

# Increasing housing supply in Wales

The home building industry's asks of  
the next Welsh Government



# Contents

Summary of recommendations for the next Welsh Government	2
Introduction	3
Background: Housing supply and affordability in Wales	3
Causes of undersupply	8
Local Development Plan coverage	8
Planning delays	9
Sustainable drainage systems (SuDS) requirements	10
Removal of Technical Advice Notice 1 (TAN1)	11
Availability of small sites	11
Viability	12
Recommendations for the next Welsh Government	13
Delivering more homes	13
Making the plan-led system work	14
Supporting builders and buyers	16
Benefits of increasing housing supply	17
Making housing more affordable	17
Generating investment in communities	17
Increasing the supply of Affordable Housing	18
Boosting economic growth	18

# Summary of recommendations for the next Welsh Government

The next Welsh Government should make urgent interventions to address the main causes of undersupply and to create a more favourable policy environment for investment in home building in Wales, including:

## Delivering more homes

1. Set a **national all-tenure target for housing delivery** for the next Senedd term.
2. Implement the recommendations of the **Welsh Government's sustainable drainage systems (SuDS) review** as soon as possible.
3. Inject **immediate funding into statutory consultees and SuDS Approval Bodies (SABs)** to place them on a sustainable financial footing and minimise delays.
4. Issue **standard templates** for SAB agreements and Section 278, 38 and 106 agreements.
5. Support **SME home builders** by requiring Local Development Plans (LDPs) to allocate sites of fewer than 50 units, setting a 50-unit threshold for major developments, and introducing a national scheme of delegation.
6. Ensure that new policy requirements and regulations **do not further challenge viability**.

## Making the plan-led system work

7. Enable **faster adoption of LDPs** by increasing the use of short-form reviews and introducing stronger statutory deadlines for adopting local plans once they expire.
8. **Restore Technical Advice Note 1 (TAN1)** and enable sustainable, policy-compliant sites to come forward outside of the plan-led system where there is a delay in plan review or a demonstrable shortfall in housing supply.
9. Shift to a **stock-based approach for local assessments of housing need**, addressing historic under-delivery.
10. Ensure the **four Strategic Development Plans (SDPs)** are adopted before the end of the next Senedd term.

## Supporting builders and buyers

11. Develop a roadmap for **establishing the talent pipeline** needed to deliver low-carbon and energy-efficient new housing.
12. **Extend the Help to Buy Wales scheme** beyond September 2026 to support first-time buyers, and increase the maximum purchase price in some areas.

# Introduction

Wales is not building enough homes to meet its growing housing needs. 2024/25 saw a total of just 4,631 new homes delivered - the second-lowest number since records began in 1974. Furthermore, housing affordability has steadily worsened over several decades due to persistent undersupply, with more households now being pushed into temporary accommodation, while younger generations are increasingly locked out of home ownership.

This document from the Home Builders Federation (HBF) outlines a series of practical steps that the next Welsh Government can take to increase housing supply across all tenures during the next Senedd term. Increasing supply would not only bring home ownership into reach for more households but also generate investment in local communities and deliver a much-needed boost to the economy.

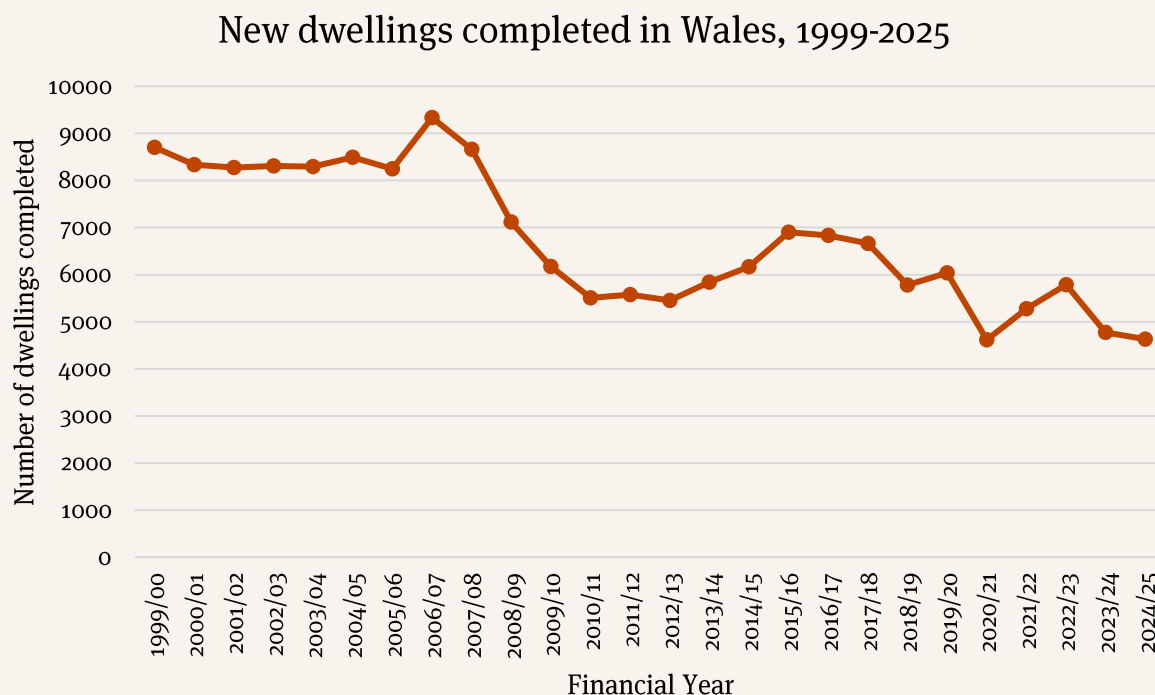
HBF is the representative body of the home building industry in England and Wales. Our member firms account for some 80% of all new homes built in any one year, and include companies of all sizes. The recommendations presented here are based on insights from a survey of HBF members active in Wales, conducted in the summer of 2025.

