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Sarah Payne

Pioneers, pragmatists and sceptics: speculative housebuilders and brownfield development in the early twenty-first century

Sarah Payne is Teaching Associate at the University of Sheffield, Department of Town and Regional Planning, Western Bank, Sheffield S10 2TN; email: s.payne@sheffield.ac.uk

Despite the significant role that speculative housebuilders have in new housing provision, little attention has been paid to understanding the behavioural practices of speculative housebuilders and, in particular, evaluating their response to state-led policy initiatives seeking to influence their business practices. In addressing this gap, this paper uses the policy switch favouring brownfield development as a mechanism for examining how housebuilders respond to increasing state intervention in their business practices and, in doing so, explores the increasingly contested relationship between the state and the market in housing supply. It then reflects on what impacts this may have on housing delivery within the changing financial and policy context beyond 2010 and warns that public policy seeking to influence the location, type, quantity and quality of new housing needs to be supported by policies that encourage widespread behavioural change in the speculative housebuilding industry.

Keywords: speculative housebuilders, brownfield development, development process, state market relations, housing supply

The late twentieth century saw speculative[1] housebuilders emerge as key delivery agents of new homes in the UK, earning them greater responsibility in shaping the way our towns and cities develop. While the growth of speculative housebuilding can be traced back to the pre-war 1930s, when government subsidies resulting from the 1923 Housing Act, alongside rising real incomes, population growth, low building costs and falling interest rates (Wellings, 2006) combined to stimulate private sector activity, it was the 1950s when speculative housebuilding rapidly accelerated. Annual proportional housebuilding completions by speculative housebuilders rose from 14% in 1949 to 54% in 1959 (DCLG, 2010). This growth was due in part to speculative developers participating in the rapidly expanding public sector housebuilding programme (the result of post-war housing shortages) as well as the removal of building controls and tax on development value in 1953 (Wellings, 2006). The growth of speculative housebuilding was

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

significantly to affect the balance of housing tenure in the UK, particularly during the 1950s and 1960s, and has since resulted in increasing numbers of homeowners and a shift from a previously dominant social rented-housing tenure to one currently dominated by owner occupation.

This proportional increase in private sector housing delivery is concurrent with a decrease in public[2] sector contributions, with total public sector housing output falling from 87 per cent in 1951 to 23 per cent in 2010, with a record low of nine per cent delivered in 2003 (DCLG, 2010). During 2011, speculative housebuilders were responsible for delivering 76 per cent of all new homes built in the UK.[3] This structural shift in housing provision has placed speculative housebuilders as key delivery agents for both market and social housing in the UK, with the latter being facilitated primarily through the planning system via s106/75 planning gain obligations.

The growing responsibility of speculative housebuilders in new home provision has been matched by an increasingly tighter regulatory agenda, driven forward by New Labour's ambitious sustainable communities plan and associated urban renaissance agenda (see Urban Task Force, 1999; 2005) seeking more compact, mixed-use urban forms and a reduction in greenfield development (Williams and Dair, 2007). In particular, policies seeking to influence the location, type, quantity and quality of new housing have tightened (see Adams, 2004) and become more onerous for an industry used to moderate levels of state intervention in their business practices.

Despite the convincing nature of this tightening regulatory environment for speculative housebuilding in sustainable development terms (see Williams et al., 2000), little attention has been paid to understanding how housebuilders respond to policy shifts seeking to change their behaviour and, in particular, assessing whether the industry has the necessary capacity to deliver such changes. In addressing this gap, this paper uses the policy switch favouring brownfield development as a mechanism for examining how housebuilders respond to increasing state intervention in their business practices and, in doing so, explores the increasingly contested relationship between the state and the market in housing supply. It then reflects on what impacts this may have on housing delivery within the changing financial and policy context beyond 2010 and warns that public policy seeking to influence the location, type, quantity and quality of new

[2] This includes provision by Registered Social Landlords and Local Authorities (see DCLG, 2010).
[3] Own calculation based on 'Live Table 208 House building: permanent dwellings started, by tenure and country', available at http://www.communties.gov.uk (last accessed on 28 June 2012).

housing needs to be supported by policies that encourage widespread behavioural change in the speculative housebuilding industry.

This paper is structured as follows. The next section explores the business and policy drivers of institutional change in speculative housebuilding, emphasising the antagonistic relationship between the state and the market in housing supply and the industry's innate conservatism and deep-seated resistance to change. After this, a conceptual understanding of institutional change is presented and the research method discussed. This is followed by a discussion of the research results, which reveal a distinction between embedded and superficial change by housebuilders in response to the policy switch favouring brownfield development. The final section reflects on the research findings within the changing policy and financial context and considers what impact this may have on housing delivery in the early twenty-first century.

The business and policy drivers of institutional change in speculative housebuilding

UK speculative housebuilders operate within a distinct institutional environment which greatly influences the way they conduct their businesses. Financially, their success is highly dependent on the performance of land, housing and finance markets, where even the slightest changes in interest rates or house prices can have significant ramifications on profit margins and development viability (see Jones et al., 2009). Operationally, product design and delivery is regulated by public policies controlling the supply and location of housing land and the type and quantity of development. These factors combine to make speculative housebuilding an inherently risky and innately volatile enterprise, owing to this uncertain operating environment. The UK housebuilding model is distinct from many European and North American housing models. Indeed, whilst land-use planning and housing policies are strongly interventionist in many European countries (Ball, 2006), distinct differences exist within European housing systems owing to differences in the institutional structure of housing provision (Ball, 1999; RICS, 2011). Buzelli (2001) argues that housebuilding in Britain and Europe is more concentrated than in North America because of the use of more capital-intensive building methods that require economies of scale in resources and larger-scale state contracts.

