

Investigation launched into eight homebuilders after 'persistent under delivery' of new houses

The UK has seen a "persistent under delivery" of new homes, according to the competition watchdog, which has launched an investigation into eight major housebuilders.

Too few new homes are being delivered due to a "complex and unpredictable" planning system and the gap between what private developers are building and what people need is widening, the Competition and Markets Authority (CMA) said.

Its report into the housebuilding industry also identified "substantial concerns" about estate management charges – with homeowners "often facing" high and unclear charges for the management of roads, drainage and green spaces.

Less than 250,000 new homes were built last year across Britain – well below the 300,000-target for England alone, the CMA said.

Reason for missed targets

Targets have only been met when local authorities build houses, the CMA said, but the majority of building currently comes from the private sector, it added.

"It is notable that housebuilding has only reached the levels that are currently being targeted in periods where significant supply was provided via local authority building".

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Along with planning problems, a key reason for this is the system of development where homes are built without knowing in advance who will buy them or for how much, a system known as

speculative private development.

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The majority (60%) of houses built from 2021 to 2022 came through this system which allows builders to respond to market changes but has led to a gap between what people need and what is being built.

“The evidence shows that private developers produce houses at a rate at which they can be sold without needing to reduce their prices, rather than diversifying the types and numbers of homes they build to meet the needs of different communities (for example providing more affordable housing),” the CMA said of the system.

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Housing minister Lee Rowley spoke to Sky News in December.

Quality concern

Concern about the quality of housing was also identified.

The number of owners reporting issues increased over the last decade, the CMA found, as housebuilders don't have strong incentives to compete with each other on quality and consumers have unclear routes to have problems solved.

Serious problems, such as collapsing staircases and ceilings, were experienced in a "substantial minority" of new houses.

Investigation into major housebuilders

An investigation into eight housebuilders has been launched as the CMA suspects them of sharing commercially sensitive information, which could be influencing the prices of new homes.

While the issue is not one of the main drivers high house prices and the shortfall in delivery number, the CMA said it is important that it tackles anti-competitive behaviour if found.

Developers being investigated include Barratt, Bellway, Berkeley, Bloor Homes, Persimmon, Redrow, Taylor Wimpey, and Vistry.

The CMA said it has not reached any conclusions at this stage as to whether competition law has been infringed.

Roughly two-fifths of the homes built between 2021 to 2022 were delivered by the largest, national housebuilders, many of whom are the subject of the CMA investigation, while more than 50,000 homes were delivered by thousands of smaller, regional

builders.

Growing estate management charges

A “growing trend” of housing estates with privately managed public amenities such as green spaces was found by the CMA.

Of new homes sold by the biggest builders in 2021 to 2022, 80% were subject to estate management charges which, the CMA said are “often high and unclear”.

The average charge was £350, the CMA found, but one-off, unplanned charges for significant repair work can cost thousands of pounds and cause considerable stress to homeowners.

“Many homeowners are unable to switch estate management providers, receive inadequate information upfront, have to deal with shoddy work or unsatisfactory maintenance, and face unclear administration or management charges which can often make up 50% or more of the total bill”, it added.

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Levelling Up Secretary Michael Gove in December pledged to intervene if there are delays to housebuilding as a result of poor performance by councils.

Planning

A streamlining of the planning system has been recommended by the CMA as it said many planning departments are under resourced, do not have up to date local plans and no clear targets or strong incentives to deliver the numbers of homes needed.

Groups that planners are legally required to consult often hold up projects by submitting holding responses or give late feedback to consultations on proposed developments, it added.

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A Bellway spokesperson said: "Bellway has engaged and co-

operated fully with the CMA throughout its market study – and will continue to do so. We remain focused on the delivery of high-quality new homes that meet local demand and enhance the communities we build in as we work to increase the supply of UK housing.”

A spokesperson for the Home Builders Federation said: “We welcome recognition that the planning system is a fundamental barrier to delivery and adds unnecessary delay and cost into the development process, and the need for local authorities to have plans in place and properly resourced planning departments.”

“Housebuilders do not want to be long-term managers of estates and make absolutely no profit from the management companies that are required to be put in place.”

The National Federation of Builders’ said: “The CMA report has confirmed that the housing crisis is caused by the planning process and government failure.

“Planning has stopped new homes being built, especially social houses... We didn’t need a CMA report to confirm this, but it certainly helps drag the politicians over the coals for their utter failure on housing, planning, and the impact on the consumer through ever increasing housing costs.”