Housebuilder to cut 200 jobs and take £40m hit to profits as demand slows

UK housebuilder Vistry is to cut 200 jobs and make £40m less profit than previously thought after a slump in demand.

High interest rates and cost of living pressures resulted in a slowdown in property purchases, it said in a trading update.

“We have not seen the seasonal increase in private sales since September that we had expected,” Vistry added.

Roughly 200 jobs are going to be cut as a result of a business restructuring that will reduce the number of regional Vistry units from 32 to 27. Cost savings of £25m are expected as a result.

Despite reiterating profit expectations of £450m last month, the trading update revised the sum downwards by £40m to £410m in adjusted profit before tax for 2023.

It was not all bad news, with continued demand from social housing providers and local authorities.

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Answer to housing crisis ‘building more homes’

Last month, Vistry confirmed its focus was moving from private to solely social housing.

More positives for the company came from suppliers who have agreed to cost reductions for all existing and forthcoming contracts, evidencing official data that shows the **rate of price rises has come down**.

“We appreciate the productive discussions we have had in recent weeks with our key supply chain partners to agree cost reductions for all our existing and future contracts,” the update read.

“With a high level of visibility on forward sales, build programmes and revenues in the partnerships model, we can offer greater continuity of work to our suppliers and, working with them, can increase the overall rate of delivery on our sites and supply of much needed affordable mixed tenure homes."

Vistry's share price dropped following the announcement: down from 725p on Friday evening to 685p on Monday morning.

It's not the first firm to experience difficulty with high interest rates and inflation.

Crest Nicholson **slashed adjusted pre-tax profit expectations** for the year to October by more than 40% to £50m.

The fact fewer houses are being bought was demonstrated in **Taylor Wimpey's results** for the first six months of 2023, as pre-tax profit fell to £237.7m, down from £334.5m during the same period in 2022.