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THE CHANGING REGULATORY ENVIRONMENT FOR SPECULATIVE HOUSEBUILDING AND THE CONSTRUCTION OF CORE COMPETENCIES FOR BROWNFIELD DEVELOPMENT

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Abstract

Speculative housebuilding in the United Kingdom faces an ever tighter regulatory environment, owing to the increasing impact of the sustainable development agenda. For example, 60% of all new homes in England are now expected to be constructed on previously-developed land or provided through the conversion of existing buildings. Since speculative housebuilders are responsible for about 80% of all new dwellings built in the UK, the achievement of this important Government target is critically dependent on the private sector's capacity and willingness to respond to public policy. By exploring the main components of the residential development process, the paper investigates how far speculative housebuilding will be need to change to ensure the successful implementation of the Government's brownfield housing target. It suggests that those speculative housebuilders who are enthusiastically building up core competencies in brownfield housing are likely to emerge as the market leaders of the future, while those companies who continue to rely on past practices and technologies will face an uncertain future as greenfield development opportunities begin to reduce.

INTRODUCTION

Speculative housebuilders are now responsible for about 80% of all new homes built in the UK (Nicol and Hooper, 1999). Over the years, speculative housebuilding has grown and prospered primarily through the conversion of greenfield land into new housing estates. The Government's desire to switch the balance of residential development increasingly to brownfield sites represents a significant challenge to behaviour and attitudes that have become well established in much of speculative housebuilding sector. Although matched, for instance, by stricter design and energy efficiency requirements, the brownfield housing target provides the best known example of the ever tighter regulatory environment that speculative housebuilders now face as a result of the sustainable development agenda.

In this context, this paper investigates the close inter-relationship between public policy change and private business strategy in residential development. In conceptualising this relationship, it would be mistaken to characterise the residential development process as driven by market forces constantly seeking to elude state regulation. Such an antagonistic view of state-market relations fails to recognise how new housing development has historically reflected different patterns of state-market mix, which have shaped producer and consumer behaviour over different periods. Indeed, the richly entwined connections between markets, state structures, legal systems, moral

codes and business organisations make it pointless to counterpoise ‘free’ markets and constraining institutions in seeking to explain housing development (Barlow and Duncan, 1994).

Traditionally, British housebuilders have reaped substantial profits from greenfield sites with relatively easy physical conditions, mainly because the state has long permitted and indeed encouraged extensive development of owner-occupied housing on greenfield land. Now that government policy has changed in apparent accordance with the sustainable development agenda, some housebuilders argue that the problematic condition of brownfield sites makes public subsidy necessary to encourage their participation in its redevelopment. In the longer term, however, this paper suggests that the emergence of a more innovative structure of provision for owner-occupied housing, which is both responsive to the sustainable development agenda and conducive to concentrating on brownfield development, is likely to require substantial change in the business strategies of speculative housebuilders.

Success in the private housing development process has long depended on the essential skills of acquiring land, securing planning permission and marketing the completed development effectively. Although these activities are equally important in brownfield and greenfield locations, the necessary approaches, skills and expertise are likely to vary significantly between these types of location. The paper therefore explores the concept of core competencies found in the strategic management literature and suggests that housebuilders who regard brownfield development as a major business opportunity for the future cannot rely merely on translating competencies learnt from greenfield experience but must seek instead to build up the specific competencies needed for brownfield development. More significantly, if greenfield development opportunities become ever more limited, companies that fail to make this switch are likely to face an uncertain business future.

The next section reviews the main changes in the regulatory environment of speculative housebuilding which have taken place over the past decade. It seeks to relate them to the changing role of the state and to the contested nature of sustainable development. Section 3 draws into some of the essential ideas from the strategic management literature that offer companies advice on how best to react to, or rather to anticipate major changes in their external operating context. This provides the basis in the following section to review how conventional business strategies in speculative housebuilding have been largely driven by the ease or difficulty of access to greenfield development sites. Section 5 then unwraps the brownfield development process as a means of identifying the kind of competencies that the housebuilding sector will need to build up, if it is to make a significant and lasting contribution to delivering the government’s policy target. In Section 6, the implications of this range of competencies for the future structure of the sector are examined, with the suggestion made that policy delivery might engender and indeed welcome some measure of restructuring. The concluding section offers some final comments on the likely relationship between structural change in the housebuilding sector and the future evaluation and evolution of British housing land policy.

2. THE CHANGING REGULATORY ENVIRONMENT

Since market regulation establishes the parameters of risk and uncertainty in speculative housebuilding, the competitive strategies of individual developers are strongly influenced by particular forms of state intervention (Barlow and King, 1992). Significant changes in the regulatory environment for UK housebuilding since the early 1990s have made the sector’s well-established paths to profitability increasingly different and helped generate a fundamental re-think of its traditional *modus operandi*. Although the sector is engaged in what many see as an exciting period of change, turbulence in the policy environment has intensified risk and uncertainty in

housebuilding (at least in the short term) and exacerbated the unpredictability of its corporate transformation.

This section first concentrates on the most prominent policy switch of recent years: namely, the emerging requirements for more and more new housing development to be located on brownfield rather than greenfield land. However, in recognition that locational control is not the only regulatory regime to have recently become more demanding, attention is also given to the more rigorous state expectations in terms of the design and energy efficiency of new housing, as well as the increasing state desire for such development to yield affordable housing or other community benefits.

During the 1990s, UK housing land policy gradually evolved under governments of both political persuasions from one that saw its priority as meeting housing demand, even if that involved substantial greenfield development, to one that initially adopted a 50% target for new housing on re-used land in England, toyed with the idea of increasing this to 75% and eventually settled on a compromise of 60%. This reflects the fact that, despite considerable variation in research findings (see, for example, Breheny *et al.*, 1993; Jenks *et al.*, 1996; Williams *et al.*, 2000), “government and many planners consider that use of brownfield sites and the general maintenance of existing settlement boundaries is the key to sustainable development” (Macnaghten and Pinfield, 1999, p. 44)¹.

In 1995, following initial debate, the Conservative Government announced that it wished to see half of all new homes in England built on re-used sites (DOE, 1995). After much controversy, the incoming Labour Government resolved in 1998 that a more ambitious commitment should be made. Accordingly: “The national target is that by 2008, 60% of additional housing should be provided on previously-developed land and through the conversion of existing buildings” (DETR, 2000a, para 23). Officially, this target applies only to England. Although planning policy in Scotland and Wales far prefers the re-use of vacant and derelict land to greenfield development, no official target for brownfield development has been set.

