

'The Institutional Capacity of the UK Speculative Housebuilding Industry – responding to
the brownfield development policy agenda'

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ABSTRACT

The UK speculative housebuilding industry has grown and prospered primarily through the conversion of greenfield land into mass, standardised housing estates. As such, the UK Government's commitment to restricting the development of housing primarily to brownfield sites presents a significant challenge to the current skills base of many speculative housebuilders. Whilst the housebuilding industry has demonstrated in recent years a commitment to brownfield development through the steady increase in the numbers of dwellings built on previously developed land, concerns exist over whether the industry has developed the requisite core competencies necessary to secure a long-term commitment to brownfield development. In response to such concerns, this research assesses the attitudes, behaviours and corporate strategies of a select number of speculative housebuilders towards brownfield development in the English and Scottish contexts. Through this, the research presents a timely and important evaluation of the strategic decision making of UK speculative housebuilders and explores the concept of institutional capacity through an investigation into the private sector's response to public policy change.

CONTENTS

		Pg
Chapter 1	The Structure and Organisation of the UK Speculative Housebuilding Industry	
1.1	Introduction	1
1.2	What is Speculative Housebuilding	1
1.3	The Importance of Speculative Housebuilding in the Provision of New Homes in the UK	3
1.4	The Sustained Concentration of the UK Speculative Housebuilding Industry	6
1.5	Why Concentrate?	9
1.6	Regionalisation in UK Speculative Housebuilding	11
1.7	The Rise of the Super Builder	13
1.8	The Emergence of Brownfield Regeneration Specialists	15
1.9	Chapter Conclusions	17
Chapter 2	The Conventional Business Strategies of UK Speculative Housebuilders	
2.1	Introduction	18
2.2	Establishing Development Feasibility in Speculative Residential Development	18
2.3	The Conventional Business Strategies of UK Speculative Housebuilders	20
2.3.1	Seeking out and acquiring land	20
2.3.2	Planning permission and marketing strategies in speculative residential development	23
2.3.3	Standard products for standard locations	24
2.3.4	Customer focus in UK speculative housebuilding	26
2.3.5	Design and innovative capacity	28
2.4	The Role of Risk and Uncertainty in UK Speculative Housebuilding	32
2.5	Chapter Conclusions	36
Chapter 3	The Policy Context of Brownfield Development	
3.1	Introduction	37
3.2	Defining Brownfield Land	37
3.3	The Role of Brownfield Land and UK Sustainable Development Policy	39
3.3.1	Sustainable development policy and the role of brownfield land in England	40
3.4	Brownfield Development Targets in England and Scotland	44
3.4.1	Brownfield development in England	45
3.4.2	The stock and flow of brownfield land in England	47

3.4.3	Brownfield development in Scotland	51
3.4.4	The stock and flow of brownfield land in Scotland	52
3.5	A Critical Assessment of the UK Governments 'Brownfield First' Agenda in New Housing Provision	55
3.5.1	Brownfield sites have diverse and often unique problems	56
3.5.2	Brownfield development is not synonymous with better design	57
3.5.3	Does market choice match the policies for urban living?	57
3.5.4	Alternative uses for brownfield land	58
3.5.5	Brownfield development is not always sustainable	58
3.5.6	Is greenfield land sacrosanct?	59
3.5.7	Is urban intensification the most sustainable option?	60
3.6	Chapter Conclusions	62
Chapter 4	The Challenge of Brownfield Development to the UK Speculative Housebuilding Industry	
4.1	Introduction	64
4.2	The Differing Spatial Configuration of Brownfield Land in the UK	64
4.3	Principal Risks in the Speculative Development of Brownfield Land for Housing	67
4.4	Developing a Renewed Classification of Brownfield Risks	74
4.5	The Role of Perception in Risk Tolerability	78
4.6	The Impact of Brownfield Development on the Conventional Business Strategies of UK Speculative Housebuilders	79
4.6.1	The impact of brownfield development on the importance of land	79
4.6.2	The impact of brownfield development on gaining planning permission	81
4.6.3	The impact of brownfield development on marketing strategies	83
4.6.4	The impact of brownfield development on standard products for standard locations	84
4.7	Chapter Conclusions	87
Chapter 5	The Conceptual Approach to Research	
5.1	Introduction	88
5.2	The Structure of Provision Model in UK Speculative Housebuilding Research	89
5.3	Assessing Internal Firm Competencies in UK Speculative Housebuilding	93
5.3.1	Theories of firm strategic analysis and competitive strategy	96
5.3.2	Competence based theories of the firm	96

5.4	The Development of Core Competencies for Brownfield Development by UK Speculative Housebuilders?	103
5.5	Assessing External Environment Change in UK Speculative Housebuilding	105
5.5.1	Brownfield development as a multi-actor task	105
5.5.2	Institutionalism and institutional analysis in social science research	109
5.5.3	Institutionalism in economics	111
5.5.4	Institutional analysis in urban property development and property research	120
5.6	Conclusions and Implications for Research	125
Chapter 6	The Methodological Approach to Research	
6.1	Introduction	128
6.2	The Methodological Implications of the Research	128
6.3	Quantitative and Qualitative Methodology	132
6.4	The Case for Mixing Methods	134
6.4.1	The conceptual approach to research	136
6.4.2	Reifying brownfield	136
6.4.3	General attitudes and opinions of UK speculative housebuilders	136
6.4.4	Disaggregating the UK speculative housebuilding industry	137
6.5	The Research Design Process	137
6.6	The Research Approach for Stage 1	138
6.6.1	Brownfield development database	138
6.6.2	Brownfield development questionnaire	140
6.6.3	Piloting the brownfield development questionnaire	143
6.7	The Research Approach for Stage 2	143
6.7.1	Case study approach	144
6.7.2	The use of semi-structured interviews	145
6.7.3	Critically assessing the information obtained from the interviews	147
6.7.4	The selection of housebuilders for interview	149
6.8	The Typology of Brownfield Development	153
6.8.1	The pioneers	154
6.8.2	The pragmatists	155
6.8.3	The sceptics	155
6.9	Interviewee Selection	156
6.9.1	Interviewee confidentiality	157
6.9.2	The interviewees	158
6.10	Chapter Conclusions	159

Chapter 7 Land Supply

7.1	Introduction	161
7.2	The Results – Quantitative data	162
7.2.1	Land availability	162
7.3	The Results – Qualitative data	165
7.3.1	The continuing critical importance of land	166
7.3.2	Land search strategies	167
7.3.3	Discernment in land choice	174
7.3.4	Land acquisition	181
7.4	Gaining Planning Permission	184
7.5	Chapter Conclusions	189

Chapter 8 Ground Problems

8.1	Introduction	190
8.2	The Results – Qualitative data	191
8.2.1	Desktop research	191
8.2.2	Intrusive site investigations	192
8.2.3	Conditional contracts	200
8.3	Chapter Conclusions	203

Chapter 9 Marketing

9.1	Introduction	204
9.2	The Results – Quantitative data	205
9.3	The Results – Qualitative data	210
9.4	Differentiating Approaches to Marketing Through Builder Size	219
9.4.1	Generic marketing and the medium, volume and super builders	219
9.4.2	Bespoke marketing and the smaller and specialist builders	220
9.5	Chapter Conclusions	221

Chapter 10 Design and Procurement

10.1	Introduction	223
10.2	The Results – Quantitative data	224
10.3	The Results – Qualitative data	226
10.3.1	Construction efficiency as competitive advantage	229
10.3.2	The continuing importance of product standardisation	234
10.3.3	The use of bespoke design solutions on brownfield sites	236
10.4	Skills Access and Procurement in Brownfield Development	238

10.5	Chapter Conclusions	241
Chapter 11	The Institutional Capacity of the UK Speculative Housebuilding Industry	
11.1	Introduction	243
11.2	A Review of the Research Aim and Objectives	244
11.3	Embedded Institutional Capacity for Brownfield Development?	245
11.4	A New Structure of Provision in UK Speculative Housebuilding?	247
11.4.1	A critical assessment of the SOP model in UK housebuilding research	249
11.5	Brownfield Development - a challenge to the currently dominant producers?	250
11.5.1	The variation of housebuilder response to the brownfield agenda	251
11.5.2	Market segmentation in brownfield land	253
11.6	Innovation as a Requirement of Brownfield Development Success?	254
11.7	The Narrowing Gap Between Perception and Reality of Risk in Brownfield Development	256
11.8	Policy Aspirations vs. Deliverability – institutional requirements for long-term brownfield development success	257
11.9	Limitations of the Research	260
11.10	Further Areas of Research	260
11.11	Thesis Conclusions	262

LIST OF TABLES

		Page
Table 1.1	The Biggest UK Housebuilders, Unit Completions, 2001-2007	7
Table 1.2	Merger & Acquisitions in UK Speculative Housebuilding, 2002-2007	8
Table 2.1	The Conventional Approach to Land Supply by UK Speculative Housebuilders	21
Table 2.2	The Conventional Approach to Gaining Planning Permission by UK Speculative Housebuilders	23
Table 2.3	The Conventional Approach to Marketing by UK Speculative Housebuilders	24
Table 2.4	The Conventional Approach to Product Design by UK Speculative Housebuilders	25
Table 2.5	Institutional Barriers to Greater Customer Input in UK Speculative Housebuilding	27
Table 2.6	The Constraining Force of External Market Contexts to the Innovative Capacity of UK Speculative Housebuilders	30
Table 2.7	Housebuilders' Response to Market and Site-Specific Risk	34
Table 3.1	Factors Affecting UK Land Supply, Barker Review (2004)	43
Table 3.2	Proportion of new dwellings on previously-developed land (PDL) Including conversions, England 1996 – 2007	45
Table 3.3	Density of New Dwellings, England 1995 – 2007	47
Table 3.4	Trends in previously developed land by land type, (hectares): England, 1998, 2001, 2002, 2003, 2004, 2005	49
Table 3.5	Derelict and Urban Vacant Land (UVL) (hectares), Scotland 1996-2007	53
Table 3.6	Development Potential of Derelict and Urban Vacant Land (UVL), Scotland, 2007	54
Table 3.7	Number of Dwellings Completed on Brownfield/Greenfield (bf/gf) Sites (private sector): Scotland 2002-2005	54
Table 4.1	Redeveloped Brownfield Sites and their Previous Uses	66
Table 4.2	Physical, Planning and Ownership Constraints in Brownfield Development for Housing by UK Speculative Housebuilders.	71
Table 4.3	The Main Risks of Developing Brownfield Land for Housing by UK Speculative Housebuilders	75
Table 4.4	Site Specific and Generic Risks in Speculative Residential	77

	Brownfield Development	
Table 4.5	The Conventional Approach to Land Supply by UK Speculative Housebuilders and the Requirements of Brownfield Land	80
Table 4.6	The Conventional Approach to Gaining Planning Permission by UK Speculative Housebuilders and the Requirements of Brownfield Land	82
Table 4.7	The Conventional Approach to Marketing by UK Speculative Housebuilders and the Requirements of Brownfield Land	83
Table 4.8	The Conventional Approach to Product Design by UK Speculative Housebuilders and the Requirements of Brownfield Land	85
Table 5.1	The Dynamic Interaction of Project with Capabilities	101
Table 5.2	Old Institutionalism: some general remarks by Geoffrey Hodgson	118
Table 5.3	Characteristics of the ‘New’ Institutionalism	119
Table 5.4	The Focus of Institutional Analysis in Urban Policy Development and Property Research	122
Table 6.1	Research Themes and their Research Challenges	129
Table 6.2	Research Challenges and Research Questions	131
Table 6.3	Research Questions and their Methodological Implications	132
Table 6.4	The Quantitative and Qualitative Research Strategies Explained	133
Table 6.5	Four Ways to Mix Methods in Social Research	135
Table 6.6	Methods associated with quantitative and qualitative research strategies	138
Table 6.7	A Profile of the Questionnaire Respondents, 2006 data	150
Table 6.8	The Spread of Typologies of Brownfield Development	154
Table 6.9	The English Housebuilders Interviewed, 2006 data	158
Table 6.10	The Scottish Housebuilders Interviewed, 2006 data	159
Table 7.1	UK Speculative Housebuilders’ Land Search Functions	169

LIST OF FIGURES

		Page
Figure 1.1	Permanent Dwellings Completed by Tenure, United Kingdom	4
Figure 1.2	Proportions of Houses and Flats in the UK, 1996-2007	5
Figure 3.1	New Dwellings and Conversions on Previously Developed Land, England 1989-2007	46
Figure 3.2	Density of new dwellings built on PDL, non-PDL and all land, England 1989-2007	47
Figure 3.3	Previously developed land suitable for housing by land type 2005: 27,600ha (44% of total PDL in England)	50
Figure 3.4	Derelict and Urban Vacant Land by Local Authority, Scotland, 2007	52
Figure 4.1	Amounts by region by type of previously developed land, England 2006	65
Figure 4.2	Most important brownfield factors: percentage of respondents considering factor very important or important	73
Figure 4.3	Least important brownfield factors: percentage of respondents considering factor very important or important	74
Figure 5.1	The Structure of Provision of Owner Occupied Housing Provision, 1983	91
Figure 5.2	The Current Structure of Speculative Housing Provision, UK	92
Figure 5.3	A Summary Model of the Elements of Strategic Management	95
Figure 5.4	Possible alignments of new product and process development projects with current core capabilities	100
Figure 6.1	Identifying the Most Appropriate Research Methods	134
Figure 6.2	Linking Methods to the Two-Stage Research Process	139
Figure 7.1	Have brownfield development completions changed over the past 5 years because of land availability?	163
Figure 7.2	Have brownfield development completions changed over the past 5 years because of government policy?	163
Figure 7.3	Will brownfield development completions change over the next 5 years because of land availability?	164
Figure 7.4	Will brownfield development completions change over the next 5 years because of government policy?	164
Figure 7.5	Does your company outsource planning skills?	165
Figure 9.1	Britannia Mills, Manchester before redevelopment Developer:	204

	Urban Splash	
Figure 9.2	Britannia Mills, Manchester before redevelopment Developer: Urban Splash	204
Figure 9.3	Britannia Mills, Manchester, after Redevelopment Developer: Urban Splash	205
Figure 9.4	Britannia Mills, Manchester, after Redevelopment Developer: Urban Splash	205
Figure 9.5	The Importance of Location in the Marketability of Brownfield Developments by UK Speculative Housebuilders	206
Figure 9.6	The Importance of Local Amenities in the Marketability of Brownfield Developments by UK Speculative Housebuilders	207
Figure 9.7	The Importance of Product Design and its Unique Features in the Marketability of Brownfield Developments by UK Speculative Housebuilders	207
Figure 9.8	The Importance of Proximity to Work Place in the Marketability of Brownfield Developments by UK Speculative Housebuilders	208
Figure 9.9	The Importance of Being in an Urban Environment in the Marketability of Brownfield Developments by UK Speculative Housebuilders	209
Figure 9.10	The Importance of Transport Links in the Marketability of Brownfield Developments by UK Speculative Housebuilders	209
Figure 9.11	Albert Mills, Manchester. Developer: Urban Splash	211
Figure 9.12	Albert Mills, Manchester. Developer: Urban Splash	211
Figure 9.13	Cadishead Chemical Works, Salford, prior to remediation. Developer/Remediation: Harrow Estates	213
Figure 9.14	The Visual Effects of Contamination, Cadishead, Salford Developer/Remediator: Harrow Estates	214
Figure 9.15	CGI of the Lakeshore Development in Bristol, Urban Splash	214
Figure 9.16	CGI of ‘The Waterside at Royal Worcester’, Berkeley Homes	215
Figure 9.17	CGI of ‘The Light Buildings’, Preston. Gladedale (Manchester)	216
Figure 9.18	The Former Massey Hall School, Thelwell, Warrington	217
Figure 9.19	‘Waterside Park’, West Drayton, Developer: Taylor Wimpey	219
Figure 9.20	‘Waterside Park’, West Drayton, Developer: Taylor Wimpey	219
Figure 9.21	‘Waterside Park’, West Drayton, Developer: Taylor Wimpey	219
Figure 10.1	Has your company use outsourcing as a means of accessing expertise and skills for brownfield development over the past 5 years?	224
Figure 10.2	Will your company use outsourcing as a means of accessing	224

	expertise and skills for brownfield development over the next 5 years?	
Figure 10.3	Has brownfield development affected your company's use of consultants for design?	225
Figure 10.4	Product Design as the most important marketable feature of brownfield development	226
Figure 10.5	The 'Sovereign' House Type by Manor Kingdom	231
Figure 10.6	The 'Bankhouse' Apartments by Manor Kingdom	232
Figure 11.1	The Current Structure of Speculative Housing Provision, UK	247

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DEDICATION

This research is dedicated to my father,

John Michael Payne

who sadly passed away during its final year.

‘Perfer et obdura; dolor hic tibi proderit olim’

13-09-06

AUTHORS' DECLARATION

I declare that this research embodies the results of my own special work, that it has been composed by myself and that it does not include work forming part of a thesis presented successfully for a degree in this or another University.

SIGNED**DATE**

DEFINITIONS/ABBREVIATIONS

BRE	Building Research Establishment
CABE	Commission for Architecture and the Built Environment
CPRE	Centre for the Protection of Rural England
CRE	Construction Research Communications
DCLG	Department of Communities and Local Government
DETR	Department of the Environment Transport and the Regions
DOE	Department of the Environment
EP	English Partnerships
EU	European Union
NHBC	National Housebuilding Council
LA/Las	Local Authority/Local Authorities
MOD	Ministry of Defence
NHS	National Health Service
NIMBYISM	Not In My Back Yard
NON-PDL	Not Previously Developed Land
ODPM	Office for the Deputy Prime Minister
PAN	Planning Advice Note
PDL	Previously Developed Land
PEI	Political Economy of Institutionalism
PHA	Private Housebuilding Annual
PLC/PLCs	Publicly Limited Company/Public Limited Companies
PPS	Planning Policy Statement
RICS	Royal Institute of Chartered Surveyors
RSL/RSLs	Registered Social Landlord/Registered Social Landlords
SOP	Structure of Provision
SPP	Scottish Planning Policy
SVCLS	Scottish Vacant and Derelict Land Survey
UK	United Kingdom
USA	United States of America
UTF	Urban Task Force

APPENDICIES

Appendix 1	‘Housebuilding Completions by Tenure between 1947 and 2008’
Appendix 2	The Gladedale Group Corporate Structure, 2008’
Appendix 3	‘Brownfield Development Questionnaire’
Appendix 4	‘Interview Topic Guide’

INTRODUCTION

Speculative housebuilding in the UK is an inherently risky and innately volatile process that is directly linked to the performance not only of land and housing markets, but also to the wider performance of the economy and finance markets. And, like many other manufacturing processes in the UK, speculative housebuilding is based on an enterprise of conjecture – that is, an assumption of the risk of loss in return for the uncertain possibility of reward. For speculative housebuilders specifically, their reward i.e. development profit, is achieved “...by a judicious purchase of land and conceiving of the appropriate residential scheme for the site” (Ball 1983:50) where “...land is purchased and much, or all, of the building work is done before there is a contract with the purchaser” (Wellings 2006:9). Furthermore, residential development under the speculative model means that the turnover time of capital is much longer because it has to be invested in land years in advance of building (Ball 1983). In addition, at the commencement of building on site, speculative housebuilding requires more capital to be ‘sunk into the ground’ by way of infrastructure and ground preparation tasks, following which the houses are then built. No revenue is forthcoming for these up front costs until the houses are sold, which can be anytime from an ‘off plan’ stage prior to construction, through to the post construction stage of development (ibid).

Nonetheless, whilst speculative housebuilding is an inherently risky business, speculative housebuilders have emerged over the past 35 years to become the leading providers of new homes in the UK. Since 1974, speculative housebuilders have been responsible for the majority of new homes in the UK and currently, they deliver approximately 90% of all new homes annually (DCLG 2008). Together with this increasing role in new housing provision is the sustained concentration of the UK speculative housebuilding industry, through persistent merger and acquisition activity and organic growth. And, alongside the growth of volume and more recently super builders, is the emergence of regeneration specialists, who seek to capture the urban redevelopment market in light of increased levels of residential activity on previously used land in urban locales.

Historically, the conventional business strategies of UK speculative housebuilders have reflected the use of greenfield land for the majority of new housebuilding; and housebuilders currently demonstrate a reliance on the tried and tested methods and the management of risk and uncertainty associated with greenfield development (Adams and

Watkins 2002). Over the years, the dominant use of greenfield land by speculative housebuilders in delivering the majority of new homes in the UK has shaped the way they operate and compete, through instilling greenfield land acquisition and construction efficiency as a means of competitive differentiation and profit maximisation in speculative housebuilding over time (Adams 2004). This greenfield-based business acumen has also placed innovative capacity in UK speculative housebuilding as a widely explored research issue (Ball 1999). Indeed, debate over the quality of housing design currently pervades both academic literature and public policy.

With this in mind, recent changes in the direction of public policy favouring brownfield development are likely to significantly affect the capacity of speculative housebuilders to continue delivering the majority of new homes in the UK. Over the past 10 years, as the policy context within which UK speculative housebuilders operate has changed markedly, the discourse of brownfield development has become ubiquitous in both the urban policy and urban regeneration agendas in the UK. Consequently, the redevelopment of brownfield sites is increasingly seen as an important solution to the growing list of contemporary urban problems (Raco and Henderson 2006). And, resultantly, brownfield development has emerged in the UK Government's policy agenda as the foundation for property-led urban regeneration (Dixon 2006) where the redirection of new housebuilding towards primarily brownfield sites is now a fundamental aspect of public policy.

Against the historical backdrop of greenfield dominance and reliance in UK speculative housebuilding, the Government's decision to switch the balance of residential development primarily to brownfield sites represents a significant challenge to the prevalent skills and strategies of much of the UK speculative housebuilding industry (Adams 2004). This is evident in four critical aspects of private housebuilding: land acquisition, planning permission, marketing strategies and product design.

Brownfield land acquisition presents the housebuilding industry with new challenges to its tried and tested methods of acquisition for four main reasons. First, the very nature of brownfield sites with their history of previous uses often results in abnormal site preparation costs, making development appraisal even more uncertain than usual (Adams and Watkins 2002). Secondly, brownfield landowners are unlikely to grant lengthy options or conditional contracts, allowing housebuilders time to bargain with planning authorities (Bramely et al 1995). Thirdly, if brownfield sites need to be pieced together from parcels

in different ownerships, acquisition can be very protracted (Adams and Watkins 2002). Finally, for many housebuilders, brownfield land markets remain a relatively unknown arena in which contacts, networks and practices need to be built up before large-scale entry (Adams 2004).

Although Government policy favours brownfield housing development, planning permission is not necessarily easier to obtain on brownfield sites than on greenfield ones (Adams and Watkins 2002). Very real concern exists in urban communities that increased urban housing development reflects a policy of ‘town cramming’ rather than town planning (Williams 1999). Since the task of fitting new developments into existing urban areas is more challenging than building on greenfield land, housebuilders may need to develop fresh skills and approaches to convince planning authorities and local communities that their proposed brownfield developments, even if welcome in principle, represent a worthwhile contribution to the quality of urban life, rather than a mere translation of the greenfield development model to a brownfield location (Adams 2004).

Housebuilders have become highly skilled in the marketing images they portray for their greenfield development sites, which often centre on the ‘mythical golden family’ located on the estate fit for the ‘fantasy of traditional living’ (Glancey 1997). Quite different approaches and quite different images will be needed for brownfield locations set in the midst of urban complexity (Adams and Watkins 2002).

Brownfield product design presents a severe test to those housebuilders who have relied on their conventional strategies of product standardisation over time. Whilst the use of standard unit types has conventionally facilitated speculative housebuilders under the greenfield mode of production, through the benefits of construction efficiency and cost minimisation (Gibb 1999, Nicol and Hooper 1999), standardised product ranges will not suffice on brownfield land for two key reasons. First, brownfield sites will require careful individual design accounting for previous use and often-existing structures. Second, the milieu of potential urban purchasers, with their social and economic diversity, are unlikely to be satisfied with a narrow and inflexible product range (Adams and Watkins 2002).

This brief review of some of the challenges facing the UK speculative housebuilding industry in respect of the policy switch favouring brownfield development raises three important research questions:

1. How far does the UK speculative housebuilding industry have the ‘institutional capacity’ to replace its traditional emphasis on greenfield land dealings, planning battles, marketing strategies and product design with novel approaches better placed for successful brownfield development?
2. To what extent will the leading established housebuilders be able to survive and adapt to the new policy agenda, or will they, with some notable exceptions, fall victim to takeover by an emerging generation of more innovative companies capable of doing so?
3. To what extent will brownfield development emerge as a new form of strategic competitive advantage amongst currently dominant housebuilders?

The extent to which the policy switch favouring brownfield development will challenge the current structure and organisation of the UK speculative housebuilding industry is unknown, but it is possible that those housebuilders who are more adept in delivering brownfield sites for housing may well challenge the currently dominant producers. In this context, the main aim of the research will be:

‘To determine whether and how far the long-term success of the present policy emphasis on brownfield development will require the emergence of a new structure of provision (Ball 1999) in speculative housebuilding rather than a reliance merely on stimulating innovation among currently-dominant producers’.

In order to fulfil this aim, three objectives frame the research:

1. Outline the current structure and organisation of UK speculative housebuilding and consider the extent to which the policy switch favouring brownfield development will challenge the currently dominant producers.
2. Outline the conventional business strategies of UK speculative housebuilders and critically assess the extent to which the policy switch favouring brownfield development will require the development of new core competencies.

3. Outline the external institutional and internal firm barriers to successful brownfield development and consider the extent to which these can be overcome under the current structure of provision of UK speculative housebuilding.

In respect of the aim and objectives, the conceptual approach to this research seeks to explore two key aspects of UK speculative housebuilding:

1. The role of internal firm competencies of UK speculative housebuilders in their response to external policy change.
2. The role of the external institutional environment of UK speculative housebuilding in facilitating or constraining housebuilders' response to external policy change.

As such, this research draws upon two key areas of social science theory: the theory of strategic management in particular the core competence approach; and, the theory of institutionalism in particular the role of the public sector in shaping private sector behaviour through institutional capacity building. Below, these conceptual approaches are briefly outlined in the context of the research.

Theories of strategic management have evolved and the paradigmatic shift from a previously structuralist focus on firm strategic analysis toward a more behaviourist understanding of organisational learning represents a broader change in the understanding of firm behaviour and signals the development of a resource-based view of the firm (Dobson et al 2004). The importance of internal firm competencies in driving change represents the evolution of strategy as a concept. Because the residential development process is distinctly different at brownfield locations compared with that at greenfield locations, housebuilders will be required to develop new business strategies and specifically to invest in the new core competencies required to exploit emerging market opportunities (Adams 2004). As such, UK speculative housebuilders are currently faced with the challenge of refocusing or rebuilding their core competencies in establishing development feasibility if they are to compete successfully in the emerging opportunity arena of brownfield development (Adams 2004).

The functional transformation of the traditional industrial structure of urban areas towards a service orientation has meant a radical change in urban policy making (Nijkamp et al

2002). The transformation of cities and their governance structures has generated “...not merely new relations of economic life and social activity to be accommodated in cities...(but has) also changed expectations of the roles and relationships of governance and the modes of governance. It has changed how the formal organisation and procedures of the public sector interact with the wider society” (Cars et al 2002:xi). Guy and Henneberry (2000) argue that these changing contexts of development decision-making exemplify the complex interrelationships of the social and the economic and provide a basis for justifying the development and use of an institutional understanding of urban development processes (p.2400).

From this perspective, institutional capacity is defined as capacity that ‘...is embedded in the dynamics of the wider social context within which action focused at the local level takes place’ (Cars et al 2002:4). Institutional capacity therefore refers to ‘...particular forms of richness that enables individuals and groups to mobilise resources and perform meaningful action’ (ibid.). As such, institutional capacity is best understood as ‘...a complex, fluid and evolving infrastructure acting at several levels – from the visible level of organisations and institutional power structures to the deeper levels of ideas, discourses and identities. Accumulated experience and history certainly count, but their effects are filtered by a continuous, open and multi-level interaction between established practices and understandings and emerging ones, with uncertain outcomes’ (Cars et al 2002:62).

Much of the existing research on institutional capacity in urban development and British property research has focused primarily on the operations of, and interactions between, the wide variety of public-sector and semi public-sector agencies that now comprise the institutional landscape of economic development and urban regeneration (Amin 1999; Macleod 1997; Raco 1997; Amin 1995). This research will explore the concept of institutional capacity as a central element of governance but will approach its applicability from an investigation into the adaptive capacity of the private sector to respond to public policy change. Using the policy switch favouring brownfield development, this research presents a case study in changing relations between the state and the market. It considers the role of the wider institutional landscape as crucial in facilitating the capacity of the speculative housebuilding industry in responding to regulatory change, whilst at the same time, highlights the institutional and structural constraints of the housebuilding process that may impede this response.

Before proceeding there are two important points that need to be raised in order to fully contextualise this research.

First, it is important to acknowledge the distinction between the level of analysis of the contextual material in this thesis and that of the empirical research undertaken. The first half of the thesis discusses and contextualises speculative housebuilding at the UK level, as it is at this level from which both the academic literature and previous research makes reference to¹. Then, in line with the conceptual approach to this research and in respect of resource, time and financial constraints and the need to tie down any specific external influences on speculative housebuilder response to brownfield policy², the empirical stage of this research presents both broad results from a survey of UK housebuilders and detailed results from its focus on two distinct regions within the UK – Manchester, England and Glasgow, Scotland. The results of this empirical research are findings that are relevant across the UK.

Second, this empirical research was conducted between February 2006 and July 2007. The recent impacts of the ‘credit crunch’ and the succeeding recession on both the UK speculative housebuilding industry and UK housebuilding starts and completions have therefore not been noted. But, the potential of the ‘credit crunch’ and the recession to effect significant implications on the delivery of new homes primarily on brownfield land and further, the long-term achievement of the Government’s brownfield development agenda, is undoubtedly present.

¹ Whilst some may contend that previous research is not representative of all 4 countries of the UK, it is not the role of this thesis to determine or uncover this. As such, assumptions will be made that the previous research and literature is representative of UK speculative housebuilding.

² Please find a more detailed explanation in Chapter 6.

CHAPTER 1

THE STRUCTURE AND ORGANISATION OF THE UK SPECULATIVE HOUSEBUILDING INDUSTRY

1.1 Introduction

This chapter emphasises the dominance of speculative housebuilders in the provision of new homes in the UK, who are currently responsible for approximately 90% of all new homes delivered annually (DCLG 2008). Together with this increasing role in new housing provision is the sustained concentration of the UK speculative housebuilding industry, one better characterised by “...oligopoly rather than competition” (Gibb 1999:44). The logic behind this sustained concentration is examined and the importance of the ‘regionalisation’ of business activities in UK speculative housebuilding is emphasised. Through a discussion on the growth of volume and super builders and the emergence of regeneration specialists, who seek to capture the urban redevelopment market in light of increased levels of residential activity on previously used land in urban locales, the changing nature of the structure and organisation of UK speculative housebuilding is emphasised. The chapter concludes by considering the impact of the policy switch favouring brownfield development on the current structure and organisation of the UK speculative housebuilding industry and emphasises that those housebuilders who are more adept in delivering brownfield sites for housing may well challenge the currently dominant producers.

1.2 What is Speculative Housebuilding?

The most recognised players in the UK speculative³ housebuilding industry are, of course, some the biggest builders around. Ask anyone to name a housebuilder and the likely response would probably consist of Barratt, Bellway, Wimpey or Persimmon. And they would be right. However, out of those most commonly known UK housebuilders, only Wimpey was operating in the 1930’s, and even they have now merged with Taylor Woodrow (in 2007) to form the UK’s currently largest builder, Taylor Wimpey. This first

³ The term speculative in this context refers to activity by housebuilders based on an assumption of the risk of loss, in return for the uncertain possibility of a reward i.e. profit and saleability of product.

glimpse at UK speculative housebuilding highlights one of its most innate features - volatility - that is discussed in more detail later in this chapter.

Ball (1983) identifies speculative housebuilders as firms whose development profit is achieved "...by a judicious purchase of land and conceiving of the appropriate residential scheme for the site" (pp.50-51). Ball makes clear that whilst housebuilders are productive enterprises because of their building activities, they are merchants as well, buying and selling in a variety of markets where they try to get the most profitable terms. This is clearest with the selling of the completed product "...where each firm has specific marketing strategies. But land purchase and the hiring of building workers are also key market exchanges for a housebuilder" (Ball 1983:21). For housebuilders then, the predominant risks to assess in the speculative development of land for housing are:

- The marketability of houses built on site
- The price paid for the land
- The timing of development
- And, the overall scale of housebuilding appropriate for the firms resources in the context of the current state of the market

(Ball 1983 pp.50-51)

Wellings (2006) suggests that the term 'speculative' that often accompanies private housebuilding was first used to describe housebuilders in simply 'economic process' terms, but has since been used more pejoratively than that. Wellings (2006) reminds us that a speculative housebuilder is a developer rather than a builder, as "...the land is purchased and much, or all, of the building work is done before there is a contract with the purchaser" (p.9). Wellings argues that this is of little difference to high street retailers, who produce goods for sale before purchasers are identified.

Ball (1983) explores the process and management of speculative housebuilding in more detail by comparing their tasks to contractors and jobbing builders⁴. He makes clear that a

⁴ Ball (1983) defines contractors as those builders who simply build to contract. Usually there is a main contractor who appoints subcontractors to undertake all or part of the actual building work (p.50). Jobbing builders are the classic small-time builders akin to the centuries old master craftsmen. Only a few workers

distinctive management task exists for the speculative housebuilder because of the differences in investment. In speculative housebuilding, the turnover time of capital is much longer because it has to be invested in land years in advance of building, whereas after 6 months, most contracting projects are self-financing as the client makes monthly progress payments (Ball 1983). Furthermore, at the commencement of building on site, speculative housebuilding requires more capital to be ‘sunk into the ground’ by way of infrastructure and ground preparation tasks, following which the houses are then built. No revenue is forthcoming for these up front costs until the houses are sold, which can be anytime from an ‘off plan’ stage prior to construction, through to the post construction stage of development.

Competition between firms is also different for speculative housebuilders than contractors or jobbing builders. In speculative housebuilding, competition takes place at the time of land purchase and house sale rather than just prior to the start of building as in contracting (Ball 1983). Wellings (2006) however criticises the loose use of the term ‘speculative’ in this instance as “...a pejorative description, implying that land is acquired solely because it is expected to appreciate in value. That is not to dismiss the fact that some land may be bought to be held for appreciation, but wholesaling and land improvement remain an integral and necessary part of the development process” (pp.10-11).

1.3 The Importance of Speculative Housebuilding in the Provision of New Homes in the UK

The dominance of speculative housebuilding in the provision of new homes in the UK has emerged as a resolute trend over the past 35 years. Since 1974, speculative housebuilders have been responsible for the majority of new homes in the UK and currently, they produce approximately 90% of all new homes annually (DCLG 2008)⁵. Concurrent with this trend is the declining role of local authorities (LAs) as providers of new housing, whose contributions have reduced from their peak of 75% in 1953 to a mere 0.1% in 2007 (DCLG 2008). Registered social landlords (RSLs) have largely replaced the role of LAs in

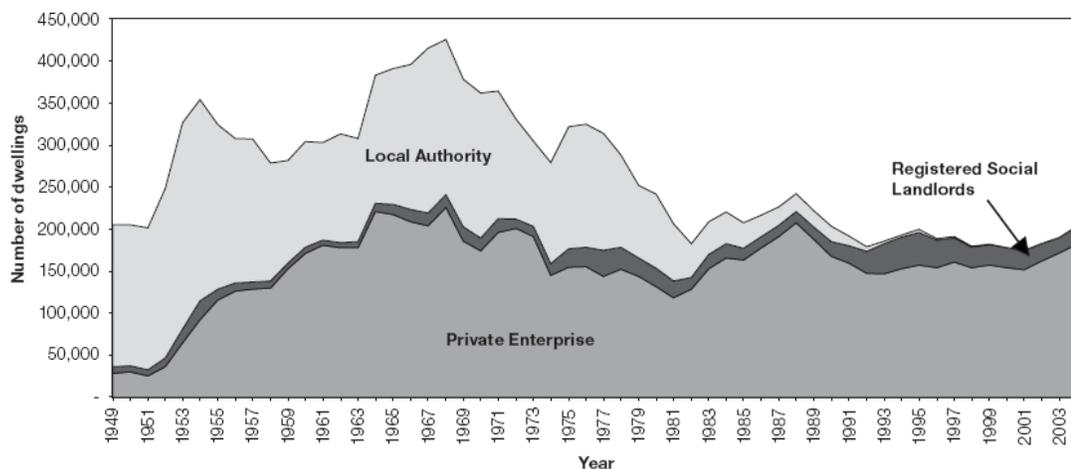
are directly employed, others being hired on a casual basis, and some tasks are also subcontracted out to specialists (p.49).

⁵ Whilst there is a presumption of sustained dominance, it is not to suggest that this power and monopoly is irreversible.

providing social rented housing, and in 2007 they provided 10.4% of all new homes, up from 9% in 2005 (DCLG 2008). However, it is important to recognise that RSLs have not replaced the quantity of new homes that LAs had previously achieved and as such, the dominance of speculative housebuilders remains.

Whilst speculative housebuilders have dominated the provision of new housing in the UK since 1974, Figure 1.1 also shows the concurrent decline of overall housebuilding rates over the past 35 years. Appendix 1 provides housebuilding completions by tenure between 1947 and 2007. Together with Figure 1.1, these data demonstrate the significance of the speculative housebuilding industry to housing provision in the UK.

Figure 1.1: Permanent Dwellings completed by tenure, United Kingdom



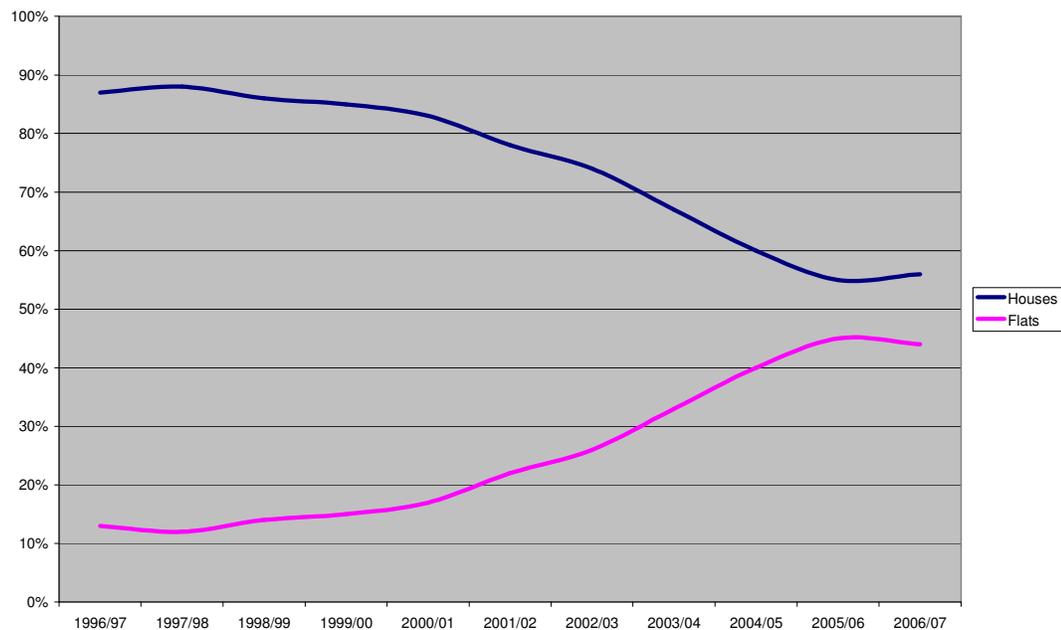
Source: Housing Statistics 2006 (DCLG 2007)

However, whilst it is evident that there have been declining rates of new housebuilding in the UK since the 1960s, the emergence of flatted development has provided a relative rise in new housing output by the private sector since 2002⁶. Figure 1.2 shows the gradual decline since 1996/7 of the proportion of houses to flats being built in the UK each year. The most recent figures indicate that 45% of new homes built in the UK in 2006/07 were flats and 55% were houses (DCLG 2008).

⁶ Whilst only 152,098 new homes by the private sector were built in 2001, 181,169 were built in 2004, an increase of nearly 30,000 over 3 years. Flatted development contributed largely to this increase, from 15% of new homes in 1999/00 to 45% in 2005/06 (DCLG 2006).

This means that whilst speculative housebuilders have been building relatively more new homes in the UK since the late 90s, a significant proportion of those dwellings were delivered in high-density flatted developments, predominantly on brownfield sites⁷. This raises important issues concerning the differential profitability of different product mixes and land intensity in UK speculative housebuilding and the impact of a potential dependence on flatted development in the delivery of new homes on brownfield sites. As such, these will be important features of analysis in this research.

Figure 1.2: Proportions of Houses and Flats in the UK, 1996-2007



Source: DCLG (2008:13)

Having outlined the importance of speculative housebuilders to new housing provision in the UK, the chapter now turns to a discussion on the changing nature of the UK speculative housebuilding industry, with reference to its sustained concentration and the emergence of super builders and regeneration specialists.

⁷ The use of flats on brownfield sites will be discussed in more detail at a later stage in the thesis.

1.4 The Sustained Concentration of the UK Speculative Housebuilding Industry

It is notable that whilst new housebuilding numbers have declined over the past 35 years, the housebuilders delivering the majority of those new homes have become substantially bigger. Any analysis of the structure and organisation of the UK speculative housebuilding industry will reveal one of its most enduring features: the sustained concentration of production through merger, acquisition and organic growth.

Wellings (2004) argues that, unlike most other industrial organisation processes, the justification for housebuilders to grow to a point where they produce more than 500 units a year does not lie in 'economies of scale'. However, UK speculative housebuilders have continued to merge, acquire their competitors and those less productive than themselves, and grow their businesses organically into huge companies that require separate divisions and separate organisational structures at both the regional level and the national level (Gibb 1999, Adams and Watkins 2002). Appendix 2 demonstrates this regional organisation in the Gladedale Group, a top ten housebuilder, and shows how Gladedale is divided into 3 distinct regions, each of which has a divisional head office.

There are a number of key studies that reveal the emergence of concentration in the UK speculative housebuilding industry over the past 30 years and explain the proliferation of mergers and acquisitions, resulting in the emergence of Britain's volume builders (see Ball 1983, Lambert 1990, Nicol and Hooper 1999, Wellings 2006, Ball 2006). Volume builders⁸ have dominated the UK speculative housebuilding industry for a number of years now. This is typified in their market share, unit output and merger activity.

⁸ The characterisation of 'large' and 'volume' housebuilding companies in terms of dwelling completions is variable in the literature and classifications range from between 100-500 units for 'large' builders, to between 2000-5000 for 'volume' builders (Nicol and Hooper 1999:60). However, it is now commonly agreed in the literature that volume housebuilders are "...companies completing an average of 2000 or more dwellings each year" (Adams and Watkins 2002:122).

Table 1.1: The Biggest UK housebuilders, unit completions, 2001-2007							
Housebuilder	2001	2002	2003	2004	2005	2006	2007
Taylor Wimpey	Did not exist	Did not exist	Did not exist	Did not exist	Did not exist	22,000	20,645
Barratt	11,310	12,250	13,304	14,021	14,351	19,808	17,168
Persimmon	12,051	12,352	12,163	12,360	12,636	16,701	15,905
Wimpey	11,537	13,480	12,909	12,232	12,100	Merged w/ Taylor Woodrow to form Taylor Wimpey	Merged w/ Taylor Woodrow to form Taylor Wimpey
Bryant	5,226	6,238	7,690	9,053	8,178	Merged w/ Wimpey to form Taylor Wimpey	Merged w/ Wimpey to form Taylor Wimpey
Bellway	5,725	6,044	6,278	6,610	7,001	7,117	7,638
David Wilson	3,908	4,164	5,037	5,588	5,207	5,486	Merged w/ Barratt
Berkeley	2,892	3,955	4,181	4,839	4,379	3,817	3,293
Redrow	3,463	3,908	4,031	4,284	4,372	4,735	4,823
Westbury	4,008	3,812	4,538	4,400	4,361	Taken over by Persimmon	Taken over by Persimmon
Miller	2,030	2,298	2,871	2,505	2,801	3,960	3,578
Bovis	Figure not available	Figure not available	Figure not available	Figure not available	2,702	3,123	2,930
Gladedale	Did not exist	Did not exist	Did not exist	Did not exist	2,801	3,854	3,500
<i>Source: Wellings (2006:12)</i>							

Table 1.1 provides the unit completions of the UK's largest housebuilders between 2001 and 2007, whilst Table 1.2 shows the mergers and acquisitions that have taken place in the housebuilding industry since January 2002.

Table 1.2: Merger & Acquisitions in UK Speculative Housebuilding 2002 - 2007				
Date	Housebuilder	Units	Value £m	Buyer
Jan 02	Tay Homes	931	30	Redrow
Jan 02	Charlton Group	240	8	McInerney
Feb 02	McAlpine Cumbria		16	Centuar Homes (MBO)
Jun 02	Prowting	1307	141	Westbury
July 02	Banner	119	28	75% to Prowting Trust
July 02	North Country Homes	630	14	Country & Metropolitan
Nov 02	Laing Homes	1232	297	Wimpey
April 03	Henry Boot Homes	694	48	Wilson Bowden
May 03	Bett Group	916	94	Gladedale
June 03	Honeygrove			Propan (Honeygrove)
June 03	Merewood Group	281	23	Persimmon
Sept 03	John Laing Partnership		16	MBO
Oct 03	Wilson Connolly	c500	499	Taylor Woodrow
Nov 03	Ward	4002	74	Wilson Bowden
Dec 03	Swan Hill	423	48	Raven Mount
Jan 04	Rialto	193	60	Fairview
Feb 04	Tudor Homes	887	15	Kier Residential
Feb 04	Sharman Group		10	David McLean
May 04	Alexander Developments		6	McInerney
Nov 04	Manor Kingdom	82		Remo Dipre & David Gaffney
Dec 04	Honey Grove	c80	9	Oakdene Homes
Dec 04	Raven Group	41	15	Raven Mount
Feb 05	Countryside Properties		222	MBO
Apr 05	Country & Metropolitan	1911	72	Gladedale
Apr 05	Linden North-west	759	5	Arley Homes
May 05	Jennings Homes		15	David McLean
June 05	Ashwood Homes	230	23	Kier Residential
July 05	Fairbriar		19	MBO
July 05	Crosby Homes		236	Lend Lease
Sept 05	Fairclough Homes	1162	264	Miller Group
Dec 05	Senator Homes	1563	25	Persimmon
Jan 06	Rydon Group	211	c.100	MBO
Jan 06	Westbury	328	643	Persimmon
Jan 06	Figuredale	4361	67	Galliford Try
Feb 06	Yuill Homes	160	60	Taggart Holdings
Apr 06	Roland Bardsley	305	25	Wilson Bowden
June 06	Squire Bridge	104	4	Barratt
Feb 07	Wilson Bowden		£2.2bn	Barratt
July 07	Ben Bailey		83.7	Gladedale
July 07	Taylor Woodrow		£5bn	George Wimpey

Source: Wellings 2004, Wellings 2005, Wellings 2006

Table 1.1 demonstrates how the UK speculative housebuilding industry is currently led by three ‘super builders’, whose annual unit completions dominate the industry’s output: Taylor Wimpey, Barratt, and Persimmon. The remaining builders have anywhere between 50% and 75% fewer unit completions per annum. In June 2007, the biggest ever merger

was recorded between two top ten housebuilders at the time, George Wimpey and Taylor Woodrow, at a value of £5bn.

This trend towards greater concentration in UK speculative housebuilding has sustained over the 8 years since the issue was last reviewed in detail in the academic literature by Nicol and Hooper (1999). Indeed, both the structure of the industry and the size of housebuilders have changed markedly since then. It is this continuing concentration that will be the feature of the following section.

1.5 Why Concentrate?

According to Ball (2006), it has long been recognised that large-scale housebuilders might arise in specific contexts. He highlights that although large firms grew rapidly in the 1920s and 1930s housebuilding boom in the UK (see Ball 1983 and Wellings 2006 for more detail), few of these firms have actually managed to have a sustained life span. Rather “...they tended to disappear and shrink significantly in size when their respective housebuilding markets entered periods of turbulence and supply-side decline” (Ball 2006:173). Indeed, previous explanations for the concentration of production in UK speculative housebuilding have emphasised the major restructuring of the industry during the 1970s following the 1972/73 boom and slump in the housing market. Bramley et al (1995) suggest that during this time period, there was a significant decline in the number of small and medium size firms and a marked increase in the market share of firms producing 500+ units per annum. Nicol and Hooper (1999) suggest that the most striking feature of housing production at this time was the increase in the share of firms producing 250 dwellings or more per annum. The author’s highlight while in 1969 such firms had only 25% of market share, by 1979 their share had risen to over 50%, doubling in 10 years.

Ball (1983) originally observed that this increase in market share by firms producing 250+ dwellings per annum was cyclical, increasing in booms and decreasing in slumps “...but having a ratchet effect with each cycle, raising the long-term market share of the larger firms” (Nicol and Hooper 1999:60). Ball (1983) suggested that the larger firms were most able to alter their output depending upon the relative profitability of housebuilding and during the 1970s, the restructuring of the largest producers reinforced the concentration of speculative housebuilding into larger units. Of course, this concentration also increased

the centralisation of ownership of capital in the industry via firm take over (Nicol and Hooper 1999).

Ball (2006) further considers whether such increasing concentration is predominately cyclical in character, as in earlier periods, or is highlighting more fundamental shifts in industrial structure. The fundamental changes that can arise are broadly separated by Ball (2006) into the following:

- Benefits of larger firm size in a free market context. These might arise “...from the growth of scale and scope economies, which could occur in production, finance, the procurement of inputs, in marketing and sales, or in the benefits of strategic behaviour in relation to other competitors” (p.173).
- The influences of regulation on firm structure i.e. changes in the regulatory land-use planning environment.

Through investigating the benefits of greater firm size by undertaking a comparative investigation of firm size hierarchies in the UK and USA, Ball (2006) identifies some important conclusions. He suggests first that scale economies in production, procurement, marketing and finance seem to be important at smaller firm sizes but appear to be exhausted at output levels well below those of the largest firms. This supports what Wellings (2004) suggested previously. Secondly, Ball (2006) identifies that diversification size benefits were identified in terms of permitting a wider spatial spread of housing markets in which firms are active when demand fluctuations between those markets are imperfectly correlated. He importantly identifies the planning system as distinguishing the UK situation from the USA. He states that in the UK, long-term restrictions on residential land supply exist in areas of high housing demand and as the planning process is complex and contains significant discretion, “...these characteristics of the land market probably explain much of the high level of concentration” in the UK⁹ (p.193).

⁹ Ball (2006) makes clear that there is no evidence of widespread monopoly abuse of the market, although the recent OFT inquiry into the housebuilding industry might make Ball rethink his statement. Nonetheless, he continues to suggest however that such high degrees of concentration and the way in which the planning system regulates the land market “...with no concern for the competitive implications of its actions do suggest that competition might be blunted” (pg.193).

Wellings (2006) rejects the argument that the economies of scale and scope necessitated the creation first of the regional and then of the national builder. He suggests that whilst businesses experience diseconomies of scale as they grow, for the housebuilding industry, these issues extend beyond "...the increased costs of supervision and communication as perhaps even more important the increase in firm size may dilute the entrepreneurial flair that was responsible for creating the earlier growth" (p.159). Wellings (2006) makes clear that the diseconomies of scale arise not from larger firm size but "...from the need to introduce new operating units as the housebuilder expands geographically" (p.163). He suggests that although there are recognisable competitive advantages that accrue to a larger firm, "...any economies of scale that do exist in the speculative housebuilding industry are apt to be exaggerated, not of sufficient amount to necessitate the creation of larger firms" (p.173).

Wellings (2006) draws on his doctoral work to suggest that the economies of speculative housebuilding do not require even larger units and therefore, the explanation for sustained growth and concentration must lie elsewhere. He argues that the driving force behind growth and towards consolidation is a complex interaction between financial incentives, stock market pressures, personal motivation and the judgemental qualities of entrepreneurs at critical points in the housing cycle. Wellings (2006) emphasises the "...prosaic explanations of money and ambition, and the simplistic concept of not making mistakes" (p.265) as an alternative explanation for the growth of UK speculative housebuilders.

The reasons behind the sustained growth and concentration of the UK speculative housebuilding industry have shown to be varied. The above discussion serves to highlight the emerging importance of a small number of very large housebuilders in the delivery of new homes in the UK and demonstrates the intense competition within the UK speculative housebuilding industry in terms of growth, expansion and the omnipresent threat of takeover or merger.

1.6 Regionalisation in UK Speculative Housebuilding

However, paradoxically, as much competition takes place within housebuilders as between them. The above section has shown that, for housebuilders, economies of scale do not provide an adequate explanation for their growth (Wellings 2006:146). The largest

housebuilders have adapted their corporate structures to minimise the organisational diseconomies of housebuilding through ‘regionalisation’.

Indeed, the majority of nationally operating housebuilders function as a collection of regional divisions rather than as a single unified business. As such, housebuilding companies are often referred to as ‘Groups’ and a board of directors ultimately governs the Group. Each Group is typically comprised of a number of distinct operating divisions, which are geographically dispersed and comprised of a number of regional operating businesses¹⁰. The Persimmon Group, for example, operates from three geographic divisions, North, Central and South, and a divisional board, headed by a division chief executive, controls each division. Each division has a number of regional operating businesses, which are headed by a managing director and a management team “...with local knowledge and experience” (www.persimmonhomes.co.uk).

Wellings (2006) suggests that the consensus is that the ideal size for one operating unit is 400-500 houses a year in a localised area. This is because increased corporate size requires “...not the doubling of the operating unit, but its replication and ultimately the introduction of additional layers of management. Given the limitations on the number of executives that might report directly to a group managing director, further increases in size require yet another intermediate layer of supervision. Not only does that incur a monetary cost, but it also imposes a motivational barrier” (p.160).

Adams and Watkins (2002) suggest that this regional organisation of operation has the distinct advantage of enabling national management separately to identify the financial performance¹¹ of each region and to encourage a strong sense of internal regional competition within the company. Thus “...not only does underperformance by any one region in comparison with the corporate average become easier to identify, if that underperformance persists, the separate organisational structure at regional level allows national management to close down that particular regional office or merge it with another one, in a reasonably painless manner” (Adams and Watkins 2002:127). This corporate regionalisation therefore:

¹⁰ Refer to Appendix 2 for the organisational structure of the Gladedale Group.

¹¹ “Units sales, turnover, margin, return on capital etc” (Adams and Watkins 2002:127).

- Provides housebuilders with the ‘institutional flexibility’ to respond to the varying pace of change in housing and employment markets at the regional level.
- Enables companies to connect with greater effectiveness to the devolved political decision-making process that increasingly determines the release of housing land at the regional and local level.
- Means that successful housebuilders are likely to grow ever more sophisticated in the way they create and deploy regionalisation as an explicit corporate strategy.

(Adams and Watkins 2002:127).

The above discussion has shown that the structure of the UK speculative housebuilding industry has changed markedly over the past two decades. As Wellings (2006) highlights “corporate change has been extensive and leadership has often proved transient” (p.108). However, as suggested earlier, whilst industry concentration has continued, the types of housebuilders within the industry have also changed. Since early 2000, the emergence of super builders has dominated the structure and organisation of the UK speculative housebuilding industry.

1.7 The Rise of the Super Builder

Whilst the housebuilding literature has previously focused on the emergence of ‘volume’ housebuilders over the past two decades (see Adams and Watkins 2002, Nicol and Hooper 1999, Bramley et al 1995, Ball 1983) it is clear that a new breed of housebuilder has emerged. This is shown in the most recent merger and acquisition activity between the UK’s top ten biggest housebuilders (by unit completions) over the past three years (see Tables 1.1 and 1.2).

There is no clear explanation for the emergence of super builders in the literature as it is not documented and has only focused on the emergence of national and volume builders to-date. However, Wellings (2004) does suggest that for the currently dominant builders “...it would become progressively harder for the top ten to keep increasing their market share – there are no companies outside the top ten that, if acquired, would be large enough to make a significant difference. If two of the top ten were to merge now, it would be a land deal and there would be some drop in the combined volume, but a new number ten

would be added” (p.25). And, in revisiting this issue and discussing the latest round of merger and acquisition activity a year later, Wellings (2005) confirmed that “...these acquisitions are a substitute for land deals¹² but it does highlight the volume housebuilders’ need for acquisitions to feed their land requirement” (p.27).

For a broad indication of this underlying trend, Wellings (2006) makes comment on the market share of the top ten housebuilders by unit completions in 2005 (refer to Table 1.1). He suggests that their market share actually peaked in 2002, at 47%, and after a further fall in 2005, had fallen to around 44%, back to the level of 2000¹³. Taking the top ten housebuilders as a group, their total completions in 2005 fell by almost 500, compared with 2004. Whilst Wellings (2006) does not give an explanation of this fall in market share of the top ten housebuilders, his comments raise some interesting questions for the structure of the industry, amidst external policy change, which will be considered in the second part of this thesis.

Reasons behind the emergence of ‘super builders’ may also lie in the stock market as a driver of growth. Ball (1983) suggests that “...large firms are very different from their smaller competitors in this industry both in terms of their ownership and the way they operate as productive capital...(where) public quotation is usually essential” (p.57). This is because even the smallest producers will require an effective land supply, of anywhere between 3-5 years, together with a strategic land bank upwards of 10-15 years. In order to make such purchases, firms will require capital and “...borrowing such capital on a fixed interest basis leaves a firm highly vulnerable to failure” (Ball 1983:57). As profit steadily has to be made to meet the interest payments on such capital borrowings, equity capital overcomes this ‘gearing problem’ as dividends can be varied during the course of the profit cycle (ibid). Public quotation enables share issues to be used as a means of raising capital; therefore, a larger housebuilder with more share issues available provides a better means of raising capital to spend on its essential raw material, land.

¹² This emphasis on the importance of land will be discussed in more detail in Chapter 2.

¹³ Wellings (2006) makes clear that the crude market share is measured by adding the total completions disclosed by the individual firms for their financial years, divided by completions on a calendar basis (p.14). Wellings (2006) wishes to make clear that these percentages overstate the true market share and should be taken as no more than a broad indication of the underlying trends (p.15).

However, it is important to highlight that the growth of housebuilders into super builders may erode the level of personal control held by the owners, in turn diluting the level of entrepreneurial flair in the company (Wellings 2006). If super builders are being created through the merger of top ten housebuilders on land grounds and for public quotation benefits, then the extent to which this will continue under a brownfield policy climate is an interesting issue for further consideration.

Whilst this chapter has so far focused on the rise of national, volume and super builders, the emergence of ‘regeneration specialists’ provides an example of an emerging business strategy in UK housebuilding hoping to capture the urban redevelopment market.

1.8 The Emergence of Brownfield ‘Regeneration Specialists’

Whilst niche and specialist housebuilders have always been a part of the UK speculative housebuilding makeup¹⁴, the recent emergence of regeneration specialists hoping to capture the urban redevelopment market, reveals a new specialism in UK speculative housebuilding.

Take Urban Splash as an example. Set up in 1993, the company was among the first in Britain to see that the many under-used urban historic buildings and brownfield sites could be transformed into new mixed-use spaces whilst at the same time, stimulating the broader regeneration of urban communities (www.urbansplash.co.uk). Urban Splash’s commitment to brownfield regeneration and its creative adaptation and re-use of buildings stems not only from the desire to capitalise on the urban regeneration market but also from more intangible and prosaic reasons related to desires of its founder, Tom Bloxham. In 2005, Urban Splash was the 86th biggest UK housebuilder, completing 101 units. So much is the success of Urban Splash’s story in the urban regeneration market, it led Mallet (2004), writing in Property Week, to suggest: “Where will money be made in the next few years? Well one thing that Urban Splash has done so much better than anyone else in the regeneration game is to demonstrate that regeneration is highly profitable in the most

¹⁴ McCarthy and Stone built its first sheltered housing for sale in 1976 whilst Rendell completed a pioneering scheme for low cost housing for sale to council nominees in Swindon in 1978 (Wellings 2006).

unlikely places, and that in property, just as in any other business, it can be style and imagination that drive wealth creation.” (<http://www.urbansplash.co.uk/us.php>).

It is important not to associate ‘regeneration specialists’ only with smaller companies. Indeed, Berkeley Homes - a company considered to be *the* pioneer of urban redevelopment¹⁵ - provides an important contrast to Urban Splash and acknowledges that it is not just smaller companies who are adept at using brownfield development as a core business strategy. Berkeley Homes produced 3817 new homes in 2006, with 95% of those on brownfield sites, making it the UK’s 7th largest builder (Wellings 2006:12). Karadimitriou (2005), in his study of Berkeley Homes, discusses this success and considers them one of the more specialised brownfield regeneration housebuilders in the UK. Ironically, the company was founded in 1976 as a niche builder of luxury suburban homes. Karadimitriou (2005) makes clear that the top management of the group realised “...that something was changing in government policy in the early 1990s and consciously began to shift its activity to urban brownfield sites” (p.280). Karadimitriou (2005) puts Berkeley’s success down to the mechanisms in place that facilitate knowledge transfer within the group. Since the early 1990s, the group has “...had the chance to develop the set of skills and practices that allow it to take advantage of bigger opportunities, bigger sites, and more complicated projects” (p.283).

It is worthy to note that the volume builders, not wanting to miss the brownfield bandwagon, are also advertising themselves as regeneration specialists. Barratt, for example, consider themselves the “industry leaders in brownfield development”¹⁶ whilst Redrow Homes suggest that their mixed-use regeneration expertise enables them to “provide individual and creative solutions to deliver sustainable new communities”¹⁷. However, the extent to which these volume builders can be considered regeneration specialists is limited, as their brownfield development rates do not marry up with the images put forward in the advertisements and marketing literature. Indeed, some of the volume builders have specialist subsidiaries to deal with the brownfield regeneration side of their business.

15 Indeed, on their website, The Berkeley Group Holdings plc consider themselves “a leader in urban regeneration” who produce 95% of all new homes on brownfield sites (www.berkeleyhomes.co.uk).

16 <http://www.barratt-investor-relations.co.uk>.

17 http://www.redrow.co.uk/pages/company/about_redrow.

1.9 Chapter Conclusions

The chapter has emphasised that the UK speculative housebuilding industry now plays a crucial role in the delivery of new homes in the UK. Whilst this responsibility for new home provision has increased markedly since the early 1960s, the number of new dwellings that the industry is delivering annually has gradually declined. The recent uplift in new housing completions has been the result of a marked increase in the proportions of flatted development in new housing delivery.

In addition to the changes in its output, the UK speculative housebuilding industry has also faced structural adjustments of late, with the recent spate of merger activity between top ten housebuilders resulting in the emergence of ‘super builders’. The sustained concentration in UK speculative housebuilding places a small number of very large housebuilders at the forefront of new home delivery in the UK. More so, the policy encouragement of urban regeneration has seen the emergence of regeneration specialists hoping to capture the urban redevelopment market away from the currently dominant producers.

As such, the extent to which these regeneration specialists will challenge the dominance of the super and volume builders will be of interest to the remainder of this research. Indeed, in light of the policy switch favouring brownfield development, the role of regeneration specialists will arguably become more important.

CHAPTER 2

THE CONVENTIONAL BUSINESS STRATEGIES OF UK SPECULATIVE HOUSEBUILDERS

2.1 Introduction

The conventional business strategies of the UK speculative housebuilding industry reflect both a reliance on the tried and tested methods associated with greenfield development and the risks and uncertainties involved in the speculative development of land for housing. This chapter explores how these factors have shaped the way housebuilders operate and compete, through instilling greenfield land acquisition and construction efficiency as a means of competitive differentiation and profit maximisation in speculative housebuilding over time. The skills and strategies adopted by speculative housebuilders therefore reflect the greenfield mode of production. As such, the inherent risks associated with speculative residential development have therefore been managed and averted under the greenfield experience. This chapter therefore provides a suitable benchmark for assessing the impact of the policy preference for brownfield development on the conventional business strategies of UK speculative housebuilders.

2.2 Establishing Development Feasibility in Speculative Residential Development

It is not the purpose of this chapter to provide a detailed discussion of the competing models of the development process, a subject covered extensively elsewhere (Gore and Nicholson 1991, 1992; Healey 1991, 1992; Hooper 1992; Adams and Watkins 2002; Ratcliffe et al 2004). But, a discussion of the basic skills required to establish development feasibility in speculative housebuilding is essential for two reasons: first, to highlight the conventional business strategies of UK speculative housebuilders; and second, to provide a useful benchmark for assessing the impact of the policy switch favouring brownfield development on the way in which housebuilders currently establish development feasibility.

