

# English Housing Supply Update



## Housebuilding falls to seven year low amid shake-up of planning in England

### New home delivery hits seven year low

2024 saw the lowest number of new homes built in a twelve month period since 2017 (excluding Covid). Total completions for 2024 were just 217,911, according to Energy Performance Certificate (EPC) data, compared to 231,000 in 2023 and over 253,000 in 2022. This marks the fourth consecutive quarter of falling annualised completions.

Completions have declined across all tenures and size of builder over the course of the year, according to the National House Building Council (NHBC). The affordable sector held up best: government statistics show relatively strong completions in the year to March 2024, with more recent NHBC and NHF data suggesting that while delivery may stagnate, it won't decline significantly.

### Low consents indicate limited headroom for growth

The Government is attempting to fix the situation, with 2024 seeing a major shake-up of planning policy. While likely to boost housing delivery and speed up the planning process, these reforms will take time to have a large effect. As it stands, planning remains a major constraint on building more homes: the latest HBF survey saw 88% of developers cite planning delays as a major constraint on delivery.

As well as delays, there is still a fundamental lack of homes being granted permission. Only around 245,000 homes gained full planning consent in 2024, according to estimates from Glenigan and the Home Builders Federation (HBF). Although annual consents in Q4 were higher than the previous quarter, they remain well below the revised Standard Method for housing need.

### Starts enjoy modest recovery, but SMEs face challenges





Despite a lack of capacity in the pipeline, there are bright spots. After a precipitous decline in 2023, construction starts across all tenures partially recovered in the second half of 2024, according to NHBC numbers. Larger housebuilders led the way, with the top 10 builders experiencing a 15% increase in starts in Q4 versus Q3, taking their starts for 2024 as a whole to just 4% below 2023's level. Smaller firms saw a more modest boost, with starts still 36% below 2023, suggesting market conditions have proven more challenging for SMEs.

More broadly, labour and material costs, though still high, have ceased to be as significant an issue, according to the HBF's developer survey. At the same time, the ONS' construction output figures reported a small decline in housebuilding, it remains fairly level overall. The worst therefore appears to be over in terms of the construction pipeline, though how long it takes to recover fully and whether it can surpass recent years both remain open questions.

### Return of the Housing Delivery Test

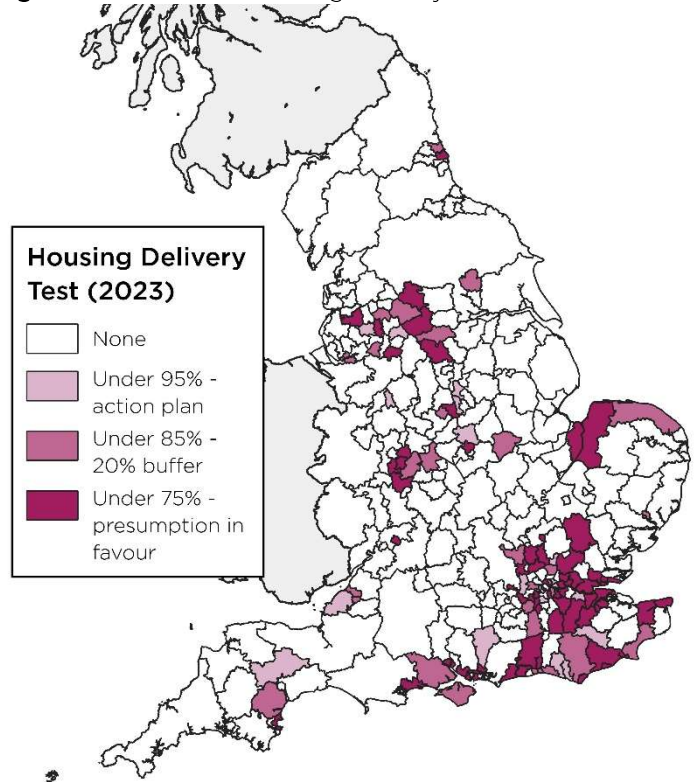
As part of their wider reforms, the Government has reinstated the Housing Delivery Test as a mechanism for ensuring local authorities build enough homes. Districts that do not meet their housing need are subject to an escalating series of sanctions when making planning decisions. The most recent calculation, covering 2023 and using the previous iteration of the Standard Method where applicable, found that 105 local authorities – some 35% of all districts in England – would fail to meet their housing need, with 60 (predominantly in the South East) facing a presumption in favour of development.

