomes the opportunity to comment on the statement of scope (the "**Statement of Scope**") for the Competition and Markets Authority's ("**CMA**") housebuilding market study (the "**Market Study**"). This response sets out Persimmon's comments on the Statement of Scope, including detail as to how Persimmon views the various aspects of the housebuilding industry.
- 1.2 Persimmon agrees with the CMA that housebuilding is an important industry providing a crucial social and economic good to society. As a housebuilder with a (two year) 5-star customer satisfaction rating, supporting over 85,000 jobs last year in our direct employment and wider supply chain (including 400 directly employed apprentices), we recognise the important role we play in society and in creating sustainable communities for consumers.
- 1.3 Competition is strong at all levels of the housebuilding supply chain – for example competition between housebuilders and others (including commercial developers) to acquire land, and between housebuilders and the second hand market to sell homes. This competition drives positive outcomes for landowners and homebuyers. However, Persimmon and other industry players operate in an environment which is heavily constrained by broader public policy. Housebuilding – which is a long-term, cyclical, high-risk and increasingly complex industry – is subject to a number of market forces and ever-greater political and regulatory intervention. A list of significant recent policy and regulatory shifts actively shaping this market is provided at Appendix 1. These factors drive this industry and cannot be ignored in any study of it. As the CMA recognises, housebuilders are trying to meet the need for new housing in Great Britain, with new build volumes having increased over the past 10 years.¹ However, they are equally the subject of significant, and evolving, regulatory hurdles that dictate their ability to operate in circumstances where they have invested significant capital at risk. Returns for housebuilders may come many years (if at all) after their initial investment in developable land, during which time their investment is highly vulnerable to volatile market conditions brought about by changing regulation and public policy. The importance of addressing these complex issues the industry is currently confronting has recently been recognised by the government, with the Chancellor's 2023 Spring Budget (the "**Spring Budget**") stating that the government needs to take action to address immediate construction labour supply shortages and support developments to overcome barriers to housing delivery.²
- 1.4 Against this background, the CMA identifies four stages of particular study. At each of these stages, there are crucial considerations that must be taken into account by the CMA as part of its Market Study. To take these stages in turn:
- (i) **Securing land for future development.** Housebuilders are subject to the behaviour of other actors. The supply of developable land is significantly constrained due to its ownership and planning status (for example, large areas of land are owned by

¹ Statement of Scope, paragraph 1.18.

² See: <https://www.gov.uk/government/publications/spring-budget-2023/spring-budget-2023-html>.

governmental bodies including local authorities as well as institutional landowners and/or are protected from development – e.g. national parks and greenbelt). Housebuilders cannot simply decide where they build. Rather, they are only able to build on land that is made available for development, largely through local plan allocations, and provided the relevant landowner wishes to sell that land for housing development.³ This latter decision will depend on the landowners, themselves responding to ever-changing macroeconomic factors and prevailing government regulation and policy. Housebuilders then bid against each other and commercial organisations (and increasingly housing associations backed by government grants and subject to different taxation schemes and rules for their Section 106 contributions) for parcels of land and it is up to the landowner to decide which offer to accept (a decision likely based on a range of metrics including price, confidence in the developer to deliver successful planning approval and its ability to perform from a design perspective).

Housebuilders are constrained by significant government regulation, changing public policy and accompanying volatility in market conditions. A housebuilder's decision to purchase land is a commercial decision that balances the significant capital investment required (where returns are not realised for many years, if at all) against not only the availability of suitably developable land, but also the propensity of local authorities to permit the land for development. Specific local planning requirements, local political interests and nationally set regulations and levies must also be considered. All the while, housebuilders are investing significant capital which is at risk from the prevailing economic climate as well as changes in the policy and regulatory framework. The commercial decision to purchase land is, in short, subject to and constrained by the actions, regulations and requirements of many other actors.

- (ii) **Obtaining planning permission.** In obtaining planning permission housebuilders are subject to both national policy requirements and the local implementation of those requirements. National planning policy provides the strict framework within which all housebuilders operate. This constrains the nature of development that can be proposed and dictates the presumption that new development must make a broader financial contribution to local services. Planning policy has been through numerous changes, especially in recent years, which have impacted the availability of land and the ability to deliver new homes. Historic reforms have shaped the market that exists today, such as the Town and Country Planning Act 1990 leading to an increase in large sites for development.

³ This was recognised by the Home Builders Foundation (the “HBF”) in its report ‘Building Homes in a Changing Business Environment’ dated 31 October 2022 (the “HBF Building Homes Report”). See: https://www.hbf.co.uk/documents/12117/HBF_report_-_Building_Homes_in_a_Changing_Business_Environment.pdf: *“Policymakers and commentators can often be heard to say that additional costs can be passed onto landowners, allowing for greater development costs to be absorbed by private landowners accepting lower receipts for their land. While this is true up to a point, with the raft of additional costs and the changing business environment that we are currently facing into, these assumptions may not hold true for much longer. This could severely affect the amount of land available to home builders and requires attention”* (page 5).

Research demonstrates the consistent recent decline in the granting of new planning permissions.⁴ Planning permission (while set by the national framework) for the vast majority of larger development sites is granted by a committee of locally-elected politicians. It is not simply a legal compliance exercise that housebuilders must follow. Rather it is subject to local political decisions and priorities (all the time while housebuilders have significant capital at risk). The ability for local decisions to be challenged is also being reduced as part of the government's reforms to the National Policy Planning Framework (the "**NPPF**").⁵

The planning system is a multi-actor regulatory framework that actively shapes and limits the actions of housebuilders and introduces significant inherent risk into the industry. This is clearly evidenced by the recent action taken by Natural England, resulting in live developments being halted overnight and future development being restricted across swathes of the country in order to deal with concentrations of nutrients in local watercourses (something outside the control of housebuilders).⁶ As a complex system with a high level of regulation and many actors involved, planning does not therefore follow 'classic' economic theory. If an area has high unaffordability it does not follow that the planning system automatically releases land for development to respond with more supply. There are policy, political and environmental constraints that shape the market.

This rapidly evolving and increasingly burdensome regulatory framework is impacting the industry and its market participants – as is the increasing tax burden. SMEs, for example, have stated in a recent HBF survey that the planning process is the most significant barrier to entry,⁷ rather than commenting on competition from larger players in the market. The complexities in the planning system have also given rise to new intermediaries, such as land promoters, who seek to navigate these complex and ever-changing planning and regulatory challenges on behalf of landowners, who do not have the experience or knowledge to achieve planning on their own.

