

***** EMBARGOED UNTIL 12.01AM 31ST OCTOBER 2016*****

Housebuilders optimistic despite market uncertainty and skills shortage

- *Sector's confidence reflected in average 5 year investment plans, increasing 17 per cent year on year*
- *Average growth over five years of 28 per cent predicted, up from 25 per cent in last year's survey*
- *Over a third say that the uncertainty following the EU referendum result is their main challenge*
- *Other challenges include the rising cost of raw materials, the current planning system and industry skills shortage*

Despite challenges including the current planning system, a skills shortage and uncertainty following the EU Referendum, housebuilders are forecasting increased growth and investment in the sector.

The second annual Lloyds Bank Commercial Banking report on the UK housebuilding sector analyses the state of the industry today, and the opportunities and challenges it faces in the future.

The report is the first in-depth study of the sector following the decision to leave the European Union in June 2016. Although over a third of firms (36 per cent) said that the uncertainty following the EU referendum result is the biggest challenge to their business, the industry is relatively optimistic; planning to grow, invest and create jobs.

Confidence to invest

The research found that, in the face of ongoing uncertainty, optimism about the future of the housebuilding industry has picked up slightly from 7.1 last year to 7.2 in 2016, with 10 representing the highest level of expectation.

It seems that this outlook has given the industry the confidence to invest, with average five-year investment plans up 17 per cent year on year.

Housebuilders are also confident about growth, with 42 per cent of respondents saying that their growth forecasts had improved since the EU vote, compared with 27 per cent who said they had declined. They are now predicting an average growth of 28 per cent over the next five years, up from 25 per cent last year.

Wider Sector Challenges

The remaining challenges that the sector highlighted, after the EU referendum result, include the rising cost of materials (35 per cent) and the current planning system (29 per cent).

While the UK continues to face the housing shortage head-on, more than one-fifth (22 per cent) of housebuilders do not believe the sector has the resources it needs to help the Government achieve its targets for new housing, and 14 per cent are unsure.

Firms also said that the availability of government support (32 per cent) and suitable land (29 per cent) are factors that impact the industry's ability to meet targets for new housing.

Addressing the skills gap

Almost a third (30 per cent) of firms said there are not enough skilled workers in the industry, with bricklayers, electricians, plumbers and joiners being the hardest to recruit. This shows a slight improvement from the 2015 survey from 35 per cent.

Recruitment and skills therefore remain a focus, with three of the top priorities for firms over the next five years being recruiting additional staff (52 per cent), and investing in training (49 per cent) and apprenticeships (32 per cent).

A quarter (25 per cent) of firms are still planning to create jobs to support growth, but this is down from 31 per cent last year. And the scale of planned workforce growth has also fallen back to 22 per cent, from an average of 31 per cent of the current workforce over five years in 2015.

Despite the fall in plans to recruit, the sector still looks set to create more than 70,000 jobs over the next five years.

Pete Flockhart, Head of Housebuilders, Commercial Banking, Lloyds Bank, said: "Given the challenges that housebuilders face, the sector is painting a relatively optimistic picture, with improved growth and investment forecasts compared with last year's survey.

"The wider uncertainty, coupled with the rising cost of materials, presents some challenges but the industry is taking steps to tackle these issues head on, and still plans to grow.

"Businesses are confronting the much-mooted skills shortage and it is encouraging to see that almost half of the industry is making staff training a key focus and nearly a third is prioritising apprenticeships.

"Housebuilding is a key sector for the UK, driving economic growth but also delivering much needed homes which are critical to our communities. We are therefore fully committed to the sector, not just through our continued financial support to our clients to support their growth ambitions, but also by providing solutions such as our Housing Growth Partnership. This is a £100m dedicated joint venture with the Government to invest between £500,000 and £5 million to increase the supply of new homes by supporting small and medium sized housebuilders."

Stewart Baseley, Home Builders Federation, said: "The industry is pushing the skills agenda hard. If we are to build more high quality homes we simply have to increase industry capacity. We are looking at how we build our individual sites more quickly; and the measures Government could introduce to allow SME builders to play their part in delivering more homes.

"If we can continue to create an environment in which the industry can grow, as well as delivering desperately needed new homes, we can play a huge part in driving our economy forward."

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PRESS RELEASE



Survey of 100 English, Scottish and Welsh businesses from across the housebuilding supply chain conducted by Coleman Parkes Research in August and September 2016.

Notes to editors

For more information please contact Kay Broadie or Ed Smith in the Lloyds Banking Group press office on 07747 756641/ 07917 520464.

Lloyds Banking Group has been addressing housing demand in a number of ways. We are committed to helping one in four first-time buyers on to the property ladder and one in four new build homes through our [Helping Britain Prosper Plan](#).

The Housing Growth Partnership fund

In 2015, Lloyds Banking Group announced the formation of the *Housing Growth Partnership*. This dedicated initiative between the Group and the Government is part of a drive to increase the supply of new homes by supporting small and medium sized housebuilders.

The £100m partnership is investing between £500,000 and £5m in housing developments across the UK and plans to support the build of up to 2,000 homes over 3 years.