CABE response to the Office of Fair Trading's study into the UK housebuilding industry

Introduction

- At a time when the housebuilding industry is changing fast and facing tough challenges in terms of both the volume and sustainability of new homes, CABE very much welcomes this review. We have well-known concerns about the current quality of housing, neighbourhoods and places being produced for home buyers – and the legacy this will leave for future generations.

- Buying a home is not only the most significant financial decision a person is likely to make. It also involves purchasing a product which is unlike other consumer products. What a home buyer purchases from a housebuilder is not only a housing 'unit', but a location, a stake in the streets outside and the wider neighbourhood, including access to local services, shops and employment. The value of a home resides in more than just the building itself and its contents. **Any study of the housebuilding industry and its consumers must therefore consider the places that are created by developers**, rather than limiting itself to the core products or units they build.

- CABE's submission is based on our extensive engagement with the housebuilding industry and its consumers, which has recently included:

    - Leading the **Building for Life** initiative with the Home Builders Federation – established as the national standard for well-designed homes and neighbourhoods.
    - Publishing the **Housing Audit** – the first complete picture of housing design quality in England, assessing 293 schemes built in the last five years.
    - Publishing research into **consumer responses** to new housing and offering guidance for home buyers.

- An on-going series of **Urban design workshops** with teams of directors from eight of the top ten housebuilders.
- Offering expert practical advice through our **Enabling** service to the teams working in Housing Growth and Housing Market Renewal areas.
- Using our **Design Review** programme to assess strategic housing schemes across the country.

- Through this work, CABE's recommendations for improving consumers' experience of new housing raises five main issues for the housebuilding industry:

1. An increased focus on **place not product** – using the Building for Life criteria as a method of assessing quality.
2. The clear publication of the total **internal floor space** of a property (rather than the number of bedrooms), available to all consumers.
3. An increased acknowledgement of the importance of **stewardship** of place, achieved through different business models that maintain developer commitment to a site.
4. The mandatory publication of independently researched **post-occupancy evaluation** on all schemes, to increase consumer awareness of housing quality.
5. Increased **competition** within the industry, including incentivising new entrants to the market.

What do consumers want?

- Consumer preferences in the housing market contain many contradictions. Home buyers make decisions based on a series of trade-offs rather than a clear list of neatly prioritised criteria. However, CABE research has demonstrated that **people value a sense of place, character and good layout very highly**.[1] Good design plays a role in meeting the widest possible range of customer preferences.

- CABE's Housing Audit – the first comprehensive national assessment of the quality of new housing developments – also reveals how much home buyers value good design and how their views tally with the judgements of design professionals. In the schemes rated as good in the Audit, 50% of residents said they were very satisfied with their development. In schemes

[1] *What it's like to live there: the views of residents on the design of new housing* (CABE, 2005).

rated as poor or average by design professionals, only 27% of residents were very satisfied. Furthermore, residents in good schemes tended to acknowledge more strongly factors delivered by good design – such as road layout, public space, and build quality. By contrast, residents living in poor or average developments valued general factors – such as location or quietness – rather than anything related to design.[2]

- When considering the current desires of home buyers, it must also be acknowledged that expectations are compromised by the current quality of new homes. Consumers are forced to make trade-offs because of their lack of choice – they would chose good urban design quality if it was available.

What do we mean by quality – and how can we measure it?

- The Building for Life criteria are established as the national standard for design quality in new housing – promoting housing that is functional, attractive, and sustainable.[3] Led by CABE and the Home Builders Federation, and supported by English Partnerships and the Housing Corporation, the criteria offer 20 easy to understand questions emphasising the importance of place making and sustainable design.

- **CABE strongly recommends that planning consent be refused for any scheme not meeting the Building for Life Silver Standard** – the benchmark for good design that has been adopted by English Partnerships, Transform South Yorkshire and Southampton City Council, amongst others – tying in with PPS1 and PPS3's commitment to design quality. Experience has proven Building for Life to be the one quality assessment standard that all parties involved in the process of house building – including architects, developers, planners and consumers – understand and like. This was reflected in its inclusion as a recommended assessment tool in the recent Housing Green Paper.[4]

[2] Based on interviews with 704 residents at six developments. See *Housing audit: assessing the design quality of new housing in the East Midlands, West Midlands and the South West* (CABE, 2007) for further details.
[3] The criteria are outlined in detail in the guide *Delivering Great Places to Live* (CABE and HBF, 2005; updated 2007).
[4] *Homes for the future: more affordable, more sustainable – Housing Green Paper* (CLG, 2007).