Among those who considered even a 60% target too low, perhaps the most authoritative voice was that of the UK Round Table on Sustainable Development (1997) who argued for a 75% aspirational target in England and for similarly challenging targets in Scotland, Wales and Northern Ireland. The Council for the Protection of Rural England (1997a, 1997b) along with other

¹ It is commonly accepted in the UK that brownfield land can be either derelict or vacant (Syms, 1994, Urban Task Force, 1999, Alker *et al.*, 2000), although some have also argued that brownfield land must be capable of redevelopment in accordance with planning policies or urban renewal objectives (Syms, 2001). In this paper, I use the term ‘brownfield’ as shorthand for the official concept of ‘previously-developed land’ contained in PPG 3 (DETR, 2000a). According to this definition, previously-developed land:

- is or was occupied by a permanent structure (excluding agricultural or forestry buildings), and associated fixed surface infrastructure;
- occurs in both built-up and rural settings;
- includes defence buildings and land used for mineral extraction and waste disposal where provision for restoration has not been made through development control procedures;
- excludes land and buildings that are currently in use for agricultural or forestry purposes, and land in built-up areas which has not been developed previously (e.g. parks, recreation grounds, and allotments, even though these areas may contain certain urban features such as paths, pavilions and other buildings);
- excludes land that was previously developed but where the remains of any structure or activity have blended into the landscape in the process of time (to the extent that it can reasonably be considered as part of the natural surroundings), and where there is a clear reason that could outweigh the re-use of the site (such as its contribution to nature conservation) or where it has subsequently been put to an amenity use and cannot be regarded as requiring redevelopment.

environmental groups supported this more ambitious target. In contrast, however, the Town and Country Planning Association (1997) consistently questioned the wisdom and practicality of raising the English target from 50% to 60%.

Close examination of the precise wording of the Government's target reveals three interesting features. First, it makes no distinction between previously-developed land in urban and rural areas. In 1995, for example, although 53% of all new dwellings in England were built on previously-developed land, almost 13% were located in rural areas and just under 41% in urban areas (DETR, 1998a). Redevelopment of mineral, landfill and defence sites for housing in rural areas therefore contributes to the target, even if such sites are located in open country. It is thus not surprising that House of Commons Environment, Transport and Regional Affairs Committee (1999) argued that the Government should "aim to concentrate development on brownfield sites in appropriate urban locations. Accordingly as we have frequently recommended, it should set a target for the re-use of brownfield sites in urban areas" (Recommendation (w) of 11th report).

Secondly, new dwellings produced through the conversion of existing buildings contribute to meeting the Government's 60% target. No annual statistics are available for such conversions, instead, the Government estimates that they add about 3% to the proportion of new dwellings built on previously-developed land. Alternatively, in comparison with the previous Conservative Government's target of 50% of all new homes to be built on re-used sites, it could be said that incoming Labour Government raised the figure to only 57% and not 60%.

Finally, the policy focuses on the **relative** proportion of brownfield redevelopment and conversions creates the paradoxical possibility that Ministers can claim success, even if the **absolute** amount of land recycled falls, for example, as a result of a slowdown in housebuilding². This suggests that too much concentration on targets and potential capacities may serve to distract attention from what needs to be done in practice to promote more brownfield housing development. Nevertheless, as Table 1 shows, the Secretary of State, in finalising 'new style' regional planning guidance in England, has regularly raising the proportion of new dwellings required to be built on previously-developed land or provided through conversions above the draft figures previously submitted by the regional planning bodies (which comprise largely of local authorities within the particular region acting collectively).

Over recent years, a forceful array of policy guidance and best practice advice has also emerged which suggests that the poor standard of housing design evident in the past is likely to prove less acceptable in the future. This theme can be traced back to the previous Conservative Government who argued that public disenchantment with the products of speculative housebuilding, and in particular with ugly development that makes places seem just like everywhere else, was an important component behind the growing public resistance to greenfield encroachment (Department of the Environment, 1996a). The incoming Labour Government has increasingly championed the importance of urban design, local distinctiveness and public sector intervention in the cause of better design (Carmona, 1999). Indeed, the minister responsible for planning

² For example, the Government's own Land Use Change Statistics (LUCS) show that in 1988, of the 7,730 hectares of land used for residential development in England, 41% or 3169 hectares was previously developed. Taking this 1988 figure as an index base (as recommended by LUCS), it is apparent the absolute total of previously-developed land used for new housing actually declined during the 1990s, to such an extent that the 1998 figure of 2,898 hectares of previously-developed land used for new housing was only 91% of the 1988 figure, a decade previously (DTLR, 2001). However, while almost 220,000 new dwellings were started in England in 1988, by 1999/2000, this figure had slumped to just under 149,000 new starts (DETR, 1999 and 2000b). Any apparent improvement in rates of land recycling over the decade was probably due more to a decline in the industry's demand for land and less to the success of policy measures.

threatened housebuilders with greater difficulty in securing planning permission unless they were willing to invest in higher-quality design (DETR, 2000c).

Region	Draft RPG*		Final RPG**	
	Date	%	Date	%
East Anglia	August 1998	40	November 2000	50
South East	December 1998	60	March 2001	60
South West	August 1999	36	September 2001	50
Yorkshire and the Humber	October 1999	60	October 2001	60
East Midlands	November 1999	45	February 2002	60
North East	December 1999	60	November 2002	65

*Produced by regional planning body **Issued by secretary of state.

Table 1. 'New-style' regional planning guidance (RPG): the proportion of new dwellings intended to be built on brownfield land or provided by conversions (Source: Counsell, 2001, updated from the website of the)ffice of the Deputy Prime Minister).

To emphasise the increasing importance of well-designed residential environments within Government policy guidance, a companion guide to PPG 3 entitled *By Design: Better Places to Live* was published jointly by the DTLR and CABE in 2001. This illustrated how key principles of urban design could be applied to create sustainable residential development by:

- Making more efficient use of land;
- Promoting better accessibility to local facilities and public transport;
- Supporting crime prevention and community safety;
- Creating more socially inclusive communities;
- Promoting energy efficiency.

Two related Government publications also demonstrated how good design principles needed to be applied as both greenfield and brownfield locations. Of these, the *Urban Design Compendium*, published English Partnerships and the Housing Corporation (Llewelyn-Davies, 2000), aimed to unravel the design qualities of successful urban areas, while *By Design: Urban Design in the Planning System: Towards Better Practice* (DETR and CABE, 2000) explored how better urban design could be achieved through best practice in planning.

This increasing political commitment to higher quality urban design in its broadest sense was reinforced in both the Urban and Rural White Papers published in 2000. The Urban White Paper called for good quality design to be second nature for new development and emphasised the importance of design in achieving social, economic and environmental sustainability in new housing schemes (DETR, 2000d). Interestingly, the Rural White Paper was more specific on this point, commenting that: “New housing is not always well-designed or attractive. Poor housing can change the character of a settlement, particularly in a village setting. New housing needs to be sympathetically sited and built in a style and use of materials which blend in with the rest of the village . . . Creating better-designed places in a central message of our new planning guidance for housing (PPG 3)” (DETR and MAFF 2000, p. 54).

One particular regulatory regime directly affecting housing design and construction concerns energy efficiency. Bhatti (1996) argues that the main barriers to more efficient energy use in UK

housing are not technological but political and institutional. He suggests that politicians have placed too much reliance on market-mechanisms and information campaigns to change prevalent attitudes and behaviour and not enough on direct and effective regulation. For example, although the building regulations were apparently tightened in 1990 to promote greater energy-efficiency, builders were allowed to offset improvements in one area against another, so making it possible for the thermal efficiency of walls to be decreased, if double glazing were introduced. Even though this loophole was closed in 1995, with overall energy ratings introduced for new dwellings, no attempt was made to highlight within final housing costs, the total sum of energy consumed in the production of the constituent building materials or to use such information to choose between different building types.

