

Homebuilding market study

Annexe X - Glossary

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X.1 GLOSSARY

Absorption rate	The term used in the homebuilding industry to describe the rate at which new homes will be purchased. A homebuilder will try and build homes (known as the build-out rate) at the same speed they will be bought, that is they will try to match supply with demand. The absorption rate is affected by a number of factors including local demand, the number of other homebuilders building similar homes in the same area and the existing housing stock
ADR	Alternative Dispute Resolution
Banking covenants	Agreements between banks and their corporate borrowers that bind the borrower to maintain certain financial ratios
Barker review	Barker Review of Housing Supply 2004
BERR	Department for Business, Enterprise and Regulatory Reform
BLP	Building Life Plans Limited
Brownfield development	A development that is on land that has been used previously, either for housing or for other uses. A brownfield site may be still in current use or vacant or derelict
CABE	Commission for Architecture and the Built Environment
Callcutt review	The Callcutt Review of Housebuilding Delivery 2007
CC	Competition Commission
CCAS	Consumer Codes Approval Scheme (OFT)
CEAR	Consumers, Estate Agent and Redress Act 2007
CEF	Construction Employers Federation (Northern Ireland)

CIArB	Chartered Institute of Arbitrators
CIL	Community Infrastructure Levy
CLG	Department for Communities and Local Government
CML	Council of Mortgage Lenders
Code for Sustainable Homes	The Code measures the sustainability of a new home against categories of sustainable design, rating the 'whole home' as a complete package. The Code uses a 1 to 6 star rating system to communicate the overall sustainability performance of a new home. The Code sets minimum standards for energy and water use at each level and, within England, replaces the EcoHomes scheme, developed by the Building Research Establishment (BRE).
Conditional contract	For the purposes of this report, a conditional contract is a contract for sale that only requires completion of the sale transaction in the event certain conditions are met. For example, a homebuilder may agree a conditional contract with a landowner. The homebuilder and the landowner will agree a sum for the land, the homebuilder pays a proportion of the sum at the time of the agreement and will pay the rest of the money when, for example, planning permission is granted on the site. Such contracts are typically used to buy and sell brownfield sites.
Covered bond	Covered bonds are debt instruments secured by a cover pool of mortgage loans (property as collateral) or public-sector debt to which investors have a preferential claim in the event of default. While the nature of this preferential claim, as well as other safety features (asset eligibility and coverage, bankruptcy-remoteness and regulation) depends on the specific framework under which a covered bond is issued, it is the safety aspect that is common to all covered bonds.

CPRs	Civil Procedure Rules
Current trader business model	A business model in which the homebuilder acquires development sites, builds homes, sells the developed property and has no further involvement with the site.
EP	English Partnerships (to be replaced by HCA)
Financial Ombudsman	Financial Ombudsman Scheme
FMB	Federation of Master Builders
GDV	Gross Development Value
GLA	Greater London Authority
Greenfield development	A development that is on land that has not been previously developed for any use.
HBA	House Builders Association
HBF	Home Builders Federation
HCA	Housing and Communities Agency
HFS	Homes for Scotland
HIPs	Home Information Packs
HMA	Housing Market Area
Housing Corporation	The Housing Corporation is the government agency that funds new affordable homes and regulates housing associations in England.

Industrialised construction	An alternative name for OSM.
Investor business model	A business model in which the homebuilder retains a long term interest in properties and / or facilities on the sites it develops in order to benefit from increasing residential values over time.
IPACS	Independent Property Codes Adjudication Scheme
JCT	Joint Contracts Tribunal Limited
LA	Local Authority
LABC New Home Warranty	Local Authority Building Control New Home Warranty
LDF	Local Development Framework
LPA	Local Planning Authority
Missives	Letters exchanged between the parties' legal advisers which eventually result in a formal agreement to purchase a home in Scotland.
MMC	Modern Methods of Construction. A term used to encapsulate less traditional approaches to building and which covers not only new technologies and materials but also new approaches.
NAO	National Audit Office
NHBC	National House Building Council
NLUD	National Land Use Database
OEA	Ombudsman for Estate Agents

