

HBF Chairman's annual lunch speech. May 2019

Good afternoon and thank you for joining us today. It's wonderful to see so many familiar faces here today, and indeed plenty of new ones too.

At the very highest level, for our sector, things look very positive:

- Output continues to grow. Overall, we have delivered an 80% increase in output over the past 5 years, an unprecedented step up in supply. Indeed, last year's net supply figures were at 1950s levels having hit the absolute historical trough in 2012/13. The turnaround has been phenomenal.
- Unlike the still sluggish second hand market, new build sales remain remarkably resilient despite the wider political and economic uncertainties.
- Planning permission numbers remain at unprecedented levels indicating the industry's confidence, its appetite for continued investment and commitment to delivering further increases in supply in the future.

But scratch the surface and it's easy to see how these very interesting times are also potentially worrying for our country and for our industry. Brexit is dominating the governments agenda and given it's the greatest constitutional and political challenge we have faced in most of our lifetimes you will be relieved to hear it's not a subject I plan to talk about in my remarks - partly because I haven't got the foggiest idea what's going on and partly because

our guest speaker today, Tim Shipman, the widely respected political editor of the Sunday Times, has made it his specialist subject - and I know he will enlighten us after lunch as to what he thinks is going to happen next.

However one thing I am certain about is that when the agenda moves on from Brexit - and one day it surely will - whoever occupies Downing Street, whatever party they represent, housing will be back at the very top of the domestic agenda.

I am often asked what's going on as many members are perplexed by the sometimes confusing and even conflicting messages we receive. So, I thought before you enjoy your lunch, I would try set out the current position and explain why I think the future is both an opportunity and a threat.

Let's start by looking back. I have been doing this job since 2006. The world back then was very different, I can assure you. Housing was not the major political topic is today. But my tenure as Chairman can be characterised as having five distinct phases

- If we go back some to the mid-2000s, we as an industry and HBF as a trade body devoted much time and effort to proving the scale of the emerging housing crisis. It's easy to forget how challenging this was at the time. For an indication of that, it's worth giving the main political parties' 2005 election manifestos a scan. And there are some people in the HBF offices who do this kind of thing in their spare time... As well as a great Saturday night in, you will find pretty much zero evidence of

interest amongst the political classes in housing and where it is mentioned, it certainly wasn't about building more homes.

Gypsy and traveller sites, the Right to Buy and improving the stock of council homes feature but addressing the housing shortage was still a niche topic.

- Of course, the financial crisis changed everything and the period that followed 2008 was about weathering the storm and working with Government on immediate support
- In 2013, as we finally emerged from the slump, we worked through a period where the goal was simple: more homes, more quickly. Planning reforms brought more land through the system and Help to Buy supercharged supply
- From around the time of the 2015 election, we battled hard to ensure politicians had adequate patience. Frustration with the pace of change, informed by lagging indicators, ministers and shadow ministers yet again accused the industry of land banking or suppressing build out
- More recently we as an industry have taken centre stage. The effect of the intense focus on housing supply and a series of own goals have harmed our industry's reputation and threatens to undermine our efforts to get on with what we need to do.

And so today we stand at a crossroads. What is to be the next phase in our evolution? How shall we all work together to define the next period in this industry's rich heritage? We want your help

over the coming months to help us in our thinking about our collective future.

The intense focus on the industry has inevitably led to more headlines covering issues such as quality and customer service, executive pay, profitability, leasehold, build out rates, land banking, design, over reliance on help to buy, environmental issues, bird netting and fire safety.

Partly because of this there has been a sometimes subtle shift in messaging from Government and other politicians in recent months. At other times the message has been rather less subtle. It has moved from an intense pressure to deliver ever greater volume, to being very much about quality, design and the wider benefit of new housing

There is no doubt in my mind that the headlines of the past couple of years have damaged our reputation with politicians, key influencers and the general public.

