

# Increasing Housing Supply

## The Case for Increased Surplus Public Sector Land Disposal



HOME BUILDERS FEDERATION BRIEFING

17 SEPT 2010

**1** To increase the supply of housing, the industry needs a substantial increase in the supply of permissioned, viable land. In its study of the homebuilding industry (2008), the OFT concluded that the three databases it used “suggest that the public sector accounts for between a quarter and a third of all land currently deemed suitable for residential development”. Therefore the public sector could make a very significant contribution to residential land availability.

**2** To this end, the Treasury should actively encourage all public sector land owners to review their land holdings and, wherever possible, dispose of surplus land. Receipts from land disposals would help mitigate the impact of budget cuts and reduce public debt, while also increasing the supply of land for home building.

**3** The Government may wish to consider setting financial objectives for surplus public sector land disposal, so that it becomes an integral part of the deficit reduction programme of departments and public bodies.

**4** Disposals may take the form of outright disposal for cash up front, or alternatively receipts can be deferred so that the public body disposing of the land shares in the uplift in land value as the housing market recovers. Because home builders are experts at assembling and developing land, they are able to devise flexible and creative solutions, depending on the financial and housing requirements of individual public sector land owners.

**5** By entering partnerships with private developers, public land owners help overcome the industry’s development funding constraints created by the credit crunch.

**6** The onerous standards often imposed on private housing development on public sector land must be relaxed. They impose significant additional costs on development, at doubtful value to home buyers, and they can result in products that are not well suited to market demand, so that prices are lower than would be possible with more suitable products. As a result, land receipts by public sector land owners are significantly reduced (from both lower values and higher costs). In effect, land value is being wasted because the benefits of the standards to home buyers and occupiers do not reflect the very significant cost of providing them.