Persimmon does not land bank or otherwise delay bringing new homes to market in line with demand, a fact supported by a previous government review which concluded that major housebuilders were not attempting to 'lock up' land.⁸ Indeed, Persimmon

⁴ Analysis carried out by Lichfields in a joint report by Lichfields, the HBF and the LPDF 'Making a bad situation worse – the impact on housing supply of proposed changes to the NPPF' dated February 2023 (the "**Joint Report**") shows that the number of planning permissions in Q1-Q3 2022 was 10% lower than five years ago, and on a downward trend (page 7). See: https://lichfields.uk/media/7853/making-a-bad-situation-worse-the-impact-on-housing-supply-of-proposed-changes-to-the-nppf_lichfields_feb-23.pdf.

⁵ As explained at paragraph 3.2(ii)(b) below.

⁶ Natural England is discussed further at paragraph 3.2(i)(c) below.

⁷ As reported in the HBF report 'State of Play: Challenges and Opportunities Facing SME Home Builders 2021 Edition' dated 5 January 2022 (the "**HBF State of Play Report**"). See: <https://www.hbf.co.uk/news/state-play-challenges-and-opportunities-facing-sme-home-builders/> (page 8).

⁸ Independent Review of Build Out Final Report dated October 2018: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/752124/Letwin_review_web_version.pdf (the "**Final Report**") and Independent Review of Build Out Rates Draft Analysis dated June 2018:

has a clear focus on bringing sites through for development as quickly as possible in order to secure a financial return. Delays in the planning system, as outlined above, are a key factor in the timing of development openings and delivering homes for consumers.

- (iii) **Building the properties.** Building is subject to many regulations, policies and standards that must be met. While these requirements are largely known before construction starts, the liability of regulation to change while development is progressing is a risk that housebuilders must try to manage.⁹ Build out rates may also be determined by the actions of others, such as those – including local authorities – delivering associated infrastructure, for example transport or schools – or by unforeseen circumstances.¹⁰ Equally, the ability to secure materials and labour is sometimes constrained by macroeconomic factors, a risk again borne by housebuilders. While large housebuilders have invested in innovative, efficiency enhancing, strategies to weather these external factors,¹¹ even with the relatively contained activity of building on a site with planning permission, housebuilders are subject to external forces that shape their ability to build and risk to manage.
- (iv) **Selling the properties.** New homes do not exist in isolation. Sales rates and prices of new build properties depend on local market conditions, prevailing macroeconomic conditions and the actions of banks and mortgage lenders. Location is generally considered to be a key factor influencing customers' purchasing decision.¹² Housebuilders therefore must consider prevailing local market conditions when setting pricing, including the (often, much larger) second hand market.¹³ The rapid shifts in housing affordability have been well demonstrated in recent months with the rapid movement in interest rates and the associated perilous impact on mortgage costs to the consumer. Those costs and more broadly the competitive strength and risk appetite

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/718878/Build_Out_Review_Draft_Analysis.pdf (the "**Draft Analysis**") (together the "**Letwin Review**") (paragraphs 5.31 – 5.41 of the Draft Analysis).

⁹ See further paragraph 3.2(i)(c) below relating to nutrient neutrality. By way of further example, in December 2022 the UK Health Security Agency updated its 'radon map', which allows local councils (among other stakeholders) to assess the radon risk to properties in their area. This map is also used in building regulations to inform where radon preventative measures should be incorporated in new buildings. When the new map was released, some of Persimmon's ongoing developments were swept into a radon risk area, meaning builds needed to change overnight to become radon-compliant. See: <https://www.gov.uk/government/news/ukhsa-and-bgs-publish-updated-radon-map-for-great-britain>.

¹⁰ See for instance paragraph 5.3 below.

¹¹ Constraints on both the supply-side and demand-side of the market mean that Persimmon must innovate and evolve in the market to increase efficiencies and withstand economic pressures. Persimmon has introduced several initiatives aimed at driving improvements in customer service, build quality and operational efficiency. For example, Persimmon adopts a strategic approach to procurement, including through targeted acquisition of suppliers, which provides greater control over its supply chain and improves build efficiency and capacity by requiring less on-site labour than traditional construction. See further section 4 below.

¹² This was recognised in report OFT1020 of the Office of Fair Trading's market study of 2008 (the "**OFT Final Report**") at Chart 4.1. See: <https://webarchive.nationalarchives.gov.uk/ukgwa/20140402160708/http://oft.gov.uk/OFTwork/markets-work/home1#named2>.

¹³ This is recognised in the HBF Building Homes Report, which notes that the second hand market (which comprises between 80-90% of home sales) will set the parameters for asking prices established by builders and for valuers working on behalf of mortgage lenders (page 7).

of the mortgage market are crucial determinants of a housebuilder's ability to sell a home and the consumer's ability to buy. The vast majority of new home sales require a mortgage; lenders therefore either agree or refuse a mortgage based upon their assessment of a home's market price and on the consumer's ability to afford the mortgage repayments. In these ways, housebuilders are 'price takers', rather than 'price makers'.¹⁴ With the growth of social media and the increasing political interest in the quality of new build homes, the market also puts a value on reputation.¹⁵

- 1.5 It is also important to note that the housing market is cyclical, as consumers' ability to purchase a home depends on a number of factors such as employment rates, consumer confidence, interest rates and mortgage availability. This was demonstrated clearly as all housebuilders' sales rates fell significantly as consumers and lenders responded to the 'mini budget' in September 2022.¹⁶ Large housebuilders must manage their businesses with a long-term view, to ensure they can operate through the cycle.
- 1.6 While these prevailing challenges are significant, Persimmon nevertheless seeks to deliver new, quality homes to consumers to meet the housing demand in Great Britain. Recognising the importance of consumers and the significant financial investment they make when investing in their home, the Persimmon Board commissioned an Independent Review in 2019 led by Stephanie Barwise to review its build quality and customer processes. This was prompted by criticism of Persimmon's build quality and customer care standards, which had a negative impact on Persimmon's reputation, ability to win bids against its rivals to purchase land and partner with housing associations (leading housing associations to form partnerships with rival housebuilders). It also compromised Persimmon's appeal to prospective homebuyers. Following a strategy overhaul, which saw Persimmon bring in a new senior management team in 2020, the Group's priorities shifted to focus on driving improvements to customer service, build quality and community impact. Recommendations made during the Independent Review were also implemented into Persimmon's day to day operations, a key example of which was the introduction of the Persimmon Way, the Group's construction excellence programme. This programme drives improvements in build quality through training and enhanced quality assurance processes (Persimmon has a team of around 60 quality inspectors who perform checks at key build stages) to improve Persimmon's competitive position in the market. In addition, Persimmon has enhanced its extensive house type range to develop a more attractive product for consumers and to meet the varying design requirements of local planning authorities ("LPAs").
- 1.7 Persimmon's new focus pervades the organisation. For example: (i) in 2020 Persimmon became an accredited NVQ assessment centre and around 90% of Persimmon's site management have achieved a relevant NVQ qualification (this is up from around 20% in December 2020), with the business being recognised as a Top 100 Apprentice Employer; and (ii) Persimmon has overhauled its senior management remuneration structure, meaning 40%

¹⁴ This was recognised by the HBF in the HBF Building Homes Report (page 7).

