

English Housing Supply Update



Completions reach pre-Covid levels but starts and consents yet to fully recover

Completions return to 2019 levels

Housing delivery has recovered well from the pandemic, with only 827 fewer homes delivered during the year to June 2021 than the 12 months to June 2019. New home completions reached 59,490 in England in Q2 2021, according to Energy Performance Certificates (EPC) data. This was down slightly from Q1, the anticipated end of the Stamp Duty holiday and original Help to Buy deadline.

Starts were up, but remain low

Construction starts rose twice as fast as completions over six months to March, but remained 16% below their 2019 level. Early data for Q2 2021 suggests the Q1 rise in the number of starts may prove short-lived, with numbers falling again later in the year.

The pipeline for new homes has continued to shrink and the high level of completions over the past year is unlikely to continue. Weekly EPC data suggests that completions have fallen to about 10% below 2019 levels since May.

Consents static compared to last year

Full planning consent was granted for around 275,000 homes in the year to Q2 2021, about the same as last year, according to our estimate using data from Glenigan. Consents remain 18% below the year to Q2 2019, and about 8% below the Government's housing delivery target of 300,000 homes by the mid-2020s.

Record number of Help to Buy loans

Issuance of Help to Buy (HTB) loans hit a record 55,649 in the year to Q1 2021, the last

full quarter before the completion deadline, according to MHCLG figures. That's equivalent to 25% of all new build completions, compared to a 2017-2019 average of 21%.

Regional variation in delivery against housing need

All regions saw housing delivery rise in the year to Q2 2021, as completions matched 2019 levels. Delivery met housing need (according to the Standard Method) across the midlands and the north of England, but fell short in the south.

The shortfall is unlikely to be resolved soon. We estimate the number of consents issued across the south (excluding London) in the year to June 2021 was 5% lower than the number of homes completed. In the South East consents were 13% lower than completions, after 40% fewer consents were issued in 2020 compared to the previous two years, a greater drop than in any other region.

Were the Housing Delivery Test run for the three years to Q2 2021, we would expect 71% of local authorities to pass. The pass rate has been boosted by recent Government adjustments to the 2021 HDT in order to reflect disruption from Covid.

With housing delivery lower since May, and relatively low levels of consents and starts, we expect that a greater number of local authorities will fail to meet their housing delivery requirements in future iterations of the Housing Delivery Test.

