

EXECUTIVE SUMMARY

It would be hard to pick a period over the past 100 years, aside from the Second World War, when UK housebuilders have faced so many substantial challenges simultaneously. These are not normal times for housebuilders, and the abnormality is clearly evident in the pages of this year's Housing Market Intelligence.

The 2024 issue of this report asked whether we were experiencing a period of 'change' or 'transition' – change being reversible, transition suggesting a permanent shift. This is not a philosophical nicety. The difference matters. Adjusting for a transition demands far more interrogation and involves greater risk than dealing with change.

Since posing the question two years ago, the pointers have swung further towards transition. The period of almost zero inflation in goods in over, after 30 years of reaping the benefits from hyper globalisation. We are now more vulnerable to shocks in global goods prices. With growing international tensions rising and the flaring up of the US-Iran conflict, we having to adjust to a global crisis of one sort or another almost annually.

These crises alone suggest we are in a period of transition. That's before adding climate change, environmental degradation, rising migration, ageing populations, and the shattering of political norms undermining stability in policy. Then there is the unknown, artificial intelligence and how it will disrupt our economy, politics, and society more widely.

This all suggests a shift to a more volatile and unpredictable period in history. That's bad for housebuilders and a housing market that thrives on certainty, stability, and confidence. This does not mean: the "old ways are dead, long live the new ways". But it does point to profound changes in the environment in which housebuilders operate.

It is no surprise that housebuilders are adopting different approaches and business models as they adapt to a changing business environment. That said, the 'traditional' current trader model of the speculative housebuilder remains the central model for delivery. But the growing complexity in how homes across the private and public sectors are delivered today has resulted in this business model gradually being distorted.

This raises questions over what and how much should rest on speculative housebuilders and the current trader model and what is the best balance to maximise both private interest and public good. Is there a need for a full-scale rethink on how homes are delivered across the private and public sectors?

Ignoring these questions seems unwise. Today the cost of major regulatory change and unpredictable input costs is too often leading housebuilders to choose not to build, faced with schemes that are now financially unviability. This is not to say the sector should be free of wider social commitments. But the current approach adds uncertainty to a process that thrives on clear sightlines to inform long-term decisions. It breeds unintended consequences.

These long-term deep-seated issues will ultimately determine the future for housebuilders in the UK. But today faced with immediate and complex short-term challenges, underlying issues become submerged, trumped by pragmatism.

We are in such a period. As Noble Francis, of the Construction Products Association, and Brian Green discuss, we are navigating difficult economic times. But these are not simply short-term. Global economies more widely are under immense stress as they rebalance after decades of intense globalisation (Page 14).

Their analysis argues that it is now tougher to contain inflation than in past decades. This tends to mean higher interest rates. And, in his analysis of the cost pressures (Page 22), Francis argues that, after repeated cost shocks in the materials supply chain, housebuilders need to place more emphasis on securing their supply chains. Given the long time frames within which housebuilders operate that means much more attention needs to be paid to risk factors.

The pressure on housebuilders is already severe. This is made plain in the contribution from HBF's David O'Leary. Yes, he applauds the government's efforts to improve planning. But he argues that policy makers have a myopic view of the housing market. They overfocus on planning when multiple other factors on both the supply side and the demand side are making it impossible to reach the government's highly ambitious target. He also points out that losing the economic uplift from building more homes puts government's whole economic planning in jeopardy (Page 18).

An ever present concern for housebuilders is the planning process. Here, HBF's Catherine Williams praises the speed at which the current government instituted useful planning reform. But as she points out (Page 26), policy is one thing, but to deliver the benefits requires the right people and processes. It is time, she says, to focus on improving the mechanics and resources of the planning processes.

Another key ingredient in delivering new homes and another concern is the workforce. The sector is acting to boost its numbers and quality. But, as HBF's Andy George points out (Page 30) the challenge requires a stronger connection with government. He welcomes recent government initiatives. But he argues that, if the sector is to expand its capacity and support government's housing targets, there needs to be a clearer strategy for long-term investment and incentives to recruit, train and upskill.

