

DELIVERING MORE

**HOMES FOR
SCOTLAND**

SCOTLAND'S SME HOME BUILDERS 2024

Data Review and Industry Insights

IN PARTNERSHIP WITH



**Scottish
Water**

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INTRODUCTION



Securing an improved operating environment for Scotland's small and medium sized (SME) home builders is a strategic imperative for Homes for Scotland (HFS) if we are to achieve our wider ambitions to meet the needs and aspirations of those living across the entirety of the country.

This is an objective shared by Scottish Water who we are delighted to be partnering with on this report providing a critical and in-depth analysis of Scotland's SME home building sector in the five years since 2019. It also includes valuable industry insights into the barriers and challenges which impact the ability of SMEs to deliver much-needed new homes across all tenures.

Scotland's housing system is at a critical juncture. The Scottish Government has now accepted the country is in a housing emergency and also announced its intention to recognise housing as a standalone National Outcome.

Understanding the vital role of SME home builders in Scotland's housing system, particularly their importance in the market, what they deliver and for whom, is key if policymakers want to provide a comprehensive all-tenure response.

By updating and expanding our 2019 report on Small-Scale Home Builders to cover the period of the pandemic and the cost crisis that has followed, HFS can now provide significant contextual information to help our stakeholders fully understand the contribution that Scotland's SME home builders make in growing and sustaining our local

communities. It shows that Scotland's SME home builders are crucial to the delivery of a substantial proportion of rural housing and that they also have a vital role in unlocking what are often challenging brownfield sites in urban centres.

The research fills what has been a persistent, and considerable, data gap. It will enable HFS to accelerate its work with government at all levels to develop policy, planning and finance solutions which support our SME members to deliver more homes for this and future generations.

In the period since the global financial crisis, Scotland has amassed an accumulated shortfall of more than 100,000 homes. Over the same period, the number of SME home builders active in Scotland, and the number of homes they bring to market, has fallen substantially. To promote greater diversity of tenures and housing types as well as a good geographic spread of homes, recovering this activity is now essential if Scotland is to achieve its social wellbeing and economic ambitions.

With this report, we aim to provide policymakers with the independent evidence base upon which they can deliver the policy change that will support Scotland's SME home builders to do what they do best: delivering more homes across all tenures for Scotland's local communities.

Jane Wood
Chief Executive
Homes for Scotland

FOREWORD

Scottish Water is proud to be a partner of Homes for Scotland (HFS), the leading voice of the home building industry in Scotland. We are committed to working in partnership with HFS and listening to the sector to achieve our ambition of supporting a flourishing Scotland. We recognise the vital role that SME home builders play in that crucial objective.

SME home builders are a diverse and dynamic sector, contributing to the economic and social wellbeing of communities across Scotland. They face many challenges and opportunities in the current operating environment, and their views and experiences are essential to inform policy and practice. That is why Scottish Water is delighted to partner with HFS on this report providing a comprehensive and insightful overview of the SME home building sector in Scotland.

As the most comprehensive data source available in this area, wider stakeholders can now use the findings as the primary evidence base and recognise the need to work together with the sector to create a more supportive and enabling environment for SME house builders.

Scottish Water is committed to supporting the home building industry, listening to its feedback, and facilitating sustainable growth. We provide vital water and wastewater services to over 2.6 million households and more than 159,000 business premises across Scotland. We are investing around £800 million a year to maintain and improve essential services and infrastructure in communities across Scotland to ensure we can meet future challenges, especially around climate change and reducing carbon emissions. We work closely with developers and home builders of all sizes, to provide them with the information, guidance and connections they need to deliver their projects.

We welcome the insights SMEs have provided as part of this research to help the organisation innovate and collaborate with the industry, find new and better ways of working together and continue to support the transition to a net zero economy.

Scottish Water hope that this report will stimulate constructive dialogue and action to address the challenges and opportunities that SME home builders face, and to unlock their potential to deliver more and better homes across all tenures for Scotland.

We look forward to continuing our partnership with HFS, working with it and listening to its members to support a flourishing Scotland.



Hugh Fairbrother
Strategic Development Business Manager Scottish Water



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PROJECT BRIEF

HFS produced its Small-Scale Home Builders report in 2019, providing statistics on the size and performance of the SME home builder sector in Scotland and the issues it was facing. It also included 20 recommendations on how the sector could be grown and supported.

As a result of the significant economic challenges ongoing from the Covid-19 pandemic shortly after publication, HFS commissioned Rettie & Co to update key statistics on how Scottish SME home builders (specifically those delivering between 3 and 49 units per year) are operating, with a particular focus on the 2019-23 period.

The main objective of the exercise was to estimate the number of active home builders in Scotland over time, including by geographical location and development type.

The report also examines data on the dissolution of such home builders since 2019.

Details on study methodology can be found at the back of the report.

In conjunction with the data review, throughout spring 2024, HFS surveyed a sample of SME home builders, seeking their insights on the challenges they face delivering homes across all tenures in Scotland.

The findings of the survey complement the data review and secure insights to help government and stakeholders understand the nuances of the SME sector and will support HFS' work to develop solutions to the issues SMEs raise.



Whiteburn Projects - Viewforth, Kirkcaldy: Winner – Homes for Scotland Development of the Year – Small 2024

PROJECT FINDINGS

Combined, the data review undertaken for HFS by Rettie & Co and the industry insights secured through our survey of SME home builders provides an extensive understanding of sector activity as well as the barriers and challenges it faces in delivering new homes across Scotland.

This fills a persistent and considerable data gap to help government and other stakeholders understand the nuances of the SME sector. This vital new evidence allows HFS to accelerate its work with government at all levels to develop policy, planning and finance solutions which support our SME members to deliver more homes for this and future generations.

The data review finds alarming contractions in the number of SME home builders operating in Scotland, their market share and the value of the homes they are building. It also highlights SME home builders have two critical advantages that must be recognised, responded to and supported:

- SME home builders are key partners for delivering rural and remote home building; and,
- SME home builders have a key role in unlocking brownfield sites.

In addition, the extensive insights into the activities of SME home builders gathered through HFS' survey shows:

- Aspects of the planning and consenting system have such a detrimental impact on their activities, particularly concerning the speed of processing and resourcing, that national and local governments must act to reform planning to support SMEs.

- Overwhelmingly for home builders who develop on brownfield land, increased development costs, infrastructure requirements, planning obligations and guidance (alongside engineering issues, site complexities and remediation requirements) represent considerable barriers to development.
- Likewise for rural developers, planning obligations and the high cost and challenges of infrastructure delivery, were substantial or major barriers to delivery as were lack of government / local authority support and increased financial risk.
- More than half of SMEs were strongly negative about the outlook for government policy, and almost all consider existing and future energy efficiency standards and Housing for Varying Needs to have a detrimental impact on their business.
- Though experiences with natural gas and telecommunications providers are positive, responses regarding their experience of water supply and sewage and wastewater providers indicated that the experience is negative, to the degree that these providers presented either a substantial or major barrier to business.

RECOMMENDATIONS

Based on the evidence from the data review and the industry insights gained from the survey, HFS recommends:

1 The Scottish Government makes changes across government to enhance the viability of sites for SMEs, to help reduce costs and increase the certainty required to deliver more homes.

The Scottish Government must now utilise this report and other evidence to undertake, in partnership with HFS and its members, an urgent cross-portfolio review to identify, consider and remove the burdens and challenges SME home builders face delivering homes.

2 The planning system needs to be faster for SME home builders and their developer contributions must be proportionate.

The Scottish Government must introduce planning regulations to allow local authorities to adopt proportionate practices to ensure the planning system actively supports SMEs through a streamlined and accelerated planning and building warrant process, alongside the introduction of a simplified development management approach and exemptions to incentivise the delivery of more homes on small sites.

3 The Scottish Government must introduce new, innovative funding streams and partnerships to support SMEs to build more homes.

New funding directed at SMEs will help increase industry capacity to remediate and unlock urban and rural brownfield sites. Adapting the Housing Infrastructure Fund for SME developer contributions and creating a Sustainable Building Scotland Fund are two such streams which can support SMEs to overcome infrastructure, remediation and planning barriers.

4 The Scottish Government must consider policy changes through the eyes of SME home builders.

As part of a revised Business Regulation Impact Assessment process, government must implement an SME home builder impact assessment across the policy areas that support all-tenure housing delivery.

5 Action must be taken to unlock more small sites and support SMEs to deliver more homes.

The Scottish Government must respond at pace to the declaration of a national housing emergency and make housing a standalone National Outcome by creating a focused, resourced vehicle that will:

- review the viability of brownfield land,
- exploit innovative funding and joint venture models, and
- lead the public sector to have a more active role in the purchase and assembly of land.

6 The concerns identified by SME home builders when working with utilities should be improved upon.

Water supply and sewage and wastewater providers, and to some degree electricity connection providers, should reduce the barriers highlighted in responses to the SME Home Builder Survey 2024, and review account management resource, to support SME home builders to deliver more homes.

DATA REVIEW: KEY FINDINGS

1. The SME sector is now delivering a lower proportion of new housing

Analysis of the home building sector in Scotland finds that, since 2019, **SME home builders now account for less than 20% of new home sales per annum**; until 2017 SMEs typically accounted for 40% of sales.

2. More than one-third of remote home building is undertaken by SMEs

Over one-third of housing delivery in rural and remote areas is undertaken by SME developers. These areas are often more challenging from logistical and market perspectives. Larger home builders concentrate their operations in urban and accessible market areas, with minimal exposure to rural and remote markets.

3. SMEs are crucial to brownfield delivery in the main cities

Over 90% of SME development is undertaken on brownfield sites in the main urban centres, compared to just over 70% for large home builders. The complexity and scale of brownfield sites often makes the sites more challenging to deliver. With National Planning Framework 4 (NPF4) promoting a brownfield first approach, the ability to deliver these sites will be critical to meeting housing needs.

4. The number of SME home builders being dissolved has increased in recent years

Analysis of companies involved in the construction of domestic buildings from Companies House shows that, since the pandemic, **the number of dissolutions has increased, with 2023 dissolution levels 45% higher than those in 2019.** The dissolved companies are typically under 5 years of age, with headquarters mainly in core urban centres as well as in North and South Lanarkshire.

Average annual SME
new build sales



2019-23: 1,800
2006-18: 3,400

% of new build sales by SMEs in
different geographies (2019-23)



Urban areas: 13%
Remote areas: 36%

% of current development capacity on
brownfield sites in 3 main cities



SMEs: 93%
Large builders: 72%

Number of SME home
builder dissolutions



2019: 350
2023: 507

THE SME SECTOR IS NOW DELIVERING A LOWER PROPORTION OF NEW HOUSING

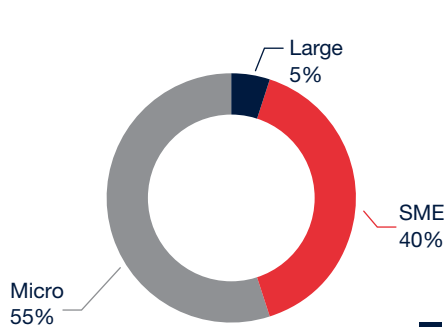
Analysis of new build sales from Registers of Scotland shows that between 2006 and 2023 there has been between 133 and 463 SME home builders actively selling between 3 and 49 units per year. In the wake of the global financial crisis, the number of SME home builders fell to a low of 154 in 2013 before increasing to 333 in 2016. Since 2019, the number of SME home builders has reduced, with just 133 in 2023.

Since 2019, larger developers delivering 50+ units per year

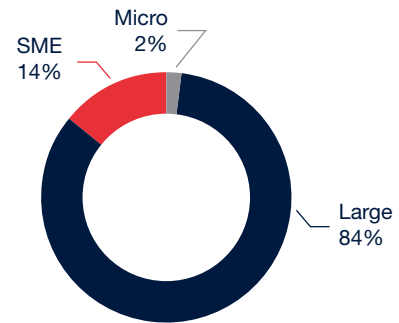
have accounted for over 80% of new build sales, with SME delivery at 14%.

The number of new build sales by SMEs has stabilised since 2019, at a 5-year average of 1,800 per annum, well behind the 3,400 annual average over the 2006-18 period. The value of housing sold by SMEs to 2023 is at a 5-year average of £0.5 billion per annum, down from an annual average of £0.9 billion over the 2006-18 period.

