

**Supplementary Appendix**

This supplementary appendix should be read in conjunction with the UK Collaborative Centre for Housing Evidence (CaCHE) report *Why have the volume housebuilders been so profitable?* by Chris Foye and Edward Shepherd (September, 2023) – available [here](#). This appendix contains evidence from the earning call transcripts for Taylor Wimpey, Barratt and Persimmon over the period 2006/07-2018/19 regarding changing conditions in the local land markets within which these firms were active. It can be read in conjunction with Section 7 of the main report and provides supplementary detail regarding how these volume housebuilders were representing the degree of competition in local land markets to their investors. This evidence provides further insight into the softening of competition in local land markets in the decade following the Global Financial Crisis.

| Year   | Persimmon   | Taylor Wimpey | Barratt   | Overall summary (authors)  |
|--------|---|---------------|---|--|
| 2006-7 | "Well on the strategic land...We've said we're looking to expand and grow this business by volume. We're very happy with the hurdle rates we're buying this land at. And again we have been heavily focused; they are large Brownfield sites in the main that we're securing. But because of our expertise and the size and the scale there is less competition when you're buying those sites. So we're not having to either cut those margins and we're very comfortable that they are -- will show us good returns going in the future. The same with the strategic land. Again those are land that's bought at a discount to market value, so that will again sustain the business. So overall we're very comfortable but if we are going to grow the business in the longer term, we do need to keep acquiring land in the open market and pulling through that strategic land. And as I say we've been successful on both fronts." (Mike Farley, South Division CEO, Persimmon, 26 February 2007) |               | <b>"The land market has remained competitive throughout the year</b> but we've continued to purchase at appropriate margins." (Mark Pain, Group Finance Director, Barratt, 26 September 2007) | Limited evidence as land market not discussed extensively. Overall, evidence suggests a competitive land market, albeit less so in large brownfield sites (and strategic land), where there are fewer competitors. |

2008-9

"We do believe that in this sort of market the players with a bit more liquidity might be able to do better deals. That doesn't mean to say Land prices are coming off, it's just that the bargaining power shifts a bit as we go through the year." (Mike Killoran, Group Finance Director, Persimmon, 26 February 2008)

**"obviously the land market is pretty inactive.** So, obviously, there's not a ready market for selling parcels and realizing land value direct, in terms of cash." (Mike Farley, Chief Executive, Persimmon, 3 March 2009)

"There are -- there is attractive land out there for us to buy. **There's not a lot of distress selling,** I have to say, so you're not really buying land at super margins, which I think some people thought there would be opportunities to buy land at super margins. I think they're acceptable margins to us in good locations where we're being selective in what we buy. But I think there is opportunity out there. I think the opportunity for us to grow our margins, to get better, super, more super margins, is through the strategic land. And that's where I think we will probably focus some of our attention, because we've obviously not pushed that in the last 18 months, two years, because there's not been the need." (Mike Farley, Group Chief Executive, Persimmon, 25 August 2009)

" what we've seen over the past three months has probably surprised a number of people far more experienced in the business than I am, in terms of the way that the land market has reacted to the movement in selling prices. I think there are some pressures on land values that go beyond current market conditions. And I talked earlier about the additional build costs through regulations and legislation. And that may play, in the longer term, into more realistic land values." (Ian Sutcliffe, Chief Executive, Taylor Wimpey UK, 6 March 2008)

"If we wanted to go into the market and realize land of GBP500m today, I don't think that's doable. **What's actually out there is lots of people who'll buy only when you're at truly distressed prices.**" (Pete Redfern, Chief Executive, Taylor Wimpey, 2 July 2008)

**"There isn't a particularly active land market at the moment."** (Pete Redfern, Chief Executive, Taylor Wimpey, 27 August 2008)

**"there isn't really a sensible land market out there** and we're not driven to do deals at ridiculous prices" (Pete Redfern, Chief Executive, Taylor Wimpey, 11 November 2008)

**"we believe the land market hasn't yet adjusted to the current market**

**"We've increased the hurdle rates twice.** We're not going to make public what our hurdle rates are. Even with greater disclosure, that's a competitive issue for us. But **we are seeing opportunities to increase those hurdle rates on a trading margin, operating margin, and slightly higher ROCE levels as well.....**In terms of land prices, we have taken the opportunity to go back and renegotiate on land prices....**I think the other area where you are seeing more price pressure downwards are large, complex schemes.** Not surprising, because I suspect the major house builders are all turning around and saying, do I really want a complex, 1,500 unit site in central Leeds? For example, probably not, we probably want to move away from that. So I think that's where you're seeing some of the softness. **The medium sized players and the private house building companies are providing competition in the land market, and they're the ones who frankly are in the market bidding prices, and we're competing against those.**" (Mark Pain, Group Finance Director, Barratt, 27 February 2008)

"it tends to be more southern based because that's where the land market is a little stronger at the moment. And the plot to ASP is just below 20%. **So we are buying land very well, but of course we're buying it at the bottom of the market, I guess.**" (Mark Clare, Group Chief Executive, Barratt, 23 September 2009)

In early 2008, the general perception was of rising or stable land prices, with competition coming from smaller and private housebuilders. Less competition on larger, complex, brownfield sites.

