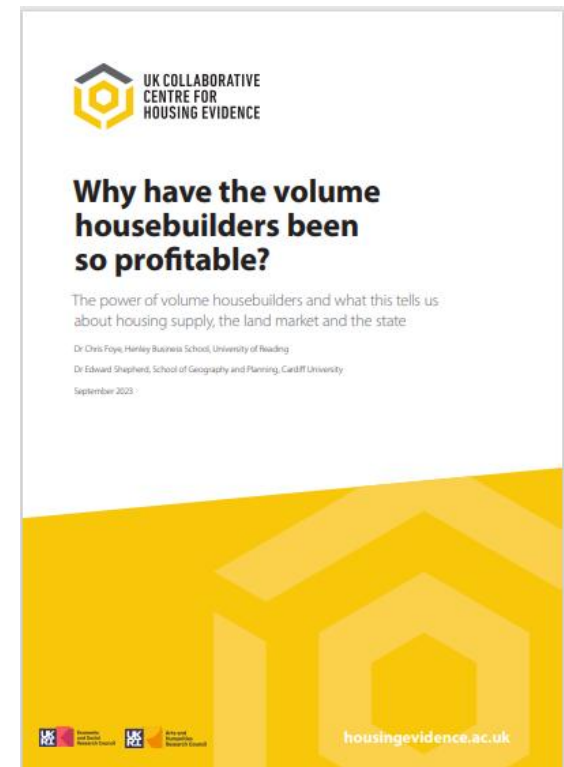


Power and profits of volume housebuilders

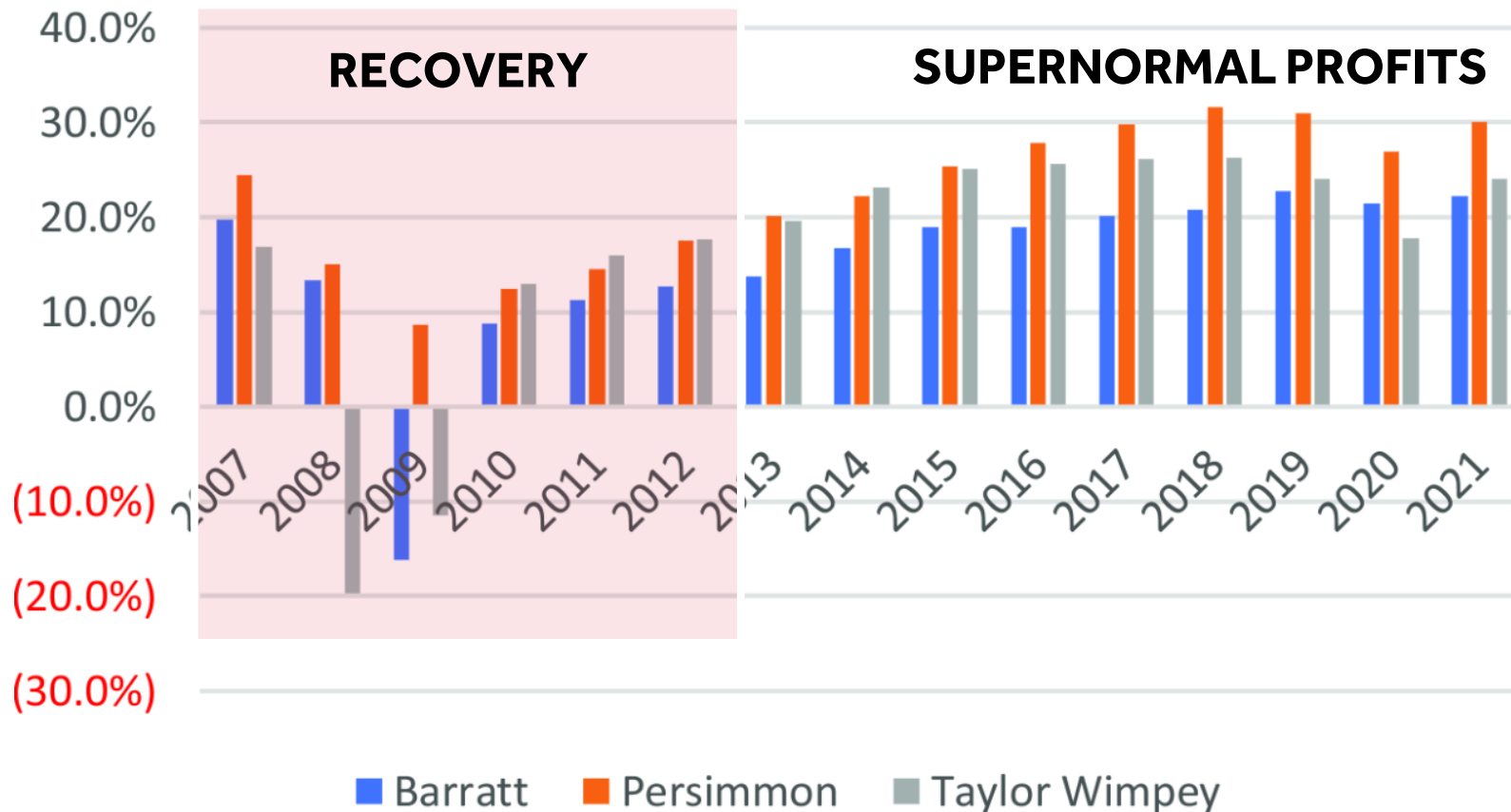
And what it means for housing and planning policy today

