



**UNIVERSITY OF
CAMBRIDGE**

Department of Engineering

CONSTRUCTION ENGINEERING MASTERS DISSERTATION ABSTRACT

The future role of the SME sector in housing supply: a study of the housing market in England

“The least important element of housebuilding is building houses” Bobby McAlpine.

Housebuilders build houses as fast as they can sell them, not as fast as they can build them. This important point can be lost on policy makers when introducing measures to increase housing supply or boost the SME sector.

The two aims of this study are; firstly to explore reasons for the decline of SME housebuilders and secondly; to investigate housing undersupply in the context of consolidation at the top of the housing supply chain and its impact on SME housebuilders. Interviews were conducted with owners/founders of small housebuilders and industry participants from banks, planning authorities and industry bodies. Interviews focused on challenges faced by small housebuilders and reasons for their decline. The data analysis was split into internal and external forces impacting SME housebuilders. The motivation for this study came from an NHBC study which showed that the number of SME housebuilders dropped by 65% in 30 years. This decline occurred despite favourable economic conditions for housebuilders. Every year the UK produces about 100,000 houses fewer than needed to meet demand.

This study outlines policy maker’s focus on building more homes and at a faster rate. It leads politicians to focus on the largest housebuilding firms and the largest sites. Very large sites can only service narrow segments of the housing market. To service every market segment more sites of all sizes are required. Only the small and medium enterprise (SME) sector can sensibly and sustainably build on small sites. Small housebuilders have been in decline for 30 years. When this fact is combined with consolidation at the top of the industry it has resulted in a dysfunctional housing supply which delivers a narrow band of products on a relatively small number of large sites.

This situation cannot satisfy demand from all parts of society. A focus on the barriers to entry for new starters is needed. To increase supply from the bottom is it too much to expect from existing SMEs. We need more SMEs. Significant changes are needed to encourage new entrants to small scale housebuilding. This is unlikely to happen in the short/medium term.

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October 2016