This need becomes more urgent with the introduction of the Future Homes Standard (FHS). As Ross Holleran of the Future Homes Hub emphasises (Page 56), the transition to FHS represents a fundamental shift for the sector. The technical and regulatory leap this shift represents has huge implications for the level of training and skills both on and off site. And he stresses that we must think differently when building to the FHS and look closely at how to maximise the opportunities it brings and address the challenges it presents. This is a pivotal point for the industry.

While housebuilders are digesting these messages, they also have to focus on the mechanics of delivering and selling homes. Ultimately three things pretty much determine the level of homes built in the private sector: the cost to build including land, labour, and materials; the price they can be sold at profitably; and the number of willing and able buyers. This raw reality is coming ever more to the fore as concerns grow over viability and the relatively low number of buyers in the overall housing market seen in recent years.

The effects of the multiple pressures facing housebuilders, from economic ill winds and regulatory change, are outlined in more detail in four of this year's contributions. They look at the often different but connected challenges facing firms delivering homes for open-market sale and how these are impacting the sector.

Emily Williams of Savills (Page 36) directly addresses the question of what is making the new-homes sales market much more challenging. Her market-focused piece discusses how, despite the growing need for more homes, there appears to be falling economic demand, as reflected in the residential transactions data. Meanwhile, HBF's Laura Markus (Page 40), looks at how the rising cost pressures on housebuilders arising from increased regulation and input prices is threatening viability.

Taking the viability issue further, Richard Donnell of Zoopla explores how far the dominant business model for delivering homes can stretch in today's market to meet the government's ambitious 1.5 million homes target (Page 44). While the implicit answer might be "very unlikely", he points to potential approaches that might boost overall numbers delivered. And in his piece, Anthony Codling, RBC Capital Markets, poses the blunt question of whether there are enough able and willing buyers out there to absorb these homes (Page 50).

The picture painted by these four contributions is clear. It is a picture of real struggle on the ground to deliver homes directly within the private sector and it points implicitly to the need for more wide-reaching policy prescriptions if the government hopes to see significant rises in housebuilding.

Not that these immediate issues are the only ones housebuilders face. Just as the internet changed the market, so will artificial intelligence. Not only will it alter the physical process of how homes might be built and designed, but it is likely to reshape where people live and how they live. As Brian Green observes (Page 66) housebuilders will need to look beyond production and jobs when they assess the impact of AI. Importantly, while this may seem like something that can be put off, the pattern of change is accelerating, so these are issues that face management now.

Not that making decisions will be straightforward. To make good choices you need reliable information and data. But as Brian Green, Noble Francis, Neal Hudson, all heavy users of data, observe there has been a steady and worrying decline in the quality of the major statistical series which help describe the housing and construction sector (Page 72).

The above paints a picture that most housebuilders will recognise. It is seriously tough out there. Despite all this, the UK's top housebuilders have mostly managed to keep their heads above water as shown in their performance over 2025 (Page 76). Falls in delivery and margins appeared to have been broadly arrested in 2025. However, with a further crisis emerging with the US-Iran conflict, a fresh wave of price rises seems almost certain.

But the day-to-day, year-to-year work of improving the industry must go on. Delivering homes to the Future Homes Standard is clearly part of this, but another major vehicle for lifting the sector's reputation is the New Homes Ombudsman Service (Page 60). Reflecting on three years in action, New Homes Ombudsman Nigel Cates provides a straightforward and essentially simple observation. Buyers confidence in a housebuilder is heavily influenced by the response they receive when raising issues after handover. In an industry in a tight market looking to boost its share in competition with existing homes, confidence is an essential ingredient.

What emerges in this year's report is how the housebuilding sector is having to fight on all fronts to tackle multiple challenges. The financial data suggests that, so far, most housebuilders have kept their head above water. But they are yet to face a fresh wave of price increases at a time when they are spending more on each home to meet a slew of regulatory obligations. These are tough times for an industry vital to the health and wealth of the nation.

Brian Green

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