

The Rt Hon. Michael Gove MP  
Secretary of State for Levelling Up, Housing and  
Communities  
Department for Levelling Up, Housing and  
Communities  
2 Marsham Street  
London  
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From: Sarah Cardell  
*Chief Executive*

26 February 2024

Dear Secretary of State,

Further to our engagement in late 2022 and early 2023 regarding your support for the CMA to undertake a market study into the housebuilding sector, I am writing to you today as we publish the CMA's final report. In addition to the report's findings, we have set out a series of proposals for governments in England, Wales and Scotland to consider, which we hope will prove helpful for evidence-based policymaking in this area.

The CMA is focused on achieving the biggest impact for the people we serve. As outlined in our Annual Plan, we will consistently focus action on the areas where consumers spend the most time and money. 'Having somewhere to live' is perhaps one of the most fundamental areas in our daily lives. While the CMA alone cannot resolve all the issues in the UK housing market, the evidence and findings in our market study represent a substantial step forward. We believe it is an important, objective, evidence-based assessment of how the housebuilding sector in Great Britain is operating, providing clear findings and recommendations to help the UK, Welsh and Scottish governments to develop and implement policy that improves outcomes in the housebuilding market.

Our market study has found that overall, the housebuilding market is not delivering well for consumers and has consistently failed to do so over successive decades. We have examined the potential drivers of problems, including the nature of the planning system, the operation of the land market, and the incentives and behaviour of housebuilders. This has allowed us to set out a range of actions to address these problems. These fall into three broad categories:

- Where the problems fall clearly within the operation of the market we offer firm recommendations to the UK, Scottish and Welsh governments.
- Where there are complex interactions with wider policy aims, which are not for the CMA to resolve – as is the case with the planning systems – we offer options for governments to consider.
- Where there are more fundamental actions that policymakers could take that would affect housing market outcomes, but have implications beyond the CMA's core remit and expertise, we do not offer recommendations or set out specific policy options and instead highlight considerations for governments.

The recommendations to governments include:

- Requiring councils to adopt amenities on all new housing estates.
- Introducing enhanced consumer protections for homeowners on existing privately managed estates – including making it easier for homeowners to switch to a more competitive management company.
- Establishing a New Homes Ombudsman as soon as possible and setting a single mandatory consumer code so homeowners can better pursue homebuilders over any quality issues they face.

The proposed options for consideration by governments include:

- Ensuring local authorities put in place local plans and are guided by clear, consistent targets that reflect the need for new homes in their area.
- Streamlining the planning systems to significantly increase the ability of housebuilders to begin work on new projects sooner, while not watering down protections such as those for the local environment. Measures to improve the capacity of council planning departments would also enable them to process more applications more quickly.
- Introducing measures to increase the build-out of housing sites by incentivising builders to diversify the tenures and types of homes delivered.

Our recommendations and policy options will have implications for several UK government departments – I have therefore copied the Secretary of State for Environment, Food and Rural Affairs and the Secretary of State for Transport whose teams CMA officials have engaged with during the market study. However, given the complexity of the housing market and the multiple policy areas with which it intersects, there may be other UK government departments that you want to engage with as your department prepares the UK government's public response to our recommendations.

As we discussed in November 2022, the UK government's openness to recommendations was an important factor in the CMA Board's consideration of the merits of launching a market study. I very much hope that you and others in the UK

government will progress our recommendations to help ensure that the housebuilding market is working in the best interests of consumers.

I would like to thank your officials for their constructive engagement over the course of our market study. The market study team will be available to help your officials digest and understand our findings and recommendations.

I would also welcome the opportunity for the CMA to discuss with you the findings and recommendations of our market study.

We have put a considerable amount of time and effort into this market study and are doing everything within our gift to make sure this market operates as effectively as possible. As a result, whilst the final report marks the end of the market study, the CMA has also today opened a new investigation into the way information is being shared between housebuilders and whether this amounts to anti-competitive behaviour. The CMA will not be commenting further on this until it has fully investigated the issue. This work does not affect the status of our market study recommendations, which seek to address the problems and their drivers set out in our report.

Yours sincerely,

Sarah Cardell  
*Chief Executive*

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The Rt Hon Steve Barclay MP  
Secretary of State for Environment, Food and Rural  
Affairs

The Rt Hon Mark Harper MP  
Secretary of State for Transport