% of Developer by Size (2019 - 2023) by Count



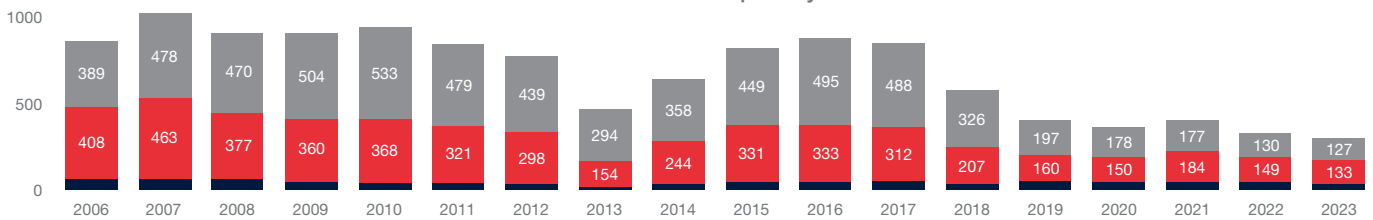
% of Value Sold by Size (2019 - 2023)



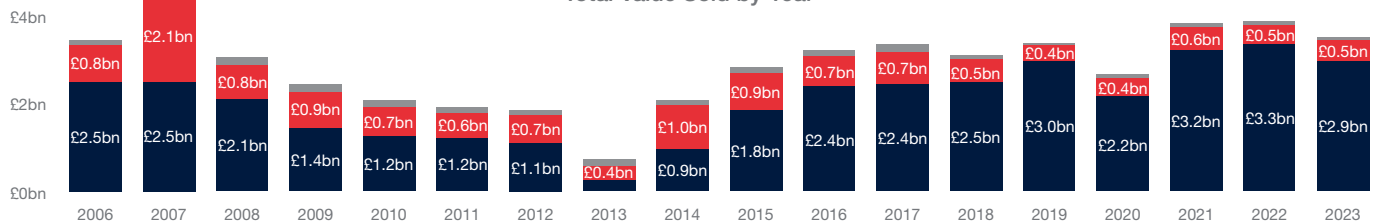
Categorisation



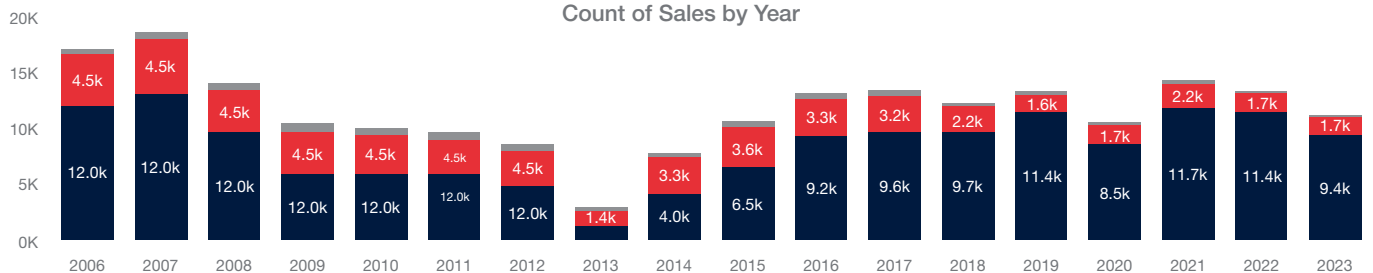
Count of Active Developers by Year



Total Value Sold by Year



Count of Sales by Year



THE SME SECTOR IS NOW DELIVERING A LOWER PROPORTION OF NEW HOUSING

Consistent with the findings of the 2019 report, new build delivery is being concentrated in the hands of larger home builders.

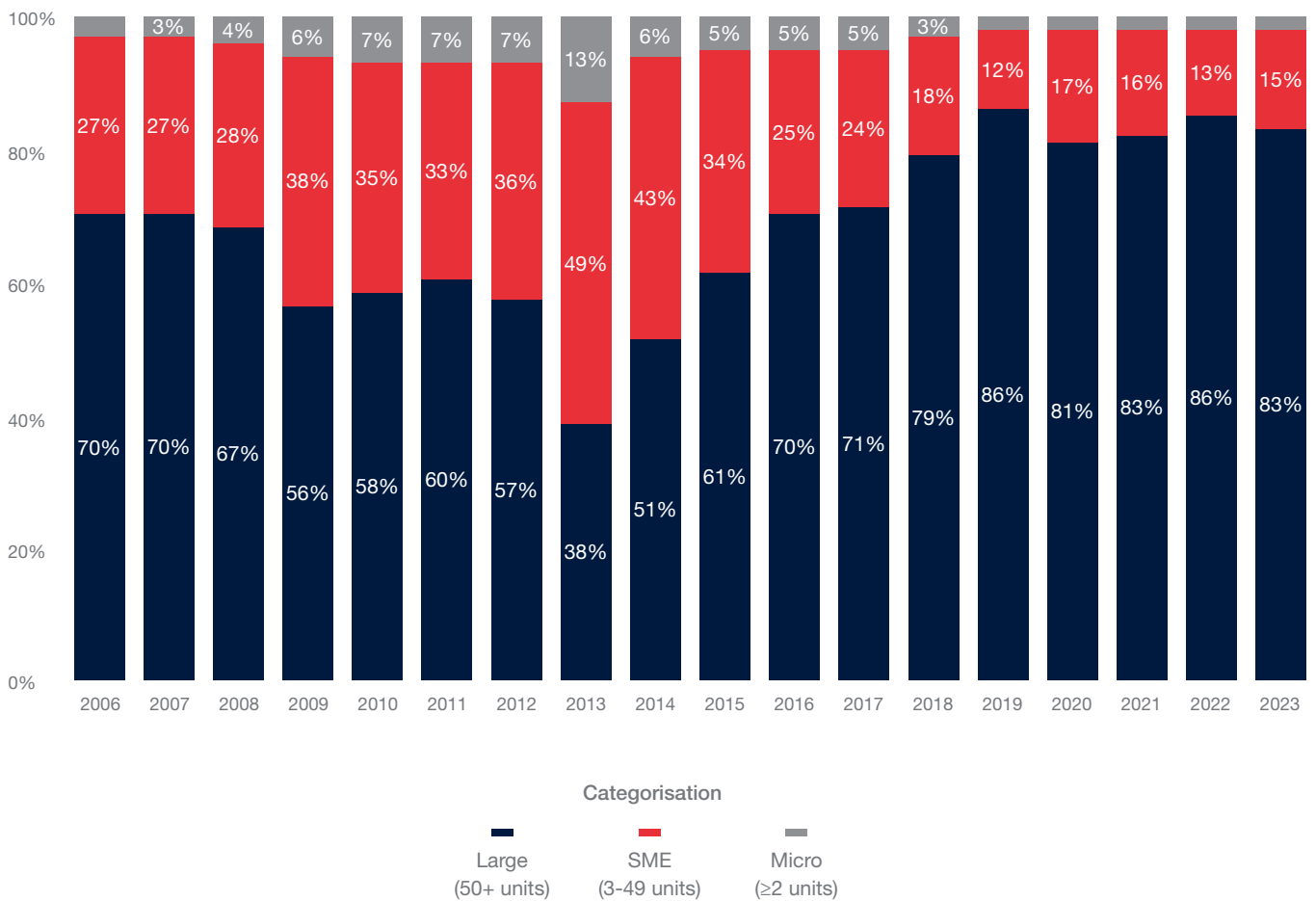
Over the 2019-23 period, the proportion of new build sales by SMEs has averaged 15% annually. This is a marked change from the annual average of 32% over the 2006-18 period. This shift has become apparent since 2015.

This loss of market share by SMEs has been captured by larger home builders.

Encouragingly, SME market share has stabilised since 2018 and was not detrimentally impacted by the pandemic.

SMEs are largely headquartered in core urban areas, especially Edinburgh and Glasgow and neighbouring local authority areas. Although 36 have a UK HQ address outside Scotland, these are overwhelmingly Scottish-based businesses.

Proportion of Sales Delivered by SME Home Builders vs Large Home Builders (Based on Count)



MORE THAN ONE-THIRD OF REMOTE HOME BUILDING IS UNDERTAKEN BY SMEs

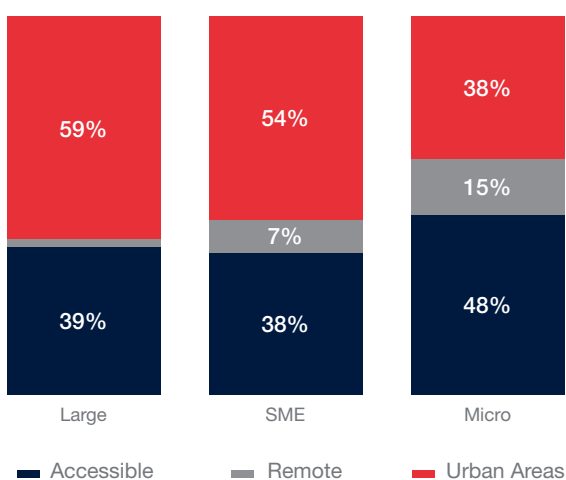
Analysis of the geographic distribution of the SME sector shows that there is a higher proportion of new build sales in remote areas, with 36% of all such sales by SMEs in 2019-23 (compared to 14% of sales by SMEs across the country).

Rural areas (such as the Islands, Argyll & Bute, Dumfries & Galloway) all have elevated levels of SME housing delivery.

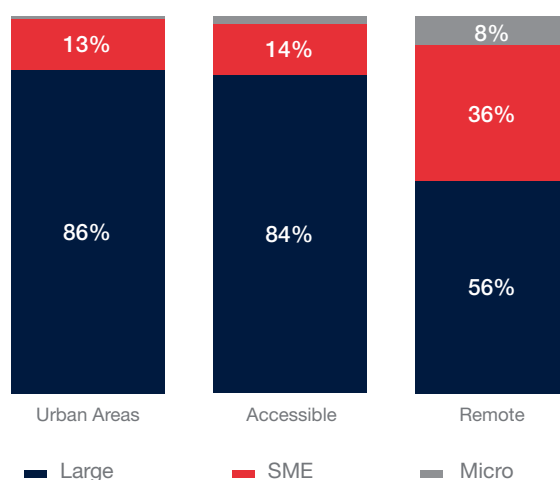
While the SME sector delivers a higher proportion of housing in more rural and remote locations, it also delivers a substantial volume of units within the main economic centres, especially Dundee and Glasgow.

SMEs have a far wider spread of activity across Scotland compared with larger home builders.

Proportion of Sales by Urban Rural Classification (2019 - 2023)



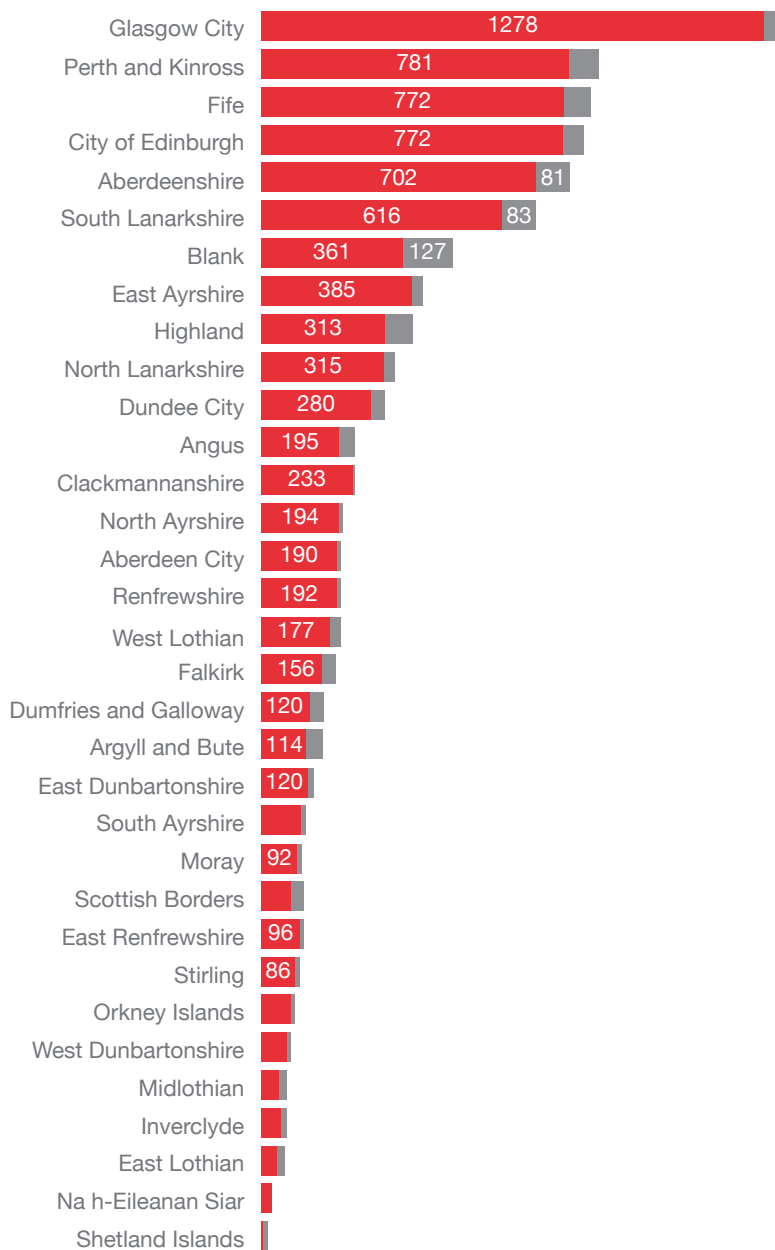
Proportion of Sales by Size and Urban Rural Classification (2019 - 2023)