What are consumers getting?

- Using the Building for Life criteria as an assessment tool, CABE's Housing Audit reveals disturbing evidence of the quality of new housing. **82% of schemes assessed failed to measure up on design quality, while nearly a third were considered so poor they should not have received planning permission**. The Audit uncovered specific weaknesses in the urban design of most schemes, including place making, layout and public realm – with highway design a particular difficulty. Green space has been described as an "essential part" of the Government's new housing strategy,[5] but there remain fundamental problems in both the design and management of public space at present.

- **The Housing Audit demonstrates that housing quality is much more about place than product**. Whilst standard house types can be used in a variety of different contexts, bespoke urban design is essential for every scheme. Each site is unique – yet housebuilders too often use a standard layout which fails to take into account the particular opportunities or constraints of the location. Forthcoming CABE research into the views of residents on new housing schemes shows that home buyers' satisfaction with their development is lower than satisfaction with their home. Satisfaction with their home doesn't necessarily mean satisfaction with the development it sits in and, crucially, dissatisfaction with the development increases over time. Home buyers can change the fittings in their kitchens or bathrooms if they dislike them, but there's little they can do to alter poorly designed streets and public space.

- CABE's Design Review programme assesses the most strategic schemes from across the country, and has uncovered particular problems in the site planning of affordable housing. Far too often the affordable housing element is located in the least desirable part of a site, rather than mixed into the rest of the scheme as in fully sustainable, successful communities.

Are there any regional differences?

- The Housing Audit revealed the acute regional differences in design quality. In the Midlands, over half of schemes were considered to be poor, compared with less than a quarter in the south. In addition, only four out of

[5] Ibid.

the 22 winners of the Building for Life Gold Standard in the last five years have come from outside the south. This reflects the huge variation in the performance of regional housebuilding teams, where there are often difficulties with recruitment of high calibre staff, whilst exacerbating the correlation between poor design and less desirable areas. All major volume housebuilders have at least one exemplary scheme, demonstrating that the ability to produce high quality homes and neighbourhoods exists within the industry, but there is a huge inconsistency in the output of different regional offices.

The cost of bad design

- There are many consumers of new housing, alongside those purchasers who buy the individual homes. New housing developments affect the communities around them. Private housebuilders hand over the management and maintenance of the public realm to the public sector – which means the public sector then picks up the price for any failures in design. CABE's publication *The cost of bad design* (2006) outlines the social and economic consequences of poor quality buildings and spaces.

- **This situation would be improved if housebuilders undertook a much more proactive and long-term approach to the stewardship of place**. The long-term management of the Registered Social Landlord (RSL) model – as well as that utilised by commercial developers – demonstrates how an ongoing commitment to a site can be hugely beneficial to residents and the wider community. New models of part-ownership could also help to maintain the development's value for home owners. Home buyers should expect a longer-term commitment to the neighbourhood – as well as the house – from a housebuilder when they make a purchase. Consumers should also be protected from poor quality neighbourhoods as much as poor quality houses.

House types

- Whilst most new residential developments fail in terms of urban design, there are also problems surrounding the housebuilding industry's core house types. Standard house types should not be a problem – Britain has been well served by the Victorian terrace, for example – but the current types utilised by the volume housebuilders are neither robust nor flexible and, as the Housing Audit shows, are further exposed by poor site layouts. Additional problems are created by the fact that these current house types – which vary only slightly across the major companies – are built across the country, regardless of the existing identity of the location, generating a succession of identikit 'nowhere places'.

