

Anticipated Acquisition by Barratt Developments plc of Redrow plc

Decision on relevant merger situation and substantial lessening of competition

ME 7089/24

The Competition and Markets Authority’s decision on relevant merger situation and substantial lessening of competition under section 33(1) of the Enterprise Act 2002 given on 8 August 2024. Full text of the decision published on 28 August 2024.

The Competition and Markets Authority (**CMA**) has excluded from this published version of the decision information which the CMA considers should be excluded having regard to the three considerations set out in section 244 of the Enterprise Act 2002 (specified information: considerations relevant to disclosure). The omissions are indicated by [§]. Some numbers have been replaced by a range, which are shown in square brackets.

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SUMMARY

OVERVIEW OF THE CMA'S DECISION

1. The Competition and Markets Authority (**CMA**) has found that the acquisition by Barratt Developments plc (**Barratt**) of Redrow plc (**Redrow**) gives rise to a realistic prospect of a substantial lessening of competition (**SLC**) as a result of horizontal unilateral effects in the supply of new-build private residential housing (**new-build housing**) in one local market within the UK.
2. The CMA refers to this acquisition as the **Merger**. Barratt and Redrow are together referred to as the **Parties** and, for statements relating to the future, the **Merged Entity**.
3. As the CMA has found that the Merger gives rise to a realistic prospect of an SLC, the Parties have until 15 August 2024 to offer undertakings in lieu of a reference (**UILs**) to the CMA that will remedy the competition concerns identified. If no such undertaking is offered, then the CMA will refer the Merger for a phase 2 investigation pursuant to sections 33(1) and 34ZA(2) of the Enterprise Act 2002 (the **Act**).

Who are the businesses and what products/services do they provide?

4. Both Barratt and Redrow are UK housebuilders incorporated in England and Wales, active in the acquisition and development of land and the planning, design, construction and selling of new-build housing in Great Britain.
5. The Parties overlap in the supply of new-build housing both on a national basis and at a local level (in locations where both are present).

Why did the CMA review this merger?

6. The CMA's primary duty is to seek to promote competition for the benefit of consumers. It has a duty to investigate mergers that could raise competition concerns in the UK, provided it has jurisdiction to do so. In this case, the CMA has concluded that it has jurisdiction to review this Merger because Barratt and Redrow are each enterprises that will cease to be distinct as a result of the Merger, and because the turnover test is met, as Redrow's UK turnover in 2023 exceeded £70 million.

What evidence has the CMA looked at?

7. In assessing this Merger, the CMA considered a wide range of evidence.

8. The CMA received several submissions and responses to information requests from the Parties. This included information about the nature of the Parties' businesses, the constraint offered by second-hand homes on the Parties, the size of catchment areas in each local area and the Parties' shares of supply.
9. The CMA also examined the Parties' own internal documents, which show how they run their business, how they view their rivals in the ordinary course of business and how they view the geographic scope at which competition takes place (ie national and/or local).
10. The CMA spoke to and gathered evidence from other market participants such as competitors and land agents to understand better the competitive landscape and the main parameters of competition.

What did the evidence tell the CMA...

...about the effects on competition of the Merger?

11. The CMA looked at whether the Merger would lead to an SLC in the supply of new-build housing at the national and local level. This is because some of the key parameters of competition upon which housebuilders compete (such as price and specifications) are set at the national level and flexed locally to account for local realities and competitive dynamics. In addition, location has been identified as one of the most important criteria for customers when purchasing a home.
12. At the national level, the Merged Entity would become the largest housebuilder by volume of short-term land bank holdings. However, the CMA found no competition concerns on the basis that: (i) the Merged Entity would continue to have a relatively modest market position, with a combined share of supply of [10-20]%; and (ii) the Merged Entity would continue to face sufficient remaining competition from other large housebuilders.
13. At the local level, the CMA considered the impact of the Merger in the catchment areas where the Parties have a significant combined presence. The geographic presence of housebuilders (including the Parties) is varied, and not all the competitors identified at the national level are present in the local areas where the Parties overlap.
14. In order to assess local overlaps, the CMA used a decision rule. Decision rules are commonly used in phase 1 investigations to enable the competitive assessment of a large number of local areas to be carried out systematically, efficiently and at proportionate cost. The CMA used a two-limb decision rule, in which the Merger would give rise to a realistic prospect of an SLC in a given local market if, in that local market:

- (a) the Parties had a combined share of supply of at least 40%, with an increment of 5% or more; or
 - (b) two or fewer competitors would remain post-Merger.
15. The CMA based its analysis of the relevant catchment area on an 11 mile straight-line distance. The CMA calculated shares based on the short-term land bank holdings of the Parties and their rivals. The CMA believes that calculating shares on the basis of short-term land banks provides a good indication of the Parties' and their competitors' forward-looking positions. Short-term land bank shares give an indication of the 'flow' of homes that will be developed in the near future.
 16. When calculating the shares of the Parties, the CMA considered the relevant competitor set to include other UK-wide housebuilders and smaller housebuilders that may be active in certain local areas or regions. The CMA excluded from the effective competitor set second-hand homes and providers of affordable housing.
 17. Regarding second-hand homes, the evidence available to the CMA indicated that the price of nearby second-hand homes is an important constraint on housebuilders' ability to set prices of new-builds in specific local areas. However, the evidence also indicated that the Parties compete most closely with other housebuilders, and the new-builds and second-hand homes may not be substitutable for customers. As such, the CMA considered second-hand homes as a strong out-of-market constraint.
 18. The threshold chosen for determining whether competition concerns arise is a case-by-case assessment, taking into account all the facts and circumstances of a given case. In this case, the CMA determined that a 40% share threshold is appropriate to identify areas in which there is a realistic prospect of an SLC arising. This reflects, in particular, the strong nature of the out-of-market constraints posed by second-hand homes.
 19. On this basis, the CMA found that the Merger may be expected to result in an SLC as a result of horizontal unilateral effects in the supply of new-build housing in one local catchment area centred on the Barratt development at Tilstock Road, Whitchurch, which includes Redrow's development at Kingsbourne, Nantwich.

What happens next?

20. As a result of these concerns, the CMA believes the Merger gives rise to a realistic prospect of an SLC in the supply of new-build housing arising from a loss of local competition in one local catchment area centred on the Barratt development at Tilstock Road, Whitchurch. The Parties have until 15 August 2024 to offer an undertaking which might be accepted by the CMA to address the SLC. If no such undertaking is offered, or the CMA decides that any undertaking offered is

insufficient to remedy its concerns to the phase 1 standard, then the CMA will refer the Merger for a phase 2 investigation pursuant to sections 33(1) and 34ZA(2) of the Act.

ASSESSMENT

1. PARTIES, MERGER AND MERGER RATIONALE

21. Barratt is a housebuilder incorporated in England and Wales, active in the acquisition and development of land and the planning, design, construction and selling of residential homes across the UK.¹ Barratt's UK and global turnover in its most recent financial year (year ended 30 June 2023) was £5,321.4 million.
22. Redrow is a housebuilder incorporated in England and Wales, active in the acquisition of land for developing homes and the construction and supply of homes.² Redrow's UK and global turnover in its most recent financial year (year ended 2 July 2023) was £2,127 million.
23. On 7 February 2024, pursuant to a recommended all-share combination agreement, Barratt agreed to acquire the entire issued and to be issued ordinary share capital of Redrow.³
24. The Parties submitted that the main strategic rationales for the Merger are:
 - (a) The Parties have a complementary product offering, so the Merger would allow Barratt to carry out a 'three brand' strategy and target different customer groups, ranging from low-cost, first-time buyers to down-sizers re-entering the market at a higher price point.⁴
 - (b) The Parties hold complementary strategic land portfolios, so the Merger would increase the Merged Entity's geographic reach and allow it to increase the pace of new home completions.⁵
 - (c) The Merger provides operational efficiencies through the combination of regional offices and the deduplication of key support functions.⁶
25. The CMA considers that the Parties' internal documents broadly support this stated rationale.⁷ The CMA notes, however, that the Parties' land portfolios are not entirely complementary, given that they overlap in 413 local areas based on the methodology set out in the competitive assessment below.

¹ Final Merger Notice, submitted to the CMA on 11 June 2024 (FMN), paragraph 35.

² FMN, paragraph 36.

³ FMN, paragraph 37.

⁴ FMN, paragraph 61.

⁵ FMN, paragraph 63.

⁶ FMN, paragraph 64.

⁷ See, for example, Barratt Internal Document, Annex 009.01 to the FMN, [REDACTED], 18 January 2023, slide 7; Annex 009.17 to the FMN, [REDACTED], December 2023, slide 9 and 13; Annex 009.19 to the FMN, [REDACTED], 6 December 2023, page 2 and 5. See also, Redrow Internal Document, Annex 009.36 to the FMN, [REDACTED], 6 February 2024, slide 11; Annex 009.37 to the FMN, [REDACTED], 6 February 2024, slide 3.

2. PROCEDURE

26. The CMA commenced its phase 1 investigation on 14 June 2024. As part of its phase 1 investigation, the CMA gathered a significant volume of evidence from the Parties. In response to targeted information requests, the CMA received and reviewed internal documents from the Parties. The Parties also had opportunities to make submissions and comment on our emerging thinking throughout the phase 1 investigation. For example, on 8 July 2024 the CMA invited the Parties to attend an Issues Meeting, and the Parties submitted their views in writing. The CMA also gathered evidence from other market participants, such as competitors and land agents. The evidence the CMA has gathered has been tested rigorously, and the context in which the evidence was produced has been considered when deciding how much weight to give it.
27. Where relevant, this evidence has been referred to within this decision.
28. The Merger was considered at a Case Review Meeting.⁸

3. JURISDICTION

29. Each of Barratt and Redrow is an enterprise. As a result of the Merger, these enterprises will cease to be distinct.
30. The UK turnover of Redrow exceeds £70 million in 2023⁹ so the turnover test in section 23(1)(b) of the Act is satisfied.
31. The CMA therefore believes that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
32. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 14 June 2024 and the statutory 40 working day deadline for a decision is therefore 8 August 2024.