Rural Renaissance - Orchard Park, Gattonside: Finalist - Homes for Scotland Development of the Year - Small 2023

MORE THAN ONE-THIRD OF REMOTE HOME BUILDING IS UNDERTAKEN BY SMEs

Count of SME Sales by Council Area
(2019 - 2023)

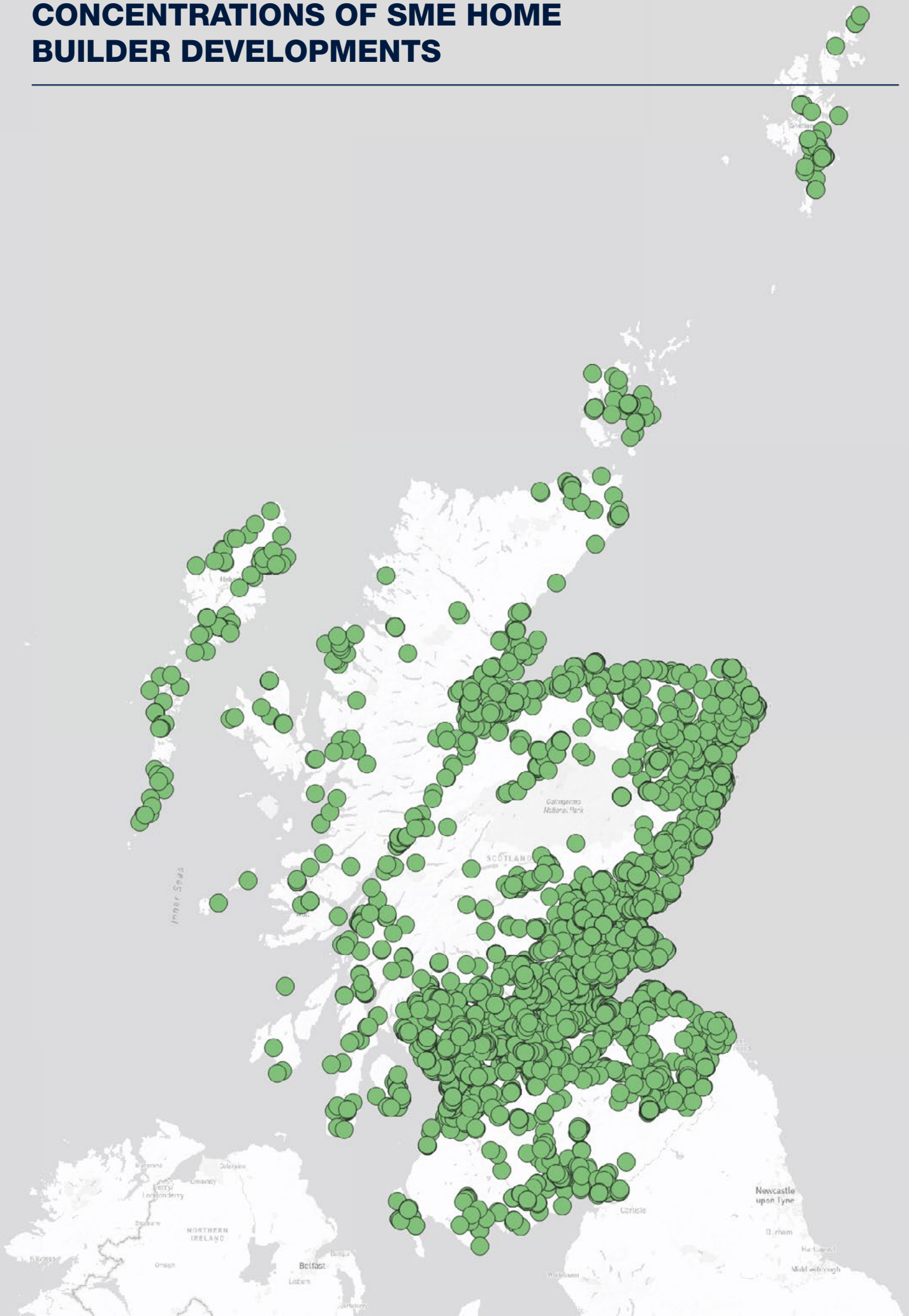


Proportion of Sale by Size

Council Area	Large	SME
Aberdeen City	93%	7%
Aberdeenshire	71%	29%
Angus	76%	24%
Argyll and Bute	70%	30%
City of Edinburgh	89%	11%
Clackmannanshire	43%	57%
Dumfries and Galloway	61%	39%
Dundee City	72%	28%
East Ayrshire	63%	37%
East Dunbartonshire	88%	12%
East Lothian	99%	1%
East Renfrewshire	95%	5%
Falkirk	88%	12%
Fife	77%	23%
Glasgow City	77%	23%
Highland	87%	13%
Inverclyde	80%	20%
Midlothian	98%	2%
Moray	91%	9%
Na h-Eileanan Siar		100%
North Ayrshire	78%	22%
North Lanarkshire	91%	9%
Orkney Islands		100%
Perth and Kinross	66%	34%
Renfrewshire	94%	6%
Scottish Borders	77%	23%
Shetland Islands	60%	40%
South Ayrshire	88%	12%
South Lanarkshire	89%	11%
Stirling	87%	13%
West Dunbartonshire	85%	15%
West Lothian	95%	5%
Total	86%	14%

SME ■ Micro ■

CONCENTRATIONS OF SME HOME BUILDER DEVELOPMENTS



SMEs ARE CRUCIAL FOR BROWNFIELD DELIVERY

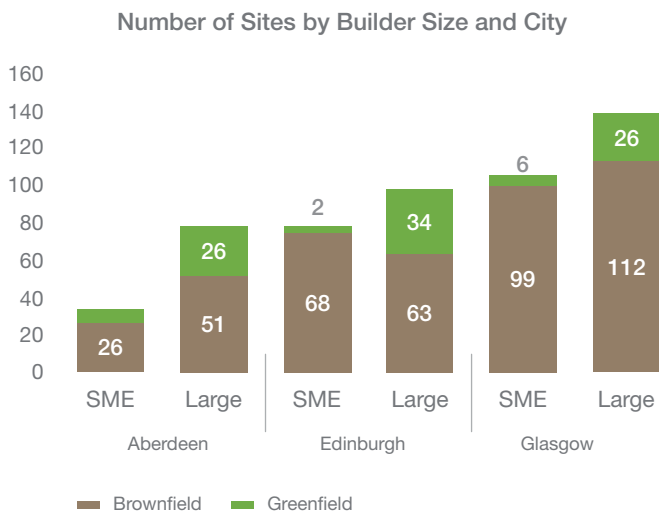
Using data from available Housing Land Audits (HLAs) for Scotland's three largest cities (Glasgow, Edinburgh and Aberdeen), an analysis of land supply control by developer size has been undertaken.

This analysis shows that, while SMEs represent a relatively small total number of homes compared to larger home builders, they control a disproportionately large number of brownfield sites in the main cities.

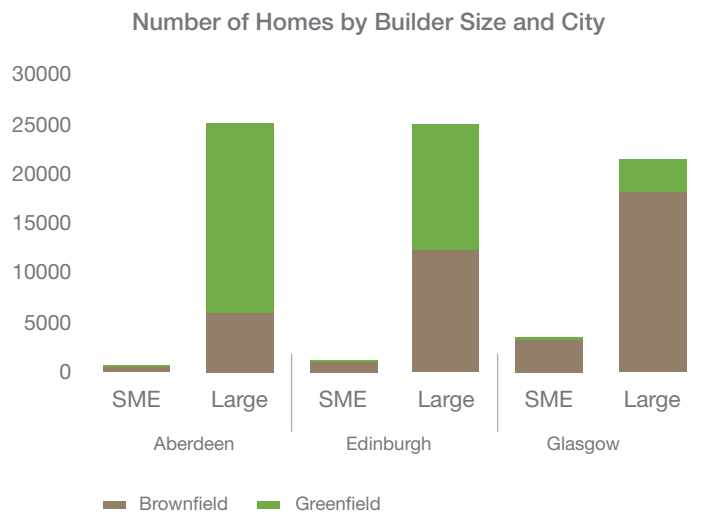
In the case of Edinburgh, SMEs control more brownfield sites than large home builders. These sites are often smaller scale and can be more demanding in terms of viability and technical delivery, but are important in terms of solutions to support local living.

Development of brownfield land is often more challenging, but also sits at the heart of government plans for redevelopment under NPF4 as well as City Centre living strategies in the main cities.

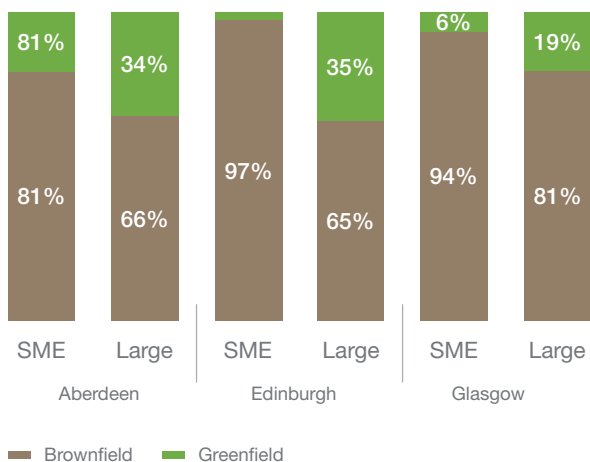
Development Capacity - Based on Number of Sites (Glasgow, Edinburgh & Aberdeen)



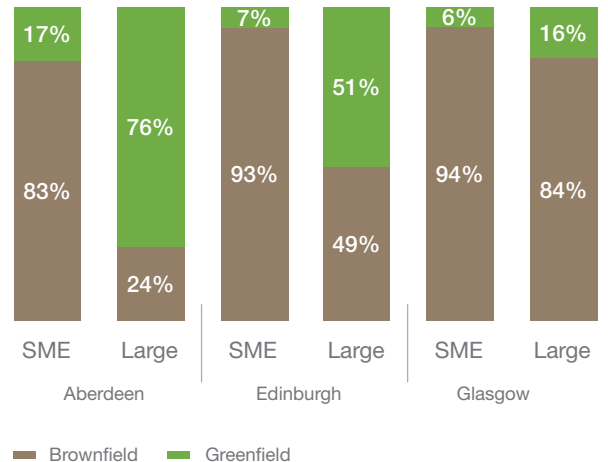
Development Capacity - Based on Number of Homes (Glasgow, Edinburgh & Aberdeen)



% of Sites by Builder Size and City



% of Homes by Builder Size and City



THE NUMBER OF SME HOME BUILDERS BEING DISSOLVED HAS INCREASED IN RECENT YEARS

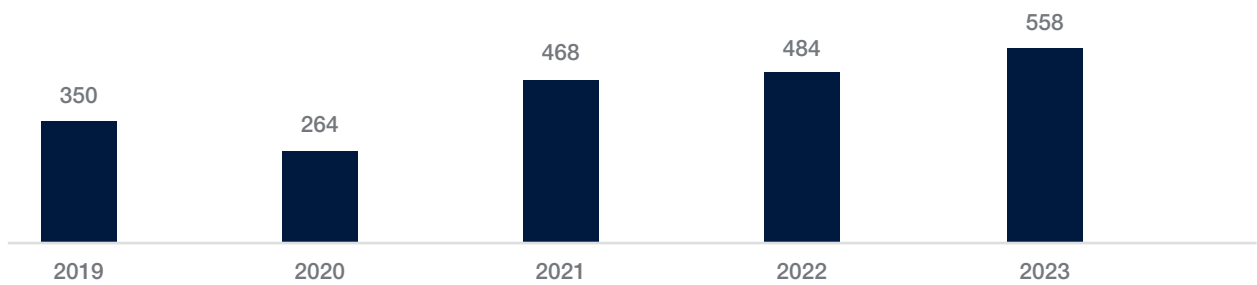
Using Companies House, it is possible to identify companies under the 41202 classification for the construction of domestic buildings which have been dissolved over the 2019-23 period.

This analysis shows that, over the past 3 years and since the pandemic, the number of companies being dissolved in this classification has increased. In 2019, 350 companies were dissolved, dropping to 264 in 2020 when the pandemic occurred. In the 2021-23 period, the number of dissolutions has averaged over 500 companies per annum.