To try to understand this better we recently undertook a perceptions audit, of stakeholders and the public to understand what people actually thought of us as an industry. As you can imagine results were mixed.

Some of the headlines... Amongst the general public:

- More than 75% felt that home builders are only interested in making as much money as possible
- More than half said that the industry builds bad quality homes

- The most popularly cited cause of the housing crisis? Not access to mortgages or an absolute lack of housing? 44% said it was builders are not building the type of homes that people can afford
- As many people disagreed with the statement 'The home building industry helps people onto the property ladder' as agreed with it

And there was a worrying lack of awareness of the enormous social and financial benefits we bring to communities across the land.

Changing these perceptions will not be easy but change them we must. We know that many of these views are incorrect. But unless we – those of us in the room today – work hard to turn around these views, nothing will change.

Because it is clear to me that around us, change is happening - I don't think anybody who attended our policy conference in March can have failed to notice quite how much the agenda has shifted.

The major issues focused on at the conference... Build quality, design, customer satisfaction, the environmental challenge diversity, the mental health of our workforce, modern methods of construction, and how we as an industry help ourselves once Help to Buy ends in 2023... sometimes took a backseat in previous years but they are very much front and centre today.

Time does not allow me to discuss all of these issues today but let me just touch on a few...

Quality

Take quality - In nearly 40 years in the industry I have never seen such a strong focus on quality, but clearly there is a great deal to do.

Many companies have reviewed internal processes in terms of quality control and customer service...

Within HBF one of our major projects has been working with a range of stakeholders to deliver a new homes ombudsman - something called for by an All-Party Parliamentary Group in 2016 and now formal government policy...

I think our commitment to this agenda is a clear demonstration of intent and I am confident as a result of the work we have led on that a voluntary solution can be implemented before we gather again this time next year - a solution that will help to raise standards and provide greater redress for consumers.

Changing perceptions however is not just about getting the product right and to a high quality - as important as that clearly is...

Diversity

Take diversity. For many years we have lacked representation from women and minority ethnic groups both generally but most certainly at senior levels.

We all know that this industry can be a very positive one for allowing people from different backgrounds to succeed. Ours is not an industry that cares what school you went to, or what qualifications you may have. Many of the most successful men in this industry down the years have come from relatively humble beginnings. But they have pretty much all been men. And, again, mostly white men.

Things are starting to change and that is most welcome, but we have a very long way to go and we need to move further, faster. As we look to attract more of the brightest and best, we simply have to make this industry a more open and appealing one for more groups.

Mental health

Similarly, on mental health. As well as a bigger, better skilled industry, we would do well to become a more open, healthier one. The statistics for the wider construction industry are truly shocking.

- A larger than average proportion of workers in our industry have experienced mental health issues
- Two-thirds of people who have experienced this say they have concealed their reasons for being off sick
- And a far greater proportion of people in construction take their own lives each year compared with other sectors.

It is why, in conjunction with the charity, the Lighthouse Club, HBF launched our first mental health campaign earlier this year. I hope

you will all support it moving forward because there is much work to be done.

Of course, first and foremost, homebuilders are in the business of building homes. We build homes and communities and the footprint of our industry over the years – the countless neighbourhoods built and given life through new facilities, roads, schools and parks – is testament to the work of our homebuilders. But as well as building communities we also need to reflect those communities in which we work.

And delivering on this agenda, while driving up build quality and customer service, will allow the industry to build high quality homes that are at the cutting edge in terms of design and environmental credentials... Homes that are attractive to our customers and will still be somewhere they're proud to call home in 2030, 2040 and beyond. All of this will make it easier to recruit the best talent which in, in turn, will enable us to grow equipping us to continue to play our part in delivering the country's housing needs.

The opportunity is clear - but so too is the alternative. I was reminded the other day of a quote by Charles Darwin which I think is instructive as we sit here today - it is not the strongest of the species that survives but rather the most adaptable to a changing environment.