



SCOTTISH LAND COMMISSION  
COIMISEAN FEARAINN NA H-ALBA

## Land for Housing & Development

There have long been concerns over a housing crisis in Scotland: not enough new homes are built and they are unaffordable for many, while the quality of new places remains “stubbornly low.”<sup>1</sup> The cost and availability of housing also has a major impact on the economy and on quality of life. With different theories on how land can help to deliver more homes and better places, we need to look at the housing land market in more detail.

The Scottish Land Commission’s work on [Land Value Sharing and Public Interest Led Development](#) provided evidence that there is a strong case for the public sector to play a more active role in initiating and shaping development to secure better outcomes, and to use the uplift in land value created when a site receives planning permission to support public benefits such as better greenspace or community facilities. The Commission’s [advice to Scottish Ministers \(Options for](#)

[Land Value Uplift Capture](#)) also made clear that there is no single silver bullet solution to delivering more homes and better places. Any reforms need to be seen as fair to all participants in land for housing development.

Over the past two years, the Commission has examined the issue through a series of six reports: in this paper we explain why we carried out this work and set out the main findings from each report.

<sup>1</sup> Delivering Design Value: The Housing Design Quality Conundrum by James White (CaCHE) – <https://housingevidence.ac.uk/publications/delivering-design-value-the-housing-design-quality-conundrum/>



Aerial View of Anderston Regeneration Project © Andrew Lee

## What is the issue?

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

Concerns about housing affordability, and a shortage of housing, however, pre-date the Covid-19 pandemic. While housing supply has gradually increased since a low point after the 2007-8 recession, the number of new homes built is not yet back to pre-recession levels. Since that recession there has been a growing intergenerational gulf between housing ‘haves’ (older homeowners) and ‘have nots’ (younger people living in private rented housing).<sup>2</sup> The situation will worsen unless more homes are built. Increasing demand is predicted as people live longer and more people live in smaller households or alone.<sup>3</sup>

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

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

<sup>2</sup> Shelter – Commission on Health & Wellbeing (2015)

<sup>3</sup> National Records of Scotland – Household Projections for Scotland (2018)

## Land and Private Housebuilding

### How Speculative Housebuilding Works:

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

## Is Land Banking Responsible for High House Prices?

Many people believe that ‘land banking’ is at the heart of problems in the housing market. The term is often used in a derogatory way, with a belief that developers hoard land, delaying construction until rising land values enable them to make a greater profit. The development industry argues instead that land banking is essential to their business, providing a steady development pipeline.

There is a distinction, often missed, between land that house builders need to maintain their immediate development pipeline (land already in the planning process likely to be

developed in 2-3 years) and land not yet in the planning process held to ensure a long-term supply of sites for future projects. This 'raw land' is sometimes referred to as a strategic land bank (providing a pipeline for perhaps 15 years). Developers often have option agreements to buy and develop these sites if they receive planning permission.

Research published by the Commission (Chamberlain Walker, 2020) looked at land banking and explored the distinction between a short-term development pipeline and a longer-term land bank. The report found that while there is no evidence of developers land banking sites with planning permission, it is much less clear what is happening further back in the system. There is currently a significant lack of transparency surrounding ownership and control of development land in Scotland and this makes it very difficult to assess what is really going on.

That is why the Commission is calling for transparency of information about who owns and controls development land – and the impact this has on the market.

## The relationship between development land price and house prices

While there is widespread concern about house prices and affordability, there is debate as to whether the availability and price of land influences house prices. The housebuilding industry has in the past argued that second-hand house prices drive land prices, and that the availability and cost of development land does not affect house prices. There was a need to investigate this and understand how the housing land market operates.

Research was commissioned on how the price of land for housing development influences the price of existing homes.

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

## The Case for Change – Why we need new models of housing delivery

The most significant finding of these two pieces of work is that the speculative private development model, which delivers most new housing in Scotland, is not suited to increasing the supply of new homes or to making homes more affordable. To deliver profits to pay shareholders and manage the risk of developing, large housebuilders tend to concentrate mainly in markets that provide the biggest and most certain return. This has led to a focus on developing larger homes on greenfield sites in high value areas.

## Delivering Homes in Rural Scotland and Regeneration Areas

More affordable rural homes are needed in rural Scotland to provide housing for young people and sustain communities. [An 'Investigation into Scale and Concentration of Land Ownership'](#) by the Commission found that there were concerns among rural communities that land owners were inhibiting housing development by either not releasing land for housing or by demanding prohibitive prices for housing land.

Research was commissioned by the Commission from Savills that looked at the role of land in delivering more affordable homes in rural Scotland. It found that large

developers could not make the returns they needed in rural Scotland or in regeneration areas and so, overall, they did not build in these places.

This means that in rural Scotland, other organisations take on the challenge and risk of delivering new homes, and communities often perform this role. It is important then to support other models of housing to grow in rural Scotland and regeneration areas.

