

2020s Vision

HBF and the homebuilding industry
in a new decade and beyond



Introduction

The country faces a daunting housing challenge the like of which has not been seen since the mid-twentieth century

It took a generation or more for our housing crisis to emerge and its consequences will have long-term economic and social consequences that touch us all regardless of where we live or the type of home in which we live. Younger generations face many complex and regrettable social and economic challenges over the coming decades but tackling the multitude of housing problems is a prominent one.

Throughout the entirety of the past three decades, one consistent feature has been a failure to build enough homes. The country cannot afford another decade of failure on this front.

Recent years have seen remarkable progress in increasing housing delivery from the lowest single peacetime figure on record in 2012/13 to 1950s and 1960s levels today. This will only bring long-term benefits for the market and for housing affordability if these successes can be built upon.

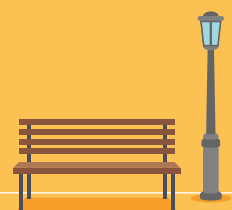
Through determination and patience, home builders have moved the dial on housing supply, but as well as building more, HBF's members know

that we need to uphold our responsibilities to our customers, the communities in which we build and the long-term future of our environment. That is why HBF's strategy for the beginning of the 2020s is not a pure numbers game.

Our values mean we want to enhance standards and serve communities with a workforce that reflects those communities and is proud to do its part in tackling the country's immense housing challenges.

The home building industry has come under intense focus in recent years as our sector has been propelled into the political and media limelight as a result of a deepening and more widespread understanding of the housing crisis and the breadth of its consequences.

From a relative backwater in the media consciousness and political discourse in the mid-2000s, by 2019 housing and housing supply is firmly entrenched as a political battleground and source of media headlines.



The recent period can be characterised as encompassing five distinct phases in the evolution of the public debate over housing supply:



Evidencing the crisis (pre-2008):

The focus for HBF and similar organisations was proving the need for prioritising the subject for attention and policy support



Survival and recovery (2008-2012):

Weathering the storm of the financial crisis and working with Government and others on immediate support



Going for growth (2012-15):

Following the initial recovery and reform of the planning system, Government policy focused almost entirely on driving up output



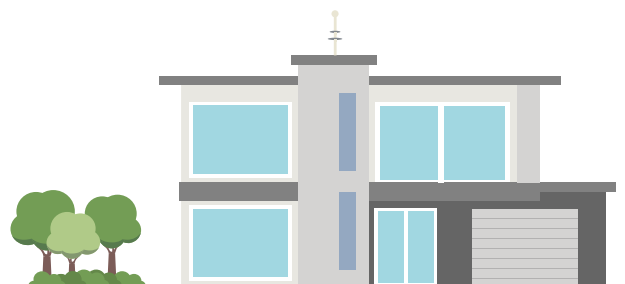
Pressure for pace (2015-2017):

With lagging indicators failing to demonstrate the full extent of housing delivery growth, ministers grew impatient with speed of build out and private developer business models



Focus on conduct (2017-2019):

A spate of industry own goals and a perceived reluctance to embrace change dominates views of the sector



Our future

As we reflect on our recent history and articulate the core values of our industry, we look to define our priorities for the start of a decade that promises yet more challenges, but also new chances to express and promote the many benefits and opportunities that our members create in communities each and every day.



Talent



Environmental
and Social
Responsibility



Quality and
Delivery



Housing
Affordability

A certain amount of HBF's work will always be reactive as we respond to emerging issues and the shifting priorities of policymakers. But as we approach the dawn of a new decade, we take stock of the enormous progress made over the past five years in creating a supportive business environment for the sector and the successes of the industry building.

We have identified four overarching priorities that will give focus to our work over the coming years.

This will be supported by a more detailed work programme and at regular intervals HBF will report back to its members of progress against these headline objectives:



HBF Values

Representing and leading the home building industry, promoting the vibrancy of our membership

OUTLOOK AND AIMS OF HBF:



Support

Support the home building industry to deliver high quality new homes by working to ensure that the policy, regulatory and sales environment allows its members to achieve success



Standards

Work with and on behalf of members to help raise standards



Opportunities

Highlight opportunities in the home building industry that offer challenge and fulfilment to all regardless of background or differences



Communities

Promote an industry successful in generating unrivalled economic and social benefits for communities

