

English Housing Supply Update

Housing supply grows but evidence of a future slowdown hardens

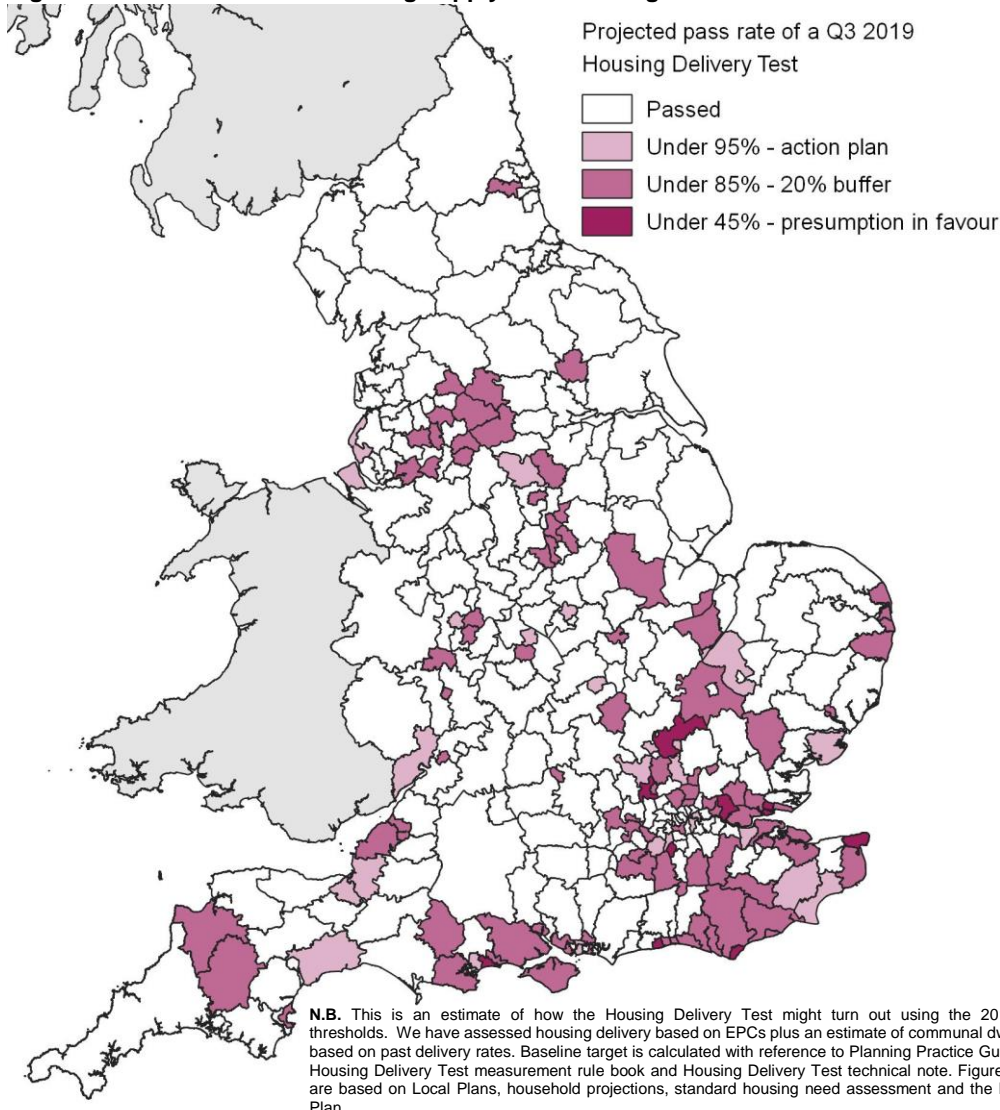
The Net Additional Dwellings (NAD) figures released this quarter confirmed that housing supply is continuing to grow. NAD reached 241,000 for 2018/19, up 9% compared to 2017/18. The increase was driven by 18,000 more new build completions representing 83% of the total, whilst 2% fewer homes were delivered via permitted development rights. New figures show that Affordable Housing delivery in 2018/19 has also increased, up 23% on 2017/18. 248,000 Energy Performance Certificates for new homes were granted in the year to Q3 2019, suggesting that housing supply is continuing to grow.