4. COUNTERFACTUAL

33. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual).¹⁰
34. In an anticipated merger, the counterfactual may consist of the prevailing conditions of competition, or conditions of competition that involve stronger or

⁸ Mergers: Guidance on the CMA's jurisdiction and procedure, 25 April 2024, ([CMA2](#)), page 39.

⁹ FMN, paragraph 102.

¹⁰ [Merger Assessment Guidelines](#) (CMA129), March 2021, paragraph 3.1.

weaker competition between the parties to a merger than under the prevailing conditions of competition.¹¹ In determining the appropriate counterfactual, the CMA will generally focus on potential changes to the prevailing conditions of competition only where there are reasons to believe that those changes would make a material difference to its competitive assessment.¹²

35. In this case, the CMA has not received submissions from the Parties or other evidence suggesting that the Merger should be assessed against an alternative counterfactual. Therefore, the CMA believes the prevailing conditions of competition to be the relevant counterfactual.

5. BACKGROUND AND NATURE OF COMPETITION

36. In this section, the CMA provides some background regarding the wider housebuilding sector, including in relation to:

- (a) the supply of new-build housing in the UK;
- (b) the purchase of land for development; and
- (c) the main parameters of competition in the supply of new-build housing.

5.1 Overview of housebuilding sector in the UK

37. The CMA carefully assessed the housebuilding sector in a market study (**housebuilding market study**), publishing a final report in February 2024. This section highlights some relevant findings from that report.
38. The market for the supply of new-build housing includes around 25 large housebuilders, defined as those building more than 1,000 homes per year. Of these, the housebuilding market study primarily collected evidence from the 11 largest firms based on their 2020-21 and 2021-22 revenues, each of which provided more than 2,000 homes in 2021-22.¹³ These included both the Parties, as well as Bellway, Berkeley, Bloor Homes, CALA, Crest Nicholson, Miller Homes, Persimmon, Taylor Wimpey and Vistry.¹⁴ Barratt was the largest housebuilder in 2022, supplying approximately 8% of the market, with the top 11 firms together supplying approximately 40% of the market.¹⁵
39. There are also thousands of local and regional smaller housebuilders who operate in local and regional markets across England Scotland and Wales—though the

¹¹ [CMA129](#), paragraph 3.2.

¹² [CMA129](#), paragraph 3.9.

¹³ [CMA's Housebuilding market study final report \(housebuilding market study\)](#), 26 February 2024, paragraph 2.18.

¹⁴ [Housebuilding market study](#), paragraph 2.18.

¹⁵ Redrow's share of supply was not specifically provided in the housebuilding market study.

number of smaller housebuilders has fallen significantly since the late 1980s.¹⁶ Additionally, existing housing stock, also known as second-hand homes, accounts for up to 97% of all available housing stock in any given local area.¹⁷

40. In addition to the competitive decisions of private housebuilders, the quantity and price of new-build housing can be impacted by government policies and interventions, such as Help to Buy schemes (although of these only the Wales scheme is still in operation).¹⁸
41. Relevant stakeholders include landowners, intermediaries who support transactions between landowners and housebuilders, providers of warranties for new homes, and estate management companies.¹⁹ Local Planning Authorities (**LPAs**) play an important role, leading planning activities and decisions in local areas and bringing forward social housing.²⁰
42. Housebuilders primarily build homes for private sale, but also build affordable and social housing:
 - (a) Affordable housing includes social housing, housing for affordable or intermediate rent, and discounted or shared ownership schemes.²¹ Housebuilders are generally required as a condition of obtaining planning permission to set aside a proportion of total planned plots for affordable housing.²² These homes are then sold, generally, by housebuilders to registered providers of social housing at a discounted price.²³ The price for affordable housing is not controlled by housebuilders, but by LPAs.²⁴
 - (b) Social housing is a segment of affordable housing and is provided at significantly below market rates (circa 50% or more below local market rate).²⁵ Social housing tends to be provided by LPAs or registered providers of social housing.²⁶ Social housing must be provided by housebuilders on private developments, though the LPAs set the price of social housing and as such there is no change in the prices paid by LPAs to housebuilders for different qualities or property features.²⁷

¹⁶ [Housebuilding market study](#), paragraph 2.23.

¹⁷ FMN, footnote 290. See also Parties' response to the Issues Letter, 9 July 2024, pages 26 and 29.

¹⁸ [Housebuilding market study](#), paragraph 4.125.

¹⁹ [Housebuilding market study](#), paragraph 2.16.

²⁰ [Housebuilding market study](#), page 9.

²¹ [Housebuilding market study](#), paragraph 4.128.

²² [Housebuilding market study](#), paragraph 4.7(b); see also FMN, paragraphs 194–196.

²³ FMN, paragraph 200.

²⁴ FMN, paragraph 196.

²⁵ [Housebuilding market study](#), paragraph 4.128 (a).

²⁶ [Housebuilding market study](#), page 10. See also, Shelter England, '[What is social housing?](#)' (last accessed 8 August 2024).

²⁷ FMN, paragraph 194–195.

43. The housebuilding market study found that the impact of the provision of affordable housing on average house prices in an area was ambiguous.²⁸ It also found that affordable housing was typically built at a faster rate than housing for private sale because affordable housing was typically sold in bulk to a single customer (ie a registered provider of social housing) well in advance of their completion. This allows housebuilders to supply these homes at a faster rate than homes for private sale without affecting the price at which private homes can be sold into the market.²⁹ On this basis, the housebuilding market study acknowledged that in practice affordable and private housing tended to serve different parts of the market.³⁰
44. Further, the housebuilding market study found that second-hand homes provide a competitive constraint on housebuilders.³¹ Second-hand homes constitute the majority of housing purchases, and second-hand pricing in a given local area is a key determinant of the price at which housebuilders expect they will be able to sell new homes.³² However, there is a ‘new build premium’ which means that new-build homes are generally priced higher than second-hand homes in the same area,³³ in particular due to premium features such as higher energy ratings.³⁴

5.2 Purchase of land for development

45. Land is an essential input required by housebuilders to deliver homes.³⁵ Finding the right land, where people want to live, where there is (or can be) appropriate infrastructure and where a housebuilder is likely to get planning approval is a key part of the housebuilding process.³⁶ Once land is acquired and planning permission granted, housebuilders develop their plots and construct their homes.
46. Whilst housebuilders face some competition from different stakeholders in the upstream market of acquisition of land, including from housing associations, private landowners, commercial parties and the public sector,³⁷ the CMA notes that once planning permissions are granted and construction of a residential development starts, housebuilders compete with other housebuilders for the sale of the new-build homes.
47. Land for development may be purchased with or without appropriate residential planning consents (defined as **short-term land** and **long-term land** respectively). A housebuilder must obtain planning consents prior to breaking ground on any

²⁸ [Housebuilding market study](#), paragraph 4.133.

²⁹ [Housebuilding market study](#), paragraph 4.118(b).

³⁰ [Housebuilding market study](#), paragraph 4.140.

³¹ [Housebuilding market study](#), paragraphs 4.113–4.114.

³² [Housebuilding market study](#), paragraph 4.115.

³³ [Housebuilding market study](#), paragraph 4.113(b).

³⁴ Barratt Internal Document, Annex 021 to the FMN, [REDACTED], June 2017, page 2.

³⁵ [Housebuilding market study](#), paragraph 4.44.

³⁶ [Housebuilding market study](#), paragraph 2.7.

³⁷ FMN, paragraph 202.

development. Achieving consents requires, among other things, approving property types and sizes with the relevant LPAs, and often delivering a quota of homes under section 106 of the Town and Country Planning Act 1990.³⁸

48. Larger housebuilders often buy long-term land and engage in land banking to smooth out delivery pipelines and ensure constant supply of housing in strategically important geographies.³⁹ In contrast, smaller housebuilders often are unable to compete for long-term land, and primarily focus on smaller plots of short-term land.⁴⁰

5.3 Parameters of competition

49. The Parties submitted that there are numerous parameters of competition upon which housing suppliers compete, such as (i) location (including by reference to proximity to schools, amenities, facilities, transport links and public open spaces, as well as a sense of community); (ii) price/affordability; (iii) type of property (flat or house); and (iv) other property-specific criteria (such as number of bedrooms, style of property or presence of garden). The Parties submitted that individual customers attached different weightings to each of these factors, but considered that location, type of property and number of bedrooms were often the most important factors, at least at an initial filtering stage.⁴¹
50. Evidence gathered by the CMA indicates that the Parties and other housebuilders compete with each other across the following parameters of competition:
- (a) Location: third parties indicated that this was one of the most important criteria for customers when purchasing a home, since customers have very specific preferences about where they live.⁴²
 - (b) Age of the property: the majority of competitors submitted this was an important or very important criteria for homebuyers.⁴³ One competitor submitted that whilst second-hand homes exerted a strong competitive constraint on new-builds, the resale market and the new-build market were fundamentally different.⁴⁴

³⁸ These are homes that are sold to registered providers of social housing. These providers may be housing associations (or not-for-profit registered providers), for-profit registered providers or local authority registered providers. The homes delivered are predominantly offered to tenants at affordable or social rents, or subsequently listed for sale as shared ownership (where the registered provider sells a share of the home to a household who owns that share and pays a rent on the remainder, with the option to increase its ownership stake over time). FMN, footnote 116.

³⁹ [Housebuilding market study](#), paragraph 4.82.

⁴⁰ [Housebuilding market study](#), paragraph 4.83(c).

