

Housebuilding Market Study

Persimmon plc's response to the CMA's working paper on local concentration and land banks working paper dated 15 November 2023 (the "Working Paper")

1. Executive Summary

- 1.1 The Working Paper identifies three potential concerns in relation to 'land banks' and their impact on the housebuilding market.
- 1.2 Whilst the Working Paper focuses primarily on one concern (local concentration), it acknowledges that this issue is interrelated with the wider availability of developable land and the level of transparency associated with land ownership. As such, Persimmon has considered all three areas in its response to ensure that the CMA's assessment captures all relevant considerations.
- 1.3 The availability of developable land is driven by several factors. The first constraint on the availability of land is ownership, with the significant majority of land owned by local councils, government agencies or private landowners who may be unwilling to bring their land forward for development. Unlocking land for development is further constrained by the planning system, as is widely acknowledged by the sector and addressed in detail by Persimmon within its response to the CMA's Planning working paper.
- 1.4 By contrast, the land owned by housebuilders does not increase the scarcity of land or act as a barrier to entry, and instead acts a fundamental component of housebuilders' ability to operate sustainably and maintain supply of new homes to market. Persimmon has no incentive to hold on to more land than is needed to secure a pipeline of supply to deliver new homes to the market. This lack of incentive is irrespective of the level of 'concentration' in the market and applies to short-term and long-term land banks, with option agreements aligning incentives between landowners and housebuilders and ultimately improving the prospects of bringing homes to market in a timely manner. Furthermore, Persimmon does not consider that there are transparency issues in identifying suitable land for development that are disadvantaging SMEs more than larger housebuilders.
- 1.5 The large body of the Working Paper focuses on the CMA's methodology for measuring concentration, and the findings from that analysis in terms of which local areas have higher levels of concentration (according to the CMA's methodology). However, the Working Paper does not explain *how or why* concentration (in terms of the ownership / control of developable land) at a local level might give rise to slower delivery of new homes. Furthermore, the CMA does not present any evidence that concentration is linked to the slower delivery of housing, which can be influenced by various factors, such as the topography and size of the site or labour and material availability. Irrespective of the level of concentration, housebuilders are not incentivised to slow down delivery of housing. The opportunity cost associated with holding land and work in progress imposes a strong incentive on Persimmon and other housebuilders to develop sites and sell homes quickly to avoid these costs and realise returns.
- 1.6 Furthermore, the CMA's approach to measuring 'concentration' suffers from a number of key flaws. In particular, the CMA's measure of concentration excludes second-hand properties which account for the significant majority of house sales and impose a strong competitive

constraint on the behaviour of Persimmon and other housebuilders. In addition, LPAs do not typically represent relevant areas within which homebuyers look to buy new homes, with housing developments often being very substitutable across LPA boundaries.

- 1.7 To further evidence these points, Persimmon has set out its views on the local competitive conditions in [REDACTED]
[REDACTED]
[REDACTED] In doing so, Persimmon also seeks to highlight the role of LPA policies, which influence the availability of developable land and demonstrates the interrelated nature of these concerns raised in the CMA's Working Paper.

2. Introduction

- 2.1 The CMA's Working Paper is focussed on the widespread practice of holding land by the largest housebuilders in Great Britain.
- 2.2 Prior to engaging with the substance of the arguments raised in the CMA's Working Paper, it is important to note that 'land banking' as a term has been given different meanings – some commentators use 'land banking' as a term to mean systematically withholding land;¹ whereas it is used by housebuilders of all sizes to mean the supply or stock of land they have, from which to deliver new homes. The Working Paper seems to use 'land banks' in a similar way to housebuilders – simply to refer to the holdings of land, and recognises the various reasons housebuilders have for having land holdings. Nevertheless, it is important to recognise this confusion around terminology, and Persimmon will largely refer to 'land holdings' in this response to avoid confusion, and where 'land bank' as a term is used it refers simply to the stock of land held by Persimmon (and other housebuilders).
- 2.3 The Working Paper sets out three categories of concern that it is exploring in relation to land banks:
- a) Whether holding land in land banks reduces the availability of developable land and whether this may act as a barrier to entry, particularly for small and medium sized ("SME") housebuilders;²
 - b) Whether there is concentration in certain local markets through the control of a significant proportion of developable land by a small number of housebuilders;³ and
 - c) The extent to which land banks compound any issues around a lack of transparency as to the ownership (and control) of land.⁴

¹ For instance, the CMA refers to statements made by the i newspaper and Cameron Murry at paragraph at paragraphs 2.14 and 2.15 of the Working Paper.

² CMA, para. 5.a)

³ CMA, para. 5.b)

⁴ CMA, para. 5.c)

2.4 The Working Paper focuses on the second of these concerns, which Persimmon addresses in section 5 onwards of this response. In section 6, Persimmon also sets out its views on the local competitive conditions in [REDACTED]

[REDACTED] Whilst the CMA does not set out its views on the validity on the first and third concerns highlighted within paragraph 2.3, nor any evidence which might underpin them, Persimmon briefly provides some remarks in sections 3 and 4 respectively which explain why they are unfounded.

3. Whether the widespread practice of holding land in land banks reduces the availability of developable land, and whether this may act as a barrier to entry

3.1 The Working Paper raises the concern that holding land may reduce the availability of developable land and this may act as a barrier to entry, particularly for SME housebuilders. It also referred to a concern that options may increase the scarcity of land and be a barrier to entry for SME developers.⁵ On the other hand, the Working Paper also acknowledges that land banks play a key role in the housebuilding sector, acting as a pipeline for new developments or 'stock', and that without their land banks, housebuilders' businesses cannot exist.⁶

3.2 In Persimmon's view, its land holdings do not increase the scarcity of land or act as a barrier to entry, and instead their function is limited to maintaining a pipeline of supply and deliver new homes to the market. In this section, Persimmon begins by highlighting the incomplete nature of the CMA's concern, which does not offer a clear explanation of how these land holdings may act as a barrier to entry. Persimmon then discusses the fundamental requirement to maintain land holdings and explains why these assets (and options agreements) do not act as a barrier to entry.

'Land banks' do not act as a barrier to entry

3.3 The Working Paper does not offer a clear explanation of its concern that housebuilders' land holdings have the effect of reducing the amount of land available for development. Land is acquired through a competitive process where housebuilders compete to secure particular pieces of land from landowners or their agents – either through purchasing land outright, a conditional contract or by securing an option, depending on the nature of the land and its status in relation to allocation in a Local Plan and planning approvals. The land holdings of housebuilders are a function of the land assets they have acquired through this process, and they serve to maintain a stock of land at different stages of the planning process, in order to maintain a pipeline of supply of new homes (discussed further in paragraphs 3.8).

3.4 The availability – or scarcity – of land itself may determine the number of housebuilders that are active in a given local area. However, the first constraint on the availability of land is ownership, with the significant majority of land owned by local councils, government agencies or private landowners who may be unwilling to bring their land forward for development. The ability to build homes is further constrained by the planning system, as Persimmon addresses in detail within its response to the CMA's Planning working paper. It may be harder for additional

⁵ CMA, para 2.12

⁶ CMA, para 2.8

housebuilders to enter a particular local area and build up their own land holdings if developable land is more scarce, and the developable land that is available has already been purchased and is being progressed through the planning process by others (and therefore is part of their land bank). That, however, is a natural dynamic in any market where the assets needed to operate and sell products into a market are in short supply – it is not the existence of *land banks* themselves which create any barrier to entry.

