# UK housing construction faces regional and regulatory headwinds despite rising project starts in 2025



UK housing construction activity shows a complex picture in mid-2025, marked by a notable rise in project starts contrasted with significant declines in contract awards and planning approvals. According to Construction News, residential project starts in July were 24% higher year-on-year, despite slipping 1% from the preceding quarter. Notably, smaller projects under £100 million performed strongly, growing 10% quarter-on-quarter and standing 25% above the previous year. However, the sector faces headwinds, with main contract awards down 38% and detailed planning approvals dropping 47% compared to 2024. The overall growth masks declines in several project categories and widespread weakening in approvals across all UK regions.

Private housing remains the dominant sector within residential construction, accounting for 64% of project starts and expanding 72% year-on-year to a total value of £8.34 billion. Student accommodation starts doubled compared to last year, reaching £849 million, though private apartment starts fell 12% to £2.56 billion. Regionally, the South East led residential project starts with £1.87 billion despite a 14% year-on-year decline, while Yorkshire & the Humber and Scotland experienced sharp increases of 138% and 149%, respectively. London, however, saw a 55% slump in detailed planning approvals and a 16% fall in industrial starts, highlighting uneven regional dynamics.

Industry sentiment about housing delivery is mixed, mirroring the uneven construction data. The UK homebuilder Bellway expressed optimism, expecting to build at least 11% more homes in the year ending July 2025, citing improving buyer sentiment supported by decreasing borrowing costs and Labour government policies. Bellway's pre-tax profit exceeded analyst forecasts, and its forward order book grew by 18.4%, reflecting sustained demand. Conversely, Barratt Developments projects a 7% fall in homebuilding due to high mortgage rates and broader economic challenges, impacting confidence within the sector. These conflicting forecasts underscore uncertainties in the housing market’s recovery trajectory.

Housebuilding is also hampered by regulatory delays, especially at the Building Safety Regulator (BSR). According to a Financial Times report citing a Royal Institute of Chartered Surveyors survey, over 60% of respondents identified regulatory and planning holdups, particularly for high-rise residential approvals, as key barriers to construction growth. These delays contribute to stagnant construction workloads and contraction in housing-related sectors, jeopardising government housing targets. Despite infrastructure projects providing some stability, public, private, commercial, and industrial building sectors are facing declines.

From a broader economic perspective, recent data from the Office for National Statistics reveals a slight fall in overall construction output in May 2025, driven by decreases in repair and maintenance work. New construction saw modest growth, but five out of nine construction sectors recorded output declines. This mixed performance aligns with Glenigan’s market update, which reported strong growth in private housing starts—up 76% quarter-on-quarter—but flagged labour shortages as a growing risk, with an estimated shortfall of 252,000 workers by 2028. The government has pledged £600 million in skills funding to address this gap, yet implementation delays remain a concern.

In the affordable housing domain, funding and financial viability challenges are escalating. Housing associations in England report increasing difficulties in financing new affordable homes amid rising interest rates, construction costs, and government funding cuts. Clare Miller, chief executive of Clarion Housing Group, highlighted the sector’s struggles despite delivering nearly 10,000 homes in five years. This funding squeeze threatens the supply of affordable housing and, by extension, the broader construction sector reliant on these projects. The government’s £39 million commitment in the Spending Review aims to support meeting a 1.5 million social housing target, but the scale of the challenge remains considerable.

In summary, UK housing construction in 2025 is characterised by a cautious optimism buoyed by rising project starts and supportive market signals, tempered by significant regulatory, economic, and financial obstacles. Regional disparities and segment-specific challenges illustrate a sector in transition, influenced heavily by policy direction, mortgage market conditions, and labour market constraints. Meeting national housing goals will require addressing these multifaceted issues, including streamlining regulatory processes, securing sustainable funding for affordable housing, and ramping up workforce capacity.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.constructionnews.co.uk/cn-intelligence/uk-construction-activity-july-2025-housing-26-08-2025/), [[6]](https://lead-edge.co.uk/articles/uk-construction-market-update-july-2025/)
* Paragraph 2 – [[1]](https://www.constructionnews.co.uk/cn-intelligence/uk-construction-activity-july-2025-housing-26-08-2025/)
* Paragraph 3 – [[2]](https://www.reuters.com/world/uk/uk-homebuilder-bellway-upbeat-fy25-homebuild-targets-2024-10-15/), [[5]](https://www.reuters.com/world/uk/uks-barratt-forecasts-7-fall-fy25-homebuild-targets-2024-07-10/)
* Paragraph 4 – [[3]](https://www.ft.com/content/7d4a6aee-f8fe-49a7-a093-441315efc60d)
* Paragraph 5 – [[4]](https://www.gov.uk/government/statistics/building-materials-and-components-statistics-july-2025/construction-building-materials-commentary-july-2025), [[6]](https://lead-edge.co.uk/articles/uk-construction-market-update-july-2025/)
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## Bibliography

