

The Anchor Customer: How Government Could Turn Housing Need into Bankable Industrial Demand

Evolving the built form enterprise to solve the social housing supply crisis

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Executive Summary

The global housing shortage presents a persistent paradox: massive aggregate demand for housing exists alongside advanced manufacturing technologies capable of high-productivity off-site construction, yet industrialised housing production consistently fails to achieve meaningful scale.

The conventional diagnosis attributes this failure to technological, capital, or regulatory shortcomings on the supply side.

This paper proposes a different thesis: ***the critical constraint facing industrialised construction is not the absence of industrial technology, but the absence of industrial demand generated by enterprises capable of procuring at industrial scale.***

However, industrial demand cannot be viewed in isolation. As real estate economics demonstrates, demand for construction procurement is downstream of deeper, systemic constraints: land control, planning certainty, development feasibility, and capital volatility.

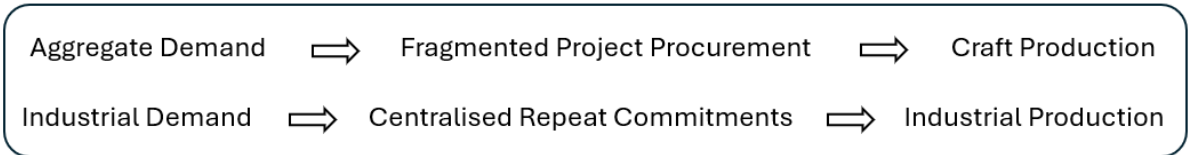
This updated Industrial Evolution Model proposes that industrialised construction will not scale simply through technological advancement or private market aggregation. ***It requires an upstream-integrated, anchor-demand enterprise capable of assembling land, streamlining planning, and absorbing market volatility to convert aggregate housing need into bankable industrial demand.***

1. The housing supply paradox: Aggregate vs. Industrial Demand

The world does not lack demand for housing. Millions of households require shelter, and governments routinely pledge billions to accelerate supply. Yet, this vast pool of need has failed to sustain high-volume manufacturing platforms.

To understand why, we must distinguish between two fundamental concepts:

- **Aggregate Demand:** The total cumulative need for a product across an entire market (e.g., millions of individual households seeking homes).
- **Industrial Demand:** Centralised, high-volume, repeat procurement committed by an enterprise with the scale and capital capacity to absorb continuous factory output.



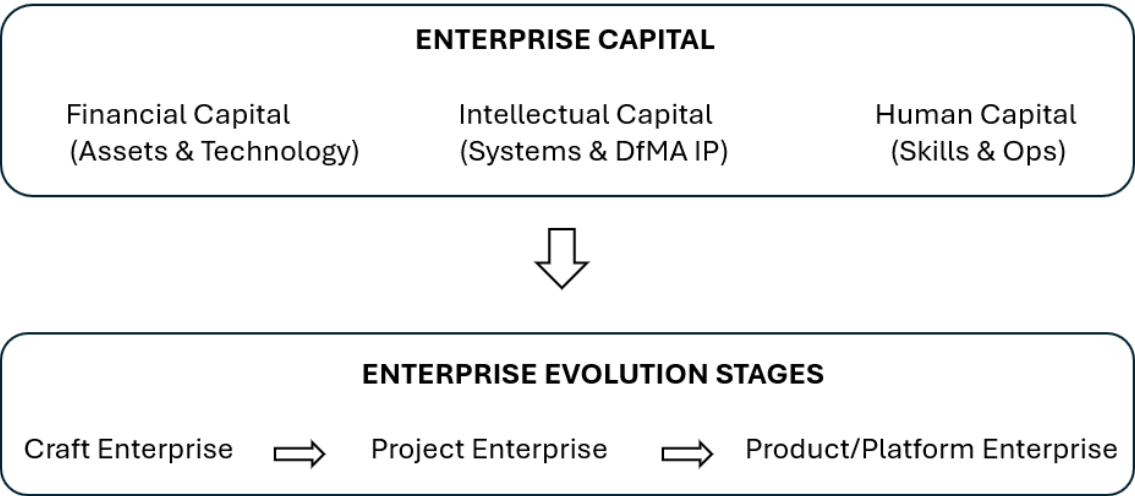
Most contemporary housing property development remains fundamentally project based. A developer establishes a temporary enterprise for a specific site, assembles a bespoke consultant and contractor team, delivers the project, and disbands. Each building is treated as a unique project rather than a repeatable product.

When off-site factories attempt to serve this market, they are forced to compete for fragmented, one-off contracts with varying designs, consultants, and procurement rules. Without predictable, recurring order books, high fixed cost manufacturing platforms suffer low capacity utilisation, burning capital until they fail.

