SAVILLS RESEARCH

What size of builders do we need to deliver more homes?

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We must support the smaller and medium-sized builders alongside larger ones to enable delivery of the homes we need

- The housebuilding industry has changed dramatically over the past three decades. Waves of consolidation and dissolution of companies have seen the large housebuilders grow larger, and the number of medium-sized and small builders decline in number and build a lower share of new homes.
- To build more homes and meet the housing targets of the new Government, the housebuilding sector requires greater capacity. Firstly we need better understanding of which housebuilders are building homes and how many they build (currently there is no comprehensive dataset covering all housebuilders). Secondly, we need to support the growth of smaller and medium-sized builders alongside larger ones to enable delivery of the homes we need.
- We calculate that 70,000 more homes could be built per year if 1) the moderately large housebuilders (building 500-5,000 homes per year) contributed to housing supply as much as they did in 1995 and 2) the number of SME housebuilders was restored to the number there were in the mid 1990s (with each building 10 homes per year on average).

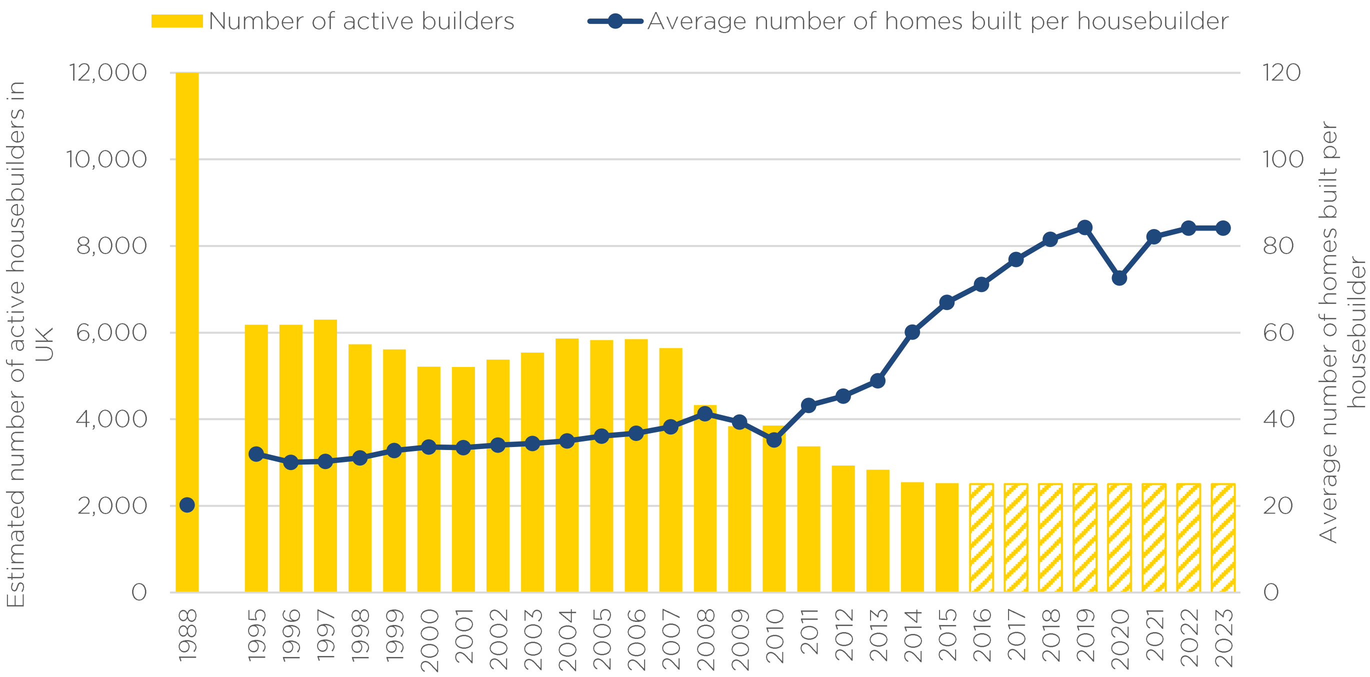
Fewer housebuilders now

There are far fewer housebuilders now than three decades ago. Back in 1988 (at the peak of new home delivery in the 1980's), there were at least 12,000 active housebuilders according to HBF[1], and at least 6,000 in 1995. Today that number is closer to 2,500 (2,423 recorded in UK Housebuilder Directory Q3 2024). Although these numbers are estimates (due to the lack of a comprehensive dataset on who builds new homes in the UK) it does indicate a clear trend of declining numbers of housebuilders.