By mid-2008, the housing market had deteriorated and so had land prices. Consequently, there was an inactive land market, with buyers being cautious, and sellers pulling back, as they were unwilling to radically cut prices. Little evidence of distressed selling. Smaller and private housebuilders had retreated from the land market, leaving less competition.

| Year   | Persimmon | Taylor Wimpey   | Barratt | Overall summary (authors) |
|--------|-----------|---|---------|---------------------------|
| 2008-9 |           | <p><b>conditions"</b> (Pete Redfern, Chief Executive, Taylor Wimpey, 30 April 2009)</p> <p>"I think there will be, in the environment that we're [seeing], a degree of upward pressure on land prices, because it's scarce. It'll help our existing landbank, but as I said before, make it more challenging on new pricing. Today it's okay, but it's artificial because it's still too early."<br/>(Pete Redfern, Chief Executive, Taylor Wimpey, 5 August 2009)</p> <p><b>"You see an industry where particularly the private and smaller housebuilders are not in a position to even develop current sites, let alone compete in the land market.</b> You see an overall pipeline of land that is reduced, because there are sites that are just not commercial, particularly if people are not prepared, as we're not, to put apartments and high density schemes on them. So what was already a land constrained market in 2006 becomes even more land constrained in 2010, '11 and '12. We're not yet at a point where we'd say that means we'll see a sudden price spike. We expect a slow recovery and that's what we're planning for"<br/>(Pete Redfern, Chief Executive, Taylor Wimpey, 5 August 2009)</p> |         |                           |

| Year    | Persimmon  | Taylor Wimpey  | Barratt   | Overall summary (authors)  |
|---------|--|--|---|--|
| 2010-11 | <p>" <b>On competition, the land market I think, to be fair, there's still not that many players in the land market. I think on the very small players, I think they are struggling to get cash from banks.</b> I think funding is definitely -- is an issue to the very small players. Some small regional players are definitely finding life pretty tough out there. So we're seeing and hearing that they are getting problems getting finances. Banks are being very cautious lending, obviously. They have in some cases lost a lot of money to lending on these schemes. So I think they are being very, very cautious, particularly to small players.</p> <p><b>In the land market, it's, as I say, quite a thin market out there at present time. The majority of the sites we are acquiring we're acquiring through negotiation rather than -- we're not tendering for sites out there.</b> So as I say, one or two players are out in the marketplace in various areas. You do -- you see that across the country. As I say, we are more focused in the south. But again, as I say, it's -- <b>there's not a huge amount of competition out there at this stage on the land front.</b>" (Mike Farley, Group Chief Executive, Persimmon, 7 January 2010)</p> <p>"In terms of the land bank or land market generally I think as I say, no real change. I would say with the exception of the southeast and <b>there are certainly certain parts of the southeast where the land market is overheating in my view</b> and we</p> | <p>"Land market's a lot more back to normal than it was but it's still not wholly there." (Pete Redfern, Chief Executive, Taylor Wimpey, 18 January 2010)</p> <p>"In the land market, I'd say slowly returning to normal both sides of the Atlantic. <b>In the UK you have seen an increasing number of sellers returning to the markets, believing that there's enough competition for it to be the right point to start to think about selling land.</b> There are still a fair number with relatively unrealistic price expectations, expect to get what they thought the value was at the peak rather than realizing the markets are still not back to anything like the same level. And with the gearing of land prices to house prices, that's still a fair discount from the peak price. So we're not seeing hundreds of sellers flooding into the market. But it is definitely heading in the right direction in terms of demand for land on the market." (Pete Redfern, Chief Executive, Taylor Wimpey, 28 June 2010)</p> <p>"We think we're getting some benefit from being very consistent in the land market over the last two years. We didn't go in very deep, but we've been there solidly since July 2009 and seen things through that we have</p> | <p>"We were certainly one of the first house builders to get back into the land market and that has given us a head start. But <b>we are now seeing competition increasing and prices are starting to move upwards.</b> In this market, until some of the uncertainty is removed, <b>we will not be reducing our hurdle rates.</b>" (Mark Clare, Group Chief Executive, Barratt, 24 February 2010)</p> <p>"I think <b>the land market has continued to be more challenging in that there are far more people bidding.</b> If you look at specific areas, of course <b>London is incredibly difficult to buy land in, because it is a very tough market and there is a real shortage of supply.</b> " (Mark Clare, Group Chief Executive, Barratt, 8 September 2010)</p> <p>"But overall, I think <b>we continue to see a more challenging market,</b> certainly in terms of the success we had last year where we faced very little competition, certainly in the early days." (Mark Clare, Group Chief Executive, Barratt, 8 September 2010)</p> <p>"Every land proposal must meet our minimum hurdle rate of 20% gross margin and a 25% return on capital employed, based on operating margin. And more recently <b>we've upped the margin hurdle rate to reflect our success last year.</b>" (Mark Clare, Group Chief Executive, Barratt, 8 September 2010)</p> <p>"But I guess the other piece that's important to me is that accessing the land markets,</p> | <p>In 2010, the supply of land onto the market starts to increase as sellers return. Mixed reports on the level of competition, with Persimmon reporting lower levels of competition from "small regional players", due to difficulty of accessing finance, but Barratt reporting an increase in competition (perhaps from public VHBs?). London market reported as particularly competitive.</p> <p>Evidence suggests that supply of land had continued to recover in 2011, and the land market became relatively less competitive. For example, Persimmon reported that they "don't think there will be a shortage of land at this time", while Taylor Wimpey reported that they had pushed up their hurdle rate by 2-3% in June, and later reported "2011 was a good year from a land buyer's perspective" (see 2012-3) . Similarly, Barratt reported upping their hurdle rate in September 2010.</p> <p>However, the story varied geographically. Inner London was considered to be much</p> |