Highbury Group Presentation, 9 March 2026

Chris Foye (UCL) and Edward Shepherd (Cardiff University)



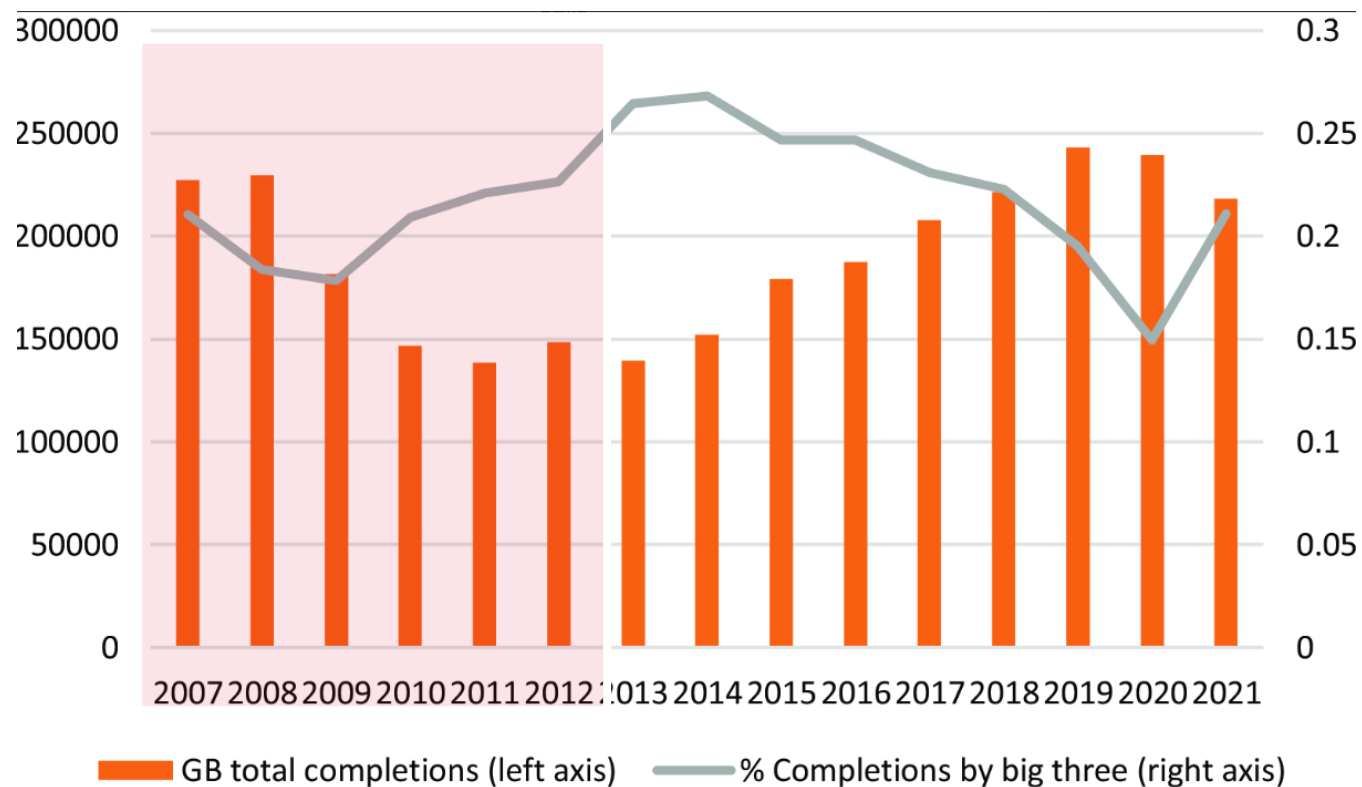
Research problem: Big three profitability post GFC



Gross profit margins for big three 2007–2021 (profits/revenues).