Figure 1 Housing Supply at a glance (vs last quarter)

	<b>370,000</b> Number of new homes required under Standard Method assessment, 2024
	<b>300,000</b> Number of new homes required on average each year to meet government policy target
	<b>217,911 (-6%)</b> Number of new home completions, 12 months to Dec 2024 (MHCLG)
	<b>c. 245,000 (+2%)</b> Number of homes estimated to have gained full planning consent, 12 months to Dec 2024 (HBF, Glenigan)

Source MHCLG Live Tables 122, NB1, SM Housing Need; HBF, Glenigan (10+ homes)

Figure 2 Where does housing delivery meet need?



Source MHCLG Housing Delivery Test (2023)

217,911 new homes were built in 2024, according to EPC data. That marks a decrease of 6% from 2023, and the lowest number of new homes built in a twelve month period since September 2017 (excluding Covid).

Around 245,000 new homes gained full planning consent in 2024, according to initial estimates from Glenigan and the HBF. This is broadly in line with 2023.

Around 12% more homes gained consent in 2024 than were built, a larger gap than that seen in 2023. Nevertheless, with consents still well below the 370,000 required by the latest iteration of the Standard Method, new home supply will remain highly constricted with little headroom for growth.

In December 2024, the Standard Method for calculating housing need was updated, increasing the amount of housing required for a majority of English local authorities. Meeting this need will require a step-change in delivery: every region failed to build enough homes to meet the updated figures.

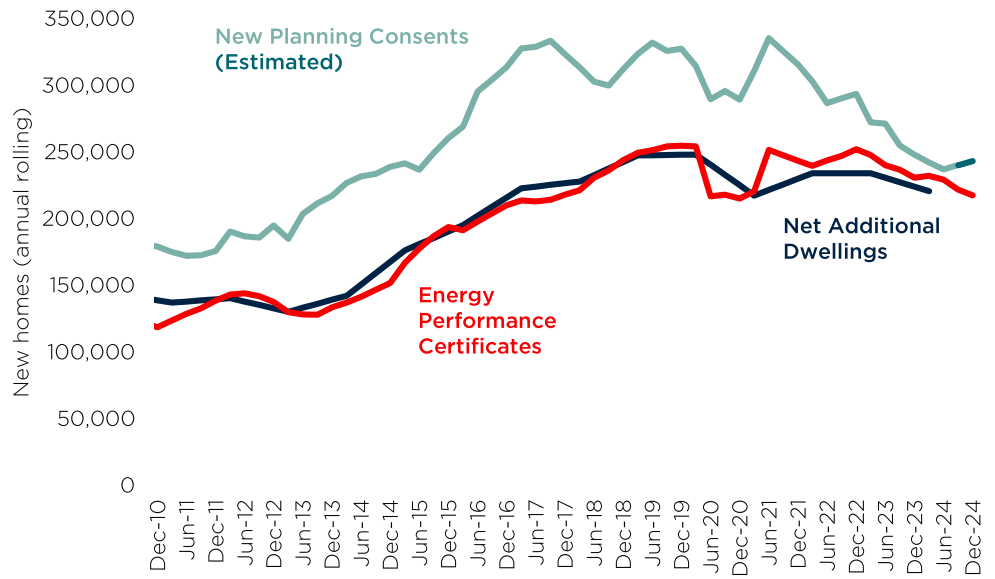
By comparing the number of homes granted planning permission with the number being completed, we can roughly gauge whether supply is growing or falling. Only three regions – London, the North West and the South East – granted consent for substantially more homes than were delivered over 2024.

The NHBC starts and completions data does not capture all new homes being built, but does give an update on the direction of travel for new build delivery.

Construction starts across all tenures continued to increase in Q4 2024, with total annualised starts rising 12% compared to Q3. Nevertheless, they still remain 18% below the equivalent level last year.

