

## OFT Studies of Consumers and Financing for Homebuilders

Members will be aware the OFT published the draft results of its survey of home buyers in early June. HBF issued a briefing note to members on 9 June. The results were generally very positive for the industry.

The OFT has today published a press release ([click here](#)) covering the consumer study along with a newly published *Study Investigating Financing for Homebuilders* carried out by KPMG for the OFT ([click here](#)). Once again, the results are positive for the industry, reflecting the considerable work HBF has contributed to the OFT study and the input from many homebuilders.

The KPMG study, which is primarily a description of how the industry operates, will form an appendix to the final OFT report. However it addresses (and demolishes) some familiar myths and misconceptions about the industry. For example:

- “the holding of ‘landbanks’ by firms reflects the need to have a pipeline of land at different stages in the development process, rather than a reluctance to develop or a desire to prevent competition” (quote from OFT press release)
- KPMG concludes that the length of landbanks has increased in recent years, but the reasons identified (longer planning timescales, larger sites, apartment schemes, greater scheme complexity, merger and acquisition activity) largely reflect changes to planning and land supply;
- Larger sites, which give the impression of a long land bank, “are phased for various reasons including topography, the time to achieve planning permission, logistics and access, capital lock-up, sales rate and market demand”;
- “Housing developments, as opposed to apartment developments, are the preference of many homebuilders” for a number of reasons – “most importantly sales risk is generally lower since anecdotally the shortage of houses is more acute than apartments”;
- “Homebuilders’ funding strategies necessarily reflect these operational risks. As a result there is a rational decision in much of the sector to gear at what appears to be a relatively low level” – “listed homebuilders may not be considered as ‘under-gear’d’, merely rational”.

**John Stewart**  
**Director of Economic Affairs**