In industry terms, while over 18,000 housebuilders currently operate in the UK, speculative housebuilding is distinctively concentrated (see Nicol and Hooper, 1999), both in market share and productivity terms, and is dominated by a small number of large, volume and super builders.[4] In 2010, the three biggest UK speculative 'super' housebuilders[5] – Taylor Wimpey, Persimmon and Barratt – produced a combined total of 30,732 units, equating to 23 per cent of total housing completions that year.[6] In contrast, Buzelli's (2001) researched revealed that the North American housebuilding industry is distinctly not concentrated, where the biggest firms display neither the growth rates nor longevity necessary to produce high levels of concentration as seen in the UK. This, he argues, is because in North America the industry's structure appears to change in cycles, where 'the nature of construction work, largely undercapitalised and subcontracted, allows large builders to dip in and out of new home construction, using their financial resources to "switch" between alternative market opportunities' (Buzelli, 2001, 548).

In process terms, the speculative approach to residential development involves five distinct events: land acquisition, development design, planning permission, construction and marketing (Adams and Watkins, 2002). This process can be a lengthy one and often requires significant upfront 'sunk' costs before revenue is generated (Bramley et al., 1995). This is because housebuilders secure development finance, land and planning consent and usually construct developments before contracts are signed with end purchasers (Wellings, 2006) and any return is achieved on capital employed. Conventionally, speculative housebuilders have balanced risk and reward by concentrating on greenfield development (Adams and Watkins, 2002), which limits sunken costs and unnecessary financial exposure throughout the development process.

In dealing with an uncertain operating environment, businesses are faced with the need to make strategic decisions in response to external change (Porter, 1979). For housebuilders however, the literature reveals that recent external threats to their conventional business model, such as tightening regulation (Adams, 2004; Barlow and Bhatti, 1997), poor customer satisfaction (Craig and Roy, 2004) and poor product innovation (Ball, 1999) have yet fundamentally to change or to challenge the way they have traditionally organised their operations. This innate conservatism suggests something deeply ingrained in the organisational cultures of speculative housebuilders which makes resistance to change deep-seated and

[4] Large builders produce 100–500 units per year, volume builders produce 2,000–5,000 units per annum (Nicol and Hooper, 1999) and super builders produce over 5,000 units per annum (Payne, 2009).
[5] By unit completions
[6] In contrast, Barratt and Wimpey (now part of Taylor Wimpey) each built close to ten per cent of the new houses completed in 1983; that same year, the top 25 biggest housebuilders produced 41 per cent of total housing completions (Goodchild and Munton, 1985).

encourages reliance on tried and tested methods in housing delivery (see Adams and Watkins, 2002). Housebuilders remain antagonistic towards state intervention and especially to any changes in public policy that significantly challenge their conventional business practices. This raises important questions around the efficacy of public policies that seek fundamentally to challenge these deeply ingrained organisational cultures to drive change in the industry, but which are not based on an understanding of this behavioural complexity. With this in mind, the discussion now turns to the two key business strategies of UK speculative housebuilders which best reflect this inherent conservatism and, in doing so, emphasises the continued importance of greenfield development to the speculative development process.

Land acquisition

Land is the most important raw material in housing production and the single biggest investment that speculative housebuilders make during the development process. As the amount of developable land is limited by the planning system, this results in an uncertain supply of suitable development sites and generates intense competition between firms to acquire the best ones. Housebuilders therefore allocate much of their resources to acquiring and managing the necessary stock and flow of developable land to ensure a smooth and continuous supply. This is achieved through extensive in-house site search strategies, including saturation surveys (Payne, 2009) and a strong external contacts base in the form of development networks (Adams et al., 2011).

Rather than purchasing the land outright, most housebuilders have conventionally sought to control land through the use of option agreements[7], permitting them to build up land banks[8] comprised of land at different stages of development realisation.[9] This strategy allows housebuilders to contain the costs and risks of land acquisition prior to planning approval, while responding to an uncertain housing land supply. Moreover, land banks also allow for the continuity of production and the flexibility to respond to changing market conditions, while capturing any inflationary gains in land value during the course of the option agreement (Bramley et al., 1995). These land acquisition strategies have historically been finely tuned

[7] Option agreements are legal contracts between the landowner and housebuilders and provide housebuilders with an exclusive right to purchase the site within an agreed time frame.
[8] Land banks are a portfolio of ‘controlled’ potential development sites at different stages of realisation.
[9] Others such as Goodchild and Munton (1985) refer to the ‘maturing of potential’ which takes place during the land banking phase of acquisition. See also Ball (1983).

through the primary use of greenfield land and the willingness of the planning system in the 1980s to release greenfield land for housing development (Adams, 2004; Adams and Watkins, 2002).

Design and construction strategies

Speculative housebuilders seek to maximise development gains by minimising expenditure during the design and construction phase of residential development. This requires making their products and the construction process as efficient and standard as possible, which allows design and construction costs to be forecast accurately and more readily contained (Gibb, 1999). Construction efficiency in housebuilding relates to the use of standardised building materials, designs and construction methods to deliver standardised products.

Housebuilders normally draw on a portfolio of standard house types comprised of two key elements: the structural footprint and the structural facade (Hooper and Nicol, 2000). Using different facades, houses can be ‘dressed’ to match varying site, locality, planning or design requirements without the need for extensive re-design and can be readily reproduced in an efficient and flexible manner (Adams and Payne, 2011). However, standard house types are predominantly defined by housebuilders in terms of their building footprints, ‘for it is this aspect which most directly impinges upon the density of development and thus the land acquisition costs which, in a speculative industry, inevitably predominate over construction costs’ (Hooper and Nicol, 2000, 309). This allows housebuilders to plot units easily[10] on proposed development sites in order to maximise developable acreage thereby driving up their revenue. This strategy is therefore most suitable to greenfield housing development owing to the ‘inherent simplicity’ (Tiesdell and Adams, 2004, 37) in developing greenfield sites, with their limited ground and topography problems. This means housebuilders can utilise a formulaic and mechanistic manner when designing the layout of developments, producing cost-efficient and space-efficient layouts (Tiesdell and Adams, 2004, 37).

However, construction efficiency does not necessarily result in product quality. Ball (1999) argues that the standardisation of process and product is inherently inflexible and deters innovation while Tiesdell and Adams (2004) argue that standard units and greenfield

[10] Some urban design theorists may argue that this produces highly inefficient layouts.

developments are often indifferent to context**,** displaying ‘superficial affectations of difference … [and] … frequently lacking a sense of place, character and identity’ (24).