According to Barlow and Bhatti (1997), few speculative housebuilders see marketing advantages in developing energy-efficient homes, since they consider the payback time too long for their additional costs. This view is confirmed by the reaction of many in the sector to the more demanding environmental standards introduced in changes to the Part L of the Building Regulations in 2002, which are intended to reduce the average annual CO₂ emissions of a new house from 4.5 to 1.5 tonnes. As Smit (2002, p. 17) commented “ Most of the housebuilding industry sees the requirements of Part L purely in terms of the £600 to £1,200 it will add to the cost of a house. Few are able to exploit insulation, or other advanced green technology such as photovoltaic panels or water-saving devices, as a marketing opportunity that could attract buyers.”

Although these latest revisions to the Building Regulations have reduced the energy needed to heat a new home by half compared to the 1990 Regulations, the recent Energy White Paper suggests that a detached house built to the latest standards in England and Wales still consumes nearly 20% more energy than the equivalent house in Denmark (DTI, 2003). The Government has promised further revisions to the Building Regulations in 2005 with the intention of progressively raising energy efficiency standards over the coming decade. It is intended, for example, that the new regulations will encourage developers to use low carbon solutions such as solar heating and photovoltaics.

In recent years, planning gain has become an increasingly important means by which local planning authorities have sought to manage development pressure through capturing more and more of the financial benefits that derive from the re-allocation of land for development. Planning gain can be defined as the provision by a developer of some additional benefit, not necessarily related to the immediate development, offered to, or more usually requested by a local planning authority (Adams, 1994). Although in popular use, the term is not found in relevant legislation. Section 75 of the Town and Country Planning (Scotland) Act 1997 refers to planning agreements. However, in England and Wales, when Section 106 of the Town and Country Planning Act 1990 was amended by the Planning and Compensation Act 1991, planning obligations replaced the term planning agreements, south of the border.

According to Campbell *et al.* (2000), the use and scope of planning obligations significantly widened during the 1990s. They calculated that, between 1993 and 1998, the proportion of English planning permissions accompanied by planning obligations rose by about 40%. This they attributed to the austere financial environment in which local authorities now operate. As a result, planning obligations are now widely employed as an important mechanism by which financial responsibility for the provision of off-site infrastructure, facilities and services can be shifted from government to building producers and consumers.

In residential development, planning obligations are increasingly used by local authorities to extract some contribution from private developers (in cash and/or in kind) towards the provision of

affordable housing. The current English policy approach is set out in Circular 6/98 (DETR, 1998b) and PPG 3 (DETR, 2000a) and is based on negotiation with developers on a site-by-site basis. Circular 6/98 encourages local authorities to require the provision of affordable housing on sites over one hectare or 25 plus dwellings (0.5 hectares or 15 plus in London). This usually involves land handed over to a registered social landlord free of charge but may mean developer's contribution to low-cost housing elsewhere in local authority area. Failure to contribute could justify the refusal of planning permission since, as PPG 3 makes clear, the provision of affordable housing can be a material consideration in determining planning applications. In this context, PPG 3 requires local authorities to define what is affordable, conduct housing needs surveys, determine how many affordable homes need to be provided, and identify the amount to be sought from developers (given that some will still be secured through the provision of social housing grant).

While Campbell *et al.* (2000) suggested that only about 1.5% of English planning applications as a whole have a planning obligation attached to them, this proportion rose to almost 17% in the cases of major forms of development and to almost 26% for major residential development. From a sample of over 500 separate planning obligations, they found an important change in the nature of planning obligations from an earlier emphasis on on-site works such as environmental enhancement and the provision of open space towards off-site infrastructure such as major highway improvements in the locality. At a more general level, developers were increasingly expected to contribute to civic amenities, public art, commuted sums for park and ride schemes and other forms of wider community benefits, rather than merely to reduce the impact of the specific development. The rationale for planning obligations has thus been broadened from that of merely seeking to mitigate development impacts and remove development constraints to “the amelioration of more diffuse social, economic and environmental impacts and to the pursuit of wider policy objectives” (Campbell *et al.*, 2000, p. 766).

Barlow and King (1992, p. 381) comment that “... ‘regulation’ does not refer to a single set of legislative decisions. Rather, regulation of most housing systems has arisen through a series of unrelated acts, bounding the market in specific ways and producing a specific competitive rationale.” In this sense, speculative housebuilders now find their activities constrained by a much tighter regulatory regime created as the combined consequence of a series of loosely linked policy changes, rather than as a result of single policy decision. Nevertheless, two substantive themes connect what may appear to be separate government initiatives and help explain why state-market relations in housebuilding have begun to shift significantly in recent years.

First, over a period of 20 to 25 years, the state’s perceived role in housing provision, as in so many other areas of social policy, has been transformed from that of provider to facilitator. Speculative housebuilders have thus been required to help fill financial gaps that would otherwise exist in the provision of affordable housing, infrastructure investment and similar types of communal goods, where reduced state support had created supply deficiencies. Much controversy, however, surround the likely effectiveness of such reliance on the private sector. For example, according to Barlow *et al.* (2002, p. 7) “... too much weight is being placed on the additional affordable housing that can be expected to be made available through section 106 agreements. While the use of planning agreements for appropriate socially beneficial purposes is to be welcomed, it cannot on its own deliver a sufficient amount of affordable housing to meet current and emerging needs. . .”

The contested discourse of sustainable development provides the second substantive theme linking many recent regulatory changes that directly affect speculative housebuilding. It is difficult to know whether human activities are becoming more or less sustainable without formal means of measurement. Numerous attempts have therefore been made to develop sustainability indicators at local, national and international levels. An early list of 150 such indicators was published by the

World Bank and UN Centre for Human Settlements (World Bank, 1994). Shortly afterwards, the UK produced its own first national list of sustainability indicators (DOE, 1996b). After the change of Government in 1997, revisions to this list were suggested in order more fully to reflect the social aspects of sustainability (DETR, 1998c). As a result, progress towards sustainable development in the UK is now measured by a broad set of about 150 indicators and particularly, by a subset of 15 headline indicators, shown in Table 2 (DETR, 1999b and DEFRA, 2003).

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| <ul style="list-style-type: none"> • Total output of the economy (GDP and GDP per head) • Total and social investment as a percentage of GDP • Proportion of people of working age who are in work • Percentage of working-age people without qualifications or in workless households • and percentage of children living in families with relatively low income • Qualifications at age 19 years • Expected years of healthy life • Percentage of households living in nondecent housing • Crimes per 100 000 of population • Emissions of greenhouse gases • Days when air pollution was moderate or higher • Total road traffic volume • Rivers of good or fair chemical quality • Populations of wild birds • New homes on previously developed land • Household waste, all arisings, and management |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Table 2. Headline indicators of sustainable development for the United Kingdom (source: DEFRA, 2003; DETR, 1999b).

