



BUILDINGS AND PLACES

# CONSTRUCTION INTELLIGENCE REPORT

Q4 2025 UK & Ireland





# CONTENTS

<b>Introduction</b>	<b>03</b>
<b>Economic overview</b>	<b>05</b>
<b>Construction overview</b>	<b>09</b>
<b>Construction Forecast</b>	<b>14</b>
<b>SECTOR UPDATE</b>	
<b>Focus on Residential</b>	<b>17</b>

# INTRODUCTION

Looking back at previous Construction Intelligence Reports, we were optimistic for an upturn in market conditions by now, and the sector backed by a pro-construction government would benefit from this. As is the case with the economy, plans go awry.

The spending review has taken place, we know that infrastructure investment remains central to the government's ambitions and, while there were no surprise announcements, there were no cancellations of major projects.

The strong economic start to the year, as witnessed by the GDP growth, has faltered but still remains positive and most organisations have revised their 2025 GDP forecasts upwards. While forecasts for 2026 have been revised downwards, all forecasts still point to weak but positive growth and there are no signs of a recession.

The UK economy needs an injection of confidence. The mood has shifted; we are expecting a recovery, but the green shoots are taking slightly longer than anticipated.

The conversation revolves around viability. To many, the catalyst will be a reduction in the Bank of England base rates, but, given normal economic conditions, the floor for cuts is restricted. Capital returns are currently limited, discouraging investment, but as these increase and inflationary pressures reduce, opportunities will emerge. The key is collaboration and working together to achieve the desired outcomes, rather than a default of delaying until things are more favourable.

We look at the residential market and consider the challenges of navigating the Building Safety Act, together with the impact of Future Homes and Building Safety levy, as this key sector aims to meet the government's ambition to build 1.5 million new homes.



# ECONOMIC OVERVIEW

After the grand talk of investment in the previous budget, this budget sought to balance the books rather than drive initiatives forward. Going into the budget, the government needed to raise around £20bn and also increase the fiscal headroom. It transpired that there was a £4bn surplus, but the previous budget saw the government incorporate a historic low £11bn fiscal headroom. This was subsequently tested by global headwinds and higher inflation than forecast, giving the financial market jitters. To try and alleviate this, the chancellor doubled the headroom to £22bn.

The government needed to increase spending as a result of increased welfare costs. Most of the extra £26bn raised was by freezing personal tax thresholds and imposing a host of smaller rises, bringing tax to a record 38% of GDP. Although this is a record for the UK, it's low by European standards.

Initial indications are that the financial markets welcomed these moves, and government bonds have risen with yields falling. This should help reduce government borrowing rates. However, these measures will restrict growth, as acknowledged by reductions in GDP forecast





## INTEREST RATES

One of the key factors for achieving viability is the level of finance. The Bank of England Monetary Policy Committee (MPC) have voiced concerns about the risks of cutting interest rates too quickly. The narrative is beginning to change, and the clearest sign of restrictive interest rates is the labour market. Businesses continue to reduce headcount, generally by not hiring rather than redundancies, and the indications are that continued weak demand is holding back hiring. With the jobs market continuing to deteriorate and inflation expected to fall back from its September peak, it's anticipated that the MPC will aim to kick-start the economy and support activity by restarting interest rate cuts.

Currently, forecasters are looking at a settled base rate of 3.50%. This level of 3.50% is usually seen as the base floor for interest rates; this allows for an inflation rate of 2%, and allows a balance between saving and borrowing rates but permits a better rate of household consumption, without causing inflation by increasing consumer spending too much.

Companies don't borrow at these rates. Typically for a SME these are 1.5 – 2% higher, and potentially higher still for projects deemed to carry greater risk or to lack the desired investor returns.

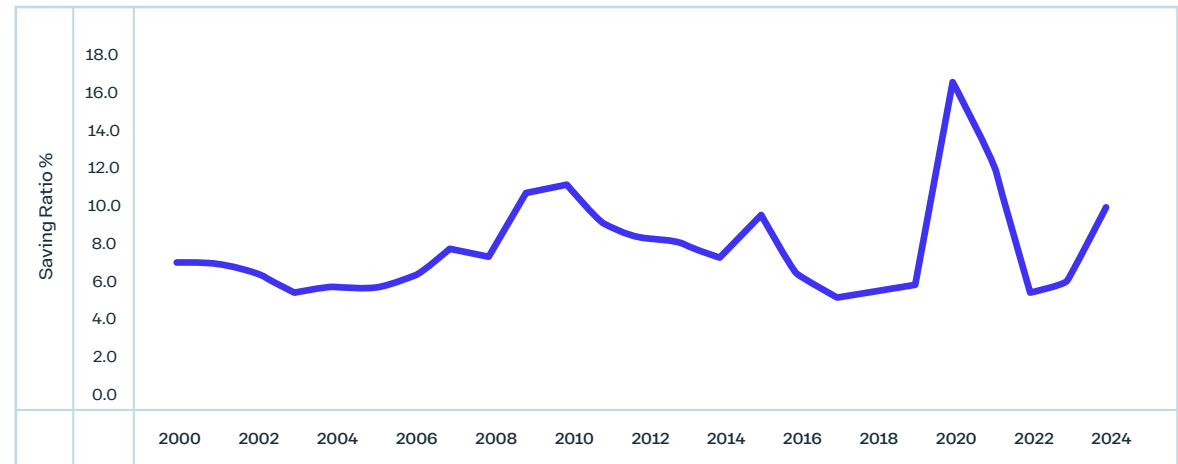
**“The question remains as to whether easing interest rates and falling inflation can offset this trend and spur a rebound in consumer spending, or whether tightening fiscal policy and continued uncertainty will see the malaise continue in 2026.”**

