

# HOUSEBUILDERS SALARY SURVEY 2019



Directors' salary increases at housebuilders are not what they used to be. Pay is still going up – driven by continuing skills shortages – but the economic climate has constrained wages this year. And now the emphasis is on quality of life. **Josephine Smit** reports

The latest IHS Markit construction activity index has recorded the fourth successive monthly decrease in housebuilding activity. House price growth has been bumbling along below 1% for the best part of the year, according to Nationwide. Meanwhile the Ministry of Housing, Communities and Local Government's (MHCLG) data shows new-build housing starts in England falling for the third quarter in a row. The housebuilding data tells a consistent story of where the industry is right now. Like the rest of the nation, it is in waiting and still not entirely sure what the future holds.

Given the housing market's hefty reliance on consumer confidence, it is inevitable that it would feel the effects of the ongoing political uncertainty. But at the same time, supply-side constraints are deeply ingrained, to the extent that the industry's ongoing failure to deliver on

the government's 300,000 homes a year target now invokes a shrug rather than surprise. Those two tensions are evident in the findings of the RICS' UK residential market survey for September: it finds sales levels subdued while demand in the home lettings market has risen for the eighth consecutive month.

Present uncertainty notwithstanding, therefore, housebuilders retain their faith in the fundamentals of the market. "It is easy to say, but I believe an end to this current uncertainty would allow the market to move forward with greater clarity and restore some level of confidence in the sector," says Nick Moore, managing director of Kier Living.

## Wage growth slows

The broader economic climate has helped to constrain wage growth for housebuilding's senior

personnel, according to Building's annual survey of housebuilding industry director level salaries, which is carried out by recruitment firm PSD. The recruitment consultant's data, which is based on all the residential placements it has made in the past 12 months, show director level salaries have risen by an average of 2.7% in 2019. That is a full percentage point ahead of the current UK inflation rate of 1.7%, but down on last year's average salary increase of 3.7% and the preceding year's 4.8%. This growth was unevenly distributed across the UK, with Scotland seeing overall salary levels rising by less than half a percent on average, while London was in line with the overall average. The region seeing the greatest salary growth over the year was the South-east, which just broke through the 3% barrier, and the North-west was not far behind with average growth of 2.9%.

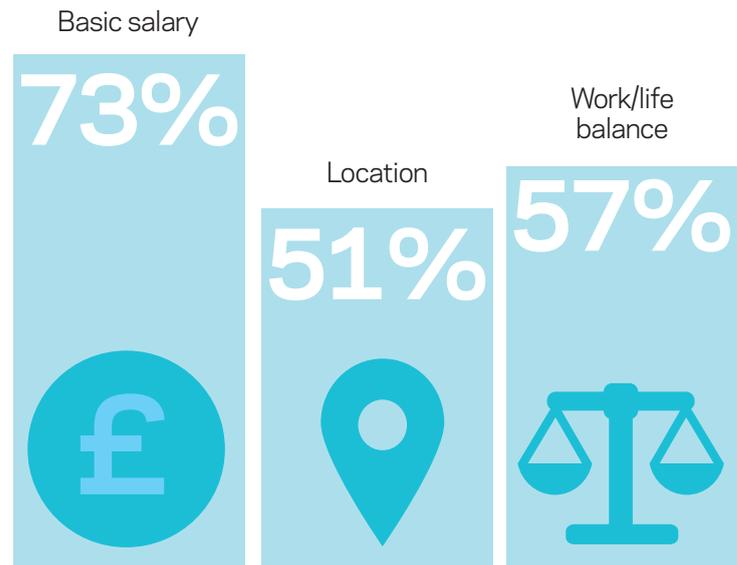
**12%**

of respondents noticed a **decrease** in the number of opportunities in the residential sector in **2018** and

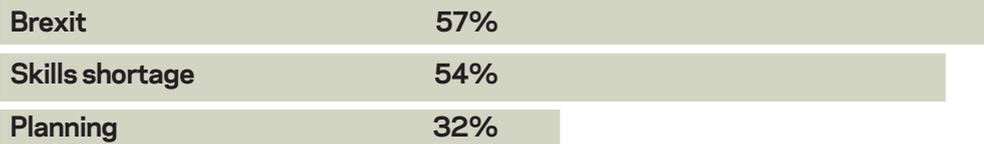
**52%**

of respondents noticed a **decrease** in the number of opportunities in the residential sector in **2019**