¹⁵ See paragraph 1.6 below.

¹⁶ See, for example, Persimmon's announcement to its Annual Results 2022 dated 1 March 2023: "*Forward sales position reflects the significant drop in private sales rates experienced in Q4 2022 to 0.30 (Q4 2021: 0.77), although cancellation rates have reverted back to typical historic levels.*". See: <https://www.persimmonhomes.com/corporate/media/nb0fcxsp/persimmon-year-end-announcement-2022.pdf>.

of their remuneration is now tied to Persimmon's broader quality, customer service and environmental aims.

- 1.8 The steps taken to improve customer service and outcomes are echoed in the industry at large. A New Homes Quality Board Code of Practice (most recently published in February 2023) (the “**Code**”) sets out certain, customer-focused requirements that developers registered with the New Homes Quality Board (the “**NHQB**”) must meet,¹⁷ and each year the HBF carries out a customer satisfaction survey whereby builders are awarded a 5-star rating if over 90% of their customers would recommend them to a friend.¹⁸ Large national housebuilders provide training in key construction skills (a skillset that is in short supply) and drive innovation in modern methods of construction and transitioning to net zero carbon homes at scale. In short, they play a key role in the housing market, delivering more homes for consumers.
- 1.9 Persimmon looks forward to engaging with the CMA further, and providing additional information relevant to support the CMA's work, as the Market Study progresses.

2. Overview of the Statement of Scope and Persimmon's response

- 2.1 The Statement of Scope sets out the CMA's intention to explore a number of areas relating to the supply of new homes to consumers (referred to as 'housebuilding') in England, Scotland and Wales, including: (i) the behaviour of, and interactions between, different market actors in the supply chain; (ii) buyer choice at different stages in that chain; and (iii) competition between housebuilders.
- 2.2 Persimmon agrees with the CMA's plan to explore the breadth of the supply chain in the scope of its Market Study. Persimmon notes that the housebuilding industry is complex, with (i) many different actors and (ii) a number of different features influencing those actors. Many of these features, which include planning (and other regulatory) obligations, policy decisions and general macroeconomic conditions, vary region to region as local political forces often have different priorities and agendas and each area may be differently affected by the prevailing economic climate. Importantly, there is no single actor (or category of actor) that 'controls' the process by which land is brought forward for housing development; rather every player is subject to all the different features (and regional variations of those features) at play.
- 2.3 Persimmon therefore considers it is important for the CMA to recognise the following:
- (i) While Persimmon acknowledges that certain market features lie outside of the CMA's scope,¹⁹ the impact of those features on the housebuilding industry is critical and any

¹⁷ Contravention of the Code may result in disciplinary measures, with actions ranging from fines, retraining of developers' employees or removing the developers from the Register of Developers. For further detail on the New Homes Quality Board, see paragraph 4.4 below.

¹⁸ See: <https://www.hbf.co.uk/policy/policy-and-wider-work-program/customer-satisfaction-survey/latest-results/>.

¹⁹ Per paragraph 1.13 of the Statement of Scope, the CMA proposes to focus on the areas where it considers it can provide the most insight and have greatest impact, and not on fundamental aspects of the planning regime or government policy – including constraints resulting from broad policy choices; the aims of the UK's planning regimes; and the impact of the proposed Levelling Up and Regeneration Bill (the “**LURB**”).

study seeking to assess the industry must consider them, or else risk drawing incomplete conclusions as to how well it is functioning.

- (ii) Wider macroeconomic features constrain the actions that market actors (including Persimmon) can take, including housebuilders' pricing²⁰ and build rates.²¹
- (iii) Similarly, while housebuilding is subject to the usual market forces of supply and demand, this does not reflect the whole picture. While it is true to say that where demand for housing is lower (due, for example, to lower or ageing populations) there may be fewer active housebuilders (and vice versa), even in areas where demand for new housing is high, developers' ability to build may be significantly constrained by the relevant LPA, which may (depending on its political priorities) seek to ration new homebuilding in its area. New government proposals are likely to exacerbate this, by seeking to remove the proactive requirement on LPAs to positively plan forward to meet local housing need.²²

2.4 Against this background, Persimmon wishes to provide comments on the Statement of Scope relating to what it considers are the most significant market features, for the CMA's further consideration:

- (i) **Context for the Market Study.** At Section 3, Persimmon provides the CMA with additional context on the macroeconomic and regulatory factors that are the overall drivers of this industry.
- (ii) **Innovations in this evolving industry:** At Section 4, Persimmon explains the efforts it and the industry at large have made to counter the many challenges brought about by the macroeconomic and regulatory factors discussed at Section 3.
- (iii) **The CMA's proposal to explore the behaviour of, and interactions between, market actors in the supply chain.**²³ At Section 5 Persimmon explains the following:
 - (a) the lack of commercial incentive for it not to develop land and bring new homes to market in a timely manner; and
 - (b) the impact of other market actors on SMEs relative to that of large housebuilders, particularly with respect to LPAs.

²⁰ Pricing may be influenced by a number of external factors, including interest rates, mortgage availability and how appealing the second hand market for 'new' homes is to consumers.

²¹ Build rates are necessarily subject to the availability of raw materials and labour, in addition to burdensome planning constraints.

²² As explained at paragraph 3.2(ii)(b).

²³ Statement of Scope, paragraph 2.23.

(iv) **The CMA's proposal to consider the extent of buyer choice and transparency at different stages in the process.**²⁴ At Section 6 Persimmon explains the following:

- (a) any issues relating to developable land for sale are mostly due to difficulties associated with the planning process (notwithstanding that the amount of land coming to market is already limited by landowners' desire to sell);²⁵ and
- (b) the crucial primary importance of an LPA's desire to adopt public infrastructure and that (notwithstanding):
 - (I) in Persimmon's experience estate management charges are not a key concern for freeholders at the point of purchase (and in any case a new industry code to improve visibility into estate management charges is expected this year); and
 - (II) in Persimmon's case, where LPAs do not want to adopt public infrastructure, homeowners are in fact given control over estate management (and thereby its costs) via resident management companies.