Although it is now widely accepted that the sustainability of a city is related to its shape, size, density and uses, the exact nature of that relationship remains a matter of considerable dispute. “Certain urban forms appear to be more sustainable in some respects, for example in reducing travel, or enabling fuel efficient technologies, but detrimental in others, perhaps in harming environmental quality or producing social inequalities” (Williams *et al.*, 2000, p. 1). While this points to the existence of a range of urban forms that would be more sustainable than recent development patterns, Williams *et al.* (2000) suggest that their key characteristics are likely to be compactness, mix of uses and interconnected street patterns, supported by strong public transport networks, environmental controls and high standards of urban management.

In seeking to apply these characteristics, there remains much room for debate on whether sustainable urban forms are best achieved through centralised or decentralised concentrations of people and especially on the extent to which urban intensification and densification is a pre-requisite of sustainable development. New homes can be designed on many greenfield sites, for example, to provide quality surroundings with low noise and excellent access to local green space, to maximise energy efficiency while reducing household waste and to minimise traffic congestion while encouraging children to walk to school. Although such developments may fail the Government’s headline test of not being built on previously developed land, Table 3 suggests that it would be hard to label them as unsustainable simply on the basis of their location. Thus, while the language of sustainability can be used simply to resist pressures for housing development (Lambert and Boddy, 1998), it can equally be employed to argue for the creation of sustainable

residential communities on greenfield land. Indeed, since there will be cases where greenfield development would provide a more sustainable housing solution (Barlow *et al.*, 2002), it is important not to reduce discussion of the sustainability of new housing development merely to matters of location.

- Access to local green space
- Community spirit
- Energy efficiency of new domestic appliances
- Energy use per household
- Household waste and recycling
- Household water use and peak demand
- How children get to school
- Noise levels
- Quality of surroundings
- Traffic congestion

Table 3. Some nonheadline indicators of sustainable residential development (source: DETR, 1999b).

Nevertheless by ‘headlining’ new homes on previously developed land as one of the most important environmental indicators, the Government created “a new policy dynamic, in which debate about responses to household growth has been dominated and polarised by arguments about the appropriate brownfield percentage and wrangles over exactly what we mean by ‘brownfield’” (Levett, 1998, p. 4). Although it is a gross over-simplification to consider brownfield development always sustainable and greenfield development always unsustainable, the substantial shift which has taken place in the regulatory environment for British housebuilding is perhaps best encapsulated in the Government’s determination to see more and more new homes built on brownfield sites.

This shift is of course but one component of the changing institutional context for speculative housebuilding. In an increasingly affluent age, for example, consumers are requiring better-quality designs and environments from housebuilders and seeking higher standards of customer service. Again, demographic changes coupled with competition and diversification within the financial services sector means that housebuilders now operate in a very different institutional context for housing demand than 20 years ago. As these various trends make clear, the institutional and regulatory environment for British housebuilding is certainly in a period of rapid evolution, if not revolution. Some housebuilders may conceive of this as highly problematic, while others may regard it as an opportunity to capture new forms of business and even dominate new types of market. How then is the structure of UK housebuilding likely to evolve in response to its rapidly changing external environment? And how might that response in turn feed back into policy evaluation? The breadth of these questions makes it necessary to focus on one main aspect of enquiry in a paper of this length.

In this regard, this paper concentrates on how the intended policy switch to brownfield development is likely to require fundamental changes in the private housing development process. To set this discussion in context, however, the next section introduces some general ideas about strategic business planning.

3. BUSINESS STRATEGY, CORE COMPETENCIES AND CAPTURING OPPORTUNITY SHARE

All businesses operate within the context of relentless external change. When this change is gradual, it may persuade firms merely to engage in a steady process of evolution. In contrast, fundamental shifts in the external context for business activity are likely to require strategic changes in business direction. Such fundamental shifts may be attributable, for example, to rapid changes in technology, collapse in export markets or, as examined in this paper, a far-reaching transformation in the relevant regulatory environment. Some firms may view radical external change as a problem, while others are likely to regard it as a significant opportunity. It is therefore instructive to turn to the strategic management literature to discover how speculative housebuilders might best respond to, or indeed anticipate, the fundamental change now apparent in the framework by which the sector is regulated.

According to Hamel and Prahalad (1994), competition for the future is intrinsically different from competition for the present. No business should regard the future as a simple extrapolation of the past. Tomorrow's mass markets may seem mere niche markets today. The companies likely to become tomorrow's industry leaders will be those that can identify and prepare for revolutionary business change by identifying new markets and by shifting consumer preference in established markets. Successful businesses thus engage in strategic planning to ensure their continued prosperity in competitive markets that are by nature risky and uncertain.

In speculative housing production, short-term elasticity of housing supply combined with a relatively elastic demand curve creates a highly unstable business environment, which is characterised by highly variable profits streams for developers (Barlow and King, 1992). Since the parameters of risk and uncertainty in housing markets are strongly heavily influenced by the characteristics of the regulatory framework, significant changes in that framework will require firms to re-assess their competitive strategies. This accords with the view of Leonard-Barton (1998) that companies are most in danger when technological, political or social changes 'shift the ground' from underneath them. In such circumstances, companies may be reluctant to 'cannibalise' markets that still appear profitable or to dispense with well-established practices and technologies, while alternatives still seem uneconomic. It is thus pertinent to note that Barlow and King (1992) attribute what they consider to be the widespread conservatism in British speculative housebuilding to the high degree of risk inherent in the business, which tempts companies to retreat into well-trying strategies and entrenched positions. From the more general management stance, Leonard-Barton (1998) argues that companies that do not continuously invest in the acquisition of new knowledge and the development of new capabilities will yield ground to smaller competitors who are keen to develop new technology and break into new markets. Once the realisation dawns that others are better placed to exploit emerging opportunities, companies that have failed to invest in updating their core capabilities will have to resort to painful, disruptive and less efficient methods of doing so, if they are to survive.

These insights connect well with the work Hamel and Prahalad (1994) who claim that competition between businesses for the future is all about 'opportunity share' in contrast to competition for the present, which is concerned with market share. Emerging opportunity arenas are intrinsically speculative since even the rules of engagement have yet to be determined. Strategies to capture opportunity share need therefore to be driven by the prospect of making an impact rather than by the certitude of immediate financial returns. Such long-term strategies are centrally concerned with competing **for** tomorrow's industry structure, rather than **within** today's industry structure. According to Hamel and Prahalad (1994), the companies most likely to succeed in winning future

opportunity share, and thus protecting the long-term future of their business, are those who invest heavily in what they call core competencies.