### The most important drivers when considering a new role



### Top three threats affecting the house-building market



SOURCE PSD

### How much are roles paid?

|                              | Scotland       | Yorkshire and North-east | North-west      | Midlands (including East Anglia) | London          | South-east (Home Counties) | South-west      | Wales          | Annual bonus (shown as a % of salary) | Average salary  |
|------------------------------|----------------|--------------------------|-----------------|----------------------------------|-----------------|----------------------------|-----------------|----------------|---------------------------------------|-----------------|
| Managing director            | £167,000       | £163,000                 | £161,000        | £176,000                         | £212,000        | £197,000                   | £167,000        | £149,000       | 88%                                   | £174,000        |
| Finance director             | £96,000        | £98,000                  | £100,000        | £98,000                          | £160,000        | £110,000                   | £97,000         | £93,000        | 75%                                   | £107,000        |
| Development director         | £96,000        | £99,000                  | £98,000         | £104,000                         | £162,000        | £121,000                   | £103,000        | £91,000        | 80%                                   | £110,000        |
| Land and planning director   | £94,000        | £96,000                  | £98,000         | £100,000                         | £135,000        | £123,000                   | £98,000         | £85,000        | 77%                                   | £104,000        |
| Technical director           | £91,000        | £97,000                  | £95,000         | £98,000                          | £132,000        | £128,000                   | £101,000        | £93,000        | 68%                                   | £104,000        |
| Design director              | £83,000        | £82,000                  | £86,000         | £91,000                          | £110,000        | £105,000                   | £88,000         | £93,000        | 79%                                   | £91,000         |
| Commercial director          | £90,000        | £94,000                  | £103,000        | £104,000                         | £129,000        | £119,000                   | £102,000        | £92,000        | 70%                                   | £104,000        |
| Construction/build director  | £96,000        | £103,000                 | £110,000        | £113,000                         | £142,000        | £122,000                   | £106,000        | £91,000        | 77%                                   | £110,000        |
| Project director             | £93,000        | £99,000                  | £105,000        | £110,000                         | £152,000        | £125,000                   | £104,000        | £89,000        | 80%                                   | £120,000        |
| Sales and marketing director | £92,000        | £96,000                  | £98,000         | £111,000                         | £125,000        | £117,000                   | £102,000        | £90,000        | 83%                                   | £104,000        |
| <b>Average</b>               | <b>£99,800</b> | <b>£102,700</b>          | <b>£105,400</b> | <b>£110,500</b>                  | <b>£145,900</b> | <b>£126,700</b>            | <b>£106,800</b> | <b>£96,600</b> | <b>77.7%</b>                          | <b>£112,800</b> |

» Industry skills and expertise remain in the same short supply as new homes, and housebuilders and housing associations now find themselves competing for top talent with a number of new providers, which are assembling and growing management teams, including most notably build-to-rent developers and local authority housing companies. For example, Ealing council's housing company Broadway Living, which was established in 2014, is gearing up to deliver an ambitious housebuilding programme.

"Broadway Living has been staffed by council staff working on its behalf, but now that it is entering scale-up stage, new and more senior resources will be going in," explains Tony Clements, executive director of place at Ealing council. A new managing director has been appointed to lead the residential development drive and further appointments are planned.

Council housing companies are tweaking public sector pay and terms and conditions to

## WE RECOGNISE THE CORRELATION BETWEEN HAPPY EMPLOYEES AND HAPPY CUSTOMERS

LISA COLLEN, FLAGSHIP GROUP

enhance their offer to potential recruits, particularly in the highly competitive London job market, and are also promoting other rewards. "We can offer values and vision," says Clements. "People are interested in councils building houses again and find it exciting to be in at start or scale-up stage. It is competitive, but we have found that once we sell the advantages we can find people with the right drive and qualities."

