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HOUSING EVIDENCE

# Land and Housing Supply: It's about more than just build out rates

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# How the housing supply system works

- What's the existing evidence on how speculative housebuilders *acquire, process & build out* housing land?

i.e. build out rates only one part of complex set of processes that determine *speed & mode* of delivery:

- Land acquisition methods and processes
- Composition of land portfolios and land banking
- Mode of delivery inc. product selection & customisation
- Speed of housing delivery inc. build out rates

# Why?

- Establish a comprehensive knowledge and evidence base
- Consider the current limitations to its operation
- Evaluate whether, and to what extent, the industry is able to address new demands in the supply side
- Reflect on how policy solutions brought forward to address housing supply problems have been effective or otherwise

# Methodology

- Systematic review of existing evidence (1990 - 2018)
- Evidence review of 62 articles (+ 8 secondary; 15 excluded)
- *Current progress:* initial analysis & sense checking with industry  
- HFS / HBF roundtables
- End of project report due January 2019

# Sense checking

- Does the evidence match contemporary industry practice?
- Is it a reliable representation?
- What significant gaps in knowledge and evidence exist?
- What should future research priorities be?



# Land Acquisition Methods & Processes

## **Methods and Strategies**

- Influence local planning; development agents (Adams et al.1992)
- Rely on networks more than markets (Adams et al. 2012)
- Differentiation in strategies based on corporate strategy and gf/bf (Goodier & Pan 2010; Payne 2013, 2015)
- Adaptation: greater discernment; de-risking (Payne 2015)

# Land Acquisition Methods & Processes

## Composition of Land Portfolios

- Security for company debt; health of balance sheet relies on maintaining value of that security (Lyons 2013)
- OFT (2008) connects ‘land banking’ with planning uncertainties
- Strategic land acquisition reduces uncertainty (Payne 2013); better cost control & higher margins (Karadimitriou 2013; Payne 2015)
- Development model not based on profiting from ‘land banking’ (Barker 2004; Callcutt 2007; Lyons 2014; NLP 2016)

# Land Acquisition Methods & Processes

## **Constraints on Access & Implications**

- Housebuilders consistently point to land shortages, planning constraints and associated delays (Gibb et al 1997 to Payne 2015; Barker 2004, Callcutt 2007; House of Lords 2016)
- Obvious effect on increasing land prices (House of Lords 2016)
- Competition tends to be focussed on land acquisition rather than consumers (Barker 2004)
- Form of supply has major impact on housing design (Scot Gov 2007)



# Mode of Delivery – product selection

- Widespread use of standard house types shows continuous incremental improvement preferred to radical design or technological innovation (Hooper & Nicol 2000)
- Select a narrow range of technologies to minimize disruption to standard design & production templates (Lees & Sexton 2014)
- Wide range of house types collapses to a small set of internally-differentiated types (Leishman & Warren 2006)
- Homogeneity more noticeable at lower end of market (Leishman et al. 2004)
- Still a traditional, not an innovative, business (House of Lords 2016)
- MMC, self and custom build are relatively rare (House of Lords 2016) less tested and more risky (Goodier & Pan 2010)

# Mode of Delivery - customization

- Accommodated if restricted to internal non-structural features rather external aspects (Nicol & Hooper 1999; Roy & Cochrane 1999)
- Few housebuilders carry out research & analysis on customers' needs, preferences & satisfaction; builders are not customer focused (Leishman et al. 2004)
- Individuality of design seen as raising costs, providing less certainty in sales and possibly a lower quality of product (Scot Govt 2007)
- Market research builds on existing products & lifestyle images; not necessarily investigate wider varied demand (Scot Govt 2007)

# Mode of Delivery – external influences

- Design codes demand more specialist skills, more expensive marketing. More bespoke forms of construction result in slow and complex build (Adams et al. 2011)
- Reluctant to extensively incorporate innovative renewable ‘LZC’ technologies (Barlow & Bhatti 1997; Payne & Barker 2018)
- Recessionary concentration on houses where market demand is stronger; less on flats where it is weaker (Ball 2010; Payne 2015)
- Typical retirement properties did not necessarily suit the needs of people looking to downsize (House of Lords 2006)

# Speed of Delivery

- 35-50 annual sales from a single outlet (Callcutt 2008)
- Average optimal annual sales rate per outlet is 59 units (gf) 67 (bf) (Adams et al. 2009)
- Annual average build-rate for sites of 2,000 or more units is 161 pa, but 50% faster on gf than bf sites (NLP 2016)
- Median build out period for 15 large sites in very high demand locations was 15.5 years. *“The larger the site the more likely it is to have a low build out rate”* (Letwin 2018a)

# Explanations for Speed of Delivery

- *Market-based*: Capacity of local markets to absorb new supply determines buildout rates (Adams et al. 2009; Letwin 2018)
- *Planning-based*: slow, complex, costly and under-resourced system (House of Lords, 2016; Payne 2015); strategic infrastructure delays can slow down production (Dixon 2007)
- *Other*: Downturns create shortage of trade, professional and managerial expertise which constrains speed of subsequent recovery (Ball 2010)

# Reflections - sense checking

- Does the evidence match contemporary industry practice?
- Is it a reliable representation?
- What significant gaps in knowledge and evidence exist?
- What should future research priorities be?





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