



HOUSING MARKET INTELLIGENCE REPORT 2025

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HOUSING MARKET INTELLIGENCE 2025

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Housing Market Intelligence
is published by:

Housebuilder Media Ltd
HBF House
27 Broadwall
London, SE1 9PL



Edited by Brian Green

October 2025

Further copies: call 020 7960 1630



FOREWORD

David Campbell,
Chief Operating Officer, NHBC

I am proud to contribute the foreword to this year's Housing Market Intelligence report. Since the launch in 2003, NHBC has been a partner in delivering the conference and report each year.

Communicating the challenges facing our industry to key players and our trusted partners, supported by reliable data and insights, is critical to sustaining and improving the housebuilding sector. With so much change, so much uncertainty and so much at stake, it is more important than ever.

At NHBC the use of data is central to delivering our core purpose of raising standards in housebuilding by championing high-quality homes. But we know that data can only have true meaning and impact if the context within which it is used is well understood. It can be all too easy to take a single seemingly significant number or a potential trend and come to the wrong conclusion and that is one of the strengths of Housing Market Intelligence. It brings together experts from multiple disciplines across the housebuilding sector to scrutinise not just the data but the ever-changing political, regulatory and economic landscape within which the industry operates.

Today there is an unambiguous drive from Government to see a rapid expansion in housebuilding to meet its pledge to deliver 1.5 million homes within its parliamentary term. A huge number in our industry are motivated to get behind this ambitious target but to have a chance of achieving it, many persistent challenges must be overcome and greater alignment between all sectors must be realised.

From the NHBC perspective and I'm sure from that of the HBF and its members, if we are to create high quality homes that will last for decades we need to build them with the future in mind. We need to build them to the highest standards, and we need the time, resources, skills and economic stability to do so.

These challenges are set against a backdrop of households financially stretched by a cost-of-living crisis and interest rates that have leapt up from historic lows. Housing associations' capital spending is being tied up improving existing stock. Building materials costs have sky-rocketed and the cost of building homes is set to rise further to meet net zero. Increasingly, large numbers from an ageing construction workforce are retiring. There are tough challenges presenting the sector with difficult choices.

NHBC's central role is to help ensure that quality is not only maintained but driven forward. As part of the fabric of this industry we see our role more broadly. We are part of a continual dialogue across the wider sector, engaging with government and policy makers to help build a consensus to tackle the pressing challenges of the day. Recent examples include the formation of the Future Homes Hub and the New Homes Quality Board.

At NHBC we have also cemented our commitment to developing the next generation of skilled housebuilders with our own £100m investment in a national network of training hubs. Our unique training model embeds apprentices in real site conditions, giving them the skills they need to build high quality homes and tackle the skills gap head-on. We see Housing Market Intelligence as part of this conversation and believe that with open and honest debate, based on good quality information and insights, we will deliver a firm foundation on which to build the homes of the future.



A stylized, handwritten signature in dark ink, appearing to read 'D Campbell'.

David Campbell
Chief Operating Officer, NHBC



EXECUTIVE SUMMARY

If you were looking for words of comfort, it may be wise not to ask AI for an assessment of the current mood of the populace. Here's what ChatGPT said: "The populace would likely describe the current environment as bleak, precarious, turbulent, and increasingly polarized." Likewise, any pollster would say economic confidence is very low.

These are definitely unsettling times for housebuilders. Optimism at best, or some stability at worst, tend to be vital for housebuilders to prosper, irrespective of how great the need is for more homes. Not surprisingly, the themes of turbulence, change, and a need for new thinking run through this year's Housing Market Intelligence report like a steam train, loud, clear, and demanding attention. But equally, there is an underlying belief that the future holds promise.

As the economic overview provided by Noble Francis, of the Construction Products Association, and Brian Green points out (Page 16), the effects of inflation are acting like a vice on housebuilders at a time when they are already under pressure. This is undermining both viability and affordability.

The paper states: "On one side, below inflation house-price rises in many critical regions reduces the value of the money coming in, while the hike in materials and labour costs mean more money going out. So profit margins are being squeezed. Added to this is a long list of additional costs created by regulatory change that are feeding through the pipeline. This makes once viable developments unviable, a problem exacerbated by a reluctance among housing associations to buy Section 106 properties. On the other side, market demand is depressed by rising house prices set against rising mortgage rates and the struggles first-time buyers are having raising a deposit."

But, as the economic overview points out: "While there has been a distinct cooling in the optimism of last year, it hasn't vanished. The need and case to build more homes remains. It just looks like it will be a much tougher challenge than it might have seemed a year ago."

The view that optimism has dimmed is echoed by HBF's David O'Leary. His examination of housing policy (Page 20) clearly applauds the government's rapidly executed moves to improve planning. But he highlights the crushing effects of a growing burden of costs faced by home builders. He too warns of the impact on viability which inevitably undermines the government pledge to deliver 1.5 million homes within a parliament. He argues that the government needs to reboot its housing policy if it hopes to meet its target, on which it has staked so much of its credibility.

Of course there will be accusations of special pleading as in any policy debate between government and industry. But there is growing evidence that building homes is becoming increasingly unviable. On page 26, Richard Donnell of Zoopla presents research that should greatly concern the government, stating: "The worrying reality is that the economics suggest the scale of delivery needed to meet the government's pledge to create 1.5m homes in England in this parliament can only be met across a third of the country. Unfortunately this third is where it costs significantly more to buy a home, so it is affordable to just a small proportion of potential home buyers."