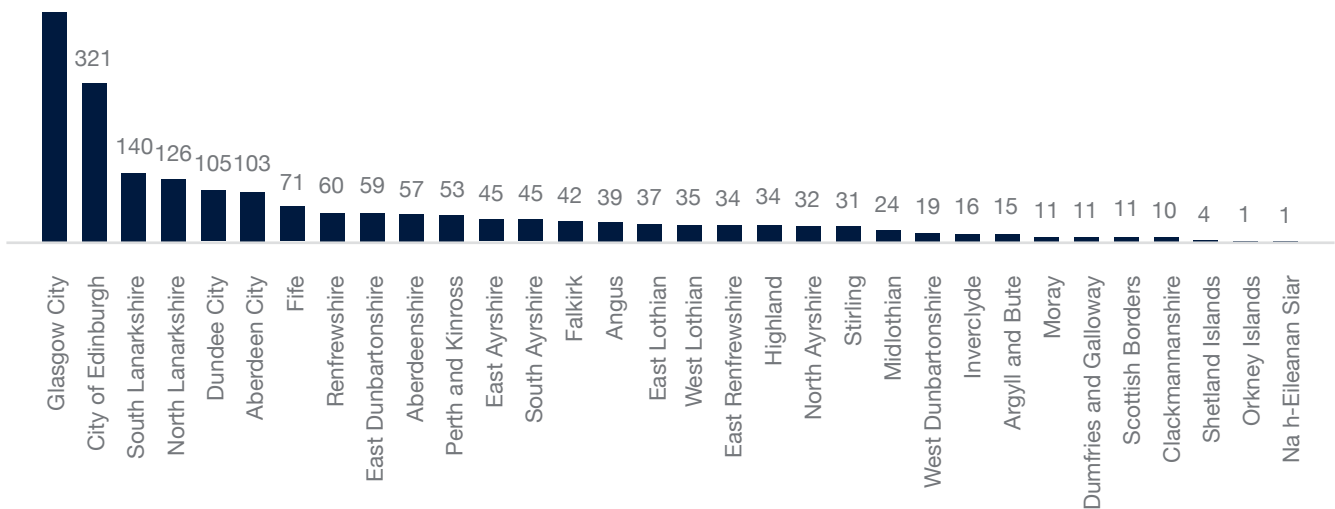
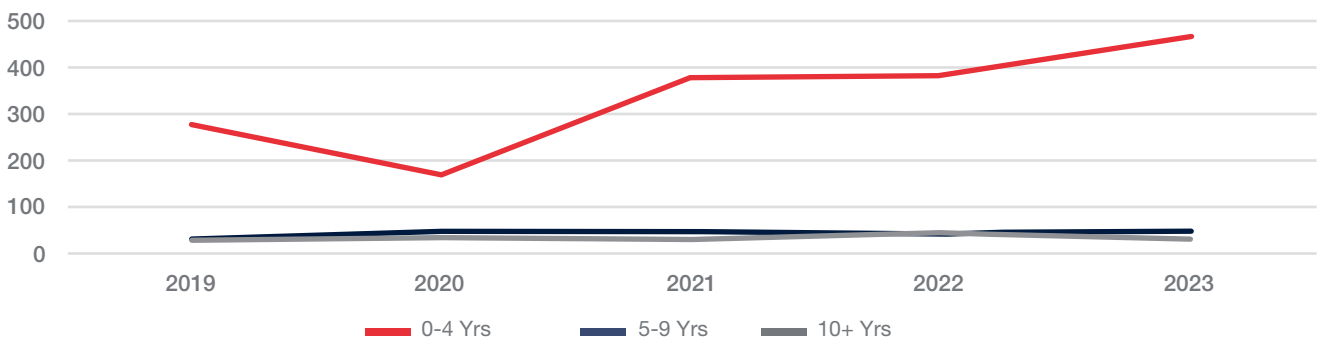
The vast majority of these dissolutions has been for companies under 5 years since registration. This will likely include special purpose vehicles, which typically have short lifespans. However, the number of dissolutions has followed an upwards trend.

Analysis of the geography of dissolution, by location of the company head office, shows high concentrations in the main urban centres as well as in North & South Lanarkshire.

Domestic Building Company Dissolution by Year



Age of Company Dissolving Year



SME HOME BUILDER INDUSTRY INSIGHTS

Throughout spring 2024, HFS undertook a survey of SME home builders, seeking their insights on the challenges they face delivering homes across all tenures. All HFS SME home builder members were invited to respond to the survey. In addition, the survey was promoted on social media to the wider SME home builder community in Scotland.

The insights secured from this survey will help government and other stakeholders understand the nuances of the SME sector and will support HFS' work to develop solutions to the issues raised.

21 online responses were received. Respondents were not required to answer every question. The total number of responses varied for some questions.

The survey represents an extensive insight into the activities of SMEs as well as the barriers and challenges they face in delivering homes in Scotland. Our survey recorded their insights across more than 160 data points. The investment companies made in this process very much appreciated.

Responses were sought on the assurance they would be treated with confidentiality and results anonymised.

ABOUT THE SMEs RESPONDING

The SMEs who responded to the survey have a breadth of experience delivering homes across Scotland. Primary areas of home building ranged from the Scottish Borders and the Highland Council region to Tayside and Ayrshire, with five home builders indicating their key market activity is focused in Fife.

Together, the SMEs who responded possess over 700 years of experience in the sector and employ almost 850 staff. While the median number of years of experience of home builders responding was 32 years, a handful were as young as 5-7 years, with a small number having experience in the industry in excess of 75 years.

Combined, the home builders responding estimated they had built 1775 homes across a variety of tenures in the past year. This number will include the homes they have built as contractors. Over two thirds (71%) of respondents predominantly deliver housing for sale and social rent. Eight (38%) home builders indicated they primarily deliver homes for sale, with homes for social rent the prime focus of another seven (33%) home builders.

More than half responding to the survey indicated that their turnover had reduced in the past year. Eight of the 18 who provided commentary cited delays in the planning and consenting process, while others highlighted cost inflation and the slowing housing market.



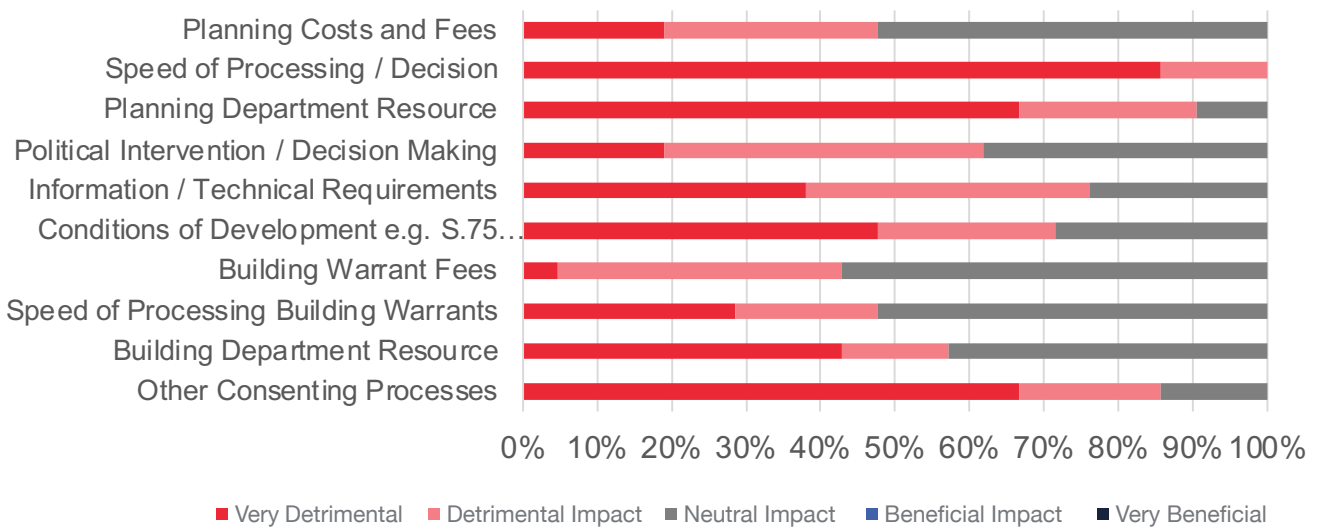
Headon Developments – 22 Lade Braes, St Andrews: Winner - Homes for Scotland Development of the Year – Small 2023

KEY FINDINGS

Planning

Planning was the key area of concern for all home builders responding. Responses were unambiguously negative about the impact of the planning and consenting system.

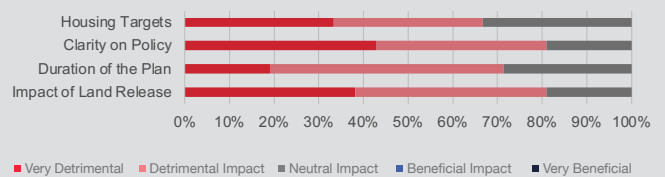
Q12: Planning, Building and Consents Process



- Every SME (21) cited that the **speed of processing/ decision-making** in the planning system had a detrimental impact on their activities.
- Almost all respondents indicated that **planning department resource** and other consenting processes had either a detrimental or very detrimental impact on their activities.
- In all but three questions asked, most SMEs responding indicated that aspects of the planning and consenting system have a detrimental impact on their activities.

No respondents indicated that National Planning Framework 4 had a beneficial impact on their activities.

Q13: National Planning Framework (NPF4)



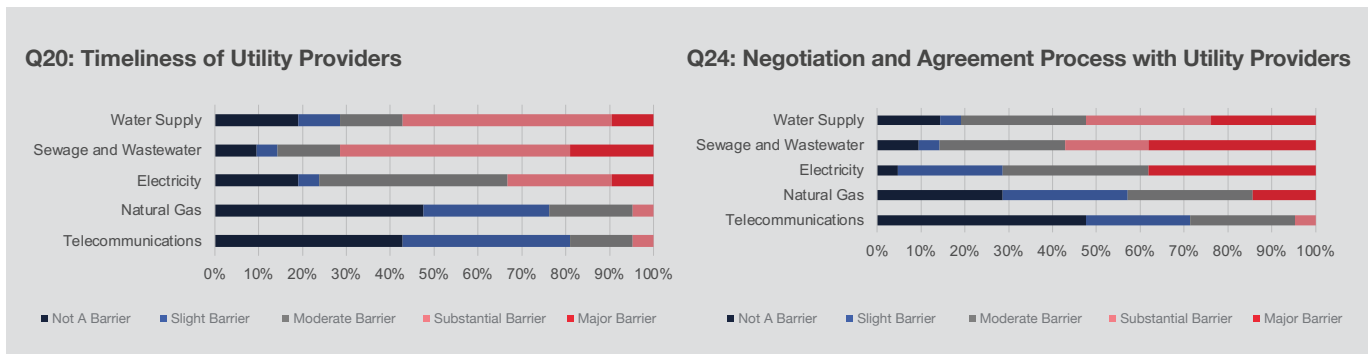
KEY FINDINGS

Land supply, Finance and the Housing Market

- Over half of firms indicated the high cost of finance had a detrimental or very detrimental impact on business.
- Four in five SMEs responded that high interest rates had a detrimental impact on their business.
- Three quarters cited subdued consumer confidence had a very detrimental or detrimental impact on their business.

Utilities

Responses regarding the experience with **water supply and sewage and wastewater providers** – including on timeliness, communication, availability, cost and negotiation – indicated that the experience is negative, to the degree that these providers presented either a substantial or major barrier to business.

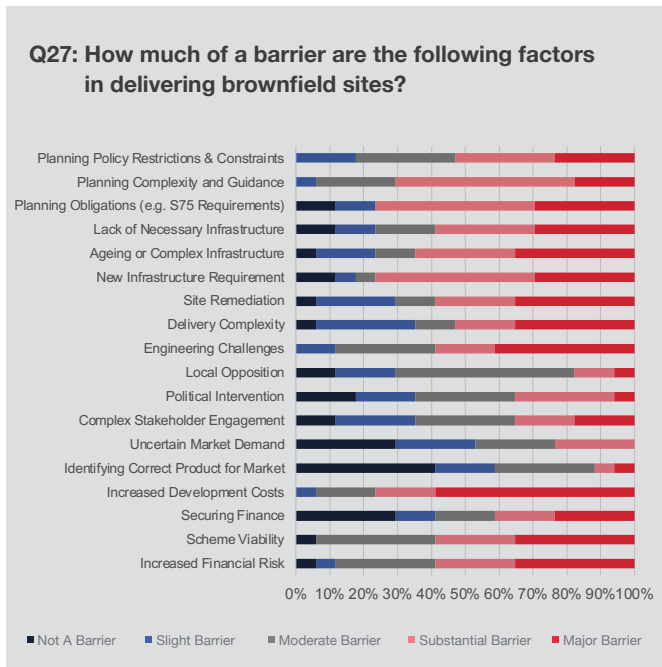


- No respondents reported a major barrier with **telecommunications providers**. On each data point, more than 70% of SMEs responding reported these providers present no barrier or a slight barrier to their activities.
- On all but one data point (the cost of connections) over half of respondents indicated **sewage and wastewater providers** present a substantial or major barrier to their activities.
- The cost of **electricity connections** appears to present the most barriers to development. None of the SMEs who responded said that these costs do not present a barrier.

