



## **Home Builders' Land Banks Evidence from the Home Builders Federation for the Callcutt Review**

**3 July 2007**

As requested by the Callcutt Review, HBF has assembled land bank data from larger members. The attached table sets out aggregate results from the 21 companies supplying data.

### **1. Summary Evidence: House Builders' Land Banks**

Their combined legal completions for the 21 companies in the latest reporting years were just over 76,000, representing 45% of GB private housing completions in 2006, or almost 40% of total GB housing completions. The latter is probably the better comparison because house builders' reported legal completions include S106 Affordable Housing units.

The figures show the larger home builders have an average reported land bank of 5.1 years. However this total includes land at three stages:

1. Implementable, which can be legally built on (47%);
2. Allocated or with an outline consent (36%), which cannot yet be developed;
3. Unallocated (17%).

The key figure is the first, the number of plots with an implementable planning permission. This shows an average implementable land bank of 2.4 years.

Of the implementable land bank, only 2.6% of plots were on sites where work had not started three months after permission was granted. In other words, as house builders have always argued, there is no evidence house builders sit on implementable planning permissions.

### **2. Are House Builders' Land Banks Reasonable?**

Therefore the question is whether an average land bank among the larger house builders of 2.4 years is reasonable.

Kate Barker concluded that:

“Housebuilders might be expected to vary their land holdings significantly in response to market conditions, and their expectations of future market conditions. However such speculative motives do not appear to play a significant role for most major housebuilders, as far as their holdings of permissioned land are concerned. These land holdings are a relatively stable

function of the number of houses they are intending to build". (Barker Interim Report, page 86)

We believe 2.4 years is a reasonable figure:

- Our planning timeline research (November 2006) found that, from a sample of 292 sites, the average period between the submission of an application and starting development on site was 475 days, or 15½ months, a figure which excludes pre-application discussions which are increasingly important and time consuming
- And once an implementable permission is obtained, it takes time to complete development on a site. Even quite small sites will take at least a year between start on site and final legal completions, while larger sites may take many years. As a site is built out, all the remaining units on the site will be counted towards the house builders' land bank.

Given the total time required to take a scheme through planning and development - pre-application discussions, from planning submission through to grant of an implementable permission, from start on site to final legal completions - an average 2.4 year land bank seems a reasonable implementable land bank.

The total reported average land bank of 5.1 years includes implementable permissions plus land being taken through the planning system which does not yet have an implementable permission.

House builders need to hold land not just for operational reasons, but also because of the level of uncertainty in the planning system.

CLG quarterly statistics show that the average refusal rate for 'major' residential applications (defined as 10+ units) increased from the 13-18% between 1992 and 2000 to 34-35% during 2006. Initially, following PPG3 in March 2000, it seemed possible this rise might reflect teething problems as house builders got used to the new planning regime. However the share has been in a fairly steady range of 33-36% since the second half of 2004, which suggests that more permanent factors are at work.

This high refusal rate, and the uncertainty that goes with this rate, means that house builders have to process more sites through the planning system to achieve any given numerical housing target. For example, if a company's target for the year is 500 sales on 10 sites, it will have to process around 13-14 sites to ensure that 10 emerge through the planning system with an implementable permission in time to meet the company's housing target.

If house builders were more confident that land could be replaced as it was developed, and if the outcome of planning applications was more predictable, they could operate with shorter land banks.

While our data cover 21 large traditional home builders, we believe this picture would be replicated among smaller traditional home builders, the majority of whom are measured by their return on capital.

However there are many other organisations outside the traditional home building sector which hold, and in some cases develop residential land, notably commercial developers and the public sector. The factors influencing their land holding behaviour may be different from those influencing the traditional home building sector.

### **3. Conclusion**

Our research demonstrates very clearly that the larger traditional home builders, accounting for approximately 40% of new housing output in Great Britain, start construction on site very quickly once they are in receipt of an implementable planning permission. Further they hold limited land banks for understandable operational reasons, given the long timescales involved in residential planning and development and the uncertainties and high residential refusal rates of the planning system.

Home Builders Federation  
3 July 2007

**HOME BUILDERS FEDERATION. LAND BANK DATA****Units****Submitted to Callcutt Review, 3 July 2007**

1	The total number of units in your land bank at your last year end	387,652	
2	Of these units, the number that had the benefit of implementable planning permission - I.e. land which is fully consented such that there is no obstacle or barrier to production being commenced	180,981	46.7%
3	In respect of those units that do have the benefit of fully implementable planning consent described in 2 above, how many of those plots are on sites where no work has actually commenced within 3 months of receipt of the implementable planning permissions.	4,691	2.6%
4	Of the balance of your total land I.e. the number of units as identified in Q1 less the number of units identified in Q2, what percentage of these plots are either allocated (I.e. have an outline consent or have been allocated in an adoptable local plan or similar status) or unallocated		
4a	Allocated	139,169	67.3%
4b	Unallocated	67,503	32.7%
5	The annual housing completions at the last year end	76,398	

**Land Bank in years annual completions**

	Years
Total land bank	5.1
Implementable land bank	2.4

HBF population - number of submissions	21
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