- Since 1997, the density of new housing has increased from 25 to 40 dwellings per hectare,[6] placing greater importance on issues of sound insulation, ventilation and light penetration. There is also growing evidence that new homes are not providing adequate internal space for their occupants, particularly at the lower end of the market. In particular, internal space is not sufficient because of rooms which are too small, with inadequate storage space, and in the case of family accommodation, not enough separation between adults and children. The inadequacy of provision of internal space has implications in relation to how consumers experience their new home (its functionality, liveability and fitness for purpose), whether they have sufficient flexibility to stay there if their circumstances change, and also whether they are getting value for money. New homes are priced and marketed by the number of rooms, and there is often little information provided by housebuilders about the overall floor area. **We recommend that this informational asymmetry is reduced by labelling homes for sale or rent with floor space in metres squared.**

Can consumers drive change?

- Consumers have little power to drive competition in the housebuilding industry. Home buyers have a limited choice across the market and are further constrained by the overriding issues of price, habitable rooms and location. Currently the market is characterised by high demand and a low offer with consumers having very little impact in terms of driving quality.

- Despite consumers' aspirations for good quality homes and the need for clarity and openness at the point of sale, there's a clear lack of information for home buyers. In addition, consumers are very sceptical about the information that is currently provided to them by developers – a 2004 CABE survey of 900 home buyers found only 3% considered housebuilders as very trustworthy sources of information when choosing a

[6] Ibid.

new home. **Free markets require information and, at present, volume housebuilders don't provide it**.

- The emphasis on selling 'showhouse chic' also needs to change to give greater emphasis to sustainability, the quality of the building and the quality of the wider neighbourhood. At the moment housebuilders market homes based on their broad location, price and unit features. These are obviously valid and necessary factors, but they exacerbate consumers' restricted choice. Opening up the marketing mix to include sustainability, quality and the creation of a well-functioning community would increase home buyers ability to drive change in the market.

The housebuilding industry

- If the housebuilding industry wants to survive and prosper in an era of intensified global competition and particularly climate change, it has to adapt. Most crucially, there has to be a change in approach, moving from a focus on minimising cost to a more positive attitude towards creating value. Bringing forward the right design and planning skills early can bring major financial rewards, in terms of getting more homes onto a site and increasing the speed of the application through the planning system, while also creating far better places for home buyers. Investing in quality upfront is far more cost-effective than the legal process of pushing a mediocre scheme through the planning system on appeal. Alternative development models already have some exponents – Urban Splash, First Base and Igloo, for example – that demonstrate that good design need not mean smaller profits. Housebuilders should be competing on quality and efficiency, rather than the current inflation-based business model.

- The current oligopolistic structure – heightened by the recent spate of mergers – is not, we believe, the best way to ensure the quantity and quality of homes required. Figures from the National House-Building Council demonstrate that 45% of all homes built in the UK are built by 13 companies, with 60% of those produced by just three firms: Barratt Homes, Persimmon and Taylor Wimpey. This means that over a quarter of new homes built in the UK are built by just three firms.[7] The poor quality of new homes is an industry-wide problem, not just an issue for two or three companies, but the recent spate of mergers could exacerbate problems.

[7] 'How to solve the Housing Riddle', *The Architects' Journal*, 19 July 2007.

- **There is a need for increased competition within the industry and incentivising new entrants to the market must be a consideration**. Domination by a few large players could be countered by opening up the market to overseas' developers, particularly the alternative business model of European companies, to help stimulate change in the British market.

- The self-commissioning market is one alternative model of home building that remains under-exploited in the UK, and should be incentivised more. A small but influential aspect of the market in Europe, self-commissioning demonstrates the type of homes people choose if they are offered the choice. The regenerated Angell Town estate in Brixton offers an example of innovative, assisted self-build homes in this country, but European examples are on a much larger scale – notably in German schemes such as Vauban in Freiburg and Tübingen-Südstadt near Stuttgart.[8] We would recommend major new schemes offering a small percentage of plots available for self-commissioned homes within a given framework, although this alternative model must address the issue of land supply.

- There is little evidence of volume housebuilders undertaking serious research into the spatial planning of housing, community housing needs, energy efficiency or an overall service that would offer consumers the certainty of quality and appropriate guarantees. Research and development is far too often neglected, part of an overall industry imbalance where disproportionate resources are placed in land acquisition and sales and marketing teams, rather than innovation and design. Where there is innovative research undertaken – such as the i-LiFE project by David Wilson Homes – it tends to focus on internal, not external spaces.

