

English Housing Supply Update

Supply of new homes steady in Q3, but 2023 will be a challenge

Development pipeline expanded in Q3

All parts of the housing development pipeline enjoyed a period of growth during the year to Q3. But housebuilders are now reporting lower numbers of sales, in line with the wider housing market. Combined with the lack of consents, this suggests housing delivery will be lower during 2023 ([click here](#) for more).

The number of consents increased marginally after several consecutive quarters of decline, with around 285,000 new homes gaining consent. This remains 12% down on the 2017-19 average. With the target of 300,000 new homes a year reaffirmed by the new administration, substantially more consents are needed. In order to be sure of hitting the target, consents ultimately need to reach well above 300,000 due to attrition in the development process.

Construction also enjoyed a boost, with the number of new homes being started on site rising 28% between Q1 and Q2. That took the annual number of starts to the highest level since just before the 2008 financial crisis.

There was further good news on completions, as both numbers from housebuilder reports and EPC data showed increases over the last six months. The latest figures suggest that 244,200 new homes were built in the twelve months to Q3 2022. That puts new home completions just 4% behind their recent peak in 2019.

Regional caps hit Help to Buy

The final deadline to register for Help to Buy was 31st October, with sales to be completed by 31st March 2023. Figures for the first full year since regional price caps were introduced

showed further falls in take-up, with sales outside of London falling the most.

Affordable housing enjoys rebound

The affordable housing sector enjoyed a strong recovery in 2021/22, according to data from DLUHC, with delivery above pre-pandemic trends. Social rented homes were the greatest beneficiary, with the highest number of new homes delivered since 2014/15.

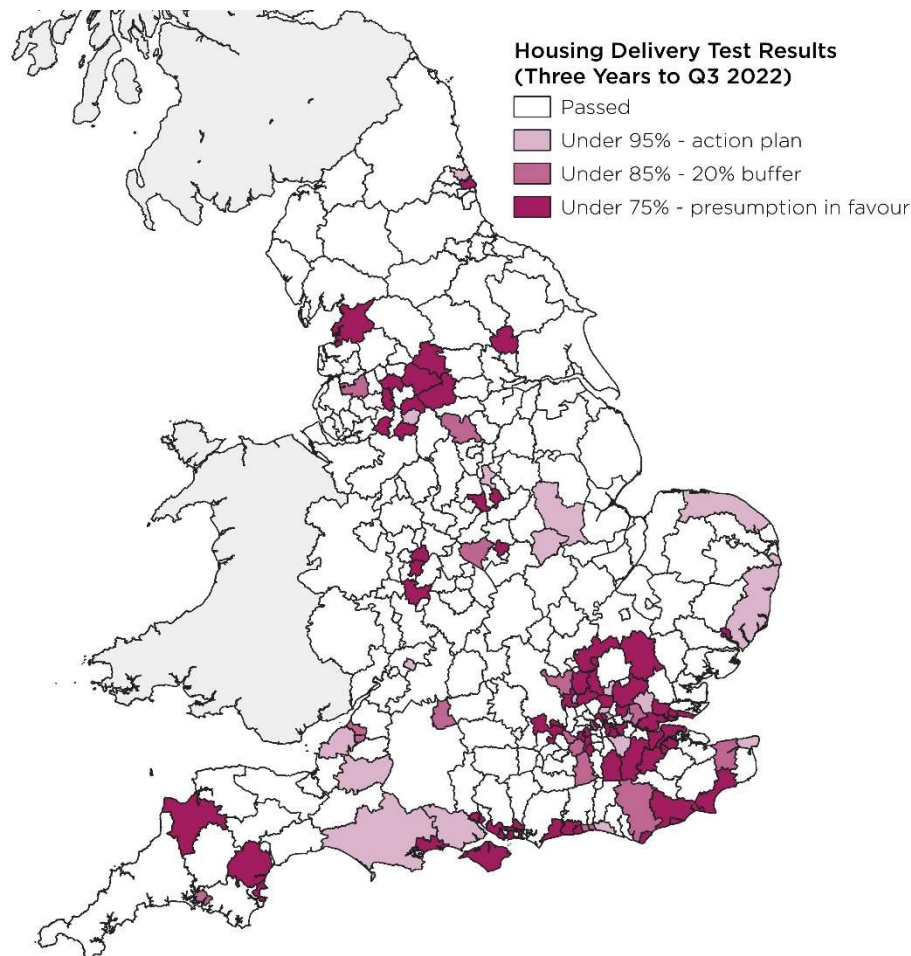
Improvement in future supply sees stronger outlook on housing need

In the North and the East Midlands, completions of new homes surpassed housing need targets in the year to Q3 2022. The West Midlands fell short by 4%. Looking ahead, all these regions have granted planning consent for enough homes to ensure they continue to meet housing need in the short-term.

