

# FMB House Builders' Survey

2022



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## Executive summary

**The Federation of Master Builders' (FMB) annual House Builders' Survey aims to build a clear picture of the experience of small and medium-sized (SME) house builders in England. It is the only annual survey of its kind to do so.**

In 2022, the availability and viability of land is the most prominent barrier (62%) to SME house builders' ability to build more homes and the vast majority (82%) of respondents say that the number of small site opportunities is decreasing. This shows a lot more work is needed to be done by Government and local authorities to ensure SME house builders are supported.

Unfortunately, to add to the woes of small builders the market has shown clear signs of contraction. This is also reflected in the workforce with a shortage of skilled labour growing as a constraint and fewer members growing their workforce compared to last year.

### Main constraints on supply

- The 'lack of available and viable land' is the most cited constraint (62% of respondents) on SME house builders' ability to build more homes.
- This is closely followed by 'the planning system' at 60%.
- Shortage of skills enters the top three at 47%.
- A major change is restricted mortgage availability which is being cited as the fourth biggest issue (by 38% of responders) with 48% thinking this will get worse over the next three years.

### Buyer demand

- When asked to rate current buyer demand in the housing market (out of 5), the average score was 2.98 – down significantly on last year, which had been at an all-time high.

### Access to finance

- When asked to rate lending conditions to SMEs for residential development from 0 to 5, the average score was 2.34 – which is the same figure as last year and the highest figure since recording began in 2013.
- 'Interest rates charged on new loans' was rated as the most significant finance related issue, well ahead of any other.
- Self-build/Custom contracts have topped the list as the most popular source of funding for a project (50%) replacing last year's private equity which has fallen to third behind high street banks.
- 41% of respondents stated that there are sites that they have an interest in that are stalled for finance-related reasons.



**25% of respondents are planning to grow their on-site workforce over the next year, against just 6% who are planning to decrease their on-site workforce**



## Small sites and land availability

- 82% of respondents report that the number of small site opportunities is decreasing, up from 71% last year and only 3% say that the number is increasing.
- 25% of respondents believe that small sites are being taken more seriously by planners and local authorities, which is up from 11% in 2021.



## 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'.
- Respondents rated 'cost imposed by delays in the system' as the most significant cause of additional cost in the planning process.
- Only 11% of respondents feel either a 'very high' or 'quite high' degree of certainty over the outcome of planning applications; 47% feel they have 'quite low' or 'very levels' of certainty; and 40% say they feel medium levels of certainty.

## Developer contributions

- 41% of firms said that there are sites that they would otherwise be interested in, but which they believe would be unviable due to likely developer contributions. Which is down from 57% last year.

## Workforce and skills

- 25% of respondents are planning to grow their on-site workforce over the next year, against just 6% who are planning to decrease their on-site workforce.
- Fewer firms say that they are employing apprentices this year (40% compared to 46% in 2021). However, many more firms have up-skilled workers (46% compared to 36% in 2021).



## Introduction and context

This survey, now in its eleventh successive year, helps us to build a more comprehensive understanding of the experience of small and medium-sized (SME) house builders in England, and allows us to track this over time. It is the only annual survey of its kind to do so.

### Economic turbulence hits the sector

Concerns with the current economic climate are at the top of members' minds, with many written responses citing current economic problems as issues for their business. This has also been reflected in the current and long-term barriers cited by builders, with access to mortgages being cited as the fourth major barrier this year (38%) with even more concerned about this over the next three years (48%).

### Industry in decline?

SME house builders used to deliver 40% of new homes just over 30 years ago, but they now build around 10%. This has pushed the UK to have an over-reliance on large scale developers, whose business models don't support

high quality, community focussed housing. The FMB believes that the SME house builders are vital to the success of levelling up. They can deliver high quality homes that are designed around needs of the communities they come from.

### Can it be turned around?

The evidence from this survey has consistently been that many SME house builders would be able to increase output of new homes if certain barriers were removed, with the same issues coming up time and time again. Reducing these barriers would enable existing small developers to expand and deliver more homes. It would also facilitate more new entrants to the market, including the large numbers of those in the repair, maintenance and improvement sector who may be willing to make the jump.

### Has anything changed?

This survey does indicate there has been some improvement, with access to finance dropping as an issue over this time. Issues that spiked last year, such as materials shortages have ebbed away. However, long standing issues have

worsened, such as skills shortages, which the Government must get to grips with by introducing skills academies, for example. Areas reflective of the current economic turbulence have also appeared, with availability of mortgages becoming a major concern for the first time since 2015.

### Persistent issues

Other areas that are regular barriers to delivering homes have not improved. Concerns over availability of land and the lack of small site opportunities, if anything, have grown, despite amendments to national planning policy requiring local planning authorities to enable development on a wider range of sites. Responses to this survey raise real questions as to whether these changes are being implemented.

**SME house builders used to deliver 40% of new homes just over 30 years ago, but they now build around 10%**

# Respondent profile and industry structure

The profile of respondents to the House Builders' Survey is reflective of those parts of the FMB membership that are active in smaller-scale house building.

In FMB membership, 34% of our 7,000 members have indicated that they are engaged in house building activity.

## Sample

- The survey received 122 responses from SME house builders.
- All respondents were FMB members in England who list house building as one of their main trades and have built property in the last 10 years.

## House building output

- 60% of respondents said that this year they will build between one and five units; 6% of respondents will build 6-10 units; 3% will build between 11 to 30 units; and 28% will not build any new homes in 2022.
- These trends are broadly in line with the previous two years, showing a strong consistency in delivery levels.

## Business models

- 47% of respondents build homes only as contractors; 13% build homes only as developers; and 40% build as both developers and contractors.
- Of those who build as a contractor, 89% build new homes to the plans and specification of a homeowner (also known as self and custom build), 30% build for other developers or main contractors, and 5% build for housing associations.

## Site sizes

- The overwhelming majority of respondents (85%) typically tend to concentrate on sites of between one and five units; 48% focus solely on sites of one unit. Only 6% deliver sites of more than 5 units.

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**The overwhelming majority of respondents (85%) typically tend to concentrate on sites of between one and five units**

**60% of respondents said that this year they will build between one and five units; 6% of respondents will build 6-10 units; 3% will build between 11 to 30 units; and 28% will not build any new homes in 2022**



**"[There is a] lack of support from central government for SME [house] builders"**

– FMB member

**In 2022, we see the usual problems return and they are lack of available and viable land (62%) and the planning system (60%)**

## Main constraints on supply

Each year this survey asks SME house builders what they consider to be the main barriers to their ability to build new homes. We can therefore track responses to this question over time (see Figure 1).

### Same old challenges

In 2022, we see the usual problems return and they are lack of available and viable land (62%) and the planning system (60%), which are fairly similar results to the previous year. Compared to last year, where other concerns crept in during the Covid-19 pandemic, these two issues are clear frontrunners, with no other issue approaching the 60% mark.

