Bellway to slash number of homes built in 2024 and average selling price falls

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TSE 250 developer Bellway said it would slash the number of houses it plans to build next year, highlighting the extent of the slowdown in the market after the Bank of England's long run of rate hikes.

The Newcastle-based firm said it will cut the number of completions by almost a third. It will build "around 7,500 homes in 2024, down from a "near-record" of 10,945 this year, it said, describing the cut as "a material reduction in volume" due to a "reduced order book and prevailing lower reservation rates."

Bellway also said it expected the average selling price of its homes to drop in 2024 – to £295,000 from £310,306 this year, a drop of almost 5%.

For the financial year to the end of July, Bellway reported a 3.7% drop in revenue of £3.4 billion and an 18% fall in profit before tax of £532.6 million.

Higher mortgage costs – after 14 consecutive interest rate hikes from BOE took the base cost of borrowing up to 5.25% – have been reverberating around the industry, hitting first time buyers particularly hard. Bellway also pointed to "cost-of-living pressures and the end of Help-to-Buy", the government scheme to help first-time buyers, as reasons for the slowdown.

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The company behind the Fielders Quarter flats at Barking Riverside and Eastside Quarter in Bexleyheath said its move to accelerate building social homes "partially offset weaker private demand".

London held up better than elsewhere. The capital accounted for 5% of the completions for the financial year. Bellway is focused in the capital on the outer zones, where prices are more affordable. Its average selling price in London fell to £347, 699 from £389, 684.

But overall reservations for private sales plunged by 36% to 109 per week. And plans to slow building rates into 2024 will take a toll on margins – they were expected to cut operating margins by 6 percentage points.

Bellway's shares dropped 32p to 2130p and were among the biggest fallers on the FTSE 250.

Victoria Scholar at Interactive Investor said: "Shares have been under pressure weighed down by falling house prices, build cost inflation pressures, and weak demand for properties amid the 'higher for longer' interest rate environment that has made mortgages considerably less affordable."

Bellway's update sent shivers through the sector, with FTSE 100 developers under pressure on London's top-tier stock index.