**Jack Meaning,**  
Chief UK Economist, Barclays

At present, household saving remains slightly higher than average, as people adopt a cautious attitude to spending, given the current economic uncertainty, and take advantage of higher saving rates.

People spend more when the economy is doing well and this typically fuels further economic growth. The Bank of England faces a tricky balancing act to encourage more spending yet keep inflation decreasing towards its 2% target.

### HOUSEHOLD SAVING RATIO %



Source: ONS



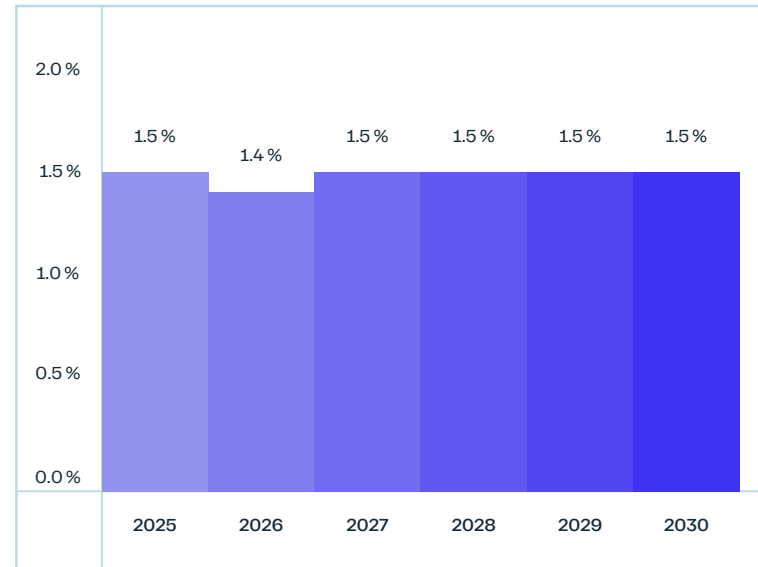
## GROSS DOMESTIC PRODUCT (GDP)

The Office for Budget Responsibility (OBR) revised its GDP forecast for 2025 upward from 1.0% to 1.5% in its November economic forecast, following a strong first half, but have revised its forecasts for 2026 – 2029 downwards. Over the forecast period, average growth is estimated at 1.5%, some 0.3 percentage points slower than projected in March.

The reduced GDP was partly because the OBR downgraded UK productivity. Although the OBR's view was widely regarded as optimistic, this is bad news for several reasons, particularly in terms of economic performance, public finances, and policy options. Lower productivity means slower economic growth. Productivity is the main driver of long-term economic growth. If productivity grows more slowly, the economy expands at a weaker pace. In turn, this lack of growth may cause business investment to decline or at best stagnate, due to lower expected returns.

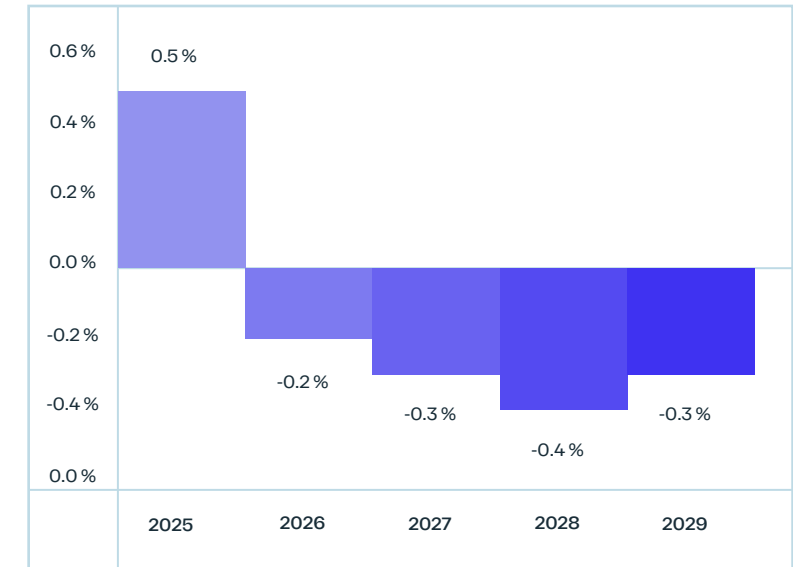
Although traditionally viewed as unproductive, the construction sector has recently seen positive productivity growth due to reduced hours worked and increased output. This is partly due to better use of machinery and digital tools.