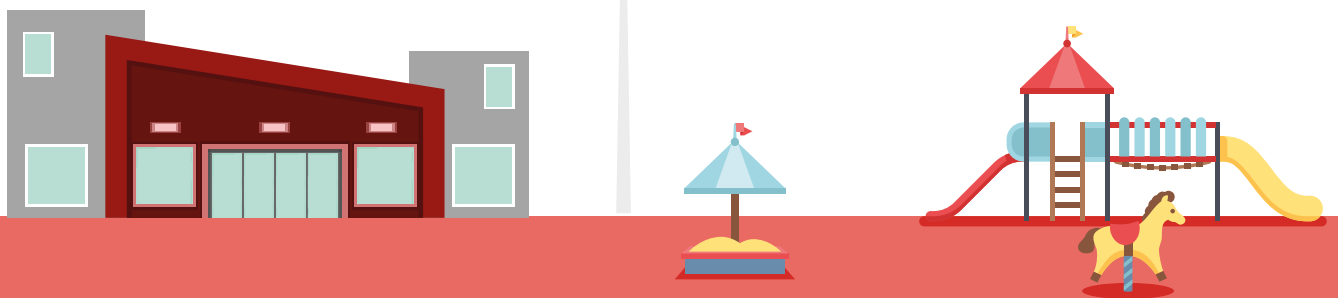


Open Leadership

Provide forums for those with an interest in home building to discuss, debate and help shape our future and our thinking



Ours is an industry that delivers not just new homes, but builds communities and creates opportunities for individuals to reach their professional potential and for families to achieve their housing aspirations.



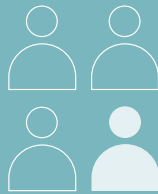
Talent

Equipping our people and supporting their wellbeing

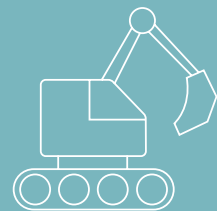


20%

of the current home building workforce is from overseas



Almost 1 in 4 UK-born home building workers is over 50



Construction workers have suicide rates more than twice the national population average



Homebuilding gender pay gap is

16.4%

Only 12.5% of the homebuilding workforce are women



Our members' most important assets are their people. While considerable attention has been paid recently to new and changing construction methods, the homes and communities we create are built by a diverse contingent of people bringing different skills, experiences and outlooks to the task at hand. It is the skill, commitment and values of these staff that are ultimately responsible for the quality of the final product and happiness of those who will live in the home for years to come.

Our initial priority as we build capacity in the industry is to address acute shortages in key homebuilding roles, working with stakeholders to increase the number of work-ready home builders emerging from the Further Education system. We will continue with the work of the Home Building Skills Partnership, improving the skills of the industry's workforce to boost productivity and enhance standards.



To meet our objectives, we will:

- Build capacity in the industry by addressing shortages in key home building roles
- Continue the work of the Home Building Skills Partnership to enhance the skillbase of the existing workforce and attract young people into our industry
- Ensure that the industry's voice is heard and our short-term needs are addressed as the Government recasts its migration framework following the UK's withdrawal from the European Union
- Do more to promote the industry's diversity and help make the environment ever more inclusive for communities and groups that are under-represented at present
- Support our members to reduce the industry's overall gender pay gap
- Improve sector-wide awareness of mental wellbeing and provide opportunities for employees in the industry to access support services

To compound the existing shortage of younger skilled workers, workers from overseas have made a huge contribution to the efforts of the industry in rapidly increasing housing delivery in recent years. Whilst we envisage minimal changes for existing workers, we recognise that a further influx of skilled workers in the future may not be possible. At the same time as prioritising the long-term skills capacity of the sector, we will ensure that the industry's voice is heard, and its short-term needs addressed as the Government recasts its migration framework following Brexit.

Ours is not an industry that offers advantages based on privilege, with the underlying principle being that opportunities exist and rewards are achieved based on hard work and talent. But for too long, we have relied heavily on a relatively narrow cohort of the population from which to draw our workforce.

Following an unprecedented increase in housing supply over the past five years and with an ageing workforce threatening to hamper further plans for growth, this cannot continue. With a huge requirement for new people to join our industry as we seek to build capacity for the future, we must open up the industry to a broader range of people so that our workforce better reflects the communities to which we contribute so much. As we tackle misconceptions about gender specific homebuilding roles, we will do more to promote the industry as a diverse

and inclusive employer amongst women and in communities that are under-represented within home building companies.

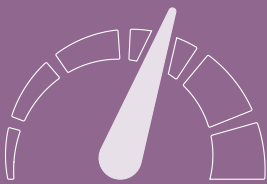
Across HBF and its sister organisation, Housebuilder Media, we have in recent years improved the representation of women but acknowledging our own part to play as a small organisation that has hitherto reflected its membership's senior ranks, HBF will lead by example.

