# UK housing slowdown deepens as planning delays and economic uncertainty hinder recovery



The UK construction and housing sectors are currently facing a pronounced slowdown, with significant declines in residential projects striking across public and private domains. Data from industry analyst Glenigan reveals that housing construction starts dropped by 18% compared to the previous quarter, finishing 16% below levels seen in early 2024. This downturn is compounded by a sharp 48% plunge in detailed planning approvals relative to the previous three months and a 17% decrease compared with the previous year. Newly released government figures also report a 5% year-on-year decline in overall planning applications submitted between April and June 2025, with local authorities receiving 11% fewer applications compared to the preceding quarter.

This residential sector weakness is mirrored in the outlook among architects. The Royal Institute of British Architects (RIBA) recorded a softening future workload index in August 2025, dropping from +9 in July to just +2, alongside average workloads 13% lower than the same period in 2024. These indicators are largely attributed to a steep decline in the private housing market—the primary revenue source for smaller architectural practices. Adrian Malleson, RIBA’s head of economic research, attributes the downward pressure to a constellation of factors including rising costs, weak client confidence, a stagnant economy, regulatory burdens such as the Building Safety Act, and persistent planning delays.

The housing slowdown has prompted government action, with Housing Secretary Steve Reed labelling the fall in planning applications as "unacceptable" and unveiling a 'building acceleration package' intended to expedite new home construction. Nevertheless, industry voices emphasise that planning system delays disproportionately affect small and medium-sized developers, exacerbating the housing crisis. Motti Ifergan, director of UPP Architects and a town planner, stresses the need for investment in planning teams, policy clarity, and faster decision-making to unlock housing supply.

Glenigan’s September Construction Index further paints a bleak picture, reporting a 24% reduction in social housing project starts in the latest quarter and a 17% decline year-over-year. Private housing is similarly affected, with new onsite projects down 16% from the previous year. Contrastingly, non-residential sectors show some resilience, especially office building starts, which surged by 103% in the quarter and more than doubled compared to last year. Glenigan’s economist Drilon Baca suggests the industry is still in a significantly stronger position than the previous winter, although disappointment remains among firms given the prior quarter’s false optimism.

This protracted housing construction weakness is not new; February 2025 data highlighted through the S&P Global/CIPS Construction PMI revealed the sector’s steepest contraction since 2020. Housebuilding outpaced the general construction slowdown with output, employment, and new orders all notably declining. Analysts and commentators from various construction consultancies underscore the importance of reforming the planning system, identifying it as a major barrier to government ambitions for housing growth.

Economic factors contribute additional headwinds. Barratt Redrow, the UK’s largest homebuilder, has warned that uncertainties surrounding the upcoming November 2025 budget could heighten risks to home sales for fiscal 2026. CEO David Thomas pointed to inflation, high interest rates, weak consumer confidence, and speculation over potential stamp duty hikes as factors straining the market, although he remains optimistic about the housing market’s long-term fundamentals. Despite these challenges, Barratt Redrow reported strong financial performance for the year ending June 2025, with revenue rising to £5.58 billion and profits surpassing expectations.

Meanwhile, UK housing prices showed signs of strain in September 2025, with the first yearly decline since early 2024. Asking prices dipped 0.1%, driven predominantly by southern England, where higher-value properties are sensitive to tax change speculation in the forthcoming budget. Rental market growth has also slowed to its weakest pace in four years, with rents rising just 2.4% annually amid increased availability and easing demand pressures. These trends are compounded by stalled economic growth and expectations that interest rates will remain steady at 4% for the near term.

The pipeline of new homes further underscores concerns about future supply. Industry bodies report that the 12 months to Q1 2025 saw just over 204,000 completions—down 9% from the previous year and the lowest annual figure since 2016. While larger housebuilders have seen some quarterly gains in completions, smaller firms continue to struggle, delivering fewer new homes—a trend mirrored in sharp declines in housing starts on site and shrinking numbers of homes under construction. The housing delivery test, a government mechanism for ensuring local authorities meet development targets, is expected to see more districts failing, increasing the risk of developmental sanctions albeit highlighting systemic supply challenges.

Land and planning remain prominent constraints, with over half of developers citing land prices as a significant hurdle despite some easing in land availability issues. Notably, the government’s ongoing reform promises and additional housing funding from earlier statements aim to mitigate these blockages over time.