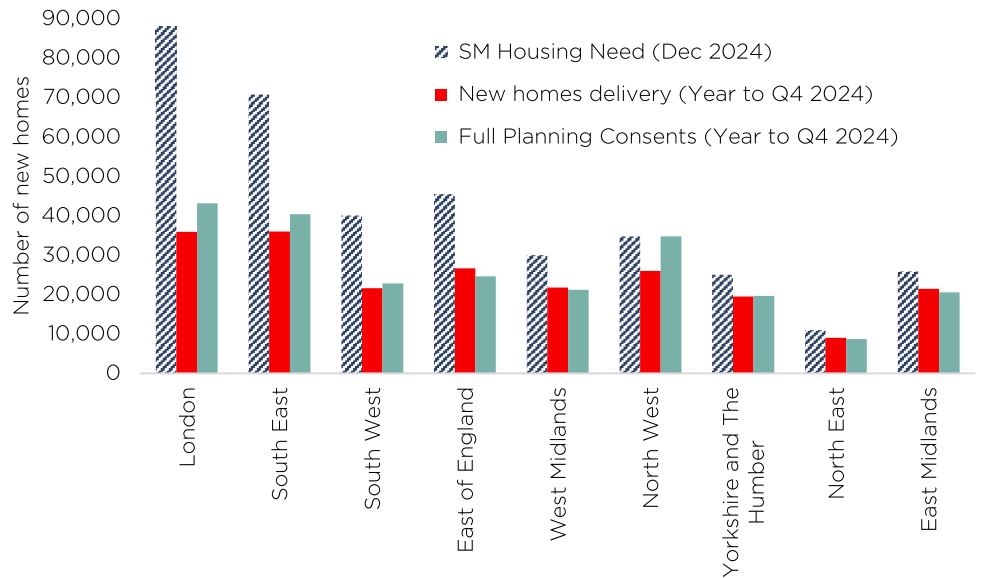
Although completions continued to fall across all tenures, they have started to plateau, with overall completions in Q4 being 1% lower than Q3. Completions remain 7% below the same point last year, however.

Figure 3 New homes completions fall to lowest level since 2017 (excluding Covid)



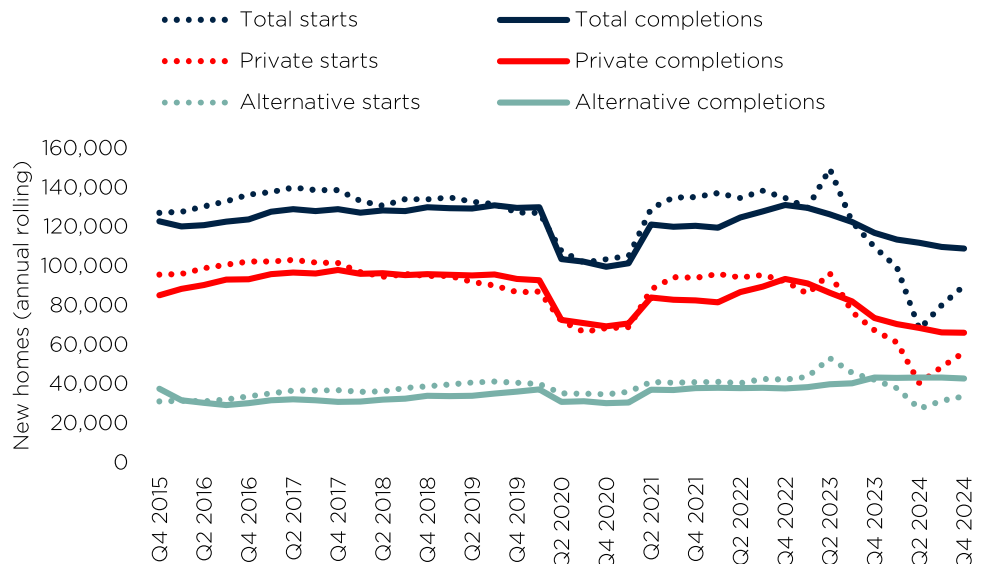
Source MHCLG Live Tables 122, NBI, HBF, Glenigan (only 10+ homes)

Figure 4 Large increases in delivery needed to meet new housing need figures



Source MHCLG Table NBI, HBF, Glenigan (only 10+ units)