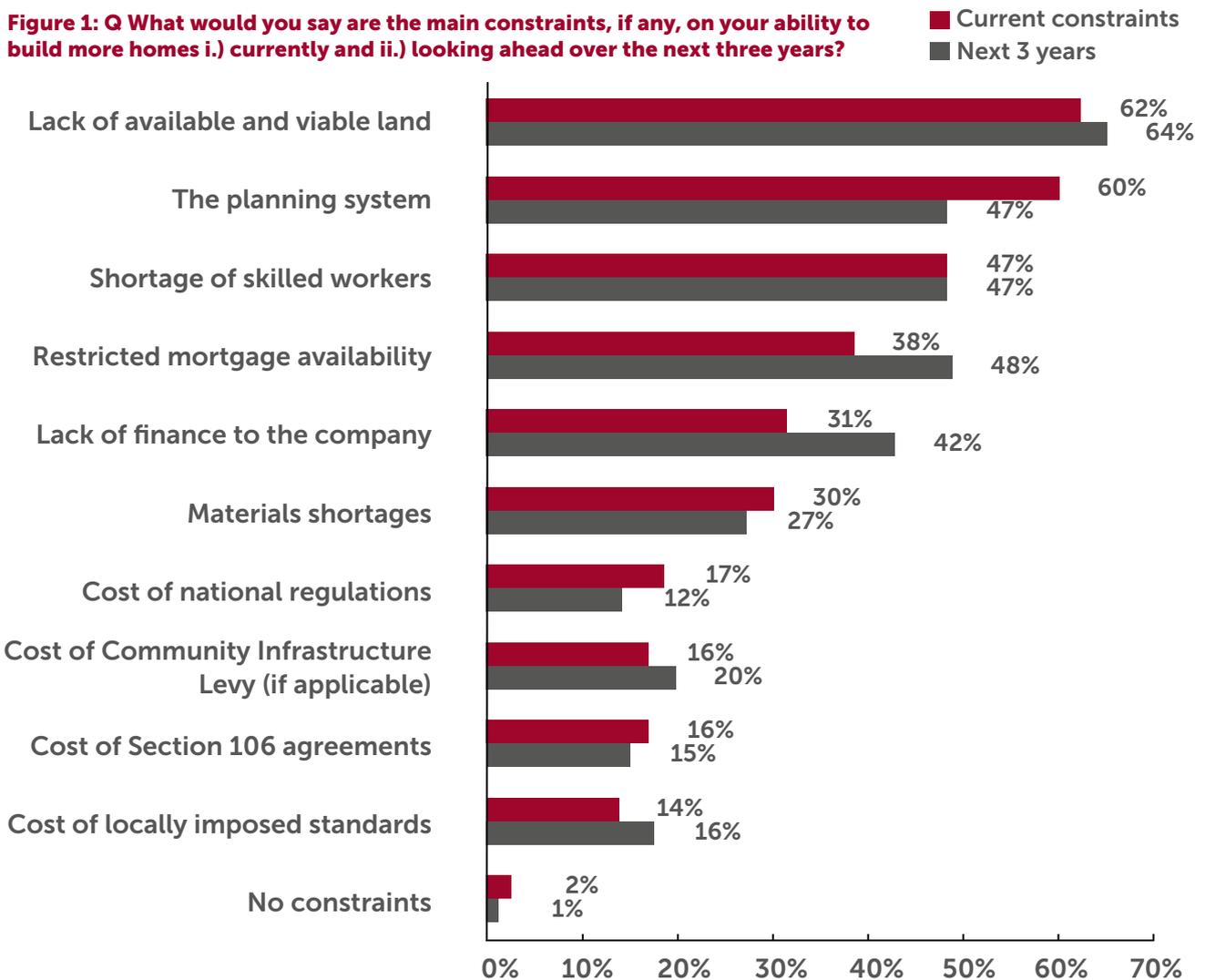
The third biggest issue facing SME house builders is a shortage of skilled workers, which affects 47%. Down from an all-time high of 53% in 2021, which was attributed to pressures faced by industry while under Covid-19 restrictions. This figure still remains very high, the last time it reached such a high percentage in 'normal' conditions was 2018 (43%). While the industry has grappled with a skills shortage for many years, it is significant that it takes third place, but not unsurprising given the trends tracked in the FMB's quarterly State of Trade Survey. In the latest survey it showed that at least one third of FMB members are struggling to recruit carpenters/joiners

and bricklayers, which has been consistent for some time.

### Big changes for this year

The pandemic caused many significant new issues to rise up the ranks last year, but with the exception of skills these have become less significant with materials shortages affecting 31% of members down from 62% in 2021. This is still significant as it affects a third of the industry and we know from our State of Trade Survey from Q3 2022 that 59% of jobs are still delayed as a consequence of difficulties obtaining the materials builders need at a reasonable price.

**Figure 1: Q What would you say are the main constraints, if any, on your ability to build more homes i.) currently and ii.) looking ahead over the next three years?**



**"[There have been] fluctuations in materials availability and price"**

– FMB members

**Restricted mortgage availability has surged into the top four problems affecting delivery (38%)**

From what is usually a relative outlier, restricted mortgage availability has surged into the top four problems affecting delivery (38%). This likely reflects the turbulent economic market in the final months of 2022, which saw interest rates jump as markets worried about Government borrowing plans. This is the highest reported percentage since 2015 where it sat at 47% but had dropped significantly below this in the following years. It was widely reported by commentators that lenders pulled mortgages as they were no longer viable. With the majority of work members carry out coming from private clients they could be directly affected by customers being unable to obtain money to fund the delivery of their homes.

**Do responses differ by type of firm?**

This year, there are significant differences between contractors and developers in what's perceived as the biggest constraint on supply. The majority of contractors (59%) say that availability of skilled workers is the number one issue stopping them

from delivering homes. With lack of available and viable land coming in second and planning concerns in third. This is important, as very few members act solely as developers, with 44% doing both and 48% acting as contractors.

Interestingly, the relatively small number of FMB members that operate solely as developers, indicate that 73% are affected by access to available and viable land and issues with the planning system. Shortages of skilled workers factor in at a much smaller percentage, with 36% affected. Lack of available finance affects 27% which matches 'cost of 106 agreements', 'materials shortages' and 'cost of CIL'. The major factors of planning and land availability are to be expected given a developer will be responsible for finding land and taking a project through the planning process, something that a contractor may not be impacted by, but could have the client face the brunt of this responsibility.

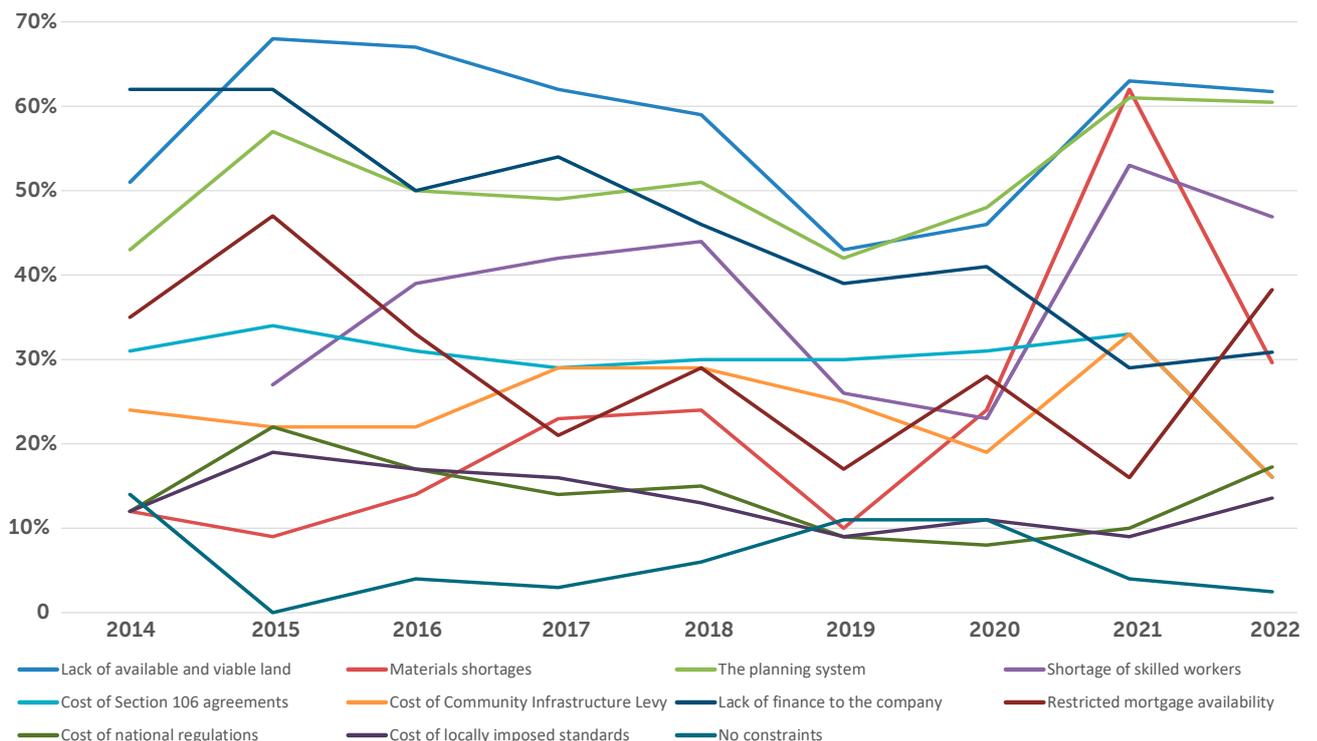
Companies that act as both contractors and developers broadly match the overall trends,