In the UK, speculative housebuilders generally control all of the development functions involved in the land conversion process. Bramley et al (1995) suggest the process of establishing development feasibility entails "...land acquisition and assembly, obtaining planning permission, and marketing the final product" (p.87). Adams and Watkins (2002) make clear that apart from those locations or times of poor housing demand, "...the viability of speculative residential development and indeed profitability of UK housebuilding as a whole has depended on finding land at the right price, gaining planning permission and marketing the completed product" (p.129).

Ball (1983) suggests that the speculative residential development process involves a number of interrelated but temporarily separate activities: "...the initial purchase and assembly of land sites, the conception of housing schemes, the determination of the time of building and finally, the selling of completed houses" (p.126). An immediate concern of housebuilders therefore "...is to generate at least a minimum positive level of cash flow, because development and production times are long and the market for their products is variable" (p.126). As such, in reaching their financial objectives, speculative housebuilders "...face conflicting pressures over land acquisition, sales revenue and production costs. The outcome is an overriding concern with land banking and sales rates per sites, combined with an attempt to have a diversified market presence and low production rates of fairly standardised house types on individual sites" (p.126).

Adams and Watkins (2002) emphasise that the traditional models of the residential development process are constructed around the conversion of greenfield land into new housing estates. The authors make clear these basic skills required to establish development feasibility have been honed and sharpened primarily through the conversion of greenfield land into standardised estates. The three skills of establishing development feasibility – land acquisition, gaining planning permission and marketing the completed product – will now be discussed in more detail, where the dominance of greenfield based business strategies will be emphasised. Following this, the conventional ways in which speculative housebuilders approach design in speculative residential development will be discussed.

2.3 The Conventional Business Strategies of UK Speculative Housebuilders

The conventional business strategies of UK speculative housebuilders reflect the strong sense of corporate competition that exists within the industry and therefore, also reveals the intense pressures within the industry to maintain profitability by cost minimisation (Ball 1983, Adams and Watkins 2002). As will be highlighted in the following discussion, the route towards maximum profitability and cost minimisation has been polished primarily through the greenfield experience. This section therefore sets the scene for assessing the impact of the policy switch favouring brownfield development on the conventional business strategies of UK speculative housebuilders.

2.3.1 Seeking out and acquiring land

Land acquisition is a pivotal activity of speculative housebuilders (Leishman et al 2000), as the demand for land for residential development is a demand for the factor of production (Oxley, 2004). As the housebuilding industry in the UK derives much of its profit from land (Barker, 2004) it therefore allocates much of its resources to searching out and acquiring suitable land for residential development (Adams and Watkins 2002).

Whilst land is the UK speculative housebuilding industry's principal resource, access to it is controlled by the planning system and currently, supply is judged to be limited (Barker 2004). Therefore, the control that the public sector has over the allocation of land for housing and the amount of land that can be developed for housing, results in an uncertain residential development process for speculative housebuilders (Barker 2003, 2004). This has resultantly contributed to the conventional behaviours of housebuilders towards land acquisition.

In response to such uncertainty and in order to ensure that they have ready access to development land to secure their business operations, housebuilders have sought to control land by strategically building up a 'land bank portfolio' (Ball 1983). Ball (1983) suggests the most useful way of conceptualising the nature of a housebuilders land bank is to "...treat it as a portfolio of land just as a commercial bank or other financial institution has a portfolio of assets. In both cases, the portfolios consist of a spread of high-yielding but potentially risky assets and safer but less profitable assets that can ensure a steady cash flow and corporate stability. Portfolios have a temporal profile consisting of assets with

different dates of maturity and profit realisation” (p.148). A land bank portfolio therefore “...spreads risk and takes the pain out of speculation” (ibid.).

Table 2.1: The Conventional Approach to Land Supply by UK Speculative Housebuilders	
Conventional Competence	Conventional Skills
Sourcing land, controlling, ownership and land acquisition	<ul style="list-style-type: none"> • Exploiting low land value through the use of lengthy options to capture inflationary land values. • Reliable site preparation costs allow certainty in development appraisal. • Larger sites allow ease in assembling large land parcels. • Existing knowledge of the market and its contacts provides low risk and more certainty. • Maintaining a suitable flow of both short term and long term land.
<i>Source: Adapted from Adams (2004) and Own Analysis</i>	

Land banks also help to increase development profit by keeping down housebuilders’ land costs relative to house prices, particularly in a rising housing market (Ball 1983). Ball (1983) makes clear that the obvious way to keep land costs down in an inflationary period is to hold onto land for several years after purchase before developing it. Therefore, land banks serve to create more certainty for housebuilders and are strategically necessary to cope with the uncertain flow of suitable sites, which is determined by the actions of the local planning authority (Bramley et al 1995). The land bank portfolio therefore fulfils two vital roles: it acts as a strategic response to uncertainty and it provides an operational function through the sustained and continued flow of suitable development sites.

In speculative housebuilding, it is common practice for housebuilders to ‘control’ land in anticipation of its future purchase, through the use of option agreements and conditional contracts. Option agreements are used by speculative housebuilders to ‘control’ land where the sale price of the land and the commitment to purchase is only finalised once planning consent has been obtained. Option agreements “...usually involve a small down payment, typically 10 % of the current market value, in exchange for the right to purchase for development with a modest discount when planning permission is granted” (Bramley et al 1995:74). Bramley et al (1995) note that options are a relatively low risk and low cost way for speculative housebuilders to augment their land banks, as they allow flexibility and continuity. More specifically, options are important as, if the land in the land bank has

been bought at full development value or ‘substantial hope value’, then the working capital that those housebuilders have tied up can be considerable and “...depending on interest rates, unattractive” (Bramley et al 1995:74). In addition, as the value of land to housebuilders will depend on the revenue expected from house sales and the cost of development on the site (Oxley 2004), it makes land purchase prior to any knowledge of development potentially an extremely risky business. As a result, taking out option agreements is one way in which speculative housebuilders may reduce this risk.

Rather than owning the land outright, the use of option agreements and conditional contracts by housebuilders in the speculative acquisition of land therefore:

- Act to minimise the amount of capital tied up in land upfront before full-scale acquisition takes place.
- Reduce the risk in purchasing land without knowledge of the ultimate sale price of the house or the ultimate occupiers of the property (Barker 2003).

This conventional approach to land acquisition by speculative housebuilders allows continuity of development together with the flexibility of response and cushioning for delays on specific sites (Bramley et al 1995), and means that builders have an active development pipeline and a continuous profit stream. Similarly, housebuilders might withhold land from development “...if there is an expectation that house prices, and hence the returns from development, will continue to rise in real terms” (Bramley et al 1995:72). Housebuilders have learned that land is a valuable source of inflationary gain, and “...the profit margin on each house may be substantially enhanced because land with a low historic value is being used to build houses priced at current market values” (Bramley et al 1995:93), so during periods of high house price inflation, profit margins may increase substantially.

Barlow and King (1992) emphasise that land banking in speculative housebuilding “remains crucial for maintaining output and maximising development gains” (p.391). Consequently, worries over good design and enhancing the quality of the local environment are all but removed from the profit equation of much of the speculative housebuilding industry. As a result of this ‘land focused’ ethos, builders have concentrated their competitive behaviour and strategies generally on “land acquisition and marketing

skills as the key to success, rather than an ability to innovate technically or in terms of design” (Barlow and Bhatti 1997:36). This will be an interesting premise upon which to assess the capacity of speculative housebuilders under a predominantly brownfield *modus operandi*.

2.3.2 Planning permission and marketing strategies in speculative residential development

Once a suitable site for development has been identified, housebuilders have to form expectations about the outcome of planning applications (Bramley et al 2005:73). However, as the literature suggests, housebuilders are not simply passive recipients of these planning policies, but rather seek to influence policy formation and conduct pre-application discussions to test the acceptability of their planning proposals (Bramley et al 1995, Adams and Watkins 2002). Bramley et al (1995:75) make clear that some studies have shown housebuilders “...engage in sophisticated lobbying activities that seek to influence policy in general terms and to have their sites included in development plans” (see Farthing 1993, Adams and May 1990 and Short et al 1986).

Both Adams and Watkins (2002) and Bramley et al (1995) make clear that housebuilders, especially those larger housebuilders with the financial muscle, will seek out the best possible professional representation and specialist expertise to maximise their chances and improve the prediction of success in planning applications, negotiations and appeals.

Table 2.2: The Conventional Approach to Gaining Planning Permission by UK Speculative Housebuilders	
Conventional Competence	Conventional Skills
Securing planning permission and other consents	<ul style="list-style-type: none"> • Utilising standardised layouts and products to provide blanket building regulations. • Having familiarity of the planning requirements of conventional developments. • Utilising tried and tested methods in promoting land through the planning system. • Utilising sophisticated lobbying techniques to argue for planning consent.
<i>Source: Adapted from Adams and Watkins (2002) and Own Analysis</i>	

In respect of marketing, Adams and Watkins (2002) argue that, traditionally, because of the speculative nature of residential development in the UK, housebuilders do not normally rely upon any level of pre-sales before commencing construction, unlike other commercial and industrial developers. Rather, at the outset of development, housebuilders rely on an on-site sales and marketing suite in combination with a show home or flat and extensive advertising and promotion in order to “...lure potential customers” (Adams and Watkins 2002:137).

Table 2.3: The Conventional Approach to Marketing by UK Speculative Housebuilders	
Conventional Competence	Conventional Skills
Creating Attractive Marketing Images	<ul style="list-style-type: none"> • Marketing images and lifestyles used. • Images readily connect to the suburban family oriented lifestyles. • Typical family purchasers.
<i>Source: Adapted from Adams and Watkins (2002)</i>	

Marketing therefore plays a pivotal role in capturing the target market and achieving the sales necessary to maintain a steady cash flow; as Leishman et al (2000) emphasise, the failure of housebuilders to achieve the required rates of sales can lead to a significant erosion of profit. In order for housebuilders to ensure their required rate of sales, their marketing strategies have traditionally focused largely on offering not just a home, but “...a whole new lifestyle that implies upward mobility in both family prospects and social interaction” (Adams and Watkins 2002:137). This lifestyle has been primarily suburban in its nature and part of an extensive and established demand, reflective of urban decentralisation trends in the late 80s and early 90s. As such, the marketing strategies have connected powerfully with the British psyche (Adams and Watkins 2002).

2.3.3 Standard products for standard locations

One of the most conspicuous features of speculative housebuilding that explains the way in which housebuilders approach the speculative residential development process is the standardisation of production. This involves the use of standardised building materials and tried and tested construction methods to generate a number of standard house types that

can be readily reproduced at varying locations in an efficient and flexible manner. This tactic has shaped the way housebuilders operate and deliver profit as it has instilled construction efficiency as a means of competitive differentiation and profit maximisation in speculative housebuilding over time. This business acumen has also contributed significantly to policy and other public sector pressure for innovation and better design in the delivery of new homes by the private sector. As such, innovative capacity will be an important aspect to this research. First, the section will explore the conventional strategy of the standardisation of production.

Nicol and Hooper (1999) define a standard house type as being comprised of two key elements: its footprint and its façade. In effect, this allows “...different facades to be bolted on to a standard structural design” (p.66) and houses can be ‘dressed’ according to the requirements of the locality. Gibb (1999) makes clear that standardisation is compelling to housebuilders as the design costs are greatly reduced, supplies can be purchased at bulk rates, the logistics of moving labour and materials is simplified and contractors also benefit from the economics standardisation brings. Adams and Watkins (2002) further suggest that standardised house types allow blanket building control approval to be achieved, which further limits design costs, enables accurate cost forecasting when housebuilders bid for land, and allows a reliance on designs known to have sold well in the past.

Table 2.4: The Conventional Approach to Product Design by UK Speculative Housebuilders	
Conventional Competence	Conventional Skills
Standardisation of Production	<ul style="list-style-type: none"> • Standard products for standard locations, achieving blanket building regulations. • Standard layouts and construction methods. • Certainty in build cost. • Reliance on designs known to have sold well in the past.
<i>Source: Adapted from Adams and Watkins (2002)</i>	

Nicol and Hooper (1999) argue that the extensive use of standard house types restricts consumer flexibility to the internal non-structural features of the house rather than the external aspects of the dwelling. Further, Barlow and King (1992) suggest that housebuilders remain resolutely antagonistic to greater customer input in design because

their competitive strategies focus on the acquisition of land. In their study of builders in Sweden, Barlow and King (1992) found that housebuilders have paid more attention to product and process innovations than their British counterparts because there has been less scope for developers to make purely inflationary profits from land as “...the system of subsidised loans and public land ownership largely preclude land banking as a strategy” (Barlow and King 1992:391). Thus, as housebuilders in Sweden are prevented from making money through strategic land acquisition, they are forced to focus on adding value directly from their product and thus require greater customer input in order to ensure that designs will sell well.

2.3.4 Customer focus in UK speculative housebuilding

The reliance on standard house types, as discussed above, has undoubtedly encouraged the lack of direct customer impact in the design process of speculative housebuilding. Indeed, the Barker Review (2004) makes clear how housebuilders do not have to deliver a good product or high levels of customer service to win market share (p.111). The Barker Review draws on the national consumer satisfaction survey to conclude that although customers are mostly satisfied that new houses represent good value for money overall, “...a substantial proportion of customers express concerns about the quality of service and with the standard of construction and finishing. Satisfaction with the service provided by housebuilders tends to decline over successive stages of the purchased process, with dissatisfaction levels particularly high with after-sales” (p.112).

In UK speculative housebuilding, the link between innovation and customer focus is a tangible one, because the design of new homes directly affects the customisation of products and services. In UK speculative housebuilding, there are two aspects to customer focus: first, the quality of customer service and, secondly the customisation of products and services (Barlow and Ozaki 2003:97). Barlow and Ozaki (2003) suggest that introducing greater product customisation in the new homes market poses “...significant challenges for housebuilders (which) relate to the difficulty in capturing user requirements, the acceptability of customisation under the current regulatory and funding framework, and the need for robust supply chains that can cope with the flexibility inherent in mass customised approaches” (p.91). The authors highlight a number of other institutional barriers to greater customer input, which are briefly summarised in Table 2.5.

Craig and Roy (2004) make clear that “...brand loyalty in housing is restricted by the fixed location of the product and price variation by locality” (p.74). Ozaki (2003) concurs and suggests “...the fact that location is the most important factor in new housing purchasing in the UK may restrict a person from buying a house from the same housebuilder” (p.558). This important feature of speculative housebuilding, coupled with the nature of competitive strategies focusing on land acquisition and house price inflation (Barlow 1993) combine to make the speculative housebuilding industry in the UK inherently lacking in customer focus in relation to design.

Table 2.5: Institutional Barriers to Greater Customer Input in UK Speculative Housebuilding

- Housing is a multi-purpose, complex product in which there is an infinite possible range of variations in size and shape, space and layout, amenities and finish – identifying user requirements and adding value to increase satisfaction pre-supposes that people know what they want and that their needs can be captured and translated into realisable products.
- The immediate customer is not always an individual purchaser: under a buy to let scenario, landlords may have different priorities than the user (tenant) of the dwelling.
- Local authority planning and design guidelines are widely seen within the industry as the fundamental barrier to greater diversity in housing types.
- Mortgage lenders are generally highly conservative with regard to innovative designs that they believe may not appeal in the future, to the detriment of marketability.
- The typical customer supply chain - used to dealing with standardised pre-assembled components which can be configured in many different ways to offer wider choices in final products - is simply not robust enough to cope with variability in customer demands (Naim and Barlow 2003).
- Those wishing to buy a new home face a persistent undersupply and a long term sellers market – dissatisfied customers cannot switch to another provider because of a lack of alternatives.

Source: Barlow and Ozaki (2003)

Whilst both the industry specific and institutional reluctance to greater customer input into designs and greater customer satisfaction with their product have been noted, “...housebuilders are, of course, no different from other firms in their perception that there is a need to achieve high levels of customer service” (Barlow and Ozaki 2003:93). The literature surrounding housebuilders’ attempts to integrate customer input into design and

indeed into competitive strategies is, however, few and far between. However, Barlow and Ozaki (2003) in their study of how housebuilders are adopting customer focus found that housebuilders are improving their customer focus by:

- Introducing more off-site prefabrication such as timber frame.
- Managing their supply chains more effectively.
- Improving techniques for monitoring and responding to complaints.
- Turning attention to customer service both before and after sale.

However, Barlow and Ozaki (2003) also suggest that any initiatives by speculative housebuilders to integrate customer input into their designs “are unlikely to realise their full potential without a radically new relationship between housebuilders and their customers” (p.98). The authors further suggest “...it will be necessary for the industry to adopt a broader view of customer focus, which integrates customers into the product supply chain more closely” (ibid.). More specifically, the authors make clear that “...re-orienting the housebuilding industry’s competitive strategies will require its members to resolve tensions between their traditional focus on driving down construction costs and emphasising the value of their product to customers (ibid.).

The section has demonstrated that high levels of customer satisfaction are not inherent in UK speculative housebuilding, because of their core strategies of standardisation.

2.3.5 Design and innovative capacity

It is well documented in the literature that the UK speculative housebuilding industry is not renowned for its innovative capacity both in the development of its products and the processes it uses (Barlow and Ozaki 2000, Ball 1999, Barlow 1999, Barlow and Ball 1999, Barlow and Bhatti 1997, Barlow and King 1992). This lack in product and process innovations has caused numerous obstacles to speculative housebuilders in responding to an array of demographic, cultural, regulatory and environmental requests and policy initiatives. For example, Barlow and Ozaki (2000), Barlow and Ozaki (2003), Ozaki (2003) and Naim and Barlow (2003) discuss the obstacles that the lack of innovative

capacity places on increased levels of customer input and customer satisfaction in speculative housebuilding¹⁸.

According to Ball (1999), the ability of the UK speculative housebuilding industry to increase the innovative capacity¹⁹ of its product is influenced by a number of external and internal constraints. The internal constraints reflect the skills and competencies of housebuilders and their individual firm strategies, whilst the external constraints relate to “market contexts within which firms operate” (Ball 1999:10). Ball (1999) suggests that these existing market contexts “...severely constrain what housebuilders can do in terms of design, quality, cost and innovation” (p.10). He suggests that the specific characteristics of these external market contexts, when taken together, limit the possibilities for housebuilding innovation. This is explained in Table 2.6.

Barlow (1999) argues that speculative housebuilders should engage in a ‘radical’ approach to product and process innovation to facilitate their response to their changing business environment, which he considers as:

- The need for more new homes and increasing household numbers.
- Broad attitudinal shifts in the way the home is used – improving the quality and functionality of the home.
- Tighter regulatory controls over environmental standards and the location of new homes to urban brownfield sites.
- Rising construction costs and labour shortages.

Source: Barlow (1999:27-29)

¹⁸ In addition, Barlow and Bhatti (1997) discuss the obstacles that the lack of innovation causes in using environmental performance as a competitive strategy, whilst Barlow and Ball (1999) examine the role of innovative capacity in speculative housebuilding as a means of improving British housing supply. Hertin et al (2003), in their study into the impacts of climate change on the perceptions, impacts and adaptive capacity of the housebuilding industry, suggest that technological adaptations through innovation could “in principle, prevent or mitigate almost any impact of climate change on buildings and the construction process – with the exception of major extreme events” (p.258), but as of yet are not common practice.

¹⁹ ‘Innovative capacity’ is loosely defined as the ability to develop new ways of responding to existing demands or develop new skills in response to emerging demands, such as policy change or demographic change (Ball 1999).

Table 2.6: The Constraining Force of External Market Contexts to the Innovative Capacity of UK Speculative Housebuilders	
Market Context	Constraint
Housing Market	The conservatism of consumers and the lack of bespoke custom-built properties in the UK mean that change in standard house types only occurs through "...a piecemeal improvement of building elements rather than through radical transformation" (p.13). Mortgage lenders are also cautious about stylistic innovation and would rather follow customer preference, whilst the volatile housing market induces uncertainty and a reliance on response through well-known construction techniques.
Labour Market	Where sub-contracting is standard practice, limited skills are available and bad practice pervades, making innovative techniques expensive and risky.
Materials Market	Builders may refuse to adopt new ways or raise the price of an innovative material or alter its specifications at a considerable cost once the housebuilder is locked into the deal to use it.
Land and Planning Market	The coercive force of competition in the land market – housebuilders raw material –and the importance of land for housebuilders profitability mean that housebuilders are not pushed to "...the current leading edge of productive efficiency and innovation (p.19). With regard to planning, it has specific goals and its remit does not stretch to innovation within housing production. "...Planners' attitudes to housebuilding innovation have evolved incrementally and without concern for best practice" (p.20).
<i>Source: Ball (1999)</i>	

Barlow (1999) provides an audit of innovation trends and explains three key approaches to innovation in UK speculative housebuilding:

- Building process innovations.
- Housing product innovations.
- Internal flexibility to innovation.

Building process innovations refer to new technologies that replace traditional brick and block approaches to housebuilding and include steel framing, timber framing, new mortars and thinner, lighter bricks. However, Barlow (1999) suggests that a series of structural and cultural barriers to the adoption of many new process innovations remain, suggesting that the benefits of new approaches for cost reduction are ambiguous and are initially more

expensive, and that purchaser resistance and previous negative experiences undermine any cost advantages.

With regard to housing product innovations, Barlow (1999) indicates that by increasing the value-added to customers, housebuilders can potentially raise the attractiveness of new housing relative to the existing stock through greater customer choice, more flexible and adaptable house types and more energy efficient functional homes. However, Barlow suggests that there has been relatively little progress: lead in times constrain customer input and doubts about the cost unpredictability and consumer commitment to the dwelling exist. In respect of internal flexibility, Barlow states that whilst housebuilders were trying to reduce the number of internal walls to maximise flexibility, customers were preoccupied with the number of bedrooms rather than the absolute amount of space (p.35).

Ultimately, Barlow (1999) suggests that housebuilders need to improve their control of the supply chain and integrate their design, product development and market intelligence functions more effectively. These will "...involve the introduction of new organisational structures and skills" (p.35). He suggests that the above examples of innovation in housebuilding products and processes have been "...mostly at the level of discussion rather than implementation" (p.35) and have been hindered by concern over costs. Most explicitly, Barlow (1999) makes clear that "in the absence of any coherent vision, they cannot be said to represent a move towards product and process based competitive strategies, away from housebuilders traditional land orientated strategies" (p.37).

Through his work, Barlow (1999) emphasises the perceived balance between the risks and potential rewards as a major parameter influencing the rate at which new process innovations are adopted, because "...this will in turn reflect their cost relative to more traditional building methods and prevailing market conditions" (p. 33). Importantly, he adds "...the newer approaches may percolate through the industry more widely in the event of tighter energy efficiency regulations, an increase in the proportion of brownfield land developed, or a more buoyant market for new housing" (p.33), reminding us of the importance of policy and external demands in shaping housebuilders' approaches to innovation.

Indeed, Barlow and Ball (1999) suggest that while the successful root through external barriers depends on how proficient the industry is in overturning its legacy of actual and perceived constraints, ultimately, industrial self-transformation has not been successful to-date. Importantly, the authors argue that government and other housing related organisations should reassess and strengthen their approaches to housing supply and the housebuilding industry. As such, Asibobng and Barlow (1997) argue that, in comparison to technology-led or market-led innovation, policy-led innovation is likely to become more prevalent in speculative housebuilding (cited in Gibb 1999:45). The authors make clear that the state's role in encouraging more innovative forms of development is likely to increase. This is important to note and will be returned to in the latter part of the thesis.

2.4 The Role of Risk and Uncertainty in UK Speculative Housebuilding

Risk significantly influences the nature of speculative residential development and has fundamentally shaped both the speculative housing development process and the speculative product. Indeed, "risk is the very business of property development, and uncertainty the prevailing climate within which development takes place" (Ratcliffe 2004:335). Speculative housebuilders have conventionally sought to manage risk within a primarily greenfield mode of production, using greenfield based strategies such as land banking, standard house types and the lack of customer input into housing design.

The Barker Review (Barker 2003, 2004) judged risk as a key influence on the behaviour of the speculative housebuilding industry. The review made clear that any understanding of the housebuilding industry "...requires an understanding of how (the) industry is particularly influenced by risk" (Barker 2003:64). The Review identified two types of risk of particular significance in speculative housebuilding: market risk and site-specific risk.

Market risk is associated with the volatility of house prices; speculative housebuilders' profits are largely dependent on future house price movements. The impact of this risk on housebuilders is evidenced by the sensitivity of their stock prices to expectations about interest rates changes - a major driver of house prices through their impact on consumer demand and the cost of mortgage finance. Barker (2003) suggests that the impact of market risk can explain a number of features of the speculative housebuilding sector. Indeed, "...housebuilders tend to structure their business activities in order to minimise

fixed commitments, as these create the risk of greatly reduced profits or bankruptcy in the event of a market downturn” (p.65). Specifically, market risk:

- Can reduce housebuilders’ willingness to undertake significant brownfield developments, particularly at high densities, given the length of time that capital may be tied up.
- Encourages the use of sub-contracting, which may have implications for operational efficiency and the availability of skills.
- May lead to a reluctance among some housebuilders to undertake significant investment in plant and alternative construction techniques.
- May explain in part housebuilders’ choice of financing through retained profit rather than debt of equity.
- Helps explain housebuilders’ use of options in land acquisition.

Second, site-specific risk is concerned with the establishment of development feasibility, specifically land acquisition, gaining planning permission and construction. Housebuilders’ behaviour is shaped by specific risks in relation to the regions in which they operate and the sites upon which they are building. More over, “...the lead times undertaking housing development are relatively long and can be uncertain, increasing the cost of development” and exacerbating market risks (p.66). Site-specific risks include archaeological finds, the discovery of unexpected contamination on brownfield sites and problems of site assembly; delays in obtaining planning permission; and, external infrastructural delays. Barker (2003) suggests that these site-specific risks also explain a number of features of speculative housebuilding and may reinforce behaviours associated with market risk. In particular, site-specific risk:

- Encourages the use of sub-contracting.
- Reduces housebuilders’ willingness to undertake brownfield development.
- Helps explain housebuilders’ use of options in land acquisition.

Table 2.7: Housebuilders' Response to Market and Site-Specific Risk	
Subcontracting	Where delays occur which prevent the developer getting on site, the use of sub-contractors means that the developer has fewer direct employees standing around idle, until subcontracting workers are required. Site-specific risks can contribute to the advantages of subcontracting.
Brownfield Development	Brownfield development is exacerbated by risk. The positive externalities of brownfield development (regeneration, reduced greenfield land and environmental impacts) are not signalled to housebuilders or landowners, as their profits from brownfield development will not reflect them. This suggests that there is possible market failure in the provision of brownfield development – low value of brownfield land and the high costs of developing it, coupled with high existing use values, which militate against redevelopment.
Financing Housebuilding	The ability and willingness of housebuilders to tap the capital markets has been limited because: <ul style="list-style-type: none"> • The shares of major housebuilders are poorly rated. • Housebuilders have shown an unwillingness and or inability to take on significant fixed rate debt to finance their activities. • Most of the major housebuilders capital requirements in recent times have been met through retained profit.
Institutional Investment	Absence of direct involvement of financial institutions in the residential property sector. Involvement could support more responsive UK housing output through less risk-averse capital allocation.
Options	The level of risk derives from the fact that, at the stage the land is acquired, neither the ultimate occupiers of the property, nor the sale price, have been identified. The greater the site risk and therefore the delay between land purchase and the development being completed, the greater the housebuilders' exposure to market risk. Option contracts, under which the sale price of the land is only agreed between landowner and developer once planning consent has been obtained, may reduce this risk. Options allow developers to mitigate against site-specific risks by allowing costs to be passed on to land owners by adjustments to the agreed sale price of the land.
Controlling Output	An additional way to avoid market and site specific risks is to split large sites with competitors, which allows for diversification and reduces their exposure to a single development. Alternatively, firms take a cautious wait-and-see approach when developing large sites, so that output is trickled onto the market over extended time periods.
<i>Source: Barker (2003, pp.66-68)</i>	

The extent to which housebuilders are willing to trade off one type of risk for another is unknown, as is whether builders expect a greater reward in profit terms if risk is of a greater extent (this would usually be the case if the principles of development appraisal are correct). This is because the opinion as to which form of risk has the most negative of effects is arguably down to the ethos of the housebuilding company and the nature of the site. However, Ratcliffe et al (2004) note that typically, high-risk projects would require higher profit levels.

Table 2.7 demonstrates the impact that risk has on the housebuilding industry's behaviour, as identified by Barker (2003). It explains the way in which the industry has sought to manage both market and site-specific risk through the production process.

In addition to the market and site-specific risks identified by Barker (2003, 2004), risk also affects the design process and helps explain the reliance by UK speculative housebuilders on the standardisation of product and process in the delivery of new homes. The traditional approach to development design taken by the private sector involves seeking investment opportunities that have a high probability of financial success, "...which can be better guaranteed by reducing financial exposure, and therefore risk, and increasing certainty" (Carmona et al 2003:39). As a result, "...anything that increases cost and therefore risk is generally opposed by developers, for example, delay in granting planning permissions, contributions to infrastructure or bespoke design solutions" (ibid.).

Carmona et al (2003) suggest that for housebuilders, standardisation of product "...represents a rational response to the risk and uncertainty they constantly face from a range of sources" (p.47):

- Volatility in the market and land costs (in the pattern of demand and confidence of potential purchasers).
- Risks of delay between the decision to build and completion.
- Changes in the availability of financing for both builder and purchaser.
- Changes in the availability and cost of materials and labour.

The authors suggest that these uncertainties are increased "...because of the long and irreversible nature of the production processes (by comparison with other commodities)

and because of the difficulties in accommodating substantial changes during the production process” (p.47).

This section has shown how UK speculative housebuilders’ experience of risk has been significantly influenced by greenfield development. Therefore, the ways in which housebuilders manage and negate risk has also been shaped largely by their greenfield experiences.

2.5 Chapter Conclusions

This chapter has demonstrated that the conventional business strategies of the UK speculative housebuilding industry reflect the reliance on tried and tested methods that are associated with the greenfield mode of production. It has also emphasised how the traditional models of the residential development process are constructed around the conversion of greenfield land. The core skills of establishing development feasibility - land acquisition, gaining planning permission and marketing the final product - in addition to the other corporate strategy of the standardisation of production, have been developed under a greenfield mode of operation. Consequently, the risks and uncertainties involved in the speculative development of land for housing are also specifically relevant to the primary development of greenfield land.

The chapter has shown how these conventional business strategies have undoubtedly shaped the way housebuilders operate and compete, because they have instilled greenfield land acquisition and construction efficiency as a means of competitive differentiation and profit maximisation in speculative housebuilding over time. The inherent risks associated with speculative residential development have therefore been managed and negated under the greenfield experience. This has meant UK speculative housebuilders have made limited attempts to integrate innovation into product design and as such, a lack of customer focus remains a significant issue for the industry.

The chapter provides a suitable benchmark for assessing the impact of the policy switch favouring brownfield development on both the conventional business strategies of the UK speculative housebuilding industry and their traditional risk aversion tactics.

CHAPTER 3

THE POLICY CONTEXT OF BROWNFIELD DEVELOPMENT

3.1 Introduction

This chapter explores the contribution of brownfield development to the UK Government's urban policy agenda and emphasises housing-led urban regeneration as an increasingly significant appendage to achieving the wider goals of sustainability. The relationship between sustainability and brownfield development is discussed first, where the rationale for the Government's 'brownfield first' agenda is examined. The chapter then critically assesses this agenda, acknowledging the impact that spatial variation can have on the efficacy of brownfield development and emphasising the dangers of reifying brownfield development as a "win-win-win policy agenda" (Raco & Henderson 2006:500). Thus, the assumption that brownfield development is *ipso facto* sustainable is confronted. Throughout the chapter, the competing uses of brownfield land and the need for a convergence of economic, environmental and social goals in brownfield development outcomes is emphasised. The chapter draws to a close with a discussion on the increasingly important role of the private sector, in particular speculative housebuilders, in delivering the Government's brownfield policy agenda and will consider whether the organisational processes and cultures of speculative housebuilders match the nature of brownfield development being promoted.

3.2 Defining Brownfield Land

There are many terms often associated with 'brownfield' land, some of which include: vacant, derelict, contaminated, previously developed, partially occupied, and land not currently in use (Alker et al 2000). Although generally understood in the literature as land that is 'previously-developed' (see Oxley 2004, Cullingworth and Nadin 2003, Rydin 2003), the exact definition of brownfield land has been the subject of much confusion in the past and many competing definitions of brownfield land exist. Some authors do not even offer a definition in their discussion of brownfield land (Evans et al 2005, Cars et al 2002, Vigar et al 2000).

The UK Government currently define brownfield land as: “formally previously developed land that is unused or may be available for development. It includes both vacant and derelict land and land currently in use with known potential for redevelopment. It excludes land that was previously developed where the remains have blended into the landscape over time” (ODPM 2005a:77).

Alker et al (2000) have developed an alternative definition of brownfield, suggesting a brownfield site “...is any land or premises which has been previously used or developed and is not currently fully in use, although it may be partially occupied or utilised. It may also be vacant, derelict or contaminated. Therefore a brownfield site is not available for immediate use without intervention” (p.64).

Both Alker et al (2000) and the UK Government’s definitions of brownfield land include the same fundamental principles of what brownfield land is. However, where the Government ensures that brownfield land must have development potential, Alker et al (2000) make clear that their definition does not indicate this availability for redevelopment. The authors note that brownfield land exists in the greenbelt, for example in former MOD sites or NHS hospital sites, and suggest that although such land is designated as brownfield in the nature and state of the site, it would not be available for redevelopment under the current greenbelt principles.

Adams and Watkins (2002) suggest that although all other land not falling into the definition of brownfield land should be considered as greenfield, such a dichotomous distinction between the characteristics of greenfield and brownfield must not prevent land from being considered, in some cases “...somewhere between the common perception of the two” (p.18). The authors emphasise that some greenfield sites may have characteristics that make them complex to develop whilst some brownfield sites may be straightforward by comparison. Importantly, Adams and Watkins (2002) make clear that with the dichotomous distinction between greenfield and brownfield, there is a tendency to over simplify the issues and to adopt the view that brownfield land by definition is the most sustainable option of land development. Indeed, cases may exist where greenfield development offers a more sustainable option (ibid).

For the purpose of this research, the UK Governments' definition will be used, as it is likely to be the most prevailing one used in the public and private sectors.

3.3 The Role of Brownfield Land and UK Sustainable Development Policy

Over the past 10 years, the discourse of brownfield development has become ubiquitous in both the urban policy and urban regeneration agendas in the UK, and the development of brownfield sites is increasingly seen as an important solution to the growing list of contemporary urban problems (Raco and Henderson 2006). Whilst some would argue that brownfield development is “the darling of environmental and community development circles” (DePass 2006:605), others would suggest that perhaps too much is expected of brownfield projects and that the often narrow economic focus of brownfield development prevents the convergence of the environmental, economic and social goals of urban regeneration (Raco and Henderson 2006). There is of course the argument that increased urban compaction through the intensive use of brownfield sites for housing is the most sustainable form of urban development. However, as this chapter will make clear, brownfield development is often elided with sustainability and inclusivity “...in ways that imply that almost any type of development will yield a public good” (Raco and Henderson 2006:508). Whilst brownfield development remains a crucial part of both the UK Government's sustainable development and urban regeneration agendas and allows for the potential reconnection, in policy terms, of the urban and the environmental (While et al 2004), it is imperative to avoid reifying brownfield development as an all encompassing *ad infinitum* sustainable solution to the growing need for more new homes in the UK.

Over the past 10 years, brownfield development has emerged in the UK Government's urban policy agenda as a solution to the enduring urban decline that typified UK cities in the 1970s and 1980s, the result of industrial decline and economic restructuring. Brownfield reuse has emerged as the foundation for urban regeneration (Dixon 2006) and in the UK's core cities, the most notable recent reuse of brownfield land has been for housing, with owner-occupiers and buy-to-let investors the main clientele. Indeed, the growth of city centre living “...is the most visible symbol of this urban renaissance” (Nathan and Unwin 2005:1): for example, in the late 80s, Manchester had a city centre population of less than 1000, but by 1991, this had risen to 3,500 and by 2005, the population had reached 15,000 (ibid.).

The use of brownfield land for housing has also emerged as an integral part of the UK Government's approach to delivering sustainability. The inclusion of 'sustainable communities' as one of the four key priority areas for immediate action in the UK Government's 'Strategy for Sustainable Development'²⁰ provides a notable commitment to the use of previously developed land as a facilitator for more sustainable ways of living (HM Government 2005:17). The corresponding application of the HM Government's core principles of sustainable communities in the devolved administrations of the UK differs. Below is a discussion on the application of these principles in England, which provides a good discussion in light of the Barker Review (2004) and the subsequent wave of policy discussions on brownfield land, housing supply and land supply that has been a feature of English urban policy since the beginnings of the brownfield policy agenda in early 2000.

3.3.1 Sustainable development policy and the role of brownfield land in England

In England, the Government's commitment to achieving sustainability through the urban form was first fully articulated in 2003, with the publication of the *Sustainable Communities Plan* (ODPM 2003). Marked as a step change in the approach to urban development, the Sustainable Communities Plan (SCP) sets out the policies, resources, partnerships and programmes that are requisite to achieving the desired "thriving and inclusive communities" (ODPM 2003:3). Unfortunately however, just what comprises a 'sustainable community' has not been as fully articulated as the policies intended to deliver them. In response to criticism²¹ over its failure to initially provide a suitable definition of 'sustainable communities', the Government now defines sustainable communities as "*places where people want to live and work, now and in the future. They meet the diverse*

²⁰ "Sustainable Communities" sits within four main shared priority areas for immediate UK action, the other three being "sustainable consumption and production", "climate change and energy" and "natural resource protection and environmental enhancement" (HM Government 2005:17).

²¹ Allmendinger and Tiesdell (2004) suggest that the Government's initial notion of sustainable communities was unclear, fuzzy, lacking in conceptual clarity and consistency surrounding its use, and provided little indication of how planners and others should use the concept in everyday practice. The authors were cautious about using the term communities "...because it is people – not planners, designers, nor other professionals – that create communities. Equally, people often have an intuitive understanding of what they mean by community" (p.313). The authors suggest that the notion of what is 'sustainable' and what is a 'community' is open to interpretation and assert that regeneration and planning should be about creating "sustainable places", which they suggest would reflect the main features of both place making and sustainability. See also Egan (2004:18-21) for another critique.

needs of existing and future residents, are sensitive to their environment, and contribute to a high quality of life. They are safe and inclusive, well planned, built and run, and offer equality of opportunity and good services for all” (ODPM 2005a).

The Government’s commitment to the delivery of sustainable urban development was further reinforced with the publication of its next phase of the SCP, which involves two five-year sister plans. The first, *Sustainable Communities: Homes for All* (ODPM 2005b) focuses on housing, whilst the second, *Sustainable Communities: People Places and Prosperity* (ODPM 2005c) focuses on the need to give communities more power and say in the decisions that affect them.

Whilst the Government’s commitment to sustainability through the urban form has been a relatively recent affair in England, the use of brownfield land for housing as an urban policy goal actually stretches back to previous Government administrations. From the 1990s, residential development became an important part of urban and regeneration policies²², where housing was incorporated into city centre regeneration initiatives partly in response to rising housing needs projections for single person households (Bromley et al 2005; DETR 2000). It was the housing white paper (DOE 1996) under the Major Administration that set the original target for brownfield land use for housing, stating that at least 50% of the required new housing should be on urban land. This original brownfield target was subsequently increased by the Blair Administration to 60% in England (DETR 2000a) and has since been retained by the Brown Administration.

Concurrently, new housing has also emerged as the key driver for urban regeneration in England. The Urban Task Force (1999) and the Urban White Paper (DETR 2000a) essentially “...synthesised many of these ideas into a vision of urban renaissance which aspires to make our towns and cities places where people want to live and work” (Bromley et al 2005:2408). Indeed, the Urban Task Force (UTF) established a vision for cities, “...founded on the principles of design excellence, social well-being and environmental responsibility within appropriate delivery, fiscal and legal frameworks” (Urban Task Force Update Report 2005:2). In total, 105 recommendations were made in the original report,

²² See DoE (1995a, 1995b, 1997), DETR (1998, 2000a, 200b).

which together set out a vision, “...of well designed, compact and connected cities supporting a diverse range of uses – where people live, work and enjoy leisure time at close quarters – in a sustainable urban environment well integrated with public transport and adaptable to change” (ibid.). The role of brownfield land for new housing is integral to this vision.

This brownfield policy agenda in England has seemingly been a success, in terms of housing provision primarily on brownfield land (see Chapter 3, p.45). And, the recent Urban Task Force Update Report (Urban Task Force 2005) makes no qualms about advertising this. Indeed, the report highlights that the re-use of brownfield land has been encouraged, people have started moving back into the cities, residential densities have increased, and there has been a “measurable change of culture” in cities (ibid). However, as has already been highlighted in Chapter 1, housebuilding rates are relatively low compared with the historical completions data (see Appendix 1). Because the 60% brownfield target is a relative target, it does not take account of levels of housebuilding activity and simply reports of the *proportion* of new homes built each year on brownfield land. Thus, if the recent use of brownfield land is primarily for flatted development at high densities (as was suggested in Chapter 1), then the overall proportion of new housing development on brownfield land will obviously increase, such is the inherent problem with targets as a measure of achievement.

Issues concerning the need to increase the amount of new homes in England were raised in the Barker Review (2004), the Callcutt Review of Housebuilding Delivery (Callcutt 2007) and the Housing Green Paper (DCLG 2008). The Barker Review highlighted that over the last 10 to 15 years, housing supply has become almost totally unresponsive, so as house prices have risen, the supply of houses has not increased at all. The reasons for this were largely because constraints on land supply prevent the market functioning ‘normally’. The review suggested that higher and more responsive levels of housebuilding, leading to a lower trend in real house prices, would be beneficial. The recommendations were to build between 70,000 and 120,000 more new homes each year to offset problems of affordability, the result of a long-term upward trend in real house prices. Importantly, the Barker Review emphasised that land supply is the key constraint to increasing housing supply, due to a number of factors, which are identified in Table 3.1.

The Callcutt Review (Callcutt 2007) and the Housing Green Paper (DCLG 2008) further emphasise the need for more new homes to be built. The housing targets suggested by Barker (2004) have since been increased and currently, the Housing Green Paper provides two new targets:

- 2 million new homes by 2016.
- 3 million new homes by 2020.

DCLG (2008:10)

This is to be achieved by a gradual increase in the amount of new homes built to 240,000 per annum (DCLG 2008).

Table 3.1: Factors Affecting Land Supply, Barker Review (2004)

- In some areas, not enough land is allocated for development and/or the rate of land release is not responsive to market conditions and rising house prices. Housebuilding is often politically contentious and assessing both the costs and benefits of development is difficult, as the incentives facing decision makers do not reflect those costs and benefits.
- Local costs of development can be high and those already housed have a much stronger voice than those in need of housing. Many of the Review's recommendations aim to improve the framework within which development decisions are taken in this regard.
- There are also a number of barriers to the development of allocated land. For example, the availability of infrastructure, the costs and complexities sometimes associated with developing previously used (brownfield) land, weak incentives to bring land forward for development and the difficulties of site assembly where land ownership is fragmented.
- The housebuilding industry faces a range of significant market and planning risks. This results in an industry that is reluctant to invest for the long term, to employ direct labour, and at times may hold back production rates.

Source: Barker (2004:15)

Of crucial importance to this research is the issue of brownfield land identified in Barker's analysis of the factors affecting land supply (see Table 3.1). She states that the difficulties associated with the use of brownfield land for housing can act to prevent those sites coming forward for development. This issue has significant implications for the delivery of new homes, based on the Government's policy drive for brownfield development. If the Government's brownfield policy has over-constrained housing supply in the past, then it

remains a crucial policy and research issue and will be returned to in the final Chapter of this thesis.

The UK Government is clearly committed to delivering sustainable development²³ solutions through the regeneration of cities and the reuse of urban brownfield sites as the preferred location for new housing development. The policy contribution that new housing looks set to make towards achieving the goals of sustainable development places the speculative housebuilding industry as one of the main partners in the delivery of the UK Government's sustainability agenda. Whether the organisational processes and cultures of UK speculative housebuilders match the nature of brownfield development remains to be seen, and will be the subject of the remainder of this thesis. Indeed, the implications of a lack of capacity by UK housebuilders to deliver the Government's sustainability agenda and brownfield agenda in particular, will be testing. The discussion now moves on to explaining the brownfield development targets in England and Scotland.

3.4 Brownfield Development Targets in England and Scotland

The role that brownfield development plays in the delivery of new homes in the devolved administrations of the UK differs²⁴. Whilst England has a national brownfield target for annual new housebuilding completions, Scotland and Wales take a more relaxed approach and both seek to promote the reuse of brownfield land for housing in preference to

²³ Although there is much debate in the literature over the contested and fuzzy nature of the concept of sustainable development, there is a general agreement that sustainable development should be understood as a holistic and multidimensional concept (Hall and Pfeiffer 2000), where "...economic prosperity, social inclusion and environmental protection are seen as equally important" (Adams and Watkins 2002:59).

²⁴ The United Kingdom - a constitutional monarchy and unitary state - consists of four countries: England, Northern Ireland, Scotland and Wales. Following referendums in Scotland and Wales in 1997, and in Northern Ireland in 1998, the UK Parliament transferred a range of powers to national parliaments or assemblies. The Scottish Parliament, the National Assembly for Wales and the Northern Ireland Assembly were established, and took control in 1999. The arrangements are different in the devolved administrations, '...reflecting their history and administrative structures' (<http://www.direct.gov.uk>). The UK Government remains responsible for national policy on all matters that have not been devolved, including foreign affairs, defence, social security, macro-economic management and trade. It is also responsible for Government policy in England on all the matters that have been devolved to Scotland, Wales or Northern Ireland. The UK Parliament is still able to pass legislation for any part of the UK, though in practice it only deals with devolved matters with the agreement of the devolved governments (<http://www.direct.gov.uk>). For example, the Scottish Parliament and the National Assembly for Wales can both pass legislation on the devolved subjects of housing and planning (<http://www.scotland.gov.uk>, <http://www.direct.gov.uk>).

greenfield sites (Scottish Executive 2003, National Assembly for Wales 2006)²⁵. The effects of this different policy direction on the use of brownfield development for new housebuilding will be interesting to note, and will be a feature of this research; a comparative analysis of housebuilders operating in Scotland and England is the subject of the second half of the thesis²⁶. As such, the remainder of this Chapter will focus on the brownfield policy approaches taken by England and Scotland.

3.4.1 Brownfield development in England

The Blair Administration introduced an English brownfield target with the publication of the Urban White Paper: Our Towns and Cities: the future – delivering an urban renaissance (DETR 2000a), which was enforced through the issuance of PPG3: Planning for Housing (DETR 2000b). The brownfield target states “by 2008, 60% of new housing should be built on brownfield land or be provided by the conversion of existing buildings” (DETR 2000b). This was then replaced with the issuance of PPS3: Housing (DCLG 2006), and the original 60% target has since been adopted as a national *annual* target. PPS3 states “The national annual target is that at least 60 per cent of new housing should be provided on previously developed land” (DCLG 2006:15).

Table 3.2: Proportion of new dwellings on previously-developed land (PDL) Including conversions, England 1996 - 2007												
	'96	'97	'98	'99	'00	'01	'02	'03	'04	'05	'06	'07
PDL %	57	56	58	59	62	63	67	70	73	74	76	75
<i>Source: DCLG (2008:1)</i>												

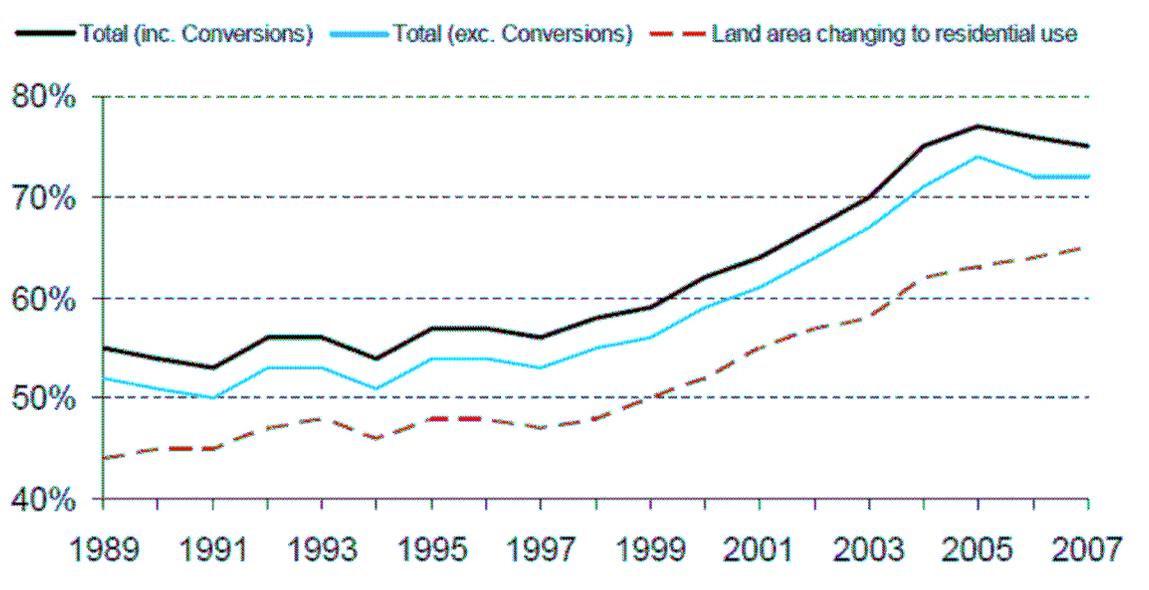
Since the inception of urban and planning policy favouring brownfield development, there has been a major shift in the delivery of new housing to brownfield sites in England. In the

²⁵ Whilst this research acknowledges that devolution has led to slightly (but not significantly) different approaches to brownfield policy, further divergence of the devolved administrations' approaches to brownfield policy may present implications for any future assessment of the speculative housebuilding industry's capacity for brownfield development at the UK level. This may require separate research to be conducted at the devolved administrative level.

²⁶ The justification behind this is discussed in more detail in Chapter 6.

11 years from 1996-2007, the proportion of new dwellings built on brownfield land has increased from 57% to 75%, with a peak output of brownfield land in 2006 at 76% of all new dwellings. Figure 3.1 shows that the Government's 60% brownfield target was exceeded in 2000, and has since continued to rise. In addition to the increase in the proportion of dwellings built on brownfield land over the past 10 years, there has been a sharp increase in the density of those dwellings. Both Figure 3.2 and Table 3.3 demonstrate this.

Figure 3.1: New Dwellings and Conversions on Previously Developed Land, England 1989-2007



Source: DCLG (2008:2)

The development of previously used land for housing at higher densities has been both market-led and policy led (Adams and Watkins 2002). Indeed, from a market perspective, the increasing rates of brownfield development must reflect both a certain level of financial preference for developers and a certain level of demand from consumers and investors.

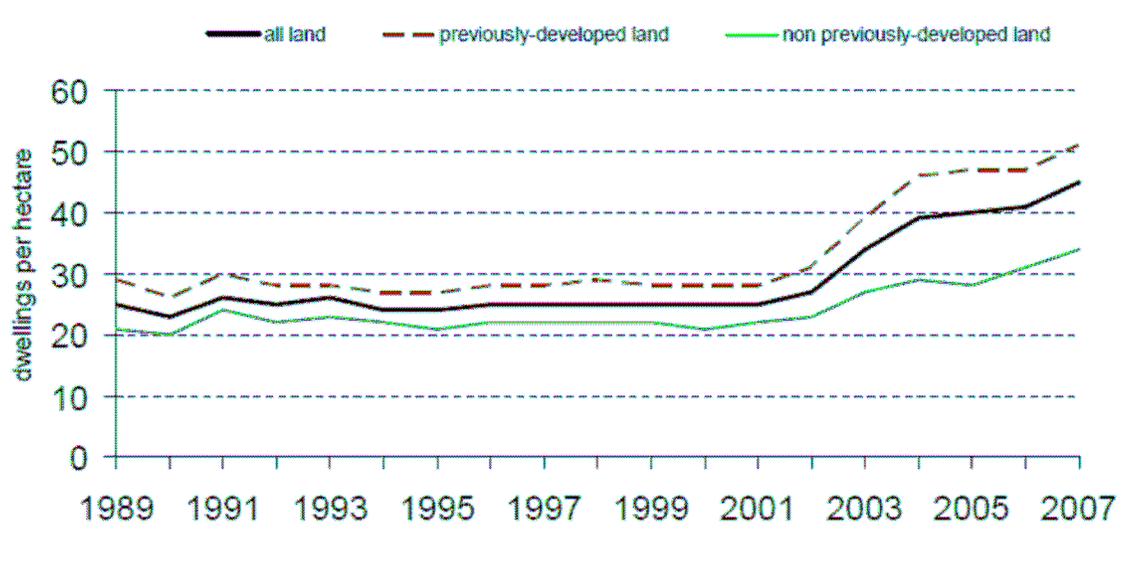
However, this Chapter has shown that brownfield development has also been policy-led. Figure 3.1 shows how brownfield output is largely congruent with the Government's policy in promoting it. Prior to the original 60% target (DETR 2000a), brownfield completions stayed below 60% and since 2000, they have continued to rise. The interface between policy-led and market-led brownfield development will be returned to in the

second part of the thesis, where the implications for the longevity of the ‘brownfield first agenda’ are discussed.

Table 3.3: Density of New Dwellings, England 1995 - 2007												
	‘96	‘97	‘98	‘99	‘00	‘01	‘02	‘03	‘04	‘05	‘06	‘07
Density of new dwellings PDL	28	28	29	28	28	28	31	39	46	47	47	51
Density of new dwellings, Non-PDL	22	22	22	22	21	22	23	27	30	32	31	34
Density of new dwellings, All Land	25	25	25	25	25	25	27	34	40	41	41	45

Source: DCLG (2008:3)

Figure 3.2: Density of new dwellings built on PDL, non-PDL and all land, England 1989-2007



Source: DCLG (2008:4)

3.4.2. The stock and flow of brownfield land in England

With regard to the stock and flow of brownfield sites in England, Table 3.4 presents data from the National Land Use Database and shows the total amount of previously developed

land in England has been decreasing since 2002, from 66,110ha to 63,490ha in 2005. This reflects the upward trend of the flow of brownfield usage for housing since 1997. Table 3.4 also shows previously developed vacant land and derelict land and buildings make up a large proportion of the brownfield sites in England, whilst vacant buildings comprise a smaller proportion.

In terms of the longevity of the role of brownfield development in the provision of new homes, the issue remains as to whether the stock and flow of brownfield land can be kept in balance, particularly in respect of the increasing need for more new homes in England (DCLG 2008). Whether the planning system can produce an adequate flow of brownfield land in order to maintain, if not exceed, the 60% target remains a critical question. The ability of the public sector to identify a continuous stock of brownfield land in order to maintain a steady flow of brownfield sites for development is crucial in the successful delivery of new homes. Indeed, as the Barker Review (2004) highlighted, and as is shown in Table 3.1, constraints on land supply exist for brownfield land and the crucial policy challenge will be to remove these constraints as more brownfield land is taken up for development, in order to maintain a balanced flow of brownfield land. The responsibility of housebuilders in identifying brownfield opportunities will also be of interest.

This policy challenge is reflected in the current usage of brownfield land that has been identified by the Government. Of the 27,600ha of brownfield land in England that was deemed by local planning authorities to be suitable for housing in 2005, 52% is currently in use (DCLG 2006:30). Taking the remainder of that total, 48% (13,000ha), and multiplying it by the required density of new housing as shown in PPS3 (DGLG 2006), this equates to a total of 520,000 new homes that can be built on vacant and derelict land and buildings in England considered suitable for development. This then means that 120,000 of those homes need to be built on brownfield sites, giving us roughly 4.3 years worth of land supply²⁷. 4.3 years worth of land would be viewed generally as a short to medium-term land supply by the speculative housebuilding industry (Ball 2006). Thus, the current stock of brownfield land could be considered inadequate for the long-term brownfield

²⁷ 60% of 200,000 = 120,000 / 520,000 = 4.3 years.

development prospects of the private sector²⁸. The public sector thus has the ability both to facilitate and constrain the delivery of housing on brownfield sites and this is of particular interest in this research. As such, this issue will be returned to in the second part of the thesis.

**Table 3.4: Trends in previously developed land by land type, (hectares):
England, 1998, 2001, 2002, 2003, 2004, 2005**

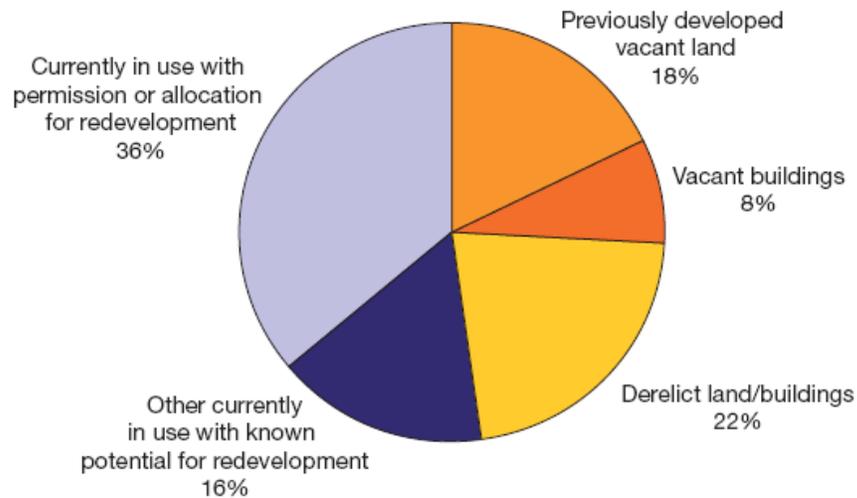
	1998	2001	2002	2003	2004	2005
Vacant and Derelict Land and Buildings (hectares)						
Previously developed vacant land	14,860	14,730	15,680	14,610	14,100	13,920
Derelict land and buildings	19,340	21,140	19,960	20,550	19,870	18,720
Vacant buildings	4,310	4,990	5,070	4,550	4,200	3,920
<i>All Vacant and Derelict Land and Buildings</i>	38,510	41,130	40,710	39,710	38,170	36,560
Currently in Use (hectares)						
Allocated in a local plan or with planning permission for any use	10,960	14,030	16,570	17,580	18,120	18,920
Known redevelopment potential but no planning allocation or permission	8,240	10,350	8,830	8,470	7,840	8,010
<i>All Currently in Use</i>	19,200	24,380	25,400	26,050	25,960	26,930
All Land Types	57,710	65,500	66,110	65,760	64,130	63,490
						<i>Source: DCLG (2006b:24)</i>

Indeed, if only 13,000ha out of a total of 63,790ha of brownfield land is available for immediate use for housing, providing 4.3 years worth of supply, then this leaves 50,790ha of brownfield land that requires some level of public or private sector action to convert the development potential into an opportunity. Public sector assistance is therefore likely to become more important in the future of brownfield land availability, particularly if the

²⁸ Whilst this 4.3 years supply may not be financially viable for development by the private sector, the calculations given provide a useful indication of the stock and flow of brownfield development in the context of England's policy promoting its use.

required rates of housing output identified in the housing green paper are to be achieved and more importantly maintained.

**Figure 3.3: Previously developed land suitable for housing by land type 2005:
27,600ha (44% of total PDL in England)**



Source: DCLG (2006b:7)

Whilst the 60% brownfield development target has seemingly been achieved in England both within the originally proposed time limit of 2008 and the yearly target thereafter, it is now important, in both policy and academic terms, to look ahead and consider the requirements for brownfield land in the provision of new housing in the next 10 to 15 years. The above discussion has shown that a policy challenge remains in maintaining an adequate flow of brownfield sites for housing through both the removal of barriers to development in the existing stock of brownfield land and the identification of new brownfield stock. The question over how best the flow of brownfield sites can be controlled in a manner that allows an adequate number of developable sites through the planning system therefore remains an important policy issue and one for future research.

Whilst the growing demand for brownfield sites for housing is largely policy driven, it is clear that both builder and market demand are keeping some level of pace with this policy change. Total housing completions however remain low compared to historical rates though and this remains a significant policy issue at the time of writing.

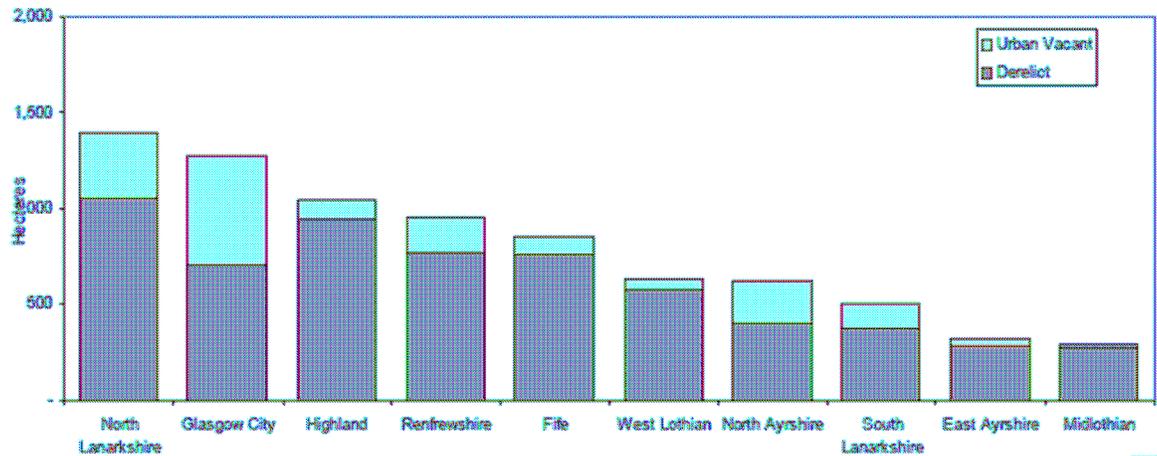
3.4.3 Brownfield development in Scotland

The role that brownfield land plays in Scotland's housing development aspirations is somewhat inconspicuous in comparison to England's brownfield target. SPP3: Planning for Housing states that "Planning authorities should promote the re-use of previously developed land in preference to greenfield land, provided that a satisfactory residential environment can be created" (Scottish Executive 2003:13). This position is further reinforced in the Regeneration Statement (Scottish Executive 2006), where Scotland's approach to new housing development is also brownfield focused. The Statement's emphasis is to "promote the reuse of vacant and derelict and brownfield land for development, in preference to greenfield land" (Scottish Executive 2006:39).

The reasons for the lack of a national brownfield target in Scotland are made clear in SPP3: Planning for Housing, which states, "the availability of previously developed sites varies across the country, so a national target for brownfield residential development is not appropriate. However, targets may have practical value at the development plan level. Where planning authorities set targets for housing on brownfield land, they should be realistic and should normally be supported by the findings of a survey such as an urban capacity study" (Scottish Executive 2003:14).

Figure 3.4 demonstrates this variance in the availability of vacant and derelict land in Scotland. It shows that North Lanarkshire and Glasgow City have the most urban vacant land in Scotland, whilst North Lanarkshire, Highland and Renfrewshire have the most derelict land. Midlothian, West Lothian and East Ayrshire have limited vacant urban land. The local authority with the highest amount of recorded derelict and urban vacant land is North Lanarkshire, which contains 1,399 hectares (14% of Scotland's total). Glasgow City has the second highest amount with 1,268 hectares (12% of Scotland's total) and Highland is third, with 1,044 hectares (10% of Scotland's total) (SVDLS 2008:1).

Figure 3.4: Derelict and Urban Vacant Land by Local Authority, Scotland, 2007



Source: SVDLS (2008:1)

In Scotland, brownfield land is categorised into two main types: derelict and vacant land. Derelict land (and buildings) is that “which has been so damaged by development or use that it is incapable of being developed for beneficial use without rehabilitation, and which is not being used for either the purpose for which it is held, or for a use acceptable in a local plan. The main exceptions are operational sites where rehabilitation would not be possible or appropriate within five years, and land which is derelict through natural causes (for example, neglected woodland or farmland) and which appears to have blended into the landscape. All sites where contamination is known or suspected are classed as derelict” (SVDLS 2008:4). Vacant land “is located in urban settlements and is considered to display the characteristics of urban vacant land; that is, land which is unused or unsightly, or which would benefit from development or improvement. The main exceptions are for land held for operational needs, agricultural land, urban fringe land and open space within the built up area, even where these offer the prospects of future development” (ibid).