While often construction roles can be the hardest to recruit, it is project directors that have been in demand over the past year, resulting in increases in salary levels in all regions, except the capital where they remained static, according to the PSD salary survey data. "The rise in project director salaries reflects the diversification in the sector. Project directors are in high demand because of their versatility," explains Elliot Course, director with PSD Group.

The housebuilding industry is known for its attractive salary and bonus packages but far less attractive working conditions, with long hours,

### Where do you feel there is a gap in experience and skills within your organisation?

|                                | 2019 | 2018 |
|--------------------------------|------|------|
| Building/construction          | 43%  | 56%  |
| Technical                      | 32%  | 45%  |
| No gap                         | 28%  | 5%   |
| Commercial                     | 24%  | 34%  |
| Land and planning              | 16%  | 29%  |
| Sales and marketing            | 11%  | 24%  |
| Specialist (ie: environmental) | 8%   | 0%   |
| Finance                        | 6%   | 5%   |
| Managing directors             | 4%   | 11%  |

### Average increases from 2018

| Role                         | Rise   |
|------------------------------|--------|
| Project director             | 12.15% |
| Finance director             | 8.08%  |
| Technical director           | 2.97%  |
| Design director              | 2.25%  |
| Commercial director          | 1.96%  |
| Managing director            | 1.16%  |
| Construction/build director  | 0%     |
| Development director         | 0%     |
| Land planning director       | 0%     |
| Sales and marketing director | 0%     |

### Will you be expanding or reducing head count/production over the next 12 months?

|                 | Expanding | Staying the same | Reducing |
|-----------------|-----------|------------------|----------|
| Unit production | 60%       | 28%              | 12%      |
| Headcount       | 47%       | 48%              | 5%       |

many of them spent driving from site to site. Unsurprisingly, respondents to the survey rated salary as the top priority when considering a new role, but job location and improved work / life balance were also ranked highly. Employers look to be taking those aspirations on board, the survey found, offering benefits such as flexible working, dress-down days and the potential to carry over leave days or add additional ones.

### Quality of life

"Developers are using more and more diverse ways to retain their staff," notes Course. "Salary may be the main driver, but when you combine pay with factors such as the desire to work closer to home, the aspiration for work / life balance, and

### Where can you see growth in the residential development sector coming from other than the top 10 housebuilders?

|  |     |
|--|-----|
| Registered providers developing more speculative units | 39% |
| Private rented sector                                  | 23% |
| SME developers gearing up again                        | 15% |
| Organic growth   | 5%  |
| New entrants to the market                             | 3%  |
| Government land releases                               | 2%  |
| Council housing building programme                     | 1%  |
| New development arm of main contractor                 | 1%  |
| Overseas investment                                    | 1%  |
| Other  | 0%  |

### Average increases from 2018

| Region                      | Rise  |
|-----------------------------|-------|
| South-east (Home Counties)  | 3.09% |
| North-west                  | 2.93% |
| Wales                       | 2.22% |
| Yorkshire and North-east    | 1.99% |
| London                      | 1.96% |
| Midlands (incl East Anglia) | 1.19% |
| South-west                  | 0.47% |
| Scotland                    | 0.3%  |

employers offering flexible working, importance is clearly being placed on quality of life."

Other industries are already making employee wellbeing a business priority, so are these signs that housebuilding is following suit? East of England affordable homes provider Flagship Group is among those already ringing the changes, having introduced such practices as agile working, carried out its own research initiative into the future of employment and established a working group to implement further changes across its business.

"We are creating a great place to work and we know this because our employees are telling us," says Flagship's director of people and workplaces Lisa Collen. "We recognise the correlation between happy employees and happy customers, which equals a happy business".

Such views and approaches are by no means common in housebuilding yet but as the businesses delivering UK homes become more diverse employers may have to make their work environments as attractive as their salaries if they want to win the best recruits.

**PSD**

### Methodology

The survey was undertaken by PSD Group, which specialises in senior level search and selection across the residential and property sector. There were two elements to the research: an attitudinal survey that targeted more than 5,000 individuals at senior management to director level across the residential sector and data from placements made by PSD over this period.

For further information on the survey please contact Elliot Course, director for PSD Group on either 0207 970 9792, 0161 234 0380 or [elliott.course@psdgroup.com](mailto:elliott.course@psdgroup.com)