Source: Refinitiv.

Research problem: Big three margin over volumes

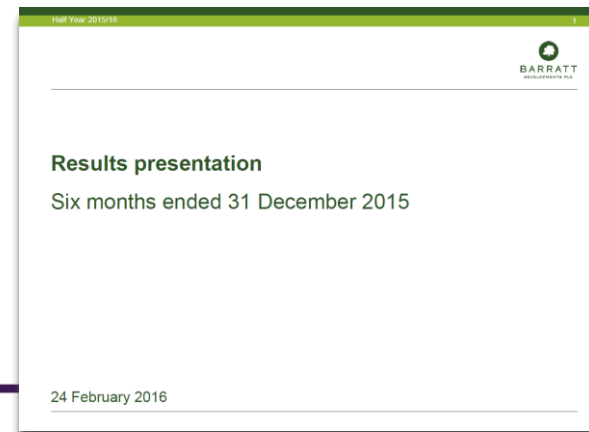


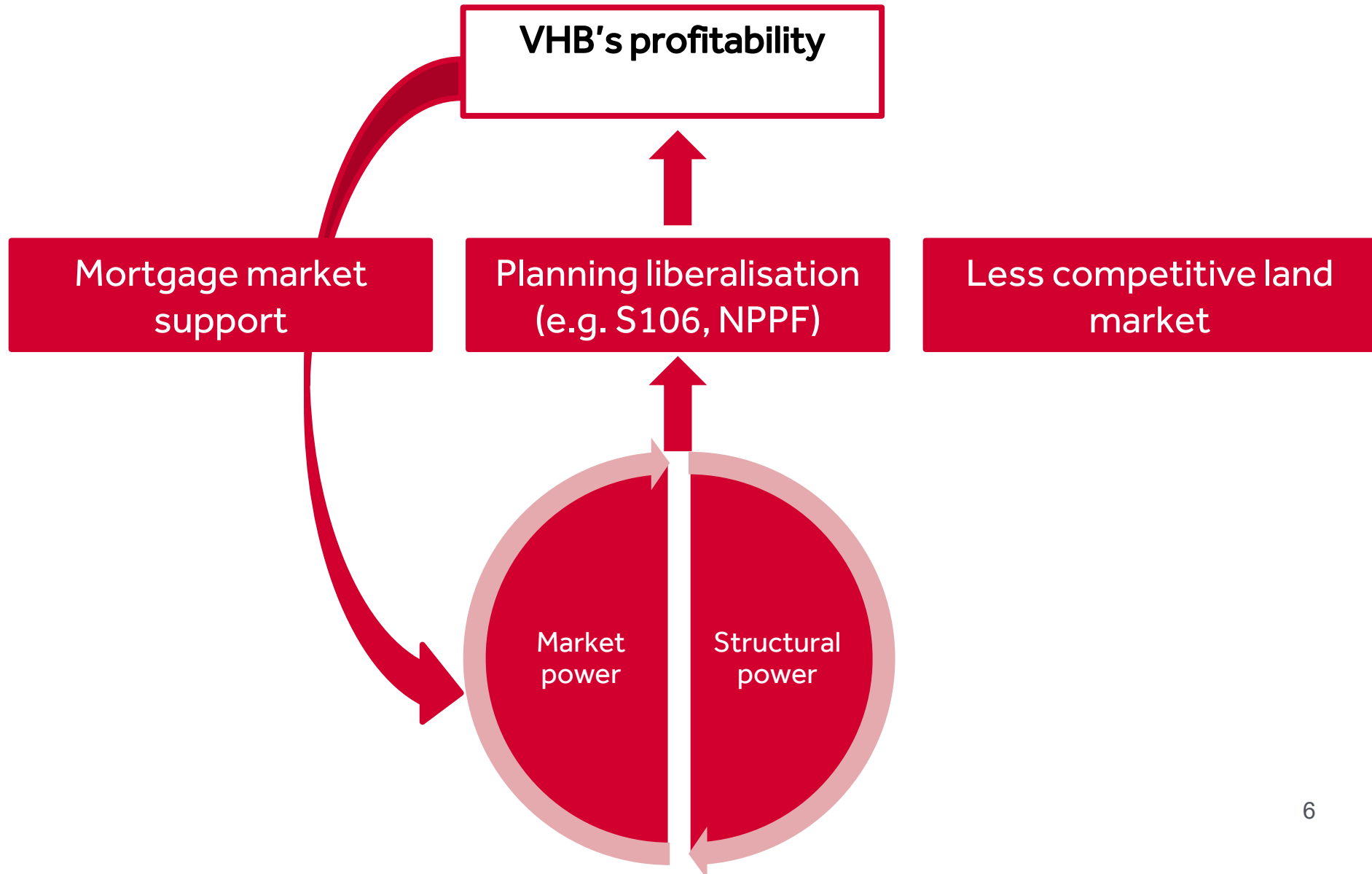
Total completions for GB vs. % completions by big three from 2007 to 2021. *Note:* Total new completions counted via the Department for Levelling Up, Homes and Communities (2023), StatsWales (2023), and Scottish Government (2023). National Audit Office Completions by “big three” counted using annual reports.