Figure 5 Starts continue to recover while completions remain flat



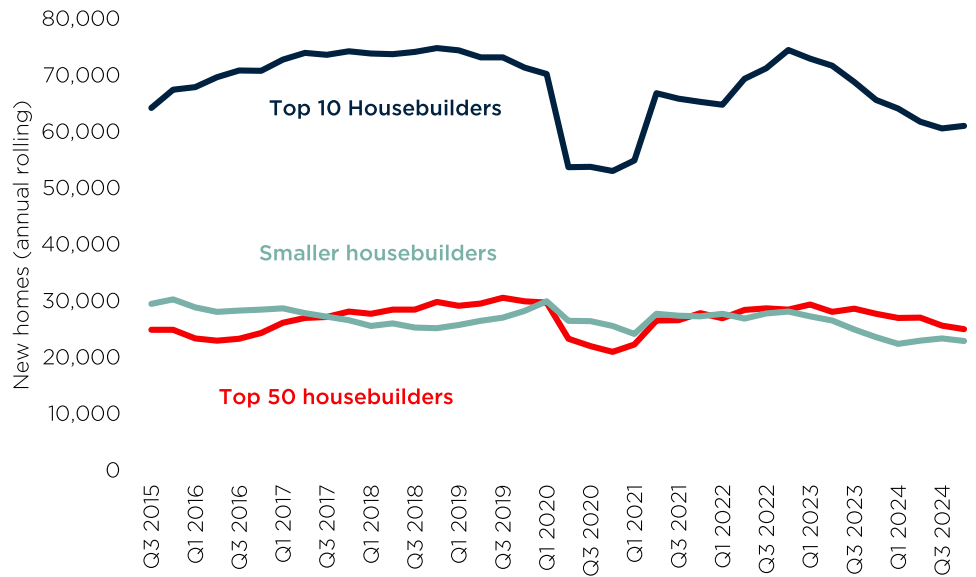
Source NHBC Residential Construction Statistics Portal

The number of new homes completed remained essentially flat across all sizes of housebuilders in Q4.

The 10 largest housebuilders saw a very small quarterly increase of 1%, but remain 7% lower than the previous year. Among the Top 50, completions fell by 2% in the quarter, meaning they are now delivering 10% fewer homes than in 2023.

Delivery from the smaller housebuilders dropped 2% in Q4, with an annual change of -3%. Nevertheless, due to larger drops elsewhere, smaller housebuilders saw their share of all completions grow by 4% compared to last year.

**Figure 6** Completions continue to stagnate across all sizes of housebuilders



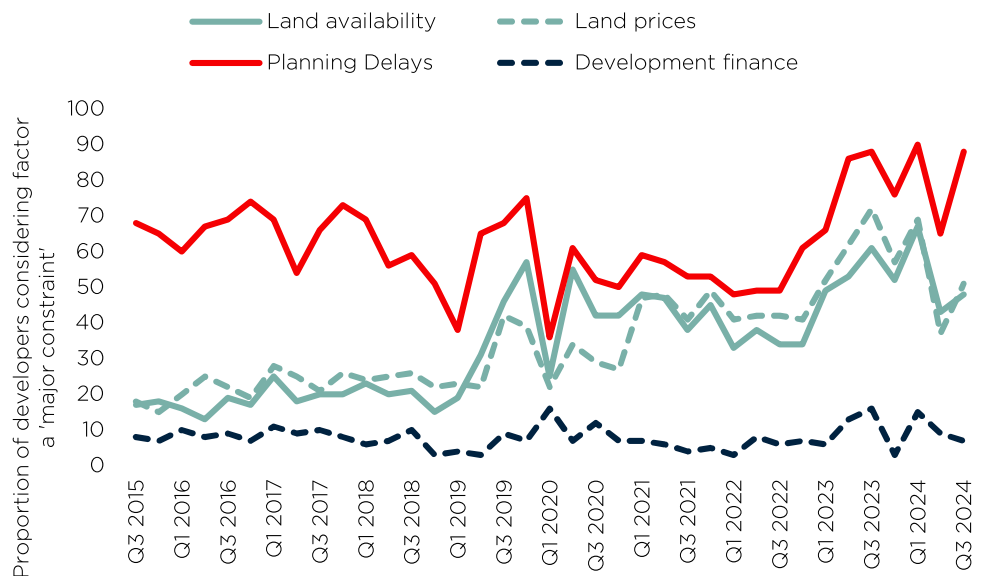
Source: NHBC Residential Construction Statistics Portal

The HBF sentiment survey (provided by NHBC) provides qualitative data on the major constraints affecting housebuilding.

After a period of easing conditions for developers, Q3 saw an increase in the proportion of developers citing land availability, land prices, and planning delays as a major constraint. Planning delays remained the leading constraint, with a near-record 88% of developers surveyed reporting it as an issue.

Development finance continued to decline as a constraint on development, although not as sharply as previously.

