



Land for Housing & Development

There have long been concerns over the shortage of housing and the affordability of housing across the UK. Land reform can play an important role in addressing these concerns by reducing the land constraints to place making and the restrictions to the supply of land for housing. With different theories on how land can help to deliver more homes and better places, we need to look at the issue in more detail.

What is the issue?

The COVID-19 pandemic has led many people to consider the nature and experience of home. Experts have explained that different people will have very different experiences of lockdown depending on where they live – for example Moira Munro of Glasgow University’s [‘Life under lockdown: Our complex and varied relationship with home’](#). For some, the burden of lockdown will be eased by having space to work from home and access to a garden, other households will be overcrowded and lack access to green space.

Concerns about housing affordability, and a shortage of housing, however, pre-date the COVID-19 pandemic. While housing supply has gradually increased since a low point after the 2007-8 recession, the number of new homes built are not yet back to pre-recession levels. Since that recession there has been a growing intergenerational gulf between housing ‘haves’ (older homeowners) and ‘have nots’ (younger people living in private rented housing).¹

The situation will worsen unless more homes are built. Increasing demand is predicted as people live longer and more people live in smaller households or alone.²

There are also concerns about the location of new housing developments (many are on the edge of towns and cities) and the impact this will have on the environment and on public health. The design of many new housing developments is car dominated at a time when there is a need to reduce carbon emissions and encourage walking and cycling.

Land has a pivotal role in delivering new housing and better places – a house cannot be built without the land to build it on and in many areas the value of the land is a significant part of the cost of the house. It is important to understand the role of land in the development of new homes and better places.

¹ [Shelter – Commission on Health & Wellbeing \(2015\)](#)

² [National Records of Scotland – Household Projections for Scotland \(2018\)](#)

Land and private housebuilding

How speculative housebuilding works:

- Developers buy land where they believe that they can sell homes at a certain price, this price is based on the value of existing homes in the local area.
- Often the developer will have competed to buy the land, with their bid based on selling homes at an estimated price. To achieve this target sale price they may need to develop and sell homes at a relatively slow rate – this is known as the market absorption rate.
- Developers have to sell homes in this way in order to receive a return on investment, cover operating costs and pay dividends to shareholders – and ultimately remain in business.

Is land banking responsible for high house prices?

Many people believe that ‘land banking’ lies at the heart of problems in the housing market. This is an emotive topic and one that can be difficult to talk about. Part of the reason for that is that different people often have different ideas about what land banking means.

The term ‘land banking’ is often used in a derogatory way, with the underlying assumption that housebuilders are hoarding land, delaying the construction of new homes in the hope that rising land values will enable them to make more profit in the future. But there are two sides to this.

Far from being an exercise in profiteering, the development industry argue that land banking is simply a necessary part of their business model that enables them to maintain a steady development pipeline. Land, it is argued, is simply the raw material they need to stay in business.

The distinction that is often missed in this argument is the one between the land that house builders need to maintain their immediate development pipeline (usually land that is already somewhere in the planning process) and land that is not yet in the planning process, which is held to ensure a long-term supply of land for future projects. This is what developers sometime refer to as the strategic land bank.

Recent work published by the Land Commission ([ChamberlainWalker Economics, 2020](#)) looked at land banking and explored the distinction between a short-term development pipeline and a longer-term land bank.

Land banking – distinctive phases of the development process

Development Pipeline: land with planning permission likely to be developed in the next 2-3 years.

Strategic Land Bank: ‘Raw’ land that doesn’t have planning permission but that may be developed for housing in the next 15 years. Developers often have option agreements with land owners to develop these sites.

(An option agreement is where a developer has agreed an option to buy and develop a site if it receives planning permission).

The report found that while there is no evidence of developers land banking sites with planning permission, it is much less clear what is happening further back in the system. There is currently a significant lack of transparency surrounding ownership and control of development land in Scotland and this makes it very difficult to assess what's really going on.

That is why, as part of the next steps of our work in this area, we want to look more carefully at the transparency of information about who owns and controls development land – and the impact this has on the market.

Land ownership and development options

Our case study of raw land in the Moray area found that not all data for some potential sites could be identified as titles are still to be updated and transferred from the Register of Sasines to the Land Register of Scotland.

Speeding up this process, and requiring options agreements to be registered, would allow a full exploration of whether land banking of raw land limits housing supply.

The relationship between development land price and house prices

Research was also commissioned on how the price of land for housing development influences the price of existing homes. Some people say that it is important to look at land prices when examining house prices while others argue that the price of new homes is solely determined by the sales values of existing homes.