| Year    | Persimmon  | Taylor Wimpey  | Barratt   | Overall summary (authors)  |
|---------|--|--|---|--|
| 2010-11 | <p>are selective on what we buy. <b>But the rest of the country I think we can buy land, on the margins we want, fairly regularly at the present time. So there's a good supply of land.</b> As I say we're focused on our strategic land bank, but there is a focus on land.</p> <p>You will see that the government also made announcements of selling off their own assets. We've not seen a lot of that thus far, but I think the intention of the government is to bring more land to the market from obviously places like the MoD, local authority which have had land sitting there for many years. So again there should be potential for further -- for more land to come to market. <b>So I don't think there will be a shortage of land at this time.</b>" (Mike Farley, Group Chief Executive, Persimmon, 23 August 2011)</p> | <p>committed to. And I think we have seen one or two others go in/pull out, go in/pull out and we think that consistency helps. <b>We are buying land across the country, although we are still finding that we find opportunities that we prefer in the south and southeast more often than in the north.</b> We still have a view that 60/40, 65/35 is about right for us south to north, but we're tending to find better quality opportunities generally in the south and that probably tells you we're being more selective generally Midlands than the north." (Pete Redfern, Chief Executive, Taylor Wimpey, 7 November 2011)</p> <p><b>"And we effectively pushed up our hurdle rates in June by 2% or 3%; I think it's probably fair to say, really looking for a contingency factor against risk, an extra contingency factor"</b> (Pete Redfern, Chief Executive, Taylor Wimpey, 7 November 2011)</p> <p><b>"You still really don't have any active participation in the land market from -- if I think, call them, the smaller often bank-financed competitors. Outside London itself, and I do mean Central London, there's not really any competition from financial investors. So you've got public house builders and most of us are active in most markets as long as we've got the</b></p> | <p>competing for land, we know that when the market starts to recover more fully and house builders start to push quite hard on the land market, land prices will start to go quite fast. I think for us it's about having access to the strategic land market, rather than just relying on having to run very, very fast in the operational land market. So for that reason, 12 months ago we said, look, we've really got to position ourselves well for strategic land as we come out of this current period" (Mark Clare, Group Chief Executive, Barratt, 8 September 2010)</p> | <p>more competitive than the rest of the country, where competition was limited to public housebuilders (no evidence of private housebuilders returning to the land market). Beyond that the geographic variation is more hazy. In the South East, the land market was described by Persimmon as being more competitive, even "overheated" whereas Taylor Wimpey reported finding better land opportunities in the South and Southeast more than in the "North".</p> |

| Year    | Persimmon | Taylor Wimpey   | Barratt | Overall summary (authors) |
|---------|-----------|---|---------|---------------------------|
| 2010-11 |           | <p><b>balance sheets to do so, so it's not that there's no competition, there are just more sellers who are either under pressure or have decided, well okay, housing market has stabilized and I get a fair price now, but it's not going to suddenly shoot up.</b></p> <p>So more people who think well now is a fair price and holding onto it for another two years, will I necessarily get anything, there's a little bit more where individuals schemes are starting to be available from banks. And as I've said before, time and consistency in the market helps with agents and with land-sellers. That the things that we looked at, 10 months/18 months ago, said -- no, we're not going to do that; that's not the right price, it's not the right value, and you find those people coming back to you now, having accepted that that wasn't the right value, and prepared to move. " (Pete Redfern, Chief Executive, Taylor Wimpey, 7 November 2011)</p> |         |                           |

| Year    | Persimmon | Taylor Wimpey   | Barratt  | Overall summary (authors)  |
|---------|-----------|---|--|--|
| 2012-13 |           | <p>"If I look at the land market, and then come back to our own land buying in that market, <b>2011 was a good year from a land buyer's perspective.</b> I would say particularly the second half, where we saw some commercial investors, some of the private money investing in the south east and London slow down a bit. " (Pete Redfern, Chief Executive, Taylor Wimpey, 17 January 2012)</p> <p>"And a lot of the deals we've done have been quite slow burn; they've been dialog we've had with sellers over six/nine months as we'd given them a price early on. They've expected more, they've wanted more, or they may have been promised more by somebody else, but then eventually they've come back to us, because we've been there at a pretty consistent price point, with perhaps a little bit more cash up front than some of them have been, very consistent. So it's a land market where stability and consistency has made a big difference, and we think has helped the pricing dynamic we've been able to get." (Pete Redfern, Chief Executive, Taylor Wimpey, 17 January 2012)</p> <p><b>"We are seeing the land market heated"</b> (Pete Redfern, Chief</p> | <p>"We do recognize that <b>London and the South-East that market is more competitive</b>, I think driven by two things; first of all, probably more <b>rising HPI as a feature of London and the South-East</b>; and secondly, I think <b>more participants in the market</b>, whether you're looking at Central London or around London there are more buyers in the market" (David Thomas, Group Finance Director, Barratt, 10 May 2012)</p> <p>"In terms of land market itself, I think there's no doubt <b>that in the north it's a buyer's market; and in the South-East it's very much a seller's market.</b>" (Mark Clare, Group Chief Executive, Barratt, 11 July 2012)</p> | <p>In 2012, the land market seems quite geographically differentiated. The "North" is a "buyers" market with lower land costs, whereas London and the South East are much more competitive. Still no evidence of private housebuilders re-entering the land market, with a heavy weighting towards publicly listed VHBs.</p> <p>Limited discussion of land markets in 2013 (partly because we were able to access fewer transcripts from 2013-14) but Taylor Wimpey report the land market staying "reasonably benign, fairly stable". Any reported increase in competition came from VHBs expanding land-buying/reopening subsidiaries, rather than from private housebuilders. This increase in demand was perceived (by Taylor Wimpey) to be offset by an increase in supply, particularly in the South East.</p> |

| Year    | Persimmon | Taylor Wimpey  | Barratt | Overall summary (authors) |
|---------|-----------|--|---------|---------------------------|
| 2012-13 |           | <p>Executive, Taylor Wimpey, 29 February 2012)</p> <p>"Just looking at our <b>North Division</b> ....You get <b>lower land costs</b>, which has a big impact on both the level of risk that you take and the returns that you can make. You get <b>less competition</b> in the land market." (Pete Redfern, Chief Executive, Taylor Wimpey, 29 February 2012)</p> <p>"<b>Southern regional characteristics</b>, much level of housing demand. Almost -- inevitably <b>the opposite</b>, that the market risk is lower, but the other risks, the amount you tie up in land, the scale of sites, the nature of land deals, the competition in the land market, the level of affordable housing, all put a bit of extra risk on." (Pete Redfern, Chief Executive, Taylor Wimpey, 29 February 2012)</p> <p>"But we do think running at the level we are running at the moment, <b>the opportunities are fairly unique in terms of quality of return. And that's without assuming any future selling price increase.</b> So we are not making a cyclical bet per se; we are making a land market competitiveness bet, and we think the land market is in our favor at the moment." (Pete Redfern, Chief Executive, Taylor Wimpey, 29 February 2012)</p> |         |                           |



Year Persimmon

Taylor Wimpey

Barratt

Overall summary (authors)