As demonstrated by high profile failures like Katerra, a factory cannot industrialise a craft customer by itself. ***Industrial production requires industrial customers.***

2. Capital allocation as the mechanism of evolution

The Industrial Revolution was not merely a story of technological invention; it was a fundamental evolution in how enterprises allocated capital.



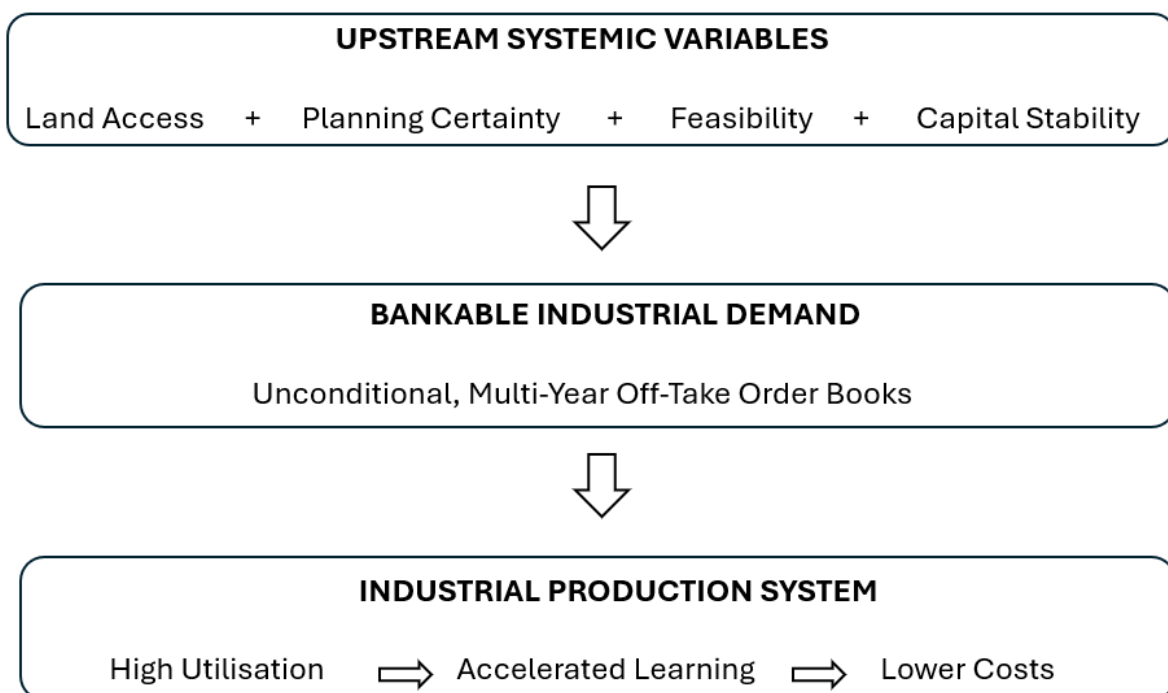
Industrial evolution occurs when an enterprise changes how it deploys financial, intellectual, and human capital to alter its underlying economics:

1. **Craft Enterprise:** Operates via individual, non-repeatable labour and bespoke execution.
2. **Project Enterprise:** Optimises capital deployment around delivering the next project. Intellectual property remains with third-party architects, engineers, and sub-contractors.

3. **Product Enterprise:** Standardises products and details, accumulating internal IP, though production remains largely project based.
4. **Production Enterprise:** Standardises the production system itself (Design for Manufacture and Assembly / DfMA), treating individual developments as production instances.
5. **Platform Enterprise:** Standardises configurable rules, interfaces, and digital twins, using continuous data loops to refine both the product and the production system over time.

3. The upstream reality: Why the previous model started one layer too late

While enterprise aggregation is necessary, placing the customer at the beginning of the causal chain overlooks the fundamental economics of real estate. A construction procurement commitment cannot exist in a vacuum; it sits downstream of critical land and financial variables.



To create an unconditional, bankable order book, an enterprise must overcome four upstream bottlenecks:

Upstream bottlenecks

- **Land control & assembly:** An enterprise cannot generate a continuous pipeline without repeatable access to sites that are controlled, serviced, and economically viable.
- **Planning & regulatory certainty:** Municipal zoning, local design codes, and fragmented approval processes force design variations onto sites, destroying factory-floor repetition.

- **Site variability:** Topography, ground conditions, setbacks, and local context prevent the deployment of identical, static building designs across multiple locations.
- **Capital & rate volatility:** Private development pipelines are hyper-cyclical. When interest rates rise or presale markets cool, private pipelines freeze. A factory cannot pause its fixed overhead during a two-year market downturn.