**GDP FORECAST**



Source: OBR Nov 2025

**GDP CHANGE FROM MARCH 25**



Source: OBR Nov 2025

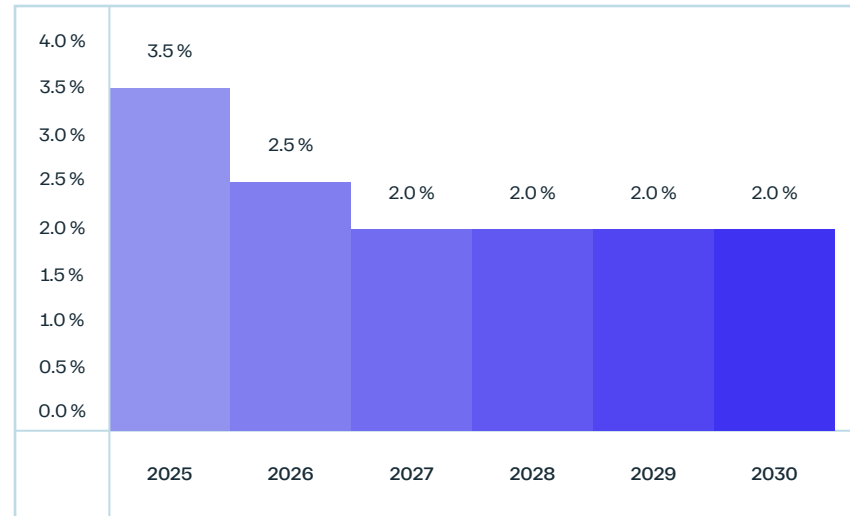


## CONSUMER PRICE INFLATION (CPI)

The rate of CPI is higher than forecast in the March OBR forecast as a result of higher food and services costs, but these are expected to have peaked. The reduction in the rate of CPI in October is expected to continue, aided by weaker wage growth and budget measures to reduce energy bills and edge towards the 2% inflation target.

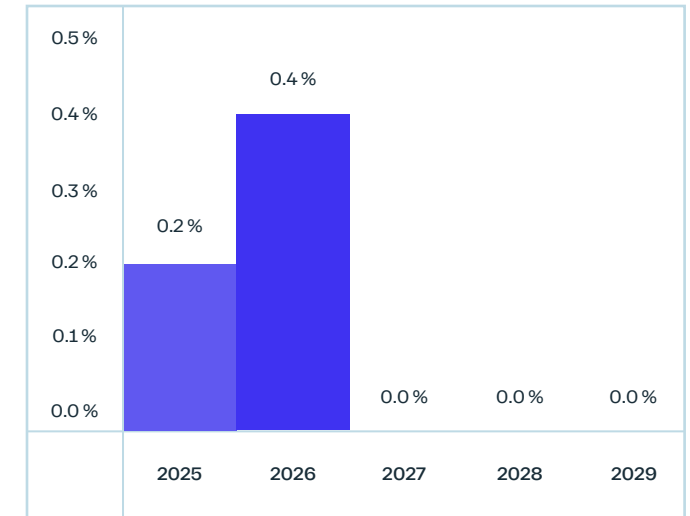
The risks around the level of inflation remain high, and there is still uncertainty about how wage growth will soften in 2026. International geopolitical developments, led by the rise of trade protectionism policies and further unpredictability in energy costs, could have significant impact on costs.

CPI FORECAST



Source: OBR Nov 2025

CPI CHANGE FROM MARCH 25



Source: OBR Nov 2025



# CONSTRUCTION OVERVIEW

The UK government has placed infrastructure at the heart of its mission for economic growth and opportunity for all. It has established an ambitious pipeline of projects at a national, regional and local level, with over £120bn of additional departmental capital spending, over the course of the parliament, committed to help deliver on the 10-year infrastructure and industrial strategies. Regional programmes, including budget announcements for schemes in Peterborough and Darlington, are paramount to delivering on these strategies: investment in transport links (including the DLR

extension to Thamesmead), housing, social infrastructure and industry aim to enhance communities and stronger economies across the UK.

Following the spending review there were few announcements affecting the construction sector in the budget. The decision to forego the transition to a single rate for landfill tax was broadly welcomed. More support for SMEs was announced, including full funding for the training of apprentices and the apprentice minimum wage increased.

Investment is critical to growth but the key factor holding developments back is viability.





## TAKING STOCK OF INFLATION

As we reach the halfway point of the decade, we can say that it's been quite a wild ride. The pandemic was followed by the Russian invasion of Ukraine and we have seen shifts in the UK, European and US political scenes, together with increasing effects of climate change and the seeming breakdown of cooperation to combat it.

Taking published indices we can identify two distinct periods: the first, between 1Q2020 and 2Q2023, represents a period of chaos as

we faced an unpredictable environment with the pandemic and then the Ukraine conflict. As a result of these events, supply chains were disrupted on a scale not seen since the start of the second world war in 1939. The initial surges in costs were due to limited stock availability and shipping and distribution challenges as the world reopened from lockdown, and then the impact on energy and material supplies following the invasion of Ukraine.