(v) **The CMA's proposal to consider competition between housebuilders.**²⁶ At Section 7 Persimmon explains the following:

- (a) competition in the market is vigorous and multi-faceted – it occurs throughout the supply chain and, at the point of sale, between all homes (i.e. both new and second hand homes);
- (b) many factors may influence the delivery of new housing in a given area; and
- (c) the CMA's perceived failure of housebuilders to meet new home targets is not due to lack of competition between, or the behaviour of, housebuilders (or intermediaries), but rather broader market conditions including the planning system.

2.5 Each of these points is explained in detail below. To further assist the CMA's review, Persimmon also provides at Section 8 comments on the CMA's proposed geographic scope for the Market Study. Persimmon looks forward to engaging with the CMA further on these and the more detailed points considered in the Statement of Scope during the course of the Market Study.

²⁴ Statement of Scope, paragraph 2.24.

²⁵ See paragraph 1.4(i) above.

²⁶ Statement of Scope, paragraph 2.25.

3. Contextual factors driving the housebuilding industry

- 3.1 Housebuilders today face significant constraints at both ends of the housebuilding process.²⁷ At the land acquisition and development stage, housebuilders are subject to increasingly onerous regulation, taxation and government and local authority policy that impacts their ability to bring new homes to market in a timely manner. At the point of sale of new build homes, the price prospective purchasers are willing to pay (and indeed the type of home they are willing to buy) is determined by macroeconomic conditions, which gives rise to an important cyclical dynamic in the market that developers must manage their exposure to. As the HBF highlights *“in local housing markets, home builders are the ‘price takers’ rather than the ‘price makers’”*.²⁸
- 3.2 The CMA’s Statement of Scope excludes a number of areas that are definitive drivers of this industry. In particular, broad regulatory and policy decisions and the planning regime are the key determinants driving the outcomes that housebuilders can deliver to homeowners. Persimmon urges the CMA to take these into account during the Market Study. Specifically:
- (i) Housebuilders are subject to a raft of continually evolving national regulation and taxation across a wide range of areas (including building, planning and environmental) that significantly impact the timescales and cost of, and thereby essentially control, the development of new housing. Persimmon would urge the CMA to consider the findings of the HBF Building Homes Report, which outlines the many regulatory changes facing housebuilders today and concludes that the raft of proposed new taxes, levies and regulations on housebuilders will cost £4.5 billion per year and add £20,000 to the cost of building each new home.²⁹ In addition, the variations in legislation and regulation across the devolved governments means that housebuilders effectively need to equip themselves to build different products in different countries. Housebuilders also operate in an industry where government policy and regulation is locally enforced by LPAs, which may have different priorities and therefore adopt different strategies for enforcing top-down regulation and policy. As illustrative examples:
 - (a) **National regulation:** As the UK moves towards its net zero carbon emissions targets, regulation of new homes is becoming increasingly more stringent and the burden of ensuring compliance with those regulations will be borne by housebuilders.³⁰ Indeed (as explained at Section 4), Persimmon considers that large housebuilders are already bearing the burden of these changes, as policy makers are able to set ambitious targets by relying on large

²⁷ The HBF Building Homes Report (page 5).

²⁸ *id* (page 7).

²⁹ HBF Building Homes Report (page 22). By way of further example, in 2023, the government introduced the Residential Property Developer Tax, a new 4% tax which will apply to the largest residential property developers on the profits they make on UK residential property development. In 2021, Persimmon led the industry in committing that no leaseholder in a multi-storey development that Persimmon built would have to pay for cladding removal or life-critical fire-safety remediation. Persimmon has incurred a total of £350m relating to provisions and costs for claims for building safety remediation.

³⁰ For example, the HBF Building Homes Report (at page 13) anticipates that the Future Homes Standard, currently scheduled to be introduced in 2025, will require housebuilders to ensure the electrification of new homes and cease gas connections, at a total cost of up to £1.9 billion per year.

housebuilders to develop innovative strategies to manage incoming regulation, and deploy compliant new developments at scale.

- (b) **Regional variations:** Housebuilders in Wales are required to install sprinkler systems in all new homes; and in Scotland net zero requirements must be met earlier than is the case for the other devolved governments – thus requiring housebuilders to adapt their developments accordingly to comply with the rules of each devolved power.
 - (c) **Local enforcement:** Following a decision of the Court of Justice of the European Union, Natural England has issued guidance to LPAs to refuse planning permission for new developments unless it can be demonstrated that the development will achieve ‘nutrient neutrality’, with regard to the release of nutrients into local waterways (an issue outside the control of, and which could not be foreseen by, housebuilders). In addition, while the HBF reports that over 70 local authorities are in scope of these requirements and over 100,000 new homes are currently being delayed by nutrient-related issues,³¹ Persimmon understands that action taken by LPAs in response has varied greatly between authorities. While formally, bodies like Natural England are consultees in an LPA’s decision-making process, in reality in Persimmon’s experience, LPAs rarely deviate from the recommendations of these entities (particularly as regards ecological or public health matters). It highlights the highly unpredictable nature of this process that such entities, who may adopt new strategies with no warning, actively shape and limit the actions of housebuilders and introduce significant risk into the industry. It was recognised in the Spring Budget that “[h]igh levels of nutrient pollution in protected sites are stalling housing delivery across 74 Local Planning Authorities, reflecting a major barrier to the government’s ambition of delivering 300,000 homes per year”.³²
- (ii) Overarching government policy also has a critical impact on the delivery of homes:
- (a) Persimmon considers that the abrupt closure (as opposed to tapering the value) of the Help to Buy scheme has reduced the number of first-time buyers actively looking to purchase a house, thereby reducing the incentives of market players further up the supply chain to push development forward. As the HBF recognised, the Help to Buy scheme had been the biggest contributor to the growth in housing supply since 2013, with an estimated one in five new build purchases being supported by Help to Buy (rising to around 50% in London).³³ The impacts of closing this scheme on housing delivery and the wider housebuilding industry must not be underestimated. Indeed, Persimmon shares in the HBF’s view that consumer confidence is key to the continuing success of housebuilders (particularly SMEs) and that mortgage availability (particularly high loan to value (or ‘LTV’) mortgages) is a key component of this,

³¹ HBF Building Homes Report (page 18). The HBF Building Homes Report states that, as of the date of the report, this action had seen 3,811 homes delayed in South Somerset alone.

³² The Spring Budget.