While the relationship is not straightforward, the team found that the price of development land can affect the price of housing for sale and so must be considered when looking at land reform and housing and investigating the supply and cost of new homes and the delivery of better places.

The case for change – why we need new models of housing delivery

The most significant finding of these two pieces of work is that the speculative private development model, which is currently responsible for delivering most housing in Scotland, is not suited to increasing the supply of new homes or to making homes more affordable.

The reason for this is that large speculative housebuilders tend to concentrate mainly in markets that provide the biggest possible return to their shareholders and tend to avoid parts of the country where returns will be lower. This means that much of rural Scotland (where development costs tend to be higher) and parts of urban Scotland (where market demand is lower and there may be a need for expensive land remediation) are not well served by this model. This is not a criticism of housebuilders who behave rationally to maintain their businesses. But it does make clear that to deliver the housing outcomes that Scotland needs we have to look at how we can encourage a more diverse range of organisations, that are not driven solely by shareholder returns, to get involved in delivering housing in Scotland.

Identifying what new delivery models might look like and how they could be supported is an important focus for our future work in this area.

What previous work tells us

Our research on land and private housebuilding also found a need for a clearer link between assessments of housing need and demand and plans to deliver new homes. The new Planning Act includes a requirement to set out targets for the use of land for housing in different areas of Scotland in the National Planning Framework. As part of the development of the next Framework which will follow the Planning Act, the Scottish Government will look at how early public consultation can ensure that Development Plans propose new homes in the places that people want to live. While this will establish how many homes are needed, it may still be a challenge to ensure that these homes are delivered in places people want to live at prices they can afford.

Previous work by the Commission provides evidence on how reforms to the way land is delivered for housing could help to achieve this.

Land Value Sharing and Public Interest Led Development

The Commission's previous work on [Land Value Sharing](#) and [Public Interest Led Development](#) provided evidence that there is a strong public interest case for the public sector playing a more active role in initiating and shaping development to secure better outcomes.

There is also a strong case to use the uplift in land value created when a site receives planning permission to support public benefits such as better green space or community facilities.

Any system reform needs to be viewed as fair by all parties involved in development

to avoid unintended consequences such as reducing the amount of land coming forward for housing and development.

Opportunities and links

The Commission has been leading work on how to reduce [vacant and derelict land in Scotland](#) – sites that lie empty for years, often having a significant and harmful impact on local communities. There are clear links between an approach to land for housing that reduces inequalities and work to re-use vacant and derelict sites, these will be developed as the review progresses.

Private housebuilders generally do not operate in post-industrial areas requiring regeneration. An approach to prioritising re-use of vacant and derelict land could see investment in housing benefit these communities and encourage other models of development to boost housing supply.

Scotland's [Land Rights & Responsibilities Statement](#) underpins the Commission's work and promotes a "stronger relationship between the people of Scotland and the land, where ownership and use of land delivers greater public benefits through a democratically accountable and transparent system of land rights and responsibilities." This applies to both rural and urban Scotland, including the development sector. There is an opportunity to explore how this should apply to all stakeholders involved in delivering housing across Scotland to achieve the best public interest outcomes.

The Commission's [review of scale and concentration of land ownership](#) found evidence that in some cases, the concentration of rural land ownership can be the constraint to releasing land for housing. The Commission's [proposals](#) for a statutory Land Rights and Responsibilities Review, together with more proactive use of existing compulsory purchase powers, offer targeted ways to address those cases where more collaborative approaches are not effective.

Next steps

To understand the challenge of delivering more homes and better places the Commission will publish a series of reports providing evidence on how land reform can help achieve these aims.

These will build on our work to date which shows a need for new models of housing development and greater involvement by public bodies in identifying land for housing development and shaping the quality of new places.

A number of pieces of work are currently underway and will be published in the next six months:

- [The Value of Early Engagement in Planning](#) will explore how up front, detailed community engagement on plans can produce better places and speed up delivery
- Land for Rural Housing will examine alternative models to private development and the need for public bodies to play an active role in identifying housing need and creating better places
- Land for Housing – Learning from European Best Practice will study countries with a strong record on housing and place and learn from the role of land in delivering this.

We will also publish case studies from around Scotland in partnership with CaCHE, the UK Centre for Collaborative Housing Evidence, which have been identified as positive examples of good practice.

The findings of each piece of work will be brought together in recommendations to Scottish Ministers setting out how the way land is delivered for housing could be changed to create sustainable communities in places people want to live at prices they can afford.



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