Having reviewed the key business strategies of speculative housebuilders, the focus shifts to a discussion of the policy drivers of institutional change, specifically brownfield development and density policies, and outlines how this change may challenge the conventional greenfield-based business strategies of speculative housebuilders in their role as primary delivery agents of new housing.

Brownfield and density policy

Brownfield[11] housing development gained prominence in the UK in the early 2000s both as a strategic objective for spatial planning and urban regeneration agendas (Schulze-Baing, 2010) and in its principal role in what were ‘essentially normative policy agendas which included sustainable development and sustainable communities’ (Dixon, 2007, 2379). The New Labour Government positioned brownfield development as an effective mechanism to deliver more compact cities (Williams et al., 2000) and conceived it as a ‘win-win’ strategy, which brought brownfield sites back to beneficial use, relieving development pressure on greenfield sites (Williams and Dair, 2007). The reuse of brownfield land for housing quickly became a political and policy cornerstone of the Labour Government’s urban renaissance agenda (see Urban Task Force, 1999; 2005), and subsequently emerged as one solution to the ‘growing list of contemporary urban problems’ (Raco and Henderson, 2006, 500) facing our towns and cities.

Adams et al. (2010) suggest that the cultural motivation behind brownfield land policy in England, and to a lesser extent Scotland, originates from a longstanding desire to protect greenfield land and prevent urban sprawl. Similarly, Schulze-Baing (2010) suggests that, in addition to its wider urban regeneration benefits, brownfield re-use fits neatly within the long-established planning concept of urban containment, seeking to reduce development pressures on greenfield land.

In England, brownfield housing development was formally[12] introduced as policy in 2000[13] with the publication of *Planning Policy Guidance 3: Housing*, which introduced a

[11] Brownfield land is previously-developed land ‘which is or was occupied by a permanent structure, including the curtilage of the developed land and any associated fixed surface infrastructure’ (DCLG 2011).

[12] In England, the then Deputy Prime Minister, John Prescott, announced in 1998 that 60 per cent of all new homes should be built on brownfield land.

national brownfield target requiring 60 per cent of all new homes to be delivered on brownfield land by 2008 (DETR, 2000b). This was later to be replaced by *Planning Policy Statement 3: Housing,* which removed the original time frame thereby creating a national annual target (DCLG, 2006). Other devolved administrations quickly came to see the benefits of focusing new housing development on previously developed land and, in accordance with the UK Government's sustainable development aspirations (see HMG, 2005), subsequently introduced planning policy which promoted the use of brownfield land for housing development 'in preference' to greenfield land (National Assembly for Wales, 2006; Scottish Executive, 2003).

Alongside the policy switch favouring brownfield housing development, the Government also sought to influence the form of residential development further by requiring an increase in residential development densities to between 30 and 50 dwellings per hectare (DETR, 2000b. Combined with the brownfield target, this was to tighten the regulatory agenda facing speculative housebuilders in the early twenty-first century (Adams, 2004) and sought fundamentally to challenge the existing skills base of much of the industry.

Brownfield challenge and brownfield success?

Adams (2004) argues that because the residential development process is distinctly different at brownfield locations compared to greenfield locations, UK speculative housebuilders are required to develop new business strategies to exploit emerging brownfield market opportunities. In drawing on the previous work of Adams and Watkins (2002) and Adams (2004), Figure 1 presents a summary of the key challenges facing speculative housebuilders in this new regulatory environment, making clear that existing land-focused and construction efficiency strategies might not be suitable.[14]

[13] While the primacy of brownfield land for new housebuilding in the UK was firmly established in 2000, it was the Housing White Paper (DOE, 1995) under the Major administration that set the original target for brownfield housing development, stating that at least 50 per cent of the required new housing should be on urban land. Similarly, in the 1990s, residential development was an important part of urban and regeneration policies (see DOE, 1995; DETR, 1998; 2000a; 2000b), where housing was incorporated into city centre regeneration initiatives, partly in response to rising housing-needs projections for single person households (Bromley et al., 2005).

[14] While it is clear that the brownfield housing policy agenda fundamentally challenges the traditional, well-refined and risk-adverse greenfield-based business strategies of UK speculative housebuilders, the industry faced other significant challenges during the first seven years of the twenty-first century, where sustained housing demand and housing undersupply (Barker, 2004), together with a relatively buoyant property market (see Punter, 2010), put pressure on housebuilders to increase the pace of new development to meet this growing demand.

Conventional Strategy	Conventional 'Greenfield' Skills	Required 'Brownfield' Skills
Land Acquisition	• Exploiting low land value through the use of lengthy options to capture inflationary gains. • Reliable site preparation costs allow certainty in development appraisal. • Larger sites allow ease in assembling large land parcels. • Existing knowledge of the market and its contacts provides low risk and more certainty. • Maintaining a suitable flow of short, medium and long term land.	• Controlling ownership by other means than lengthy options and seeking added value in alternative ways than from inflationary gains in land value. • Integrating expensive site preparation costs into development viability. • Dealing with smaller sites and protracted land ownership. • Dealing with a lack of knowledge in brownfield markets and building up the necessary contacts and market information. • Incorporating brownfield land into the flow of suitable sites.
Product Design	• Standard products for standard locations. • Standardised layouts and construction methods. • Certainty in build cost.	• Need for tailored and bespoke design solutions. • Dealing with uncertain development costs. • Adding value directly from the product and not land. • Dealing with smaller sites.

FIGURE 1 – Brownfield skill requirements for speculative housebuilders
(Source: Adapted from Adams and Watkins 2002 & Adams 2004)

While most housebuilders were slow to react to the policy switch favouring brownfield development, there were a few notable exceptions of more innovative niche housebuilders who sought to capture the brownfield market and had business strategies firmly positioned towards redeveloping brownfield land. Notable examples include Berkeley Homes (see Karadimitriou, 2005) and Urban Splash, a Manchester-based urban regeneration specialist.