Although this concept is widely deployed across the management literature, different authors use different terms including 'distinctive competences', 'core or organisational competencies', 'firm-specific competence', 'resource deployments' and 'invisible assets' (Leonard-Barton, 1992). However, the essential nature of the concept is often left unexplained since "Writers often assume that descriptors of core capabilities such as 'unique', 'distinctive', 'difficult to imitate' or 'superior to competition' render the term self-explanatory, especially if reference is also made to 'resource deployment' or 'skills'" (Leonard-Barton, 1992, p. 112). Leonard-Barton herself prefers the contribution of Teece *et al.*, (1990, p. 28) who define core capabilities as "a set of differentiated skills, complementary assets, and routines that provide the basis for a firm's competitive capacities and sustainable advantage in a particular business." On this basis, Leonard-Barton (1992, p. 113) identifies four dimensions to the knowledge-set that distinguishes each company and provides a competitive advantage. She suggests that "Its content is embodied in (1) employee *knowledge and skills* and embedded in (2) *technical systems*. The processes of knowledge creation and control are guided by (3) *managerial systems*. The fourth dimension is (4) the *values and norms* associated with the various types of embodied and embedded knowledge creation and control" (Italics in original).

Hamel and Prahalad (1994) contend that firms that wish to gain a disproportionate share of future profits must develop a disproportionate share of requisite competencies. They liken this process to investing in options, which is necessary to prevent the foreclosure of market opportunities, but which is by nature speculative since some options will never be exploited. Nevertheless, successful firms pre-emptively build what they consider will be the core competencies of the future, aware that these will make a disproportionate contribution to future customer value. In some areas, this will require competencies that already exist within the companies to be strengthened but in many others the future prosperity of the company will depend on the patient and persistent accumulation of intellectual capital. Those companies that fail to do so are likely to be left behind since, as Hamel and Prahalad (1994, p. 220) argue "It is difficult to get on board the competence-building train once it's left the station." Competence building therefore proceeds as a process of cumulative learning rather than in great leaps of inventiveness.

This is an essentially behavioural approach to understanding corporate competition and change since it conceptualises firms in relation to their strategic capabilities and emphasises the organisational practices and business processes that support those capabilities (Stalk *et al.*, 1992). Rather than build business strategy around structure and product, Stalk *et al.* (1992) argue that an emphasis on the infrastructure that supports and enhances capabilities will bestow significant competitive advantage by enabling firms to focus on what they do best while still allowing considerable potential for diversification. One conclusion of their case study, which examines the rapid early expansion of the Wal-Mart chain in the USA, may be of particular interest to research on British housebuilding. Specifically, they suggest that a capabilities-led approach to business strategy would caution against growth by corporate acquisition or geographical expansion, and look instead to rapid entry into whole new businesses to achieve big-payoffs. In the context of this paper, it is important to regard brownfield housing development not as a mere geographical expansion of greenfield development but as an intrinsically different market concept.

As a final but perhaps darker component of this literature, Leonard-Barton (1998) introduces the concept of core rigidities that can be considered to represent the opposite of core capabilities or competencies. Interestingly, however, there is no clear dichotomy between capabilities and rigidities since over time core capabilities can become so ossified that they degenerate into core rigidities, evident in deeply embedded knowledge or value sets that hamper innovation. Companies

characterised more by core rigidities than by core competencies will be forced out of markets by others who have acquired the knowledge on how to serve customers more effectively. In this context, Hamel and Prahalad (1994) suggest that successful firms will demonstrate the confidence and capability of 'learning to forget'. In other words, they will be prepared to move on from technologies and practices that have served the company well in the past (and even if they are still producing returns today) and anticipate the competencies that are most likely to serve the company well in the future. In such an enterprise, management attitudes and culture is at the heart of challenging or reinforcing core rigidities for according to Leonard-Barton (1998), it is the pervasive dimension of ingrained values and norms that empower core rigidities. As a result, radical and painful correction may be the only way to save a company where core rigidities need to be overcome as a pre-requisite to fresh strategic thinking.

These ideas provide an important context within which to review the changing business strategies of British speculative housebuilders. As this paper suggests, the changing regulatory environment within which housebuilders operate demands a new set of core competencies or at the very least, significant refinements of existing competencies. Such a challenge may generate a period of fresh structural turbulence for the sector as some firms demonstrate greater capacity to adapt than others. The next section will therefore briefly review how the inherent organisation of speculative housebuilding reflects a more relaxed regulatory stance on greenfield development than is now the case. From this, it will be possible in the following section to consider some of the distinctive competencies in which housebuilders will need to invest to be successful in the brownfield development process.

4. CONVENTIONAL BUSINESS STRATEGIES IN SPECULATIVE HOUSEBUILDING

Speculative housebuilders play a pivotal role in the structure of building provision for owner-occupied housing in the UK. According to Ball (1998, p. 1513) "A structure of building provision refers to the contemporary network of relationships associated with the provision of particular types of building at specific points in time". For owner-occupied housing, the network of organisations involved in its structure of provision extend well beyond speculative housebuilders to include material suppliers, subcontractors, professional consultants, banks, building societies and other financiers. Ball argues that each structure of provision (for houses, offices etc) is unique since it is associated with historically specific institutional and other social relations. He suggests that structures of provision are characterised by continual change since, over time, organisational strategies will be reviewed and tastes, technologies and policies will alter. Since this process may not necessarily lead to efficiency improvements, it should be regarded as weakly evolutionary and certainly not deterministic. Thus "At any point in time, however, there may be no contemporary rationale for the existence of a particular structure of organisation, institutions and markets – it just happens to be there (although it has a history and a future)" (Ball, 1998, p. 1514).

This section examines the organisation of speculative housebuilding and explores how the previous focus of housebuilders on greenfield development generated a particular form of business strategy (in which more profit could potentially be made from land dealing than from construction), which is not readily adaptable to brownfield development. Although discussion does not extend in the space available to other types of organisation within the structure of provision for owner occupied housing, it is recognised that the policy shift to brownfield development may well call, for example, for new approaches in the building supply chain or in

mortgage finance³. Indeed, as Hooper and Nicol (1999, p. 805) comment “At a time when the potential for change through new construction technologies and production processes has never been greater, it would be a pity if new urban settlement forms were to be predicated on outmoded structures of provision.”

Although there are about 18,000 housebuilders registered with the National House Building Council (NHBC), speculative production of new homes is dominated by a small number of major companies, each with an annual output of 500 units or more. In 2000, there were 43 such companies in the UK who together accounted for almost 71% of all the homes built by the sector (Wellings, 2001). Earlier figures from the NHBC’s Private Housebuilding Statistics, reported by Nicol and Hooper (1999), indicate that in 1990 there were 32 companies starting 500 or more units who together claimed a 41% market share, while the returns for 1980 revealed only 24 such companies with a 39% market share. Nicol and Hooper (1999) therefore contend that there has been a long-term trend towards increased concentration of housebuilding capital, at least in terms of unit output⁴.

Those companies completing an average of 2,000 or more dwellings each year are often termed volume or mass housebuilders. In 2000, there were 14 such companies in comparison with 8 in 1990 and only 4 in 1980. The market share of the top ten builders by unit output, which in 1990 had stood at 26%, rose inextricably throughout the decade and was estimated to have reached 44% by 2001 (Wellings, 2001). Although other measures of market share such as turnover or number of employees may also be valid (Monk, 1991), unit output has been widely used to assess the growing concentration of capital in the sector. Indeed, eight of the top ten housebuilders by unit output in 2000 re-appear in the top ten rankings by both turnover and profitability for that year (Wellings, 2001). Although there may well be important regional or local variations in the extent to which housebuilding is dominated by relatively few companies (Gibb, 1999), it is apparent that, at a UK level, the sector is becoming more rather than less concentrated.