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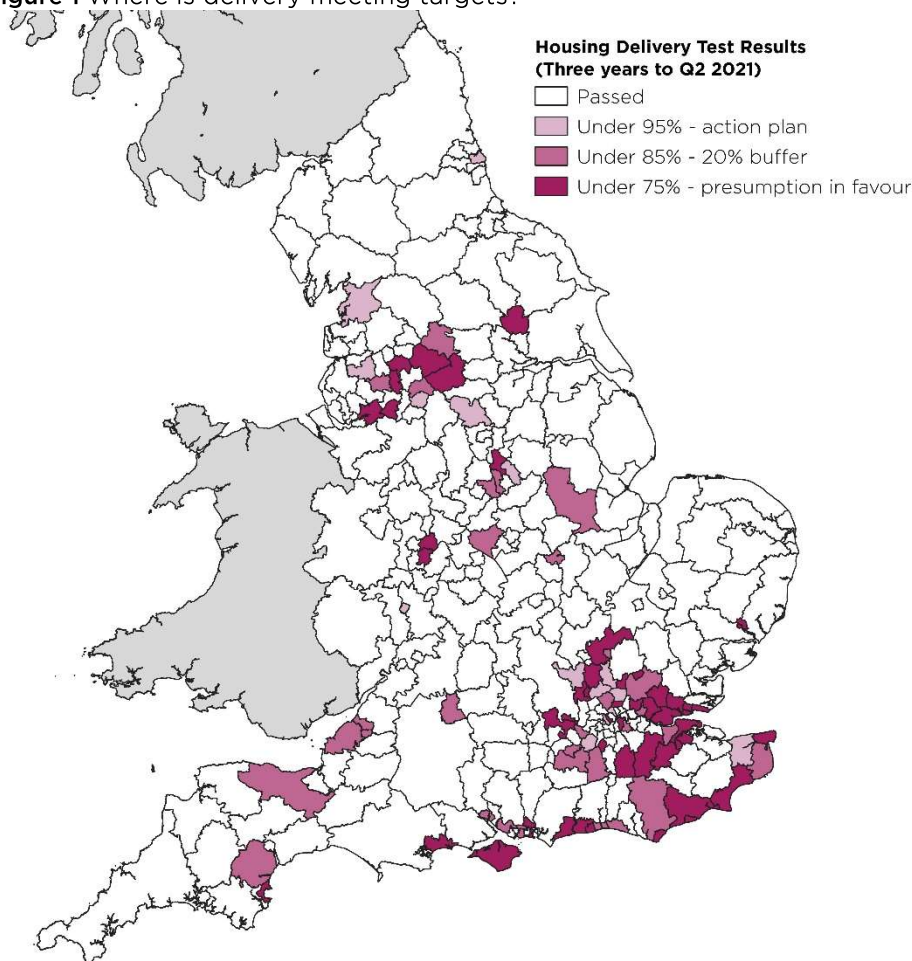
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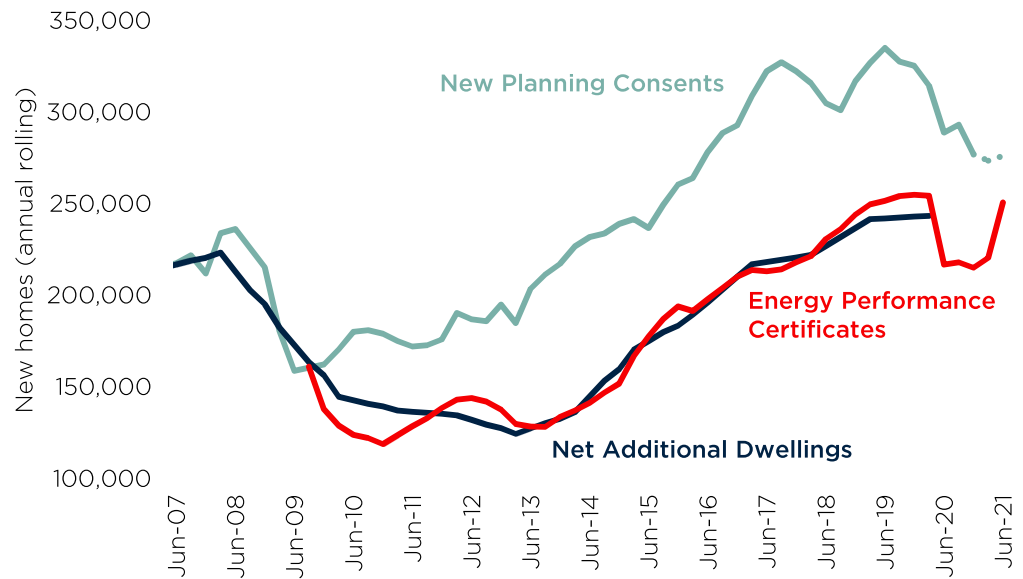
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Figure 1 Where is delivery meeting targets?