⁴¹ FMN, paragraph 394 and 395.

⁴² Response to the CMA questionnaire from a number of third parties, June 2024, question 3.

⁴³ Response to the CMA questionnaire from a number of third parties, June 2024, question 3.

⁴⁴ Response to the CMA questionnaire from a third party, June 2024, question 3.

- (c) Price: all competitors indicated that this was an important or very important factor,⁴⁵ and that housebuilders typically had to price in response to other developers and second-hand homes in their locality.⁴⁶ According to third parties, price varies by geography.⁴⁷
- (d) Type of property: third parties indicated that a purchaser that wanted to buy a house was less likely to buy a flat and that two sites side by side with different types of property would not be considered as competing strongly.⁴⁸
- (e) Number of bedrooms/bathrooms: third parties indicated that if a customer was looking for a specific number of bedrooms, they were unlikely to switch, particularly for the more affordable price points.⁴⁹
- (f) Other factors: third parties also referenced factors such as buying schemes,⁵⁰ garden size and orientation, connectivity and local amenities, parking and layout.⁵¹ Third parties also indicated that housebuilders compete by reference to access to sufficient supply of developable land and ability to secure planning permission in a reasonable period.⁵²

51. The CMA's assessment of whether relevant parameters of competition are set at the national and/or flexed locally is set out in the geographic market definition section below.

6. MARKET DEFINITION

52. Where the CMA makes an SLC finding, this must be 'within any market or markets in the United Kingdom for goods or services'. An SLC can affect the whole or part of a market or markets. Within that context, the assessment of the relevant market(s) is an analytical tool that forms part of the analysis of the competitive effects of the merger and should not be viewed as a separate exercise.⁵³

53. Market definition involves identifying the most significant competitive alternatives available to customers of the merger parties and includes the sources of competition to the merger parties that are the immediate determinants of the effects of the merger.

54. While market definition can be an important part of the overall merger assessment process, the CMA's experience is that in most mergers, the evidence gathered as

⁴⁵ Response to the CMA questionnaire from a number of third parties, June 2024, question 3.

⁴⁶ Response to the CMA questionnaire from a third party, June 2024, question 3.

⁴⁷ Response to the CMA questionnaire from a third party, June 2024, question 3.

⁴⁸ Response to the CMA questionnaire from a third party, June 2024, question 3.

⁴⁹ Response to the CMA questionnaire from a number of third parties, June 2024, question 3.

⁵⁰ Response to the CMA questionnaire from a number of third parties, June 2024, question 3.

⁵¹ Response to the CMA questionnaire from a third party, June 2024, question 3.

⁵² Response to the CMA questionnaire from a third party, June 2024, question 3.

⁵³ [CMA129](#), paragraph 9.1.

part of the competitive assessment, which will assess the potentially significant constraints on the merger parties' behaviour, captures the competitive dynamics more fully than formal market definition.⁵⁴

6.1 Product market

55. The Parties overlap in the supply of new-build housing, which the CMA takes as the starting point for determining the relevant product market.⁵⁵

56. The CMA considered whether the relevant product market should be broadened beyond the supply of new-build housing, to include (i) second-hand homes; and (ii) affordable housing.⁵⁶

6.1.1 Second-hand homes

57. The CMA considered whether it was appropriate to broaden the market beyond the supply of new-build homes to include second-hand homes.

58. In its 2014 decision regarding CALA/Banner, the CMA considered that second-hand homes exerted some competitive constraint on newly constructed housing. As a result, the CMA assessed the impact of the CALA/Banner merger considering both the supply of new and older residential homes, but with a focus on the construction and supply of new homes.⁵⁷ In contrast, the CMA's housebuilding market study focused its assessment on the market for the supply of new homes to consumers, with limited discussion of second-hand homes and the strength of their constraint on new-builds.⁵⁸

59. The Parties submitted that second-hand homes were part of the same product market as they were highly substitutable from a demand-side perspective. In particular, the Parties submitted that:

- (a) their internal documents recorded the significant constraint exerted by second-hand homes when each of the Parties set prices for new-builds;⁵⁹

⁵⁴ [CMA129](#), paragraph 9.2.

⁵⁵ [CMA129](#), paragraph 9.6.

⁵⁶ The CMA notes that in its 2014 decision regarding the completed acquisition by CALA 1 Limited of Banner Homes plc, [ME/6435/14] (**CALA/Banner**), the CMA considered that there were separate product markets for the construction and supply of residential homes and the upstream activities of acquiring and developing land for residential homes. The Parties submitted that the acquisition and development of land for residential housing could be treated as separate markets but also considered that it would also be appropriate to assess the acquisition and development of land for residential housing on the basis of a combined product market, in which the acquisition and development of land is treated as a key input for the supply of homes. While the CMA notes the approach taken in CALA/Banner and the Parties' submissions on this matter, the CMA has considered that the upstream activities of acquiring land for development purposes are not relevant for the assessment of this Merger as these are inputs used by the Parties to supply their own new-build homes.

⁵⁷ CALA/Banner, paragraph 21.

⁵⁸ [Housebuilding market study](#), paragraph 1.10.

⁵⁹ Parties' response to the Issues Letter, 9 July 2024, page 15–16.

- (b) the sales prices of nearby second-hand homes played an important role in the decision-making process for acquiring land;⁶⁰ and
- (c) the customer journey was very similar for new-build and second-hand homes, as homebuyers pay the same stamp duty and use the same sales channels, mortgage brokers and solicitors/conveyancers.⁶¹

60. In relation to the Parties' internal documents, the CMA found that the Parties consistently monitored other housebuilders (in particular large and medium housebuilders), both in their general market analysis documents and in Barratt's major land purchase papers. Both Parties appear to monitor broadly the same competitor sets, consisting of the six largest housebuilders (the other Party, Taylor Wimpey, Bellway, Vistry, Persimmon and Berkeley).⁶² In contrast, of the [REDACTED] major land purchase papers submitted by Barratt to the CMA, only [REDACTED] discuss second-hand homes in detail,⁶³ with [REDACTED] making only a brief reference to second-hand homes in the area.⁶⁴
61. Most competitors (ie housebuilders) told the CMA that they compete closely or very closely with a number of other usually larger housebuilders,⁶⁵ and some competitors stated that they compete more closely with those than with second-hand homes.⁶⁶ Competitors, however, consistently noted that second-hand homes imposed a stronger constraint on them than smaller housebuilders.⁶⁷ Consumer surveys on the substitutability between new and second-hand homes commissioned by Barratt between 2016 and 2023 show that, on average, only about one third of respondents were indifferent between new-builds and second-hand homes.⁶⁸
62. Further, the evidence available to the CMA indicates that there are limits as to how closely tied the prices of new-builds and second-hand homes are. For example, [REDACTED] indicates that first-owner benefits and resale benefits allow new-build homes to be sold at a 'new-build premium' to comparable second-hand homes.⁶⁹ Some of

⁶⁰ Parties' response to the Issues Letter, 9 July 2024, page 16.

⁶¹ Parties' response to the Issues Letter, 9 July 2024, page 4.

⁶² See for example, Barratt Internal Document, Annex 010.120 to the FMN, [REDACTED], November 2022 page 2; and Annex 010.292 to the FMN, [REDACTED], undated, page 1–12. Redrow Internal Document, Annex 10.1146 to the FMN, [REDACTED], April 2023, slide 12; and Annex 10.1165 to the FMN, [REDACTED], April 2023, slide 3 and 4. The Parties' internal documents also appear to monitor certain smaller housebuilders when discussing specific local areas. See for instance, Barratt Internal Document, Annex 010.258 to the FMN, [REDACTED], September 2022, page 4.

⁶³ Barratt Internal Document, Annex 010.256 to the FMN, [REDACTED], March 2022, page 5; Barratt Internal Document, Annex 010.270 to the FMN, [REDACTED], June 2022, page 1 and 5, Barratt Internal Document, Annex 010.274 to the FMN, [REDACTED], April 2022, page 6.

⁶⁴ Barratt Internal Document, Annex 010.258 to the FMN, [REDACTED], September 2022, page 4; Barratt Internal Document, Annex 010.265 to the FMN, [REDACTED], February 2022, page 5; Barratt Internal Document, Annex 010.267 to the FMN, [REDACTED], April 2022, page 5.

⁶⁵ Response to the CMA questionnaire from a number of third parties, June 2024, question 5.

⁶⁶ Response to the CMA questionnaire from a number of third parties, June 2024, question 5 and 8.

⁶⁷ Response to the CMA questionnaire from a number of third parties, June 2024, question 7 and 8.

⁶⁸ Barratt Internal Document, Annex 020 to the FMN, 'Supporting Data for Consumer Surveys', 2023, tab 'In-market surveys'.

⁶⁹ Barratt Internal Document, Annex 021 to the FMN, [REDACTED], November 2022, page 2.

the Parties' internal documents also indicated that they did not always take into account the sales prices of nearby second-hand homes when determining the price of a new-build. For instance, Barratt's benchmarking was carried out mainly against local new homes.⁷⁰ A number of competitors indicated that homebuyers often had very varied preferences, with some preferring new-builds because of their low-maintenance nature and because housebuilders would provide incentive offers,⁷¹ and others preferring second-hand properties because of their lower price point.⁷²

63. Regarding the customer journey, the CMA considers that there are significant differences between buying a new-build or second-hand home. For example, around 90% of new-builds are sold 'off-plan' before construction, while homebuyers would visit and check second-hand homes prior to making a purchasing decision.⁷³ The CMA also understands that homebuyers use different marketing channels to find new-build homes, including the developers' own marketing channels.⁷⁴
64. Based on the evidence set out above, the CMA considers that it is not appropriate to widen the market beyond the supply of new-build homes to include second-hand homes. The Parties overlap in the supply of new-build homes and the evidence above indicates that the Parties compete with each other and other housebuilders more closely than with second-hand homes. The CMA will nonetheless take the constraint from second-hand homes into account in its competitive assessment.