however, restricted mortgage availability affects 52% and lack of available finance is slightly higher than the overall picture at 39%. Unsurprisingly, issues affected by the current economic turbulence are coming to the fore.

**Looking ahead**

When house builders were asked to say what the biggest issues affecting their ability to deliver new homes were over the next three years, the lack of available and viable land came out on top (64%). Interestingly, this was followed by restricted mortgage availability, which indicates SME house builders feel the current turbulent market may continue for some time. It could also indicate a more general concern with the future of the economy, with a recession looming. Planning remains in the top three major concerns with the industry having little faith that this will ease in the coming years. This is matched in third place with a shortage of skilled workers, again indicating that current policy on skills is not easing market concerns.

**Figure 2: Q. What would you say are the main constraints, if any, on your ability to build more houses? (Responses to this question from 2014-2022 surveys)**





**“Demand was strong, now decreasing and enquiries slowing down. Mainly the backlash of rising fuel prices, energy prices and in the midst of things Covid and Brexit. Combination of all of the aspects”**  
 – FMB member

# Buyer demand

Each year we assess how members feel towards buyer sentiment and how this has changed since the previous year and will change over the coming years.

House builders were asked to mark buyer demand from 0 to 5, with 5 being very high buyer demand. FMB house builder members feel buyer sentiment has dropped considerably from 2021 to 2022. With 51% reporting 5 (very high demand) in 2021 and with 36% citing 3 or 4. Meaning that 87% of members in 2021 felt there was a healthy market. Each year we

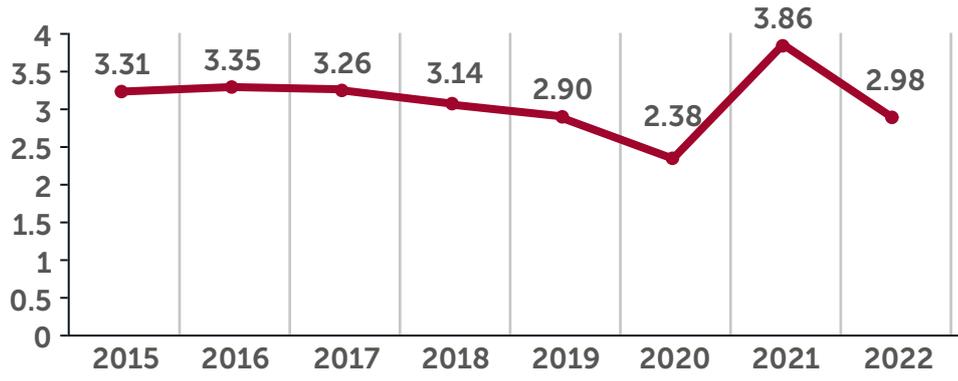
average the sentiment on a scale out 5. This has fallen to 2.98, from 3.86 last year. This third lowest buyer demand recorded since this data started to be captured in 2015.

Buyer demand has fallen away substantially from last year, with most indicating less buyer demand in the final months of 2022. Although the majority still indicate a 3, 4 or 5. However, 32% sit below a rating of 3 buyer demand, with 4% of this indicating very low demand. No members reported this low level of demand when assessing the market, a year ago.

Compared to only 14% that sat below a rating of 3 when reflecting on the previous year, meaning those indicating poor market conditions has more than doubled when assessing the market at this time.

Looking beyond 2022, the pendulum swings towards the negative side of the market, which is those marking below a 3. With many predicting conditions at a rating of 3 (33%), however those indicating below a rating of 3 sits at a combined 42%, compared to 25% that sit above it. This indicates

**Figure 3: 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)?**



**Buyer demand has fallen away substantially from last year, with most indicating less buyer demand in the final months of 2022**

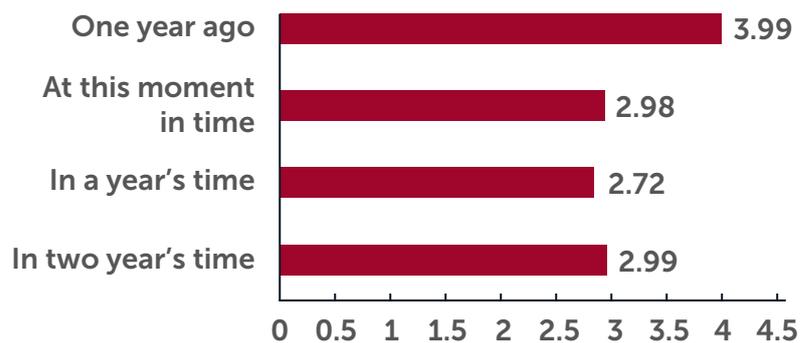
many feel that next year's market conditions will be much tougher than the previous years. When sentiment is averaged out of 5 (see figure 4), it is lowest for 2023 (2.72), compared to other years.

With lower buyer demand, it's not unreasonable to expect that output will drop over the coming year. Looking further ahead to 2024, it's a slightly more mixed picture, with some positivity restored. While 35% are still reporting a rating of 3, 35% report that they expect high or very high demand (rating of 4 or 5). Compared to 29% reporting a moderately low or low demand (rating of 1 or 2), with only 1% reporting a very low demand (rating of 0). Sentiment towards the market is ranked at 2.99 when averaged, which is moderately higher than 2023 (see figure 4). This suggests that SME house builders expect some recovery to the market after 2023.

**“The past few months of government turmoil has had a negative impact. I expect client confidence to return in the new year”**

– FMB member

**Figure 4: 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)?**



## The planning application process

The planning system remains one of the major issues facing the sector, with 60% of small house builders reporting it as a major barrier stopping them from delivering homes. This is the same figure reported last year.

When focusing on the experiences of those builders delivering the smallest sites, i.e just one unit, which makes up the majority of responders to this survey, we find planning issues trump other obstacles to delivering new homes. This is likely due to the costs



and time involved in submitting planning applications, which smaller house builders very rarely have in abundance.

House builders were asked to rank issues in the planning system from 0 to 5, with 5 being extremely important. By far the biggest concern in the planning system, is inadequate resourcing of planning departments with 78% rating this a 4 or 5. When this measurement is averaged, inadequate resourcing was rated at 4.18 (see table 2). This is the highest recorded figure for this issue and the highest ever recorded figure across all issues. This is followed by 60% reporting inadequate communication with officers. When inadequate communication with officers was averaged in a rating out of 5 (see table 2), it scored 3.85.

When rating additional costs to the planning process out of 5, with 5 being extremely important, 52% ranked excessive information requirements as a 5. 48% ranked costs owing to delays with a 5.

We know planning uncertainty can have a great impact on cost and time for SME builders, where financing options can be reliant on granted planning permission. Only 11% of members reported a high or very high degree of certainty in obtaining planning permission, this is down from 19% in 2021. 47% reported a low or very low degree in certainty obtaining planning permission with 40% having a medium certainty. This is concerning given the cost pressures related to not obtaining planning permission.