Brownfield Development

Overwhelmingly, the key areas of concern by those who develop on brownfield (where over 70% of responses indicated a substantial or major barrier) were identified as increased development costs, new infrastructure requirements, planning obligations (e.g. section 75 requirements), and planning complexity and guidance.

More than half of SMEs indicated that it was the factors typically relating to brownfield sites – **infrastructure (new and existing), engineering issues, the complexity of the site or re-mediation requirements** – which present substantial or major barriers to brownfield development.



Rural Development

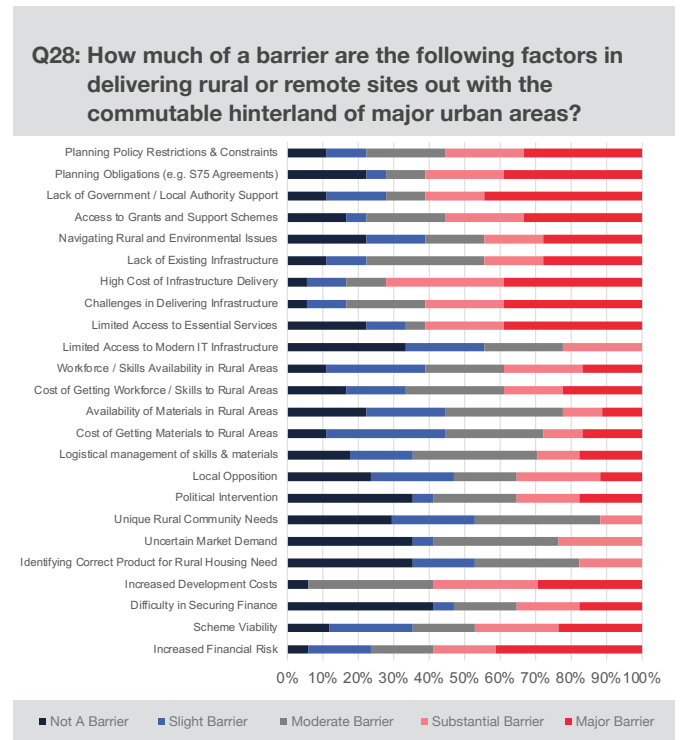
There was firm evidence rural home builders know their markets. None identified unique community needs or uncertainty regarding housing need as major barriers to delivery.

Rural developers highlighted barriers similar to those of brownfield developers.

The high cost of **infrastructure delivery, planning obligations (e.g. section 75 requirements) and challenges in delivering infrastructure** were factors where over 60% of responses indicated a substantial or major barrier.

SMEs active in rural housing delivery also cited the **lack of government / local authority support** and limited access to essential services were key barriers.

The **increased financial risk** of rural housing delivery is the second highest-ranked major barrier to delivery according to those who responded, with two in five (7, 41%) citing the factor as a major barrier.



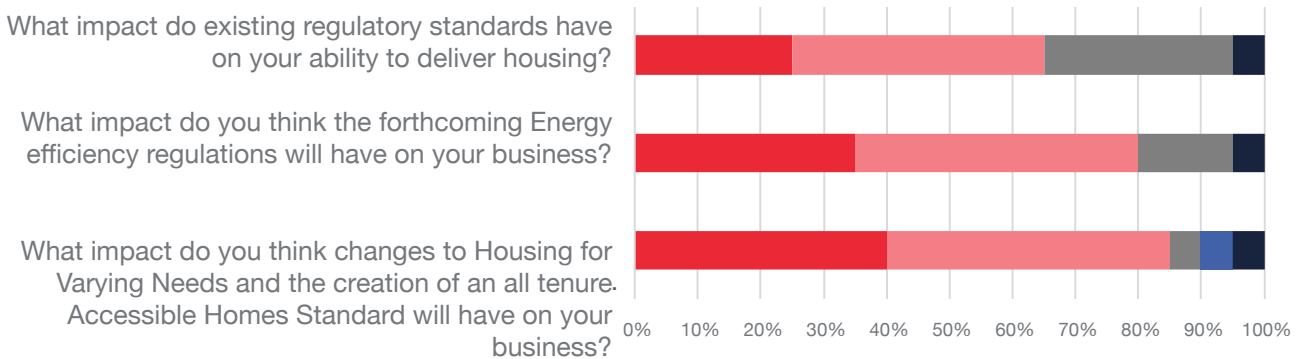
KEY FINDINGS

Regulation

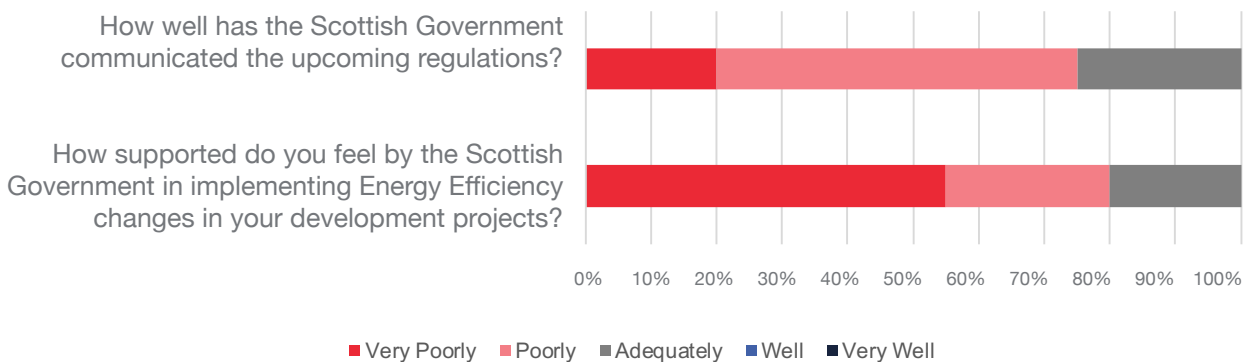
Most home builders considered **existing and future energy efficiency standards** to be having a detrimental impact on their business.

- Forthcoming energy efficiency regulations are considered to have a detrimental impact on business. Four in five (16) recorded that these would have a detrimental impact.
- Together, 85% of home builders (17) indicated that Housing for Varying Needs and an all-tenure Accessible Homes Standard would have a very detrimental (8, 40%) or detrimental impact (9, 45%) on their activities.
- Broadly, responses about the level of communication and support from government were negative.

Q29: Impact of Regulation



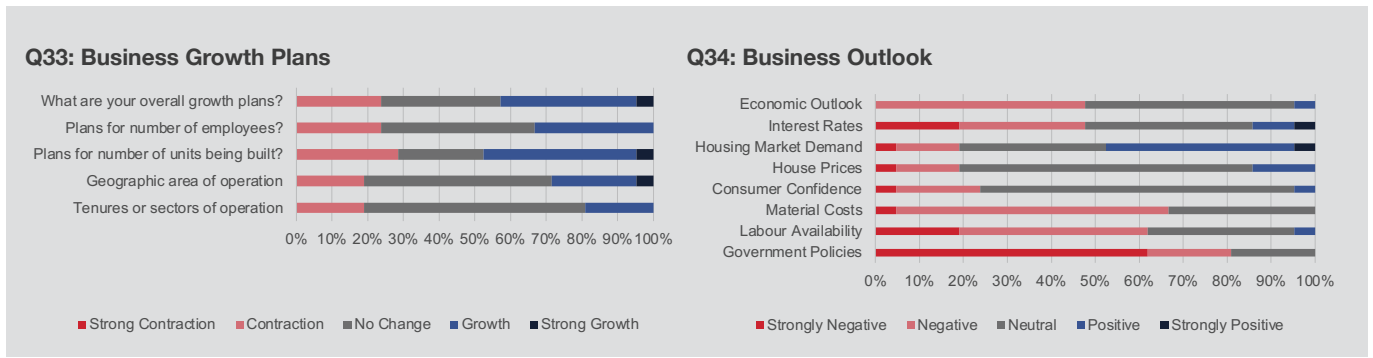
Q31: Support and Communication



Business Outlook

Though few of the SMEs responding were planning for their business to contract, their **overall outlook on the market was pessimistic**.

- **Except for housing market demand**, over 80% of home builders were either negative or neutral in their business outlook.
- More than half of SMEs responding were strongly negative about the **outlook for government policy**.



Lar Housing Trust – Ford’s Road, Edinburgh: Finalist – Homes for Scotland Development of the Year - Small 2024

APPENDICES

APPENDIX 1: DATA REVIEW - BRIEF & METHODOLOGY

APPENDIX 2: HFS SME HOME BUILDER SURVEY ANALYSIS

APPENDIX 1: DATA REVIEW - BRIEF & METHODOLOGY

HFS commissioned Rettie & Co to undertake an analysis of the SME home builder sector in Scotland over the 2019-23 period. This is presented at pages 6 to 15.

Data was required on:

- The number of active home builders in Scotland by size, with a split for SME builders
- The business locations of SME home builders across Scotland
- The number of homes built by SME builders by tenure
- The geographical locations of homes built by SMEs in Scotland
- The number of SME home builders who have dissolved their company since 2019.

This report was produced by Rettie & Co with support from HomeBench. In producing the review they identified a number of methodological issues involved in producing different parts of the report, which are summarised below.

While there are many ways to define an SME, for the purposes of this exercise it is home builders delivering between 3 and 49 units a year, which is consistent with the 2019 HFS report.

Pages 7 to 13: The Size of the SME Sector

The analysis on these pages is based on an annual count of new build residential sales from the Registers of Scotland dataset. The dataset has been cleaned to standardise names, accounting for misspellings. And, while utmost care has been taken, the figures are reliant on the accuracy of the third-party data. As such, these figures should be seen as indicative rather than authoritative. The dataset is also filtered only to include residential new build property transactions.

Again, these classifications are provided by the Registers of Scotland. The figures produced are the count of sales based on the category that a home builder falls into within that calendar year; the total value of sales in the category based on the registered sales value; and the count of distinct home builders' names within the category in that single calendar

year. The annual count of sales by category is then used to show the proportion of sales in a single calendar year.

The reduced sales figures for 2013 are likely due to missing information in the Registers' dataset and should be viewed with caution.

The geographic breakdown of sales by developer size is based on the Registers of Scotland post code field. A lookup function was used to match the post code to council areas and the 6-fold urban-rural area classification. Once again, it should be noted that this relies on the accuracy of third-party datasets.

Page 14: Brownfield / Greenfield Analysis

The analysis of greenfield / brownfield sites uses latest council level housing land audits. The focus is on the three main cities given the lack of up-to-date information across much of Scotland for this classification.

Page 15: Company Dissolution

The analysis of company dissolutions was based on data from Companies House for companies operating under the 41202 classification, which covers the construction of domestic buildings. The analysis considered dissolutions of private companies by year from 2019 to 2023. The age of the company was established between the incorporation date and dissolution date. The registered address was then used to identify the council area of company registration.

Tenure Analysis

There were particular limitations in reporting on tenure data. Analysis of Housing Land Audit supply and company formation and dissolution rates is tenure blind. In Scotland, there is a lack of available information to ascertain accurate numbers of housing delivery at developer level for other tenures, such as private rental. These tenures tend to represent a small proportion of delivery, including Build to Rent, and this is typically delivered at scale rather than by SMEs. For this reason, it was decided that a focus on the sales tenure, using the Registers of Scotland dataset, would provide the most consistent and representative data source for analysis over time.

APPENDIX 2: HFS SME HOME BUILDER SURVEY ANALYSIS

PLANNING

The survey asked respondents to rank their concerns about the planning process and consenting process assessing whether it provided a beneficial or detrimental impact on their business. All 21 respondents answered the question.

Key points

- Planning was the key area of concern for all home builders responding. Responses were unambiguously negative about the impact of the planning and consenting system.
- No home builders indicated that the planning and consenting system had a beneficial or very beneficial impact on their activities.
- Every SME (21) cited that the speed of processing/ decision-making in the planning system had a detrimental impact on their activities.
- Almost all respondents indicated that planning department resource and other consenting processes had either a detrimental or very detrimental impact on their activities.
- All 21 respondents indicated that National Planning Framework 4 had no beneficial impact on their activities.
- In all but three questions asked, most respondents indicated that aspects of the planning and consenting system had a detrimental impact on their activities.
- The results in response to these questions are the strongest across the survey and provide clear evidence that SMEs require support in their dealings with the planning system.