2012-13

"And on the land market no major changes. **Still see the same players there. Still see a heavy weighting towards a number of the public players. Less competition from private players. Still not the funding in place.**" (Pete Redfern, Chief Executive, Taylor Wimpey, 1 August 2012)

**"the land market has stayed reasonably benign, fairly stable.** There is some new competition, as I said at the trading update stage, **largely where some of our competitors have either reopened subsidiaries in markets that they haven't been in over the last 4 or 5 years, or where they have stepped up their land buying. We're not seeing significant new competition from small developers** -- a little bit, but not enough to really move the dial. **Balancing up that new competition, we are seeing more sites coming to market. And so that is helping to keep margins on new acquisitions high** and to keep returns on capital on new acquisitions high, as well." (Pete Redfern, Chief Executive, Taylor Wimpey, 31 July 2013)

"But at the same time, **we've seen more land coming to market, particularly in the southeast,** I think

| Year    | Persimmon | Taylor Wimpey  | Barratt | Overall summary (authors) |
|---------|-----------|--|---------|---------------------------|
| 2012-13 |           | <p>driven by vendors who have sat on their hands for a bit waiting for the market to improve and feel that now is a better time to sell. So that's kept the land market broadly balanced." (Pete Redfern, Chief Executive, Taylor Wimpey, 4 July 2013)</p> <p>"But I don't think we're about to see real land market heat emerge over the next 12 or 18 months. I think there should be a degree of caution around what happens when new buyers release. And so if you're looking at sites with a sort of five- or six-year profile, you'll be aware of that. That's a healthy reason to just be a little bit cautious. And I think, so I think you'll see land prices moving more or less like for like with house prices. And I hope you see those high margins be preserved for longer than we have previously assumed. I mean we have said consistently and I still believe -- I'm not saying we will only ever buy land if it's above an upper 18% margin. I'm saying, the longer those conditions continue, the better. And as they tighten up a bit, we're going to have to look very long and hard at which sites we think are right to buy and which aren't. And at the moment, we're securing as much as we reasonably can at those higher high-quality margins. And the longer that goes on, particularly if the market</p> |         |                           |

---

Year Persimmon

Taylor Wimpey

Barratt

Overall summary (authors)

---

2012-13

improves a bit, the better place we're  
in as things start to heat up." (Pete  
Redfern, Chief Executive, Taylor  
Wimpey, 4 July 2013)

---

|                |  |  |   |  |
|----------------|--|--|---|--|
| <p>2014-15</p> | <p><b>"there is less competition. And I think we are seeing that when we're bidding for land, particularly on some of the larger sites, there is very reduced competition.</b> And that has continued to move through 2014. So it does appear that that <b>lower level of competition is continuing.</b>" (Jeff Fairburn, Group Chief Executive, Persimmon, 24 February 2015)</p> <p><b>"There's still low levels of competition in the land market, particularly on the larger sites, and that's enabling us to continue to drive down the average plot cost</b> which now is at 16.5% which gives you a flavor of margin improvement as we move forward. And also land creditors which we are taking the benefit of has increased by GBP148 million in the period as we extend the payment terms on those larger sites as we take advantage of the terms available in the market. Strategic land is another valuable part of our business and we've seen the good conversion of strategic land over recent times. <b>The national planning policy framework is enabling us to make good decisions both in terms of what sites to bring forward for planning consent but also to invest in new land in the market.</b>" (Jeff Fairburn, Group Chief Executive, Persimmon, 18 August 2015)</p> | <p>"overall there's been no dramatic change in the land market over the course of the last 6 to 9 months, but <b>if it's gone in any direction it's got slightly easier.</b> The only meaningful dynamic that's shifted is, you'll remember the beginning of last year, sort of back-end of the year before we were seeing <b>increasing competition from some of the smaller public companies, and larger private companies opening new regional offices, and that leads to short-term competition in those regions.</b> As you'll know from where those businesses are, <b>that phase is starting to reduce.</b> I'm not aware of any new office openings from any of those businesses in the course of the last 4 or 5 months, and so that means that we're in a slightly more stable period. Because that can distort a local market in the short term and we haven't seen that. " (Pete Redfern, Chief Executive, Taylor Wimpey, 3 March 2015)</p> <p>"the one place where I actually think the land market is a bit easier than it was 12 months ago is London. And not just easier because there's less competitors, but actually you just feel that you can work a deal and make it more effective, whereas 12 months ago, and for the two years before that, it was more difficult." (Pete Redfern, Chief Executive, Taylor Wimpey, 3 March 2015)</p> | <p><b>"The land market remains attractive,</b> enabling us to continue to secure excellent land opportunities across all regions." (Steven Boyes, Chief Operating Officer, Barratt, 25 February 2015)</p> <p>"On land....<b>Southeast continues to be more competitive,</b> as you might imagine; <b>new divisions being opened by the majors, I suspect, is really the driver there.</b> " (Mark Clare, Group Chief Executive, Barratt, 25 February 2015)</p> <p><b>"we've increased our hurdle rates over the last year, and we're having plenty of success in acquiring land at that level."</b> (Steven Boyes, Chief Operating Office, Barratt, 25 February 2015)</p> <p><b>"the land market remains very attractive</b> and there is a great supply of excellent opportunities that we are securing. And <b>we continue to see limited competition in the land market from the smaller house builders"</b> (David Thomas, Group Chief Executive, Barratt, 9 September 2015)</p> <p>"we've flagged over the last two or three years that <b>London and the southeast have been particularly competitive land markets with a number of bidders.</b> So I would say, in London and the southeast, we found it more difficult to secure land creditors, but with the exception of public land where very typically we have seen deferred payment terms on public land. Steven, do you want to -- STEVEN BOYES: Yes, I'd concur with that, David. Certainly, the larger sites, sites over probably 100 units, you would be able to secure deferred terms. I think a lot of vendors have been realistic. There is a fair amount of</p> | <p>We have limited transcripts from 2014, but by 2015, there is clear agreement that the land market is now attractive and less competitive, allowing the big three to both reduce their plot cost to ASP ratio (Persimmon), and to increase their hurdle rates (Barratt).</p> <p>There is a particular lack of competition on larger sites. And changes in planning system allow the big three to rely more on their strategic land banks, giving them greater margins and negotiating power on the short term land market.</p> <p>Taylor Wimpey did report there was increased competition in early 2014 from "smaller public companies, and larger private companies opening new regional offices", but this had subsided by early 2015.</p> <p>Taylor Wimpey also reported the market becoming "easier" and less competitive in London, but this perception was not shared by Barratt who reported that "over the last two or three years that London and the southeast have been particularly competitive land markets with a number of bidders".</p> |
|----------------|--|--|---|--|

