

DELIVERING MORE

**HOMES FOR
SCOTLAND**

SCOTLAND'S SME HOME BUILDERS IN 2025

IN PARTNERSHIP WITH

VELUX®

INTRODUCTION



Scotland's SME home builders are critical to delivering more homes of all tenures across Scotland and tackling the housing emergency. They are inherently local to their communities, providing training and jobs which form the backbone of their local construction sector, and they deliver the diverse, high-quality and energy-efficient homes local markets trust them to build. These SMEs provide flexibility to their local economies and are vital to delivering desperately needed rural homes. By unlocking complex, often contaminated and challenging brownfield sites that larger developers can overlook, they meet demand in urban centres and improve the fabric of our towns and cities.

However, they are disproportionately at the sharp end of the barriers the wider sector faces – including the slow, under-resourced planning system, the constrained land and labour markets, and the raft of new regulation from government.

When Homes for Scotland (HFS) published [Scotland's SME Home Builders 2024: Data Review and Industry Insights](#), that research filled a considerable data gap and has underpinned stakeholders' understanding of the issues SME home builders face. We are therefore delighted to be partnering with VELUX in this special 25th anniversary year for HFS to provide a timely and critical update to that research.

This year's report again finds the number of SMEs, actively selling between 3 and 49 homes per year, operating in Scotland has continued to fall. With insights from SMEs

who built 2500 homes last year – including over 1000 social homes – we are able to shine a spotlight on their concerns. There is overwhelming consensus that the experience of home building has worsened since 2020. Concerns about planning persist, the cumulative cost of regulation is now adding more than £20,000 to the cost of each home and the prospect of a proposed Building Safety Levy is considered detrimental by 9 in 10 SME builders.

SMEs face acutely different impacts from the policy and regulatory regimes than those of larger builders and therefore require targeted policies that incentivise them to grow and succeed. With less than one year to the Scottish Parliament elections, it is incumbent on government and opposition parties to rely on this evidence and data to develop bespoke, proportionate policy for SMEs that arrests and reverses the decline in their number. Policies must include streamlined planning and consenting regimes, new innovative finance solutions and public-private partnerships that work to support SME home builders directly. HFS stands ready to explore and inform the policy solutions with all stakeholders eager to support our SME members to accelerate the delivery of more homes.

Jane Wood
Chief Executive
Homes for Scotland

FOREWORD

When HFS published its [Scotland's SME Home Builders 2024: Data Review and Industry Insights](#) report, it revealed – but critically evidenced – what we at VELUX and the wider supply chain is all too aware of: there has been an alarming reduction in SME home builder activity, with the proportion of homes sold by SMEs falling to less than 15 per cent of all homes in Scotland in 2023.

VELUX is therefore delighted to be partnering with HFS to support SME home builders. Scotland's SME Home Builders in 2025 report provides an important update with new data on the footprint of the sector and details the issues these home builders face.

At VELUX, we believe that homes should do more than provide shelter, they should support health and well-being. We know this enhances both comfort and sustainability and that is why we're partnering with HFS to promote healthier indoor environments through better daylight and ventilation.

SMEs build homes that do just that. They build a broad and diverse range of housing types across all areas of the country. They proudly deliver homes that make the best of Scotland's natural light and fresh air to reduce moisture, improve air quality, and create brighter, more energy-efficient homes across all tenures.

Their success must be celebrated and cultivated.

If we want to see more homes meet Scotland's housing needs, we need to ensure there is a healthy SME home building sector, because they are so critical to designing homes for local needs on often complex sites, innovating to make new homes comfortable and sustainable. SME home builders need an improved operating environment, and this publication is a critical tool to help policymakers and the supply chain understand the areas where the greatest support is required.

Together, we're working to shape the future of Scottish housing, ensuring every home is designed with well-being in mind. Let's build more healthier homes, together.



Alex O'dell
Vice President Market
Great Britain & Ireland



Trevor Smith
National Housing
Development Manager



KEY FINDINGS

125



SMEs built homes
in 2024, down 8
since 2023

SMEs sold

15%



of Scotland's new
homes since 2020
including 1800
in 2024

88%



SMEs say
the Building
Safety Levy
is detrimental
to viability

9in10



SMEs say
Government
policies have a
negative impact
on business

Fife



is a key market
for one third of
SMEs, followed
by Aberdeenshire,
Edinburgh and
Glasgow

88%



SMEs said their
experience of
building homes
has worsened
since 2020

96%



SMEs cite detrimental impacts due to the speed of planning processing

88%



of SMEs are concerned about the impact the availability of labour will have on their business

2 in 3



SMEs cite lending equity and guarantee requirements tied to lending have detrimental impacts on their business

58%



of SMEs estimate that new regulation since 2021 has added more than £20,000 to the cost of building a new home

over half



of SMEs said that Scottish Water presented the greatest utility barrier to housing delivery

75%



SMEs say the availability of pre-development funding and support has a detrimental impact on home building

OUR RECOMMENDATIONS

Throughout 2025, HFS is partnering with VELUX to secure an improved operating environment for the SME home building sector. One year on from publication of [Scotland's SME Home Builders 2024: Data Review and Industry Insights](#), we can provide this timely and critical update on the number of SMEs operating and publish fresh insights from home builders.