6.1.2 Affordable housing

65. The Parties submitted that the relevant product market should include the provision of affordable housing, which includes social housing, as explained in paragraph 42. In particular, the Parties noted that many registered providers of social housing also build houses for sale on the open market in competition with the Parties' private housing offerings and were not exclusively engaged in the provision of social housing.⁷⁵ Further, the Parties noted that a proportion of their units were used for affordable housing, but were unable to provide information on how many units in a given project were typically sold on this basis.⁷⁶ The Parties also noted that there was no explicit segmentation of residential and affordable housing in the housebuilding market study.

⁷⁰ See, for instance, Barratt Internal Document, Annex 30 to the FMN, [REDACTED], May 2019, page 28.

⁷¹ Response to the CMA questionnaire from a third party, June 2024, question 8.

⁷² Response to the CMA questionnaire from a number of third parties, June 2024, question 8.

⁷³ Parties' response to the CMA's post Issues Meeting questions, 16 July 2024, paragraph 2.

⁷⁴ Barratt Internal Document, Annex 010.934, [REDACTED], 19 May 2023; Annex 010.397 to the FMN, [REDACTED], March 2023, page 14; see also Redrow Internal Document, Annex 008.19 to the FMN, [REDACTED], November 2023, slide 8.

⁷⁵ FMN, paragraph 308.

⁷⁶ FMN, paragraph 310.

66. The Parties submitted that the supply of private and affordable housing was highly substitutable from a supply-side perspective because they involved the acquisition and development of the same type of land, because the units built were often similar or identical, and because many housebuilders provided both types of housing and faced the same local authority requirements for affordable housing.⁷⁷
67. As discussed at paragraph 43 above, the evidence available to the CMA, including from the CALA/Banner case and the housebuilding market study, shows that conditions of competition vary significantly between private housing and affordable housing. This is, for example, due to limits set by LPAs on the selling price or rents that can be charged for affordable housing.⁷⁸ Further, registered providers of social housing have difficulty competing with private housebuilders to purchase land as private housebuilders pay higher prices, and consequently social housing providers typically bid on land that would not be of interest to private developers.⁷⁹
68. Additionally, the criteria to access affordable housing means that it is generally provided to end-consumers whose housing needs are not met by the open market (eg to households below a certain income threshold).⁸⁰ Accordingly, affordable housing caters to a different customer segment than private housing.
69. For the reasons set out above, the CMA does not consider it appropriate to widen the market beyond the supply of new-build homes to include affordable housing. However, to the extent that registered providers of social housing build private housing, the CMA will take into account the constraint they exert on housebuilders in its competitive assessment (see paragraph 127).

6.2 Geographic market

70. The Parties submitted that the impact of the Merger should be considered on a national, or at least regional, level to reflect commercial realities and the competitive dynamics of the industry.⁸¹ The Parties submitted that they and other major housebuilders operate on a national basis, targeting areas across the UK for future growth (for instance, Redrow ensures that it has a mixed portfolio of sites in terms of size and location).⁸²
71. The Parties have a price matrix guidance decided at the national level, which is set by reference to a variety of factors, [REDACTED].⁸³ On the other hand, both Parties flex

⁷⁷ FMN, paragraph 308.

⁷⁸ CALA/Banner, paragraph 23. [Housebuilding market study](#), paragraph 23; see also FMN, paragraph 196.

⁷⁹ [Housebuilding market study](#), [Supporting evidence document](#), paragraph 9.58(c).

⁸⁰ See Homes England Fact Sheet 9, '[What is affordable housing](#)'; and [Shared ownership homes: who can apply](#), (last accessed 8 August 2024).

⁸¹ FMN, paragraph 206.

⁸² FMN, paragraph 432.

⁸³ FMN, paragraphs 345 and 357. Barratt Internal Document, Annex 021 to the FMN, [REDACTED], June 2017, page 2; Barratt Internal Document, Annex 30 to the FMN, [REDACTED], June 2019, page 26; Redrow Internal Document, Annex 046 to the FMN,

prices locally at a site/development level by reference to the competing housing stock nearby, third-party mortgage valuations (which take into account local comparables), market research and the level of interest shown by potential buyers for the development.⁸⁴ The Parties further submitted that their non-price offerings such as property design and specifications were standardised across Great Britain (in the case of Barratt) and across England and Wales (in the case of Redrow) insofar as homes of the same house type have the same design and specifications.⁸⁵

72. In addition, house types are sometimes adjusted to reflect, for example, changes in regulatory requirements which are decided at the national level, such as changes to the nationally described space standard, which, for example, sets out requirements about minimum floor areas and storage.⁸⁶ Such changes are decided at the national level and applied throughout Great Britain. From this existing national framework of house types, the specific product mix for a given development is selected prior to acquiring the land, but sometimes adjusted prior to commencement of developments to reflect changes in market conditions.⁸⁷
73. On the other hand, the Parties submitted that some LPAs require housebuilders to adjust their standard house types to comply with local requirements.⁸⁸ The Parties also submitted that they adjusted their non-pricing offerings and sales incentives to reflect local knowledge and demographics of particular local developments (eg personal income in the relevant area).⁸⁹ Further, the Parties submitted that Barratt sometimes provided non-price incentives on a local basis to increase sales rates in a particular local area.⁹⁰
74. Further, the majority of competitors submitted that location was likely to be a key factor in customers' purchasing decision.⁹¹ The Parties and their competitors indicated that prices of new-builds, while based on a national matrix, were set locally, and that the location of competing new-builds impacted the rate at which they can sell their housing.⁹²

[REDACTED], undated, page 3; see also Redrow Internal Document, Annex 047, [REDACTED], August 2021; Redrow Internal Document, Annex 41 to the FMN, [REDACTED], October 2023, page 1.

⁸⁴ FMN, paragraphs 345 and 357.

⁸⁵ FMN, paragraph 350 and 361.

⁸⁶ FMN, paragraph 349–351 and 361. See also '[Technical housing standards – nationally described space standards](#)' (last accessed 8 August 2024) which sets out the government's statutory guidance setting out the requirements for the internal space within new dwellings, floor areas and dimensions for key parts of the home (notable bedrooms, storage and floor to ceiling height).

⁸⁷ FMN, paragraph 352.

⁸⁸ FMN, paragraph 353 and 363.

⁸⁹ FMN, paragraph 355 and 361.

⁹⁰ FMN, paragraph 354.

⁹¹ Response to the CMA questionnaire by a number of third parties, June 2024, question 3.

⁹² Barratt Internal Document, Annex 021 to the FMN, [REDACTED], June 2017, page 2; Barratt Internal Document, Annex 30 to the FMN, [REDACTED], June 2019, page 26; Redrow Internal Document, Annex 046 to the FMN, [REDACTED], undated, page 3; see also Redrow Internal Document, Annex 047 to the FMN, [REDACTED], August 2021; Redrow Internal Document, Annex 41 to the FMN, [REDACTED], October 2023, page 1. See also: Response to the CMA questionnaire from a third party, June 2024, question 3.

75. The CMA considers that the above evidence indicates that competition takes place both at the national and at local levels. As regards the national level, neither of the Parties operate in Northern Ireland, so the CMA has assessed the effect of the Merger in Great Britain alone. The CMA's methodology for defining the geographic size of local markets is set out in its competitive assessment below.

6.3 CMA's conclusion on market definition

76. The CMA therefore considers that the appropriate market in which to assess the effect of the Merger is the supply of new-build housing on both a national (ie Great Britain) and local basis.

7. COMPETITIVE ASSESSMENT

77. The CMA assesses the potential competitive effects of mergers by reference to theories of harm. Theories of harm provide a framework for assessing the effects of a merger and whether or not it could lead to an SLC relative to the counterfactual.⁹³

78. In its investigation of this Merger, the CMA has considered the following theories of harm:

- (a) horizontal unilateral effects in the supply of new-build housing at the national level;
- (b) horizontal unilateral effects in the supply of new-build housing at a local level.

79. Each of these theories of harm is considered below.⁹⁴

7.1 Theory of Harm 1: Horizontal unilateral effects in the supply of new-build housing at the national level

80. Horizontal unilateral effects may arise when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged entity profitably to raise prices or to degrade non-price aspects of its competitive offering (such as quality, range, service and innovation) on its own and without needing to coordinate with its rivals.⁹⁵ Horizontal unilateral effects are more likely when the parties to a merger are close competitors.⁹⁶

⁹³ [CMA129](#), paragraph 2.11.

⁹⁴ On the basis of the evidence gathered by the CMA, the CMA considered at an early stage in its investigation that the Merger would not give rise to plausible competition concerns in respect of the vertical relationship between Barratt's supply of land promotion services (via Gladman) and Redrow's supply of new-build housing. This theory of harm is therefore not discussed further in this Decision.

⁹⁵ [CMA129](#), paragraph 4.1.

⁹⁶ [CMA129](#), paragraph 4.8.

81. The CMA assessed whether it is or may be the case that the Merger has resulted, or may be expected to result, in an SLC as a result of horizontal unilateral effects in the supply of new-build housing at the national level. In particular, the CMA has assessed (and discusses in turn below):
- (a) shares of supply;
 - (b) the Parties' submissions;
 - (c) internal documents; and
 - (d) third-party evidence.

