

English Housing Supply Update

2023 to see c. 25k fewer new homes than previous year amid difficult development conditions

New build supply threatens to reverse

The supply of new homes in England remains under pressure, with 239,300 new homes completed in the twelve months to June 2023 according to Energy Performance Certificate (EPC) data. That marks the second consecutive drop in annualised completions, although small at -2%. The rolling annual total may fall further in the coming months: at 110,600, less than half of all new homes built over the last twelve months were delivered in the first half of 2023. Excluding the pandemic, this is the lowest six month figure since 2017.

Consent crunch continues

Around 255,000 homes gained planning consent in the twelve months to June 2023, according to HBF/Glenigan data, barely above the present level of delivery. Indeed, given a proportion of permissions are inevitably lost to

attrition, roughly 30,000 more consented homes would be needed just to maintain supply. Scarcity of consents will put further downward pressure on future completions.

A key factor has been ongoing uncertainty over planning policy. The Levelling Up and Regeneration Bill, which will introduce revisions to the NPPF, has been delayed and will not return to Parliament for consideration of amendments until the Autumn. Local planning has also slowed. Over the last decade an average of twenty-seven local plans were adopted each year; halfway into 2023 only eight have been adopted, under half what would be expected.

Overall delivery set to fall in 2023

It's not all doom and gloom. Stronger than expected first-time buyer demand, falling inflationary pressures and interest rates likely

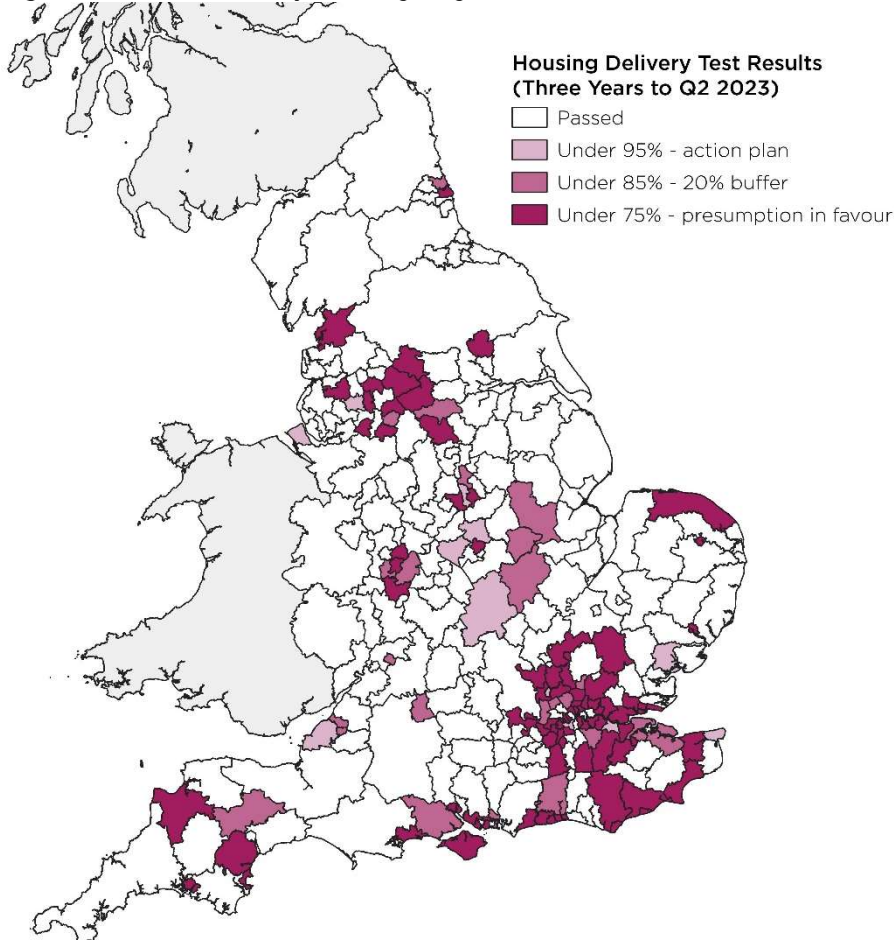
approaching their peak have prevented further falls in activity and confidence. Nevertheless these factors must be balanced against price falls, mortgage costs remaining higher for longer and, ultimately, too few planning consents. Overall, new home completions are unlikely to exceed 225,000 homes in 2023.