Every SME (21) cited that the speed of processing/ decision-making in the planning system had a detrimental impact on their activities, of which 18 (86%) reported this was very detrimental. This contrasts with the speed of processing building warrants; over half of respondents (11, 52%) reported a neutral impact on their business.

Almost all indicated that planning department resource and other consenting processes had either a detrimental or very detrimental impact on their activities: 19 (90%) reported that planning department resource had a detrimental impact on business, including two-thirds (14) stating this was very detrimental. 18 (85%) report that other consenting processes were detrimental to their activities including two-thirds (14), stating this was very detrimental to their business.

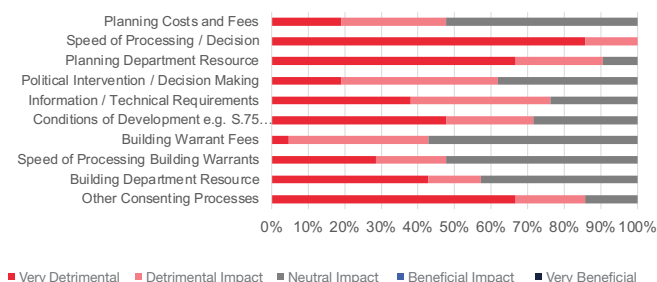
The majority recorded a detrimental impact on their business from the information and technical requirements of planning and the condition of development agreements (i.e. section 75 agreements). In each case 16 home builders (76%) recorded a detrimental or very detrimental impact on their business.

Opinions were mixed regarding the impact of political intervention and decision making on their business with nine (43%) home builders, reporting a detrimental impact on their business and eight (38%) recording a neutral impact.

Fees for the planning and building warrant systems were less detrimental with over half each (11, 52%; 12, 57%) stating that these costs had a neutral impact on their activity.

Comments recorded in response to this question largely listed main concerns with other consenting processes: road construction consents, SEPA flood risk assessments, drainage approvals, fire risk assessments and a healthcare assessment.

Q12: Planning, Building and Consents Process



APPENDIX 2: HFS SME HOME BUILDER SURVEY ANALYSIS

NPF4

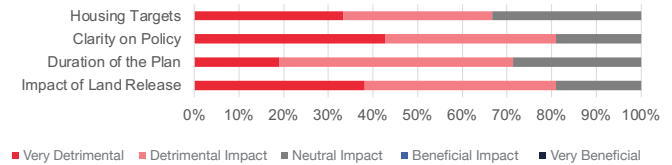
Respondents were asked to rank their concerns about the impact of NPF4 across four data points, assessing whether the impact had been beneficial or detrimental on their business. One third each (7) indicated housing targets within the framework were either very detrimental, detrimental or had a neutral impact on their business.

Seventeen home builders (81%) indicated a lack of clarity on policy had a detrimental impact on business and the same number responded regarding impact of the framework on the release of land. On both issues the plan had either a very detrimental or detrimental impact on their business.

Marginally more respondents (9, 43%) indicated their concerns about clarity of policy than the impact of land release (8, 38%) having a very detrimental impact.

Over half (52%) reported that the duration of the plan had a detrimental impact on their activities.

Q13: National Planning Framework (NPF4)



LAND SUPPLY

Respondents were asked to rank their views about the land market, assessing whether it provided a beneficial or detrimental impact on their business. All 21 respondents answered the question.

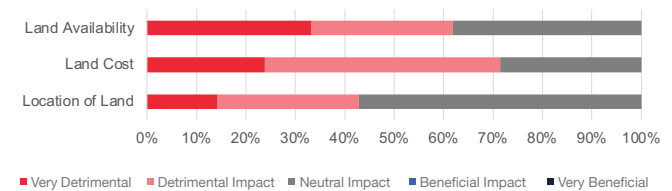
Key points

- No home builders indicated that land supply had either a very beneficial or beneficial impact on their activity.
- Land availability and cost has a detrimental impact for most of the home builders responding.

Fifteen home builders (71%) indicated the cost of land had either a detrimental or very detrimental impact on their business. One third (5) of this number indicated a very detrimental impact.

One third (7) of home builders cited land availability as having a very detrimental impact on their activities. Most home builders (11, 57%) reported that land supply had a neutral impact on business.

Q14: Land Supply



APPENDIX 2: HFS SME HOME BUILDER SURVEY ANALYSIS

FINANCE

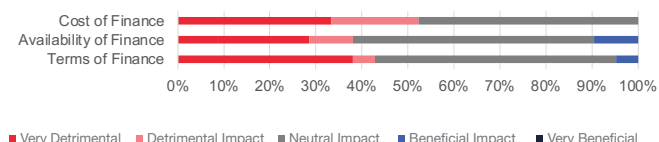
Respondents were asked to rank their views about whether the finance available to them provided a beneficial or detrimental impact on their business. All 21 respondents answered the question.

Key points

- Over half (13, 52%) of respondents indicated the cost of finance had a detrimental or very detrimental impact on business.
- Around one third responded consistently that the cost, availability, and terms of finance each have a very detrimental impact on their business.
- Terms of finance elicited the strongest response from eight home builders (38%) that these were very detrimental to their activities.
- SMEs who do access finance to fund development largely rely on high street banks and building societies (12, 57%).

Regarding the cost of finance, ten home builders (48%), recorded a neutral impact. Regarding the availability and terms of finance, 11 home builders (52%), recorded this neutral impact for both questions.

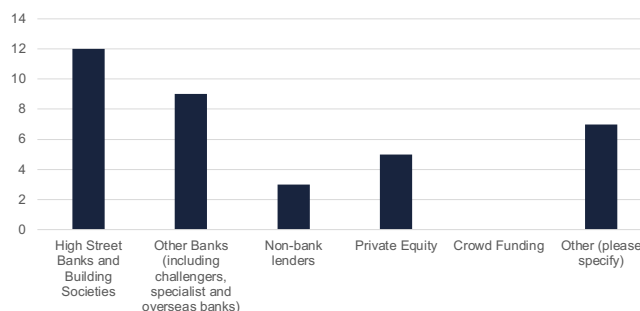
Q15: Development Finance



SMEs who do access finance to fund development largely rely on high street banks and building societies (12, 57%) followed by other banks (9, 43%). Almost one quarter (5, 24%) access finance from private equity.

When asked if the home builder SMEs had accessed funding assistance – be it loan, grant, subsidy, or rates relief – three in five (13, 62%) had not. The funding assistance accessed was: grant funding (1), Covid business support/ furlough (5), local government pre-consent support (1), and Scottish Government lending (1).

Q16: Where do you access finance from fund to development?



APPENDIX 2: HFS SME HOME BUILDER SURVEY ANALYSIS

HOUSING MARKET

Respondents were asked to rank their views on the housing market, assessing whether it provided a beneficial or detrimental impact on their business. All 21 respondents answered the question.

Key points

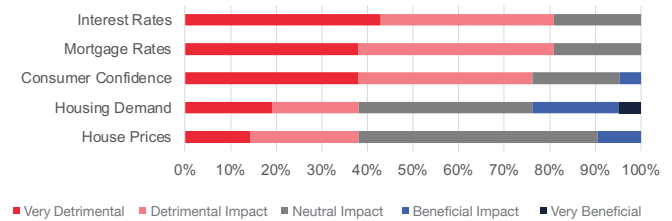
- SME home builders are most concerned about interest rates, mortgage rates and consumer confidence impacting business.
- Four in five SMEs responded that interest rates had a detrimental impact on their business.
- 16 home builders (76%) cited that subdued consumer confidence had a very detrimental or detrimental impact on their business.

Nine home builders (47%) indicated that high interest rates had a very detrimental impact on their business, with another 8 (38%) recording a detrimental impact.

Mortgage rates are of similar concern. Again, four in five report that mortgage rates have either a very detrimental (8, 38%) or detrimental (9, 43%) impact on their business.

No consensus was provided regarding housing demand; the greatest number (8, 38%) recording this had a neutral impact on activity. For half of respondents (11, 52%), house prices had a neutral impact on business, however, around two in five (38%) reported that house prices had either a very detrimental or detrimental impact on business.

Q18: Housing Market and Economic Factors



SUPPLY CHAINS

Respondents were asked to rank their views on the supply chains that support their business, assessing whether it provided a beneficial or detrimental impact on their business. All 21 respondents answered the question.

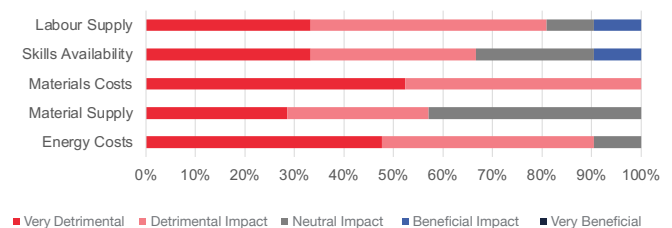
None of the SMEs who responded to the survey stated that material costs present a beneficial or neutral impact on their activity. All report that the costs have either a very detrimental impact (11, 52%) or detrimental impact (10, 48%) on their business. Material costs are therefore a clear issue for the SMEs who responded.

Energy costs presented a detrimental impact to the firms responding. 19 home builders (90%) reported either a very detrimental (10, 48%) or detrimental impact (9, 43%) on their activity.

Twelve home builders (57%) indicated that material supply had either a detrimental or very detrimental impact on their ability to build homes.

Almost all (17, 81%) reported labour supply had either a very detrimental or detrimental impact on their business. Two thirds indicated skills availability (14, 66%) had either a very detrimental or detrimental impact on their business. Two firms each (10%) reported a beneficial impact from labour supply and skills availability, however.

Q19: Materials, Labour and Skills



APPENDIX 2: HFS SME HOME BUILDER SURVEY ANALYSIS

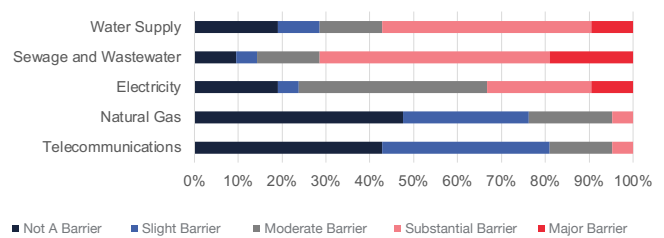
UTILITIES

The survey asked questions under six themes about SMEs' experience with the utility companies which support their construction activities. In each question respondents were asked to rank to what extent they consider aspects of their relationship with utility providers as presenting a barrier or not to their activities. Each question asked for feedback on water supply, sewage and wastewater, electricity, natural gas and telecommunications connection providers. All questions were mandatory and returned 21 responses over 27 questions.

Key points

- Responses indicated a positive experience with natural gas and telecommunications and a negative experience of water supply, sewage and wastewater, and electricity connection providers.
- No respondents reported a major barrier with telecommunications providers. On each data point, more than 70% of SMEs responding reported these providers present no barrier or a slight barrier to their activities.
- Natural gas providers also scored highly on each question. More than half of SMEs reported these providers present no barrier or a slight barrier, although responses regarding cost of connections and the negotiation and agreement with these providers were weaker.
- Responses regarding the experience with water supply and sewage and wastewater providers – including on timeliness, communication, availability, cost and negotiation – indicated that the experience is negative to the degree that these providers presented either a substantial or major barrier to business.
- On all but one data point (the cost of connections), over half of respondents indicated sewage and wastewater providers presented a substantial or major barrier to their activities.
- Regarding timeliness and the process of negotiation and agreement, over half of firms reported that water supply providers present either a substantial or major barrier to activity.
- The cost of electricity connections appears to present the most barriers to development. None of the SMEs who responded said that these costs do not present a barrier.
- Action by sewage and wastewater and water supply providers, and to some degree electricity connection providers, particularly on cost, is required to improve the experience of SMEs and to reduce the barriers they face in delivering homes in Scotland.

Q20: Timeliness of Utility Providers



Timeliness of utility providers

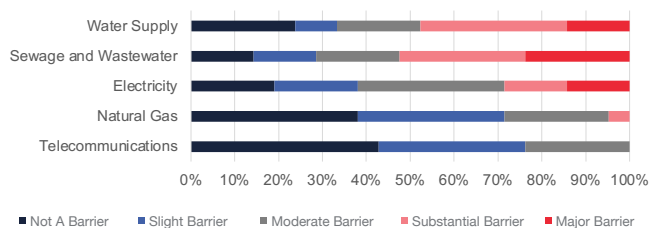
Seventeen home builders (81%) indicated that telecommunications providers presented either a slight barrier (8, 38%) or none at all to their activities (9, 43%).

The timeliness of natural gas providers was also positive: ten home builders (48%) reported these providers were not a barrier to activity, six (29%) indicated they were only a slight barrier.

