

**Crest Nicholson's response to the CMA's Local Concentration and Land Banks
Working Paper consultation questions**

6 December 2023

1. Introduction

1.1 This document sets out Crest Nicholson's response to the CMA's Local Concentration and Land Banks Working Paper consultation, dated 15 November 2023, which forms part of the CMA's wider market study into housebuilding, launched 28 February 2023.

2. Background

a) Do you agree with our focus on plots as a measure of land banks? What other measures should we take into account?

2.1 Measurement of land banks by plots may skew the assessment in that premium/luxury house builders may have fewer larger plots with a lower density than a housebuilder at the opposite end of the market with smaller plots at a higher density. The possible effect of this could be that 'mainstream' housebuilders are regarded as having a more significant presence than a higher-end housebuilder. However, provided this is acknowledged in the analysis and conclusions drawn in relation thereto, in practice plots seem to be the only practical way to assess and provide a consistent approach to measuring land banks.

2.2 In respect of short-term land banks within this context:

a) When assessing short-term land (i.e. land with planning permission) the CMA should recognise that short-term land may not be capable of immediate implementation and although construction may not be far from commencing the process of securing Reserved Matters approvals, discharging Planning Conditions and securing technical approvals can frequently add more than a year to process. Any assessment of short-term land banks should take account of these factors.

b) There is overlap within the analysis contained within the "Planning working paper", which recognises on larger sites that development necessarily takes longer to build out in full. Public discourse in respect of short-term land banks frequently fails to recognise the build out profile and annual delivery rates reflected in LPAs annual monitoring and Local Plan housing trajectories. A more sophisticated analysis of this would aid in a more accurate understanding of what is immediately capable of delivery.

3. Identifying local areas with high concentration

a) Do you have any comments or alternative suggestions for identifying local Housing Market Areas?

3.1 The "Local concentration and land banks working paper" is pragmatic and accurate in its conclusion that LPAs are a relatively crude approximation to local housing markets and so we welcome the CMA's intention to look more closely at local dynamics in and around the areas where the CMA have not yet ruled out concentration issues

3.2 It is difficult to establish a methodology applicable to all Housing Market Areas because there are complex interdependencies of where people live and work, they are a gradation of travel patterns and may in many instances overlap. This means that Housing Market Areas vary from area to area:

- a) Some Housing Market Areas broadly correlate to a Local Authority boundary.
- b) Larger authorities, such as Wiltshire, will have more than one Housing Market Area (in that instance Salisbury, Swindon, Bath and Bristol).
- c) Others, such as Oxfordshire, have housing Market Areas that straddle several Local Authorities (Oxford City, West Oxfordshire, Cherwell, Vale of White Horse and South Oxfordshire).
- d) Finally there are Housing Market Areas with “twin suns” where two substantial settlements sit in close proximity to one another such as Manchester and Liverpool or Southampton and Portsmouth.

3.3 A single approach that reflects the diversity of geography will be hard to establish, however suggestions on alternative approaches, rooted in a more sophisticated evidence base are set out below:

- a) Strategic Housing Market Assessments (SHMA) - most, if not all, Local Planning Authorities will have prepared a SHMA to inform the preparation of their Local Plans and within these are contained local analysis of what Local Planning Authorities consider to be their functional Housing Market Areas. Although some of these may be aged, in relative terms, the Housing Market Area is unlikely to have altered. These will have been published publicly as part of the Local Planning Authority’s evidence base.
- b) Travel to Work Areas (TTWA) – TTWAs reflect an analysis of the census data establish where the key commuting routes are, which are in effect a proxy for Housing Market Areas. The additional benefit is that the TTWA will highlight more sophisticated and multiple destination patterns of movements. These will have been published publicly as part of the Local Planning Authority’s evidence base.
- c) Combined Authorities (CA) – CAs have been established in various city regions across England, because there is an accepted recognition within these localities that Housing Market Areas straddle these Local Planning Authority boundaries. Examples include the West of England, Partnership for South Hampshire and the West Midlands. The city regions in Scotland are much more clearly geographically distinct, however a hybrid approach of LAs and JAs in England would provide a more sophisticated approach and would have the added benefit of eliminating distortions associated with the bigger cities that may be built up to their administrative boundaries, and have limited or no development opportunities on greenfield sites.