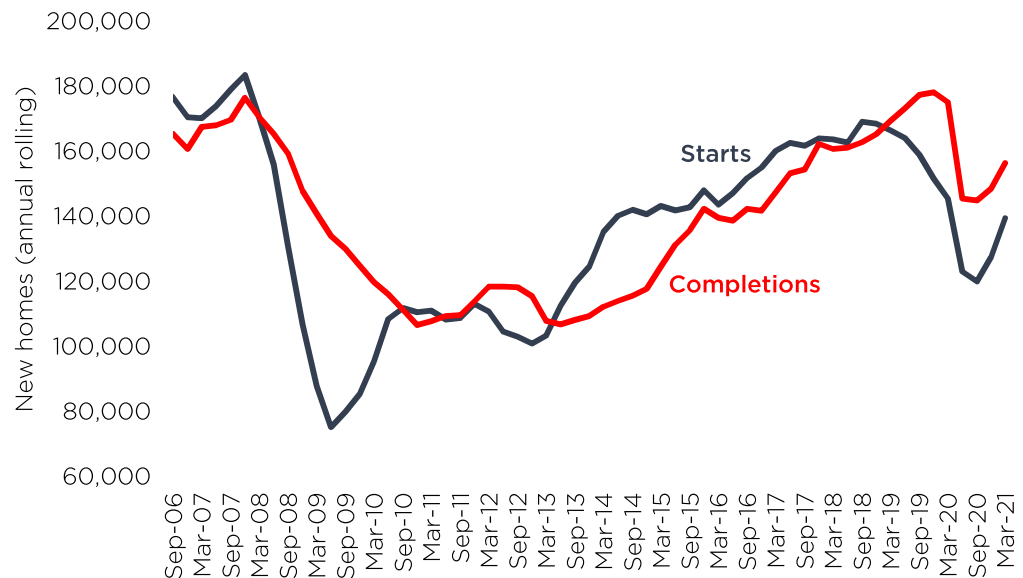


Source MHCLG Live Tables and ONS

NB This is an estimate of how the Housing Delivery Test might turn out using 2021 test thresholds (including a deduction of 122 days to account for Covid disruption), using data in the three years to Q2 2021. 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.

Figure 2 Completions have recovered but consents remain low


Source MHCLG Live Tables 120, NB1, Glenigan for HBF (Revised), Savills using Glenigan

Figure 3 Completions still ahead of starts, but both rising rapidly


Source MHCLG Live Table 213

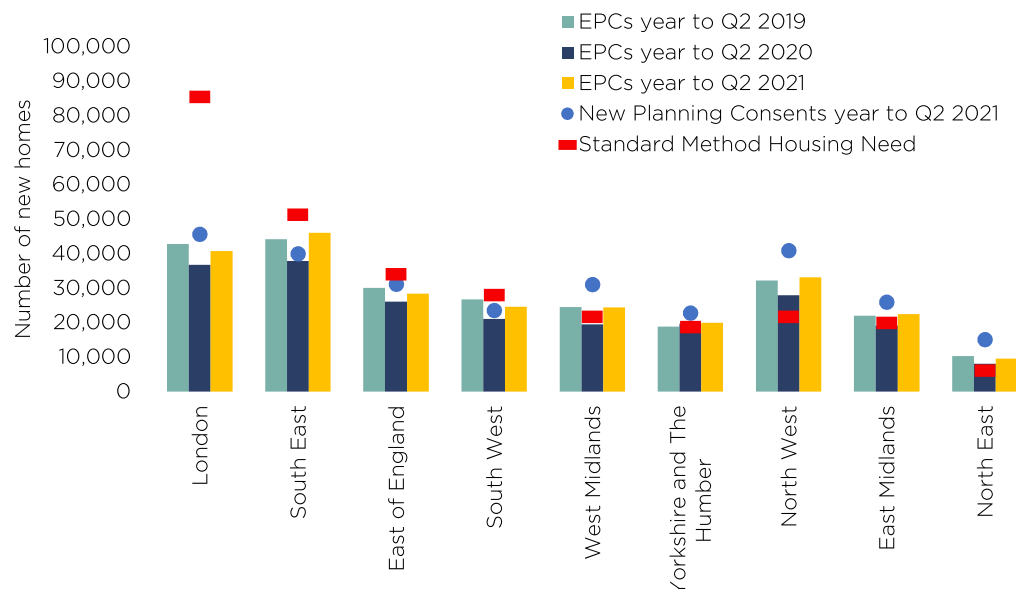
Since diverging in December 2018, completions have maintained their lead over starts. But the gap has narrowed: since bottoming out in Q3 2020, starts have risen 16% to Q1 2021, compared to only 8% for completions.

Preliminary data for Q2 suggests that the number of starts will fall back again. Growth in starts tailed off in the year to Q2 2021, according to figures from NHBC, while starts in Q2 itself fell 46% between April and June according to data from Glenigan.