Research question

How have the big three been so **profitable**, and what does this profitability tell us about the **nature of the housebuilding industry**, the **development land market** and the **relationship between volume housebuilders and the state?**

Research methods





Market power (monopsonistic)

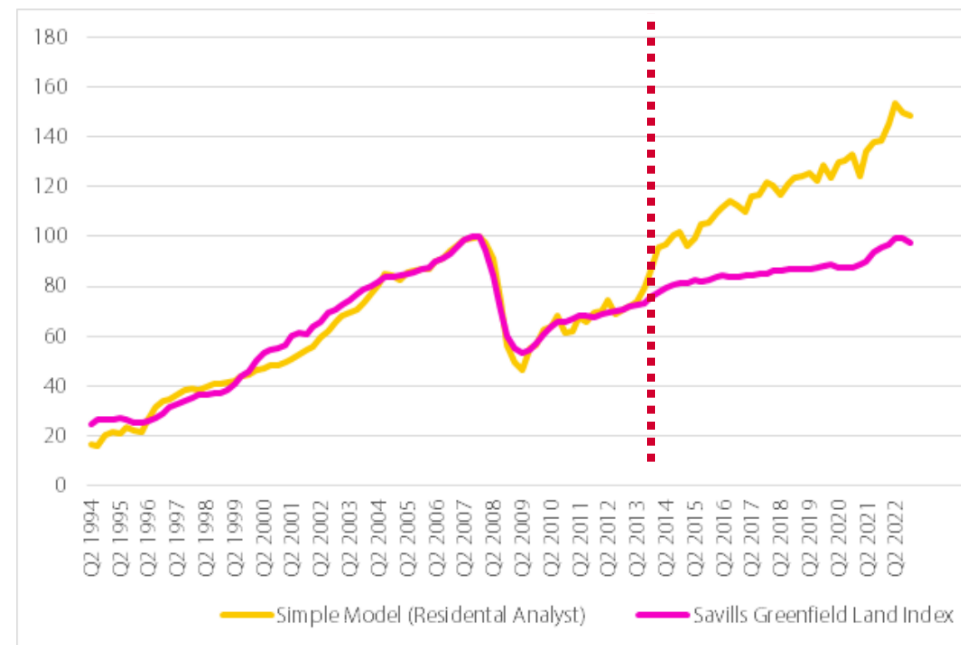
“everybody in the industry has been telling you for a number of years how much easier the land environment is, how much, much better the returns are, how much less competition there is...”

(Jennie Daley, Group Operations Director , Taylor Wimpey, 15 May 2018)

“like any oligopoly, there’s a balancing act. If ...you try and push your market share...up by moving price, you move the whole market and that’s going to damage us all.”