3.4.4 The stock and flow of brownfield land in Scotland

With regard to the flow of brownfield sites in Scotland, in 2007 there were 10,240 hectares of derelict and urban vacant land, of which 74 % was classified as derelict (7,580 hectares). Overall, the total amount of urban vacant and derelict land in Scotland has shown a net decrease of 4 % since 2002, from 10,687 hectares in 2002 to 10,240 hectares in 2007 (SVDLS 2008).

Table 3.6 shows the development potential of this derelict and urban vacant land in Scotland; it shows that 28% of all derelict land with known development potential is developable in the short term, compared to 47% of all urban vacant land with known development potential. The SVDLS (2008) suggests that the amount of short-term developable urban vacant land is higher than short-term developable derelict land because “...derelict land by definition requires some form of rehabilitation before new development can commence” (p.23). The SVDLS (2008) considers that land is developable in the short term “...if there is an expectation of development within 5 years” (p.29). Overall, 33% of all derelict and urban vacant land within Scotland (with known development potential) is developable in the short term.

Table 3.5: Derelict and Urban Vacant Land (UVL) (hectares), Scotland 1996-2007											
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Derelict	7,858	7,787	7,237	7,148	6,825	7,767	7,741	7,638	7,597	7,480	7,580
Urban Vacant	4,438	4,250	4,195	3,897	3,586	3,155	2,977	2,891	2,973	2,905	2,660
Total	12,296	12,037	11,432	11,044	10,411	10,922	10,717	10,529	10,570	10,386	10,240
<i>Source: SVDLS (2008:8-10)</i>											

At the other end of the scale, 15 % of derelict land across Scotland was viewed as being uneconomic to develop²⁹, whilst 6% of urban vacant land is considered undevelopable. The ‘unknown’ values in Table 3.6 are accounted for “...due to a small number of local authorities being unable to provide development potential information for the majority (if not all) of their sites” (ibid.).

29 The SVDLS does not provide a definition for ‘uneconomic to develop’ but does suggest that the category is comprised of land that is seen by local authorities as being uneconomic to develop and (or) is viewed as suitable to reclaim for a ‘soft’ end use (i.e. non-built use) (SVDLS 2008).

Table 3.6: Development Potential of Derelict and Urban Vacant Land (UVL) Scotland, 2007						
	Derelict Land	%	Urban Vacant Land	%	Total Derelict and UVL	%
Development Potential						
Developable - Short Term	1,720	28	1,154	47	2,875	33
Developable - Medium Term	2,497	40	694	28	3,191	37
Developable – Undetermined	1,051	17	473	19	1,525	18
Uneconomic to develop	930	15	147	6	1,077	12
Unknown	1,378	-	191	-	1,572	-
Total	7,480	100	2,905	100	10,386	100
<i>Source: SVDLS (2006:22)</i>						

In terms of brownfield and greenfield completions in Scotland, the data is less readily available than in England, perhaps due to the lack of a self imposed target and the corresponding lack of need to publicise the data in order to demonstrate politically positive policy results. Table 3.7 shows the number of dwellings completed on brownfield and greenfield sites in Scotland by the private sector from 2002-2005³⁰.

Table 3.7: Number of Dwellings Completed on Brownfield/Greenfield (bf/gf) Sites (private sector): Scotland 2002-2005							
	Completed (all)	Number with bf/gf info	% with info	Completed bf	% bf	Completed gf	% gf
2002	18,829	10,479	56	5,497	52	4,982	48
2003	19,750	15,309	78	7,278	48	8,031	52
2004	21,079	17,990	85	9,833	55	8,157	45
2005	19,332	17,393	90	8,503	49	8,890	51
<i>Source: Scottish Executive Development Department Analytical Services Division, by email</i>							

³⁰ More up-to-date figures have been difficult to access.

As Table 3.7 shows, not all dwelling completions have information pertaining to their greenfield or brownfield status (due to Local Authorities not submitting the data). However, this has risen from 56% in 2002 to 90% in 2005, perhaps signifying the policy importance of the greenfield/brownfield development proportions. The percentage of new dwellings developed on brownfield sites in Scotland appears to have teetered around the 50% mark since 2002. This represents a lower achievement in brownfield development rates for Scotland compared to England, and is likely due to the availability and location of previously developed land (refer to Figure 3.4) and the lack of target based policy.

This section has shown that the development of brownfield land in England and Scotland has become increasingly prevalent. It has also shown the increasingly significant role of brownfield development in delivering the UK Government's sustainable development agenda. Indeed, the promotion of urban intensification policies centered on attracting people back into the cities through 'residentialisation' (Bromley et al 2005) is the hallmark of the UK's urban regeneration agenda. However, the predominant use of brownfield land for the delivery of new homes has been subject to critical assessment in both the public and private areas and the academic literature. As such, the following section will critically consider the predominant use of brownfield land for the delivery of new homes in the UK.

3.5 A Critical Assessment of the UK Government's 'Brownfield First' Agenda in New Housing Provision

Although the Government's mission to create sustainable communities, with brownfield development as a key driver, has garnered support from many of the stakeholders involved in the speculative residential development process, there have been some challenges to this policy approach. Whilst some have suggested that the 60% brownfield target should be increased to as much as 80%³¹, others have called for an increase in the use of greenfield sites to help alleviate the problems of affordability and the unresponsiveness of supply to demand in the housing market. This section therefore critically assesses the 'brownfield first' approach taken by the UK Government and is arranged by a number of key points that emerge from a review of the relevant literature and other publications.

³¹ CPRE (www.cpre.org).

3.5.1 Brownfield sites have diverse and often unique problems

The previous use of a brownfield site and its subsequent previously developed features are often specific to the area in which it is located. Indeed, the differing historical uses of land present varying and often unique challenges. For example, the north of England is characterised by a former manufacturing industry based on cotton and other mill functions, whereas the west of Scotland is characterised by ship building and its related industries. As such, brownfield sites in these two areas will have a diverse array of site-related issues and will in some cases be unique to the site or the site's immediate locale. In a review of both the academic literature and the policy discussions on the use of brownfield land for housing development, there appears to be an evident lack of a spatial element attached to the nature of brownfield land.

In response to the spatial variation that brownfield development constraints can present, policy solutions for the use of brownfield land for new housing are not sufficiently disaggregated in regional or local levels to account for this spatial variation. Further, sufficient disaggregation is not evident on a site-by-site basis either. More workable solutions may be available if brownfield land was sufficiently disaggregated. Recent developments in local brownfield policy in England as a result of English Partnership's National Brownfield Strategy, are encouraging and do demonstrate some level of bottom-up policy formation. Pilot brownfield land action plans and local brownfield strategies have recently been undertaken by a number of local authorities in England and seek to deliver 'economic and housing strategies' (www.englishpartnerships.co.uk). However, these are only in the embryonic stages and still require significant policy lead and encouragement.

Aside from the diverse problems that characterise brownfield sites, diverse opportunities and social significance are also features of brownfield sites that should help determine what type of redevelopment on brownfield sites is suitable. As such, one could consider England's brownfield target to be *a priori* inflexible with respect to local and regional variations in the character of brownfield sites.

3.5.2 Brownfield development is not synonymous with better design

Tiesdell and Adams (2004) suggest that the development of greenfield and brownfield sites displays significant contrasts, and as a consequence, "...successful brownfield developers yield opportunity space in their business strategies to designers" (p.23). The authors suggest that on brownfield sites, investment in better design is "a development necessity rather than a development choice" (p.25). Tiesdell and Adams (2004) make clear that if viewing design as a means of overcoming obstacles and achieving a saleable product on a brownfield site, brownfield developers are again compelled both to employ skilled designers and to yield opportunity space to them (p.41). The assumptions made by Tiesdell and Adams (2004) that brownfield developments are likely to be better designed is an interesting one, but it is important to make clear that brownfield development should not always be considered synonymous with better design.

3.5.3 Does market choice match the policies for urban living?

The distorting effect of the UK Government's promotion of policies for urban living on market choice is a very real issue and one that will become crucial to the success not only of the UK Government's brownfield policy agenda but of housebuilding delivery in general. The extent to which the public policies promoting urban living and directing new housing development into the urban core are congruent with market choice is an interesting issue that perhaps demands further academic and policy work. Indeed, the extent to which the planning system has distorted the market by 'forcing' builders to build on brownfield land at generally higher densities emphasises the argument over whether urban policies are economically or politically driven.

The issues surrounding whether market choice matches the policies for urban living should become clearer over the coming years, when an increased proportion of new homes are delivered on previously developed land within urban areas. If any level of market saturation arises in urban areas and the level of unsold stock rises due to slow sales or lack of investor demand, then a mismatch between urban policy and the market will become clearer. Some would argue that this is already the case in the Northern cities of Leeds and Manchester. Adams and Watkins (2002) emphasise that the use of brownfield land for the majority of new homes in the UK is policy driven rather than market driven. If the market

to any extent rejects the types of houses (and communities) built on previously used land, then a significant policy challenge will emerge.

3.5.4 Alternative uses for brownfield land

In England, the Brownfield Guide produced by English Partnerships makes clear that not all brownfield land is suitable for redevelopment (English Partnerships 2006). Indeed, in some instances the combined economic and environmental costs of redevelopment are such that they outweigh the associated regeneration benefits. Brownfield land can also present a number of alternative functions; it can contain important habitats and may be able to make immense contributions to biodiversity for example, rather than being redeveloped for residential or commercial use; it can contain important historical buildings, providing heritage and cultural uses; also, a high percentage of brownfield sites are in the flood plain and are therefore not conducive to residential or commercial redevelopment (English Partnerships 2006:24).

The UK Government's focus on the property-led regeneration of urban areas and on delivering new homes primarily on brownfield sites could be argued to have promoted a narrow economic focus on the use of brownfield land. If this is the case, then this focus could act as a barrier to the convergence of the economic, environmental and social goals of land reuse and sustainability.

3.5.5 Brownfield development is not always sustainable

Whilst brownfield development for housing is promoted by the UK Government as the most sustainable way to deliver the majority of new homes in the UK, the academic literature suggests that in some cases, this approach is not in fact sustainable. Raco (2006) for example, suggests that the label brownfield is often elided with sustainability and inclusivity in ways that imply that almost any type of development will yield a public good (Raco 2006:508). From another perspective, Dixon (2006) suggests that the UK speculative housebuilding industry has been slow in mainstreaming sustainability into their housebuilding activities and is merely paying lip service to the fundamentals of sustainable residential development. The author concludes to say that a challenge remains to the UK speculative housebuilding industry of integrating sustainability into brownfield development.

Pediatiti et al (2005) in their research on monitoring the sustainability of brownfield redevelopment projects, acknowledge that brownfield redevelopment is often considered to be *de facto* sustainable and presented as a headline sustainability indicator (see DETR 1999). However, the authors assert that many examples exist where the redevelopment of brownfield sites has not been sustainable, because they have failed to assess the environmental, social, economic and physical impacts holistically, as well as consider the long term impacts of such brownfield redevelopment projects in general (see also Little 2005). As a result, the authors argue that there is a significant need to monitor the sustainability of brownfield redevelopment projects by a participatory approach "...that allows the development of context-specific indicators in a holistic manner" (p.181).

3.5.6 Is greenfield land sacrosanct?

The greenbelt marked its 50th anniversary on August 3rd 2005 and it is clear that the dynamic of cities have changed since the boundaries of the greenbelt were drawn up over 50 years ago. Whilst there are obvious benefits to be gained from building at high densities and on previously used land, Hall (2006) reminds us that greenfield sites are not *a priori* sacrosanct, but rather, provide us with one valuable solution to remedying the problems of the under supply of housing in the UK. Hall (2006) suggests that not only is building primarily on brownfield sites inflexible in growth areas, he also suggests that present policies are already inhibiting housing completions. He makes clear that there are too many flats being built on urban brownfield sites with no justification. Hall (2006) concludes by suggesting that Government instead should be aiming for static or slowly rising trends in greenfield development plus a sharp increase in brownfield development.

Allied to this argument is the need for increasing levels of affordability in the UK housing market. Monk et al (2005) suggest that '...the overall supply of land for housing through the planning system severely constrains the total amount of affordable housing that can be secured' (p.196). As such, affordable housing units represent around just 10% of all new homes delivered in the UK per annum, which Monk et al (2005) indicate is far below the numbers required. As affordable housing '...inherently requires some form of subsidy' (Monk et al 2005:186), the use of greenfield release as a mechanism for the planning system to increase not just housing numbers in general (see Hall 2006) but the delivery of

more affordable units also, seems a logical premise. Indeed, as Monk et al (2005) estimate, circa 15,000 new affordable homes are secured by the planning system each year³², then the potential for this to be increased through a mechanism of greenfield release is inviting, in theory at least.

Fyson (2004) suggests that the restriction on greenfield land use for residential development has forced housebuilding too far away from major centres of employment and services, resulting in wasteful long distance travel. Indeed, there is the argument that derelict or less scenically attractive greenbelt land could be used for housing development or commercial use and such removal from the greenbelt could be done without affecting the integrity of the greenbelt. Without such flexibility, Gill (2004) emphasises that increasing the greenbelt designation runs the risk of pushing development beyond it, increasing commuting distances to towns and cities and the need to provide transport links through an area that policy tries to protect in the first place. A flexible application of the greenbelt policy would allow the use of neglected parts of the greenbelt for development, such as land that could be used for a sustainable purpose.

However, a counter argument can be deduced: will a potential elasticity in the greenbelt remove the incentive for developers to concentrate on brownfield sites? Further, will there be a gradual undermining of the greenbelt principle *per se*, as certain areas may be considered suitable for release and not others? These issues will be considered in the final chapter of this thesis.

3.5.7 Is urban intensification the most sustainable option?

One of the key drivers of the sustainable communities plan is to create high-density mixed-use developments, preferably in existing urban areas, through the efficient re-use of previously developed land. Brownfield development for housing therefore reflects a policy of urban compaction and containment. However, to some, building communities at a high density provides no viable means of sustainable living.

³² Monk et al (2005) emphasise that whilst the validity of these figures are questionable, affordable units do represent 10% of new homes per annum in the UK.

Defined as “a relatively high density, mixed use city, based on an efficient public transport system and dimensions that encourage walking and cycling” (Newman and Kenworthy 1996), the compact city is argued to be socially sustainable, as local facilities and services can be offered and maintained due to high population densities; in addition, accessibility to goods and services is more equitably distributed. Increasing density also offers vitality and vibrancy, and promotes opportunities for cultural activities and social interaction. Considering economic opportunities, the compact city offers concentration, the ability to rejuvenate and maintain local economies, with services and infrastructure being provided more efficiently (Williams 1999). More so, the compact city is thought to offer many benefits in terms of environmental sustainability; by building on brownfield sites, the countryside is protected through relieving the pressures of developing on rural lands.

Similarly, urban intensification offers opportunities for emission efficient modes of transport such as cycling, walking and public transport, leading to an overall reduced dependence on the car (Newman and Kenworthy 2000). Bannister (1997) suggests that cities need to attract people back to them as they must form the basis for sustainable living because of the proximity of facilities, the range of opportunities available, and for the possibility of short journeys by public transport, walking and cycling.

However, not all advocate such urban intensification as the road to a sustainable urban form. In her research, Reza-Masnavi (2000) found that there is no evidence that the compact city eliminates the necessity for using the car, since it is that form of transport used most frequently for going to work and for bulky shopping. The author also found that there was no evidence to suggest that compact areas were necessarily associated with an increased use of public transport. Jenks (2000) suggests, as there are a variety of components of intensification policies, “different aims mean that deriving conclusions is difficult; some aspects of intensification in some places have contributed to sustainability, whilst others clearly have not” (p.12).

The route to the most sustainable urban form may not be solely one of compactness, but rather, a exercise in drawing on some of the positive aspects of urban intensification and considering these within alternative urban forms, such as dispersed or edge cities for example (Pressman and Minnery 1992). Williams (2000) suggests that, although some aspects of intensification may represent a more sustainable use of land, the importance of

defining the type of intensification acceptable to local residents and users of a given locality is the key to determining whether the effect of intensification was seen as positive. Similarly, urban sustainability is not just dependent on focused ‘compact city’ planning policy and urban form alone; huge shifts in behaviour and attitudes are also required (Simmonds and Coombe 2000), as well as the consideration of aspects such as social equity and desirability (Burton 2000).

It is notable that urban intensification does offer some positive aspects when considering the sustainability of the urban form, but these need to be considered against location specific and behavioural aspects of both the area and populations concerned if they are going to be successful. Jenks et al (1996) suggest the search for the ultimate sustainable form now needs to be reoriented to the search for a number of sustainable urban forms, which respond to a variety of existing settlement patterns and contexts. This places emphasis on solutions appropriate for different scales and locations of development and acknowledges path dependency as an issue. Indeed, as the authors suggest, if urban form has any role to play in the sustainable future, then it has to be not only theoretically valid, but achievable in real terms.

Marvin and Guy (2000) suggest that such a multiplicity of pathways should stimulate a shift from a singular model outlook to one that considers multiple models of what the sustainable city might become. Additionally, Jenks (2000) suggests that pathways aren’t ideal types but rather are contested in particular local contexts, as competing social actors ‘grapple’ with the concept of sustainable development.

The above section has shown how there are a number of important challenges to the fundamental premise of the UK Government’s brownfield first agenda and the above critical analysis serves well to draw attention to the complexity of the issues concerning brownfield development in principle and specifically, the delivery of new homes on brownfield land, through building at higher densities and in mainly urban areas.

3.6 Chapter Conclusions

The Government makes clear that creating sustainable communities everywhere is a challenging task: “It requires us to integrate the delivery of social, economic and

environmental goals, to take a co-ordinated approach to delivering public services that work for everyone, including the most disadvantaged, and to think strategically for the long-term” (HM Government 2005:119). And, the above critical analysis serves well to draw attention to the complexity of the issues concerned with building at higher densities and in mainly urban areas. Whilst there has been much grumbling from the housebuilding industry over the forceful nature of urban policy since the inception of the Labour Government and the resulting tightening of the regulatory environment (Adams 2004), there have also been challenges to the concept of the compact city. Building at higher densities and mainly in urban areas, whilst ticking all the boxes of what it means to be sustainable, can yield an array of unwelcome and undesirable offspring.

It is clear that brownfield development needs to be set within wider development objectives and policy agendas if it is to deliver extensive urban regeneration. Indeed, the urban and the environmental are being reconnected in various ways, “...with potentially far-reaching implications for our understanding of the dynamics of urban politics whether oriented to growth or distribution” (Raco 2006:553). Ultimately, brownfield development has to be refocused “...to create more socially and environmentally beneficial outcomes” (Raco 2006:508) and provides a rare opportunity for environmental and community development goals to converge (Depass 2006). And, any sustainable housing system “...must incorporate social, economic and environmental sustainability in a mutually reinforcing way” (Brown and Bhatti 2003:510). The continued commitment by Government to brownfield development, the principles of the greenbelt and the increase in the density of new dwellings, coupled with the requirements for higher quality design and sustainable construction, will significantly control the location, quantity and quality of all new housebuilding and alter the overall direction of housing development in the UK. The impacts of this on the success of the UK Government’s brownfield development agenda will be discussed in the final chapter of this thesis.

CHAPTER 4

THE CHALLENGE OF BROWNFIELD DEVELOPMENT TO THE UK SPECULATIVE HOUSEBUILDING INDUSTRY

4.1 Introduction

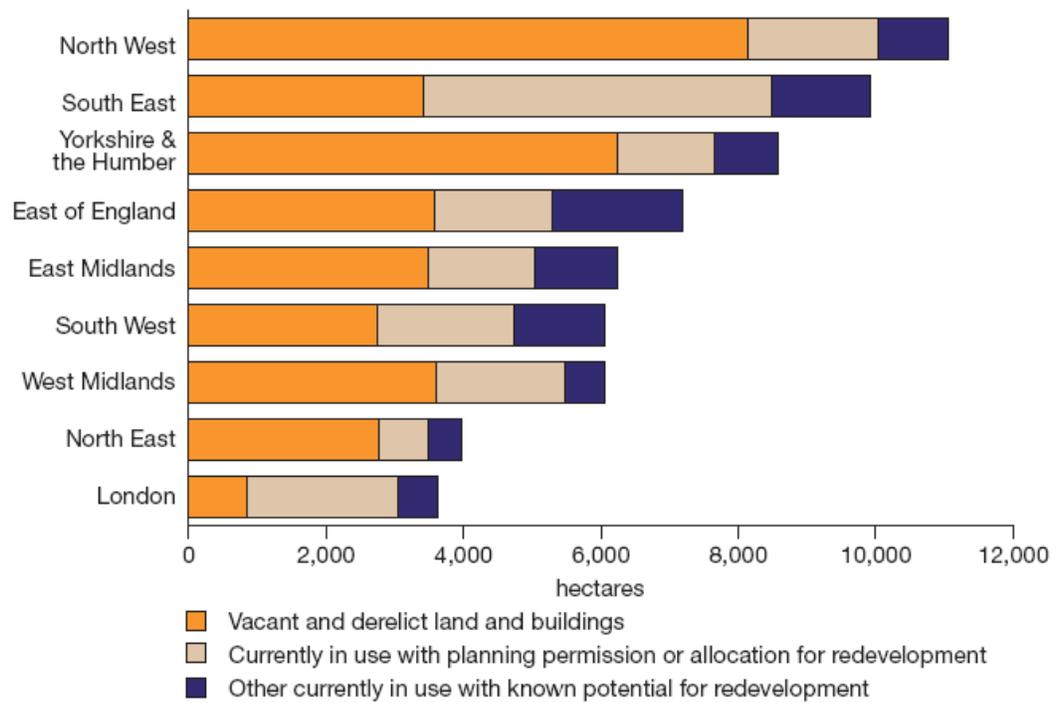
The development of brownfield sites is intended to produce an array of economic, social and environmental benefits in line with the principles of sustainable development. However, previously developed land exhibits hazards, usually the result of human activity, which are not normally encountered on greenfield sites (Leech and Goodger 1991:21). As a result, returning brownfield land back to beneficial use can be complicated by an array of ground related and institutional issues, which can be viewed as either constraints or opportunities depending on the perception of risk tolerability by UK speculative housebuilders. As such, this Chapter identifies and explores the most prevalent risks associated with the speculative use of previously developed ‘brownfield’ land for housing and presents a new categorisation of brownfield risks. The Chapter then discusses the role of perception in risk tolerability and considers how brownfield risks can be viewed as both constraints and opportunities by housebuilders. Finally, the discussion considers the impact of these risks on the conventional business strategies of UK speculative housebuilders. Before this, the initial focus of the Chapter outlines the importance of acknowledging the differing spatial configuration of brownfield land in the UK.

4.2 The Differing Spatial Configuration of Brownfield Land in the UK

Prior to any discussion on the speculative redevelopment of brownfield land for housing, it is important to recognise the differing spatial configuration of brownfield land in the UK and to acknowledge that most brownfield sites possess their own unique amalgamation of opportunities and constraints. Figure 4.1 demonstrates the spatial configuration of brownfield land in England and shows the amount of previously developed land by type by region (for a Scottish comparison, refer back to Chapter 3). It indicates that the North West of England holds not only the most previously developed land, but also the greatest proportion of vacant and derelict land and buildings in England. In comparison, the South

East of England has the greatest proportion of brownfield land currently in use with planning permission or allocation for redevelopment, whereas the East of England has the largest amount of brownfield land currently in use with known potential for redevelopment.

Figure 4.1: Amounts by region by type of previously developed land, England 2006



Source: Land Use Change Statistics, 2006 (DCLG 2007:10)

This differing spatial configuration of brownfield land in the UK represents a challenge to both policy makers and housebuilders. It indicates that success in the speculative redevelopment of brownfield sites for housing requires specifically tailored approaches by both housebuilders and policy makers, to account for the unique array of market, regulatory and physical risks that exist as well as the local and regional contexts that influence the nature of these. It is therefore important not to reify brownfield land in its spatial configuration nor in terms of risks, constraints and opportunities. Rather, it is imperative to provide the opportunity for national, regional and local policy makers to develop strategies for enabling the reuse of previously developed land for housing, which are tailored to regional and/or local policy needs. This issue is returned to in the second part of the thesis.

Table 4.1: Redeveloped Brownfield Sites and their Previous Uses		
Previous/Historical Use	Contaminants	Proposed Use of Site
Brickworks, shallow mine workings, road haulage, made ground.	Heavy metals ³³ , hydrocarbons.	Development of 3 & 4bedroom detached houses.
Cotton mill, bleach works, oil seals manufacture.	Heavy metals, hydrocarbons.	Private housing for rent.
Dye works, chemical works, railway, cattle pens, coal merchants, electric light bulb manufacture, oil depot, scrap yard.	Heavy metals, hydrocarbons, methane, mineral oil and soil contamination.	Housing with private gardens, managed housing, non-residential development and leisure open space.
Iron works, lime kiln dock, timber yard, gas works.	Heavy metals, sulphates, ammoniac nitrogen.	Luxury apartments plus commercial use.
Landfill site.	Methane and heavy metals.	Housing Association, rented and for sale, children's home.
Petrol filling station and motor vehicle workshop.	Hydrocarbons, heavy metals.	Detached executive homes.
Rail yard forming part of town gas works.	Gas works wastes related to coke and coal handling.	Housing Association rented and private sale, apartments and houses.
Road Haulage.	Arsenic and gas works waste, including tarry ash with occasional spent oxide fragments, petroleum hydrocarbon, zinc, cyanide and sulphate.	Private for sale and elderly persons bungalows.
Ship building works.	Heavy metals.	Housing association rented and shared ownership, private housing for sale plus commercial use and open space.
Timber mill.	Heavy metals, polycyclic aromatic hydrocarbons, sulphates.	Housing association, shared ownership.
<i>Source: Adapted from Syms and Knight (2000)</i>		

³³ The most common heavy metals found in Syms and Knight (2000) research included: arsenic, copper, lead, nickel, zinc, chromium, cadmium, and mercury.

Table 4.1, adapted from Syms and Knight (2000), provides a useful illustration of the differing nature of brownfield sites and shows a wide range of previous and historical uses, the main contaminants associated with these previous uses and the proposed use of the site once remediation was undertaken.

4.3 Principal Risks in the Speculative Development of Brownfield Land for Housing

Whilst the previous section has shown there to be a differing spatial configuration of brownfield land across the UK, in addition to a range of risks associated with this type of development, it is undoubtedly useful to categorise these risks. In addition to providing a useful synopsis of the main risks in the speculative development of brownfield land for housing, a category of risks will also facilitate the evaluation of the impact of brownfield development on the conventional business strategies of UK speculative housebuilders in the second part of this thesis.

The term ‘risk’ is defined in a variety of different ways depending on the discipline. From a property investment perspective, Hargitay and Shi-Ming Yu (1993) simply define risk as ‘...the extent to which the *actual* outcome of an action or decision may diverge from the *expected* outcome. An action or decision is described as risk-free when its consequences are known with certainty’ (p.35). In reference to UK speculative housebuilding, Bramley et al (1995) define risk in economic terms, in respect of the cycle of demand for property and the large amount of capital housebuilders have to invest in land and development prior to production. The authors suggest ‘...together, with the volatility of the market, this makes the industry exceptionally risky’ (p.88). From a strategic management perspective, Johnson et al (2005) suggest risk ‘...concerns the probability and consequences of the failure of strategy. This risk can be particularly high for organisations with major long-term programmes of innovation or where high levels of uncertainty exist about key issues in the environment’ (p.369).

Both Bramley et al’s (1995) and Johnson et al’s (2005) definitions of risk suitably encapsulate the inherent risks in UK speculative housebuilding of market uncertainty and the lack of innovation in product and process (see Chapter 2). As such, this places UK speculative housebuilding as an inherently risky and volatile industry.

The literature provides a number of differing categorisations of risk in respect of the redevelopment of brownfield land for housing. The terminology used in the literature also varies, and most commonly includes ‘risk’, ‘barrier’, ‘hazard’ and ‘constraint’. It is clear from a review of the literature that ‘risk’ has emerged to become synonymous with ‘barrier’ or ‘constraint’ in the brownfield development literature, which may have caused a negative stigma to issues surrounding brownfield redevelopment in general. Whilst the nature of speculative housebuilding is inherently risky in itself, a review of the literature demonstrates that risk is firmly in the spotlight of brownfield redevelopment. As a result, the term ‘risk’ will be used in place of ‘barrier’ or ‘constraint’, for the following three reasons:

- To account for the negative perception of brownfield as a barrier or constraint.
- To remove the innate negative stigma of brownfield development that has emerged in discussions of speculative brownfield development.
- To allow ‘risk’ to be viewed as a constraint or an opportunity, depending on the perception of risk tolerability.

This research therefore contributes in moving the brownfield development debate away from the negative stigma that the terms ‘constraint’, ‘hazard’, and ‘barrier’ impose. This is undoubtedly important in altering the perception of risk tolerability of speculative housebuilders and other users of brownfield land, such as potential institutional investors. The discussion will now turn to the varying and competing categorisations of risk in preparation for establishing a new categorisation of brownfield risks.

The hazards of a derelict site “...impose constraints on the freedom of action, not only on the contractor in site operations but also, more fundamentally, on the choice of a suitable development sites as well as on the statutory authority in giving planning consent. Protection of the environment may dictate what form of reclamation is permissible and the means of disposal of dangerous material. Safety of the works and future occupants may require a measure of over design, while the protection of site workers will demand time-consuming and costly safety procedures” (Leech and Goodger 1991:23). Therefore, the suitability of a site for a particular form of development will depend on the presence, or otherwise, of hazards that are likely to affect the end use created by development. There

may be a great number of hazards on a given site, but relatively few are likely to affect a particular end use, and not all of these will be of sufficient intensity to pose a threat (Leech and Goodger 1991).

Charles et al (2002)³⁴ discuss the main ground-related risks that are commonly associated with previously used land that can affect its development for housing. The authors classify the main ground related hazards encountered on brownfield sites as ground movement, vulnerability of construction materials to aggressive ground conditions, gas migration and subterranean fires. They also highlight concern over the potential migration of liquid or gaseous contamination from a site. Leech and Goodger (1991) suggest that whilst contamination is usually shallow and the ground is often well compacted, deep and massive foundations, buried tanks, and services often remain as obstacles to development. In addition, some contaminants may react dangerously when disturbed or upon change in the water table.

Donovan et al (2005) categorise barriers to sustainable urban regeneration as ‘perceptual’, ‘institutional’ and ‘economic’, which the authors suggest seems to fit the range of challenges to sustainability identified by urban development practitioners in their research. The authors suggest that economic imperatives exacerbate the institutional and perceptual barriers to sustainability “...as actors fall back into established ways of working and designing rather than trying to engage with the plethora of possibilities that sustainable development offers” (pp.21-22). This work demonstrates the often inter linked and inter dependent nature of the risks in brownfield development and urban regeneration. Therefore, it is important to make clear that risks should not themselves be isolated in their potential impact or effect.

With specific regard to the speculative redevelopment of brownfield land for housing, Adams and Watkins (2002) categorise brownfield development ‘constraints’ into three types: planning, physical and ownership³⁵. The authors also discuss the nature of demand

³⁴ The authors are employees of the Building Research Establishment (BRE), the National Housebuilding Council (NHBC) and the Construction Research Communications (CRC).

³⁵ Adams’ earlier work (see Adams et al 1988) also considers price constraints in addition to ownership, planning and physical constraints. Price constraints were suggested to be largely related to vendors’ expectations of site values being considerably higher than that which any developer is prepared to pay. This

for brownfield land and consider how ‘user’, ‘developer’ and ‘investor’ demand can be constraining but can also be stimulated by the appropriate institutional measure (p.235). Adams and Watkins (2002) therefore consider ‘developer’, ‘user’ and ‘investor’ attitudes and behaviours as a constraining force on the development of brownfield land. Table 4.2 summarises the main planning, physical and ownership constraints identified by Adams and Watkins (2002).

In research commissioned by RICS in 1999 into the barriers to residential development, McGarty et al (1999) found that the most important risks identified by housebuilders were the nature and extent of contamination. Other significant issues were found to be planning approval (due to the length and inflexibility of the process), the time involved in the brownfield development process, lack of funding opportunities, the negative perception of land and property after remediation, and market demand. Whilst their research does not offer a precise categorisation of the risks, it does identify similar issues to those raised by Adams and Watkins (2002).

From an American comparative view, Ellerbush (2006) identifies a number of predominantly institutional and financial barriers to brownfield redevelopment³⁶. He suggests that liabilities associated with former industrial properties are foremost among the principal barriers to redevelopment, where “...local governments have faced potential risk-based decisions of choosing to either forgo tax income or condemning property only to face federal or state driven cleanups that cost many times the value of the property” (p.564). And, along the same lines, the author also notes that developers and investors may view the risk of future liability as too great to get involved in the redevelopment of brownfield land.

constraint has since been incorporated into the understanding of ownership constraint as outlined in Adams et al (2001:460).

³⁶ See DeSousa (2006) and DePass (2006) for a good overview of the brownfield redevelopment process from an American context, including federal policy and the role of the US Environmental Protection Agency and Superfund.

Table 4.2: Physical, Planning and Ownership Constraints in Brownfield Development for Housing by UK Speculative Housebuilders

Planning

- No automatic presumption in favour of developing suitable brownfield sites.
- Unrealistic protection of potential housing sites for future employment use.
- Outdated development plans, particularly in urban areas.
- Inappropriate planning gain requirements.
- Local resident opposition to development that can exceed that on greenfield sites.
- Delay and inconsistency in planning appeal decisions.
- Potential local opposition and NIMBYISM.
- Lack of congruence between development briefs and planning permission requirements.

Physical

- Substantial underground obstructions such as old foundations or machinery bases and redundant services.
- Threat of contamination and the associative perceived financial and/or legal risk in dealing with it.
- Lack of an effective institutional framework for remediation activities in which all parties can have confidence.
- New development must be carefully woven into the existing urban fabric.
- Vehicular access may be hard to provide unless adjoining land can be purchased.
- Site size.
- Nature of soil and top soil.
- Topography.
- Relief.
- Prospective site attractiveness.

Ownership

- Difficulty of site assembly due to unknown or unclear ownership.
- Ownership rights may be divided: the power of freehold owners to sell development land with immediate vacant possession may be restricted by lesser rights in the same land.
- Ownership assembly may be required for development.
- Owners may be willing to sell but not on terms acceptable to potential purchasers.
- Reluctance of owners to sell sites (expectation of higher gains in the future).
- Disjointed land ownerships and multiplicity of tenure rights act as a serious deterrent (Adair et al 1998 quoted in Adams and Watkins 2002:230).

Source: Adapted from Adams and Watkins (2002:226-231)

Ellerbush (2006) suggests other barriers to the redevelopment of brownfield land³⁷. These include:

³⁷ McCarthy (2002) also provides a useful overview of these similarly identified barriers to private brownfield development from an American perspective. The author suggests that liability for contamination, uncertain cleanup standards, availability of funding for redevelopment and complicated regulatory arrangements all act as barriers to successful private brownfield redevelopment (see pp.289-292).

- Chain of title liability uncertainty – prospective property owners could be held responsible for contamination they did not produce.
- Lender uncertainty – lenders could be held responsible through their association with property owners who become legally responsible.
- Clean up costs and cost uncertainty – long transaction and negotiation processes and lack of clear cleanup end points.
- The lack of predictable outcomes and therefore greater uncertainty.
- The lack of familiarity with manoeuvring through the complexity of community projects.

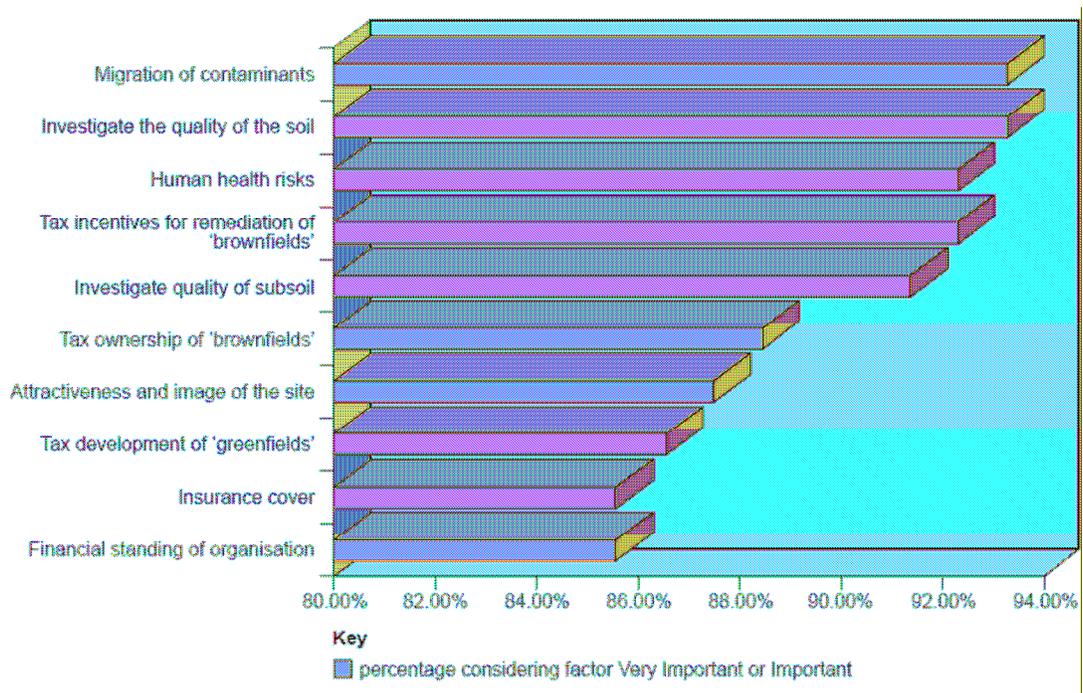
Syms (Syms 1997, Syms 1999, Syms 2001, Syms and Knight 2000) has identified a number of key risks in using brownfield land for housing and generally recognises physical, economic, regulatory and social factors in the redevelopment of brownfield land for housing. However, Syms (2001) mentions a few more general issues associated with brownfield redevelopment, which are worthy to note and include:

- *Environmental concerns*: groundwater reformation, groundwater quality, soil quality, air quality, prevalence of contaminative land uses in the vicinity.
- *Community matters*: the location of the site within the settlement, the supply of and demand for development land, the image and homogeneity of the settlement, the municipal structure, and time constraints.
- *Transport issues*: the proximity of disposal and supply systems, connections to local road networks, connections to motorway network and public transport services.
- *Managing the supply of development land*: many different factors affect these, including supply and demand, and availability.
- *Valuing brownfield land*: problems with land that falls outside the legal definition of contaminated land but nevertheless contains contaminative substances.

Syms (1999) provides a detailed overview of the main factors affecting the speculative development of brownfield land for housing, from the point of view of a cross section of development process professionals including surveyors, residential and commercial

developers, town planners, lawyers, engineers, architects and other professions³⁸. This is shown in Figures 4.2 and 4.3 as the most important and least important respectively. Figure 4.2 shows that site-specific contamination including the migration, soil quality, and health risks associated with that contamination are the most important factors affecting the redevelopment of brownfield land.

Figure 4.2: Most important brownfield factors: percentage of respondents considering factor very important or important

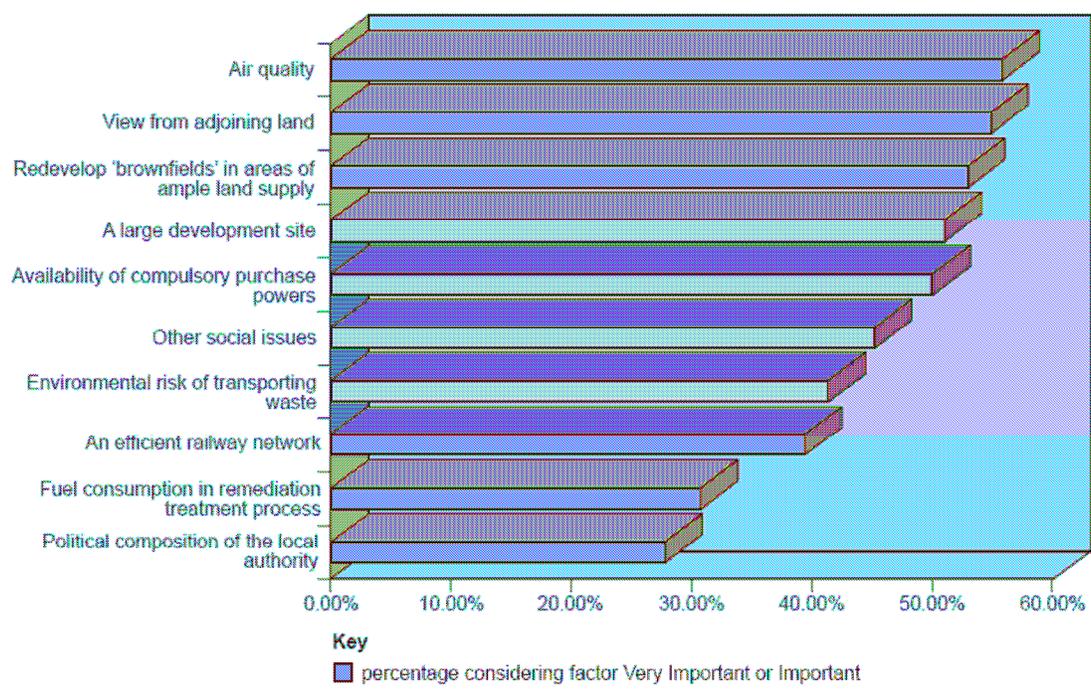


Source: Syms (1999:496)

Figure 4.3 shows that the least important factors in affecting the redevelopment of brownfield land are political composition of the local authority, fuel consumption in remediation treatment process, and the environmental risk of transporting development waste. These issues are largely institutional factors affecting the development of brownfield land for housing.

³⁸ In this research Syms (1999) makes clear that the poor response rate from developers meant that an intended comparison between developers was abandoned due to lack of statistical robustness. Thus, the sample did not facilitate inter-group comparisons.

Figure 4.3: Least important brownfield factors: percentage of respondents considering factor very important or important



Source: Syms (1999:497)

Shephard and Dixon (2004) highlight the potential impact of the EU Landfill Directive on the take up of contaminated sites in the UK, suggesting that it increases risk. This is because since 16 July 2004, the Directive banned the co-disposal of hazardous and non-hazardous waste resulting in a radically reduced number of sites permitted to accept hazardous waste. Shephard and Dixon (2004) also found that post-remediation stigma amongst purchasers, valuers and lenders was considered to be a significant issue by both housebuilders and commercial property developers. This has negative spin-offs in terms of the risk attached to marketing and successfully selling homes built on brownfield sites, contaminated ones in particular.

4.4 Developing a Renewed Classification of Brownfield Risks

Having identified the principal risks involved in the development of brownfield land for housing as documented in the existing literature, this section amalgamates these risk to present a new classification system, which best reflects the aim and objectives of the thesis.

Table 4.3: The Main Risks of Developing Brownfield Land for Housing by UI Speculative Housebuilders

Perceptual Risks

- Post-remediation stigma of land and property after remediation by purchasers, valuers and lenders, including view from adjoining sites.
- Negative perceptions by potential purchasers affecting marketing and sales of units, including human health risks, attractiveness and image of the site and other social issues.
- Political composition of local authority.
- Prospective and/or perceived site attractiveness prior to acquisition and development.
- Socio-cultural issues regarding perception of previously used land.
- Incomplete or lack of knowledge of definitions and information regarding contamination of sites within decision making organisations and wider population.
- Gap between knowledge and action.
- Housebuilders perceptions of their skills capacity and suitability to deal with brownfield sites.

Physical Risks

- Migration of contaminants.
- Nature and quality of the soil and top soil.
- Air quality.
- Environmental risk of transporting waste.
- Substantial underground obstructions, including old foundations, piles and redundant services.
- Threat of further contamination and financial and/or legal risk in dealing with it.
- Existing urban fabric.
- Vehicular access (ransom strips).
- Size of the site.
- Topography of the site and its associative limitations.
- Difficulty in identifying site ownership and potential for ransom strips.

Institutional Risks

Land

- Disjointed land ownership and multiplicity of tenurial rights and associative site assembly problems.
- Reluctance of owners to sell land in general and on terms acceptable by purchasers.
- Lack of effective institutional framework for remediation activities in which all parties have confidence.
- Planning.
- No automatic presumption in favour of developing suitable brownfield sites.
- Unrealistic protection of potential housing sites for future employment use.
- Lower certainty associated with brownfield sites in terms of delivery times and cost requirements.
- Outdated development plans, particularly in urban areas.
- Inappropriate planning gain requirements.
- Local resident opposition to development that can exceed that on greenfield sites.
- Delay and inconsistency in planning appeal decisions.
- Potential local opposition and ‘nimbyism’.
- Lack of congruence between development briefs and planning permission requirements.

Other

- Lack of joined up support, integration of objectives and activities between and within institutions.
- Lack of institutional funding for the redevelopment of severely contaminated sites.
- Lack of insurance availability for severely contaminated sites.
- Delays associated with utilities providers.

Source: Own Analysis

This classification system is then used in assessing the potential effects of the brownfield development policy agenda on the conventional business strategies of UK speculative housebuilders.

Table 4.3 identifies the categorisation of risks and provides a useful synopsis of the risks associated with brownfield development based on a review of the literature. Perceptual risks relate to risks that are less tangible but which remain significant in their effect. These risks are largely based on speculative housebuilders' perceptions and they demonstrate that the gap in knowledge and reality can serve to negatively influence the success of brownfield development for housing. Physical risks account for the ground related issues pertaining to the speculative redevelopment of previously used land for housing. Institutional risks incorporate those risks that relate to the external environment in which speculative housebuilders operate, such as the land market and planning contexts.

It is important to make clear that not all risks are relevant to all brownfield sites and some risks are site-specific (Barker 2003). As such, Table 4.4 presents the principal risks identified in Table 4.3 and categorises them into site specific and generic risks. The categorisation of brownfield risks based on their site-specific nature facilitates the formulation of responses to these risks, whether they are policy responses, institutional responses or housebuilder responses.

Table 4.4 shows that perceptual risks tend to be both site-specific and generic. For example, local residents' negative perceptions tend to be a site-specific risk, whilst more general socio-cultural risks concerning the contaminative issues facing brownfield land reuse generally affect all brownfield sites. It is, of course, possible for generic perceptions to shape local acceptability of the risks associated with using brownfield land for housing as well as site-specific risks. Physical risks tend largely to be site-specific in nature. There are a few generic risks associated with the physical risks of brownfield sites and those that do exist relate largely to general ownership constraints. Institutional risks are largely generic in nature and may therefore require institutional assistance to negate their effects. Any site-specific institutional risks that exist may require a mixture of public sector intervention and the development of core competencies by housebuilders to mitigate or alleviate them.

Table 4.4: Site Specific and Generic Risks in Speculative Residential Brownfield Development	
Site Specific Risks	Generic Risks
<p>Perceptual Risks</p> <ul style="list-style-type: none"> • Post-remediation stigma of land and property by purchasers, valuers and lenders, including view from adjoining sites. • Negative perceptions by potential purchasers affecting marketing and sales, including human health risks, attractiveness and image of the site. • Political composition of local authority. • Prospective and/or perceived site attractiveness prior to acquisition and succeeding commencement of development. 	<p>Perceptual Risks</p> <ul style="list-style-type: none"> • Socio-cultural issues regarding perception of previously used land. • Incomplete or lack of knowledge of definitions and information regarding contamination of sites within decision making organisations and wider population. • Gap between knowledge and action.
<p>Physical Risks</p> <ul style="list-style-type: none"> • Migration of contaminants. • Nature and quality of the soil and top soil. • Air quality. • Environmental risk of transporting waste. • Substantial underground obstructions, including old foundations, piles, machinery bases and redundant services. • Threat of further contamination and financial and/or legal risk in dealing with it. • Existing urban fabric. • Vehicular access (ransom strips). • Size of the site. • Topography of the site and its associative limitations. 	<p>Physical Risks</p> <ul style="list-style-type: none"> • Difficulty in identifying site ownership and potential for ransom strips.
<p>Institutional Risks</p> <ul style="list-style-type: none"> • Inappropriate planning gain requirements. • Local resident opposition to development that can exceed that on greenfield sites. • Potential local opposition and 'nimbyism'. • Lack of congruence between development briefs and planning permission requirements. 	<p>Institutional Risks</p> <ul style="list-style-type: none"> • Disjointed land ownership and multiplicity of tenurial rights and its associative site assembly problems. • Reluctance of owners to sell land in general and on terms acceptable by purchasers. • Lack of effective institutional framework for remediation activities in which all parties have confidence. • No automatic presumption in favour of developing brownfield sites. • Unrealistic protection of potential housing sites for future employment use. • Outdated development plans, particularly in urban areas. • Delay and inconsistency in planning appeal decisions. • Lack of joined institutional support and integration of objectives and activities between and within institutions. • Lack of institutional funding severely contaminated sites. • Lack of insurance for severely contaminated sites. • EU Landfill Directive. • Delays associated with utilities providers. • Lower certainty associated with brownfield sites in terms of delivery times and cost requirements.
<i>Source: Own Analysis</i>	

Having identified the principal risks that exist in the speculative redevelopment of brownfield land for housebuilding, it is now important to consider the role of perception in the tolerability of these risks in any assessment of speculative housebuilders' response to the brownfield development agenda. This will now be discussed.

4.5 The Role of Perception in Risk Tolerability

Of course, any speculative development is risky and therefore inherently difficult to consider risk free. Risk therefore has a normal business role. This is particularly so with speculative residential development, a process that often involves large amounts of up front capital, potential time delays where planning permissions are required and more notably, the requirement of planning obligations, which can render a development financially unviable. Housebuilders' perception of brownfield risks therefore undoubtedly shape their tolerability towards those risks and subsequently their willingness to undertake brownfield development. As such, risk can therefore be viewed as a constraint or an opportunity by housebuilders, depending on their perception of risk tolerability, which is influenced by their confidence, willingness and skills.

As the UK speculative housebuilding industry is typically risk averse in its operations and business strategies (see Chapter 2), there is little doubt that the influence of 'risk perception' on the tolerability of brownfield development will be a significant issue to UK speculative housebuilders in their decision to build on brownfield sites. However, with the steady increase in the percentage of new homes built on brownfield land since 2000 (see Chapter 3), perhaps the consideration of what risk is tolerable to housebuilders in brownfield development has shifted, with the gap between perception and reality in brownfield risk gradually decreasing. This might be due to housebuilders growing their brownfield skills base as they develop fresh competencies to deal with brownfield redevelopment. However, as Chapter 3 identified, the uptake of hardcore brownfield sites remains low, and undoubtedly the perception of risk tolerability is an influence on this.

As such, closing the gap between the perception and reality of risk is one of the most important aspects for brownfield development success. Raco (2006) suggests that the problems associated with challenging the negative perceptions of brownfield development are as significant as tackling ground related issues, such as contamination. The author mentions that the exaggerated perceptions of the risks of brownfield development have actually suited particular interests, such as the property industry, in their calls for higher levels of state subsidy for development and the relaxation of planning restrictions on development. Whilst this may be an empirical question for investigation elsewhere,

nonetheless the impact of risk and the perception and tolerability of risk will be of significant research interest in this thesis.

4.6 The Impact of Brownfield Development on the Conventional Business Strategies of UK Speculative Housebuilders

Chapter 2 made clear that the conventional business strategies of UK speculative housebuilders have been shaped primarily by the conversion of greenfield land into mass standardised estates (Adams and Watkins 2002) and have suited a particularly concentrated industry structure (Hooper and Nicol 1999). Risk, and subsequently risk aversion, has also been a significant influential factor in UK speculative housebuilders' strategic decision making (Barker 2003) and the evolution of their business strategies within this greenfield development context (refer to Chapter 2). As such, it is likely that additional risks faced by the industry in respect of the policy switch favouring brownfield development will test the housebuilding industry's traditional forms of risk management and abatement. This will now be discussed in more detail in respect of land acquisition, planning permission, marketing and product design.

4.6.1 The impact of brownfield development on the importance of land

Adams and Watkins (2002) and Tiesdell and Adams (2004) have discussed at length the potential impact of brownfield development on the existing land strategies of UK speculative housebuilders. Adams and Watkins (2002) suggest that brownfield land purchase presents a challenge to UK speculative housebuilders conventional strategies for four reasons:

1. The very nature of brownfield sites with their history of previous uses often results in abnormal site preparation costs, and makes the task of development appraisal an even more uncertain exercise than usual.
2. Brownfield landowners are unlikely to be as willing as their greenfield counterparts to grant options or conditional contracts allowing housebuilders lengthy periods of time to bargain with planning authorities. On brownfield sites then, housebuilders may have to be more willing to take the risk of freehold purchase prior to planning permission or alternatively be more prepared to work within the adopted planning context.

3. If brownfield sites need to be pieced together from a multiplicity of ownerships, the acquisition process can be highly protracted.
4. For many housebuilders, brownfield land markets remain a relatively unknown area in which it will be necessary to build up contacts, networks, and practices before large scale entry.

Table 4.5: The Conventional Approach to Land Supply by UK Speculative Housebuilders and the Requirements of Brownfield Land		
Conventional Competence	Conventional Skills	Additionally Required Skills
Sourcing land, controlling, ownership, land acquisition	<ul style="list-style-type: none"> • Exploiting low land value through the use of lengthy options to capture inflationary land values. • Reliable site preparation costs allow certainty in development appraisal. • Larger sites allow ease in assembling large land parcels. • Existing knowledge of the market and its contacts provides low risk and more certainty. • Maintaining a suitable flow of both short term and long term land. 	<ul style="list-style-type: none"> • Dealing with high land value through maximising density and using efficient layouts. • Integrating abnormal site preparation costs into development viability. • Dealing with more expensive land preparation costs. • Controlling ownership by other means than lengthy options. • Seeking added value in alternative ways than from inflationary gains in land value. • Dealing with smaller sites and protracted land ownership. • Dealing with lack of knowledge in brownfield markets and building up the necessary contacts and market information. • Incorporating brownfield land into the flow of suitable sites.
<i>Source: Own Analysis adapted from Adams (2004)</i>		

In addition, the traditional strategies of seeking inflationary gains on the value of optioned land will also be tested; if brownfield land is less likely to be controlled through options, the opportunity to accrue profit from short to medium term inflationary gains on land prices will be limited in a rising market. Tiesdell and Adams (2004) explain “...the process of residential development from land acquisition to sales of completed properties is usually a lengthy one that has often coincided with significant periods of house and land price inflation. Thus, cushioned by the increase in the land value, major housebuilders have not had to generate gains solely through housing production, and in periods of high inflation, have been able to earn a greater proportion of their returns through increases in

land value than directly through housing production” (p.36). Thus, due to the uncertain nature of brownfield land markets, it “...makes land banking a less attractive strategy (as developers are less likely to benefit from medium-term inflationary increases in land value to the same extent as on greenfield land” (ibid.).

As such, whilst the importance of land in UK speculative housebuilders’ business strategies may remain under the brownfield development context, the conventional ways in which housebuilders will ensure this importance are likely to be challenged. As inflationary gains on the value of optioned land will not be suitable under the brownfield development scenario, controlling ownership, dealing with expensive development and abnormal site preparation may also challenge housebuilders’ conventional strategies.

4.6.2 The impact of brownfield development on gaining planning permission

At the outset, one might assume gaining planning permission on brownfield development to be easier than greenfield land because of the importance of brownfield development to the UK Government’s housing-led regeneration agenda and the obvious promotion of brownfield reuse in urban and public policy. However, Adams and Watkins (2002) note that housebuilders cannot presume that gaining permission for development on brownfield sites will be any easier. They provide three key reasons:

1. Local planning authorities often desire to maintain a balance of uses within urban areas and can be particularly reluctant to accede to the redevelopment of former industrial land for non-employment uses.
2. Very real concerns exist in urban communities that increased urban housing development reflects a policy of town cramming rather than town planning. As a result, housebuilders can equally well face opposition to their development proposals from local residents and communities on brownfield as on greenfield sites.
3. Since the task of fitting new development into existing urban areas is more challenging than building on greenfield land, housebuilders may well need to develop fresh skills and approaches to convince planning authorities and local communities that their proposed brownfield developments, even if welcome in principle, represent a worthwhile contribution to the quality of urban life rather

than a mere translation of the greenfield development model to a brownfield location.

Tiesdell and Adams (2004) also suggest that the planning policy context for brownfield development is intrinsically more complex than that of greenfield development, for which developers are more used to. The authors highlight how planning authorities may require an element of mixed-use development as a condition of planning consent, thus creating additional design challenges. And, rather than incurring the time and costs of challenging planning policy, developers on brownfield sites might need to be more prepared to work within the grain of existing planning policy, thereby accepting additional external constraints on their opportunity space.

Table 4.6: The Conventional Approach to Gaining Planning Permission by UK Speculative Housebuilders and the Requirements of Brownfield Land		
Conventional Competence	Conventional Skills	Additionally Required Skills
Securing planning permission and other consents	<ul style="list-style-type: none"> • Utilising standardised layouts and products to provide blanket building regulations. • Having familiarity of the planning requirements of conventional developments. • Utilising tried and tested methods in promoting land through the planning system. • Utilising sophisticated lobbying techniques to argue for planning consent. 	<ul style="list-style-type: none"> • Considering a balance of uses in development. • Managing the density requirements through more intense land use. • Dealing with local opposition from adjacent land users. • Convincing local authorities of development value. • Arguing for change of use on former industrial sites. • Dealing with the additional necessary consents of brownfield sites, such as access and infrastructure provision.
<i>Source: Own Analysis Adapted from Adams and Watkins (2002)</i>		

The above table shows how brownfield development will likely challenge the conventional ways in which UK speculative housebuilders gain planning permission. Whilst housebuilders have familiarity in the planning requirements of their conventional developments, it is clear that brownfield development will demand additional skills from housebuilders that will test their traditional approach.

4.6.3 The impact of brownfield development on marketing strategies

It is clear that “...quite different approaches and quite different images will be needed for brownfield locations set in the midst of urban complexity” (Adams and Watkins 2002:139). Simply transposing greenfield marketing images onto a brownfield mode will not suffice and housebuilders will have to “...realise that entirely new marketing skills and concepts...which fully appreciate that the nature of both the clientele and the purchase have changed significantly” (ibid).

Tiesdell and Adams (2004) suggest that whilst housebuilders marketing strategies have generally evolved and matured to sell greenfield housing, relying on images of car-based, family-oriented housing, brownfield development requires quite different images. Brownfield developments are “...set within a different context which is less family-oriented” and therefore “...brownfield housing choices are based more on the freedoms and opportunities of particular lifestyles choices than the restrictions of family commitments” (p.42).

Table 4.7: The Conventional Approach to Marketing by UK Speculative Housebuilders and the Requirements of Brownfield Land		
Conventional Competence	Conventional Skills	Additionally Required Skills
Creating Attractive Marketing Images	<ul style="list-style-type: none"> • Marketing images and lifestyles used. • Images readily connect to the suburban family oriented lifestyles. • Typical family purchasers. 	<ul style="list-style-type: none"> • Developing new marketing images required for urban lifestyles and city centre living. • Need to market smaller dwelling sizes that are less suitable for families. • Dealing with negative marketing aspects of previously used sites.
<i>Source: Adapted from Adams and Watkins (2002)</i>		

Stead (2003) suggests that there is widespread belief that rural areas are better places in which to live than towns and cities, and a general perception that rural areas offer more in terms of a better environment, lower levels of crime and a greater sense of community. He suggests that a number of obstacles to urban living exist, and highlights how economically, developers favour rural locations. In addition, Stead (2003) also suggests that residential parking policy, higher levels of council tax in urban areas and public transport costs may also be off putting to potential purchasers of brownfield developments.

The above factors are likely to act as constraints on the ability of speculative housebuilders to market brownfield sites. Tiesdell and Adams (2004) therefore suggest that the policy switch favouring brownfield development will require housebuilders to develop new strategies that are less family oriented. Table 4.7 provides a synopsis of the issues facing speculative housebuilders in marketing under the brownfield development scenario and highlights the skills additionally required to account for these issues.

4.6.4 The impact of brownfield development on standard products for standard locations

Chapter 2 made clear that product standardisation is an essential feature of UK speculative housebuilding. Whilst the UK housebuilding industry has developed not only its business strategies but also its reputation around the delivery of standardised products for standardised greenfield sites, "...it is clear that brownfield development is more likely to require the delivery of individually tailored products for specific locations" (Adams and Watkins 2002:144). Adams and Watkins (2002) suggest that brownfield development will challenge housebuilders' reliance on product standardisation for two key reasons:

1. Brownfield sites are likely to be more problematic, requiring layouts that take account of particular site conditions, including ground conditions and existing buildings or foundations.
2. Successful brownfield development needs to be carefully woven into the existing urban fabric and its associated design and infrastructural requirements that go with it.

Further, Tiesdell and Adams (2004) suggest that brownfield development presents "...an intrinsically different market/development context" (p.36) and as such, will challenge the design context of UK speculative housebuilders. Indeed, because of their inherent simplicity, greenfield sites can be developed in a formulaic and mechanistic manner, producing cost-efficient layouts and elementary formulas can be written for laying out housing developments. By contrast, the different constraints and opportunities of brownfield sites mean that standardised solutions are unlikely to suffice, "...which compels housebuilders to be more aware of how fundamental design affects end values"

(p.36). Thus, greater attention to design provides a means of overcoming these obstacles and achieving a saleable product within budget constraints.

Table 4.8: The Conventional Approach to Product Design by UK Speculative Housebuilders and the Requirements of Brownfield Land		
Conventional Competence	Conventional Skills	Additionally Required Skills
Product Design	<ul style="list-style-type: none"> • Standard products for standard locations, achieving blanket building regulations. • Standard layouts and construction methods. • Certainty in build cost. 	<ul style="list-style-type: none"> • Need for tailored and bespoke design solutions. • Dealing with uncertain development costs. • Adding value directly from the product and not land. • Dealing with smaller sites.
<i>Source: Adapted from Adams and Watkins (2002)</i>		

In addition, developers do not simply have to overcome site constraints of brownfield land but must do so in ways that produce a saleable product. Any brownfield housing development usually needs to be integrated within a more complex urban context, accounting for the negative spill over effects. Thus, in viewing design as a means of overcoming obstacles and achieving a saleable product, "...brownfield developers are again compelled both to employ skilled designers and to yield opportunity space to them" (p.37).

More so, as developers must overcome site constraints and achieve a saleable product, they must do so in a more competitive milieu. Tiesdell and Adams (2004) suggest that brownfield development, in contrast to greenfield development, can produce local monopolies through strategic land control and usually involves direct competition from other developments within the immediate local area. This competition increases consumer sovereignty and reduces both producer sovereignty and the developer's opportunity space to determine the developments design and quality. In addition, the authors' suggest that brownfield markets are more likely to be emerging rather than established, with less accumulated information about consumer preference. Design on brownfield sites therefore "...becomes a deliberate strategy to reduce risk, with developers frequently having to use

design as a means both of improving quality as a competitive strategy and of enabling their development to stand out” (p.38).

Tiesdell and Adams (2004) make clear that the more challenging the design task the greater the need to utilise design as a means to achieve viable development (p.34). Therefore, housebuilders need to yield ‘opportunity space’³⁹ to designers, as investment in better design is “...a development necessity rather than a development choice” (p.25). Tiesdell and Adams (2004) highlight three main external constraints on the developer’s opportunity space for brownfield development:

1. The development site and its local context.
2. The market context i.e. the need to create a saleable product and take account of investor and user needs.
3. The regulatory context i.e. the need for planning and development consent, including the need to comply with development plan policies and any site-specific planning guidance.

Tiesdell and Adams (2004) conclude by arguing that brownfield development contexts “...compel developers to invest in design in their business strategies i.e. design must be utilized as a means of both overcoming development obstacles and constraints and achieving the end values necessary to make development viable” (pp.43-44). The authors final word is to suggest that “...if major housebuilders are to operate successfully within brownfield contexts, they must rethink and perhaps adapt their established business strategies in ways that yield greater opportunity space for designers” (p.44).

In addition to the comments of Tiesdell and Adams (2004), there are a number of other issues in respect of brownfield development that will test speculative housebuilders’ conventional skills for product design. These are shown in Table 4.8 and highlight the uncertain and risky nature of product design on brownfield sites. The table acts to

³⁹ Tiesdell and Adams (2004) define ‘opportunity space’ for design initially by the external constraints (for example the site and its context, the planning policy and other regulatory mechanisms, and market conditions etc) on the developer and then by the constraints that the developer places on the designer. The actual boundary or ‘frontier’ to the opportunity space is negotiated, fuzzy and ambiguous, as it is on the respective negotiating abilities of the designer and the developer and the dynamics and precise nature of their relationship (p.32).

synopsise the key issues surrounding the challenge of brownfield development to the conventional design strategies of UK speculative housebuilders.