7.1.1 Shares of supply

82. Shares of supply can be useful evidence when assessing closeness of competition, particularly when there is persuasive evidence on demand- and supply-side substitution as to which potential substitutes should be included or excluded, and when, although differentiated, the degree of differentiation between firms is more limited. In such circumstances, a firm with a higher share of supply is more likely to be a close competitor to its rivals, and therefore a merger that removes the competitive constraint such a firm exerts on its rivals would be more likely to raise competition concerns. In cases such as this, shares of supply can represent a readily available source of evidence on which the CMA can base its assessment of closeness.⁹⁷
83. The Parties provided a Glenigan⁹⁸ dataset, which includes information on the land holdings that have been granted planning consents (referred to as the 'short-term land bank') to develop residential housing in Great Britain as of 18 December 2023.⁹⁹ The Parties then reconciled this permissions data with their own land bank data to account for, among other things, short-term sites that could not be matched to any project in the Glenigan data, or instances where either of the Parties was identified in the Glenigan dataset but the project did not exist in the Parties' land bank data.¹⁰⁰ The CMA has used this short-term land bank holdings dataset to estimate the shares of supply of new-build housing that will be developed and sold in Great Britain over the next few years. The CMA only included land bank holdings in its estimation of national shares of supply where

⁹⁷ [CMA129](#), paragraph 4.14.

⁹⁸ Glenigan is a company that collates and provides construction projects sales leads, market analysis, forecasting and company intelligence in the UK. Glenigan collects and updates data on planning applications, non-planning projects and live construction projects ([Appendix C](#) of the housebuilding market study, paragraph C.5).

⁹⁹ Parties' Internal Document, Annex 011 to the FMN, 'ME.7089.24 Barrat_Redrow_Updated Annex 011 Shares of Supply Methodology Note', 11 June 2024, paragraph 20.

¹⁰⁰ Parties' Internal Document, Annex 011 to the FMN, 'ME.7089.24 Barrat_Redrow_Updated Annex 011 Shares of Supply Methodology Note', 11 June 2024, paragraph 37.

the Parties were able to provide evidence that the land is held by a housebuilder or one of its subsidiaries.¹⁰¹

84. Table 1 below presents share of supply estimates for the supply of new-build housing in Great Britain. It sets out the shares of supply for the 12 large housebuilders that had more than 15,000 plots, 11 of which were identified as the largest housebuilders by revenue over 2021 and 2022 in Great Britain in the CMA’s housebuilding market study, with the addition of the housebuilder Keepmoat (on the basis that it has more than 15,000 plots).¹⁰² The ‘Other’ category in Table 1 aggregates housebuilders which had fewer than 15,000 plots in the Glenigan dataset as of 18 December 2023.

Table 1: Shares of supply in the supply of new-build housing in Great Britain as of 18 December 2023

Housebuilder	Share of supply (in %)
Barratt	[5–10]
Redrow	[0–5]
Parties combined	[10–20]
Taylor Wimpey	[5–10]
Persimmon	[5–10]
Vistry	[5–10]
Berkeley	[0–5]
Bellway	[0–5]
Bloor Homes	[0–5]
CALA	[0–5]
Keepmoat	[0–5]
Crest Nicholson	[0–5]
Miller Homes	[0–5]
Largest competitors total	[50–60]
Other smaller housebuilders	[40–50]

Source: CMA analysis of Parties’ submissions in Annex 67 (Updated).

Notes: Shares by short-term land bank holdings as of 18 December 2023. Short-term land bank holdings included only if the CMA was able to verify that they are held by a housebuilder or a subsidiary thereof. Barratt includes short-term land bank holdings of Barratt and Barratt’s land promoter Gladman.

85. Table 1: shows that Barratt is the largest national housebuilder by volume of short-term land bank holdings. Taylor Wimpey, Persimmon and Vistry are also large housebuilders of a similar size to Barratt. Redrow has lower shares than Barratt and is of similar size to Berkeley and Bellway. There are a number of other smaller housebuilders with very low shares individually but which in aggregate hold a significant volume of short-term land bank holdings.¹⁰³ The CMA notes that even if these other smaller housebuilders were excluded on the basis that they impose a competitive constraint primarily at the local level (as further discussed at paragraph 92), the Merged Entity would be constrained by a large number of national housebuilders post-Merger. Post-Merger, the Merged Entity would be the largest supplier of new-build housing in Great Britain, albeit with a moderate combined share of [10–20]%.

¹⁰¹ The Parties undertook desktop research to identify whether the applicant recorded on a planning application in the Glenigan dataset is active in housebuilding across the UK. This included company websites and online directories of housebuilders such as the Home Builders Federation Directory or the New Build Inspections’ archive of housebuilders (Parties’ response to the CMA’s RBB Request for Information, dated 29 May 2024, paragraph 24(iii)–(iv)).

¹⁰² [Housebuilding market study](#), 26 February 2024, paragraph 2.18.

¹⁰³ This includes: 7 housebuilders with 10,000–15,000 plots, 116 housebuilders with 1,000–9,999 plots, and 264 housebuilders with less than 1,000 plots based on the CMA’s analysis of the Glenigan dataset from 18 December 2023.

86. The estimates in Table 1: are consistent with the CMA's assessment in the housebuilding market study and the CMA's conclusion in the study's final report that concentration at the national level is relatively low.¹⁰⁴
87. The CMA considers that the shares of supply at the national level indicate that there are sufficient remaining alternatives to the Merged Entity, in particular from several large national housebuilders and, as such, the Merger does not raise *prima facie* competition concerns.¹⁰⁵

7.1.2 Parties' submissions

88. The Parties submitted that they are not close competitors. In particular, they considered their offerings to be complementary, as they offer property types with different designs, sizes and styles.¹⁰⁶ The Parties submitted that they target different customers, with Barratt's two brands (Barratt Homes and David Wilson Homes) focusing on first-time buyers and mover-uppers respectively, and Redrow focusing on premium purchasers and downsizers.^{107,108} The average selling price of a Barratt Homes property is £315,000; for David Wilson Homes it is £430,000 and for Redrow it is £480,000. The Parties submitted that the main drivers of these differences related to size, features and end specifications.¹⁰⁹

7.1.3 Internal documents

89. The CMA examined the Parties' internal documents to assess their submission that they had complementary offerings and that they targeted different customers. The CMA considers that the segmentation is not clear cut, and the evidence indicates that Redrow and Barratt target similar customer groups. For example:
- (a) A Redrow [REDACTED] Report prepared for its Main Board in November 2023 identifies both [REDACTED] and [REDACTED] as two of Redrow's target audiences.¹¹⁰
 - (b) A couple of Barratt major land purchase papers for David Wilson's single-branded sites, in turn, similarly identify as target audiences [REDACTED].¹¹¹ Similarly,

¹⁰⁴ [Housebuilding market study](#), 26 February 2024, Figure 2.2, paragraph 2.22 and 4.213.

¹⁰⁵ [CMA129](#), paragraph 4.4.

¹⁰⁶ FMN, paragraph 384, 385, 378, 379 and 382.

¹⁰⁷ FMN, paragraph 376.

¹⁰⁸ Mover-uppers (or 'second-steppers') are typically aiming to upsize, eg due to a growing family. Downsizers are typically in their extended middle age (55+), with children that have grown up and left home (ie 'empty nesters'). Barratt Internal Document Annex 029 to the FMN, [REDACTED], June 2021, page 9; see also: Redrow Internal Document, Annex 008.19 to the FMN, [REDACTED], November 2023, slide 12; See also Redrow Internal Document, Annex 010.1055 to the FMN, [REDACTED], November 2023, page 14; premium purchasers tend to be older, more affluent buyers seeking period property designs along with energy efficiency and sustainability (FMN, paragraphs 96(ii), 188, 378).

¹⁰⁹ FMN, paragraph 376 and Table 8.

¹¹⁰ Redrow Internal Document, Annex 010.1052 to the FMN, [REDACTED], November 2023, page 2; and Annex 010.1036 to the FMN, [REDACTED], November 2023, page 14.

¹¹¹ Barratt Internal Document, Annex 010.255 to the FMN, [REDACTED], September 2022, page.4; and Annex 010.264 to the FMN, [REDACTED], March 2022, page 4.

a Barratt major land purchase paper for a dual-branded site (ie David Wilson Homes and Barratt Homes) sets out as a target [REDACTED].¹¹²

90. The CMA also examined the Parties' internal documents to assess which suppliers they monitor in the ordinary course of business at the national level. The CMA considers that the Parties' internal documents (in particular, their market strategy and major land purchase papers) demonstrate that they systematically monitor a number of differently sized competitors. This includes both the publicly listed UK housebuilders (ie the other Party, Bellway, Berkeley, Vistry, Crest Nicholson, Persimmon and Taylor Wimpey), for which performance indicators are readily available at the national level,¹¹³ as well as a number of smaller housebuilders.¹¹⁴ In particular:

- (a) Barratt benchmarks its national performance ([REDACTED]) as part of a [REDACTED], which is produced for its board and executive committee, against 11 major housebuilders ([REDACTED]).¹¹⁵ There are also ad hoc references to smaller housebuilders such as [REDACTED], which appear as key competitors. In these trading updates Barratt closely monitors all competitors, focussing on the [REDACTED] used by both smaller and larger housebuilders.¹¹⁶
- (b) In addition, Barratt tracks competitor activity in its [REDACTED] 'group operational updates', which are produced for its executive committee. These includes ad hoc information on Redrow's performance,¹¹⁷ as well as information about smaller housebuilders, such as, by way of example, [REDACTED].¹¹⁸
- (c) Redrow, in turn, undertakes operational benchmarking against the [REDACTED] including Barratt.¹¹⁹ For example, a December 2022 analyst report prepared for Redrow's board compared the performance of [REDACTED], including the Parties.¹²⁰ There are also references to smaller housebuilders in Redrow's strategy documents. For example, a presentation to the Redrow board from April 2023 considered Redrow's performance against its 'peers', including [REDACTED] as well as the [REDACTED] (including Barratt).¹²¹ Similarly, a presentation on Redrow's sales and marketing strategy from November 2023 considered at

¹¹² Barratt Internal Document, Annex 010.260 to the FMN, [REDACTED], September 2022, page 4.