2014-15

land coming out into the market. **There isn't a short supply and BPF (sic) is working from our perspective, so that is sort of helping to keep pricing static and vendors reasonable in terms of requirements.** As David says, most of the BPD type sites come with deferred terms as standard, as part of their transaction. So a situation high." (David Thomas (Group CEO) & Steven Boyes (COO), Barratt, 9 September 2015)

| Year    | Persimmon   | Taylor Wimpey  | Barratt  | Overall summary (authors)   |
|---------|---|--|--|---|
| 2016-17 | <p><b>"On land, the short-term land market remains very good for us.</b> We are getting good margin opportunities and strong deferment on the payment terms." (Jeff Fairburn, Group Chief Executive, Persimmon, 23 February 2016)</p> <p><b>"we are maintaining the hurdle rate</b> that we have been able to achieve on average across the board, and <b>if anything we've been strengthening that.</b> So we do move that around depending on the market. " (Jeff Fairburn, Group Chief Executive, Persimmon, 23 February 2016)</p> <p><b>"over the last number of years we've been pushing hurdle rates</b> anyway so we've (technical difficulty) with the input margin" (Jeff Fairburn, Group Chief Executive, Persimmon, 5 July 2016)</p> <p><b>" if we are in for a softer market and there's a retreat of players in the land market for land that is released, as it will have to be in accordance with the NPPS (sic) and the five-year planning requirements for next year, then that really does put us on the front in terms of taking advantage of good opportunities as they arise"</b> (Mike Killoran, Group Finance Director, Persimmon, 5 July 2016)</p> <p>"Clearly, it's beneficial for us to bring forward our freehold sites at the earliest opportunity, because that's where the best margins are. But, <b>equally, in the short-term</b></p> | <p>"Just some overall comments on the land market. And I'll run through these quickly because it's very much the position that we've talked to you about over the last two to three years. <b>It's stable; it's positive. We're still finding plenty of opportunities"</b> (Pete Redfern, Chief Executive, Taylor Wimpey, 1 March 2016)</p> <p>"That strategic land environment remains good. But as we've said a couple of times over the last two years, <b>we have seen more competition. And it tends to be from our larger competitors, who were quite quiet in strategic land from 2009 to 2013 and have started to step up again.</b> But still plenty of opportunities, and, as you'll see in a second, we've added a lot of new strategic land opportunities in the course of this 12 months." (Pete Redfern, Chief Executive, Taylor Wimpey, 1 March 2016)</p> <p>"On the land fronting division, the <b>short-term landmark (sic) is relatively benign,</b> you've heard that from Pete and from Chris earlier on, not a lot of activities from competitors in the short-term land market. <b>Those tend to be more active, are those with newly opened offices, newly opened businesses within their operations and a need to feed those</b></p> | <p>" the land market remains attractive. There is a very good supply of excellent opportunities, and we continue to see limited competition in the land market." (David Thomas, Group Chief Executive, Barratt, 24 February 2016)</p> <p>"In the regional market, land prices have moved in line with house prices. Equally with an increased focus on strategic land and less competition from other builders, the supply/demand pressures of the land market have not returned to pre-downturn levels. <b>The London market, as we have outlined previously, has been different. As you can see on the right, land prices in Greater London have moved ahead of house prices. This reflects a lot of competition for land, particularly in Zone 1.</b> The competition remains very tough, and we are not seeing viable opportunities to buy in Zone 1. So in London, we have been focused on Zone 2 and outwards, and on large, complex schemes and government land." (David Thomas, Group Chief Executive, Barratt, 24 February 2016)</p> <p>"As you heard from Steven, the land market remains very attractive. There is a good supply of really excellent opportunities. Clearly, this represents a very good operating environment for both the industry and for Barratt." (David Thomas, Group Chief Executive, Barratt, 7 September 2016)</p> <p>"Now obviously that varies by region. If you look at the stats that come from Knight Frank or from Savills, you're still seeing land price</p> | <p>In 2016/17, the land market continued to stay very attractive with high levels of supply, limited levels of competition, and land prices rising at much slower rates than house price inflation (London excepted). Consequently, all of the big-three reported raising their hurdle rates several times over the last few years. This was also reported as being reflected in lower plot cost to ASP ratios and, thus, higher profit margins.</p> <p>The key driver of supply was widely perceived to have been the NPPF 2012, which was "delivering larger sites in fewer locations". On the demand-side, there were "less people actually buying land". The key reason for this was that smaller housebuilders continued to face major lending constraints. Another potential explanation, raised by Persimmon, was that housebuilders (and specifically "mergers") were returning cash to investors instead of expanding production.</p> <p>Both the short-term and strategic land markets were</p> |