4.7 Chapter Conclusions

This chapter has emphasised that the development of brownfield land for housing can be complicated by an array of ground related and institutional issues. These issues can be viewed as either constraints or opportunities, depending on the perception of risk tolerability by UK speculative housebuilders. The chapter has discussed the most prevalent risks associated with the speculative use brownfield land for housing and has considered the potential impact of these risks on the conventional business strategies of UK speculative housebuilders.

Ultimately, this chapter has demonstrated how brownfield development will likely challenge the conventional business strategies of UK speculative housebuilders through assessing its impact on the way in which housebuilders establish development feasibility and approach product design. More importantly, the chapter has made clear that the demands of brownfield development are not currently matched by the conventional organisational processes and cultures of UK speculative housebuilders.

CHAPTER 5

THE CONCEPTUAL APPROACH TO RESEARCH

5.1 Introduction

This chapter outlines the conceptual approach to research that is used to facilitate an assessment of the impact of the policy switch favouring brownfield development on the UK speculative housebuilding industry. Specifically, the conceptual approach seeks to fulfil the aim and objectives of the research, by assessing the institutional capacity of the UK speculative housebuilding industry through:

- An assessment of the internal firm competencies of UK speculative housebuilders in response to the policy switch favouring brownfield development.
- An assessment of the contributions of the external environment of UK speculative housebuilding in response to the policy switch favouring brownfield development.

To illustrate a linkage and interrelationship between the conceptual understandings of the external environment of UK speculative housebuilding and the internal firm competencies of UK speculative housebuilders and in order to critically assess 'institutional capacity', the conceptual approach to this research is framed by the Structure of Provision model (Ball 1983).

The chapter is structured into three main parts. The first part of the chapter presents the structure of provision model (Ball 1983, 1999) and argues that its use provides the opportunity to show the interaction and interrelationship between the external environment and internal firm competencies of speculative housebuilders in shaping the institutional capacity of speculative housebuilders in response to the brownfield development requirement. The second part of this chapter utilises the core competence approach, within the field of strategic management, to provide a conceptual understanding of the way in which speculative housebuilders develop greenfield land and assess how this might change as a result of the policy switch favouring brownfield development. The third part of the chapter uses an institutional approach as a means of enabling a conceptualisation of the reaction of UK speculative housebuilders to the policy switch favouring brownfield

development, through facilitating an understanding the interaction between UK speculative housebuilders with the external environment within which they operate.

5.2 The Structure of Provision Model in UK Speculative Housebuilding Research

Ball (1983) makes clear that housing provision does not exist in a vacuum. Indeed, ‘...broader influences... (and) other social and economic forces...have an effect’ (pg.19). This is reflected in the institutional literature, where Cars et al (2002) argue that the transformation of cities and their governance structures has generated “...not merely new relations of economic life and social activity to be accommodated in cities...(but has) also changed expectations of the roles and relationships of governance and the modes of governance. It has changed how the formal organisation and procedures of the public sector interact with the wider society” (pg.xi).

Against the principles of institutional analysis and institutional capacity⁴⁰, it is crucial to demonstrate the interaction and influence of the wider external environment on UK speculative housebuilder behaviour in response to external changes in the public policy agenda, specifically the brownfield development requirement. Ball (1983) conceptualises the impact of these broader influences on housing provision through his Structure of Provision Model (SOP). In his later work, Ball uses the model to explore the impact of external contexts on UK speculative housing provision; Ball (1999) argues that the external market contexts of UK speculative housebuilders influence the way in which housebuilders approach innovation in housebuilding products and processes.

In this research, the SOP model is applied to demonstrate the interaction between the external environment of UK speculative housing provision and speculative housebuilders’ internal strategies in shaping the ‘institutional capacity’ of the UK speculative housebuilding industry in response to the UK Governments brownfield first policy agenda. The application of the SOP model in this research resultantly facilitates an analysis of the institutional capacity of the UK speculative housebuilding industry in responding to brownfield policy change. The SOP model therefore provides a good starting point for

⁴⁰ Which will be explored in more detail later in this Chapter.

demonstrating the connections between the internal firm competencies of the UK speculative housebuilding industry and its wider 'institutional landscape' in relation to institutional capacity and institutional capacity building. The following paragraphs explain the SOP model and its usefulness in illustrating and demonstrating the connections between internal firm competencies and external policy change specifically for this research.

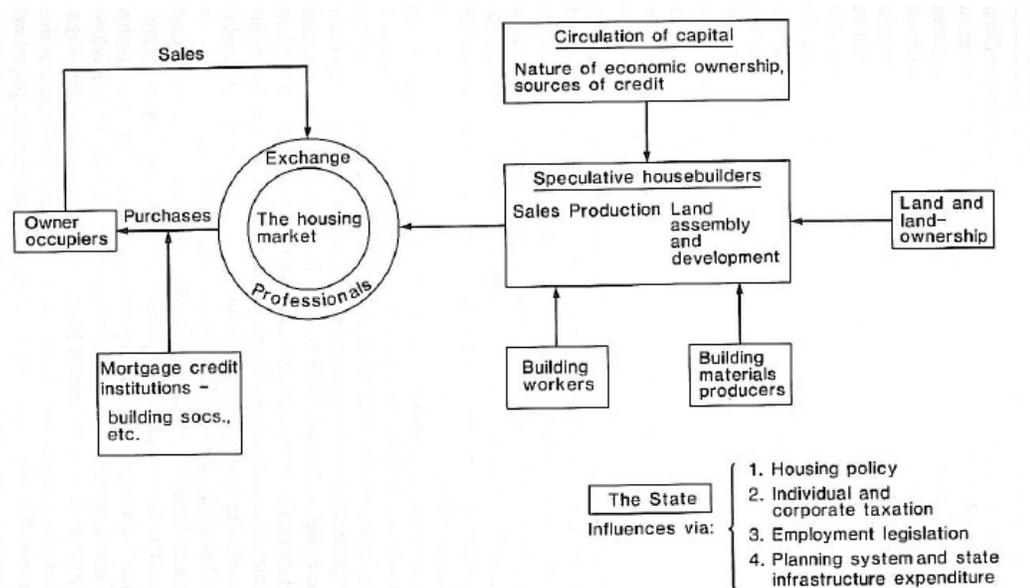
Ball (1998) considers the SOP model as "the contemporary network of relationships associated with the provision of particular types of building at specific points in time. These relationships are embodied within the organisations associated with that type of building provision, and they may take a market or a non-market form" (pg.1513). The SOP model accounts for a wide range of actors who comprise the institutional landscape of speculative housebuilding; and, it is specific to its own context, where "the network of organisations and markets involved in a particular form of building provision is the 'structure of provision of that provision' and therefore there is consequently 'no dichotomy between agency and structure'" (p.1513).

Ball's (1998) structure of provision model has been applied sparingly in the academic literature as means of understanding and conceptualising UK speculative housebuilding. However, Ball (1998) emphasises the usefulness of his SOP model as a methodological tool for application in British property research; he originally developed the structure of provision model to facilitate an understanding of the political economy of owner occupied housing provision in the UK (Ball 1983), which is shown in Figure 5.1. This SOP model illustrates '...the series of relations between social agents that are familiar to almost anyone...' (Ball 1983:18). Figure 5.1 also schematically demonstrates the relations between speculative housebuilders and these wider 'social agents' as they relate to the provision of owner occupation housing at that point in time.

Ball (1998) makes clear that the SOP is "...a conceptual device for incorporating institutions into analyses of the development process. It does not constitute a complete theory in itself, rather it is a methodological theory – a series of statements about how to examine institutions and their roles rather than an explanation in itself" (p.1514). As such, the SOP model is a tool "...whose theoretical underpinning could come from a wide variety of theories...within its ambit" (p.1514). Ball (1999) emphasises that the key

feature of the SOP model is that it is subject to continual change through a number of factors like market pressures, changes in technologies and policies, and the strategic decisions of organisations.

Figure 5.1: The Structure of Provision of Owner Occupied Housing Provision, 1983



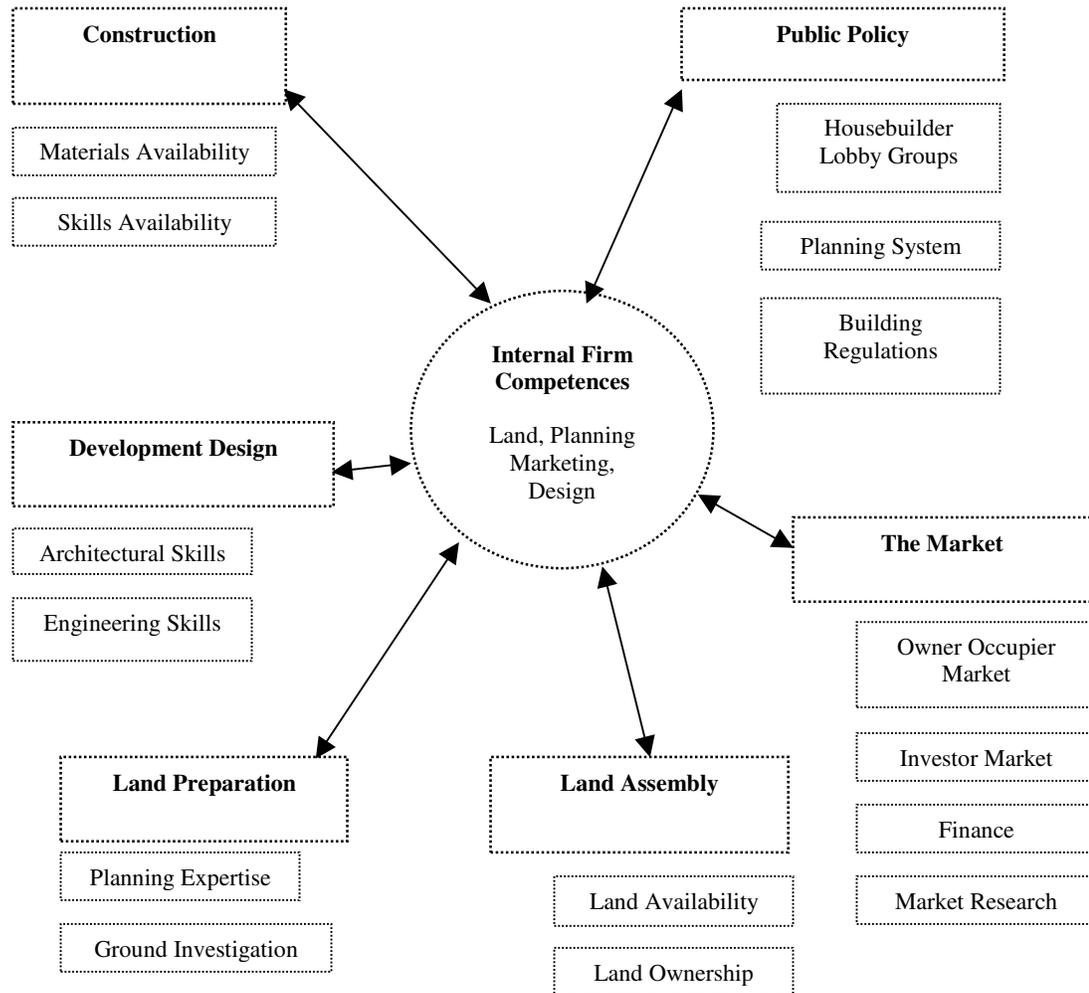
Source: Ball (1983:20)

In the context of this research then, the SOP model will be used specifically to illustrate the impact of the policy switch favouring brownfield development on the structure of speculative housing provision.

Figure 5.2 outlines the current structure of UK speculative housing provision, based on a detailed review of the previous literature in Chapters 1-4, and is in keeping with the principles of the model as outlined by Ball's (1983, 1998, 1999) work. This model demonstrates the interaction between the external factors that currently affect the speculative provision of new homes in the UK with the internal firm competencies of UK speculative housebuilders⁴¹.

⁴¹ For more detail on the internal firm competencies, please refer back to Chapters 2 and 4.

Figure 5.2: The Current Structure of Speculative Housing Provision, UK



Source: Own Analysis

Figure 5.2 provides a broad contextual understanding of the different external influences on the internal firm competencies of speculative housebuilders in the speculative provision of new homes in the UK based on a review of the previous literature. Each box represents the most important and influential external factors that currently shape the speculative provision of new homes in the UK, which themselves are made up of various other external contexts. 'The Market', for example, is comprised of a number of external markets to UK speculative housebuilding that affect its provision, such as finance markets, investor markets and owner occupied markets. Whilst these external contexts are not exhaustive the model does usefully demonstrate the variety of external contexts that currently affect the speculative provision of new homes in the UK. 'Public Policy' for example, accounts for policy framework within which UK speculative housebuilders operate. Here, this external context is comprised not only of the planning system and the

various associated policies that constrain housebuilding, but also lobby groups who facilitate the delivery of new policy and provide a voice for the housebuilding industry in respect of the impact of newly proposed policies. Other external contexts outlined in Figure 5.2 are construction, development design, the market, land preparation and land assembly, and within those core external contexts, other contexts that influence or shape the core external contexts are listed.

Because this research concentrates on the impact of the brownfield policy agenda on UK speculative housebuilders, the focus is on one sub-set of the external market contexts shown in Figure 5.2 in respect of speculative housing provision – Public Policy. Changes in the policy priorities of the UK Government towards the delivery of the majority of new homes on brownfield land will undoubtedly shape the way in which UK speculative housebuilders deliver the majority of new homes in the UK, particularly as a result of the historical dominance of greenfield development to UK speculative housing delivery. This may in turn require the emergence of a new structure of provision in UK speculative housebuilding, to which the aim of the research is focused. Using the SOP model therefore presents the opportunity to facilitate an understanding of the impact and effect of changing policy priorities on speculative housing provision.

The following two sections outline the two conceptual approaches to this research – the core competence approach within the field of strategic management and the institutional analysis.

5.3 Assessing Internal Firm Competencies in Speculative Housebuilding

All organisations are faced with the need to make strategic decisions⁴² in response to external change and internal firm evolution. Strategic decision-making is concerned with two aspects:

⁴² ‘Strategy’ is defined as “...the direction and scope of an organisation over the long-term, which achieves advantage for the organisation through its configuration of resources within a changing environment, to meet the needs of markets and to fulfil stakeholder expectations” (Johnson and Scholes 1997:10). Strategic decision-making as an operational process is therefore uncertain, complex and speculative, and requires major organisational change through an integrated approach (Johnson & Scholes 1997:10).

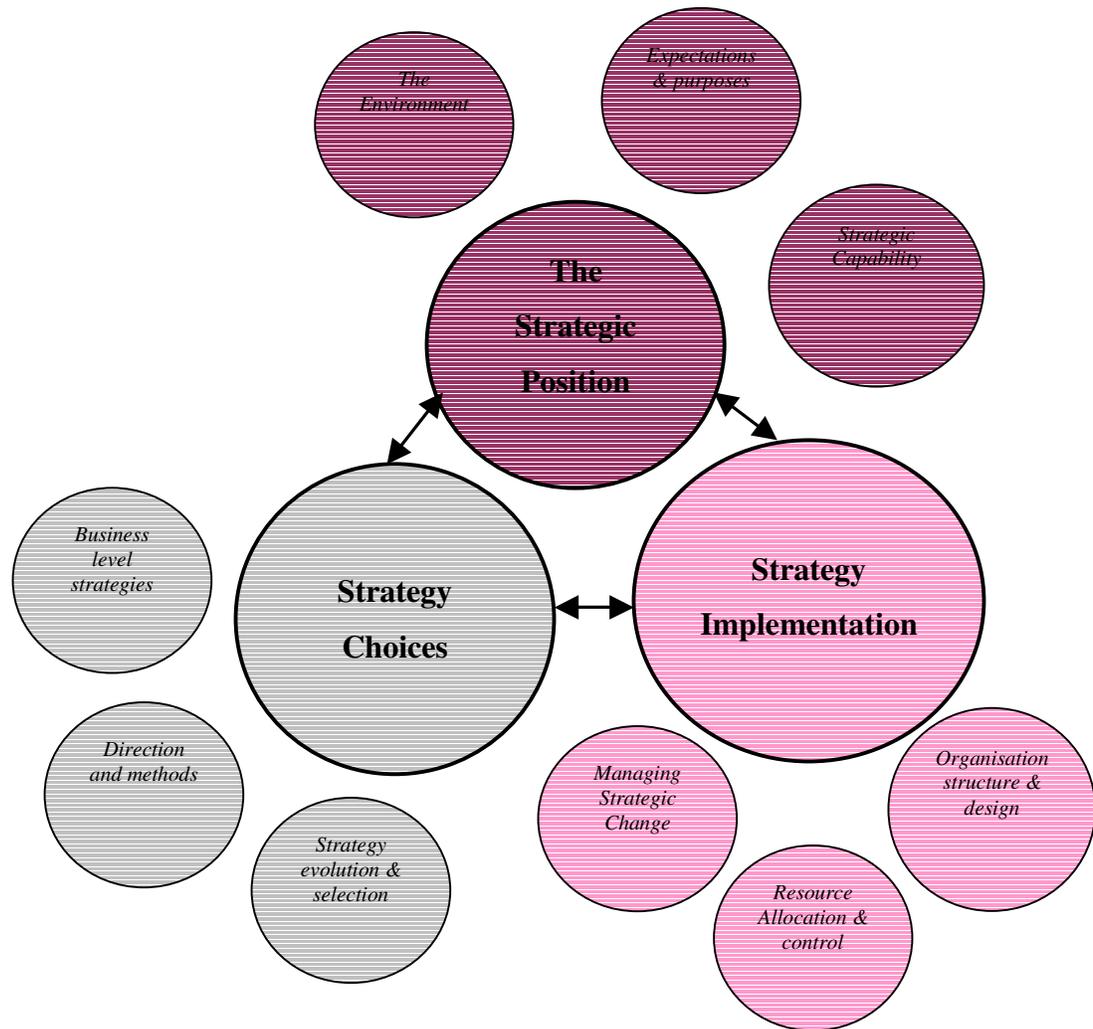
- The long-term direction of an organisation and the development of competitive advantage through conceiving the organisation's activities and business boundaries, and matching the organisation's activities to the environment within which it operates.
- Stretching an organisation's resources and competencies to create new opportunities or capitalise on existing ones, through changing resources and operational decisions, and affecting or challenging the values and expectations of those in power in the organisation.

(Johnson & Scholes 1997:4-5).

The main elements that make up strategic management are outlined in Figure 5.3. The figure shows that the process of strategic management is comprised of a series of inter-related and interacting components⁴³ that cannot necessarily be divorced from one another. In respect of its aim and objectives, the focus of this research will centre on strategic analysis, because the research seeks to examine the delivery and implementation of change. More so, strategic analysis is concerned with the processes by which organisations analyse their own internal characteristics and capabilities, and identify the features of the external environment within which they operate (Morden 1999:5). Strategic analysis therefore considers the external environment and internal competencies of the organisation as a determinant of the strategic capability and purpose of an organisation (Johnson & Scholes 1997:18). Strategic analysis focuses on an organisation's current strategy in dealing with external change, the likely ability of delivering the results expected and matching the current strategic approach with the required strategic approach that is uncovered by the strategic analysis.

⁴³ Morden (1999) suggests that the process of strategic management has four components: strategic analysis; strategy formulation and strategic decision making; strategy choice; and, strategy implementation. This process, Morden (1999) suggests, is iterative, where all four components influence each other in a decision process that is constantly updated through feedback and learning (p.5). Johnson and Scholes (1997) on the other hand, suggest the strategic management process has only three main elements: strategic analysis; strategic choice; and, strategy implementation. Mintzberg and Quinn (1991) suggest that a good deal of confusion in this field stems from contradictory and ill-defined uses of the term strategy (see Wheelen and Hunger 1994; Mintzberg and Quinn 1991; Faulkner 1995, for alternative versions).

Figure 5.3: A Summary Model of the Elements of Strategic Management



Source: Adapted from Johnson and Scholes (1997:24)

Strategic analysis therefore facilitates an assessment of the current corporate strategies of UK speculative housebuilders and the likely impact of external policy change on these, such as the policy switch towards brownfield development. Recent research has highlighted the impact of external changes to the regulatory, demographic and economic environments of speculative housebuilding on the adaptive capacity of UK speculative housebuilders (Adams 2004, Hertin et al 2003, Adams & Watkins 2002). Currently, the housebuilding industry literature demonstrates research interest in the impact of the policy switch favouring brownfield development on the structure and organisation of the UK speculative housebuilding industry and it is from this interest that this research is derived.

5.3.1 Theories of firm strategic analysis and competitive strategy

Theories of strategic management have evolved and have been shaped largely by the behavioural revolution, an important feature of social science research in recent times. A paradigmatic shift, from a previously structuralist focus of firm strategic analysis and competitive strategy, toward a more behaviourist understanding of competition and organisational learning, represents a broader change in the understanding of firm behaviour and business strategy and signals the development of a resource-based or knowledge-based view of the firm (Dobson et al 2004). The importance of internal firm characteristics and competencies in driving change is a recent phenomenon in the field of strategic management, where previous attention was paid to external environmental forces in driving change (Porter 1979). This shift represents the evolution of strategy as a concept.

Whilst this shift in the logic of competition is “revolutionizing corporate strategy” (Stalk et al 1992:62), it is also significantly challenging the traditional orthodoxy held by firms, where the shaping force of external environmental change has diminished as a sole explanation for organisational change. The strategic management literature now acknowledges that firm behaviour, managerial ability and organizational learning are at the forefront of creating and sustaining competitive advantage, and the development of competence based theories of the firm reflects this interest.

5.3.2 Competence-based theories of the firm

Although a behaviourist approach to firm strategic analysis and competitive strategy, focusing on collective learning (Prahalad and Hamel 1990), knowledge systems (Leonard-Barton 1992) and capabilities-based competition (Stalk et al 1992), is the accepted wisdom amongst the most recent of strategic management contributions, the articulation of this competence-based approach differs. The most compelling behaviourist understanding of firm strategic behaviour is that of Prahalad and Hamel’s (1990) and Hamel and Prahalad’s (1994) competence-based theory. The authors suggest that in the face of increasing global competition, industry restructuring and the onset of productivity-enhancing technology, the critical task now facing firm strategic management is “to create an organisation capable of infusing products with irresistible functionality or...creating products that customers need but have not yet even imagined” (1990:80). Accordingly then, the roots of competitive advantage “...lie not in the short-run price/performance attributes of current products, but

in the more long-run ability to build, at lower cost and more speedily than competitors, the core competencies that spawn unanticipated products through the consolidation of corporate wide technologies and production skills, allowing the quick adaptation to changing opportunities” (1990:81).

Prahalad and Hamel (1990) recognise that the real source of firm advantage is to be found in “management’s ability to consolidate corporate-wide technologies and production skills into competencies that empower individual businesses to adapt quickly to changing opportunities” (p.81). This resource-based view of the firm recognises resources in their broadest sense to include “assets, processes, attributes, knowledge and information” and, to confer competitive advantage, resources must be “rare/scarcely, difficult or, better, impossible to imitate, non-substitutable and appropriable by the firm” (Barney 1999 cited in Dobson et al 2004).

Competencies are generally defined as the ‘the root system’ of the firm. However, Durand (1998) notes how “...vague and fuzzy the concepts of resource and competence used in most of the management literature remain” and further points out “...the management literature has not paid enough attention to the issue of properly defining competence” (p.304). Leonard-Barton (1992) highlights the variety of definitions of the ‘root system’ that she herself defines as competence, including distinctive competencies, firm-specific competencies, resource deployments and invisible assets. Leonard-Barton settles on core capabilities as her defining term as do Stalk et al (1992), whilst Hamel and Prahalad (1994) persist with core competencies as their preferred term. Interestingly, Leonard-Barton (1992) suggests that the term is problematically sometimes rendered self-explanatory as a result of these loose definitions and as such, contributes to the vague and fuzzy definitions apparent. Much of the more recent literature on strategic management has persisted with the phrase core competence (Dobson et al 2004, Hamel et al 1998).

Hamel and Prahalad (1994) define core competence as a bundle of skills and technologies that represents the sum of learning across individual skill sets and individual organisation units. And, to be considered a core competence, a skill must meet three tests:

- *Customer Value*: skills that enable firms to deliver a fundamental customer benefit.

- *Competitor Differentiation*: there is a difference between necessary competencies and differentiating competencies for participation in a given industry, where the competencies are considered 'core' if they are competitively unique and not ubiquitous.
- *Extendability*: the ability to abstract away from a particular product configuration in which the competence is currently embedded, and imagine how the competence might be applied in new product arenas.

Core competencies are not immutable; when fundamental technologies change, or if new competitors emerge, an organisation becomes vulnerable unless they continually invest in learning and understanding their core skills and competencies. Hamel and Prahalad (1994) use the example of outsourcing to illustrate. Outsourcing can provide a shortcut to a more competitive product, but it typically contributes little to people-embodied skills that are needed to sustain product leadership (p.84). Further, core competencies are built through a process of continuous improvement and enhancement, so "a company that has failed to invest in core competence building will find it very difficult to enter an emerging market, unless, of course, it will be content simply to serve as a distributional channel" (p.85).

Agreement exists that the general principle behind core competencies in the strategic management literature is the long-run ability of organisations to build the core competencies that spawn unanticipated products through the consolidation of corporate wide technologies and production skills, allowing the quick adaptation to changing opportunities (Prahalad and Hamel, 1990:81). However, the application of this general principle varies in the literature. Leonard-Barton (1992) for example explores the interaction of capabilities (she prefers to use this term) with a critical strategic activity: the development of new products and processes. She argues that new product and process development projects are obvious visible arenas for conflict between the need for innovation and retention of important capabilities. She suggests that managers of such projects "face a paradox: core capabilities simultaneously enhance and inhibit development" (p.112).

Leonard-Barton (1992) suggests that a core capability is an interrelated, interdependent 'knowledge system' that distinguishes and provides a competitive advantage (p.112). This

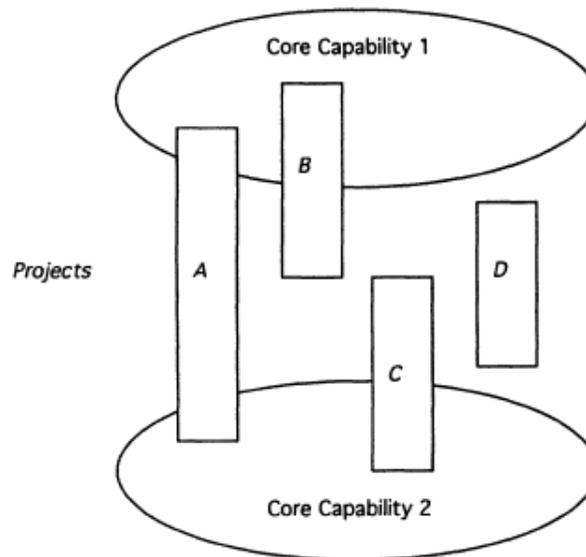
knowledge set has four dimensions, which are shown in Figure 5.4. She suggests its content is embodied in:

- Employee knowledge and skills.
- Technical systems.
- Managerial systems, which guide the processes of knowledge creation and control.
- Values and norms, which are associated with the various types of embodied and embedded knowledge and with the processes of knowledge creation and control (p.113).

These four dimensions are institutionalised in that the firm's core capabilities "reflect accumulated behaviours and beliefs based on early corporate success" (p.114). Figure 5.4 demonstrates how the degree of congruence between the four dimensions of the knowledge system could vary between two different hypothetical projects within a firm. In her study of 20 new product and process development projects, Leonard-Barton (1992) suggests that the degree of congruence did not necessarily reflect project size or technical or market novelty and incongruent projects did not necessarily involve radical innovations, by market or technological measures; all projects were aided by managerial systems that created and controlled knowledge flows, and by prevalent values and norms. Essentially, the closer the alignment of the project and core knowledge set, the stronger the enabling influence.

However, Leonard-Barton (1992) makes clear that although core capabilities are of strategic importance and provide a basis for the firm's competitive capacities and sustainable advantage, these very same knowledge sets can become inappropriate and problematic. Further, these deeply embedded knowledge sets can actively create problems and can affect all projects within an organisation and lead to the development of 'core rigidities'. Table 5.1 shows both the upside and downside of core capabilities, in terms of how they enhance and inhibit firm development. It shows the four dimensions of capabilities and highlights both the positive and negative sides of the dynamic interaction of the project with these dimensions.

Figure 5.4: Possible alignments of new product and process development projects with current core capabilities.



Source: Leonard-Barton (1992: 115)

Prahalad and Hamel (1990) suggested “...core competencies are built through a series of continual improvement and enhancement” (p.86) and interpret the negative consequences of core competencies as a series of mishaps that corporations stumble across when they believe they are building core competencies but in fact are committing the “sin of distortion through the tyranny of the single business unit...concentrating on the battle to put competitive products on the shelf today” (p.87). Prahalad and Hamel (1990) make clear that the fragmentation of core competencies becomes inevitable when a diversified company’s activities, in particular information systems, patterns of communication, career paths, managerial rewards and processes of strategy development, do not transcend single business unit lines (p.89).

To prevent firms falling foul to the fragmentation of core competencies, Prahalad and Hamel (1990) suggest that a strategic architecture is required to establish objectives for competence building. Defined as “a road map of the future that identifies which core competencies to build and their constituent technologies”, the authors suggest that this process, by “providing an impetus for learning from alliances and a focus for internal development efforts” can “dramatically reduce the investment needed to secure future market leadership” (p.89). This architecture provides the logic for product and market

diversification, and as such, implies that a successful company whom fully operationalises the core competence philosophy will not face ‘core rigidities’.

Table 5.1: The Dynamic Interaction of Project with Capabilities	
THE UP SIDE Capabilities Enhance Development	THE DOWN SIDE Core Rigidities Inhibit Development
<p>Skills/Knowledge Dimension Excellence in dominance of discipline. Pervasive technical literacy.</p> <p>Technical Systems Dimension Embedded knowledge - artefacts left behind by talented individuals in a readily accessible form.</p> <p>Managerial Systems Dimension Incorporate unusual blends of skills. Foster beneficial behaviours. Incentive systems. Apprenticeship program.</p> <p>Values Dimension Empowerment of project members. High status to dominant discipline.</p>	<p>Skills/Knowledge Dimension Less strength in non-dominant disciplines. Specific non-traditional knowledge missing.</p> <p>Technical Systems Dimension Skills and processes captured in software or hardware can become easily outdated. Technological incompatibility.</p> <p>Managerial Systems Dimension Can grow intractable. Negative assessment of importance of task. No associated career path in project management. New product = new career?</p> <p>Values Dimension Construe empowerment as entitlement. Lower status for non dominant disciplines.</p>
<i>Source: Adapted from Leonard Barton (1992:116-121)</i>	

Durand (1998) categorises the work of Leonard-Barton (1992) as the ‘positive/negative duality’ of competence. Thus, competencies “may not only be positive as an asset but also negative in the form of a burden” (Leonard-Barton 1992:307). Durand (1998) suggests that when a firm is affected negatively by a capability, “...this should be regarded as an incompetence” (p.307).

Despite the disagreement among the contributors to the exact definitions of core competencies, Dobson et al (2004) suggest that competencies still remain the “future of strategy” in their focus on the internal sources of competitiveness in internal capabilities (p.117). Indeed, the advantage of the learning organisation built on core competencies is that “...it generates new knowledge through experience, is adaptive at coping with changing circumstances and generative in creating new solutions and thus combines both refinement and renewal capabilities” (pp.177-178). Further, the learning organisation also

enables firms to "...let go of competencies that are no longer relevant and to embrace new skills and techniques offering flexibility to its knowledge base" (p.178)⁴⁴.

However, Dobson et al (2004) suggest that an organisation that focuses purely on refining existing competencies may become "strategically vulnerable" as they become too specific to a particular context and if change occurs, an organisation can find it hard to respond (p.179). Dobson et al (2004) acknowledge that over time core competencies can become dysfunctional to performance, and the ability for the firm to overcome this is linked to the notion of absorptive capacity – "the capacity of a firm to absorb new knowledge, competencies and to develop out of these new routines and actions" (Cohen and Levinthal, 1990 cited in Dobson et al 2004:180).

Durand (1998) develops a renewed model of competence by reviewing the classical distinctions and characterisation documented in the literature around the various terms associated with the competence-based theory of the firm. Durand (1998) argues that a clear distinction should be made in the understanding of competence between:

- The *tangible* assets and resources of the firm; and,
- The *intangible* individual and organisational capabilities, knowledge, processes, routines, identity and culture, which are difficult to buy and imitate.

In reconstructing the definition of core competence, Durand (1998) proposes three generic forms of competence:

- *Knowledge* corresponds to the "...structured sets of assimilated information which make it possible to understand the world, obviously with partial and somewhat contradictory interpretations" (p.318). Knowledge encompasses access to data, and the ability to enact them into acceptable information and integrate them into pre-existing schemes, which obviously evolve along the way.
- *Know-how* refers to the ability to act in a concrete way according to predefined objectives or processes. Know-how does not exclude knowledge but does not

⁴⁴ This feature of the learning organisation is coined 'dynamic capabilities' and was first introduced by Eisenhardt and Martin (2000), cited in Dobson et al (2004).

necessitate a full understanding of why skills and capabilities, when put to operations, actually work.

- *Attitudes* refer to the belief that identity and will (determination) are essential parts of the capability of an individual or an organisation to achieve anything. This is the dimension that Durand (1998) suggests has been neglected in competence-based theories of the firm which he argues may be due to the traditional lack of interest of economists in behavioural and social aspects.

Recent commentary on core competencies have emphasised the understanding of competence not only as a firm-specific attribute but also as an attribute of a network of relationships (Dobson et al 2004:180). Dobson et al (2004) make clear that the notion of competence now extends ‘beyond the limits of the firm’ and the authors highlight the need to think of competence as a clustering phenomenon in which the firm is only one player (p.180). From this perspective then, perhaps the importance of institutionalism arises as a means to explaining more clearly why some firms demonstrate the capacity to adapt to external change and others do not. Indeed, the studies done in the field of regional economic development, economic geography and regeneration in which the clustering phenomenon has been explored and the link between specific industries and regions identified highlights the significance of external environments.

5.4 The Development of Core Competencies for Brownfield Development by UK Speculative Housebuilders?

Utilising the core competence approach, this research will outline the current core competencies of UK speculative housebuilders, based on a review of the literature and will consider to what extent new competencies will need to be developed to successfully respond to the policy switch favouring brownfield development. Chapter 4 outlined the conventional core competencies of UK speculative housebuilders, based on a review of the literature. Adams (2004) argues that because the residential development process is distinctly different at brownfield locations compared with that at greenfield locations, “...housebuilders will be required to develop new business strategies and specifically to invest in the new core competencies needed to exploit emerging market opportunities” (p.15). Specifically, Adams (2004) suggests that developers will need to:

- Deliver valued added directly from housing products rather than rather than rely on gaining profits from inflation in land prices.
- Develop greater skills in achieving integration with and supporting local communities rather than in merely constructing housing estates.
- Achieve much higher levels of urban design, not simply to secure planning approval, but also to resolve potential conflicts with mixed use schemes.
- Engage in partnerships with planning authorities.

Speculative housebuilders are therefore faced with the challenge of “...refocusing or rebuilding their core competencies in establishing development feasibility if they are to compete successfully in the emerging opportunity arena of brownfield development” (Adams 2004:18).

Based on a review of the previous literature on UK speculative housebuilding and theories of strategic management, 7 key research questions emerge that seek to assess the extent to which the policy switch favouring brownfield development will require housebuilders to develop new or additional core competencies. The research questions therefore act to operationalise the core competence approach as a means of assessing the impact of public policy change on the way in which UK speculative housebuilders deliver new homes. The 7 research questions are listed below:

1. Are the core competencies that housebuilders have built their fortunes and reputations on extendable to the brownfield *modus operandi*?
2. Can housebuilders develop added customer value when developing brownfield sites using existing competencies?
3. Can employee skills and knowledge be substituted for contracted and sub-contracted expertise? How important are intangible links and tacit knowledge transfer in the success of this?
4. Can housebuilders seek out competitor differentiation in brownfield development?
5. Is continuous improvement and enhancement of their product a feature of speculative housebuilding?
6. Will the conventional behaviours, norms and values, developed under a greenfield *modus operandi* impede the development of new norms, values and behaviours required for successful brownfield development?

7. To what extent is the network of external relationships likely to affect housebuilders in developing the requisite core competencies for successful brownfield development?

These questions will be considered the latter Chapters of this thesis in light of the results of the empirical stage of this research.

5.5 Assessing External Environmental Change in UK Speculative Housebuilding

Having discussed the suitability of the core competence approach in analysing the internal firm competencies of UK speculative housebuilders, this chapter now turns to a discussion on the suitability of an institutional approach in assessing the impact of external environmental change on the core competencies of UK speculative housebuilders. The use of an institutional approach is promoted in this research and this position is justified in accordance with the aim and objectives of the research in the discussion that follows. The first section discusses brownfield development as a multi-actor task and suggests that institutional analysis is the most suitable concept for assessing the impact of brownfield development on the corporate strategies of UK speculative housebuilders.

5.5.1 Brownfield development as a multi-actor task

The functional transformation of the traditional industrial structure of urban areas towards a service orientation has meant a radical change in urban policy making (Nijkamp et al 2002). Nijkamp et al (2002) make clear that public-private partnerships (PPPs) have emerged as a critical success factor in urban restructuring, urban revitalisation and transformation projects. Indeed, the use of PPPs means that "...the administrative decision on a particular urban development plan is not exclusively a public responsibility, but is also a result of private and public negotiation and agreement processes" (p.1866). The transformation of cities and their governance structures has therefore generated "...not merely new relations of economic life and social activity to be accommodated in cities...(but has) also changed expectations of the roles and relationships of governance and the modes of governance. It has changed how the formal organisation and procedures of the public sector interact with the wider society" (Cars et al 2002:xi). As a result, Guy and Henneberry (2000) suggest that in analysing the reproduction of the urban built

environment, any analytical approach adopted needs to “...be populated with development agencies involved in development events and needs to deal with the relations between them” (Healey 1991 cited in Guy and Henneberry 2000:2400). Accordingly, the authors suggest there now exists a wide consensus of support of institutional analysis. They make clear that the changing contexts of development decision-making exemplify the complex interrelationships of the social and the economic and provide a basis for justifying the development and use of an institutional understanding of urban development processes (p.2400).

These emerging new governance arrangements have challenged the traditional role and responsibility of the UK speculative housebuilding industry in the delivery of new homes and have shifted their role to one that now operates in accordance with a plethora of wider urban and social development and regeneration aims. Indeed, multi-sector partnerships have become central tenant of urban regeneration (Hemphill 2006), and the role of speculative housebuilders in delivering urban regeneration goals has grown in magnitude. Essentially, shifts in urban policy have encouraged UK speculative housebuilders towards brownfield development as their main source of corporate activity.

And, as housebuilders have faced shifts in the magnitude of the tasks that they undertake, in response to these shifting governance arrangements of urban development and regeneration, new forms of governance capacity⁴⁵ have emerged that act to both constrain and enable housebuilders in their undertaking of brownfield development. This emerging governance capacity is “...embedded in complex local milieux whilst interacting with all kinds of external influences. It is not something which is a fixed asset, but evolves through time...(implying) that urban governance capacity varies through time and across space...(where) transformations in governance have variable trajectories and are to an extent continuously ongoing projects. Governance relations transform as broader structuring forces interact with local histories and specificities” (Vigar et al 2000:21).

Therefore, any analysis of the capacity of UK housebuilders in response to the public policy change needs to be explored from within the context of this new governing capacity

⁴⁵ Vigar et al (2000) define governance capacity as “the capacity of urban policy/governance to make a difference in sustaining and transforming the qualities of cities” (p.53).

and therefore needs to account for their embedded local milieux and their external influences (Vigar et al 2000).

With respect to these changing roles, relationships and modes of governance in the urban development context, Cars et al (2002) make use of institutional analysis to assess 'institutional capacity' through demonstrating '...the diversity of the social relations between actors, their networks and the social worlds in which they are embedded, the tensions in the ways these social worlds interact, and the complexity of the time-space relations which are drawn into these interactions' (p.xii). Through exploring the relations between transformation processes, institutional capacity and social milieux, the authors demonstrate "...the multiple layering in the time and space of urban governance relations and the dynamic interactions between local efforts and broader structuring forces" (p.xii).

As such institutional capacity is defined as capacity that '...is embedded in the dynamics of the wider social context within which action focused at the local level takes place' (Cars et al 2002:4). Institutional capacity therefore refers to '...particular forms of richness that enables individuals and groups to mobilise resources and perform meaningful action' (ibid.). As such, institutional capacity is best understood as '...a complex, fluid and evolving infrastructure acting at several levels – from the visible level of organisations and institutional power structures to the deeper levels of ideas, discourses and identities. Accumulated experience and history certainly count, but their effects are filtered by a continuous, open and multi-level interaction between established practices and understandings and emerging ones, with uncertain outcomes' (Cars et al 2002:62).

Changes in governance capacity have encouraged housebuilders to react and alter their traditional and conventional ways of doing things. Equally, the Government's capacity to deliver urban development and regeneration goals has become increasingly dependent on the capacity of the private sector⁴⁶, and in particular speculative housebuilders, whose ability to deliver a product suitable for a brownfield market and location is of absolute importance to the success of the Government's shifting urban policy agenda.

⁴⁶ Refer back to Chapter 2 for more detail on this.

It is therefore important that in any analysis of housebuilding capacity, an understanding of the wider institutional context within which housebuilders operate is considered in addition to what influences their strategic direction and choices. Indeed, an understanding of the importance of partnership has emerged as “...an indispensable element of modern urban policy” (Adams and Hastings 2001:1473) as has an understanding of other institutional mechanisms.

In response to this new analytical agenda, new conceptual tools for the analysis of these changing roles have been required and are emerging. There is the need for an empirical grounding of analysis in the institutional context that influences, and is influenced by, the unit of analysis chosen.

The conceptual approach to this research has similar requirements – a chosen approach needs to be able to identify the UK housebuilding industry’s ability to deliver contemporary urban policy from a framework in which the principal actors decisions are embedded and which is sensitive to the institutional changes, in particular policy changes, that provide the context for land use decisions. Adams (2004) argues that the success of the UK speculative housebuilding industry in delivering the policy goals of brownfield development is influenced by the specific institutional arrangements within which they operate. As such, it is essential to have full regard to the main development constraints and opportunities that are relevant to the place specific context which is being investigated, and to provide any new institutions with the necessary powers and resources to achieve this. There is the need to understand the nature and dynamics of the institutions involved; the strategies and interests of the production side in private housing development; the role of the state; and, the impact of shifting urban policy on the strategies and corporate operations of speculative housebuilders.

Based on the above and the literature review in the first half of this thesis, the analysis of the institutional capacity of the UK speculative housebuilding industry in responding to the policy switch favouring brownfield development, will consider the following questions:

- What locally specific institutional constraints exist to undermine housebuilders capacity for delivery of the urban policy goals?

- How far is the success of the housebuilding industry in delivering brownfield development influenced by the specific institutional arrangement within which they operate?

Any analysis of successful brownfield development by speculative housebuilders therefore requires an understanding of the functioning of the institutions involved in the speculative development of land for new homes. This will be achieved by explaining and analysing the institutional constraints and causal processes giving rise to brownfield development, and assessing how the complex, fluid and evolving infrastructure both constrains and facilitates the behaviours and attitudes of speculative housebuilders in their response to this urban policy shift.

5.5.2 Institutionalism and institutional analysis in social science research

This section argues that the impact of shifting urban policy on the UK speculative housebuilding industry is best understood by adopting an institutional approach. Through this approach, the impact of the UK Government's brownfield first agenda on the structure and organisation of the UK speculative housebuilding industry can be fully explored and the impact of external environmental change on internal firm competencies be fully understood. Further, the changing nature of state market relations in the speculative residential development can be facilitated. This thesis therefore contributes to the emerging discussion on how speculative residential development is largely facilitating the achievement of desired political ends (Adams et al 2005) through the utilisation of institutional analysis.

Institutionalism is a widely used theoretical approach that transcends a variety of academic disciplines within the social sciences and has seen remarkable growth over the past 20 years (Marsh and Stoker 2002). The onset of post modernism in the social sciences in recent years has further widened the scope of institutionalism as a theoretical approach (Marsh and Stoker 2002). This 'behavioural revolution' has led some commentators to claim that an 'institutional turn' has occurred (Cumbers et al 2003, Vigar et al 2000, Martin 1999), where the most recent strands of 'institutionalism', labelled as 'new institutionalism' focus on networks, relationships, interactions and informal customs and conventions (Adams and Watkins 2002, Lowndes 2002, Vigar et al 2000, Van Hees 1997).

As institutionalism and the use of institutional analysis transcends many social science disciplines, a generic definition of institutionalism is largely absent from the literature and definitions vary across the broad spectrum of institutional approaches, themselves characterised by the discipline from which they are born. One of the reasons why a universal definition of institutionalism remains elusive is because the debate over its ontological and methodological positions has persisted (Oxley 2004, Cumbers et al 2003, Ball 1998). Nonetheless, in a very broad sense, institutionalism is concerned with both the structure of organisations and the way in which organisations operate and relate to each other (Marsh and Stoker 2002). Important differences that arise in the varying approaches to institutional analysis relate primarily to issues concerning ontology and methodological applicability (Cumbers et al 2003, Ball 1998).

In the literature, the theory of institutions and its application in the form of institutional analysis is predominately but not exclusively discussed from two key perspectives: an economic perspective, which focuses on the role of the market; and, a policy perspective, which focuses on the role of changing public policy and state market relations. The latter is largely related to the urban development literature, whilst the former relates to the economics literature. In the urban development literature, institutional analysis is readily applied as a conceptual approach with which to explore partnership in relation to urban regeneration, emphasising the increasing role of the private sector and development agencies' dependence on the private sector for delivering urban regeneration initiatives and policy. Comparatively, the economics literature focuses on the evolution of the theory of institutionalism and the role of the market in economic processes. In this research, applying institutional analysis from the policy perspective is more suitable, as the links between the research aim and objectives and the policy perspective, such as urban regeneration and the role of the private sector in urban development, are more logical.

However, before any application of institutional analysis in this thesis, it is important to discuss the evolution of institutionalism as a theoretical concept using both the economics and policy perspectives, from which a better understanding of the nature of institutionalism as a theoretical concept will be provided.

5.5.3 Institutionalism in economics

Cumbers et al (2003) suggests that, as the term ‘institution’ is used in different ways by different writers, it has subsequently led to “...some conceptual slippage and confusion” (p.328) as to the concept’s precise definition and generic meaning. Indeed, some authors in their discussion of institutional analysis fail even to provide a definition of the term institution, an issue that Hooper (1992) has previously raised. Martin and Sunley (2001) make clear that definitions of institutions differ from one authority to another and “...there is generally no agreed theory of institutional formation and evolution” (p.154). From an economic geography perspective, Martin and Sunley (2001) suggest that whilst ideas from this field are far from easy to operationalise empirically, “...numerous economic geographers have gone institutional without paying much heed to these and related difficulties” (p.154).

Whilst there is little agreement in the literature as to what an institution is, many authors draw on the work of Walter Hamilton (1932), who defines an institution as “...a way of thought or action of some prevalence, which is embedded in the habits of groups or the customs of people...institutions fix the confines of and impose structure upon the activities of human beings” (Hamilton 1932:84, cited in Adams et al 2005:39). North (1991) also provides a well-used definition of institutions, which perhaps reflects the more contemporary nature of his work in comparison to Hamilton’s. North (1991) suggests that institutions are “...the humanly devised constraints that structure political, economic and social interaction. They consist of both informal constraints (sanctions, taboos, customs, traditions, and codes of conduct), and formal rules (constitutions, laws, property rights)” (North 1991, cited in Ball 2006:23). See also Needham and Louw 2006 and Adams et al 2005).

North’s (1991) definition provides a more intangible and tacit understanding of what an institution is: “...tradition, custom, culture and habit as informal institutional rules” (Lowndes 2001:1959). Hodgson (1997) also asserts this social aspect of institutions and considers “...the role of both informal and formal institutions” (Adams & Watkins 2002:6), recognising that “...individual habits...when they are shared and reinforced which a society or group...assume the form of socio-economic institutions...not in the narrow sense of formal organisations, but in the broad sense of socially habituated

behaviour” (Hodgson 1997:697, cited in Adams and Watkins 2002:6 and Guy and Henneberry 2000:2414). Lowndes (2001) makes clear that informal institutions “...may provide the raw material for the development of formal institutions (or delimit their development) or they may exist alongside formal rules, in concert or contradiction” (p.1958; see also Lowndes 2002 and Lowndes 1996).

Lowndes (2001) highlights a distinction between organisations and institutions. In suggesting that political institutions should not be equated with political organisations, she reminds us rather “...they are sets of rules that guide and constrain actors’ behaviour. Such rules provide information on the likely future behaviour of others and on sanctions for non-compliance (p.1958). Institutions then, “...provide the rules of the game, whilst organisations – like individuals – are players within that game” (p.1958). At the same time, “...organisations have their own internal institutional frameworks that shape the behaviour of people within them. Institutions are sets of rules that exist within and between organisations” (ibid) as well as “...under, over and around them” (Fox and Miller 1995:92, cited in Lowndes 2001). Khalil (1999) suggests that institutions are ‘...distinct from organisations and their goals as much as means differ from ends’ because “...while means include (besides material and technological resources) institutions, ends define the organisation” (p.62)⁴⁷. Thus, the term institution “...basically denotes some of the means employed in the pursuit of ends, while the term organisation signifies the agent who makes decisions about the end which is worth pursuing” (Khalil 1999:62).

Ball (2006) also makes this distinction between organisations and institutions, suggesting that, most commonly in the new institutional economics approach, “...there are rules by which actions take place, which may be formal or informal and explicit or implicit in nature, and there are organisations and agencies that operate under those rules” (p.23). Ball (2006) explains that the separation of organisations and institutions is not one of equals because “...the form and content of organisation is essentially determined by the

⁴⁷ The author wishes to make clear that “...the identification of institutions with means and organisations with ends does not imply any theoretical position. On the basis of this clarification one can argue that means (institutions) are more fundamental for the analysis of human action, or the opposite, the ends (organisations and their goals) are the more fundamental. So, the means-ends distinction is a theory-free way to explain the difference between institutions and organisations” (Khalil 1999:62-63).

rules” (p.24). The study of markets and institutions “...thus, becomes an unravelling of the riddles of pre-given rules” (ibid.).

So, while organisations are not the same as institutions, ‘...they remain an important focus for (new) institutional analysis – in their roles as collective actors, subject to wider institutional constraints and also as arenas within which institutional rules are developed and expressed’ (Lowndes 2001:1958).

Ball (1998) suggests that a developing interest in institutional analysis has emerged because “...economists are somehow getting it wrong”, suggesting that alternative ways are needed to explain “...the mysterious force of power that lurks within the property world” (p.1501). Indeed, mainstream economics’ market-orientated analysis of development processes have in recent years been both challenged and supplanted by institutional analysis (Oxley 2004). Oxley (2004) suggests, “...the neo-classical domination of economics has been challenged by economists who have criticised the simple assumptions on which it is founded. The reductionist approach of the neo-classicists has been set aside by economists who have emphasised the complications of the real world” (p.7).

Whilst Oxley (2004) himself suggests that such institutional approaches only provide a useful complement to, rather than a substitute for, mainstream economics (p.16), institutional economists emphasise that it is not helpful to study markets and economic behaviour in general in terms of equilibrium. He argues rather that it is more useful to study the process of economic activity as opposed to any theoretical end-state i.e. equilibrium. Thus, the institutional focus is on economic change or evolution and the focus therefore moves away from rational economic man and the neoclassical account of human behaviour.

Institutional approaches to economics argue that individual behaviour is driven by habit and routine, as influenced by the institutional setting and individual inhabits. Such ‘values’ influence behaviour in different settings, and vary with culture. Instead of the presumed bedrock of given individuals, there is the idea of “...interactive and partially malleable agents, mutually entwined in a web of partially durable and self-reinforcing

institutions” (Hodgson 1998:175). Thus, institutionalism is congenitally an evolutionary economics (Hodgson 1998).

Colander et al (2004), in their review of American mainstream economics, suggest that mainstream economics usually represents a broader and more eclectic approach to economics than is characterised as the recent orthodoxy of the profession (p.490). The authors argue that modern mainstream economics is open to new approaches, as long as they are done with a careful understanding of the strengths of the recent orthodox approach and with a modelling methodology acceptable to the mainstream (p.492). The authors suggest that economics is moving away from a strict adherence to the holy trinity – rationality, selfishness and equilibrium – to a more eclectic position of purposeful behaviour, enlightened self-interest and sustainability.

Much of the most recent research in economics can be found in what Colander et al (2004) call the ‘work at the edge of economics – “...the edge is where all the action is in the profession” (p.495), and emphasise complexity as a defining factor of the new work at the edge of economics (p.496). They highlight how modelling remains the central core of the mainstream approach, but the nature of the models and the assumptions underlying them are much more open and transdisciplinary (ibid.). More specifically, the authors highlight *inter alia* how:

- Evolutionary game theory is redefining how institutions are integrated into the analysis.
- Ecological economics is redefining how nature and the economy are viewed as interrelating.
- Psychological economics is redefining how rationality is treated.
- Econometric work dealing with the limitations of classical statistics is redefining how economists think of empirical proof.
- Complexity theory is offering a way of redefining how we conceive of general equilibrium.

Colander et al (2004) make clear that these developments at the edge of economics have led to a broader set of changes in how mainstream economics sees itself. Importantly, they make clear that such changes make it “...far more willing to question economics” special

status over the other fields of inquiry and to integrate the methods of other disciplines into their economic analysis. This too finds resonance in the British literature. Adams, Dunse and White (2005) and Adams, Watkins and White (2005) argue that the analysis of state-market relations in land and property can benefit both from "...permeating mainstream economics with greater institutional input and from linking the insights so gained with those that can be derived from the political economy of institutionalism" (p.53). Adams, Dunse and White (2005) contend that, since both process and outcome are essential to understanding the complexity of state market relations in land and property, "...theoretical pluralism should prevail and the explanatory power of mainstream economics should be reinforced by an appropriate institutional framework" (ibid.).

This is further resonated in the work of Nelson (2002) who suggests that the boundary lines between economics and other social sciences such as sociology and political science "...have grown into tough barriers over the past half-century (and) need to become traversable again, and economists need to again become general social scientists" (p.112). Hodgson (2002) also argue that boundaries between mainstream and heterodox economics are far less clear than they were in the past. Colander et al (2004) suggest "...as the work on the edge of economics progresses and accumulates, it shifts the centre of economist's approach and...eventually will create a new orthodoxy centred on a broader complexity vision" (p.497).

Hodgson (2002) in response to Nelson and Vromen's (see Nelson 2002 and Vromen 2002) comments on his previous work (see Hodgson 1998) makes clear that mainstream economics is preoccupied with a universalistic attempt to erect general economic principles applicable to all economic systems. However, Hodgson (2002) argues, "...this attempt is largely a failure", suggesting that part of the reason for this failure "...is that all economic history is surveyed through conceptual lenses that have their origin in one type of system only: market society" (p.126). Hodgson further argues "Even when some economists analyse non-market phenomena, such as feudalism, the modern family, or the interior of important organisations such as the firm, they see 'implicit contracts' and 'markets' everywhere. They analyse these phenomena with a conceptual toolkit that relates more appropriately to the world of commodities, instrumental rationality, and exchange. But even in the modern world there is much that does not fit this vision. And

especially from a broad, historical view, much more is ill suited for these theoretical instruments” (p.126).

In this view of the limitations of mainstream economics that he takes, Hodgson (2002) highlights that such a view was shared by John Stuart Mill, Walter Bagehot, Alfred Marshall, Max Weber, Werner Sombart and Frank Knight, all of whom he suggested “...saw the conceptual tools of mainstream economics as having their place, but this place was exclusively the analysis of real markets” (p.126). However, Hodgson (2002) goes further to argue that the core tools of mainstream economics are also limited in their analysis of real markets, recognising the shortfall in the analysis of property, contracts and markets that has to be rectified and suggesting that as it stands, property is treated largely as an incentive, neglecting its legal and social-relational aspects (p.26)⁴⁸.

Having given a broad overview of the limitations of mainstream economics and the subsequent emergence of institutional economics, it is important to make clear the distinction between ‘old’ and ‘new’ varieties to institutional economics as there are important distinctions between the two varieties. Adams and Watkins (2002) suggest broadly that old institutionalism covers the contributions of American and European economists writing in the early twentieth century, which included the works of Commons, Mitchell and Veblein (p.6) whilst new institutionalism “...relies on the more mainstream assumptions about human agents and explains the existence of political, legal and social institutions with reference to the role of individualistic behaviour and its consequences for human interactions” (p.7). Thus, the existence of institutions “...affects the behaviour of individual in terms of the choices and constraints they face but does not mould the preferences of the agents in the way old institutionalists would expect” (ibid.).

⁴⁸ Mainstream economics adopts market-oriented concepts, but applies them quite generally, trying and claiming to be universal but ends up using concepts that have some of the character of a market system (Hodgson 2002:127). At the same time, the analysis of true markets ‘...is doubly devalued, first by the inadequacy of the mainstream concepts in dealing with property, contracts and markets themselves and secondly, by the dilution of meaning that occurs when market-oriented concepts and ideas are applied to essentially non-market phenomena’ (p.127). Essentially, Hodgson’s main point of his previous work is that markets cannot be judged substantially – either positively or negatively – without specification of the social and institutional conditions in which they are embedded (Hodgson 2002:128).

Adams and Watkins (2002) explain how the strand of new institutionalism has most influenced recent housing and commercial property market analyses⁴⁹, and has since the 1990s, seen urban policy scholars undertake detailed explorations “...of the role of the informally constituted and dynamic networks, regimes and governing coalitions that have emerged in cities” (p.8). Davies (2004) suggests new institutionalism invites scholars to consider how individuals and groups create strong ties enabling effective governance through partnership; or alternatively why they cannot (p.571).

Hodgson (1998) suggests that old institutionalism offers a radically different perspective on the nature of human agency, based on the concept of habit, where habits and rules are seen as necessary for human action. Old institutionalism’s core ideas therefore concern institutions, habits, rules and their evolution (p.168). However, unlike neoclassical economics, “who move from a universal theoretical framework concerning rational choice and behaviour to theories of price, economic welfare and so on” (p.168), institutional economics “does not presume that its habit-based conception of human agency itself provides enough to move toward operational theory or analysis” (p.169). The author argues that additional elements are required and in particular, “...an institutionalist would stress the need to show how specific groups of common habits are embedded in, and reinforced, by specific social institutions. In this manner then, instead of standard theoretical models of given, rational individuals, institutionalism builds upon psychological, anthropological, sociological and other research into how people behave” (p.169).

The thrust of the old institutionalist approach is to see behavioural habit and institutional structure as mutually entwined and mutually reinforcing: both aspects are relevant to the full picture (Commons 1934, cited in Hodgson 1998:180). Choosing institutions as units of analysis does not necessarily imply that the role of the individual is surrendered to the dominance of institutions. A dual stress on both agency and structure is required, redolent of similar arguments in sociology and philosophy, the works of Giddens (1984) for example (Hodgson 1998:181). Both individuals and institutions are mutually constitutive of each other. Institutions mould, and are moulded, by human action and are both

⁴⁹ See Van der Krabben and Lambooy 1993; D’Arcy and Keogh 1998; Keogh and D’Arcy 2000).

subjective ideas in the heads of agents and objective structures faced by them (Hodgson 1998).

Table 5.2: Old Institutionalism: some general remarks by Geoffrey Hodgson
<ul style="list-style-type: none"> • There is a degree of emphasis on institutional and cultural factors that is not found in mainstream economic theory. • The analysis is openly interdisciplinary, in recognising insights from politics, sociology, psychology and other sciences. • There is no recourse to the model of the rational, utility maximising agent. In so much as the concept of the individual agent is involved, it is one which emphasises both the prevalence of habit and the possibility of capricious novelty. • Mathematical and statistical techniques are recognised as the servants of, rather than the essence of, economic theory. • The analysis does not start by building mathematical models: it starts from stylised facts and theoretical conjectures concerning causal mechanisms. • Extensive use is made of historical and comparative empirical material concerning socio-economic institutions.
<i>Source: Hodgson (1998:173)</i>

Hodgson (1998) argues that the difference between old and new varieties of institutionalism is made difficult because “...there is no unanimity, even among its adherents, in what is precisely to be included in the new variety” (p.175). Hodgson (1998) focuses on the most prominent and influential theoretical core of new institutionalists to decipher the essential differences between the two varieties. His analysis is shown in Tables 5.2 and 5.3.

Hodgson (1998) argues that the new institutionalist project to explain the emergence of institutions on the basis of given individuals runs into difficulties, particularly with regard to the conceptualisation of the initial state from which institutions are supposed to emerge. This involves an apparent infinite regress – what came first, the chicken or the egg? Hodgson explains that this does not mean that new institutionalist research is without value, but it indicates that the starting point of explanations cannot be institution-free: the main project has to be reformulated as just a part of a wider theoretical analysis of institutions. Such a project would stress the evolution of institutions in part from other

institutions rather than from a hypothetical institution-free state of nature. Crucially, Hodgson argues that what is needed is a theory of process, evolution and learning rather than a theory that proceeds from an original institution-free state of nature that is both artificial and untenable.

Table 5.3: Characteristics of the ‘New’ Institutionalism

- Attempt to explain the emergence of institutions, such as the firm or the state, by reference to a model of rational individual behaviour, tracing out the unintended consequences in terms of human interactions.
- An initial institution-free state of nature is assumed. The explanatory movement is from individuals to institutions, taking individuals as given.
- Is built upon the antiquated assumptions concerning the human agent, derived from the individualism of the Enlightenment – the key idea is the notion that the individual can, and in a sense be, ‘taken for granted’. Accordingly, the individual is taken as an elemental building block in economic theory. Crucially, the individualistic economist assumes, for the purposes for economic enquiry, that individuals and their preference functions should be taken as given.
- Although by contrast, definitions of an institution in the new institutionalism do not typically include the notion of habit, they often share with the older institutionalism a broader, rather than a narrow, conception of an institution. Institutionalists are regarded as general regularities in social behaviour (Schotter 1981) or the rules of the game in society or the humanly devised constraints that shape human interaction (North 1990).
- Both new and old institutionalists’ definitions of institutions involve a relatively broad concept. Institutions encompass not simply organisations but also integrated and systematic social entities such as money, language and law. The case for such a broad definition of institutions is that all such entities involve common characteristics:
 - All institutions involve the interaction of agents, with crucial information feedback.
 - All institutions have a number of characteristics and common conceptions and routines.
 - Institutions sustain and are sustained by, shared conceptions and expectations.
 - Although they are neither immutable nor immortal, institutions have relatively durable, self-reinforcing and persistent qualities.
 - Institutions incorporate values, and processes of normative evaluation. In particular, institutions reinforce their own moral legitimation; that which endures is often – rightly or wrongly – seen as morally just.
- A key difference between the old and new institutionalists is that in the former, the concept of habit is central. For the old institutionalists, habit is regarded as crucial to the formation and sustenance of institutions. Habits form part of our cognitive abilities. Cognitive frameworks are learned and emulated within institutional structures. The individual relies on the acquisition of such cognitive habits, before reason, communication, choice or action are possible. Learned skills become partially embedded in habits, and when habits become a common part of a group or a social culture they grow into routines or customs (Commons 1934). Institutions are formed as durable and integrated complexes of customs and routines. Habits and routines thus preserve knowledge, particularly tacit knowledge in relation to skills, and institutions act through time as their transmission belt.

Source: Hodgson (1998:176)

Abandoning the attempt to explain all institutions in terms of given individuals does not mean the abandonment of theoretical explanation (Hodgson 1998). Instead, the origins and development of organisations and institutions are seen as an evolutionary process.

Having outlined the rise and evolution of institutionalism in economics, the chapter now turns to a discussion on the role of institutional analysis from a public policy perspective, in particular urban policy and development.

5.5.4 Institutional analysis in urban policy development and property research

Whilst urban policy development and property research has not been steeped in a theoretical history of institutional traditions, a wave of research discussing the applicability of institutional analysis to understanding property development, and property development processes in particular, has engendered a fresh debate on the contribution of institutional thought within the discipline, attempting to persevere with the idea that institutionalism works.

