

Dan Turnbull
Competition and Markets Authority
The Cabot
25 Cabot Square
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6th December 2023

Dear Mr Turnbull

Competition and Market Authority's (CMA) working papers on the use of land banks and planning rules

By way of introduction, my name is Ian Fletcher, and I am the Director of Real Estate Policy at the British Property Federation (BPF). The BPF represents the real estate investment sector – an industry which contributed more than £107bn to the economy in 2020 and supported 2.3 million jobs. We promote the interests of those with a stake in the UK built environment, and our membership comprises a broad range of owners, managers, and developers of real estate as well as those who support them.

For the purposes of this consultation, our members engage in the planning process in the development of a wide range of commercial and residential buildings. They do not focus on building homes for sale, but develop various forms of housing for rent, including Build-to-Rent (low-rise and high rise), purpose-built student accommodation, and retirement communities. In the current environment, many of our members are engaging with volume house builders to purchase their stock, which can then be repurposed for low-rise rental homes.

I write to offer our comments on the CMA's ongoing study into the housebuilding market - specifically on the planning challenges identified and the wider policy landscape the review is operating within.

Build-to-Rent (BtR) is a rare housing supply success story that has developed over the past decade, with 90,000 homes complete and a pipeline of 270,000 homes, since 2014. There is huge demand for professionally run rental homes, funded by institutional capital. The most significant barrier to the sector is not capital – there is plenty of that – but a lack of scale development opportunities, and the speed of the planning system to deliver. There is no incentive for BtR developers to take their time on build-out. The motivation to invest in the sector is to derive rental income, and so the quicker a building is built the faster the investor (normally a pension fund) receives their income.

Our experience is that the planning system is not really set-up to make innovation easy. The system has worked for decades on the basis of a developer developing homes for sale, with possibly some affordable housing contribution sold to a housing association. Introducing BtR into that environment was challenging and were not for some local planning officers going 'off-piste' on accepted policy the sector may not have got established. In 2018, however, the national government codified some of that emerging local practice into the National Planning Policy Framework and National Planning Guidance. The guidance is good, but the system is like a tanker, and it will take years for that guidance to be reflected in specific policies on BtR in local plans. In the meantime, the best the sector can do is to ensure planning officers and planning committee members are aware of BtR and its specific development economics, so that is taken account of at application and decision stages. That is a perpetual education exercise, given the churn of officers and councilors in local councils.

The BPF shares many of the CMA's concerns regarding the shortcomings of our existing planning system and how this can in turn hinder the proper functioning of an effective market. For example, the BPF strongly supports the aspiration of building more certainty into the planning process whether that is through movement to a more rules-based planning system (requiring primary legislation) or, reform to our existing system through compelling more authorities to have up-to-date local plans in place. Also, the greater use of existing freedoms, for example, we were pleased to see the Government providing a small pot of support for local planning authorities (LPAs) in the Autumn Statement for some of them to pilot Local Development Orders. Frankly, most LPAs should have an LDO for their high streets to accommodate the significant changes of use that need to take place at a local level as retail activity contracts, but an LDO means more work, and fewer planning fees, so there is a perverse incentive for LPAs not to put an LDO in place.

The principle of hypothecating fees so resource generated through the planning system can only be spent by local authority planning departments is also a good aspiration. The challenge is our existing legal framework with local authority finance regulations governed by different acts of parliament making ringfencing hard to achieve in practice.

I am sure officials are also aware of previous government work exploring the issue of 'build out' rates such as Sir Oliver Letwin's [Independent Review of Build Out](#) in October 2018. A good starting point for this work would be to consider the recommendations of Sir Oliver, most of which were never implemented.

One of Sir Oliver's recommendations was the suggestion for England's largest sites in high-demand areas to be required to diversify the homes delivered so that various categories of demand within a local housing market can be catered for. In doing so, this would have ensured that houses could be built at a faster rate than at present on such sites, because the 'absorption rate' for each category of housing would be complementary rather than competitive which is a feature of more homogeneous housing products/markets.

Such a reform would have been achievable through limited amendments to primary and secondary legislation as well as the introduction of new planning policy in the National Planning Policy Framework to deal exclusively with planning policy for large sites over 1500 units.

The BPF were naturally disappointed not to see this recommendation being taken forward by the government at the time. There is a movement towards larger housing development sites, driven by factors such as land-market dynamics and planning considerations. These sites need a tri-tenure delivery model to accelerate housing delivery to meet higher home-building targets. Early investment by BtR investors could help accelerate the delivery of private sale and affordable housing. Investors are risk-sharing and forward funding developments and ensuring the pipeline continues to deliver new homes with a record over £1 billion invested in 2023 so far.

The addition of a long-term stable form of capital can strengthen and support the otherwise boom-bust housing market. We remain strongly of the view that securing greater diversity across our largest sites would indeed create better conditions for faster build-out as well as enable more flexible and in-demand housing options such as professionally managed BtR style development to come forward.

For the other sectors we represent (purpose-built student accommodation and retirement communities), national policy is generally weak. There are nods to these other sectors in the National Planning Policy Framework, which generally encourages local planning authorities to plan for these 'other' needs of parts of the population, and many others too, but the system is driven by the homes for sale market. The Government's Older Peoples' Housing Taskforce may come forward shortly with recommendations as to how we improve the system for planning for housing for older people.

The system for planning student housing is weak. There is no specific guidance. Universities can expand or contract their intake significantly from year-to-year, and there is no contingency built into plans for this. As a result, there is presently a chronic shortage of student housing. Universities are having to expand to increase income, as tuition fees have been frozen for some years. In some university towns, shortages of accommodation mean students are having to commute from other towns and cities. Accommodation costs are now running at about 90% of the maximum student maintenance loan in some places, meaning those from lower income families are unable to access higher education. These are the real impacts of planning failure.

We thought it was worth signposting the CMA to this broader policy context to assist with your wider review into the subject area.

We would be delighted to expand further on our views on the review and on the challenges of build out more broadly should that be of interest.

Please do get in contact should you wish to discuss further.

Yours sincerely

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British Property Federation