FEDERATION OF MASTER BUILDERS
Est. 1941

FMB House Builders' Survey 2024

December 2024

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Front image credit: **Keigar Homes Ltd**

Executive Summary

The Federation of Master Builders' (FMB) annual House Builders' Survey aims to build a clear picture of the experience of micro, small and medium-sized (MSME) house builders in England. This report is set in the context of a dwindling market for smaller house builders in the UK, delivering only 10% of new homes, compared to 40% in the late 1980's.

Main constraints on supply

- The planning system is rated as the top major barrier holding back the delivery of new homes at **76%**.
- Lack of viable is the second largest barrier at **61%**.
- The third most significant issue facing small house builders is the lack of available land.
- Costs of national regulations, such as biodiversity net gain, has risen to fourth .
- Material costs are the fifth most significant barrier, which has dropped from fourth last year.

Planning application process

- Respondents rated 'Inadequate resourcing of planning departments' as the most significant cause of delay in the planning application process, followed by 'Inadequate communication by planning officers.'
- The most significant extra cost of the planning system is the complexity and costs of hiring consultants.
- **39%** of respondents have medium certainty in the planning process, with 34% seeing a low degree, and 16% a very low degree.
- **42%** of respondents are operating on sites not included in local plans.
- The majority of respondents are building on brownfield land at **39%**, with **11%** building on green belt.

Small sites and land availability

- **71%** of respondents report that the number of small site opportunities is decreasing, up from **63%** last year.
- **55%** have reported that the process of obtaining planning for small sites seems to be getting worse.
- **50%** of respondents do not believe that the NPPF requirements on local authorities to identify small sites is helping.

Workforce and skills

- **24%** of respondents are planning to grow their on-site workforce over the next year.
- **13%** are planning to decrease their on-site workforce.
- **50%** will be keeping their workforce at roughly the same size.
- **34%** of respondents said they are planning to upskill their current workforce.
- **26%** indicated they had employed one or more apprentice.

Buyer demand

- Buyer demand has improved since its lowest rating last year, with an average score of 2.68 (rated out of 5, with 5 being very good and 0 being very poor).

Access to finance

- When asked to rate lending conditions to micro, small and medium-sized (MSMEs) for residential development from 0 to 5 (0 being very poor and 5 being very good), the average score was 1.76 – which continues a decline from 2023.
- Fees charged on new or existing loans were rated as the most significant finance related issue restricting the ability to build new homes.
- High street banks are the most popular source of funding for a project (**36%**).
- **93%** of respondents have indicated it's become more expensive to build over the last year.
- Of the **93%** noted above that said it had become more expensive to build, **44%** said it was around **10%** more expensive, with just under a third noting it was **20%** more expensive per site.

Future of housebuilding

- 66% of respondents are aware of the Future Homes Standard.

Introduction and context

This survey helps to build an understanding of the experience of micro, small and medium-sized (MSME) house builders in England, which can be tracked over time.

Companion Report to LSE Research: *'Supporting SME Housebuilders: Challenges and Opportunities'*

This year's report is a companion piece to research the FMB has commissioned with the London School of Economics (LSE) on the potential of MSME house builders called *'Supporting SME Housebuilders: Challenges and Opportunities'*. Therefore, we have made changes to the way some data is represented and have narrowed down the timeframe in which a house builder had to have built a home.

This research puts more emphasis on the barriers facing small builders and has tracked this for over 10 years. It is therefore a useful companion piece to the LSE research focussing on the opportunities, many of which can only be realised by removing barriers.

Change in data

To match with our companion research with LSE, the timeframe in which a builder responding has had to have built a home was altered to 5 years from 10 years. This has seemingly impacted the numbers of those responding to the survey and more closely matches those seen in the companion LSE research. Despite this reducing the overall number of respondents to the survey, the data should be richer and more relevant, especially when combined with the LSE research that contained detailed interviews.

The data in this survey was collected over a similar timeframe to the LSE research, but is not the same data and has been collected independently by the FMB directly. Given the alterations in data, some comparative statistics to previous years have been removed, although where useful and relevant it has been maintained.

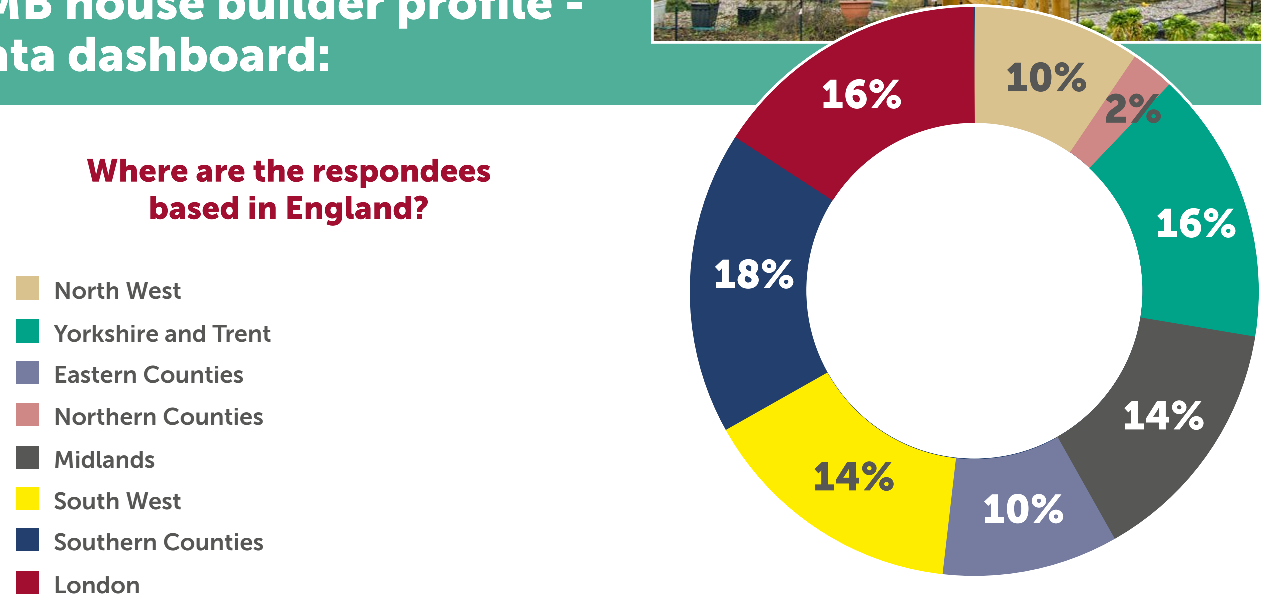
Respondent profile and industry structure

Sample

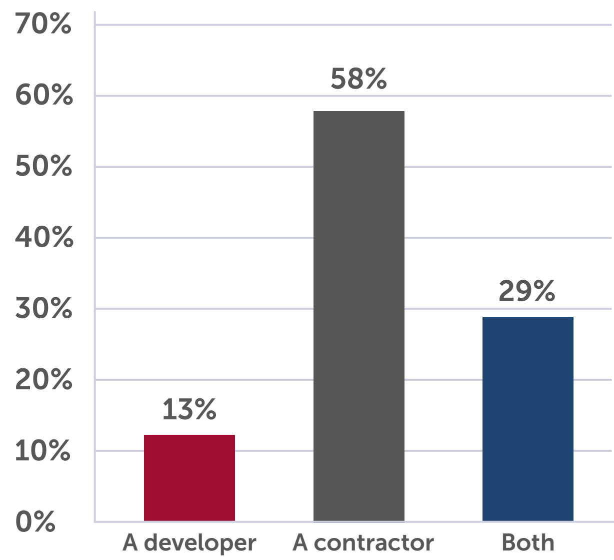
- The survey received 69 responses from MSME house builders in England of which 50 fulfilled the criteria.
- All respondents were house builders in England who list house building as one of their main trades and have built property in the last 5 years.

FMB house builder profile - data dashboard:

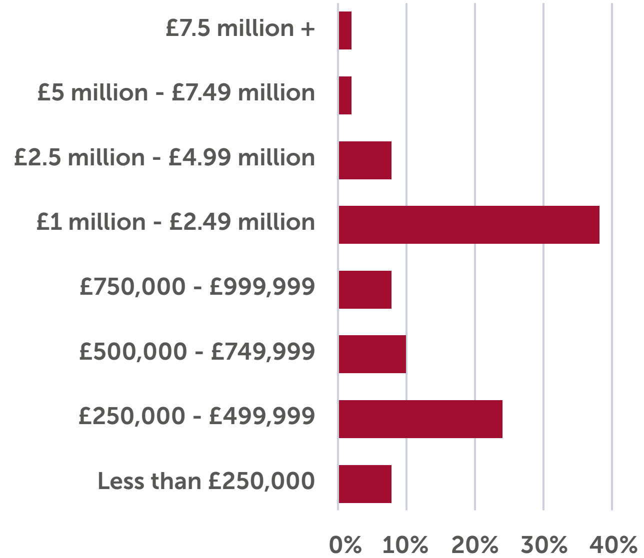
Where are the respondees based in England?



