

English Housing Supply Update



Strong growth in housing supply continues into 2019

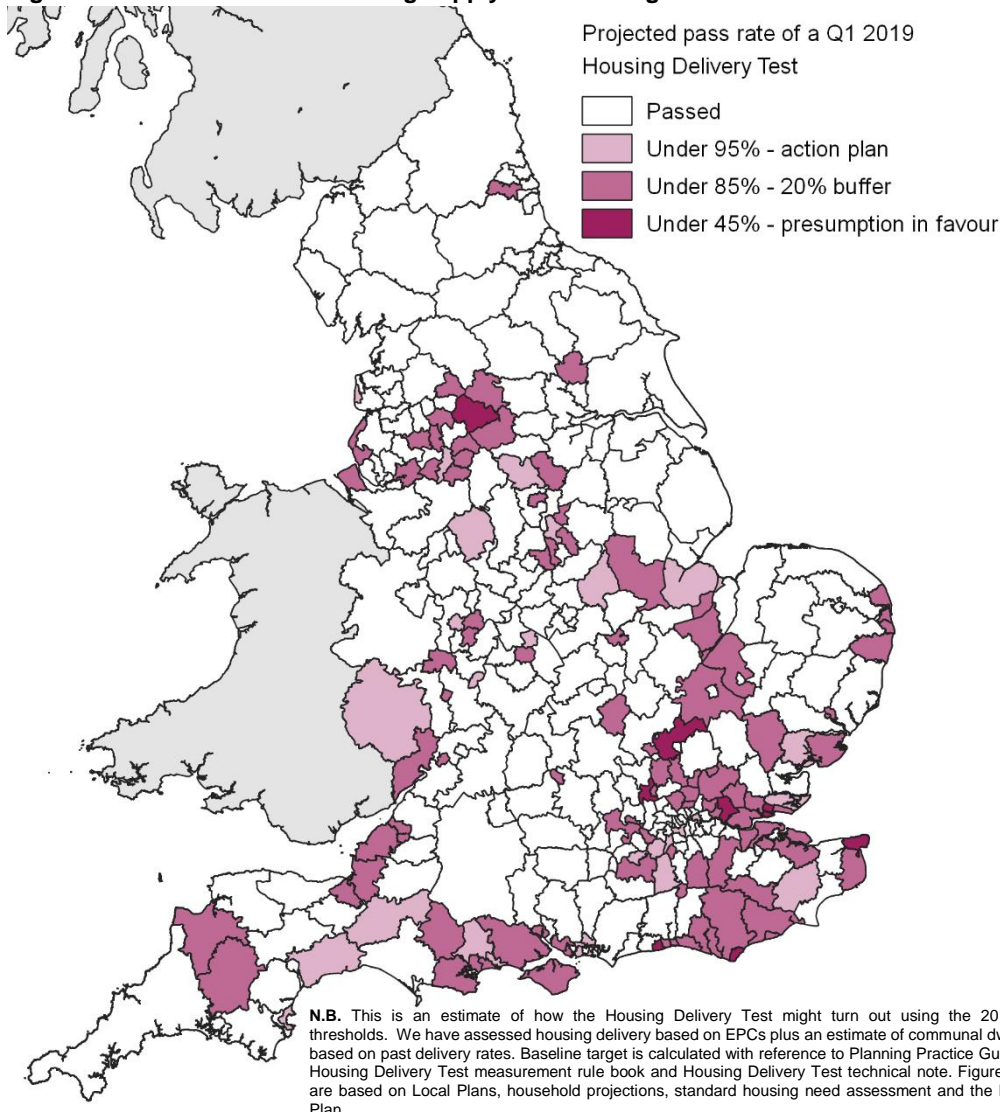
The number of Energy Performance Certificates (EPCs) for new homes across England rose to 244,630 in the year to Q1 2019, a 13% increase on the previous year. The number of housing starts has flattened this quarter, suggesting the growth in delivery could start to level off by the start of 2020. Delivery increased across all regions compared with Q1 2018. The strongest growth was in the North West, and London despite slowing house price and sales growth. London is still failing to provide an adequate supply of housing, with the most recent delivery just 58% of MHCLG's standard methodology for assessing housing need.