**“Put up fees so that officers can be paid more so that we stop losing decent officers to private sector”**

– FMB member



**Only 11% of members reported a high or very high degree of certainty in obtaining planning permission**

**51% noted excessive information requirements as being extremely important factor to additional cost in planning**

**“Make it [planning system] quicker. We are losing contracts because of the delays as finance falls through, client changes mind, we don’t have the resource available to start when it comes through as it’s so much later than anticipated”**  
– FMB member

When costs are considered as part of the planning process and ranked in importance (see table 2), with 5 being extreme importance to adding to costs, the two major factors were excessive information requirements and complexity of consultees and costs. Costs caused by delays also ranked very highly (4.01). Given all the other factors discussed so far that can cause delays, this is to be expected.

We know planning uncertainty can have a great impact on cost and time for SME builders. Only 11% of members reported a high or very high degree of certainty in obtaining planning permission, this is down from 19% in 2021. 47% reported a low or very low degree in certainty obtaining planning permission with 40% having a medium certainty. This is concerning given the cost pressures related to not obtaining planning permission.

**Despite a likely cut back in public funding the Government must enable greater resourcing of local planning departments as a matter of urgency. But it’s also incumbent on planning departments with existing constraints to engage more proactively with SME builders, for instance through local developer forums.**

**We hope to see that digitisation of the planning system moves forward in earnest through the Levelling Up and Regeneration Bill and that planning fees are raised to accommodate for more planning officers as also proposed in the Bill. However, digitisation needs to be balanced to not allow those with the loudest voices to halt planning opportunities.**

**By far the biggest concern in the planning system, is inadequate resourcing of planning departments**

**The planning system remains one of the major issues facing the sector, with 60% of small house buildings reporting it as the biggest barrier stopping them from delivering homes**



## Developer contributions and viability

41% of respondents reported that there are sites that they are interested in, but which are unviable due to Section 106, Community Infrastructure Levy (CIL) or other developer obligations.

16% of respondents cite the cost of Section 106 agreements as a major constraint on their ability to build, and the same number cite the cost of CIL. This is down from 33% last year. However, given the changes incoming to developer contributions it's important that we get the system for assessing

developer contributions right, so that the cumulative impact on small site viability is not undermining the SME house building sector.

**While full plans are yet to be realised, we've made clear to the Government that the new levy should simplify the process for house builders, however as payments are non-negotiable, there must be appropriate payment scales to ensure projects remain viable for small and micro builders.**

**41% of respondents reported that there are sites that they are interested in, but which are unviable due to likely Section 106, Community Infrastructure Levy (CIL) or other developer obligations**



**"[Government should] ensure local authorities meet statutory deadlines when processing applications"**

– FMB member

Project by Stanley C Baker & Sons Ltd

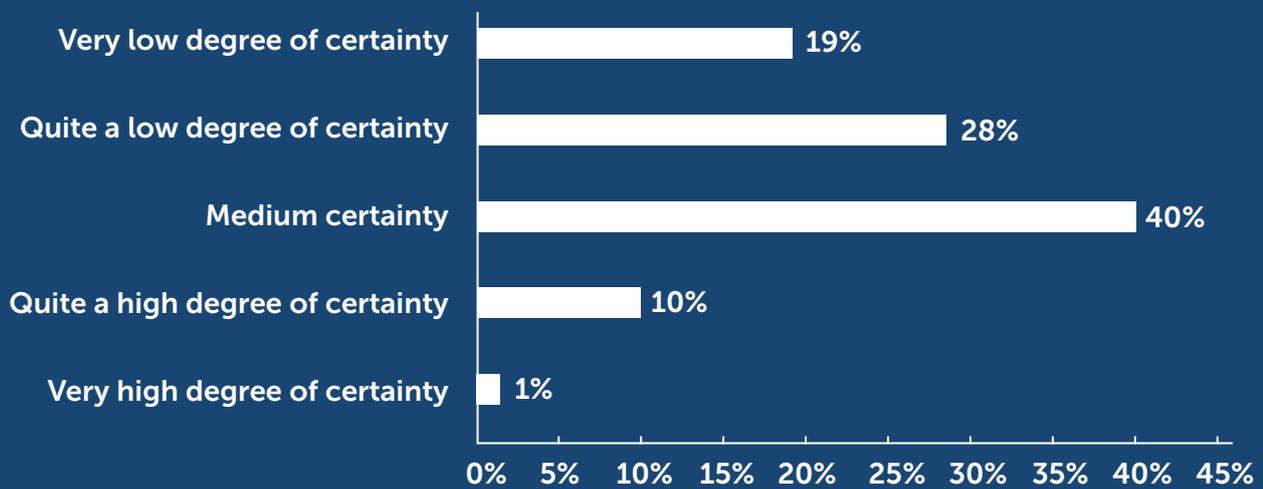
**Table 1: Q. How important would you rate the following as causes of delay in the planning process? Score from 0 to 5, where 0 is completely unimportant and 5 is extremely important**

Causes of delay	2022	2021	2020	2019	2018
Inadequate communication by planning officers	3.85	4.10	3.79	3.99	3.58
Inadequate resourcing of planning departments	4.18	3.93	3.80	4.03	3.89
The signing off of planning conditions	3.52	3.69	3.29	3.63	3.47
Signing off of Section 106 agreements	3.05	3.51	3.09	3.58	3.37
Delays caused by statutory consultees	3.62	3.49	3.38	3.71	3.24
Negotiating Section 106 agreements	3.05	3.47	3.24	3.44	3.47

**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	2022	2021	2020	2019	2018
Overall complexity and the cost of consultants required to deal with this	4.1	4.08	3.77	4.02	4.01
Excessive information requirements	4.16	3.96	3.74	4.19	4.20
Costs imposed by delays in the system	4.01	3.94	3.73	3.95	4.17
Fees for pre-application discussions	3.54	3.54	3.23	3.59	3.64

**Figure 5: Q. On average, how much certainty do you feel about the outcomes of planning applications?**





**“We have not seen locally an influx of small sites coming available this would suggest the system isn’t working well enough”**

– FMB member

## Small sites and land availability

In this year’s survey, ‘lack of available and viable land’ is the most cited constraint on SME house builders (62%), which is similar to last year where it was also the top reason listed as holding back development.

The overwhelming majority (82%) also reported that small site opportunities are decreasing, up from 71% last year. This is incredibly concerning for an industry that relies on small sites. A shortage of small site opportunities will cut off delivery of homes from small developers, resulting in less supply. Not surprisingly, given

the concerns about the planning system, 52% reported that obtaining planning permission for small sites is worsening.

FMB house builders often say they are aware of small sites, but these are not included in local plans. This is supported by the figures in this survey, as only 25% believe local authorities were taking small sites seriously.

**The Government need to push forward with the changes in the Levelling Up and Regeneration Bill to ensure local authorities have up to date local plans in place. These plans should be**

**developed in collaboration with small house builders, to ensure small windfall sites are included.**

But, there is some good news, those reporting that small sites are being taken seriously has increased since last year, which is positive (where it sat at a low of 11%, down from a high of 41% in 2018). So, this may show the picture is improving slightly, we’ll need to see a consistent trend over the next few years to make a judgment on this. However, identification of small sites, needs to go hand in hand with making them easier to obtain planning for.



**In this year’s survey, ‘lack of available and viable land’ is the most cited constraint on SME house builders**

Project by HCD Developments Ltd

The high percentage of 41% in 2018 reporting local authorities taking small sites seriously coincided with National Planning Policy Framework (NPPF) changes where local authorities had to promote small sites. However, those reporting that this policy had led to more small sites has remained consistently low, with only 4% reporting it's resulted in more sites.

