



Presentation to the Housing Forum

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Terms of reference

- How the supply of new homes is influenced by the nature and structure of the house building industry..... supply chain and skills... how these factors influence delivery of 200,000 new homes... house buyers requirements and aspirations.....progressing to zero carbon
- Reports in October 2007
- Makes recommendations

Terms of Reference will include but not be limited to

- The industry
 - structure
 - trends and changes
 - competition
 - not just traditional house builders
- Business models
 - key drivers
 - risk reward balance
 - responsiveness
- Land supply and production

Terms of Reference

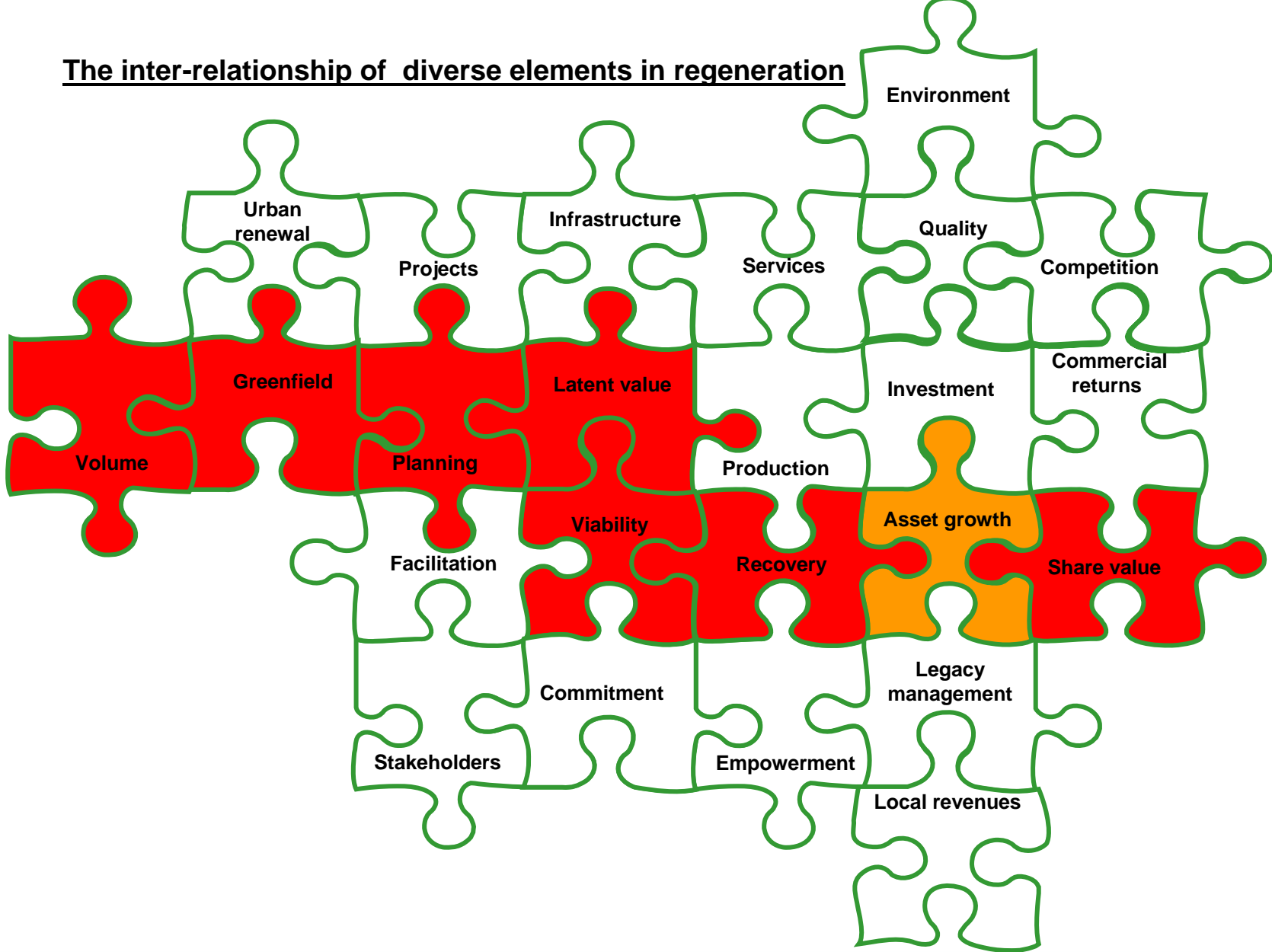
will include but will not be limited to

- Supply chain
 - supply of materials, services and construction products
 - ability to meet future delivery requirements
 - meeting higher energy standards and zero carbon
- Skills
 - availability of skills
 - ability to meet future delivery requirements
- Housing market analysis
 - impact of supply and demand on the market
 - areas of market failure