Looking ahead, the government target of 300,000 new homes per year will almost certainly be missed in the medium term. By our latest calculation of the Housing Delivery Test, 40% (122) of local authorities would fail to meet housing need, with 85 facing the presumption in favour of development.

Operational sectors offer stability

In contrast to the wider market, operational sectors such as Build to Rent (BtR) and Affordable Housing are on course to enjoy a steadier year. BtR starts are down but the rate of decline has slowed; meanwhile completions are on the rise again as [the sector enjoys strong rental growth and more investment](#). Housing Associations' appetite for development is more mixed, but [some have retained considerable development aims, with the sector able to play a key role in providing supply in a slower market](#). The number of new Affordable homes looks set come in at the second-highest in eight years, with an estimated 26% rise in the number of social rent homes being built.

Figure 1 Where is delivery meeting targets?



Source DLUHC Live Tables and ONS

NB This is an estimate of how the Housing Delivery Test might turn out using 2023 test thresholds using data in the three years to Q2 2023. 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, Housing Delivery Test measurement rulebook and Housing Delivery Test technical note. Figures used are based on Local Plans, household projections, standard housing need assessment and the London Plan.

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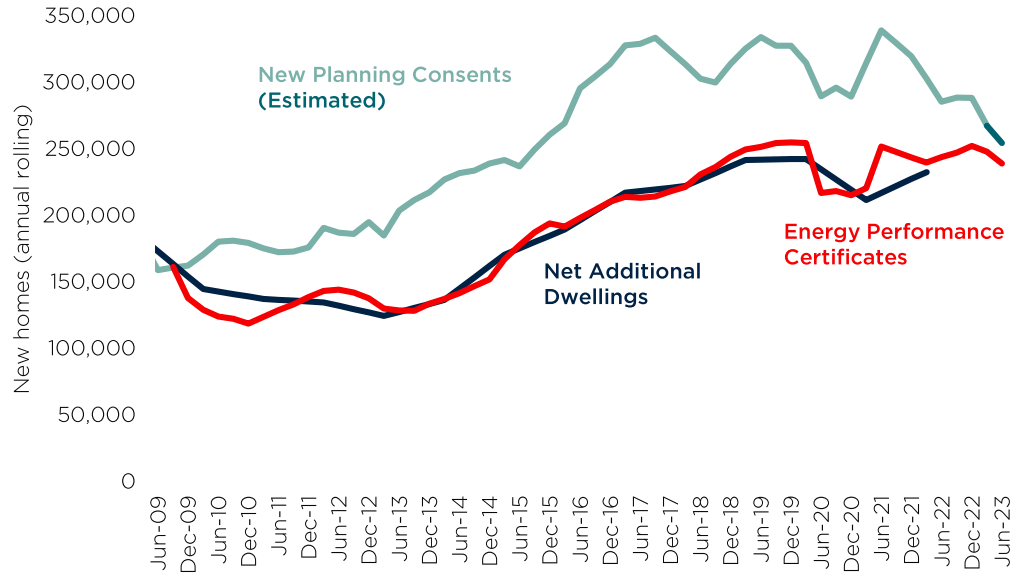
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239,300 new homes were built in the year to June 2023, according to EPC data, a fall of -2% compared to the same period a year ago.

The number of homes gaining planning consent also continues to fall. Only c. 255,000 new homes gained full planning consent in the year to Q2 2023, according to initial estimates from Glenigan and the HBF.

The ongoing contraction in planning consents means the number of homes completed in the medium term will remain well below the government’s target of 300,000 new homes per annum.