## Background: Housing supply and affordability in Wales

**Future Wales:** The National Plan 2040 estimates that 110,000 new homes are needed between 2019 and 2039 to address both historic and future housing needs. This included a target of 7,400 additional homes to be delivered annually between 2019/20 and 2023/24. However, only 5,300 homes were built on average annually during these five years – a 28% shortfall.

Housing delivery levels are also continuing to fall. New build housing completions fell by 3% between 2023/24 and 2024/25, marking the second-lowest year on record, with housing supply now 50% below its 2006/07 peak of 9,334 homes.

Therefore, when also taking into account the low delivery levels in 2024/25, there is already a backlog of over 10,700 homes against the Future Wales ambition, equivalent to over two years of building at current rates.

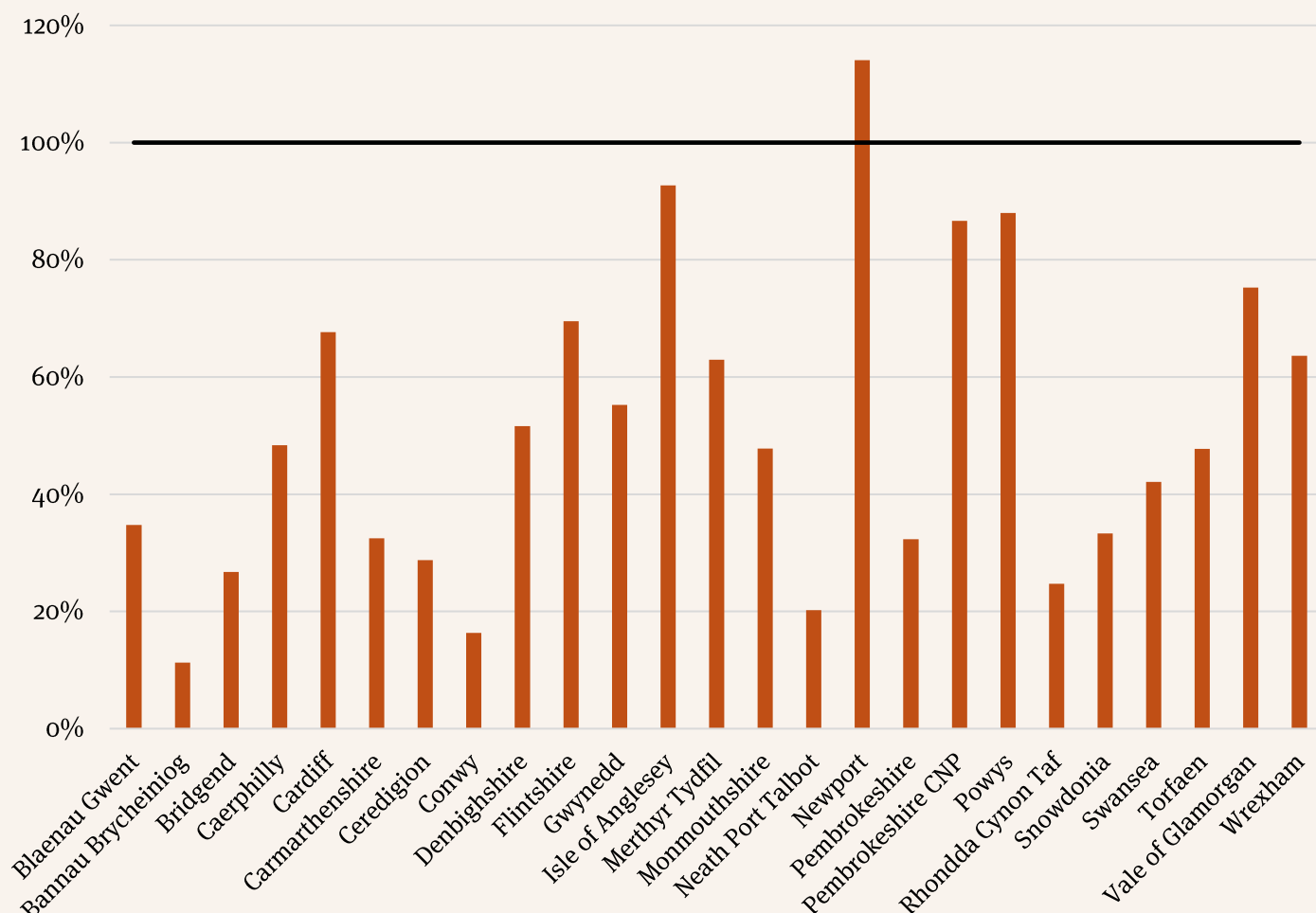


HBF analysis of Annual Monitoring Reports (AMRs) – which local authorities must publish annually to assess their progress in delivering on their Local Development Plan (LDP) targets – provides further evidence that housing supply is failing to keep up with need.