- 3.5 The Working Paper refers to a particular concern in relation to SME housebuilders. However, it is not clear why SMEs may be more impacted than the larger housebuilders. SME housebuilders, just like larger housebuilders, will compete to secure land in a local area, and build up their own land bank as a result, as they progress that land through the planning process to the development of new homes. The Working Paper suggests that options, in particular, may act as a barrier to entry for SMEs. However, the CMA's definition of SME housebuilder (building less than 1,000 houses per year) would capture large regional players that Persimmon's individual OpCos compete with to purchase land and sell homes, as illustrated within Section 6. Furthermore, these regional players also enter into option agreements for large sites, both within and outside of their core operating area, owing to their strong relationships with landowners. As discussed further in paragraphs 3.11 below, options held by housebuilders and land promoters speed up the supply of developable land.
- 3.6 There may be particular sites or pieces of land which are more or less suitable for smaller SME housebuilders – but again, the land holdings of the larger housebuilders are not contributing to any particular barrier to SME housebuilders. This position is consistent with the Federation of Master Builders' most recent survey results, published in November 2023, which continued to find that the planning system was the biggest obstacle holding SME housebuilders back from building new homes.⁷

'Land banks' are essential to manage business sustainably

- 3.7 The time and resources required, and the uncertainties and risks involved in potentially securing planning permission, means that Persimmon is required to hold short-term and long-term land banks to manage its business sustainably. Persimmon considers that it is necessary to hold stock equivalent to five years' worth of supply of land to efficiently support output and the pipeline for new developments. As a result, Persimmon owns around 70,000 plots of land in its short-term land bank, of which only half have detailed planning consent. In addition, Persimmon invests in its long-term (strategic land bank and promotion activities, which allow Persimmon to replenish its owned and under-control land holdings and bring these sites through the planning system (into its short-term land bank) as quickly as possible, as described further below.
- 3.8 The five-year time horizon for Persimmon's short-term land bank is driven by the timelines required to progress sites from securing land up to achieving legal completions of new homes sold, which can involve multiple phases:
- (i) The pre-application phase, which applies to all sites acquired by Persimmon outright without outline planning consent, under conditional contract or with outline consent, the latter of which accounts for over █% of all plots acquired by Persimmon over the last

⁷ [FMB House Builders' Survey 2023 | FMB, Federation of Master Builders](#)

three years. Before submitting a detailed planning (or reserved matters) consent application, Persimmon usually has to prepare technical surveys, engage in public consultations and undertake pre-application engagement with the LPA, which can be a lengthy and thorough process,

- (ii) Once a planning application has been submitted, it can take between one to three years for the LPA to process that application and reach a decision, whether that be approval or rejection (a report by [Lichfields](#) found that sites with 100-499 plots were subject to an average planning approval period of 2-3 years, with longer timescales for larger sites)⁸.
- (iii) Once planning permission has been granted, housebuilders must discharge pre-commencement planning conditions, secure relevant technical approvals and finalise a due diligence process before entering into the build stages.
- (iv) Once building commences, Persimmon works on the basis that it takes on average between 4 and 5 years to develop a site through to final legal completion, with first legal completion typically taking place within a year of detailed planning consent being achieved.

3.9 For these reasons, the planning permission status and size of the relevant site, will significantly influence the speed at which Persimmon can progress from land purchase to legal completions on new homes, with some sites taking longer than 5 years and others shorter. Based on Persimmon's experience, holding five years of forward land supply is necessary to maintain existing output levels and explains why the top 10 housebuilders listed on the London Stock Exchange have 700,000 plots, many of which have planning permission.⁹ Holding approximately five years' supply of land also aligns with the requirements within the National Policy Planning Framework ([NPPF](#)), which requires local planning authorities to demonstrate a five-year land supply for housing (see section 5, para 74 onwards)¹⁰.

Long-term 'land banks' and the use of options increases the amount of land available for development

3.10 In addition to holding a short-term land bank, housebuilders often maintain a long-term (strategic) land bank, which relates to allocated and unallocated land controlled via an option agreement. Progressing strategic land through the planning system as effectively and efficiently as possible, and converting it into its short-term land bank, is a key feature of Persimmon's strategy and benefits consumers and communities alike.

⁸ [start-to-finish-what-factors-affect-the-build-out-rates-of-large-scale-housing-sites.pdf \(lichfields.uk\)](#)

⁹ As explained by the HBF in its response to the CMA's statement of scope, the headline figures on 'unbuilt planning permissions', such as the GLA's oft-quoted 1.1 million, frequently include within the numbers plots that (i) have been double-counted due to re-planning of a site, (ii) are already complete and occupied and (iii) have only an outline planning consent and on which commencement of construction is not legal.

¹⁰ [National Planning Policy Framework \(publishing.service.gov.uk\)](#)

- 3.11 In Persimmon's view, options do not present a barrier to competition. In fact, options intensify competition between housebuilders (including regional players) and land promoters and ultimately improve the prospects of bringing homes to market in a timely manner. There are several features of option agreements which align incentives between landowners and housebuilders and contribute towards positive outcomes for consumers. For instance:
- (i) Option agreements encourage housebuilders to inject investment and commitment to bring land forward for development. Persimmon uses its resources and expertise to promote the land and secure an allocation within a Local Plan. Persimmon's inability to recover the costs of promoting the land (including the option fee and associated legal and agent costs) until planning is secured further aligns this incentive.
 - (ii) Option agreements also impose formal obligations, including time constraints, on housebuilders to promote the land and progress it through the planning process.
 - (iii) Option agreements also typically contain a clause which prohibit housebuilders from promoting sites which will be in competition with the site in question, in order to ensure housebuilders have sufficient bandwidth to promote their site through the planning system.
- 3.12 The CMA acknowledges that the planning system is clearly a factor influencing housebuilders' decisions on the size of their land holdings, which applies equally to housebuilders' long-term land bank (see paragraph 2.10 of the Working Paper). As noted by the Lichfields report,¹¹ the delays in option sites coming forward to planning application generally arise because Local Plan progress has been slow. Obtaining allocation and securing planning permissions is an uncertain process and is inherently risky, especially as most long-term land held is unallocated and some may never become allocated. Therefore, holding a portfolio mitigates and de-risks the investments.
- 3.13 Furthermore, the CMA should exercise caution when interpreting the relative size of the large housebuilders' long-term land bank. The significant majority of unallocated land is owned by local councils, government agencies private landowners or land promoters and collecting data from the large housebuilders (as per Method 1 and 2 in the CMA's Working Paper) will only provide limited visibility over the amount of unallocated and potentially developable land in the UK.
- 3.14 Finally, in Persimmon's view, options do not present a barrier to entry for SMEs. As described above, many SMEs are active in this market and where they are not, this outcome is primarily driven by their lack of expertise and skills at taking land through the planning process or the lack of access to the required funds. This contrasts starkly with the increasingly prevalent role of land promoters, whose growth illustrates the competitive nature of the land market. Land promoters have the required skillset to promote the land and secure the planning permissions and therefore compete directly with housebuilders in site identification, securing options, promoting land and securing outline planning permissions.

¹¹ [Feeding the Pipeline Research.pdf \(lpdf.co.uk\)](#)

3.15 Furthermore, the growth of independent land promoters provides new opportunities for SMEs because they can bid for the site once planning consent is achieved and it is placed on the open market. Persimmon also notes that several initiatives have been introduced to support the growth of SMEs. For example, NPPF encourages LPAs to identify, through the development plan and brownfield registers, land to accommodate at least 10% of their housing requirement on sites no larger than one hectare,¹² although recent survey results suggest that compliance with this recommendation by LPAs could be improved.¹³

4. The extent to which land banks compound the negative impacts of any lack of transparency as to the ownership (and control via options) of land

4.1 The Working Paper raises the concern that land ownership is not transparent, and that this lack of transparency hinders SME housebuilders from identifying and securing suitable land for development, as well as making it more difficult for them to appraise the nature of competition in a given local area. The Working Paper states that while this point is not directly linked to land banks, the effect is likely to be more pronounced the more land banking occurs.

4.2 Persimmon does not consider that there are transparency issues in identifying suitable land for development that are disadvantaging SMEs more than larger housebuilders:

- (i) The assertion that there is lack of transparency, which acts as a barrier to SMEs, seems to be contrary to the landowner's interest. It is in the landowner's interest to sell the land at the best possible price and therefore they have incentives to be as transparent as possible and promote competition at the point of sale by having as many potential bidders as possible. This principle applies equally to independent land promoters, whose objective is to secure the best possible terms for their client (the landowner).
- (ii) Moreover, the resources available and skills required to identify development opportunities are not unique to large housebuilders; the same practices to gain information and secure the land could be employed by other housebuilders, irrespective of their size. Persimmon reviews a council's Local Plan to obtain details of all sites which are allocated for residential development and will review policies on growth strategy, housing numbers and landscape to understand whether opportunities exist for land to be released in specific geographic locations. Persimmon would also review Land Registry data to obtain details of land ownership and will, through direct contact with landowners or their agents, attempt to secure control of a particular site (the Land Registry also holds the information on whether any particular land is subject to an options agreement). The identification and purchase of off-market opportunities relies on the business relationships that housebuilders have developed. There are no obstacles to SMEs cultivating these local relationships and, as described above, regional players often enter into option agreements for large sites.
- (iii) In addition, SMEs are not restricted from working with intermediaries (e.g. land promoters) to identify the available development opportunities and are not

¹² [National Planning Policy Framework \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

¹³ [FMB House Builders' Survey 2023 | FMB, Federation of Master Builders](#)

disadvantaged when working with them. The CMA in its Update Report¹⁴ concluded that land agents and promoters do not favour large housebuilders over SMEs.