Since 2010, when the number of housebuilders had declined significantly, the number of new homes completed per housebuilder has risen significantly. Between 1995 and 2010 each housebuilder built 30-40 homes per year on average. This was even lower in 1988 when the average was 20 per builder per year. In 2023 the number of homes built per housebuilder had more than doubled that of the 1995-2010 period and quadrupled the 1988 levels reaching 84 homes per housebuilder per year. This shows we are now reliant on fewer builders, with each building more homes than was the case historically.

The consolidation of housebuilders is continuing with Redrow being recently acquired by Barratt. This shows the trend towards larger housebuilders is not changing and we risk having even fewer housebuilders in the future.

Figure 1 The decline in the number of active housebuilders and the growth in average delivery per housebuilder



Source Savills using NHBC, Housing Market Intelligence Report, Housebuilders Directory

NB: Due to lack of comprehensive housebuilder data this is an estimate of the number of housebuilders

[1] HBF, 2017, Reversing the decline of small housebuilders

The largest housebuilders have grown

Today, not only do the largest housebuilders build many more homes than thirty years ago, they are much larger relative to their smaller industry peers, partly due to the many mergers that have happened over the period.

In 1995, there were four housebuilders notably larger than the rest, each building between 6,000 to 8,000 homes per year. In 2023, this had risen to five housebuilders, completing between 10,000 and 17,000 homes per year. The largest companies (delivering over 5,000 homes per year) have more than doubled their share of overall delivery, rising from 14% of all homes in 1995 to 29% in 2023.

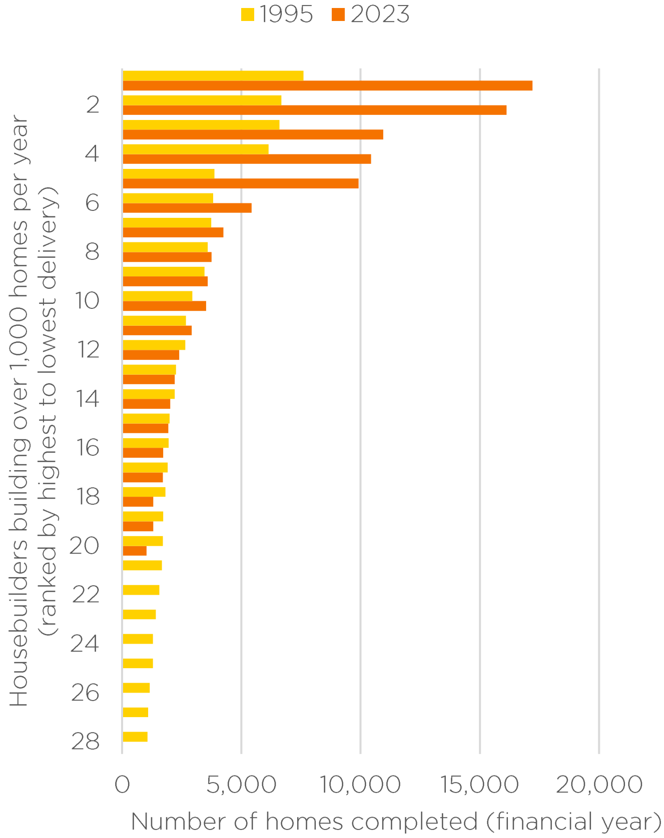
As a result, the gap between the very largest housebuilders and the rest has grown significantly. The largest firm in 1995 (Wimpey) built four times as many homes as the 20th largest housebuilder; by 2023, the gap had widened dramatically, with the largest firm (Barratt) completing seventeen times more homes than the 20th largest builder.

But there are fewer moderately large builders

The story is very different beyond the top four or five largest firms. In 1995, 24 housebuilders completed between 1,000 and 5,000 homes; by 2023 this had dwindled to 14. This segment of the industry built 28% of all homes in 1995; by 2023, that was just 14%. This indicates that it has been challenging for all but the largest housebuilders to grow.

Further down the scale, there has been moderate growth in the number of housebuilders building 500 to 1,000 homes, with 19 builders at this scale in 2023 compared to 13 in 1995. Despite the modest rise in the number of companies, this group supplied just 3% of total new build completions in 2023, compared to 10% in 1995. Land availability, planning complexity, uncertainty and delays, labour availability, supply chains, the tax environment and access to finance will all have played their part in limiting the ability of these smaller and medium-sized housebuilders to grow.