Our survey findings provide deeper understanding of SME home builders' sentiment towards government, and the barriers and challenges they face accessing finance for development, while updating critical headlines about the impact the planning system and changing regulation has on their businesses.

In 2024, HFS made 6 recommendations to the Scottish Government and utility connection providers. While these over-arching themes still require urgent action, in the context of a pre-election year, HFS has refined these recommendations to government and stakeholders who must now work at pace to improve the operational context for SME home builders in Scotland.

1 Regulation across government must be overhauled to create bespoke and proportionate policy that enhances the viability of sites for SMEs, helps reduce their costs and increases the certainty required to deliver more homes.

- An urgent cross-portfolio review to identify the burdens and challenges SME home builders face and implement bespoke solutions to remove these barriers within one year.
- SME home builders must be removed from regulation, such as the Building Safety Levy, while the Road Construction Consent and road bond process must be standardised and overhauled.
- SMEs must benefit from simplified statutory consenting processes and timelines.

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

- Planning and building warrant processes must be streamlined and accelerated to reduce the time and cost SME home builders experience due to these regulatory regimes, reflecting recent reforms proposed by the UK Government. SMEs must be freed from the disproportionate impact of a planning system that is slow, under-resourced and ties up their capital.
- Incentives in the planning and consenting regimes must be deployed to support SMEs to deliver more homes on small sites. These can be financial and non-financial, through a simplified development management approach and by providing exemptions from developer contributions and regulation, for example the Building Safety Levy.

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

- New financial support for pre-construction works must be unlocked for SMEs to provide remediation, site investigation and infrastructure funds at a scale that is comparable to the support provided by Homes England.
- All existing housing funds, including the Housing Infrastructure Fund, must be adapted and unlocked for SME home builders to access.
- Genuine public-private partnerships must utilise public funds to invest and mitigate pre-development costs, with the public sector sharing the risk-reward of delivering more homes.
- A Sustainable Building Scotland Fund must be established to support SMEs to overcome equity and guarantee requirements SMEs face when accessing development finance.

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

- More support is needed for SMEs to unlock more brownfield land, which they play a critical role in developing, by addressing the financial, engineering-related and scheme viability pressures identified in our member survey.
- The public sector must take an interventionist role in assembling land for development by SMEs in order to share the risk-reward of development. Measures the public sector can take to improve viability include releasing land as well as assessing, investigating and preparing land, including undertaking remediation.
- This work must be joined up, within and outwith government. Coordination must ensure a streamlined planning and consenting regime helps accelerate development, while government must work with lenders to exploit innovative funding and joint venture models.

5 The concerns identified by SME home builders when working with utility connection providers must be addressed.

- SMEs still require action from utility connection providers who must understand their critical enabling role in accelerating development.
- Water supply and sewage and wastewater providers, and to some degree electricity connection providers, must now accelerate action to increase the availability and capacity of connections and reduce the cost of connections.

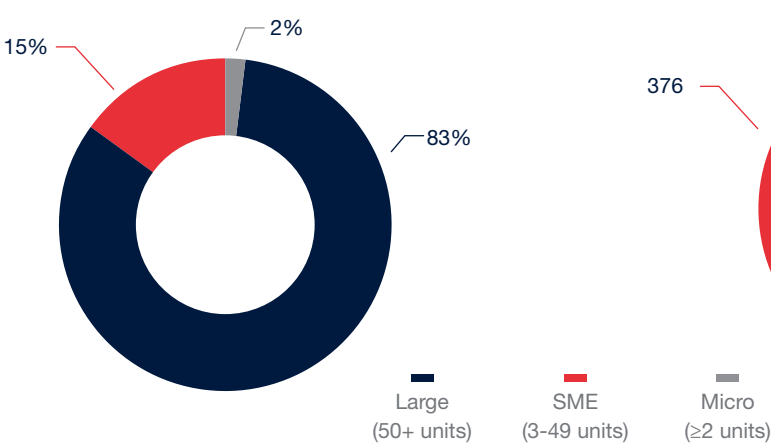
SME HOME BUILDERS IN 2025

Analysis of new build sales from Registers of Scotland shows the number of SME home builders in 2024 was 125. This number is the lowest in 20 years and is a decrease of 8 since 2023. Since the global financial crisis, the number of SME home builders actively selling between 3 and 49 homes per year has fallen by more than two thirds.