- (iv) Further transparency on land ownership and contractual arrangements will also be available through the implementation of the Levelling-up and Regeneration Bill (LURB)¹⁵. The LURB will provide information on who has contracted with a landowner and on what terms, which would enable housebuilders to assess the current and / or potential (future) availability of the land for development (e.g. by approaching a landowner upon expiry of an existing agreement with another party).

4.3 Regardless of the points above, even if there was a transparency issue, housebuilders' land holdings do not impact the transparency of the availability of developable land. Land banks exist once land is acquired by housebuilders, and as discussed in Section 3 above, act as a pipeline for the future developments as housebuilders are progressing the land through the planning process. These land holdings are therefore no longer available for other developers (unless released back into the market). The Working Paper appears to refer to the transparency in relation to finding and securing land – which would arise before it has been acquired by a housebuilder (i.e., before it becomes part of a housebuilder's land holdings).

4.4 In addition, Persimmon does not consider that land held under an option agreement by housebuilders or land promoters restricts transparency any more than in cases where the land is still controlled by other landowners. Furthermore, options serve a good purpose, whereby land is controlled by housebuilders or land promoters who have the most expertise in getting it allocated and securing planning permission, as explained above.

5. Whether there is concentration in certain local markets through the control of a significant proportion of developable land by a small number of housebuilders

5.1 The CMA's Working Paper considers the extent to which there is concentration at a local level, in terms of the developable land holdings of large housebuilders. The Working Paper suggests that controlling large amounts of developable land, with minimal competition to sell new homes at the local level, may allow housebuilders to slow the delivery of houses.¹⁶ In Persimmon's view this is not an accurate description of the way the market functions

5.2 In this section, Persimmon begins by highlighting the incomplete nature of the CMA's analysis, which does not attempt to explain how concentration may lead to a slower rate of delivering homes, or seek to establish any link between the level of concentration and outcomes – a link which Persimmon is clear does not exist. Persimmon then explains why the CMA's approach to measuring concentration in any case is likely to be misleading.

¹⁴ [Housebuilding update report \(publishing.service.gov.uk\)](https://publishing.service.gov.uk), the CMA, para 37.

¹⁵ [Levelling-up and Regeneration Act 2023 - Parliamentary Bills - UK Parliament](#)

¹⁶ CMA, para 2.13b)

Local concentration does not give housebuilders an incentive to build at slower rates

- 5.3 The large body of the Working Paper focuses on the CMA's methodology for measuring concentration, and the findings from that analysis in terms of which local areas have higher levels of concentration (according to the CMA's methodology).
- 5.4 The Working Paper does not, however, offer a clear explanation of its underlying concern with concentration – that is, of *how or why* concentration (in terms of the ownership / control of developable land) at a local level might give rise to slower delivery of new homes. The CMA refers to '*minimal competition to sell new homes at the local level, allow[ing] housebuilder to slow the delivery of houses*'.¹⁷ This does not make clear in what sense the CMA considers how the number of housebuilders in an area might influence either the ability to build homes at a slower rate, or the incentive to do so.
- 5.5 In the literature reviewed in the Working Paper, there is no clear explanation of the supposed link between the concentration of land holdings among housebuilders and the speed of build out rates. Persimmon notes the reference to the paper by Murray, which states that housing developers delay housing production to capitalise on market cycles.¹⁸ Controlling the speed of housing production in line with housing market cycles, however, is a natural part of the way all housebuilders (or anyone selling a home) operate in a broader housing market. Persimmon sells its houses into local housing markets comprised largely of second-hand homes, where the prevailing price is driven by a number of macro-economic factors (as discussed in Persimmon's response to the CMA's Profitability methodology paper). Expectations of how prices and demand may move in this broader market will, of course, be an important consideration in relation to the rate at which Persimmon builds homes. However, how many other housebuilders are present in a local area has no bearing on this dynamic.
- 5.6 The Working Paper suggests that '*land banks could be consistent with an incentive to hold onto land to maximise returns*'.¹⁹ It is not clear exactly what is meant by this statement. In one sense, as discussed in the previous paragraph, housebuilders build to rates which the market can absorb given supply-side constraints (land and labour/material availability) and broader demand drivers, and may need to slow development if demand drops. However, there is no other sense in which Persimmon has an incentive to 'hold on to land' (discussed further below).

The CMA's methodology cannot establish any link between concentration and outcomes

- 5.7 As set out in the previous paragraphs, the Working Paper does not establish any clear theory of harm by which concentration might be associated with slower housing delivery. Furthermore, the Working Paper does not explain how the CMA would test whether concentration is linked to the slower delivery of housing, which can be influenced by various factors, such as the topography and size of the site or labour and material availability.

¹⁷ CMA, para 2.13 b)

¹⁸ CMA, para 2.15

¹⁹ CMA, para 2.17

5.8 In the Working Paper, the CMA focuses on establishing local areas where the land banking and planning permission activity (i.e., permissions granted) has been concentrated in the hands of a small number of housebuilders. However, the paper provides limited assessment of the outcomes (e.g. prices, build-out rates, etc) prevailing in these local areas, nor an indication of whether or how the CMA might seek to assess outcomes in more detail. Concentration in and of itself is not an outcome the CMA should care about – it is only if concentration can be robustly linked to poorer outcomes that the CMA should be concerned. The Working Paper’s methodology is, however, silent on any such link.

5.9 Any analysis that does seek to establish a link between concentration and outcomes needs to, in addition, focus not only on looking at areas with higher concentration (as the Working Paper does), but also how outcomes in concentrated areas might compare to areas with lower concentration. Such analysis should, in doing so, take into account the typical issues associated with this type of analysis, including that several outcomes may be interconnected and factors other than concentration (and currently omitted from the CMA’s assessment) may be driving the observed outcomes (we discuss several of these in the following section). The methodology in the Working Paper – focussed on looking qualitatively at higher concentrated areas – will not be able to do this.

Concentration does not lead to poorer outcomes – housebuilders do not have an incentive to slow development of new homes in more concentrated areas

5.10 Persimmon does not consider that there is a link between high concentration of housebuilders and poor consumer outcomes.

5.11 Persimmon seeks to deliver new quality homes to consumers to meet the housing demand in the UK, and it has no incentive to withhold supply. Significant investment is required to acquire land, progress it through the planning system and undertake construction projects, and this investment does not generate any return until, following receipt of planning permission, land is developed and the newly built homes are sold. Holding land and work in progress ties up capital and is therefore costly. Having capital tied up in one site imposes an opportunity cost on the ability for Persimmon to reinvest that capital elsewhere. There is therefore a strong incentive on Persimmon (and other housebuilders) to secure planning permission and then develop sites so that these costs can be avoided and returns realised.

5.12 With that aim, Persimmon has established formal internal processes to support its land teams and maximise the chances of achieving planning consents. [REDACTED]

[REDACTED]

5.13 Once planning consent is achieved and building has commenced, the cost of holding onto a site increases – as the amount of capital tied up in the site grows (through building materials etc), and therefore so does the cost associated with holding that capital. Persimmon’s operating model and its shareholders’ expectations are to maximise output in any given year. Once houses are built, Persimmon seeks to sell those properties as quickly as possible to realise its returns, and this does not vary according to the level of local concentration.

- 5.14 During downturns in the housing market, Persimmon will reduce prices to the extent feasible in order to encourage greater demand for its homes. In addition, build out rates may need to adjust, in order to match the ability of the market to absorb new houses (even taking into account discounted prices), and thereby avoid greater amounts of capital being tied up in properties that cannot be sold. There is no other incentive for Persimmon to slow build out rates, and indeed it does not do so other than in challenging markets where Persimmon is concerned about its ability to sell these homes. As above, these dynamics are unaffected by the level of local concentration.