In sum, while the UK construction sector shows pockets of improvement outside housing, the residential market continues to falter amid economic headwinds, planning system inefficiencies, and market uncertainties. The sector’s recovery appears dependent on accelerated government interventions in planning reform and sustained economic support to stem declining starts and deliver on critical housing targets.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.architectsjournal.co.uk/news/industry-slowdown-as-housebuilding-plumets-new-data-shows), [[6]](https://www.glenigan.com/glenigan-index-of-construction-starts-to-end-of-march-2025/)
* Paragraph 2 – [[1]](https://www.architectsjournal.co.uk/news/industry-slowdown-as-housebuilding-plumets-new-data-shows)
* Paragraph 3 – [[1]](https://www.architectsjournal.co.uk/news/industry-slowdown-as-housebuilding-plumets-new-data-shows)
* Paragraph 4 – [[1]](https://www.architectsjournal.co.uk/news/industry-slowdown-as-housebuilding-plumets-new-data-shows), [[6]](https://www.glenigan.com/glenigan-index-of-construction-starts-to-end-of-march-2025/)
* Paragraph 5 – [[4]](https://www.reuters.com/world/uk/uk-construction-pmi-falls-lowest-since-2020-house-building-plummets-2025-03-06/), [[5]](https://www.theguardian.com/business/2025/mar/06/uk-construction-sector-activity-plunges-pmi-report)
* Paragraph 6 – [[2]](https://www.reuters.com/world/uk/uks-barratt-redrow-warns-budget-uncertainties-heighten-fiscal-2026-sales-risks-2025-09-17/)
* Paragraph 7 – [[3]](https://www.reuters.com/world/uk/uk-house-prices-fall-while-rents-rise-by-least-4-years-surveys-show-2025-09-14/)
* Paragraph 8 – [[7]](https://www.savills.co.uk/research_articles/229130/376627-0/english-housing-supply-update-q1-2025)