1. <https://www.constructionnews.co.uk/cn-intelligence/uk-construction-activity-july-2025-housing-26-08-2025/> - Please view link - unable to able to access data
2. <https://www.reuters.com/world/uk/uk-homebuilder-bellway-upbeat-fy25-homebuild-targets-2024-10-15/> - Bellway, a UK homebuilder, anticipates constructing at least 11% more homes in the financial year ending July 2025 compared to the previous year. This optimistic outlook is attributed to decreasing borrowing costs and supportive housing policies from the new Labour government, which have bolstered buyer sentiment. The company reported a full-year underlying pre-tax profit of £226.1 million, surpassing analyst forecasts. The forward order book increased by 18.4% to £1.41 billion as of the end of July, indicating strong demand. Private reservation rates also surged by 48.5% in the first nine weeks of the fiscal year.
3. <https://www.ft.com/content/7d4a6aee-f8fe-49a7-a093-441315efc60d> - Delays at the UK's Building Safety Regulator (BSR) have emerged as the principal obstacle to housebuilding, raising concerns about the government's ability to meet housing targets. A survey by the Royal Institute of Chartered Surveyors (RICS) revealed stagnant construction activity in Q2 2025, with overall workloads dipping slightly and housing sectors experiencing contraction. Over 60% of survey respondents blamed regulatory and planning delays, particularly long BSR approval times for high-rise residential buildings, for stifling growth. Although infrastructure projects helped maintain overall stability, public, private, commercial, and industrial builds suffered declines.
4. <https://www.gov.uk/government/statistics/building-materials-and-components-statistics-july-2025/construction-building-materials-commentary-july-2025> - The Office for National Statistics (ONS) published Construction output in Great Britain: May 2025 on 11 July 2025. Main points: monthly construction output is estimated to have fallen by 0.6% in May 2025; this follows 3 consecutive periods of growth, including an increase of 0.8% in April 2025; the decrease in monthly output in May 2025 came solely from a decrease in repair and maintenance (2.1% fall), as new work increased by 0.6%; at the sector level, output in 5 out of the 9 sectors fell in May 2025; the main contributors to the monthly decrease were non-housing repair and maintenance, and private housing repair and maintenance, which fell by 2.4% and 1.8%, respectively; total construction output is estimated to have grown by 1.2% in the 3 months to May 2025; new work increased by 0.9%, and repair and maintenance by 1.5%.
5. <https://www.reuters.com/world/uk/uks-barratt-forecasts-7-fall-fy25-homebuild-targets-2024-07-10/> - Barratt Developments, a leading UK homebuilder, anticipates a decrease of up to 7% in its homebuilding targets for fiscal 2025 due to high mortgage rates and economic challenges delaying housing market recovery. The company projects building 13,000-13,500 homes in the year ending June 2025, compared to 14,004 homes in the previous year. Shares dropped by 3% following this announcement, marking Barratt as the top percentage loser on the FTSE 100 index. The sector is hoping for support from the new Labour government, which has pledged to address housing shortages through policy changes and increased funding for planning officers.
6. <https://lead-edge.co.uk/articles/uk-construction-market-update-july-2025/> - Glenigan’s June Index reported a 49% increase in project starts over Q2, now 25% higher year-on-year. Private housing starts surged by 76% quarter-on-quarter, and 64% compared to June 2024. Notable schemes include the Sudbury Westlands Heath development and major social housing projects in the North West. The West Midlands and North West posted the biggest quarterly growth at 78% and 72% respectively. Labour shortages pose a growing risk, with 76% of firms struggling to hire and an estimated 252,000 additional workers needed by 2028. The government has announced £600m in skills funding to train 60,000 workers, but implementation remains slow.
7. <https://www.ft.com/content/4d429eba-1935-46c9-9871-e0a73989d043> - Housing associations in England are increasingly unable to finance new affordable housing, exacerbated by higher interest rates and reduced government funding. Clare Miller, Clarion's chief executive, stated that their finances are no longer viable, despite having built nearly 10,000 homes in five years. The country needs around 145,000 new affordable homes annually, a key issue for the upcoming general election. Non-profit associations, essential for affordable home construction, have halted or reduced building projects, worrying private developers and impacting the construction sector. Rising construction costs, necessary safety and environmental improvements, and capped rental income further strain budgets.