The Working Paper does not measure concentration reliably

- 5.15 Setting aside the concerns in the preceding paragraphs, Persimmon now turns to the narrower question of whether the methodology set out in the Working Paper will calculate measures of concentration which are both relevant and reliable. In Persimmon's view, there are a number of limitations to the Working Paper's methodology which mean it is unsuitable for arriving at any meaningful measure of concentration.

a) The Working Paper does not capture concentration in the market for selling homes

- 5.16 The Working Paper seeks to measure concentration in order to see whether it is linked to slower sales of new homes. As a result, the 'right' way to measure concentration is at the level of the local market for selling homes. The methodology set out in the Working Paper does not do this in a number of important ways (Relevant to Questions 4.1 – 4.4).

- 5.17 First, **second-hand homes** are not included. Housebuilders compete to sell their new homes in a broader housing market, the vast majority of which is composed of second-hand properties. A measure of concentration which looks only at the land held by housebuilders building new homes will not measure the true level of competitive constraints that Persimmon and other housebuilders face. Indeed, for any given property (in a particular location and of a particular size and type (house, flat, semi-detached, etc)), the closest competitors might be comparably sized and located second-hand properties, rather than other new homes on sites of other housebuilders. While it is understood that new homes typically attract a 'new home premium', it is clear that second hand prices constrain the asking prices new housebuilders may set for new developments²⁰ which the CMA also recognises in its amenities working paper.²¹ The increased transparency of prices (available through online platforms) allows customers to compare local prices and other house features between new builds and second-hand homes much more easily.

- 5.18 Second, **local or regional housebuilders are excluded** from the concentration metric set out in the Working Paper. In a number of local areas including Great Yarmouth, Broadland and Newcastle-under-Lyme (as demonstrated below), there are significant local or regional players who are developing sites and selling new homes. Persimmon competes just as closely with

²⁰ 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).

²¹ "pass through would be limited due to the constraint imposed on new housing prices by the prices of existing housing stock", CMA Amenities working paper, paragraph 4.38

local / regional housebuilders as it does with other national housebuilders – what matters is the location, type of house that is being sold and the asking price, not the nature of the developer.

- 5.19 Finally, **LPAs do not represent relevant areas within which homebuyers look to buy new homes**. The CMA uses LPA and/or LA areas as a proxy for local housing market areas (HMAs). However, as the CMA acknowledges, HMAs are likely to be smaller or cross LPA/LA boundaries. In some instances, areas outside the boundary of the LPA will be very substitutable with particular housing developments inside the LPA – depending again on local geography, demographics and the type of housing stock being developed. As described in section 6, the Newcastle-under-Lyme LPA provides a clear example of this concern as it is situated in the same urban area as the Stoke-on-Trent LPA and homebuyers will view both areas as substitutable (and, until recently, these LPAs operated a jointly adopted local plan). In other areas, LPA boundaries might be too wide and only particular towns or areas within the LPA are considered substitutable with one another. In either case, the Working Paper's approach to measuring concentration at the LPA level may not capture the relevant set of competitive constraints to a specific new housing development (even setting aside the points made in the previous two paragraphs). Indeed, the concentration metrics may significantly change with slight movements of the geographic boundaries being considered.
- 5.20 Overall, therefore, the measure of concentration used in the Working Paper is not relevant for testing the competitive constraints faced by housebuilders when selling homes.
- b) The Working Paper provides only a partial view of the control of long-term land*
- 5.21 The Working Paper considers only the long-term land that is held by large housebuilders. In reality, long-term land is controlled by a range of other actors in a local area. Land promoters are very active in the strategic land market, and their prominence has grown over time. In addition, in some LPAs, such as Newcastle-under-Lyme, government agencies or local authorities themselves will hold significant amounts of land which has not yet achieved planning permission. Looking only at the long-term land holdings of housebuilders (and only the national housebuilders at that) will therefore overstate levels of concentration in local areas.
- c) Other local factors will have a significant bearing on observed levels of concentration*
- 5.22 There are various local factors that influence the number of housebuilders that may operate in a given area. The extent to which a local area can support multiple housebuilders will depend on:
- (i) the availability of developable land – this will be driven by a number of factors and is a function of local planning policies, as set out in section 3. Where developable land is constrained, fewer housebuilders are likely to be present. For example, this is the case of Great Yarmouth which is assessed in Section 6; and
 - (ii) the extent to which there is demand for additional homes – which in turn will depend on local demographics and the local economy. There are some LPAs which relatively speaking need fewer additional homes to meet local needs, and therefore are likely to support fewer housebuilders.

6. Local concentration analysis

6.1 In this section, Persimmon sets out its views on the local competitive conditions in [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] Specifically, it has considered the local competitive conditions in Great Yarmouth, Broadland, North East Lincolnshire, Newcastle-under-Lyme, North Ayrshire and West Dunbartonshire. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

6.2 [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

6.3 Prior to setting out its competitive assessment [REDACTED], Persimmon provides the following table which sets out its share of recent completions by reference to the total number of houses sold in those LPAs (which provides a more comprehensive picture of the competitive dynamics of the local housing markets), as well as by reference to the number of new build properties sold in those LPAs.

22 [REDACTED]
[REDACTED]

LPA	Persimmon sales in 2022	Second hand and new build sales in 2022 (Persimmon's share)	New builds in Apr 2022-Mar 2023 (Persimmon's share)
Great Yarmouth	■	■	■
Broadland	■	■	■
Newcastle under Lyme	■	■	■
North East Lincolnshire	■	■	■
North Ayrshire	■	■	■
West Dunbartonshire	■	■	■

Source:

Notes:

Great Yarmouth

6.4 Persimmon's sites: The CMA only identified one top 11 housebuilder active in the Great Yarmouth LPA. Persimmon has one live site in this LPA, Bluebell Meadows in Bradwell, which is a multi-phase site with several phases already completed.²³

6.5 Local boundaries: Great Yarmouth is a relatively small LPA that only comprises of three main inhabited areas, Gorleston-on-Sea, Great Yarmouth and Caister on Sea – it takes approximately 20mins by car to drive from Persimmon's site in Bradwell, in the south of the LPA, to Caister, in the north of the LPA. Great Yarmouth therefore showcases how LPA

²³ We define a site to be "live" when there are units on the site that have been sold or are for sale.

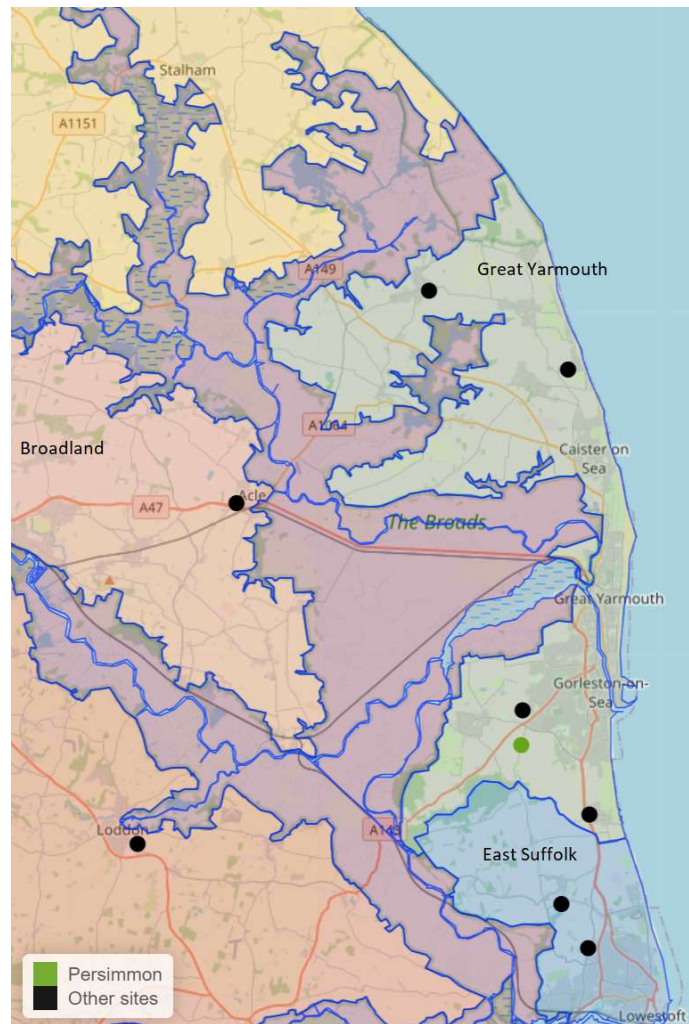
boundaries do not necessarily reflect local housing markets as Persimmon's Bradwell site is only an 11 min drive from a Badger Homes' site in Blundeston, situated in the East Suffolk LPA.