Type of house builder

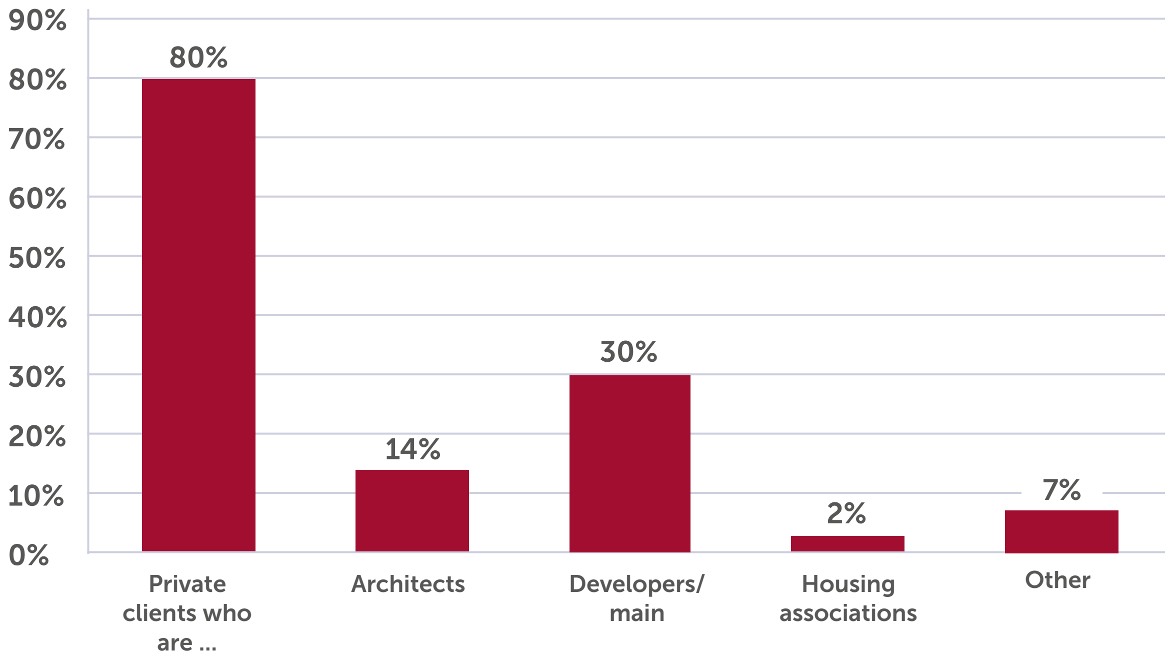


Turnover

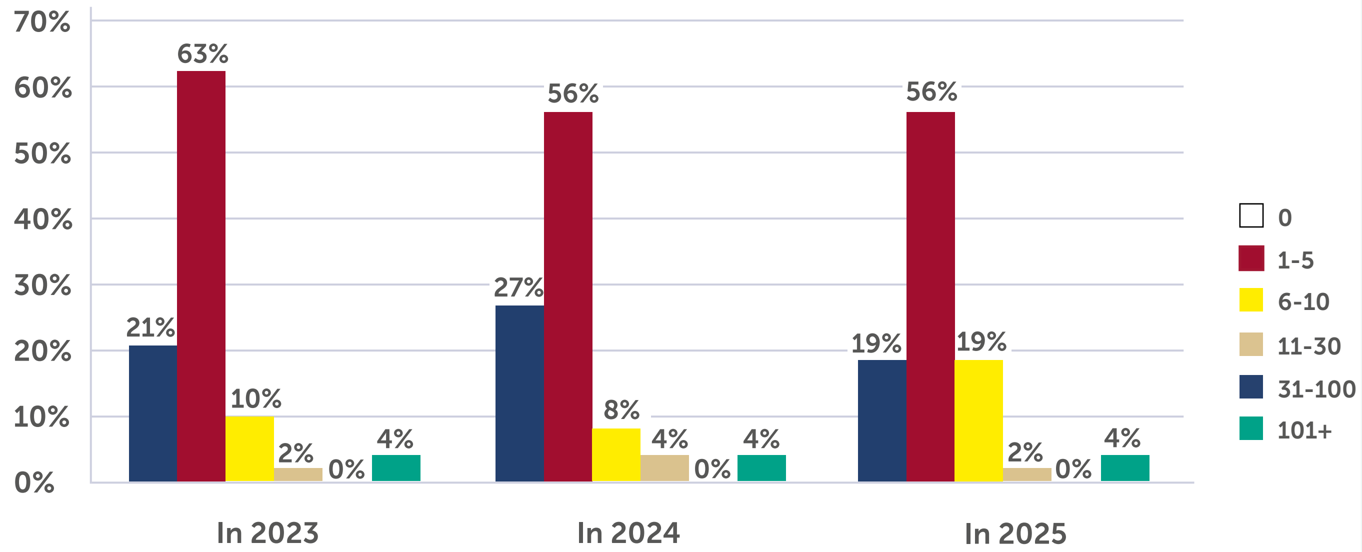


FMB house builder profile - data dashboard:

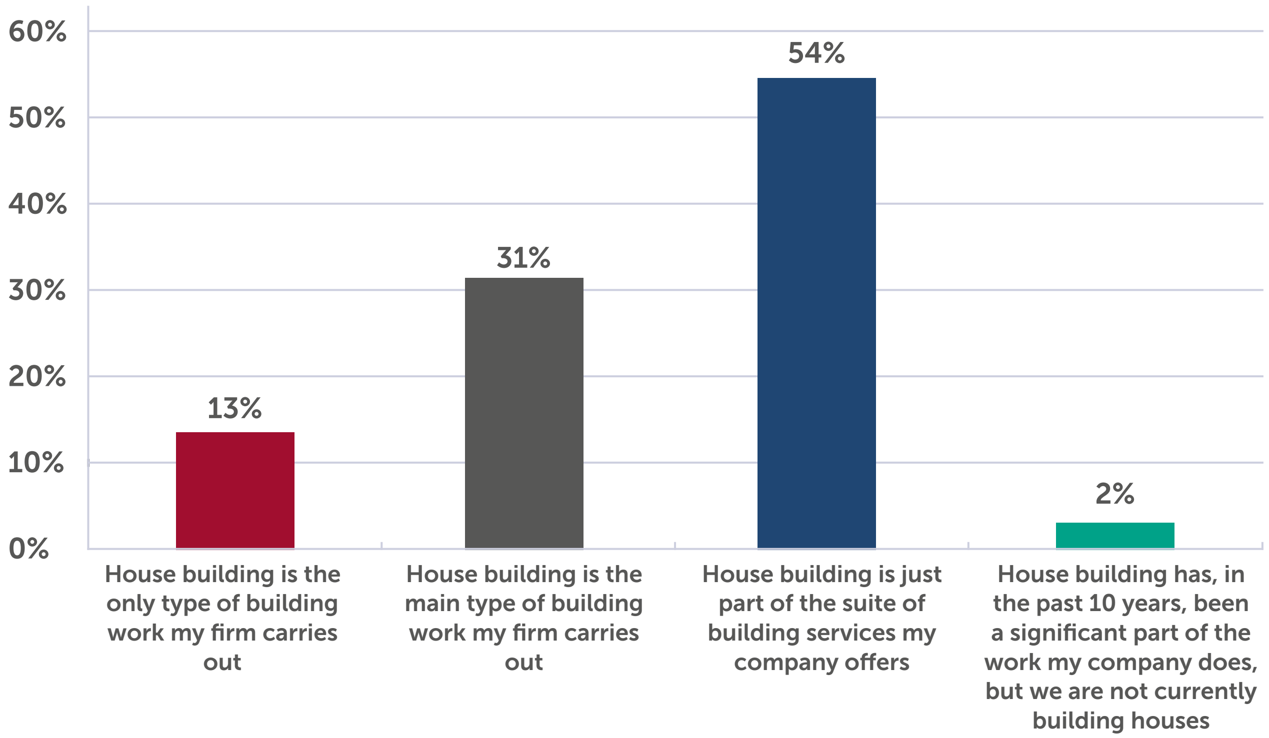
If you build a house as a contractor, who are your clients



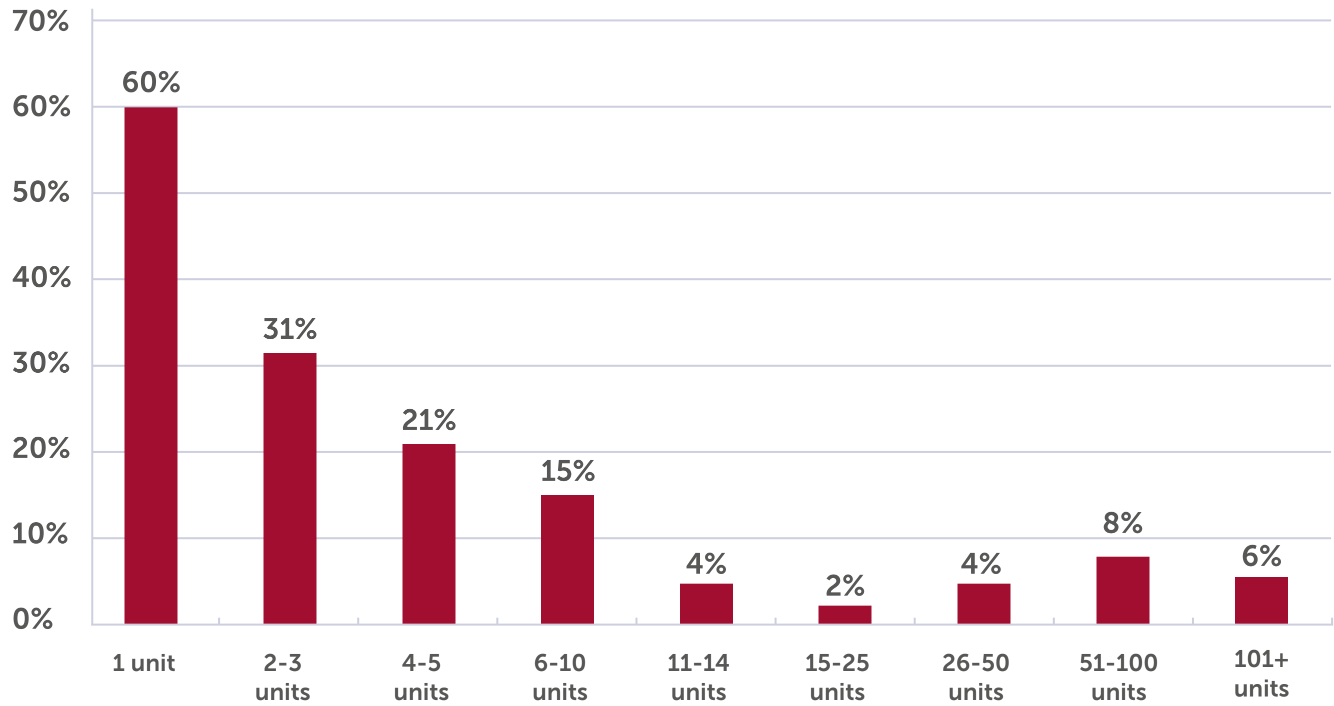
Approximately how many units per year has your company built, or would expect to build in the following years?