¹¹³ Barratt Internal Document, Annex 010.127 to the FMN, [REDACTED], February 2023, page 1 and 2.

¹¹⁴ Barratt Internal Document, Annex 010.258 to the FMN, [REDACTED], September 2022, page 4.

¹¹⁵ For example, Barratt Internal Document, Annex 010.103 to the FMN, [REDACTED], 6 May 2022, page 1.

¹¹⁶ Barratt Internal Document, Annex 010.12 to the FMN, [REDACTED], April 2022, page 7.

¹¹⁷ Barratt Internal Document, Annex 010.165 to the FMN, [REDACTED], October 2022, page 2 and 6; see also Annex 010.175 to the FMN, [REDACTED], August 2023, page 6.

¹¹⁸ Barratt Internal Document, Annex 010.162 to the FMN, [REDACTED], July 2022, page 5.

¹¹⁹ Redrow Internal Document, Annex 009.49 to the FMN, [REDACTED], 6 December 2023, pages 16–17.

¹²⁰ Redrow Internal Document, Annex 010.1199 to the FMN, [REDACTED], December 2022, page 14.

¹²¹ Redrow Internal Document, Annex 010.1146 to the FMN, [REDACTED], April 2023, page 16; and Annex 010.1149 to the FMN, [REDACTED], April 2023, page 16.

the national level the [X] offered by [X], alongside the [X] (including Barratt).¹²²

7.1.4 Third-party evidence

91. The CMA also considered evidence from competitors and land agents. All respondents indicated that they consider several housebuilders as their main competitors in the supply of residential housing in the UK, including at least one of the Parties. The majority of competitors identified both of the Parties as moderate to very close competitors to their own business.¹²³
92. Housebuilders also indicated that smaller housebuilders exerted a competitive constraint on larger housebuilders. In particular, some housebuilders indicated that many smaller housebuilders offer similar products to the larger housebuilders and targeted the same customers as larger builders.¹²⁴ At the same time, most respondents who identified smaller housebuilders as a competitive constraint on larger housebuilders suggested that this constraint was primarily local and depended on the location of the developments in question.¹²⁵

7.1.5 Conclusion on horizontal unilateral effects in the supply of new-build housing at the national level

93. The evidence above indicates that the Parties are two of the larger national housebuilders that operate across the UK and, despite stated differences in their product offering, are close competitors in the supply of new-build housing. However, the CMA considers that the Parties' combined share of supply at the national level is moderate and that the Merged Entity would continue to face sufficient remaining competition from a large number of similarly sized and closely competing housebuilders.
94. Accordingly, the CMA found that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the supply of new-build housing at the national level.

7.2 Theory of Harm 2: Horizontal unilateral effects in the supply of new-build housing at a local level

95. As noted in paragraph 71, the CMA found that the Parties set and/or flex certain aspects of their offering at the local level with regard to local competitive conditions. The CMA has therefore assessed whether it is or may be the case that

¹²² Redrow Internal Document, Annex 008.19 to the FMN, [X], November 2023, page 36.

¹²³ Response to the CMA questionnaire from a number of third parties, June 2024, question 5.

¹²⁴ Response to the CMA questionnaire from a number of third parties, June 2024, question 7.

¹²⁵ Response to the CMA questionnaire from a number of third parties, June 2024, question 7.

the Merger has resulted, or may be expected to result, in an SLC in relation to horizontal unilateral effects in the supply of new-build housing at a local level. The concern under this theory of harm is that the removal of one party as a competitor could allow the merged entity to increase prices or deteriorate non-price aspects of its competitive offering in certain local areas.

96. Given the case-specific nature of merger investigations, the CMA may apply different analytical methodologies and approaches in different cases.¹²⁶ In the present case, as set out below, the CMA considers that the appropriate approach to identifying local areas which raise significant competition concerns is to apply a decision rule methodology and to use catchment areas to identify the most significant competitive alternatives available to customers of the merger firms at the local level.

7.2.1 Use of a decision rule

97. When analysing whether a merger may result in a realistic prospect of an SLC in cases involving local overlaps, the CMA may use a decision rule.¹²⁷ A decision rule enables the CMA to assess the competitive impact of the Merger at a local level, where the Parties' activities overlap, through a systematic analysis of defined indicators of competition across all local areas. Competition concerns are considered to arise (absent compelling evidence provided to the CMA) where certain set thresholds are met.
98. The Parties submitted that it was more appropriate to use a filtering approach in the present case based on the criteria set out in the CMA's Merger Assessment Guidelines, given that there was a 'sufficiently low number' of failed local areas,¹²⁸ and in light of the conservative assumptions the Parties' had applied when reconciling the Glenigan permissions data with their own land bank data.¹²⁹ The Parties further noted that a filtering approach would be appropriate in this case, as it would allow the CMA to consider the competitive dynamics in the local areas that were above the relevant share of supply threshold, particularly because shares of supply provided only a point-in-time snapshot of planning permissions.¹³⁰
99. The CMA considers that it is appropriate to use a decision rule in this case. The CMA notes that the use of a decision rule enables the efficient conduct of the CMA's investigation, having regard to the limited time available within a phase 1 investigation to carry out a detailed competitive assessment of local areas. In this respect, it should be noted that if the CMA were to apply a filtering approach in this case, it would take a more cautious approach to the design of the filter than it took

¹²⁶ JD Sport Fashion plc v Competition and Markets Authority [2020] CAT 24, paragraph 97.

¹²⁷ [CMA129](#), paragraph 4.34.

¹²⁸ Parties' response to the Issues Letter, 9 July 2024, page 24.

¹²⁹ Parties' submission on proposed methodology for local analysis, 20 June 2024, paragraph 10.

¹³⁰ Parties' response to the Issues Letter, 9 July 2024, page 30.

to the design of the decision rule as set out below, and it would likely apply a lower threshold to identify potential local areas of concern for further assessment. This more cautious approach would allow the CMA to assess a range of factors in different local areas such as the build-out rates of the Parties and other housebuilders.¹³¹ Such an approach could give rise to a larger number of areas of potential concern, which may not have been feasible to investigate in the limited time available within the phase 1 process.

100. In assessing the appropriateness of using a decision rule, the CMA notes that the Parties did not provide evidence regarding how their assumptions would systematically bias the Parties' shares. More generally, the CMA has not received compelling evidence that the individual local areas are different such that a separate assessment would be warranted.
101. In the remainder of this section, the CMA sets out its decision rule methodology (ie catchment areas, the effective competitor set, concentration measure, decision rule limbs and threshold). The results and the CMA's conclusions follow.

7.2.2 Catchment areas

102. When assessing mergers that involve a number of local geographic markets, the CMA may examine the geographic catchment area within which the great majority of the relevant site's custom is located.¹³² Catchment areas are a pragmatic approach to identifying the most significant competitive alternatives available to customers of the merger firms.¹³³
103. In many of the sectors where the CMA carries out local assessments, data is usually available on how far the Parties' customers have travelled to a particular store or site to make their purchases (eg how far a consumer is willing to travel for their weekly shop or to drink at a pub). The housebuilding sector, however, has some relatively unique characteristics because of the complex decision-making process involved in making what is a very high-cost long-lasting purchase. Homebuyers are likely to have heterogeneous preferences regarding the different characteristics of a home and will trade off factors differently. Accordingly, the CMA considers that it is appropriate to centre the catchment areas on each of the Parties' sites (ie where they are building housing) and determine the appropriate travel time or geographic distance away from the centroid to capture the sites that are most likely to exert a competitive constraint on the centroid site.
104. A key question for the CMA's catchment area analysis was the choice of measure to use to delineate the catchment (ie travel time or distance). The following

¹³¹ [CMA129](#), paragraph 4.33.

¹³² [CMA129](#), paragraph 9.15.

¹³³ [CMA129](#), paragraph 9.15.

sections set out the evidence on distance and drivetimes, and the CMA's considerations on this issue, and explains why, taking all the evidence into account, on balance, the CMA has used a straight-line distance measure in this case.

7.2.2.1 Evidence on distance and drivetimes

105. In the CALA/Banner decision, the CMA used a radius of 11 miles based on survey evidence from an OFT market study,¹³⁴ in which the majority of homebuyers stated that the furthest property they had considered buying when looking for their current home was less than 11 miles away from the one they bought.¹³⁵
106. A range of the Parties' internal documents show that the Parties considered competitive conditions based on distance and drivetime. For example:
 - (a) An internal document, which discussed the results of a consumer survey, indicated that 54% of customers intended to buy within 10 miles of where they currently live.¹³⁶
 - (b) Other documents show that that the Parties monitored their nearest competitors, local amenities and schools by reference to how far in miles they are from a particular development (though the documents do not always clearly state whether these are straight line distances or driving (road) distances).¹³⁷ The Parties' internal documents used varying distances when discussing nearby competitors, but in general did not consider competitors beyond 11 miles. These internal documents also show that the Parties use drivetimes when measuring distance between their developments and major urban centres, job opportunities and key infrastructure.
107. Other housebuilders that responded to the CMA's market testing provided a wide range of what they considered to be appropriate catchment sizes, from 0.5 miles to 40 miles,¹³⁸ and indicated that the average distance varied by location, particularly between urban and rural sites.¹³⁹
108. The evidence also indicates that the filters used to search for properties for sale on leading property search websites are in distance rather than drivetime, and information on nearby schools and public transport is also presented in distance

¹³⁴ Office of Fair Trading, [Homebuilding in the UK, \(OFT market study\)](#) June 2007, paragraph 4.9.

¹³⁵ CALA/Banner, paragraph 37.

¹³⁶ Barratt Internal Document, Annex 018 to the FMN, 'Barratt and Savanta Presentation on Consumer Surveys', June 2021, page 17.