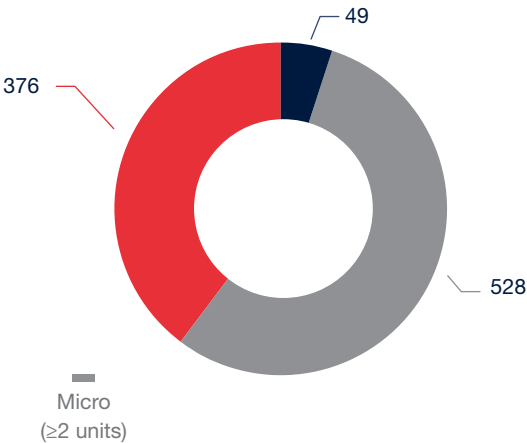
Since 2020, larger developers delivering 50+ homes per year have accounted for over 80% of new build sales. Over the

five-year period, SME delivery stood at 15%. 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 number of homes delivered by SMEs grew in 2024 to 1794, from 1686, resulting in SMEs growing their market share by 3 percentage points. This increased market share should be considered in the context of sales falling to their lowest level in a decade.

Count of Sales by SME Category (2020 - 2024)

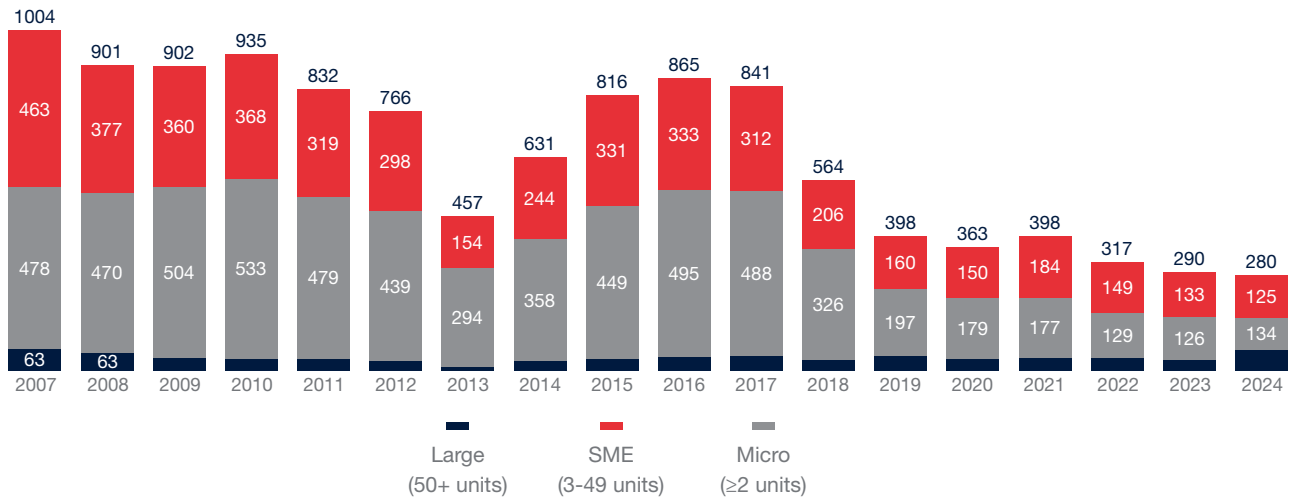


Count of Active House Builders (2020 - 2024)

