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# Unleashing SME-Led Regeneration of Small Urban Sites



Nick Hopkinson, Director & Co-founder of PPR Estates, comments

All new homes, land development and much of England's economic growth start with a planning application. Yet for SME housebuilders, planning is no longer just a gateway, it has become a bottleneck that discourages investment, creates artificial scarcity and blocks the construction of urgently needed well-designed, locally integrated homes on small urban sites.

This is not an argument for lower standards. It is the case for a simpler, clearer and more predictable National Planning Policy Framework (NPPF), that helps unlock urgently needed housebuilding while protecting our environment, builds a more diverse and dynamic housing market, and supports UK economic growth. These views reflect my practical experience of 20 years of leadership of an SME developer, and my role representing the SME housebuilding sector on the Parliamentary Liaison Group for Housing Delivery & Growth.

The question is no longer whether planning needs to change, but whether we can make reforms that keep SMEs in the game, because without them, national housing targets become mathematically impossible.

## National housing crisis is worst for the SME sector

The UK is facing both a national housing shortage and the weakest economic growth in the G7, according to the latest GDP data from the OBR. Planning and housebuilding statistics point to an alarming fall in delivery. The Home Builders Federation reports that planning approvals for new homes in 2024 fell to 242,610 units, the



lowest in a decade and 26% below the 2019 peak. These units are concentrated across only 9,776 approved sites, the fewest on record. To meet government targets of constructing 370,000 new homes a year, approvals would need to rise by over 50%.

The planning bottleneck hits SMEs hardest. Without the balance sheets, land pipelines, or specialist teams of larger firms, SMEs are less able to absorb long delays and shifting requirements. The system rewards only the biggest housebuilders, quietly removing the businesses that historically delivered a large share of England's homes. For smaller operators, planning uncertainty is not abstract, it dictates whether a project happens at

all. Developers are told three months for approvals yet plan for three years, and that uncertainty feeds directly into the housing shortfall.

The consequences of this planning and delivery failure are tangible. Higher housing costs, reduced social mobility, and poorer living environments, particularly in urban areas follow directly. Public services, including the NHS, are placed under additional pressure against the backdrop of an ageing population. One stark symptom of this crisis is the increasingly common use of emergency accommodation: according to the Resolution Foundation over £2.8bn was spent on emergency accommodation for 130,000 households in 2025. Beyond the personal tragedy for those affected, this

represents a lost opportunity for civic pride, regeneration, and local economic growth.

### Why SME housebuilding matters: jobs, vibrancy, and infrastructure

Housebuilding and economic growth are directly linked, and SME delivery is particularly powerful because it is locally embedded. Analysis by former MHCLG economist Chris Walker shows that every 10,000 new homes built on small sites by SMEs generates 32,000 direct and indirect jobs, adds £2.4bn of economic growth (at least half net additional), and boosts annual GDP by 0.49%.

Small urban sites, generally under a hectare and delivering up to 50 homes can provide these benefits in a locally diverse, environmentally sensitive way. A mere 240 extra small sites could achieve these gains nationally.

SMEs excel at converting empty upper floors, repurposing redundant buildings, and regenerating derelict land. These projects revive high streets, support local builders and tradespeople, and make best use of existing infrastructure like schools, doctors surgeries and public transport. When SME delivery is blocked, we don't just lose homes, we lose local economic lift, community vibrancy, and place-making.

Historically, SMEs delivered over 35% of all new housing in England. In 1988, SMEs built 91,000 homes, responding to local needs and creating vibrant communities. Typically, an SME housebuilder employs fewer than 50 staff, delivers under 50 homes annually, with turnover below £10m and profit margins recently under 4.7%.

Yet in 2026, margins are collapsing due to increased regulation, tax, planning delays, and sales uncertainty. Missing a handful of sales can tip a business into insolvency. The political myth of the "greedy housebuilder" is far from reality for SMEs. Latest BPF forecasts suggest small sites (<50 homes) may deliver fewer than 2,000 homes this year. The SME sector is on the brink of extinction, and its collapse largely explains why national housing targets are unattainable.

### Small sites blocked by bureaucracy and planning uncertainty

Government intentions are clear, Housing Secretary Steve Reed's "Build Baby Build" is a rallying cry. But planning remains over-complex. A 20-home urban regeneration scheme in 2026 can require

20-25 specialist reports costing £40,000-£60,000, with no certainty of approval. This mirrors requirements for a 1,000-home scheme by a major developer, without economies of scale.

Threshold effects hit SMEs hardest. Affordable housing quotas and Section 106 requirements kick in for sites above nine homes. Few Housing Associations can manage two affordable homes in a 20-unit scheme, and extended negotiation times kill many small-site schemes.

The National Planning Policy Framework treats urban regeneration and greenbelt development as the same, even though we know that converting empty buildings has a significantly reduced environmental impact with the added benefit of regenerating local communities and maximising the value of existing infrastructure. Large or small sites often face nine months to committee and

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five months for S106 negotiations, making projects uneconomic while town-centre buildings remain empty.

Simply put, why does our planning system treat regenerating existing urban communities the same as building entirely new ones on the green belts of cities?

### Planning Case Officers: stretched to breaking point

Planning officers handle an average of over 50 applications at a time. For each small site, this can mean 20+ reports, hundreds of pages of material, and dozens of consultees with conflicting briefs. Recruiting a few extra officers will not solve the systemic issue.

Data shows the impact: in 2024, just 17,000 homes were approved on sites of 3-9 units, roughly half the historical average. Permissions for sites under 150 units have fallen from 20% in 2008 to 6-8% today, while 94% of small-site applications miss statutory deadlines.

Legislative quirks exacerbate delays. Conflicting environmental protections and nutrient neutrality rules have blocked

150,000 homes. Consultees and NIMBY opposition often have no incentive to expedite positive decisions. Different local authorities also take inconsistent positions, creating a postcode lottery for SMEs.

Time is money. Delays reduce viability and can be existential for small businesses. Compliance costs aren't administrative, they dictate whether a project happens at all. Rules designed for volume delivery quietly squeeze smaller players out of the market, reshaping who can participate in UK housebuilding.

### Unlocking small urban sites with simplified planning

Planning reform is one of the government's most powerful growth levers—and one of the least expensive fiscally. Small urban sites can deliver significant benefits to the whole of the UK economy if the NPPF offers a simpler, clearer, and more predictable framework.

To achieve this, the framework should streamline design rules and provide a dedicated “small sites route to success”, while supporting planning officers with sufficient resources and cost-effective digital or AI tools. Housing targets and planning policies should be stabilised at least until 2029, giving SMEs and planning teams the certainty to focus on delivery rather than perpetual reinterpretation. Most urban land should be defined as developable under a clear zoning or rules-based system, removing the need to justify the principle of development for each site. Planning officers should have guidance for a presumption in favour of approval for compliant small sites, while consultees should be prevented from delaying applications through non-responses or the threat of spurious Judicial Reviews.

Finally, urban sites of fewer than 50 homes should be exempt from disproportionate affordable housing quotas, S106 obligations, and excessive biodiversity net-gain requirements, with clearer rules emphasising amenity, design quality, and place-making. Such reforms would not only revive urban communities and make best use of existing infrastructure, but also unlock thousands of homes, create jobs, and drive local and national economic growth.

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*Editor's Note: Keep an eye on our website and youtube channel for an interview with Nick, which will be coming soon.*