3.4 For practical reasons, although most accurate, suggestions 1 and 2 above may not easily achievable because they are difficult to apply the datasets to consistently, however suggestion 3 will give a more accurate reflection of Housing Market Areas that LA boundaries, and would overcome distortions associated with tightly drawn city boundaries.

b) Do you have any comments on Method 1?

3.5 Method 1 appears a reasonable approach to take in identifying potential concentration in local areas. However in addition consideration ought to be given to the geographic situation of the Local Authority boundary, if Local Authority boundaries are going to continue to be used as proxies for Housing Market Areas. More specifically many of the populous urban areas in the country are fully built up to, or very nearly fully built up to their administrative boundaries and necessarily rely upon adjacent Local Planning Authorities to accommodate unmet housing need.

3.6 This is the most significant shortcoming in using Local Planning Authority boundaries as proxies for Housing Market Areas and distorts any understanding of the market in locations such as

Bristol, Southampton or Oxford. In addition, if settlements in this situation also have Green Belt, either within the fringes of their administrative boundaries, or on the edges of adjacent Local Authority boundaries this will significantly influence the availability of development sites and distort any understanding of the Housing Market Area.

- 3.7 Further, these settlements will often have a significant weighting towards the delivery of higher density accommodation, which can result in a broader hinterland for family housing, that is significantly under-catered for. Combined Authorities exist partly in response to these realities and would offer a better understanding of these places.
- 3.8 Finally, it may also be that viability challenges in some geographies restrict the number of housebuilders willing to participate in the land and development markets in those areas.

c) Do you have any views as to how much weight we should put on Method 1?

- 3.9 Subject to the observations outlined above this provides the strongest analysis of what is being delivered in a Local Authority area and this method should carry greater weight.

d) Do you have any comments on Method 2?

- 3.10 Method 2 appears an understandable alternative way of assessing potential concentration in land banks. However we believe it is less effective than Method 1. Method 1 is focussed on what is being granted planning permission and delivered. Method 2 dilutes the analysis by introducing sites, some of which will not be granted planning permission or delivered, and whilst academically interesting, will not be influencing the delivery of homes in the same way.
- 3.11 Even if the view were taken that a concentration of strategic land opportunities restricted access to the strategic land market, if that land is not granted planning permission then that land is not genuinely competitive in the delivery of housing. This will presumably be because on a comparative analysis of competing development sites through the Local Plan process or because there are substantive reasons why that land cannot be granted planning permission through the appeal process, they are less suitable or unsuitable.
- 3.12 As with method 1 it is important to recognise the shortcomings of using Local Planning Authority boundaries as proxies for Housing Market Areas where administrative boundaries are drawn tightly to urban boundaries. It may also be the viability challenges in some geographies restrict the number of housebuilders willing to participate the land and development markets in those areas.

e) Do you have any views as to how much weight we should put on Method 2?

- 3.13 Method 2 is not without merit. However less weight should be given to Method 2 than Method 1.

f) Do you have any other comments on our methodology for exploring land banks? What alternative or additional ways of analysing the data we have collected should we consider to shed further light on the issues?

- 3.14 A qualitative analysis of locations identified for further investigation is crucial. An understanding of local circumstances in terms of physical constraints to development (such as flood risk zones, topography and substantial infrastructure barriers), policy constraints to development (such as Green Belt, Local Gaps, and Land Use Allocations) and environmental constraints to development (such as landscape, ecology and the historic environment) may help to explain situations where local concentration appears to be present.
- 3.15 An understanding of the demographic make-up of a location may also help to explain why there may be a local concentration in an area. For example, rural authorities, with lower birth rates,

relative low levels of economic activity, high levels of out-migration in younger age groups and low levels of in-migration will help to explain why there may be a low level of housing demand and need in a local area. This information underpins the Standard Method and is available from the Office of National Statistics.

- 3.16 Additionally there may be areas where the cost of development or the revenues achieved from development make development less viable, or there is a long distance from housebuilders divisional offices and known local supply chains, which leads to the fewer number of participants in the housing market.