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## Bibliography

1. <https://www.architectsjournal.co.uk/news/industry-slowdown-as-housebuilding-plumets-new-data-shows> - Please view link - unable to able to access data
2. <https://www.reuters.com/world/uk/uks-barratt-redrow-warns-budget-uncertainties-heighten-fiscal-2026-sales-risks-2025-09-17/> - Barratt Redrow, the UK's largest homebuilder, has cautioned that uncertainties surrounding the upcoming UK budget on November 26 could further strain home sales prospects for fiscal year 2026. The company notes that the housing market is already under pressure due to high inflation, elevated interest rates, and weak consumer confidence, exacerbating affordability concerns. Additionally, speculation over potential stamp duty increases is adding to the sector’s challenges. Despite these short-term hurdles, CEO David Thomas emphasized confidence in the long-term fundamentals of the housing market. Barratt Redrow also released its annual financial results for the first time since its merger with Redrow, reporting a significant revenue increase to £5.58 billion for the year ending June 29, up from £4.17 billion a year prior. Its adjusted pre-tax profit reached £591.6 million, surpassing market expectations of £515.7 million.
3. <https://www.reuters.com/world/uk/uk-house-prices-fall-while-rents-rise-by-least-4-years-surveys-show-2025-09-14/> - In September 2025, UK house prices experienced their first annual drop since January 2024, with asking prices falling 0.1% compared to the previous year, according to Rightmove. Though there was a slight month-on-month increase of 0.4%, it was below seasonal norms and followed three months of declines. The fall was mainly driven by southern England, where more expensive properties are more sensitive to potential tax hikes, contributing to increased sales. Market uncertainty is being influenced by expected property tax changes in the upcoming November budget. Meanwhile, Zoopla reported that rental prices rose 2.4% annually in the four weeks to September 2—the slowest growth in four years. Despite affordability issues, more rental properties are available, easing demand pressures. Average rents now stand at £1,300 ($1,761) per month, with a 3% overall rise projected by year-end. Lower migration and improved mortgage access for first-time buyers are reducing rental market pressure. Economic growth stalled in July, and interest rates are expected to remain unchanged at 4% in the Bank of England’s September 18 meeting, with the next possible rate cut anticipated in spring 2026.
4. <https://www.reuters.com/world/uk/uk-construction-pmi-falls-lowest-since-2020-house-building-plummets-2025-03-06/> - The UK construction sector experienced a significant contraction in February, with house-building seeing one of the steepest declines since 2009. The S&P Global/CIPS UK Construction Purchasing Managers' Index dropped to 44.6, its lowest since May 2020, driven by weak demand and high borrowing costs. This was below all economist forecasts and reflects a wider slowdown, as the all-sector PMI also fell to a 16-month low. Housebuilding specifically saw a notable tumble to 39.3, with declines in output, employment, and input buying. New orders decreased the most since May 2020, and the pace of job losses accelerated. Additionally, input costs surged due to increased raw material, energy, fuel, and wage costs. Business optimism and investment have declined following the finance minister's October budget, impacting various sectors.
5. <https://www.theguardian.com/business/2025/mar/06/uk-construction-sector-activity-plunges-pmi-report> - Steep declines in housebuilding and engineering work have led to the biggest plunge in UK construction activity since May 2020, according to a survey of building companies. With firms blaming a lack of consumer demand and high interest rates, the S&P Global construction purchasing managers’ index (PMI) for February slumped to 44.6 – a sharp drop from 48.1 in January – after one of the biggest monthly falls in housebuilding activity on record. Most economists had expected activity to rebound to 49.7 in February, just below the 50 mark that separates growth and contraction. S&P said residential building work, which lies at the heart of the government’s growth agenda, fell dramatically. The index for residential building sank to 39.3 – the fifth decrease in a row – and the weakest-performing area of construction activity in February on record.
6. <https://www.glenigan.com/glenigan-index-of-construction-starts-to-end-of-march-2025/> - Overall, the value of work starting on-site in the three months to March fell by 19% compared to the preceding three months and remained 16% below 2024 levels. Residential construction starts decreased 12% against both the preceding three months and 2024 figures. Non-residential construction starts dropped 24% compared to the preceding three months and were down 22% year-on-year. Civil engineering projects declined by 28% against the preceding three months, 16% lower than a year ago. Note: While the raw Index values remain relatively high creating a perception of growth, the seasonally adjusted trend indicates a decline. Sector analysis – residential The residential sector experienced significant declines across both private and social housing projects. Overall, residential construction starts decreased by 12% compared to the preceding three months and were also 12% lower than the same period in 2024. Private housing construction starts saw a decline of 11% against the previous quarter and 9% compared to the same period last year, reflecting the continued caution in the housing market. Social housing starts experienced a steeper drop, decreasing by 15% against the preceding three months and standing 20% lower compared to the same time in 2024. The additional funding announced in the Spring Statement will hopefully help unlock both stalled social and private housing projects over the coming months.
7. <https://www.savills.co.uk/research_articles/229130/376627-0/english-housing-supply-update-q1-2025> - Total completions in the 12 months to Q1 2025 were just over 204,000 – a 9% decrease compared to the same time last year, and the fourth consecutive quarter of falling annualised completions. As with starts, the NHBC reports that while the major housebuilders actually saw a slight uptick in quarterly completions, small and medium-sized builders continue to struggle. Looking ahead to 2024’s Housing Delivery Test The Government recently reinstated the Housing Delivery Test. Districts that do not meet housing requirements ‘fail’ the test, and have an escalating series of sanctions imposed upon them when making planning decisions. The HDT is essentially backwards-looking: the most recent version covers until March 2023. We have modelled what the 2024 test may look like (which will be applied from November 2025). Overall, ending Covid allowances (which reduced overall targets) will land more authorities with a sanction. 157 districts – up from 105 in 2023 – are projected to fail the Test, with 99 risking a presumption in favour of sustainable development. 204,600 new homes were built in the twelve months to March 2025, according to EPC data. That’s down 9% from the previous year, and the lowest number of new homes built in a twelve month period since September 2016. Around 225,000 new homes gained full planning consent in the year to Q1 2025, according to initial estimates from Glenigan and the HBF. This is 8% lower than last year, although moderate revisions are likely, potentially on the upside. 10% more homes gained consent in the year to March than were built; as 10% to 30% of consented homes typically fail to be built out, this suggests future supply will at best be static, or possibly even falling. In March 2025, the Standard Method for calculating housing need was updated to reflect new housing affordability data. Even with many areas now having lower housing need figures than in December, every region failed to build enough homes. By comparing the number of homes granted planning permission with the number being completed, we can roughly gauge whether supply is growing or falling. Annual completions by the top 10 housebuilders rose by 2% in Q1. By contrast, among the top 50 housebuilders, completions fell by 1%; this segment is now delivering 8% fewer homes than a year earlier, with signs of a recovery still remote. Smaller firms also saw a drop in new homes, with 4% fewer annual completions in Q1 than the previous quarter. The HBF sentiment survey (provided by NHBC) provides qualitative data on the major constraints affecting housebuilding. Planning delays remained the leading constraint at the end of 2024, albeit at a slightly lower level than seen in Q3, highlighting how even with rising planning permissions and the Government’s reform agenda, this issue will take time to fully resolve. Over half of developers surveyed also cited land prices as a constraint, possibly reflecting rising activity and bids in the land market in recent months. At the same time, land availability as an issue declined to its lowest level for two years. Cost and supply pressures remain low for labour and materials in Q4 2024. A little over 8,500 homes started on site in the year to March 2025, down nearly half (46%) compared to 2024. Future revisions may improve this figure, but are unlikely to turn it around. The number of homes under construction also shrank, with 13% fewer homes in the pipeline in the year to March 2025 compared to the same period in 2024. Nevertheless, with nearly 48,000 homes under construction, there is still considerable supply coming forward. 2023/24 remained a strong year for Affordable delivery. Overall annual delivery in the year to March 2024 was 2% lower than the year before. This still represented the second-highest number of new Affordable homes delivered since 2014-15, however. Moreover, social rented homes increased by 5% compared to the previous year. Our latest estimate using figures from the NHF suggests Affordable housing delivery will decline further by around 5% in the coming year.