Q3 2018

Housing Supply Update

How many homes are being built in England

Savills Research
UK Residential

Housing delivery still growing, but much more needed in London and the south

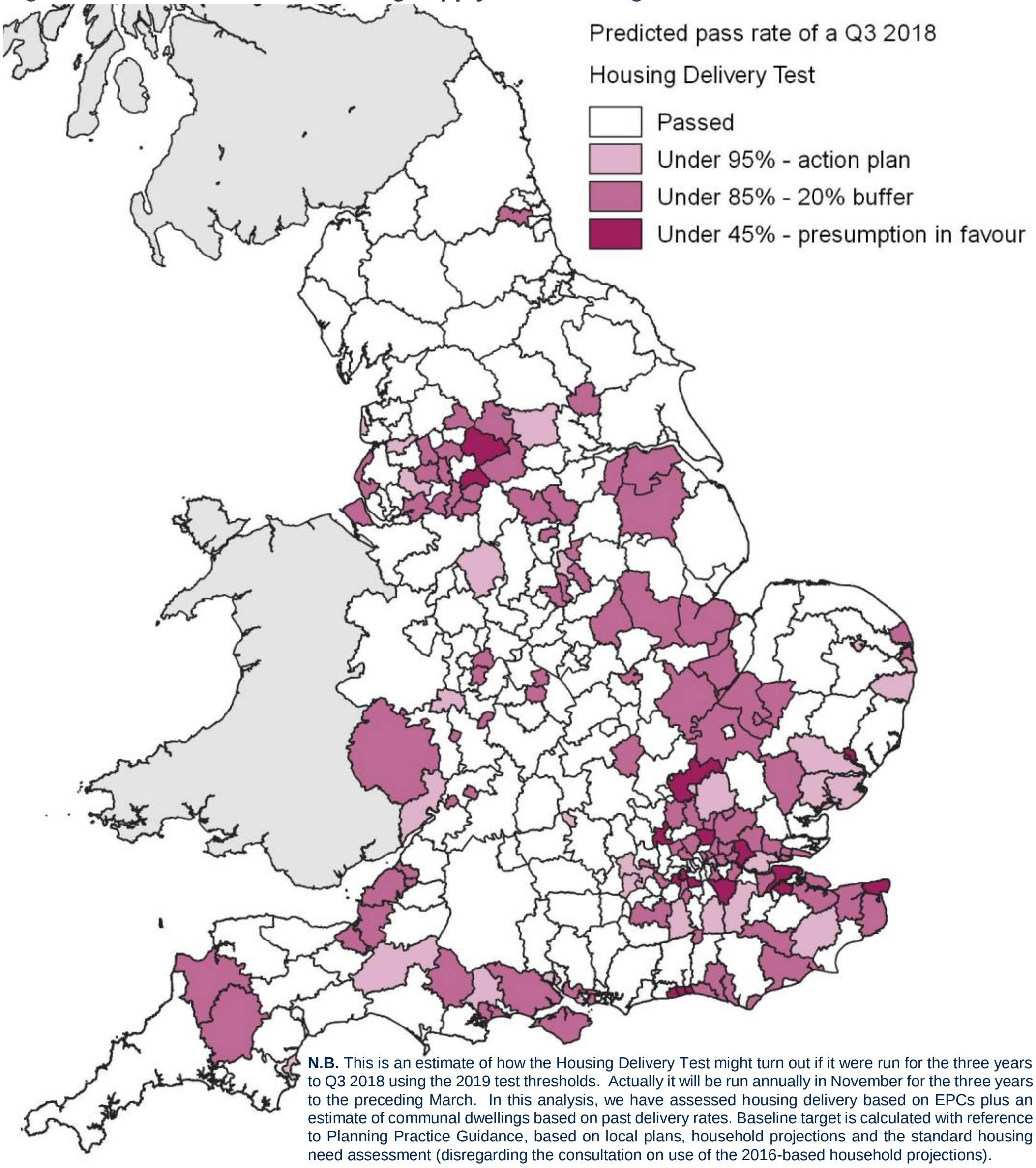
The number of new homes being built across England increased to 232,000 during the year to Q3 2018. This growth marks a return to the rate of increase seen during 2013-16. It comes after a year of consistent delivery at a rate of just under 220,000 homes per annum. The total number of starts across England has levelled off over the last three quarters, suggesting this return to growth may be short-lived. All regions of England saw more housing delivery in the year to Q3 2018 than in the previous 12 months. Only London, the South East and the East are delivering fewer homes than needed at an aggregate level, as calculated by the standard calculation of housing need.

