# UK housebuilding crisis deepens as targets become increasingly unattainable



The UK housing sector faces a severe crisis that casts serious doubt on the Labour government's ambitious pledge to deliver 1.5 million new homes within the current parliamentary term. Industry data reveals a stark slump in housebuilding activity, with recent figures showing residential contract awards down by 44% and planning permissions plunging by 42% compared to last year. London, a critical market for housing expansion, saw just over two thousand new homes started in the first half of the year—a fraction of the levels needed to meet targets. This collapse is driven by a combination of labour shortages, soaring construction costs exacerbated by increased employers' national insurance contributions, stringent post-Grenfell building regulations, planning backlogs, and conflicts over the balance of private and social housing in new developments.

The broader economic and policy context further undermines the sector. The end of government incentives such as Help-to-Buy, the cessation of buy-to-let growth, a rise in stamp duty earlier this year, and persistently high interest rates have all contributed to suppressed property sale prices. Social housing providers, meanwhile, grapple with cash constraints and ongoing cladding remediation issues. Multiple reports underline that despite proposed planning reforms and promises of new towns and affordable housing funds, structural challenges and poor market conditions render the 1.5 million homes pledge increasingly unrealistic.

The political fallout has been significant, especially for Angela Rayner, the former housing minister. Despite her ambitions, Rayner reportedly struggled with the impossible brief, reportedly threatening resignation multiple times before being reassured by former Prime Minister Tony Blair. Her subsequent removal following a personal tax underpayment controversy—where she admitted to underpaying stamp duty on an expensive property—may have inadvertently relieved her of the burdensome portfolio. Prime Minister Keir Starmer has publicly supported her, but critics argue the scandal and the unfathomable housing targets have damaged Labour’s credibility on housing.

The industry’s malaise is underscored by official construction data, which reflects broader weaknesses in the UK economy. Earlier this year, construction Purchasing Managers’ Index (PMI) figures signalled contraction for the first time in nearly a year, with housebuilding activity showing the sharpest decline. This downturn is linked to economic uncertainties, elevated borrowing costs, and diminished business confidence. Although some sectors, particularly infrastructure and green projects, prompt optimism among certain firms, the housebuilding segment remains fragile.

Housing approvals data from England reinforce this picture of decline. Permissions for new builds have hit their lowest since 2014, with only 230,000 units approved in the year to June—far short of the government’s target of 370,000 new homes annually. The dwindling supply has pressured the market, pushing rents up by over 8% and house prices by more than 2% in the past year alone, despite the Bank of England’s efforts to ease borrowing costs through rate cuts.

While recent construction indices reveal some pockets of resilience, notably a 24% quarter-on-quarter rise in residential starts in early 2025 and a modest uptick in private housing activity, this is tempered by a sharp fall in civil engineering projects. Industry analysts caution that for this recovery to be sustained, greater confidence throughout the supply chain is essential. The government’s upcoming spending review remains a critical juncture, with clarity on infrastructure investment potentially unlocking broader momentum for housing and local projects.

In parallel, the Treasury has temporarily suspended import tariffs on a range of building materials until mid-2027, aiming to alleviate supply costs and support construction activity. While this move is welcomed by some in the sector, it is unlikely to counterbalance the significant regulatory, financial, and labour market constraints currently hampering growth in housebuilding.

The current environment paints a sobering view of the UK’s housing ambitions. Without substantial structural reforms, improved market conditions, and greater policy coherence, the dream of rapidly expanding the housing stock appears increasingly unattainable, leaving many to question whether political rhetoric will translate into tangible homes for those in need.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.spectator.com.au/2025/09/housebuildings-in-crisis-bring-back-angela-rayner/), [[2]](https://moneyweek.com/investments/house-prices/labours-failure-on-house-building-is-turning-into-a-national-emergency), [[3]](https://www.reuters.com/world/uk/english-home-building-approvals-hit-lowest-since-2014-2024-09-19/), [[4]](https://www.reuters.com/world/uk/uk-construction-activity-tumbles-january-hit-by-housebuilding-pmi-shows-2025-02-06/)
* Paragraph 2 – [[1]](https://www.spectator.com.au/2025/09/housebuildings-in-crisis-bring-back-angela-rayner/), [[2]](https://moneyweek.com/investments/house-prices/labours-failure-on-house-building-is-turning-into-a-national-emergency), [[3]](https://www.reuters.com/world/uk/english-home-building-approvals-hit-lowest-since-2014-2024-09-19/)
* Paragraph 3 – [[1]](https://www.spectator.com.au/2025/09/housebuildings-in-crisis-bring-back-angela-rayner/), [[5]](https://apnews.com/article/4a2dc7224c0e4b625f01b37250eb3780)
* Paragraph 4 – [[4]](https://www.reuters.com/world/uk/uk-construction-activity-tumbles-january-hit-by-housebuilding-pmi-shows-2025-02-06/), [[1]](https://www.spectator.com.au/2025/09/housebuildings-in-crisis-bring-back-angela-rayner/)
* Paragraph 5 – [[3]](https://www.reuters.com/world/uk/english-home-building-approvals-hit-lowest-since-2014-2024-09-19/), [[1]](https://www.spectator.com.au/2025/09/housebuildings-in-crisis-bring-back-angela-rayner/)
* Paragraph 6 – [[6]](https://www.telegraph.co.uk/business/2024/09/30/rayner-abandons-london-housing-review-reprieve-sadiq-khan/), [[1]](https://www.spectator.com.au/2025/09/housebuildings-in-crisis-bring-back-angela-rayner/)
* Paragraph 7 – [[6]](https://www.telegraph.co.uk/business/2024/09/30/rayner-abandons-london-housing-review-reprieve-sadiq-khan/), [[1]](https://www.spectator.com.au/2025/09/housebuildings-in-crisis-bring-back-angela-rayner/)