The increasing importance of large housebuilding capital was originally noticed by Ball (1983) who showed that builders with an output of over 250 units a year doubled their share of the market from 25% to 50% during the 1970s. He explained the relative growth of larger producers by their ready access to finance capital, often supplied by parent companies. In contrast, small and medium-sized producers were dependent for finance on the banks, which restricted the availability of capital especially during cyclical downturns. According to Ball (1983) such financial constraints prevented small and medium-sized builders from taking advantage of booms and slumps in the same way as the larger companies who had the ability to acquire greenfield land cheaply during periods of slump and, as a result, were well-placed to sell houses early in a boom. As Gibb *et al.* (1995, p. ix) argue in a Scottish context, “the difficulty of buying land limits competition by restricting entry of new

³ In this context, it is instructive to note a finding of recent research commissioned by the Council of Mortgage Lenders: “For mortgage lenders, the key issue relates to the valuation of housing built on brownfield, mixed-use and mixed-tenure sites. Public perceptions of the desirability of home built on more marginal brownfield land could detrimentally affect its future value. Lenders need to collaborate closely with housebuilders and relevant public sector bodies in the pre-acquisition phases of ‘difficult’ sites, in order to avoid later valuation and marketability problems” (Barlow, 2000, p. vii).

⁴ This trend towards increased concentration is most recently evident in what one commentator described as the rise in 2001 of the ‘super builder’, capable of an annual output of at least 10,000 units (Simpkins, 2001). This was sparked by an intended merger between Beazer and Bryant, which was overtaken by separate bids for each company. As a result of these, Beazer was acquired by its rival Persimmon for £610 million, while Bryant was taken over by Taylor Woodrow for £613 million. Later that year, Wimpey bought Alfred McAlpine Homes from Alfred McAlpine PLC for £461 million. According to Simpkins (2001), this consolidation of some of the biggest names in UK housebuilding was driven by the City’s demand for better capitalised and funded housebuilding companies, that were not dominated by a single entrepreneur but able to produce consistent and stable earnings (Simpkins, 2001).

firms to the market.” This may have significant implications for the local economy for as Barlow and Ball (1999, p. 7) argue “If building is limited, either by planning restraint or by a small number of firms controlling the development pipeline, then house prices in a locality are likely to rise.”

For speculative housebuilders, land is an essential raw material that needs to be controlled well before construction is due to start. At the minimum, sites are normally held in a land bank for a two to three period prior to the planned commencement of on-site production (Smyth, 1984)⁵. Within such a land bank portfolio, most housebuilders normally seek to control land by option or conditional contract until planning permission is certain and only then, to complete acquisition of the freehold. Options and conditional contracts enable housebuilders to commit only limited resources to land acquisition before planning permission is secure. In the meantime, substantial professional fees may need to be incurred in hiring lawyers and consultants to negotiate the passage of such land through the often protracted process of planning applications, planning appeals and development plan inquiries.

Although the amount of land held under option or conditional contract within housebuilders’ portfolios is generally many times that owned freehold (Adams, 1994), significant potential still exists for housebuilders to benefit from any inflationary gains in land value between freehold purchase of the site and the eventual sale of the completed dwellings. Even at a time of lower general inflation, there are still profits to be made from the practice of land banking in an active housing market. According to Wellings (2000), housebuilders were able to make excess stock profits in the late 1990s mainly because house price inflation had been greater than anticipated. “Take away the inflation and the stock profit goes. This may take time to materialise as old land still generates healthy profits, but as the more recent land works its way through it is inevitable that trading margins will come under pressure” (Wellings, 2000, p. 8).

As a result of the high cost of land relative to the selling prices of completed dwellings coupled with the high historic volatility of real land prices, much greater attention has been accorded in the UK than elsewhere in Europe to the financial gains and losses that potentially arise while land is banked. The increasing ‘politicisation’ of the planning process in the UK coupled with the absence of any effective mechanism for managing land supply has created intense competition for potential development sites in areas of high demand and significantly empowered and rewarded landowners (Barlow, 1999). This has made the period of time over which land is held between its freehold purchase and the eventual sale of the completed dwellings an essential ingredient in the profitability of speculative housebuilders. Although housebuilders in the UK had to cope with substantial write-downs in land value after the housing market slump of the early 1990s, for most of the postwar period, they were able to benefit significantly from inflationary increases in the value of land they held freehold. As Barlow (1999, p. 23) claims, “From the 1960s to the late 1980s their main business strategy focused on capturing inflationary gains from housing and land markets.”

While the emergence of a neo-liberal regulatory framework encouraged British housebuilders to focus their business strategies on short-term development gains, Barlow and Duncan (1994) demonstrate that this has not been typical within a European context. For example, they show that Swedish housebuilders have been able to concentrate much more on product and process innovation, as public land banking in Sweden has traditionally ensured a steady supply of cheap building land. Moreover,

⁵ According to Ball (1983, p. 148) “A useful way of conceptualising the nature of a housebuilder’s 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 (in the builder’s case these will usually be sites of white land) and safer but less profitable assets that can ensure a steady cash flow and corporate stability. Portfolios also have a temporal profile consisting of assets with different dates of maturity and profit realization. In general, a land bank portfolio spreads risks and takes the pain out of speculation.”

as Ball et al. (1988) explain, contractors in France, Germany and the Netherlands rather than speculative developers have traditionally dominated the provision of new owner-occupied housing in those countries. Indeed, “Speculative house-builders, as simultaneously builders and developers, are in the European context a specifically British phenomenon and their existence relates to particular social conditions at the period when owner-occupation initially expanded (Ball et al., 1988, p. 102). Moreover, in comparing housing land policies traditionally pursued in the UK and the Netherlands, Golland (1996) contends that the Dutch experience of housing production demonstrates the advantages of a more regulated system of land supply in reducing risk and ensuring the production of new housing to meet changing levels of demand.

Competition between UK housebuilders has thus focussed around what Barlow and King (1992) describe as the soft issues of land and opportunity identification rather than the more challenging ones of production process and product terms. They argue that this both reflects the particular form of state-market relations prevalent in British housebuilding and largely accounts for the sector’s historic poor performance and reputation. It is thus apparent that: “Speculative strategies, while enabling high-profits to be made in the short term (although disastrous losses are equally possible), result in unstable production levels and a lower quality, often poor value for money, product. The housing production system remains overly vulnerable to outside changes with economically and socially wasteful boom-slump patterns as one result” (Barlow and Duncan, 1994, p. 151).

In the next section, I argue that since the residential development process is distinctively different at brownfield locations compared to greenfield ones, it will require housebuilders to develop new business strategies and specifically to invest in the new core competencies needed to exploit emerging market opportunities. As explored in the following section, while the changing regulatory environment for UK housebuilding explicitly demands a locational shift in new development, it thus implicitly implies a substantial ‘shake-up’ in the *modus operandi* of speculative housebuilders.

