Housing market remains ‘robust’ says Barratt boss despite slowdown in economy

The British housing market remains ‘robust’ despite fears over the slowing economy, according to the boss of the country’s biggest housebuilder.

Barratt chief executive David Thomas said he expects new home completions to grow at a rate of 3 to 5 per cent in the medium term, despite uncertainty over inflation, rising interest rates, consumer confidence and spending.

The Leicestershire-based housebuilder said total new home completions returned to pre-pandemic levels in the year to June 30, at 17,908 – more than 650 up on a year before.

The average selling price – excluding “affordable” housing – was up from £325,500 to £341,000.

But the business warned that build cost inflation of 6 per cent last year had now risen to between 9 per cent and 10 per cent due to escalating energy costs, fuel cost inflation for transport and other factors.

Mr Thomas said: “We have delivered an excellent performance this year, reflecting the strong customer demand for our homes and the productivity of our sites.

“We are delighted that completions have now returned to pre-pandemic levels and I am grateful for the hard work and dedication of our teams and partners over the past two years to achieve this important milestone.

“While there are clearly macro-economic uncertainties ahead, the housing market remains robust, our forward order book is strong and we have the resilience and flexibility to react to changes in the operating environment.

“Our focus remains on addressing the UK’s housing shortage with the high-quality, energy-efficient, sustainable homes and developments which we pride ourselves on building.”

Barratt’s total forward sales so far for the coming year (including through joint ventures) were down 755 at 13,579, but with a value of £3.62 billion compared to £3.47 billion last year.

It expected adjusted pre-tax profit for last year to be between £1.05 billion and £1.06 billion, slightly ahead of expectations, and well up on the £919.7 million achieved a year earlier.

Barratt, which has its historic roots in the North East, gave its workers an “accelerated” 5 per cent pay rise on April 1, along with an additional one-off £1,000 to all employees below senior management level – phased over six months – to help with the cost of living crisis.

The business had a balance sheet of £1.125 billion – down £192 million – taking into account its £250 million acquisition of Cheshire-based Gladman Developments in January and land spend of around £1.05 billion during the year.

Danni Hewson, a financial analyst at stockbroker AJ Bell said the Barratt trading update reflected both the opportunities and challenges facing the sector right now.

She said: “On the one hand demand still seems robust, and Barratt is back building homes at pre-pandemic volumes with units selling faster than expected.

“On the other it is becoming far more costly to do so and under-resourced planning departments are acting as an impediment to growth.

“Build cost inflation of 6 per cent in the year just gone is burdensome enough but a potential double digit increase in the current financial year would really challenge Barratt's ability to protect margins.

"House prices may have risen rapidly enough to cover these higher costs so far but Barratt, like its peers, is running just to stand still in terms of profitability and there is a significant risk that raw material and labour costs continue to grow.

"At least, unlike Persimmon, it is not being forced to downscale its volume targets just yet, suggesting its relationships with suppliers, procurement strategy, simplified build process and attractiveness as an employer are paying off."

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