- **We believe that a key step would be the publication of independently researched post-occupancy evaluation** which would go well beyond the current practice of asking people if they are satisfied with their new home in terms of the occurrence of defects. CABE's experience is that structured analysis of the way in which homes and neighbourhoods work helps to provide data which leads to real learning about how to improve places in the future. This would not only help to create a culture change towards stewardship within the industry, but would also ensure that consumers' influence on the housing market – which is currently severely

[8] Case studies of all three of these schemes are available on http://www.buildingforlife.org/.

limited – could be felt. We also believe that local authority planning teams should be monitoring the quality of what's being built for people in their area.

- The need for more and better-trained urban design professionals – not just product designers – within the housebuilding industry is now critical. This skills shortage, and the relative lack of power of housebuilders' design and technical staff compared with their sales and marketing and land acquisition teams, needs to be rectified as a matter of urgency. This imbalance reflects the fact that the industry model is not geared towards adding value, but rather towards cost limitation. The challenge of producing zero-carbon homes means additional skills will be needed.

Competition, land supply and the role of the public sector

- The current state of land supply protects the volume housebuilders from change. Competition is based around land holdings, not quality of homes – any competitive player has to have access to land. This won't be solved by the volume housebuilders and requires government intervention. Following the German method of taxing land banks where planning has been granted would help improve speed of delivery.

- English Partnerships' commitment to Building for Life demonstrates a way in which public land can be used as a driver for improved design quality by offering a high quality alternative to the standard product. The new homes agency (originally designated as "Communities England") should commit to pro-actively seeking high design standards – embedding English Partnerships' adoption of the Building for Life Silver Standard would be a good start. Similarly, local authority assets should be utilised in a way that raises housing quality. More creative and sophisticated ways of disposing of public sector land – such as joint ventures and use of covenants – can make developers change their traditional way of working. This has been the case with the Oldham Rochdale Housing Market Renewal Pathfinder, where developer partners were selected on their approach to individual sites.

- **The question of whether or not land supply is constraining housing supply requires independent verification**. The housebuilders argue that the release of land by the planning system is too limited and too slow. However, several of the majors appear to own or have options on significant land banks, with significant areas where planning permission has already been granted. An open book verification of the claim that there is a shortage of developable land would be welcome to move the debate beyond this single sticking point. If it is true that land banks are significant then the Government might like to consider fiscal measures to provide incentives for land release. Housebuilders should be making their money from high quality development, not from watching the capital value of unused assets appreciate. Whether the effect is the result of the planning system, land banking or both, it is clear that a lack of competition and the limit on land supply means that neither volume nor quality will emerge through competition alone. The Government must continue to regulate to achieve quality because it's not a major outcome of what the market, as currently structured, can deliver.

- Studies by the Office of Government Commerce suggest that the labour market should not be a significant constraint on construction prior to 2012, although there are expected to be skills shortages in key areas such as competent clienting to produce high quality development and mechanical and electrical engineering. However, the price of skilled labour appears to be rising so the industry needs to avoid complacency and invest in the development of human resources. We do expect a significant problem in the supply of more sustainable materials to meet the zero carbon challenge. Again, the industry must take responsibility for pushing ahead with research and the specification of materials in sufficient volume to make changes in the market for materials.

Improving design quality

- Design quality could be significantly improved if the current design and planning tools available, such as design codes or masterplanning, were fully utilised. Furthermore, design review panels are a proven, cost-effective way to improve the quality of development and offer an opportunity for developers and local authorities to work together at an early stage to plan the creation of well-designed and sustainable neighbourhoods. Since its creation in 2001, 376 local authorities have used CABE's national design review panel: 81% of them found the advice useful, and over 80% altered their design in the light of CABE's comments. We would expect the use of regional design review panels to grow in the future.

- Where good design and sustainable neighbourhoods have been achieved, case studies within the Housing Audit indicate that it is usually other development partners – and very rarely the housebuilder – who actually took the initiative. Six of the top ten housebuilders have now appointed a design champion, offering a public commitment to good design – what does this say about those major companies who have still to do so? The culture change within the industry is too little and too slow, particularly given the scale and the pace of the necessary building programme.

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