Our projection for the 2019 Housing Delivery Test (HDT) shows that just 61% of local authorities will pass, delivering over 95% of housing need in the three years to Q1 2019 (Figure 1). Of the remaining local authorities, eight will face presumption in favour of sustainable development after delivering less than 45% of their housing need. Several London boroughs have escaped the most severe sanctions of the HDT through the ability to use need figures from the 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 standard methodology figures.

There were 369,000 planning consents in the year to Q4 2018, reversing the fall seen in Q3 2018 but remaining 1% lower than the year before. The number of new planning consents remained above housing need across all regions except London with total planning consents across the country well above the Government's ambition for 300,000 homes per annum by the mid-2020s. There has been a substantial increase in full planning consents granted in areas where need is greatest, with 24% of consents granted in the least affordable areas in 2018 compared to just 18% in 2017.

Help to Buy transactions in Q4 2018 were up 12% on the same quarter in 2017, with the equity loan continuing to drive a large proportion of new homes sales across the country. There were 7,300 Build to Rent completions in the year to Q1 2019, a 10% increase on Q1 2018. Starts in the Build to Rent sector have dropped over the same period to around 10,000 but may recover in coming months, as more housebuilders increase the share of sales to institutional investors. Affordable housing delivery in the first nine months of 2018/19 had already reached the total delivered in all of 2017/18, with growth of Affordable Home Ownership driving this increase.

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



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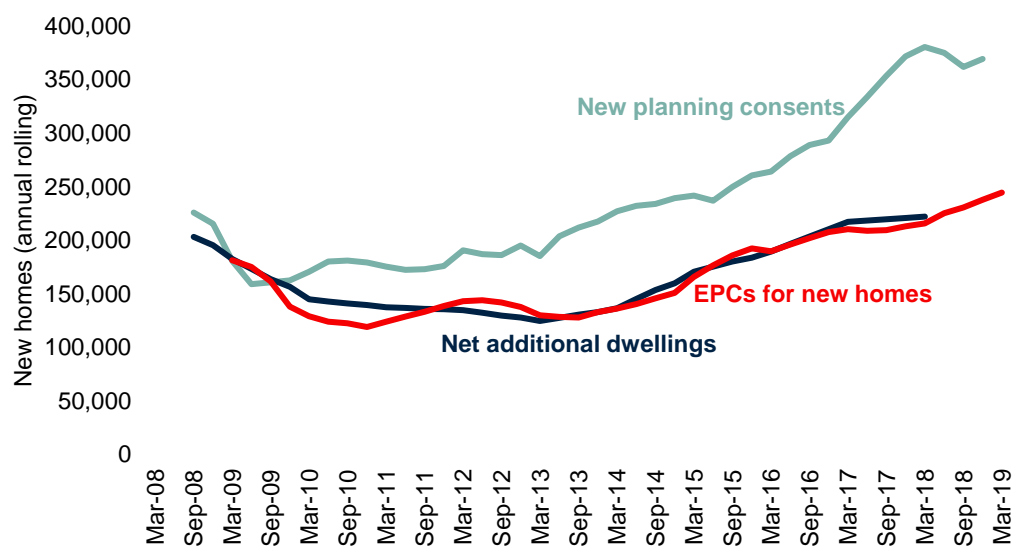
The Net Additional Dwellings figures for 2017/18 showed that growth was modest with only 2% more homes delivered than in 2016/17.

This was broadly in line with EPC figures.

The Net Additional Dwellings figures for 2018/19 won't be released until November but the latest EPCs for new dwellings shows a 13% increase on 2017/18.