**Figure 7** Planning delays remain the leading constraint on developers

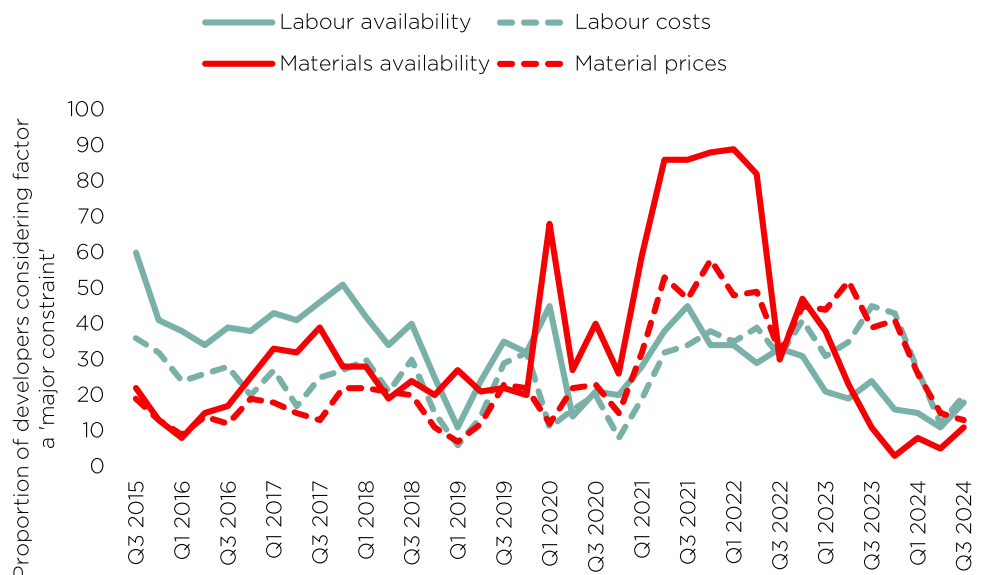


Source: HBF Survey, NHBC Residential Construction Statistics Portal

Cost and supply pressures remain low for labour and materials, despite a small rise in the last quarter. Labour costs and labour availability were the most reported issues, with 20% and 18% of developers respectively citing them as major constraint.

By contrast material prices declined as an issue, with only 13% of developers citing them as a major constraint, down from 15% since Q2.

**Figure 8** Pressure on supply of labour and materials rises but remains low overall



Source: HBF Survey, NHBC Residential Construction Statistics Portal

Using trading statements and financial accounts, we track the average sales rate per outlet per week across major PLC housebuilders. Bulk sales are excluded to provide an accurate representation of market activity from individual homebuyers.

Sales rates towards the end of 2024 reached their highest level for more than two years, with the major housebuilders reporting an average of just over 0.6 sales per outlet per week in October. This is in line with the pre-Help to Buy levels, and where sales rates will likely remain in the absence of a new demand-side scheme or change in affordability.

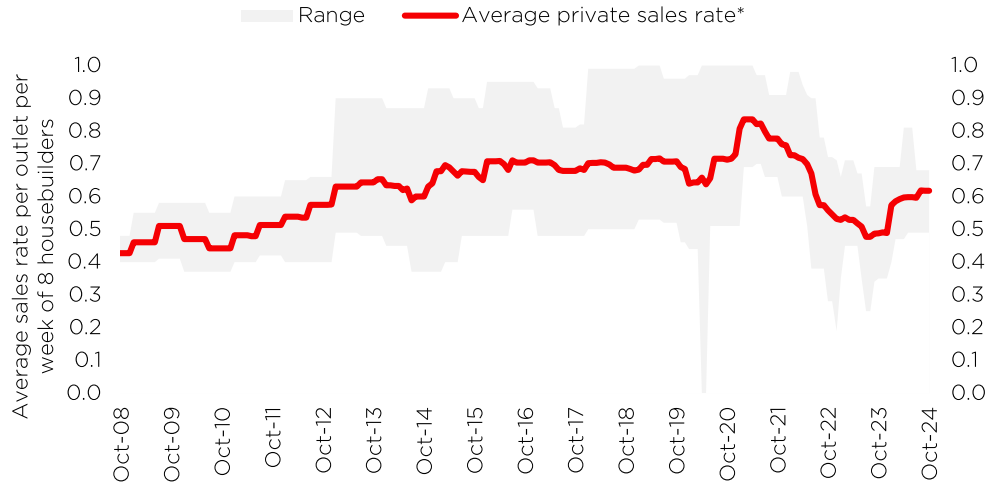
Over 16,000 new Build to Rent homes were completed in 2024 – essentially unchanged from 2023. Starts fell considerably, however. Nearly 7,000 homes started on site in 2024, down 64% compared to the previous year. Future revisions may improve this picture somewhat (due to technical difficulties tracking activity in the single family sector), but the downwards direction of travel is likely to remain the same.