There are indicators however, that a slowdown in delivery is on the horizon. Housing starts remained below completions for the second quarter running in Q2 2019, down 3% on the year before. Our estimation of Affordable Housing delivery based on NHF data suggests there may have been a small decline in delivery in the year to Q2 2019, caused by a fall in delivery of Affordable Rent homes. The Build to Rent (BtR) pipeline is bucking this trend; starts have stabilised at around 9,000 per year. This leaves starts ahead of completions, which are running at around 8,000 per year. The substantial and growing pipeline of large schemes coming through suggests the number of BtR completions should increase next year.

The regional variation in volume of new housebuilding remains, with supply exceeding the MHCLG standard methodology housing need in the midlands and north, while a substantial gap remains in the south. London delivered only 55% of standard method housing need.

The projections for our hypothetical Q3 2019 Housing Delivery Test reflect the growth in housing delivery with 207 local authorities passing. The proportion that would need to produce an action plan increased but the proportion that would need to apply a 20% buffer to their housing targets decreased suggesting that, overall, authorities performed better. Nine authorities delivered under 45% and would be at risk of presumption in favour of sustainable development. Publication of the official Housing Delivery Test for 2018/19 has been pushed back until after the general election. Using the NAD figures we have updated our own predictions for the 2018/19 test. This suggests nine local authorities at risk of the presumption in favour whilst 209 local authorities passed.

Figure 1 – Where does new housing supply fail to hit targets?



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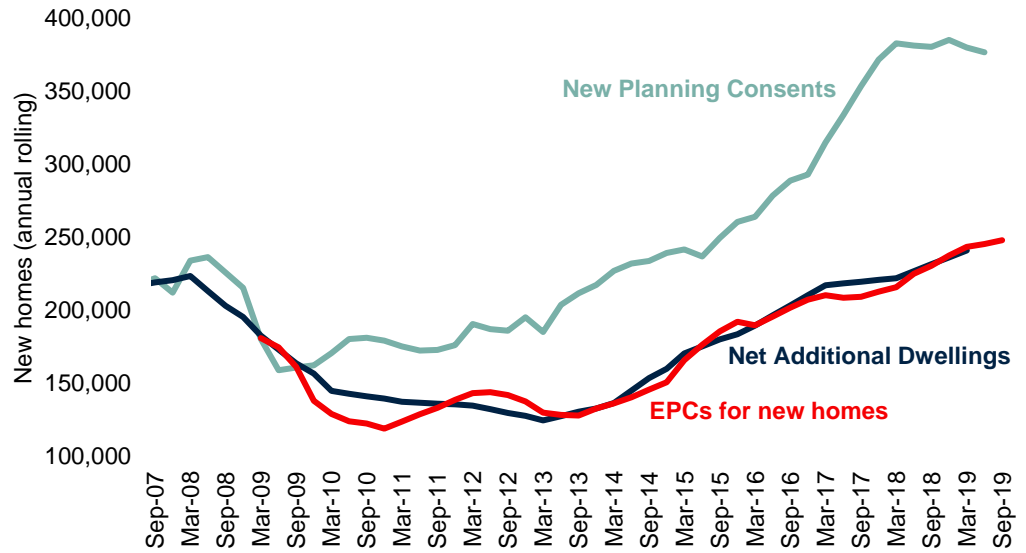


There were 241,000 Net Additional Dwellings (NAD) in 2018/19, up 9% on 2017/18. New build completions were up 9% on the year before, and represented 89% of NAD whilst homes delivered via permitted development rights continued declining to 11% of net supply.

The latest EPC data suggests that 248,000 new homes were delivered in the year to Q3 2019, an 11% increase on the year before.

New planning consents in the year to Q2 2019 continued to slow but remain well above completions.

Figure 2 – Delivery continues to grow but consents are falling



Source: MHCLG Live Tables 120 and NB1, Glenigan for HBF

The quarterly starts and completions series are based on NHBC data and don't capture all new homes being built. They do give a timely update on direction of travel for new build delivery.

The number of starts in the year to Q2 2019 continued to fall, while completions rose again meaning the gap has widened.

This suggests that housing delivery may be set to slow over the next few quarters.