It's clear that this element of the NPPF is not being implemented or properly monitored to ensure these targets are met.

**We would reiterate our previous position in that the requirements in NPPF paragraph 69 must be properly implemented.**

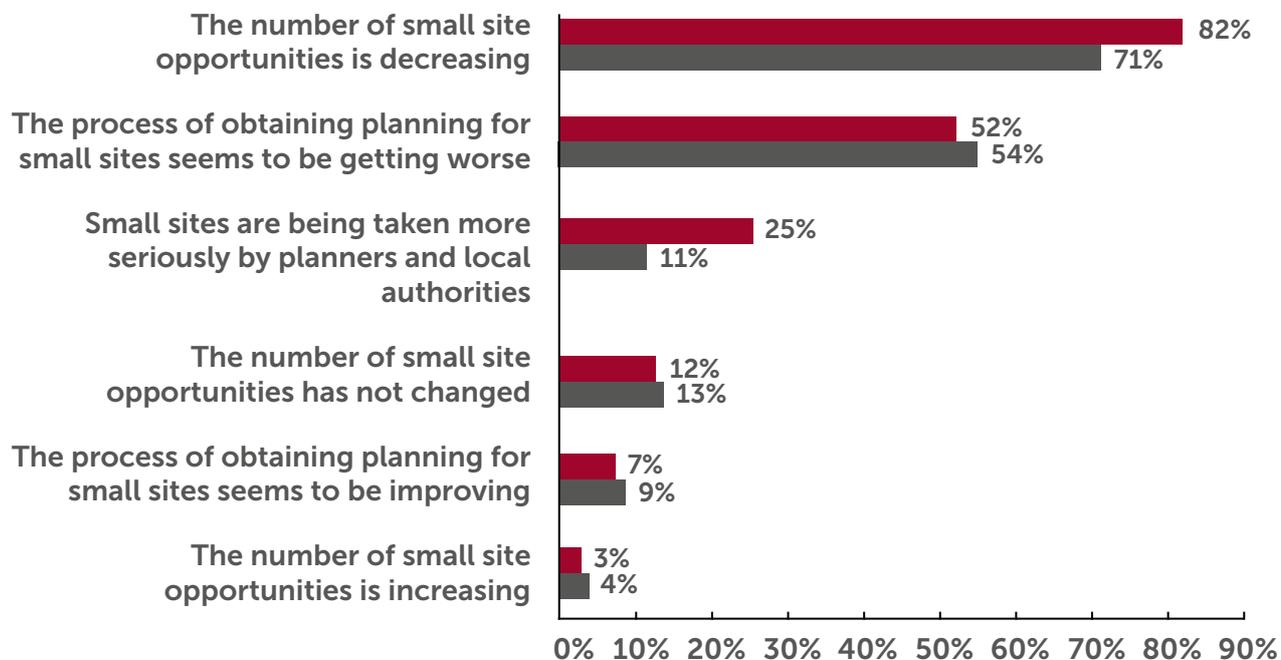
A good planning process is one that identifies small sites and presents them positively. Developments in towns and villages should not be seen as an imposition on communities, but as an opportunity.

**Local authorities need to take a more pro-active approach to enabling the delivery of small sites and enabling the necessary engagement.**

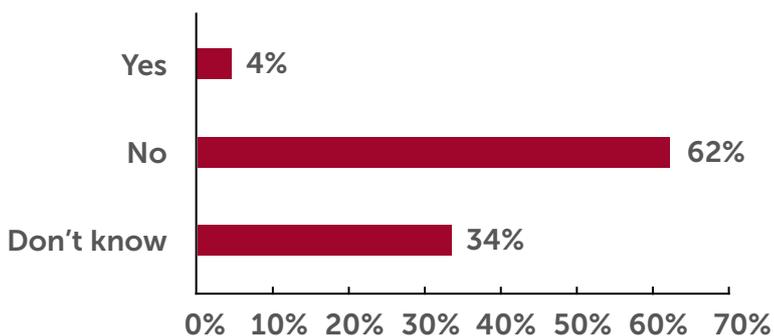
**The overwhelming majority (82%) also reported that small sites opportunities are decreasing, up from 71% last year**

**Figure 6: 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).**

■ 2022  
■ 2021



**Figure 7: 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 yet driving an increase in small site opportunities for you?**



# Workforce and skills

Workforce shortages continue to be a major obstacle to delivering new homes. We know this is a sector-wide issue as well, with many other areas of construction struggling to find staff.

Worryingly, the numbers saying they are growing their workforce over the coming year has decreased significantly to 25% down from 36% last year. While this still represents a quarter of house building members, many are not full-time house builders, so this may be attributed to growth in other areas of the business and not necessarily indicative of confidence in the housing market. The majority (53%) report they are planning on keeping the workforce at the same size. Those indicating that they don't know how their workforce will look has increased slightly from 11% to 15% on last year, which could indicate more house builders are uncertain about the state of the market.

Opportunities for onsite training and those looking for work experience have improved on last year. This may be down to the easing of lockdown restrictions which would have made training and work experience opportunities more easily accessible.

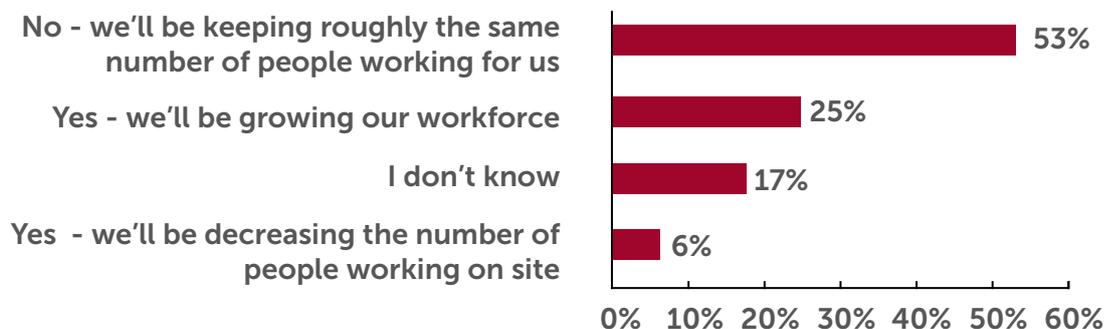
It's positive to see 46% of house builders responding to this survey upskill current staff (see figure 9), which could reflect that investing in current staff is a more viable option than accessing new staff when shortages are high. However, 40% of members did employ one or more apprentices and 38% provided work experience, with the same percentage proving onsite training. These figures don't come as a surprise as the SMEs are responsible for 71% of all apprentices in the sector.

**It's positive to see 46% of house builders responding to this survey upskill current staff**

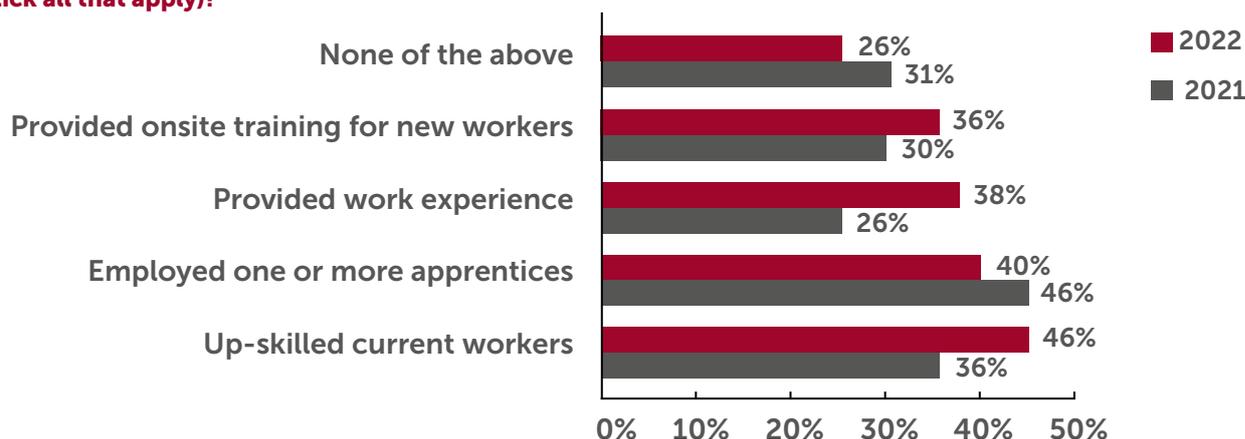
Skills is a difficult area to tackle and will require a collective effort from governments, industry, colleges and schools. Ultimately, not enough people are being trained and now that the UK has left the EU, the nation has an opportunity to develop home grown talent. **This means construction must be attractive to school leavers to ensure they don't move into other sectors.**

However, **Government should work with SMEs to develop vocational routes and training pathways and support must be given to SMEs to enable them to train up apprentices**, often many are willing to do so, but lack the time or finances to do so.

