

18 September 2023

To the Competition & Markets Authority

Housebuilding Market Study - Consultation

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 the proposal to make a market investigation reference in particular in relation to *“the large amount of developable land controlled by the largest housebuilders, which may be hindering the growth of smaller housebuilders.”* However, we would word the failure somewhat differently as *“the large amount of developable land controlled by the largest housebuilders, which may be hindering effective consumer choice in relation to the homes that are built”*.

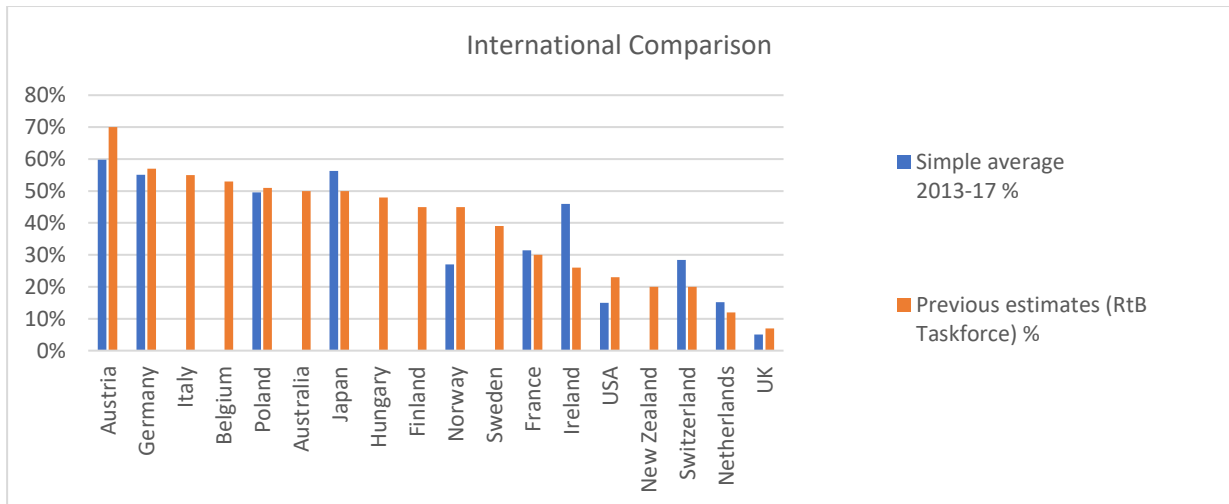
Our comments repeat much of our original submission however we have added specific examples that our sector has faced in accessing land on larger sites controlled by the largest housebuilders even where such provision is in direct response to a statutory duty placed on local authorities by primary legislation.

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.

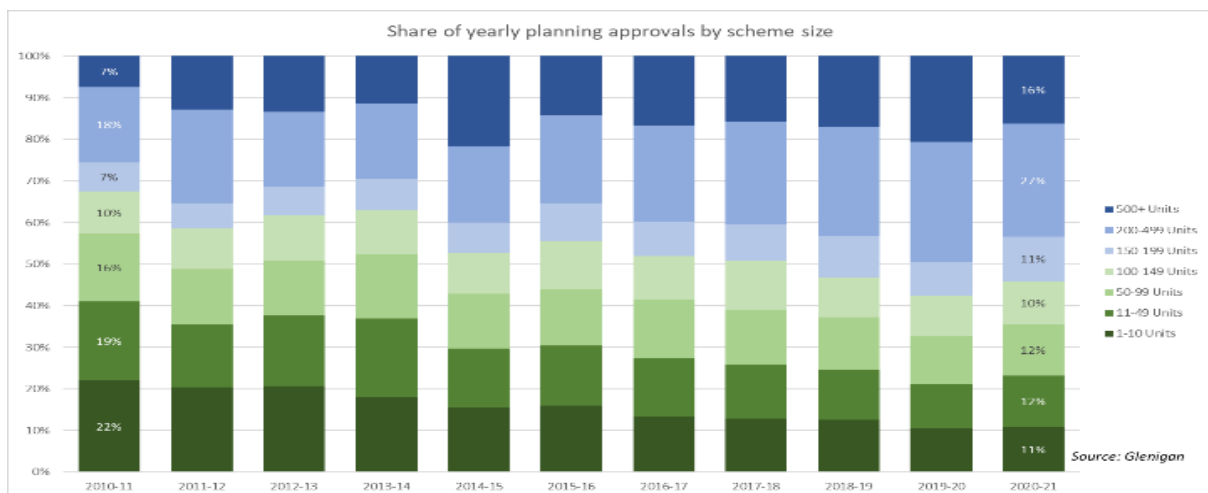
As a nation we appear to have become institutionalised to this delivery model – like a Soviet state the planning system and builders deliver homes that “they” have decided that “you” will want. The results are all too clear – most people do not want to buy a new build home. It is unsurprising therefore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