In 2023/24, just one local authority (Newport) delivered its annual housing requirement as set out in its LDP, and on average, local authorities delivered just 51% of their requirement. The analysis shows that:

- There was a shortfall of around 6,300 homes in Wales in 2023/24 compared to if every local authority had delivered 100% of its housing requirement.
- Local authorities with an up-to-date LDP delivered higher levels of housing than those whose LDPs are time-expired. On average, those with an up-to-date LDP achieved 58% of their annual housing requirement in 2023/24, versus 34% for those without one.
- On average over the last five years, local authorities delivered 64% of their LDP housing requirements.

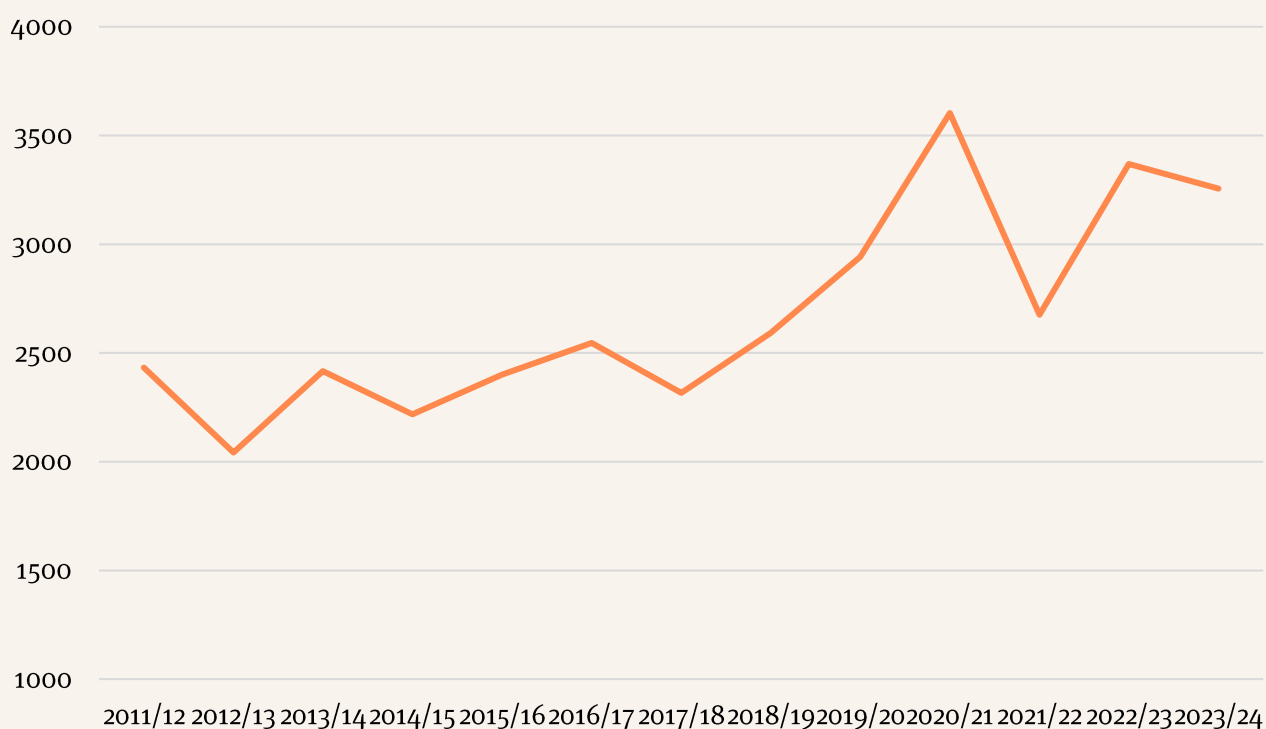
## Housing delivery as a proportion of annual housing requirement, 2023/24, Wales local authorities



### Affordable Housing

The downturn in the delivery of market housing is having knock-on effects for Affordable Housing delivery. In the past three years, 28% of all new Affordable Homes in Wales were delivered by the private sector through Section 106 agreements - although this is closer to 45% when considering only new builds and not including acquisitions. Therefore, with the delivery of affordable units so closely tied to private development, falls in market housing delivery will inevitably reduce the number of Section 106 Affordable Homes coming forward.