Figure 3 – Starts remain below completions, strengthening evidence that delivery may slow



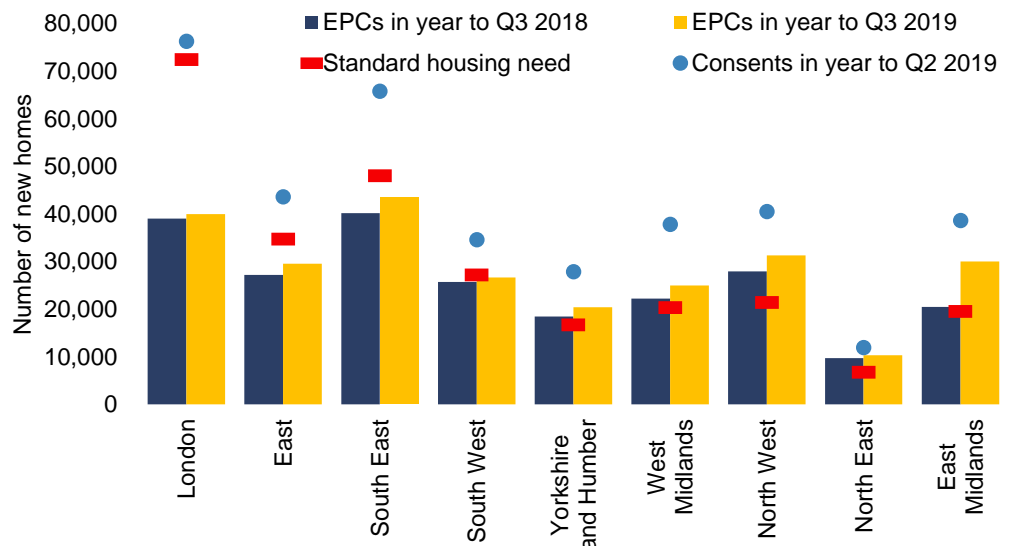
Source: MHCLG Live Table 213

The East Midlands saw the strongest growth in housing delivery in the year to Q3 2019. Delivery was 47% higher than in the year to Q3 2018.

London's growth in delivery was only 2.4% up on the year before. London has the largest gap between delivery and need, meeting only 55% of housing need according to MHCLG's standard methodology.

On a positive note for London, planning consents granted over the year to Q2 2019 have overtaken need for the first time this quarter.

Figure 4 – London housing delivery is lagging need but demand is met outside the South



Source: MHCLG Live Table NB1, MHCLG housing need consultation, Glenigan for HBF

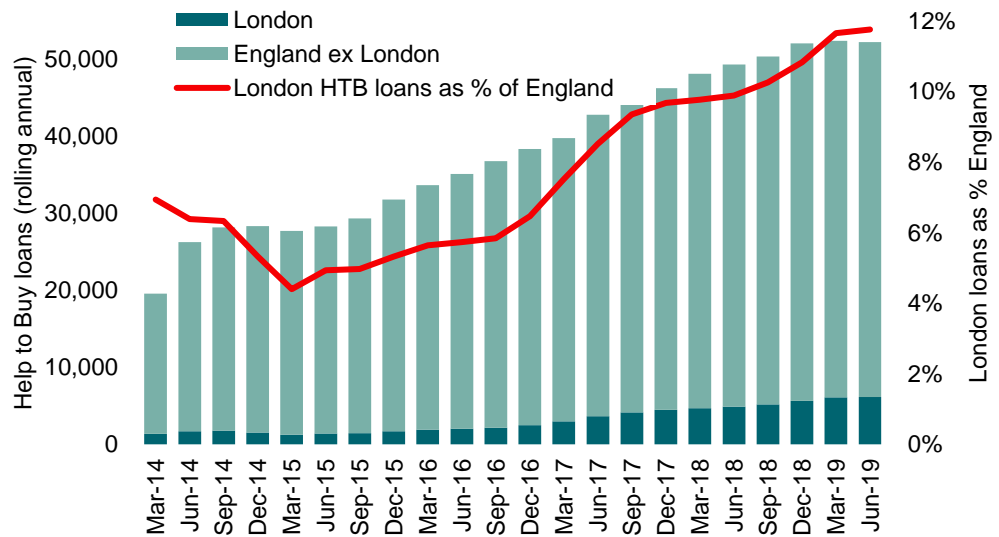


The total number of Help to Buy transactions in England edged downwards as the overall number decreased in the year to Q2 2019 which is the second quarter on quarter fall.

The number of Help to Buy transactions in London have continued increasing and have become a larger share of the total.

However, there were only 30 more London Help to Buy transactions in the year to Q2 2019 than the quarter before suggesting that London may now be stabilising at around 12% of the England total.