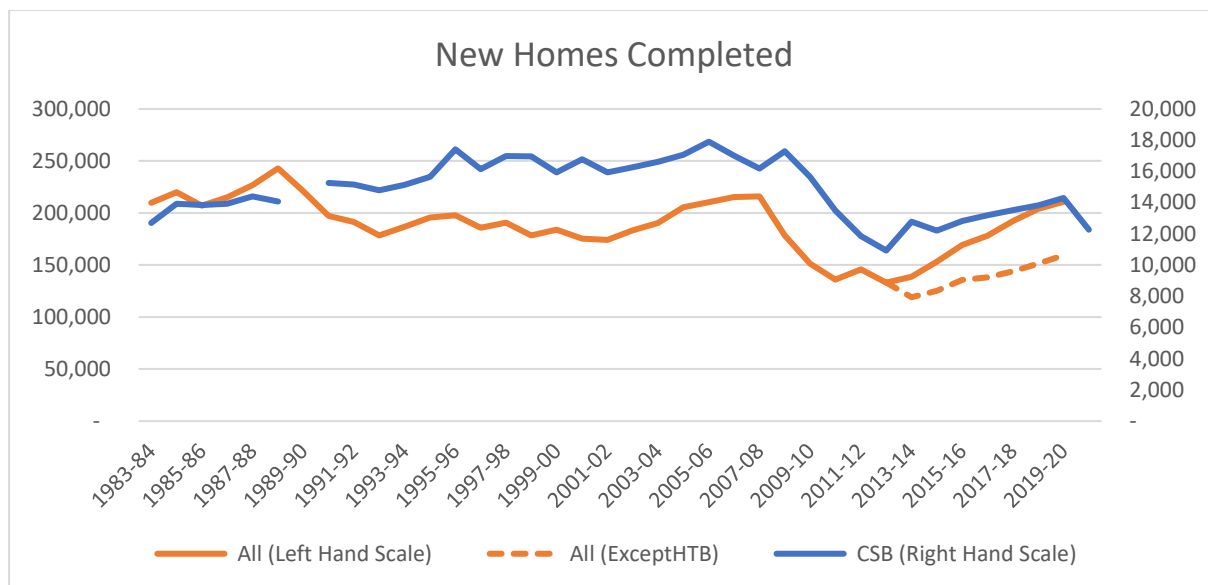


Source Bacon Review

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 is 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”.

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.

Our response in support of a market investigation reference

Our data has highlighted the lack of choice from the shift towards larger sites. This shift is not the direct result of the actions large housebuilders, but it is a **vicious cycle** caused in part to the local resistance to new homes driven in part to this very shift in the mix and nature of new housing delivery.

The primary solution must be the return to a varied mix of housing delivery on a more varied mix of sites, wherever possible appropriate to the scale of the nearby settlements (or though the establishment of new settlements). This means a mix of single plots, smaller developments and larger developments, more of all forms of delivery are required. Intervention is required if we are to seek to introduce greater market forces into new homes delivery.

This resistance to new homes is also reflected in the slow build out of larger sites. As Oliver Letwin MP concluded in his 2018 Independent Review:

“the homogeneity of the types and tenures of the homes on offer in these sites, and the limits on the rate at which the market will absorb such homogenous products, are the fundamental drivers of the slow rate of build out.”

His solution was clear; ***“to obtain more rapid building out of the largest sites, we need more variety within those sites.”***

Recently and increasingly, NaCSBA has been able to monitor what happens when the largest housebuilders are required to release part of their development to support greater variation in supply. Under the Right to Build legislation (the Self-Build & Custom Housebuilding Act 2015, as amended by the Housing & Planning Act 2016) local authorities are required to ensure sufficient self and custom build plots are delivered to meet demand as evidenced by a Register that they must maintain and promote. As a result of this legislation, we have seen as an increasing number of local authority local plans adopt percentage-based policies for larger sites. These generally seek around 5-10% of plots on strategic/large major developments to be sold to the custom and self build market. There are 40 planning authorities with such policies adopted.

An established pattern of response to such an approach has emerged. It illustrates the challenges that are faced in introducing greater choice in supply within the current new homes framework.

Step 1 - Oppose proposals in the local plans

Repetitive and consistent objections are made to Local Plan examinations objecting to the principle of diversifying the offer. All of these challenges can be refuted, but the planning authorities do not have the resource or political capital to deal with these alongside other demands of Local Plan enquiries.

