The Housing & Finance Institute

Working together to build the homes we need

Pre Budget Briefing

November 2025

The Housing & Finance Institute

The Housing & Finance Institute is a not-for-profit organisation (registered number: 09655497)

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The Housing & Finance Institute's pre-budget briefing takes a look at how the landscape has changed for housebuilding and housing since last year's budget – and what to look out for in the Chancellor's Budget Statement on 26th November 2025

1. A challenging backdrop for housing

The last 12 months has seen a significant number of policy announcements, regulatory changes and new legislation. The Labour Government has been following through on its plans to transform the planning and local government systems together with a renewed focus on social and affordable housing and reforms to support private sector tenants. There's been financial regulatory reform to loosen mortgage lending rules. A large new capital programme for social and affordable housing has been made, at £39 Billion over 10 years.

Despite this, housebuilding has remained sluggish and, without intervention, looks set to continue on a 'go slow' trajectory for 2026 and 2027. Meanwhile, affordable homes may be built but too often housing associations can't or won't take them. At the same time, temporary accommodation costs continue to soar. However, there is a real sense of market optimism about the Government's overall commitment to housing numbers. The opportunity for housebuilding to contribute to national economic growth is huge – at around £15 Billion of GDP for every 100,000 homes. The conundrum is that there is a gap between the political expectation that policy announcements will boost housebuilding on the one hand and the current sluggish market response on the other.

One year on from a Budget that emphasised the economic boost to be gained from planning reform, and 18 months on from the General Election that promised 1.5million homes this Parliament, the situation looks very different. New homes started in 2024/25 were the lowest in 50 years outside of the credit crunch and its immediate aftermath. London's housebuilding market has been particularly problematic– with emergency interventions from the Government and Mayor of London having been announced in the past few weeks.

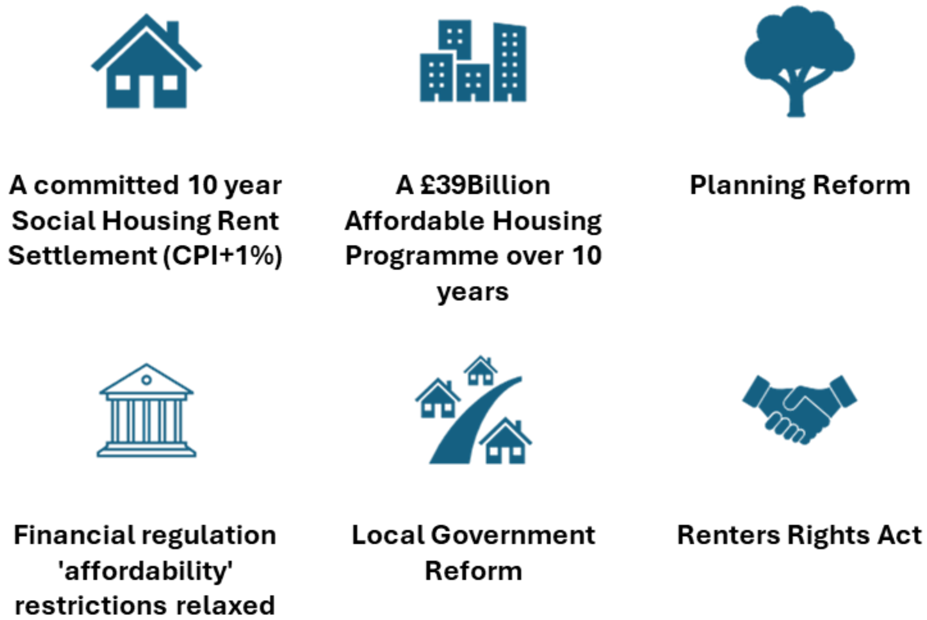
The Government's planning reforms set out to be radical. Yet the number of new homes for which planning permission was granted in the year to June 2025 was 7% lower than for the year to June 2024. At 221,000 homes, this is lowest level of homes permissioned since the equivalent period in 2015.