4. **Findings**

- a) ***In the areas identified as potentially highly concentrated in our analysis, what are your experiences of operating in these areas? How well do you consider the market to be working, and why?***

We particularly welcome views from:

- (i) ***Builders active in the area as to whether they consider the market is concentrated from their perspective, and how this affects their operations.***
- (ii) ***Smaller builders as to whether they experience difficulties in finding land in these areas.***
- (iii) ***LPAs as to whether they experience difficulties in identifying land for development and having this converted into housing in line with locally identified needs.***

- 4.1 Crest Nicholson is not active in Scotland, Wales, the areas in North East England or central London identified as potentially highly concentrated. Crest Nicholson has historically been a developer focussed on the Southern part of England, with relatively recent expansion into the Midlands, Yorkshire and East Anglia.
- 4.2 Although not presently active in the Districts and Boroughs of Oxford, Harlow, Watford, Broadlands or Havant, Crest Nicholson is active in the wider geographies that make up the functional Housing Markets Areas of these locations i.e. Oxfordshire, Hertfordshire, Essex, Greater Norwich and the Partnership for South Hampshire. These locations are indicative of the challenges in using Local Authority boundaries as proxies for Housing Market Areas in locations where housing delivery is by necessity cross-boundary.
- 4.3 Oxford is enveloped by Green Belt meaning that greenfield development opportunities within the city boundary are very limited and much of the housing delivery will be urban redevelopment. The city boundary is also tightly drawn meaning that the city relies upon West Oxfordshire, Cherwell, South Oxfordshire and Vale of White Horse to support in delivering its housing requirement. To this end the Oxfordshire Authorities received central government funding to embark upon the preparation of a Joint Oxfordshire Spatial Plan, which ultimately failed for political reasons. Unmet need is embedded in the most recently adopted Local Plans for these areas. Oxfordshire is one of the strongest housing markets with lots of competition from housebuilders, SMEs and promoters. Oxford cannot be understood as a Housing Market Area independent of the rest of Oxfordshire and for that reason the quantitative analysis appears potentially misleading.
- 4.4 Harlow is a New Town and its administrative boundary is delineated in close proximity to its urban edges and is encircled by Green Belt creating relatively few opportunities for edge of settlement greenfield development. It relies upon Epping Forest, East Hertfordshire, Broxbourne and Uttlesford to assist in delivery of housing and it is a good housing market area

in west Essex. Its Housing Market Area cannot be understood in isolation from its administrative neighbours and like Oxford, the quantitative analysis appears potentially misleading.

- 4.5 Watford is surrounded by Green Belt and its administrative boundary is positioned within close proximity of the urban edge meaning that greenfield development opportunities within Watford Borough are limited. It is a good housing market and Watford, like Harlow and Oxford, can only be understood within its proper context. Hertsmere, Three Rivers, Dacorum and St Albans all perform a role in Watford's functional Housing Market Area and the authorities have embarked upon the preparation of a South West Herts Joint Strategic Plan in recognition of this fact. The analysis therefore again appears misleading on a quantitative basis.
- 4.6 Broadland is located to the north of Norwich in the Greater Norwich sub-region and forms a part of the Norwich Housing Market Area. It performs an important role to the north of Norwich in supporting delivery of Norwich's housing. However, it is otherwise a generally rural authority and a quiet market. It is one of the authorities presently heavily affected by nutrient neutrality constraints that would affect investment decisions and although Crest Nicholson is not present in this area, this may account for the reasons for potential concentration and lower levels of activity from potential participants.
- 4.7 Havant is located within the Partnership for South Hampshire (PfSH). This is one of the longest established areas of joint working in recognition of the interdependency of the 11 local authorities that make it up, many of which are small in size. The PfSH housing market is strong. Havant's position within the Urban South Hampshire conurbation means that the bulk of its administrative area is built development, flood risk zone, nature reserve and boundary with the Solent. This means that there are very limited opportunities for development. It is also affected by nutrient neutrality. As with Oxford, Harlow and Watford, the quantitative analysis could be misleading because of Havant's geographical situation.

b) Are there other areas of England, Scotland or Wales which you consider to be concentrated but which have not been picked up in our analysis? If so, please provide supporting information and evidence.

- 4.8 No.