

Opinion **UK housebuilding**

## Housebuilders need tough love – and fresh thinking

The industry's gripes about £4.5bn in estimated costs are flawed, but so is government policy

**HELEN THOMAS**



Construction costs are increasing and the big housebuilders will pull back on new starts to preserve profitability © Christopher Furlong/Getty Images

**Helen Thomas** 4 HOURS AGO

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Who would be a big homebuilder? Interest rates are rising, [house prices are headed south](#) and — worst of all — industry bête noire Michael Gove is back at the horribly named Department for Levelling Up, Housing and Communities.

Still, the industry body's latest report bemoaning an “influx of new taxes, levies, regulations and policies” is crass for a sector that has reaped the benefits from repeated government attempts to stimulate buyer demand over the past decade. [More than half the £4.5bn](#) in annual developer costs estimated by the Home Builders Federation comes from the Future Homes Standard, overdue requirements on low-carbon heating and energy efficiency and other measures related to the energy transition.

Gove, in his first spell in the job, made clear that the government's stretching annual target of 300,000 net additional homes in England by the mid-2020s wouldn't stand in the way of shaking down the sector for money to fix the cladding crisis (another chunk of the HBF's rising policy costs). It wasn't entirely fair: the blame there extends well beyond the volume housebuilders to material manufacturers and policymakers themselves. But the principle of not letting an arbitrary target (that he just reaffirmed) block actually getting something done was the right one. Let's hope it still applies.

For a start, the country has never managed to build at that level on a net basis, even in the heyday of the 1960s. It's not set to happen now. A decade of [Help to Buy](#) and other stimulus pushed net additions to 240,000 pre-pandemic. But rising mortgage rates, impaired affordability and collapsing buyer confidence mean [house prices will fall](#). Construction costs are rising and the major housebuilders — who are responsible for three-quarters of private construction, in turn four-fifths of the market — will pull back on new starts to preserve profitability.

The industry body says it isn't calling for a delay to new standards. But it feels like the sector, aware

that the government doesn't have a hope of hitting targets without it, is softening the ground for regulatory tweaks, demand stimulus or both.

“It is certainly a familiar pattern,” said Toby Lloyd, independent consultant, who points out that industry lobbying helped kill the last iteration of zero-carbon housing regulation in 2015. As a result, about 1mn new homes [had been built](#) with lower efficiency standards, said Carbon Brief, which alongside the cuts to subsidies for retrofitting houses has hurt in this energy crisis. The industry, says Lloyd, can't resist a short-term, profit-boosting incentive despite knowing that “the key thing for policy is that it needs to be consistent and not knee jerk to market cyclicality”.

The sector is on stronger ground when despairing of a sclerotic planning system. The reforming zeal briefly on show under Liz Truss may have vanished with her. Still, [rules around nutrients in soil](#) are only a sliver of the HBF's extra policy costs but have effectively blocked the development of 100,000 homes and are more generally acknowledged to be a problem.

Better too, argued Marc Vlessing, founder of Pocket Living, a small developer of discount to market homes, would be to use this downturn to “move away from this binary world where we're entirely reliant on the volume housebuilders”. Small and medium-sized builders delivered 40 per cent of homes in the late 1980s, a figure that has fallen to close to a tenth. Vlessing, who calls the HBF intervention “cloth-eared”, bemoans a “lack of imagination” from both government and industry and is pushing for a quicker, easier route through planning for small sites offering majority affordable housing.

The government, said Lloyd, could also reprise the post-financial crisis response (before Help to Buy became the default policy), which put money into housing associations and other alternative sources of housing supply, helping to keep stalled projects going and aiming to diversify the

market.

The big housebuilders, of course, aren't going to call for their own diminution. The government has re-embraced a goal that it probably can't hit. Better accept that and think about longer-term change than backslide on what the country actually needs from its homes of the future or fall back on the tired policies of the past.

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