Despite this slow start, the brownfield policy ambitions of the UK governments appear to have been successful, at least in statistical terms. In England, brownfield completions[15] rose year on year from 62 per cent in 2000 to 75 per cent in 2007 (DCLG, 2008). In Scotland, brownfield housing completions remained, on average, around half of all private sector housebuilding completions between 2000 and 2007 (Scottish Government, 2010).

This apparent policy success led commentators such as Dixon (2006) to argue that developers were 'coming to terms' with brownfield development, while Shephard and Dixon

[15] Including conversions.

(2004) suggested that housebuilders had a clear intention to continue increasing the amount of brownfield development they were undertaking, supported by the composition of their land banks. However, as is discussed later, the extent to which brownfield development became an embedded form of business activity for speculative housebuilders, demonstrating a genuine commitment to altering conventional business strategies in response to state intervention, cannot be judged wholly on statistical outcomes alone. Indeed, as this paper will argue, the extent to which behavioural/organisational change is meaningful is contingent on the presence of genuine and significant institutional change in UK speculative housebuilding.

So far, this paper has detailed the conservative nature of the UK speculative housebuilding industry in responding to external institutional change and has emphasised the challenges that UK speculative housebuilders face in responding to the policy switch favouring brownfield development. In the next section, the paper seeks to develop a greater conceptual understanding of institutional change in speculative housebuilding and, in particular, the way in which change may or may not occur.

Exploring institutional change

This section draws on institutional analysis and organisational change literature to explore institutional change and inform the research method.[16] It seeks to explain why change may or may not occur and, in particular, why some organisations respond to change through embedding new business practices, while others rely on only superficial modifications to their existing business practices. In doing so, it reveals how meaningful organisational change may be contingent on the presence of significant and genuine institutional change.

Institutional analysis in British property research seeks to uncover a varied array of actors and interests who all play diverse roles in relation to various elements of the development process, while acknowledging the interrelation of structuring dynamics and the active constitution by agents of their interests and strategies (Healey, 1991). In relation to the dynamics of change, institutional presence and interaction can reinforce existing social, economic and political divisions (Raco, 1998, further reinforcing 'institutional paths' and therefore continuity (Needham and Louw, 2006). In this sense, the need for inter-institutional objectives and a strong institutional presence, providing a commitment towards partnership, governance and a service of

[16] Please refer to Payne (2009) for a fuller articulation of this conceptual approach.

common enterprise, may be necessary to encourage institutional paths to dissipate and old habits to die (McLeod, 1997) in order to create the necessary conditions for change to occur.

While organisations are not the same as institutions, they are an important focus for institutional analysis ‘in their roles as collective actors, subject to wider institutional constraints and also as arenas within which institutional rules are developed and expressed’ (Lowndes 2001, 1958). In other words, exploring organisational change within a broad institutional analysis reveals how and why some organisations resist change in response to the wider institutional dynamics and why some organisations actively pursue change. It also reveals how meaningful organisational change may be contingent on the presence of significant and genuine institutional change.

In explaining how and why organisations should respond to external change (see Porter, 1979), Adams (2004) contends that speculative housebuilders will be required to build up ‘core competencies’ (Prahalad and Hamel, 1990) in brownfield development if they are successfully to capture the emerging brownfield market. Moreover, Dobson et al. (2004) warn that those organisations who do not seek to respond to change may become strategically vulnerable as they become too specific to a particular context. In this sense, if further change occurs, such organisations can find it hard to respond and core competencies can become dysfunctional to performance. Some organisations continue to resist change, and North (1991) argues that rational considerations of profit and loss often lead to the decision to continue along the same institutional path, continuing the same practice with only marginal changes, leading to lock-in and what he terms path dependency.

However, for Jessop (2001) such rational choice is rejected in favour of a ‘strategic–relational’ approach, in which he recognises the differential capacities of actors. In reconceptualising Giddens’ (1984) theory of structuration, Jessop (2001) argues for an examination of structure in relation to action and of action in relation to structure, rather than ‘bracketing’ one of them. He treats ‘structures’ analytically as strategic in their form, content, and operation and ‘actions’ analytically as structured, more or less context sensitive, and structuring’ (1223). In this sense, a given structure may privilege some actors, some identities, some strategies, some spatial and temporal horizons and some actions over others. Actors (individual and/or collective) take account of this differential privileging through ‘strategic-context analysis’ when choosing a course of action and may adopt strategies to take advantage of 'conjunctural moments', which are those structural elements that can be modified by a particular actor pursuing a particular strategy at a particular time and which contrast with 'structural moments' that cannot be so modified (1223). Such strategic calculation may describe why housebuilders appear resistant to change, in the sense that structural change may actually be privileging some of their actions.

The discussion reveals three important questions for research which are addressed in this paper. First, this paper asks whether innovative companies better placed to deliver brownfield policy will emerge as market leaders in speculative housebuilding, challenging the currently dominant producers. Second, this paper questions whether and to what extent housebuilders will rely on their existing business model under the brownfield *modus operandi*. Third, this paper considers the findings of the research alongside the Coalition's planning reforms and ongoing volatile institutional context and seeks to explore how effectively the prevailing business model of speculative housebuilding can ride out future institutional shocks to deliver well-intentioned, state-led policy goals in the spirit in which they were created.

Research method

The empirical work presented here set out to uncover the behavioural response of UK speculative housebuilders to the policy switch favouring brownfield sites. It used quantitative methods to provide a general overview of attitudes and behaviours of the housebuilding industry, which were complemented by in-depth qualitative methods at the firm level. The empirical research[17] was undertaken between 2006 and 2007, at a time when the brownfield policy agenda was firmly established. It was conducted in two stages. The first stage sought aggregate data at an industry level through a postal questionnaire targeted at the largest 104 UK housebuilders (by unit completions) identified by Wellings (2006) as completing more than 100 units per annum in 2004. This achieved a 46 per cent response rate. Responses to the postal questionnaire were categorised into 'Typologies of Brownfield Development'[18] from which a sample, to be used in the second stage of the research, was generated.