The pipeline of homes under construction was 17% smaller in 2024 compared to the previous year. With around 50,000 homes under construction, however, there is still considerable supply coming forward.

2023/24 remained a strong year for Affordable delivery. Overall annual delivery in the year to March 2024 was 2% lower than the year before. This still represented the second-highest number of new Affordable homes delivered since 2014-15, however. Moreover, social rented homes increased by 5% compared to the previous year.

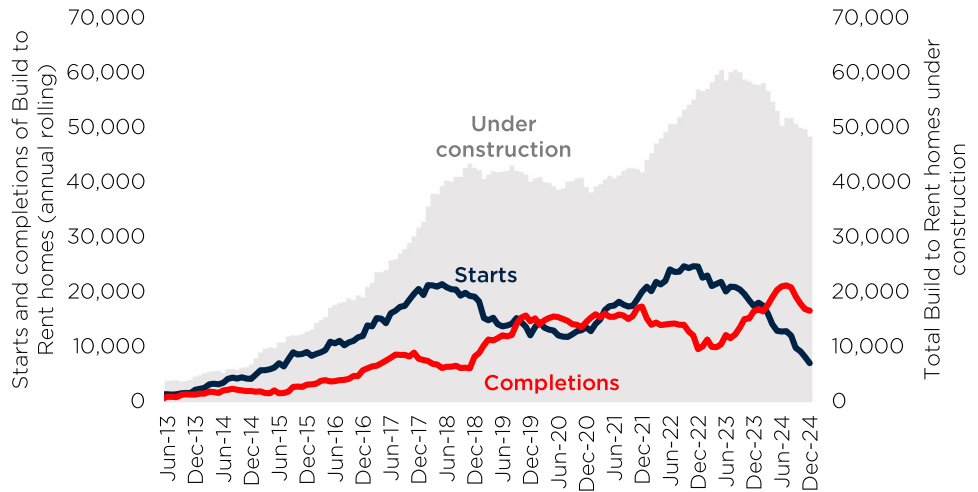
Our latest estimate using figures from the NHF suggests Affordable housing delivery will decline further by around 5% in the year to March 2025.

Figure 9 Average PLC housebuilder sales rates return to pre-Help to Buy trends



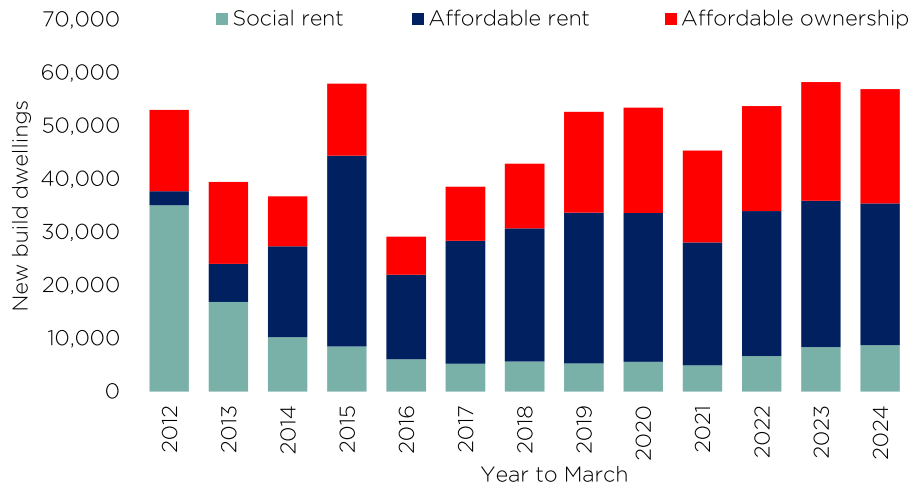
Source Savills Research \*Excluding bulk sales

Figure 10 Build to Rent annual completions decline sharply in Q4



Source Savills, British Property Federation, Molior

Figure 11 2023/24 saw relatively strong Affordable delivery



Source MHCLG Live Table 1009 \*estimated using NHF

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