(Pete Redfern, Group Chief Executive, Taylor Wimpey, 4 July 2013)

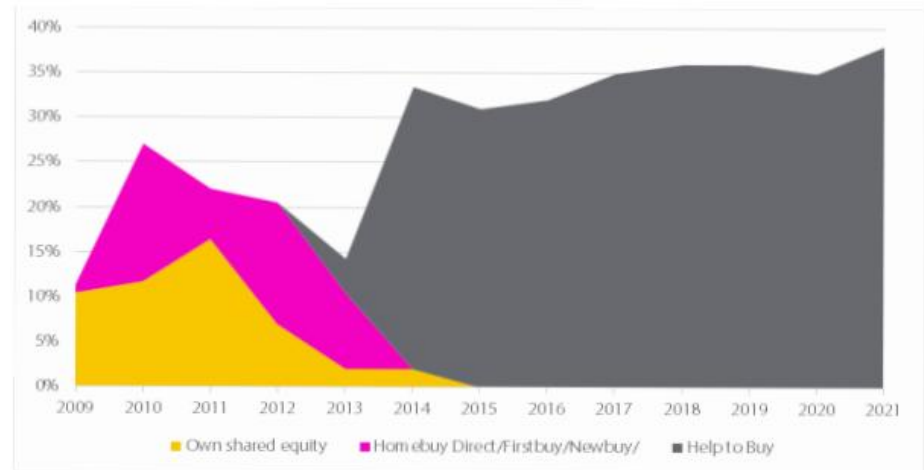
Expected land values according to simple (residual) model vs Savills Greenfield Land Index



Mortgage market support and structural power

- Various mortgage market support schemes introduced post-GFC with the intention of propping-up demand & boosting new-build premium.
- Most significant was **Help to Buy equity loan** (post-2013) which;
 - Inflated new-build premium and VHB's profits
 - Allowing VHBs to wind-down own shared-equity schemes
 - But had **limited effect** on increasing VHBs volumes

Barratt: share of completions through shared-equity schemes (2009 – 2021)



Note: All data from Annual Reports

Liberalisation of planning and structural power

- **Section 106 agreement renegotiations** (planning obligations).
 - **2013** regulatory changes: shortened time limit for submitting application to renegotiate (prior to 6 April 2010) and made it easier to renegotiate based on viability challenges (expired April 2016).
- **2012 National Planning Policy Framework** – the ‘tilted balance’.
 - Original draft by a four-person advisory group – including UK Land and Planning director at Taylor Wimpey.
 - ‘Presumption in favour of sustainable development’.

“Yes, the debate as to what the local authority thinks is not viable and what we think is not viable will clearly be different. But certainly, an impaired site is not viable because it's making no money so why would we carry on? We can clearly stop building on that site and say well, look, it's under water. I think that's where the debate with local authorities is, but we have had a very sensible debate in a lot of cases. I think it's more when the local authority says, that's what you signed up, you're stuck with it, that's when you go well, to be honest, we're not accepting that any more. We now believe we have the right to appeal that, and I think that's very helpful.”

(Mark Clare, Group Chief Executive, Barratt, 12 September 2012)

Relevance today

Key trends post-2021

- Labour promised to rapidly boost housing supply (1.5 million new homes over parliamentary period)
- However, housebuilders continue to complain of planning and viability constraints
- Average build costs increased significantly (c.27%) since 2020 (although average house prices have roughly kept pace)*, number of overall planning permissions for residential developments down 33% since 2019/20



(*Construction output price index and the UK House Price Index increased by 27% and 23% respectively in the period 2020 – 2025. UK house prices have grown more modestly than construction costs in the period 2022 – 2025 at 4% and 11% respectively.)

Relevance today

Key trends post-2021

- These trends coupled with reliance on (increasingly) oligopolistic housebuilding industry affords VHBs significant structural power to influence terms
- Pressure on government to pull levers to adjust planning rules and mortgage availability
- Mortgage market support e.g. Freedom to Buy; planning reform e.g. return of housing targets, 'Golden Rules' development, draft NPPF's expansion of the presumption in favour of sustainable development
- However, VHBs will continue to prioritise margins > volumes