New planning consents in Q4 recovered some of the fall of the past two quarters, maintaining the gap between consents and delivery.

Figure 2 – Stronger growth in housing delivery in Q1



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

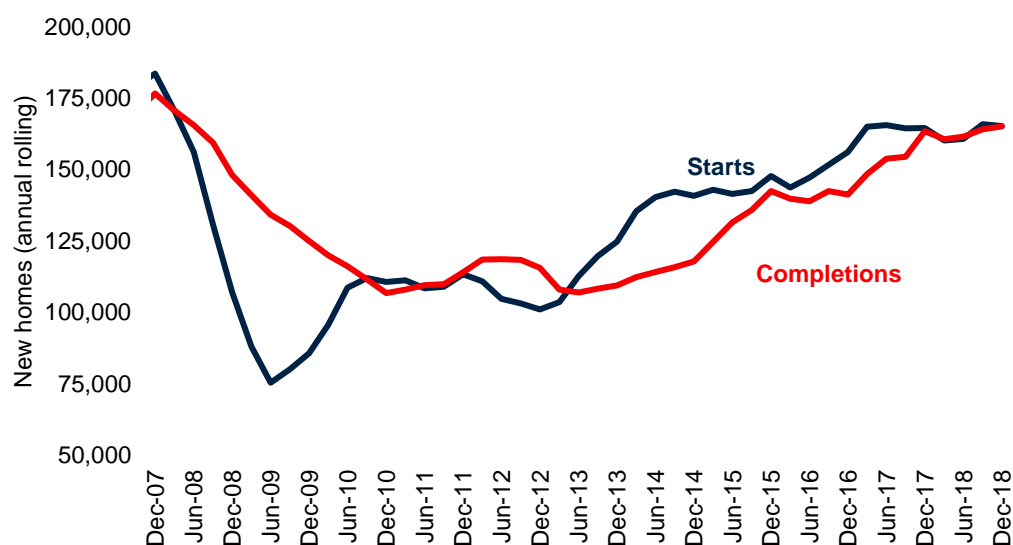
The quarterly starts and completions series are based on NHBC data and don't capture all new homes being built. They do give a timely update on direction of travel.

Starts in Q4 2018 fell 2% on the same time last year.

This suggests the number of homes started in 2018 was no greater than 2017.

Completions likewise only indicate 1% growth on 2017, however, NHBC figures have correlated more loosely with Net Additional Dwellings figures recently compared to EPCs.

Figure 3 – Starts have plateaued suggesting delivery may slow



Source: MHCLG Live Table 213

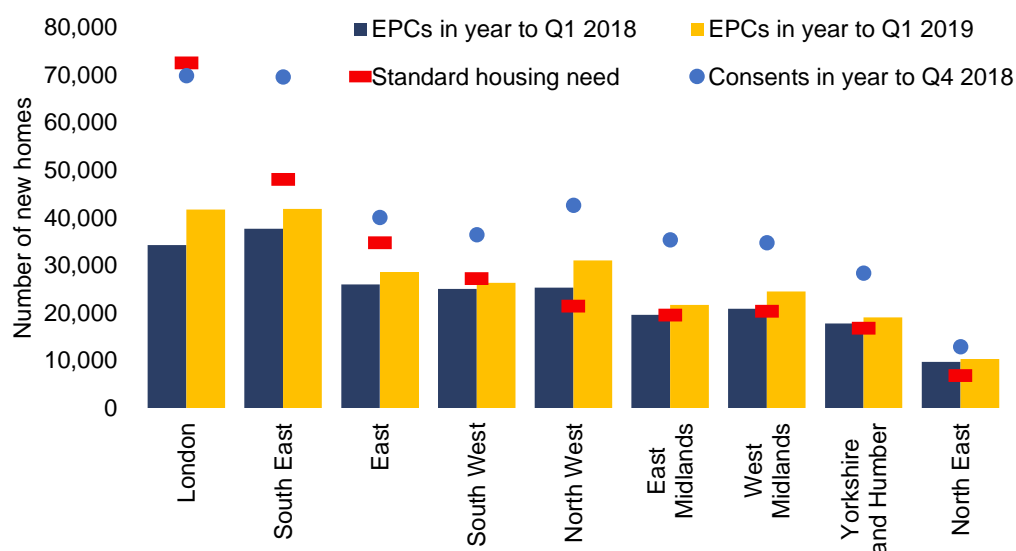
Growth in housing delivery was strongest in the North West where delivery is 45% more than housing need as defined by the standard need methodology set out in the revised NPPF.