| Year    | Persimmon   | Taylor Wimpey  | Barratt   | Overall summary (authors)   |
|---------|---|--|---|---|
| 2016-17 | <p><b>land market there continues to be strong margins available there</b> that we like to capture as well. " (Jeff Fairburn, Group Chief Executive, Persimmon, 23 August 2016)</p> <p><b>"We have been moving our hurdle rate, and the terms for the land payments over recent years, to a level that has generated good value in the land bank."</b> (Jeff Fairburn, Group Chief Executive, Persimmon, 23 August 2016)</p> <p>CHARLIE CAMPBELL: The land market has clearly been very benign. Perhaps to help us to understand maybe some of the structural drivers of that and, also, your views on the risks to the land market. What could change to make the land market less benign than it's been, because clearly, it's been exceptionally helpful for the last few years? JEFF FAIRBURN: Yes. I think the land -- there's a number of issues going on there. One, obviously, that there has been less demand, so there's <b>less people actually buying land. Perhaps that's partly to do with some of the mergers returning cash.</b> But also, the <b>smaller players not able to buy or got the ability to raise the capital to buy.</b> We do see <b>a similar pattern across the board</b> really, where there are opportunities, if you follow the planning process. The plan system identifies land for development that are good opportunities for us, in that way. But I think it does require significant cash to invest in land,</p> | <p><b>infant companies earlier in their life with additional land.</b> Those are the only one or two of our competitors who are being particularly active in the short-term land market." (Nigel Holland, Divisional Chairman Central and South West, Taylor Wimpey, 17 May 2016)</p> <p><b>"In overall terms, we're seeing continuing stability in the land market; land pricing remains good with good quality opportunities across a range of site sizes and geographies,</b> and we're only seeing price pressures in the best locations. There is little disruptive behavior in the market at the moment, although we are seeing <b>an increase in the activity of housing associations emboldened by recent mergers and access to ready capital, and this is most notable in the London and South East area.</b> In terms of the London market more specifically, land pricing remains competitive, particularly in the sub-prime areas below GBP800 a square foot, and less so in the prime areas. As a result, we're seeing increasing activity and bidders moving out into the outer zones than we have previously, and that's likely to affect competition, going forward." (Jennie Daly, Director UK Land, Taylor Wimpey, 28 February 2017)</p> | <p>inflation but land prices are perhaps inflating more slowly than you would expect relative to house prices, which is obviously viewed from our perspective. The best place to look at in terms of the guidance is more about the balance sheet plot cost, and balance sheet plot cost is quite static on a year-on-year basis." (David Thomas, Group Chief Executive, Barratt, 7 September 2016)</p> <p>"In terms of hurdle rates, we've moved our hurdle rates at various points over the last, I suppose, four or five years now. Most recently we moved them slightly in the first half of the calendar year, prior to the referendum. But we haven't moved them since the referendum, and I think we'd need to see plenty of approvals coming through before we'd look to move them again since our move earlier in 2016." (David Thomas, Group Chief Executive, Barratt, 16 November 2016)</p> <p>"We see that the <b>land market remains attractive</b> and we're seeing very good opportunities across all of our regions. On the left-hand chart, you can see that, in the regional market, <b>land prices have grown at a slower rate than house prices would imply.</b> They still remain well below pre-downturn prices. Equally, with an increased industry focus on strategic land, the supply/demand pressures on the land market have not returned in the regional market to pre-downturn levels. <b>The London market, as we've outlined before, is clearly quite different. As you can see on the right, land prices in Greater London have</b></p> | <p>reported as being attractive. In terms of strategic land, Taylor Wimpey reported "increasing activity with promoters", and an increase in competition from their "larger competitors, but they still concluded that the "strategic land environment remains good".</p> <p>Despite being, invariably, more competitive, short-term open market transactions were also viewed as being "very attractive", with "strong margins". This was partly attributed, by Barratt, to the role of land promoters/traders, who "moved into the market very aggressively post 2011, 2012, particularly in the back of the planning policy framework" meaning there was now "a lot of land available that is coming through the system now with residential consents".</p> <p>Unsurprisingly, there was more competition in London and South East, including from housing associations. Barratt reported that "land prices in Greater London have moved ahead of house prices", and noted that they struggled to buy land and had not been able</p> |

| Year    | Persimmon  | Taylor Wimpey   | Barratt   | Overall summary (authors)                        |
|---------|--|---|---|--|
| 2016-17 | <p>and I think we put ourselves in a very strong position on that front. Whilst we've purchased, we've got a very strong land bank, I think due to the push with the business, to generate such cash, and to give ourselves a strong balance sheet, we're also in a position where we can take advantage of opportunities.....at the moment, <b>we're still seeing lower levels of competition</b> and good opportunities to buy." (Jeff Fairburn, Group Chief Executive, Persimmon, 23 August 2016 - in response to a question from Charlie Campbell, Analyst, Liberum)</p> <p>"You can see, reflecting on the hurdle rates for land replacement, that does manifest itself in the land bank. So <b>we've already seen the average plot cost there reducing</b>. So I think that should give the market a certain amount of confidence that we are locking in some really attractive deals in a <b>land market that is not as competitive as you perhaps would have thought</b>" (Mike Killoran, Group Finance Director, Persimmon, 23 February 2016)</p> <p>"<b>short-term land is also very attractive</b> and over recent years we've been more than happy to buy a good proportion of land on the open market as there's been such good deals." (Jeff Fairburn, Group Chief Executive, Persimmon, 5 January 2017)</p> <p>"Then on the land front, well, as we said through last year, through the Brexit vote, etc., there was a bit of an easing off there</p> | <p>"Moving on to the <b>strategic land market; opportunities remain plentiful</b> but there is increasing activity with promoters and this is, particularly but not exclusively, noticeable in the south east area. Our longevity and reputation continue, I think, to differentiate us in the market, and we can consider to see reasonable level of one-to-one deals in this part of the market." (Jennie Daly, Director UK Land, Taylor Wimpey, 28 February 2017)</p> <p>"I mean on land, as you will remember, <b>we pushed up our hurdles immediately after the referendum last summer</b>. And we then, during the back end of last year, sort of <b>reduced back a bit</b> as conditions became normal, but still at a high level. And we <b>remain at that level today</b>. So we're slightly ahead of where we were a year ago, but not in a massively different place. And we do think, as we've touched on in the past, that purely from a land vendors sort of point of view, that the <b>opportunity to push hurdle rates</b> and returns on capital, and particularly, the hurdle rates much further than where we are at the moment, systematically across the board, <b>is limited</b>" (Pete Redfern, Chief Executive, Taylor Wimpey, 27 April 2017)</p> | <p><b>moved ahead of house prices</b>, although there has been a significant pull back in the last 12 months. <b>The land market remains tough in Central London</b> and we are not seeing any viable opportunities to buy in zone 1 or 2. So as Steven has mentioned, in London we are focusing on zone 3 and outwards as well as on large, more complex schemes and also government land release." (David Thomas, Group Chief Executive, Barratt, 22 February 2017)</p> <p>"<b>In terms of the open market purchases, we have said that, over the last two or three years, we have nudged our hurdle rates up a bit clearly, in the regional land market. That's not been the case in London; there's not been an opportunity to really move margin upward.</b>" (David Thomas, Group Chief Executive, Barratt, 22 February 2017)</p> <p>"I think the easiest way for me to address the land market would just be to talk about our offers made to offers accepted. I think it gives you an indication of competition. For the Group, if you looked over <b>the last two or three years</b>, we would tend to run a ratio of between one in three and one in four and that is a pretty consistent ratio. It will clearly vary by geography at different points in time but, nationally, so <b>for every three or four offers we make, we are successful in one offer</b>. What we saw, if you take zone 1 as an example, what we saw in <b>London in zone 1</b> was a period that is now extended to about 2.5 years, where we've not had a successful bid in zone 1. And that's been</p> | <p>to increase their hurdle rates in London.</p> |