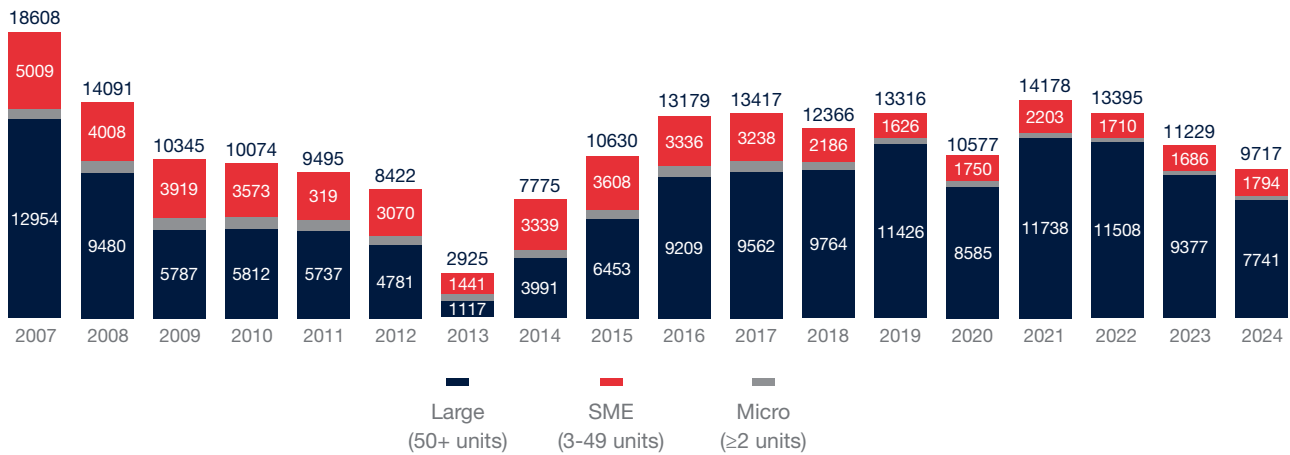


Home Builder of the Year 2025 - SME - Whiteburn Projects

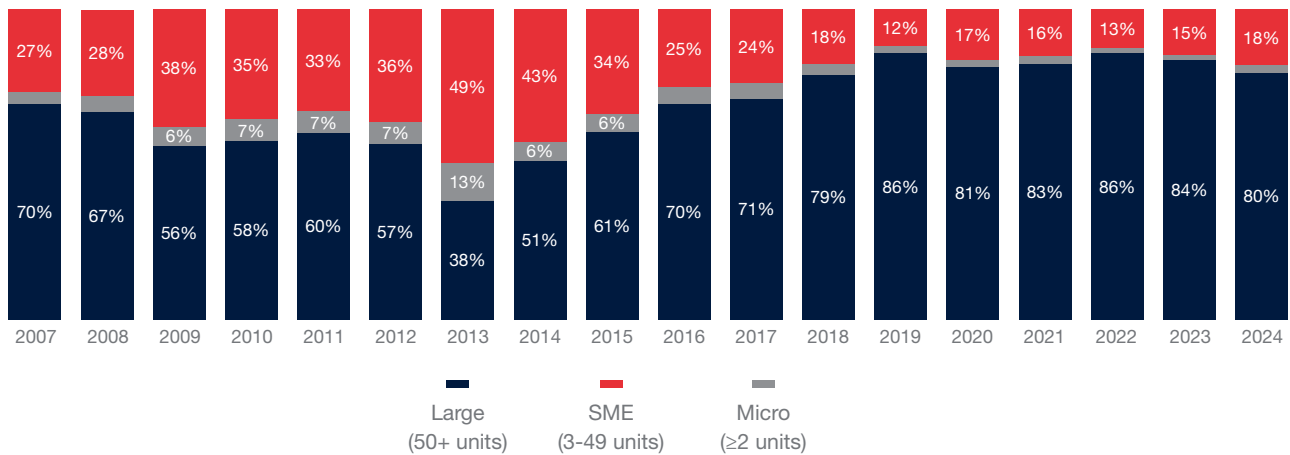
Count of Active House Builders



Count of Sales by Builder Size



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



SME HOME BUILDER INSIGHTS

Throughout May 2025, HFS undertook a survey of all HFS home builder members. This report presents insights secured from SME members to support government and stakeholders to understand the nuances of the SME sector. 24 responses were received, an increase from 21 responses in 2024.

The survey provides extensive data on the barriers and challenges SME home builders face when delivering homes in Scotland. Our survey recorded their views across subjects ranging from regulation, business outlook, planning, utilities and infrastructure requirements and development finance. The investment the home builders made in this process is very much appreciated. Responses were sought on the assurance they would be treated with confidentiality and results anonymised.

ABOUT THE SMEs RESPONDING

The 24 SMEs who completed the survey have a breadth of experience delivering homes across Scotland. Primary areas of home building covered most areas of mainland Scotland, with one third of home builders having activity in Fife in particular. Together, the SMEs participating in the survey employ almost 1750 staff.

Combined, the home builders responding reported that they had built more than 2500 homes across all tenures in 2024, including 1075 homes for social rent. This represents a significant number of the homes delivered in Scotland in 2024, when 19,797 homes were built across all tenures.

Almost all (95%) respondents build homes for sale, with those who do averaging 41 homes for sale in 2024. Almost half of those responding (45%) had delivered more than 550 homes for mid-market or affordable rent, while 70% of those responding had delivered homes for social rent.

ACCESS THE INSIGHTS

The insights gathered through the home builder survey can be access [here](#) or by scanning this QR code:



DATA REVIEW UPDATE METHODOLOGY

HFS commissioned work to update key statistics on how Scottish SME home builders (specifically those delivering between 3 and 49 homes per year) are operating in 2024, in line with the methodology used in [Scotland's SME Home Builders 2024: Data Review and Industry Insights](#).

The analysis on pages 8-9 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. 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.

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



Lar Housing Trust & Lar Projects - Affordable Development of the Year - Small, 2025 - Winner - St Kentigern's, Edinburgh

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