Fourteen firms (71%) indicated that the timeliness of sewage and wastewater providers presents a substantial (11) or major barrier (4, 19%) to their activities. Three in five home builders believed the timeliness of water supply providers presented a substantial (10, 48%) or moderate barrier (3, 14%) to their activities.

APPENDIX 2: HFS SME HOME BUILDER SURVEY ANALYSIS

Q21: Communications with Utility Providers



Communication with utility providers

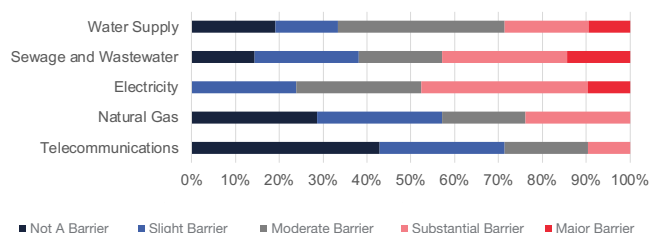
The communication from water supply and sewage and wastewater providers again presented the most considerable barriers to home builders. 11 firms (52%) indicated that communication from sewage wastewater providers presented either a substantial (6, 28%) or major (5, 24%) barrier to their activities. Over half reported that water supply providers presented a moderate or substantial barrier to their activities. four (19%) reported a moderate barrier and one third (7) indicated a substantial barrier.

Sixteen respondents reported communication with telecommunications providers presented either no barrier (9, 43%) or a slight barrier (7, 33%) to their activities, while 15 reported natural gas providers presented either no barrier (8, 38%) or a slight barrier (7, 33%).

Cost of utility connections

Compared to previous questions, responses regarding the costs of providing utility connections were mixed. Fewer firms reported the costs of water and sewage and wastewater connections being less of a barrier to their business, and there is some evidence regarding costs of electricity connections being less positive than the responses to questions regarding utilities.

Q22: Cost of Utility Connections



Overall, almost three in four respondents reported that the cost of telecommunication connections presented either no barrier (9, 43%) or a slight barrier (6, 29%) to development.

Over half reported natural gas connection providers presented either no barrier (6, 29%) or a slight barrier (6, 29%) to their work. Five home builders (24%) indicated a substantial barrier is created by the cost of gas connections, however.

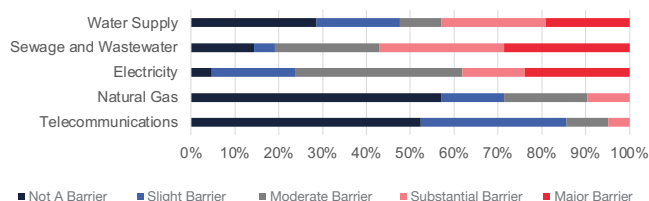
In contrast to previous questions, responses relating to the cost of sewage and wastewater connections were slightly more positive. Six (29%) reported these present a substantial barrier to activity.

The cost of electricity connections appears to present the most barriers to development. None of the SMEs who responded said that these costs do not present a barrier. Two thirds (67%) indicated that the cost of these connections present either a moderate (6, 29%) or substantial barrier (8, 38%) to deliver homes. A small number, two home builders, indicated that the cost of these connections is a major barrier to development. The responses to this survey therefore indicate action by electricity connection providers is required to reduce the costs faced by SMEs, and could reduce the barriers they face in delivering homes in Scotland.

Availability and capacity of utility connections

The availability of sewage and wastewater connections presents the most barriers. By far, the availability and capacity of natural gas and telecommunications connections presents the fewest barriers to development.

Q23: Availability and Capacity of Utility Connections



Over half of SMEs (12, 57%) indicated that the availability of sewage and wastewater connections presented either a substantial (6, 29%) or major barrier (6, 29%) to their work. Although almost half (10, 47%) of home builders reported that the availability of water supply connections was not a barrier or a slight barrier, nine home builders (43%) reported availability of connections presented either a substantial (5, 24%) or major barrier to housing delivery (4, 19%).

Again, no respondents reported that the availability and capacity of natural gas and telecommunications connections presented a major barrier to development. The availability and capacity of telecommunications connections was the standout positive result to questions regarding experience with utilities.

More than four in five cited that the availability of these connections either do not present a barrier to development (11, 52%) or a slight barrier (7, 33%). The availability of natural gas connections either did not present a barrier (12, 57%) or only presented a slight barrier (3, 14%).

APPENDIX 2: HFS SME HOME BUILDER SURVEY ANALYSIS

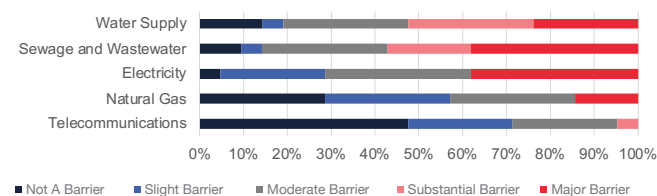
UTILITIES

Negotiation and agreement process with utility providers

For both water supply and sewage and wastewater providers, four in five respondents indicated that the processes of negotiation and agreement with providers is a moderate barrier or more to their business of delivering homes.

12 home builders (57%) said that the process of negotiation and agreement with providers of sewage and wastewater represented either a substantial (4, 19%) or major (8, 38%) barrier to their business. Six (29%) also cited that this was a moderate barrier to their work. The process with water supply providers was a substantial (6, 29%) or major barrier (5, 24%) for over half of the SMEs responding.

Q24: Negotiation and Agreement Process with Utility Providers

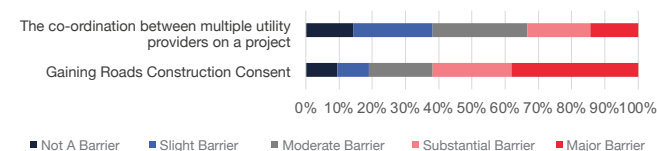


Two thirds of respondents indicated that the process of negotiating and agreeing with electricity providers presented barriers to development. Eight (38%) said this was a major barrier to development and seven (33%) said the process was a moderate barrier.

Wider utilities issues

The process of gaining road construction consents is a clear barrier to the SMEs who responded to our survey. Four in five (17, 81%) indicated that the process with councils was a moderate or greater barrier to their work, clearly weighted negative in response. Eight (38%) stated this was a major barrier and five (24%) indicated this was a substantial barrier to their work.

Q25: Wider Utilities issues



A third of the 12 comments referred to the roads consent process, particularly the process of obtaining and lodging a road bond, with one referring to the process as councils being **“a law unto themselves”**. Another reported that the **“their wording and acceptance of Bonds are a barrier as well as the inflated value”** being an issue, and another said **“staff shortages”** meant that the firm was unable to get road construction consent.

In this question, the survey allowed respondents to leave comments about their experiences of utilities. Scottish Water fared poorly with seven of the 12 comments referring to the company. Comments included:

“Timescales for decision making from Scottish Water in particular. Their online process is a shambles - no communication and difficult to get decisions made. Employees putting up barriers when they should be helping developers! The requirement to upgrade their existing failing network with no contributions from SW is nothing short of appalling. We are being penalised for them not maintaining their network! We have a whole catalogue of issues with SW.”

“Issues with Scottish Water surface water connections are extremely challenging and the timescale to review options is expensive and consuming.”

“Scottish Water are a nightmare to deal with. So much red tape. The new requirements for Flood Risk are very prohibitive for developments.”

“Scottish Water require costly surveys to provide information which they already have, always looking to delay.”

“We are increasingly seeing requirements for Water Impact Assessments and Drainage Impact Assessments to model Scottish Water networks... Brown field sites are needlessly time consuming and solutions having to be developer led for drainage consents.”

“Required treatment of surface water on brownfield sites to nearest water courses renders too many sites unviable...particularly when many water courses also now deemed to be not available for taking surface water due to NPF4 revised categorisation.”

Elsewhere, some respondents cited problems with SSE pulling out of the new build market, and noted their “process and costs for upgrades are almost prohibitive”. Another criticised Scottish Power who they believe are “always looking to upgrade their network at developer expense, takes two or three re-quotes and pressure to make them discover that new substation/network reinforcement is not required for 14 units.”

APPENDIX 2: HFS SME HOME BUILDER SURVEY ANALYSIS

DEVELOPMENT FOCUS

The data review finds that SMEs have strong concentrations of activity in rural areas and urban brownfield sites. Respondents were directed to the relevant questions based on where they consider their main development activities to be focused. Nine (42%) stated that they lead their activity in both areas, eight (38%) focus on urban brownfield, and two (10%) focus only on rural development.

Brownfield development

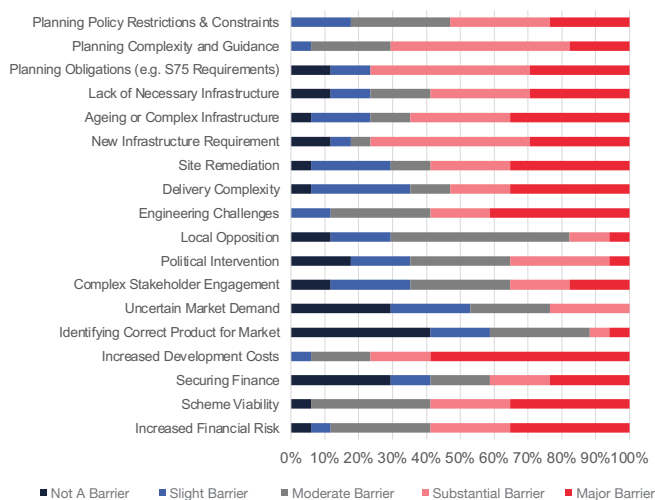
Respondents were asked to rank the factors that can present barriers to delivering homes on brownfield sites. 17 home builders responded to this question.

Key points

- Overwhelmingly, the key areas of concern by those who develop on brownfield (where over 70% of responses indicated a substantial or major barrier) identified that increased development costs, new infrastructure requirements, planning obligations (e.g. section 75 requirements), and planning complexity and guidance presented the biggest barriers to development.
- Across all data points in this question, more than half of SMEs indicated that it was the factors typically relating to brownfield sites – infrastructure (new and existing), engineering issues, the complexity of the site or remediation requirements – which present substantial or major barriers to brownfield development.

Over half of respondents (10, 58%) indicated that increased development costs represent a major barrier to delivery. Three more (18%) indicated that these costs represent a substantial barrier.

Q27: How much of a barrier are the following factors in delivering brownfield sites?



New infrastructure requirements were a substantial (8, 47%) or major barrier (5, 29%) for three quarters of respondents. The same number report planning obligations (including section 75 agreements) as a substantial (8, 47%) or major barrier (5, 29%).

Concerns about local opposition, political intervention and complex stakeholder engagement offered a broad range of responses but were not regarded as clear substantial or major barriers to development. Over half of SMEs responding cited that local opposition was a moderate barrier to development (9, 53%); 10 (10, 59%) cited political intervention as either a moderate or substantial barrier; and regarding complex stakeholder engagement, there was no clear indication of the level of barrier this creates.

There was a spread of responses about securing finance with the greatest number (5, 29%) indicating that this was not a barrier. At the other end of the scale, four (24%) indicated that this was a major barrier.

On factors relating to infrastructure (new and existing), engineering, site complexity, and remediation requirements – the factors that would typically be considered issues relating to brownfield sites – over half of respondents weighted negative or pointed towards these factors being a substantial or major barrier.

	NOT A BARRIER	SLIGHT BARRIER	MODERATE BARRIER	SUBSTANTIAL BARRIER	MAJOR BARRIER	MAJOR & SUBSTANTIAL
Planning Policy Restrictions & Constraints	0%	18%	29%	29%	24%	53%
Restrictions & Constraints	0	3	5	5	4	9
Lack of Necessary Infrastructure	12%	12%	18%	29%	29%	59%
Ageing or Complex Infrastructure	2	2	3	5	5	10
Site Remediation	6%	18%	12%	29%	35%	65%
Delivery Complexity	1	3	2	5	6	11
Engineering Challenges	6%	24%	12%	24%	35%	59%
Local Opposition	1	4	2	4	6	10
Political Intervention	6%	29%	12%	18%	35%	53%
Complex Stakeholder Engagement	1	5	2	3	6	9
Uncertain Market Demand	0%	12%	29%	18%	41%	59%
Identifying Correct Product for Market	0	2	5	3	7	10
Increased Development Costs	6%	0%	35%	24%	35%	59%
Securing Finance	1	0	6	4	6	10
Scheme Viability	6%	6%	29%	24%	35%	59%
Increased Financial Risk	1	1	5	4	6	10

APPENDIX 2: HFS SME HOME BUILDER SURVEY ANALYSIS

RURAL DEVELOPMENT

Respondents were asked to rank the factors that can present barriers to delivering homes in rural areas. 18 home builders responded to this question.