| Year    | Persimmon   | Taylor Wimpey  | Barratt  | Overall summary (authors) |
|---------|---|--|--|---------------------------|
| 2016-17 | <p>really generally in the marketplace, and while people just caught their breath really, just to see exactly how things were going to translate. But actually, the land market has been pretty similar since then, through into this year. There is sufficient land for us to buy, but there needs to be more sites coming through, if that makes sense. So <b>the planning system really is delivering larger sites in fewer locations</b>; so, hence, you can see if you look at our land bank that our <b>average site size has increased</b>. Really, we hope that the planning system will deliver more sites in local areas, but perhaps smaller sites." (Jeff Fairburn, Group Chief Executive, Persimmon, 27 February 2017)</p> <p>"We've continued to see very good land coming forward in the right locations for our product and our business, so we're keen buyers. Competition has remained fairly steady. We obviously are focused right around the U.K., outside of Central London. And we see good levels of interest for land right across the board. But we've got plenty of land which we have interest in going forward. We still see good opportunities to buy at good margins. But I think you reach a level whereby the momentum in terms of land values slows, so we are actually getting very good opportunities, but <b>margin growth in terms of opportunities in new land is starting to slow</b>" (Jeff Fairburn, Group Chief Executive, Persimmon, 5 July 2017)</p> | <p>"but all our indicators from a <b>land market seems to continue to be fairly benign</b> and we can replace it at levels that are attractive to us" (Ryan Mangold, Group Finance Director, Taylor Wimpey, 1 August 2017)</p> | <p>in the order of <b>15 to 20 bids made with no successes</b>. So I think from our perspective, the competition to buy land is not going to drive us to pay higher prices. We will just be unsuccessful. " (David Thomas, Group Chief Executive, Barratt, 22 February 2017)</p> <p><b>"What we have(?) seen in the regional market over the last certainly 12 months, 18 months has been that land prices have not risen as quickly as you would expect relating to house prices.</b> And I think that has(?) been played out in data from Knight Frank and from Savills. So <b>the regional land market has become more attractive</b>, lets(?) say, more of a buyers(?) market. And I dont(?) think we have(?) seen any change in that trend. I think that there is plenty of land available, there will(?) always be geographic exceptions to that. But there is as a generalization plenty of land available. And we have been able to intake land in the regional market well. In terms of London, we see that Zone 3 to 6 is really our focus in London. We recognize from the stats that land prices in Zone 1 and Zone 2 have backed off substantially in the last 9 months or so" (David Thomas, Group Chief Executive, Barratt, 10 May 2017)</p> <p>"Prices remain stable, and there is a good flow of excellent opportunities across the country that exceed our hurdle rates. We are focused on securing standard product sites for the regional business, while in London, we are targeting Zone 3 and outwards." (Steven Boyes, Chief Operative Officer, Barratt, 6 September 2017)</p> |                           |

| Year    | Persimmon   | Taylor Wimpey | Barratt   | Overall summary (authors) |
|---------|---|---------------|---|---------------------------|
| 2016-17 | <p>"on land, there has been a <b>tendency for sites over more recent times to be a bit larger. That's the way the planning system has tended to push the market.</b> So if you look at the land deals that we secured in the period, you're looking around about <b>an average of 200 plot per site</b>, although that does vary somewhat from 50 or 60, up to nearly 1,000. So I think it does vary. I think an interesting feature there is <b>that not all strategic sites are big sites and not all land on the market is small</b>, so that's shifted a little bit. Strategic land tended to produce more of the larger sites. But actually, we're seeing land on the market, short-term deals of some good size coming through, which we're keen buyers of." (Jeff Fairburn, Group Chief Executive, Persimmon, 5 July 2017)</p> <p>"And I think the price per plot, I think, just to give you a sort of indication, we are still seeing very similar types of opportunities that we've been capturing over the last 2 or 3 years. So it's a generalization, but we're seeing still excellent value that we have done over recent times." (Jeff Fairburn, Group Chief Executive, Persimmon, 8 November 2017)</p> |               | <p>"I think just in terms of split in the market, we've said historically that land prices in London Zone 1, edge of Zone 2, we're running ahead of what you would expect in terms of house prices. And I think our sales and probably some of the other housebuilders have not been able to close deals in London because it's been very difficult to achieve the hurdle rates. What you've seen happen in Zone 1 and Zone 2 over the last 12 months or so is that land prices have backed off substantially. And whilst it's not a precise ratio, if you see a reduction in house prices, then that could be amplified maybe 3x. So a 3% reduction in house prices could see a 10% reduction in land prices. And if reductions in that sort of order that Savills and Knight Frank reported. In terms of the <b>regional market</b>, I think the reverse position has been true. And as you indicate, <b>the land prices have not moved in line with house prices in a positive way.</b> I think the reality is that <b>the large builders, if you just look at the 3 largest builders, ourselves, Persimmon and Taylor Wimpey, we are drawing large amounts of land from strategic land banks in terms of offmarket deals. A lot of people who are trading land moved into the market very aggressively post 2011, 2012, particularly in the back of the planning policy framework. So there is a lot of land available that is coming through the system now with residential consents. And therefore, we are seeing very, very attractive opportunities, and I'm sure our peers are seeing very attractive opportunities to buy land in the operational market.</b> The final thing is when we look at our offers made to offers accepted, our ratios are pretty consistent.</p> |                           |