³³ As of the date the report was published – see the HBF Building Homes Report (page 10).

something which is heavily negatively impacted by the closure of the Help to Buy scheme.³⁴

- (b) In Persimmon's view, the proposed LURB will have a slowing effect on the delivery of new homes and do nothing to improve the timescales for the approval of planning permission. This bill is also being considered while significant changes are proposed to the NPPF, including that LPAs would not have to demonstrate a deliverable five-year housing land supply where the Adopted Local Plan is less than five years old. While it is yet to be seen how this will operate in practice, the concern (which Persimmon considers is shared across the industry) is that this will markedly reduce the requirement of LPAs to boost the delivery of new housing as well as the ability to challenge those that are not meeting local need. Further, ahead of the full introduction of the changes a number of LPAs are slowing or even withdrawing Local Plans now, affecting the supply of new housing in those areas.³⁵
- (iii) As the CMA recognises, housebuilders are required to enter into certain planning arrangements to mitigate the impacts of a development proposal. These arrangements are a gating item to turning developable land into new homes and represent the key barrier to entry and expansion for housebuilders that do not have the financial resources, planning or technical expertise to manage the process. As such, it is critical that the CMA consider their significant impact:
 - (a) First, planning conditions, in particular Section 106 agreements and their regional equivalents,³⁶ require housebuilders to fully fund or contribute to the cost of infrastructure required to support new residential developments, including affordable housing. Housebuilders must make significant (and risk-laden) upfront capital investments to carry out works relating to infrastructure around a planned residential development, the returns from which will not be realised until after the many years it takes to build out and sell each individual plot (and assuming the housebuilder is successful in developing the site). In addition, such works impact build out rates because LPAs often require housebuilders to complete them before the next phase of housebuilding can begin. In these ways, these agreements significantly impact a housebuilder's ability to both begin and progress the build out of a development.³⁷

³⁴ HBF State of Play Report (page 18).

³⁵ See, for example, (i) the response by the HBF to the government's consultation on the LURB: https://www.hbf.co.uk/documents/12335/NPPF_Consultation_Response_-_Final_02-03-23.pdf; and (ii) the blog post by Lichfields to accompany the Joint Report dated 27 February 2023, which finds that: "*the policy proposals on their own could suppress the rate of net additional homes to just 156k per annum. Even before one factors in issues like the economic downturn or water and nutrient neutrality barriers to house building, this would mean building around half of the Government's assessment of minimum housing need and 77k less than recent rates of delivery*". See: <https://lichfields.uk/blog/2023/february/27/making-a-bad-situation-worse-the-impact-of-the-proposed-nppf-changes-on-housing-supply/>.

³⁶ Housebuilders' planning obligations under Section 106 of the Town and Country Planning Act 1990 (as amended).

³⁷ For example if a Section 106 agreement requires a housebuilder to build a school in year [x], that housebuilder will be restricted in the number of new homes it can also build in year [x].

- (b) Second, planning is an incredibly long and complex process, depending on local planning resource and political priorities. Housebuilders must be well equipped to manage the risks associated with this (relating to the costs of delays or rejections in planning applications, while at the same time managing continual regulatory and policy change). In January 2022, the HBF released a paper reporting that 94% of respondents it surveyed saw delays in securing planning permission or discharging planning conditions as a major barrier to housing delivery (up from 83% in 2020), whilst 90% believed a lack of resources in local planning departments was a major barrier (up from 73% in 2020).³⁸
- 3.3 These pressures have, in part, resulted in other market actors playing an increasingly active role in the market. Land promoters, for example, have gained traction since they can guide landowners through the planning process. This has become increasingly the case with the evermore complex planning system.
- 3.4 In addition, all housebuilders are vulnerable to cyclical market conditions. As the CMA recognises, the volume of housing built in any given period is influenced by macroeconomic factors, such as inflation, interest rates and consumer confidence. Inflation and the cost-of-living crisis has led to pressures across the supply chain and higher construction costs. At the same time, rising interest rates also have a major impact on the housing market, affecting capital flows, developer finances, as well as the affordability and availability of mortgages for homebuyers which puts downward pressure on house prices.
- 3.5 Persimmon seeks to mitigate the impact of these trends through robust cost management processes and innovative approaches to procurement (discussed further at Section 4). Persimmon plans and builds for the long term and continues to develop and deliver new homes during downturns, despite key market outcomes being outside of Persimmon's control.
- 3.6 It is crucial for the CMA to consider these factors in its review as they permeate housebuilders' (and other market participants') risk management strategy throughout the supply chain, and therefore significantly influence the outcomes for new homebuyers that the CMA is seeking to measure and evaluate in its Market Study. Whilst Persimmon recognises that the CMA's ability to review all aspects of this industry is limited, and that certain features will therefore be out of scope, it must still be mindful of these features and take a correspondingly cautious approach when drawing its conclusions on how the market is operating.
- 4. The housebuilding industry is constantly evolving, with innovations that benefit consumers**
- 4.1 Persimmon wishes to draw the CMA's attention to the significant efforts the industry has made in an attempt to offset the many challenges brought about by macroeconomic, public policy and regulatory factors, in order to drive efficiencies and deliver the best outcomes to new homebuyers.
- 4.2 Large housebuilders like Persimmon are able to diversify their offering and invest in processes which deliver positive consumer outcomes. For example, Persimmon has focused on investing

³⁸ HBF State of Play Report (page 8).

in vertical integration aimed at maximising build efficiency and alleviating pressure on labour and materials requirements. This includes investments over the last two decades in a timber frame factory (with active plans to build a second) as well as brickworks, tileworks and groundworks.³⁹ These initiatives have the dual benefit to prospective new homebuyers of: (i) speeding up build out rates so that more homes are available sooner; and (ii) freeing up valuable raw material and labour resource (which is highly subject to cyclical market dynamics) to other housebuilders, including SMEs. Such innovations improve not only the speed of delivery, but also the quality, of new homes. Persimmon generally builds to a standard model (enabling it to efficiently develop at scale), covering approximately 180 house designs – thus enabling each development to be contextualised to sit well in its environment.