### HOW VARIOUS INDICES HAVE PERFORMED 1Q2020 - PRESENT

INDEX	TOTAL INCREASE %			FORECAST
	1Q2020 - 4Q2025	1Q2020 - 2Q2023	3Q2023 - 4Q2025	2026 - 2029
AtkinsRéalis TPI	24.1% (1.0%)	16.7% (1.2%)	6.3% (0.6%)	13.6% (0.8%)
BCIS TPI	21.5% (0.9%)	14.3% (1.0%)	6.3% (0.6%)	13.5% (0.8%)
BCIS BCI	34.2% (1.4%)	23.6% ((1.7%)	8.5% (0.9%)	12.4% (0.8%)
BCIS Materials	39.7% (1.7%)	40.3% (2.9%)	-0.5% (-0.1%)	12.5% (0.8%)
BCIS Labour	26.6% (1.1%)	8.1% (0.6%)	19.0% (1.9%)	12.1% (0.8%)
BCIS OPI	19.8% (0.8%)	9.4% (0.7%)	9.6% (1.0%)	12.9% (0.8%)
ONS CPI	28.7% (1.2%)	21.5% (1.5%)	5.9% (0.6%)	8.0% (0.5%)
Total Fuel Price Index (Industrial Users)	66.5%	97.0%	-15.5%	

Sources: ONS, BCIS

Figures in parentheses represent average quarterly change

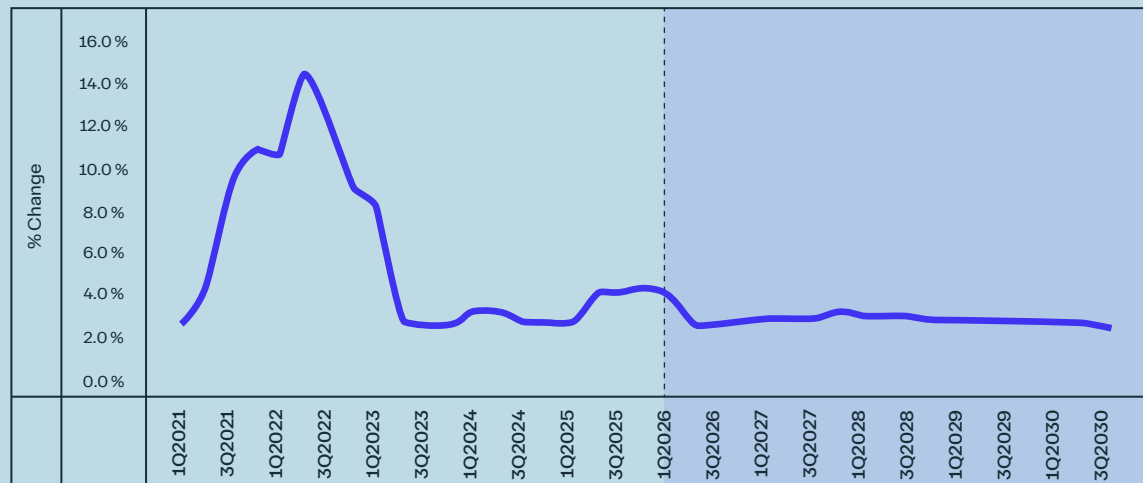




The BCIS Building Cost Index is a good representation of how indices have looked over the last 5 years with a sharp “n curve” before trailing off in the second period and forecast to be pretty flat.

The second period, from 3Q2023 until the present (including 4Q forecasts), represents a time of relative stability, where the global economy has experienced an economic slowdown, and supply chains have either been re-established or new ones created.

**BCIS BUILDING COST INDEX 12 MONTH % CHANGE**



The three figures that really stand out in this second period are the decreases in material and fuel costs and the increase in labour costs. The labour costs contain a legacy factor as the energy crisis triggered consumer price inflation, resulting in wage agreements. With many construction trades having already established multi-year wage agreements, labour inflation appeared later than material costs.

With limited labour resources (across white, blue and green collar workers) and promised investment set to start at some point, labour costs will remain the significant cost driver.

The UK government has acknowledged this and have announced new investment to fund 10 new Technical Excellence Colleges and £165m of new funding to help colleges deliver more construction courses. But these will take time for the skills to filter through amid an aging construction demographic.

Looking ahead, forecasts until the end of 2029 are more steady. Input costs are generally running at around 3% with forecasts for tender prices to increase slightly more than this, as a result of anticipated improved investment increasing demand for construction projects. These are figures that we would typically expect in a calm market.

It’s not the full story as these indices are based on generic models and certainly don’t accurately reflect changes on specific building types and times. Fabricated steelwork at the height of the initial invasion of Ukraine was running at 134% above 1Q2020 values, before the rate of inflation reduced drastically.

**We are being held back by the largescale skills shortages in the construction sector which is a major barrier to the delivery of the growth mission.**

**Bridget Phillipson,  
Education Secretary, March 2025**



VALUE OF CONSTRUCTION OUTPUT AGAINST VOLUME INDEXED



Sources: ONS

The effect of these inflationary measures is shown on the chart left, which shows the movement of output volume, once inflation has been removed, against the value of output (including inflation). Since January 2020 this gap has risen by 23%. Also shown is that since October 2024 both outputs (volume and value) have remained at the same level as the economy has stalled.