Furthermore, construction cost savings achieved through industrialisation do not automatically increase housing supply or lower market prices. If upstream bottlenecks remain unsolved, construction savings are frequently absorbed by land value capitalization, elevated finance charges, or developer risk margins.

4. The solution: The state-anchored, upstream-integrated model

If private developers operate on short, rate-sensitive cycles and retail land costs, who has the structural capacity to break these upstream bottlenecks?

The answer lies in ***government acting as the founding Industrial Enterprise or primary anchor customer, specifically targeting social and affordable housing.***

GOVERNMENT AS ANCHOR ENTERPRISE

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|-------------------------|--|
| 1. Land & Planning: | Assembles public land banks & fast-tracks zoning |
| 2. Feasibility: | Deploys patient, low-cost sovereign capital |
| 3. Volatility Buffer: | Guarantees 10-year counter-cyclical order books |
| 4. Platform Deployment: | Mandates configurable DfMA platform interfaces |

Government is uniquely capable of aligning all four upstream variables simultaneously:

- **Land & planning sovereignty:** Government holds extensive, underutilised public land banks (e.g., surplus transport, education, and defence corridors). It possesses the sovereign authority to create precinct-scale, streamlined planning pathways tailored to standardized systems.
- **Absorbing volatility with patient capital:** Government operates on long-term funding horizons backed by sovereign balance sheets. Because social housing demand is non-cyclical and permanent, government can issue guaranteed, 10-year off-take commitments that run directly through private market downturns.
- **Configurable platforms over static buildings:** To resolve site variability, the enterprise must deploy a configurable product platform, standardizing core structural chassis, MEP risers, and DfMA connection interfaces while allowing external layouts and facades to adapt to local site geometries.

By acting as the initial anchor customer, government generates the baseline volume required to drive the industrialisation flywheel:

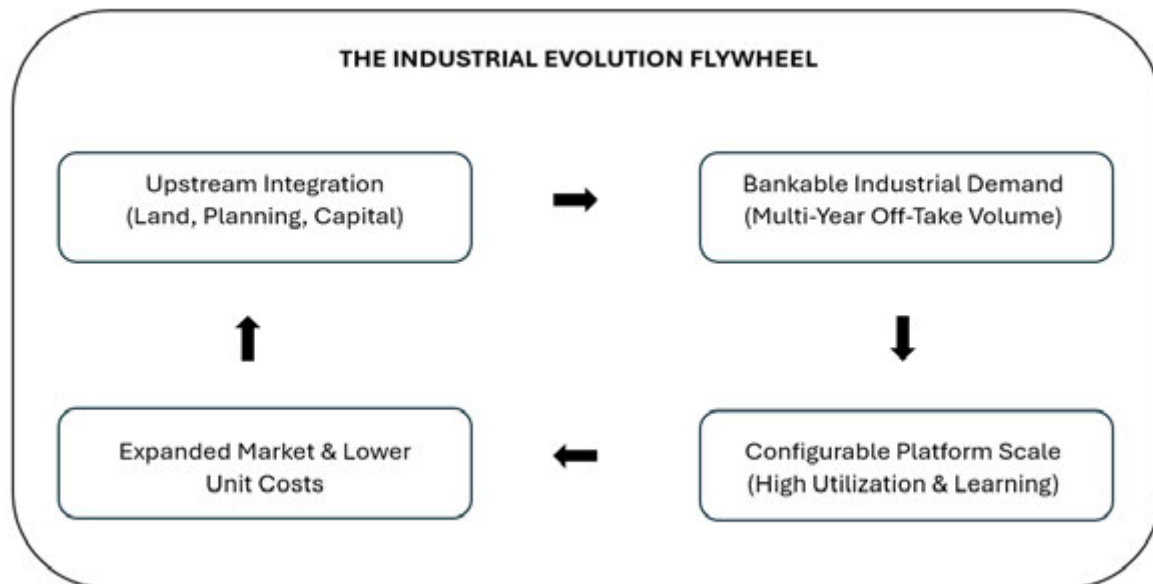
Anchor Demand → High Factory Utilisation → Accelerated Learning → Lower Unit Costs

Once the platform achieves scale efficiency through public-sector commitments, private-sector developers can piggyback on the established supply chain, expanding industrialised housing into the broader market.

5. Conclusion: The evolutionary sequence

The failure of industrialised construction to date is not a story of inadequate factory tech; it is a story of enterprise misalignment.

Industrial demand does not wait for land, planning, finance, and feasibility to spontaneously align in a fragmented market. It requires an enterprise capable of actively assembling those upstream conditions.



The evolution of built form (housing) property development will follow a clear sequence:

Upstream Land & Capital Integration → Anchor Industrial Demand → Configurable Platform Deployment → Supply Chain Scale

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