STRATEGIC BRIEFING

MMC in 2026: an honest assessment.

Where MMC stands after the failures. Where the sector is quietly growing. How to think about it in the next parliament.

2026

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Inside this briefing.

Modern Methods of Construction have been called "the future of housebuilding" for a decade, and delivered at a scale far below the ambition set for it. In 2025 a set of very public failures reset expectations further downward, even as the sector-wide share of MMC grew. This briefing looks past both the promise and the setback to what MMC actually delivers today, where the real growth is, and how it fits the current regulatory and funding landscape, including the Future Homes Standard, SAHP and a possible Burnham-era council housing programme.

Who this is for

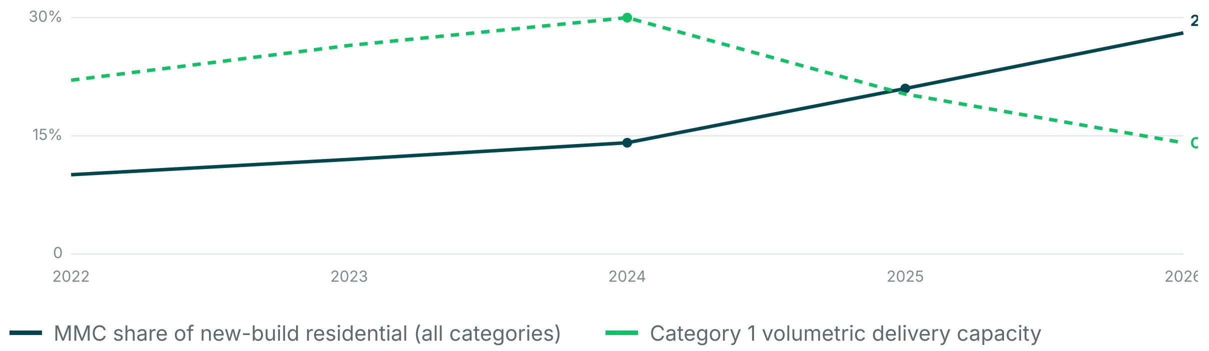
Housebuilder boards, technical and procurement directors, principal contractor leadership, housing association executives, local authority housing officers and investors evaluating MMC exposure.

Where MMC stands in 2026.

MMC is a government-defined framework of seven categories, from Category 1 volumetric modular through to Category 7 site-based process innovation. A panelised frame and a volumetric modular home are both "MMC", but behave very differently in almost every commercial respect.

RICS research puts MMC at 24% of new-build residential projects in 2025, up from 18% in 2024, with growth concentrated in Categories 2 to 5, delivered largely by established builders, driven by public sector schemes. At the same time, dedicated Category 1 volumetric delivery has contracted materially, with three high-profile businesses collapsing or exiting during 2024 and 2025.

MMC SHARE OF NEW-BUILD RESIDENTIAL VS CATEGORY 1 VOLUMETRIC CAPACITY, 2022 TO 2026



24%
share of new-build residential projects using MMC in 2025

18%
equivalent share in 2024

30-40%
programme savings claimed for MMC over traditional builds

Not one story, but two

Certain categories of MMC are growing at scale, particularly panelised systems in public sector delivery. Category 1 volumetric has contracted after a decade of over-investment ahead of demand. The category headline masks a bifurcation.

The failures, and what they actually mean.

Three notable failures shape the sector narrative. Their causes were more specific than "MMC does not work".

The high-profile losses	House by Urban Splash wound down, Ilkley Manufacturing ceased trading, L&G Modular was wound down. Each was a well-capitalised Category 1 volumetric business unable to convert factory capacity into a sustained order book.
What went wrong	Commercial factors, not technical: unstable order books, slow-maturing warranty and insurance models, cautious mortgage lending, and no industry-wide standardisation.
What did not go wrong	The technical case. Factory-built product matched or beat traditional construction on quality, programme, carbon and waste. The failures were commercial, within a technology that works.
The wider industry effect	The risk premium priced into MMC delivery rose across the sector, even for strong providers. Confidence in volumetric fell; panelised and hybrid MMC kept growing.

3
Category 1 volumetric businesses collapsed or exited, 2024-25

4
commercial factors identified: order books, warranty, lending, standardisation

0
technical failures identified among the causes

Commercial failures, not technical ones

The failures exposed that the commercial infrastructure around MMC, order books, warranty, insurance, standardisation, had not matured at the same pace as the technology. That work is still not complete.

What MMC does deliver, and what it does not.

Both lists are true at once. Decision-makers who want to use MMC need to know both.

WHAT MMC DELIVERS

Programme savings of 30-40%
against traditional construction on comparable schemes.

Embodied carbon down 20-25%
compared to traditional construction, with less construction waste.

Quality consistency
factory control produces lower variance and typically lower snagging.

Skills leverage
fewer on-site trades, more factory roles, easier to retain and diversify.

FHS compliance
factory control reliably hits the fabric and airtightness targets FHS requires.

WHAT MMC DOES NOT DELIVER

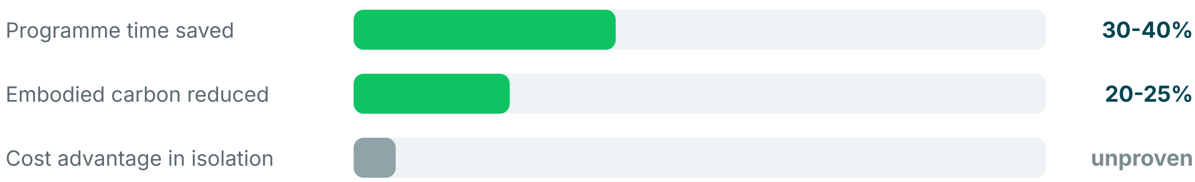
Cost parity in isolation
cost depends on scale, throughput and standardisation, not the method alone.