6.6 Competitors and second-hand market: Whilst the Working Paper states that there is only one top 11 housebuilder in the LPA, other housebuilders are present in the LPA, and there is also a large second-hand market:

- Bloor Homes is present in this area and recently completed a development. There are also established local housebuilders, such as Norfolk Homes, Badger Homes, which has a development in Claydon Park, Gorleston, and Lovell Homes, which has a development in Hopton, only a 7 minute drive from Persimmon's Bradwell site.
- Persimmon's Bradwell site is also only an 11 minute drive from Badger Homes' development in Blundeston, situated in the East Suffolk LPA.
- Persimmon also competes with houses on offer in the second-hand market which places significantly larger numbers of houses on the market than housebuilders. As shown in the table above, Persimmon only accounted for █% of total (second hand and new build) sales in 2022 and, even looking only at new build completions (an overly narrow segment of the market), had only a █% share.

6.7 Other relevant considerations: Being surrounded by the Broads National Park, the geography of the LPA has limited developable land and is not conducive to the development of many large sites. Its geography therefore places an inevitable constraint on the number of housebuilders that the LPA can support and mechanically results in high 'concentration' for new build developers. This does not preclude large housebuilders from bidding for new sites in the area. As described above, other housebuilders, both national and local, are active in the area. As a result, the concentration measure used by the CMA does not capture the full extent of competition in selling homes in Great Yarmouth.

Figure 1 – Persimmon’s Bradwell site and surrounding developments



Source: Analysis of Persimmon land bank data and Glenigan data, and includes sites with more than 50 units which were subject to a planning permission application since 2020. Maps created with OpenStreetMap and Leaflet.

Notes: Only sites with planning permission submitted are shown on the map, while long term land is excluded.

Broadland

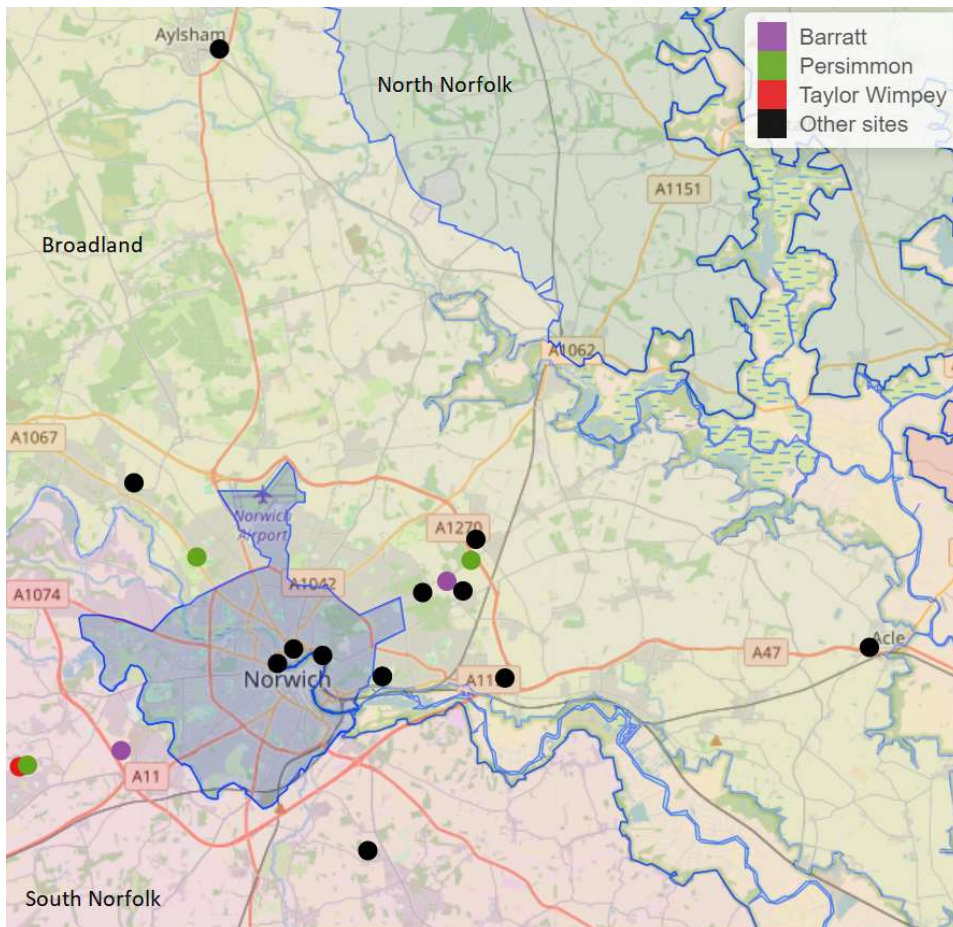
6.8 Persimmon’s sites: In Broadland, Persimmon has the following sites:

- White Rose Park, Norwich (live)
- Princes Park, Rackheath (live)
- Millers Field, Sprowston (completed minus 1 show home)

6.9 Because Millers Field is now complete, it is not considered further in the assessment of this LPA. In any case, the arguments applicable to the Rackheath site apply to Millers Field given the proximity of the two sites.

- 6.10 Local boundaries: Broadland is a relatively large LPA – i.e. in the largest third of LPAs in England and Wales by area – and incorporates the north-eastern part of Norwich (Hellesdon, Sprowston and Thorpe St Andrew), towns such as Reepham, Aylsham and Acle and more rural locations. Despite being part of the same LPA, these locations exhibit different characteristics and their connection to Norwich and further afield also varies.
- 6.11 Sites such as White Rose Park have more in common with the residential areas of south-east Norwich in South Norfolk LPA – as they all cater to consumers that seek short commutes into Norwich – than with other locations in Broadland such as Acle or Reepham. Similarly to Great Yarmouth, this suggests that LPA boundaries do not reflect local housing market boundaries in this area.
- 6.12 Competitors and second-hand market: Persimmon’s sites compete with other housebuilder sites nearby, developments in similar areas in neighbouring LPAs and with the second-hand market:
- Persimmon’s White Rose Park development is on the northern side of Norwich and competes strongly with Hopkins Homes’ Drayton development. Because of its attraction for customers in search for short commutes to Norwich, it also competes with sites in similar residential areas outside of Norwich such as Barratt’s Cringleford site.
 - Persimmon’s Princes Park site is situated in a location with multiple sites within a 10 minute drive radius, including Barratt’s Woodland Heath site, Tilia Homes’ Furlong Heath site, Allison Homes’ The Oaks site and Norfolk Homes’ The Landings site.
 - Finally, Persimmon is constrained by the second-hand market. Taking together all Persimmon sales activity in the Broadland LPA in 2022, it only accounted for █% of total (second hand and new build) sales and, even looking only at new build completions (an overly narrow segment of the market), had only a █% share.
- 6.13 As such, whilst the CMA recognises the presence of three top 11 housebuilders in this LPA, it does not fully capture the competitive conditions in Broadland, which are also driven by non-top 11 housebuilders in close proximity, by housebuilders located in similar areas in neighbouring LPAs and by the second-hand market.

Figure 2 – Persimmon’s White Rose Park and Princes Park sites and surrounding developments



Source: Analysis of Persimmon land bank data and Glenigan data, and includes sites with more than 50 units which were subject to a planning permission application since 2020. Maps created with OpenStreetMap and Leaflet.

Notes: Only sites with planning permission submitted are shown on the map, while long term land is excluded. The Millers Field site is also not shown as explained above. Persimmon’s Hethersett site in South Norfolk (bottom left) is also shown as it falls within the boundaries of the map.

