

A fragile start for housing supply growth

After a challenging 2025 for housing delivery, there were hopes that 2026 would mark the beginning of a shift to stronger housing delivery. However, the position remains delicate and the early indications are not encouraging. To realise the underlying opportunity and meet housing demand, targeted Government intervention is needed to boost confidence. A new style Help to Buy scheme or other supply side support could help boost smaller builders in the regions. The new social and affordable housing programme is big - £39 billion over 10 years - but much of that money won't be out the door in the early years, inevitably constraining near term delivery.

Market uncertainty was underlined by the Bank of England Monetary Policy Committee's close vote on holding the Bank rate (at 3.75%) at their [meeting of 4 February 2026](#). The committee considered that the direction of travel looked promising for achieving their 2% inflationary target but it was too soon to be sure. Likewise, some forecasters believe there is a good prospect that the ['brakes will gradually come off'](#) with higher housing market activity expected from 2027 - a delay from earlier forecasts of a more significant uptick during 2026.

Conditions remain very challenging in the housebuilding market. Increased supply isn't currently factored into near term delivery indicators. At the end of January 2026, a key forward indicator of supply, [Energy Performance Certificates for new homes](#) fell by 7% in the week to 25 January 2026, compared with the previous week, and by 6% when compared with the equivalent week of 2025. The final figures for 2025 showed a [3% fall in EPCs](#) for new homes compared to 2024. The ONS also reported that [Construction Output](#) in private new housebuilding fell by 3.6% in the last quarter of the year.

The Government has been keen to highlight the significant increase in planning applications (not approvals) that were recently reported on [by the BBC](#) suggesting an impressive 60% increase in applications for 2025 compared to the previous year (excluding London, which is in a bad way). However, that could reflect a more speculative move to secure planning permissions before upcoming changes and new local plans take effect, rather than a true indicator of accelerating housing delivery in the near term.

It also remains to be seen how many applications result in approvals. Planning [approvals](#) across the country were down, including to Q3 2025, with some of the [lowest figures in 15 years](#), accordingly to industry analysis.

Housing Fundamentals remain strong

However, the fundamentals for growth in housebuilding remain strong. Housing demand is arguably higher than ever. The need for social and affordable housing continues to increase. This is highlighted by the high numbers of people in [temporary accommodation](#). Last summer there were over 130,000 households and 172,000 children were in temporary accommodation. Recent figures showed that there were over 1.3 million households on [local authority waiting lists](#).

Meanwhile, industry assessments suggest that over [3.5 million people have been unable to buy their first home](#) and enter the housing market due to a combination of regulatory, financial and other factors since the 2007/08 financial crisis.

Changes in mortgage regulation, to relax some of the more stringent restrictions put in place in the aftermath of the credit crunch, are likely to improve borrower access to mortgages, particularly for people in higher value areas, on more modest incomes or without significant deposits.

Key opportunities and constraints

In March 2025 the Office for Budget Responsibility had forecast significant increases in housebuilding numbers over the next few years to 2029/30. However, in their more recent, November 2025, report they cautioned that:

“The latest outturn on planning activity suggests that the impact of the March 2025 residential planning reforms is yet to materialise, consistent with our judgement that most of the increase in housebuilding takes place from 2027-28.

“Amendments to the Planning and Infrastructure Bill, for example those which may add new environmental safeguards, and economic conditions, such as the shortage of viable sites in some parts of the country, pose downside risks through limiting the release of land for development.”

The concern around the viability of sites expressed by the OBR has been underlined by expert analysis from Zoopla. Zoopla found that almost half of England was financially unviable for building, with significant constraints in around two-thirds of locations.

Buyer activity is closely linked to the wider economic situation. Government levers to stimulate buyer activity are generally focused on changes to stamp duty rates, interest rates and mortgage regulation. Mortgage regulation relaxation, some increased wage movement and lower interest rates should all support a more positive buyer market in the coming period. In addition, the reported exit of some individual landlords from the lettings market is thought to be offset by increased institutional landlord activity together with first time buyer demand. Lloyds have suggested that the outlook for the market will remain ‘stable’, but that those under 35 without family support face an ‘acute’ challenge to get on the housing ladder. As such, it’s unclear how much the changes in mortgage regulation will translate into additionality – and provide sufficient confidence for housebuilders to build more homes. It remains the case, as the Housing & Finance Institute have consistently argued, that targeted supply side measures, such as a new style Help to Buy scheme, are necessary to shore up confidence and stimulate activity.

As has been widely reported, housing associations remain under severe financial and management pressures addressing a wide range of issues – from building safety to increased decent homes standards. These include Awaab’s law (damp and mould) and energy efficiency measures. This has required increased expenditure by housing associations on housing stock and reduced capacity for the provision of new homes.

The latest global accounts for the registered provider (housing association) sector for 2025 confirm a significantly reduced forecast for new affordable homes over the next few years. As noted by the Regulator, it remains to be seen how the wide-ranging and significant measures taken by the Government to support social and affordable housing delivery will impact on the affordable new homes development appetite of social landlords, including the ‘for profit’ registered provider sector. As well as how long it will take for new funding under the social and affordable housing programme to be felt.

Summary

Following a difficult 2025, it was hoped that 2026 would move towards higher, more sustainable, housebuilding delivery for the next few years. Yet, as with the broader economy, it remains far from certain. In such a delicate market situation, there is a huge opportunity for further targeted Government intervention in the housing market to tip the balance to accelerate housebuilding – and secure the delivery of the new homes the country needs.

Housing Delivery Snapshot

February 2026 www.thehfi.org.uk connect@hfi.org.uk



Number of new homes Energy Performance Certificates 3% down for the year 2025 from 2024

MHCLG, Jan 2026



Planning Permission **applications up 60%** (2025 to 2024)

BBC/ Planning Portal, Jan 2026

Planning Permission **approvals down 31%** - lowest quarterly figure for 15 years (Q3/2024 to Q3/2025)

HBF/ Glenigan, Dec 2025



Bank of England bank rate held at 3.75%

Bank of England Monetary Policy Committee Summary, Feb 2026



Housebuilding completions **down nearly 9%** (comparing Q3/2024 to Q3/2025)

MHCLG Housing Supply: indicators of new supply, Jan 2026

Construction Output for new private housing fell 3.6% (Q4, 2025)

ONS February 2026

About the HFI

The Housing and Finance Institute works with industry and public sector partners to:

- increase housing supply;
- encourage councils and businesses to work together to build more homes;
- promote new ways of financing and delivering the new homes that the UK needs.

The HFI is an independent not-for-profit institute. HFI views and research are shared to support policy and Institute objectives. It does not constitute commercial, legal or investment advice and professional advice should always be obtained in relation to any proposed or actual transaction.

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