Affordable housing delivery in Wales by financial year, 2011-2024

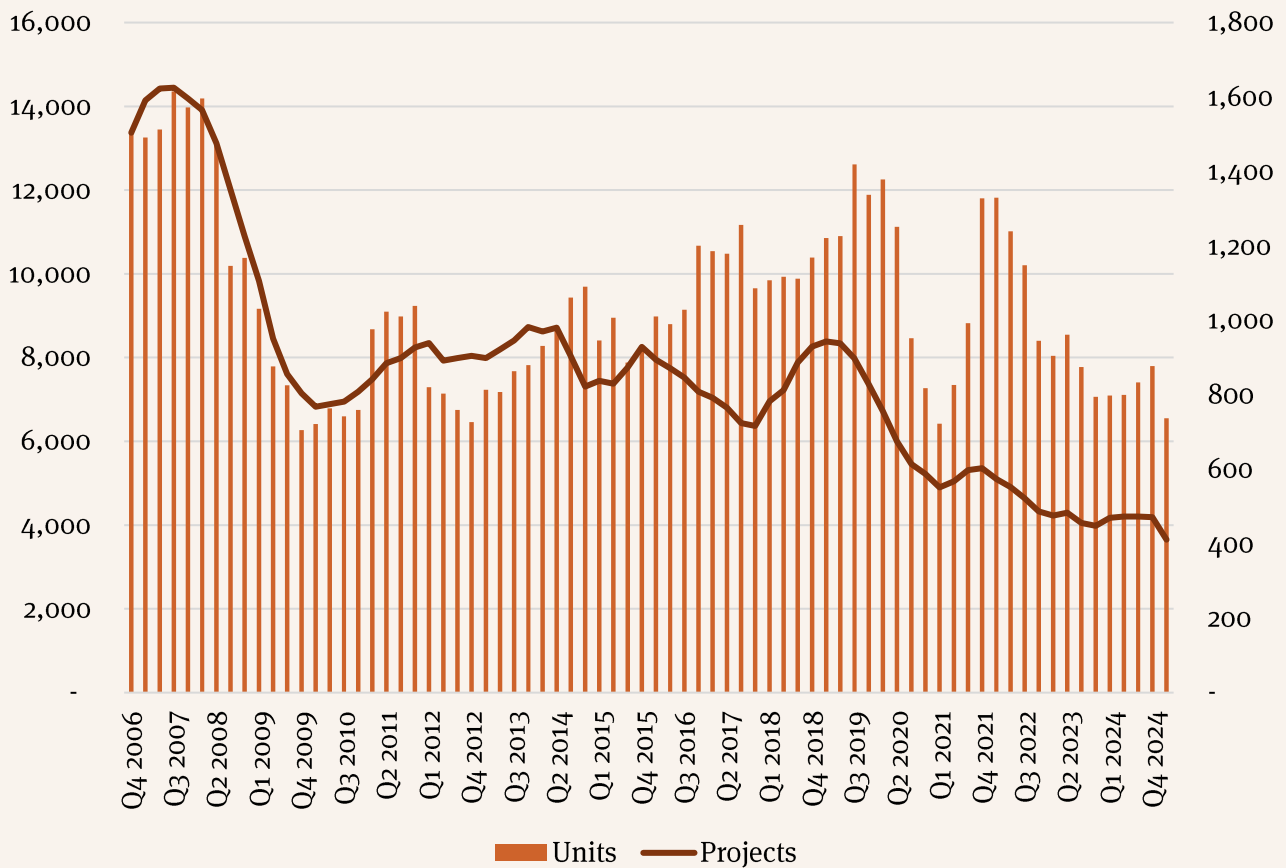


## Planning permission approvals

Looking to the months and years ahead, HBF/Glenigan data on planning permission approvals (an effective indicator of future supply and business confidence) suggests the downward trend in supply is likely to continue.

The latest data up to Q1 2025 shows that 6,458 units were approved in the year to March 2025, the lowest annual total since 2012, while the number of projects approved in the year to March is the lowest total on record, at 411. By comparison, at their pre-financial crisis peak, planning permission approvals averaged about 13,000 units per year, and approvals for projects were well over 1,000 a year.

Rolling annual total of units and projects granted planning permission, 2006-Q1 2025



The next Welsh Government should make urgent interventions to address the main causes of undersupply in Wales and to create a more favourable policy environment for home builders to invest in Wales.



## Causes of undersupply

Geographical constraints, land remediation costs, and low land values have long limited private investment in delivering new housing in Wales, with recent interest rate rises providing an additional challenge. While these structural factors lie largely outside the control of the Welsh Government, the overall policy framework and recent Welsh Government decisions have accelerated the decline in housing delivery and made the overall context for house builders even more challenging.