Newcastle-under-Lyme

6.14 Persimmon’s sites: In Newcastle-under-Lyme, Persimmon operates the following sites:

- Hardings Wood, Kidsgrove (live)
- The Hamptons, Thistlebury (live)
- Milliner’s Green Strip, Thistlebury (owned with uplift, draft allocated)
- [REDACTED]

6.15 [REDACTED]

- 6.16 Local boundaries: Newcastle-under-Lyme incorporates very different types of housing locations, including a large urban area of Newcastle-under-Lyme, the town of Kidsgrove and villages such as Madeley, Audley, Silverdale, Keele and Loggerheads. Even at the very localised level, sites can cater to different customer needs and preferences. For example, sites in Keele are close to the University and are considered to be a premium location while sites within the urban area cater to a lower price range.
- 6.17 As with Great Yarmouth and Broadland, Newcastle-under-Lyme provides another example of housing markets not necessarily following LPA boundaries. Kidsgrove in the Newcastle-under-Lyme LPA is within close proximity to Alsager in the Cheshire East LPA and Tunstall in the Stoke-on-Trent LPA.
- 6.18 While situated in two different LPAs, the urban centres of Newcastle-under-Lyme and Stoke-on-Trent merge into one another. Despite some parts of Newcastle-under-Lyme being considered a more premium market than parts of Stoke-on-Trent, there are good transport connections between the two centres. The closeness of these two LPAs is further illustrated by their decision to operate a joint local plan until recently, which demonstrates their closeness.²⁴ This suggests that Persimmon's sites in Kidsgrove and the Hamptons as well as the sites of its competitors face competition from sites in the Stoke-On-Trent LPA, undermining the reliability of any concentration analysis limited to the Newcastle-under-Lyme LPA.
- 6.19 Local competitors and the second-hand market: In its assessment, the CMA acknowledges that, whilst only one top 11 housebuilder (believed to be Persimmon) is present, it only has a 5-10% market share due to the presence of strong regional housebuilders with significant presence. As described above, Persimmon's Hardings Wood and Hamptons sites also face competition from large housebuilders in the Stoke-On-Trent LPA, the Cheshire East LPA and the second-hand market. Specifically:
- Persimmon faces significant competition from sites in the hands of established local players that – as the CMA acknowledges – hold large shares of the market. This occurs both at land acquisition stage, [REDACTED] and at point of sale. For example, the Kidsgrove site was recently in competition with Taylor Wimpey's Butt Lane site (3min drive) and now competes within David Wilson Scholar Place Alsager and Wain Homes Lawton Green, both of which are in the neighbouring Cheshire East LPA.
 - Persimmon's The Hamptons site faces competitive pressure from Seddon Homes' sites in The Oaks sites near Silverdale (5min drive) and Ashway Park in Bradwell (10min drive), and Tilia Homes' The Paddocks in Cross Heath (8min drive). The Hamptons site also competes with sites just on the other side of the LPA boundary, in the Stoke-On-Trent LPA. For example, the Hamptons site

²⁴ We understand that the joint adoption plan does not currently apply due to misalignment between the two LPAs.

²⁵ [REDACTED]

competes with developments located between Newcastle-under-Lyme and Stoke-on-Trent, including the Lioncourt Home's site in Queens Road (9min drive).

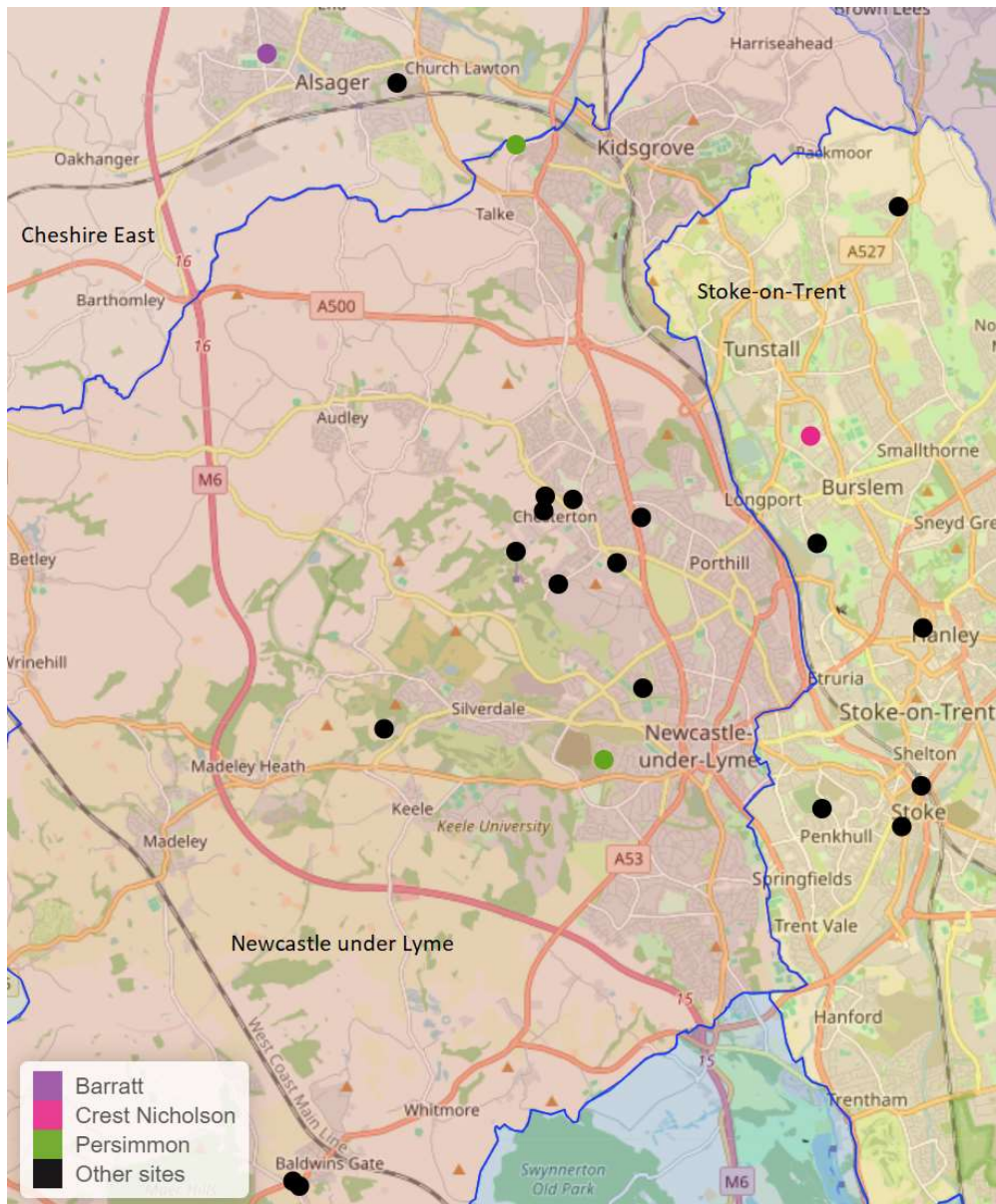
- Finally, Persimmon is constrained by the second-hand market. As shown in the table above, Persimmon only accounted for █% of total (second hand and new build) sales in 2022 and, even looking only at new build completions (an overly narrow segment of the market), had only a █% share. As a result, the concentration measure used by the CMA does not capture the full extent of competition in selling homes in Newcastle-under-Lyme.

6.20 Other relevant considerations: Another particular feature of the Newcastle-under-Lyme LPA is that the council owns relatively large proportions of developable land. █

█ The scarcity of land available has also pushed Persimmon to pursue smaller and technically complex sites (such as Hardings Wood) that it would usually disregard in favour of larger sites.

6.21 There are also significant technical difficulties on many sites in this LPA due to the prominence of historic coal and clay mining associated with the potteries. These sites often require significant ground remediation and stabilisation to create development platforms suitable for the construction of new homes.

Figure 3 – Persimmon’s Hardings Wood and The Hamptons sites and surrounding developments



Source: Analysis of Persimmon land bank data and Glenigan data, and includes sites with more than 50 units which were subject to a planning permission application since 2020. Maps created with OpenStreetMap and Leaflet.

Notes: Only sites with planning permission submitted are shown on the map, while long term land is excluded.