This has impacted investment. Where budgets haven't kept up with increased costs, this means that projects have either been scaled back or postponed, a common issue faced by local authorities and central government departments across the country.

Investment in commercial offices is also affected. While prime office space yields have struggled to keep pace with inflation due to rents not keeping pace with construction costs, the demand for this type of space is growing and the pool of available space in both the London and regional markets continues to diminish, leading to increasing interest for the next cycle of development. Meanwhile, secondary office space has experienced falling demand and, with it, declining returns leading to this market shrinking.

## SENTIMENT

The UK budget was announced later than usual at the end of November, and this has affected confidence and investors in the fourth quarter.

The Centre for Construction Best Practice **“Industry Confidence Report 2025”** reported that almost three quarters of respondents say there were plenty of tender opportunities, and over 80% encouragingly had strong win rates in the last six months. At the same time, they reported margins are becoming tighter in the sector and risk is an ever-present danger.

As a result of the decline in confidence, capital expenditure will go through a soft patch during at least the first half of 2026 as organisations process the latest data and investment decisions. Continued uncertainty around the global economy and domestic tax policy will lead to some investment decisions being cancelled or postponed.

There is a growing sense of cautious optimism across the UK commercial property sector. Expectations of further interest rate cuts in December are contributing to the positive sentiment, with the prospect of improved affordability and stronger investor confidence. This optimism is supported by a resilient occupational market, where tenant demand remains steady across most sectors, new supply is limited, and structural demand trends – particularly in logistics, life sciences, and build-to-rent – continue to attract capital.

This has been confirmed by recent reports from letting agents, providing transactional evidence that capital values are beginning to recover, signalling renewed confidence among investors. While transactions continue to be delayed, this trend reflects a strategic pause rather than a lack of appetite, as market participants await further clarity on economic conditions and impetus comes back to when the MPC starts cutting interest rates again.



# CONSTRUCTION FORECAST

**While 2025 has proved to be disappointing, there are optimistic signs for 2026. It's all about viability and affordability at present.**

There is continued demand in certain sectors, such as data centres and prime office space, coupled with government and utility infrastructure investment beginning to come through the pipeline and provide opportunities.

On the private side, investors are keen to get projects going but are facing viability figures that don't stack up. Reductions in borrowing rates will help, but as the floor is likely to be 3.50% the potential for cuts will be limited. Housing investment is expected to grow from 2026 as affordability improves, with interest rate cuts and lower inflation leading to greater household consumption. Planning reforms and improved gateway sign-offs won't lead to large volumes of units delivered in 2026, but improvements will be noticed from 2027 onwards.

Unless the supply of skilled labour at all levels and collar shades of the construction sector and the wider economy is rectified, either through increased training or retention, the delivery of projects on time will remain undermined. Increased output will lead to increased demand for building products and, while supply is presently good, mothballed production lines could be problematic. For many products, it's not just flick a switch and it rolls off, but rather getting the environment up to the right production conditions and recruiting staff to replace those who left when the facility closed.

At present, we are experiencing competitive rates when receiving tenders or market testing rates. One emerging trend is the narrowing premium paid for MEP, compared with building work. Our 4th quarter forecast incorporates this, accounting for some of the reduction. When engaging in market warming for future projects, contractors are keen on early market engagement.





Despite a mood downturn, Tier 1 contractors have mostly full order books and remain selective, while Tier 2 and 3 contractors have more capacity, especially for lower risk projects.

**One thing is certain: a pricing rush to the bottom, in order to win work, isn't good for anyone. It affects margins in the supply chain, and causes cash flow problems as firms face unrealistic margins. It can also bring an adversarial culture as some parties use claims or delays to protect their interests; all parties should be aware of this and aim to avoid it.**

The fact that we haven't seen contractors "buying" work is encouraging, and there are signs that smaller contractors below Tier 1 are starting to look at ways of filling gaps in their order books. As always, one of their first steps is to look for smaller jobs, but there are also encouraging signs of contractors competently diversifying in unfamiliar sectors, to ride out the peaks and troughs.

The outlook for the next couple of years will be softer demand than previously forecast, as many schemes are at least 12 to 15 months away from commencing. While we anticipate pinch points in certain areas such as M&E for data centres, fewer new orders means that labour and material costs will rise more slowly than previously thought. The volume of work coming through will be steadier and this will enable more consistent planning.

The prevailing mood of uncertainty around the economy will determine when activity will pick up. There is some adapting ahead, in addition to, as always, dealing with the unknown. We need to understand how to best work with regulatory change and to consider the effects; we're waiting to see how much borrowing will come down, and also awaiting the outcomes of planning reforms. These changes all take time to bear fruit.

Because of these factors, continued early engagement and collaboration with all stakeholders will be essential for successful project delivery.

The government has set out it's investment programme, but more onerous regulations and higher costs for the sector to absorb do not help viability. This means that we are facing a softer pipeline, with tighter operating margins and a reduced MEP premium, we have downgraded our forecasts for 2026 to 2029.