**The main policy challenges driving the undersupply of market housing in Wales include:**

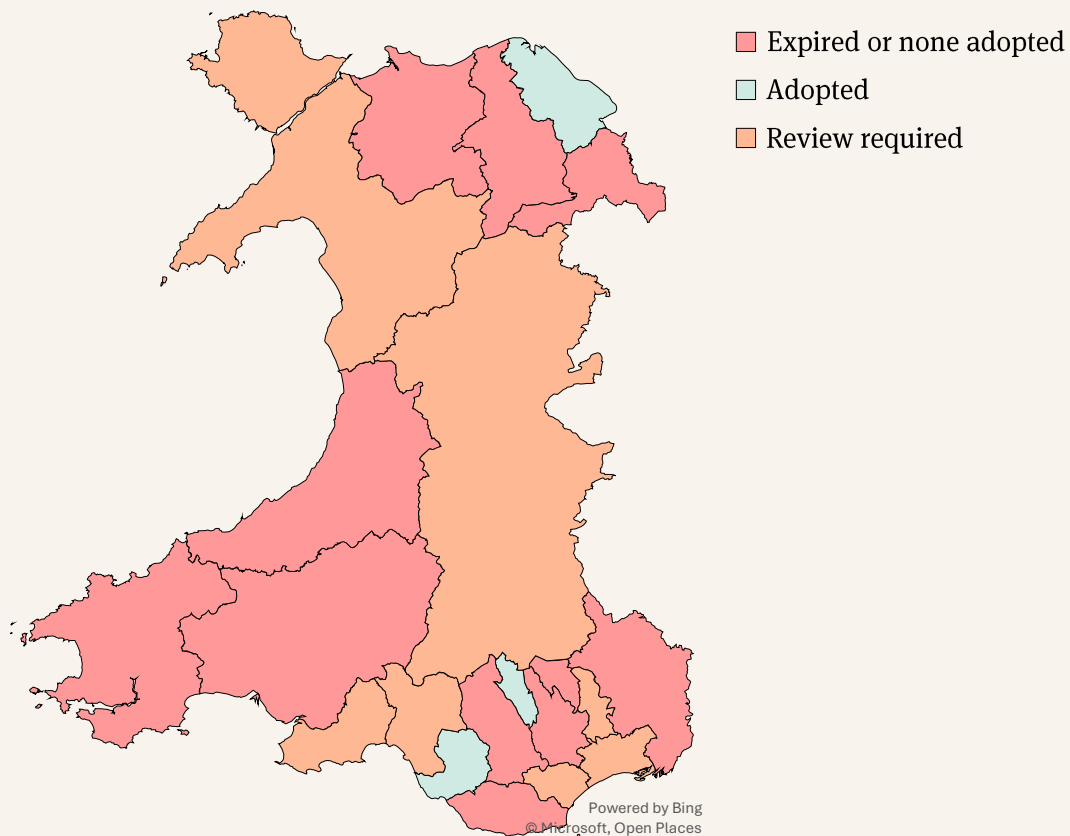
### Local Development Plan coverage

HBF and its members are supportive of a plan-led system, as it is the best available mechanism to provide certainty and to enable developers to make long-term investment decisions for delivering much-needed homes. The plan-led system also provides local communities with more input into where housing is delivered, and a better understanding of longer-term future development plans for their area.

However, the system is not currently working as intended. When first introduced in 2005, it was envisaged that Local Development Plans (LDPs) would be replaced once expired and reviewed every four years. However, 11 out of 25 LDPs are now expired and so fail to provide an up-to-date assessment of development needs and how these should be met. Furthermore, progress on their replacements is extremely slow, with a number having decided after several years of work to start the process again, whilst others have been slowed down by interventions by the Welsh Government, such as in Monmouth, or legal judgements, such as in Wrexham.

All this ultimately leads to fewer new homes coming forward, as many out-of-date LDPs contain unviable and undeliverable allocations, limiting the ability of house builders to bring new applications forward. Put simply, there is currently not enough deliverable land allocated in plans, making it very difficult for the plan-led system to deliver the number of homes required.

## LDP status, Wales local authorities



Local authorities with an up-to-date LDP tend to have higher levels of housing delivery and make better progress towards delivering their housing requirements. This is why HBF is calling for the next Welsh Government to enable faster adoption of Local Development Plans (LDPs) by increasing the use of short-form reviews and introducing stronger statutory deadlines for adopting local plans once they expire. Without appropriate mechanisms to ensure LDPs are produced and adopted within appropriate timeframes, housing supply will continue to be stifled.

## Planning delays

Delays at all stages of the planning process, including preapplication, application and discharge of conditions, are one of the most significant obstacles facing home builders of all sizes. The main cause of delays is insufficient resourcing of key stakeholders in the development process, including Local Planning Authorities (LPAs) and statutory consultees.

In 2022, Audit Wales found that:

- In real terms, authorities' net planning expenditure has fallen by 50% since 2008/09.

- The average time taken to determine major planning applications is increasing and above Welsh Government targets.

Multiple other reviews and reports have also made clear that capacity within LPAs is a critical issue slowing down housing delivery of all tenures and affecting the morale of planners. Most recently, the 2024 Competition and Markets Authority's Housebuilding Market Study and a 2024 report from Audit Wales highlighted the issue of under-resourcing. A lack of standardisation in legal agreements, such as Section 106 agreements, also contributes to delays.