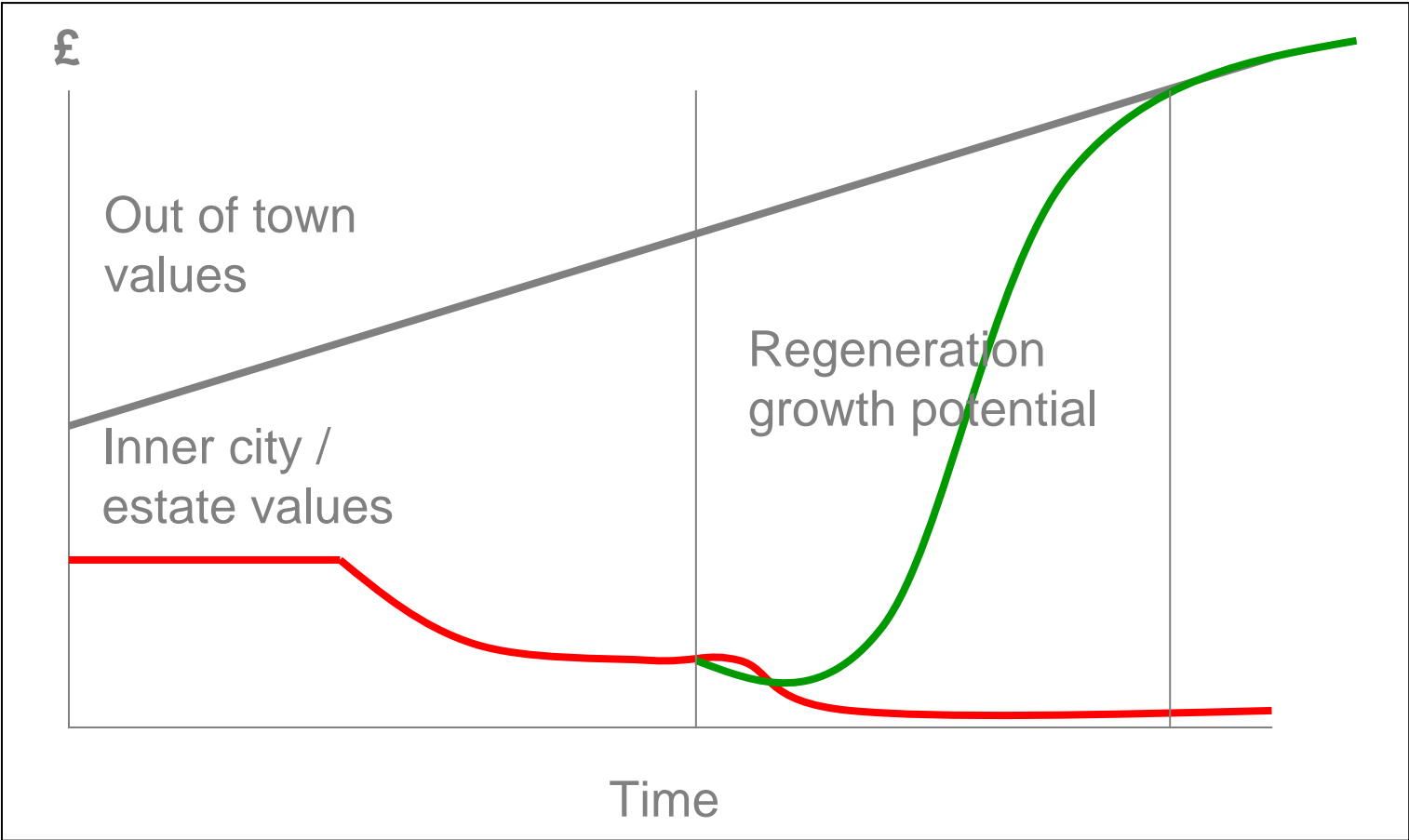
Some issues

- Need to drive up volumes
- Low and negative land values in regeneration
- Delivering zero carbon
 - efficiently
 - cost effectively
- Making quality cost effective
- Competition
 - New deliverers
 - Small and medium sized enterprises
- Affordability and intermediate tenures
- Financing community management