London delivered 22% more homes in 2018/19 than 2017/18 but is still only meeting 58% of required annual delivery.

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

Planning permissions in London are up 10% on Q4 2017 almost meeting the number required to meet need.

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



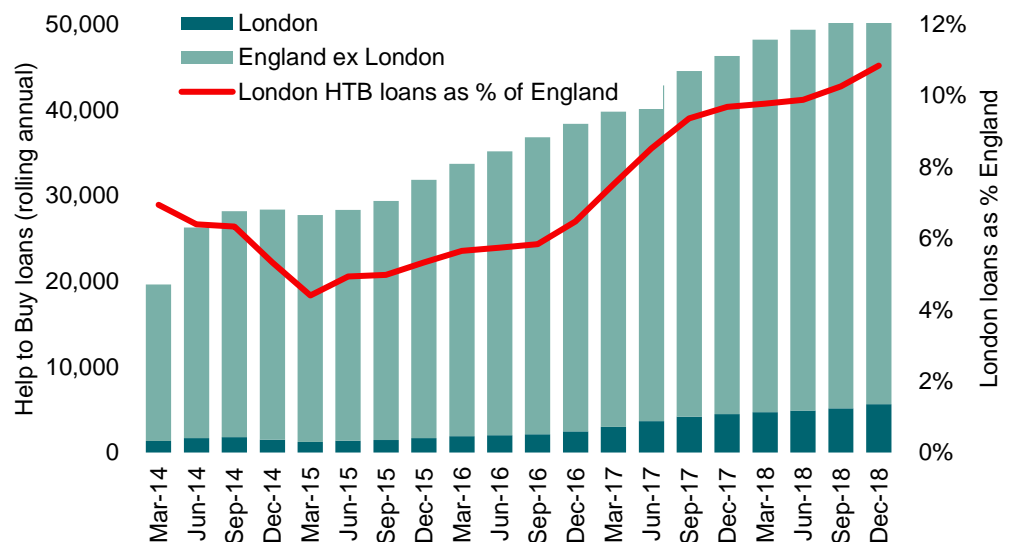
Source: MHCLG Live Table NB1, MHCLG housing need consultation, Glenigan for HBF

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

Help to Buy transactions continued to increase in the year to Q4 2018 up 3% on the previous quarter and 12% up on Q4 2017.

London's share of Help to Buy loans has risen to 11% of the England total, supporting high proportions of housing delivery in Outer London boroughs.

Figure 5 – Help to Buy transactions increasing, with London's share edging upwards