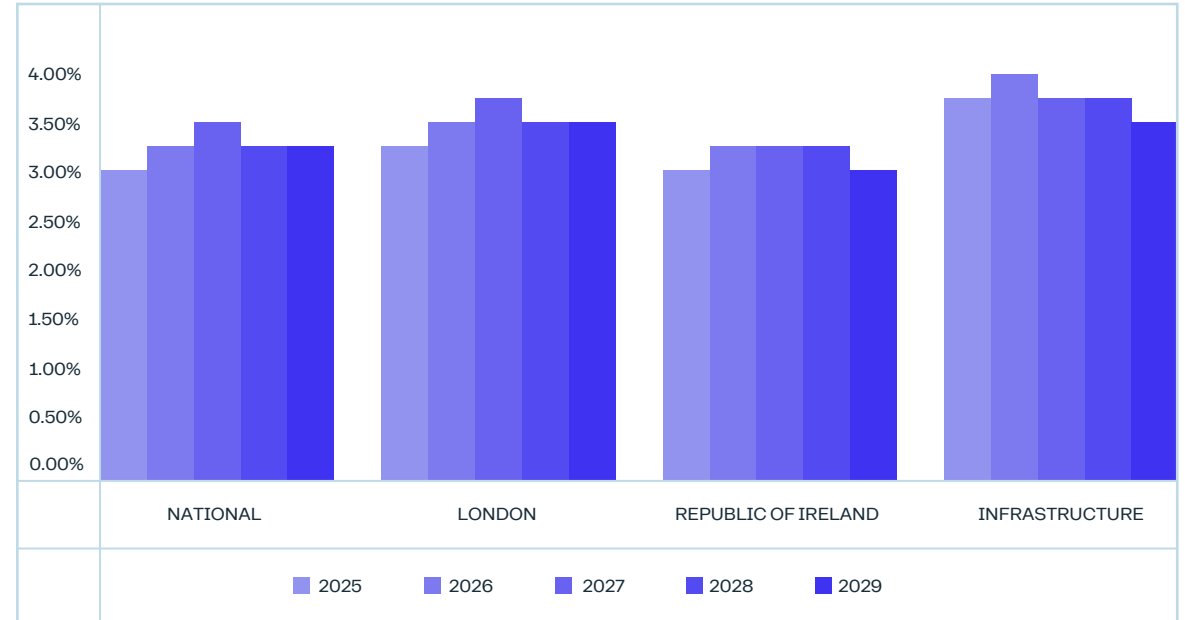


**Max Wilkes**  
Market Intelligence  
Lead, UK & Ireland

4Q2025 ATKINSRÉALIS TENDER PRICE FORECASTS 2025 - 2029

AREA	2025	2026	2027	2028	2029
National	3.00%	3.25%	3.50%	3.25%	3.25%
London	3.25%	3.50%	3.75%	3.50%	3.50%
Ireland	3.00%	3.25%	3.25%	3.25%	3.00%
Infrastructure	3.75%	4.00%	3.75%	3.75%	3.50%

ATKINSRÉALIS TPI FORECASTS 2025 - 2029





# SECTOR UPDATE

# RESIDENTIAL

**“This government is determined not only to build more homes but to build them better and faster.”**

**Matthew Pennycook,**  
Housing Minister

Homebuilding is one of the central policies of the current government, with the stated aim of building 1.5 million new homes in the present parliamentary term. The government has made reforms to the planning process and changes to the Building Safety Act gateway delivery approval, in an effort to reduce logjams and get the UK building new homes. Since then, the number of national Gateway 2 legacy cases has reduced from 103 to 63.

At present, numerous roadblocks stand in the way of an upsurge in housebuilding. As the majority of homes will be delivered by private housebuilders, viability plays a key role as margins will need to be met. The recent announcement by Landsec, to delay commencement on four large schemes in London and Manchester until 2027, highlights the dilemma developers face.

In its commentary on the budget forecast, the OBR said that net additions to the UK housing stock are expected to fall from an average of 260,000 a year in the early 2020s to a low of 215,000 in 2026-27, as recent subdued housing starts are reflected in additions. Net additions are then expected to rise sharply to 305,000 in 2029-30, as the impact of planning reforms are felt.

Leading forecasters, including CBRE, Savills, Knight Frank and JLL, expect house price growth over the next five years, driven by expected falling mortgage rates in 2026, coupled with greater household spending as current inflationary pressures fall out of the cycle.

Current forecasts for house prices expect an increase of 20-22% over the 2025-2029 period with rental rates only rising between 16- 18%, while BCIS suggests a 16% increase in tender price, excluding future regulatory changes. These predictions make viability challenging taking into consideration the extra costs from further factors discussed below.





The Building Safety Levy is now due to take effect in October 2026, having been deferred from October 2025. This new tariff is being introduced in England to help fund the remediation of building safety defects, particularly in residential buildings. The government aims to raise £3.5bn over 10 years through the levy.

Developers will be liable for the charge, which will apply to new residential developments of 10 or more dwellings or 30+ bedspaces in PBSA. BTR, co-living and PBSA developments are all subject to the levy. As these schemes are typically built at scale, they will see a significant increase in costs, particularly as the levy will apply to the total gross internal area (GIA) including communal areas. There are some exemptions, including affordable housing, care homes and armed forces accommodation.