Standard responses from the Home Builders Federation, repeated by large housebuilders have been found to used selective and misleading data to seek to prevent appropriate customer empowered policies being adopted. This example is for Tunbridge Wells and the wording used by the HBF was submitted by Persimmon & Redrow.

Finally, the Council will also need to carefully consider their evidence to ensure that it is sufficiently robust to support the proposed requirement. Paragraph 67-003 of PPG requires Council’s to review their registers to ensure that those individuals or groups who are on the list are still interested and that there is no double counting with other registers. Where lists have been reviewed elsewhere the number of self-build plots to be planned for have dropped significantly. In Runnymede for example more stringent registration requirements were applied in line with national policy and saw the numbers of interested parties on the register fall from 155 to just 3

“the PPG ... sets out the need for Councils to consider how they can support the delivery of self-build plots through their housing strategy, land disposal and regeneration functions. **The Council must investigate other means by which to promote self-build custom house-building opportunities, including the use of its own land; we do not consider the Council to have looked at sufficient options with regard to how it can provide plots to support self-builders”**

For example, National Planning Policy Guidance does not **require** a review and the context of any review is to determine if there has been increased availability of self build for registrants. The selected council Runnymede stretched the legislation beyond breaking point to impose severe constraints on those looking to self-commission a home in ways NaCSBA hold were contrary to the spirit and letter of the legislation.

Builders also challenge the nature of self build demand such as this which asserts potential harm in the aesthetic of volume build, cost-driven estates.

Self/custom builders typically favour the option to develop more bespoke dwellings, which is typically at odds with volume house-built estates, where standard house types are replicated. Building within a contemporary estate negates these fundamental aspirations of self/custom builders and ultimately has negative impacts upon surrounding dwellings looking more uniform, and the beauty of the self/custom build being lost.

Step 2 Through such resistance force Councils to water down their policies

As a recent example of the kind of policies that result from this pressure is set out in the Solihull proposed local plan:

The Council will require developers of allocated sites to make a contribution to Self and Custom Build Housing on residential sites of 100 units or more. Contributions will be expected to be made in the form of 5% of open market dwellings in the form of Self and Custom Build Plots on each development site, but will take into account:

- i. Site size;
- ii. Accessibility to local services and facilities and access to public transport;
- iii. The economics of provision, including particular costs that may threaten the viability of the site;
- iv. Whether the provision of self and custom build plots would prejudice the realisation of other planning objectives that need to be given priority in the development of the site;
- v. The need to secure a range of house types and sizes in the locality in helping to achieve socially balanced and mixed communities; and
- vi. The need to achieve a successful and functional housing development.

Policies such as this appear designed to make it as unlikely as possible that such plots will ultimately be delivered as there are multiple opportunities for challenge.

Even where plots are made available, they are typically not planned with the self-build process in mind and they are poorly marketed for limited times, with challenges to access and site storage. In short the process appears designed to fail so that the developers preferred option – speculative development, can proceed.

Step 3 Resist selling plots for genuine self build where policies are in place

As a recent example in Central Bedfordshire, CB/19/02032/RM (developed by Taylor Wimpey) planning required the delivery of 18 custom and self build plots as part of a larger 200 home scheme Yet it appears that the full site is being developed as speculative housing. No changes were made to the site layout to accommodate these plots, and ultimately there is no evidence that they were ever built and appear to have reverted to the original speculative build plan on site maps.

In summary

Whilst NaCSBA is critical of the actions of the large housebuilders, we recognise that they are acting within a new homes delivery system in ways that seek to optimise their own performance – aided by their scale and the resources that they have at their disposal.

The competition is for land (with permission to build), and not for retail customers and through the shift towards larger sites the system provides additional benefits of scale. This is despite the downsides of such a delivery approach; slower build out rates, less variety and less customer empowerment. The larger the site the less effective the market operates for consumers.

Of course, this is contrary to what should happen. **Housing delivery should take place through a large variety of sites spread across all settlements and where possible appropriate to their scale, and location.** Large sites which offer in one place the greatest opportunity to maximise choice, should be developed and designed in way that does this and so best reflect consumer demand. Through this process markets will drive up quality, drive down price and increasing the speed of build out.

To achieve such a change however we need to reshape the process through which we bring forward land for housing. For larger scale housing development – this means creating flexible schemes that support a variety of forms of delivery and flexing the schemes to deliver more of those homes that customers most desire. In short creating a consumer market for new homes, and planning developments in a flexible way that can accommodate such a model, and where that process is not directly controlled by the largest housebuilder.

We would welcome the opportunity to discuss our thinking in more detail and to show you examples from around the world where choice in housing is available and exercised.

Yours sincerely

The National Custom & Self Build Association