From a planning perspective, Vigar et al (2002) explore the ‘institutionalist turn’ in urban and regional analysis, drawing on the context of the economic transformations being witnessed across Europe resulting “...in changes in production processes and the increasing opening of economic activity to global competition” (p.44). The argument, by many analysts, that “...economic activities were embedded in wider social relations, many of them strongly tied to locality” (Vigar et al 2002:44) meant that the general social and cultural qualities of place became of significant analytical interest and thus, the development of analysis focusing on local institutional relations and governance capacities was steeped in an understanding of institutional economics. This further influenced the development of communicative planning (see Healey 1998) where work has recently focused on examining “...how disparate actors in dispersed governance contexts come together to build consensus around difficult local environmental and development issues” (Innes 1992, cited in Vigar et al 2002:46).

Adams and Watkins (2002) adopt an institutional framework for their analysis of greenfields, brownfields and housing development, focusing on the institutional

dimensions of the greenfield/brownfield housing development debate. The authors consider the nature and dynamics of the specific institutions involved and their analysis encompasses the strategies and interests of the production side in the development process, as well as consumer interests and the role of the state. Essentially, through the use of institutional analysis, Adams and Watkins (2002) are able to "...examine the ways in which economic and political arguments and social changes impact on the policy arena in formal and informal ways" (p.9). This provides a framework within which "...the principal actors' decisions are embedded and which is sensitive to the institutional changes (and, in particular, policy changes and changes in the economic and political climate) that provide the context for individual land-use decisions" (Adams and Watkins 2002:9).

Table 5.4 provides a brief overview of the focus of institutional analysis from the perspective of changing urban governance, resulting from new and emerging relations of economic life and social activity being accommodated in cities (Cars et al 2002). From their perspective, Cars et al (2002) consider institutional analysis as an analytical approach that "...focuses on process dynamics, that is, change in processes, practices and modes of governance through time...it needs to consider how values, preferences, interests and ideas about place qualities are constituted in these interactions and translated into policy agendas around which actors congeal to mobilise as some kind of collective actor".

Healey (1991) in her review of models of the development process, suggests that an approach needs to be developed that will enable the detail of agency relationships in the negotiation of development projects to be captured while at the same time, allowing generalizations about how these relationships might vary under different conditions (p.237).

In this sense, she suggests that institutional analysis is useful as it uncovers a varied array of actors and interests who all play diverse roles in relation to various elements of the development process and acknowledges the interrelation of structuring dynamics and the active constitution by agents of their interests and strategies. The focus of her critique of the existing models of development then is the ontological claims that each approach makes. Indeed, Healey suggests that none of the models adequately address the way the interests and strategies of actors are actively constituted as circumstances change and how this relates to broader structural shifts. Healey conforms to the ontological assumptions of

‘structuration’⁵⁰, rejecting the domineering structural forces found in ‘structuralism’ and the dynamics of agency in more ‘behaviouralist’ traditions in ontology.

Table 5.4: The Focus of Institutional Analysis in Urban Policy Development And Property Research
<ul style="list-style-type: none"> • The dynamic interaction between how particular organisations and actors operate and the wider relations of which they are a part. • How governance relations are embedded in the social and economic history of particular places, and how these in turn contribute to moulding social and economic opportunities. • How institutional capacity is embedded in the dynamics of the wider social context within which collective action takes place. • The qualities of the wider milieu in which government activity is performed and the institutional capacity of different places to act to address matters of collective concern. • It should be capable of recognising the complex interplay of active agency and broader forces, which provide opportunities for, and constrain, what specific governance projects can achieve. • It requires an awareness of potentially multiple social worlds which shape the ways of thinking and ways of acting of those who get involved in governance activity and their connection to the social milieu of urban life in particular times and places. • It should recognise the diversity of the time-space relations which act as nodal points on governance relations. • Social actions of any kind need to be understood in the context in which they are embedded.
<i>Source: Cars et al (2002)</i>

In a later paper (Healey 1992), Healey develops this institutional model of the development process, the aim of which is to “capture the detail of the social relations of a development project, while linking this to broader issues at the macro economic and political organisation, without overformalising the highly variable circumstances of specific projects and agencies” (p.43). This ontological claim of ‘structuration’ underpinning

⁵⁰ The theory of structuration, proposed by Giddens (1984) attempts to reconcile theoretical dichotomies of agency and structure. The approach does not focus on the individual actor or societal totality but social practices ordered across space and time. Its proponents adopt this balanced position, attempting to treat influences of structure and agency equally. The theory of structuration argues that all human action is performed within the context of a pre-existing social structure, which is governed by a set of norms and/or laws that are distinct from those of other social structures. Therefore, all human action is at least partly predetermined based on the varying contextual rules under which it occurs.

Healey's approach to her institutional model of the development process (Healey 1992) has however come under criticism from succeeding commentary. Hooper (1992) suggests that her use of institutionalism is without adequate explanation and is problematic as it is deployed by Healey as "an instrumental device for relating different levels of analysis, a device which remains problematical in that its conceptual composition remains largely untheorised" (p.45). Here, Hooper (1992) emphasises the inadequate development of ontological approaches to the use of institutionalism, suggesting that the danger exists where "...institutions may be conceived simply as the mediating link between structure and agency, requiring theorising only in terms of social relations and then reconnected with the material world through a link with production. Such an approach would lose sight of the central idea of the duality of structure offered by contemporary theorists, leading to a partial and distorted form of institutional analysis" (pp.47-48).

Gore and Nicholson (1992), in a similar critique of the models of the land development process, suggest that the search for a generally applicable model is futile and that energy would be more usefully expended in applying the principles of Ball's (1988) structures of provision approach to the full range of land development activity where a specific model for each development sector is produced.

In terms of ontological claims of institutionalism in British property research, Adams et al (2005) develop a welcome theoretically grounded approach to the use of institutions in property research. The authors utilise their 'Political Economy of Institutionalism' (PEI) perspective, developed in earlier work (see Adams et al 2003), in order to explore the role of public policy in the determination of property values, investment returns and levels of development activity in addition to considering the behaviour of and interaction between a variety of actors including public agencies, planners, developers, investors and property users (Adams et al 2005). PEI perceives institutions as a social construct and as a result, an institution recognises and considers political, legal, social and cultural factors. On the basis of this, PEI seeks to understand context, process and social relations and considers any development process as highly social, where the character, personality, interpersonal skills and cultural perspectives of the various actors are highly significant.

Thus, in seeking to understand action from a PEI perspective, the analyst must consider more than just economic relations in attempting to understanding action. The analyst must

also consider the variety of local milieux, which are shaped by cultural assumptions about appropriate ways of thinking and ways of acting. Indeed, the PEI recognises and considers political, legal, social and cultural facets - the wider 'institutional landscape' of specific production processes. Further, this branch of (new) institutionalism focuses on the '...dynamics of social relations and how these get to be patterned in particular ways, rather than on organisations understood in terms of their formal structure' (Adams et al 2005:15).

The political economy of institutionalism emphasises the social construction of economic life. It takes a strongly disaggregated view of market structures, emphasising the distinctive routines, cultures, procedures and institutions evident in each 'sub market'. In such cases, a single policy response is inappropriate and a more sophisticated and varied set of responses is needed that reflect the 'institutional context' of each sub market. The political economy of institutionalism identifies three important carriers of institutionalism:

- actor/network relationships.
- formal rules and regulations.
- informal customs and conventions.

The application of institutionalism in the social sciences is not without controversy (Adams and Watkins 2002). Ball (2006) suggests that the appropriateness of adopting institutional analysis depends on the questions being asked. The significance of institutions, he argues, should be treated as a working hypothesis that needs to be subject to scrutiny, suggesting that for example on recent international housing market performance, "...easy answers to country differences cannot actually be found by reference to institutional variations alone" (p.30).

Cumbers et al (2003) suggest that adoption of institutionalist concepts by economic geographers has been a partial and incomplete affair, "...perhaps reflecting the rather vague nature of institutionalism, particularly when contrasted with the analytical elegance and mathematical tractability of neoclassical economics and the new economic geography with their ability to furnish clear predictions and policy advice" (p.2). The authors make clear that such analysis has a tendency to take regions for granted "...as coherent spaces, neglecting possible intra-regional divisions and tensions, and the lack of any sustained

attempt to position regions within broader processes of uneven development” (p.9). Specifically, the authors note that “...institutional economic geographers’ failure to consider the effects of unequal power relations also leads them to make implicit assumptions about regions as collective entities, devoid of social conflict and contestation. This results in the ontologically false treatment of regions as strategic agents with causal powers of their own as indicated by the use of terms such as intelligent regions or learning regions” (p.11).

Reminding us of the remit of institutionalism, Hodgson (1998) suggests that whilst institutionalism itself requires much more theoretical and methodological development, it does not seek a general theory of everything. It does however require a coherent framework of analysis and a workable methodology (Hodgson 1998:174). Further the author comments that institutionalism does not attempt to build an all-embracing general theory. Instead complex phenomena are approached with a limited number of common concepts and specific theoretical tools (Hodgson 1998:168).

5.6 Conclusions and Implications for Research

The key task in using an institutional approach to this research is to consider to what extent institutionalism will add to an understanding of the response by the private sector to public policy change. Specifically, to what extent an institutional approach will facilitate the understanding of the institutional capacity of the UK speculative housebuilding industry in response to the policy switch favouring brownfield development.

The use of an institutional approach in this research provides an empirical and theoretical approach to facilitate the assessment of the research aim and objectives. Important to any assessment of changing state market relations is the recognition of a host of important factors influencing the development of brownfield land in UK cities. Indeed, institutional approaches can offer invaluable insights into understanding what sorts of policy reforms or assistance may be required to encourage the market to deliver policy goals. However, it is important to remember that any reforms or changes to facilitate public policy implementation may only work in specific institutional contexts under specific institutional arrangements.

The use of an institutional approach provides an opportunity to explore how institutional presence and interaction may reinforce existing social, economic and political divisions (Raco 1998:975). As Needham and Louw (2006) suggest, the presence of ‘institutional paths’ mean that if housebuilders keep following the same path based on tried and trusted strategies and results, an explanation of continuity and no change can be provided (p.81). As a result, the need for inter-institutional objectives and a strong institutional presence, providing a commitment towards partnership, governance and a service of common enterprise may well “...encourage institutional paths to dissipate and old habits to die” (McLeod 1997:302). As such, an institutional approach provides the opportunity to demonstrate how the practice of greenfield development has become culturally ingrained among housebuilders and other local institutional actors, where habit is reinforced by, and in turn reinforces, the ideological predisposition towards greenfield development. Further, the use of institutionalism will facilitate the understanding of social conventions reinforced by habits and embedded in specific institutions. Such conventions are varied and reflect the different types of institutional context.

Based on the review of the institutional literature above, the use of an institutional approach presents a number of important implications that will facilitate the understanding of the institutional capacity of UK speculative housebuilders in response to the policy switch favouring brownfield development. The following questions will therefore be considered when designing the empirical stage of the research and include:

- What is the best way to generate capacity and how can organisational integrity be created in the delivery of new homes primarily on brownfield sites?
- What institutional shifts are affecting the performance of UK speculative housebuilders in their response to the policy switch favouring brownfield development? Housing land supply restrictions impact indirectly on housebuilder behaviour responses to land availability and acquisition (Ball 2006:31)
- To what extent is brownfield development embedded in the institutional landscape and corporate strategies of UK housebuilders? Is there institutional instability and is the future of brownfield uncertain?

Those implications that are not investigated in the research remain relevant to wider debates surrounding the role of institutional analysis in British property research and include:

- To what extent is there a spatial variation in the range, density and functions of the institutions that underpin brownfield development (Martin 1999:75)?
- Is there a willingness for mutual and collective learning amongst UK speculative housebuilders?
- To what extent is there a strong institutional presence and interactive synergy in relation to brownfield development?
- What are the dominant patterns of institutional constraint?
- Has the constant flow of urban policy initiatives favouring and promoting brownfield development generated strong institutional ties?
- Are formal organisations and hierarchies more significant in the development of skills for the speculative redevelopment of brownfield land for housing than networks built on strong/weak ties? (Davies 2004:572).
- Why have certain forms of institutions and institutional design patterns emerged in the first place? (Leibovitz 2003:2637).
- What is the best way generate inter-institutional trust and collaboration and inclusion in brownfield development?

In summary, an institutional approach provides the opportunity for this research to identify and explain the institutional constraints and causal processes giving rise to brownfield actor behaviour within a given institutional context. The premise of this thesis is based upon the understanding that an analysis of housebuilders' response to the policy switch favouring brownfield development requires an understanding of the role and functioning of the institutions involved within the speculative residential development process. Consequently, the use of institutionalism as a theoretical approach will highlight how successful brownfield development will require tailor made urban strategies that involve of a multiplicity of stakeholders with differing interests. From this, the critical success factors of speculative housebuilding under a brownfield *modus operandi* may involve the establishment of public private partnerships and a degree of risk sharing.

CHAPTER 6

THE METHODOLOGICAL APPROACH TO RESEARCH

6.1 Introduction

The aim of this research is to explore the impact of the policy switch favouring brownfield development on the corporate strategies of UK speculative housebuilders and the structure and organisation of the UK speculative housebuilding industry. The previous Chapter demonstrated how the use of both the core competence approach and the institutional approach would facilitate the analysis of this. The first part of the Chapter presents the methodological approach to the research based on the conceptual approach. This is achieved by developing a number of research questions by identifying the key research challenges facing this study. The methodological implications of these research questions are highlighted and the most suitable research methods are then identified and justified.

The second part of this Chapter discusses the development of the analytical approach and presents the new and original ‘typology of brownfield development’, which reflects speculative housebuilder adaptation to brownfield development based on the results of the nationally posted questionnaire in stage 1 of the research. The ‘typology of brownfield development’ represents the differing levels of response by UK speculative housebuilders to the brownfield development requirement between the years 2000 to 2005. It enabled the identification of three distinct groups of UK speculative housebuilders: the pioneers, the pragmatists and the sceptics.

6.2 The Methodological Implications of the Research

In choosing the research methods it was necessary to ground their choice in the key research challenges and questions that emerged in the first half of the thesis. These research challenges and questions related to the broad research themes that emerged out of a review of the literature in line with the aim and objectives of the research. These research themes included the traditional skills base and structure of the UK speculative housebuilding industry, the institutional environment within which speculative housebuilders operate, the policy switch favouring brownfield development and the changing state market relations between the public and private sectors in the delivery of

new homes in the UK. These research themes and the subsequent research challenges they present are shown in Table 6.1.

Table 6.1: Research Themes and their Research Challenges	
Research Theme	Research Challenge
The Institutional Context of UK Speculative Residential Development	<ul style="list-style-type: none"> • Appreciation of the diversity of social relations between actors and their networks within an given institutional environment. • Formal rules and regulations as well as informal customs and conventions. • Understanding of mutual engagement between institutions and individuals. • Structure of Provision – considering both the external and internal market influences of speculative housing production.
The Nature of the UK Speculative Housebuilding Industry	<ul style="list-style-type: none"> • Disaggregating the industry – involve all types and size of developers in analysis. • Importance of volume builders in output of homes and of regeneration specialists in an urban context. • Regionalisation of speculative housebuilding. • A two tier brownfield land market. • The role of risk in speculative housebuilding.
The Core Competencies of UK Speculative Housebuilders	<ul style="list-style-type: none"> • Conventional ‘greenfield’ skills base: land, planning & marketing strategies. • Knowledge (data and information). • Firm resources. • Routines, identity, culture and attitudes. • Values and norms. • Competitive advantage and an understanding of competition. • Ability to develop and/or acquire requisite skills and knowledge.
The Challenge of Brownfield Development to UK Speculative Housebuilders	<ul style="list-style-type: none"> • Differing skills set needed. • Differing modus operandi than traditional speculative housebuilding. • Risks associated and the perception of tolerability of those risks. • New structure of provision?
<i>Source: Own Analysis</i>	

Once the main research themes and challenges were outlined it was possible to develop a series of research questions that emerged from these research challenges. The research questions related to the nature of the information that was required to fulfil the aim and

objectives of the thesis⁵¹, with respect to the main research themes and challenges. These research questions were:

- What processes and relationships need to be exposed and understood?
- What attitudes and behaviours need to be explained and explored?
- What challenges, risks and constraints are faced and need to be confronted by speculative housebuilders?
- In what ways does the external environment assist or prevent housebuilders from managing these risks, constraints and challenges?

Table 6.2 demonstrates the linkages between the research challenge and the research questions that arose. The research questions take account of the varying demands of the research challenges, for example the need to explain general attitudes and behaviours of speculative housebuilders as well and provide a detailed account of the processes and relationships that exist between housebuilders and their wider institutional environment.

The development of research questions was useful in identifying the type of information that the chosen research methods needed to achieve. Indeed, the research methods needed to adequately explore both the external and internal contexts of a variety of UK speculative housebuilders, from differing institutional (policy) contexts. At the same time, the methods also needed to provide the opportunity to account for the broad attitudes and behaviours of a large number of speculative housebuilders in order to ensure an adequate representation of housebuilders' approach to brownfield development. The research methods therefore needed to facilitate the collection of both a detailed knowledge and understanding of the corporate strategies of UK housebuilders, and a general overview of the industry's attitudes. As such, the research questions identified the direction that the methodological approach needed to take.

⁵¹ Refer to the Introduction of this thesis for a review of this.

Table 6.2: Research Challenges and Research Questions	
Research Challenge	Research Questions
<p>The Institutional Context of Speculative Residential Development:</p> <ul style="list-style-type: none"> • Diversity of social relations • Formal rules and regulations • Informal customs and conventions • Mutual engagement 	<ul style="list-style-type: none"> • What processes and relationships need to be exposed and understood? • What challenges, risks and constraints are faced and need to be confronted by speculative housebuilders? • In what ways does the external environment assist or prevent housebuilders from managing these risks, constraints and challenges?
<p>The Nature of the UK Speculative Housebuilding Industry:</p> <ul style="list-style-type: none"> • Varying types & sizes of builder • Regionalisation • Role of risk • Dominance of volumes • Regeneration specialists 	<ul style="list-style-type: none"> • What attitudes and behaviour need to be explained and explored? • What challenges, risks and constraints are faced and need to be confronted by speculative housebuilders? • What processes and relationships need to be exposed and understood?
<p>The Core Competencies of UK Speculative Housebuilders:</p> <ul style="list-style-type: none"> • Greenfield skills base • Firm resources • Routines, identity, culture • Values, norms & attitudes • Competitive advantage 	<ul style="list-style-type: none"> • What attitudes and behaviour need to be explained and explored? • What challenges, risks and constraints are faced and need to be confronted by speculative housebuilders? • What processes and relationships need to be exposed and understood?
<p>The Challenge of Brownfield Development to UK Speculative Housebuilders:</p> <ul style="list-style-type: none"> • Differing skills set • Different modus operandi • Risk – perception 	<ul style="list-style-type: none"> • What challenges, risks and constraints are faced and need to be confronted by speculative housebuilders? • What attitudes and behaviour need to be explained and explored? • What processes and relationships need to be exposed and understood?
<i>Source: Own Analysis</i>	

Having identified the research questions that arose from the first half of the thesis, it was then possible to identify the methodological implications of those questions, in terms of what type of information and/or data was required to fulfil the research aim and objectives. The methodological implications of the research are presented in Table 6.3, which demonstrates that both in-depth and detailed knowledge and data and broader and generalisable data were required in order to successfully fulfil the research aim and objectives.

Table 6.3: Research Questions and their Methodological Implications	
Research Questions	Methodological Implications
<i>1) What processes and relationships need to be exposed and understood?</i>	<ul style="list-style-type: none"> • In-depth & detailed knowledge & data pertaining to processes & relationships.
<i>2) What attitudes and behaviours need to be explained and explored?</i>	<ul style="list-style-type: none"> • Broader & generalisable data pertaining to attitudes & behaviours.
<i>3) What challenges, risks and constraints are faced and need to be confronted by speculative housebuilders?</i>	<ul style="list-style-type: none"> • In-depth & detailed knowledge & data pertaining to perception risk tolerability. • Broader & generalisable data pertaining to attitudes & behaviours.
<i>4) In what ways does the external environment assist or prevent housebuilders from managing these risks, constraints and challenges?</i>	<ul style="list-style-type: none"> • In-depth & detailed knowledge & data pertaining to key external drivers of change and influence. • Broader & generalisable data pertaining to attitudes & behaviours of external drivers of change & influence.
<i>Source: Own Analysis</i>	

The methodological implications were then used to identify the most suitable methods with which to conduct the research. This was achieved by assessing the suitability of quantitative and qualitative research methods with respect to the aim and objectives of the research through the identification of key research questions. A discussion on quantitative and qualitative research methods now follows after which the chosen methods and then presented.

6.3 Quantitative and Qualitative Methodology

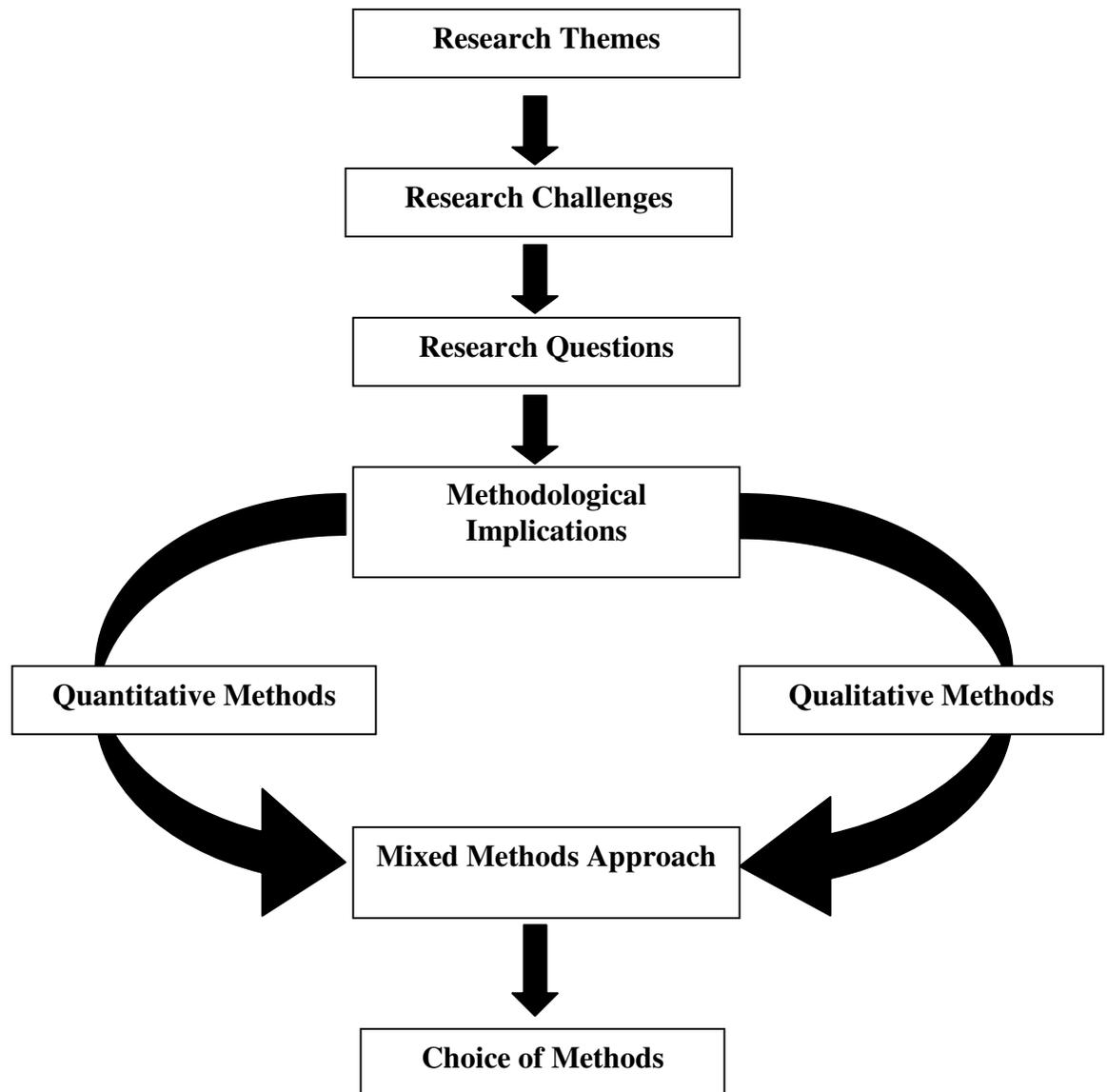
In a broad sense, the quantitative approach to social research emphasises quantification in the collection and analysis of data. Quantitative researchers are largely concerned with measurement, causality, generalisation and replication (Bryman 2001). In contrast, the qualitative approach usually emphasises words rather than quantification in the collection and analysis of data.

Table 6.4 presents a detailed comparison of the competing positions of the quantitative and qualitative research strategies, and is a useful overview of the differences of what each research strategy aims to achieve.

Table 6.4: The Quantitative and Qualitative Research Strategies Explained	
Quantitative Research Strategy	Qualitative Research Strategy
<ul style="list-style-type: none"> • Positivism epistemologically grounds the quantitative approach. Objectivity, causality, replicability and generalisation are directed by a ridged and often sequential research strategy. • Society is an external social reality whose subjects should and can be studied in much the same way as natural science subjects. • Hypothesis or theories of action are initially formed and then subsequently tested. • The data produced is considered to be 'warranted knowledge' and is generalisable over the range of social actors which were studied. • The preferred research tool most commonly associated with the quantitative research strategy is the social survey. This allows a replicable collection of large, often numeric data, in an objective manner, as distance is maintained between researcher and subject. • Quantitative researchers are more concerned with numbers and frequencies. 	<ul style="list-style-type: none"> • Epistemologically, the qualitative researcher tends to favour a constructionist understanding of what is, or should be, regarded as acceptable knowledge. This approach favours taking the research subjects perspective as a point of departure rather than a hypothesis or a theoretically informed hunch. • The qualitative approach seeks to understand the social world, from the point of view of the subject under research. Meanings and meaning systems - comprised of tacit and informal conventions - and the interactions, both between and within these meaning systems, are at the forefront of interest to the qualitative researcher. • Researchers seek to contextually frame their research to better understand the actions of their research subjects within 'meaning systems'. The qualitative approach emphasises a more fluid, dynamic and iterative strategy to research. • Methods are employed that enable them to get as 'close' as possible to their research subjects, facilitating the 'inside view' which they seek. Generally, participant observation, the establishment of life histories and unstructured interviews are among the most common methods employed. These methods produce rich, deep and meaningful data, which facilitates the researcher in establishing an understanding of social life, rather than the mere description of causal relationships. Social relationships and patterns of interaction are uncovered. • Qualitative researchers are more concerned with concepts and categories.
<i>Source: Adapted from Bryman (1984)</i>	

As the research questions and methodological implications identified in Table 6.3 highlighted the need for both generalisable and in-depth knowledge, this research therefore used both quantitative and qualitative methods. This 'mixed methods' approach allows the opportunity for triangulation of the data. This is depicted in Figure 6.1.

Figure 6.1 Identifying the Most Appropriate Research Methods



Source: Own Analysis

6.4 The Case for Mixing Methods

The purpose of combining qualitative and quantitative methods is usually for either *integrating* data or *complementing* data. Brannen (1992) explains that complementing means that each approach is used in relation to a different research problem or different aspect of the research problem. In contrast, Brannen (1992) explains that integration is referred to as a means to examining the same research problem and hence of enhancing claims concerning the validity of the conclusions that could be reached about the data.

It is common to find quantitative and qualitative research strategies portrayed in social science research publications in a dichotomous fashion. However, Bryman (2005) suggests that there need not be a stigma attached to mixing qualitative and quantitative methods. He argues instead that the research technique must fit the problem at hand.

Table 6.5: Four Ways to Mix Methods in Social Research
<p>Multiple Methods – distinction here is drawn between ‘within methods’ and ‘between method’, the former involving the same method being used on different occasions, and the later, using different methods in relation to the same object of study/substantive issue⁵².</p> <p>Multiple Investigators – research is carried out by partnerships or teams rather than one investigator.</p> <p>Multiple Data sets – using either different methods to derive different data sets, or, using the same method at different times or with different sources.</p> <p>Multiple Theories – multiple data sets or insights from the research process may lead the researcher to employ or generate a number of possible theories.</p>
<i>Source: Brannen (1992)</i>

Philip (1998) highlights varying advantages of mixing methods, which are summed up as:

- Minimising the risk of erroneous findings.
- Qualitative research may be carried out to establish research questions which will subsequently be addressed by quantitative methods - or the other way round.
- Using multiple methods allows a broader range of issues to be addressed in the course of the research project.

Philip (1998) makes clear that when using a multiple method approach, ideally one method should not be privileged over another and that to gain an understanding of a complex world, a variety of methods, in addition to a variety of subject areas, must be addressed’ (p.252).

⁵² Philip (1998) offers a competing explanation of the difference in definitions. According to Philip’s definition, ‘mixed methods’ refers to Brannen’s ‘between methods’ definition, and ‘multiple methods’ refers to Brannen’s ‘within method’ definition. This differing definition acts to highlight lack of consensus in precise definitions of a multiple method approach to social science research.

The methods in this research have been chosen for pragmatic reasons that are specific to the study and these are briefly outlined below.

6.4.1 The conceptual approach

Framed by an institutional approach of speculative residential development, this research is primarily concerned with social processes rather than quantifiable outcomes. By focusing on the processes that shape the current structure of provision in speculative housebuilding and by exploring the reasons why these processes have occurred and continue to occur, the subsequent research methodology must be equipped to identify and illuminate the behavioural patterns, social processes and forms of conflict that have contributed to creating, fortifying and challenging the current structure of provision in UK speculative housebuilding. It is for these reasons that those methods more aligned with the qualitative approach will be most suitable for this aspect of the research.

6.4.2 Reifying brownfield

It is important not to reify brownfield development as a process that is the same in all parts of the UK and in all contexts. An institutional approach supposes that different regions will have different types, amounts and levels of brownfield development, availability and use. Housebuilders in towns in the North West for example, where the largest amount of brownfield sites (out with London) in the UK are found, will face different and in some cases unique challenges in the development of brownfield sites than builders in Oxford, Plymouth or Swindon for comparison. Unique circumstances exist as do generic cases and the purpose of this study is not to generalise brownfield development as an outcome, but rather to uncover the processes through which decisions are made and formed in the process of brownfield development.

6.4.3 General attitudes and opinions of UK speculative housebuilders

In order that the study provided a general overview of the attitudes, expectations and behaviours of UK speculative housebuilders in light of the policy switch favouring brownfield development, there needed to be a quantifiable element to the research. This quantifiable element gave rise to data collection that served to provide a representative view of brownfield development by the UK speculative housebuilding industry.

6.4.4 Disaggregating the UK speculative housebuilding industry

Whilst the use of aggregated data pertaining to the general attitudes and behaviours of UK speculative housebuilders is useful in providing a context to the research, the demands of the research problems required a more detailed and in-depth aspect to the research. It was therefore important to disaggregate the UK speculative housebuilding industry in its approach to brownfield development so to uncover specific firm strategies and core competencies in brownfield development. By reducing the level of analysis to that of the firm, the development of core competencies, strategic decision-making and the processes through which decisions are made can then be uncovered and explained. More specifically, the research was able to consider firm response to their external environment, internal firm evolution, competencies and acquisition agendas and further consider how these processes, behaviours, routines and actions related to the approach taken to brownfield development opportunities.

6.5 The Research Design Process

The previous sections have outlined and explained the methodological implications of the research with respect to the aims and objectives of the thesis and have identified the quantitative and qualitative research strategies used in social science research. This section combines the outcomes of those previous sections by outlining the research design process and presents the most suitable research methods for this research. Table 6.6 shows the methods that are associated with the qualitative and quantitative research strategies.

Because both in-depth, detailed knowledge and broader, generalisable data were deemed necessary for the fulfilment of the research aim and objectives, there was a large choice of methods from the qualitative and quantitative research approaches. However, these methods needed to reflect the requirements of the research challenges and subsequent research questions (refer back to Figure 6.1). As a result, and in referring back to Table 6.3, it was clear that a two-staged approach to data collection was needed - there was a methodological requirement to gather both general and detailed information regarding speculative housebuilders' behaviours and attitudes toward brownfield development.

Table 6.6: Methods associated with quantitative and qualitative research Strategies	
Quantitative	Qualitative
Sampling Structured interviews Self-completion questionnaires Structured observation Content analysis Secondary analysis and official statistics	Ethnography Participant observation Unstructured and semi-structured interviews Focus groups Discourse and conversation analysis Personal documents e.g. diaries, letters & autobiographies
<i>Source: Bryman (2004)</i>	

The decision was therefore taken to conduct the research in two stages, where the broader and more general attitudinal data was collected in Stage 1; this would then influence the approach taken in Stage 2 where the more detailed data was collected. As a result, Stage 1 was used to gather broad information pertaining to the attitudes and behaviours of a representative sample of UK speculative housebuilders towards the use of brownfield land, whilst Stage 2 was used to gather more in-depth information pertaining to the use of brownfield land by a small number of select UK speculative housebuilders. Figure 6.2 presents these in respect of the methodological implications of the research and the methods associated with those. The research approaches for Stage 1 and Stage 2 will now be discussed in more detail.

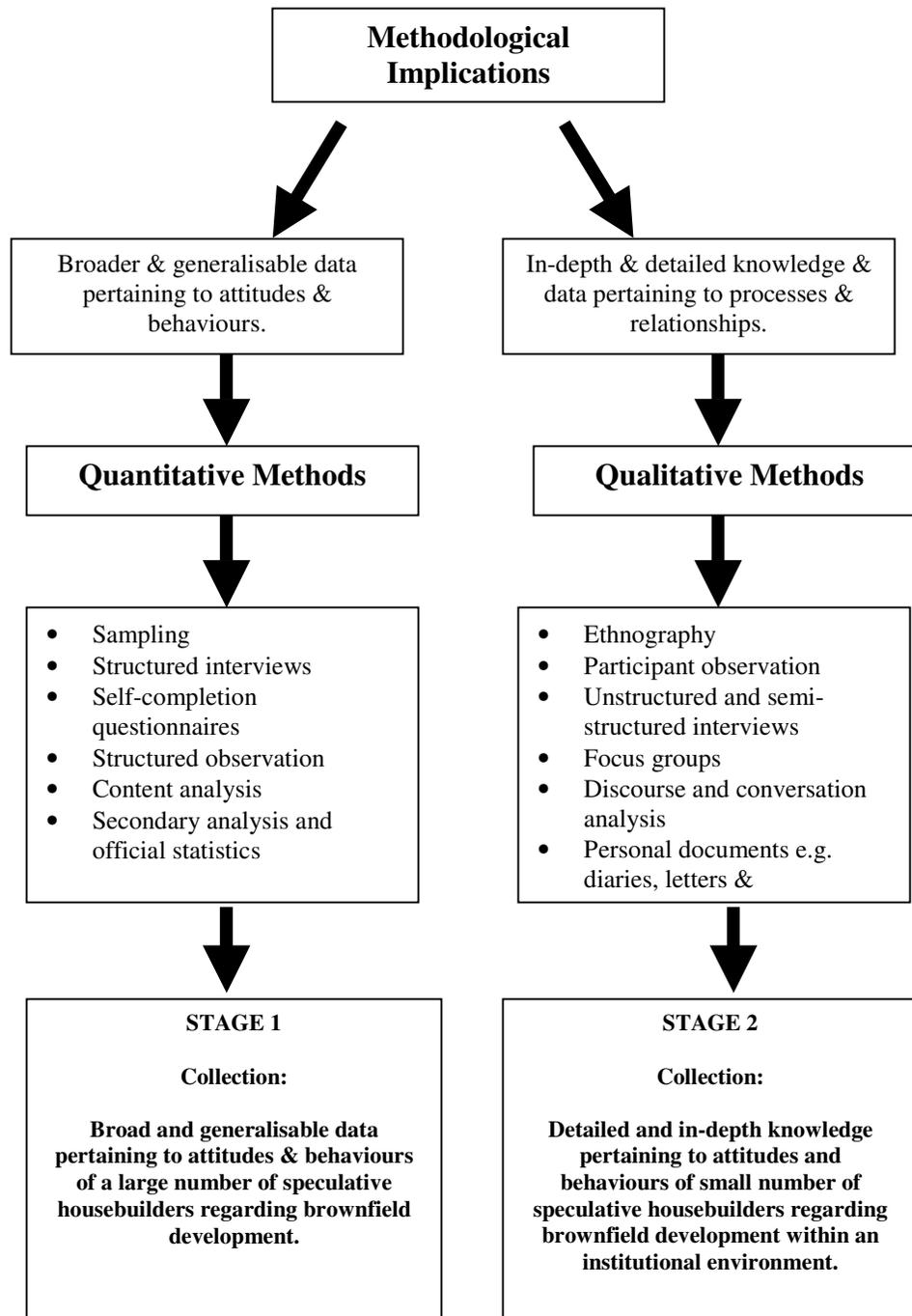
6.6 The Research Approach for Stage 1

Stage 1 was designed to survey a wide variety of housebuilders, of differing sizes and specialism's operating all over the UK. Specifically, the task was to uncover their attitudes and behaviours pertaining to the use of brownfield land for housebuilding. The need to collect quantifiable and generalisable data pertaining to these general attitudes and behaviours towards the brownfield policy agenda therefore narrowed down the choice of suitable research methods.

6.6.1 Brownfield development database

Structured interviews and structured observation were not suitable for this research as they were too resource intensive, particularly in terms of time. Content analysis was not suited to the aim and objectives of the research, as the methodological implications did not require a detailed analysis of documents published by housebuilders.

Figure 6.2 Linking Methods to the Two-Staged Research Process



Source: Own Analysis

However, some level of background data collection was required in order to provide a context to the study and as a result, the suitability of using secondary analysis and official statistics was confirmed. As such, a ‘brownfield development database’ was created using documentary data, which was sourced from a wide variety of places, including published housebuilding company reports, government data on housebuilding and land use, the

financial press, the internet and the Annual Housebuilding Report series (Wellings 2003, 2004, 2005, 2006). This data presented information on a wide range of UK housebuilders and other stakeholders from the housebuilding and urban development community. This database was used to establish trends, historical and current, in various aspects of the UK speculative housing development process such as the stock and flow of brownfield land in the UK, housing output levels, percentage of new homes built on brownfield land, and annual unit completions.

As these documents are produced independently of this research, the information received was non-reactive, in the sense that it is not subject to possible distortion due to the interaction between the researcher and the subject studied (Bryman 2004). However, one disadvantage when dealing with this type of document is that the researcher cannot ask further questions but has to be content with the information provided. Nonetheless, as this database informed the creation of the questionnaire and interview guides (see later), there was an opportunity to probe further lines of enquiry.

Looking critically at documents, the research process took account of the fact that these data may have been produced in order to serve governmental or other organisational purposes. Indeed, 'the concepts, definitions and data-collection processes used in the production of these (data)...are commonly determined by the purpose the (data)...serve and the functions of the organisations which are their primary users. These concepts, definitions, purposes and functions are part of a world created by the needs of the machinery of government and the management of organizations' (Thomas 1996:52). Further, May (2001) suggests that 'official statistics do not simply exist independently of the actions of those who compile them, they also feed back into everyday practices' (p.86). Indeed, it is important to understand how a document has come into being. In addition, it was important to consider the overt message of these documents, together with any indirect information or 'message' that the documents may convey.

6.6.2 Brownfield development questionnaire

However, the use of secondary analysis and official statistics alone did not provide the level of detail on housebuilder attitudes and behaviours that were required for the first stage of the research, as those methods would not have given any indication of

housebuilder attitudes – the publications simply reported on build activity, turnover, sales rates and so on. Therefore, the use of a large-scale survey in the form of a postal questionnaire was deemed as an appropriate additional method in Stage 1. This provided the opportunity to collect broad, generalisable data pertaining to the attitudes and behaviours of a large and representative sample of UK speculative housebuilders, of differing sizes and specialisms operating all over the UK, with regard to brownfield development. The questionnaire also allowed for the collection of data from housebuilders' over a large geographical area in a relatively fast timeframe.

Therefore, the decision was taken to use a self-administered 'closed question' postal questionnaire, whereby respondents generally ticked response categories. The questionnaire⁵³ was designed in a way that might have been perceived to be of direct value to the respondent in order to increase the potential response rate. A 'postage paid' envelope was included in the questionnaire to try and increase the response rate.

As little academic empirical research has been done on the UK speculative housebuilding industry in recent times, there was not an extensive body of literature with which to assess the suitability of the methodological approach. Neither was there any academic literature that provided an overview of the different types of UK speculative housebuilders or their company profiles. However, the Private Housebuilding Annual (PHA) series (Wellings 2003, 2004, 2005, 2006) provides an annual detailed overview of the corporate activity and financial analysis of UK speculative housebuilders producing over 100 units per annum. The series also covers topics such as reflections on the housing market, the housebuilding industry structure and the stock market. The PHA series provides the most detailed publicly available information pertaining to UK speculative housebuilder operations on an annual basis.

The decision was therefore taken to use the Private Housebuilding Annual (PHA) 2004 edition (Wellings 2004) as a population frame for the questionnaire because this was the only suitable publication available that provided a breakdown of the biggest and most active housebuilding companies in the UK. In each yearly publication, the PHA provides a

⁵³ The questionnaire can be seen in Appendix 3.

table of the UK's biggest speculative housebuilders based on their unit completions and uses unit completions as the starting point for comparison of size⁵⁴. In the 2004 edition of the PHA, a table of 104 housebuilders all producing over 100 units per annum, was provided. Although there are over 19,000 housebuilders registered with the NHBC, the concentration of the UK speculative housebuilding industry (refer back to Chapters 1,2 and 3) means that those housebuilders producing over 100 units per annum provide the majority of all new homes built in the UK. The table of 104 housebuilders provided in the PHA was therefore considered as representative as possible of the UK speculative housebuilding industry and it was used as a population frame for the choice of housebuilders for which to send the questionnaire to.

The use of the PHA provided the opportunity to adequately reflect on the heterogeneous nature of UK speculative housebuilding using up to date information, given the lack of research on the nature of UK speculative housebuilders in the academic literature. Further, the Top 104 housebuilders are arguably more crucial to the success of the Government's policy switch favouring brownfield development than those smaller housebuilders whose market share of housebuilding production is negligible compared to the output of the Top 104, and even the Top 10 housebuilders (refer to Chapters 1, 2 and 3).

The managing director of each of the 104 housebuilding companies was chosen as the most suitable recipient of the questionnaire because they were considered to have the most operational involvement with the day to day running of the company and they were therefore considered the most suitable representative of the company. Of course, the delegation by the managing director of the questionnaire completion to his staff was expected from time to time, but this was out of the control of the research.

⁵⁴ Wellings (2006) suggests that the choice of unit completions as the starting point for comparison of size is by no means as ideal choice – it's simply just better than the alternative. He makes clear that the crude measure of the number of houses is not perfectly homogenous; not only are they of varying sizes, there can also be a significant difference in the selling price according to location. However in practice, Wellings points out, the difference in product mix between companies, particularly the larger ones, is not excessive (p.33). Wellings (2006) further adds that although measuring companies by the number of unit completions does not take into account the relative value of the individual product, it has two recognisable advantages: the unit numbers tie in with the industry statistics, allowing the calculation of market shares; and changes over time are not complicated by selling price inflation. Nearly all the units drawn by Wellings (2006) in his PHA series are drawn from published accounts or are provided for the PHA series by the company (p.33).

6.6.3 Piloting the brownfield development questionnaire

Before being dispatched to the 104 housebuilders, the questionnaire received detailed comments by the CASE partner after which it was then piloted. Originally, the questionnaire was to be piloted through clients of the CASE partner, but due to time constraints of the CASE partner, this could not be feasibly achieved. A housebuilder operating in England and Scotland who had links with the University of Glasgow was therefore chosen. The decision was taken to use only one pilot as the potential for housebuilders failing to return the main questionnaire as a result of already having spent time completing a piloted issue was considered to be a justifiable reason. In retrospect, this was a justified decision, as the end response rate was 46% i.e. 48 of the 104 housebuilders. The pilot housebuilder did however provide some very useful and detailed comments on the initial draft.

The pilot stage was successful in that it tested the questionnaire in order to both gauge the length of time it took to investigate, and also to determine whether the questions were properly understood by the respondent (Wilson 1996).

The results of the questionnaires informed the interview design in Stage 2 of the research and therefore demonstrated the complementary nature of questionnaires as research tools. The data received in Stage 1 was considered very useful and provided the opportunity to inform the design of the second part of this two staged research process. The way in which this was achieved will be discussed in the following section.

6.7 The Research Approach for Stage 2

Stage 2 provided the opportunity to study, in detail, the strategic decision making of a representative selection of speculative housebuilders in differing policy and institutional contexts in respect of the impact of the policy switch favouring brownfield development. This stage focused on the collection of qualitative in-depth material pertaining to the external drivers of change in speculative housebuilding, the perception of risk tolerability, and the processes and relationships within the wider institutional context of speculative residential development that influenced the perception and uptake of brownfield development. The findings of Stage 1 were used to inform the direction of Stage 2, where

the generalisable data was used to inform the research design of the methods used to generate in-depth qualitative data.

6.7.1 Case study approach

As the research aim was to assess the institutional capacity of the UK speculative housebuilding industry, then providing a comparative assessment of the operations of housebuilders in distinct institutional environments was crucial to the fulfilment of the aim and objectives of the study. The research approach for Stage 2 was therefore designed as comparative case study.

Due to time and financial constraints as well as the need to collect in-depth and detailed data from a representative sample of UK speculative housebuilders, the decision was taken to limit the number of case studies to two. The case study areas were chosen based on local authority jurisdiction. This was because, whilst being able to keep the local policy variable constant, the approach also allowed for the dynamics of governance between actors in the residential development process at the local level to be explored.

The case study areas chosen were Manchester, England and Glasgow, Scotland. The choice was based both on pragmatic reasons and the requirements of the research. Indeed, both cities reveal a substantial stock of brownfield land due to the decline of their former industrial legacies, textiles and shipbuilding respectively. The contrast in England and Scotland's Government's policy approaches to the use of brownfield land for new housing (see Chapter 3 for more detail) provided the opportunity for a very interesting cross case analysis, through a comparison of the effects of differing national and local policy directions on housebuilder behaviour towards brownfield development. More so, the use of two case study areas afforded the opportunity for the research to uncover the differential impacts of the different external environments that UK speculative housebuilders operate within (refer back to the SOP model in Chapter 5), such as *inter alia*: housing and land markets, land availability, finance markets and skills availability. The cities of Glasgow and Manchester were also where research contacts and personal contacts were based and as such, they suited the research for practical reasons.

Whilst the case study areas chosen were reflective of the approaches of speculative housebuilders operating in two of the four countries that comprise in the UK, there are three clear reasons why the results of the Stage 2 research can be extrapolated to be representative of UK speculative housebuilders as a whole. First, the policy priorities of all 4 UK countries are similar in that the reuse of brownfield land for housebuilding is promoted in preference to greenfield land. England is the only country with a specific brownfield development target, but the policies of the three other countries similarly do require the reuse of brownfield land in preference to greenfield land. Second, the previous Chapters have presented what is known about the speculative housebuilding industry from a UK level, in terms of its structure and organisation as well as its core strategic focus and *modus operandi*. As such, the contextual knowledge for this empirical research is based on an understanding of UK speculative housebuilders. It would be wrong to present a research project based on only English and Scottish housebuilders when Stage 1 of the research accounted for the attitudes and behaviours of UK speculative housebuilders. Finally, the structure and organisation of the UK speculative housebuilding industry (refer to Chapter 1) means that the housebuilders chosen for interview in England and Scotland (see below) are some of the biggest housebuilders operating in the UK and who have a significant market share in UK speculative housing provision. As such, the views of these housebuilders, in addition to the fact that the policy restrictions in place are largely the same in all 4 UK countries, mean that the results can fairly and reasonably be extrapolated to cover the UK as a whole.

6.7.2 The use of semi-structured interviews

Due to the nature of the information that was required in Stage 2, the use of methods such as discourse analysis and conversation analysis, ethnography, personal documents and participant observation were ruled out. Personal documents are not part of the operation of speculative housebuilders and participant observation was not thought possible due to the inherent commercial sensitivity of the housebuilding industry⁵⁵. Indeed, most land departments within housebuilding companies operate behind closed doors and in separate

⁵⁵ This issue will be discussed in more detail later in this Chapter.

offices from the rest of company, such is the commercially sensitive nature of the information they deal with on a day to day basis⁵⁶.

In addition, focus groups were not an option with specific regard to housebuilders, as issues of commercial sensitivity would prevent housebuilders from discussing the nature of their strategic operations and competitive strategies with their competitors or anyone outside the company. Therefore, the most suitable method for information collection in Stage 2 was semi-structured interviews. This allowed the collection of detailed and in-depth information from speculative housebuilders in line with the aim and objectives of the research.

The focus of the housebuilder interviews was to explore:

- The perceptions and attitudes of housebuilders towards brownfield development including current and potential impacts of the policy switch.
- The perception and awareness of housebuilders' need to adapt their current 'greenfield' skills base and business strategies.
- The potential adaptation measures and strategies employed or likely to be employed by housebuilders and the extent to which these are envisaged or in operation.

Uncovering housebuilders' response to the policy switch favouring brownfield development required detailed discussions with housebuilders in respect of:

- The three basic skills required to establish development feasibility in housebuilding, namely those of controlling ownership through land acquisition, securing planning permission and other public consents, and creating attractive marketing (Adams & Watkins 2002).
- The design approach to their product and their developments.
- The underlying business strategies and sources of competitive advantage.

⁵⁶ This is largely anecdotal evidence that was received through a conversation with a housebuilder during the formulation of the research strategy.

For this research, semi structured interviews offered a flexible, adaptable open-ended and discursive way of conducting the research, allowing insight into the interests of the interviewee's point of view into what they consider relevant and important. Interviews in this research were considered as conversations with a purpose, a way of uncovering motivations, strategies, meanings and views to gain multi-layered information of a deeper and detailed picture.

An interview guide⁵⁷ was used, which the interviewee saw prior to the agreeing to be interviewed. This guide was comprised of a structured list of issues and questions, which ensured that questions of fairly specific topics were covered whilst allowing for flexibility in how the interviewee responded. This allowed for more dialogue between the interviewer and interviewee and also allowed for further lines of inquiry to be pursued from the responses of the interviewees at the same time as providing the interviewee with the opportunity to highlight what was important in explaining and understanding events, patterns and forms of behaviour. The use of an interview guide ensured that the same questions with similar wording were asked to all respondents but in a manner that was specific to each semi-structured interview.

6.7.3 Critically assessing the information obtained from the interviews

The initial decision was taken to conduct 4 interviews with each housebuilder. This allowed for the 4 key features of establishing development feasibility in UK speculative housebuilding – land, planning, design and marketing (refer to Chapter 2) - to be explored in detail with the relevant Director of each of those departments in each housebuilding company. This would have resulted in the need to conduct 40 separate interviews in Glasgow and Manchester.

Pilot interviews were conducted with a national housebuilder based in Warrington to assess both the usefulness of the interview guide and questions and to practice the process of interviewing. Each of the four interviews took approximately 1 hour and were conducted with the Land Director (land), Technical Director (design and technical/ground), Planning Manager (planning) and Marketing Director (sales and marketing). Arranging the

⁵⁷ A copy of the interview guide is shown in Appendix 4.

interviews was a time consuming process, and due to staff holiday and work load commitments, the 4 interviews were spread over the course of three weeks. The preference was to undertake the interviews in the order that matched the development process, where the Land Director was interviewed first, followed by the Technical Director, the Planning Manager and finally the Sales and Marketing Director. This, of course, was more difficult than originally anticipated for reasons mentioned above.

Based on the outcomes of these 4 pilot interviews, the decision was taken to just interview the Land Director at each housebuilder. This was for three key reasons. First, the pilot interviews revealed that the Land Director maintained involvement through the entire development process, from the beginning when the land is identified, through the design and planning process to the sales and marketing process. The Land Director was essentially responsible for the overall management of each piece of land, as it progressed through each aspect of the development process. And, because of this, the Land Director had a detailed and relevantly adequate knowledge of all stages of the development process. This afforded the opportunity to avoid getting bogged down in the detail of each aspect of the development process that the other Departmental Directors did go into whilst the pilot interviews were taking place.

Second, the Land Director managed the legal side of the development process, in conjunction with the Company's legal team, so his involvement in all aspects of the development process was crucial. Third, because this research focused on the general approach by housebuilders to the brownfield policy agenda, and not specifically on just technical, planning or marketing solutions to increased brownfield development, the decision to capture the Land Director's knowledge of the overall process to avoid getting too bogged down in the detail and avoiding gathering resource intensive data to analyse, was arguably justified.

From a practical point of view, it was felt that the opportunity to interview just one person from each housebuilding company would also increase the likelihood of housebuilders agreeing to be interviewed as it would require less time and effort on their part.

There are, of course, other ways in which the research could have been conducted. The number of housebuilders could have been reduced and the corresponding time spent with

each of them increased, to provide more detailed and ‘richer’ data set. But, because of the heterogeneous nature of the UK speculative housebuilding industry and the variety of different housebuilders that the results of Stage 1 generated, it was important to ensure that Stage 2 was as representative as resource, finance and time constraints allowed.

Similarly, it might have been useful to become involved in one specific brownfield project for each of the housebuilders chosen for interview. However, due to the inherent commercial sensitivity that was emphasised in the pilot interviews and the subsequent unwillingness of the pilot interviewees to name any specific developments they were working on or considering for purchase or acquisition, this was rendered an incredibly difficult task to achieve within the constraints of a 3 year research project.

Nonetheless, for the above mentioned reasons and, as land is the lifeblood of housebuilders (Barker 2003), the decision to interview just the Land Director was suitably justified. And, the data received was considered suitable for achieving the aim and objectives of the research.

6.7.4 The selection of housebuilders for interview

The housebuilders chosen for interview were selected using the outcome of the Stage 1 questionnaire. However, the final selection process for interview was *severely constrained* by the willingness of the housebuilders to be interviewed, and the final choices were not the originally preferred choices. This was largely due to the timing of the empirical research taking place close to and over the Easter and summer holiday periods and the preoccupation of housebuilders writing their end of year reports. It was also, in part, due to the inherent commercial sensitivity that exists in speculative housebuilding, which will be discussed later on in this section.

Table 6.7 provides a profile of the respondents to the Stage 1 questionnaire based on the types of UK speculative housebuilders outlined in Chapter 1. The housebuilders are identified by numbers that were assigned to their questionnaire on response. Again, due to commercial sensitivity, it was felt that the response rate of the questionnaire would be better if respondents were afforded the opportunity to remain anonymous and therefore the names of the respondents are not published. Table 6.7 provides clarity in respect of the

representative nature of the Stage 1 respondents to the UK speculative housebuilding industry as a whole. It shows that 7 out of the 48 housebuilders who responded to the survey operated UK wide. These same 7 respondents also accounted for 70% of the UK's top ten biggest housebuilders. Further, 2 out of 3 super builders (refer to Chapter 1) were represented in the survey. This means that those housebuilders who deliver the majority of new homes in the UK were well represented in the survey.

The analysis of the responses to the Stage 1 questionnaire, which informed the selection of housebuilders for interview in Stage 2, involved the development of a typology that was based on a categorisation of the questionnaire responses. The method used to establish the typology categories was based on respondent's answers to a select number of questions from the questionnaire, which were chosen based on their suitability for reflecting the respondents' approach to brownfield development, in respect of the overall aim and objectives of the research. More importantly, the approach also differentiated between:

- Those housebuilders who have consistently built predominantly on brownfield land and who intend to carry on doing so;
- Those builders who have not predominately built on brownfield land but intend to increase their output in the future; and,
- Those housebuilders who have not generally built on brownfield land and do not intend to change their approach in the future.

Table 6.7: A Profile of the Questionnaire Respondents, 2006 data				
No	Ownership & Size	Coverage	%Brownfield /Greenfield	Typology Category
1	PLC Volume Group	All UK ⁵⁸	82/12	Pragmatist
2	PLC Volume Group	All UK	78/22	Pragmatist
3	Anonymous	All UK	85/15	Pragmatist
4	Private Volume Group	Scotland & North West England	70/30	Pragmatist
5	Private, Large	Wales	15/85	Sceptic
6	PLC, Volume, Group	All UK	89/11	Pragmatist

⁵⁸ Whilst housebuilders have specified that they operate across the UK, this research acknowledges that housebuilders may incorrectly state their involvement in all four countries of the UK. However, the survey did provide respondents with the opportunity to individually select each of the four UK countries.

7	Private Large	North West England	80/20	Pragmatist
8	Private Large	North East England	45/55	Sceptic
9	Private Large	South East England	30/70	Sceptic
10	Private Large	South East England	70/30	Pragmatist
11	Private Large	Scotland, Yorkshire, Midlands & London	80/20	Pragmatist
12	Private Large	North East England	5/95	Sceptic
13	Private Large	Scotland	36/64	Sceptic
14	Private Large	England & Wales	70/30	Pragmatist
15	Private Large	London & South East	100/0	Pioneer
16	Private Large	Yorkshire	70/30	Pragmatist
17	Anonymous	London & South East	89/11	Pragmatist
18	Private Large	Scotland	22/78	Sceptic
19	Private Large	North West & West Midlands	89/11	Pragmatist
20	PLC, Group Volume	All UK	84/16	Pragmatist
21	Private Large	London, South East, South West England	87/13	Pragmatist
22	Private Large	London & South East England	100/0	Pioneer
23	Private Large	Scotland	100/0	Pioneer
24	Private Large	East Midlands & Yorkshire	70/30	Pragmatist
25	Private Volume Group	London & South East	82/18	Pragmatist
26	Private Large	North West England & Yorkshire	89/11	Pragmatist
27	Private, Group Volume	All UK	45/35	Pragmatist
28	Private Large	Eastern England	70/30	Pragmatist
29	Private Large	North West England	100/0	Pioneer
30	Private Large	North West England	76/24	Pragmatist
31	Anonymous	Mid & South England	38/62	Sceptic
32	Private Large Group	North West England, Midlands & South East	75/25	Pragmatist
33	Private Large	Scotland	80/20	Pragmatist
34	Private Large	North West England	100/0	Pioneer
35	Private Large	Scotland	15/85	Sceptic
36	Private Large	London	75/25	Pragmatist
37	Private Large	Scotland	100/0	Pioneer
38	Private Large	North West & South West England	70/30	Pragmatist
39	Private Large	Scotland & London	30/70	Sceptic
40	Private Large	North West England	100/0	Pioneer
41	Private Volume	All UK	78/22	Pragmatist
42	Private Large	North East England & Yorkshire	15/85	Sceptic
43	Private Large	Scotland	10/90	Sceptic
44	Private Large	Scotland	25/75	Sceptic
45	Private Large	Wales & North East England	22/78	Sceptic
46	PLC Volume Group	All England	93/7	Pragmatist
47	Private Large	South East England	70/30	Pragmatist
48	Private Large	North East England & Yorkshire	40/60	Sceptic

Source: Own Analysis

As such, the questions chosen from the questionnaire were⁵⁹:

Question 3: ‘Please indicate the percentage of housing completions by type of site for 2005 or the latest financial year, giving your answer to the nearest 5 percent.

Question 4: Of those plots in your company’s land bank, what percentage is greenfield/brownfield land, giving your answers to the nearest 5 percent?

Question 6: Has the number of brownfield units completed by your company changed over the past 5 years?

Question 8: Do you think the number of brownfield unit completions by your company will change in the next 5 years?

Including Question 3 in the categorisation process provided the opportunity to assess the retrospective commitment of housebuilders to brownfield development. If the respondents housing completions were predominantly brownfield, this would reflect a generally positive retrospective picture of their attitudes towards brownfield development. Correspondingly, if their completions were predominantly greenfield, it would suggest a lower retrospective commitment to brownfield development.

Question 4 provided the opportunity to account for the respondents’ future commitment to brownfield development by assessing the content of their land bank. Whilst it is obvious that the land bank may contain strategic greenfield sites that have been on the housebuilders books for a number of years and may not come to fruition any time soon, it does however provide a good glimpse into the attitudes of housebuilders towards the suitability of brownfield development.

Question 6 assessed respondents’ retrospective commitment to brownfield land through identifying the change in the brownfield units they had completed in the past 5 years. This

⁵⁹ A copy of the questionnaire can be found in Appendix 3.

provided a view of developer build activity on brownfield sites over the past 5 years, whilst the inclusion of Question 8 assessed the builders intentions towards brownfield land in the future by asking respondents' whether they expected their brownfield unit numbers to increase in the next 5 years.

6.8 The Typology of Brownfield Development

Three typologies were formed based on the responses to the above 4 questions. These three typologies suitably encapsulated the opinions and attitudes of the top 104 housebuilders towards brownfield development, through both their retrospective and future commitment to the use of brownfield land for residential development. The spread of the three typologies is shown in Table 6.8.

When placing responses into the three typologies, a categorisation process was followed which involved placing respondents into categories based on their answers to the questions as discussed above. The process began with questions 3 and 4, which was fairly simple and three core categories emerged which suitably reflected housebuilders' commitment to brownfield development through their build activity and land bank activity. Specifically, a clear cohort emerged who built 100% of new homes on brownfield land and had a land bank comprised of 100% brownfield land. The remaining respondents were clearly demarcated by their level of brownfield build activity and land bank activity in respect of England's 60% brownfield development target. As such, the decision was taken to use the 60% figure to demarcate the remaining respondents⁶⁰. Therefore two more categories were formed: those housebuilders who banked and built above 60% brownfield; and, those who banked and built less than 60% brownfield land. The responses correlated for both questions.

⁶⁰ As the responses were reflective of attitudes and opinions in the first 5 years of the UK Government's brownfield development agenda, housebuilders land bank and build activity was therefore considered a suitable reflection of their attitudes in response to this policy switch. The 60% figure was adopted from England's brownfield development target, with the acknowledgment that it was not utilised in the Scottish, Northern Ireland or Welsh contexts. However, as brownfield development was promoted in preference to greenfield development in Scotland, Wales and Northern Ireland, 60% was considered a suitable figure.

Table 6.8: The Spread of Typologies of Brownfield Development				
	Pioneers	Pragmatists	Sceptics	Total Respondents
Number of Responses	7	27	14	48
% Of total	15%	56%	29%	100%
<i>Source: Questionnaire Analysis</i>				

The three categories that emerged reflected pioneering, pragmatic and sceptical approaches to the use of brownfield development by UK speculative housebuilders. Those who built and banked 100% brownfield land reflected a pioneering approach; those who built and banked over 60% were pragmatic and those who built and banked less than 60% demonstrated a sceptical view of brownfield development.

These three categories then accommodated the responses to questions 6 and 8. Question 6 identifies whether housebuilders have always built on brownfield land and if not, how much they have increased their output in the past 5 years. Question 8 identifies whether brownfield units will increase over the coming 5 years. In explaining the three categories in more detail, it will be explained how questions 6 and 8 were included.

6.8.1 The pioneers

The *pioneers* are the industry leaders in brownfield development. This typology is largely comprised housebuilders whose strategic and competitive focus is primarily on the redevelopment of brownfield sites, most commonly regeneration specialists. The responses revealed that these housebuilders deliver 100 % of all new homes on brownfield sites and have a land bank comprised of 100% brownfield sites. *Pioneers* of brownfield development will have built the majority of their units on brownfield sites in the past and will most likely build all of their units on brownfield sites in the future. Answers to following questions that were required to be included in this category were:

Question 3: 100%.

Question 4: 100%.

Question 6: Stayed the same, increased slightly.

Question 8: Stay the same, increase slightly.

6.8.2 The pragmatists

The *pragmatists* are those housebuilders who have demonstrated an increased use of brownfield land for housebuilding in the past 5 years and who intend to continue using predominantly brownfield land in the future. These housebuilders deliver between 60% and 89% of units on brownfield land and have a land bank comprised of between 60% and 89% brownfield sites. Those who have demonstrated changes in ‘brownfield behaviour’ in the past 5 years and who intend to continue making changes in the coming 5 years. Answers to following questions that were required to be included in this category were:

Question 3: 60% and above.

Question 4: 60% and above.

Question 6: Stayed the same, increased slightly or increased significantly.

Question 8: Stay the same, or increase slightly.

6.8.3 The sceptics

The *sceptics* are those who have made only limited changes to their already limited use of brownfield land for housing in the past 5 years and who are committed to making only small and limited changes in their use of brownfield land for housebuilding in the coming 5 years. The *sceptics* deliver less than 60% of all new homes on brownfield sites and have a land bank made up of predominantly greenfield opportunities. Essentially, *sceptics* reflect those speculative housebuilders who have only made limited changes to their ‘brownfield behaviour’ in the past 5 years and who appear committed to making only small or limited changes in their use of brownfield land for housebuilding in the coming 5 years. Answers to following questions that were required to be included in this category were:

Question 3: Below 60%.