Delivery of new homes in the year to Q2 2021 was up across England, with several regions exceeding their delivery figures for the year to Q2 2019.

Housing delivery met need in the midlands and north of England. But even with higher housing delivery, only 83%-90% of housing need was met in the southern regions of England, with London delivery at less than half of need.

During the 12 months to June 2021, more consents were issued than completions in every region except the South East and South West. In these regions consents were lower by 13% and 4% respectively, suggesting land for housebuilding will be in short supply over coming years.

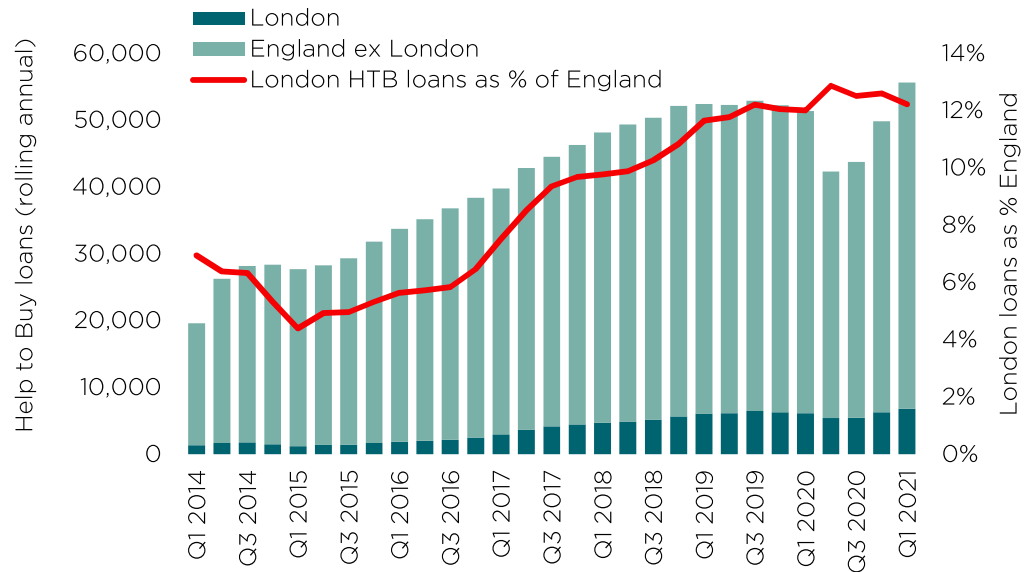
Figure 4 Recovery across England, but only North and Midlands meet need


Source MHCLG Table NB1, Glenigan HBF (Revised), Savills using Glenigan

Issuance of Help to Buy (HTB) loans reached a record 55,649 in the year to March 2021 – equivalent to a quarter of all new build completions – as buyers sought to complete before the final May deadline for HTB in its current form. HTB loans issued in Q1 2021, the last full quarter before deadline, were about 17% higher than an average quarter in 2019.

By comparing HTB loans and EPC figures, we estimate that the proportion of all new homes built that were purchased with HTB loans had grown from 18% in 2014 to 21% in 2020, before reaching 24% in Q1 2021.

Figure 5 Help to Buy completions hit new peak in final full quarter before deadline