Although the average gender pay gap across the home building sector is smaller than that seen in the wider construction industry, this is a somewhat low bar that we must look beyond. We will look to support members to reduce the sector-wide gender pay gap. And as we expand our workforce, we also recognise the importance of enhancing the wellbeing of our people as we seek to establish an ever more positive and supportive work environment. Considerable progress has been made in establishing a positive framework for protecting the physical wellbeing of our workforce but we must do much better at supporting our people's mental wellbeing. Home builders take seriously their responsibilities to their employees. We will assist them in doing so by improving sector-wide awareness of mental wellbeing and provide opportunities for employees to access support services.



Environmental

and social responsibility



More than 4 in 5 new build homes are rated for Energy Performance at either A or B



On average new build homes save occupiers more than £400 a year on heating, hot water and lighting costs

700,000

The home building industry is estimated to support around 700,000 jobs across England and Wales



Half of all new affordable homes are built with support from contributions from private sector-led development

The construction of new homes creates unique opportunities to protect and enhance our environment in a multitude of exciting ways. We have embraced the regulatory and market-based changes that have occurred over recent decades to take advantage of these opportunities in ways that may previously been thought of as unthinkable or unaffordable. Through robust design and with great sensitivity to our surroundings, today's new build developments are nearly unrecognisable from what has gone before helping our sector to play its part in protecting our natural resources.

New build homes, on average, produce carbon dioxide emissions 60% lower than the typical existing property. But the scale of the environmental challenge we face, and the dire consequences of failing to rise to this challenge means we must go further and faster. Embracing this opportunity, we will work with members and lead on discussions with policymakers about the next steps in the journey to reducing the carbon intensity of new homes over their lifespan and in the generation of materials used to build them, ensuring that we help lead consumer trends while making new homes even more cost efficient for our customers.

To meet our objectives, we will:

- Work with members to lead discussions with policymakers on the next steps towards reducing the carbon intensity of new homes over their lifespan and in the generating of materials used to build them
- Back policies that create a sensible framework for supporting greater consideration of the biodiversity on new developments
- Continue to focus our efforts on enhancing communities in which new homes are built, strengthening our social infrastructure and supporting local economies

Ensuring new developments are sustainable goes beyond the fabric of the new homes being constructed to ensure that while building the homes needed to tackle the housing crisis we are also able to make a positive impact on the ecology and long-term environmental resources, including water. Green infrastructure has become a staple in new residential developments in recent years with integrated fields, woodlands, gardens and sustainable drainage helping to create the conditions for nature to thrive.

We will back policies that help to put in place a framework to support even greater consideration of the biodiversity on new developments.

In doing so we will ensure that the provision of green infrastructure is accompanied by a clear understanding of the long-term responsibilities around upkeep and management that comes with these assets.

As well as our responsibility to future generations and our environment, as an industry we continue to focus our efforts on enhancing the communities in which we build, strengthening our social

infrastructure and supporting local economies to flourish. Home building is unique in the benefits it brings to the economy with minimal import leakage meaning that additional delivery of new homes can create an unrivalled boost to local and regional economies with firms through the supply chain sharing the rewards of growth. In addition to the direct and indirect economic benefits and the billions of pounds contributed each year to local services and infrastructure through Section 106 and Community Infrastructure Levy payments, home builders are often supporters of local charities and community and sports clubs. The benefits of delivering new build market housing are felt more widely. For instance, half of all new affordable homes are delivered with support of private sector cross-subsidy and Section 106 is responsible for the majority of new social rented housing, a valuable asset for housing associations and councils.



Quality and Delivery

Diversifying the industry to deliver more new high quality homes

The rapid housing supply increases seen over recent years have been reliant on relatively few large developers that have responded to a more positive environment to rapidly boost investment and deliver a record number of new homes.

The decline of SMEs in the home building industry has been a long-term and consistent trend which began in the early 1990s with the introduction of the plan-led system of planning in England greatly increasing land use regulation and stifling entrepreneurialism which had flourished during the 1970s and 1980s. This gradual decline was exacerbated during the financial crisis of the late 2000s, but even during what would have been considered periods of strong market activity, the number of companies building homes flatlined.

A healthy home building sector needs more small, local firms but the regulation and delays in the planning process that frustrate large builders have too often proved ruinous for smaller companies without the scale or financial cushion required to overcome these obstacles. In addition, a shift in the terms provided by most development finance providers has put existing SMEs in a straitjacket that restricts their ability to grow their output.