Even in the regions where housing supply meets need, there are individual local authorities with supply shortfalls. This is shown in our mapped estimate of how local authorities would perform against a Housing Delivery Test run for the three years to Q3 2018. Within this the greatest concern should be around those city regions where there is widespread failure of the Test – specifically London and its hinterland, and Greater Manchester.

The number of new planning consents remain well ahead of housebuilding, at over 350,000 in the year to Q2 2018. There is a fall in the number of new consents granted in the latest data, after a constant increase in new consents following the introduction of the National Planning Policy Framework (NPPF) in 2012. The number of new planning consents is far above housing need across all regions except London. This imbalance is part of the reason for the national lag in delivery versus consents.

Help to Buy remains a key driver of housing delivery as the number of loans continues to increase, supporting the delivery of 22% of all new homes in 2017/18. The scheme is now set to continue until 2023 albeit in a more restricted form after 2021. There is currently a substantial pipeline of Build to Rent housing under construction and the number of starts appears to have stabilised over the last two years at a rate of around 19,000 new starts per year. Affordable housing delivery looks set to slightly increase in 2017/18 with the growth driven by shared ownership, according to the latest forward indicator of supply from the NHF.

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



N.B. This is an estimate of how the Housing Delivery Test might turn out if it were run for the three years to Q3 2018 using the 2019 test thresholds. Actually it will be run annually in November for the three years to the preceding March. In this analysis, we have assessed housing delivery based on EPCs plus an estimate of communal dwellings based on past delivery rates. Baseline target is calculated with reference to Planning Practice Guidance, based on local plans, household projections and the standard housing need assessment (disregarding the consultation on use of the 2016-based household projections).

Source: MHCLG Live Tables and ONS

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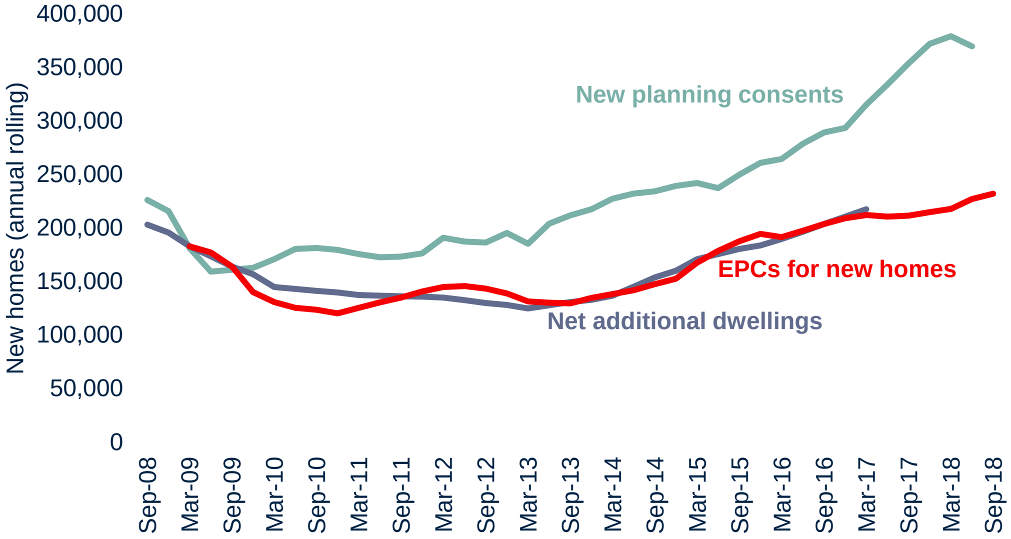
Housing Supply Update | **How many homes are being built in England**

Growth in the number of new homes with Energy Performance Certificates (EPCs) has accelerated again over the last six months after a year of limited increase. We therefore expect the 2017/18 number of net additional dwellings to be similar to 2016/17 when the data is released on 15th November. But the latest increases bode well for next year.