Which statement did our members choose to best describe their involvement in house building?



What size sites do you typically tend to build?



Main constraints on supply

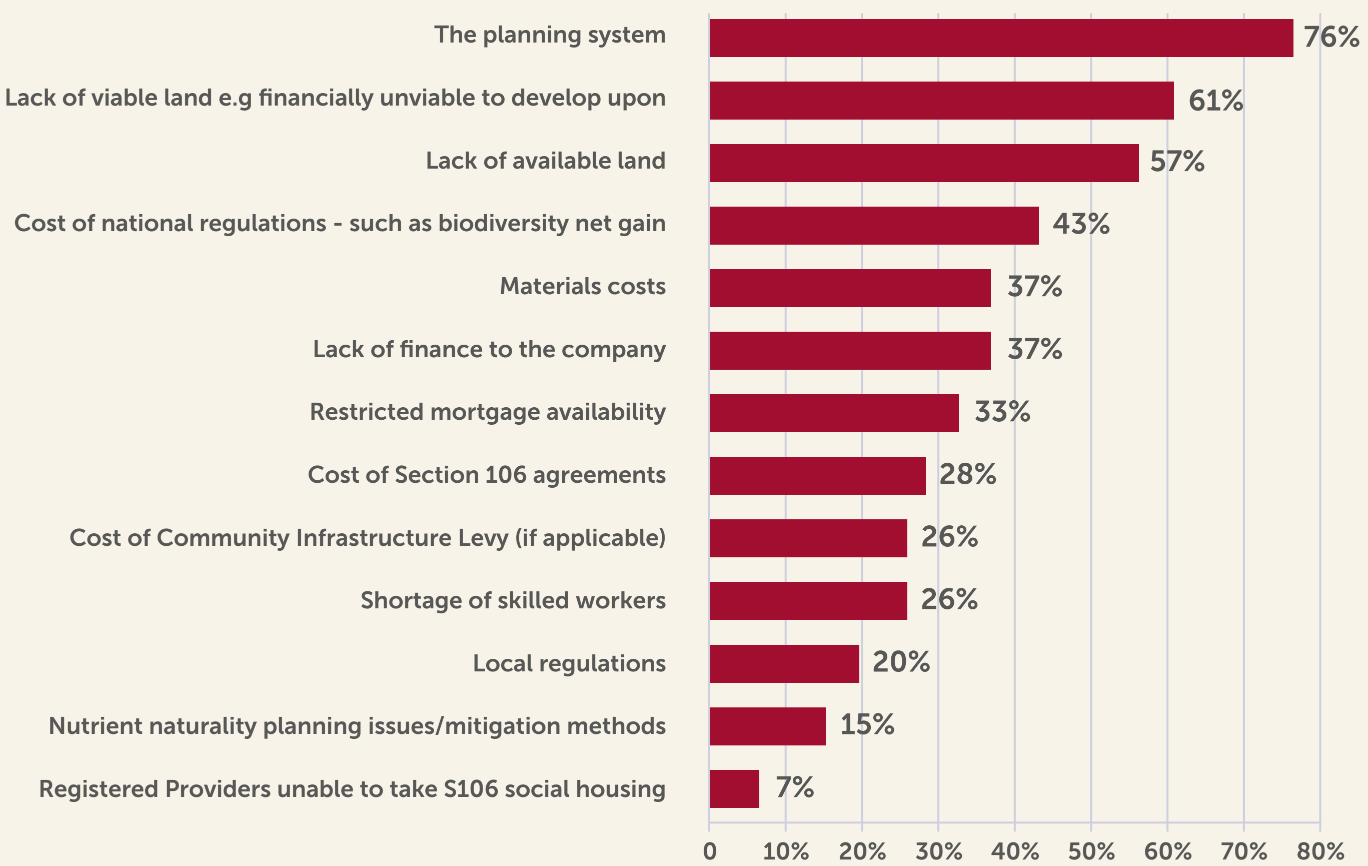
Changes for 2024 to the main barriers we have been tracking over recent years. Graph 1 shows the main barriers, which is treated as a league table of barriers from first place to thirteenth, based on reported percentage this year. There are a few additions and clarifications on this year's league table, such biodiversity net gain being placed under national regulations, and a new category to track hinderances to house building owing to social housing providers not purchasing section 106 housing.

Planning once again takes top spot as the biggest barrier to MSME house builders, maintaining its place for the previous year, although by a much higher percentage, with nearly 4 out 5 MSME house builders reporting it as a barrier. Restricted mortgage availability has dropped significantly, suggesting the mortgage market has improved over the past year. Lack of available land and lack of viable land remain significant barriers This has been the case for the last decade. Worryingly, national regulation, like biodiversity net gain has become a significant barrier to delivering new homes. Material costs also continue to create barriers. The new topic of S106 housing not being purchased by registered providers is the lowest rated barrier, but still impacts MSME house builders, not just volume developers.

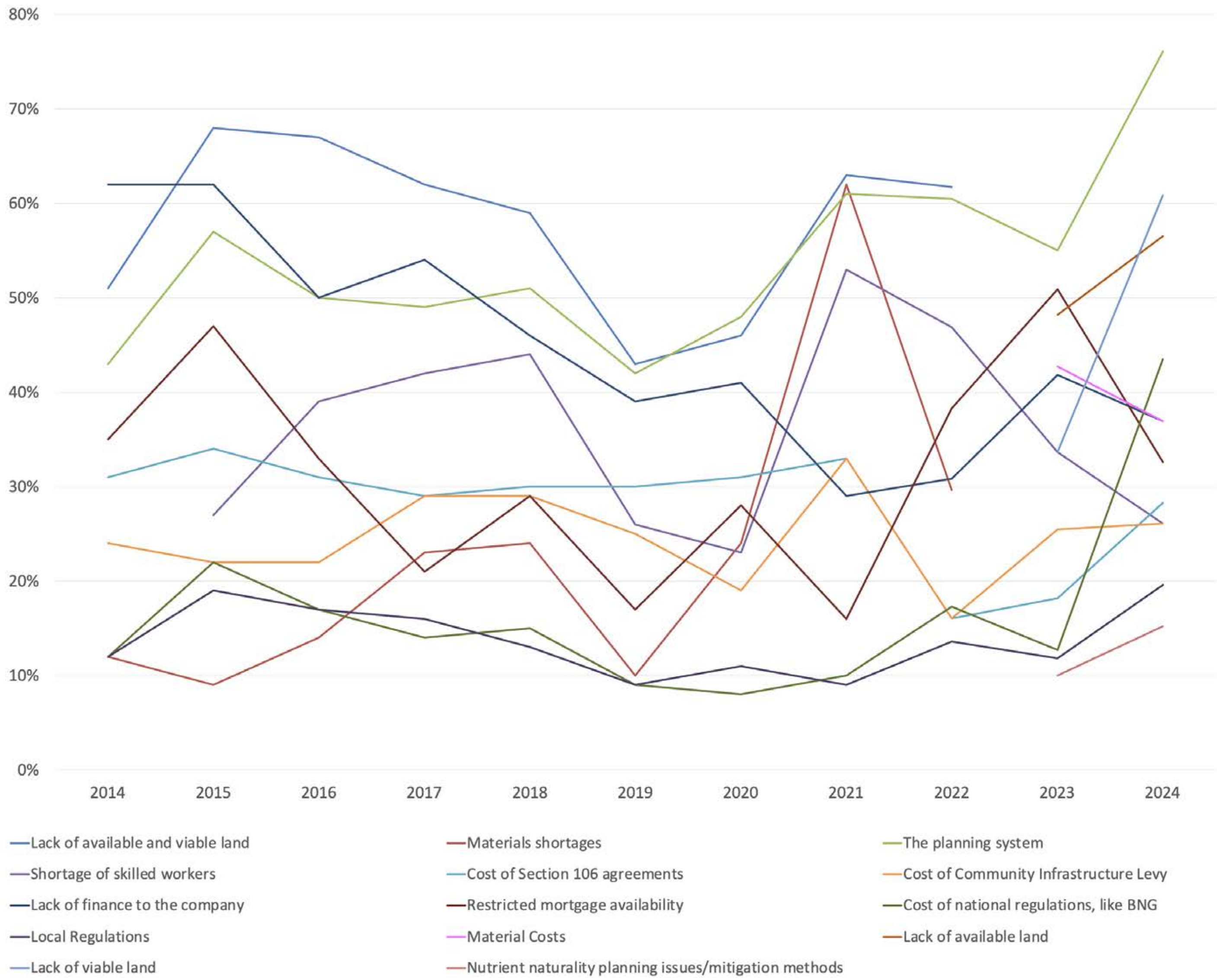
Planning

Unsurprisingly, the planning system has remained the most significant barrier, and the new Government has set out to reform this barrier. This barrier is specifically the process of the planning system and not the cost, which are also represented in Graph 1 through issues like national regulations. The breakdown of costs and information requirements in the planning system are explored further on in this report.