We will continue to champion our SMEs, emphasising the potential small firms have to bring about another big boost to housing supply. We also need to look beyond smaller companies as we try to identify more potential entrants and unlock the potential of more current providers of new homes, particularly those that cater for specific segments of the housing market, including specialist housing for older people and homes built for renters.

- Home builders report delays in the planning and development process are the biggest obstacle to delivering new homes
- The number of SME home builders operating in the UK has fallen by more than 80% since the early 1990s
- An estimated 3.5 million over 60s are interested in downsizing
- 87% of new build purchasers would recommend their builder to a friend

We will advocate measures to diversify demand for new housing in market segmentation, geography and design. We will also continue to be active in discussions about the way future homes will be built. Customer expectations about the technological progressiveness of new homes are changing and homes are expected to be built more quickly. We will support the industry in matching customer expectations to deliver homes in the future that make use of latest technologies.

Even with a broader base of housing providers, to turn ambition into new homes requires input and assistance from a range of actors beyond the home building sphere. While significant improvements have been made in recent years to the overarching planning framework, the process of securing the necessary permissions and approvals to get on site and deliver new homes remains a constant frustration for all house builders, but for SMEs in particular these inconsistencies and the inevitable additional costs involved can be the difference between the success and failure of the business.

To meet our objectives, we will:

- Continue to champion small and medium-sized home builders, emphasising their potential in boosting housing supply
- Advocate measures to diversify demand for new housing in market segmentation, geography and design
- Support the industry in meeting customer expectations to deliver homes that make best use of the latest technologies
- Push for greater capacity and efficiency in the planning and pre-development processes to unlock the potential of prospective and existing housing providers
- Engage with metro mayors and others to ensure that the economic goals of city regions are developed in a way that creates space for discussions about future housing opportunities
- Bring forward measures that provide new homebuyers with enhanced consumer redress opportunities
- Promote the National New Homes Survey as a key barometer of customer satisfaction
- Support and promote Building for Life 12 as a design tool

Members report that delays in being given the go ahead to start on-site and impediments in achieving a sign-off on highways plans and utilities routes stifle growth aspirations and prevent small firms in particular from completing homes more quickly and expanding their footprint. We will promote greater capacity and efficiency in the planning and pre-development processes to help unlock the potential of existing and prospective housing providers.

As we consider the current and future framework and processes for securing planning permissions and building new homes it is important to recognise that the political geography of England is changing. Central government is gradually but carefully devolving power to newly created combined authorities and directly-elected Mayors now preside over more than half of England's population.

While still early days there is no doubt that compared with a decade ago, more of the important decisions that impact on the volume, type and specifics of the new homes being built in the future will be made from new, regional or city-level of governance. On behalf of our members, we will engage with metro mayors, combined authorities and surrounding infrastructure to ensure that the economic goals of city regions are developed in a way that acknowledges local housing markets and opportunities to deliver more homes.

The answer to solving the housing crisis is not simply to build more new homes. We know that concerns about the quality of some homes built in the past few years has driven perceptions of home builders and influenced the housing debate. We need to do more to provide homebuyers with protections.

We will bring forward measures that provide new homebuyers with enhanced consumer redress opportunities. Latest results from the New Homes Survey show that 87% of new build purchasers would recommend their builder to a friend.

This follows two years of improvements in the industry-wide score but is still below the peak seen prior to the massive expansion in housing delivery earlier in this decade. We will promote the New Homes Survey as a key barometer of customer satisfaction, provide more frequent publicity around the scorecard for the industry in-year, and engage members where and when ratings slip.

Homeowners enjoyment of their property does not begin and end at their front garden. Creating a sense of place and building in design elements that help foster cohesion and wellbeing is crucial for the long-term sustainability of a new community. We will support and promote Building for Life 12 as a design tool to assist developers in building places that stand the test of time.



Housing affordability

Supporting a better functioning market that helps more households achieve their housing ambitions



Average house prices
in England and Wales
are **eight times**
average incomes

Housing market transactions are
running at around a **third** lower
than the market peak prior to the
financial crisis



Home ownership rates amongst young
adult households have collapsed
leaving a generation struggling to buy
a home of their own

The affordability of housing is a long-term concern that has implications for social cohesion, equality and the public purse. As a generation, the housing prospects for millennials (born 1981-1996), are considerably less positive than for their predecessors.