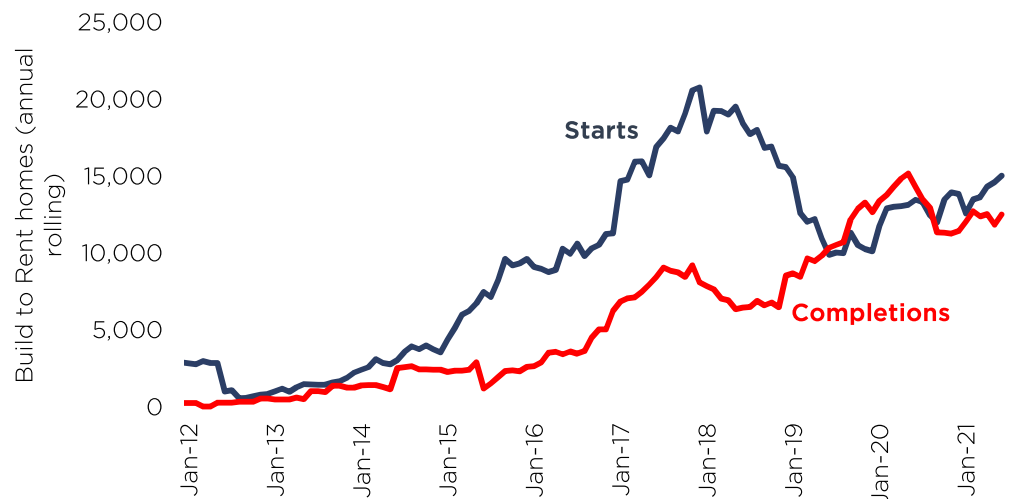


Source MHCLG Live Table Help to Buy

Figure 6 Build to Rent starts continue to climb

Starts continued to rise in the Build to Rent (BtR) sector, while completions have also returned to growth. Starts were up 12% in the year to Q2 2021, reaching 15,068 homes, the highest figure since Q4 2018. Completions grew by only 1% compared to Q1, but still remain 20% above average compared to the last three years.

The growing lead of starts over completions shows that the construction pipeline for BtR units is expanding.



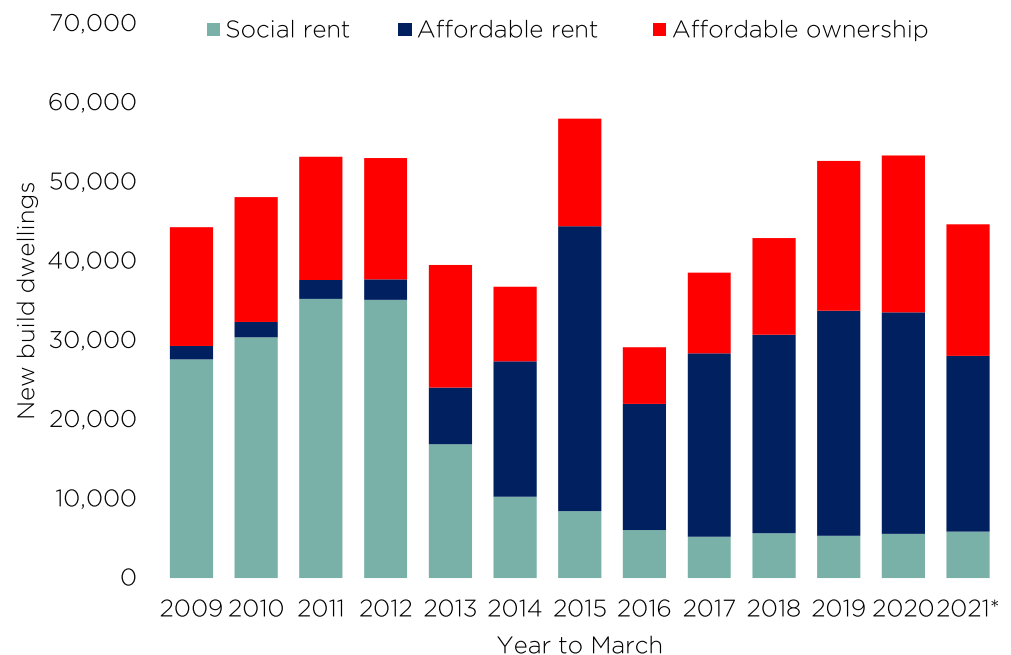
Source Savills, British Property Federation, Molior

Figure 7 Affordable delivery down in 2020/21

After a consistent 2019/20, delivery of affordable homes is set to decline in 2020/21, according to preliminary data.

Delivery of affordable homes in the year to March 2021 was around 19% below the previous 12 months according to NHF figures, while data from HCA/GLA suggested delivery was down by 8%.

Overall, we estimate that delivery of affordable homes across all tenures in 2020/21 will be around 10-15% lower than in 2019/2020.



Source MHCLG Live Table 1009, *Estimated using NHF data, MHCLG Live Table 1012