North East Lincolnshire

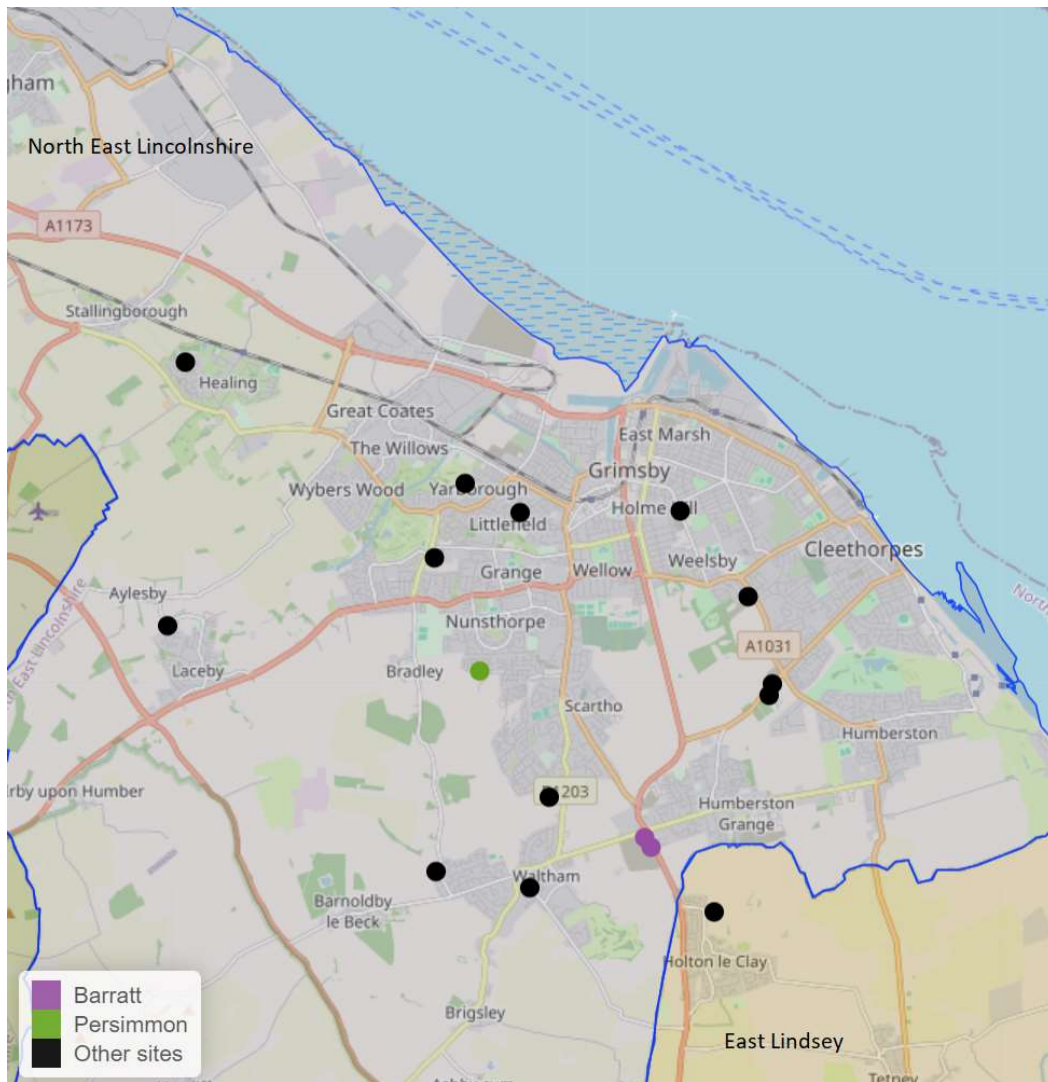
6.22 Persimmon’s sites: Persimmon holds two sites in North East Lincolnshire:

- Scartho Top, Grimsby (live)
- Millennium Farm, Humberston Grange (complete)

6.23 The Millennium Farm site is now complete, with all units sold, and therefore has not been considered further in this assessment.

- 6.24 Local boundaries: North-East Lincolnshire incorporates different types of locations and market features. For example, the Grimsby area offers products for customers looking for cost-effective housing, while in smaller more affluent towns on the western side of the LPA, customers are in search for more premium housing. Both of Persimmon's sites also face a competitive constraint from sites in Holton-le-Clay, situated in the East Lindsey LPA and a 7min drive from Scartho Top.
- 6.25 Competitors and second-hand market: In its concerning factors, the CMA states that there are three top 11 housebuilders present as well as a non-top 11 housebuilder with the highest share of the market. Based on the CMA's assessment, Persimmon does not believe the LPA to be a concentrated area and provides more evidence below on the competition it faces from competitor sites in North East Lincolnshire, from nearby site sites situated in the East Lindsey LPA and from the second-hand market:
- In close proximity to Persimmon's Scartho Top development are a number of competitor sites, situated in the south of Grimsby, Scartho, Waltham and Humberston. These include Barratt's New Waltham site, Snape Properties' Torbay Drive Development, Carr & Carr's Cheapside Waltham site and YPG's Hewitts Avenue site amongst others.
 - Persimmon's Scartho Top site also face a competitive constraint from sites in Holton-le-Clay situated in East Lindsey LPA, including the 232-unit Gleeson Homes' Holton Croft development.
 - Finally, Persimmon is constrained by the second-hand market. As shown in the table above, Persimmon only accounted for █% of total (second hand and new build) sales in 2022 and, even looking only at new build completions (an overly narrow segment of the market), had only a █% share.
 - For these reasons, North-East Lincolnshire is not a concentrated area and the CMA's analysis to not capture the full extent of competition in selling homes in this LPA.

Figure 4 – Persimmon’s Scartho Top site and surrounding developments



Source: Analysis of Persimmon land bank data and Glenigan data, and includes sites with more than 50 units which were subject to a planning permission application since 2020. Maps created with OpenStreetMap and Leaflet.

Notes: Only sites with planning permission submitted are shown on the map, while long term land is excluded.

North Ayrshire

6.26 Persimmon's sites: Persimmon currently operates the following sites in North Ayrshire:

- Portencross, West Kilbride (planning granted)
- Sharphill, Saltcoats (live)
- Mayfield Farm, Saltcoats (live)
- West Byrehill, Kilwinning (planning granted)
- Irvine, Newmoor (currently live)
- King's Road, Beith (under conditional contract)
- [REDACTED]
- [REDACTED]

6.27 [REDACTED] and planning approval at the Beith site is still outstanding, they are not considered further in this section. The West Kilbride site has planning granted but is currently not owned by Persimmon and so for similar reasons, this site is not considered further.

6.28 Local boundaries: In its analysis, the CMA considers the North Ayrshire area and, as a concerning factor, it specifies that three top 11 housebuilders are present in North Ayrshire with one holding 50-60% of the market. Persimmon is one of the top 11 housebuilders present and assumes it is the one with highest market share, with Bellway and Taylor Wimpey also present within the LPA.

