

Independent Review of Build Out Rates- Draft Analysis by the Rt Hon Sir Oliver Letwin MP

Briefing Note

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Introduction

On 25th June 2018, the Independent Review of Build Out Rates; Draft Analysis by the Rt Hon Sir Oliver Letwin MP was published. This eagerly awaited draft analysis is based upon an in-depth consideration of 15 large sites (5 in Greater London, 9 in the south east and the last in the north west), all in areas of high demand, and data from the 'Molior' database for 18 large sites of over 500 dwellings based in London.

The Report highlights the paucity of publicly available evidence on build out rates and concentrates on the percentage of the overall number of dwellings that are delivered each year.

Notably, the Report identifies the average overall timescale for sites of this scale to be 15 years after the developer receives an implementable consent, and the percentage of dwellings completed on average each year is 6.5% of the total number of dwellings.

The Report also finds a negative relationship between the size of the site and the percentage built out each year, although it also notes that larger sites always deliver higher absolute numbers.

The Report's analysis highlights that one of the fundamental explanations of build out rates is market absorption, which in turn is affected by the number of outlets. The Analysis takes the concept of the number of outlets beyond that traditionally used by the development industry of referring just to the number of flags, and highlights that the issue runs deeper and there is a homogeneity of products from housebuilders.

The Report also seeks to review the relationship between supply and small site releases and recognises that increasing the supply of small sites would increase build out rates. It argues however that such an increase should be done in conjunction with increasing the build out rates on larger sites by "packaging" these larger sites in ways to also increase delivery.

SPRU have in recent years been arguing at development plan examinations that LPA's should be allocating a range of sites (both strategic and small sites) in order to achieve the required rates of delivery. This was based upon our own extensive experience of monitoring build out rates, but it is satisfying seeing this most recent analysis reaching similar conclusions.

In respect of increasing market differentiation on larger sites the analysis concludes that if major housebuilders or others offered a wider range of house types, designs and tenures on larger sites then delivery could be increased.

The analysis also considered other constraints on delivery, including infrastructure provision, availability of capital, difficulties in remediation, site logistics and did not find these were impacting on the rate of delivery.

The analysis also considered the implications of the gross development values deviating from assumptions of land purchase and concluded that dwellings were delivered at the rate and the price which were assumed in the original pricing of the land. This means that sales are at a rate which will not reduce the price of dwellings below that assumed in original land valuation.

Lastly, and notably, the Report concludes that major housebuilders do not land bank but instead hold land in order to secure a sustainable supply to maintain their long-term business needs. The analysis confirmed that major housebuilders generated profits out of sales of housing rather than increasing value of land holdings, and that while landowners may speculate with obtaining outline planning permissions and not releasing the sites, this is not consistent with the business model of the major house builders.

DLP Planning Ltd and its Strategic Planning & Research Unit (SPRU) have extensive experience in assessing the five-year supply position and objectively assessed housing need of local planning authorities, using the most up to date sources and modelling. Such assessments are often critical to the successful promotion of sites for residential development.

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