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.spectator.com.au/2025/09/housebuildings-in-crisis-bring-back-angela-rayner/> - Please view link - unable to able to access data
2. <https://moneyweek.com/investments/house-prices/labours-failure-on-house-building-is-turning-into-a-national-emergency> - MoneyWeek criticises the Labour government's failure to address the UK's housing crisis, describing it as a national emergency. The article highlights that Labour's commitment to building 1.5 million homes is far from being realised, with only 32,000 housing starts in the first quarter and 53,000 planning approvals in the three months to June—the lowest in a decade. Factors contributing to this shortfall include regressive reforms, a landfill tax impacting building costs, strict affordable housing quotas, and higher energy costs hindering cement production. The piece concludes that the government's reliance on lofty targets and taxes without structural change has worsened the crisis, leaving the UK unable to meet basic housing needs.
3. <https://www.reuters.com/world/uk/english-home-building-approvals-hit-lowest-since-2014-2024-09-19/> - Reuters reports that home-building approvals in England have dropped to the lowest level since 2014, with only 230,000 units receiving planning permission in the year up to June. This decline presents a significant challenge for Prime Minister Keir Starmer's government, which aims to boost house-building to 370,000 new homes annually across the UK. The Home Builders Federation (HBF) reports that the number of permissions and new housing schemes has been decreasing since 2022. The scarcity of housing stock has contributed to rising prices and rents, with rents increasing by 8.4% and house prices by 2.2% over the past year. Despite the Bank of England cutting interest rates and keeping borrowing costs steady to counter inflation risks, the housing supply issue persists.
4. <https://www.reuters.com/world/uk/uk-construction-activity-tumbles-january-hit-by-housebuilding-pmi-shows-2025-02-06/> - Reuters reports that in January 2025, the UK construction sector experienced its first contraction in nearly a year, with the S&P Global/CIPS UK Construction PMI dropping to 48.1 from 53.3 in December. Economic uncertainties, high borrowing costs, and weak confidence led to a decline in new work, as highlighted by S&P Global Market Intelligence. The housebuilding subindex saw its steepest decline in a year, falling to 44.9. Despite Prime Minister Keir Starmer's efforts to accelerate homebuilding, demand remained cautious. Civil engineering and commercial activity also decreased, with civil engineering facing its weakest month since November 2023. Job creation slowed, witnessing the first contraction in staffing in five months. Input costs surged due to increased energy, fuel, and wage expenses. Although overall business confidence weakened, some firms were optimistic about future infrastructure and green energy projects. The combined PMI for services, manufacturing, and construction sectors marginally declined from 50.6 to 50.3.
5. <https://apnews.com/article/4a2dc7224c0e4b625f01b37250eb3780> - AP News reports that UK Deputy Prime Minister Angela Rayner is under significant political pressure following her admission of underpaying property tax on an £800,000 apartment in Hove. She acknowledged receiving faulty advice and has referred herself to the independent adviser on ministerial standards. Rayner, who is also responsible for housing policy, claimed she considered resigning and expressed deep regret over the mistake, attributing the error to complex personal circumstances, including a recent divorce and caring for a son with lifelong disabilities. Allegations indicate she may have avoided £40,000 in stamp duty. Despite the controversy, Prime Minister Keir Starmer defended Rayner in Parliament, affirming his support for her amid calls from opposition leaders, including the Conservative Party's Kemi Badenoch, for her resignation. Rayner has frequently criticised tax avoidance in the past, particularly during the previous Conservative government's tenure, adding to the scrutiny of her actions.
6. <https://www.telegraph.co.uk/business/2024/09/30/rayner-abandons-london-housing-review-reprieve-sadiq-khan/> - The Mortgage Finance Gazette reports that construction activity experienced a timely boost in the three months to April, with housebuilding leading the way. According to the latest Glenigan Construction Index, residential starts rose 24% quarter-on-quarter and up 22% year-on-year, indicating improved confidence in the sector. Overall, the value of underlying work starting on-site rose 7% on the previous quarter and remained 3% ahead of last year’s levels, which Glenigan insisted was “a sign of resilience despite challenges elsewhere.” Housebuilding was the standout contributor, helping to prop up wider industry performance. Private housing alone surged 29% year-on-year, while social housing experienced a 3% upturn annually after a strong spring showing. Conversely, civil engineering suffered a significant setback, with starts falling 22% quarterly and annually, reflecting a slowdown across infrastructure and utilities projects. Commenting on the latest data, Glenigan’s economics director Allan Wilen said: “Builders were reporting falling workloads at the end of last year, reflecting a period of real uncertainty across the construction sector. However, the latest figures, particularly in residential, suggest that fortunes may be starting to turn. He added that while the uptick in activity was encouraging, a sustained recovery would depend on confidence filtering through the supply chain. “The Government’s much-anticipated spending review in June will be a crucial moment. If it brings clarity on major infrastructure investment, it could unlock momentum not just for big-ticket schemes, but the smaller, local projects captured in this data too; the kind councils are waiting to greenlight.” Last month the Treasury temporarily cut tariffs across 89 foreign goods, including builder’s products, which it says will save businesses “at least” £17m a year. Chancellor Rachel Reeves has suspended import tariffs on a range of products, which will see their charges cut to zero until July 2027. Included in these reductions are plywood and builder’s plastics, “which are essential for construction – making life easier for chippies all over the country,” the department said. The measure is in line with the government’s drive to build 1.5 million homes over the next five years.