The number of new planning consents fell for the first time since 2009 in the year to June but remain well above the level of new housebuilding.

Figure 2 – Housing delivery continues to increase by is lagging behind consents

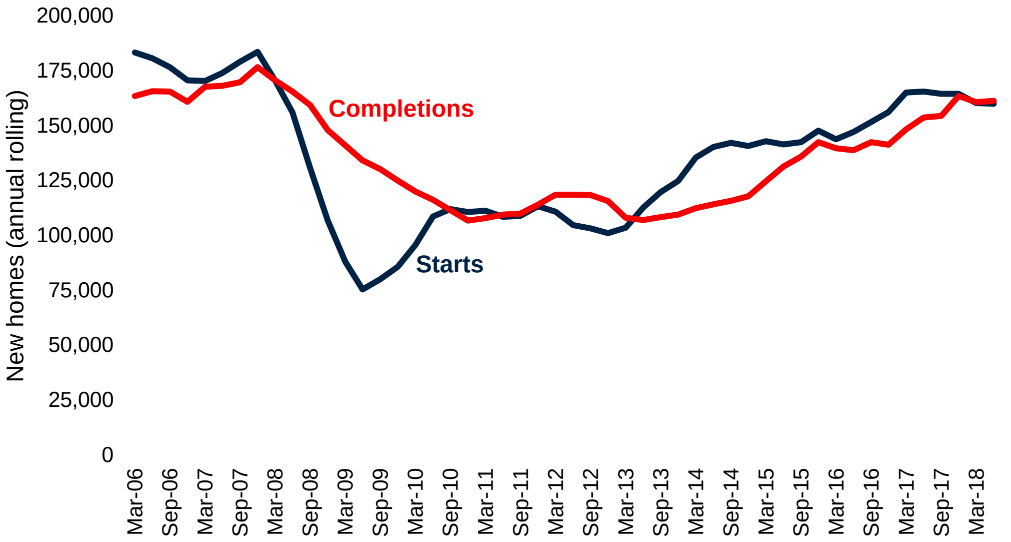


Source: MHCLG Live Tables 120 and NB1, Glenigan for HBF

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.

The number of starts has slowly declined over the 15 months to June 2018. The number of completions exceeded the number of starts in the year to Q1 2018 for the first time since 2013. Builders are finishing more existing schemes than starting new ones.