HBF has welcomed the Welsh Government's recent proposals to raise fees to recover the costs of planning applications. However, while this increase in fees could mitigate delays, LPA performance must be closely monitored by the Welsh Government to ensure performance improves as fees increase. Furthermore, other key stakeholders in the process still need an urgent injection of resources, such as Natural Resources Wales (NRW), Planning and Environment Decisions Wales (PEDW), highways authorities and SuDS Approval Bodies (SABs). Moves to increase the number of planners and ensure better retention are also required in the medium to long term, including support for college courses and other paths of entry, such as apprenticeships.

## Sustainable drainage systems (SuDS) requirements

An issue that has risen fast up the agenda for the industry is the implications of the introduction of mandatory SuDS in Wales in 2019. The industry has supported this change and is committed to making the current system work through collaboration with the Welsh Government. However, there have been various implementation issues which have meant that the system is not working as well as intended, adding significantly to delays and costs.

HBF's members in Wales unanimously agree that delays caused by SuDS Approving Bodies are a barrier to increasing housing delivery. These delays are primarily caused by a lack of resources, unclear guidance and the need to submit full technical details in advance of planning in many cases.

Other issues with the process include:

- The cost and inconsistency of SAB commuted sums, which vary from £2,000 to £12,000 and are rarely understood until after site acquisition.
- No standard legal forms to provide clarity and structure in the adoption process.
- Conflict between the requirements of SABs, planning officers and highways officers, who are not working together to ensure consents can be issued at the same time and that conditions are not duplicated.

The Welsh Government's 2023 SuDS review identified many of these issues. However, while the Welsh Government continues to engage extensively with HBF and other stakeholders, including through its Community of Practice (CoP), progress in implementing the recommendations has been slow.

## Removal of Technical Advice Notice 1 (TAN1)

One recent Welsh Government decision that has had particularly consequential implications for house builders is the revocation of TAN1 in March 2020. TAN1 was a Welsh Government planning policy introduced in 2018 that required LPAs to maintain and demonstrate a 5-year supply of land for housing. If authorities couldn't demonstrate this 5-year supply, housing applications outside of the plan-led system received more weight in decision-making. Importantly, this offered an incentive for local authorities to adopt LDPs and maintain a housing land supply, which helped increase the delivery of new homes.

While the industry supports housing delivery within the plan-led system in the first instance, it is concerning that applications outside of the plan-led system can no longer be brought forward at the same time as many local plans have become out of date. This has had a direct detrimental impact on housing delivery.

Respondents to HBF's recent survey of its members are unanimous that restoring TAN1 should be an urgent priority. Without TAN1, there is insufficient accountability for LPAs that do not meet their housing targets, and reduced incentives for LPAs to adopt an up-to-date LDP.

## Availability of small sites

SME home builders are a vital part of the industry, encouraging competition and innovation, forging lasting links with local communities, and ensuring that a range of sizes and types of housing are delivered.

However, the number of SMEs in the home building industry has continued to decline. A 2019 Welsh Government evidence paper estimated that the number of SME home builders in Wales fell by almost half following the financial crisis. In the years since, this number has likely reduced further still. This continues a long trend in industry concentration caused by inefficiencies in the planning process, higher costs, greater risks and a tightening of finance availability. All of this is made worse by the recent economic shocks we have seen and new causes of delay, such as SuDS approval.

One of the main issues facing SMEs is the lack of available land, with 47% of respondents to an HBF, Close Brothers and Travis Perkins survey across England and Wales citing it

as a major barrier to growth, up from 44% in 2023. Furthermore, with demand outstripping supply and Registered Social Landlords (RSLs) often competing for land with SMEs in Wales, costs are rising, and 53% of SMEs cite the price of land as a major barrier to growth.

## Viability

Finally, structural and geographical factors mean that the baseline costs and barriers to development are already more challenging in Wales than elsewhere. These factors include generally lower land values, high levels of land remediation requirements due to Wales' industrial heritage, and greater wind and wind-driven rain exposure ratings in Wales, which require increased wall and cavity sizes.

Given that viability is already challenging in Wales due to these factors that are beyond the Welsh Government's control, it is concerning that the regulatory environment in Wales has become significantly more onerous in recent years and added further pressure on viability.

Recent new policy requirements that have been introduced include:

- Mandatory sprinkler systems in new build homes - 2016
- Sustainable Urban Drainage Systems - 2019
- Net benefit for biodiversity - 2019
- Part L energy efficiency standards – 2021

In addition to national policy changes, local policies on Affordable Housing often require contributions on even the smallest of residential sites, and percentage requirements are unrealistic in too many areas. Percentage requirements for Affordable Housing in many local authorities historically ranged between 10-40%, but current plan reviews are starting to see an increase to 50% requirements in some areas, as required in Planning Policy Wales 12.

Home builders are committed to many of the goals of these policies, such as achieving net zero and delivering Affordable Housing. However, taken together, the cumulative impact of increased policy requirements has made fewer sites viable and driven potential investment by national house builders from Wales to other parts of the United Kingdom. The next Welsh Government should carefully consider the impact on viability and housing supply before new regulations are introduced.