The imbalance between expectation and delivery may reflect the long term nature of the important changes that have been put in place. A long term programme from MHCLG of planning reform has been matched by a long term funding settlement for affordable housing. This approach is broadly welcome across the housing sectors. However, these measures will take time to feed through into potentially higher housebuilding numbers.

The primary challenge is that promises of ‘jam tomorrow’ are not leading to ‘jam today’ activity levels. For an immediate boost to stimulate the housing market, additional measures will be needed.

With the backdrop for housing delivery remaining very difficult, this inevitably raises the question of whether the Budget can chart a new course for UK housebuilding?

2. Policy Review of 2024/25



Key activities and announcements made by the Government include:

(i) Revenue funding for housing associations/social landlords: <u>A long term Social Housing Rent Settlement</u>: From April 2026 and lasting for 10 years, the social rent settlement allows social landlords to make above inflation rises on social rents at CPI plus 1% annually. Further rent rises will be allowed under a ‘rent convergence’ programme. The rent rises are intended to provide greater financial certainty for operational costs and further borrowing by social landlords to maintain, repair, develop and purchase social homes.

(ii) Capital funding for affordable housing delivery: <u>A £39billion affordable homes capital funding programme</u> has been launched for 10 years from April 2026. This includes the following commitments and expectations:

- Over the ten years the Government believes the new affordable homes programmes “could deliver around 300,000 affordable homes over its lifetime, with around 180,000 for Social Rent.”
- Bidding for the new funds is expected to open next year, in February 2026.

- The programme has "*a target to deliver at least 60% of the homes under the programme as Social Rent*".
- New towns funding is included within the affordable home programme – noting "*an ambitious minimum target of 40% affordable housing, half of which would be social rent*" on new town developments.
- The affordable homes programme and funding continue to be ringfenced for London (as this is fully devolved to the Mayor of London) separately from the rest of England.
- While a total of £7billion has been identified as 'indicative' support/spending for six established mayoral authorities (namely, Greater Manchester, Liverpool City Region, the North East, South Yorkshire, West Yorkshire and the West Midlands), the programme sets out that decisions will still be made by Homes England. As such, this approach is not fully in line with Local Authority Devolution commitments (see below) that will see the control of funding and allocations move from Homes England to established authorities and is recognised as an "interim step" in that regard.

(iii) Planning Reform: Planning reform has been thick and fast since July 2024, with more to come.

The new National Planning Policy Framework in December 2024 included a number of changes including mandatory housing targets, beefed up five year housing land supply (by which sufficient land to build must be identified) and changes to affordable housing requirements.

A Planning and Infrastructure Bill is going through Parliament. This contains far-reaching changes to the compulsory purchase of land, local planning decisions and stronger powers to deliver nationally important infrastructure.

(iv) Local Government Reform: A comprehensive change to local government has been put in train. The Devolution White Paper promised a wide-ranging reform of local government in England.

Under the new system, county and district councils are to be abolished. There will be two different bodies: a Mayoral Strategic Authority, which will make strategic decisions and have strategic management powers, and new larger unitary authorities. There is provision for 'Foundation' Strategic Authorities, which include combined and non-Mayoral authorities. However, the Government's preferred intent is for universal coverage of full Mayoral Strategic Authorities over time. The unitary councils will be responsible for the everyday services affecting residents –from schools and adult social care through to bin collection. The Mayoral Strategic Authorities will have wide new powers and responsibilities for housing and strategic planning - from levy and tax raising to fund major projects through to setting up development corporations and calling in major developments.

(v) Mortgage Lending Regulatory Reform: 2025 has seen a loosening of borrowing restrictions that had been put in place following the credit crunch. The changes to the 'affordability' stress testing measures are intended to allow more flexible decision making about individual lending.

5% mortgage scheme: A permanent Government scheme to support '5%' mortgages was introduced to replace the previous Help to Buy schemes. This is an optional scheme for mortgage lenders who choose to participate. It provides an element of government guarantee for losses where lenders accept a 5% deposit on a mortgage for eligible first time buyers and home movers.

(vi) Renters Rights Act: This new Act, due to be implemented on 1st May 2026, will abolish section 21 ('no-fault') evictions by private landlords and introduce a new periodic rolling tenancy. There is also a new ombudsman for the private rented sector.