5. BROWNFIELD DEVELOPMENT: THE CHALLENGE FOR HOUSEBUILDERS

According to Black (1997), speculative housebuilding has been characterised by its commitment to a manufacturing rather than a design process, its minimal interest in the public realm, its disdain for urban design and local consultation and its build and walk away trading ethos. In one sense, this is indeed a harsh judgement on a sector that has made a significant contribution to the growth of home ownership and economic prosperity over several decades. In another sense, however, it summarises all the worst features of the greenfield housing on which the sector has built both its fortunes and its reputation.

If speculative developers are to make a significant contribution to brownfield redevelopment, it is apparent that new competencies and strategies will be required. The problematic nature of many brownfield locations, for instance, means that developers will need to deliver value added directly from housing products rather than rely on gaining profits from inflation in land prices. Housebuilders will also need to develop greater skills in integrating with and supporting local communities rather than in merely constructing housing estates. Much higher standards of urban design are likely to be required, not simply to secure planning approval but also to resolve potential conflicts within mixed-use schemes. To achieve all of this, partnership with planning authorities and with local communities is likely to become the norm rather than the exception. Indeed, as Gibb *et al.* (1995) note, the public sector is likely to play an increasingly important co-ordinating role at both greenfield and brownfield locations. As the suggests, the development process at brownfield locations is likely to be fundamentally different than that at greenfield locations where most speculative housebuilders have traditionally operated.

Most models of the residential development process, at least those that contribute to, or draw on the American literature (see, for example, Weiss *et al.*, 1966; Kaiser & Weiss 1970) are constructed around the conversion of greenfield land to new housing estates. In such models, housing demand is primarily driven by economic growth and demographic change to the extent that the outward expansion of urban residential areas is seen as both a source and a reflection of a prosperous society. In contrast, models that seek to capture the essentials of brownfield redevelopment are more likely to be policy than market-led, even if such policies operate primarily by seeking to influence market decisions, for example, through taxes or subsidies. This is because both the immediate and wider development context for brownfield housing development are often highly dependent on the activities of, and investment by, the public sector⁶.

Whether residential development takes place on brownfield or greenfield land, a key component of the development process remains that of testing development feasibility. In their classic event-based model of the development process, Barrett *et al.* (1978) identified five tests of development feasibility, namely physical conditions, ownership, public procedures, market conditions and project viability. As this suggests, the three core competencies required to establish development feasibility in housebuilding have traditionally been those of knowing how to control ownership through land acquisition, secure planning permission and other public consents, and create attractive marketing images to pull in customers. Thus, apart from those locations or times of poor housing demand, the viability of speculative residential development and indeed the profitability of British housebuilding as a whole has depended on finding land at the right price, gaining planning permission and marketing the completed product.

Over the years, these three core competencies have been honed and sharpened primarily through greenfield experience. In one sense, exactly the same competencies are needed for brownfield redevelopment but in another, the very different way in which they need to be applied presents a severe test to those housebuilders whose staff have grown up and built their careers primarily on greenfield projects. This section therefore look in turn at these three key aspects of the residential development process and considers how the brownfield policy switch demands change in the traditional competency base in speculative housebuilding.

5.1 Land Acquisition

According to Freeman (2000), the price of brownfield sites is already being driven up by their becoming a highly prized counterbalance to greenfield land banks. At a corporate level, Wellings (2000, p. 19) argues that since brownfield sites are often more expensive to purchase and develop, and cannot, unlike major greenfield locations, be readily parcelled out between different builders, “the capital requirements of urban regeneration will drive the industry further towards larger units and hence consolidation.”

⁶ In this context, it needs to be understood that that the Government’s 60% brownfield housing land target clearly implies a broadening of demand for new urban housing from specific social groups to more general sections of the population who have been at the forefront of past residential decentralisation. Recognising this, the Urban Task Force (1999, pp. 35–36) commented that: “For many people, the crunch comes with having children. An urban environment previously perceived as diverse and stimulating starts to appear unsafe. Schools and health services become more important. While it is therefore accepted that, at this stage in their life cycle, many people will continue to move to more suburban or small town environments, we must look to persuade more families to stay. This means looking beyond the design, planning and building of the urban environment at the role played by health, education, security and social services.” As this demonstrates, public policy in its widest sense is clearly important in setting the context for demand for brownfield housing.

Brownfield land acquisition presents speculative housebuilding with a new challenge 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. Secondly, brownfield landowners are unlikely to grant lengthy options or conditional contracts, allowing housebuilders time to bargain with planning authorities. Thirdly, if brownfield sites need to be pieced together from parcels in different ownerships, acquisition can be very protracted. Finally, for many housebuilders, brownfield land markets remain a relatively unknown arena in which contacts, networks and practices may need to be built up before large-scale entry. As these reasons imply, housebuilders' land buyers with experience of only greenfield development will need to be re-skilled, if they are to operating effectively in brownfield land markets.

5.2 Planning Permission

Although Government policy favours brownfield housing development, planning permission is not necessarily easier to obtain on brownfield sites than on greenfield ones. There are two main reasons for this. In the first place, 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. As the Urban Task Force commented (1999, p. 202) "Too many local planning authorities are still practising rigid adherence to employment land allocations, for sites with no demand, and in some cases, no suitability, for modern employment uses." On this basis, the Managing Director of Strategic Land Management at Britain's largest housebuilder, Wimpey, was quoted as lambasting the planning system for not enabling the company to build more than 40% of its output on brownfield land. He argued that "We could do a lot more if the planning system would just get out of the way" (Dewar, 2000).

Secondly, as Pratt and Larkham (1996) point out, residential intensification within cities is liable to generate local opposition where it is perceived to impair residential amenities, encourage overlooking or produce increased traffic. Certainly, neighbouring residents often resent the intensification of low-density mature suburbia, especially where the replacement of single houses by blocks of flats leads to a loss of trees and other vegetation. Very real concern therefore 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 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.

5.3 Marketing Strategies

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 a fantasy of traditional living" (Glancey, 1997). Such suburban marketing images have become deeply ingrained within speculative housebuilders and can be traced back to the 1930s and beyond. In 1916, for example, the promoters of the plotlands development at Peacehaven, described it as set in a most charming and delightful estate on the South Coast (Hardy and Ward, 1984).

While such images can be readily caricatured in an almost comical way, the reason they have such powerful resonance within the British psyche is that they readily connect with a longstanding desire to escape the city and live in the countryside. According to a Countryside Commission survey

undertaken in England in 1997, 51% of inner city residents and 43% of those living in city suburbs would prefer to live in a village or in the countryside. The main appeal of such rural locations was seen as the greenery of the countryside, the traditional nature of the buildings and the pattern of social relationships (Champion, 2000).

Quite different approaches and quite different images will be needed for brownfield locations set in the midst of urban complexity. Standardised product ranges (see Hooper and Nicol, 1999), are unlikely to suffice, not only because brownfield sites will require careful individual design, but also because the milieu of potential urban purchasers, with their social and economic diversity, is unlikely to be satisfied with a narrow and inflexible product range. The challenge that some housebuilders such as Berkeley and Bellway have taken up, is not simply to transfer greenfield images to brownfield locations, but rather to realise that entirely new marketing concepts will be required which fully appreciate that the nature of both the clientele and the purchase have changed significantly. On the one hand, as the early experience of converting redundant office and warehouse space for residential accommodation shows, it is important to create marketing images that successfully combine the attractiveness of an urban lifestyle with the distinctive qualities of the particular development for sale. On the other hand, the emergent nature of brownfield housing markets makes it even more essential to develop strong customer relations and to build a reputation for effective customer support.