Graph 1: Q *What would you say are the main constraints, if any, on your ability to build more homes?*



Graph 2: Q. *What would you say are the main constraints, if any, on your ability to build more houses? (Responses to this question from 2014-2024 surveys)*



Land availability and viability

It is a concern that land availability remains an issue for MSME house builders who are often reliant on sites outside of local plans. The viability issue is also a consistent issue, with smaller house builders lacking the negotiating power of their larger counterparts to reduce land prices. Land use and local plans are new areas that will be explored in this report, which may help highlight issues surrounding land availability and viability.

Long term trends

The trends seen in graph 1 have remained largely consistent, however narrowing down the period a company has had to have built homes, to five years from ten, has meant that the planning system seems to have become the predominant issue, where it often jostled with land availability and viability. It is interesting to see the cost of national regulations rise significantly from a relative outlier to a top 5 barrier, this may be as a result of issues like biodiversity net gain or an overall trend in costs increases found from regulatory requirements over the past year.

The planning and building process

The planning system is the biggest issue facing the sector, with 76% of small house builders reporting it as the most significant barrier stopping them from delivering homes, much increased from the 55% of 2023. Given the new Labour Government has committed to reform the system it's clear that the planning system is a major barrier to delivering new homes.

House builders were asked to rank issues in the planning system from 0 to 5, with 5 being extremely important and 0 being completely unimportant. The biggest reported concern in the planning system is inadequate resourcing of local authority planning departments, which had an average rating of 3.82 (see table 1), reduced from 4.06 in 2023. It has been the most important factor affecting planning since 2018, with one exception in 2021, when it was surpassed by inadequate communication by planning officers.

Cost and complexity in the planning process

When looking at additional requirements and costs in the planning process, the most important factor affecting small house builders is complexity and costs of consultants when engaging with the planning process (see table 2), toppling the costs associated with delays in the system from 2023. This was closely followed by excessive information requirements.

Certainty in the planning process

Certainty in the planning system remains consistent with previous years, almost matching 2023, give or take a few percentage points. However, those reporting a very low degree of certainty has increased by 5% on 2023. There were no house builders this year reporting a very high degree of certainty. This category has often remained very low, with only 1% last year.

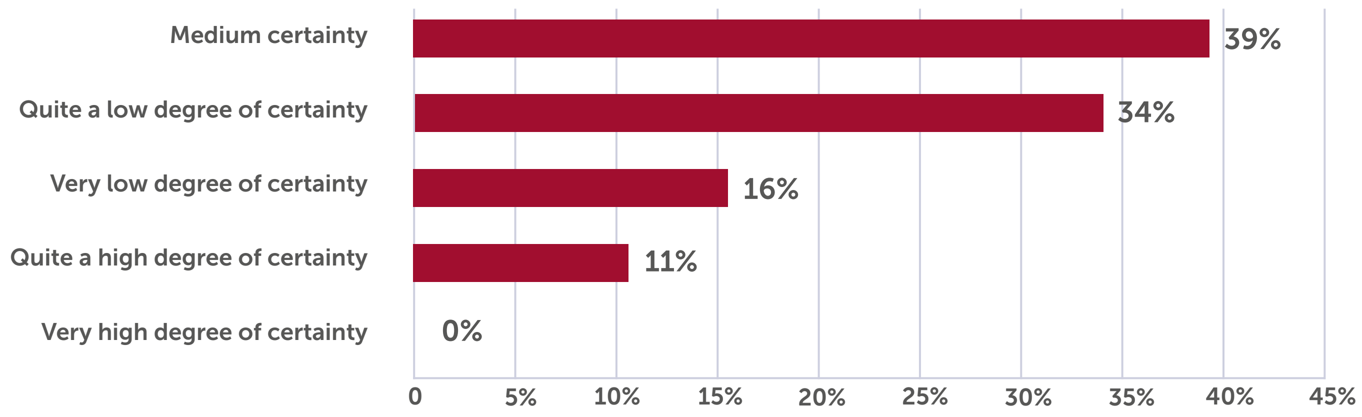
Table 1: Q. ***How important would you rate the following as causes of delay in the planning process? Score from 0 to 5, where 0 is completely unimportant and 5 is extremely important***

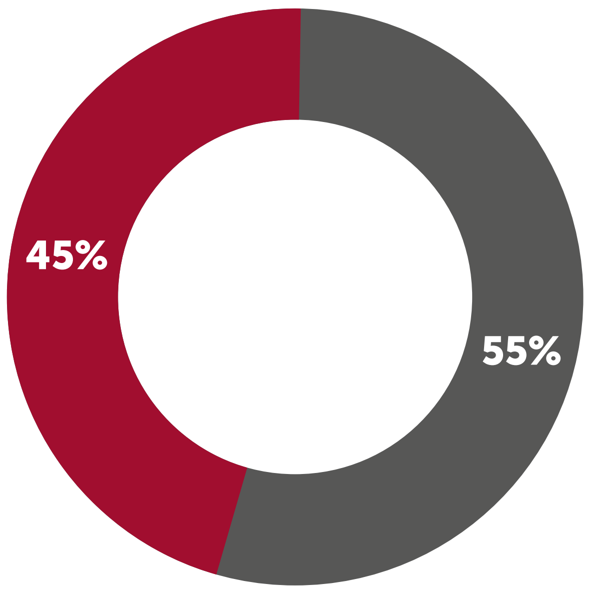
Causes of delay	2024	2023	2022	2021	2020	2019	2018
Inadequate communication by planning officers	3.58	3.83	3.85	4.1	3.79	3.99	3.58
Inadequate resourcing of planning departments	**3.82**	4.06	4.18	3.93	3.8	4.03	3.89
The signing off of planning conditions	3.35	3.48	3.52	3.69	3.29	3.63	3.47
Signing off of Section 106 agreements	3.03	3.17	3.05	3.51	3.09	3.58	3.37
Delays caused by statutory consultees	3.47	3.39	3.62	3.49	3.38	3.71	3.24
Negotiating Section 106 agreements	3.06	3.14	3.05	3.47	3.24	3.44	3.47
Information requirements	3.54						

Table 2: Q. ***How important would you rate the following as causes of additional cost in the planning process? Score from 0 to 5, where 0 is completely unimportant and 5 is extremely important.***

Causes of additional cost	2024	2023	2022	2021	2020	2019	2018
Overall complexity and the cost of consultants required to deal with this	**3.92**	4.04	4.1	4.08	3.77	4.02	4.01
Excessive information requirements	3.87	4.01	4.16	3.96	3.74	4.19	4.2
Costs imposed by delays in the system	3.86	4.08	4.01	3.94	3.73	3.95	4.17
Fees for pre-application discussions	3.34	3.47	3.54	3.54	3.23	3.59	3.64

Graph 3: Q. *On average, how much certainty do you feel about the outcomes of planning applications?*





Section 106 and CIL

45% of respondents reported there being sites they are interested in, but which are unviable due to Section 106, Community Infrastructure Levy (CIL) or other developer obligations (see graph 4). This is a slight decrease from 48% in 2023. These figures are in line with previously reported figures on this issue.

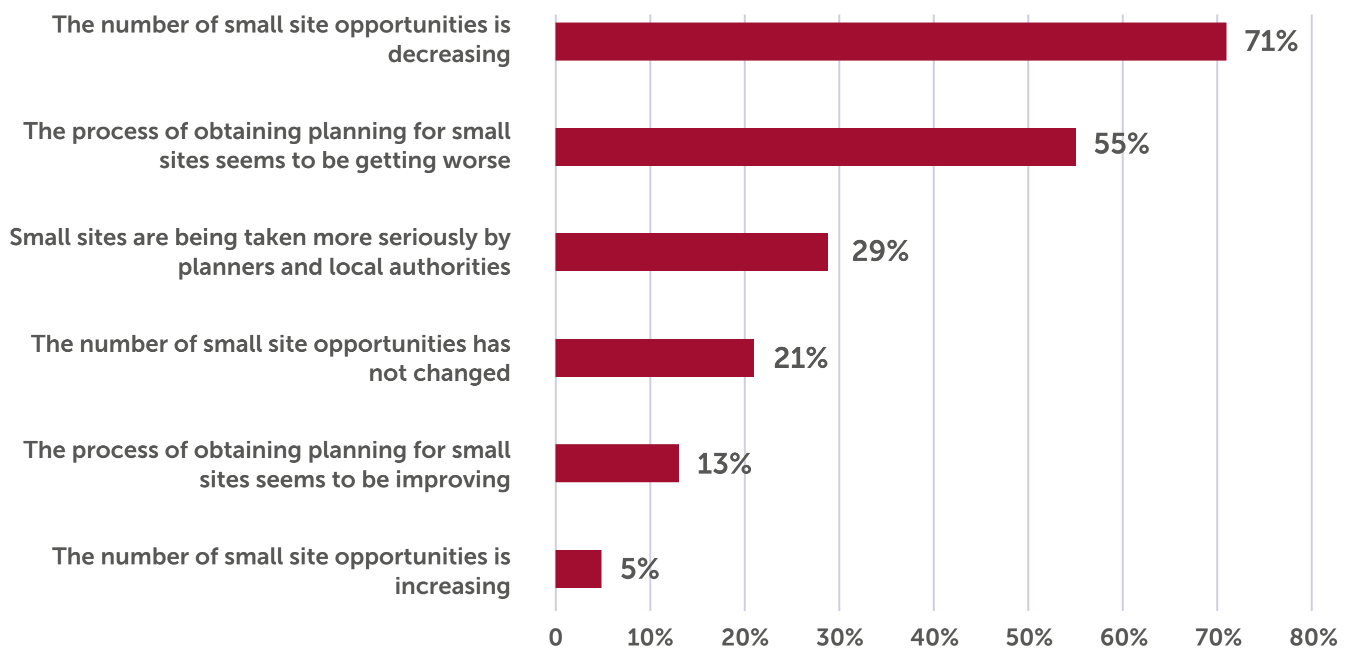
Graph 4: Q. *Are there sites which you would otherwise be interested in, but which you believe would be unviable due to likely Section 106, CIL or other similar obligations?*