HOUSING TODAY

Trusted media brand of the Chartered Institute of Housing

BOARDROOM | SUBSCRIBE | CORPORATE ACI

Search our site

NEWS COMMENT IN FOCUS EVENTS CPD BOARDROOM JOBS DATA SUBSCRIBE

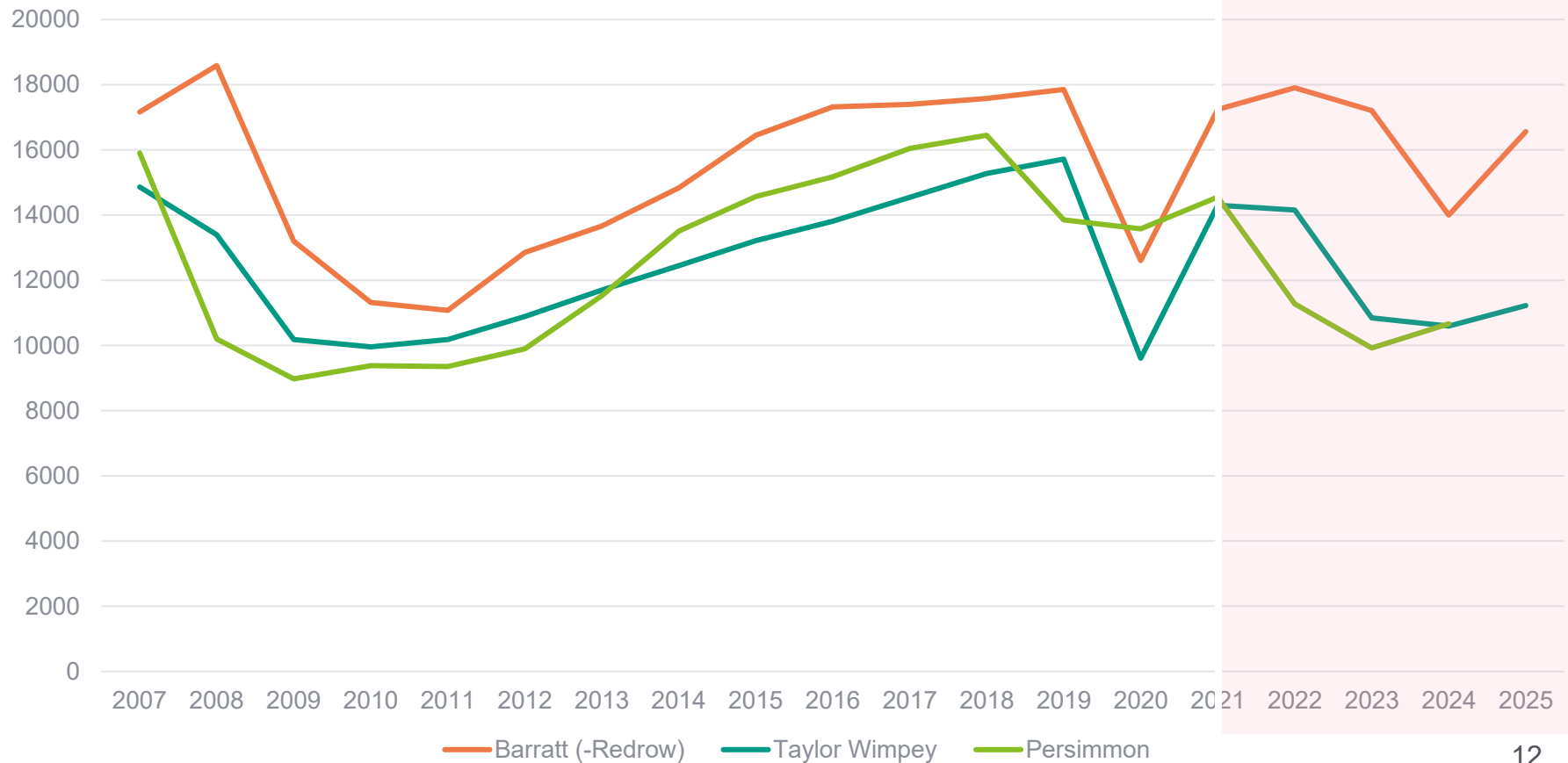
NEWS

Turnover and profit up at Barratt Redrow in first post-merger results

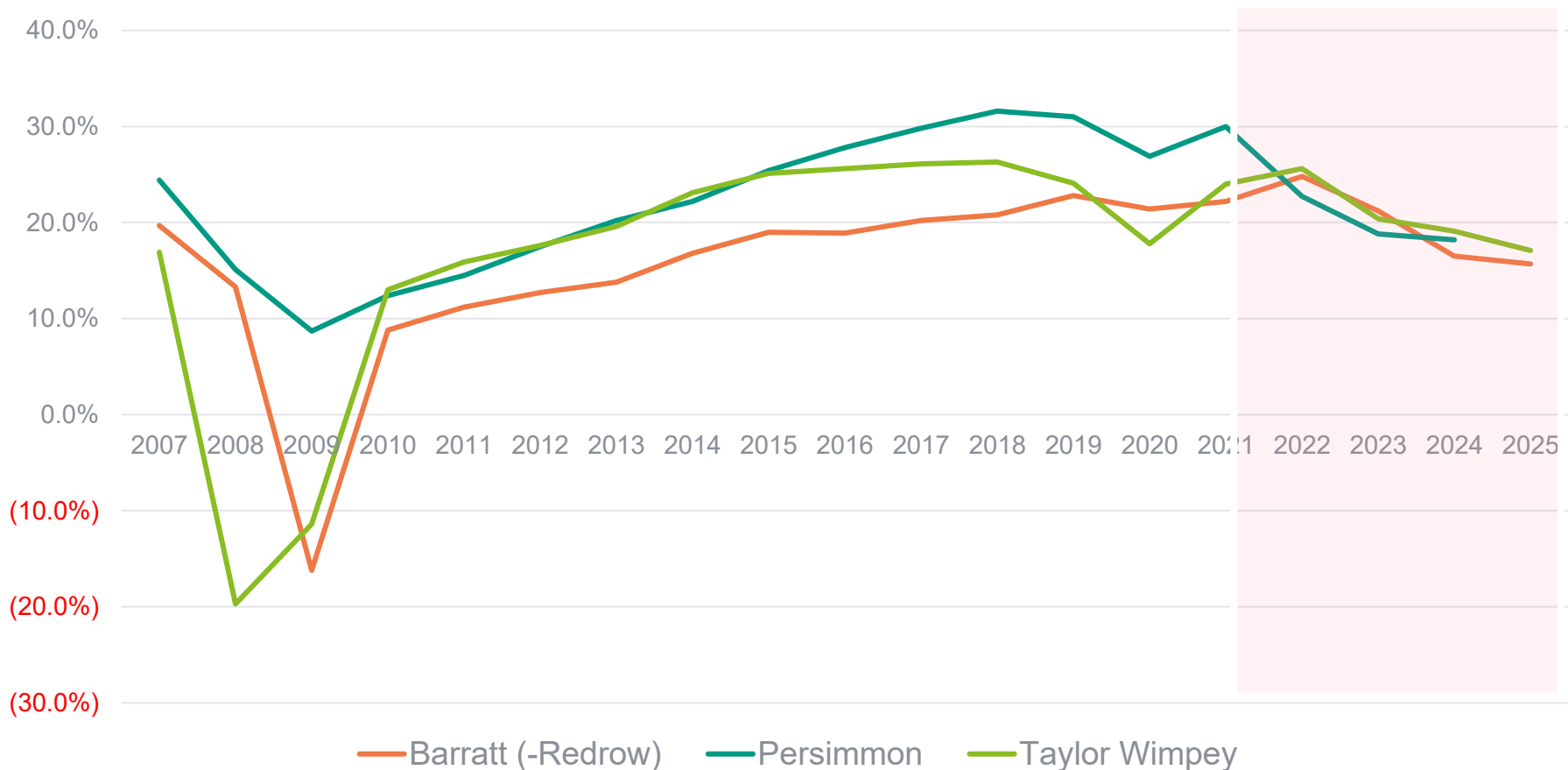
By Daniel Gayne | 17 September 2025



Big-three have reduced completions.....



Gross profit margins have declined, but not dramatically



What is to be done to increase (affordable) housing supply?

- ‘Liberalise’ the planning system?
 - Potentially limited effect on supply if VHB’s continue to constrain volumes (e.g. NPPF, 2012)
- ‘Liberalise’ planning system in a way that favours SME’s?
 - Still issue of development risks/barriers to entry (although Labour has introduced more financial support for SMEs)
- A new Help to Buy?
 - All carrot, no stick: VHB’s can just use to boost margins at expense of FTB’s
- **State should take more active & positive role in land market (and housebuilding) to de-risk supply and decouple housing from the speculative model**
 - **Direct delivery, acquire and service sites, experiment with new models (land as equity), clearer & >consistent land value capture**

Finally, what is a reasonable profit and how should it be calculated?

- Our work has focused on corporate profit – but this is rooted in site-specific viability and profitability
- This is a key area of focus in the current NPPF consultation
- There is a gap between market practices and viability for planning – this gap is exploited by housebuilders to misrepresent residual land values and developer profitability
- The objective for policy should be to seek to close this gap – ultimately impacting land prices and affordable housing supply
- But this will only really have an impact at the margins