**Figure 8: 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?**



**Figure 9: Q. In the past year (since August 2021) has your company done any of the following (tick all that apply)?**



# Access to finance

A lack of finance for development has been becoming less of an issue over the past few years for members, leaving aside its brief resurgence during the height of the Covid-19 pandemic. Forecasts of a recession, however, may alter the outlook.

## Current economic turbulence

As already noted, access to mortgages rarely makes it into the major issues stopping the delivery of homes. However, given that many FMB house builders are reliant on the custom/self-build market with 50% (see figure 11) acquiring their financing this way, it's not surprising that restricted mortgage availability has risen into the top 4 issues constraining SME house builders.

Another factor is interest rates on loans, which are used to fund builds. When ranked out of 10, with 10 being extremely significant, SME house builders ranked 'interest rates charged on new loans' at 6.75 (see figure 10), by far the most important issue. With interest rates at high levels and consumers paying hundreds of pounds more, it's not surprising that some may

have pulled back on their plans to commission new projects if reliant on a mortgage.

## Sources of finance

As noted, self-build or custom contracts are now the main source of finance for half of micro and SME house builders (up from 39% in 2021). High street bank lenders have moved to second place, from third last year and have grown slightly as a source of funding up to 40%, compared to 32% in 2021.

This may also be supported by the fact many members chose not to go with private equity as a source of funding, which was the most common source of funding in 2021. It would seem that this was a popular choice during the pandemic, potentially as funding options from more traditional sources become less accessible. Finance brokers remain the same at about 20%, but potentially most interestingly, challenger banks have dropped to 15% from 20% in 2021, perhaps once again reflecting a return to more traditional sources of funding post-Pandemic. This also seems to the same trend for crowdfunding as it drops to only 6%, from 13% last year.



**"[We are experiencing] delays, very high fees, very poor response. Only top range brokers can actually provide you with proper offers, but they cost a lot. Bureaucracy as it is"**

– FMB member

**"With interest rates rising we are being offered less financial help"**

– FMB member

**"Trying to get new finance you have to jump through too many hoops"**

– FMB member

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

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

**Many members chose not to go with private equity as a source of funding, which was the most common source of funding in 2021**

## Issues with funding

By far the most pressing concern for members when obtaining funding was interest rates charged on loans. This is often because the risk rating may be higher for smaller developments, but generally traditional lenders are risk averse when it comes to borrowing conditions. What was positive however were the numbers of house builders reporting they had loan applications refused, indicating that accessing finance has become much easier.

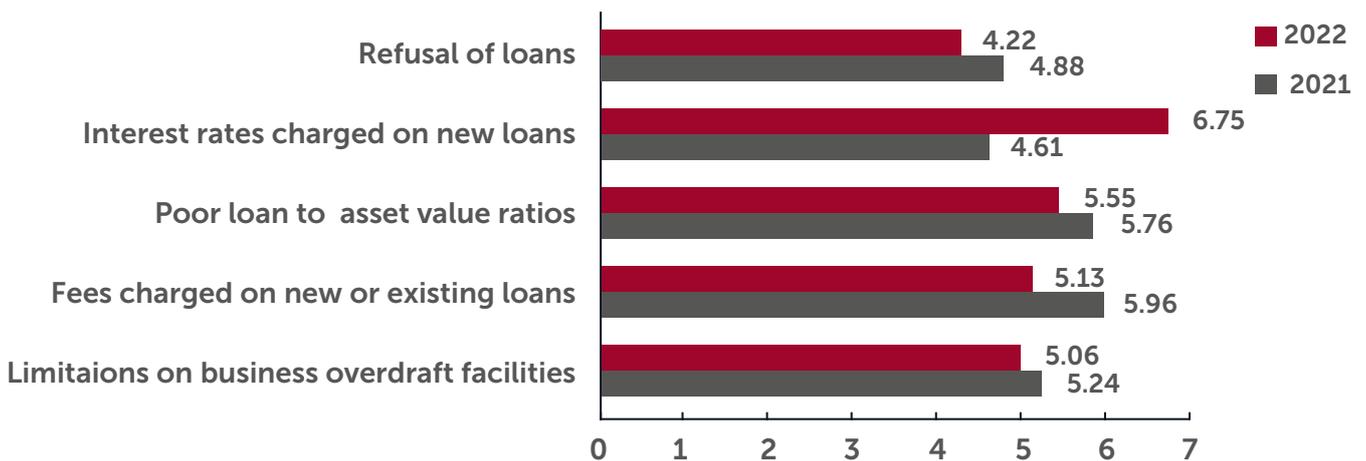
While still a credible and serious issue stopping the delivery of homes, it would appear that access to funding, even from traditional sources has improved greatly over the years, with issues coming during the Pandemic. With economic turbulence set for next year, we may once again see the return of non-traditional lenders as major sources of funding.

**Government must continue to support and develop a range of targeted interventions, like the Home Building Fund and**

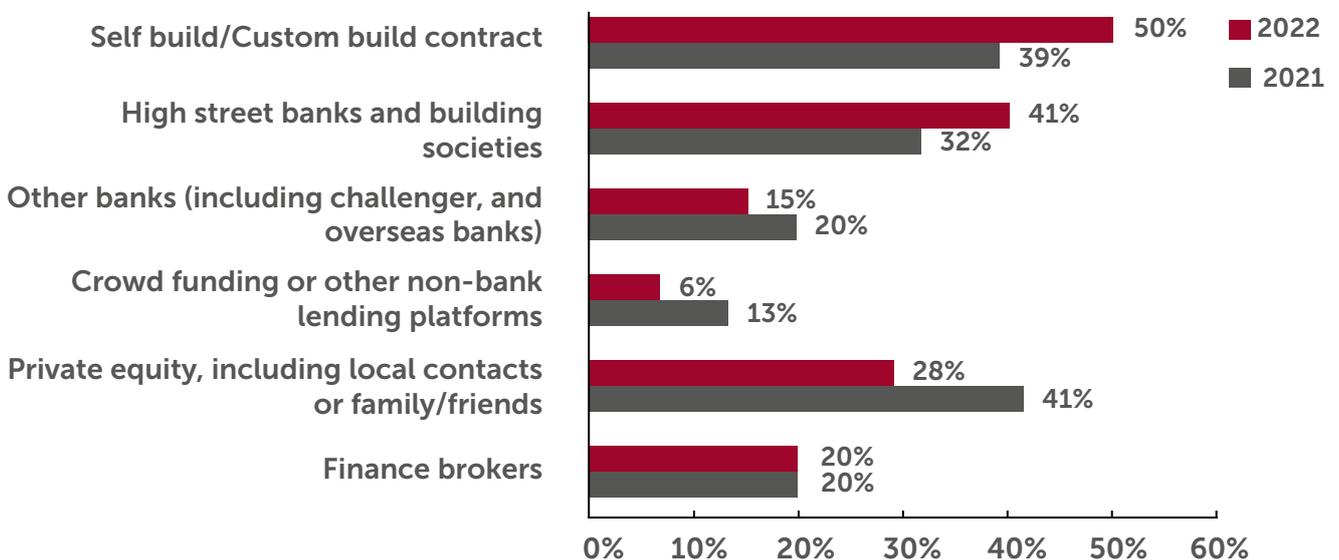
**others through Homes England. Clearly work is needed to encourage more SMEs to take up Government funding and make the packages more appropriate for SMEs and the challenges they face in the planning system.**

**By far the most pressing concern for members when obtaining funding was interest rates charged on loans**

**Figure 10: 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)?**



**Figure 11: Q. Which of the following ways do you tend to acquire funding for development (tick all that apply)?**





## Connectivity

Anecdotally we had heard many issues with connecting to the electrical grid when developing homes. This does appear to be supported in the numbers with over half reporting a delay when connecting to the grid (see figure 12).