Question 4: Below 60%.

Question 6: Increased slightly, stayed the same, decreased slightly or decreased significantly.

Question 8: Stay the same, decrease slightly or decrease significantly.

Table 6.8 shows that *pioneers* made up 15% of the total number of respondents whilst 56% were *pragmatists*. Interestingly, *sceptics* comprised almost a third of all respondents. Therefore, whilst the majority of respondents demonstrated a positive attitude towards brownfield development, in the way of *pragmatists* and *pioneers*, approximately a third of respondents demonstrated only a limited and sceptical commitment to the use brownfield land for speculative residential development.

6.9 Interviewee Selection

Three steps were involved in choosing the housebuilders to be interviewed. The selection of housebuilders for interview needed to:

- Ensure they were representative of the heterogeneous nature of the housebuilding industry.
- Ensure they operated within the two case study areas.
- Ensure they were representative of the questionnaire results.

Because of the practical constraints of time and money involved in interviewing housebuilders in England and Scotland, such as travel distances, the decision was taken to undertake detailed interviews with ten housebuilders, five in each case study area. The composition of those ten housebuilders needed to reflect the heterogeneous nature of the UK speculative housebuilding industry but also have consideration to the concentration of the industry and the dominance of volume and super builders.

Additionally, because of the nationally operative functions of volume and super builders and the significance of the wider institutional environment of UK speculative housebuilding (see Chapter 5), the decision was taken to interview the Glasgow and Manchester franchises of three nationally operative housebuilders. These three nationally operative housebuilders were chosen because they were respondents of the questionnaire and were of different sizes, representing the largest and the smallest of the nationally operative builders. The decision to interview different franchises of the same housebuilder in Glasgow and Manchester was taken for two key reasons:

- To compare and contrast the impacts of differential brownfield policy contexts on head office corporate strategies in two differing and distinct areas.
- To explore the differential impacts of varying institutional landscapes on the housebuilders behaviour and attitudes towards brownfield development.

The two other housebuilders chosen for interview in each region were specialist and niche housebuilders who had responded to the questionnaire and who were operating in the Glasgow and Manchester regions. Because of the limited response of specialist and niche housebuilders in the questionnaire, the decision was taken to interview one regeneration specialist and one other niche housebuilder. The housebuilders chosen to interview are shown in Tables 6.9 and 6.10⁶¹.

6.9.1 Interviewee Confidentiality

The table shows that the names of the housebuilders have been disguised. The decision to afford the interviewees a full level of confidentiality, which removed both the name of the housebuilding company and the name of the interviewee, was taken for three key reasons. First, the commercial sensitivity prevalent in speculative housebuilding makes housebuilders very private enterprises that are constantly concerned about the leakage of commercially sensitive information, such as profit margins and potential land acquisitions. Secondly, at the time the interviews were being arranged, all but one of the housebuilders requested confidentiality, both of the housebuilding company's name as well as the Land Directors name. Third, it was considered that the opportunity for the respondents to remain confidential would encourage them to divulge more information than they have may have done if they were 'on record' in the interview process; and, this appeared to work well in the pilot interviews.

Because the firm's identities remained confidential, any direct reference to their current developments or their marketing brochures to illustrate and provide examples of their

⁶¹ Table 6.10 shows that Edzell West Scotland was unable to be interviewed due to a last minute cancellation. The table also shows that a sixth housebuilder was interviewed in Scotland, who was interviewed in addition to the chosen five because of his keen interest in the research topic and his willingness to be involved in the research.

points was not allowed. Therefore, the decision was taken to include a limited amount of secondary data into the results section of this research in order to suitably illustrate the findings from the interviews with ‘real life’ examples. This provided the opportunity for the reader to see the application of the strategies and approaches taken to brownfield development that were discussed in the interviews, for example the use of computer generated images in marketing literature.

Tables 6.9 and 6.10 show the housebuilders have been identified using made up names. These names were chosen randomly and cross-checks were made to ensure that those names were not the names of real housebuilding companies. The names chosen were also typical Scottish or English names to aid the distinction between the two countries.

6.9.2 The interviewees

Tables 6.9 and 6.10 show some basic data and descriptions of the English and Scottish housebuilders chosen, going as far as confidentially allows.

Table 6.9: The English Housebuilders Interviewed in Stage 2, 2006 data			
Name	Type and Ownership	Coverage	BF/GF Units
Arden North West	Pragmatic, Volume, PLC	All UK	78/22
Bridgemere North West	Pragmatic, Volume, PLC	All UK ex. Ireland	78/22
Edzell North West	Sceptical Volume, PLC	All UK	90/10
Vision Construction	Pioneer, Private, Large	North West England	100/0
Unicorn Construction	Pioneer, Private Large	North West England	100/0
<i>Source: Own Analysis</i>			

Tables 6.9 and 6.10 show that the housebuilders interviewed in England and Scotland were representative of the UK speculative housebuilding industry, where super and volume housebuilders were interviewed as well as privately owned and publicly limited companies. The tables also show that all the typology categories were represented in both Scotland and England.

Table 6.10: The Scottish Housebuilders Interviewed in Stage 2, 2006 data			
Name	Type and Ownership	Coverage	BF/GF Units
Arden West Scotland	Pragmatic, Volume, PLC	All UK	78/22
Bridgemere West Scotland	Pragmatic, Volume, PLC	All UK ex. Ireland	78/22
Edzell West Scotland unable to be interviewed and was replaced by: Caledonian Homes	Sceptical, Large, Private	Scotland	36/64
Campbell Construction	Pioneer, Large, Private	Scotland	100/0
Lothian Homes	Pragmatic Volume, Private	Scotland & North West England	70/30
Lomand Developments	Pioneer, Large, Private		100/0
<i>Source: Own Analysis</i>			

6.10 Chapter Conclusions

This chapter has shown how the methodological approach taken to the research has been designed taking account of the practical and pragmatic issues in the research. This study utilises a mixed methods approach to social science research, which provided the ability to triangulate the data and provide a more comprehensive explanation of the institutional capacity of the UK speculative housebuilding industry in responding to the policy switch favouring brownfield development. This was achieved by conducting the research in two stages, which provided the opportunity for stage one to influence stage two of the research.

The chapter made clear that questionnaires, secondary data sources and semi-structured interviews were the most suitable research methods for this study. In assessing the impact of the policy switch favouring brownfield development on the UK speculative housebuilding industry, this research compares the responses of UK speculative housebuilders from two distinct policy areas, in order to emphasise the impact of the wider institutional environment in UK speculative housebuilders adaptation to policy change.

The establishment of the 'Typology of Brownfield Development' facilitates the critical analysis of UK speculative housebuilders response to the brownfield development requirement through highlighting the differing approaches and attitudes at the industry

level of housebuilders to the use of brownfield land in the delivery of the majority of new homes. Whilst the use of typologies in social science research is important in facilitating the explanation of research findings, through providing the opportunity to make some generalisable outcomes, it is important to make clear that the boundaries between the typologies are not impermeable. Indeed, as housebuilders evolve in their experiences of the speculative development of brownfield land for housing, through building upon their core competencies, they may well make the transition from *pragmatists* to *pioneers*, or from *sceptics* to *pragmatists* in the future.

The use of a questionnaire provided a generalisable picture of the opinions and attitudes of UK speculative housebuilders to the policy switch favouring brownfield development. However, to explore in more detail the extent to which UK speculative housebuilders have replaced their traditional skills based with novel approaches better suited to brownfield development, in depth semi structured interviews were conducted with a number of housebuilders in each typology category. Housebuilders were also chosen who operated in England and Scotland. Based on using this approach, three clear groupings were formed. These three categories well reflected UK speculative housebuilders degree of involvement in and attitudes towards brownfield development.

CHAPTER 7

LAND SUPPLY

7.1 Introduction

Land supply in UK speculative housebuilding has rested primarily on the experiences of utilising greenfield land, both in respect of its acquisition and achieving planning consent. Chapter 2 highlighted the conventional core competencies and skills used by UK speculative housebuilders in acquiring land and gaining planning permission and made clear that these skills and competencies were honed and sharpened primarily through the greenfield experience (Adams and Watkins 2002). Chapter 4 highlighted the challenges that the primary use of brownfield land might present to this existing skills base. Sourcing land and controlling the ownership of land prior to its full acquisition has conventionally been an important core competence in UK speculative housebuilding. The skills of using lengthy options and the preference for large greenfield sites whilst providing reliable site preparation costs, in addition to using their existing knowledge of contacts and the market, has facilitated housebuilders in historically managing land supply successfully. As such, brownfield development presents a number of challenges to this existing competence and skills set because brownfield land will normally:

- Be of comparatively high land value.
- Have abnormal site preparation costs due to its previous use.
- Be smaller in size and may have protracted ownership issues.
- Be in new market areas.

In addition to land acquisition, securing planning permission and other public consents as part of land supply has also been shaped primarily under the greenfield experience. The use of standardised products and layouts facilitates housebuilders in achieving blanket building regulation approval and provides them with a crucial familiarity in the requirements of the planning process. Brownfield development presents a number of challenges to this existing competence and skills set of securing planning permission. Brownfield land may normally:

- Require a balance of uses in addition to residential.
- Require higher densities through efficient plotting, the result of higher land values.
- Garner local opposition from adjacent land users.
- Need an argument for change of use from employment to residential.
- Require housebuilders to deal with other necessary consents such as infrastructure provision.

7.2 The Results - Quantitative Data

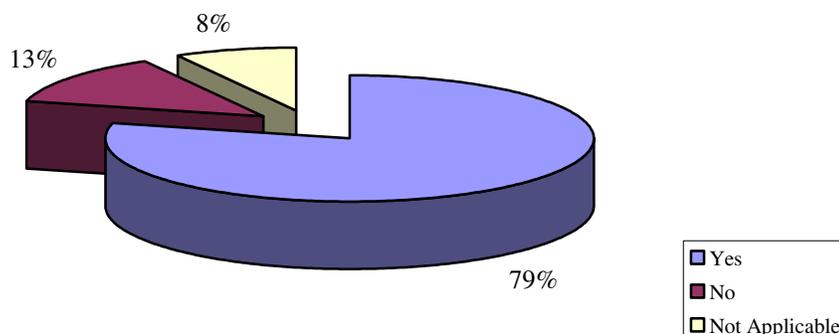
The quantitative data provides a general insight into the role of land supply in UK speculative housebuilding under the brownfield *modus operandi*. Whilst not specifically identifying the development of core competencies or the establishment of new skills, the quantitative data does provide a general view of the ways in which UK speculative housebuilders consider land supply in respect of land availability, planning skills and the impact of planning policy on their business activities. As such, it supplements the succeeding qualitative data, as is the case with a multiple methods approach in social science research.

7.2.1 Land availability

Land availability remains a crucial issue under the brownfield mode of operation. In the questionnaire, when housebuilders were asked whether brownfield completions had changed over the past 5 years because of land availability, Figure 7.1 shows that 79% of respondents suggested they had.

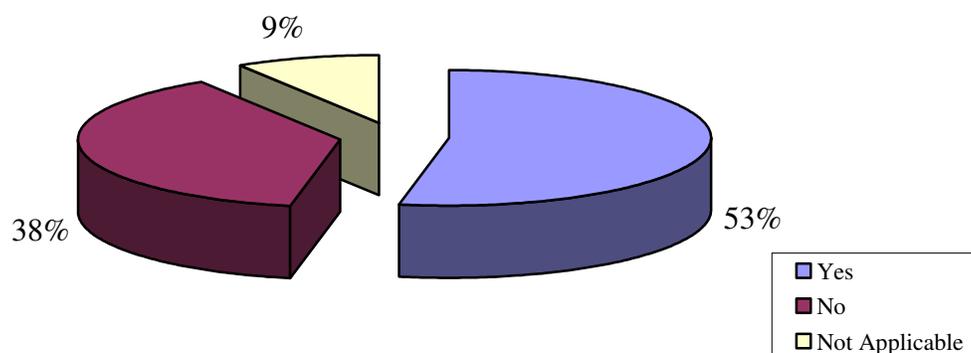
Undoubtedly, a severe limit of this question is its inability to consider whether the *lack of greenfield land* has meant that builders are just building more new homes on brownfield land or whether the *increased availability of brownfield land* has meant that builders are actively choosing to build more new homes on brownfield land. However, Stage 2 of the research involving the qualitative research methods overcame this limitation by providing the opportunity to discuss the issue in more detail.

Figure 7.1: Have brownfield development completions changed over the past 5 years because of land availability?



When housebuilders were asked the same question in respect of planning policy, interestingly, 53% of respondents felt that brownfield completions had changed in the past 5 years because of changes in planning policy. However, Figure 7.2 also shows that 38% of respondents did not list planning policy as an influence in the change in brownfield completions. Still, the quantitative data makes clear that Government planning policy is a primary influence in driving the increase in brownfield completions by house builders, in addition to issues of land availability.

Figure 7.2: Have brownfield development completions changed over the past 5 years because of government policy?



When housebuilders were asked whether brownfield completions will change over the next 5 years because of Government policy, the results very much mirrored the above question. The exception was however the number of respondents who felt that land availability was not applicable to brownfield completions changing in the future.

Figure 7.3: Will brownfield development completions change over the next 5 years because of land availability?

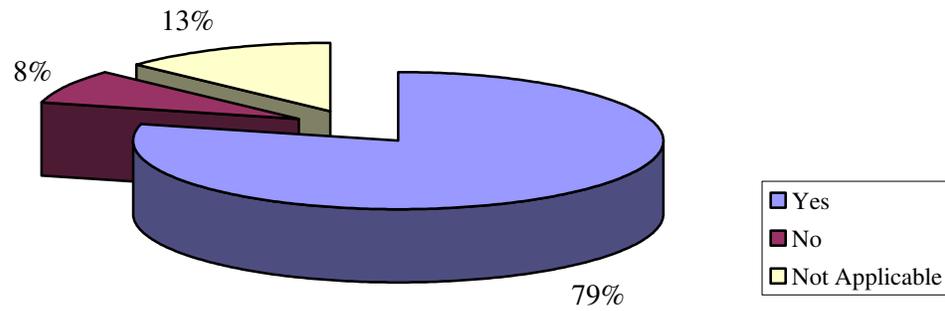
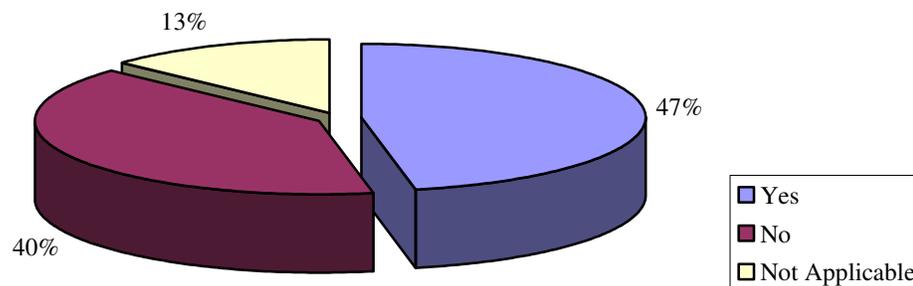


Figure 7.3 shows 79% of respondents suggested land availability would be an influence on the change in their brownfield unit completions in the coming 5 years. This is likely to be reflective of the wider attitude towards the increasingly stringent position the UK Government is taking in restricting greenfield development and the more general tightening of the regulatory environment of UK speculative housebuilding.

Figure 7.4: Will brownfield development completions change over the next 5 years because of government policy?

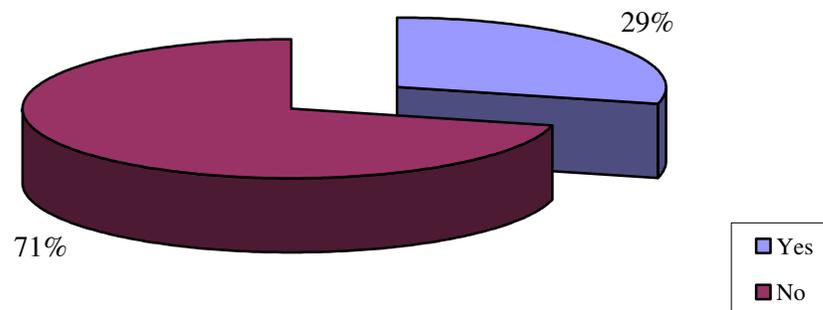


The impact of Government policy on changing unit completions on brownfield land in the next 5 years was less pronounced. Figure 7.4 shows only 47% of respondents stated that brownfield unit completions would change over the next 5 years because of Government

policy, compared with 53% who felt it had affected brownfield completions over the past 5 years.

In respect of the planning element to land supply, the quantitative data suggested that under the brownfield *modus operandi*, interestingly, the majority of housebuilders do not outsource the planning skills required for brownfield development. Figure 7.5 shows that only 29% of respondents outsourced planning skills for brownfield development, indicating that this skill has not been significantly affected by the increase in brownfield development rates by housebuilders.

Figure 7.5: Does your company outsource planning skills?



The quantitative data above demonstrates that both planning policy and land availability have affected brownfield unit completions by UK speculative housebuilders since 1999. Housebuilders also showed that land availability issues would further affect brownfield unit completions over the next five years (from 2004 to 2009). In respect of planning skills, housebuilders do not generally outsource the planning skills required for brownfield development.

7.3 The Results - Qualitative Data

In response to the policy switch favouring brownfield development, UK speculative housebuilders have developed new skills that permit their conventional core competencies of land supply to be applicable under the brownfield mode of production. The following section outlines how housebuilders have achieved this and is organised into 5 parts. The first part discusses the continued critical importance of land to housebuilders, part 2 explains the land search strategies of housebuilders, part 3 focuses on land discernment

whilst part 4 discusses land acquisition. Part 5 explains housebuilders' approach to gaining planning permission. The 5 parts together demonstrate that the conventional core competencies and skills utilised by UK speculative housebuilders in respect of land supply have been successfully transposed onto the brownfield *modus operandi*.

7.3.1 The continuing critical importance of land

The research confirms that UK speculative housebuilders continue to seek out a competitive edge and maintain profitability through the readily available supply of suitable development sites (Ball 1983, Barlow and King 1992, Bramley et al 1995, Adams and Watkins 2002, Adams 2004), despite the policy switch favouring brownfield development. Edzell North West, a sceptical volume PLC, emphasise land as their most important strategic asset:

'Land is our life blood, it's our raw ingredient...it's at the centre of everything we do, both in terms of our ability to grow the business, to deliver to the City, but also to generate profit; it's the core of everything we do and its our single biggest investment'.

For the *sceptics* and *pragmatists* equally, land acquisition remains the most crucial core competence to their overall business functions and successes. This is the same for housebuilders in both England and Scotland. When asked to identify the main source of competitive advantage to the company, all of the housebuilders interviewed identified land and its acquisition as their most significant source of competitive advantage. Bridgemere North West, a pragmatic volume PLC, made clear that they are a *'big hungry animal that needs feeding'*, whilst Arden West Scotland, another pragmatic volume PLC, suggested *'its obvious, without eggs, you can't make omelettes'*. Providing a comparison to their English counterparts, Bridgemere West Scotland highlight the critical importance of land to their company's corporate success:

'Land is our raw material, it's a big big driver...its key to the whole thing'.

And, Lothian Homes, a pragmatic Scottish based privately owned volume producer, make the point even clearer:

'Without land, you can't build any houses, it's as fundamental as that...without land, we are nothing'.

Whilst both the *pragmatists* and *sceptics* continue to see land as critical to their business success, there is additionally no distinction between those Scottish and English builders. Indeed, for both Scottish and English speculative housebuilders, the continued importance of land in establishing development feasibility remains significant in their strategic successes.

For the *pragmatists* and the *sceptics*, sourcing and controlling land therefore remains a critical strategic activity despite the policy switch favouring brownfield development. This research therefore adds weight to recent research findings that have suggested there to be a sustained 'land focus' in the UK speculative housebuilding industry (Barker 2003, 2004; Callcutt 2007).

For the *pioneers*, whose business operations have clearly flourished in response to the policy switch favouring brownfield development, it is difficult to establish the extent to which their processes of land supply have been affected because no previous literature exists to provide a benchmark. Indeed, the growth of regeneration specialists and their business functions is a relatively new topic of research in the literature with only a handful tackling the issue (Katrimindou 2005, Dixon 2006). However, whilst it is clear that land is important to the success of a *pioneer*, this research will show that there are other aspects to their business functions that are equally crucial to their success; these will be explored in more detail in the forthcoming Chapters.

7.3.2 Land search strategies

How housebuilders seek out development opportunities remains one of their most crucial business strategies. Previous research has not fully detailed the land search strategies of UK speculative housebuilders and therefore, no marker exists in judging how the brownfield development requirement has affected this crucial business function. However, through discussions with the interviewees, it is clear that land search strategies generally do not differ for brownfield and greenfield sites and therefore no new skills or competencies have been developed. Rather, this research confirms previous research on the subject that highlights the inherent competitiveness in speculative housebuilding of

finding the right site in the best location that has always pervaded land search techniques for UK speculative housebuilders (Adams and Watkins 2002, Bramley et al 1995, Ball 1983). However, this research specifically uncovers how this inherent competitiveness is particularly acute when considering the short-term land function that brownfield sites provide to UK speculative housebuilders.

Generally, UK speculative housebuilders have well-developed and comprehensive land search strategies which have been successfully transposed onto the brownfield development contexts. In effect, no new 'brownfield' strategies have been developed, which subsequently demonstrates the malleability of UK speculative housebuilders' conventional strategies to changing policy agendas. The land search strategies will now be discussed in more detail.

For speculative housebuilders, all land opportunities arise in the form of 'market opportunities' and 'off market opportunities'. Market opportunities refer to those sites that are advertised in the national and local press and therefore attract a high level of interest from a number of housebuilders. Off market opportunities reflect housebuilders' ability to seek out sites that have not yet gone to the open market and are therefore less competitive. Off market opportunities involve housebuilders approaching the owners of sites in which they have identified a development interest and enquiring whether they have considered disposing of their site. Off market opportunities therefore afford housebuilders the opportunity to purchase a site in a non-competitive situation and allow housebuilders the potential to make lower value offers. The research indicates that both market and off market opportunities were equally prevalent in the Scottish and English context. Additionally, this approach was relevant to both *pragmatic* and *sceptical* builders.

For illustration, Caledonian Homes, a sceptical Scottish private volume builder, suggest the benefits of buying land 'off market' rather than in a competitive market situation accrue because:

'...normally you can drive your margins forward and make a big impact over your competitors. In a non-competitive situation, you don't have to offer a higher price to secure the site because the land owner won't have as many offers on the table and you won't have to inflate an offer to beat off the competitors'.

Importantly, Caledonian Homes suggest that seeking out off market opportunities is as relevant for brownfield sites as it is for greenfield sites, and no difference in their approach exists. In a brownfield context, Caledonian Homes make clear that the strategy involves:

‘...knocking on owners doors and asking them if they are willing to dispose of the site’.

Whilst the distinction between ‘market’ and ‘off market’ land search strategies is an important one to make, the research indicates there to be three distinct approaches taken by UK speculative housebuilders when searching for suitable development sites within which market and off market opportunities sit. These are detailed in Table 7.1 and again are relevant in both the English and Scottish contexts.

Table 7.1: UK Speculative Housebuilders Land Search Functions		
Reactive	Proactive	Strategic
‘On market’ offers Property consultants & other contacts Press and advertisements External skills	‘Off market’ offers One-on-one Change of use opportunities Land agents and other contacts (finders fee) External and in-house skills	‘Off market’ offers Local Plan led land identification Options ‘Forward land’ In-house skills
<i>Source: Own Analysis</i>		

Reactive land search functions represent opportunities that are on the open market and advertised through a selling agent or by the landowner himself, to which speculative housebuilders *react*. Property consultants such as King Sturge, Savills, GVA Grimley and DTZ provide an important function in introducing land to developers. The local press and local advertisements are also an important source of information and land is regularly advertised in the Estates Gazette and other property magazines and publications, as well as at residential and commercial property auctions. Whilst reactive land search techniques can provide lucrative opportunities, housebuilders are in direct competition with each other to secure the site and therefore, this approach may be more expensive and ultimately may produce a lower profit margin.

Proactive land search techniques depend on the skills and techniques of the individual housebuilders in their methods of land identification. Under this approach, housebuilders seek out opportunities that are not on the open market and that provide the opportunity for housebuilders to negotiate a deal on a one-on-one basis with the landowner. Depending on their land search techniques, housebuilders may or may not be in competition with other housebuilders. Proactive land opportunities arise through either the introduction of a site by a land agent or through the housebuilders' land teams searching for sites by driving around, knocking on doors, monitoring planning applications and generally being *proactive*. The preference for speculative housebuilders is to proactively seek land opportunities using the latter technique. This is because whilst land agents do offer good opportunities and sometimes on a one-to-one basis, housebuilders are generally charged a 'finder's fee' in the region of 1.5% to 3% of the completion purchase price on completion of the acquisition. The finder's fee does vary and is dependent on the size of the site and its location, market and planning potential. Of all the housebuilders interviewed, the most common finders fee was between 2 and 2.5%.

For example, where a housebuilder buys a site for £10.5 million that was introduced by a land agent and a finders fee of 2% was agreed, the housebuilder would pay the land agent a £210,000 fee. This cost would be integrated into the land appraisal process and would be deducted from the overall land value. So, in the same instance where the site was not introduced by a land agent, the housebuilder could either increase his profit margin and maintain the land value at £10.5 million, or provide the landowner with an increased price of £10.71 million whilst maintaining his profit margin.

Most of the housebuilders made clear that a finders fee of 3% was considered an unacceptable cost and they would try and negotiate this down should a land agent request one. However, where it secured an excellent development opportunity or very lucrative investment, most of the housebuilders would seek to obtain main board approval from head office to allow that cost to be spent.

Proactive land search strategies therefore provide housebuilders with the opportunity to make a better return on capital than reactive land search strategies. Lomand Developments, a pioneering Scottish private niche builder, make clear that for them:

'It's all about contacts and knowing the agents – we go off market as a rule...We maintain a profile with significant contacts and maintain a profile that people will want to come and talk to us'.

Strategic land search techniques are largely planning driven and relate to the identification of land that may come forward for development in the next round of development plans or might be suitable for development based on a thorough analysis of the local and national planning policy and guidance. Strategic land search techniques usually involve housebuilders identifying potential development opportunities using the local plan or ordnance survey or web based maps, and controlling these sites under long-term options. This long option period allows housebuilders to promote the site through the planning system to ensure that if not allocated in the next round of plans, it stands a good chance of gaining planning permission. These strategic land search techniques were conventionally used to identify and secure greenfield land and have been well discussed in the previous literature (Ball 2006, Adams and Watkins 2002, Bramley et al 1995). As the next section will discuss, long term options are not typically utilised on brownfield sites and therefore currently, brownfield sites generally tend not to be uncovered using strategic land search techniques by builders in both Scotland and England.

The identification of sites through the study of local plans provides housebuilders with the opportunity to secure sites for development in the medium to long term, therefore taking them off the open market and securing a more competitive deal. Edzell North West, a sceptical volume PLC, made clear that this strategy - the potential of 'forward land' - was very beneficial to the company's development:

'Forward land is basically pre-empting the planning process and as the planning process has to make future provision for homes, we look at acquiring options on land and basically promoting them through the planning process'. This method allows Edzell North West to '...identify which areas are likely to have the greatest need and most likely to bring sites forward'.

Interestingly, Edzell North West do demonstrate that their 'forward land' approach has also been successful in seeking out brownfield opportunities:

'Land is land, whether its brown or green...so the strategic approach of identifying suitable sites which will maybe come forward in 2,3,4 years time can equally be applied to brownfield land...Brownfield land is not off our sights in terms of the strategic route'.

Having established how UK speculative housebuilders approach the identification of suitable development sites, using either reactive, proactive or strategic land search functions, it is important to discuss the skills that are involved in carrying out those functions. The reactive land search functions as expected require the least demanding skills from housebuilders and simply involve their land team being on all the press and advertisers mailing lists. Also important is for the builder to be well connected with all the various property consultants and land agents to ensure they are told about opportunities as soon as they come to market. All the housebuilders interviewed reactively sought development opportunities this way.

Seeking out sites under the proactive and strategic land search strategies require a more resourceful and demanding approach from the housebuilders. All of the housebuilders interviewed who sought out development opportunities in a proactive and/or strategic manner conducted 'saturation surveys'. This tool has been used for a number of years by UK speculative housebuilders but hardly documented at all in the literature.

The saturation survey is essentially a survey of all available and potential development sites within target market areas where housebuilders seek to operate. It thus becomes a library of all possible development land. These market areas are typically related to local planning authority boundaries, but can be organised around towns, settlements or housing market areas. Bridgemere North West, a pragmatic volume builder provides an overview of the saturation survey:

'In a saturation survey, we identify an area that we want to concentrate building in, and we identify what's currently there, from every land use point of view ...to build up a picture of what's around there and then you then start knocking on peoples doors saying 'have you considered disposing of this?'

Arden West Scotland, a pragmatic volume PLC, highlight how the saturation survey provides housebuilders with the opportunity to potentially identify sites that other housebuilders have yet to come across:

'The saturation survey is a good way to try and identify sites that aren't currently on the market or are unknown to other people'.

As most housebuilders conduct saturation surveys, the competitive nature of this survey method means that housebuilders tend to pin down two or three regions at a time and concentrate on identifying all potential development opportunities within that area before moving onto the next area. Arden North West provide an interesting comparison to their Scottish counterpart, emphasising that:

'...all builders do them, so what we do is focus on certain areas, markets where we want to be now and in the future and we literally saturate it, we make sure we've looked at every opportunity so that we get there first and tie up the site, either option it or whatever, and that makes sure that the other vultures can't get in there. Now that takes time, which is why there is still land out there – most builders' patches are huge...'

Whilst this section has made clear that the policy switch favouring brownfield development has not affected how housebuilders seek out land, the research does however indicate that housebuilders generally seek out brownfield opportunities using the 'reactive' and 'proactive' land search functions. Greenfield opportunities tend to remain the preserve of the 'strategic' element of speculative housebuilders' land search functions. It is therefore logical to assume that not all housebuilders conduct reactive, proactive and strategic land search functions. Regeneration specialists for example, would generally not be interested in seeking out greenfield sites using strategic land search techniques.

Ultimately, whilst greenfield land is conducive to long term strategic options, as housebuilders seek planning permission or lobby for the inclusion of their site in the next round of development plans under the option period (Adams and Watkins 2002), brownfield land acquisition typically necessitates an immediate or short term deal. This is because brownfield landowners are not likely to grant lengthy options for derelict or disused brownfield sites that might have an alternative commercial value, or where the landowner requires a quick sale. These findings support Adams and Watkins' (2002)

position. Any land search and acquisition strategy for brownfield sites therefore generally require housebuilders to be certain of the development success of a potential brownfield site at the outset.

This part has demonstrated how UK speculative housebuilders have maintained their traditional strategies of land search and acquisition despite the policy switch favouring brownfield development. Because the previous literature has not detailed in any great length the land search techniques of UK speculative housebuilders, there is no academic benchmark with which to judge the findings of this research against. However, the interviewees made clear that land search techniques had not changed specially for brownfield sites. Housebuilders, like they always have done, still get in cars and drive around looking for land.

7.3.3 Discernment in land choice

In response to the policy switch favouring brownfield development, UK speculative housebuilders have developed new skills that permit their conventional core competencies of land supply to be applicable under the brownfield mode of production. As such UK speculative housebuilders' conventional short and medium-term and strategic land functions (Ball 1983, Adams and Watkins 2002) remain unaffected by the policy switch favouring brownfield development, but they have developed greater discernment in site selection, to ensure that their chosen sites fit suitably within these land supply functions.

Both English and Scottish based *pragmatic* and *sceptical* speculative housebuilders still seek to fulfil short and medium-term and strategic land interests under the brownfield *modus operandi* by using both brownfield and greenfield land to maintain a constant flow of ready sites for development. This is particularly evident for those *pragmatic* speculative housebuilders, who view brownfield land pragmatically and seek to gain an advantage from using brownfield land in their existing land procurement functions. However, significant discernment is taken when choosing to pursue a brownfield site, particularly so for the *sceptics*. For example, Arden North West, a pragmatic volume PLC, indicated that because builders need to have a continuous flow of land in order to keep production from grinding to a halt, they will buy:

'any land that we can get our hand on...so if that means we buy brownfield land, we buy brownfield land, it's a simple as that'.

For the *pragmatists* then, brownfield sites are viewed therefore in much the same way as greenfield sites, in terms of their function in the overall land supply and procurement strategies of UK speculative housebuilders, but with greater discernment. For the *pioneers* of brownfield development, previously used land is the natural choice for all types of land acquisition and the level of discernment is less stringent and prescribed.

Greater discernment in site selection has allowed brownfield land to be accommodated and assimilated within the conventional short and medium-term and strategic land functions of UK speculative housebuilders, rather than brownfield land initiating change to them. This is important to note, as previous research had suggested greenfield land was the preferred land type choice by UK speculative housebuilders (see Adams and Watkins 2002). UK speculative housebuilders have therefore moulded their land procurement strategies around the changing policy preference favouring brownfield sites rather than changing their strategies to suit the policy switch. This again demonstrates the malleability and flexibility of housebuilders corporate strategies to external policy change.

More specifically, the way in which UK speculative housebuilders have been able to transpose their conventional competencies in land supply onto the brownfield mode of operation is through their altered assessment procedures for brownfield land suitability, in respect of its viability for development. Where historically housebuilders had an innate preference for greenfield land (Adams and Watkins 2002), their choice of which brownfield sites to pursue for acquisition was determined by a small number of important factors, which acted to ensure a high level of discernment in site selection. This is particularly true of *pragmatic* and *sceptical* housebuilders. These important factors include:

- The location of the site and its related potential for sales.
- A high chance of gaining planning permission.
- Financial reasons including profit generation.
- Ensuring a steady 'flow' of suitable development land.

The most important factor from the above list was variable across the *sceptical* and *pragmatic* housebuilders interviewed, and most identified at least two when discussing their approach to site discernment. Therefore, no ranking of the above factors in order of importance is provided. There were no significant differences either in respect of the approaches taken by English and Scottish builders.

For the *pioneers* however, there is of course an innate desire to acquire brownfield land so the level of discernment was not really evident save for the profit margins that needed to be achieved from the development. The below discussion provides evidence to support the above findings.

Arden North West, a pragmatic volume PLC, suggests that the most important features of any site that they seek to acquire for residential development are its security in gaining planning permission and the robustness of the market for the product it intends to build on the site. The builder confirms this to be the result of the policy focus in the North West on regeneration, itself a result of the national 60% brownfield target in England:

'What makes us choose sites...whether it'll get planning permission and is in areas where we can sell the houses...because nowadays, especially in the North West, the emphasis is so much on regeneration and building on recycled sites, that it's really a matter of if it's got planning permission we want to buy it'.

Expanding on the importance of market certainty in the saleability of its product on a potential development site being considered for acquisition, Arden North West emphasise that the market needs to be one of the *'first things'* that is looked at when deciding on a site acquisition potential *'... because everything else follows from that'*. Giving an example, the builder makes clear that in locations where markets are buoyant, the reclamation value of a brownfield site is less of an issue than in low demand areas and therefore, the market can determine the viability of brownfield sites, thus affecting land type preference:

'If it costs you £250,000 per acre to reclaim a site and you're working in a poor market area, you've immediately got a problem, but that same £250,000 wouldn't be an issue in a very high priced area. So, you've got to look at the market first, it always depends on what houses are going for how much, that's the very first thing'.

Edzell North West, a sceptical volume PLC, suggest that the impact of public policy restricting land supply in the North West has also affected their land type preference by guiding them to seek out potential land acquisitions to where they are confident that they can secure planning permission. That means that in the short term, Edzell North West are:

'...working with those policies and that in itself is filtering out a number of locations we can't build in... it doesn't mean we'd build anywhere, you've got to be able to sell the houses'.

Thus, although the planning system acts as a constraint on the development of land for housing, whether it is greenfield or brownfield (Bramley et al 1995), the planning system also provides direction to housebuilders in terms of what sites are suitable for residential development. Historically, housebuilders had used the planning system to assist them in their site identification strategies, particularly for strategic greenfield sites (Adams and Watkins 2002). This research indicates that whilst housebuilders do not use the planning system to identify specific brownfield sites, they do take guidance from the planners in identifying where housing will most likely be accepted in principle, largely in the form of change of use opportunities from employment to residential. This issue is relevant in both the English and Scottish context.

Edzell North West discuss how they include the changing nature of the planning policies at the local level in their shrewd choice of suitable development land. The builder makes clear that they have *'learned to work with the planning policies'* that control the selection of housing land in their given target markets, in shrewdly identifying brownfield sites that will have a high potential of achieving planning permission:

'If we've got a short term need, we'll say right, here's the restrictive housing policies, so what we are doing is working with those policies and that in itself is filtering out a number of locations we can't build in. So, we're looking at sites that are in the pathfinder areas, or on the edge of pathfinders, where you sort of say ok, we can make a case for it and working with authorities'.

However, Edzell North West make clear that, whilst their cautious and calculated approach to land acquisition is crucial in ensuring the success of their brownfield developments, they are not going to build in areas just because planning policy is directing them there:

'... you've got to be able to sell the houses, and if you go back to some of the renewal areas you might say well I've got a site of two acres, two acres on its own might not make a difference to that area'.

Arden North West, pragmatic volume PLC, also demonstrate that they have adapted to the changing policy context and have focused their site identification strategies on land that will get planning permission because it means that more certainty will arise:

'We just have the land we can get that'll get planning permission in areas where we can sell. Its one of life's essentials, that's what it is. You can say we'd like the best locations in the North West, but were not going to get permission for them, so it's as simple as that, you might as well be realistic and move onto the areas where we can get planning permission'.

In discussing their future land search strategies, Edzell North West make clear that they will continue to be led by the likelihood of getting planning permission:

'At the moment we are very much planning led and I think that's going to continue certainly for the foreseeable future...Alternatively we've looked at some new market areas where there are no planning restrictions'.

The restrictive land supply issues that English based speculative housebuilders are currently experiencing (see Barker 2003, 2004 and latterly Callcutt 2007) are considered by the majority of housebuilders interviewed in this research as a bigger constraint than the UK Government's brownfield first agenda. It has resulted in housebuilders no longer competing against each other for prime greenfield sites or even the cleanest brownfield sites, but rather, for any land within their target market areas where planning permission has a good chance of coming through. Bridgemere North West, a pragmatic volume PLC, makes clear that:

'...whilst we might have a perfectly good brownfield site in the right area which we could reclaim efficiently, if the LA said you can't have anymore planning permissions because we've used up our numbers, your wasting your time. So, that is a far bigger constraint than the 60% rule'.

Interestingly, despite the policy switch favouring brownfield development, housebuilders have continued to use the local development plans to identify and control likely future housing sites, largely greenfield in nature, and actively promote them through the planning system. This ensures that their sites will be allocated in the next round of development plans, as they had historically done (Adams and Watkins 2002). Greenfield land therefore still has a role to play in speculative residential development.

Whilst planning significantly influences the choice of suitable development sites by UK speculative housebuilders, the research indicates that location and target markets are also significant influences the shrewd choice of development site. Caledonian Homes for example, a sceptical Scottish private volume builder, suggest that whilst they would not be developing brownfield sites if they did not have to, their choice of site selection is down to it being in the best location within their target market area:

'If we want to be in a particular area and there is a restriction on greenfield land supply, then the only way to get in there is with brownfield – its matching availability to where we want to be'.

Lothian Homes, a pragmatic Scottish private volume producer, concur with the site selection choices of Caledonian Homes, making clear that their approach is largely down to the location of the site. Additionally however, Lothian Homes suggest that issues of marketing and contamination of brownfield sites also affect the saleability of their product and therefore does affect their choice of site:

...and probably things that would affect the marketing of it, particularly if you had a certain well known contaminant'.

From a market point of view, Vision Construction, a pioneering North West based regeneration specialist, suggests that the sites that they are most interested in acquiring are large sites, away from other housebuilders:

'... what we look for is a big site, stand alone without a lot of competitors, those are key things, in an area where there's a demand. And, that might not necessarily be the highest priced area, it's where there might be a lot of people who are looking to improve their lot and buy a new house and move onwards and upwards'.

Lothian Homes, a pragmatic Scottish private volume producer, suggests that whilst the issue of planning permission and marketability does undoubtedly influence what land they choose to acquire, they also buy for financial reasons, which are dictated to them by their Board of Directors. Lothian Homes make clear that *'...its very difficult to control your contracted sites so to generate £100 million each year or a slight increase in that'* so they often seek out development opportunities that facilitates them in the generation of £100 million each year:

'...depending on where we are at certain months and where we need to be by year end'.

As most housebuilders have yearly build and profit targets to achieve, the choice of which sites to pursue at any given scenario is determined by their need to achieve their build or profit targets. This is a particularly acute issue for publicly quoted housebuilders, whose balance sheets and unit outputs can affect the share value and overall value of the company. Bridgemere West Scotland, a pragmatic volume PLC, indicates that business parameters imposed upon them by their Group Board of Directors significantly affects their brownfield site selection processes:

'All land opportunities have to meet the business parameters...we've got to keep the performance indicators that we strive to get as a Group...as long as it fits all those business parameters, then we'll have it if we can get it'.

The business parameters described above generally refer to Group and Company specific targets for business growth and expansion. Whilst these are specific for each Company or Division within a Group, typically, they will include financial targets such as unit completion targets, the continued achievement of a profit margin, and rate on capital employed (ROCE). Indeed, Arden West Scotland, a pragmatic volume PLC, additionally make clear that the performance indicators from Head Office can determine where they seek out land opportunities:

'...if we've got money left in our land budget and we need to spend it by year end to ensure that we get more money next year to buy land with, then we'll buy what we can get our hands on. We need to make sure that we achieve all our targets and if we need to make

50 units by year end, then we'll buy an oven ready site to fulfil those targets'.

Bridgemere West Scotland confirm in the Scottish context, the financial issues raised above are equally as important. The builder's performance indicators that they strive to achieve mean that they look to acquire sites that provide them with market coverage in both their target areas and areas that they are currently active in. The builder makes clear that they look to acquire sites that:

'...fit our target market as a client base – the first time buyers, that middle market price structure'.

In a similar vein, Arden North West, a pragmatic volume PLC, also make clear that their preferred choice of site relates to its potential contribution to the overall flow of development sites over a 3-5 year period:

'...we've got to have enough land to fulfil those budgets over a three year period or a similar time to that. So if that means we buy brownfield land, we buy brownfield land, it's as simple as that'.

Overall, this section demonstrates how housebuilders have become increasingly shrewd in their choice of suitable brownfield development sites. Whilst this approach is reflective partly of the policy switch favouring brownfield development, the lack of housing land supply coming through the planning system (Barker 2003; 2004) has also undoubtedly affected the site discernment strategies of UK speculative housebuilders. As such it will be discussed further in Chapter 11. Further, as past research has not explicitly uncovered how housebuilders make choices when it comes to land acquisition and brownfield land acquisition in particular, this research therefore presents a new and original perspective on this aspect of development feasibility.

7.3.4 Land acquisition

The use of options as a mechanism for the control of medium-term and strategic land prior to its full acquisition has conventionally provided housebuilders with the opportunity to benefit from any inflationary gains in the value of these optioned sites over the course of the option period (Ball 1983, Bramley et al 1995). Under the brownfield mode of

production however, the use of options for all types of builder and in both the Scottish and English context, is not suitable because brownfield sites are generally short term in their nature.

Arden West Scotland, a pragmatic volume PLC, confirm that as options are more suitable for long-term prospects, brownfield sites:

'...are short term prospects and are therefore not suitable to the use options on those sites'.

Providing an English comparison, Arden North West make clear that options are only really useful for greenfield sites:

'...that don't have planning permission and to which there isn't another use'.

Thus, Arden North West emphasise that because of the short-term nature of brownfield sites:

'...if your landowner wants to make up his mind fairly quickly, a longer-term option is really just not the way to go. He wants to know, if I close my factory, are you going to buy it immediately, in other words can I relocate my business?'

Because brownfield sites generally do not need to be optioned in order to secure planning permission in the same way that greenfield sites typically do (Adams and Watkins 2002, Bramley et al 1995), the conventional skills involved in optioning sites preceding its full acquisition in order to secure planning permission are not required in the brownfield context. As Caledonian Homes, a sceptical Scottish privately owned builder make clear:

'...you've got a better chance of getting planning on brownfields because policy is driving us there – you've just got to make sure that all the boxes are ticked and the various hoops have been jumped through in terms of design and access statements etc'.

The existing market value of a brownfield site may also prevent the use of options because brownfield sites are inherently difficult to establish a market value for, as the development cost is not certain owing to the sites previous use and its potential for ground issues and contamination.

Brownfield opportunities can arise as windfall opportunities, the result of either unexpected or planned closure of the sites existing function. The use of an option in this context is generally not suitable because it would inhibit the immediate acquisition of sites that may be in competitive market locales or suitable for immediate development. For example, Caledonian Homes suggest that options are less useful on brownfield sites because they generally provide a:

'...short term windfall land function in terms of their immediate availability'.

In effect, if housebuilders can build and sell houses on any site to the requirements of the Board agreed profit margin, they will do, because it does not benefit them not to.

Whilst options are not suitable for brownfield sites, Bridgemere West Scotland, a pragmatic volume PLC, proves an exception to the rest of the evidence. The housebuilder indicated that they were looking at the possibility of transposing the use of options onto the brownfield scenario. Under this strategy, Bridgemere West Scotland would seek to buy brownfield sites as ongoing concerns, such as factories or workshops, and rent them back to the landowner. During this rental time, they would seek to gain planning permission. Bridgemere West Scotland make clear that this strategy:

'...is pushing on options really, rather the buying a farmers' field and trying to work through the planning process; we say why don't we move that onto brownfield sites...it's the same strategy, just evolved onto brownfield'.

Bridgemere West Scotland demonstrate the potential for housebuilders to adapt one of their conventional land strategies to a brownfield *modus operandi*. In the future, the use of options on brownfield land might become more important where housebuilders may seek to use options to control brownfield land prior to its acquisition, using the option period to gain planning consent in much the same way as they would on a non-consented greenfield site. This would be suitable for use on brownfield sites that are currently in use but might be available for development in next few years, as listed in England for example on the National Land Use Database of Previously Developed Land. This strategy would provide housebuilders with the opportunity to consider brownfield sites as strategic opportunities in

the same way that greenfield sites have historically been (see Ball 1983, Bramley et al 1995), an issue to be discussed in more detail in Chapter 11.

However, this research does confirm that UK speculative housebuilders' conventional strategy of optioning sites to control ownership prior to full acquisition is not as relevant to the brownfield scenario in both the Scottish and English contexts as to greenfield land. The way in which UK speculative housebuilders have replaced the conventional option function in respect of land acquisition under the brownfield mode of production will be discussed in more detail in Chapter 8, where ground issues are discussed.

7.4 Gaining planning permission

The strategies used by speculative housebuilders in seeking planning permission on brownfield sites do not significantly differ to the ways in which housebuilders have conventionally approached the planning permission process. As such, the conventional competencies are also applicable under the brownfield mode of operation. Interestingly, this is relevant in both the Scottish and English scenarios and for *pragmatists*, *sceptics* and *pioneers*.

Differences have emerged, however, in the length of time that it takes to achieve planning permission on brownfield sites and it is those reasons behind the lengthy process that this section focuses on. This research therefore confirms Adams and Watkins' (2002) comments on the nature of brownfield development resulting in a more protracted process requiring housebuilders to gain more consents than historically (Adams and Watkins 2002). This research therefore indicates that the way in which housebuilders achieve planning permission on brownfield sites is largely a continuation of the greenfield strategies.

For example, Arden North West, a pragmatic volume PLC highlight a number of issues making the process of achieving planning permission more protracted, including design and big open space requirements and affordable housing requirements. With specific regard to the design issues of new houses on brownfield sites, Arden North West emphasise that:

'if you talking about building standard house types, that's a red rag to a bull to any planner – it takes time to convince the planners of your scheme'.

In comparison, Bridgemere West Scotland, a pragmatic volume PLC, make clear that it is the lack of experience of the councillors, which acts as a hindrance to gaining all the additional consents that a brownfield development requires:

'Getting the approvals has been the biggest constraint. There is no priority in councils to approve brownfield before greenfield – you need to tick more boxes to get consent on brownfield – it takes time and some processes are complex and the officials in the council are not necessarily experienced enough to deal with it and are looking for someone else to take that risk away. It's hard to get those boxes ticked by the council even though we feel we are justifying it. It's ok having policies but you're still dealing with individuals in the council'.

Moving on from this, Arden North West suggest that ultimately, it is the political nature of planning that can be a real problem for developing brownfield sites in England and, in particular, the nature of public consultation:

'...I'm absolutely amazed some times you know that, and we do public consultations, we have separate meetings with the locals where we sit down with them, we talk through our proposals, and we give them loads of opportunities to contribute, and we'll change the mix, and you still get people who are objecting to new developments. I just can't believe it. And the politicians listen to that.. So it's a political thing that's very difficult as far as we're concerned'.

Although the political nature of residential development is not new, the way in which it affects and lengthens the residential development process is distinct with brownfield development. Arden North West suggest that the issue of change of use from employment to residential and the perception of job losses can lead to protest and objections that might not affect a greenfield development:

'There are employment issues perhaps on operating facilities and we need to prove that that is no longer needed or is appropriate. That usually takes a year to do – we need to prove that there isn't a commercial demand for the site, so the policies say right, you

advertise it on the open market for a year and give us proof that there is no demand!

In support of the above, Edzell North West, a sceptical volume PLC, also make clear that in the North West, achieving a change of use from employment to housing on brownfield sites can be a real problem because councils tend to resist employment loss because it looks bad politically.

Vision Construction, a privately owned North West based pioneering urban regeneration specialist, identify the increasing demands of consultation as delaying the planning permission process on brownfield sites, as they typically have numerous constraints attached to them that need to be ticked off:

'Trying to get planning on a difficult site which has all sorts of constraints, whether it be ecology and contamination and transport in an area, then in some ways getting to the point where the planning officer is going to pull the report together ready for committee is the very end, but its all the work that has to take place to get to that point, which is quite a lot of consultation that goes on with all the various bodies to make sure that the scheme you are putting in ticks all the boxes really. Some of those boxes are mutually exclusive and you have got to somehow find a compromise that both parties are happy with and that can take a lot of time'.

From a Scottish context, Campbell Construction, another pioneering privately owned provider, also considers consultation in brownfield development a 'bugbear', particularly when redeveloping sites in existing middle class areas:

'...Nimbysim in East Dumbartonshire is a problem – there is a lot of resentment of people not wanting social rented housing in Milngavie and Bearsden'.

As a regeneration specialist and a pioneer with experience in dealing with some of the most difficult brownfield sites in the North West, Vision Construction further discuss the increasingly over complicated and bureaucratic system in making the development of complicated brownfield sites even more complicated:

'I think nationally, there is a general wish that the planning process could become more streamlined, but that's trying to happen at a time when the development process is getting much more complicated because we are trying to take on much more complicated sites. And so, although that's a wish, it's very difficult to see how it could be done quite honest and certainly quickly'.

From a Scottish context, Caledonian Homes, a private volume builder, discussed at length the problems of the Scottish planning system in acting as a barrier to delivering new homes on brownfield sites. Specifically, Caledonian Homes highlighted the lack of resources in Scottish planning, the culture of the planning system and the issue of planning gain as barriers to the delivery of new homes on brownfield land in Scotland:

'Resources, culture and planning gain are the three main barriers to gaining planning permission in Scotland. Resources: there are far too few planners in local government, far too few planning courses, not a lot of experienced people. Culture: it's anti-housebuilding, we get very little out of the system, there's the perception that housing is dirty and taking up someone's view. Planning gain: the amount of time you spend on negotiating planning gain is just remarkable, particularly affordable housing. It means that the planning process is becoming incredibly slow, allied to the amount of information that is required and the consultation required'.

Whilst this research was being conducted, the majority of councils in North West of England had a moratorium in place that placed a limit on all new planning applications for residential development. This was, of course, a significant topic of conversation for the housebuilders during the interview and clearly came across as a planning issue that prevented the delivery of new homes on brownfield land. Whilst the effects of the moratoria are not directly linked to the impact of the policy switch favouring brownfield development on housebuilders strategies towards achieving planning, it is worth a small discussion.

For example, Edzell North West, a sceptical volume PLC, highlighted that the planning moratorium as the main barrier in gaining planning permission on brownfield sites, and hinted at its political nature in being an obstacle:

'The main barrier on brownfields, well on any site, is the

planning moratorium. It's a real frustration – sites with common sense that should be developed aren't. The classic is non-conforming uses. Some ludicrous situations are created that are often politically motivated. Beyond that, it depends on the brownfield land definition – i.e. you knock down 4 detached and put up 64 flats, local residents object and the politicians refuse the planning permission, but it accorded to government guidelines. There is a restraint on land supply and that is leading to the intensification of densities in existing residential areas. It's supported by PPS3 but politically it doesn't go down very well. So, the political angle is an obstacle'.

This section has outlined how the strategies for gaining planning permission on brownfield land have not significantly changed under the brownfield mode of production. Rather, the process remains the same and housebuilders simply have to assign more time to the process than they had done previously, in order to gain all the additional consents associated with the development of brownfield land for housing. In effect, UK speculative housebuilders have transposed their conventional skills onto a brownfield mode of production and this has been successful to date.

The qualitative data indicates that the *pragmatists* and *sceptics* have successfully transposed their existing land supply skills set and competencies onto the brownfield *modus operandi*. As such, the *pragmatists* and the *sceptics* are able to successfully seek out brownfield land opportunities using these same conventional core competencies. Additionally, new skills have been developed by the *pragmatists* and *sceptics*, both in response to and to account for, the risks and uncertainties that speculative brownfield land supply and acquisition presents.

For the *pioneers*, it is difficult to compare their existing attitudes, behaviours and corporate strategies with their speculative activity in the past, as no previous research has covered the role of regeneration specialists in speculative residential development in any depth. As such, what is presented here will confirm the approach taken by the *pioneers* in UK speculative housebuilding activity.

7.5 Chapter Conclusions

The research presents a new commentary on the decision-making factors surrounding UK speculative housebuilders' choice of suitable development sites under the brownfield mode of operation.

UK speculative housebuilders have positioned brownfield land supply neatly within their conventional business strategies of land supply, which maintains a suitable flow of development sites. As such, the conventional core competencies of UK speculative housebuilders in respect of land supply are applicable under the brownfield mode of operation through the development of new skills.

Indeed, if a brownfield site is in a good marketable location and has a significant chance of gaining planning consent, *pragmatic* housebuilders will choose to procure the brownfield site with much the same logic as they would conventionally have used to procure a greenfield site. For those *sceptics*, the level of certainty in achieving planning permission and anticipated sales values and rates needs to be higher still. For the *pioneers*, who present an innate preference for brownfield land, matters pertaining to profit achievement appear to be the only determining factors in site selection and discernment.

However, whilst this is the case, it would be foolish to assume that the innate preference for 'easy and simple' greenfield sites is no longer. *Pragmatic* and *sceptical* housebuilders in particular in both the English and Scottish contexts, still pursue greenfield opportunities. Therefore, the temporary nature of the above findings, in response to the policy switch favouring brownfield development, will be discussed in more detail in Chapter 11.

CHAPTER 8

GROUND PROBLEMS

8.1 Introduction

The way in which UK speculative housebuilders manage and negate the risks of the ground problems that are common on brownfield sites is a crucial part of their business operations. Indeed, the speculative purchase of land that might be contaminated or present serious ground conditions owing to its previous use, is inherently risky and requires a level of risk management (see Adams and Watkins 2002, Adams 2004, Barker 2003, 2004).

Whilst the emergence of new skills such as greater discernment in site selection (see Chapter 7) can in some ways filter out some sites that have obvious ground problems, unless the full scale removal of all the ground on a site for detailed investigation is carried out, then there is no way of knowing precisely what risks are in the ground. In any event, the removal of all the ground on a site to investigate such is simply not possible for UK speculative housebuilders, where the time and financial expense involved in doing so would most likely render the development opportunity unviable before its commencement.

The ways in which UK speculative housebuilders have conventionally managed the risks associated with ground problems pertaining to speculative residential development have not been well documented in the literature. However, as UK speculative housebuilders have conventionally focused their development activity primarily on greenfield land (Adams and Watkins 2002), it is clear that housebuilders, aside from the *pioneers*, will not have had much experience in dealing with the ground problems specific to brownfield land. Therefore, the policy switch favouring brownfield development has presented UK speculative housebuilders with challenges pertaining to a site's previous use and its resultant ground problems. Indeed, the hazards of a derelict site - the result of a past human interference with the land - impose constraints on the freedom of action of speculative housebuilders.

8.2 The Results - Qualitative Data

UK speculative housebuilders have developed ways to manage and negate the risks associated with ground problems that arise when speculatively redeveloping brownfield land for housing. This has been achieved through the development of a new core competence and the transposition of existing competencies and associated skills onto the brownfield mode of operation. UK speculative housebuilders have therefore further adapted their existing business functions and core competencies to suit the demands of the policy change. Together, this adapted approach acts to negate the ground risks associated with the speculative acquisition of brownfield land for UK speculative housebuilders.

The new core competence that housebuilders have developed in response to the policy switch favouring brownfield development is the use of intrusive site investigations. The existing competencies that housebuilders have successfully transposed onto the brownfield mode of operation are the use of conditional contracts and the use of desktop research. The application of these competencies to the brownfield development scenario will now be discussed in more detail. The use of desktop surveys will be discussed first, as they are the beginning of the process of establishing the extent of ground problems. From there, the new competence of intrusive site investigations will be discussed, as desktop research informs this process. Finally, the use of conditional contracts will be discussed, as this is the final stage of securing a site taking account of all the potential ground problems that relate to the site.

8.2.1 Desktop research

Desktop research plays an important role in establishing a sites' previous use but more importantly, providing an initial overview of the potential risks associated with the speculative acquisition and development of a brownfield site. Conducted in the form of a survey, the desktop research provides housebuilders with a detailed historical account of a brownfield site's previous use. The information gained from this survey is used to uncover the exact nature of its previous use and to deduce the potential and likely status of the ground. The use of desktop research as part of establishing development feasibility on brownfield land was undertaken by all speculative housebuilders interviewed, in both Scotland and England

Desktop research is conducted in-house and is within the remit of the land and technical departments of most speculative housebuilders. It involves gathering data on the sites' historical use, comprised of historical records, data and maps. The servicing history of the site is also researched. The desktop research specifies the past uses of the site, using secondary sources and official documents such as coal reports, service and utilities reports and flood risk reports, to establish any issues that may have cause for developmental concern. The key issues that housebuilders are looking out for are generally the existence of mining work, the presence of cavities in the ground and the presence of contamination, all the result of many historical and industrial uses.

Whilst exact levels of contamination or other abnormal issues cannot be deduced from desktop research alone, this facility provides housebuilders with a contextual fact file with which to base their subsequent ground related decisions on.

8.2.2 Intrusive site investigations

In order to determine, with reasonable clarity, the nature of ground problems on a brownfield site with acquisition potential, UK speculative housebuilders have developed new skills in intrusive site investigations. The use of intrusive site investigations further acts to demonstrate how UK speculative housebuilders have learned to manage the risks involved in brownfield land acquisition. The use of intrusive site investigations as part of establishing development feasibility on brownfield land was undertaken by all speculative housebuilders interviewed, in both Scotland and England.

Intrusive site investigations are undertaken before UK speculative housebuilders commute their final land offer for a brownfield site, and therefore before a legal commitment to purchase and full-scale acquisition. The investigation is commissioned on the basis of information received from conducting desktop research into a sites' previous history. Therefore, before housebuilders commit to the cost of taking out an intrusive site investigation, they will have some knowledge on the likely presence of all 'abnormal' hazards and risks on the site and within the ground, thereby reducing unexpected and/or speculative upfront financial outlays prior to site control or acquisition.

The development of this new competence for brownfield development therefore affords housebuilders the opportunity to establish certainty and minimise risk in the land acquisition process. It also provides housebuilders with a mechanism to establish the costing of full-scale remediation to the legal standards required on a site.

The crucial function of commissioning an intrusive site investigation is imperative for UK speculative housebuilders in the redevelopment of brownfield sites for housing because most of the risks, and therefore costs, with a brownfield site are in the ground. As Edzell North West, a sceptical volume PLC, highlight:

'The bulk of risk with any brownfield site is in the ground. What we build above it we're in full control of. We know what it costs; we know how long it takes to build. Anything in ground for a brownfield site, you don't know'.

Concurrently, Bridgemere North West, a pragmatic volume PLC, suggest that below ground is where housebuilders should have problems with brownfield development:

'Where you're going to lose money, or where you should lose money, is below ground. You should know all your build costs of your houses, you can easily identify your externals and landscaping and things like that; it's below ground where you're going to have your problem'.

In terms of their methodology, intrusive site investigations commonly take the form digging up small 'boreholes', also known as window samples, on the site. These window samples are placed at intervals suitable to the sites' topography, existing layout and with reference to the results of the desktop research. The location of these 'window samples' are chosen with respect to the likelihood of discovering a contaminant or ground issue, of which the information is based on desktop research and using coal reports, historical use surveys and utilities maps. The samples from these boreholes are used to assess the chemical status of the ground and to determine the types of materials buried in the ground at that particular location.

These intrusive site investigations are, of course, only as good as the boreholes dug. Indeed, as Edzell North West highlight:

‘...you do all your site investigations, you do all your ecological searches, you do all your desk top studies to identify what’s likely to be there, and then you do your ground investigations to determine what the ground’s like. But unless you do bore holes every couple of inches, you can’t guarantee, there’s no guarantee...’

However, as long housebuilders have done their research and are aware of the potential ground problems that they may find on site, then they have done all they can do, save digging up the entire site at extortionate cost. From a Scottish perspective, Campbell Construction, a pioneering private niche provider, makes clear:

‘...if you researched the site enough then you’re reducing the risks – as long we have good information and consultants to eliminate the risk, then that’s fine’.

The function that intrusive site investigations provide in the wider land acquisition agenda is crucial in facilitating the establishment of what ‘abnormals’ are contained within the site. Indeed, once the intrusive site investigation has been completed, the housebuilder will have a list of all the known hazards that are on the site. As Bridgemere West Scotland, a pragmatic volume PLC, makes clear, the process of establishing what ‘abnormals’ are in the ground is about:

‘...getting all those ducks in a row and just knocking them down one at a time. We see what we are getting ourselves into before we actually acquire the site’.

More importantly, the intrusive site investigations facilitate the assignment of costs to those abnormals. All of the housebuilders interviewed practiced the same process in using the information received from the intrusive site investigations to arrive at a residual land value with which to offer the landowner. This process firstly involves housebuilders establishing a ‘greenfield’ offer for the site i.e. the value of the site as if it were ‘clean’, accounting for the most important marketable aspects of the site and sales values in the proximate area. From this, the status of the ground is established through the use of the information received from the site investigation, and the associated costs of both finding and removing the ‘abnormals’ are commuted. These costs are then deducted (along with any other issues that relate to the site in question) from the ‘greenfield’ value and a net land value is achieved. This is then offered to the landowner (‘subject to ground

remediation' which will be discussed in more detail in the next section). Edzell North West, a sceptical volume PLC, explains this process:

'So, we'll pay you £2 million for 'clean' land i.e. no abnormal costs. From that, take off costs of demolition, remediation, resulting ground conditions for piling, surfacing issues, planning requirements etc, to arrive at a net payable land price – we have to arrive at these before we enter into a contract'.

The effect is that the landowner pays for the contaminated nature of their site. The cost is not paid for by the housebuilder, rather it is built into the existing residual land valuation process. This means that UK speculative housebuilders have successfully transposed their existing skills in residual land valuation onto the brownfield mode of operation in order to account for a site's previous use and potential ground problems.

In terms of strategic advantage then, the ability to cap the costs required in the remediation of a site would provide housebuilders with competitive advantage over their peers. And, the interviews made clear that this is already becoming a common request by landowners. One way in which housebuilders themselves have sought competitive advantage over their peers in respect of this inherent competitiveness in establishing the exact value of a brownfield site is to make use of an 'abnormals cap'. The cap reflects the absolute limit of the expected costs of abnormal remediation and preparing the ground for the commencement of construction. This is worked into the residual land valuation of the site and therefore a capped land value is established. This value will be reflected in the conditional contract, which will be signed between the housebuilder and landowner as a commitment to proceed with purchase⁶². Should an abnormals cap not be used, the housebuilder's land value offer is provisional and is dependent on receipt of a satisfactory site investigation and a satisfactory structural survey. Should the housebuilder find extensive contamination that they feel is not suitably rectifiable, they then have the ability to withdraw their offer.