3. Market Context

Housebuilding and housing delivery has remained sluggish over the past year. The primary challenge is that promises of 'jam tomorrow' are not leading to 'jam today' activity levels.

Without significant market support interventions, it is not surprising that housing delivery is where it would be expected to be within the broader national economic context. Buyer caution reflects uncertainty over the broader economic landscape including affordability pressures and jobs/ wages. Businesses are grappling with increased tax and regulation. However, positive impactful support schemes can give an immediate boost to housing delivery even in times of buyer caution - particularly for first-time buyer and private sector homes. On the other hand, an environment of higher property and business taxes inevitably produce a dampening effect on the market. The private housebuilding market could weaken further if consumer confidence falls.

> "The primary challenge is that promises of 'jam tomorrow' are not leading to 'jam today' activity levels."

New Homes for Sale hardest hit

The building of new homes for sale to the general public has been particularly hard hit. 2024/25 saw the lowest level of new homes being started in 50 years, outside of the credit crunch and its aftermath. The sharpest decline in housing starts has been in the 'private enterprise starts' (homes built for sale to the general housing market) which saw a year on year fall of about one-fifth of output from the previous year, according to the most recent MHCLG indicators of new supply.

> "Targeted buyer support intervention remains the surest way to get building rates back on track towards the 1.5million homes target."

The loosening of mortgage regulations has the potential to increase mortgage supply for some borrowers. However, the 5% mortgage guarantee scheme is unlikely to move the dial. The 5%

guarantee scheme impact was marginal compared to many other Help to Buy schemes, with experts describing the predecessor scheme as 'lacklustre'.

A significant intervention in buyer support is urgently needed to stimulate housing delivery. Savills have previously noted that the Help to Buy schemes stimulated growth with a peak expansion rate of over 15% in 2014 and 2016. Targeted buyer support intervention remains the surest way to get housebuilding rates back on track towards the 1.5million homes target.

Planning remains the top concern for SMEs

In spite of optimism for the long term changes to the planning regime, near term planning remains a major concern, especially for smaller housebuilders.

The ambition of the Government's planning reforms is not yet feeding through into planning permissions, with recent comparative figures showing the lowest level of homes permissioned for a decade. The number of new homes for which planning permission was granted in the year to June 2025 was lower, by 7%, than in the year to June 2024. At 221,000 homes, this is lowest level of homes permissioned since the equivalent period in 2015.

> "The ambition of the Government's planning reforms is not yet feeding through into planning permissions, with recent comparative figures showing the lowest level of homes permissioned in a decade."

Unlocking planning so that it supports effective housing delivery requires decision making at pace and reducing costs. So far, the response has been fewer permissions, slow delivery and increased costs on the industry. While there are good ideas, like reforms to the nutrient neutrality framework or the loosening of rules in London, too often it seems that big changes are tempered with a host of requirements, restrictions, costs and paperwork. That doesn't just slow delivery, it also restricts room for local flexibility where councils want to get things moving in challenging times. It also means that the benefits of the changes are less likely to be realised in full.

Planning has been a top concern for SME builders for a number of years and reports of their concern have not lessened following the Government's changes. The Federation of Master Builders (FMB) highlight planning, access to affordable land for building and finance as major barriers. They note that smaller builders now represent just 10% of all new homes built.

This is echoed in the 'State of Play' HBF annual report on SME developers that states:

> *"Despite the Government's strong focus on planning reform, SME developers are yet to see meaningful improvements on the ground. As demonstrated by the following chart, 94% of respondents to our 2025–26 survey identified delays in securing planning permissions as a major barrier to growth, while 89% pointed to a lack of resources within local authority planning departments, continuing a trend that has persisted since 2021–22."*

As the State of Play Report notes, planned full cost recovery charges for planning officers within the Planning & Infrastructure bill are likely to hit SME builders hardest, it notes:

> *"As these businesses are more likely to submit minor applications (which are estimated to have the greatest funding shortfalls of between 50% and 150%), if LPAs set fees at the level of full cost recovery, MHCLG conceded "it is likely that the fees for minor applications will proportionately increase by a greater rate than fees for major applications, which may not increase by very much, if at all. This could potentially have a disproportionate impact on small, micro and medium-sized businesses."*
>
> *The extent to which SME developers can absorb these increases, and whether LPA performance improves as a result of a move to full cost recovery, remains to be seen."*

Major housebuilders change tack to manage demand constraints

Major housebuilders have been better positioned to manage current market constraints than smaller builders. Most results are currently coming in line with expectations, with about the same or a small increase in housebuilding numbers on the previous year. The primary headwinds for major builders include the overall business environment, including increased national insurance/ employment taxes and constrained buyer sentiment. With profit margins under pressure, there has been a shift by some builders towards building larger homes at the expense of smaller and cheaper homes for market sale.

> "The primary headwinds for major builders include the overall business environment, including increased national insurance/ employment taxes and constrained buyer sentiment."

The major housebuilders are well positioned to increase supply as market conditions improve and could quickly build more homes following a market stimulus.

Business models have adapted to current conditions by entering into more 'partnership' arrangements, which sees greater contracting between housebuilders and partners such as housing associations, 'for profit' housing providers and others around bulk deals.

Councils, Housing Associations and other Registered Providers

Social landlords (councils and housing associations) will be supported over the longer term by the affordable housing revenue and capital settlements. However, the balance of funding set out within the new Affordable Housing Programme is significantly weighted towards social rented housing (60%) that requires a significantly higher subsidy level than other types of affordable housing. As such, the overall number of homes supported by the new affordable homes programme is likely to be fewer (for equivalent funding) than for other programme periods, with a consequential negative impact on overall delivery potential.

> "Local councils face extraordinary funding pressures, combined with additional costs, recruitment and retention concerns around local government reorganisation. It will be vital to ensure that training, shared learning and skills development doesn't fall by the wayside"

In addition, the focus for the social housing sector, including for councils with their own council housing stock, remains making repairs and improving standards in social housing, with new requirements to raise standards around housing safety, damp and mould in line with the implementation of Awaab's Law. This will continue to take a significant amount of available funding and management capacity, reducing activity for primary house building and house buying activities.

Local councils face extraordinary funding pressures, combined with additional costs, recruitment and retention concerns around local government reorganisation. It will be vital to ensure that training, shared learning and skills development doesn't fall by the wayside. Schemes like the Local Government Association's Housebuilding Support Service for councils bring together expertise and experience to drive forward strategy into delivery.

London

The situation for London is particularly problematic. Consultancy firm, Molior, reports that:

> "*In London, 2,158 private homes began construction during the first half of 2025. This is just 4.9% of the Government's 44,000 half year target. During April, May and June, 23 London boroughs saw zero starts on developments with 20 or more private homes*"

Without significant intervention, the position is set to continue with Molior noting,

> "*Only 9,100 private homes are forecast to complete in London during the 24 months of 2027 and 2028. This is dismal.*"

The Government has recognised the seriousness of the London situation and last month announced an emergency package of measures. Some of the measures are expected to be time limited to 2028, reflecting the current market expectations of similarly low output for London in 2026 and improved, but still very reduced, output in 2027.

These measures were welcomed by Savills who commented:

"The package of measures outlined above is intended to unlock stalled developments, speed up planning approvals and ultimately make housebuilding more financially viable in London.

In the context of the acute viability challenges facing residential development in London and the implications this has for housing delivery, the measures outlined are considered positive and crucially look to meaningfully address the factors limiting housing delivery in the immediate term. The extent of the impact these changes will have is dependent on how quickly they can be brought into effect and is reliant on the positive application of these measures by local authorities."

4. What to look out for in the Budget 2025?

- Will the OBR change its housebuilding forecast?
- Could the Government announce a new national building programme to tackle the temporary accommodation crisis ?
- Build it now – will priority for funding and resources be channelled into 'shovel ready' schemes?
- Will the Government bring in targeted Buyer Side support measures, for first time buyers and lower income households, like equity loans or deposit support?
- Will the Government bring in new property taxes – and if so, will these be likely to boost or reduce housebuilding activity and investment?