The inter-relationship of diverse elements in regeneration

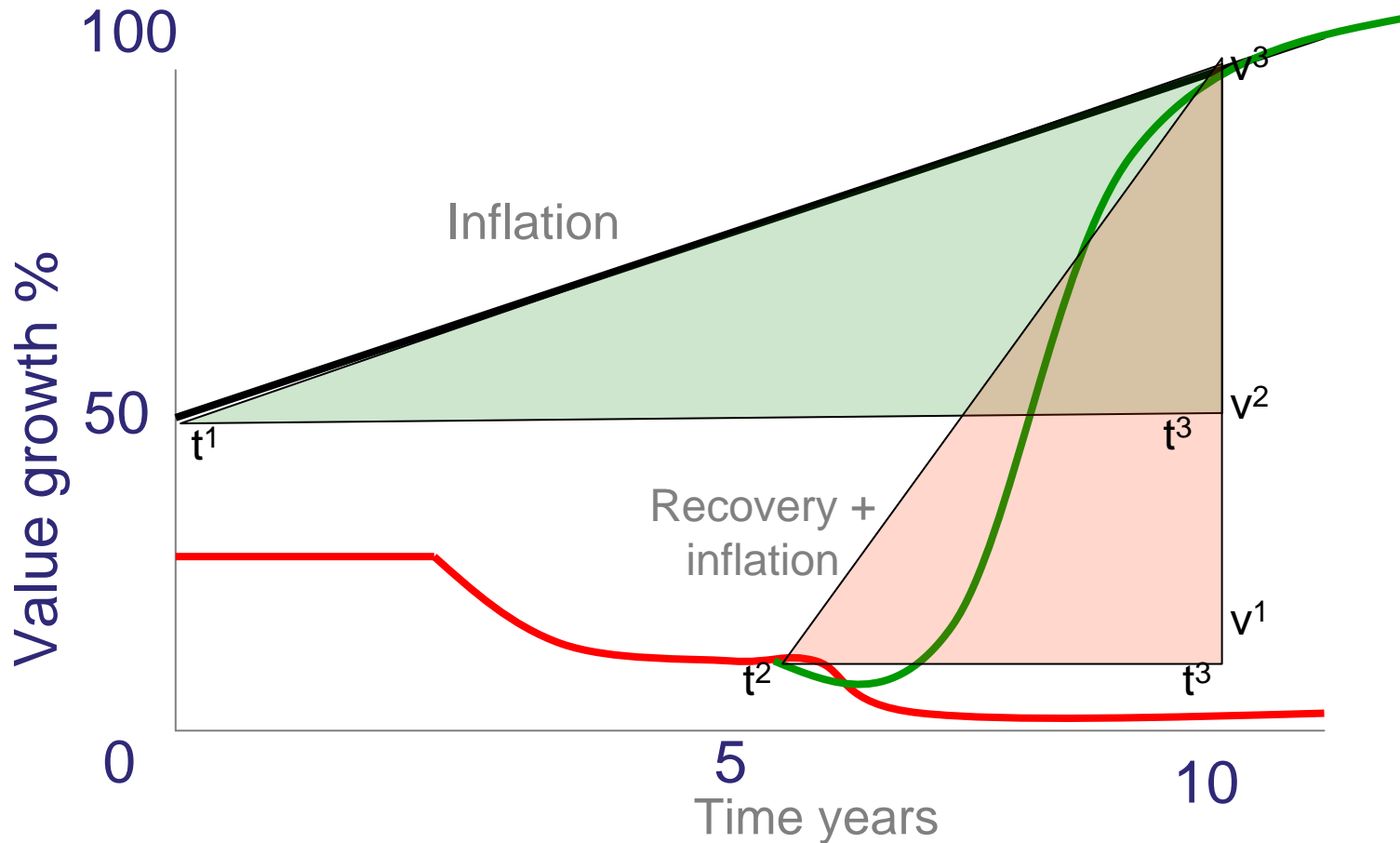


Housing value growth in regeneration projects



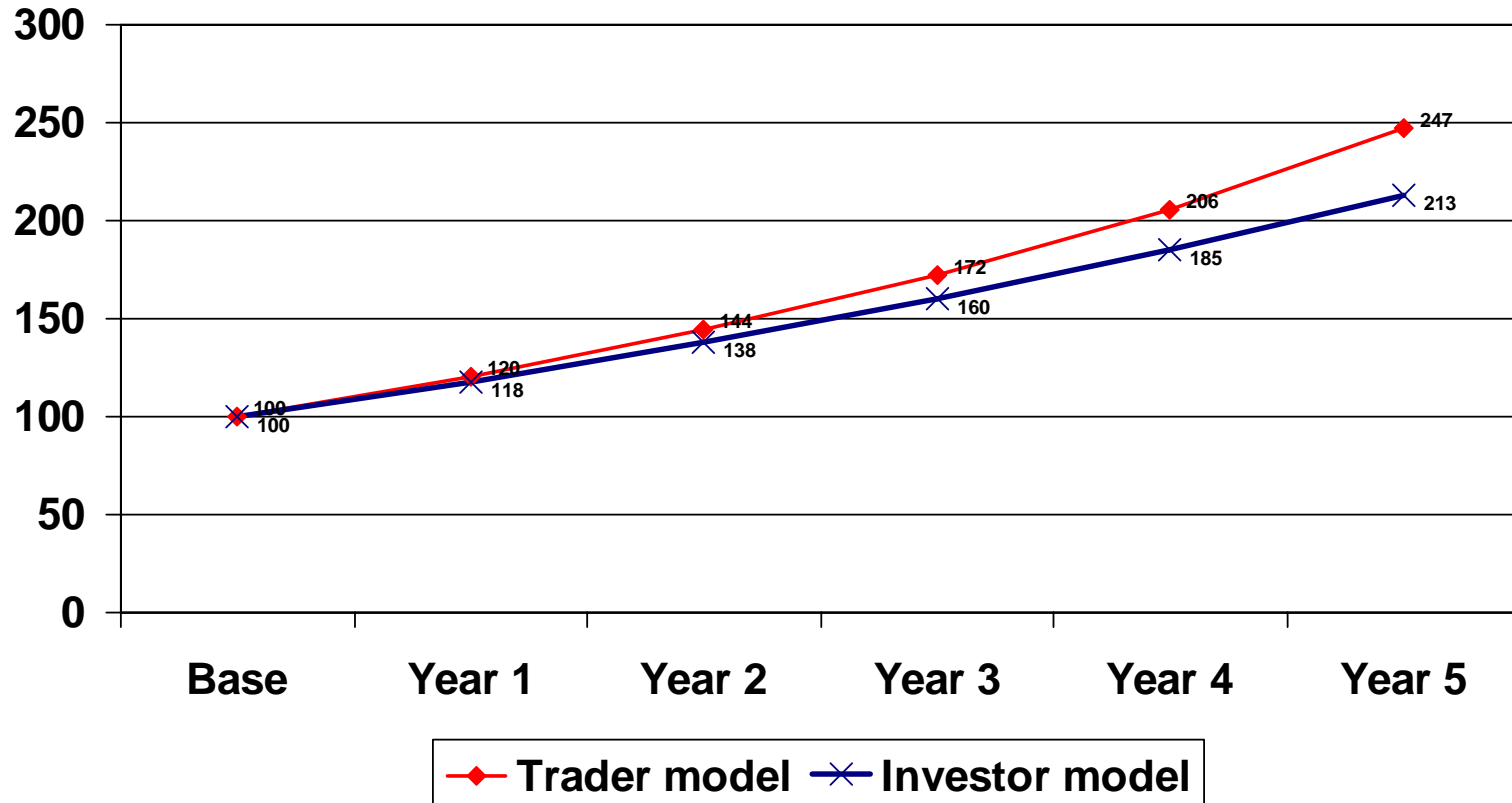
Investing in recovery

Conventional development yields **5%** average growth regeneration yields **16%**



Trader model outperforms investor model

Current trader at 20% ROCE compared to a 50% equity retention



The Review and Zero Carbon

some key questions

- Is it possible or commercially feasible
- What happens on small projects
- Are current technologies and products adequate
- Are on site renewables really effective
- Where will the biomass come from
- Can prospective technologies meet target
- What is the role of central generation

The Review and Zero Carbon

impacts will be significant

- Competitive land strategy
- Supply chain competition
- Incentives to cheat very high
- Effective regulation will be critical

The Review and Zero Carbon

areas of potential derailing

- Free for all
- Industry don't believe Government
- Failure to regulate
- Planning refuses renewable generation plant / infrastructure
- Govt actions re-enforce message

The Review and Zero Carbon timetable and announcement

- Allows industry to develop out of current stock
- Gives LAs that deliver on supply the right to raise the bar
- Gives time to change business processes and products
- Assures levels of demand creates economies of scale

The Review and Zero Carbon

to help

- Understand the key commercial drivers
- Ensure the target is doable in commercial terms
- Help remove or mitigate barriers to delivery eg skills
- Maintain volumes and affordability
- Don't lose sight of Quality / Social / Economic objectives
- Maintain domestic development and products industry
- Help reconcile housing objectives with wider objectives

The Review and Zero Carbon



- Agreed timetable
- Statement of requirements
 - **CSH Level 3 2010**
 - **CSH Level 4 2013**
 - **CSH Level 6 2016**
- Working with industry – Task Group
- Incentives to achieve – Stamp Duty