Small sites and land availability

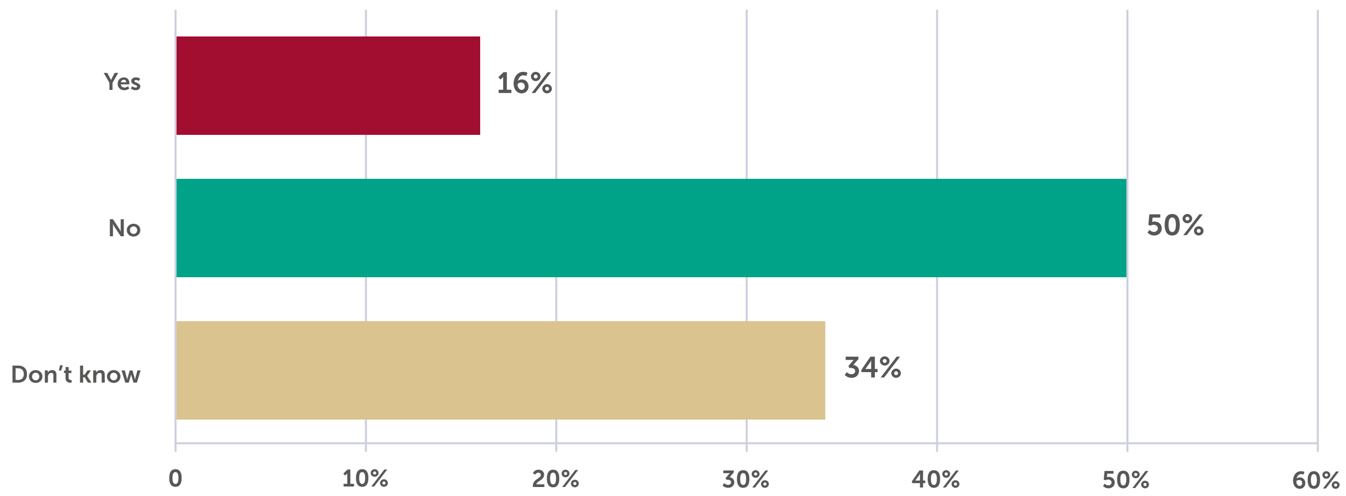
Land availability sits as the third most significant barrier to deliver homes (graph 1). The majority of small house builders (71%) reported that small site opportunities are decreasing, which is a fair increase on last year from 63%. Obtaining planning permission for small sites impacted over half of those that responded to the survey.

Just under a third of small house builders report that local authorities are taking small sites seriously this year. In 2018 this sat at 41% 2018, which coincided with National Planning Policy Framework (NPPF) changes where local authorities are required to promote small sites. Half of small house builders reported that the NPPF is not helping them build new homes. Given the focus the recent consultation on the NPPF had on small sites, it is anticipated there may be an increase in this number next year. Overall the trends remain consistent, with small sites remaining stubbornly hard to develop upon.

Graph 5: Q. ***On the issue of the availability of opportunities for small site development, which of the following statements do you agree with (please tick all those you agree with).***



Graph 6: Q. ***Since 2018, the NPPF has required local authorities to identify enough small sites (of one hectare or less) on which to accommodate at least 10% of their housing requirement. Is this policy driving an increase in small site opportunities for you?***

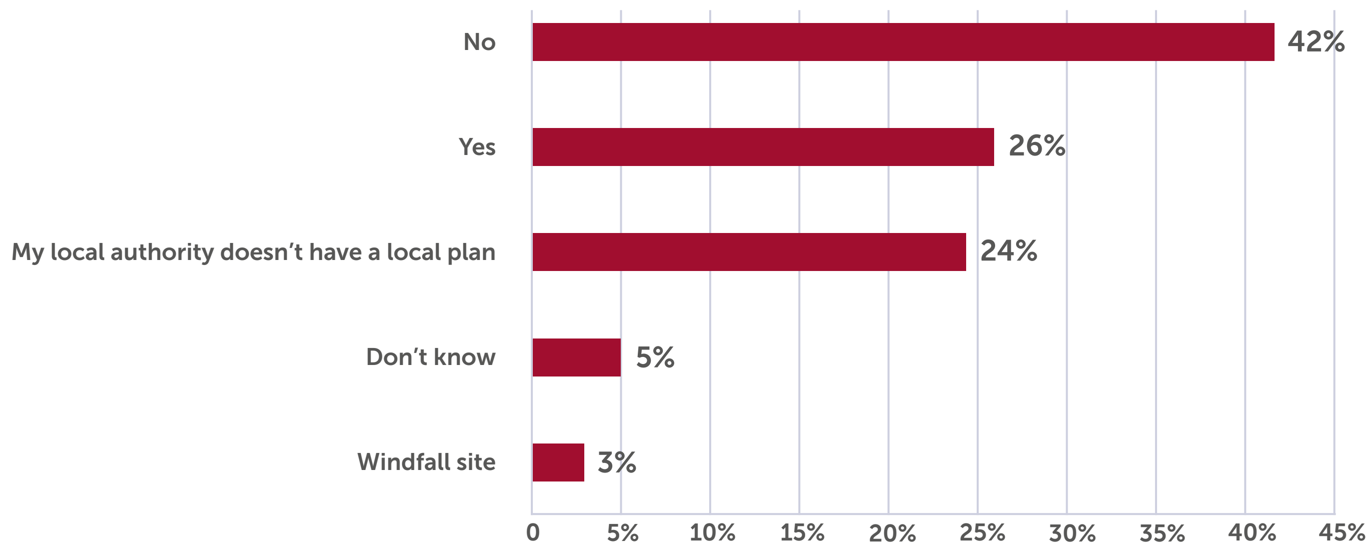


Local plans and land use

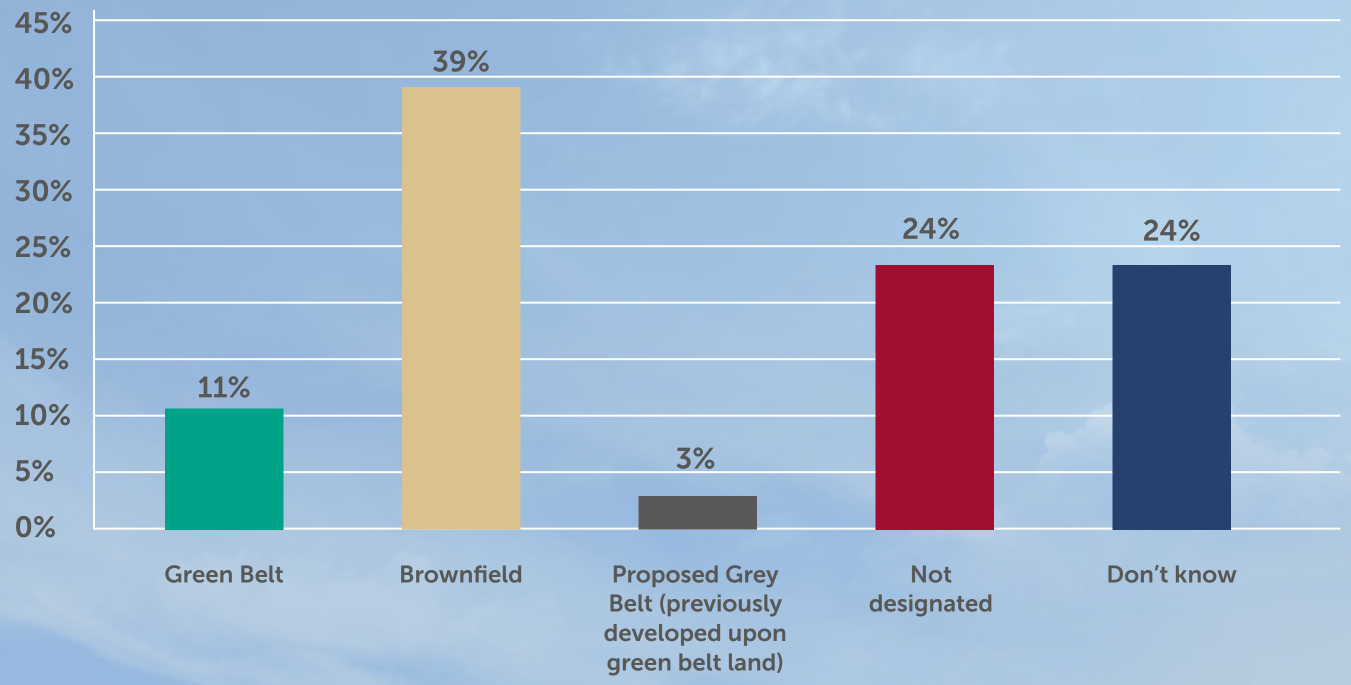
In this year's survey we posed two new question to help understand what sort of land small builders are developing on. As has been anticipated from anecdotal evidence, the majority of small house builders are using sites not included in local plans and a very small percentage are building on what are described as 'windfall' sites – land that becomes available outside of a local plan. Combined with those operating in an area without a local plan, half of all respondents are building outside of local plans. It's unclear how many 'don't know' responses may also be factored into this category. Just over a quarter are using local plans.

The other new question focuses on what category of land small house builders are building on. Much like the local plan question, the outcome was in line with anecdotal evidence, with the majority developing on brownfield land (39%), with 11% on green belt, and 3% on what would become 'grey belt', should the Government's planning reforms be realised.