Figure 2 The number of homes built by housebuilders building over 1,000 homes per year in 1995 and 2023 ranked from highest to lowest delivery



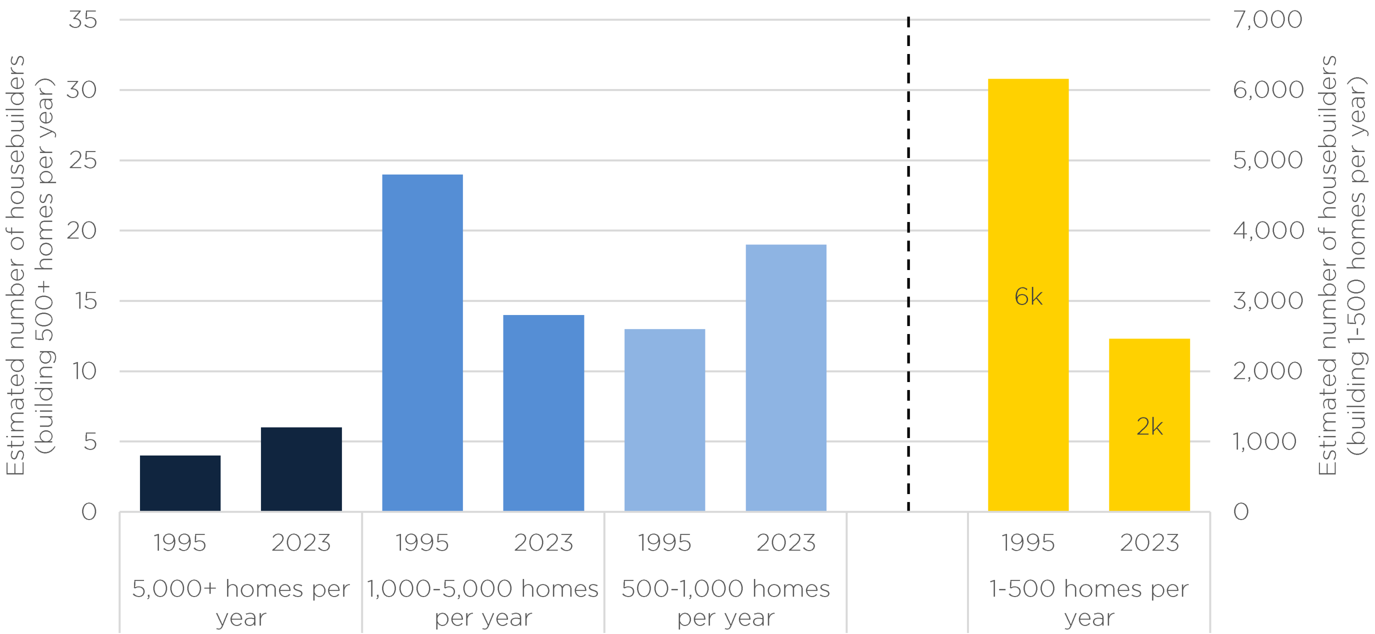
Source Savills using Wellings, "British Housebuilding" (Blackwell, 2006), PropertyData UK Housebuilder Directory, ONS

Far fewer medium-sized and smaller builders

We estimate that the number of medium-sized and smaller builders (building up to 500 homes per year) has declined dramatically, falling by 60% between 1995 and 2023.

The decline of the small builders has been well documented, and has yet to recover despite various efforts. Before 1990, those building up to 100 homes per year built 39% of all new homes in the UK, falling to 20% in the 1990s and less than 13% in 2015 according to HBF. Due to lack of comprehensive data on the housebuilders, we haven't been able to accurately assess what the situation is today, but we don't expect the picture to have changed significantly in the last decade.

Figure 3 The number of UK housebuilders by size 1995 vs 2023



Source Savills using Wellings, "British Housebuilding" (Blackwell, 2006), NHBC, Housing Market Intelligence Report, Housebuilders Directory, MHCLG, ONS

We need more diversity of housebuilders to increase supply

As a result of the decline in small and medium-sized builders, the UK has become more reliant on a small number of housebuilders and particularly a few very large housebuilders. As identified in our latest in Land Matters report, we need more small and medium-sized sites as well as large ones to support the delivery of more homes so that the full range of different sized builders can contribute to delivery. Better access to land and finance with greater planning certainty to reduce risk is also needed to improve conditions for smaller builders to set up and grow.