Figure 3 – The rising number of starts has slowed



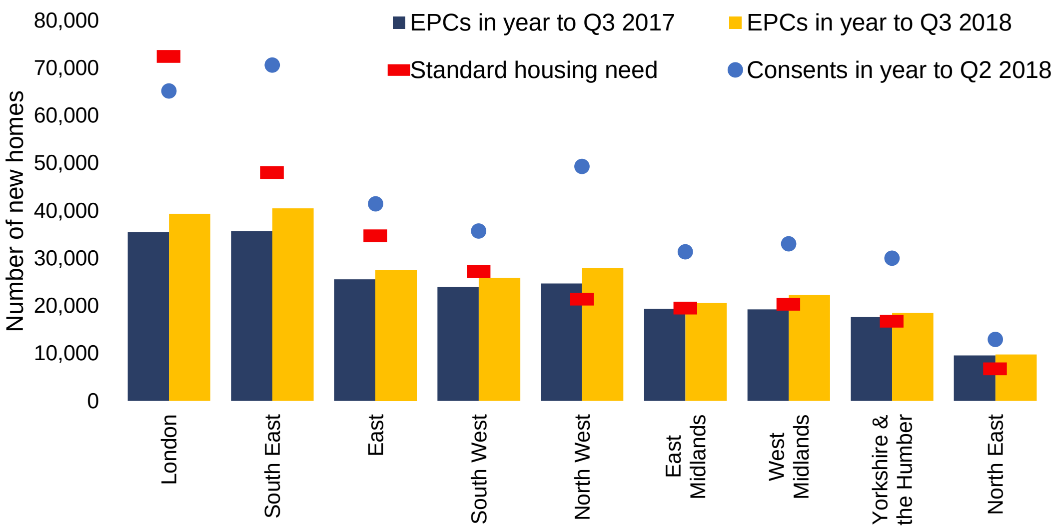
Source: MHCLG Live Table 213

EPC data for new dwellings shows the regional rate of housebuilding across England. Across every region the number of dwellings built increased in the year to Q3 2018 compared with the year before.

Supply gaps remain in London, the South East and East, but in most regions housing need is being met at an aggregate regional level.

The number of new homes gaining planning consent exceeds housing need in all regions except London, but barriers to delivery clearly remain.

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



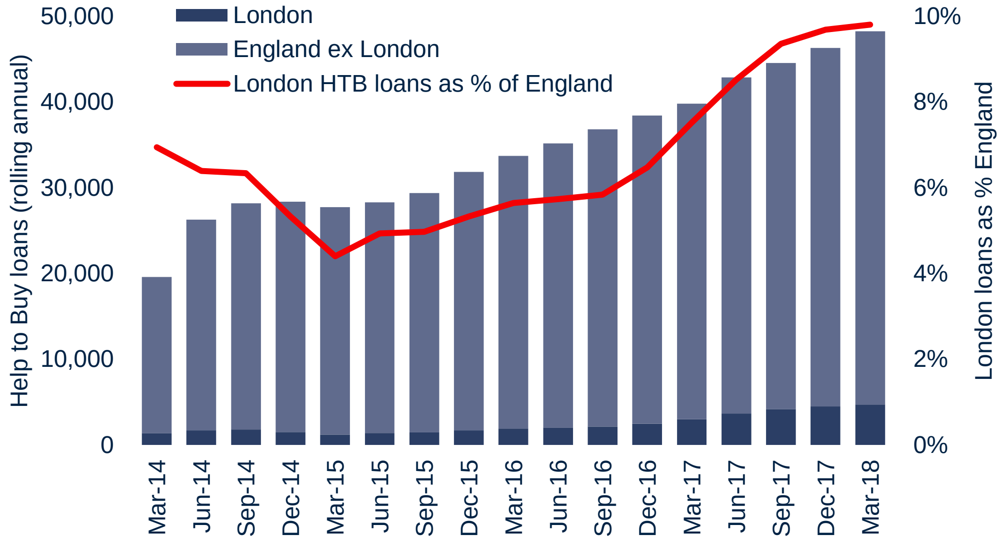
Source: MHCLG Live Table NB1, MHCLG housing need consultation, Glenigan for HBF

The Help to Buy Equity Loan was launched in April 2013 and the number of loans completed each year has grown ever since.

London's share of the scheme was low until the 40% loan was made available in the capital in 2016. Its share appears to be settling at about 10% of all loans in England.

The 2018 Budget confirmed that Help to Buy would end in 2023 after a two-year extension of the current funding. From 2021 lower maximum house prices will be in place across all regions outside London and the scheme will only be open to first time buyers.