# Recommendations for the next Welsh Government

Based on feedback provided to HBF in its recent member survey, the following 12 recommendations have been highlighted as a priority for the next Welsh Government to address the main causes of undersupply outlined above. All the steps outlined below are achievable within the next five years and represent a series of quick wins that can immediately have an impact on industry confidence and housing supply.

## Delivering more homes

- 1. Set a national all-tenure target for housing delivery for the next Senedd term.**

The current Welsh Government has set a target of delivering 20,000 social homes during this Senedd term. However, there is no equivalent target for market delivery or other affordable tenures. An all-tenure target in Wales for the next Senedd term would be a signal of intent that housing delivery is a priority, boosting confidence and encouraging a change of mindset towards development at both the national and local levels. In England, the 1.5 million homes ambition has helped to galvanise the system and focus minds on what is needed to unlock delivery.

- 2. Implement the recommendations of the Welsh Government's SuDS review as soon as possible.**

Industry supported the recommendations of the 2023 SuDS review and continues to engage with the Welsh Government's Community of Practice (CoP) on the subject. However, progress has been slow thus far on implementing the recommendations. The next Welsh Government should prioritise implementation of the recommendations, including greater consistency in commuted sums, ensuring SuDS applications run alongside planning applications, and providing sufficient resources for SABs.

- 3. Inject immediate funding into statutory consultees and SABs to place them on a sustainable financial footing and minimise delays.**

While the Welsh Government's proposal to increase planning fees to address resource constraints is welcome, LPAs are not the only key stakeholders involved in the development process - under-resourcing and understaffing is a problem for many other public bodies. Therefore, an immediate and sustained funding increase for NRW, PEDW, SABs and other bodies is needed to mitigate delays. Furthermore, LPAs should be closely monitored in the years ahead to ensure improvements in performance as fees increase.



#### **4. Issue standard templates for SAB agreements and Section 278, 38 and 106 agreements.**

A lack of standardisation in the drafting of various legal agreements in the development process often leads to protracted negotiations, delays, and inconsistencies across councils. The Welsh Government, in collaboration with planning authorities and the development sector, should produce standardised procedural guidelines and clauses for Section 278, 38 and 106 agreements, as well as SAB agreements, to minimise the need to draft agreements from scratch. Alongside official standardisation, there should also be clearer guidance and expectations on good practice.

#### **5. Provide further support for SME home builders.**

SMEs should be further supported through a package of planning policy measures that would streamline the process and reduce costs for smaller sites. This could include requiring LDPs to allocate small sites and setting a threshold for major development of 50 units, below which policy burdens could be reduced. A national scheme of delegation in law, like that proposed in England, would also specify which applications go to committee and which go to officers, with smaller sites of 10 or fewer units always delegated to officers. Cumulatively, these actions would speed up the planning process for SMEs and ease cash flow constraints caused by delays.

#### **6. Ensure that new policy requirements and regulations do not further challenge viability.**

The cumulative impact of current regulation and policy is making viability very challenging in many parts of Wales. The next Welsh Government should seek to ensure that new policy requirements and regulations do not have a further detrimental impact on viability, housing supply, and investment flight to other parts of the United Kingdom.

### **Making the plan-led system work**

#### **7. Enable faster adoption of Local Development Plans (LDPs) by increasing the use of short-form reviews and introducing stronger statutory deadlines for adopting local plans once they expire.**

With 11 LDPs now expired, urgent action is needed to encourage local authorities to update their plans. The greater use of short-form reviews and enforcement of statutory deadlines by the Welsh Government could encourage local authorities to prioritise site

allocation and LDP adoption. Indeed, while there are deadlines for local authorities to commence the process of preparing a new LDP, there are currently no statutory deadlines for LDPs to be adopted once expired. Short-term reviews could also enable site allocations to be updated based on current assessments of viability without the entire LDP needing to be replaced and updated.

**8. Restore Technical Advice Note 1 (TAN1) and enable sustainable, policy-compliant sites to come forward outside of the plan-led system where there is a delay in plan review or a demonstrable shortfall in housing supply.**

The removal of TAN1 in 2020 reduced the weight given to speculative applications in planning decision-making, while at the same time many LDPs expired and LDP site allocations became out of date. Restoring TAN1 and/or introducing a similar mechanism to allow policy-compliant sites to come forward outside of the plan-led system would not only boost supply in the short-term, but also act as an incentive for local authorities to update their LDPs and so increase development through the plan-led system.

**9. Shift to a stock-based approach for local assessments of housing need, addressing historic under-delivery.**

Local assessments of need should have as their baseline the existing housing stock of an area, which is more empirical and stable over time. A stock-based approach would also ensure that the starting point for all local authorities and communities is proportionate to their existing size, meaning that all local authorities would contribute proportionately to new housing supply. The existing approach results in previous low delivery rates being perpetuated, resulting in LDPs planning for less each time they are reviewed.