4.3 The UK's transition to a zero carbon economy, is leading to increasing levels of regulation for housebuilders, which could bring additional challenges relating to delays in planning and increased costs and competition for materials. Due to the regulatory and competitive environment in which Persimmon operates, Persimmon has implemented a range of measures to improve operational efficiency and direct environmental impact and deliver its targets to deliver net zero homes in use to its customers by 2030 and to have net zero operations by 2040. These innovations are a new frontier in the industry and whilst some (such as maintaining a detailed climate change risk register and setting science-based carbon reduction targets) are more straightforward, others are more exploratory trials to identify a scalable, cost effective way to support the transition to net zero homes in use by 2030. This includes Persimmon's partnership with the University of Salford to deliver a zero carbon house in Yorkshire and carry out a trial with a 'live in' family to assess the 'liveability' of net zero homes and monitor their performance against the upcoming Future Homes Standard.⁴⁰ Building on from this trial, Persimmon is constructing a highly thermally efficient timber frame home utilising new wall cassettes from Space4 (its timber frame manufacturing facility) together with zero carbon heating from air source heat pumps with connection to a 100% renewable electricity supply. Persimmon is also trialling alternative heating solutions, such as infra-red and underfloor heating systems. This exemplifies large housebuilders' ability to deliver on the government agenda to transition to a zero carbon economy, by investing in innovation to meet the ambitious timelines for such regulations and initiatives.

4.4 In addition, the industry is increasingly aware of the need to listen to the voice of new homeowners and the NHQB was consequently introduced in 2022 to oversee reforms in the build quality of new homes and developers' customer service.⁴¹ The NHQB established the Code (and associated guidance for developers) which sets out 10 guiding principles for developers to follow to benefit their customers, including (among others) fairness, quality, service, responsiveness and transparency.⁴² The Code covers the spectrum of the developer-buyer relationship, including: (i) selling a new home; (ii) legal documents, information, inspection and completion; (iii) after-sales service, complaints and the New Homes

³⁹ Similarly, Persimmon is working with a volumetric housebuilding company and has put supply agreements in place to ensure that Persimmon's sites can be developed more quickly, and more sustainably, than current traditional methods.

⁴⁰ See: <https://www.persimmonhomes.com/corporate/sustainability/environment/>.

⁴¹ See: <https://www.nhqb.org.uk/>.

⁴² See: <https://www.nhqb.org.uk/homebuyers/downloads.html>.

Ombudsman; and (iv) solvency, legal rights and jurisdiction.⁴³ Persimmon has similarly introduced several initiatives, including an independent review and new customer-focused management, aimed at driving improved build quality and customer service.⁴⁴ To achieve these aims, Persimmon is committed to serving the needs of the local communities where its developments are located, including employing and sub-contracting apprenticeships to, and delivering new homes for, local people.

5. The behaviour of market actors

- 5.1 With respect specifically to Persimmon, it is important to state that Persimmon's business is to sell new homes to consumers. As a publicly listed company, Persimmon has a responsibility to maximise shareholder returns when carrying out its business. As such, it has no incentive (or indeed ability given its statutory obligations to shareholders) either to hold land in bank that it could otherwise be developing; or to deliberately attempt to delay planning, construction or other processes with the effect of prolonging the time taken for land to be developed and new homes to be sold. If Persimmon sought to pursue either of these strategies, it would correspondingly delay the time in which it could realise the financial value of the land it holds, a strategy which would not be in the best interests of the business or its shareholders.
- 5.2 Indeed, Persimmon's view is that it is a common misconception that significant value lies in housebuilders building up land assets without planning permission (for example through land banking). On the contrary, Persimmon considers that such land is effectively housebuilders' 'raw material' and held as an asset to bring developments through for construction as effectively as possible. The land generates returns when (following receipt of planning permission) it is developed and the newly built homes are sold. There is no reason for housebuilders to prolong the time that land is without planning permission. This was confirmed in the Letwin Review, an extensive exercise commissioned by then Chancellor Philip Hammond and carried out in 2018. The review concluded that major housebuilders were not attempting to 'lock up' land and that land banking could in fact be expected to accelerate the build out rate of developments.⁴⁵ Moreover, the Letwin Review considered that major housebuilders' business models depended on generating profits out of sales of housing and not from increasing the value of landholdings.⁴⁶
- 5.3 In Persimmon's experience, the fact it can take a significant amount of time for a housebuilder to procure planning permission and build out a development is attributable primarily to the planning process. It is the relevant LPA – and not the housebuilder – that drives planning condition negotiations, and the speed and smoothness of the process varies on a case-by-case basis depending on a number of factors. Delays and roadblocks in planning may come from multiple, and often unpredictable, sources and are therefore extremely difficult to plan for at the outset. Not only does this delay the build out of a development, but it also significantly raises the risk profile of a housebuilder's capital investment in land by further prolonging the time

⁴³ *id.*

⁴⁴ See paragraph 1.6 above.

⁴⁵ The Letwin Review (Draft Analysis, paragraph 5.36).

⁴⁶ *id.* (Draft Analysis, paragraph 5.41).

before it can realise any returns (and leaving its investment vulnerable to market volatility). For instance, [REDACTED].

- 5.4 Persimmon also notes that there are varying degrees of resource, and technical expertise, within different LPAs (influenced by local authority budgets) that may result in overall timing delays as the LPA grapples with these issues (particularly for complex sites/developments). In addition, as public authorities LPAs are bound by a duty to their constituents, delays are more likely in those areas where a need for new housing is not a key concern for local people. In contrast, where there is a local desire for new housing, Persimmon's view is that this is often not acted upon by LPAs.
- 5.5 Persimmon notes the CMA's plans to explore whether pressures to meet supply targets may incentivise LPAs to favour large housebuilders over SMEs.⁴⁷ This notion reflects an oversimplified view of this complex market and risks the CMA drawing the wrong conclusions about the respective roles and position in the market of SMEs and large housebuilders (explained further in Section 7 below).
- 5.6 Indeed, from Persimmon's perspective, there are many reasons why SMEs are unlikely to be disadvantaged in terms of the planning *decisions* made by LPAs:
- (i) First and foremost, LPAs cannot make a planning application decision based on the identity of the applicant – and therefore cannot show a preference for large housebuilders on this basis.
 - (ii) Second, there are circumstances in which LPAs may prefer certain types of developers over others, based on the type of new homes they want to be built in their area.⁴⁸ It is Persimmon's view that some LPAs prefer bespoke developments, which are typically more common among SME housebuilders, as large housebuilders tend to rely on more standardised models (albeit with a design modelled to best fit their environment)⁴⁹ that can efficiently be built at scale. Where Persimmon believes this is the case, it is less likely to bid on a site.
 - (iii) Third, while some LPAs may be more driven to push planning negotiations for large-scale schemes in order to satisfy their housing targets, others may equally be driven (due to the relative complexity of larger schemes) to instead progress a greater number of smaller schemes. In either case, Persimmon notes that this incentive is only relevant to the very short term as (as outlined above) it expects LPAs in the future will be less incentivised by targets and subject to less governmental pressure to supply new

⁴⁷ Statement of Scope, paragraph 2.23(c). Also relevant to this point is the CMA's statement at paragraph 2.25(c), wherein it sets out its plan to explore whether SMEs may be disproportionately impacted by a lack of resource at LPAs.