(1) OBR forecast

Will the OBR change its housebuilding forecast?

The Spending Review in March contained a housing forecast from the OBR that surprised many. Usually cautious around the impact of government programmes, the OBR was bullish about housing delivery writing:

"*From a 12-year low in 2025-26, net additions to the UK housing stock are forecast to reach 305,000 a year by the end of the decade. From 2025-26 to 2029-30, we project around 1.3 million cumulative net additions to the housing stock. Of this, we estimate an additional 170,000 are due to the Government's reforms to the National Planning Policy Framework*".

This positive outlook was notwithstanding significant areas of risk that the OBR highlighted around higher housing delivery including capacity within the housebuilding sector to deliver a rapid acceleration and local opposition to reforms that could prevent or delay housebuilding.

Ahead of this year's Budget, the housebuilding industry body, HBF, is reported to have made representations to the OBR in which they have warned of current market conditions and the risks for achieving higher building targets, including higher taxes and levies faced by the housing industry. A key question is whether the OBR revises its housing forecast and, if so, whether there will be any resultant impact on GDP and growth.

(2) Building out the TA Crisis: A bricks & mortar approach to temporary accommodation

Could the Government announce a new national building programme to tackle the temporary accommodation crisis ?

With an increasingly serious temporary accommodation crisis, there is an opportunity to remove red tape and prioritise innovative programmes to provide the housing that is required. The Housing & Finance Institute's 'Operation Homemaker' provides a template for the type of new approach that could be introduced to provide more temporary accommodation – a bricks & mortar approach that could see more homes built faster to meet temporary accommodation needs and provide lasting and secure homes for people in need.

Recent MHCLG statistics showed that as at 30 June 2025, over 132,410 households were in temporary accommodation, an increase of 7.6% from the previous year. Households with children in temporary accommodation increased by 7.5% to 84,240, and single households in temporary accommodation increased by 7.9% to 48,170.

Solving the temporary accommodation crisis should be recognised as priority building programme of nationally significant infrastructure, with dedicated funding prioritised for immediate deployment from the Government's £39billion capital funding programme, matched with institutional funding, together with the fast tracking of planning through a new permitted development emergency accommodation regime.

A national priority building programme of over 100,000 homes would not only help the many households in greatest need of housing, it would also provide a much needed boost to housebuilders across the country, boosting economic growth in the process.

(3) Shovel Ready Funding

Build it now – will priority for funding and resources be channelled into 'shovel ready' schemes?

The Government has made some moves to support building projects that are ready to go ('shovel ready'). However, with reports of over 1 million homes permissioned and up to a third not built out, there is significant scope for the government to expand efforts to prioritise Shovel Ready schemes and simplify regulation on schemes that could get going in the next 6-12 months. This sort of near-term boost could provide a significant and immediate stimulus.

To help smaller builders, a dedicated fast-track unit within Homes England could be set up to provide additional support to smaller builders in order to help negotiate and remove red tape and blockers at a local level with local councils.

More widely, dedicated support around planning, regulatory and finance issues should be brought together with a time limited more flexible approach to breaking down barriers to delivery.

Institutional investors, for both affordable and build-to-rent markets, still face additional tax (e.g. SDLT) and regulatory hurdles, compared to other market participants. Removing these barriers is critical to unlocking a wall of capital investment waiting to be deployed into housing.

Shovel-Ready funding should be prioritised within the current allocations for MHCLG in 2026 and 2027 in order to ensure that the intended Government support for growth can be delivered within the funding envelope of this Parliament. That means reshaping and allocating funding programmes, including equity loans and guarantees, to those builders and councils who will commit to accelerate housebuilding through a targeted 'build it now' approach.

(4) Buyer Side Support

Will the Government bring in targeted Buyer Side support measures, for first time buyers and lower income households?

It's a simple statement but an important one: for builders to build, there must be buyers to buy. Greater support for buyers is needed to boost housebuilding and it is vital to see new buyer support measures in the Budget.

In spite of lower interest rates, home buying remains sluggish. Many housebuilders are having to sell to rental landlords at bulk discounts to counter the current market headwinds. In turn, this reduces housebuilder profits and affects investment decisions in opening new sites, contributing to lower housebuilding activity overall. It also means more renting and less home ownership.