**10. Ensure the four Strategic Development Plans (SDPs) are adopted before the end of the next Senedd term.**

The industry supports SDPs as a means of coordinating housing with public transport and infrastructure ambitions across broader geographical and economic areas. However, the delay in adopting SDPs is creating even more uncertainty for house builders and deterring LPAs from adopting new local plans while they wait for the SDPs to be prepared. Therefore, SDP adoption should be prioritised by the next Welsh Government to provide greater certainty for house builders and local authorities. Resourcing this process is also critical, with a significant risk that secondment of staff from LDP teams will cause further delays to LDP delivery.



## Supporting builders and buyers

### **11. Develop a roadmap for establishing the talent pipeline needed to deliver low-carbon and energy-efficient new housing.**

It is vital to have the skilled workforce necessary to scale up housing delivery in the years ahead. The Welsh Government should set out a roadmap to increase capacity in the industry and the wider construction workforce. This should include the training and recruitment of heat pump installers as well as measures to ensure that post-16 education provided through Further Education (FE) colleges has sufficient focus on practical skills and new green technologies.

### **12. Extend the Help to Buy Wales scheme beyond September 2026 to support first-time buyers, and increase the maximum purchase price in some areas.**

It was very welcome that the Help to Buy Wales scheme was extended until September 2026, with no such first-time buyer support scheme existing in England. On average, HBF research shows that the scheme has supported 4,400 jobs and generated £240 million in economic activity every year, and has made a net return to the Welsh Government of over £40 million so far, as well as supporting over 14,000 households.

However, home builders often operate on assumptions about the market over multi-year time horizons, so extending the Help to Buy Wales scheme for the rest of the next Senedd term would further support industry confidence to invest in new homes for the first-time buyer market.

The maximum purchase price is also set at the same level as in 2014 (£300,000), and take-up of the scheme has declined as a result. To increase take-up to similar levels as when the scheme was first launched, the purchase price should be raised in those parts of Wales where average first-time buyer house prices have risen above £300,000.

## Benefits of increasing housing supply

Delivering on these recommendations and increasing the supply of new homes is critical not only to tackle the housing affordability crisis, but also to provide investment in local communities, boost economic growth, and deliver vital new Affordable Housing.

### Making housing more affordable

Housing affordability has significantly worsened across Wales in recent decades due to the persistent undersupply of new homes. The latest Office for National Statistics (ONS) data on housing affordability shows that:

- The ratio of average house prices to earnings has doubled from 3 to 6 in the past 25 years, meaning that the average house price is now six times the average annual earnings.
- Housing affordability has worsened in every local authority in the past quarter-century, with Monmouthshire, the Vale of Glamorgan and Newport worst affected.
- Rents have risen by over 8% in Wales in the past year alone, a higher rate than in every other part of the UK.

The average age of a first-time buyer in Wales has also increased to 31, according to Halifax, with younger generations increasingly living at home or in the private rental sector for longer before they can get onto the housing ladder.

Over the long term, a step-change in annual levels of supply can bring wages and house prices back into equilibrium, making housing more affordable. This would open up home ownership for more households and ease housing affordability pressures across all tenures.

### Generating investment in local communities

With each new home delivered, builders make Section 106 contributions to the local council as part of securing planning permission, to benefit new and existing residents. The investment provided by these agreements ensures local communities benefit from new and improved schools, GP surgeries, transport links and open spaces, as well as Affordable Housing. In 2024/25 alone, HBF and Lichfields figures show that the homes built by the industry in Wales led to investments of over £4 million in open spaces and leisure facilities, and over £13 million in new and improved schools.

If housing delivery levels were to increase to meet the ambition set out in Future Wales: The National Plan 2040, the potential investment in communities in Wales would be even greater. Around 28,000 homes need to be built in the next Senedd term to ensure

housing delivery returns to the trajectory set out in Future Wales. Delivering these homes would generate additional investment of £25 million in open spaces, community sport and leisure, and £176 million for infrastructure, including £79 million towards new and improved schools.

## Increasing the supply of Affordable Housing

Section 106 agreements are a key mechanism through which Affordable and Social Housing is delivered, with the private sector delivering over 850 Affordable Homes in Wales in 2023/24, and close to 45% of all new Affordable Homes over the past three years, when excluding acquisitions. However, with overall housing supply falling, fewer Affordable Homes are being delivered via Section 106 agreements year-on-year. Increasing market housing delivery is vital to increasing Affordable Housing delivery, as doing so would open up more opportunities for the Section 106 mechanism to be used.

## Boosting economic growth

The home building industry is a massive driver of the Welsh economy and makes a huge contribution to growth in communities across the country. In 2024/25, HBF and Lichfield figures show that the homes built by the industry in Wales supported around 16,000 jobs and generated over £1 billion of economic activity.

As the Office for Budget Responsibility's (OBR) recent forecast showed, increasing housing delivery further could add significantly to GDP and economic output. For instance, delivering an average of 5,600 new homes a year in the next Senedd term, which is required – at a minimum – to stay on track to achieve the Future Wales ambition by 2039, would generate £1.3 billion in economic activity for the Welsh economy every year. This level of delivery would also support the employment of 20,000 people and 240 apprentice, graduate or trainee positions every year.

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