



# Richard Bacon, M.P.

MEMBER OF PARLIAMENT FOR SOUTH NORFOLK

House of Commons  
London SW1A 0AA

Private Secretary  
[Redacted]

Housebuilding Market Study  
Competition and Markets Authority  
The Cabot  
25 Cabot Square  
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20 March 2023

Dear Sir or Madam

I am writing in response to the CMA's request for submissions on its proposed Housebuilding Market Study.

## Background

My interest is in the establishing of a housing market which works properly by promoting genuine competition and giving customers more real choices over the main layout and design of their homes, which the evidence indicates that most consumers want:-

- As a backbench MP I steered on to the statute book the Self-build and Custom Housebuilding Act 2015, designed to help those who wish to commission their own homes.
- This legislation has twice been strengthened by government: first, in the 2016 Housing and Planning Act; and, second, in the Levelling Up and Regeneration Bill currently before the House of Lords, where the government has accepted my proposals for amendments.
- I am a member of the Right to Build Task Force (which is partially government-funded) and founded the All Party Parliamentary Group on Self-build, Custom and Community Housebuilding and Placemaking.
- In 2021 at the request of the then Prime Minister I undertook an independent review to develop a plan for a major scaling up of self-commissioned homes – across all tenures – to boost capacity and overall supply. This review is available on the government's website here: <https://www.gov.uk/government/publications/independent-review-into-scaling-up-self-build-and-custom-housebuilding-report> and for your convenience I attach a copy, as well as also a paper *Building Hope* which I wrote previously.

## A Broken Housing Market

It is now over six years since the government published a major White Paper *Fixing our broken housing market* (February 2017), which called for homes to be built faster and for a more diversified housing market opened up to smaller builders, while noting that “*the very structure of the housing market makes it harder increase supply*”. The White Paper added that the housing shortage was “a problem that won't solve itself”.

Six years later, the housing market is less diverse and the problems created by the current structure of the housing market are yet more acute. The proposed Housebuilding Study by the CMA is therefore welcome and timely – although its proposed scope is flawed and it needs amendment if the study is to have value.

There is a solution. It involves creating the conditions in which customers are treated as if they matter the most, rather than – for the most part – scarcely mattering at all. And this is what happens when people themselves commission the houses they would like to see.

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Most unfortunately, the Statement of Scope for the CMA's proposed Housebuilding Market Study (in paragraph 1.19, note 24) appears to dismiss the idea of the Study's including a serious examination of the role of self-commissioned homes – even though the self-commissioned homes sector offers perhaps the best available lens through which to understand the current deep structural flaws in the UK housebuilding market because it offers the best examples of what customers actually do when given the ability to make genuine choices – by simply stating: “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.”

Actually, this is incorrect. The data for the custom and self-build sector are readily available from the National Custom and Self-Build Association (<https://nacsba.org.uk>) – and over the last 40 years or so they show that the sector has consistently played a small but significant role.

In the UK around 13,000 houses are built this way annually. This makes self and custom housebuilding in the UK collectively equivalent in size to one of the larger national housebuilders – if it were ranked with them it would probably come fourth or fifth. Based on the latest available figures, the chart below shows the largest UK housebuilders ranked alongside the custom and self-build sector :-

Latest ranking	Housebuilder	Latest sales	Year-end
1	Barratt Developments	17,908	Jun-22
2	Taylor Wimpey	14,087	Dec-21
3	Persimmon	14,551	Dec-21
4	Custom & Self-Build Sector	12,273	2020-21
5	Bellway	11,198	Jul-22
6	Vistry Group	8,639	Dec-21
7	Berkeley Group	3,760	Apr-22
8	Redrow Group	5,715	Jun-22
9	Countryside Properties	5,385	Sep-21
10	Bloor Homes	4,075	Jun-21
11	Cala Group	2,904	Dec-21

### Consumers

More people want to build their own homes<sup>i</sup> than to buy new ones<sup>ii</sup>. While there is supposedly an axiom that “the customer is always right” it remains the case that for the very item on which customers spend the largest proportion of their income – their homes – they hold the least consumer power. This situation is of course intellectually indefensible – and for a regulatory body such as the Competition and Markets Authority it should send the clearest signal that there is something fundamentally wrong with the housing market. The CMA needs to understand why consumers are unable to exercise real choices and why it is that existing dominant providers can flourish while continuing to provide products that most people would prefer not to buy. Self-commissioned housing is much more common overseas, often accounting for a third of total housing supply and, in some cases, such as in Germany, it is the dominant method of delivering new housing (55%).

There are significant benefits for consumers. The custom and self-build sector offers beautiful, more spacious houses at keener prices, that are better designed, better built, greener and which cost less to run, which enrich the lives of the people who live there – while driving innovation and inward investment – and which are more warmly welcomed by their communities.





### **The current UK housebuilding “market”**

In the UK, housebuilding is a “market” where the major producers are amongst the most profitable companies in the country and even though most consumers don’t want to buy their products<sup>iii</sup> these businesses account for 80% of the industry’s total production and routinely generate super-normal profits, which ought to be an oxymoron. This position is excellent news for the existing oligopoly players but it is very bad news indeed for consumers, employers, the wider economy and the country as a whole. It is sustained by a deliberately slow build-out rate by existing players who are able to game the current planning system; by the lack of alternatives for consumers at a scale which would make a difference; and by high barriers to entry for others including SMEs and individuals.

### **Current contribution by custom and self-build**

The custom and self-build market is almost always the first mover on innovation and its contribution to total housing completions – despite a market structure heavily stacked against it – is normally over 10,000 houses annually; in 2005-06 the sector delivered 17,902 houses. Typically the sector contributes each year between 12,000 houses and 14,000 houses, while as a proportion of total housebuilding supply its contribution varies from 6.1% in 1983-84 to 10.4% in 2009-10.

### **A “missing market”**

The review which I did for the then Prime Minister in 2021 included a study by Chamberlain Walker Economics which concluded that in the UK there was a “missing market” for custom and self-build and that the true likely demand was much higher than current market structures allows to come forward. I would urge the CMA to re-examine its current proposed scope to ensure that it takes full account of these conclusions – and the reasons for them – in order to produce a worthwhile study on the housebuilding market and to make effective recommendations for reform – recommendations which put consumers in the driving seat, which should occur in any well-functioning and competitive market but which for the most part does not currently occur in housebuilding.

For the avoidance of doubt I am content for the CMA to make any use of this submission which it sees fit to do, including publicly. I am also happy to introduce the CMA to experts with whom I have worked over the last 9 years, if the CMA should find this helpful during the progress of its Housebuilding Market Study.

Yours faithfully,



**Richard Bacon**  
*MP for South Norfolk*

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<sup>i</sup> Research by Nationwide Building Society indicates that 61% of people would like to commission a home to their own design at some point in their lives. Among 18 to 34 year-olds the figure is 80%. Among those actively looking at getting on the property ladder it is 83%.

<sup>ii</sup> *The HomeOwner Survey 2017: Issues, trends and how we feel about our homes; A HomeOwners Alliance Report, June 2017 in partnership with BLP Insurance* showed that only 21% of people would prefer a new build home: <https://hoa.org.uk/wp-content/uploads/2021/02/HomeOwnersSurvey2017.pdf> and also see research by the Home Builders’ Federation, *Why Buy New? Home Buyer Intentions and Opinions*, indicating that only 33% of people surveyed would consider buying a new home.

<sup>iii</sup> See references in note ii above.