Figure 2 Delivery of new homes falls slightly as future supply remains under pressure



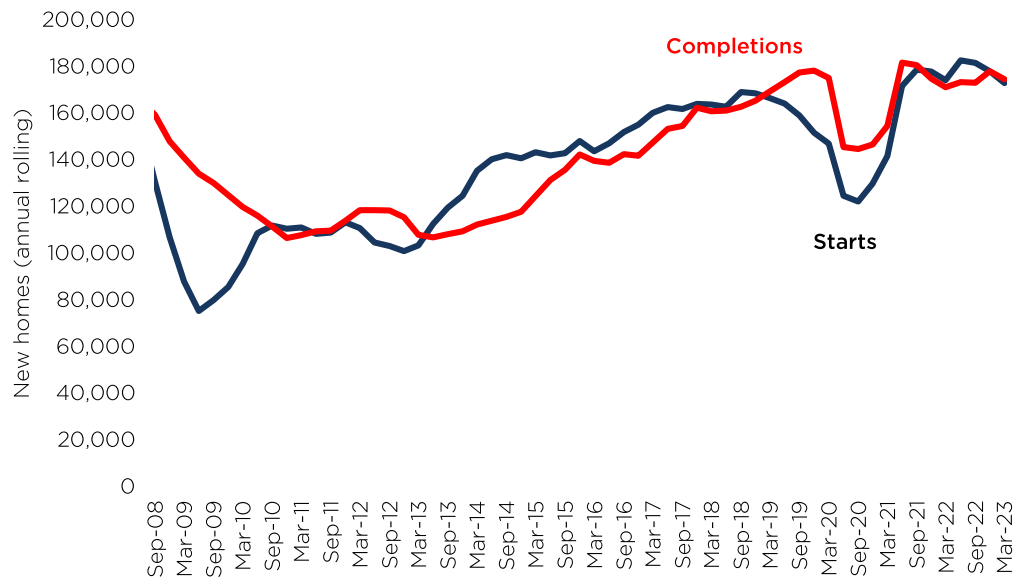
Source DLUHC Live Tables 122, NBI, HBF, Glenigan (only 10+ units)

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

Despite an improved Q1, overall activity stagnated in the year to March 2023. Construction starts fell -3% on an annualised basis, with completions of new homes also down by -2%.

With completions ahead of starts and difficult market conditions ahead, the pipeline of homes under construction will likely contract over the course of 2023.

Figure 3 Supply of new homes likely to fall due to construction pipeline stagnation

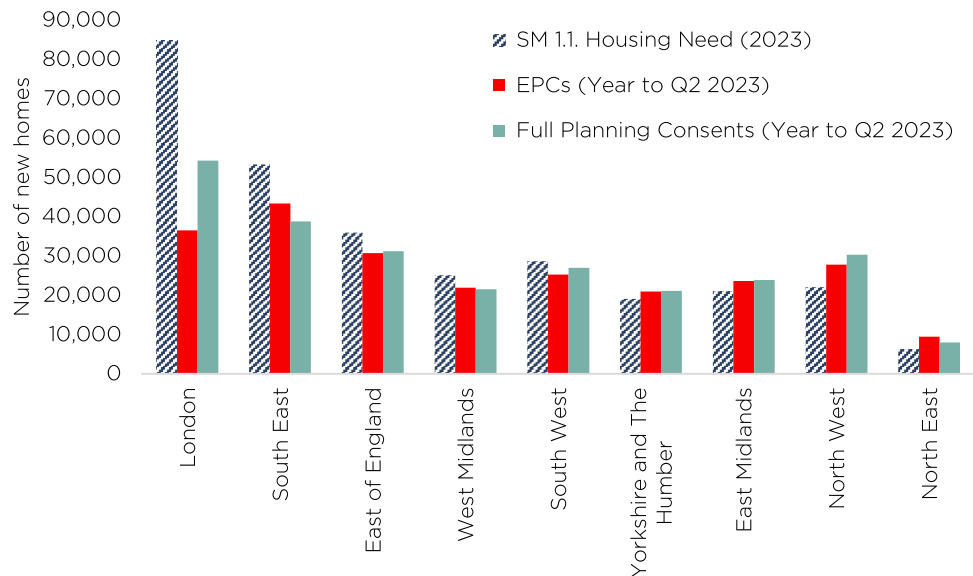


Source DLUHC Live Table 213

The supply of new homes remains below housing need across most of England, with supply in the South East especially affected. Five out of nine regions both built too few homes to meet need at present, and also granted too few planning consents to be likely to meet need in the future.