Graph 7: Q. ***Is/are the site/s you're currently working on included in your Local Authority's local plan?***



Graph 8: Q. *What sort of land do you predominantly build on?*



39%

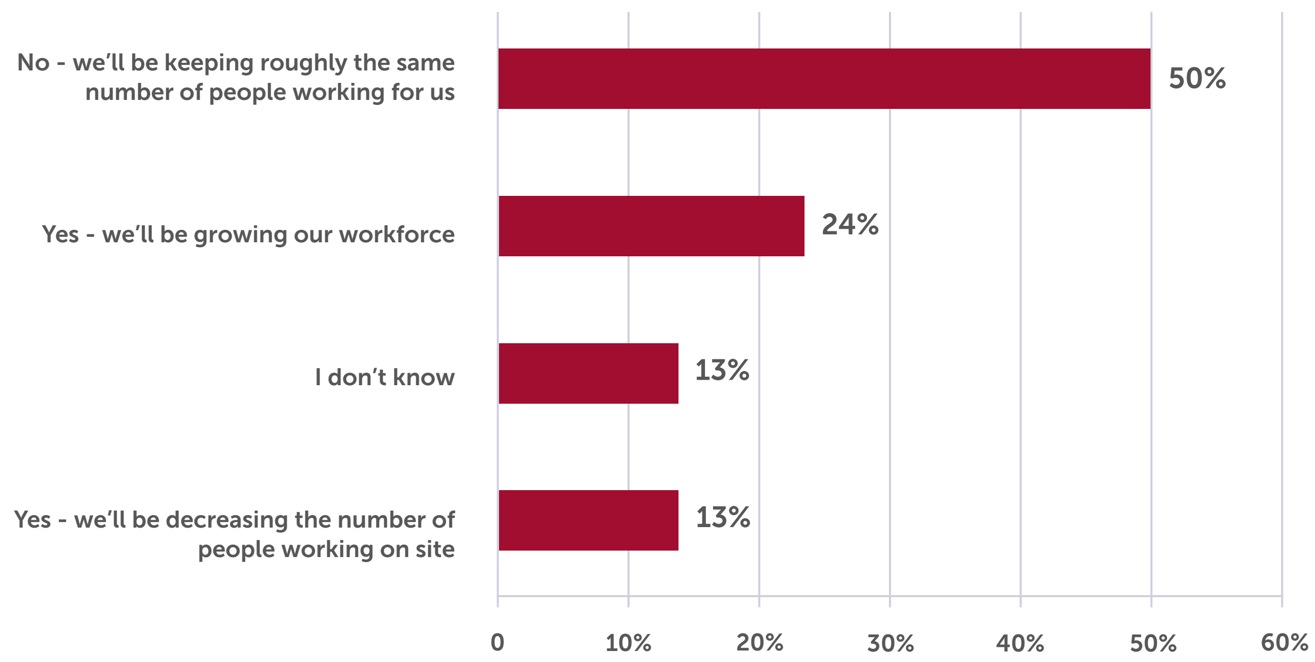
The majority of builders are developing on brownfield land

Workforce and skills

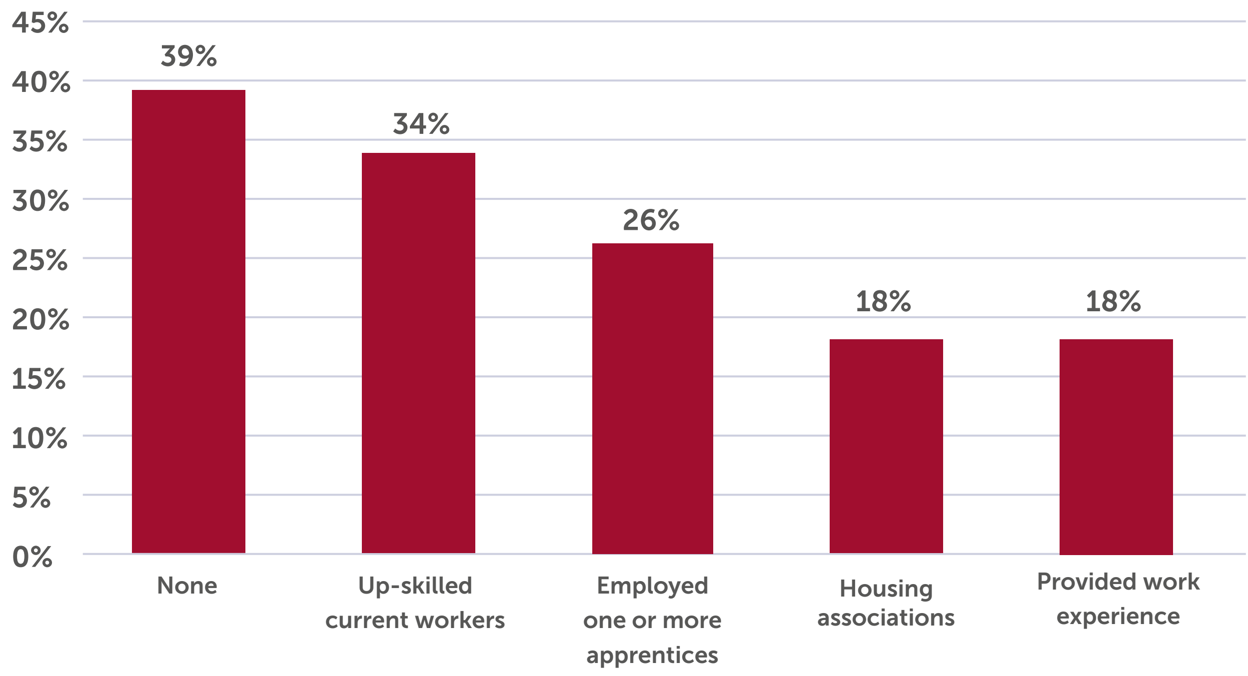
Workforce shortages continue to be a barrier for small house builders, but it's significance as an overall barrier has declined this year. When small house builders were asked if they plan to alter the number of people on their sites, the numbers remained relatively consistent with previous years. Half report that they anticipate workforce numbers will remain the same.

Overall, employment and training opportunities for people entering the industry have declined compared to figures from 2023. Nearly 40% of small house builders have not upskilled staff, trained staff or employed an apprentice. This is a significant increase in this category which is normally the lowest percentage compared to other responses. A new question for this year has asked whether MSME house builders struggle to hire on site staff and over half of indicated that they have.

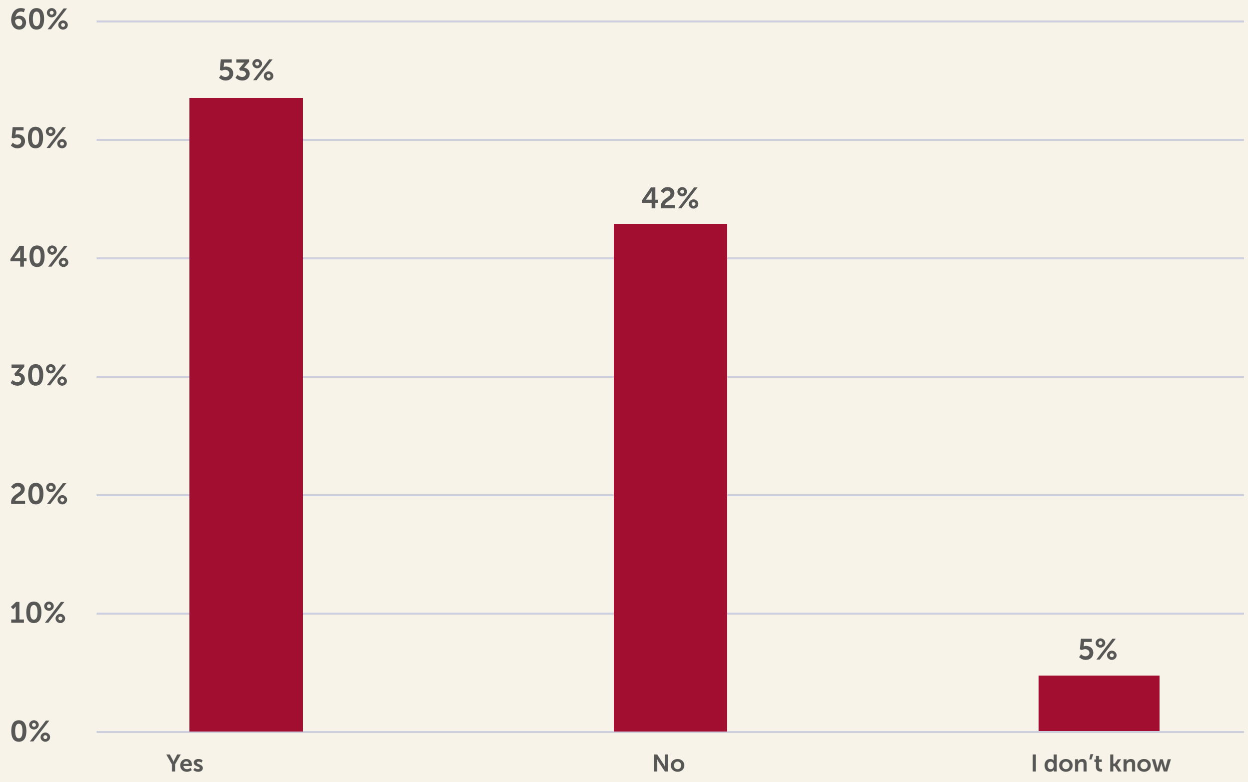
Graph 9: Q. *Do you plan to alter the number of people working on your sites (whether employed or subcontracting) over the year ahead, compared to a base line of this time last year?*



Graph 10: Q. *In the past year (since August 2023) has your company done any of the following (tick all that apply)?*



Graph 11: Q. *Do you struggle to hire enough site-based staff to cope with your workload?*