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[17] Please refer to Payne (2009) for a fuller articulation of this empirical approach.

[18] The typologies were developed using a categorisation process, based on the results of the postal questionnaire, which sought to establish housebuilders' past and future commitment to brownfield development through their building and land-banking activities. Housebuilders were assessed and categorised based on their responses to four questions in the national survey, which asked about current brownfield completions, percentage of brownfield sites

The second stage sought disaggregated data at the company level through detailed interviews with 11 sample companies operating in Greater Manchester or Central Scotland.[19] For confidentiality reasons, pseudonyms are used to identify these companies. The interviews were semi-structured and followed the same broad format, with each interview lasting for between 120 and 150 minutes. The aggregate data provided a general overview of the attitudes, expectations and behaviours of UK housebuilders towards brownfield development while the disaggregated data presented the opportunity to explore firm-specific strategies in response to the brownfield development policy agenda. Below is a brief introduction to a typology of brownfield developers which was generated from the national survey. It contains three categories of housebuilders, namely pioneers, pragmatists and sceptics.

The pioneers were the industry leaders in brownfield development whose strategic and competitive focus rested exclusively on the redevelopment of brownfield sites. These housebuilders delivered 100 per cent of all new homes on brownfield sites and had a land bank comprised of 100 per cent brownfield sites. The pioneers had built the majority of their units on brownfield sites in the past and intended to build all of their units on brownfield sites in the future. They were most commonly known to be regeneration specialists. Well-known national examples of this type of company include Urban Splash and Berkeley Homes. Pioneers comprised 15 per cent of the survey total.

The pragmatists were those housebuilders who demonstrated an increased use of brownfield land for housebuilding in the five years prior to the survey and who intended to continue using predominantly brownfield land in the future. These housebuilders delivered between 60 per cent and 89 per cent of units on brownfield land and had a land bank comprised of between 60 per cent and 89 per cent brownfield sites. Pragmatists comprised 56 per cent of the survey total and tended to be volume and super builders. Well known national examples of this type of company include Persimmon, Taylor Wimpey and Barratt Homes.

The sceptics were those housebuilders who had made only limited changes to their already limited use of brownfield land for housing in the five years prior to the survey and who intended to make only small and limited changes in their use of brownfield land for housebuilding in the

in their land bank, change in brownfield completions over the past five years and intended change in brownfield completions over the next five years.

[19] This research revealed no significant difference in the response of English and Scottish housebuilders to the brownfield policy switch and therefore no spatial distinction is made in the presentation or evaluation of the research.

five years following the survey. These housebuilders delivered less than 60 per cent of all new homes on brownfield sites and had a land bank comprised of over 60 per cent greenfield opportunities. Sceptics comprised 29 per cent of the survey total and tended to be the small- to medium-sized builders.

Evidence and reflections

Using the research results, this section discusses the behavioural response of speculative housebuilders to the policy switch favouring brownfield development and reveals a clear distinction between embedded and superficial change. It shows that only a small cohort of housebuilders sought to embed increasing rates of brownfield development within their existing business strategies. In contrast, the majority of housebuilders responded to the policy switch with notable caution, seeking to accommodate brownfield development within their conventional business model rather than making any fundamental changes to suit the demands of the policy switch.

Embedded change: the pioneers

The discussion here focuses on the small cohort of housebuilders, termed pioneers, who had sought to capture the brownfield land market by aligning their business strategies almost exclusively to the redevelopment of brownfield sites. The discussion reveals that while their business strategies were successful, the pioneers did not challenge the currently dominant producers and, in doing so, it addresses the first research question.

While it might be correct to assume that stiff competition exists in the brownfield land market for speculative housebuilders, the research revealed that there was little direct competition between the pioneers and other housebuilders in searching out and acquiring brownfield land. This was because the pioneers, when compared to the pragmatists and sceptics, generally sought out large, stand-alone sites in need of significant regeneration, often with significant ground problems and in areas of low market demand, leaving the smaller and ‘easier’ brownfield sites for the rest of the industry. As one pioneer commented,

> we don't … go out looking for a piece of land at a good price that we think we can make a fast profit on, we more go for an area that seems to have some sort of issues that we feel we would be really interested in and to get sort of stuck into those issues. (Vision Construction)

The ability of the pioneers to convert these large, troublesome sites into financially viable development opportunities rested largely on two key reasons. First, pioneers often never bought brownfield land outright and so limited their upfront sunk costs.[20] Instead, they generally entered into development agreements with the landowner, often the local authority, and developed brownfield land under licence in much the same way as traditional contractor builders (Ball, 1983). The profit split from the sale of completed dwellings, after land remediation, design, construction and marketing costs, was agreed in advance. The ability of the pioneers to limit significant financial outlays in upfront land purchase greatly reduced the risk of speculatively developing 'hardcore' brownfield sites, as one pioneer commented:

> quite often the public sector own the land so what happens in major areas in decline is that … the public sector starts to gather the land together into a … land bank that it can then go out to the market to say … we know that it's got some issues but it has some sort of certainty because we've managed to ring fence it and … we'll make it into a regeneration area for you. (Vision Construction).

Second, pioneers directly employed only a small number of highly qualified staff, who used their expertise to coordinate and manage a range of externally appointed specialist consultants. These specialist consultants were responsible for gaining planning permission, remediating the land, and designing and constructing the development. Distinctly, pioneers often retained control over the marketing of the site and used in-house expertise to deliver this. This employment model meant that while pioneers were generally smaller in size when compared to their volume or super-sized counterparts, they were highly specialist and had often built up close working relationships with their specialist consultants, as one pioneer commented:

[20] See Clark and Wrigley (1995).

Figure 2 A typical pragmatic bespoke flatted development, Aberdeen, Scotland.
Source: Photograph taken by Dr Steven Tiesdell and reproduced with permission from Professor David Adams, University of Glasgow.

Figure 3 A typical pragmatic standardised flatted development, Castlefield, Manchester, England. *Source:* Photograph taken by Dr Steven Tiesdell and reproduced with permission from Professor David Adams, University of Glasgow.

