Housing supply continues to grow but signs of harder times ahead

The number of new homes built in England rose to 246,159 in the year to Q2 2019, a 9% increase on the previous year, according to Energy Performance Certificate (EPC) data. But the sustained rise in housing delivery looks likely to slow over the next few quarters. Although completions rose, the number of housing starts fell in the year to Q1 2019, leaving fewer homes under construction. Delivery increased across all regions compared with Q2 2018, with the biggest increase in the North West.

Our projection for a hypothetical Q2 2019 Housing Delivery Test (HDT) shows that just 63% of local authorities would pass, delivering over 95% of their targets in the three years to Q2 2019. Of the remaining local authorities, nine would face the presumption in favour of sustainable development after delivering less than 45% of their targets. Several London boroughs only escape sanctions of the HDT through the ability to use targets from the existing London Plan in areas without an up-to-date local plan. Local authorities without an up-to-date plan across the rest of the country are required to use MHCLG standard methodology.

There were 369,000 planning consents in the year to Q4 2018, 4% lower than their peak in Q4 2017, but still well above the Government’s ambition for 300,000 homes per annum by the mid-2020s. The number of new planning consents remained above housing need across all regions except London. This highlights the challenge of identifying enough land in London for housing.

The total number of Help to Buy transactions in England stopped increasing over the last two quarters. London’s share of Help to Buy loans has risen to 12% of the England total as the number of loans continues to rise in the capital. Across the rest of England the number of Help to Buy transactions was lower in Q1 2019 than in Q4 2018, the first quarterly fall since the scheme began. It’s too early to say whether Help to Buy volumes may have peaked, but this does suggest the new homes market is struggling to continue increasing sales volumes against the backdrop of static activity levels in the wider housing market.

Affordable Housing delivery increased to around 46,000 homes in 2018/19, based on the National Housing Federation survey. But Build to Rent starts have more than halved in the year to June 2019 compared to the previous year, despite continued growth in investor appetite.

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

Source: MHCLG Live Tables and ONS

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The Net Additional Dwellings figures for 2017/18 showed that growth was modest with only 2% more homes delivered than in 2016/17.

This was broadly in line with EPC figures.

The 2018/19 Net Additional Dwellings figures won’t be released until November but the latest EPCs for new dwellings shows a 9% increase over the year to Q2 2019.

New planning consents in Q4 2018 continued to slow, but the gap between completions and consents remains large.

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.

The number of starts in the year to Q1 2019 fell, while completions rose. This put starts lower than completions and by the largest margin since 2012. That suggests that the sustained increase in completions may slow over the next few quarters.

Growth in housing delivery was strongest in the North West where Q2 2019 delivery was 20% more than Q2 2018.

London delivered 7% more homes in the year to Q2 2019 than the year before but is still only meeting 56% of housing need according to Standard Method.

The South East, East, and South West are closer to meeting need, but gaps remain.

London is still the only region in which the number of planning consents is lower than housing need.

**Figure 2 – The rate of housebuilding continues to increase**

**Figure 3 – Starts fall below completions, suggesting delivery may slow**

**Figure 4 – Housing delivery rose in all regions and is meeting need outside the south**

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

Source: MHCLG Live Table 213

Source: MHCLG Live Table NB1, MHCLG housing need consultation, Glenigan for HBF
The total number of Help to Buy transactions in England stopped increasing in the most recent quarters data.

London’s share of Help to Buy loans has risen to 12% of the England total. The number of loans per quarter continued to rise in the capital but fell in the rest of England.

Construction of Build to Rent schemes accelerated rapidly from 2014, with an exponential rise in the number of starts. They had levelled out at around 18,000 units in the year to Q4 2018. But this has fallen to 8,500 in the year to Q2 2019, the lowest level since 2016.

Completions reached 8,166 in the year to Q2 2019 and there remains a large number of homes under construction.

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

This suggests that affordable housing delivery increased year or year, to approximately 46,000 homes in 2018/19.

It also suggests that Affordable Ownership and Social Rent delivery may have increased whilst Affordable Rent delivery slowed.

Source: MHCLG Live Table Help to Buy

Source: Savills for BPF using Molior and Glenigan

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