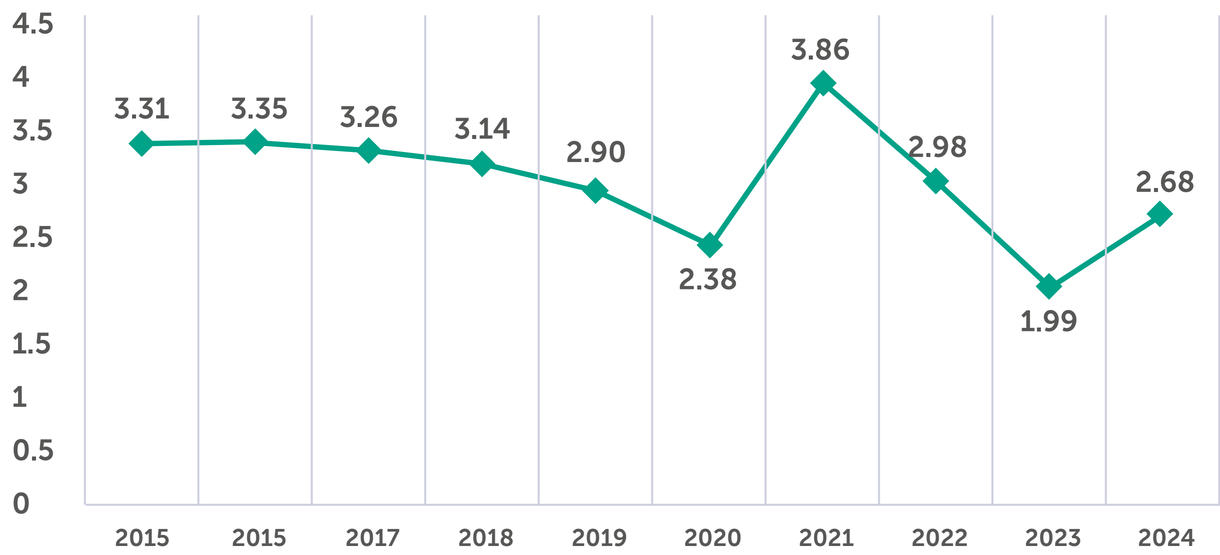
Buyer demand

Each year we assess how MSME house builders feel towards buyer sentiment. House builders were asked to mark buyer demand from 0 to 5, with 5 being very high buyer demand. The scores are then averaged to create a final figure of overall sentiment.

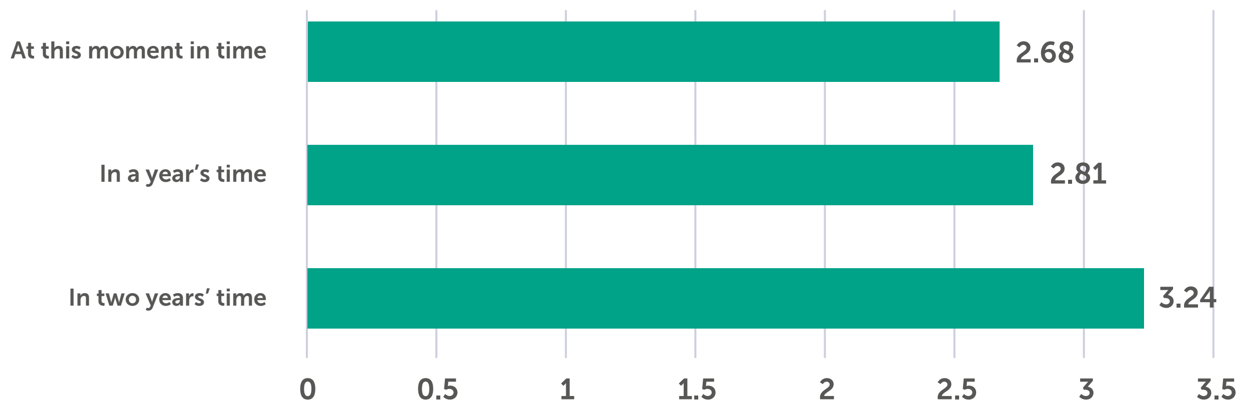
Buyer demand has seen a significant uptick since last year and reversed a downturn since 2021. Last year was the lowest level ever recorded in this survey. It's positive to see demand has been restored although it remains historically low compared to the previous decade.

When respondents were asked to look further ahead, they indicated that the market will recover over the coming years. They suggest that in two years' time they will return to a rating above 3, something not seen since 2021.

Graph 12: Q. *How would you assess/predict buyer demand in the housing market (out of 5, where 0 reflects very low demand and 5 reflects very high demand)?*



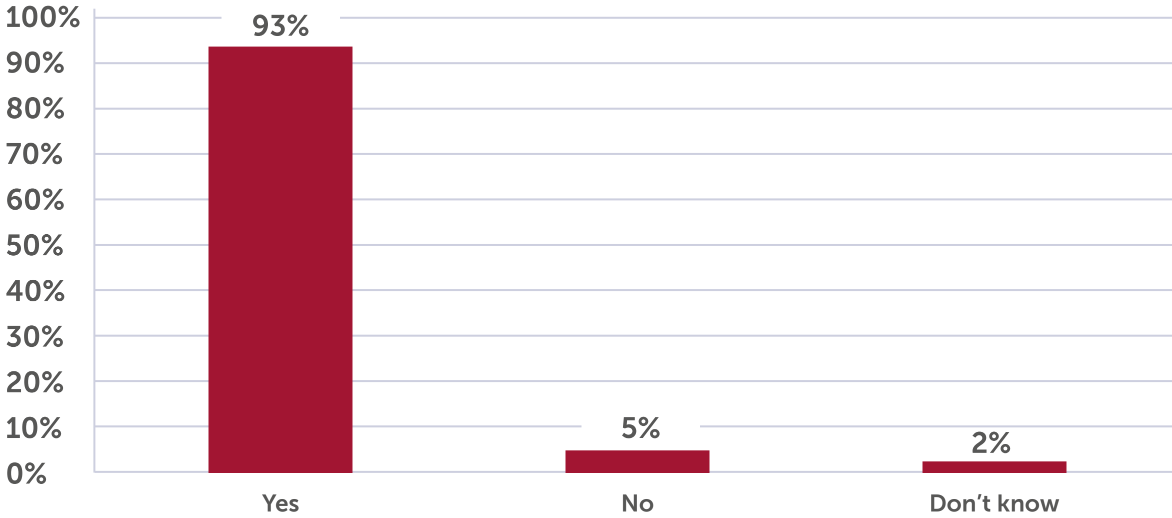
Graph 13: Q. *How would you assess/predict buyer demand in the housing market (out of 5, where 0 reflects very low demand and 5 reflects very high demand)?*



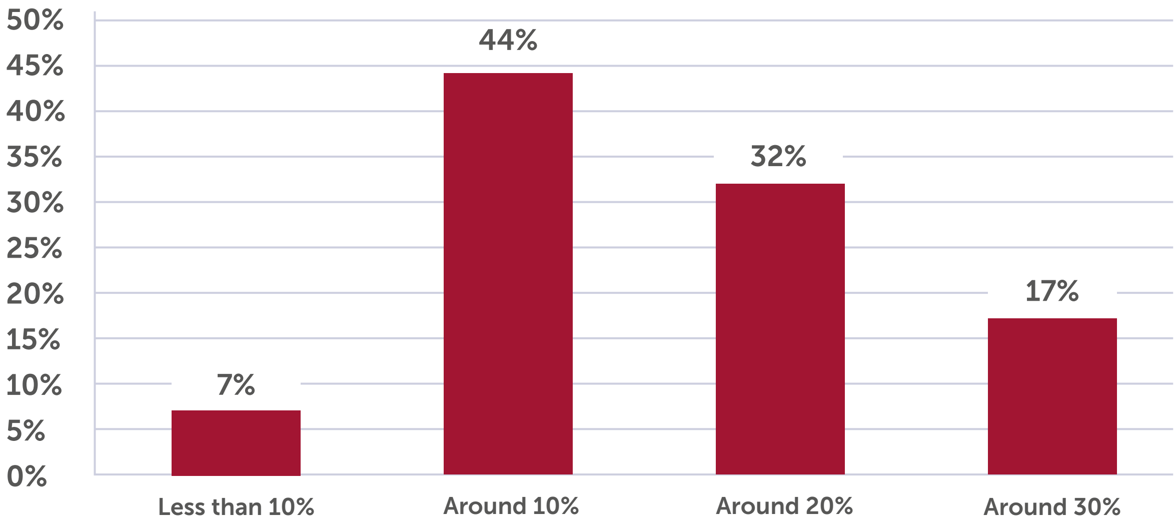
Financing and costs

The response was clear that sites are more expensive to build, with 93% (see graph 14) suggesting this is the case. When those that answered yes were asked to estimate how much expenditure on site has increased over the last year, the majority (53%) reported this to be around 10% higher, which is a decline on last year, when the majority indicated it was 20% more expensive.

Graph 14: Q. *Has it become more expensive to build homes in the past year?*



Graph 15: Q. *As you answered that it has become more expensive to develop since last year, could you state approximately how much more your build costs per site have increased or are likely to increase?*



Sources of finance

With the change in data collection, requiring house builders having to have built a home in the last 5 years, the top source of financing is high street banks or building societies. High street bank lending had been dropping as a source of financing since 2022. Self-build and/or custom contracts have moved to the second most common source of finance for near a third of MSME house builders, down from 53% in 2023. From written responses the 'other' category is mostly those that self-fund.

Since the pandemic there has been a rapid decline in the use of challenger banks and crowdsourcing as a finance option. This could suggest that more appropriate finance packages are being made available through mainstream sources and the availability of these packages has improved since the Covid Pandemic. Although lending conditions are reportedly poor.

Those using Homes England funding schemes is non-existent. Although the sample size is reduced for this year's survey, this is the lowest rating ever reported at 0%. Historically lending from these sources has been low. Given the majority of respondents to this survey build less than 5 units, it is unsurprising as they may not qualify for these finance packages, but it also suggests even the larger scale small developers are not accessing government backed funding.

