Brownfield site Lowood in Wilmslow

Bowdon Homes' Carhill development

Radical thinking required to solve logjam

Planning delays, rising interest rates and material costs have created a minefield for small housebuilders. With a general election looming, Alex Bell reports

The overburdened planning system is putting smaller home builders under enormous strain, according to the Home Builders Federation report *State of Play*.

The UK's most comprehensive survey of the sub sector – carried out alongside Close Brothers Property Finance and Travis Perkins plc – also presents a damning reflection of the government's approach to housing in the UK.

A whopping 93 per cent of small and medium sized enterprises (SMEs) in the sector cite delays in securing planning permission as a major barrier to growth.

And almost three-quarters (72 per cent) claim interest rate rises have been a major obstacle in the past year.

Adding insult to injury, in its *Housebuilding Market Study: Final Report*, the Competition & Markets Authority (CMA) poured cold water on criticisms made by policymakers towards housebuilders and highlighted the need for total planning reform.

"It's a minefield," says Scott Marshall, founder and managing director of Roma Finance, the Manchester-based UK-wide specialist bridging lender to SME housebuilders. "Our customers simply cannot get planning through."

Marshall describes the current climate as counter cyclical, and believes housing will be front and centre in the next election.

"Another 750,000 people came into the country last year," he says, "all of whom needed somewhere to live.

"People are cohabitating later, getting married later, starting families later and people are living longer, which means that less stock is coming onto the market.

"We've got to the point where we are advising to buy with cash, not with debt."

Roma Finance funds small developers and Marshall says interest rates have gone up 5,000 per cent from October 2021's 0.1 per cent. Despite rising inflation, high material costs and little clarity on new build GDV (gross development value) end value due to political and global macroeconomic uncertainty, he insists opportunities exist to buy well and build well.

"Big opportunities are the regeneration of the high street, the war on cars and the creation of the 15-minute city," he says. "If you're a developer, how do you know what to pay for land now? You're going to have more certainty in 12 to 18 months.

"But I'll flip this on its head, in that people do their best business in a counter cyclical environment. At this moment you can buy better, because vendors are going to be much more realistic on the prices because of the competition to buy sites.

"The major housebuilders have all slowed down because of uncertainties which has freed up more labour and is enabling small entrepreneurial developers to buy land cheaper and better."

The one-man band

Bowdon Homes founder Paul Masterson says there were 10,000 small housebuilders when he founded his company in 2008, but that number stands at just 2,000 today.

"It is very much a shrinking market," he says. "The big housebuilders are getting bigger and stronger, and they are not interested in brownfield sites. And a lot of innovation and development of brownfield sites comes from SMEs."

Bowdon Homes – based in Altrincham – completed its Carrhill project, just outside Oldham, on the day Brexit happened. With the 34 homes priced at around £350,000, Masterson has since focused on other schemes in more familiar territory: prestigious properties.

"My current Lowood development in Wilmslow for 14 eco-friendly homes spent two years in planning even though the site already had planning," says Masterson. "That's only because I needed to make a minor section 73 amendment.

"Without doubt the biggest issue, without being too negative, is the planning. SMEs like me tend to work one site, maybe two, at a time. And it is just too difficult at times.

"Saying that, it's a project that is going well. It's been built out on programme and budget, and we have a showroom opening in April, with the houses priced at £1.8m to £2m, with the project set to complete in August."

Bowdon Homes has been working with architects Calderpeel – also based in Altrincham – on Lowood, four clusters of four- and five-bedroomed detached homes on a brownfield site surrounded by greenbelt and bordered by woodland and a nature reserve.

> "The major housebuilders have all slowed down because of uncertainties."
> **Scott Marshall**
> Roma Finance

Another of Masterson's concerns is about where the next generation of entrepreneurial innovative SME housebuilders will come from. "The average age of building site workers can be upwards of 45 now – that's not right," he says.

"The government has to incentivise apprenticeships. It's an innovative creative industry now, no longer the old building sites of the past, and more can be done to get young people involved.

"Sadly I don't at the moment see enough younger people getting into property development. Much like apprenticeships, it is just not happening. There are legitimate barriers and reasons but it's a shame."

Greenhaus blueprint

Muse Developments partnered with contractor Eric Wright Construction on Salford's Greenhaus, which offers affordable rent, social rent and rent-to-buy, and is the largest Passivhaus-certified development in the North West of England.

"Within the Salford Central masterplan development agreement between English Cities Fund [ECF] and Salford City Council, we hadn't delivered anything affordable," says Muse Developments project director Simon Hourihan. "So, there was an aspiration from ECF to deliver a 100 per cent affordable development."

The 96 homes – now available through Salix Homes – use up to 70 to 90 per cent less energy than traditional housing stock,

Greenhaus in Salford

thanks to triple-glazed windows, insulation technology, air source heat pumps and electric vehicle charging spaces.

"There are a lot of people waiting to get into the development as the demand for affordable housing is high in Salford," says Hourihan. "People are getting a special product that is pretty unique to the UK.

"There aren't many Passivhaus developments in the UK full stop. I call it a medium-rise city-centre apartment development. It's built in a way you would build a city-centre residential, but bolted on with Passivhaus Classic certified standard.

"Nobody had ever done it before, which was the challenge we had at the start. The way that the scheme addresses the climate crisis is groundbreaking. I hope it is copied."

The next stop for Hourihan is Peru Street, boasting 100 affordable, sustainable one- and two-bedroom Passivhaus apartments within five- and six-storey building.

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>
> **Simon Hourihan**
> Muse Developments

"We're about to enter into agreement to do what will pretty much be Greenhaus two," says Hourihan of the development, which forms part of the £2.5bn Crescent Salford regeneration, a collaboration between Salford City Council and Salford University.

Joe Stockton, senior development manager with Muse and ECF, said: "With Peru Street, we've built on our successes and learnings through delivering Greenhaus to create even more sustainable, affordable homes for the people of Salford."

Hourihan adds: "It's not a case of we've done one and we've nailed it. It'll take a few schemes to really get under the skin of it as we have already learnt a lot of lessons in the process we have been through so far.

"There are challenges in the market to make schemes more commercially viable and easier to build – the only way of doing it is to build more of these types of schemes.

"We'd like to roll the model out in the North West and throughout the UK. And we are prepared to share our knowledge through workshops that we do." ■