Around a third of 25-34 year olds are homeowners today, compared with more than half before 2000. Fewer than 45% of people born in 1980-84 were homeowners by the age of 32. This compares with 63% of those born in 1970-74. And this trend is accelerating with early home ownership rates for those born later in the 1980s trailing all cohorts born since the early 1960s. In a poll of prospective first-time buyers in 2017, 59% expected their parents or other

family members to provide financial support for their purchase. While fortunate for those for whom this is an option, it is also another way in which the housing market is entrenching wealth concentration and opportunity and freezing out many others.

The home building industry has an important role to play in helping to address these inequalities. By building more homes, available to a range of households and making a long-term contribution to reversing housing affordability constraints, we are able to support a better functioning and more sustainable housing market.

To meet our objectives, we will:

- Champion policies that support a better functioning housing market for all consumers
- Ensure that the industry is at the centre of debates around supporting individuals and families to achieve their housing aspirations
- Encourage consideration of whether the current regulatory environment for mortgage providers is unnecessarily constraining development of new homes
- Work with members, mortgage providers and others to explore options for new build mortgage support schemes to help households onto the housing ladder

Through HBF, the home building industry should be at the centre of debates around supporting individuals and families to achieve their housing aspirations and reversing decades of decline in housing affordability. Unfortunately, a large proportion of the population is unaware of the long-term affordability advantages that come from building new homes and view new build homes as being beyond their reach. It is a priority for HBF to address and turn around these misconceptions.

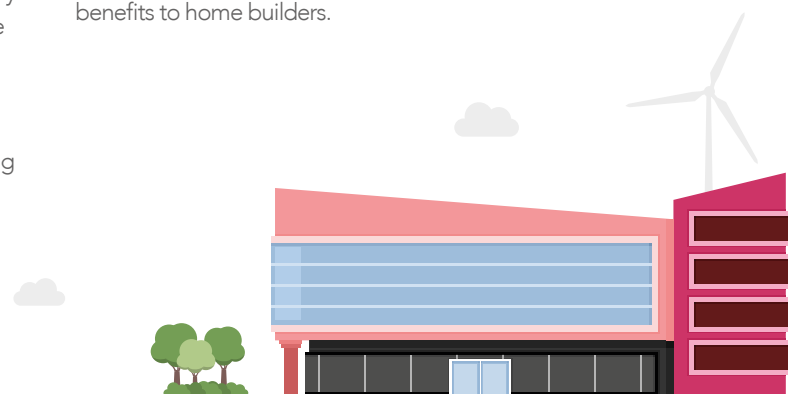
Mortgage finance markets have improved greatly since the years immediately after the financial crisis.

We should consider whether the current regulatory environment for mortgage providers is appropriate. The volume and terms of this finance for purchasers acquiring new build properties has been buoyed by the presence of the Help to Buy scheme. Help to Buy transformed the environment for house builders in 2013. By bolstering the effective demand for new homes, Government intervention stimulated additional supply achieving the fastest increase in housing supply ever recorded. But the scheme cannot and should not go on forever. Whilst any alternative to Help to Buy, including a potentially industry-led or private sector-supported approach, is unlikely to see outcomes for mortgagors as favourable as they have been over the 2013-2023 period, but there is considerable work to do to bridge the Loan-to-Value (LTV) gap and improve the affordability considerations for buyers of new build homes, especially first-time buyers. For many households this may involve options other than traditional, straightforward home ownership. We will work with members, mortgage providers and others to explore options for innovative solutions for households aiming to get onto the housing ladder and in the interim boost access to traditional mortgage finance for households.

More generally, prospects for affordability amongst young prospective first-time buyers remains relatively gloomy. Given the current proportion of new build purchases being made by those purchasing their first home, in the long-run and without Government intervention, we could see a further long-term decline in home ownership rates amongst younger households.

As well as simply building more new homes, the industry could play an important role in helping more households to realise the dream of home ownership.

The second hand housing market remains significantly less buoyant than it was prior to the financial crisis with transactions around a third lower than in 2006 despite of an overall growth in the number of dwellings. Improving the functioning of the housing market is a task that goes a long way beyond the remit of the home building industry. It is a long-term goal that cannot be achieved with purely traditional ideas and products. This also affords us a good opportunity to give broader consideration of the tenures and types of housing required to meet the country's housing needs. While home ownership remains the preferred tenure for most households, more homes of all types are needed, including greater provision of private rented sector housing as well as low cost home ownership properties. Likewise, a fully functioning market should encompass greater efficiency in the use of the existing housing stock. Building more specialist housing for older people can support this ambition by expanding the options for older households to downsize. We will champion policies that support a better functioning housing market for consumers which ultimately brings benefits to home builders.





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