The South East, which built only 81% of the homes it needs to meet present need over the last twelve months, has granted consent for new homes equivalent to 73% of need. This ongoing shortfall will put considerable pressure on existing stock and drive further price inflation.

Figure 4 Most English regions to see fewer new homes in future



Source DLUHC Table NBI, HBF (Revised), Glenigan

The final quarter of Help to Buy saw loan issuance slump to the lowest level since 2016. 26,000 homes were sold using the scheme in the year to March 2023, -50% lower than the peak in Q2 2021.

A less stringent price cap led to London making up an ever-increasing share of loans in the scheme's final two years, reaching a peak of 26% in the final quarter. By contrast, sales outside of the capital plummeted to barely a fifth of their peak by Q1 2023, as regional caps alongside strong price growth reduced the scheme's effectiveness.

The final HtB sales completed on 31st March 2023. Alternative schemes such as Deposit Unlock remain available but do not offer the same level of support for buyers.

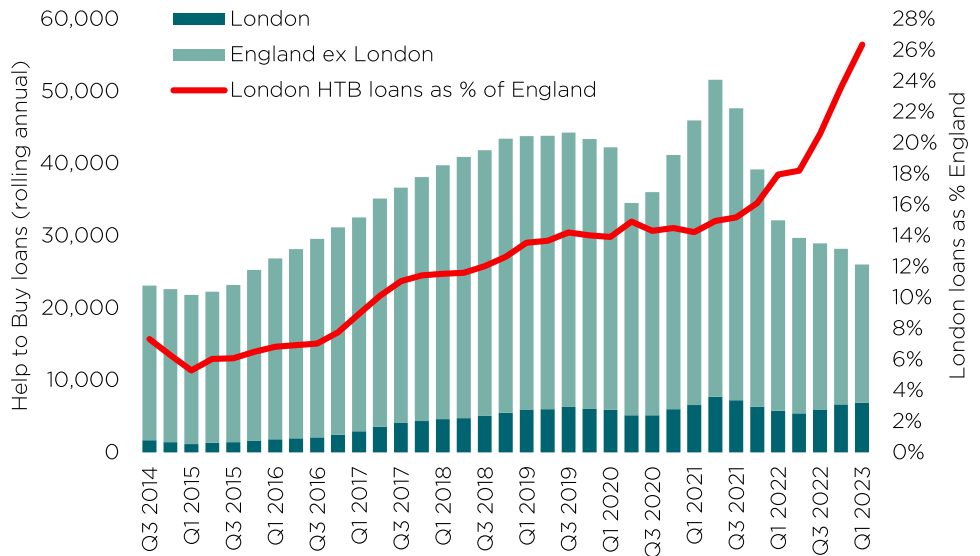
Construction activity in the UK Build to Rent (BtR) sector contracted over the first half of 2023. Starts and completions fell -33% and -26% during the twelve months to June, compared to the same period last year.

On the other hand, the most recent data is more positive. Starts fell by only -4% between Q1 and Q2, while completions rose by 8%, suggesting development is beginning to stabilise. The second quarter also saw a substantial increase in investment, enough to set a new Q2 record, suggesting investors have returned to the sector in strength. Read more about the direction of BtR [here](#).

Delivery of affordable homes is expected to have fallen marginally in the year to March 2023, according to the latest data from NHF, but remained in line with recent years.