Figure 5 – Help to Buy transactions continue increasing

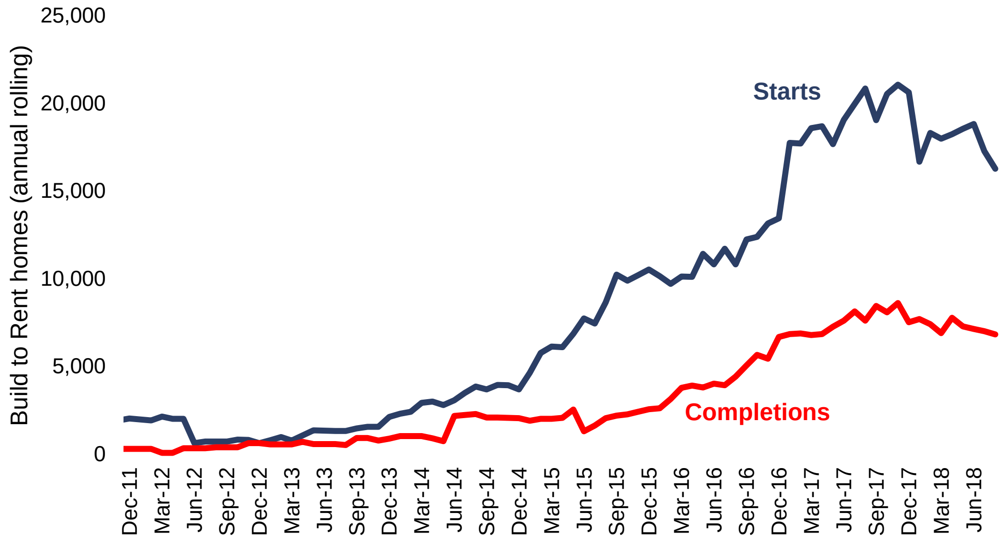


Source: MHCLG Live Table Help to Buy

Construction of Build to Rent schemes accelerated rapidly from 2014, with an exponential rise in the number of starts. They have since levelled out at around 19,000 starts per annum over the last two years.

Many schemes are larger blocks of flats, so completions have come through more slowly. There remains a substantial pipeline of Build to Rent schemes under construction.

Figure 6 – The growth of the Build to Rent pipeline has paused



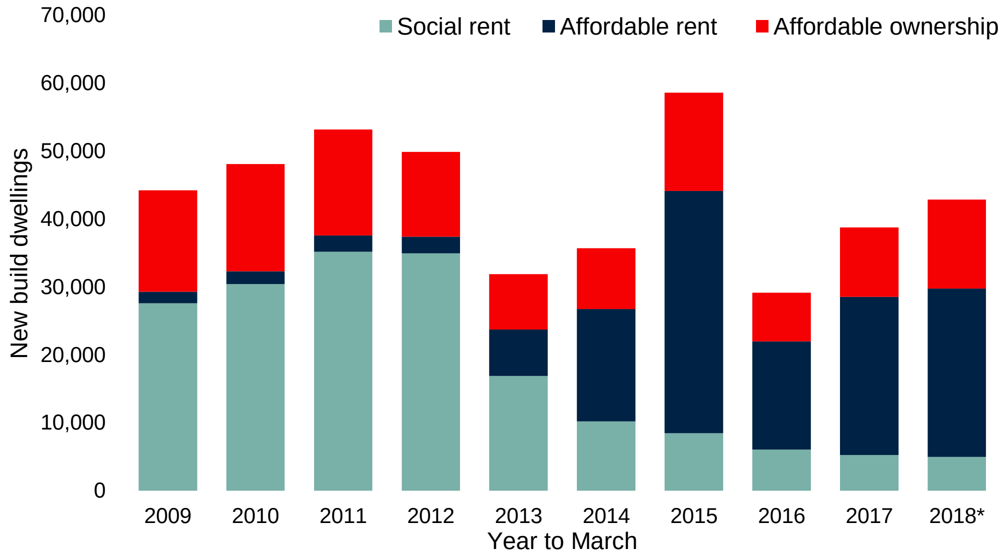
Source: Savills for BPF using Molior and Glenigan

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

It suggests that there will be a small increase in the overall number of affordable homes delivered in 2017/18 compared to the previous year. This increase may continue as additional funding has been added to the programme.

Most of the increase is likely to be in affordable home ownership, while the number of new social rented homes appears to have slightly reduced.

Figure 7 – Affordable housing delivery set to slightly increase



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