With greater capacity and more SME builders, we could build 70,000 more homes per year

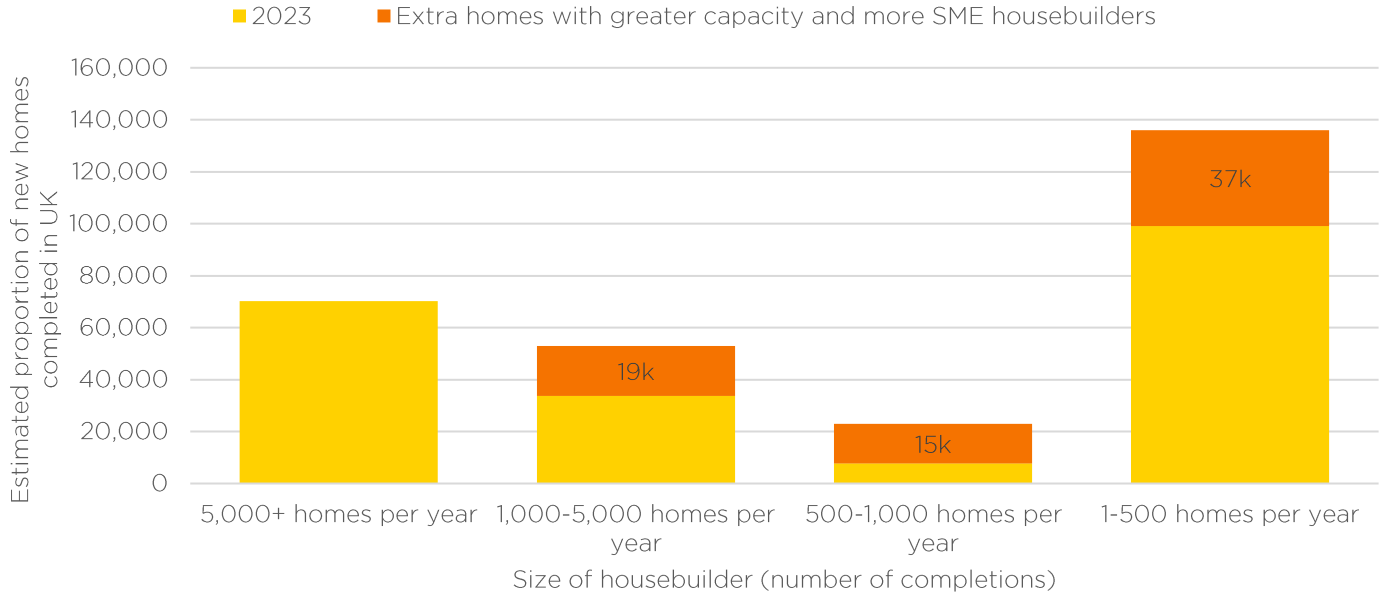
One way to achieve this diversity would be for moderately large housebuilders to make a larger contribution to housing supply, as they did in previous decades alongside an increase in the total number of housebuilders, raising the contributions by SME housebuilders.

Assuming planning policy and market conditions were favourable, we estimate that if moderately large firms contributed similar numbers of homes as they did in 1995, overall delivery could increase by c.34,000 new homes. Under these conditions, housebuilders who complete between 1,000 and 5,000 homes per year could deliver an additional 19,000 homes and those building between 500 to 1,000 homes per year could deliver an additional 15,000 homes.

At the same time, if there were as many housebuilders as in 1995, (increasing the sector by c3,700 extra housebuilders) with each new housebuilder building 10 homes per year, 37,000 additional homes could also be delivered. (This rises to 95,000 homes if the number of housebuilders was restored to 1988 levels with each building 10 homes per year.) In total 71,000 additional homes could be built each year in the UK under these scenarios.

For Government to really enable housing delivery, it needs to understand the industry more fully. One aspect of this is simply to measure which housebuilders are building homes and how many they build, creating a much clearer picture than is possible with the current data available. Doing so will leave it better placed to understand the issues and support the growth of smaller and medium-sized builders alongside larger ones, which is vital for ensuring the delivery of the homes we need.

Figure 4 Potential for more housing supply if greater capacity and more SME housebuilders



Source Savills using Wellings, "British Housebuilding" (Blackwell, 2006), NHBC, Housing Market Intelligence Report, Housebuilders Directory, MHCLG, ONS

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