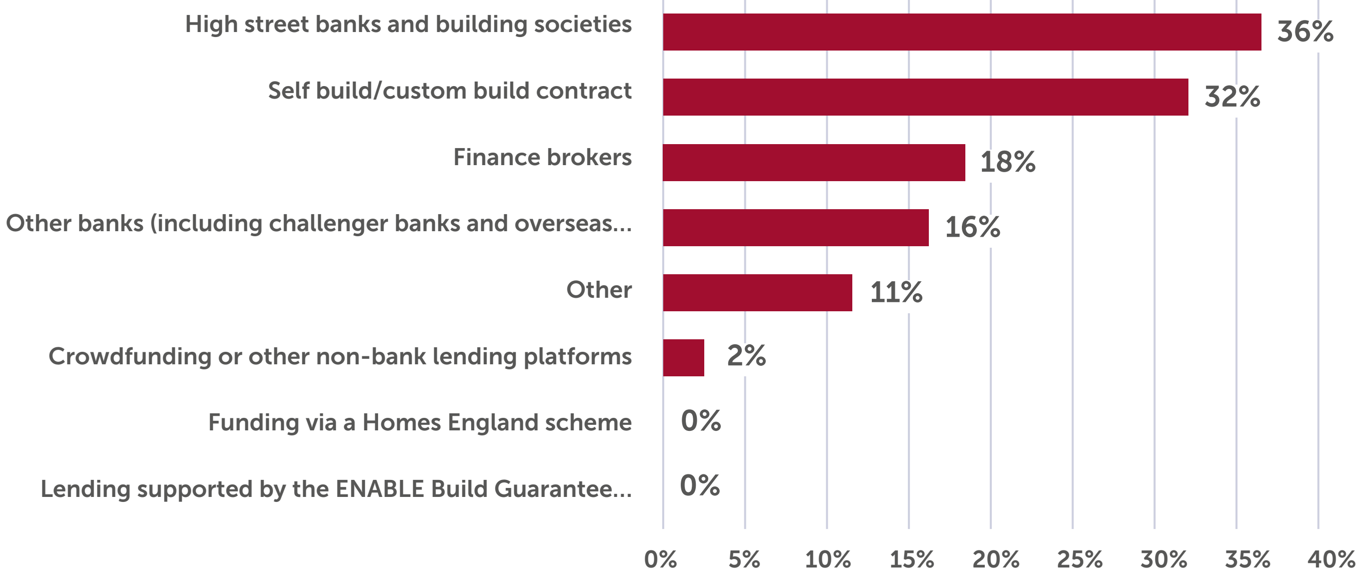
Issues with funding

Lending conditions this year are the worst reported since 2017, with the current average figure sitting at 1.76 – which is averaged out of 5 (5 being very good and 0 being very poor). Fees charged on existing or new loans is an issue which has risen steeply from last year, with interest rates remaining problematic for small house builders, although seeing a slight decline. Poor loans to asset value ratios has risen slightly as an issue. Refusal of loans has declined as an issue this year.

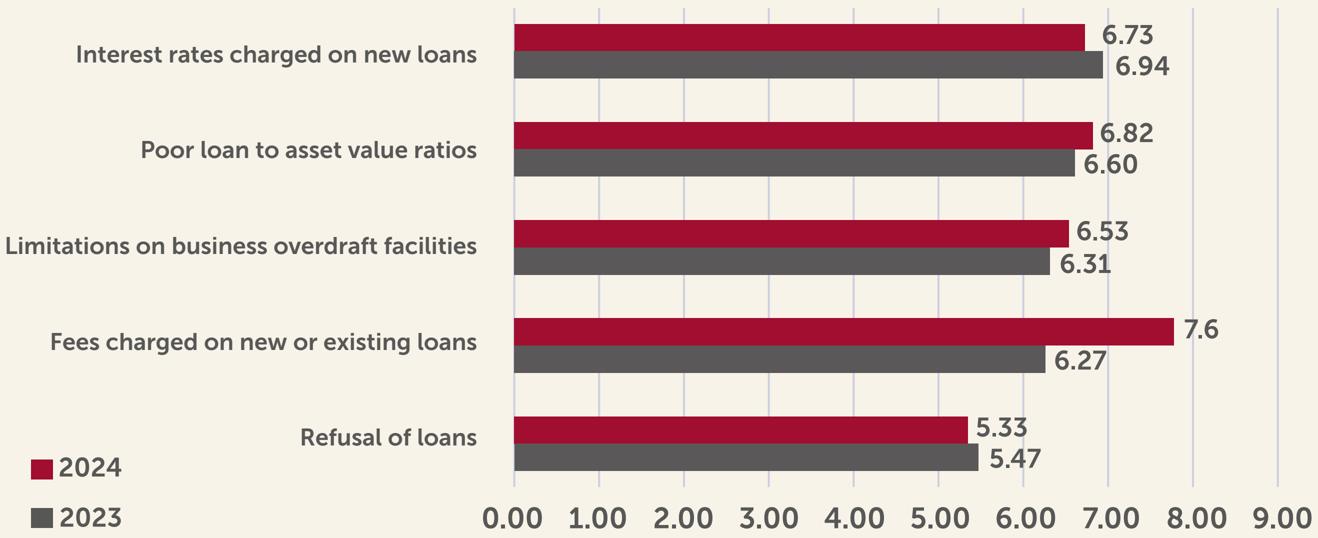
Table 3: Q. *What is your experience of the current lending conditions to MSMEs for residential property development (score where 0 reflects very poor conditions and 5 reflects excellent conditions)?*

	0	1	2	3	4	5	Average score
2024	**21%**	**12%**	**36%**	**31%**	**0%**	**0%**	**1.76**
2023	12%	26%	34%	23%	2%	2%	**1.84**
2022	8%	14%	28%	38%	11%	1%	**2.34**
2021	8%	17%	27%	35%	8%	5%	**2.34**
2020	12%	23%	31%	25%	6%	3%	**1.98**
2019	10%	20%	26%	35%	9%	1%	**2.15**
2018	13%	24%	24%	29%	7%	3%	**2.02**
2017	25%	23%	20%	28%	4%	0%	**1.63**
2016	18%	24%	24%	26%	8%	1%	**1.85**
2015	23%	22%	31%	24%	1%	0%	**1.59**
2014	36%	22%	30%	9%	1%	1%	**1.20**
2013	41%	30%	22%	7%	0%	0%	**0.95**

Graph 16: Q. *Which of the following ways do you tend to acquire funding for development?*



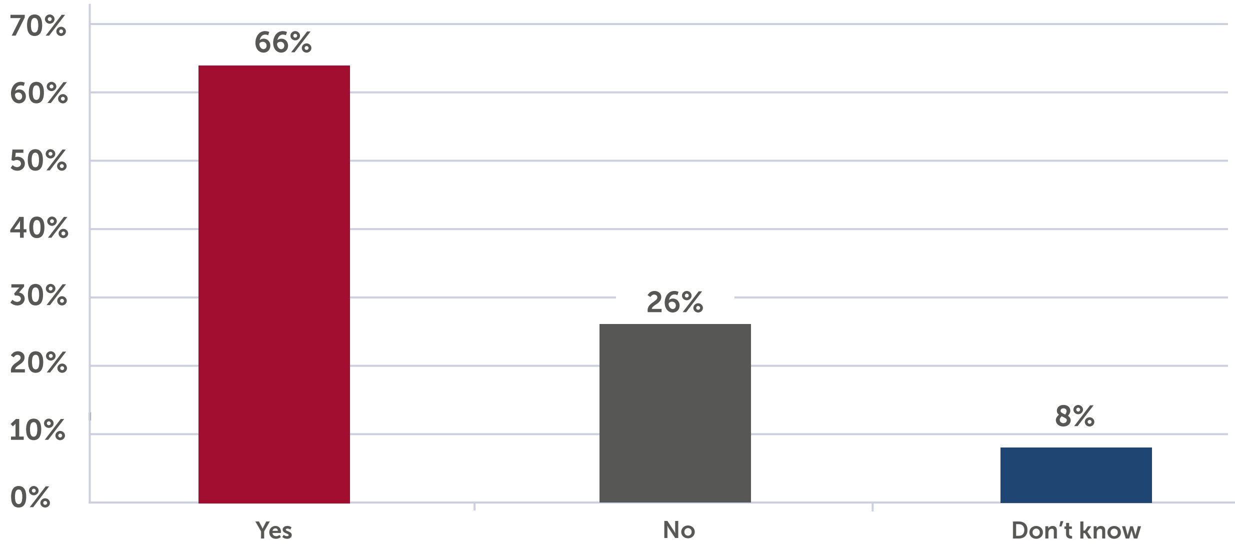
Graph 17: Q. *How significant are the following finance-related issues in restricting your ability to increase your house building activity (out of 10, with 0 being not significant at all and 10 being extremely significant)?*



The future of housebuilding

The Future Homes Standard is a set of new regulations that will impact the housing industry and is planned to be introduced in 2025. The aim of these rules is to significantly reduce carbon emissions from new housing. When asked if members were aware of the Future Homes Standard, the majority were (66%), but just over a quarter remain unaware, which is a decline on the previous year.

Graph 18: Q. *Are you aware of the Future Homes Standard which is currently under development to improve the energy efficiency of new homes?*



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The Federation of Master Builders (FMB) is the largest trade association in the UK construction industry representing nearly 7,000 companies in England, Scotland, Wales and Northern Ireland.

Established in 1941 to protect the interests of micro, small and medium sized (MSME) construction firms, the FMB is independent and non-profit making, lobbying for members' interests at both the national and local level. The FMB is a source of knowledge, professional advice and support for its members, providing a range of modern and relevant business building services to help them succeed. The FMB is committed to raising quality in the construction industry and offers a free service to consumers called 'Find a Builder'.

For further information about the FMB, visit
www.fmb.org.uk