⁴⁸ Persimmon considers that the Town and Country Planning Act 1990 significantly shaped the ability of LPAs to demand these changes.

⁴⁹ As discussed at paragraph 4.2 above.

homes.⁵⁰ This will give LPAs even more freedom and flexibility to handle planning applications as they see fit.

6. Buyer choice and transparency in the housebuilding process

- 6.1 The CMA's second area of focus relates to whether buyers at different stages in the housebuilding process can exercise effective choice in view of the level of transparency at key stages in the process.
- 6.2 With regard to land availability (and notwithstanding that the amount of land coming to market is already limited by landowners' desire to sell),⁵¹ Persimmon's view is that by far the most significant constraints limiting access by housebuilders in the industry to developable land are the various obstacles involved in the planning process, as detailed at Sections 3 and 5 above.
- 6.3 With regard to estate management, Persimmon would highlight that estate management is only a concern for homeowners where LPAs choose not to adopt public infrastructure surrounding new build homes (such as roads and open space), a choice which is becoming increasingly prevalent. In Persimmon's own experience these charges are not usually a key concern for its new homeowners at the point of purchase. Notwithstanding this, all housebuilders will be required to provide homeowners with details of both present and estimated future estate management charges, further increasing the transparency around these payments.⁵² In addition, where it is necessary, Persimmon favours the use of resident management companies, which in time give homeowners voting rights in the company and therefore the power to manage their own estates and deal with their estate management costs in the most appropriate way.

7. Competition in housebuilding

- 7.1 The Statement of Scope suggests that the CMA intends to focus its review on whether there is effective competition "between housebuilders".⁵³ While Persimmon welcomes the CMA's plan to explore whether there is healthy competition, Persimmon would note first that competition between housebuilders is strong, with over 10 UK developers earning over £1 billion in revenue in 2022;⁵⁴ but second that limiting the review only to competition *between* housebuilders does not reflect the multifaceted reality of the industry, where market participants are subject to many

⁵⁰ See paragraph 3.2(ii)(b) above.

⁵¹ See paragraph 1.4(i) above.

⁵² This is required by the Code, which requires housebuilders' to provide an 'affordability schedule' to customers looking forward over a 10 year period, and covering "known" and/or "anticipated" additional costs deriving directly from the tenure of the sale such as Management Services fees (e.g., maintenance of landscaping, highways that are not adopted by local authorities, etc), Event Fees and/or other charges. The Code states that the schedule should highlight for the attention of a Customer any stepped service charges in later years as additional facilities become available or sinking fund charges for repairs or maintenance that may be introduced. Where the value of actual costs or charges are unknown the Developer should provide a Customer with an un-costed schedule of items.

⁵³ Statement of Scope, paragraph 2.25.

⁵⁴ See: <https://www.building.co.uk/top-50-housebuilders-2022-full-table/5120951.article>.

different competitive constraints, contributing to a highly competitive market resulting in positive outcomes for consumers.

7.2 Vigorous competition occurs with many different players throughout the supply chain, the results of which drive competitive outcomes for landowners and homebuyers:

- (i) **Competition to acquire land:** Competition to buy land occurs between housebuilders and between housebuilders and other land users, which may include investors, commercial operators and housing associations.⁵⁵
- (ii) **Planning permission:** The ability to obtain planning permission (at least in outline form) is another key parameter of competition. Given that land with planning permission is inherently more valuable, developers with higher planning application and build success rates are likely to be more attractive partners for landowners. LPAs also benefit from this competitive landscape.
- (iii) **Competition to build new homes:** Housebuilders need to ensure they have good supply chains to deliver new homes in very competitive markets for labour and materials. This has been exacerbated by both the prevailing economic climate, where labour and materials have become increasingly constrained (with Persimmon's Annual Results 2022 recognising that supply chain problems and labour shortages contributed to Persimmon's "*most challenging year anyone can remember*"),⁵⁶ and by the overall upward trend in new build volumes.⁵⁷
- (iv) **Competition to sell homes to consumers:** Competition occurs between new homes and the second hand market for homes and between new home developers. While it is understood that the second hand market is not priced equivalently to new homes (which typically attract a 'new home premium'), it is clear that second hand prices constrain the asking prices new housebuilders may set for new developments.⁵⁸ Moreover, second hand homes comprise the overwhelming majority of residential housing transactions.⁵⁹ It is therefore important that the CMA includes the second hand homes market when assessing competition.

⁵⁵ Such competition is subject to usual market forces. In Persimmon's experience, where land is scarcer, there may be fewer players but competition for land is likely to be fiercer. This varies greatly region-by-region, with the North West having a notable shortage of land coming through for sale compared to available land in the Midlands. Similarly, the competitor set typically narrows as sites get larger as fewer housebuilders have the resources to develop on bigger sites.

⁵⁶ Persimmon Full Year Results Presentation 'Actively Managing the Challenges; Building for Growth' dated 1 March 2023 (the "**Persimmon Annual Results 2022**"). See: <https://www.persimmonhomes.com/corporate/media/loqjcnol/final-results-2022-presentation.pdf> (page 16).

⁵⁷ Statement of Scope, Figure 1.2.

⁵⁸ The HBF Building Homes Report notes that the second hand market (which comprises between 80-90% of home sales) will set the parameters for asking prices established by builders and for valuers working on behalf of mortgage lenders (page 7). This was also recognised in the OFT Final Report (paragraph 4.43).

⁵⁹ The Statement of Scope reports (at paragraph 1.16) that over 205,000 new homes were completed in the UK, equivalent to only 18% of the total number of residential homes sold in the UK for that year. In 2022, Persimmon delivered 14,868 completions – comprising only a fraction of this total. See the Persimmon Annual Results 2022 (page 2).