A healthy housing market is one with a healthy proportion of home buyers. There are a range of measures that could support increased new homes buyer activity. The priority must be a new type of buyer support scheme for newly built homes.

HM Treasury is understood to be keen on see greater opportunity for home ownership, particularly for those on lower incomes as well as wanting to see house building numbers grow. Home ownership is an expressed priority of the Prime Minister. This will be a key area to watch in the Budget.

At the Housing & Finance Institute, we have recommended that the following buyer support measures should be considered:

- **Pension deposit flex**: allowing pension scheme flexibility to help young people save for their first deposit. For example through a pension diversion scheme that would allow workers to opt to pay their pension contribution and employer top up into a savings ISA for up to 5 years. This could unlock significant deposit savings for younger workers, with anything over and above the deposit required for their new home going back (tax free) into their pension pot.
- **LISA**: reviewing and updating the Lifetime ISA. The LISA (and its predecessor Help to Buy ISA) is a hugely successful savings scheme to support buyers to save for a home deposit. There were over 1.3 million accounts in 2023/24. However, it is not suited to every regional market or every saver, and needs updating to support home buyers in the years to come, particularly in London and parts of the South East.
- **Equity Loans**: bringing in targeted equity loan schemes for those buyers of new homes who are on lower and middle incomes.
- **Alternatives to shared ownership** schemes: There is scope for new discounted and deferred purchase schemes to offer an alternative to shared ownership.

As noted above, previous Help to Buy schemes stimulated growth with a peak expansion rate of over 15% in 2014 and 2016. Targeted buyer support intervention remains the surest way to get building rates back on track towards the 1.5million homes target - and boost national economic growth too.

(5) Property Taxes

Will the Government bring in new property taxes – and if so, will these be likely to boost or reduce housebuilding activity and investment?

There is much speculation that the Budget will contain additional property taxes.

Proposals mooted ahead of the Budget are familiar in policy circles – these include *occupation based* property taxes such as higher 'top sliced' council tax bands and a 'mansion tax' (essentially an annual surcharge bill based on a percentage of the assessed market value of a home); as well as a proposals for higher rate residential property *transaction taxes* such as removing or restricting the current residential capital gains exemption for higher value properties as well as stamp duty reform.

Changes to existing taxes such as council tax, capital gains tax, stamp duty and inheritance tax are the simplest areas for Government to implement. The Budget could even present limiting residential capital gains tax relief as a form of "wealth tax".

Significant property tax changes might ordinarily be expected to be undertaken in a more buoyant housing market. Such reforms are also administratively challenging and risk distorting housing market activity, as has been seen over the years with stamp duty changes. As such, it remains to be seen how radical any such new proposals may be, how much additional revenue such taxes may raise and the impact on the housing market.

Budget Day 2025

The 2025 Budget offers an opportunity to chart a new course of UK housebuilding – one which will provide a near term stimulus package to boost building, tackle the temporary accommodation crisis and support smaller builders.

Find out more on Budget Day: Wednesday 26 November 2025.

About the Housing and Finance Institute

Who we are

- The Housing & Finance Institute was established in 2015 with the support of UK Government, businesses and councils. Its creation was a recommendation of the Elphicke-House Report 2015. The HFI is a not-for-profit organisation.

What we do

- The Housing & Finance Institute acts as an accelerator hub, to increase knowledge and capacity in order to speed up and increase the number of new homes financed, built and managed across all tenures.

How we work

At the HFI, we do the following:

- share best practice through leadership webinars, workshops, networking and our landmark 'Housing Business Ready' programmes, that support capacity building in councils to explore the housing their communities want and need
- publish policy papers
- engage across a range of stakeholders.

We are not politically affiliated with a particular party and we work cross-party. We do not represent an individual business/industry/ sector.

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This Pre Budget Report has been compiled in line with the HFI's work to inform and share views about housing and finance matters. The Report contains matters of opinion. It does not, and should not be taken, as financial or legal advice – separate professional advice should always be taken before making financial, development or investment decisions.

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