The levy applies to new residential developments and conversions that create or increase residential floorspace. It will be charged per square metre of GIA, with rates varying by local authority. There will be a discount of 50% for developments built on previously developed land (PDL), where at least 75% of the land within the redline boundary qualifies as PDL.

This levy isn't insignificant. For instance, if we were to develop a 400-bed medium rise PBSA, at £105k per bed and covering 12,400m<sup>2</sup> GIA on previously developed land in Birmingham, with a levy of £14.62/m<sup>2</sup>, this would add a further £180k or 0.4% to the budget, rising to £360k (0.9%) on non-previously developed land. If the development were located in Southwark with a PDL levy of £28.47/m<sup>2</sup>, this would add £353k to the budget.

**Another factor making residential development viability challenging is the impending introduction of the Future Homes Standard (FHS).** The aim is to ensure that new homes built from 2025 onwards produce 75–80% fewer carbon emissions compared to those built under 2013 regulations. The introduction of Future Homes will impact the initial capital cost of homes, with an expected increase in build costs of 7-10% for high rise towers due to upgraded materials and systems, but lower running costs and less energy usage will reduce life cycle costs.

Key features include the need to build homes ready for a zero-carbon energy grid. Components include the use of renewables; solar panels and EV charging infrastructure will be required, and gas boilers will be prohibited in new homes, with heating provided by low-carbon technologies like heat pumps and heat networks.

Enhanced building fabric performance with more demanding air-tightness requirements, triple glazing and enhanced insulation will be needed, matching performance levels similar to Passivhaus. **The good news is that a new energy model will replace SAP, with greater flexibility for developers to meet standards through M&E system efficiency. It's expected that all new homes will be built to FHS standards from mid-2028.**

These changes will impact the supply chain. There will be increased demand for installers in heat pumps, PV etc. which, like the rest of the industry, suffers from a shortage of skilled workers. This amplified demand for high-performance materials will place stress on the supply chain as we compete with western Europe and China for resources.





## BUILDING SAFETY ACT (BSA)

One of the major blockages to the development of a steady pipeline of residential units has been at Gateway 2. High-build residential is central to the supply of new housing in London and of growing significance regionally as the skyline in cities such as Manchester, Birmingham and Leeds becomes higher.

The government has taken action to reduce delays to Gateway 2 approval. It has transferred the Building Safety Regulator (BSR) from the Health & Safety Executive (HSE) to the Ministry of Housing, Communities and Local Government (MHCLG), together with a recruitment drive to increase technical capability. This will provide more building inspectors and fire safety specialists, and digital reforms are aimed at reducing the backlog numbers. There are early signs of improvement but the industry itself can learn lessons from the number of defective applications submitted. Ensuring that applications are compliant will assist quicker approvals.

Progress has been made since September for Gateway 2 projects with over 11,000 homes approved. Since 31st August, 409 Gateway 2 decisions across all categories have been made for London projects, with 85% of these utilising the 'approval with requirements' pathway.

**“The immediate, positive results we saw from our pilot operational changes have established a strong foundation for continued success.”**

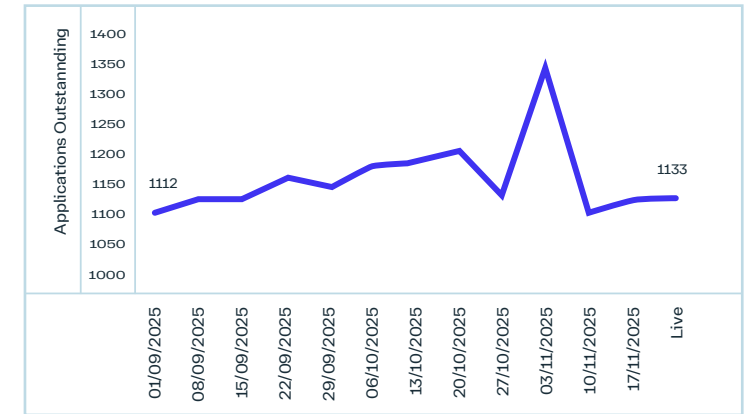
**Charlie Pugsley,  
CEO, Building Safety Regulator**

The latest data from the BSR indicates applications are still outpacing decisions, with bottlenecks remaining in the remediation category. The median wait for approval is 30 weeks, instead of the targeted 12 weeks.

Once this backlog has been tackled and projects get on site, the next test will be Gateway 3, where approval is needed before the high-rise buildings can be occupied. Delays at this point of the contract will expose the developer to severe monetary risk, as at this stage they are at maximum borrowing for the project. The target is eight weeks for approval; however, given the delays encountered for Gateway 2, all documentation will need to be correct and the resource level at MHCLG needs to be adequate and well-trained, to prevent unnecessary delays.