¹³⁷ See, for example, Barratt Internal Document, Annex 010.258 to the FMN, [REDACTED], September 2022, page 4; Annex 010.267 to the FMN, [REDACTED], April 2022, page 5; Annex 010.259 to the FMN, [REDACTED], January 2024, page 5; Annex 010.271 to the FMN, [REDACTED], June 2022, page 3–5 (both drivetime and miles); Annex 010.274 to the FMN, [REDACTED], March 2022', page 4–5 (both drivetime and miles). See also: Parties' response to the Issues Letter, 9 July 2024, dated 9 July 2024, page 22.

¹³⁸ Response to the CMA questionnaire from a number of third parties, June 2024, question 4.

¹³⁹ Response to the CMA questionnaire from a number of third parties, June 2024, question 4.

on these portals.¹⁴⁰ School catchment areas are also typically based on distance, and local councils typically judge them based on distance from school in a straight line.¹⁴¹

7.2.2.2 *Parties' submissions*

109. The Parties submitted that drivetimes better reflected the geographic boundaries of local competition, as they accounted for commercial considerations and behaviours of housebuilders, including commuting distance, distance to local schools, physical obstacles and geographic nuances, and proximity to essential transport infrastructures.¹⁴² They considered that a 25-minute drivetime should be used in this case.
110. The Parties also submitted that using drivetime was consistent with the results of the consumer survey conducted for the OFT market study, which found that 'choices regarding the location of a home are likely to be constrained geographically by a wide range of factors, such as proximity to work, schools, family and friends', and was supported by the Department for Transport's statistics on the average commute by car.¹⁴³
111. The Parties disagreed that weight should be given to the approach taken in CALA/Banner, as they submitted it gave no principled reason to prefer a straight-line distance over drivetime. In addition, the Parties submitted that the internal documents cited in the Issues Letter were selective and did not support the position that an 11 mile straight-line distance was used by the Parties in the ordinary course of business. For example, Barratt submitted that in its land acquisition analyses, it took into account nearby competing sites on the basis of both drivetimes and straight-line distances. Barratt also submitted that there was no specific distance measure (such as 11 miles) that it used as a threshold.¹⁴⁴ The Parties also submitted that straight-line distances on property portals were used for simplicity and as an initial filter and customers could, for example, use Google Maps to calculate drivetimes.¹⁴⁵ They also indicated that school catchments are based on a variety of metrics, and not always straight-line distances.¹⁴⁶

7.2.2.3 *CMA's assessment*

112. The CMA acknowledges that delineating catchment areas precisely in this case is challenging and recognises that neither straight-line distance nor drivetime is a perfect measure. In the absence of robust evidence from homebuyers (eg from a

¹⁴⁰ See, for example, Rightmove's website – [Rightmove.co.uk](https://www.rightmove.co.uk) (last accessed 8 August 2024).

¹⁴¹ See, for example, [What is a Catchment Area for Schools? – Think Student](#) (last accessed 8 August 2024).

¹⁴² Parties' submission on proposed methodology for local analysis, 20 June 2024, page 2.

¹⁴³ Parties' response to the Issues Letter, 9 July 2024, page 19–20.

¹⁴⁴ Parties' response to the Issues Letter, 9 July 2024, page 20.

¹⁴⁵ Parties' response to the Issues Letter, 3 July 2024, paragraph 33(b).

¹⁴⁶ Parties' response to the Issues Letter, 3 July 2024, paragraph 33(d).

survey), the CMA has taken a pragmatic approach to determining the appropriate measure in this case, taking into account a range of evidence, including the Parties' internal documents.

113. The CMA considers that the analysis of competitor locations by distance is directly informative of how the Parties assess competitive conditions and the competition they face locally (see paragraph 106(b) above).
114. The CMA also notes that the Parties were unable to provide evidence to support some of their arguments on why CMA should not use distance in this case. For example, with respect to the Parties' arguments in paragraph 111 above, the Parties did not provide any supporting evidence that customers draw their own maps based on drivetime after applying an initial distance-based filter on the property portals. Given this, the CMA was unable to place significant weight on these submissions.
115. Given the evidence outlined above, the CMA considers, on balance, that it is appropriate to use straight-line distance of 11 miles in this case.

7.2.3 Effective competitor set

116. The CMA believes that the relevant competitor set consists of large housebuilders and smaller housebuilders.
117. For the reasons set out in the product market section, the CMA did not include second-hand homes or providers of affordable housing in the relevant competitor set.¹⁴⁷ The CMA considered the effect of these out-of-market constraints when determining the threshold for the first limb of the decision rule.

7.2.4 Concentration measure

118. The CMA considers that the most meaningful measure to assess the competitive impact of the Merger is the Parties' forward-looking position based on short-term land bank shares. This is because short-term land bank shares provide an indication of the homes that will be developed in the near future with a sufficient degree of certainty as planning permission has been granted. This metric allows the CMA to assess the likely developments in these local markets a few years into the future, which is more appropriate than a point-in-time analysis on the basis of plots for sale on a certain day in the recent past, given that the CMA's assessment is forward looking.¹⁴⁸

¹⁴⁷ Additionally, the CMA has excluded providers in liquidation or administration, on the basis that these providers are unlikely to provide meaningful constraint and given that it is unclear what will happen to the relevant plots of land held by these providers.

¹⁴⁸ [CMA129](#), paragraph 4.16.

119. Feedback in response to the Land banks Working Paper of the housebuilding market study indicated that number of plots is a reasonable metric used widely across the housebuilding industry, and that most housebuilders report on the size of their land portfolios by number of plots.¹⁴⁹
120. The Parties agreed with the CMA's assessment that the most meaningful measure to assess the competitive impact of the Merger was short-term land banks by volume.¹⁵⁰ However, the Parties also submitted that although Glenigan data was the most credible source for the present analysis, it has a number of limitations, namely it is a snapshot of the stock of planning permission at a specific point in time which does not reflect the number of units sold to homebuyers.¹⁵¹
121. The Parties also submitted an analysis of current plots for sale on the basis of property listings on Rightmove on 8 December 2023 and 21 April 2023. The Parties considered that some weight should be placed on this supplementary analysis because it showed that on both dates in 2023 the Parties' combined shares were at most [20-30]% in any of the overlap areas.¹⁵²
122. The CMA accepts that the Glenigan dataset has some limitations (eg it records planning applications as opposed to ownership or control of sites),¹⁵³ but the CMA nevertheless considers it a good indicator of the competition to supply new-build homes in the short to medium term, in particular noting that it takes time for projects to go through the planning process. The Rightmove analysis, in comparison, represents an inherently transitory position and would not reflect post-Merger market conditions, given the lead times involved in building new housing.¹⁵⁴ Moreover, point-in-time shares based on property portal listings data change quickly, especially at the local level, as plots become available for sale and are then sold.¹⁵⁵
123. The CMA also considers that there are several methodological issues with the Rightmove analysis that were pointed out by the Parties, including that Rightmove data does not capture homes sold in bulk deals,¹⁵⁶ that not all new homes are listed on Rightmove,¹⁵⁷ and that some new-build homes may be listed by an estate agent and, thus, cannot be attributed to the actual housebuilder to correctly estimate local concentration.¹⁵⁸

¹⁴⁹ Housebuilding market study, [Consultation responses to the Land banks Working Paper](#), Question 2.1.

¹⁵⁰ FMN, paragraph 234–235.

¹⁵¹ Parties' response to the Issues Letter, 9 July 2024, page 31.

¹⁵² Parties' response to the Issues Letter, 9 July 2024, page 34.

¹⁵³ Parties' Internal Document, Annex 011 to the FMN, 'ME.7089.24 Barrat_Redrow_Updated Annex 011 Shares of Supply Methodology Note', 11 June 2024, Section 3.1.2.

¹⁵⁴ FMN, paragraph 233.

¹⁵⁵ FMN, paragraph 233.

¹⁵⁶ FMN, paragraph 232.

¹⁵⁷ FMN, paragraph 230.

¹⁵⁸ FMN, footnote 266.

7.2.5 Decision rule limbs and thresholds

124. The CMA followed the methodology set out in its Retail Mergers Commentary¹⁵⁹ and applied a two-limb decision rule in which the Merger would give rise to a realistic prospect of an SLC if, in a local catchment area:
- (a) the Parties had a combined share of supply of short-term land bank by volume (ie number of plots) of at least 40%, with an increment of 5% or more; or
 - (b) two or fewer competitors would remain post-Merger.
125. The Parties submitted that the CMA should apply a decision rule with a combined share threshold of at least 40%, in conjunction with an increment in shares of at least 5%, to take into account, among other things, the constraint from second-hand homes.¹⁶⁰
126. The CMA agrees that a 40% threshold would be appropriate in this case, taking into account the overall strength of out of market constraints. In particular, the CMA received evidence that second-hand homes impose a strong out-of-market constraint in this case:
- (a) As set out at paragraph 62 above, some of the Parties' internal documents discuss the existing second-hand homes alongside new-builds, and consider second-hand homes nearby as one of the benchmarks for determining their prices in a given local area.¹⁶¹
 - (b) In the housebuilding market study, the CMA's consumer research found that the main decision factor for buying a property tended to be its location and the extent to which the property met the buyers' expectations in terms of size and cost. The fact that it was a new-build was in most cases a secondary factor, suggesting that consumers will often consider both new-build and second-hand homes when buying a property.¹⁶²
 - (c) The majority of housebuilders that responded to the CMA's questionnaires submitted that they competed closely or very closely with second-hand homes.¹⁶³ In particular, they said that customers considered second-hand homes as well as new-builds when assessing purchase options. Moreover, because second-hand homes tend to become available at cheaper per-

¹⁵⁹ CMA's retail mergers guidance ([CMA62](#)), April 2017, paragraph 3.1–3.9.

¹⁶⁰ FMN, paragraph 326(i).