- 7.3 Against this backdrop, it is important for the CMA to recognise that many factors influence the number of housebuilders that may operate in a given area, including demand for all homes (including second hand) and the relative openness of the relevant LPA to welcome new housing investment.
- 7.4 Should there be any fluctuations in concentration across areas of England, Scotland and Wales, these are the result of ordinary market forces; it is a natural economic outcome (and not a competition concern) for there to be fewer housebuilders in an area where housing is oversupplied, or where the LPA is resistant to new housing investment, and vice versa. In either case, the players who are present must still compete vigorously to supply the demand, given the many facets of competition at play. It is important that the CMA recognises that the number of developers operating in a local area does not reflect competitive pressure. Rather, local areas are contestable by other housebuilders in the event that the existing developers fail to meet local needs (in addition to the significant competition developers face from the second hand homes).
- 7.5 The CMA also seeks to explore whether there are barriers to entry and expansion limiting competitive pressures and diversity in the housebuilding sector. Persimmon contends that rather than any such barriers being a feature of weak competition between housebuilders (or the behaviour of large housebuilders), they are a result of the external macroeconomic and regulatory pressures that SME housebuilders are particularly vulnerable to.
- 7.6 The CMA should be cognisant of the fact that each of these pressures (as discussed at Sections 3 and 5) particularly disadvantage SME housebuilders. In Persimmon's view SMEs are: (i) more likely to lack experience interacting with policy makers across regions and with managing changing regulatory frameworks; and (ii) less likely to have access to the same level of resource (either organically or through financing) as large housebuilders, and may therefore find it more difficult to manage the upfront capital investment required and/or the risk of delay (or even outright rejection) of a development project.
- 7.7 Given their scale and reach, large housebuilders are comparatively better equipped to manage these pressures (e.g. they are more able to spread associated costs given their larger scale), which in turn allows them to expend greater capital into larger, more complex sites and to invest in innovations to efficiently bring new homes to market at scale, in order to maintain a consistent flow of housing delivery and meet customer demand.⁶⁰

8. Northern Ireland

- 8.1 Persimmon wishes to specifically comment on the CMA's proposal to exclude Northern Ireland from the scope of the Market Study.
- 8.2 The Statement of Scope posits that "none of the volume housebuilders operates in Northern Ireland".⁶¹ Whilst it is true that none of the large housebuilders in Great Britain operate in

⁶⁰ As discussed at Section 4 above.

⁶¹ Statement of Scope, paragraph 2.32(a).

Northern Ireland, there remain some large housebuilders that continue to be important in the delivery of significant volumes of new homes for consumers and this should not be ignored.

- 8.3 The Braidwater Group is a good example of a large housebuilder in Northern Ireland which delivers significant volumes of new homes. Braidwater Group is responsible for a 650-home development in West Belfast and a 3,000 home development, called The Cashel, in Derry.⁶² These figures are in the context of the Northern Ireland market which delivers approximately 7,000 new dwellings per year. This merits further examination by the CMA.
- 8.4 The CMA suggests that the main issues relating to planning in Northern Ireland are associated with the ‘bedding-in of the new system’.⁶³ Official publications suggest that there are more deep-rooted, structural issues and this merits further investigation as part of the CMA’s work.
- 8.5 The accompanying statement to the February 2022 report⁶⁴ from the Northern Ireland Audit Office states that the “*planning system is not working efficiently and, in many aspects, is failing to deliver for the economy, communities or the environment*”.⁶⁵ This report was written seven years after introduction of the new system in 2015.
- 8.6 The March 2022 report⁶⁶ from the Northern Ireland Assembly Public Accounts Committee concluded that the planning system was not fit for purpose and called for a “fundamental review”. It references, “*nearly one fifth of the most important planning applications are not processed within three years*” and “*one of the worst examples of silo-working within the public sector that we have encountered*”.
- 8.7 The data used by the CMA⁶⁷ suggests that the pace of housebuilding in Northern Ireland (measured in terms of new dwellings completed per 1,000 population) has been significantly higher than the rest of the UK since 2008/09. Analysis of this dataset used by the CMA does, however, suggest that the pace of housebuilding has fallen in Northern Ireland between 2008/09 and 2018/19 whereas the pace in Great Britain has increased over the same period.

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⁶² See: <https://www.braidwater.com/plans-for-450m-investment-and-3000-new-homes-on-significant-derrylondonderry-site/>.

⁶³ Statement of Scope, paragraph 2.32(b).

⁶⁴ See Northern Ireland Audit Office publication ‘Planning in Northern Ireland’ dated 1 February 2022: <https://www.niauditoffice.gov.uk/publications/planning-northern-ireland>.

⁶⁵ *id.*

⁶⁶ See Northern Ireland Assembly Public Accounts Committee press release ‘Committee Says Planning System not Fit for Purpose’ dated 24 March 2022: <http://www.niassembly.gov.uk/news-and-media/press-releases/session-2021-2022/>.

⁶⁷ See: Northern Ireland Housing Statistics 2021-22 Section 1 Tables – Supply.

Appendix 1

Recent regulatory and policy shifts shaping the housebuilding industry⁶⁸

- The proposed 'Future Homes Standard', currently scheduled for introduction 2025.⁶⁹
- Changes to Part L of the Building Regulations (energy conservation) from June 2022.⁷⁰
- DLUHC's 2021 consultation on proposed 'Future Buildings Standards' changes to the Building Regulations.⁷¹
- Biodiversity Net Gain – a requirement in the Environment Bill for all developers in England to demonstrate a 10% increase in biodiversity on or near development sites (expected to come into force 2023).⁷²
- Requirement to install electric vehicle charging connections in all new homes from June 2022.⁷³
- Residential Property Developer Tax (introduced in 2023).⁷⁴
- DLUHC's November 2022 consultation on the proposed Building Safety Levy (announced February 2021).⁷⁵
- Interventions by Natural England on 'nutrient neutrality' grounds.⁷⁶
- Moratorium on development in 'Recreation Mitigation Zones' imposed by Natural England since 2018 and affecting approximately 15 local authority areas.⁷⁷
- Interventions by Natural England on 'water neutrality' grounds.⁷⁸

⁶⁸ See: Appendix to the HBF Building Homes Report (page 23). The HBF Building Homes Reports explains each of these changes in greater detail and Persimmon would urge the CMA to consider this report and its conclusions during the Market Study. Persimmon is not expressing a view on the relative merits or demerits of each measure here. Rather, it is the cumulative impact of the many changes introduced by four separate government departments.

⁶⁹ See further HBF Building Homes Report (page 13).

⁷⁰ *id* (page 13).

⁷¹ *id* (page 14).

⁷² *id* (page 15).

⁷³ *id* (page 16).

⁷⁴ *id* (page 17). See further footnote 29 above.

⁷⁵ *id* (page 17). See also: <https://www.gov.uk/government/consultations/the-building-safety-levy-consultation>.

⁷⁶ *id* (page 18). See further paragraph 3.2(i)(c) above.

⁷⁷ *id* (page 19).

⁷⁸ *id* (page 21).

- Changes to Part M of the Building Regulations (accessibility) announced in July 2022.⁷⁹
- Removal of the entitlement to use red diesel and rebated biodiesel from the construction sector from April 2022.⁸⁰

⁷⁹ *id* (page 21).

⁸⁰ *id* (page 22).