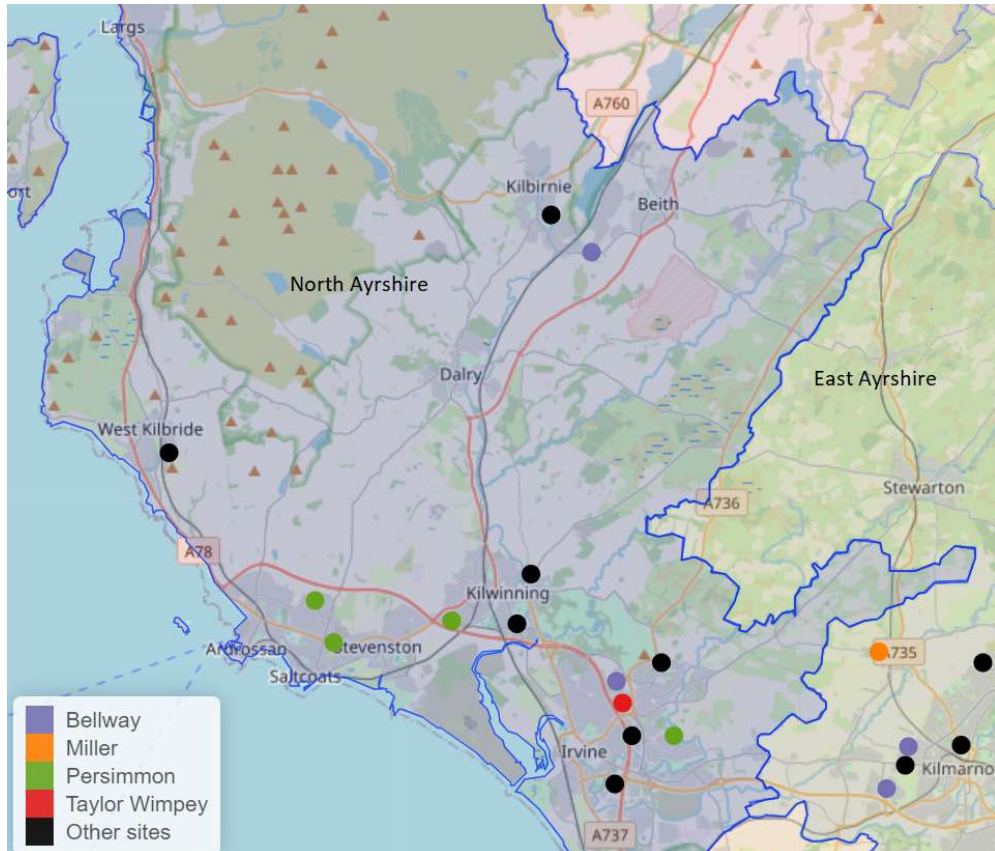
6.29 Persimmon notes that the North Ayrshire LPA covers a large area (it is in the 19% of largest LPAs). In the LPA, new build sites are mainly located inside towns or larger urban areas that can be far from each other.. For this reason, Persimmon considers sites present in the conurbation of Ardrossan, Saltcoats, Steventon ("The Three Towns"), Kilwinning and Irvine to strongly compete with each other but less so with sites in West Kilbride or Beith.

6.30 Competitors and second-hand market: Persimmon considers its sites in North Ayrshire to compete with nearby developments and with the second-hand market:

- Persimmon's sites in The Three Towns, Kilwinning and Irvine compete with Montgomerie Park (Bellway), Willow Gardens (Taylor Wimpey), and Kings Meadow (Dawn Homes). There are also two sites currently in planning in Kilwinning, held by Keepmoat and CCG.
- Persimmon is also constrained by the second-hand market. As shown in the table above, Persimmon only accounted for █% of total (second hand and new build) sales in 2022 and, even looking only at new build completions (an overly narrow segment of the market), had only a █% share.

- 6.31 Other relevant considerations: Persimmon's success in North Ayrshire – a secondary market location – is due to demand for Persimmon's product type which is aimed at first-time buyers and the more affordable end of the market. Because of LPA support for new private housebuilding and the increasingly scarce amount of land available in other parts of West Scotland, large builders are increasingly moving into North Ayrshire (e.g. Bellway, Taylor Wimpey). As a result, the CMA's analysis does not capture the full extent of competition in selling homes in North Ayrshire.

Figure 5 – Persimmon's sites in The Three Towns, Kilwinning and Irvine and surrounding sites



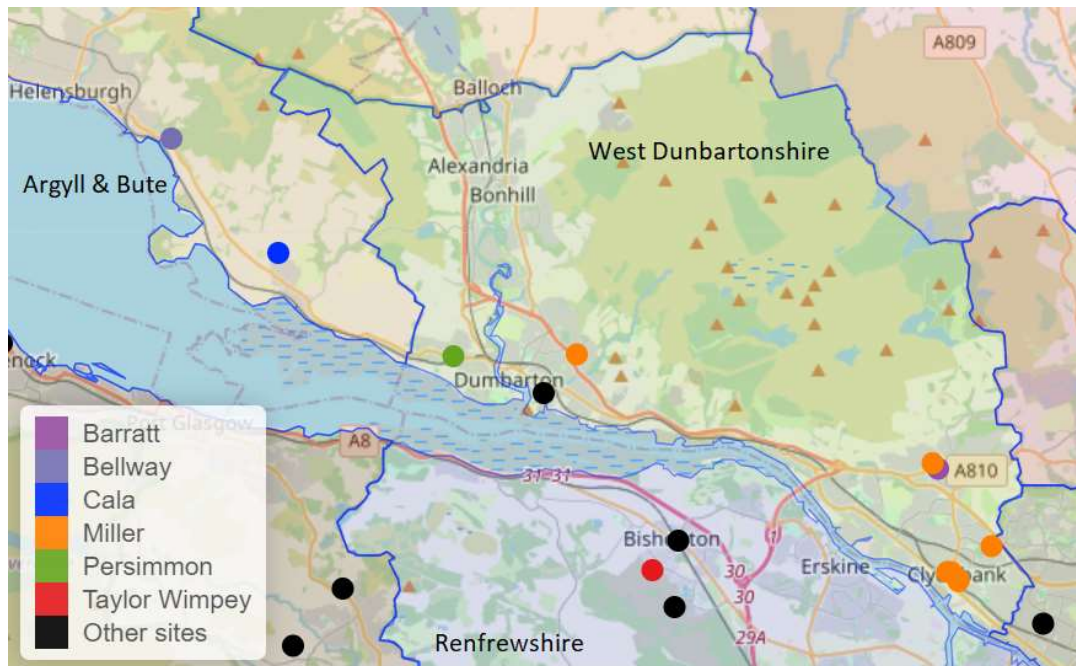
Source: Analysis of Persimmon land bank data and Glenigan data, and includes sites with more than 50 units which were subject to a planning permission application since 2020. Maps created with OpenStreetMap and Leaflet.

Notes: Only sites with planning permission submitted are shown on the map, while long term land is excluded.

West Dunbartonshire

- 6.32 Persimmon's sites: Persimmon has a conditional contract for the Our Lady St Patricks site in Dumbarton – with planning granted. Persimmon also has a site at Balloch Castle, Balloch, under option but this site is not considered further in the assessment of this LPA due to it being several years away from completion.
- 6.33 Local boundaries: Similarly to the other LPAs reviewed, Persimmon does not consider the LPA boundaries to properly reflect the contours of the local housing market. For example, Dumbarton and Clydebank are both situated in West Dunbartonshire, but it is a 15-minute drive between the two locations and while Dumbarton is a town, Clydebank is part of Glasgow conurbation, one of the largest conurbations in the UK.
- 6.34 Competitors and second-hand market: In its analysis, the CMA states that three top 11 housebuilders are present in West Dunbartonshire but that the highest market share is held by a non-top 11 housebuilder, with a share of 60-70%. Persimmon only has one site in the LPA with planning approved. In West Dunbartonshire, Persimmon faces competition from other housebuilders to buy land and sell homes (once its site is built) and from the second-hand market:
- Persimmon's site in Dumbarton will face competition from Miller Homes' Garshake Gardens (7min drive) and from Turnberry Homes' Castle Road site (8min drive).
 - Persimmon will also be constrained by the second-hand market. [REDACTED]
[REDACTED]
[REDACTED]
- 6.35 Other relevant considerations: West Dunbartonshire is a largely secondary market location with a small population (in the UK's 12% least populated LPAs). Historically, there had been significant large housebuilder activity in this LPA with Taylor Wimpey at Lomond Gate, Barratt at Bonhill and Clydebank. However, recently there has been limited LPA support for large housebuilding developments due to (i) only few and small LA-owned brownfield sites of less than 100 units being made available on the market over the last 6-7 years; and (ii) the planning authority imposing stringent design requirements across all sites, seeking non-standard products and features.
- 6.36 In conclusion, Persimmon considers that, whilst there is a scarcity of land being made available for development, it does not consider West Dunbartonshire to be a concentrated area and considers that the CMA analysis does not capture the full extent of the competition in the LPA.

Figure 6 – Persimmon’s site in Dumbarton and surrounding sites



Source: Analysis of Persimmon land bank data and Glenigan data, and includes sites with more than 50 units which were subject to a planning permission application since 2020. Maps created with OpenStreetMap and Leaflet.

Notes: Only sites with planning permission submitted are shown on the map, while long term land is excluded.

Conclusion

- 6.37 This section has set out Persimmon’s assessment of [REDACTED]. For each of these areas, Persimmon has shown that the CMA’s discussion and analysis of these areas does not fully capture the range of competitive constraints on Persimmon. In all of these areas, Persimmon considers that it faces strong competition to sell new homes, from a range of sources – other large housebuilders, SME housebuilders, the second-hand market and housebuilders outside of the LPA boundary where relevant.