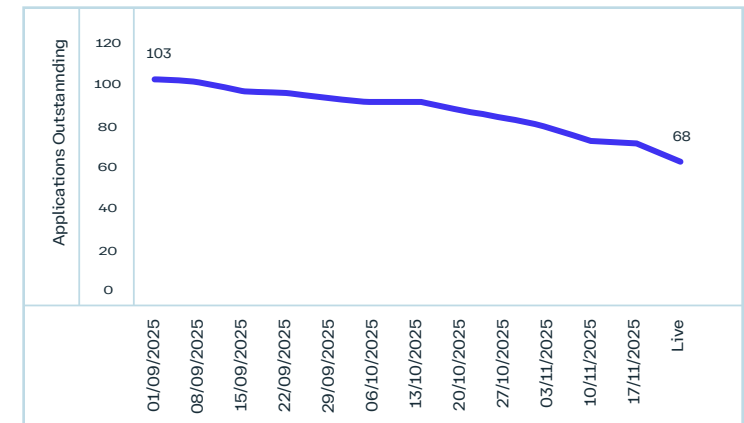
While many of the press headlines have focused on the gateway system, the Building Safety Act (BSA) 2022 also introduced widespread changes to the design, build and management of projects below 18 metres. Secondary legislation is expected to bring clarity to the new requirements, and parties are reluctant to approve work in the absence of clear guidelines.

### OUTSTANDING GATEWAY 2 APPLICATIONS - ALL CATEGORIES



Source: gov.uk website

### GATEWAY 2 LEGACY CASES



Source: gov.uk website

## SMALLER SCALE DELIVERY

For the government to meet its target of providing 1.5m new homes, it must take a close look at how these homes will be delivered.

**“We must work with developers on new and innovative ways to make sure we hit our 1.5 million new homes target.”**

**Matthew Pennycook,**  
Housing Minister

The housing market is dominated by large-scale developers, either high rise developers in city centres or traditional housebuilders. Both solutions chase scale and target large, often greenfield sites where uniformity and economies of scale bring cost efficiencies. Relying solely on large-scale developers will not be enough, but over the last few decades the challenges faced by our industry have decimated SME housebuilders. Recent government statistics show SMEs now account for just 10% of new homes, a significant decline from 40% in the 1980s.

The UK is filled with smaller, often overlooked sites that fail to fit the mould of traditional delivery models. These include derelict urban areas, slivers of brownfield

land, and grey belt land such as disused industrial sites. It’s estimated that there are around 18,000 sites covering 24,000 hectares available (source: Pagabo).

These may only accommodate a few homes each, but collectively they offer a powerful and underutilised opportunity, ideal for SMEs to develop.

These plots are small, difficult to access or require remediation, and an accumulation of sites is needed to make a scheme viable. Expertise is needed to assist the cumulation of these plots. Innovative solutions are required to make the sites viable and provide good quality housing.

MHCLG is piloting the Small Sites Aggregator model. It aims to bring together small brownfield sites that would otherwise not be developed, and to attract private investment to build new social rent homes and address temporary accommodation





challenges. Building on a model developed by Lloyds Banking Group’s Social Housing Initiative, the Small Sites Aggregator will be trialled this year in various locations.

The Small Sites Aggregator is underpinned by a digital tool which provides data and evidence-based outputs, informing better decision-making and enabling roll-out on a regional and national scale.

Social and affordable housing developer EDAROTH (Everyone Deserves a Roof Over Their Head), part of AtkinsRéalis, is leading the design, production and delivery of schemes using the Small Sites Aggregator model. AtkinsRéalis is involved with schemes in Bristol and Surrey, supporting the local authorities. This will help tackle the housing shortage, address unviable small plots of land, and create local jobs supporting the government’s Plan for Change. Using digital tools to inform development decisions on sites, this model uses offsite manufacturing methods to create low-energy-use homes.

Part of Labour’s housing strategy, the model seeks to unlock the additive power of sites deemed too small or complex for conventional delivery.

Additionally, the government has pledged £39bn for the Social and Affordable Housing Programme over the next 10 years in an attempt to deliver at far greater scale and achieve 300,000 social and affordable homes required. In addition to streamlining the planning process for small (less than 10 homes) and medium-sized plots (10 to 49 homes), Homes England will also release more land specifically for SMEs.

The creation of the National Housing Bank, in conjunction with the National Housing Delivery Fund, will provide direct lending to SMEs with low interest loans, alongside government-backed guarantees to de-risk complex projects and attract private investment.

**“As a government, we want to see innovative, small and medium-sized house builders thrive, and the uptake of MMC continue to grow.”**

**Matthew Pennycook,**  
Housing Minister

From a delivery perspective, the scaling up of sites, allowing aggregated portfolios, provides better procurement options.

It’s crucial that offsite manufacturing methods can produce products capable of fitting into the odd shapes and sizes that make these plots difficult to develop.

SMEs face the same political and economic conditions as larger firms, but run on a smaller scale with less cash flow; they are more susceptible to delays and cost increases, so capital assistance is beneficial. Government plans to help SME’s to secure approval through the under-resourced planning departments of local authorities, and help to remediate contaminated brownfield sites are welcomed. Unlocking the potential of these sites and using MMC will also provide a pipeline that both volumetric suppliers and SME builders are crying out for.



**Andrew Prickett**  
Director

[atkinsrealis.com](https://atkinsrealis.com)

 AtkinsRéalis