Clearly, affordability and viability issues restrict the number of sites housebuilders are willing to open. But reaching policy solutions is far from straightforward. Perhaps inevitably, there are differing opinions held by government and the industry over how much value can be extracted from land in terms of lower prices paid to landowners or lower profits made by housebuilders to pay for the increased cost burdens. It is well recognised that building on land, whether it be houses, offices, or shops, in most cases raises the value of that land. It gives the location more worth.

The key political question is who should benefit from the rise in value when land is given planning permission. That debate is made more complex than it might at first appear, because it is not always easy to define the increase. Much of the value is generated over time as and if the location matures and becomes a magnet for further development.

Regulatory changes mean that it costs housebuilders far more to build homes than in the past, with the government largely taking the view that this will "come off the land". That is, the residual value would fall to accommodate the extra cost of building. Obviously, there is a limit. Unsurprisingly government and the industry seem to differ on where that limit lies. This makes the analysis of land value capture by Emily Williams of Savills an intriguing read (Page 42).

Cutting to the chase, she concludes: "It is hard to see, based on this analysis that there is much more potential to increase land value capture to support both affordable housing delivery and fund infrastructure, particularly on larger sites, in most markets in England. As ever, policy needs to chart a course between fairly distributing the value generated by development and providing enough of a return to developers and landowners to ensure a steady flow of schemes continue to come forward across the country."

The danger for the government is that it has set itself a giant of a target that will only be met if pretty much everything goes well. Any misstep, and an already unlikely target is doomed. Moreover, with restricted public money behind it, it is reliant on the private sector, and to a large extent homes built for households looking to buy a home. Worryingly, selling homes to households today is far tougher than a few years ago. This is very evident in the level of incentives housebuilders are providing. Certainly, Rob Owens of e.surv in his piece on how to get the best out of incentives (Page 32) shows there has been a marked increase in their use since the end of Help to Buy.

Not surprisingly, there is growing doubt over whether the government can meet its target of 1.5 million homes if it relies so heavily on private sales to households. As the headline of the piece contributed by Anthony Codling of RBC Capital Markets (Page 52), bluntly puts it: “If we can build 1.5 million homes in five years, who can we find to buy them?” He sees the traditional homebuyer market as currently limited and fraught with multiple challenges, not least affordability. But also the levels of transactions, which tend to correlate with home purchases broadly on ratio of ten to one, show little signs of meeting the government’s aspirations. He argues that much more focus is needed on the demand side.

This is a view echoed by HBF’s Catherine Williams (Page 38), who argues that the government must look beyond simply enacting policy and look with more attention at what is happening on the ground. She says: “Improving the planning system will relieve many supply-side frustrations and make the process more efficient and effective. But it can do little to solve the very evident demand-side challenges. The government needs to understand that if it wants to see 1.5 million homes created before the end of this parliament the whole system will need to be running optimally.”

Bluntly paraphrasing, all the wonderful policies you might have are rendered worthless without effective mechanisms to implement them. To this end, she lists many examples where the planning system needs attention and outlines how much can be done to improve it. This will require streamlining overly complex systems and providing more money for overstretched and under resourced local authorities.

A fair proportion of the cost burden falling on the housebuilding sector is down to the industry facing a future where new homes are significantly better than those built before. Certainly, they will be much better in their impact on the environment and energy use, bringing down bills for the nation and the homeowners.

This is not a simple task and comes with costs. But energy bills and climate change are growing concerns among many households. The shift to the Future Homes Standard will mean that new homes are distinctly better than the existing stock and deserving of price premiums. On page 58, David Adams & Tessa Hurstwyn, outline the timetable for introducing the Future Homes Standard, its implications, and how homebuilders prepare themselves. And in a market that is tough they do offer optimism. “With the right preparation and collaboration, the Future Homes Standard is not just a requirement to be met, but an opportunity to deliver homes that delight consumers and are truly future ready.”

Meanwhile, to secure the view within the public that new homes are better than the existing stock, the sector needs to remove doubt within the general public. In recent years, the industry has worked hard to raise the reputation of new homes, not least the creation of the New Homes Ombudsman Service in 2022. Importantly, the New Homes Ombudsman, Nigel Cates, sees the service not simply as a route for complainants to seek redress. He sees it also as an important source of information helping housebuilders improve their service. For instance, examining data on complaints can help to isolate common issues which housebuilders can improve (Page 45).

The pages of this report touch on many of the multiple challenges facing the sector. Even for the largest of housebuilding firms, the amount of change, regulatory, social, economic, political, technical, and environmental, over recent years and yet to come represents a major challenge. But for smaller firms the tasks ahead can feel overwhelming. So it may not be a surprise that the number of small and medium enterprises has dwindled over the years. The HBF’s Emma Ramell examines the challenges faced by the sector’s dwindling number of small and medium-sized housebuilders and looks at how their survival and growth might be secured (Page 48).

She argues: “SME developers play a vital role in diversifying the market, building out sites that are often too small or complex for large developers, broadening the capacity of the industry, and accelerating delivery in areas where demand is greatest.” Further she warns: “Failure to act would not just mean missed housing targets and stalled economic growth. It could also be the final nail in the coffin for many of the SME home builders this country, local communities and aspiring homeowners so urgently need.”

Overall this year’s report provides a picture of both peril and promise. The next few years will not be easy. But the optimists will see many signs to suggest that the industry can and will emerge from these turbulent times stronger, smarter, and with its reputation reinforced. Turbulence, such as that seen today, is often a precursor to change. So it is worth noting the words of Peter Drucker, who more than most shaped modern management thinking: “The greatest danger in times of turbulence is not the turbulence; it is to act with yesterday’s logic.”

Brian Green

October 2025

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