Figure 5 – Help to Buy transactions edging downwards, with London’s share stabilising



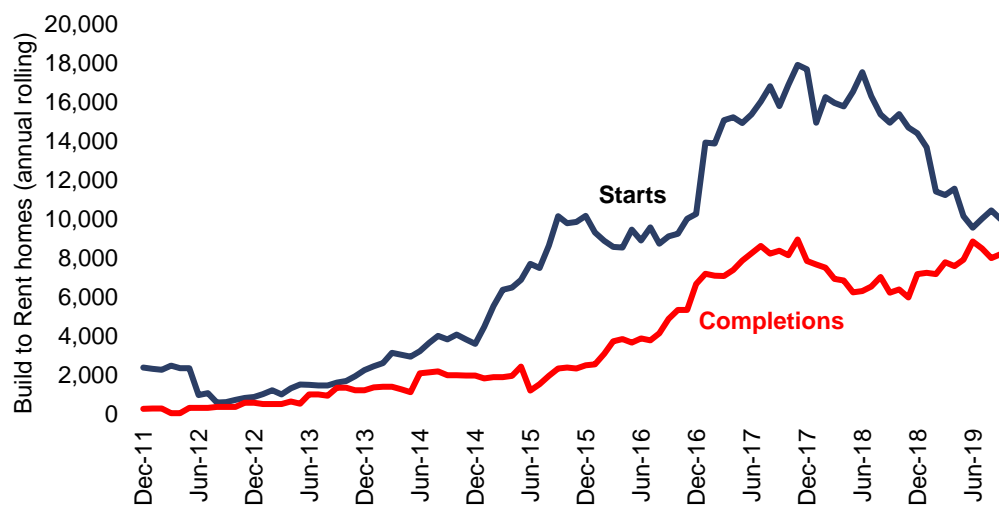
Source: MHCLG Live Table Help to Buy

Build to Rent completions have stabilised at around 8,000 per year since July 2017.

Starts have stabilised, at a higher level of around 10,000 per year, meaning the pipeline under construction continues to grow.

The average size of schemes is increasing, from 245 units for those under construction to 325 units for planned schemes.

Figure 6 – Build to Rent starts stabilise, with a large pipeline of stock under construction



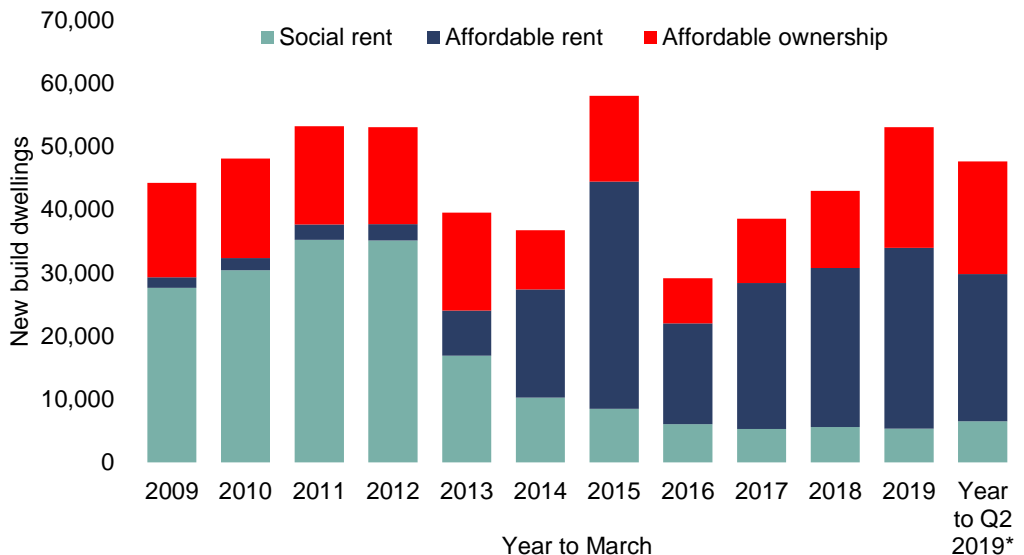
Source: Savills for BPF using Molior and Glenigan

Affordable delivery in 2018/19 was 53,000, up 23% on 2017-18. This was driven primarily by delivery of Affordable Ownership which increased by 56%.

Data collected by the National Housing Federation (NHF) from its housing association members provides an early indication of affordable housing delivery.

The latest figures show that the rate of delivery may have declined in the year to Q2 2019 against 2018-19. This is caused by a fall in Affordable Rent delivery.

Figure 7 – Slowing Affordable Rent delivery acts as a drag for Affordable housing



Source: MHCLG Live Table 1009, *Estimated using NHF data