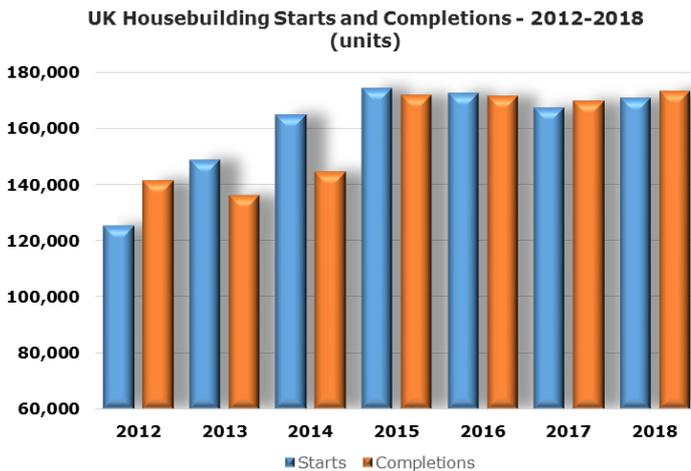




PRESS RELEASE

Uncertain outlook for UK housebuilding following EU Referendum

September 2016 – Cheltenham, UK



The UK housebuilding market remains buoyant and was boosted in 2015 by improving mortgage availability, high consumer confidence and a number of government schemes for first-time buyers. Annual housing starts have experienced good growth since 2013 rising by 6% in 2015, and housing completions grew by 19% in 2015. While a number of factors will provide underlying support in the medium to longer term, prospects for output growth in the residential sector are likely to be affected by the decision to leave the EU.

Private sector housing completions in the UK increased by 17% in 2015. These increases have been driven by demographic changes, a higher demand for family homes, competitive mortgage deals and an upsurge in the wider UK economy, with demand also driven by government policies, including *Help to Buy*. Recent announcements include an extension of *Help to Buy* until 2021, as well as the launch of a *Help to Buy* ISA to top up first-time buyers' savings for a deposit.

Average house prices have risen by around 45% since 2005, while average prices for new dwellings have risen by around 30% in the same time period. The situation in the social housing sector is less positive, with variable completion levels in recent years falling well below Government targets. However, in the medium to longer term, the social housing sector should be supported by a number of Government initiatives to boost levels of affordable and social housing – presuming these initiatives will go ahead following the referendum decision. The impact of a reduction in revenue streams for housing associations and local authorities and cuts to social rents in 2016 is likely to be tempered by affordable housing programmes.

The number of larger housebuilders, building over 500 units a year, has remained more or less stable in 2015. The volume builders have experienced healthy levels of recovery over the last 18 months - 2 years and there has been a substantial turn in the market back towards larger builders. However, smaller builders continue to struggle to secure funding and this is restricting the scale of projects undertaken. Small and medium-sized builders were worst affected by the downturn and are still finding many barriers to developing new homes.

The impact of the recession has led to a highly concentrated housebuilding market in the UK with the vast majority of all private sector output now being produced by the largest housebuilders. Joint ventures between construction groups and commercial developers had been a major trend in the housebuilding sector for a number of years, partly due to the Government's drive to see more mixed-use developments and urban regeneration.

In 2015, the Government set ambitious targets in an attempt to tackle the housing crisis and get more new homes built over the course of the current parliament, including to deliver 1m new homes by 2020, of which 400,000 will be affordable homes. These commitments will be principally delivered through planning reforms to release more publicly-owned land for starter homes and require a proportion of starter homes to be developed as part of section 106 affordable housing contributions. In January 2016, the Government also announced a £1.2bn fund to build 30,000 affordable 'starter homes' on underused brownfield land in the next 5 years.

However, despite these reforms current rates of housebuilding are still way below government targets and the level needed to meet existing and anticipated demand for new homes. This consistent and chronic undersupply of house building, combined with government policies in recent years has led to consistent increases in house prices and a fall in affordability, especially in key areas of demand.

"The impact of the decision to leave the EU is likely to vary on a regional scale with investment in upmarket London developments more severely affected due to the high level of overseas investors in recent years" said Keith Taylor, Director of AMA Research. *"Lower levels of investment and economic uncertainty are likely to result in the housebuilders taking a more cautious approach in the short term, with a lower level of starts expected in 2017, and economic uncertainty is expected to continue while the Brexit package is negotiated."*

The '**Housebuilding Market Report – UK 2016-2020 Analysis**' report is published by AMA Research, a leading provider of market research and consultancy services with over 25 years' experience within the construction and home improvement markets. The report is available now and can be ordered online at www.amaresearch.co.uk or by calling 01242 235724.

Editors Note:

If you would like to receive more information on the report, or would like to speak to the author, then please contact Anna Eriksson or Keith Taylor on 01242 235724.

Please include our web address and telephone number on any review printed, and it would also be appreciated if a copy of the review could be forwarded to AMA Research. Thank you.

AMA Research Ltd
Montpellier House
Montpellier Drive
Cheltenham
Gloucestershire GL50 1TY

Tel: +44 (0)1242 235724

Fax: +44 (0)1242 262948

E-mail: annaeriksson@amaresearch.co.uk

Website: www.amaresearch.co.uk