Figure 4 A typical pioneering bespoke flatted development, Ancoats/New Islington, Manchester, England.
Source: Photograph taken by Dr Steven Tiesdell and reproduced with permission from Professor David Adams, University of Glasgow.

Figure 5 A typical sceptical standardised flatted development, Salford, England.
Source: Photograph taken by Dr Andreas Schulze-Baing, University of Manchester. Reproduced with permission of the owner.

> From the beginning, the philosophy was to get high calibre people, so we've got almost more Chiefs than Indians, which makes your people expensive but high quality. Then what we do, we partnership with various consultancies, so the troops – the Indians – are the consultancies that we use, so this office is more a coordinator of external skills and depending on the issue, we know who to go to for whatever the problem is, so we're more a pulling together team. (Unicorn Construction)

It was primarily the ability of the pioneers to rely on institutional support during the land acquisition process, through development partnerships with landowners and good relationships with externally appointed specialist consultants, which allowed them to approach design and construction in bespoke and non-traditional ways, thereby creating more opportunity space[21] (or strategic freedom to manoeuvre) for their designers. Indeed, pioneers sought external architectural designs, often from well-known designers, to deliver site-specific 'bespoke' design solutions generating an entirely new image for the area, which were specific to the site's constraints, characteristics and location in addition to the expectations and demands of the landowner and the regulatory requirements.

Design was therefore where pioneers sought their competitive edge from the rest of the speculative housebuilding industry and the retention of marketing skills in-house meant that they had full control over how they 'branded' the site. In doing so, pioneers had well-developed marketing skills, where challenging people's perceptions of previously used land had become the main focus. As one pioneer commented

> People want to see what they can get, so you've got to get a show house and you've got to get a street scene. If we are going to get advance orders, we've got to convince people what it's going to look like at the end of the day. You need to change people's perceptions of what that site was. (Vision Construction)

[21] See Tiesdell and Adams (2004).

Superficial change: the pragmatists and sceptics

This section addresses the second research question and provides evidence of how those housebuilders termed pragmatists and sceptics sought to accommodate brownfield development within their existing business strategies through the development of fresh skills, rather than changing those strategies to suit the demands of the policy switch. It reveals that while the pragmatists increased their delivery of new homes on brownfield sites, the sceptics remained cautious and unwilling to switch their conventional business focus significantly from greenfield to brownfield development.

For the pragmatists and sceptics under the brownfield model, land remained the lifeblood of their business operations and their main source of profit generation. Therefore sourcing and controlling land continued to be a critical business activity. Distinctively, the pragmatists viewed brownfield land opportunistically rather than strategically and sought to gain advantage from placing brownfield sites within their existing land procurement functions as short-term windfall opportunities. When compared to the pioneers, this meant that pragmatists, and to a lesser extent sceptics, generally favoured easy-to-develop brownfield land which was smaller in size, less prominent in location and had limited physical and market constraints, with a shorter development realisation than greenfield land.

As greenfield land opportunities reduced after the policy switch, the pragmatists and sceptics were forced to consider brownfield land for acquisition to maintain their flow of suitable development land in the short term and secure continued housing production. In doing so, the pragmatists, and to a larger extent the sceptics, exercised significantly greater discernment in brownfield site selection and, in seeking to contain the risk and uncertainty associated with its purchase, brownfield land was selected largely on its market potential and likelihood of gaining planning permission, in addition to other firm-specific reasons including cost, profit potential and the need for 'oven ready'[22] sites. The effect of the policy switch was to squeeze available housing land and force housebuilders to consider any developable land, whether it was brownfield or greenfield land, as a classic quote from one pragmatic developer revealed:

[22] 'Oven ready' sites refer to those sites which already have outline or detailed planning permission and are therefore available for development sooner than sites currently in use or without planning consent.

> What makes us choose sites … whether it'll get planning permission and is in areas where we can sell the houses … any land that we can get our hand on … so if that means we buy brownfield land, we buy brownfield land, it's a simple as that. (Arden North West)

For the pragmatists and sceptics, the shift from land selection to acquisition under the brownfield model was distinct from traditional greenfield-based practices and greatly reflected the need to accurately forecast and control costs. Housebuilders would first commission desktop research to identify any previous uses associated with the site. They would then commission 'phase 1' intrusive site investigations to determine, with reasonable clarity, the extent, location and cost of any ground-related issues requiring remediation and/or mitigation measures. The cost of these were then factored into the traditional development appraisal methods utilised by housebuilders (see Adams and Watkins, 2002) as 'abnormal costs', from which a land value was generated and offered to the landowner. A sceptical developer interviewed explained this process:

> So, we'll pay you £2 million for 'clean' land i.e. no abnormal costs. From that, take off costs of demolition, remediation, resulting ground conditions for piling, surfacing issues, planning requirements etc, to arrive at a net payable land price. We have to arrive at these before we enter into a contract. (Edzell North West)

Upon negotiation and agreement of a land value and purchase in principle, housebuilders would then enter into a conditional contract with the landowner. This was a legal commitment to exchange ownership of the site subject to a number of agreed conditions, specific to each site but which always included the following:

- 'Subject to Planning': The satisfactory achievement of a fully implementable planning permission.
- 'Subject to Ground': A satisfactory, detailed phase 2 site investigation report and remediation strategy.

Only when the conditional contract was signed by both parties and the commitment to purchase established would the housebuilder then commit to investing ‘sunk costs’ into the site, through undertaking a detailed ‘phase 2’ site investigation report and preparing and submitting a planning application. While there was undoubtedly a greater commitment to purchase established under this approach, conditional contracts effectively provided housebuilders with a get-out clause of purchase in the event that any unforeseen planning or ground-related issues arose during the planning application process or detailed ‘phase 2’ site investigation which may have rendered a site financially unviable for their proposed development.