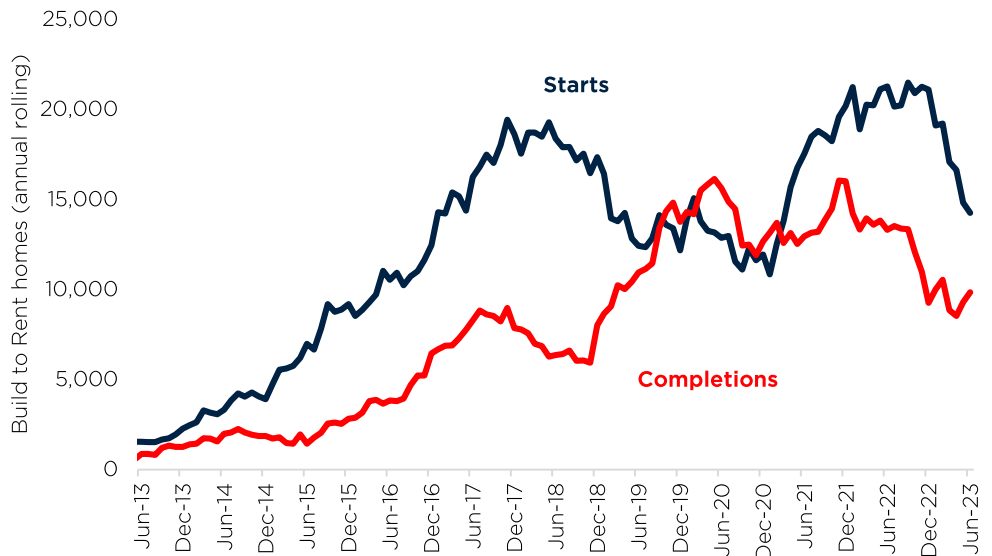
The tenure mix of new affordable homes is changing in line with the aims of the 2021-2026 Affordable Homes. Social rent homes are estimated to have seen a 26% increase in delivery in 2022/23, with more completions than in any year since 2014/15. Affordable ownership is also likely to have seen a small increase of 5%. On the other hand, delivery of Affordable rented homes will likely decrease by 18% compared to the previous year. You can read more about affordable housing developers' ambitions [here](#).

Figure 5 Final months of Help to Buy see loans fall to half of peak



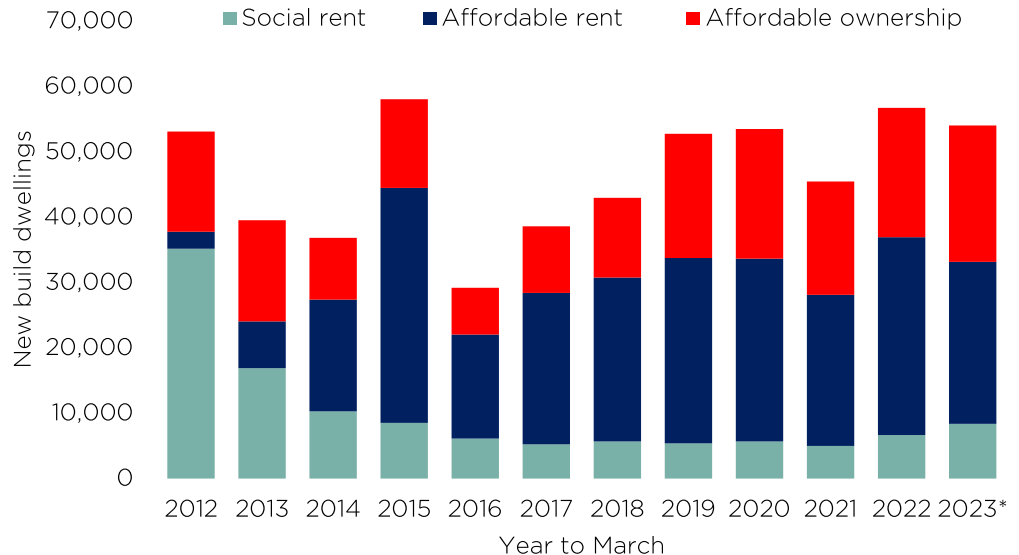
Source DLUHC Live Table Help to Buy

Figure 6 Further falls in Build to Rent activity, but early signs of pipeline stabilising



Source Savills, British Property Federation, Molior

Figure 7 Affordable delivery set to remain in line with recent trends



Source DLUHC Live Table 1009. *2023 total estimated using NHF data