Understandably when coupled with delays to the planning system and slowdowns from labour shortages this adds additional stress and time to a development. While what's causing these delays

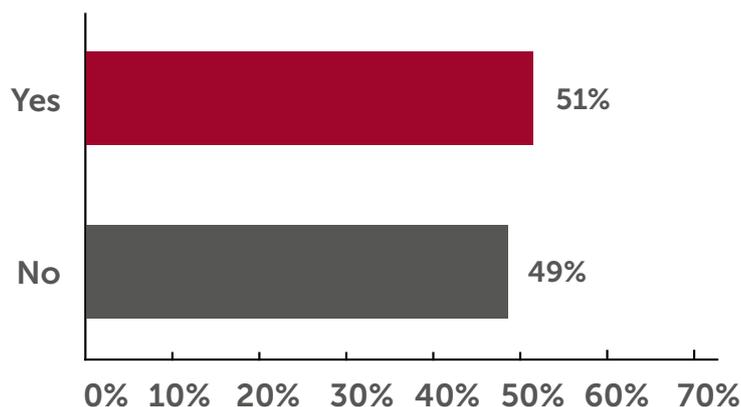
is unknown, anecdotal evidence suggests poor communication from energy suppliers. **We would encourage DLUHC to work with local energy suppliers to rectify this issue as quickly as possible and explore what may be causing these delays.**

49% percent of house builders reported that they needed to reinforce the grid to cope with increased energy demand directly related to new products that have been enforced through new housing regulations. This may also account for the delays noted above.

**49% percent of house builders reported at they needed to reinforce the grid to cope with increased energy demand (see figure 14), directly related to new products that have been enforced through new housing regulations**

**It's imperative that the capabilities of the electrical grid are looked at when considering the landscape around retrofitting and the Future Homes Standard. The Government should look to ensure that sufficient work is being done by energy companies to ensure the grid will cope with more electrical products.**

**Figure 12: Q. Have you experienced delays when attempting to connect your site to the electrical grid?**



**35% said they install Openreach full fibre infrastructure**

**"The enquiry and connection stages have become longer in the last 2 years"**

– FMB member

**Over half reporting a delay when connecting to the grid**

### Full Fibre Broadband

Connecting homes to full fibre broadband is an important part of delivering developments fit for the future. House builders were asked if they install Openreach full fibre infrastructure on new sites. Over a third of house builders indicated they did so. It is positive to see commitment from builders to ensuring new sites are supplying consumers with high-speed internet, especially as homeowners increase the number of products reliant on connectivity and the trend of more people working from home continues.

**"Single phase is getting to be inadequate due to house demand. Electric car charging; heat pumps etc. Three phase is rarely available in more rural locations"**

– FMB member



# Future Homes Standard and Future Homes Hub

## The Future Homes Hub: helping homebuilders with new environmental requirements

### About the Future Homes Hub

The Future Homes Hub is an independent body set up in dialogue between industry and Government to support the sector in meeting the Government's climate and environmental goals.

Its aim is to facilitate collaboration within and beyond the sector to support changes in regulations, prepare for future change and work with Government to overcome barriers. The breadth and speed of regulatory change presents arguably the biggest set of challenges in living memory for the industry and the Hub aims to help the sector address them. Please visit [www.futurehomes.org.uk](http://www.futurehomes.org.uk) for further information.

The following section will explore questions which were asked by the Future Homes Hub (FHB) in collaboration with the FMB to gain a better understanding of how members are coping with the interim uplift regulations and the move to the Future Homes Standard (FHS).

### New Approved Documents

Startlingly, only 4% noted that they were very confident with the changes to Approved Documents Parts F, L, O and S (see figure 13). These documents provide guidance on things like the installation of EV chargers, overheating requirements, energy efficiency and ventilation. They form an integral part of the interim uplift in building regulations which was introduced earlier in 2022, in order to act

as stop gap for industry ahead of the Future Homes Standard (FHS). This was because if the FHS was introduced in one go the change would be too substantial a change for the industry to adapt to in one go. 54% said they had average confidence, but worryingly 42% said they were not at all confident. Which given many months have now passed since their introduction is a worrying signal.

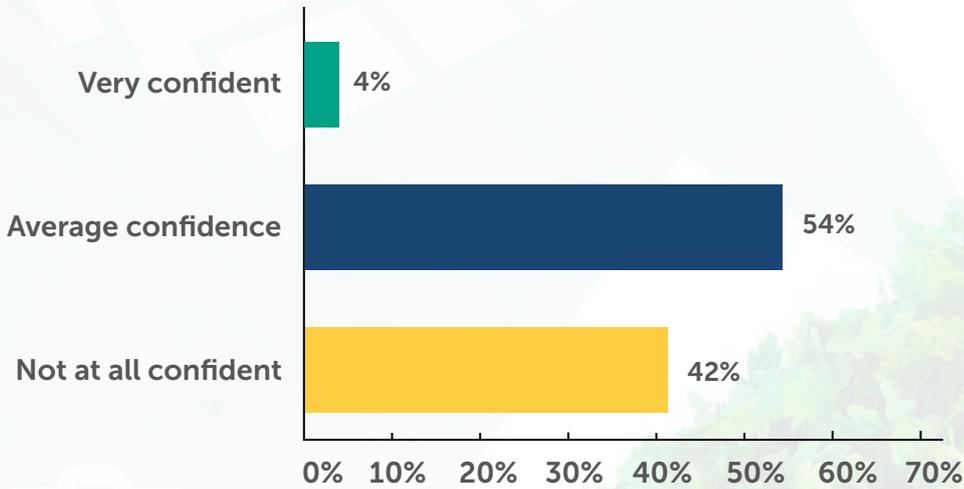
This is also reflected in preparation levels, with 42% beginning preparations to accommodate for the changes to F,L,O,S. But 29% remain completely unprepared. A quarter felt they were reasonably prepared and only 1% fully prepared.

The same question on preparedness was asked

specifically for Part L which covers the conservation of fuel and power. This reflected very similar results to preparedness for all parts. However, many more suggested they were moderately prepared at 42%, with slightly less people completely unprepared at 25%, when compared to the overall picture.

Comprehension of the new regulations is also a significant hurdle with 67% noting that they struggle to understand what is required to comply with the new interim uplift regulations (see figure 14). 17% were unaware that they existed. This would be surprising, but the industry did face an uphill struggle earlier in 2022 trying to gain clear information on the new regulations.

**Figure 13: Q. Are you confident that you know and understand the changes to Parts F, L, O, S for new homes?**



**Support**

When asked on who you would normally go to for support with changes to regulations the majority indicated architects. This was to be expected given that issues with the interim uplift regulations were not identified until architects had reported back to small builders, resulting in a delay of a few months. This may also account for lack of awareness and general confusion with the new regulations.