Key points

- Rural developers highlighted barriers similar to those of brownfield developers. The high cost of infrastructure delivery, planning obligations (e.g. section 75 requirements), and challenges in delivering infrastructure were factors where over 60% of responses indicated a substantial or major barrier.
- SMEs active in rural housing delivery also cited the lack of government / local authority support and limited access to essential services as key barriers.
- The increased financial risk of rural housing delivery is the second highest-ranked major barrier to rural housing delivery according to those who responded, with two in five (7, 41%) citing the barrier as major.
- There was firm evidence rural home builders know their markets. None identified unique community needs or uncertainty regarding housing need as major barriers to delivery.

Almost three in four respondents (13, 72%) indicated the high cost of infrastructure delivery was a significant barrier to development. Six (33%) said this was a substantial barrier to development. seven (39%) indicated that these costs represent a major barrier.

Lack of government / local authority support was cited by most home builders (11, 61%) as the strongest barrier to rural housing delivery. Eight home builders (44%) cited this as a major barrier; three more (17%) said that these challenges are a substantial barrier.

A number of other factors were cited by three in five respondents as either a substantial or major barrier to rural housing delivery. These were planning obligations (e.g. s75 agreements), challenges in delivering infrastructure and limited access to essential services. For each factor, seven home builders (39%) cited these factors were major barriers to rural housing delivery, and four indicated (22%) these factors are substantial barriers.

Over half of respondents cited increased financial risk (10, 59%), increased development costs (10, 59%), access to grants and support schemes (10, 56%), and planning policy restrictions & constraints (10, 56%) as substantial or major barriers to rural housing delivery.

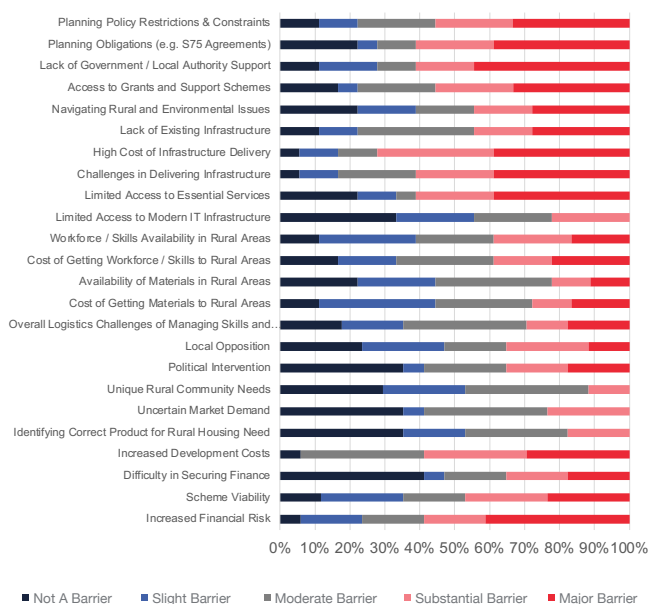
The increased financial risk of rural housing delivery is the second highest-ranked major barrier to rural housing delivery according to those who responded, with two in five (7, 41%)

citing the factor as a major barrier. In addition, three home builders (18%) also indicated this was a substantial barrier. This highlights that SMEs who deliver in rural areas require support with financial resilience.

Five respondents (29%) each indicated increased development costs are either substantial or major barriers to rural housing delivery. Regarding access to grants and support schemes, and planning policy restrictions and constraints, on both factors, six home builders (33%) cited this was a major barrier to their activity and another four (22%) reported this was a substantial barrier to their delivery of rural housing. This highlights that SMEs who deliver in rural areas require support with planning and the grant arrangements.

A numbers of home builders indicated there was no barrier to their activity from political intervention (6, 35%), uncertain market demand (6, 35%) and identifying correct product for rural housing need (6, 35%). Similarly, there was evidence these rural home builders know their markets, with no home builders identifying unique rural community needs, uncertain market demand, and identifying correct product for rural housing need, as a major barrier to delivery. It is notable that the responses regarding the barriers to home builders delivering rural housing is more nuanced and less definitive than the results from those active in delivering brownfield housing.

Q28: How much of a barrier are the following factors in delivering rural or remote sites out with the commutable hinterland of major urban areas?



APPENDIX 2: HFS SME HOME BUILDER SURVEY ANALYSIS

REGULATION

Respondents were asked to rank their responses to a variety of questions about recent and upcoming regulatory change, including their understanding of the regulations, the impact on business, their progress implementing regulation, and the Scottish Government’s communication. 20 home builders responded to these questions.

Key points

- The majority of home builders considered existing and future energy efficiency standards to be having a detrimental impact on their business.
- Together, 85% of home builders (17) indicated that Housing for Varying Needs and an all-tenure Accessible Homes Standard would have a very detrimental (8, 40%) or detrimental impact (9, 45%) on their activities.
- Forthcoming energy efficiency regulations are considered to have a detrimental impact on business. Four in five (16) recorded that these would have a detrimental impact.
- Broadly, responses about the level of communication and support from government were negative.
- Four in five indicated support from the Scottish Government in implementing energy efficiency changes in development projects was poor (5, 25%) or very poor (11, 55%).

Forthcoming energy efficiency regulations are considered to have a detrimental impact on business. Four in five (16) recorded that these would have a detrimental impact.

Understanding

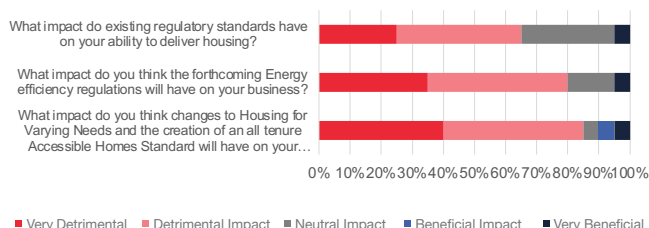
SMEs responding were asked to rank their understanding of the forthcoming energy efficiency regulations. All 21 SMEs responded to this question. Almost all SMEs (19, 91%) indicated they felt they had an average or better understanding, while half stated their understanding was average.

	VERY POOR	POOR	AVERAGE	GOOD	VERY GOOD
How well do you understand the upcoming regulations around Energy Efficiency?	0%	10%	48%	33%	10%
	0	2	10	7	2

Impact of regulation

Overall, the majority of home builders considered existing and future energy efficiency standards to be having a detrimental impact on their business. This was most strongly felt regarding Housing for Varying Needs and an all-tenure Accessible Homes Standard. Together, 85% of home builders (17) indicated that this would have a very detrimental (8, 40%) or detrimental impact (9, 45%) on their activities.

Q29: Impact of Regulation



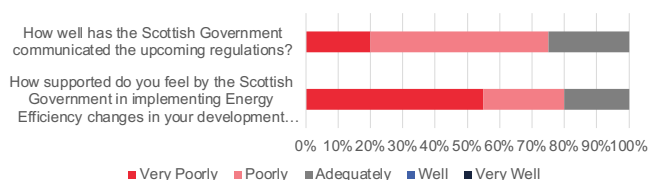
APPENDIX 2: HFS SME HOME BUILDER SURVEY ANALYSIS

SCOTTISH GOVERNMENT COMMUNICATION

Broadly, responses about the level of communication and support from government were negative.

No SMEs indicated the government had supported the implementation of energy efficiency changes well or very well. Four in five indicated the support from the Scottish Government in implementing energy efficiency changes in development projects was poor (5, 25%) or very poor (11, 55%).

Q31: Support and Communication



More than half of SMEs (11, 55%) responded that the Scottish Government's communication of the upcoming regulations was poor; four more (20%) felt this communication was very poor.

Implementation

Asked whether they had begun to implement forthcoming energy efficiency regulations, half of respondents (10, 50%) indicated they had, half (10, 50%) indicated they had not.

Eight comments in response to this question were recorded. They provided greater insight into what change they were undertaking. One company indicated it is embarking on heat recovery, while another said it had been "installing almost nothing but heat pumps since around 2008" due to their off-grid location. Four referred to the deployment of air-source heat pumps beginning or being a requirement in affordable housing for some time, while another indicated a reduced SAP rating due to the higher running costs which they felt was "counter-intuitive."

Many of these comments relate to the New Build Heat Standard, introduced on 1 April 2024, during the period the survey was underway. Responses in this section may have interpreted regulatory change to heating standards as relevant to this question about energy efficiency.



Campion Homes/Kingdom Housing Association - Gauldry, Fife: Finalist – Homes for Scotland Development of the Year – Medium 2024

APPENDIX 2: HFS SME HOME BUILDER SURVEY ANALYSIS

BUSINESS OUTLOOK

The survey concluded by asking the home builders about their plans for the future, seeking their intentions for the number of homes they will build, including where and in what tenure, workforce planning, their overall intentions for growth, in addition to their outlook. All 21 SMEs responded.

Key points

- Though few of the SMEs were planning for their business to contract, their overall outlook on the market was pessimistic.
- Except for housing market demand, over 80% of home builders were either negative or neutral in their business outlook.
- More than half of SMEs responding were strongly negative about the outlook for government policy.

Business Growth Plans

No respondents anticipate a strong contraction in any area of their business plans (across growth, workforce, numbers of homes, operational geography, or tenures), but a contingent of 4-6 (19-29%) anticipate some contraction.

Across all aspects of business planning, the strongest expectation for growth was from ten home builders who intend to increase the number of units they will build, with nine (43%) expecting growth and one (5%) expecting strong growth. However, six (29%) are also expecting a contraction.

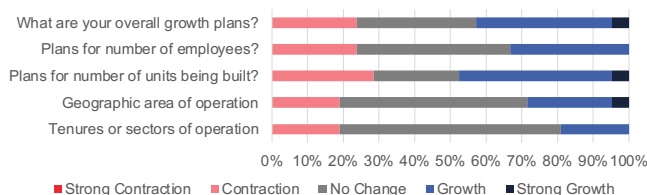
Nine home builders (43%) intend to grow their business. Seven (33%) anticipate no growth. One in four (5, 24%) are planning for a contraction in their business.

More than half of respondents anticipate no change in their geographic area of business (11, 52%), the tenures or sectors they operate (13, 62%). Concerning intentions for their workforce, none expect strong growth in their workforce, 9 (43%) anticipate no change, followed by seven (33%) who expect growth and five (24%) expected a contraction.

One SME commented they intend to exit the home building market due to a shortage of small sites. Those with plans for growth are doing so due to:

- the overwhelming demand and need for new homes
- the desire to house more people in line with their charitable purpose
- the business has the capacity and desire for growth – but considers the biggest blocker to growth is due to government policy and regulation.
- grow, “to a level and settle”

Q33: Business Growth Plans



Business Outlook

Four in five (17, 81%) were either strongly negative or negative about government policy. Thirteen (62%), were strongly negative on this point. None at all were positive.

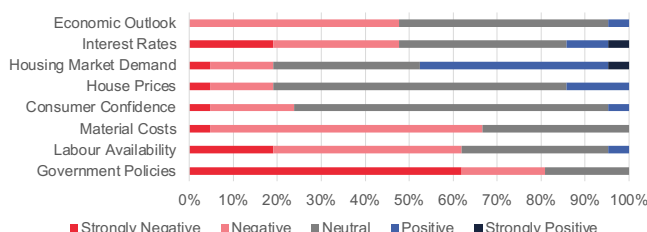
Regarding the economy, overall sentiment leaned negative: ten each (48%) were either negative or neutral in outlook.

Sentiment concerning the housing market, including demand, prices, and consumer confidence, leaned positive. Nine home builders (43%) were positive about market demand, and seven (33%) were neutral.

There was hesitancy regarding house prices. Two thirds (14) were neutral, while 14% (3) were positive. None were strongly positive.

Sentiment concerning consumer confidence is overwhelmingly hesitant. Fifteen home builders (71%) were neutral. One in four were negative; one (5%) strongly negative and four (19%) negative.

Q34: Business Outlook



APPENDIX 2: HFS SME HOME BUILDER SURVEY ANALYSIS

BUSINESS OUTLOOK

Nine comments recorded in support of this question were deeply negative in their sentiment, pointing responsibility at government policy, the lack of finance, and economic conditions. One summed up a generally negative outlook because of government policy:

“Too much regulation and cost being added by government, both national and local, with no overall view taken by government as to the cumulative impact of these many policies... viability is further undermined by these additional costs. There is no recognition of this point in the formation of government policies.”

This was echoed by another who said:

“Policy, regulation and lack of public sector investment into social housing and the funding of LA planning teams”

Highlighting planning policy, one respondent said their land had been “sterilised by SG’s implementation of NPF4”. They summarised:

“It’s a perfect example of disastrous and thoughtless implementation of centralised policy that fails to consider local context.”

Another said “35 years [in the business] and there are now daily challenges to overcome” and “there is no political support nor main street bank support for the SME house builder”. Concerningly, one indicated they are “looking at growth in other areas of the UK & ROI”.



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