Type	*Key Features*
Pioneers	• Pioneers were industry leaders in brownfield development. • Strategic and competitive focus was on the redevelopment of brownfield sites, • Most commonly regeneration specialists, e.g. Urban Splash • Delivered 100% of all their new homes on brownfield sites and had a land bank comprised of 100% brownfield sites. • Had previously built all of their units on brownfield sites and intended to build all of their units on brownfield sites in the future.
Pragmatists	• Pragmatists were those housebuilders who had demonstrated increased use of brownfield land for housebuilding in the previous five years and who intended to continue using predominantly brownfield land in the future. • Delivered between 60% and 89% of their units on brownfield land and had a land bank comprised of between 60% and 89% brownfield sites. • Demonstrated positive changes in their ‘brownfield behaviour’ in the previous five years and intended to continue making positive changes in the next five years.
Sceptics	• Sceptics were those housebuilders who had continued to make only limited use of brownfield land in the previous five years and did not expect this to change in the next five years. • Delivered less than 60% of all their new homes on brownfield sites and had a land bank made up of predominantly greenfield opportunities.

Figure 6 Typology of UK Speculative Housebuilders and their Key Features
Source: Authors own analysis

As land acquisition remained a strategic business activity for speculative housebuilders under the brownfield *modus operandi*, so too did construction efficiency. Pragmatic and sceptical housebuilders sought to maintain cost minimisation in the brownfield development process through the efficient use of space and construction materials and limiting design costs. As one telling quote from a sceptical housebuilder revealed:

> The bulk of risk with any brownfield site is in the ground. What we build above it we're in full control of. We know what it costs; we know how long it takes to build. Anything in [the] ground for a brownfield site, you don't know. (Edzell North West)

In design terms, both the pragmatists and sceptics continued to utilise standard structural footprints, mainly high-density flats and townhouses, where the design of each development related to the façade of the standard structure. This allowed housebuilders to adapt their standard product to differing urban environments while being able to draw on the conventional benefits that product standardisation afforded, as this quote from a pragmatic housebuilder revealed:

> On brownfields we can change the façade of a standard house type and have a similar footprint; we can use different standard bricks, use different external designs, put pitched roofs on it, make it fit something different, which suits the demands of brownfields. (Bridgemere West Scotland)

Construction efficiency, when combined with the relatively expensive and small nature of brownfield sites and their complex ground issues, meant that pragmatists and sceptics generally delivered high-density brownfield developments comprised of standardised flats and/or standardised townhouses, making those sites financially viable. This method also allowed housebuilders to develop brownfield land in accordance with density requirements.

The use of non-standardised 'bespoke' design on brownfield sites was less prevalent by the pragmatists, and even less by the sceptics, than the pioneers. This was because pragmatists and sceptics generally bought brownfield land prior to construction and therefore relied on standardised designs and construction processes to limit costs and reduce risk. The research revealed that pragmatists typically reserved bespoke design for prime city-centre sites and utilised externally sourced experts to design and construct the developments, in a similar manner to the pioneers. The sceptics, whose experience of using bespoke design was limited, found this process challenging, as one quote from a sceptical housebuilder revealed:

> Bespoke gave us build problems in coordinating design and construction. It needs fairly close project management skills to make sure that everything is coordinated whereas with our standard house types, we know we can deliver them in X number of weeks. Bespoke are a lot longer and more complicated – we don't know if we will be doing any more of them. (Caledonian Homes)

Reflections

The research has shown a very clear distinction in the response of speculative housebuilders to the brownfield policy agenda. Only a small cohort of housebuilders, the pioneers, sought to embed increasing rates of brownfield development within their existing business strategies. In contrast, the majority of housebuilders responded to the policy switch with notable caution, seeking to accommodate brownfield development within their conventional business model rather than making any fundamental changes to suit the demands of the policy switch.

Moving beyond this variation in response, the findings also reveal a distinct malleability and flexibility in the conventional business model of speculative housebuilding and a sustained unwillingness of the majority of housebuilders to make any significant or fundamental changes in response to state intervention in their business practices. For UK speculative housebuilders under the brownfield *modus operandi* it has been business as usual, with a sustained focus on land acquisition and construction efficiency driving forward the proportional increase in housebuilding on brownfield sites. This strategic malleability is revealing and perhaps explains how speculative housebuilders have managed to resist making any significant changes to their existing business model in response to previous shifts in policy or public opinion towards, for example, increasing environmental performance or design quality (see Barlow and Bhatti, 1997, and Punter, 2010). It also explains why the emergence of innovative players in the industry, the pioneers, has not significantly altered its structure and organisation by challenging the currently dominant producers. The result is the emergence of a clear segmentation in the brownfield land market, where the pioneers, pragmatists and sceptics have managed to seek out their own business niches and acquire land that best suits their business strategies, generating little direct competition with one another.

The outcome is that rather than the brownfield policy switch making speculative housebuilders strategically vulnerable, the majority have managed to maintain their corporate success under the brownfield *modus operandi* by making superficial adjustments to their largely greenfield-based business model. By the same token, speculative housebuilders have further demonstrated their inherent antagonism towards state-led policy initiatives seeking to influence their business behaviours. This reliance on conventional practices and sustained antagonism suggests there is something so fundamentally ingrained in the organisational cultures of housebuilders, and specifically in their perceptions and evaluations of risk (see Guy and Henneberry, 2000), that it makes their business strategies innately conservative and makes them fundamentally unwilling to accommodate change. This argument reflects the concept of path dependency identified by North (1991), where the desire to maintain profitability through existing land acquisition and construction efficiency reinforces speculative housebuilders' conventional business strategies, thereby resisting change. And, in recent years, the continued success of speculative housebuilders in business terms under the brownfield model has only sought to reinforce this. However, in revealing a very malleable and pragmatic behavioural analysis of the speculative housebuilding industry, this paper argues that rather than being rationally locked into specific ways of doing things, speculative housebuilders strategically realigned their conventional business model by developing short-term context-specific skills and modifications in response to structural adjustments (Jessop, 2001). This makes speculative housebuilders largely malleable to emerging shifts in the institutional environment but, ironically, this strategically calculated behaviour effectively stifles deep-seated and genuine institutional change and reinforces institutional rigidity in the structure of housing provision.