Option agreement	For the purposes of this report, an option agreement is a legal instrument which gives a homebuilder the option to purchase land should it acquire planning consent. Option agreements help to protect homebuilders' investment in acquiring planning permission for sites that they do not yet own. Typically, a homebuilder will have to pay a landowner to enter into an option agreement. Option agreements are most commonly used for greenfield land.
OSM	Offsite manufacture. A construction technique in which components for the construction of a building are manufactured away from the development site and transported to the development site for use. Such components can be large such as pre-cast concrete wall panels.
PCCB	Property Codes Compliance Board
PGS	Planning Gain Supplement
PPS	Planning Policy Statement
New build premium	New build homes usually trade at a premium to existing homes. The new build premium can be thought of as including the value generated by an expectation of higher quality in a new home or because no redecorating or work would be needed.
RDA	Regional Development Agency
REIT	Real Estate Investment Trust
RMBS	Residential mortgage backed securities is a type of mortgage-backed security composed of a wide array of different non-commercial mortgage debts. It securitises the mortgage payments of non-commercial real estate. Different residential mortgages with varying credit ratings are pooled together and sold in tranches to investors looking to diversify their portfolios or hedge against certain types of

risks.¹ Holders of RMBS receive interest and principal payments that come from the holders of the residential debt.

RICS	Royal Institute of Chartered Surveyors
ROCE	Return on Capital Employed
RSL	Registered social landlord. RSLs are housing associations made up of societies, bodies of trustees or companies established for the purpose of providing housing accommodation on a non-profit-making basis. They provide housing for the employees of associated industrial and other undertakings, for special groups (such as the aged or disabled), single people or housing on a mutual and self build basis. See Keynote Market Report (2003) 'Housebuilding'
RSS	Regional Special Strategy
SCIA	Scottish Council for International Arbitration
Section 106 agreement	Section 106 of the Town and Country Planning Act 1990 allows a local planning authority (LPA) to enter into a legally-binding agreement or planning obligation, with a homebuilder. For example, it is often used in respect of the provision of affordable housing. Such agreements can cover almost any relevant issue and can include sums of money. S106 Agreements can act as a main instrument for placing restrictions on the homebuilders, often requiring them to minimise the impact on the local community and to carry out tasks which will provide community benefits.
Section 278 agreement	In England and Wales section 278 of the Highways Act 1980 provides for a homebuilder to pay for improvements to existing roads or the building of new ones. The works can be carried out by the relevant highway authority, although the homebuilder is often

¹ Source: [www.investorwords.com/6642/Residential Mortgage Backed Security.html](http://www.investorwords.com/6642/Residential_Mortgage_Backed_Security.html)

authorised to do the works itself. A section 278 agreement is not a contract for the homebuilder to complete the work. The agreement is solely financial in that the road works are carried out at the homebuilder's expense.

Self build	The term 'self build' covers a range of levels of involvement by the homebuyer. Some self build homebuyers construct the entire dwelling themselves while others engage the services of a package company who find a plot and build the home for the homebuyer. In line with other work looking at self build, we use the term 'self build' in this report to mean any instance where a person is involved in some way in the production of their new home rather than buying a property from a speculative homebuilder.
Site Splitting	Site splitting is the practice whereby two or more homebuilders construct new homes on the same site. Usually the homebuilders will be marketing slightly different products.
Snagging	The identification and rectification of defects, faults and quality failures in new homes arising from the building process.
SOS	Surveyors Ombudsman Service
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Speculative development	Homebuilding which takes place in anticipation of a sale but before a homebuyer has been found. Most residential development in the UK is speculative development.
SSNIP test	Small but Significant and Non-transitory Increase in Price
TOSL	The Ombudsman Service Limited
UTCCRs	Unfair Terms in Consumer Contracts Regulations 1999
VOA	Valuation Office Agency

Zero Carbon Home A home where, over a year, the net carbon emissions from all energy use in the home are zero.