As this section has demonstrated, speculative housebuilders are faced with the challenge of refocussing or rebuilding their core competencies in establishing development feasibility, if they are to compete successfully in the emerging opportunity arena of brownfield development. While, as the next section shows, many housebuilders have already begun to acquire significant experience of brownfield development, others have been able still to concentrate on greenfield sites as the fundamental source of profitability. However, as a result of the changing regulatory environment outlined in Section 2, the locational choice for housebuilders is likely significantly to narrow over the coming years. Thus, while it has been possible up to now for many developers to survive by relying on the past core competencies of greenfield development, regulatory change is likely to turn such competencies increasingly into rigidities and demand that they be at least matched by the new knowledge and value sets required for successful brownfield development.

6. SPECULATIVE HOUSEBUILDING: A SUITABLE CASE FOR RESTRUCTURING?

Speculative housebuilders in the UK are now operating in a very different regulatory environment from even a decade ago. Whether companies regard the new agenda of urban sustainability as a problem or an opportunity will depend on the extent to which they have already begun to invest in a wholesale transformation of what Leonard-Barton (1998) identifies as the set of employee knowledge and skills, technical systems, managerial systems and the values and norms. Unless recent regulatory changes represent only a temporary political switch, the long-term survival of the UK's volume housebuilders and even its emerging 'super-builders' will be dependent on their capacity significantly to adapt the business strategies they have successfully pursued in past decades to the policy realities that now confront them. What evidence exists so far of their ability to do so? Is it possible that those companies who have grown and prospered in past eras dominated by greenfield development will be so constrained by core rigidities that only radical and painful correction will be able to save them from decline?

Since brownfield redevelopment has generally been perceived as more problematic and risky than new development on greenfield land, it has so far tended to be promoted either by specialist companies or specialist subsidiaries of the volume housebuilders. Only three of the 14 volume

builders in business in 2000 (Barratt, Bellway and Berkeley) could be considered to be at the forefront of urban residential development. Of these, perhaps the most interesting is Berkeley which has transformed itself from a greenfield developer to one 90% of whose production is on brownfield sites. Its previous approach reflected the land-dealing tactics of most volume builders for as Stewart (1995, p. 33) reported, it originally became “a favourite of analysts for having bought land cheaply before the last boom, sold at the top of the market and then bought again in the early 1990s – just before the values started shooting up again.” However, by the late 1990s, it had established itself “at the forefront of post recession urban regeneration” (Wellings, 2000, p. 53), having become a leading player in both London and provincial city centre schemes. To those who consider urban redevelopment unprofitable, it should be noted that, in 2000, Berkeley achieved a 23% return on capital employed, while seeing its pre-tax profits rise by 20%. Over the period 1994 to 2000, its asset value per share was the second best among all 18 leading quoted housebuilders.

Several other housebuilders who have begun to take brownfield development seriously, such as Crest Nicholson and Fairview appear in the top 25 builders by unit output in 2000. Crest Nicholson builds across Southern England and the Midlands, but its activities are concentrated in the Home Counties and around Bristol. Fairview, which expanded its output from 620 units in 1989 to over 2,000 in the mid-1990s, concentrates on low to medium cost housing within the Greater London area. It has consistently achieved above average margins (above 30% in 1999) through selective brownfield acquisitions in an active housing market. According to Stewart (1995, p. 33) its strategy involves “Buying cheap land in derelict inner-city areas and targeting almost cash-strapped first-time buyers”.

As Wellings (2000) points out, some quite small companies such as Try Homes and County & Metropolitan have also played an important role in pioneering brownfield schemes. It may well be that most volume builders are waiting for such smaller companies to gain experience from their own mistakes, before seeking to take them over and benefit from their experience. Wellings also argues that the contractor/housebuilder/property hybrids such as Taylor Woodrow and Miller, which that can access a broader range of skills and resources, are better suited to brownfield sites than some greenfield volume builders.

One particular core competence that has not traditionally been held or even valued by greenfield volume housebuilders but which is likely to prove essential to the success of brownfield schemes is quality design. In this context, Carmona (1999) attributes the success of Berkeley Homes, Countryside Properties and other more dynamic companies of the 1990s to the greater involvement of skilled designers in the housing development process. These companies have been prepared to move away from reliance on standard geometric layouts prepared by design technicians and invest instead in paying well-regarded architects to design one-off schemes for one-off sites. In the new regulatory environment where public consultation is an increasingly important aspect of the planning process, Carmona contends that only better quality residential design will achieve public support for new housing allocations desired by the speculative housebuilding sector. In this sense, since the required ‘upskilling’ in design capacity epitomises the challenge now facing many volume builders, the extent to which companies have already invested in higher-quality design may well reflect their long-term capacity for survival.

7. CONCLUSION

The provision of speculative housing for sale in the UK has become increasingly dominated by a small number of very large companies who have built their experience and reputation on a particular mode of production that is now threatened by an emerging policy agenda. The Government’s determination to switch the balance of new residential development from greenfield

to brownfield locations is, however, but one component of the changing regulatory context for speculative housebuilding. Other requirements now being placed on housebuilders by the state include better design and energy efficient standards and an array of financial demands that collectively fall within the scope of planning gain.

It is evident that some volume housebuilding companies have already appreciated the far-reaching nature of the regulatory change and begun to chart new business strategies that place them at the forefront of brownfield development. It would seem, however, that many other still regard brownfield housing as a specialist or limited part of their business and are not investing significantly in pre-emptively building the kind of core competencies that would give them a leading edge in urban development. In one sense, this is perfectly understandable since there is still plenty of greenfield development taking place and it remains less risky and often more profitable than brownfield development. However, if the management literature is correct, such firms should beware of over-reliance on technologies and practices drawn from an earlier age that may not necessarily serve them well in the future. Unless they are prepared to take the chance and invest in what they believe to be the necessary competencies of the future, they risk being overtaken by their smaller competitors.

From a policy perspective, however, this discussion illustrates the essential inter-relationship between structure and agency. For the purposes of the paper, the changing regulatory environment has been bestowed with primarily structural characteristics to which individual companies must choose how best to react. Of course, in a housing market dependent primarily on private-sector provision, the success of the 60% brownfield target depends primarily on the willingness of the private sector not merely to accept it with some reluctance but rather to devise innovative ways to deliver the policy objectives with some style. Thus what has been presented in the paper as an essentially structural characteristic is reliant for its permanence on the extent to which it becomes enthusiastically embedded within the strategies, interests and actions of key agents. In this sense, policy-makers are not distant spectators but have a vested interest in the rapid development and dissemination of core brownfield competencies, even if that can be achieved only by significant restructuring of the speculative housebuilding sector.

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