¹⁶¹ Barratt Internal Document, Annex 010.256 to the FMN, [redacted], 24 March 2022, page 5; Annex 010.258 to the FMN, [redacted], September 2022, page 4; Annex 021 to the FMN, [redacted], June 2017, page 1. Redrow Internal Document, Annex 008.19 to the FMN, [redacted], November 2023, pages 10 and 29.

¹⁶² [Housebuilding market study](#), paragraph 4.114.

¹⁶³ Response to the CMA questionnaire from a number of third parties, June 2024, question 3.

square-foot prices, they tend to exert a particularly strong constraint in relation to certain types of consumers (eg first-time buyers).

127. The Parties also submitted that many registered providers of social housing build private housing and as such provide a relevant competitive constraint on the Parties.¹⁶⁴ However, the CMA understands from the Parties' submissions that registered providers of social housing only build a limited proportion of private housing to subsidise their primary business of building affordable housing.¹⁶⁵ As such, the CMA considers that this out-of-market constraint is likely to be limited and is reflected alongside the strong out-of-market constraint from second-hand homes in the 40% threshold.
128. The Parties submitted that the threshold should reflect the CMA's exclusion of 'other' holders of short-term land from the analysis (ie where specific housebuilders were not identified by the Parties).¹⁶⁶ However, the CMA considers that excluding the 'other' category should not affect the threshold as the CMA has not received any evidence that the corresponding land, which may be held by promoters or financial investors, will be primarily sold to competitors rather than to the Parties.¹⁶⁷

7.2.6 Results of the local analysis

129. Based on the evidence available, the CMA estimates that the Parties have a combined share above 40% with a 5% (or higher) increment in the supply of new-build housing (based on volume of short-term land bank holdings) in one local catchment area, as set out in Table 2 below.

Table 2: Parties' shares by volume for supply of new-build homes in local areas that fail CMA's decision rule (based on volume of short-term land bank holdings)

Party	Centroid	Postcode	Combined share	Increment	Fascia count
Barratt	Tilstock Road, Whitchurch	SY13 3JG	[50-60]%	[10-20]%	[5-10]

Source: CMA analysis of Parties' submissions in Annex 67 (Updated). The CMA included in the Tilstock Road catchment area the Barratt site Kingsbourne, Nantwich, with 321 short-term plots following the Parties' response to the Issues Meeting.¹⁶⁸

130. The CMA has not identified any catchment areas that fail the second limb of the decision rule (ie two or fewer competitors remaining post-Merger).
131. The Parties submitted additional information on the Tilstock Road catchment area, including on the number of second-hand homes that were being marketed on

¹⁶⁴ FMN, paragraph 308 and footnote 13.

¹⁶⁵ FMN, paragraph 309.

¹⁶⁶ Parties' response to the Issues Letter, 9 July 2024, page 17–18.

¹⁶⁷ Specifically, the exclusion of 'other' holders of short-term land should not affect the CMA's estimates under the assumption that the land held by these non-housebuilders will be sold to housebuilders proportional to their current market shares.

¹⁶⁸ Parties' response to the CMA's post Issues Meeting questions, 16 July 2024, question 4(a).

Rightmove and the number of rival housebuilders present in that area,¹⁶⁹ and on new entrants since 18 December 2023.¹⁷⁰ As explained in paragraph 126, the CMA has already considered the Parties' general submissions on the constraint from second-hand homes when it chose a decision rule threshold. As regards the number of competitors, while the Tilstock Road site did not fail the second limb of the decision rule, it failed the first limb relating to the combined share of supply and the CMA's decision rule is not cumulative, in line with other CMA's recent decisions.¹⁷¹ With respect to new entrants, the CMA notes that its decision rule assessment is based on a dataset that can be applied systematically across all local areas (ie short-term landholdings as of 18 December 2023). Including new entrants in the Tilstock Road catchment area would not be consistent with this decision rule approach. However, for completeness, the CMA notes that even if it were to take account of new entry, the Tilstock Road site would still fail the first limb of the decision rule.

7.2.7 Conclusion on horizontal unilateral effects in the supply of new-build housing arising from a loss of local competition

132. For the reasons set out above, the CMA believes that the Merger gives rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in the supply of new-build housing in the local area centred around the Barratt development at Tilstock Road, Whitchurch.

8. ENTRY AND EXPANSION

133. Entry, or expansion of existing firms, can mitigate the initial effect of a merger on competition, and in some cases may mean that there is no SLC. The CMA will consider entry and/or expansion plans of rivals who do so in direct response to the merger as a countervailing measure that could prevent an SLC. In assessing whether entry or expansion might prevent an SLC, the CMA considers whether such entry or expansion would be timely, likely and sufficient.¹⁷²

134. The Parties submitted that the only challenges faced by housebuilders (large or smaller) relate to the costs, delays and risks associated with the planning process and that barriers to entry and expansion are low.¹⁷³ The Parties further indicated that the housebuilding industry has been characterised in recent years by the growth of smaller and regional housebuilders, which represent a significant

¹⁶⁹ Parties' submission on proposed methodology for local analysis, 20 June 2024, page 5.

¹⁷⁰ Parties' Issues Meeting presentation, 8 July 2024, page 51.

¹⁷¹ See for instance Completed acquisition by Bestway Panacea Holdings Limited of Lexon UK Holdings Limited and Asurex Limited, [ME/7042/23], paragraph 49.

¹⁷² [CMA129](#), paragraph 8.31.

¹⁷³ FMN, paragraph 495.

constraint on the Parties. The Parties also noted a general trend in the sector of regional players growing to become active on a national level.¹⁷⁴

135. The Parties also submitted that the CMA must consider area-specific evidence of entry provided in relation to catchment area centred on the Tilstock Road site.¹⁷⁵ In particular, the Parties identified additional land with planning permission owned by private housebuilders that the CMA had not factored into its analysis. In this regard, the Parties submitted that such sites would exert an effective constraint on the Parties post-Merger.¹⁷⁶
136. The CMA notes that these additional planning permissions were not granted in response to the Merger, and thus, do not constitute a countervailing factor that could, in principle, prevent or mitigate any SLC arising from the Merger.¹⁷⁷ The CMA has considered the Parties' submissions on this point in paragraphs 131 of the competitive assessment above.
137. Due to the lack of evidence of entry and expansion to countervail the local SLC found in relation to a local area centred on the Barratt development at Tilstock Road, Whitchurch, the CMA believes that entry or expansion would not be sufficient to prevent a realistic prospect of an SLC as a result of the Merger.

9. OTHER THEORIES OF HARM CONSIDERED

9.1.1 Coordinated effects in the supply of new-build housing

138. The CMA assessed whether coordinated effects could arise in the supply of new-build housing, and in particular whether the Merger could make it more likely that the Merged Entity and other housebuilders in Great Britain could reach a more profitable outcome if they align their behaviour.
139. The CMA has considered the information available in this case, and in particular the change brought about by the Merger with respect to certain factors relevant to assessing coordinated effects, such as the number of firms present in the market and symmetry of competitors in terms of shares of supply.¹⁷⁸ With respect to the number of firms, as set out in Table 1 above, the Parties will continue to face competition from several large national housebuilders post-Merger. As regards symmetry, pre-Merger the four largest UK housebuilders Barratt, Taylor Wimpey, Persimmon and Vistry have a similar share of supply of between 5 and 10%. Post-Merger, the Merged Entity would be the largest supplier of new-build housing in the UK, with a combined share of [10-20]%. This indicates that the Merger would

¹⁷⁴ FMN, paragraph 487.

¹⁷⁵ Parties' response to the Issues Letter, 9 July 2024, page 32.

¹⁷⁶ Parties' Issues Meeting presentation, 8 July 2024, slide 51.

¹⁷⁷ [CMA129](#), paragraph 8.1.

¹⁷⁸ [CMA129](#), paragraph 6.13.

reduce the symmetry in terms of shares of supply between the largest housebuilders in the market and, as such, it appears unlikely to increase the likelihood of coordinated effects relative to the counterfactual.

140. For the reasons set out above, the CMA believes that the Merger does not give rise to a realistic prospect of an SLC as a result of coordinated effects in the supply of new-build housing.

10. CONCLUSION ON SUBSTANTIAL LESSENING OF COMPETITION

141. Based on the evidence set out above, the CMA believes that it is or may be the case that the Merger may be expected to result in an SLC as a result of horizontal unilateral effects in relation to the supply of new-build housing in one local area, around the Barratt development at Tilstock Road, Whitchurch.

DECISION

142. Consequently, the CMA believes that it is or may be the case that (i) arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation; and (ii) the creation of that situation may be expected to result in an SLC within a market or markets in the United Kingdom.
143. The CMA therefore believes that it is under a duty to refer under section 33(1) of the Act. However, the duty to refer is not exercised whilst the CMA is considering whether to accept undertakings under section 73 of the Act instead of making such a reference.¹⁷⁹ The Parties have until 15 August 2024¹⁸⁰ to offer an undertaking to the CMA.¹⁸¹ The CMA will refer the Merger for a phase 2 investigation¹⁸² if the Parties do not offer an undertaking by this date; if the Parties indicate before this date that they do not wish to offer an undertaking; or if the CMA decides¹⁸³ by 22 August 2024 that there are no reasonable grounds for believing that it might accept the undertaking offered by the Parties, or a modified version of it.

Joel Bamford
Executive Director, Mergers
Competition and Markets Authority
8 August 2024

¹⁷⁹ Section [33\(3\)\(b\)](#) of the Act.

¹⁸⁰ Section [73A\(1\)](#) of the Act.

¹⁸¹ Section [73\(2\)](#) of the Act.

¹⁸² Sections [33\(1\)](#) and [34ZA\(2\)](#) of the Act.

¹⁸³ Section [73A\(2\)](#) of the Act.