Looking at the way that private housebuilding works and the fact it does not deliver new homes in rural Scotland, it is clear that to deliver the housing outcomes that Scotland needs we have to encourage a more diverse range of organisations to deliver housing in areas not served by large housebuilders and reduce the risk taken on land by the private sector to deliver homes where people want to live at prices that they can afford.

## Learning from What Works

To understand the role of land in delivering better places, we looked at a range of new developments across Scotland in cities and towns. The report, by the Collaborative Centre for Housing Evidence (CaCHE), found that better quality places can be created where public bodies take a lead in assembling land and bringing forward sites for development. This enabled local authorities to shape housing markets and to deliver development in the public interest – for example creating quality public and green space as a central part of the new place.

Other factors that contribute to the creation of successful places were the development of brownfield sites (providing homes close to jobs and public transport) and in-depth community engagement.

## Benefits of Early Engagement

Developers find that there is often opposition to proposed new housing development, while communities often feel that they are not meaningfully consulted on where new homes should be built. Nick Wright and Steven Tolson studied the benefits that in-depth and early community engagement could deliver and found that getting communities involved earlier in decisions can lead to the creation of better places, reduces risk for developers, speeds up delivery and reduces conflict.

To deliver these benefits, however, engagement has to take place earlier with real opportunity for communities to shape the quality of their place. To achieve the tangible benefits to in-depth early engagement, planning departments must be properly resourced. This can create meaningful collaboration between developers, communities and local authorities to deliver better places, identifying where new housing should be built and shaping the nature and quality of new developments.

## What Works

To deliver more homes and create better places, local authorities need to be empowered to lead in providing land for development to meet a range of housing needs and shape the quality of places created by new housing.

The CaCHE report made clear that where public bodies play an active role in the land market to shape development, then high quality places can be delivered. This leads to an interesting question – if this is the case, then why is public interest led development the exception in Scotland? And how could the housing land market be reformed to make this type of development the norm?



## Learning from Europe

Some European countries (especially the Netherlands and Germany) are often cited as exemplars in delivering affordable housing and quality place-making. To understand how Scotland could reform our housing land market to deliver better outcomes, we looked at three north-western European countries with a strong track record in delivering homes to meet need and demand and in creating high-quality places. We found that, in the Netherlands, Germany, and Switzerland, a number of key factors contributed to the delivery of housing and the creation of quality places:

- The public sector has a proactive role in assembling land for development, and the public sector shaping places and markets is a major feature in all three countries.
- European local authorities exercise a greater degree of control over development than in Scotland.
- Success is equally down to the private and public sectors – the public sector assembles land for development and master-plans sites, but works hand-in-hand with the private sector which is responsible for project viability and for delivery.
- The proactive role of the public sector reduces risk for the private sector. This in turn can allow developers to sell more homes at lower values and allows more of the land value created by housing to deliver quality green and public spaces.

### Creating Quality Places:

- Each of the case studies re-used brownfield land to create quality places.
- Masterplanning and design competitions were used to ensure place quality.
- Each case study focused on providing high-quality greenspace and prioritised active travel over car use.

## Reforming the Housing Land Market to Deliver More Homes and Better Places

Our current approach to housing isn't working; it is too reliant on a model focused on maximising shareholder value rather than the public interest, ignoring those parts of Scotland that need housing such as rural Scotland and regeneration areas.

For Scotland to deliver more and better homes in the right places we need to reform how land is brought forward for development. It needs to be done in a way that works in the public interest and contributes to an innovative and successful economy.

The Scottish Land Commission has made [recommendations](#) to transform the way land is brought forward for housing in Scotland, enabling the public sector to take a more proactive role in how land is allocated, assembled and developed, sharing the risk but also to benefit from the rewards. By collaborating with the private sector to provide land for development it would reduce the risk for housebuilders, allowing them to deliver more homes and better places.

The five recommendations are:

- Establish a new recyclable fund to help create a network of 'place pioneers' – an ambitious programme of affordable housing delivery utilising repurposed publicly owned property assets in town centres and privately owned housing stock in remote rural communities.
- Empower local authorities to designate Regeneration Partnership Zones to speed up the redevelopment of land in fragmented or multiple ownership so that landowners and public authorities can share the long-term uplift in land values.

- Introduce new approach(es) to land value capture to ensure that uplifts in land value arising from public investment in infrastructure and land remediation are captured effectively and invested in place-making.
- Create a new public land agency, with the power and resources to ensure that a steady supply of development-ready sites is brought forward at the right time and in the right places to meet Scotland's housing needs.
- Introduce a new transparency obligation that would require options agreements and conditional contracts over land to be disclosed on a public register that is kept updated alongside regular publication of a statistical bulletin on land sales prices.

The recommendations set out five building blocks which, taken together over time, provide a practical pathway to change Scotland's approach and deliver better places at prices people can afford.



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Aerial view of Dargavel development. © Cass Associates