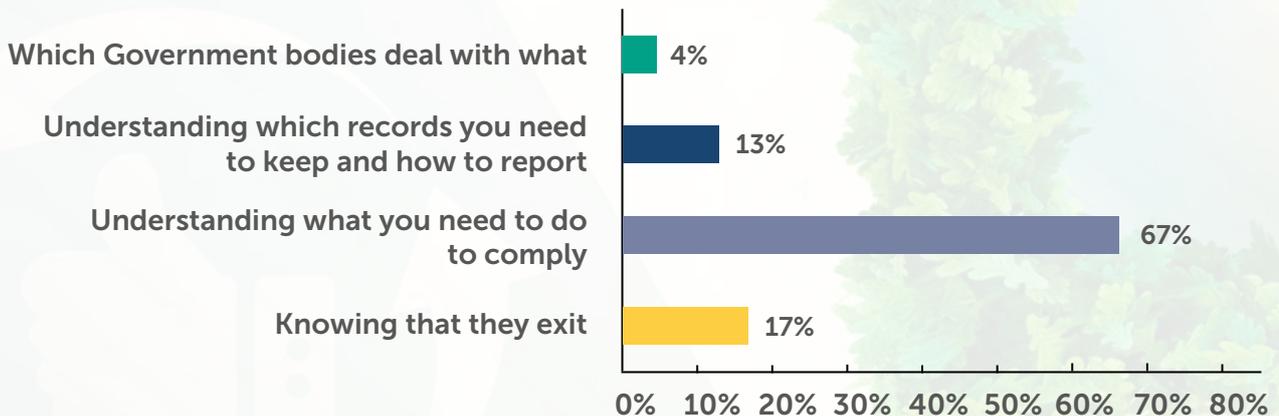
29% cited trade associations as the next best source of

**“50% of house builders indicated they go to architects for support on new building regulations”**  
– FMB member

information. Indeed, the FMB produced guidance on the new regulations as they were released as it was identified at the time as a major obstacle for members.



**Figure: 14: Q. Generally, which part of the new regulations do you find hardest?**



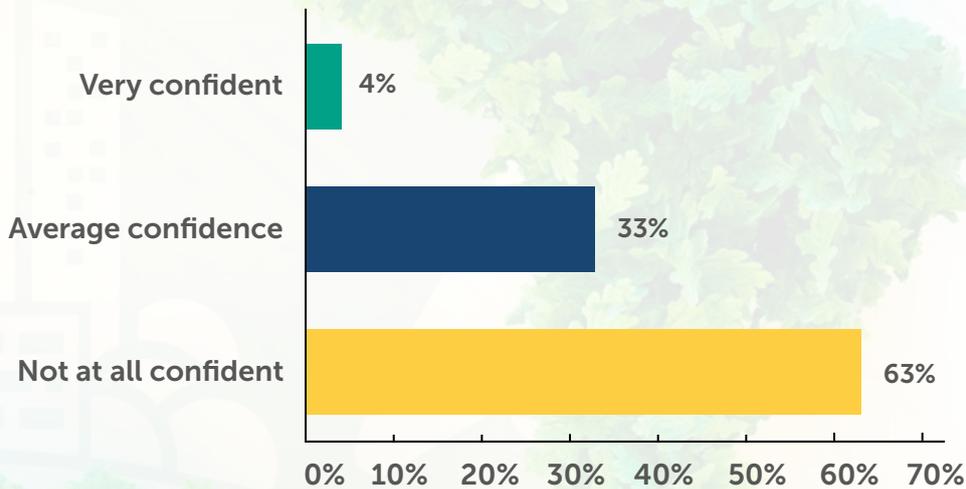
## Biodiversity Net Gain (BNG)

The survey covered BNG in full detail last year, but the impacts and implementation are becoming clearer as the policy develops. In a stark finding, the vast majority are not at all confident with the requirements of BNG at 63%. A third (33%) suggested they had average confidence and only 4%

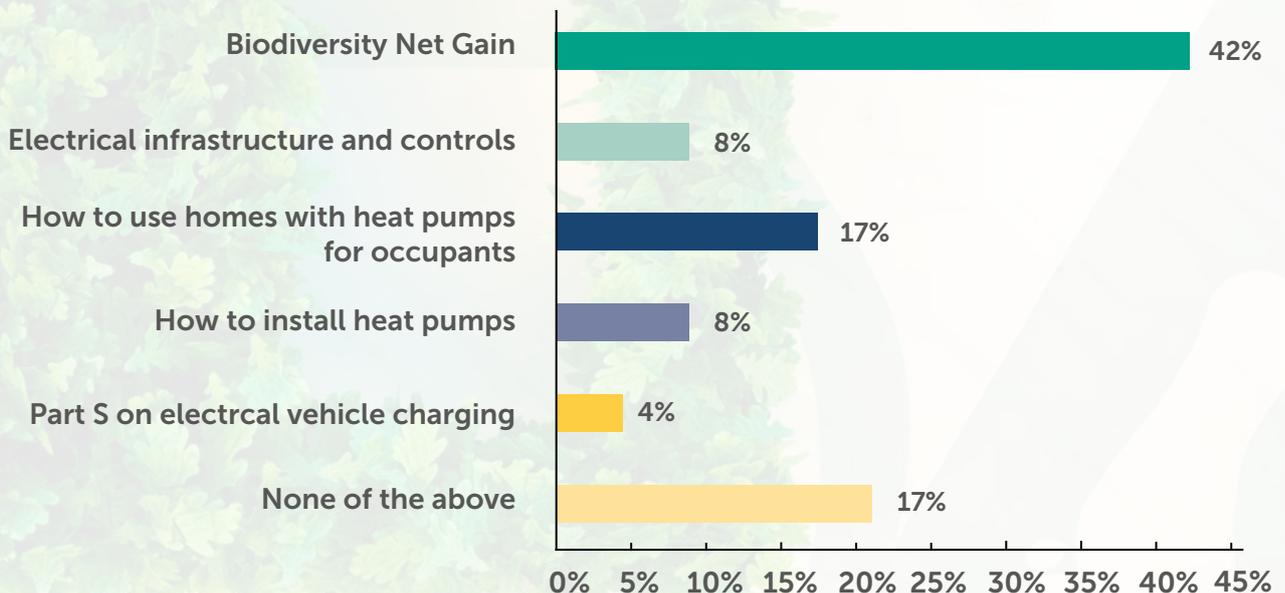
said they were very confident. This is unsurprising from conversations had with small house builders. Unsurprisingly the area that most wanted guidance on was BNG with 42% requesting that the Future Homes Hub produce this.

**The vast majority are not at all confident with the requirements of BNG**

**Figure 15: Q. Are you confident that you know and understand the requirements for Biodiversity Net Gain?**



**Figure 16: Q. The Future Homes Hub has already provided guidance on Parts L (energy efficiency requirements) and O Overheating - what other areas would you most like guidance on?**





## About the Federation of Master Builders

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

Established in 1941 to protect the interests of small and medium sized (SME) 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](http://www.fmb.org.uk) or follow us on Twitter [@fmbuilders](https://twitter.com/fmbuilders). For further information about the FMB House Builders' Survey 2022, email [publicaffairs@fmb.org.uk](mailto:publicaffairs@fmb.org.uk).

## About Openreach

# openreach

Openreach Limited, sponsors of the FMB House Builders' Survey 2022, runs the UK's digital network. We're the people who connect homes, schools, hospitals, libraries, businesses - large and small, broadcasters and governments to the world.

It's our mission to build the best possible network with the highest quality of service, and make sure that everyone in the UK can be connected. We're a wholly owned subsidiary of BT Group and our customers are the 650+ communications providers who sell phone, broadband and Ethernet services to homes and businesses.



[www.openreach.com](http://www.openreach.com)