Most of the housebuilders interviewed did not make routine use of the 'abnormals cap' because they felt they needed to develop a greater understanding of brownfield

⁶² Conditional contracts will be discussed in more detail in the next section.

development before they could manage such risk. However, Caledonian Homes, a Scottish based sceptical private volume producer, suggested that the use of an abnormals cap was beneficial as it can provide the landowner with some level of certainty over the value of their site:

'We get an understanding of what the abnormals are likely to be based on desktop research, so at least we can tell them that the land won't go below a certain price i.e. there is an 'abnormals cap'. More and more landowners are looking for an abnormals cap, and that requires us to be a bit more efficient, more clued and begin to buy-in some of that advice, from engineers, surveyors etc'.

Whilst abnormals caps are good to a point, Bridgemere West Scotland, a pragmatic volume PLC, also suggest that it can obviously bear more risk, particularly if the brownfield site has a history of contamination:

'...as the market becomes extremely competitive and more so every day, the vendor will say well lets cap those abnormal costs and you give me a guaranteed price for the land, and your risk starts to accrue then – risks start to come up and up and start to meet that guaranteed price, then the risks come in'.

And, it is because of this inherently competitive nature of speculative housebuilding that Bridgemere West Scotland suggests that there is always another company who will:

'...step in and say I'll take it for a lower margin. You're always in that competitive market'

Therefore, having access to knowledgeable specialists who are able to establish the exact level of contamination and assign an accurate cost to it is an important strategic element for speculative housebuilders in the development of brownfield land. This issue will be returned to in Chapter 11, where institutional capacity will be discussed.

Caledonian Homes make clear that their approach in dealing with the presence and costing of abnormals has evolved to become more transparent as they have built up more knowledge and experience. Whilst they do not routinely offer an 'abnormals cap', their standard land offer now has twelve potential deductions for abnormals and they often present landowners with a 'menu of abnormals' with sums against each one. However,

whilst this is beneficial in terms of being transparent with the landowner about the status his land:

'the problem comes when you're arriving at the true line value, taking into account particularly abnormal site development costs...that's where the difficulty arises because most landowners won't just accept an open ended approach to the deduction of abnormals. They want to know with some certainty what the problems are with the site'

In effect, Caledonian Homes highlight the inherent risks associated with brownfield development. Whilst the development of additional skills such as greater discernment in site selection and utilising intrusive site investigations negate and manage the risks of brownfield development, speculative residential development on brownfield land will always require housebuilders to mediate and manage risk. To illustrate further, Caledonian Homes emphasise the inherent risks with brownfield valuation:

'...when you enter the bid, you're in a catch 22 because you can't begin to quantify those abnormals until you have done some investigations, the investigations cost money, you don't want to expend that money until you are under contract, they won't go under contract until you've given them an idea of what the abnormals will be and you end up in a bit of a cycle and not really going anywhere'.

As such, risk transference has emerged as an important aspect of speculative residential development under the brownfield mode of operation. Because housebuilders establish the level of abnormals within a potential development site prior to full acquisition, and deduct the cost of these from the 'greenfield' land value of the site, a process of risk transference has emerged. Risk can be transferred in two ways under brownfield development: firstly, the cost of abnormals can be passed on to the landowner through the deduction of the costs of ridding the site of the abnormals from the 'greenfield' land value. Secondly, the risks of conducting site investigations, commissioning remediation and then finding more contamination when construction commences is negated through getting a remediation contractor to take the risk. Edzell North West, a sceptical volume PLC, illustrate this:

'...there is a risk in starting on site and finding something you're not expecting. A way around that is to get a remediation contractor to take the risk - they give us a price for remediating

that site, in accordance with all legislation, and delivering it to us with all the warranties, so when we go on, there will be no problems. They charge you a slightly higher price, because they're taking the risk, every ten jobs they might get one wrong, but overall they'll be up. From our perspective, we're passing the risk on. But the downside is that because it's a higher cost, the landowner is going to have to swallow that cost'.

Whilst intrusive site investigations act to reduce the risks involved in redeveloping brownfield sites for housing, conducting them can indeed be a risk in itself, as there is a cost attached to the investigations and there is always the potential to lose the site to a competitor. From a Scottish perspective, Arden West Scotland, a pragmatic volume PLC, for example, make clear that intrusive site investigations:

'...are a risk in themselves, as there is always the potential of losing the site to a competitor or even for the landowner to walk away from the deal after the investigation has been done'.

Additionally, whilst intrusive site investigations act to manage and mediate risk in the speculative development of brownfield land for housing, there are instances where they have failed to fully identify contamination. Most of the housebuilders interviewed could refer to at least one occasion where they had discovered unforeseen contamination on a brownfield site, after the site investigation was complete. Lothian Homes, a Scottish based pragmatic private volume produce, provide an example of such an instance:

'We got caught – knocking down swimming pool – we accepted the asbestos report – the roof above the pool had asbestos in it and the main power supply had asbestos lined cables (the survey didn't include these because they couldn't get near them) - it cost us £140,000. There's nothing you can do about it –you just have to take it on chin and hope for an increase in sales cost to cover it'.

The builder also makes clear that brownfield remediation is an evolving process and experience of new problems and contaminants mean that in some cases, builders have to learn from the mistakes they make:

'We had a former hospital site that used x-ray and back in the old days, they used lead based paint in an x-ray room and with that you will seal the x-ray into the room, so when you come back 20-30 years later and crack the wall open, all the radiation comes out.

Luckily we were fine, but it's that level of risk we are working with. As you get more experience, you know what to look for and the right questions to ask'.

In such instances where unforeseen ground problems do arise, most housebuilders, like Lothian Homes, explain that they prefer to stick with the site rather than walk away from a deal '*...because it's too awful*'. Lothian Homes explain how they attempt to renegotiate with the landowner:

'...it's not in our interest to walk away if the story is too bad – the landowner will just go to somebody else. That is why you must have the ability to make deductions'.

Interestingly some of the housebuilders interviewed suggest that landowners conducting their own site investigations would be a useful way of risk management and mediation in brownfield development. Campbell Construction for example, a pioneering Scottish based private niche provider, make clear that in their past experience:

'...the council (as the vendor) has produced a site investigation; and it certainly reduces the risk; you can take a view right away on the site'.

In a situation where councils, as the landowner, do not provide site investigations and where the developers have to commission a site investigation before they submit a bid for council owned sites, Campbell Construction emphasise that this:

'...adds on time to the whole development process; the risks could be minimised if the landowner makes that information available. If we bid for a site with unknowns, then that is where the risks can come from. In a lot of cases, if the landowner had made that information available to interested parties, then they would take out the risk, but it's unlikely to happen if it isn't a council'.

The above section has demonstrated how housebuilders have developed skills to assist them in the brownfield land acquisition process, through both conducting rigorous site investigations and establishing an abnormals identification system. This provides housebuilders with the opportunity to establish the level of remediation required prior to submitting a land offer and subsequently speculatively acquiring a brownfield site. This

competence therefore acts to manage and negate the ground risks associated with the speculative development of brownfield land for housing.

Once conducted, the intrusive site investigation is then used by UK speculative housebuilders to make an informed decision when selecting the remediation specialists. This is because remediation specialists tend to specialise in one general aspect of remediation. For example, there are those who focus primarily on the removal of asbestos, whilst others focus on the removal of Japanese knotweed or petrochemicals or ash. This means that speculative housebuilders might commission a number of remediation specialists to remediate a site where a number of different ‘abnormals’ are present.

Whilst housebuilders have developed new skills in dealing with ground problems relating to brownfield sites, ultimately, UK speculative housebuilders have accommodated ground problems within their conventional land feasibility and appraisal system, rather than establishing an entirely different system of land appraisal specifically for brownfield sites.

The next section discusses the way in which UK speculative housebuilders control potential development sites prior to full acquisition, in light of the results of the intrusive site investigations they conduct. It will be demonstrated that this skill further manages the risks associated with the speculative development of brownfield land for housing.

8.2.3 Conditional contracts

Having taken a discerning approach to identifying potential brownfield sites and then establishing the nature of the abnormalities likely to be present in the ground, UK speculative housebuilders continue to negate the risks associated with contamination on brownfield sites through the use of conditional contracts.

Unlike greenfield sites, options are not used by housebuilders to secure their commitment to the speculative purchase of a brownfield site. Rather, because of the inherently risky and unforeseen nature of a brownfield site, UK speculative housebuilders make their commitment to a speculative development opportunity conditional upon a number of issues, which are legally outlined in a contract. Conditional contracts are a legal commitment by both the vendor and the housebuilder to exchange ownership of the site,

and they contain a number of conditions that must be satisfactorily achieved before the exchange can be legally completed.

The two most common conditions used by speculative housebuilders in conditional contracts relate to the two core risks of the speculative redevelopment of brownfield land for housing:

- ‘Subject to Planning’: The satisfactory achievement of a fully implementable planning permission.
- ‘Subject to Ground’: The satisfactory achievement of full remediation and full removal of contaminated material.

The ‘subject to planning’ condition affords the developer certainty in being able to discharge all the conditions typically attached to a planning permission, often including a Section 106/75 agreement, common on all brownfield developments. The ‘subject to ground’ condition essentially provides the housebuilder with a ‘get out clause’ should they discover unforeseen issues that renders the development opportunity financially unviable. As was previously suggested, this was typically not favoured by housebuilders, but having the facility in place should it need to be enacted provides housebuilders with a level of comfort and means of negating and managing risk.

Conditional contracts therefore provide speculative housebuilders with certainty and guarantee when purchasing a brownfield site, that the ground and planning issues will be resolved before they complete their purchase of the site, thereby managing risk. Caledonian Homes, a sceptical Scottish based private volume producer, explains the content of a typical conditional contract and makes clear that because of the conditional contract, they are able to view contamination and other ground problems as simply just another cost:

‘...we make an offer subject to firstly a number of conditions and secondly, to the deduction of various costs, one of those might be contamination. Contamination is just another cost to us. Ideally you conclude a missive and then you have a period of time to undertake the site investigation’.

Bridgemere West Scotland, a pragmatic volume PLC, also suggests that conditional contracts act as a means of managing the risk of contaminated brownfield sites, as they allow housebuilders to assess the nature of the land and the problems that will arise before they commit to purchase:

'We see what we are getting ourselves into before we actually acquire the site. We make a condition to the vendor that we deduct from the land value the costs of these abnormalities. Because all developers will suffer the same costs, we can therefore say your land value is subject to these deductible costs'.

The utilisation of a conditional contract therefore acts to supplement the other risk negation skills that UK speculative housebuilders have developed in response to the shifting policy emphasis favouring brownfield development. Indeed, as the shrewd site selection processes and the use of intrusive site investigations act to negate the risks associated with brownfield development, the use of a conditional contract complements and strengthens this approach. By ensuring a 'get out clause', if contamination cannot be remediated to the levels reasonably required, speculative housebuilders can therefore secure a development site without having a legal requirement to purchase the site if remediation or planning permission is not satisfactorily completed and achieved.

For those developers who do not purchase land outright, the risk management strategy of conditional contracts are generally not suitable. However, the research indicates that those developers do indeed utilise risk management strategies. Indeed, the issues of risk from contamination and the refusal of planning permission, together with assigning the responsibility of cost, still provide uncertainty and therefore risk to speculative housebuilders. Thus, where a developer builds out a site that the landowner has retained ownership of, a joint venture agreement is established and both the developer and the landowner enter into a 'licence agreement'. In much the same way as the conditional contract, the housebuilder and the landowner establish a 'development agreement', which establishes the terms of the deal and provides clarity in the responsibility of both parties.

Regeneration specialists are more likely to develop under licence using development agreements than purchase the site under conditional contract because:

'...quite often the public sector own the land so what happens in major areas in decline is that quite often, the public sector starts to gather the land together into a sort of land bank that it can then go out to the market to say that we've assembled this land and we know that its got some issues but it has some sort of certainty because we've managed to ring fence it and you know, we'll make it into a regeneration area' (Vision Construction).

Development agreements therefore act to provide a risk management mechanism to those speculative housebuilders who do not purchase the land outright on which they build.

8.3 Chapter Conclusions

The above section has shown how UK speculative housebuilders seek to maintain a level of risk management and risk mediation through the use of desktop research, intrusive site investigations, conditional contracts and development agreements in controlling brownfield land prior to full acquisition. The skills complement the other skills outlined in Chapter 7. Indeed, whilst greater discernment in site selection seeks to negate and minimise risk in the initial stages of land search, the use of site investigation techniques and conditional contracts maintain that level of risk management by securing control of a site subject to alleviating the risks of brownfield development.

CHAPTER 9

MARKETING

9.1 Introduction

Chapter 4 explained that ‘...quite different approaches and quite different images will be needed for brownfield locations set in the midst of urban complexity’ (Adams and Watkins 2002:139). For UK speculative housebuilders, simply transposing their greenfield marketing images onto a brownfield mode will not suffice and housebuilders will most likely need to ‘...realise that entirely new marketing skills and concepts will be required, which fully appreciate that the nature of both the clientele and the purchaser have changed significantly’ (ibid).

Figures 9.1 and 9.2: Britannia Mills, Manchester before redevelopment.

Developer: Urban Splash



Secondary Data Source: Urban Splash www.urbansplash.co.uk

For regeneration specialists, however, the task may be more demanding. They are more likely to need to convince potential purchasers that a brownfield site is a good place to live in order to get advance orders for their product. This is because the sites that regeneration specialists generally redevelop are ‘hardcore’ in comparison to the sites that other housebuilders such as the volume and super builders approach. The brownfield sites that regeneration specialists focus on redeveloping generally require extensive ground works to remove contamination and other side effects of historical use and have often sat in a redundant state for a long time. As a result, local people and potential purchasers have

generally built up a picture of the site as redundant, derelict or industrial and the challenge arises in getting them to view the site as a desirable place to live is perhaps the trickiest aspect to brownfield development for regeneration specialists.

Figures 9.1 to 9.4 are secondary data sources. They illustrate the issues involved in changing people's perceptions of brownfield sites from 'dirty industrial places' into desirable places to live. Figures 9.1 and 9.2 show Britannia Mills before it was redeveloped and Figures 9.3 and 9.4 show the results of extensive remediation and redevelopment and presents a new image of a clean, fresh and desirable place to live.

Figures 9.3 & 9.4 Britannia Mills, Manchester, after Redevelopment

Developer: Urban Splash



Secondary Data Source: Urban Splash www.urbansplash.co.uk

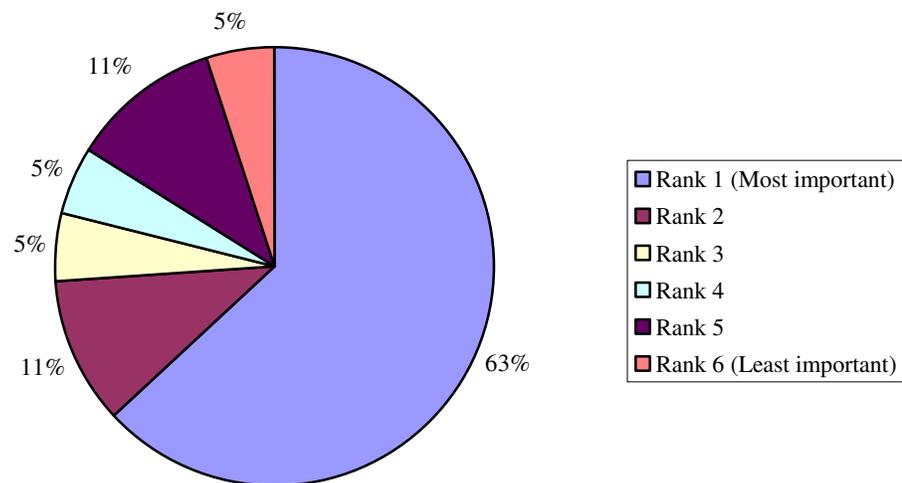
9.2 The Results - Quantitative Data

In respect of marketing in the questionnaire, housebuilders were asked what they perceived to be the most important marketable features of a brownfield development. They were asked to rank the following in order of importance: product design and its unique features; location; local amenities; proximity to workplace; being in an urban environment; and, transport links. This question was designed to uncover what housebuilders perceived to be the most important marketable features of a brownfield site. This further facilitated the

correlation between housebuilders' perception of brownfield marketing and what the previous literature had suggested.

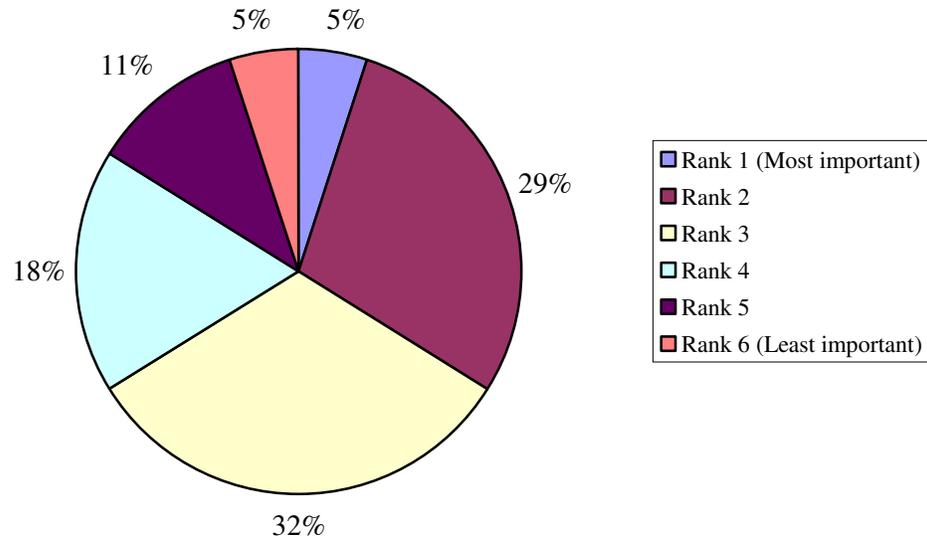
In terms of location, the results were obvious. Overall, it was the most important marketable feature of brownfield development, with 63% of respondents ranking it in first place. Only 5% ranked location as the least important marketable feature of brownfield development, and is shown in Figure 9.5.

Figure 9.5: The Importance of Location in the Marketability of Brownfield Developments by UK Speculative Housebuilders



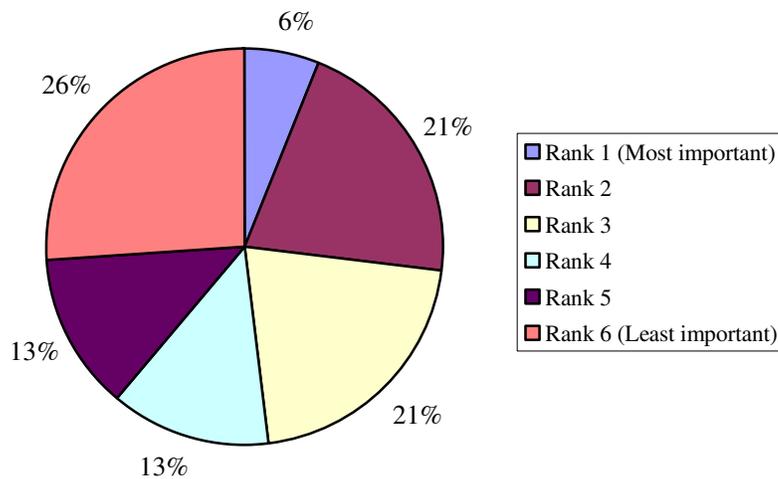
In the case of local amenities as an important marketable feature of brownfield developments, Figure 9.6 shows the majority of respondents ranked it in either 2nd or 3rd most important. This is perhaps not a surprising result; the proximate amenities and services are an important selling point of brownfield developments and of attracting people back into the cities.

Figure 9.6: The Importance of Local Amenities in the Marketability of Brownfield Developments by UK Speculative Housebuilders



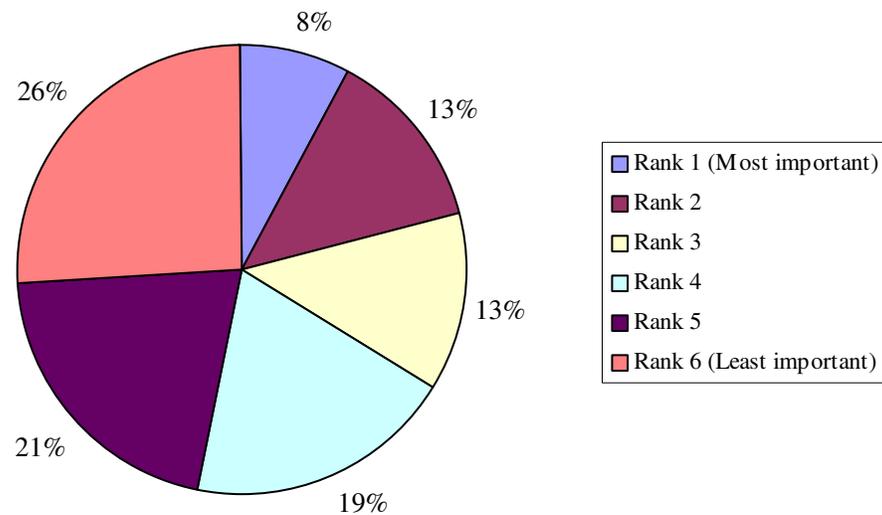
The importance of ‘product design and its unique features’ to the marketability of brownfield development was reflective of an industry that does not consider design as a key parameter for success. Figure 9.7 shows that whilst only 6% ranked it the most important aspect of the marketability of brownfield development, 26% ranked it as least important and a further 13% placed it 5th.

Figure 9.7: The Importance of Product Design and its Unique Features in the Marketability of Brownfield Developments by UK Speculative Housebuilders



In respect of proximity to the work place as an important marketable feature of brownfield development, Figure 9.8 shows that 26% of respondents ranked it as least important and only 8% placed this feature first. This is interesting as it implies that proximity to the work place is not a defining feature of a brownfield market, yet is part of the drive to create sustainable communities and is, in effect, one of the purposes of brownfield development – to get people back into the cities and close to their place of work in order to reduce travel.

Figure 9.8: The Importance of Proximity to Work Place in the Marketability of Brownfield Developments by UK Speculative Housebuilders



Being in an urban environment as the most marketable feature of brownfield development was an interesting result. Figure 9.9 shows that 18% of respondents placed it first, yet 29% placed it last. Although being in urban environment is seen as important in marketing terms for some housebuilders, it appears that the exact location within that urban environment is the most important feature.

With regard to the importance of transport links to the marketability of brownfield development, Figure 9.10 shows whilst no respondents placed it first, the majority of respondents ranked it either 5th or 6th. The results of this question perhaps reflects housebuilders assumptions that urban areas are better integrated when compared to suburban areas, and as such is less likely to significantly affect marketable features and sales demand.

Figure 9.9: The Importance of Being in an Urban Environment in the Marketability of Brownfield Developments by UK Speculative Housebuilders

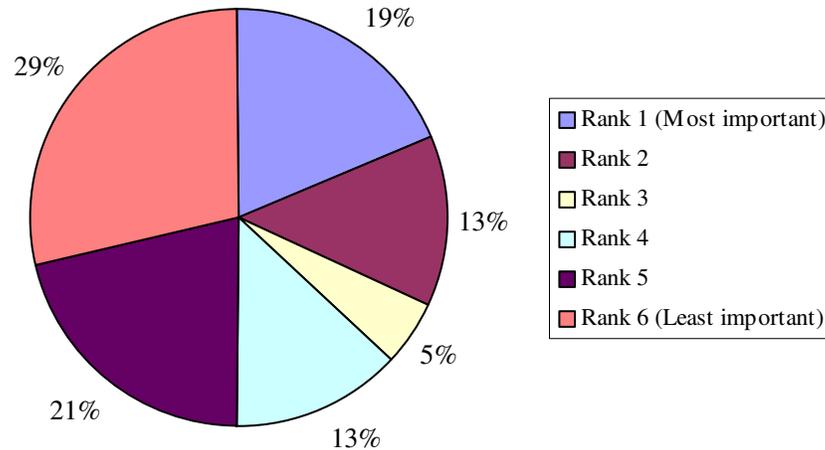
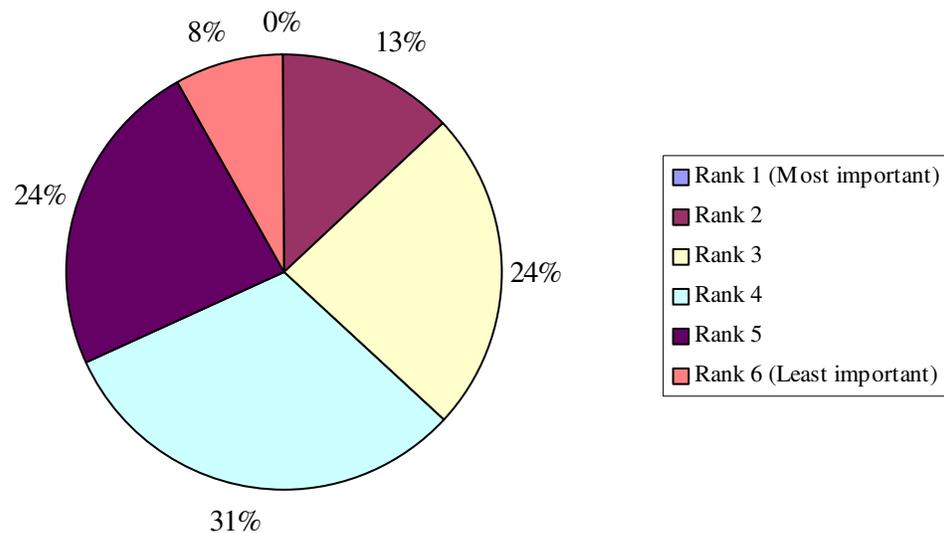


Figure 9.10: The Importance of Transport Links in the Marketability of Brownfield Developments by UK Speculative Housebuilders



The above quantitative data has shown that although being in urban environment is seen as important to the marketability of brownfield developments by housebuilders, it appears that the location within the urban environment is the most important feature. This is perhaps not surprising as housebuilders' conventional approach to housebuilding was largely based on location and not on other features such as design or local amenities. This

has some interesting consequences for the longevity of the brownfield development requirement: will housebuilders seek to secure brownfield sites in the best market locations? Will housebuilders continue to rely on their behavioural tendencies to focus on land acquisition rather than on the betterment of design?

In addition to location, local amenities were also considered to be important marketable features of brownfield developments by UK speculative housebuilders. This is perhaps unsurprising, as the proximate amenities and services are an important selling point of brownfield developments and of attracting people back into the cities.

Interestingly, product design was not considered to be important, which is surprising given the policy importance placed on good design in contemporary housebuilding. It is also surprising considering that some of the most innovative housebuilding companies drive their success on a path of bespoke and innovative design. Then again, the historical reliance by housebuilders on tried and tested methods perhaps explains this⁶³.

9.3 The Results - Qualitative Data

With the exception of the *pioneers* of brownfield development, the qualitative data indicates that UK housebuilders' conventional competencies pertaining to marketing strategies do not differ significantly from the way in which they have conventionally marketed their developments. The most significant reason why UK speculative housebuilders have not needed to alter their conventional strategies of marketing in response to the brownfield development agenda is because the perceptions of a previously used brownfield site have not been detrimental to its marketing and sales success. This is an important finding, as it was this very issue that the previous literature on the subject considered to be the most detrimental to the success of brownfield marketing (Adams 2004, Adams and Watkins 2002). The impact of the brownfield development requirement is therefore at its least notable in this aspect of establishing development feasibility for UK speculative housebuilders. Before discussing this further, attention will first focus on the *pioneers*.

⁶³ The impact of brownfield development on product design will be discussed in more detail in Chapter 10.

Figure 9.11 and 9.12: Albert Mills, Manchester. Developer: Urban Splash



Secondary Data Source: Urban Splash www.urbansplash.co.uk

For the *pioneers* of brownfield development, people's perceptions of a brownfield site as it currently is rather than its potential for becoming a residential area, has required them to develop skills to change these perceptions, both of the site and the area. These skills involve housebuilders encouraging their potential purchasers to visualise a redundant mill or a derelict factory as a place to live, rather than '*...a dirty redundant glowing in the dark health hazard*' (Vision Construction). Figures 9.11 and 9.12, which are secondary data sources, provide an illustration of this issue. To overcome this perception issue, Vision Construction, a pioneering North West based regeneration specialist, build a show house and provide a 'street scene'⁶⁴ at the beginning of construction on their brownfield developments, which allows speculative purchasers to envisage how their potential new home will look, rather than them just seeing redundant buildings or derelict wasteland:

'People want to see what they can get, so you've got to get a show house and you've got to get a street scene. If we are going to get advance orders, we've got to convince people what it's going to look like at the end of the day. You need to change people's perceptions of what that site was.'

⁶⁴ A street scene is a marketing term that refers to the view on a development site that provides potential purchasers with an image that will likely reflect the finished development. A small street scene is usually built on site at the commencement of construction and commonly includes a show house with a driveway leading up to it. A more detailed street scene is commonly provided in the marketing literature and is a computer generated image of an average day on the new development, showing a number of homes, cars parked in drive ways and people walking up and down tree lined streets.

For Vision Construction, successful marketing involves convincing potential purchasers to buy a plot on a site whilst it resembles a redundant mill, wasteland or a crane yard, with the use of this street scene. However, despite the development of this skill, Vision Construction do suggest most of their potential purchasers of urban brownfield units have actually already made their minds up about wanting to live in an urban environment. To make use of this decision and to further negate against the negative perceptions that their potential purchasers might have of the site, the builder identifies the specific positive features that a brownfield site presents and builds them into their marketing literature:

'What we try to show is that this particular development is near to something or it's got certain things within it which make it an attractive place to live and that sort of thing...that its going to be an exciting place to live over the next ten years because its going to generate all this new stuff'.

Essentially, the *pioneers* make clear that whilst 'urban lifestyles' are an important marketing aspect to saleability of any brownfield development, the positioning and function of the forthcoming development within the existing urban fabric is equally as important, particularly in large regeneration initiatives where a change in perception may be required.

For those *pragmatic* and *sceptical* housebuilders in both Scotland and England, whilst it is true that the same strategies have been utilised in marketing brownfield sites, different marketing images have been developed to account of the sites previous use and unique urban placement. Nonetheless, the conventional competence and skills of marketing in UK speculative housing development, as part of establishing development feasibility, have successfully been transposed onto a brownfield development context with minimal conflict.

Indeed, the reasons why the *sceptics* and *pragmatists* in Scotland and England did not find the previous use of a site and the perceptions of such, detrimental to its successful marketing was because they were able to provide legal guarantees of remediation. Housebuilders felt that because they could legally guarantee remediation had taken place,

through their solicitors on exchange of contract, then it should not be an issue that deters purchasers. In effect, they could ‘convince’ potential purchasers that all would be alright.

However, it is perhaps useful to remember in any assessment of the marketing strategies of UK speculative housebuilders that different types of brownfield sites will undoubtedly require different levels of marketing. Indeed, for *pioneers* who specialise in delivering new homes on hardcore urban brownfield sites that have historically been, and are often situated within and between, industrial places, it is more of a challenge to change people’s perceptions than for a site that was a former primary school or nursing home.

For example, Figures 9.13 and 9.14, which are secondary data sources, show images of a ‘hardcore’ brownfield site in Salford: the former Cadishead Chemical works. The site is a 16 acre former oil storage depot with high levels of oil-based product contained within the soils and ground water, the visual effects of which are shown in Figure 9.14. The site was acquired unconditionally by Harrow Estates in 2006 and recently obtained planning consent for 350 residential units. The site is still undergoing extensive remediation and in 2008 will be put on the open market for sale to residential developers.

Figure 9.13: Cadishead Chemical Works, Salford, prior to remediation
Developer/Remediation: Harrow Estates.



Secondary Data Source: Harrow Estates, www.harrowestates.co.uk

Figure 9.14: The Visual Effects of Contamination, Cadishead, Salford.

Developer/Remediator: Harrow Estates



Secondary Data Source: Harrow Estates, www.harrowestates.co.uk

The way in which *pioneers* therefore overcome the negative images that the sites they approach typically present, is to develop computer generated images (CGI's) of how the development is likely to look when completed. These images are then presented to potential purchasers in well-designed marketing literature. The secondary data sources shown below provide a few examples of these.

Figure 9.15: CGI of the Lakeshore Development in Bristol, Urban Splash



Secondary Data Source: Urban Splash, www.urbansplash.co.uk

Developers often insert people, foliage and activity into these pictures to put across an image of community, success, functionality and attractiveness in order to lure in potential purchasers. In effect, this is the exact same skill that UK speculative housebuilders have used conventionally when creating images of suburban family life. The distinction between the brownfield and greenfield scenario is the lifestyle that is promoted, with the brownfield sites typically promoting an urban ‘yuppie’ or ‘dinky’ lifestyle vis-à-vis the suburban family centred lifestyle for greenfield sites.

Figure 9.16: CGI of ‘The Waterside at Royal Worcester’, Berkeley Homes



Secondary Data Source: Berkeley Homes, www.berkeleyhomes.co.uk

Of course, the use of CGI technology is inherent amongst all housebuilders and is not specific for ‘hardcore’ brownfield sites. But, the benefits that accrue from developing images for a brownfield site that at the time resembles a former industrial site or a chemical plant, are significant for regeneration specialists. Figure 9.17 shows a CGI of the ‘The Light Buildings’ in Preston, a brownfield development by the volume housebuilder Gladedale.

Figure 9.17: CGI of ‘The Light Buildings’, Preston. Gladedale (Manchester)



Secondary Data Source: The Gladedale Group, www.gladedale.com

For the *sceptics* and *pragmatists* who do not tackle ‘hardcore’ brownfield sites, such as former chemical works, the use of CGI technology is not essential but rather an added extra. Also, the marketing literature used by *sceptics* and *pragmatists* need not be as persuasive in convincing potential purchasers to view a site as a place to live. Indeed, the redevelopment of ‘easier’ brownfield sites such as former schools or hospitals demands less persuasive marketing images than the former chemical plant shown in Figures 9.13 and 9.14.

Figure 9.18 presents an image of a former school that was marketed between May and July 2008. The site is a brownfield site situated in the greenbelt and suitable for residential development on the existing building footprint only. The image shows a desirable site where you can image that people would aspire to live. Indeed, although partially a brownfield site, the image of the site readily still connects with the British psyche of the suburban dream (Adams and Watkins 2002).

Figure 9.18: The Former Massey Hall School, Thelwell, Warrington.



Source: DTZ Residential, www.dtzresidential.co.uk

Whilst Figure 9.18 is not typical of a brownfield site, it does provide a stark contrast to former chemical plants or redundant cotton mills. As such, it therefore seems logical that those conventional marketing strategies that UK speculative housebuilders have utilised are appropriate for some brownfield sites, such as the Former Massey Hall School above. The use of tried and tested marketing methods provides housebuilders with a level of certainty, as they utilise skills that they know have been successful in the past. For example, Lothian Homes, a pragmatic Scottish private volume producer, make clear that their approach to marketing brownfield developments is very traditional and is based on what they have done conventionally because this tried and tested approach provides certainty for them. Indeed, the use of adverts in papers of forthcoming developments and the use of mailing lists, email, and phone databases allows Lothian Homes to inform their potential purchasers at key stages in the marketing process, in such the same way that they had conventionally done. Lothian Homes also made clear that, as done traditionally:

‘...the show house is also used to pick up purchasers, it’s all pretty traditional really’.

Arden North West, a pragmatic volume PLC, suggest that transparency and clarity with regard to a brownfield site's former use is an important aspect of making these tried and tested methods successful under the brownfield *modus operandi*:

'With brownfield sites, you sometimes need to hit head on with the fact that the site has been previously developed and used and that we've taken engineers advice to make it safe. Sometimes you have to do that upfront, but not very often but occasionally...The main marketing tools are a show house, and the brochures are site specific for each development, not a huge amount of television advertising, quite a lot of press advertising'.

The above has shown that the use of 'lifestyles' as a marketing concept in the brownfield context remains. As suggested in previous research (see Adams and Watkins 2002, Adams 2004), these 'brownfield lifestyles' are in fact targeted more to the young professional crowd and rely largely on images of bars, coffee shops and access to city centre amenities such as shops, clubs, and fashionable eateries as the marketable driving force. Arden North West emphasise this lifestyle difference:

'All the city centre flats are advertised with cups of coffee and pictures of shops- you don't see pictures of the flats so much, it's always the lifestyle pictures. You've got to be very targeted if that's what you're trying to sell'.

Interestingly, the marketing images used by housebuilders on brownfield sites also show more internal images of the developments than the traditional external marketing images of blue skies, children playing in the streets and big double garages, which are clearly more relevant to the greenfield scenario. The use of internal images supplement the computer generated images that most housebuilders utilise. The secondary data sources shown overleaf provide one example of this use of internal images for marketing and advertising brownfield sites.

Figures 9.19, 9.20 & 9.21: ‘Waterside Park’, West Drayton, Developer: Taylor Wimpey



Secondary Data Source: George Wimpey, www.georgewimpey.co.uk

Having discussed the images that UK speculative housebuilders utilise in their approach to the marketing of brownfield sites, it is important to comment on the differences between the approaches taken by smaller developers and those nationally operative volume and super builders.

9.4 Differentiating Approaches to Marketing through Builder Size

Aside from the differences taken to marketing by speculative housebuilders by typology, the research indicates that there is also a distinct difference between the marketing approaches taken by volume and super builders and their smaller, niche and specialist counterparts. Whilst volume builders use generic branding and procedures, the smaller and more specialist builders approach the marketing of brownfield developments in a more bespoke and unique fashion.

9.4.1 Generic marketing and the medium, volume and super builders

Volume housebuilders use generic marketing strategies for two reasons. First, although the corporate structure of these housebuilders means that they are regionally franchised and locally operative, corporate branding and group marketing procedures mean that any marketing literature used is based on templates already approved by the Group’s Board of Directors. Second, generic marketing allows continuity for nationally operative housebuilders across their various regional boundaries and allows Head Office to maintain a level of corporate consistency and to promote an image of the branded product. Bridgemere West Scotland, a pragmatic volume PLC, illustrate this:

'Generally, the Group like consistency – we're a large company and it benefits us as an organisation, it's better than a local builder who doesn't have that gravitas behind them. Consistency in brand is good for company image'.

However, the research indicates there are times when generic branding and marketing literature needs to be supplemented with site specific information relating to each brownfield site they market. Bridgemere West Scotland further suggest that although company branding is important in respect of group procedure and consistency, there are times when unique brownfield sites provide an opportunity to use site-specific information to complement the generic approach:

'...specific sites sometimes need something a bit different – perhaps ambitious to make it stand out – but you have to ask to step out of line'.

Caledonian Homes, a sceptical Scottish based private volume producer, also highlight a level of consistency in marketing brownfield developments and describe how they positively incorporate the brownfield status of the site into the existing marketing process. From an English comparison, Edzell North West, a sceptical volume PLC, similarly discuss the role of a generic template for their marketing, whether it's a brownfield or greenfield site:

'In our strategy for marketing throughout the UK, we have the same underlying principles, generic templates. Then we tailor them to the site – we pick on unique pointers for the site. We don't differentiate for brownfield or greenfield, its about the site, what's it been what it's got to offer. Essentially, we look at a site on its merits and try to develop a strategy from there.'

9.4.2 Bespoke marketing and the smaller and specialist builders

Where volume and super builders rely on conventional, tried and tested methods in marketing brownfield sites, with input from a site's history to complement these conventional and generic strategies, smaller and more specialist housebuilders utilise bespoke marketing strategies and do not follow any formulaic process. For example, Campbell Construction, a pioneering Scottish based private niche producer, make clear

that the marketing of brownfield sites needs to be site-specific and they make the important distinction in the different types of brownfield sites when discussing this:

'Tarring every site with the same brush is dangerous. You need to identify the merits of each site and develop a marketing strategy around that.'

Lomand Developments, a pioneering Scottish private niche producer, outsource their marketing skills to external specialist companies:

'Marketing is bespoke, so we don't take a formulaic approach to marketing either. We have a number of marketing and PR company contacts that we employ. We constantly rotate them – it's horses for courses. We assess each site on its own merits in relation to the location, the strength of market, the level of renewal activity, is the site a unique jewel in a crown?'

From an English perspective, Vision Construction, a pioneering private regeneration specialist make clear that their approach:

'...really depends on what we are building, what an area is like and what an area's strengths are really. And sometimes, who the architect is and what sort of flavour they bring to the development...and schemes may need to be marketed in a slightly different way.'

9.5 Chapter Conclusions

This chapter has demonstrated that the effect of the policy switch favouring brownfield development on the marketing approaches taken by UK housebuilders has been limited. However, the important distinction was raised between the generic marketing approaches taken by volume housebuilders and the more bespoke approaches taken by the smaller and more specialist housebuilders. Specifically, the chapter has shown how the majority of UK speculative housebuilders have simply transposed their conventional core competencies for marketing onto the brownfield *modus operandi* rather than developing entirely new ones. Housebuilders have developed new marketing images to suit the demands of brownfield sites, and these are supplemented by the use of CGI technology to create images for developments that have yet to be built. Ultimately, this research indicates that the marketing strategies of UK speculative housebuilders are continually evolving to suit the

changing demands of both the potential purchasers and housing development in general, rather than featuring significant step changes in immediate response to external policy change.

CHAPTER 10

DESIGN AND PROCUREMENT

10.1 Introduction

Chapter 2 emphasised that one of the most conspicuous features of speculative housebuilding that elucidates the way in which housebuilders approach the speculative residential development process is the standardisation of production. This business strategy and the associated core competencies of using standardised building materials and tried and tested methods to generate a number of standard house types has shaped the way housebuilders operate and compete. Further, it has instilled construction efficiency as a means of profit maximisation in speculative housebuilding over time, primarily through the greenfield experience (Tiesdell and Adams 2004, Adams and Watkins 2002).

As the UK speculative housebuilding industry has developed both its business strategies and its reputation around the delivery of standardised products for standardised greenfield sites, Adams and Watkins (2002:133) suggest that ‘...it is clear that brownfield development is more likely to require the delivery of individually tailored products for specific locations’ for two key reasons:

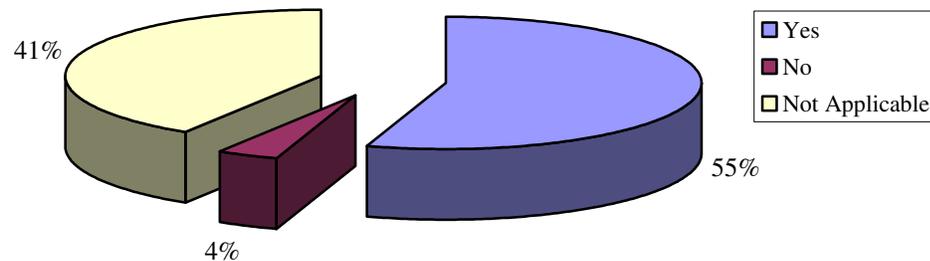
1. Brownfield sites are likely to be more problematic, requiring layouts that take account of particular site conditions, including ground conditions and existing buildings or foundations.
2. Successful brownfield development needs to be carefully woven into the existing urban fabric and its associated design and infrastructural requirements that go with it.

Because product standardisation has been the preserve of UK speculative housebuilders in their conventional approaches to the design of residential developments, brownfield development will therefore present a severe test to those tried and tested methods (Adams and Watkins 2002, Adams 2004, Adams and Tiesdell 2004).

10.2 The Results - Quantitative Data

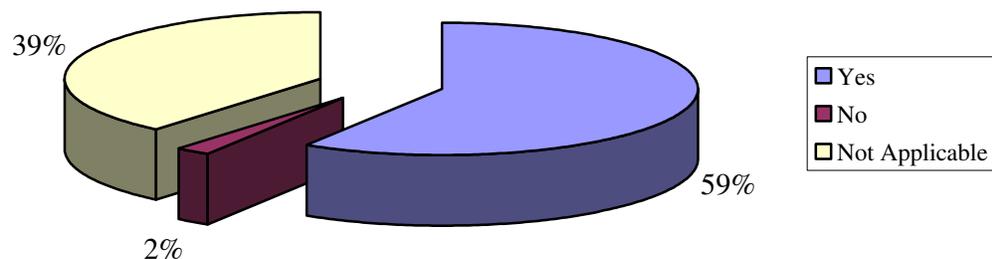
In respect of skills access and procurement, the quantitative data suggests that the use of externally sourced skills by UK speculative housebuilders has increased since the inception of the policy switch favouring brownfield development. When asked to specify what methods they had relied upon for acquiring the necessary skills and expertise for brownfield development over the past 5 years, the majority of housebuilders stated that outsourcing had been the most significant method.

Figure 10.1 Has your company use outsourcing as a means of accessing expertise and skills for brownfield development over the past 5 years?



Only 4% of respondents stated that outsourcing had not be used to access the skills and expertise necessary for brownfield development. When asked the same question for the coming 5 years, 59% of respondents suggested that they would rely on outsourcing in accessing the necessary skills and expertise for brownfield development.

Figure 10.2 Will your company use outsourcing as a means of accessing expertise and skills for brownfield development over the next 5 years?

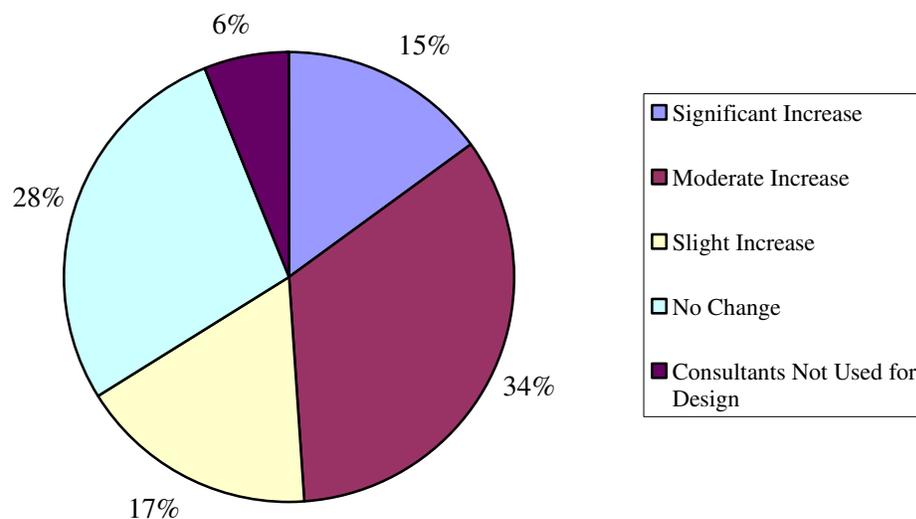


The quantitative research therefore indicates the significance of external and outsourced resources in providing UK speculative housebuilders with the necessary skills and expertise required for successful brownfield development.

In respect of design, the questionnaire asked housebuilders if brownfield development had affected their use of consultants for design, with a view to uncovering whether housebuilders were using external expertise for the design of their brownfield developments. Figure 10.3 shows that 28% of respondents stated that there had been no change in the use of consultants for design, which perhaps reflects the retention of standardisation in brownfield development. Of those who did state an increase usage of consultants for design, 51% stated that they had experienced only a slight or moderate increase, whilst only 15% experienced a significant increase.

The results of this question also act to reinforce the position that UK speculative housebuilders have continued to use product standardisation under the brownfield modus operandi, through the limited use of external consultants for design.

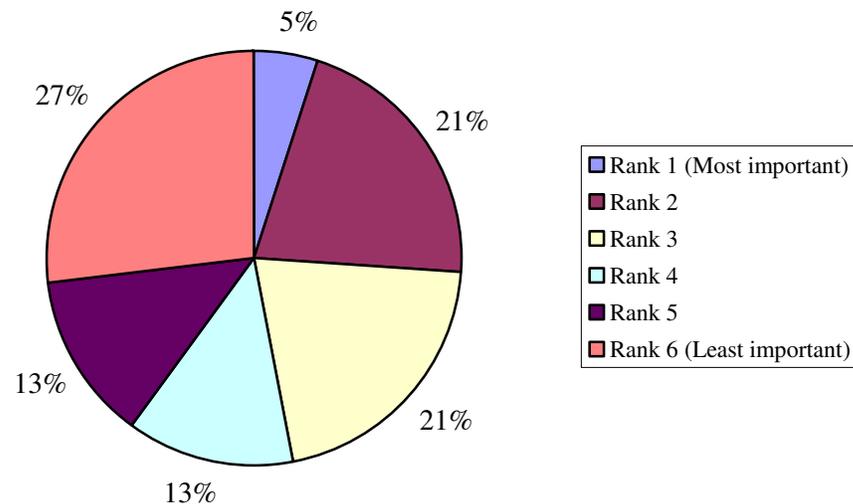
Figure 10.3 Has brownfield development affected your company's use of consultants for design?



Also interesting was the results of the question that asked respondents what the most important marketable feature of a brownfield site was. Figure 10.4 shows that only 5% of respondents placed product design as the most important. The majority of respondents actually placed it as the least important marketable feature of brownfield development.

The other options were location, local amenities, proximity to work place, being in an urban environment and transport links (see Chapter 9 for more detail on this question).

Figure 10.4: Product Design as the most important marketable feature of brownfield development



The quantitative data has emphasised the sustained importance of product standardisation under the brownfield *modus operandi* in two key ways. First, by suggesting that product design is not important to the success of marketing brownfield developments. Second, by highlighting that housebuilders have not significantly increased their use of external consultants for design as a result of increased brownfield development rates. The qualitative data, presented below, will outline in more detail how UK speculative housebuilders approach product design on brownfield land through the sustained use of product standardisation and construction efficiency as means of competitive advantage.

10.3 The Results - Qualitative Data

It is important to emphasise that land remains the lifeblood of housebuilders and seeking out potential development sites therefore remains their most important strategic activity under the brownfield *modus operandi*. However, once land acquisition has taken place, speculative housebuilders, with the exception of the *pioneers*, seek to maintain their competitive edge through construction efficiency. This is achieved through the use of standard house types under the brownfield *modus operandi* and as such, this research

confirms that the conventional core competencies of UK speculative housebuilders have again been transposed onto brownfield development.

10.3.1 Construction efficiency as competitive advantage

Whilst the UK speculative housebuilding industry still maintains its land focus and seeks out competitive advantage through effective land search techniques (see Chapter 7), this research indicates that UK speculative housebuilders also seek further competitive advantage under the brownfield scenario through construction efficiency.

UK speculative housebuilders focus their profit generation functions under the brownfield *modus operandi* on the efficiency of the construction process for two reasons:

- Housebuilders cannot compete on unit sales cost because the existing housing stock and the market set them.
- Housebuilders also cannot compete on the cost of the land, as the value they generate is a residual value having deducted the costs of ‘abnormals’.

The result is that housebuilders have been able to successfully transpose their conventional competencies of product standardisation onto the brownfield *modus operandi* to ensure construction efficiency. Further, fresh skills have been developed by housebuilders for controlling the costs of the construction process on brownfield land through both the efficient plotting of their product and the efficient use of materials. By increasing plots per acre, housebuilders are able to increase their revenues and generate a better land value.

Bridgemere West Scotland, a pragmatic volume PLC, explains that their design of developments on brownfield sites reflects their conventional priorities of needing to use land efficiently and maximising the potential of the site in financial terms, as well as taking account of the site’s planning requirements. For the builder then, design is therefore not a competitive issue on brownfield sites, as their main concern in design remains providing the landowner with a competitive offer through maximising the development potential of the site.

Plot efficiency and construction efficiency mean that UK speculative housebuilders generally deliver high-density brownfield developments, comprised of either standardised flats and/or standardised townhouses. And, because brownfield sites are often smaller, more expensive to purchase, present complex ground issues and sit within an existing urban fabric with its own existing design (Adams 2004), the use of high-density schemes also overcome other issues that brownfield land may present.

Standardised flats and standardised townhouses provide the housebuilder with the opportunity to have high density developments and have a higher unit to acre ratio, making smaller brownfield sites more financially viable and being able to provide landowners with a competitive land offer. Flats and townhouses also provide a higher square footage to acre ratio, which additionally makes the development more financially viable.

Additionally, flatted developments and townhouses also remove the need for housebuilders to provide gardens, which can be an issue for contaminated sites. Generally, whilst flats have no private open space, townhouses do, and this is provided in the form of decking rather than grass. Indeed, the research made clear that if housebuilders are redeveloping a heavily contaminated site, providing private grassed gardens is generally resisted because they want to prevent the use of vegetable patches and other digging activity. Bridgemere West Scotland express this issue:

'... if contamination levels are such that housing is no longer appropriate because we can't deliver private gardens because of the long term risk that contamination might present itself again, then we would deliver flats, or this hybrid of townhouses with decking'.

The use of product standardisation is crucial to construction efficiency, as costs can be both established before commencement of construction and controlled throughout the construction process. The research shows that product standardisation therefore facilitates competitive advantage through construction efficiency on brownfield land. Caledonian Homes, a sceptical Scottish based private volume producer, illustrate this:

'...we've made our houses efficient i.e. you get a lot of square footage on quite a small footprint and that allows you to get more sales revenue out of the site and allows you to bid for a greater

price on the land.– so, in order to get that land, we use construction efficiency to make us finish number 1 rather than number 2’.

10.3.2 The continuing importance of product standardisation

Because of the importance of construction efficiency under the brownfield *modus operandi*, the policy switch favouring brownfield development has not significantly affected housebuilders’ conventional strategies of standardisation in product design. The exception to this is of course the *pioneers*, whose use of ‘one off’ bespoke design solutions is the only design approach they will consider on their developments. This will be discussed in more detail in a succeeding section.

The research therefore indicates that UK speculative housebuilders, with the exception of *pioneers*, still rely on tried and tested conventional methods associated with standard product design in the configuration of their developments where they can. The research also demonstrates the malleability of UK speculative housebuilders’ conventional approaches to product design in a brownfield scenario. This approach is relative for both the English and Scottish contexts.

Whilst UK speculative housebuilders have made limited attempts to alter their conventional design strategies under the brownfield scenario, they have managed to integrate standardised unit types into the existing urban fabric on the brownfield site they build. The result is that standardised design solutions have been transposed onto the brownfield *modus operandi*.

UK speculative housebuilders maintain a standardised approach to design solutions for brownfield sites by using of standard structural footprints. As such, any difference to the design of developments therefore comes by way of altering the façade of the structure. This skill allows housebuilders both to ‘alter’ their standard product in respect of the differing urban environment but also ensures housebuilders’ ability to draw on the conventional benefits that product standardisation affords, such as controlling construction costs, materials procurement and providing the level of construction certainty necessary to negate the risks of speculative residential development.

Therefore, the use of standardised design solutions on brownfield sites provides housebuilders with a level of certainty in the costs associated with construction ‘above ground’. Whilst UK speculative housebuilders have developed fresh skills in site selection, site investigation and conditional acquisition (see Chapters 7 and 8), the innate risks involved in developing brownfield sites mean that housebuilders will seek to control and manage risk through the development process. Therefore, controlling costs by utilising standardised product designs means that housebuilders can manage risk ‘above ground’ whilst concentrating their efforts ‘below ground’.

For example, Edzell North West, a sceptical volume PLC, make clear that:

‘With standard house types, which we’ve used a lot in the past, you know what it costs to come out of the ground, it’s what is in the ground that’s really the issue on brownfields’.

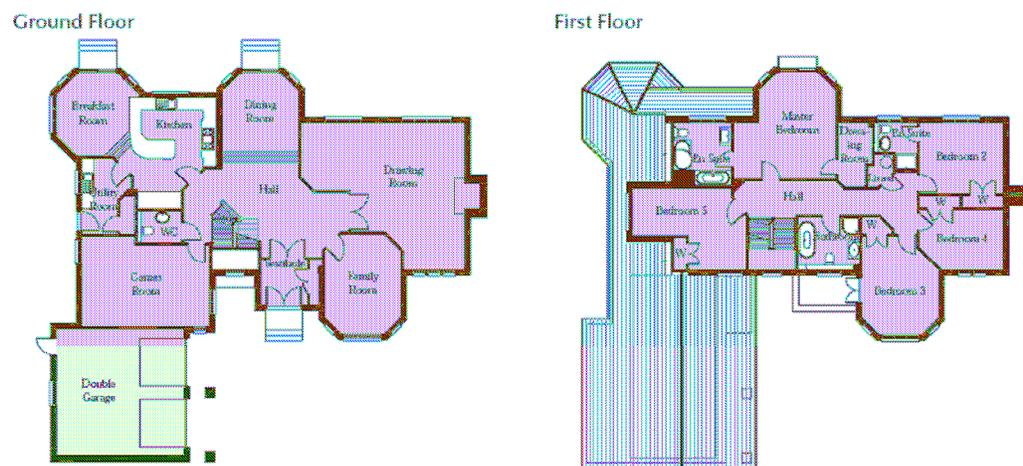
The way in which housebuilders utilise standardised designs on brownfield land is to use a ‘...standard pattern book of floor space’ (Edzell North West). This standard pattern book of floor space refers to the structural footprint of the standard unit types, which is its defining feature (Nicol and Hooper 1999).

Figures 10.5 and 10.6 are secondary data sources and show the footprint of a standard house type and a standard apartment block by Manor Kingdom, a Scottish based privately owned niche producer. Whilst the footprints of both unit types are standard, the materials used on the external part of the units can be altered to suit the demands of each context in which the units are built. For example, the façade of the units could be finished with full render, half render half brick, full brick, stone, sandstone or any other type of material. Indeed, planning permissions do attach conditions that relate to the external dressing of a development. For example, Bridgemere North West, a pragmatic volume PLC, make clear that the planning permission for a site they were developing in Calderdale required them to utilise local materials in the development:

‘...we had to use the local stone and put slate roofs on all the units. But that’s fine and we can do that with our standard footprints – we’ve done it before so we know the cost and where to get the materials from, it’s not an issue for us. Our houses can be

what you want them to be but we still have that certainty from the standard footprint, we can still control those build costs...'

Figure 10.5 'The Sovereign' House Type by Manor Kingdom



Secondary Data Source: The Manor Kingdom Group, www.manorkingdom.com

Therefore, whilst the external façade of an apartment block or a standard house type can be altered to suit each local context within which it is being built, the standardised nature of the unit type is retained through its footprint. This means that the construction costs of each standard unit type are known and controlled before development has begun and the risks involved in development are therefore managed.

The use of standard structural footprints under the brownfield *modus operandi* therefore enables housebuilders to continue to bolt on different external facades on to the standard structural design on a brownfield site, as Nicol and Hooper (1997) had previously suggested.

Figure 10.6 The Bankhouse Apartments by Manor Kingdom



Third Floor



Secondary Data Source: The Manor Kingdom Group, www.manorkingdom.com

The research therefore demonstrates that the inherent flexibility afforded by the use of standard footprints provides speculative housebuilders with the ability to respond to the changing policy agenda favouring brownfield development, whilst also providing them

with the ability to maintain their conventional competence of standardisation under the brownfield scenario. The focus of design for UK speculative housebuilders, with the exception of regeneration specialist, therefore remains:

‘...on external design, the quality of external finish and external environment in which the house sits’ (Edzell North West).

When asked to discuss how they approach design on brownfield sites, Bridgemere West Scotland, a pragmatic Scottish based volume PLC, make clear that design is about the external finish of a standard unit:

‘On brownfields we can change the façade of a standard house type and have a similar footprint; we can use different standard bricks, use different external designs, put pitched roofs on it, make it fit something different, which suits the demands of brownfields’.

In addition to the ability to control construction costs, *sceptical* and *pragmatic* housebuilders continue to use standardised unit types on brownfield land because on the inherent competition to produce the most competitive land offer and win sites. This is linked to construction efficiency as a means of competitive advantage. Caledonian Homes, a sceptical Scottish based private volume producer, make clear that their approach to using standardised design solutions on brownfield sites is down to the pressure from landowners to receive the maximum value for their sites:

‘All the landowner is interested in is maximising their land value; the way to do that is to make houses as efficient as possible and to get as many houses on the site as you can and make the non developable areas as small as possible. You cram as many on to win the site, and that’s the only way of winning it’.

The utilisation of standardised unit types under the brownfield development scenario also affords UK speculative housebuilders the ability to readily adapt their standard unit types to the inherent variation that brownfield sites produce, whilst being able to provide a competitive land bid and manage the risks associated with brownfield sites through controlling construction costs.

10.3.3 The use of bespoke design solutions on brownfield sites

The use of bespoke design solutions is a non-conventional way for UK speculative housebuilders to develop land for residential development, as it deviates from the use of standardised techniques conventionally used. However, the results of the research indicate that UK speculative housebuilders in both Scotland and England have utilised bespoke design solutions on brownfield land. Nonetheless, the use of bespoke design is far from common and the decision to utilise this design approach in place of a standardised approach is informed by a number of site-specific issues and whether the housebuilder is a *pioneer*, a *pragmatist* or a *sceptic*. The site-specific issues are:

- The location of the site.
- The size of the site.
- The target market.
- The demands of the vendor/landowner.

For example, Bridgemere West Scotland, a pragmatic volume PLC, suggest the decision to choose a bespoke approach depends on the often unique factors that each site presents:

‘...we want them to fit in well with their environment, look good with the local community and improve the whole area’.

For regeneration specialists however, bespoke design solutions are their core business strategy. Vision Construction, a North West based pioneering regeneration specialist, make clear that because they are *‘...quite tuned into design’*, they realise the value of good design and therefore *‘...it’s quite a strong part of the delivery of our developments’*. Vision Construction therefore approach each brownfield development in a unique fashion and develop a bespoke design solution around the demands of the site, which include *inter alia*: topography, existing urban fabric, existing on-site structures, ground issues such as contamination and existing foundations, market demands and expectations, and the local authorities’ wider regeneration initiatives. This means that they;

‘...can recognise an opportunity without having to think about what design might go on there and quite often we are quite committed to an opportunity before we go out to a competition to select an architect and that’s really when a design starts. So we

are quite often committed to an opportunity with no real preconceptions of what's going to go on there'.

Vision Construction thus utilise their in-house skills to conceptualise their aspirations for a development opportunity and then externally source the expertise required to make that conception a reality, through the use of architects.

Interestingly, the research identified that it was not just the *pioneers* who considered the use of bespoke design solutions a benefit to the success of a brownfield development. A small number of the volume builders were beginning to recognise the potential of bespoke design to the success of brownfield development. Lothian Homes for example, a pragmatic Scottish based private volume builder, make clear that:

'...in some ways, the good thing about a major regeneration area is you're often less constrained by surrounding buildings, because there often aren't any. So if you are building a new development right in the middle of the city centre, whatever you design there would have to fit in with all the surrounding buildings around it and that quite often kind of half designs it for you, in terms of its height, its materials, its colour, its access, everything else. Whereas if you are doing something major in a big area then there's a bit more flexibility for setting a new sort of design criteria for that area'.

Making their point clearer on the design agenda of the company, Lothian Homes highlight:

'We as a company are very against pastiche developments – it's not our thing at all really...so, as far as the design goes, we just aim for using quality architecture consultants to produce quality design and kind of bring out an area'.

For those pragmatists who do utilise bespoke design solutions, they tend to reserve them for brownfield sites in prime and prominent locations, typically in the city centre or close to prominent existing structures.

Arden West Scotland, a pragmatic volume PLC, who has had experience in delivering bespoke design, confirms this:

'...we tend to use bespoke only on "prime" city centre sites. It's dictated by the site really'.

Further, the builder makes clear that it is the location of the site that is key to the decision behind using a bespoke approach to development design:

'The choice of using bespoke is not a result of the land, it's more the location of the site. Brownfield sites tend to be urban areas'.

The way in which UK speculative housebuilders approach the bespoke design of developments is to utilise externally based skills. These typically include architects, who design the development and construction companies, who build the development. Edzell North West, a sceptical volume PLC, make clear that the distinction between standardisation and bespoke design is one of internal and external skills:

'With bespoke, everything is externally designed. There is no direct involvement – it's a contractual relationship between the architect and sub contractor'.

Arden North West, a pragmatic volume PLC, suggests that when they do choose to use bespoke design solutions, they appoint a locally active external architects, who they know:

'...will know the locality better or have some creative ideas that would suit the site better'.