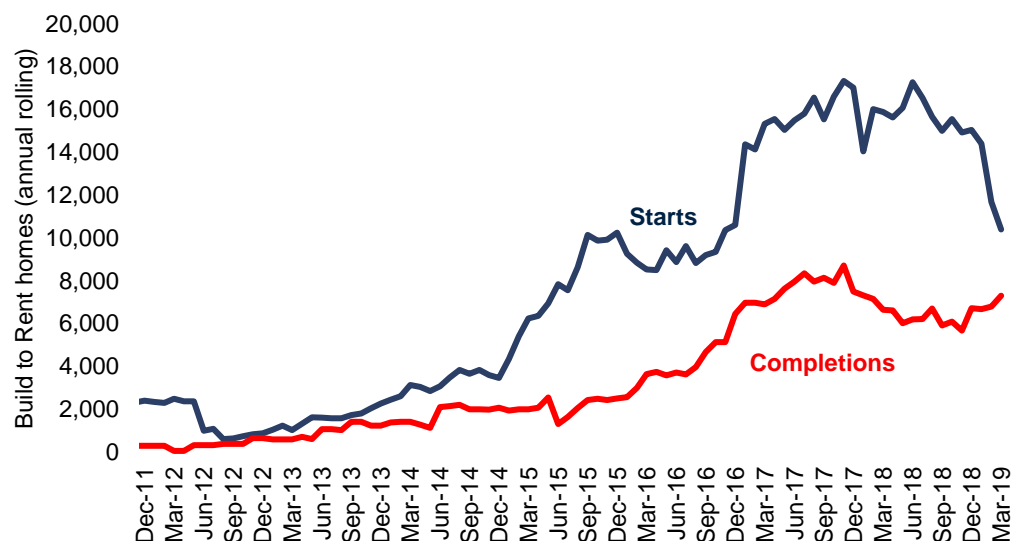


Source: MHCLG Live Table Help to Buy

Construction of Build to Rent schemes accelerated rapidly from 2014, with an exponential rise in the number of starts. They had since levelled out at around 18,000 units in the year to Q4 2018. As of Q1 2019 the number of starts has fallen to the level seen in late 2016.

Completions remained below starts but returned to growth in late 2018. Completions had been declining since late 2017. Many schemes are large blocks of flats, so construction takes time and snagging issues can cause major delays to completion.

Figure 6 – Build to Rent delivery increases but starts fall



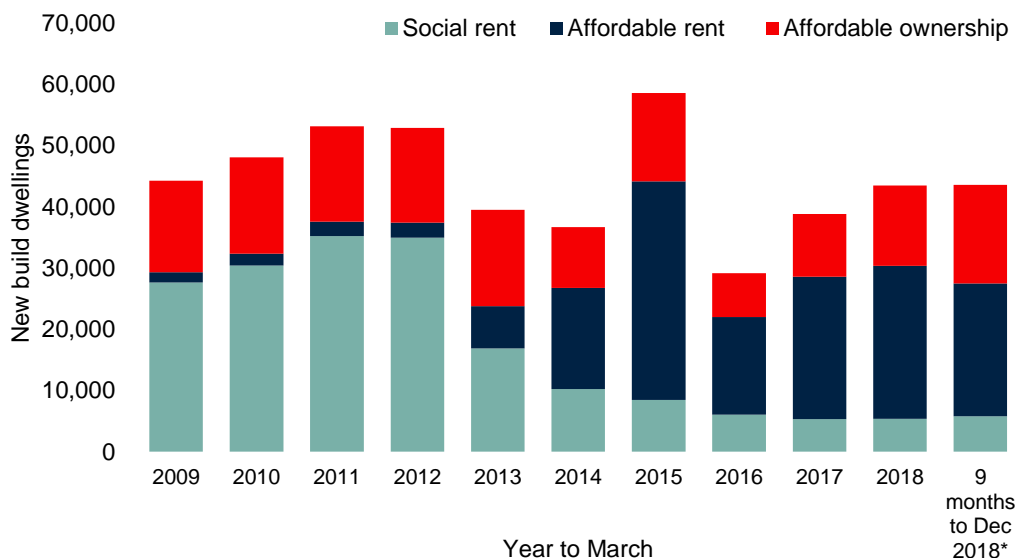
Source: Savills for BPF using Molior and Glenigan

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

Affordable delivery in the 9 months to December 2018 equals all of 2017/18 suggesting 2018/19 will represent a significant increase.

Affordable housing completions are often heavily weighted towards the end of the financial year, so it will be another 3 months before we see the extent to which the policy drives to increase delivery have been effective.

Figure 7 – Affordable housing delivery is increasing



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