Insurance and warranty simplicity
higher premiums, longer to secure cover; narrowing but not closed.

Mortgage lender confidence
some lenders remain cautious, especially on Category 1, affecting resale.

Silver-bullet productivity
gains are real but bounded; scale needs standardisation and policy.

MEASURED BENEFIT VS TRADITIONAL CONSTRUCTION



Both statements are true

MMC delivers real programme, quality and sustainability benefits. It does not consistently deliver cost advantage in isolation, and it faces continuing commercial infrastructure gaps.

The financial and insurance reality.

The commercial infrastructure around MMC is where most of the current sector challenges sit.

Warranty	NHBC, LABC and Premier Guarantee have built MMC-specific risk models. Premiums remain higher, though narrower for panelised systems; volumetric MMC often needs extra structural review.
Insurance	The harder problem. Limited actuarial data means higher premiums, broader exclusions and shorter terms, compounding costs across manufacture, transport and installation.
Financing	Development lenders price MMC cautiously, especially for newer manufacturers. Mortgage lenders and valuers remain cautious on completed volumetric homes, lowering valuations.
Public sector	Because these gaps hit private development hardest, the public sector is the more forgiving market; AHP funded MMC at scale, and SAHP is expected to continue it.

Higher
warranty and insurance premiums than traditional construction

Narrowing
for established panelised systems, though not closed

Public
sector remains the more forgiving market for MMC

Map your exposure before you commit

The commercial infrastructure gaps affect private development more than public. Map exposure across warranty, insurance and financing, and design the delivery model to fit.

Where MMC is quietly growing.

Behind the failures and the public narrative, MMC delivery has continued to grow, concentrated in four segments.

Public sector housing

Homes England's programmes provide the most reliable MMC demand; SAHP and a Burnham-era council programme would expand it further.

Panelised in traditional housebuilding

The largest volume of MMC growth in 2025, delivered by established builders as part of their normal mix. Quiet, but the largest category.

Non-residential MMC

Hospitals, schools, custodial and student accommodation grow steadily, helped by standardised design and longer procurement.

Retrofit and upgrade

Panelised external wall systems install faster with less disruption than traditional insulation, growing with FHS and net zero.

DIRECTION OF TRAVEL BY SEGMENT, 2024 TO 2025

A bifurcation, not a collapse

Certain segments contracted noisily. Others grew quietly. The segments that grew are the ones with the strongest commercial infrastructure alignment.

MMC and the Future Homes Standard.

The Future Homes Standard, taking effect 24 March 2027, changes the technical case for MMC materially.

Fabric targets favour factory delivery	FHS tightens fabric, airtightness and thermal bridging targets. Factory-controlled MMC hits these more reliably because manufacturing controls what on-site construction cannot.
The methodology transition rewards standardisation	The move from SAP 10.2 to 10.3 to the Home Energy Model over 2027-2029 favours manufacturers with standardised house types over housebuilders with hundreds of variants.
The pipeline signal	Housebuilders planning post-2027 delivery are modelling MMC in specifically because of FHS. RICS flags this as a driver of MMC's underlying growth.

24 Mar 2027
Future Homes Standard takes effect

2027-2029
SAP 10.2 to 10.3 to Home Energy Model transition

First time
MMC more likely to hit FHS targets on first attempt

A stronger technical case, not a fixed commercial one

FHS strengthens the technical case for MMC. It does not fix the commercial infrastructure gaps. Housebuilders with MMC capability already in place are better positioned to hit FHS targets consistently.

How to think about MMC in the next parliament.

Five practical questions define the MMC position for any organisation making pipeline decisions now.

01 **Which categories are you actually considering?** Category 1 volumetric and Category 2 panelised are different investments. Model the specific category, not the sector average.

02 **Do you have the throughput or supply chain to make it work?** Factory throughput binds manufacturers; supply chain resilience binds housebuilders using MMC in delivery.

03 **How exposed are you to the commercial infrastructure gaps?** Use current market costs for warranty, insurance and financing, not projections of future maturity.

04 **What does the FHS pipeline signal look like for you?** Volume housebuilders and public sector clients drive most of the growth; SMEs will see it more slowly.

05 **What is your council housing exposure?** A Burnham-era council expansion would grow demand for panelised MMC in social housing substantially. Model the sensitivity either way.

A category-by-category decision

The organisations that do well will pick a specific category and delivery model, align it to a specific demand signal, and manage the commercial infrastructure realities of that position. Those that treat MMC as one investment will end up on the wrong side of the bifurcation.

Sources and closing note.

PRIMARY SOURCES

RICS journal, "Modern methods of construction: where are we now?", January 2026. House of Lords Library and Built Environment Committee findings on MMC. House of Commons Housing Committee reports. Homes England delivery data through the AHP 2021 to 2026.

SECTOR ANALYSIS

TPXimpact analysis on MMC adoption barriers. Pinsent Masons and Burges Salmon commentary on MMC. UKERC research on MMC for net zero housing. HSE RR1203 research report on MMC.

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