In this sense, those pioneers who were already best placed to respond to the policy switch were largely privileged by the focus on brownfield development, while the pragmatists and sceptics were equally privileged by prevailing macroeconomic conditions such as investor demand and easy access to mortgage finance, driving increasing demand for their products. Astutely, the ability of the pragmatists and sceptics to deliver high-density, standardised flatted development ticked the policy boxes of brownfield and density and enabled them to rely on conventional practices in construction efficiency to deliver products at increasing pace to a demanding market. This may provide some explanation for why a seemingly small increase in the brownfield target in England from 50 per cent to 60 per cent resulted in a surge in flatted development on brownfield sites by speculative housebuilders, particularly in the northern cities of Manchester and Leeds.

This pragmatic, inward looking and largely superficial adaptability by the majority of speculative housebuilders revealed in the research raises a number of questions, which, when considered alongside recent changes in the financial and policy climates of speculative housebuilding, may affect UK housing supply in the early twenty-first century. Thus, by way of conclusion, the final section of this paper considers the findings of the research alongside the Coalition's planning reforms (see DCLG, 2012 and HMG, 2011) and the ongoing volatile institutional context resulting from the 2008–9 recession. In doing so, the final section addresses the third research question by exploring how effectively the prevailing business model of speculative housebuilding can ride out future institutional shocks to deliver well-intentioned, state-led policy goals in the spirit in which they were created.

Conclusions

The boom-and-bust cycle in the UK housing market during the first decade of the twenty-first century has greatly altered the institutional environment in which speculative housebuilders operate and has led to a number of significant impacts on new housebuilding. In particular, house-price deflation and mortgage-lending restrictions have resulted in a marked reduction in housing and land market activity and have significantly affected the business performance of speculative housebuilders, leading to record low annual completion rates of new housebuilding. While the latest annual report and accounts of the ten biggest[23] UK speculative housebuilders reveal a different picture of health, showing that most speculative housebuilders are emerging out of the recession relatively unscathed and well placed to conduct their business, this paper contends that the ongoing volatile institutional context continues to place strain on housebuilders' inherently conservative and risk-averse business model and may potentially reinforce strategies which generate short-term, context-specific skills and modifications in response to such structural adjustments (Jessop, 2001).

The danger that speculative housebuilders may be focusing their efforts on driving growth in profit and not in volume of production to secure their financial health presents a severe test to the Coalition Government's planning reforms (see DCLG, 2012 and HMG, 2011), which seek to stimulate housebuilding significantly to 'fix' sustained housing undersupply in England. As part of these reforms, the removal of national housebuilding and brownfield development targets

[23] By unit completions.

represents a shift from a centralised, target-based system to a bottom-up localist approach, giving local authorities greater responsibility and local communities greater say in planning for housebuilding. In removing strategic direction and establishing shared ownership in planning for housebuilding, these reforms diffuse responsibility and accountability away from the national government to both the market and local-level decision makers, and significantly change the institutional structure of housing provision. For the pioneers, the removal of national brownfield policy which favoured their business strategies may affect their long-term position in the industry, while the pragmatists and sceptics may benefit from any changes which seek to utilise increasing levels of greenfield land to stimulate housing supply.

When combined with the prevailing economic volatility in the housing, land and finance markets, the Coalition's planning reforms, in seeking a rapid acceleration of housebuilding in the spirit of the 1930s, give rise to a significantly uncertain and risky institutional environment for speculative housebuilders. This may help explain why housebuilding rates in England remain historically low, as policies devised to increase housebuilding have been seemingly conceived without an understanding of the behavioural practices of speculative housebuilders, or of the wider institutional pressures facing them.

These pressures facing policymakers, planners and housebuilders in their attempts to significantly increase housing supply place further strain on the already contested relationship between the state and the market. While Adams et al. (2010) contend that the real test of policy maturity is revealed in the extent to which it serves to change private sector behaviour, this paper argues that meaningful and genuine organisational change can only happen with a greater understanding by policymakers and planners of the behavioural practices of speculative housebuilders and the institutional environment within which they operate. Challenging the short-term, context-specific modifications that speculative housebuilders make to their business operations in response to structural adjustments is no easy task and may require a stronger institutional presence by policymakers and planners. This raises significant questions surrounding the extent to which the state should intervene in the business behaviours of the market to achieve desired political outcomes. But, this paper warns that any decisions by policymakers which seek to influence the business practices of the private sector without an appreciation of its behavioural embeddedness may ironically reinforce the malleable, pragmatic and short-term, context-specific modifications they make in response such change. In doing so, policymakers seeking to challenge the dominant traditions of speculative housebuilders may reinforce institutional rigidity and undermine genuine and significant institutional change. For those housebuilders seeking a less contested relationship with the state, it may be necessary for them to reconsider their organisational cultures and in particular their conventional business strategies, perhaps acknowledging that their current delivery model may be broken. However, the sustained focus on land acquisition and construction efficiency by speculative housebuilders in the early twenty-first century, despite significant institutional upheaval affecting their business performance, serves as a strong message that this may be unlikely in the short term and without further state intervention.

Beyond the UK, this research may prove relevant for those exploring housebuilding systems where public policy controls the location, type or quantity of new homes and especially where the private sector is a key delivery agent. Equally, any international research agenda seeking to explore housing supply constraints, and in particular supply-side blockages, should not underestimate the pragmatic, malleable and short-term nature of housebuilder behaviour in responding to state intervention, when seeking explanations beyond public policy as a supply-side blockage.

Ultimately, this paper calls for a better understanding by policymakers and planners of housebuilders' organisational behaviours and the wider institutional constraints affecting performance, and suggests that policymakers and planners work closely with the grain of the industry to harness speculative housebuilders effectively in their desire to accelerate housebuilding in what might be a potentially risk-averse future. Doing so may stimulate meaningful and enduring institutional change, avoiding sustained institutional rigidity and providing policymakers and planners with better opportunities for penetrating a seemingly antagonistic and conservative industry.

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