Year Persimmon

Taylor Wimpey

Barratt

Overall summary (authors)

2016-17

So somewhere around, **for every 3 or 4 offers we make, we are successful**. I mean, clearly, you've got to monitor that ratio closely because you don't want to be successful in every offer you make. But on the other hand, you don't want to be making 10 offers with no success. So we do monitor that very closely on a national basis, and it remains pretty consistent over the last couple of years." (David Thomas, Group Chief Executive, Barratt, 12 July 2017)

**"The market provides extensive opportunities for strategic land and is supported by a positive planning framework"** (Steven Boyes, Deputy CEO & Executive Director, Barratt, 6 September 2017)

"we're seeing some **really fantastic opportunities in the land market. We're being able to buy lands above our minimum hurdle rates**. We will keep these hurdles under review, and we will increase them formally if we can buy land at higher rates for a sustainable period of time." (David Thomas, Group CEO & Executive Director, Barratt, 6 September 2017)

"we're seeing **no shortage of excellent opportunities in the land market nationally**. I think what you've seen in this market is -- well, this cycle, should I say, is a lot of the developers have got their own strategic plans, which we're pulling through. And in addition, **we've got the introduction of land promoters. And there's a lot of land promoters now who are getting land through, put it into the market, so there's plenty of good opportunities nationally to buy**

---

Year Persimmon

Taylor Wimpey

Barratt

Overall summary (authors)

---

2016-17

**land and, as I said, improve our hurdle rates."**  
(Steven Boyes, Deputy CEO & Executive  
Director, Barratt, 6 September 2017)

**"Prices remain stable, and there is a good flow  
of excellent opportunities across the country  
that exceed our hurdle rates."** (Steven Boyes,  
Deputy CEO & Executive Director, Barratt, 6  
September 2017)

---

2018-19

**"everybody in the industry has been telling you for a number of years how much easier the land environment is, how much, much better the returns are, how much less competition there is.** Somehow none of us then make the next step, you know, to say, well, what does that mean about the business apart from the short term, well, we'll buy a bit more land then. And then in a sense I see what we're saying today in that the two things I want to take form this slide, you know, on land are – we think **we have to conclude now, there is enough evidence, that it is far more likely that the land environment will remain as it is today and perhaps get a bit better, and that it won't be the fundamental constraint on the industry going forward, you know, for at least the next five to ten years.** Who knows beyond that. That that's more likely than that it will revert to where we were in 2005 and 2006. And we have to start to base our business decisions on that. And that means a few things. **You know it means higher returns. It means, you know, less cash locked up in land.** And you've seen the benefits of that. But it also means that other constraints become more important and that we have to think more carefully about those other constraints. I think you know sort of where we've looked at it over the last sort of year or so we've been quite reticent about accepting that maybe it's changed sort of for the longer

We only conducted partial analysis of transcripts in 2018-19 (due to resource constraints), and our results only relate to the transcript of Taylor Wimpey's Capital Markets Day in May 2018. Nevertheless, the story is clearly one of continuity rather than change. The NPPF continued to increase the supply of (larger) sites, leading Taylor Wimpey to conclude (perhaps, hubristically) that the "land environment" "won't be the fundamental constraint on the industry going forward, you know, for at least the next five to ten years".

Again, competition was deemed to be weakest on "larger scale sites, particularly with infrastructure requirements that excludes many others in both operational and strategic land markets".

2018-19

term. We've tended to have a view, well, it's changed but we don't really trust that." (Pete Redfern, Chief Executive, Taylor Wimpey, 15 May 2018)

**"put simply: pre-NPPF, housing land supply was restricted by lack of viable planning consents, supply was constrained and often uncertain. Post-NPPF, whether locally approved or via the appeal process, the system has been generating more land supply and more consents. The planning consent reservoir is now such that we have confidence in a strong delivery pipeline.** The overall number of residential units approved in 2017 is 21% higher than the preceding year. And whilst the local plan application process often remains frustrating, **land is no longer the dominant constraint**, and we can modify our business behaviours accordingly. So, looking at this graph, I think all lines are pointing in the right direction. Mergers and acquisitions gathered pace in the late 1990s until 2007, and whilst there were, of course, other business drivers at the time, there is no doubt that the inability of businesses to procure the land that they needed for growth was a key driver during this period. Land strategies of the time were both defensive and predatory. So, this graph, I think it is clear **that the land market dynamics have changed significantly, reflecting a greater depth of housing land and planning**

2018-19

**consent availability. As a result, the land market has structurally different measures and different characteristics than previously with reduced competition and consistently higher investment margins than we saw in previous decades.** " (Jennie Daly, Group Operations Director, Taylor Wimpey, 15 May 2018)

**"I think there remains a good opportunity in the land market, but we are seeing material advantage on those larger scale sites, particularly with infrastructure requirements that excludes many others in both operational and strategic land markets, and I think our track record in delivery and our operational capabilities tend to differentiate us in the competition in this part of the market. In the short-term market, we are seeing increasing activity from new regional offices by others, the RSL sector, and some SMEs.** Whilst in London, we are seeing the pricing remains competitive for sites with planning consent, I think it is worth noting that the mayoral affordable housing guidance and the new emerging London plan which is quite prescriptive is likely to increase risk and reduce opportunity, and **we are observing much more competition from other sectors in the London market.**" (Jennie Daly, Group Operations Director, Taylor Wimpey, 15 May 2018)

2018-19

**"We have seen some of the sort of SMEs at a regional level becoming more active in the short-term market.**

They are predominantly focusing on a part of the land market that we don't occupy; you know, sub-50 units. But I would say, despite seeing that activity, **we haven't seen a massive resurgence of SMEs.**" (Jennie Daly, Group Operations Director, Taylor Wimpey, 15 May 2018)