Whilst UK speculative housebuilders have utilised bespoke design solutions on brownfield land, the research uncovered a number of constraints that have significantly influenced this approach. For example, Edzell North West suggest that from their experience, the most significant constraints on the design of a brownfield development are density, story height, and requirements for open space. Whilst open space provision is driven by number of bed spaces or homes, it means that higher density developments require a higher open space requirement and therefore Edzell North West consider it *'...not good land use'*. Caledonian Homes, a sceptical Scottish based private volume builder, highlight these challenges:

'...gave us build problems in coordinating design and construction. It needs fairly close project management skills to make sure that everything is coordinated whereas with our standard house types, we know we can deliver them in X number of weeks. Bespoke are a lot longer and more complicated – we don't know if we will be doing any more of them'.

The processes involved in the use of bespoke design solutions on brownfield sites are therefore challenging to UK speculative housebuilders. Edzell North West, a sceptical volume PLC, suggests that this is because everything about bespoke design is different in relation to their conventional standardised approaches. The builder makes clear that, as a volume producer, they have had difficulty in getting the use of bespoke developments right first time, *'...in terms of its financial efficiency and viability'*.

Edzell North West, a sceptical volume PLC, make clear that because they are a volume producer and bespoke design solutions are completely different to their conventional ways of designing developments, they struggle to maintain the efficiencies that a standardised approach provides:

'Bespoke developments are challenging, as everything is different. We're a volume producer and we've had the difficulty of getting it right first time and being as efficient'.

The research also indicates that the encouragement of bespoke design on council owned land by local authorities has been limited. For example, Caledonian Homes, a sceptical Scottish based private volume builder, argue that generally, local authorities are actually positive to the use of standard house types because they can give them a guaranteed cost of the design and build package:

'...we can cut costs in the whole design package and that is attractive package in city councils and HA's and LA's'.

However, from a differing perspective, Lothian Homes, a pragmatic Scottish based private volume producer, suggest that council-led regeneration schemes can actually motivate housebuilders to exceed their current design standards because:

'...when a standard is set, all they are going to do is raise it the next time so you are as well designing it as best as you could with a view to how much it is going to cost us. Usually about 10% above where we need to be unless there is a technical reason where the technology isn't there to allow you to be able to do what is being asked'.

This section has shown how UK speculative housebuilders have successfully transposed their conventional competencies of product standardisation onto the brownfield *modus*

operandi. The section has demonstrated how housebuilders have been able to alter their standard designs around the unique demands of brownfield sites through changing the façade of the unit rather than developing a bespoke unit. With the exception of regeneration specialists, where bespoke design solutions are used, they have proven complicated and tricky to an industry better placed to deliver standardised solutions.

The section has also highlighted that the reasons why UK speculative housebuilders do not utilise bespoke design solutions on brownfield sites, in the same manner as standardised approaches, are mainly down to the complications that bespoke design presents to their conventional design skills. The failure of UK speculative housebuilders to fully embrace bespoke design solutions on brownfield land is therefore reflective of an industry reliant on tried and tested methods of residential design and extending and transposing their traditional competencies onto the brownfield scenario.

10.4 Skills Access and Procurement in Brownfield Development

The research indicates that speculative housebuilders in both the English and Scottish contexts have developed a detailed external contacts base with which to use in developing brownfield land for new homes. The research uncovered the most common skills that were externally outsourced by the majority of housebuilders in assisting them in the redevelopment of brownfield sites were:

- Site investigations.
- Remediation of all forms of contamination.
- Bespoke layout design and development design.
- Planning consultants.
- Bespoke build functions.

The use of external specialists affords UK speculative housebuilders with the opportunity to be flexible in their approach to brownfield development in that they can draw on a wide and varied skills base that they can select based on the unique demands of a brownfield site. Brownfield sites themselves present unique challenges and require tailored solutions. For example, a site suffering from acute asbestos would likely be remediated by an

asbestos specialist, whilst petrochemical contamination would likely require a different remediation specialist.

In addition to the use of externally sourced specialists, the research indicated that UK speculative housebuilders employed specialists whose function it was to ‘manage’ these externally sourced specialists. This function afforded housebuilders a level of control and involvement in the specialists’ activities and the knowledge to know what was expected from a brownfield development and more importantly, why.

Bridgemere North West for example, a pragmatic volume PLC, employ an in-house planning manager in every regional division, whose sole responsibility is to coordinate and brief the planning consultants, rather than create and submit the planning applications themselves. These ‘managers’ essentially function to oversee and manage those external consultants rather than to enact those skills themselves. Bridgemere West Scotland provides a Scottish comparison and highlights the collaborative nature that the use of specialists for brownfield development entails as well as the relationships that are formed over time through redevelopment. The builder also mentions the positive attitude that these externally sourced specialists provide to housebuilders, in instilling confidence that the job can and will be done:

‘These companies are happy to come in with us at the start and develop strategies for sites, even before we really get down to a lot of the details...a lot of these guys because they’ve worked with us in the past, are happy to come in and talk to us about what the best way is for all of us. So, if you get the right people feeding into the process, it helps the process and the job and you get a better development really’.

Vision Construction, a pioneering North West based regeneration specialist, makes clear that their use of external specialists acts to ensure that the pace of change in brownfield development is reflected in their skills set. The builder highlights that it is hard for them to find good staff because;

‘...brownfield development is quite a complicated fast changing subject’.

In further discussion, Vision Construction make clear that the use of external consultants means that they can also keep up with all the changing legislation relating to the redevelopment of brownfield sites for housing:

‘...remediation is a subject that is forever changing and forever becoming better understood and better regulated and you really need a specialist to keep on top of it all’.

Edzell North West, a sceptical volume PLC, who describe themselves as ‘...a team of managers’, only actually directly employ a site manager and engineers during the construction process on a brownfield site. The builder makes clear that if they have not got the skills that they require to approach brownfield development, they will ‘bring them in’:

‘For example, we had radioactive tiles once, and we had never come across them before, so we went to a specialist contractor – it wasn’t a problem. The same with asbestos – they can cause big problems, but you bring in a specialist’. Evaluate, remove, dispose. So you just outsource that expertise’.

The use of external consults therefore affords UK speculative housebuilders with the opportunity to access specialists and provides an opportunity to learn and become more knowledgeable in the specifics of brownfield redevelopment.

From a slightly different perspective, Lothian Homes, a pragmatic Scottish based private volume producer, discusses the issue of skills access as it relates to the use of external planning expertise. The builder reflects on the changing nature of local government, the ways in which the private sector are brought in to do the planners jobs, and how this assists them with landowner negotiations:

‘Local Government is changing; it’s run like a business. The private sector is brought in to do it – the view I take is if you’re dealing with the planners, then you do the job for them – it’s your site’.

Vision Construction, a pioneering North West based regeneration specialist, highlight the importance of experienced staff in facilitating the successful management of the external consultants and specialists:

'Everyone in our development team has some experience in different parts of the construction industry before they come to us. So we have an inbuilt knowledge and skill within ourselves'.

Although the above discussion has demonstrated the way in which external skills access facilitates the redevelopment of brownfield land for housing, the use of third parties can cause difficulties, as is the nature of construction and build management. Vision Construction for example suggest that there may actually be more risk in the employment of specialists to deliver refurbishment schemes:

'...you always run the risk of a refurb project that gets to the contractor and something happens that's unforeseen – they put a spade in the ground and then you find all sorts of buried oil tanks or you take a wall down and you find a whole lot of dry rot that hadn't been accounted for. Now when you're using a third party contractor, that's when the problems start really because they've given you a fixed price to build something out to your drawings in a fixed time and if something comes up which completely throws the whole process out, where do they go? They've got to make their money, they've got to carry on and if they having to stop work for whatever reason or they're having to take on extra work, then it brings very substantial claims for the client. If we could build it ourselves, then that gives us a much better chance of managing that sort of thing in-house...A new build is much easier because you know more or less exactly what you going to have to build and what you going come across, so long as we're happy they're going to produce the sorts of quality that we want the development to be, then, we're happy to go out to third party contractors. Refurbishments we're a bit more, well we need to think a bit more about which way we are going to go'.

The above quote demonstrates the acute need for UK speculative housebuilders to ensure that the previous development stages in the use of brownfield land for residential development provide complete certainty and negate risk as much as possible in order to ensure that the use of external specialists does not provide further and unwanted risk.

10.5 Chapter Conclusions

The policy switch favouring brownfield development in England and Scotland has not significantly caused a step change in the way UK housebuilders approach the design of speculative residential developments. Rather, design, in a similar vein to marketing, is evolving and being continually motivated by a number of policy, market and financial

impacts. *Pragmatic* and *sceptical* housebuilders are using the same design strategies that they have conventionally built their fortunes and reputations on (Adams and Watkins 2002). This has been made possible because UK speculative housebuilders have been able to adapt and transpose their conventional competencies onto the brownfield *modus operandi*, whilst coping with the design demands of complex brownfield sites by utilising bespoke design solutions where they deem it appropriate. This means that whilst UK speculative housebuilders have proved to be malleable to the design demands of brownfield sites, standardised design solutions do remain the preserve of housebuilders' approach to product and development design.

The research therefore indicates that the UK speculative housebuilding industry, with the exception of the *pioneers*, has transposed its conventional design competencies of product standardisation onto the brownfield mode of production, rather than changing its conventional design competencies to suit the demands of brownfield land. For those *pioneers* of brownfield development, their prime strategic function is to redevelop derelict or vacant land within the urban area using bespoke design solutions.

As such, UK speculative housebuilders, with the exception of regeneration specialists, still rely on tried and tested conventional methods associated with standard product design in the configuration of their developments where they can.

In addition to design, the use of external consultants affords UK speculative housebuilders with the opportunity to access specialists and to transfer the risk of redeveloping brownfield sites to these specialists for a guaranteed price. The use of external specialists also provides housebuilders with the ability to learn and become more knowledgeable in the specifics of brownfield redevelopment.

CHAPTER 11

THE INSTITUTIONAL CAPACITY OF THE UK SPECULATIVE HOUSEBUILDING INDUSTRY

11.1 Introduction

Using the results of the research presented in Chapters 7 to 10, this Chapter assesses the institutional capacity of the UK speculative housebuilding industry in the delivery of the UK Government's brownfield development agenda. After a review of the aim and objectives of this research, the first part of the Chapter emphasises that the current institutional capacity of UK speculative housebuilders in respect of brownfield development is not necessarily institutionally embedded, but rather established in the internal core competencies of housebuilders. As such, the second part of this Chapter confirms that the UK speculative housebuilding industry has developed the necessary capacity to deliver brownfield development, but has not significantly replaced its traditional emphasis on greenfield land dealings, planning battles, marketing strategies and product design with novel approaches better placed for successful brownfield development. However, whilst housebuilders have generally responded positively to the brownfield policy agenda, the research emphasises that a variation in housebuilder adaptation is evident.

The third part of the Chapter confirms that the leading established housebuilders in UK speculative housebuilding have not fallen victim to takeover by an emerging generation of more innovative housebuilding companies. This is reflected in an emerging market segmentation of brownfield development, where regeneration specialists have been able to co-exist with the leading established housebuilders under the brownfield *modus operandi*. As a result, the fourth part of this Chapter confirms that the present policy emphasis favouring brownfield development has not placed innovation amongst the currently dominant producers as a necessary means of corporate survival under the brownfield policy context. Rather, the UK speculative housebuilding industry has proved to be malleable to changes in public policy and as such, has successfully transposed its conventional greenfield-based business strategies onto the brownfield *modus operandi*. This has been facilitated by the development of fresh skills for brownfield development.

As such, the current structure of speculative housing provision has therefore shown to be applicable to the brownfield scenario.

However, this research argues that the extent to which the current structure of speculative housing provision can secure a *long-term* commitment to brownfield development is limited. It is likely that the recent policy drive to secure an increase in new housebuilding numbers (DCLG 2008, Callcutt 2007, Barker 2004), which has developed over the course of this research period, may severely test housebuilders' capacity to maintain current levels of brownfield development under the current structure of speculative housebuilding provision.

The Chapter concludes by emphasising that, in spite of the positive response by UK speculative housebuilders to the UK Government's policy switch favouring brownfield development, very real concerns remain over whether the housebuilding industry has developed the institutional capacity necessary to ensure the *long-term* success of the policy emphasis favouring brownfield development under the current structure of speculative housing provision. As such, the final part of this Chapter critically assesses the match between public policy aspirations and private sector deliverability as a crucial issue for institutional capacity building and suggests that additional forms of institutional capacity may therefore be necessary to secure a long-term commitment to the brownfield development agenda.

11.2 A Review of the Research Aim and Objectives.

The main aim of the research was 'to determine whether and how far the long-term success of the present policy emphasis on brownfield development will require the emergence of a new structure of provision in speculative housebuilding rather than a reliance merely on stimulating innovation among currently-dominant producers'. This aim was supplemented by three research questions, which emerged from a detailed review of the literature:

1. How far does the UK speculative housebuilding industry have the 'institutional capacity' to replace its traditional emphasis on greenfield land dealings, planning battles, marketing strategies and product design with novel approaches better placed for successful brownfield development?

2. To what extent will the leading established housebuilders be able to survive and adapt to the new policy agenda, or will they, with some notable exceptions, fall victim to takeover by an emerging generation of more innovative companies capable of doing so?
3. To what extent will brownfield development emerge as a new form of strategic competitive advantage amongst currently dominant housebuilders?

To fulfil the aim and research questions, three objectives were utilised in the research, and these are detailed below:

1. Outline the current structure and organisation of UK speculative housebuilding and consider the extent to which the policy switch favouring brownfield development will challenge the currently dominant producers.
2. Outline the conventional business strategies of UK speculative housebuilders and critically assess the extent to which the policy switch favouring brownfield development will require the development of new core competencies.
3. Outline the external institutional and internal firm barriers to successful brownfield development and consider the extent to which these can be overcome under the current structure of provision of UK speculative housebuilding.

The remaining sections of this chapter will evaluate the aim and objectives of this research in relation to the empirical findings and will consider the extent to which the UK speculative housebuilding industry has developed the institutional capacity to deliver the success of the present policy emphasis favouring brownfield development.

11.3 Embedded Institutional Capacity for Brownfield Development?

This research has shown that the UK speculative housebuilding industry has developed sufficient capacity to deliver the majority of new homes on brownfield sites, through the adaptation of its existing core competencies and the development of fresh skills. However,

because housebuilders have developed this capacity largely through a reassessment of their *internal* firm competencies which has subsequently reinforced the current structure of speculative housebuilding provision, their capacity is arguably not ‘...embedded in the dynamics of the wider social context within which action focused at the local level takes place’ (Cars et al 2002:4). As such, the extent to which this research can confirm that the success of the housebuilding industry in delivering brownfield development to-date has been influenced by the specific institutional arrangements within which they operate, is limited. This is illustrated by the limited distinction between housebuilders’ brownfield behaviours in the differing institutional environments of Manchester, England and Glasgow, Scotland. Indeed, the purpose of a comparative case study as a methodological approach was to facilitate the identification of locally specific institutional constraints that undermine housebuilders capacity for the delivery of brownfield policy goals.

As such, if housebuilders’ capacity for delivering the majority of new homes in the UK is not ‘...embedded in the dynamics of the wider social context’ (Cars et al 2002:4), then this raises very real concerns over the *long-term* success of the present policy emphasis favouring brownfield development under the current structure of speculative housing provision. Needham and Louw (2006) suggest that the presence of ‘institutional paths’ may explain why housebuilders continue to follow the same path, based on tried and trusted strategies and results. This research shows how the conventional practice of greenfield development and its associated skills base has become culturally ingrained among housebuilders (Guy and Henneberry 2000). These habits have subsequently been reinforced by housebuilders’ abilities to transpose their conventional approaches on the brownfield *modus operandi*, which has been facilitated through the development of fresh skills, as identified in Chapters 7 to 10. As such, this research suggests that the extent to which housebuilder capacity for brownfield development is embedded in the institutional landscape is limited.

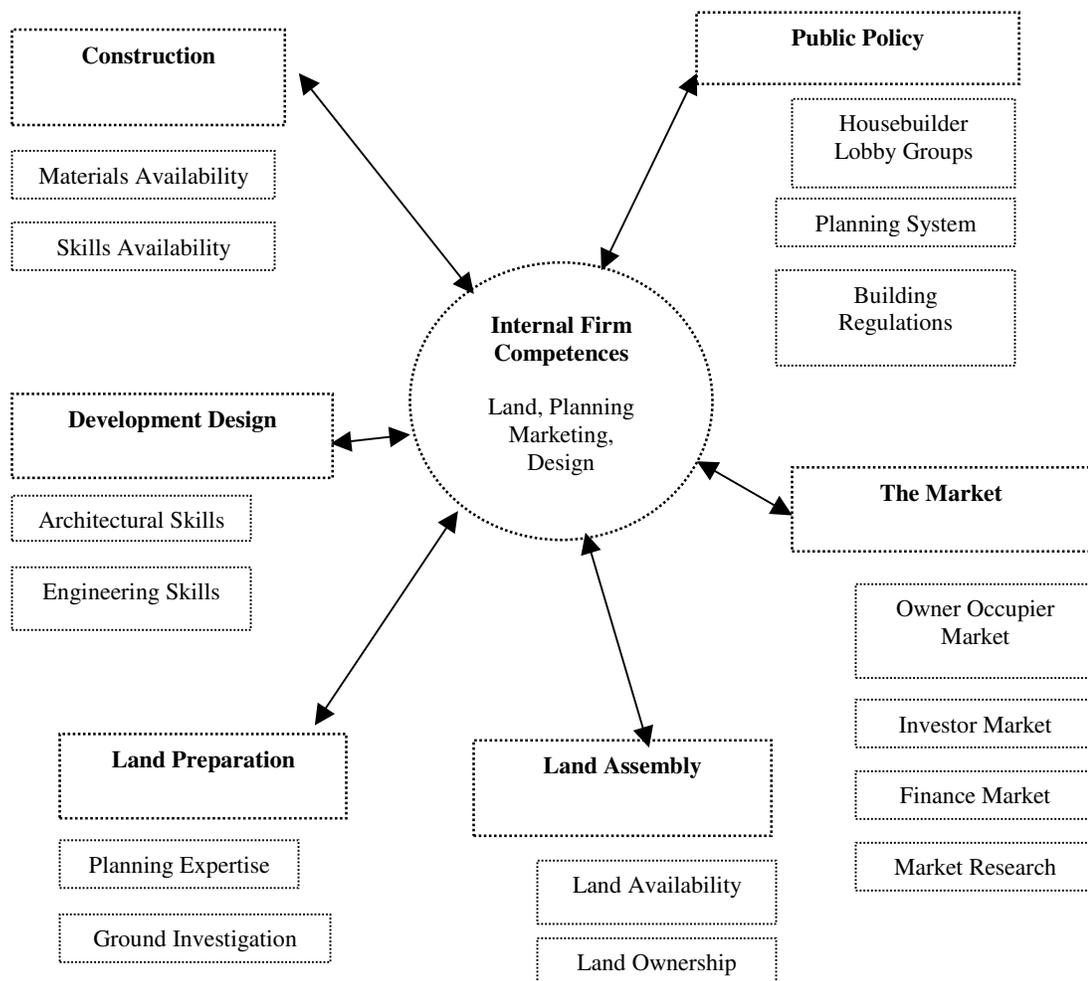
Therefore, a limit to this research is the lack of discussion over the nature of path dependency in UK speculative housebuilding and its link with institutional analysis. Further research assessing the institutional capacity of UK speculative housebuilders should acknowledge the notion of path dependency more explicitly (see North 1991 for further detail on path dependency in institutional economics). Nonetheless, this research confirms that inter-institutional objectives and a strong institutional presence providing a

commitment towards partnership, governance and a service of common enterprise, will be required to “...encourage institutional paths to dissipate and old habits to die” (McLeod 1997:302).

11.4 A New Structure of Provision in UK Speculative Housebuilding?

Chapter 5 presented the current structure of speculative housing provision, which was based on a detailed review of the literature and using Ball’s (1983, 1998, 1999) structure of provision model. A recap of the current structure of speculative housing provision is detailed below.

Figure 11.1: The Current Structure of Speculative Housing Provision, UK



Source: Own Analysis

The results of this research indicate that the changes which have occurred in the structure of speculative housing provision as a result of the policy switch favouring brownfield development, have largely been confined to the *internal* firm competencies of UK speculative housebuilders rather than the external institutional context within which their competencies are embedded. This is because housebuilders have proved to be malleable to changing public policy and have generally been able to transpose their existing core competencies and business strategies onto the brownfield mode of production. This transposition has been facilitated by the development of fresh skills suitable for brownfield development.

Clearly, the extent to which individual housebuilders have adapted to the policy switch varies, as is the subject of further discussion below. However, generally, housebuilders have been able to continue to deliver the majority of new homes in the UK speculatively and within the existing structure of provision and through their conventional ways and means and with adequate capacity from their wider institutional environment. As such, it is very much business as usual for the UK speculative housebuilding industry. This research therefore highlights the inherent flexibility in both the corporate strategies and structure and organisation of the UK speculative housebuilding in responding to external policy change.

However, it is important to acknowledge the impact that significant shifts in other external contexts may have on the current structure of speculative housing provision. These may in turn necessitate change in housebuilders current approach to housing provision on brownfield land. At the time of writing, the 'credit crunch' has significantly influenced housing completions in the first half of 2008 and this volatility in the financial markets is likely to have an impact on the way in which housebuilders deliver brownfield land in the future. This emphasises the inherent fragility of the existing structure of speculative housebuilding provision in its external market contexts. Indeed, whilst the policy switch favouring brownfield development has not caused significant movement in the existing structure of speculative housing provision, public policy is but one aspect of the external environment in which UK speculative housebuilders operate.

11.4.1 A critical assessment of the SOP model in UK housebuilding research.

The SOP model used in this research provided the opportunity to demonstrate the broader context of UK speculative housing provision and facilitated an understanding of the different external influences on the internal firm competencies of housebuilders in the speculative provision of new homes in the UK.

Because this research concentrated on the impact of the brownfield policy agenda on UK speculative housebuilders, its focus in respect of the SOP model was on one sub-set of the external contexts in respect of speculative housing provision - public policy - as shown in Figure 11.1. The use of the SOP model in this research therefore presented the opportunity to facilitate an understanding of the impact and effect of changing policy priorities on speculative housing provision and the aim of this research was to assess whether the policy switch favouring brownfield development would require the emergence of a new structure of provision in UK speculative housebuilding.

However, the results of the research have confirmed that the changes which have occurred in the structure of speculative housing provision, as a result of the policy switch favouring brownfield development, have largely been confined to the *internal* firm competencies of UK speculative housebuilders and not to the external institutional context within which their competencies are embedded. As such, the use of the SOP in this research has been limited and a new structure of speculative housing provision has not emerged. However, this is not necessarily surprising, for two main reasons.

First, one of the core limitations of using the SOP model in assessing the structure of speculative housing provision is its broad focus on all aspects of speculative housing provision and the underlying premise that *all* external contexts influence the internal firm competencies of housebuilders which themselves in turn influence *all* the external contexts. What emerges then is an assumption that the use of the SOP as part of a methodological or conceptual approach in any research must require the researcher to look at each and every one of these external contexts to assess housebuilder response. Therefore, any research project that focuses on only one of the external contexts in Ball's (1983, 1998, 1999) SOP model is likely to run into difficulties and will not yield the results that are necessary to assess whether a change in the SOP has occurred.

Second, if the premise of the model is to account for all external contexts, then research which just assesses the interaction between one particular external context and the core competencies of housebuilders could be argued to be insufficient in that the model has not been applied properly in the empirical stages. Therefore, a new SOP will not emerge. However, from a practical point of view, this endeavour is likely to be very resource intensive and perhaps an unachievable task. Indeed, this research has assessed in detail the interaction between changes in public policy and the competencies of housebuilders - one aspect of the SOP model - and it has taken 3 years to do so.

The application of Ball's (1983, 1998, 1999) structure of provision model in British property research has been limited since its first publication and this research perhaps presents valid reasons why. The results of this research therefore perhaps present the opportunity to move away from the use of Ball's (1983, 1998, 1999) SOP model as a means of conceptualising and for modelling the provision of new homes in the UK and to encourage the development of a new model for assessing the impact of external change on UK speculative housing provision. Those interested in such an endeavour may find the emerging state market relations literature of interest.

The next section discusses how the policy switch restricting the balance of residential development primarily to brownfield sites has not resulted in the emergence of innovative companies challenging the currently dominant producers.

11.5 Brownfield Development - a challenge to the currently dominant producers?

This research has shown that the leading established housebuilders have maintained their dominance in UK speculative housebuilding since the inception of the UK Government's brownfield agenda. More so, the emergence of super builders in UK speculative housebuilding since the onset of the policy switch favouring brownfield development (see Chapter 1) further confirms this dominance. As such, the concentration of UK speculative housebuilding has persisted since the policy switch favouring brownfield development and despite the restrictions placed on greenfield development for new housing. Indeed, the

onset of the brownfield development agenda predates the most recent spate of merger and acquisition activity in UK speculative housebuilding by six years (refer to Chapter 1).

The research suggests that the reasons why volume producers and latterly the super builders, have been able to maintain their dominance in the UK speculative housebuilding industry in spite of the present policy emphasis favouring brownfield development, is because of the acute variation in housebuilder response to the brownfield policy agenda. This has subsequently resulted in an emerging market segmentation of brownfield land. These two key features of UK speculative housebuilding under the brownfield *modus operandi* will now be discussed in more detail.

11.5.1 The variation of housebuilder response to the brownfield agenda

The extent to which the UK speculative housebuilding industry has responded to the UK Government's brownfield development agenda has been markedly variable. Importantly though, this variance is *not* reflective of the differing institutional contexts within which housebuilders operate, but rather reflects the strategic business functions and competitive priorities of UK speculative housebuilders. Specifically, there is a distinction between those housebuilders who seek competitive advantage *exclusively* from the redevelopment of brownfield land, and those housebuilders who approach brownfield development opportunities in much the same way as any other land development opportunity.

For the latter, the decision to participate in brownfield development is based not on the site being brownfield *per se*, but rather on the opportunities that a particular site presents within the context of the wider business operations of the company at given time. This business approach to brownfield development is typical of the *pragmatic* housebuilders, who have developed fresh skills to facilitate the transposition of their existing business strategies on to the brownfield *modus operandi*, rather than development entirely new competencies. This strategy is also a feature of the *sceptical* housebuilders, but the *sceptics* will generally avoid developing brownfield sites unless the site presents a lucrative investment where risk can be suitably managed. This variation in response supports Karadimitriou's (2005) anecdotal evidence, suggesting '...some traditional housebuilders have remained awestruck and fatalistic while some others treat the new requirements as an

opportunity to do business in a new market without substantially reconfiguring their business model' (p.283).

It also supports Shephard and Dixon's (2004) suggestions that a significant proportion of developers view brownfield development as '...an opportunity for profitable development in what has been a relatively buoyant property market' (p.3). Shephard and Dixon (2004) consider there to be at present a clear intention amongst developers to continue to increase the amount of brownfield development they are undertaking. This was supported by the composition of their land banks '...in which brownfield accounted for, on average, 70% of total plots' (p.3).

For the *pioneers*, such as Urban Splash and The Berkeley Group, the way in which they actively compete with their peers is exclusively through the redevelopment and regeneration of brownfield land. Whilst they also have profits and targets to meet like their peers, their main business operations centre on delivering bespoke, innovative and cutting-edge products typically in non-traditional residential locations. However, it is interesting to make clear that both Urban Splash and The Berkeley Group are privately owned companies, so they do not have the pressures of the stock market upon them in the same way that their volume PLC peers do. Again, this raises interesting implications for the structure of the UK speculative housebuilding industry and the way in which it is organised. Indeed, the fragility of the PLC's in respect of their vulnerability to external market change and in particular, access to finance, may well threaten the achievement of brownfield development targets in the future.

Although the research has shown that the majority of UK speculative housebuilders demonstrate a *positive* attitude towards brownfield development, on further reflection, the extent of this *positive* commitment is perhaps tenuous in its nature. Indeed, the commitment to brownfield development by those builders other than the *pioneers* is dependent on the way in which brownfield land *suits* their business functions and fits in with their strategic priorities at the time, rather than on a general willingness to develop brownfield land *per se*. Whilst the majority of housebuilders have proven malleable to changing public policy, they have not actively sought to change their business strategies to suit the demands of the policy switch. The research therefore indicates that there is something ingrained in the cultures of housebuilders in their perceptions and evaluations of

urban and regional risk (Guy and Henneberry 2000) that is encouraging them to maintain their conventional business strategies under the brownfield *modus operandi*, rather than developing entirely new forms of behaviour in response to policy shifts. This results in brownfield development not being a strategic priority for the majority of UK speculative housebuilders in the sense that the core competence literature suggests, but rather an *additional* form of business activity. Again, this confirms Karadimitriou's (2005) comments on speculative housebuilders viewing new requirements '...as an opportunity to do business in a new market without substantially reconfiguring their business model' (p.283). As such, and in reference to the third research question of this thesis (see pg. 263), this research confirms that the currently dominant producers have not necessarily placed brownfield development *per se* as a new form of strategic competitive advantage in UK speculative housebuilding.

11.5.2 Market segmentation in brownfield land

Because UK speculative housebuilders' approach brownfield development is based on differing motives that are influenced by their *pioneering*, *pragmatic* or *sceptical* ways, the brownfield land opportunities that housebuilders' chase are resultantly different in nature. The research indicates that those housebuilders who approach brownfield development in a sceptical or pragmatic way tend to seek out 'easy' brownfield sites, whilst the trickier and hardcore brownfield sites are usually only tackled by the pioneers. Additionally, it is not common to find *pioneers* encroaching onto the patches of *pragmatists* and *sceptics*. Indeed, most regeneration specialists, owing to their smaller size and comparatively limited funding stream, are simply not able to compete with their volume counterparts financially.

This has resulted in the emergence of a two-tier brownfield land market. Tier 1 is characterised by brownfield land commonly pursued by *pragmatists* and to some extent the *sceptics*. The focus of these builders is on the acquisition of sites in prime residential market locations, which are not complicated and are simply an act of redevelopment. Tier 2 is characterised by brownfield land commonly pursued by the *pioneers*, whose focus is on the acquisition of brownfield sites in non-existing residential market locations and which often have a pressing need for wider *regeneration*. The distinction between the two tiers of brownfield land markets is therefore a distinction between redevelopment and

regeneration as a core business strategy. The two tiers of brownfield land markets therefore act to further distinguish between the commercially attractive sites and those sites that are marginally viable or non-viable⁶⁵.

11.6 Innovation as a Requirement of Brownfield Development Success?

The first half of this thesis identified the important role that innovation might play in the successful redevelopment of brownfield land for housing. It provided an overview of the challenges that better design and innovative production processes presented to the conventional business strategies of UK speculative housebuilders. Whilst some authors had suggested that innovation would be an important feature of the successful redevelopment of brownfield land for housing (See Adams 2004; Tiesdell and Adams 2004; Adams and Watkins 2002), this research makes clear that innovation is not a prerequisite for brownfield development success.

A key question in this research was to examine to what extent the currently dominant producers would fall victim to take over by an emerging generation of more innovative companies better placed to deliver new homes primarily on brownfield land. Whilst the previous section has shown that the leading established housebuilders have maintained their dominance in the UK speculative housebuilding, this section emphasises that innovation has not been a requirement for successful brownfield development. As such, this explains why an emerging generation of regeneration specialists have not challenged the currently dominant producers.

The main body of this research demonstrated how the *pioneers* successfully utilise innovative design and construction techniques in a brownfield scenario, illustrating that innovation does facilitate the redevelopment of brownfield land for housing. However, standardised solutions do suffice on brownfield sites and the majority of UK speculative housebuilders have not utilised design as a means of overcoming the obstacles of brownfield sites, as Tiesdell and Adams (2004) had suggested. This is because UK speculative housebuilders have developed fresh skills to enable their conventional competencies to be transposed onto the brownfield mode of production.

⁶⁵ English Partnerships 'Towards a National Brownfield Strategy' (2003:12).

Importantly, the research also confirms that the concurrent public policy initiatives encouraging better design, sustainable building techniques and promoting modern methods of construction (see Tiesdell and Adams 2004, Adams 2004) have not resulted in innovative approaches being used on brownfield sites. Tiesdell and Adams (2004) suggest that brownfield developments represented a more challenging design task and as such require a greater need to utilise design as a means to achieve viable development. The authors argue that housebuilders need to yield opportunity space to designers, as investment in better design is "...a development necessity rather than a development choice" (p.25). This research has shown that housebuilders have been able to deliver design solutions on brownfield sites without investing in better design through the sustained utilisation of standard unit types. However, the extent to which housebuilders' design solutions on brownfield sites match the policy goals of new urbanism (Ellis 2002) is questionable. Indeed, the sustained use of standard unit types by UK speculative housebuilders on brownfield land means that in most cases, developments look like they have been, for want of a better phrase 'beamed down' from outer space, rather than being suitably integrated into the existing urban fabric, such is the aim of CABEs design agenda.

As such very real concern remains in respect of the impact of a tightening design agenda (Adams 2004) and the onset of the zero carbon homes requirement by 2015⁶⁶ on the currently achieved rates of brownfield development. As UK speculative housebuilders have shown that they can deliver new homes on brownfield land using their conventional design techniques of standardisation, the impact of a more demanding design agenda requiring more innovative measures will significantly affect existing build rates on brownfield land because it fundamentally challenges construction efficiency as a means of competitive advantage.

Because brownfield development does not require nor demand innovative design as a development solution, encouraging housebuilders to deliver non-standardised products on brownfield sites does therefore remain a policy challenge. Of course, there are examples of where housebuilders have utilised modern methods of construction and bespoke design

⁶⁶ See 'Building a Greener Future: policy statement'.
www.communities.gov.uk/publications/planningandbuilding/building-a-greener.

solutions on brownfield sites, but this research emphasises that these approaches are not significant sources of competitive advantage for the majority of UK speculative housebuilders under the current structure of provision.

This research has demonstrated that, for the majority of housebuilders, novel approaches sit alongside conventional skills in brownfield development in UK speculative housebuilding. Therefore the dynamic between existing and new core competencies in respect of bespoke and standard build techniques demonstrates the flexibility of housebuilders' corporate strategies. As such, the flexibility of UK speculative housebuilders corporate strategies is an interesting area of further research.

11.7 The Narrowing Gap between Perception and Reality of Risk in Brownfield Development

Until fairly recently, brownfield development was viewed as a risky business for speculative housebuilders, the perception of which was based upon misguided opinions and attitudes towards the risks involved, itself a symptom of a lack of knowledge and skills.

However, this research confirms that the gap between the perception and reality of risks associated with brownfield development has narrowed. Brownfield land is now commonly viewed as an 'opportunity with rectifiable constraints' by the *pragmatists* and the *pioneers*, rather than simply a constraint *per se*. This is because housebuilders have been able to transpose their conventional core competencies onto the brownfield mode of production through the development of fresh skills. This has enabled UK speculative housebuilders to negate the majority of the risks of brownfield development through readily identifying them and put in place measures to manage their impacts, the use of conditional contracts and intrusive site investigations being examples (see Chapters 8 and 9).

Adams and Watkins (2002) had previously suggested that the task of development appraisal was uncertain. Significantly, this research indicates the contrary, emphasising that it is now more certain, as housebuilders have learned to assign costs to each abnormal and work that cost into the land appraisal system to establish a land value (see Chapters 8 and 9). Further, it is clear from the research that certainty is a crucial and inevitable aspect

of a robust and accurate appraisal of a potential brownfield site. Because housebuilders have developed skills in placing a cost next to each abnormal issue, through the access of knowledge from skilled external experts, risk is mitigated and reduced and to an extent, certainty is improved in the brownfield scenario (See Chapter 9).

For UK speculative housebuilders, brownfield development is a task in discovering, assigning and managing the costs of converting risks into workable solutions. Therefore, understanding the speculative development of brownfield land for housing is about understanding how housebuilders manage risk.

11.8 Policy Aspirations vs. Deliverability - institutional requirements for long-term brownfield development success

This research has shown that housebuilders are demonstrating a current willingness to deliver the majority of new homes on brownfield sites and there is evidence of an accumulation of skills and experience for doing so. However, as the research has shown, this willingness is largely based on UK speculative housebuilders transposing their conventional business strategies onto the brownfield modus operandi, rather than developing entirely new competencies for brownfield development (refer to Chapter 4). This has been facilitated by the development of fresh skills for brownfield development, which ensures the effective transposition of conventional competencies onto the brownfield scenario. As such, this raises three crucial issues that require further policy and research attention:

1. To what extent is the existing structure of UK speculative housing provision inherently fragile under the brownfield mode of operation, as a result of UK speculative housebuilders retaining their conventional business strategies and competencies and in anticipation of other changes in the external environment?
2. To what extent will increased housing numbers place a strain upon the current structure of UK speculative housing provision as a result of this fragility?
3. To what extent will increasing levels of brownfield development require the emergence of a new structure of provision in UK speculative housebuilding where brownfield specific competencies (see Chapter 4) are developed and new business strategies formed?

In light of these concerns, very real challenges therefore remain for UK speculative housebuilders in both maintaining their current brownfield output and increasing their rates of new housebuilding to those favoured by the Government (DCLG 2008). The capacity of the UK speculative housebuilding to concurrently step up housing production whilst maintaining and the current levels of output to the required policy levels in the UK remains a crucial research and policy issue.

Indeed, as Dobson et al (2004) make clear, organisation that focus purely on refining existing competencies may become “strategically vulnerable” as they become too specific to a particular context and if change occurs, an organisation can find it hard to respond (p.179). Whilst this research has shown that the policy switch favouring brownfield development has not meant that housebuilders have become strategically vulnerable, Dobson et al (2004) emphasise that over time, core competencies can become dysfunctional to performance. This means that whilst housebuilders are currently demonstrating a positive response to the UK Government’s brownfield development agenda, the retention of conventional competencies may well challenge this.

As such, to ensure the required rates of brownfield development in new housing provision, a key test remains for public policy. As the increase in the speculative provision of new homes on brownfield development that has occurred since 2000 has largely been policy driven, and because this research has shown that the majority of housebuilders approach brownfield development in a *pragmatic* or *sceptical* way, the driving force of public policy in ensuring this level of success in brownfield development in the future is absolutely critical.

In addition, there are a number of institutional issues that UK speculative housebuilders will face in delivering the UK Government’s brownfield policy aspirations in the long-term, which will require further consideration by the UK Government:

- *Land availability*: ensuring an adequate flow of suitable development sites, particularly brownfield sites.
- *Planning issues*: delays or refusals can affect obtaining commercially viable planning permissions on optioned or contracted land and restrict housing delivery.

- *Matching the price and volume of sales:* ensuring the correct supply to demand in terms of product, location and price, remains a key success factor in UK speculative housebuilding under the brownfield scenario. Incorrect assessments in market value or demand can result in missed sales targets and/or inefficient levels of completed stock.
- *Construction:* build costs are affected by the availability of skilled labour and the price and availability of materials.
- *People:* the ability to attract and retain highly skilled people and key management personnel is crucial to the strategic success of UK speculative housebuilders.
- *Government policy:* changes to government policy on housing and wider urban issues at both national and local level.
- *The macro economic climate:* Interest rates, employment levels, the housing market and the stock market.

Ultimately, because brownfield development is reflective of a *policy push* rather than the *strategic choices* of housebuilders, it is vital that a transparent policy dialogue between the Government and the UK speculative housebuilding industry is established and fully supported if brownfield development is to be an achievable public policy goal in the long-term. It is at this interface where the long-term success of residential development on brownfield sites will be realised. Further, the implementation of action at the local level is key to the long-term success of brownfield development. Throughout this research, the differing spatial configuration of brownfield development has been emphasised and the differential spread of brownfield land requires a bottom up approach.

The chronic and fundamental battle between the vision of public policy and the demands of the market will shape the approach taken by housebuilders towards brownfield land. As such, an institutional understanding of this issues surrounding brownfield development for new housing is critical in assessing the long-term success of the policy switch favouring brownfield development. The successful and sustained achievement of building the majority of new homes on brownfield land lies at the interface between market choice, public policy and the strategic choices of housebuilders. Institutional capacity therefore remains crucial to the future success of the brownfield policy agenda.

11.9 Limitations of the research

Perhaps one of the main limitations of this research has been the issue of commercial sensitivity in speculative housebuilding, which has prevented the disclosure of builder specific information that may have otherwise been useful, such as examples of current build projects or upcoming build projects. This issue is reflected in the limited amount of empirical research on UK speculative housebuilding that predated this research. Indeed, there are only a handful of empirical research projects that make reference to detailed interviews with housebuilders. This commercial sensitivity is largely explained by the intense and inherent competition that takes place within speculative housebuilding that has seen the emergence of super builders and volume builders hoping to capture a greater market share.

Some may argue that these prevailing issues of commercial sensitivity prevent the researcher from being able to penetrate the housebuilder in a way that yields useful, detailed and robust data. However, it is important to remember that these issues of commercial sensitivity that have been faced in this research do exist and will remain and whilst there are no immediate solutions to this issue, it is necessary to work around them in a way that still yields useful research in the time constraints presented by the research project. Otherwise, research into housebuilding runs the risk of becoming an increasingly rare endeavour, as it has previously been, at a time when public policy and urban policy in particular is very much focused on increasing the rates of new housebuilding.

11.10 Further areas of research

In light of the varying response of UK speculative housebuilders to the policy switch favouring brownfield development, a number of important research questions remain, which themselves have policy implications. These research questions reflect issues that this research has identified to be unresolved and requiring further policy and academic attention. These research questions are:

1. Is there a willingness from the *pragmatists* to increase their occasional business interest in brownfield development over the long term, in order to maintain the

momentum of the public policy switch favouring brownfield development in light of the need for new homes?⁶⁷

2. How can the *pragmatists* and the *sceptics* in particular, be encouraged into a predominantly brownfield *modus operandi* particularly if their brownfield momentum is largely policy-led?
3. To what extent should *all* housebuilders be engaging positively with the policy switch favouring brownfield development?
4. How can brownfield build rates be sustained with the use of innovative design techniques that also match consumer demand and market values?

Whilst the previous section has confirmed the limited impact of the emergence of regeneration specialists on the currently dominant producers, it will be interesting to monitor the effect of the brownfield development agenda on the structure and organisation of the UK speculative industry, particularly its sustained and fervent concentration in concurrence with the continuing policy preference for brownfield development. Two key questions emerge when one considers this:

1. What are the key motivations for sustained concentration in UK speculative housebuilding in respect to the recent spate of mergers and acquisitions between top 10 housebuilders?
2. What role has increasing restrictions on greenfield land availability played on merger and acquisition activity in UK speculative housebuilding?

The link between brownfield policy and housebuilder merger and acquisition activity remains an area of interest. Indeed, because this research has shown that seeking out and acquiring land is still the main core competence and source of competitive advantage in UK speculative housebuilding, the issue is perhaps increasingly pertinent.

⁶⁷ It is important to note that the boundaries between the typologies of brownfield development are not impermeable; in the future, as housebuilders evolve in their experiences of the speculative residential development process on brownfield land, and subsequently build upon their core competencies, they may well make the transition from *pragmatists* to *pioneers*, or from *sceptics* to *pragmatists*.

11.11 Thesis Conclusions

It was Ball (1999) who originally suggested that developers had a positive attitude to brownfield land reuse when conditions allow, suggesting that they were open to influence on questions of good practice and sustainability. He further suggested that public policy designed to turn the development industry towards brownfield opportunities and the sustainable reuse of existing infrastructure is likely to induce a favourable response. Whilst this research has uncovered that UK speculative housebuilders have indeed demonstrated the positive response to the brownfield development agenda predicted by Ball (1999) this response is likely to be increasingly challenged, under the current structure of provision, as the Government seeks to step up the pace of new housing delivery with speculative housebuilders at the driving seat (DCLG 2008). As such, the positive responses of UK speculative housebuilders to the brownfield policy agenda that have been documented in the literature to-date (Ball 1999, Dixon 2006) should be treated with caution.

Ultimately, this research has demonstrated that the extent to which the UK speculative housebuilding industry has adapted to the UK Governments brownfield development agenda has been variable. Whilst the *pioneers* command an enthusiasm for brownfield development and regeneration, the *pragmatists* and *sceptics* take a more reserved attitude, approaching brownfield opportunities with caution and greater discernment. Rather, the variation in response reflects the strategic business functions and priorities of UK speculative housebuilders. Specifically, there is a distinction between those housebuilders who seek their primary form of competitive advantage specifically through the redevelopment of brownfield land, and those who approach a brownfield opportunity in much the same way as any other land development opportunity

As a result of this varying level of adaptation, this research argues that there is an emerging segmentation in the brownfield land market. For those housebuilders who approach brownfield development in a *sceptical* or *pragmatic* way, there is a preference to seek out less complex and less risky sites. The trickier brownfield sites tend to be the preserve of the *pioneers*, whose core competencies and business strategies are more aligned to the requirements of these demanding sites.

Whilst this research has uncovered a variation in UK speculative housebuilders' approach to brownfield development, there has concurrently emerged a narrowing gap between the perception and reality of risk in brownfield development since the inception of the UK Government's brownfield agenda, which is positive to note. Whilst historically, brownfield land was perceived as 'difficult' and approached with caution, it is now commonly viewed as an opportunity with rectifiable constraints to the majority of UK speculative housebuilders, rather than constraint *per se*. This is because housebuilders have learned to manage and mediate against the risks involved in the speculative development of brownfield land, by developing a deeper understanding of the nature of those risks through experience, learning and building up relationships with brownfield specialists. For those *sceptics* however, brownfield development still remains the least preferred option, and the gap between perception and reality of risk has changed little.

Additionally, the research makes clear that innovation is not a requirement for brownfield development. As such, the emergence of regeneration specialists and 'innovative' players in UK speculative housebuilding has not significantly altered the structure and organisation of the industry, through challenging the currently dominant producers. Indeed, the emerging market segmentation in brownfield land reflects the way in which the *pioneers*, *pragmatists* and *sceptics* have managed to seek out their own business niches and as such, the more innovative companies have not challenged the currently dominant producers. As such, the suitability of standard house types in the brownfield *modus operandi* has meant that for the majority of UK speculative housebuilders, it is business as usual. And, market segmentation has meant that the UK speculative housebuilding industry is in effect reinforcing this. However, very real concerns remain over the delivery of public policy initiative designed to deliver 'new urbanism' in a way that is more reflective of the attitudes and corporate strategies of the *pioneers*.

This research therefore argues that UK speculative housebuilders have emerged under the brownfield *modus operandi* with an acute need for institutional support in the long-term delivery of new homes on brownfield land. Indeed, the UK Government has an important role to play in ensuring an adequate stock and flow of brownfield land is achieved to facilitate the delivery of new housebuilding on brownfield sites (see Chapter 3).

Adams and Watkins (2002) suggest that brownfield development is policy-led rather than market-led, and the results of this research confirms this. Therefore, the longevity of UK speculative housebuilders' commitment to the brownfield development policy agenda, with respect to the extent of their adaptation to it, is a crucial area requiring further research and policy attention. Indeed, as Chapter 3 emphasised, if there were to be a gradual release of greenfield sites to combat problems of affordability, this will likely undermine the policy drive towards focusing new housebuilding on brownfield sites, because UK speculative housebuilders have retained their conventional greenfield based strategies.

The research also acts to emphasise that the relationship between public policy and the private housebuilding sector remains an important arena for sustained research and debate in both academic and policy circles. Indeed, if both brownfield development rates and the UK Government's housebuilding programme are going to be achievable in the long-term and not just the political short term, then a better understanding of the relationship between public policy change and private sector behaviour is crucial. This research therefore embodies a case study in state-market relations.

As such, the institutional capacity of the UK speculative housebuilding industry, although well explored in this thesis, remains a crucial academic and public policy issue.

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Appendix 1: UK Housing Completions by Tenure, 1946-2007

Year	Private Enterprise	Registered Social Landlords	Local Authorities	All Dwellings
1946	28,760	100	20,400	49,250
1947	38,630	860	81,370	120,860
1948	30,370	1,820	161,400	193,590
1949	23,800	1,330	136,980	162,110
1950	25,310	1,500	136,530	163,340
1951	20,170	1,610	140,510	162,290
1952	30,500	1,800	164,620	196,930
1953	58,270	7,200	198,210	263,680
1954	85,380	14,020	193,710	293,110
1955	106,800	4,350	158,860	270,010
1956	115,940	2,400	137,750	256,100
1957	118,820	1,880	135,660	256,360
1958	119,910	1,120	110,120	231,150
1959	141,510	1,100	95,990	238,600
1960	156,020	1,650	99,950	257,620
1961	163,350	1,560	91,250	256,160
1962	159,520	1,550	102,490	263,560
1963	160,630	1,930	94,020	256,580
1964	200,670	2,850	114,020	317,540
1965	196,750	3,620	127,290	327,660
1966	187,890	4,100	138,140	330,120
1967	183,720	4,520	154,500	342,740
1968	203,320	5,540	143,680	352,540
1969	164,070	7,100	135,700	306,860
1970	153,440	8,180	130,180	291,790
1971	170,820	10,170	113,680	294,680
1972	173,990	6,900	91,630	272,520
1973	163,460	8,340	77,920	249,710
1974	121,490	9,260	98,610	229,360
1975	131,480	13,650	116,330	261,460
1976	130,900	14,440	118,090	263,430
1977	121,570	24,190	115,840	261,600
1978	127,490	20,570	93,300	241,360
1979	118,390	16,280	74,790	209,460
1980	110,230	19,300	74,840	204,370
1981	98,900	16,820	54,880	170,600
1982	108,790	11,180	31,660	151,630
1983	129,490	14,340	29,900	173,720
1984	138,970	13,920	29,190	182,080
1985	135,460	11,300	23,280	170,040
1986	148,890	10,620	19,630	179,140
1987	161,740	10,940	16,620	189,300
1988	176,020	10,780	16,130	202,930
1989	154,000	10,650	14,700	179,360
1990	136,060	13,820	14,020	163,900

1991	131,170	15,300	8,130	154,600
1992	119,530	20,790	3,510	143,830
1993	116,630	29,780	1,420	147,840
1994	122,700	30,850	1,090	154,640
1995	125,470	30,890	790	157,140
1996	121,550	27,030	510	149,090
1997	128,240	20,970	290	149,490
1998	122,510	19,900	240	142,650
1999	123,180	17,780	50	141,010
2000	118,330	16,680	90	135,100
2001	114,850	14,500	160	129,510
2002	123,320	13,310	180	136,800
2003	131,060	12,820	180	144,060
2004	137,330	16,600	130	154,070
2005	141,740	17,540	180	159,450
2006	139,910	20,660	280	160,850
2007	152,090	22,090	340	174,530

Source: DCLG 2008

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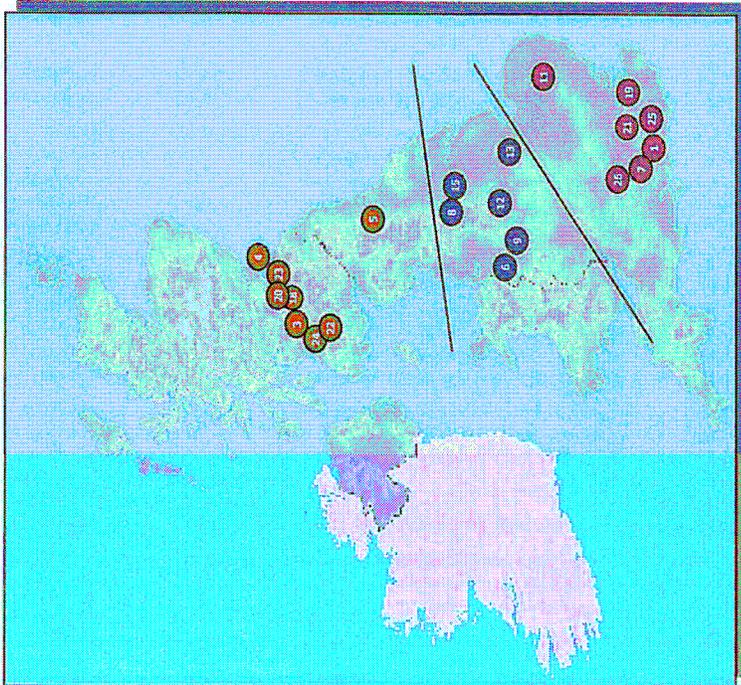
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APPENDIX 3

Brownfield Development Questionnaire

Sarah Payne (Department of Urban Studies, University of Glasgow) is conducting doctoral research into the UK private housebuilding industry's response to the 60% brownfield development requirement, focusing specifically upon the impacts of increased brownfield development on the corporate strategies of house builders.

This questionnaire survey comprises a number of questions that are arranged into four sections. **It should take no longer than 15 minutes to complete.**

All the information that you provide will be treated in a **strictly confidential** manner. All the information received will be aggregated and no

comments made will be attributed to a particular company.

This research is primarily funded by the Economic and Social Research Council (ESRC). The results of this research will be disseminated to key players in the house building industry and the wider academic research community.

If you would like any further information please contact Sarah Payne (s.payne.1@research.gla.ac.uk) on 0161 928 0074 at Department of Urban Studies, University of Glasgow, 25-29 Bute Gardens, Glasgow G12 8RS.

I would be grateful if you would return this questionnaire in the **pre-paid envelope** by **February 20th 2006** at the latest.

The term brownfield for the purposes of this research is defined as "formally previously developed land that is unused or may be available for development". It includes both vacant and derelict land and land currently in use with known potential for redevelopment. It excludes land that was previously developed where the remains have blended into the landscape over time' (ODPM 2005 Sustainable Communities: Homes for All HMSO London, pg 77)

SECTION 1: RESIDENTIAL DEVELOPMENT

1. In which of the following UK regions does your company operate? (Please tick all that apply)

All UK Regions	<input type="checkbox"/>	North West	<input type="checkbox"/>	Northern Ireland	<input type="checkbox"/>
		South East	<input type="checkbox"/>	Wales	<input type="checkbox"/>
East Midlands	<input type="checkbox"/>	South West	<input type="checkbox"/>		
Eastern	<input type="checkbox"/>	West Midlands	<input type="checkbox"/>		
London	<input type="checkbox"/>	Yorkshire and the Humber	<input type="checkbox"/>		
North East	<input type="checkbox"/>	Scotland	<input type="checkbox"/>		

2. Please indicate your company's annual unit completions for 2005 or your latest financial year:

Private housing units

Social housing units

Total housing units

3. Please indicate the percentage of housing completions by type of site for 2005 or the latest financial year, giving your answer to the nearest 5 percent:

% Greenfield	<input type="text"/>
% Brownfield	<input type="text"/>

4. Of those plots in your company's land bank, what percentage is greenfield/brownfield land, giving your answers to the nearest 5 percent?

% Greenfield	<input type="text"/>
% Brownfield	<input type="text"/>

5. Of those plots in your company's land bank that are brownfield, what percentage is contaminated land requiring remediation, giving your answer to the nearest 5 percent?

% Brownfield land bank contaminated

SECTION 2: APPROACHES TO BROWNFIELD DEVELOPMENT

6. Has the number of brownfield units completed by your company changed over the past 5 years? *(Please indicate by ticking the appropriate box)*

Increased significantly	<input type="checkbox"/>
Increased slightly	<input type="checkbox"/>
Stayed the same	<input type="checkbox"/>
Decreased slightly	<input type="checkbox"/>
Decreased significantly	<input type="checkbox"/>

7. For what reasons have brownfield unit completions by your company changed over the past 5 years? *(Please tick all that apply)*

Government Planning Policy	<input type="checkbox"/>
Land Availability	<input type="checkbox"/>
Company Policy	<input type="checkbox"/>
Market/Consumer Demand	<input type="checkbox"/>
Site Specific Risks	<input type="checkbox"/>
Other (please specify)	<input type="checkbox"/>

8. Do you think the number of brownfield unit completions by your company will change in the next 5 years? *(Please indicate by ticking the appropriate box)*

Increase significantly	<input type="checkbox"/>
Increase slightly	<input type="checkbox"/>
Stay the same	<input type="checkbox"/>
Decrease slightly	<input type="checkbox"/>
Decrease significantly	<input type="checkbox"/>

9. For what reasons will brownfield unit completions by your company change over the next 5 years? *(Please tick all that apply)*

Government Planning Policy	<input type="checkbox"/>
Land Availability	<input type="checkbox"/>
Company Policy	<input type="checkbox"/>
Market/Consumer Demand	<input type="checkbox"/>
Site Specific Risks	<input type="checkbox"/>

Other (please specify)

10. Has your company been involved in any consortium or partnership developments on brownfield land with other house builders or public sector organisations? *(Please indicate by ticking the appropriate box)*

- | | |
|--|--------------------------|
| Yes, with other private house builders only | <input type="checkbox"/> |
| Yes, with public sector organisations (including RSL's) only | <input type="checkbox"/> |
| Yes, with both public sector organisations and housebuilders | <input type="checkbox"/> |
| No | <input type="checkbox"/> |
| Other <i>(please explain)</i> | <input type="checkbox"/> |
-
-

SECTION 3: SKILLS AND RESIDENTIAL DEVELOPMENT

11. Please specify which methods your company has relied upon for acquiring the necessary expertise for brownfield development in the past 5 years *(Please tick all that apply)*.

- | | |
|--|--------------------------|
| Recruitment | <input type="checkbox"/> |
| Staff Training | <input type="checkbox"/> |
| Outsourcing | <input type="checkbox"/> |
| Already have all the necessary expertise | <input type="checkbox"/> |
| Other <i>(please explain)</i> | <input type="checkbox"/> |
-
-

12. Please specify which methods your company intends to rely upon for acquiring the necessary expertise for brownfield development in the next 5 years *(Please tick all that apply)*.

- | | |
|--|--------------------------|
| Recruitment | <input type="checkbox"/> |
| Staff Training | <input type="checkbox"/> |
| Outsourcing | <input type="checkbox"/> |
| Already have all the necessary expertise | <input type="checkbox"/> |
| Other <i>(please explain)</i> | <input type="checkbox"/> |
-
-

13. Which of the following 4 skills for brownfield development does your company currently outsource? *(Please tick all that apply)*

- | | |
|-----------------------|--------------------------|
| Design/Architectural | <input type="checkbox"/> |
| Remediation | <input type="checkbox"/> |
| Building/construction | <input type="checkbox"/> |
| Planning | <input type="checkbox"/> |

14. Does your company currently have active training policies for brownfield development? *(Please indicate by ticking the appropriate box)*

Yes <i>(please go to Q 16)</i>	<input type="checkbox"/>
No <i>(please go to Q 15)</i>	<input type="checkbox"/>
Already have adequately trained staff <i>(please go to Q 16)</i>	<input type="checkbox"/>
Other <i>(please explain)</i>	<input type="checkbox"/>

15. Does your company intend to develop training policies for brownfield development in the next 5 years? *(Please indicate by ticking the appropriate box)*

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>
Other <i>(please explain)</i>	<input type="checkbox"/>

16. How has brownfield development affected the way that your company uses consultants for design? *(Please indicate by ticking the appropriate box)*

Significant increase in the use of design consultants	<input type="checkbox"/>
Moderate increase in the use of design consultants	<input type="checkbox"/>
Slight increase in the use of design consultants	<input type="checkbox"/>
No change	<input type="checkbox"/>
Consultants not used for design	<input type="checkbox"/>
Other <i>(please state below)</i>	<input type="checkbox"/>

17. What do you perceive to be the most important marketable features of a brownfield/greenfield development? *(In the boxes below, please rank the following features in order of importance using numbers 1-6, 1=Most Important 6=Least Important)*

Brownfield Development		Greenfield Development	
Product Design and its unique features	<input type="checkbox"/>	Product Design and its unique features	<input type="checkbox"/>
Location	<input type="checkbox"/>	Location	<input type="checkbox"/>
Local amenities (inc. schools, shops etc)	<input type="checkbox"/>	Local amenities (inc. schools, shops etc)	<input type="checkbox"/>
Proximity to work place	<input type="checkbox"/>	Proximity to work place	<input type="checkbox"/>
Being in an urban environment	<input type="checkbox"/>	Being in a suburban environment	<input type="checkbox"/>
Transport links	<input type="checkbox"/>	Transport links	<input type="checkbox"/>

18. In your company, is brownfield development the responsibility of a specialist subsidiary or subsidiaries? *(Please indicate by ticking the appropriate box)*

Yes *(please go to Q 19)*

No (please go to Q 20)

Other (please explain)

19. Please indicate the number of active subsidiaries your company currently has for specifically brownfield development?

Number of brownfield subsidiaries

SECTION 4: COMPETITIVE ADVANTAGE

20. To what extent has brownfield land development been a source of competitive advantage to your company over the past 5 years? (Using the table to the right, please tick the appropriate box)

1 2 3 4 5

1 = Not a source
2 = Minor source
3 = Moderate source
4 = Significant source
5 = Very significant source

21. To what extent will brownfield land development be a source of competitive advantage to your company over the next 5 years? (Using the table to the right, please tick the appropriate box)

1 2 3 4 5

1 = Not a source
2 = Minor source
3 = Moderate source
4 = Significant source
5 = Very significant source

SECTION 5: YOUR DETAILS

Please fill in the following details (or attach a business card)

Name: *(For contact purposes only)*

Position: *(For contact purposes only)*

Company: *(For contact purposes only)*

Thank you for your assistance in this research
A summary of the research findings will be sent to you on completion of the research

Appendix 4

Interview Topic Guide

The following information provides you with the general topics/issues that will come up in the interviews. Whilst the exact questions are not given, this topic guide will provide you with the key issues that this research is investigating. Also discussed are the issues of confidentiality and anonymity and the use of examples.

1. LAND SEARCH AND ACQUISITION INCLUDING SITE APPRAISAL AND INVESTIGATIONS

This interview seeks to uncover the principle methods of land procurement taken by your company with regard to residential land development. It seeks to illuminate the decision-making process in land acquisition and highlight any constraints or incentives in this process. The focus of the questions will be on:

- Main processes in the search for land/land strategy
- Land as a form of competitive advantage
- The use of options/conditional contracts
- Contaminated land
- Principle deterrents to land acquisition
- Land bank

2. DEVELOPMENT DESIGN AND PLANNING PERMISSION INCLUDING PLANNING GAIN, PUBLIC CONSULTATION AND OTHER NEGOTIATIONS

This interview focuses on questions relating to the design of developments, the use of subcontracted expertise and the process of acquiring planning permission & negotiating planning gain requirements. The focus of these questions will be on:

- Main barriers to gaining planning permission – any examples?
- Planning gain on brownfield sites
- The planning permission process and brownfield development (including public consultation)
- Design skills, staff training, strategic hiring and subcontracting
- Changes to the style and mix of house types – product and process innovations

3. CONSTRUCTION AND OTHER TECHNICAL MATTERS RELATING TO THE PRODUCT & LAND INCLUDING ABATEMENT AND REMEDIATION MEASURES.

The focus of this interview will be not on the detailed technical matters of construction but rather on the processes of construction and any constraints related to the product and the land including remediation and abatement measures. Specifically, the interview will focus on:

- Managerial approach to construction
- Skills for construction – training programmes, outsourcing, strategic hiring
- Availability of materials and other constraints

4. SALES AND MARKETING STRATEGIES AND LAND & CUSTOMER AFTERCARE

This interview seeks to discuss the approach to the marketing and sales of brownfield developments by your company and also, to the land and customer aftercare of these developments, highlighting any constraints, barriers or incentives experienced by your company. Specifically, the interview will focus on:

- Sales and marketing strategies of redeveloped sites, including market research
- Uniqueness of brownfield marketing strategies
- Marketing tools
- Issues facing the sale of redeveloped sites

5. THE USE OF EXAMPLES OR REFERENCES TO RECENT RESIDENTIAL DEVELOPMENTS

The use of, and reference to, examples of recent developments that your company has currently completed or that are currently underway, in any of the interviews is very much welcomed.

6. ANONYMITY AND CONFIDENTIALITY

As a participant in this research, you will have the opportunity to request complete anonymity (i.e. the company's name and your title will be removed from the final research output) or partial anonymity (i.e. only the company's name will be revealed in the final research output) in this research. This will be agreed between the researcher and yourself before the commencement of the research.

With regard to data anonymity, there will be a two-step process. First, you will be sent a summary of the interview transcript prior to the use of any information resulting from that interview, along with a confidentiality agreement, to confirm your approach to confidentiality. After this, you will be sent a copy of the relevant section of the thesis (likely at this stage to be a 6/7 page case study of the company) prior to submission of the thesis for further approval; here you will be given the opportunity to respond if you do not want specific information included in the PhD thesis, the ESRC archive or the University of Glasgow's archive. If you request information to be destroyed,

this will be done in a confidential way. If you request the information to remain confidential, this will be done in a safe and secure way.

Sarah Payne

July 2006