

Homebuilding market study

Annexe W - Land ownership profiles by type of homebuilder

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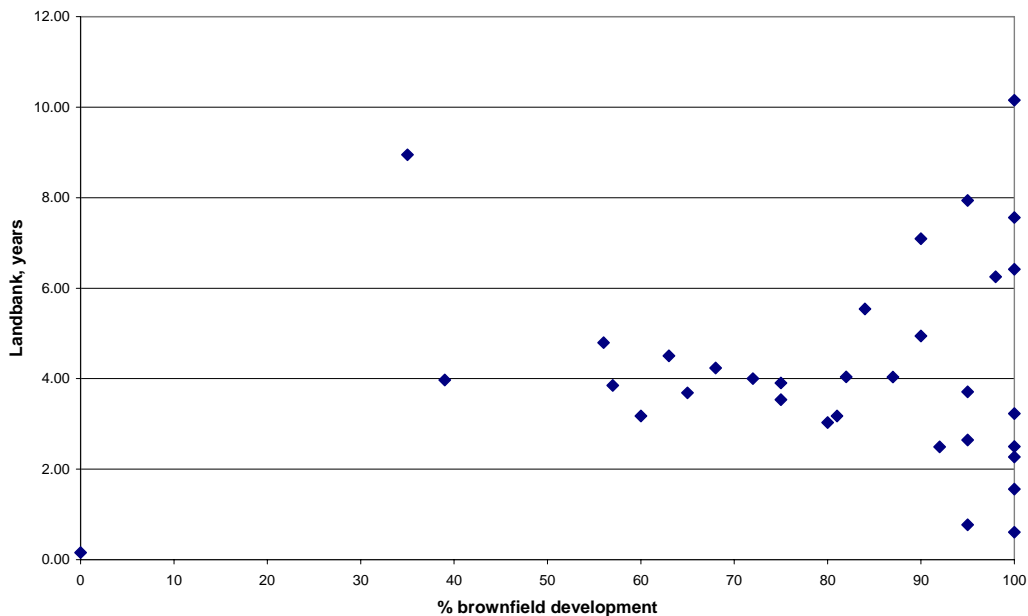
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W.1 LAND OWNERSHIP PROFILES BY TYPE OF HOMEBUILDER

W.1.1 Figure 1 illustrates the relationship between a homebuilder's landbank and the proportion of brownfield development it undertakes.

Figure 1 Landbanks quantified in number of years supply and proportion of a homebuilder's development on brownfield sites



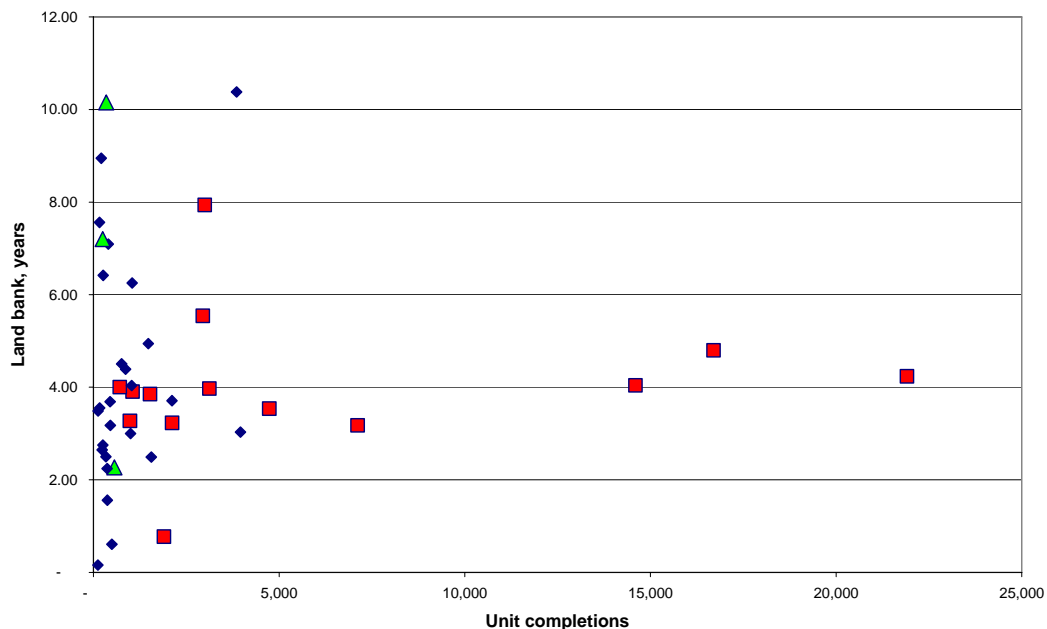
Source: Housing Market Intelligence Report 2007

W.1.2 These figures suggest that most homebuilders that undertake significant greenfield development have a landbank of around four years. However, there is much greater variation in landbanking behaviour among firms who undertake more, or exclusively, brownfield development. One possible explanation for this is that it takes longer to assemble, prepare and develop brownfield sites (for example because sites require decontamination). Some homebuilders may choose to address that longer development timescale by building up a longer landbank, while others homebuilders may prefer to buy some of their land ready-prepared from specialist land development companies instead. It is also possible that some homebuilders specialising in brownfield sites do not own all of the land that they develop, which would have the effect of reducing the

number of years supply in their landbank. For example, on sites managed by English Partnerships the land is never owned by the homebuilder, ownership of the land transfers directly from English Partnerships to the homebuyer (this is sometimes referred to as building under licence). In this regard, homebuilders with a high proportion of brownfield sites may be thought of having relatively diverse approaches to land acquisition compared with homebuilders who have a greater proportion of greenfield sites.

W.1.3 Figure 2 illustrates the relationship between homebuilder size and size of landbank. This shows that there is much greater variation among smaller homebuilders in the size of landbank than among the largest volumetric homebuilders (though note that the sample is drawn from the top 75 homebuilders so the very smallest homebuilders are not represented). This is probably to be expected – smaller homebuilders will tend to have less constant landbanks as each individual site will account for a greater overall proportion of that homebuilder's output than is the case with a very large homebuilder.

Figure 2 Firm size, by units built, and size of landbank, in years



Source: Housing Market Intelligence Report 2007

W.1.4 In Figure 2 the squares denote non-AIM quoted homebuilders, the triangles AIM-listed homebuilders, and the diamonds private company homebuilders. It has sometimes been suggested that quoted homebuilders face more pressure to bank land than private company homebuilders. If so, the data indicates that this effect is not particularly strong.