Building homes in the South remains a problem, with delivery failing to meet need. The situation in the South East is especially acute, with the number of homes gaining full planning consent 10% lower than present completions. This suggests delivery of new homes will fall in the short-term, putting the region even further behind target.

Were the Housing Delivery Test run for the three years to Q3 2022, we would expect two thirds of councils to pass. The number of local authorities that would face the toughest sanction remains unchanged at 64.

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 2022 test thresholds (including a deduction of 122 days to account for Covid disruption), using data in the three years to Q3 2022. 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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244,200 new homes were built in the year to Q3 2022, according to Energy Performance Certificate (EPC) data. Despite a small decrease quarter on quarter, overall annualised delivery remains strong, with new home completions now just 2% behind their recent post-Covid peak last summer.

Around 285,000 new homes gained full consent in the year to Q3 2022, according to figures from HBF and Glenigan. That marks the first annualised increase in the number of consents in over a year. The improvement is modest, however, with annual consents still 12% below the 2017-19 average.

The quarterly starts and completions series based on NHBC data does not capture all new homes being built. They do give a timely update on direction of travel for new build delivery.

Starts have continued to rise on an annualised basis, reaching the highest figure since December 2007. Annualised completions reached 173,500, below their previous peak in the year to Q3 2021, but still high by historic trends.

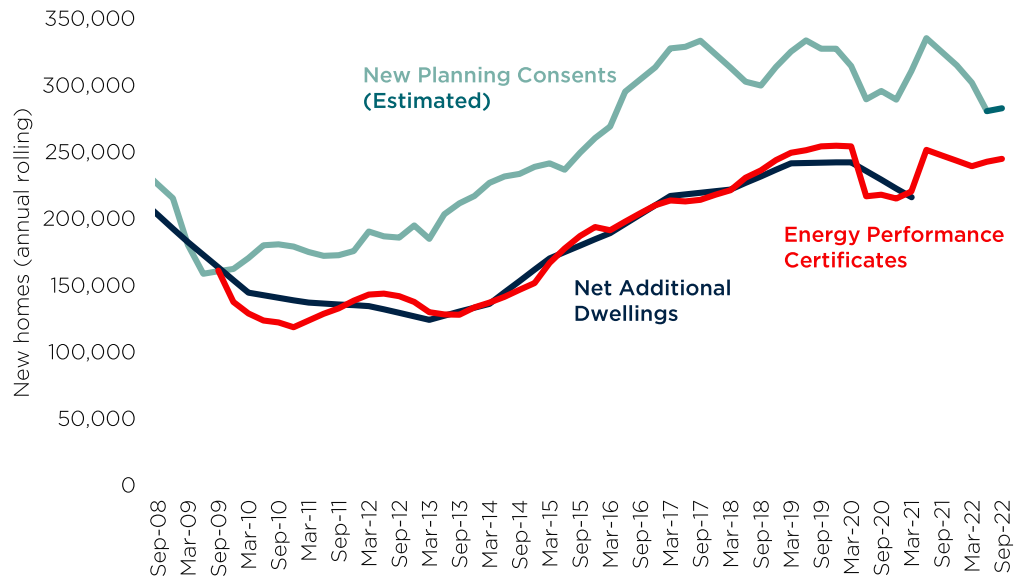
With construction starts running ahead of completions, the pipeline of homes under construction is expanding. Economic headwinds may cut off this expansion over the next few months.

Four regions built enough new homes to meet housing need in the year to Q3, and five regions have granted consent for a sufficient number of future homes.

Challenges remain in the South East, however: 7% fewer homes gained consent than were delivered in the year to Q3 2022, and the number of consents was 21% below housing need.

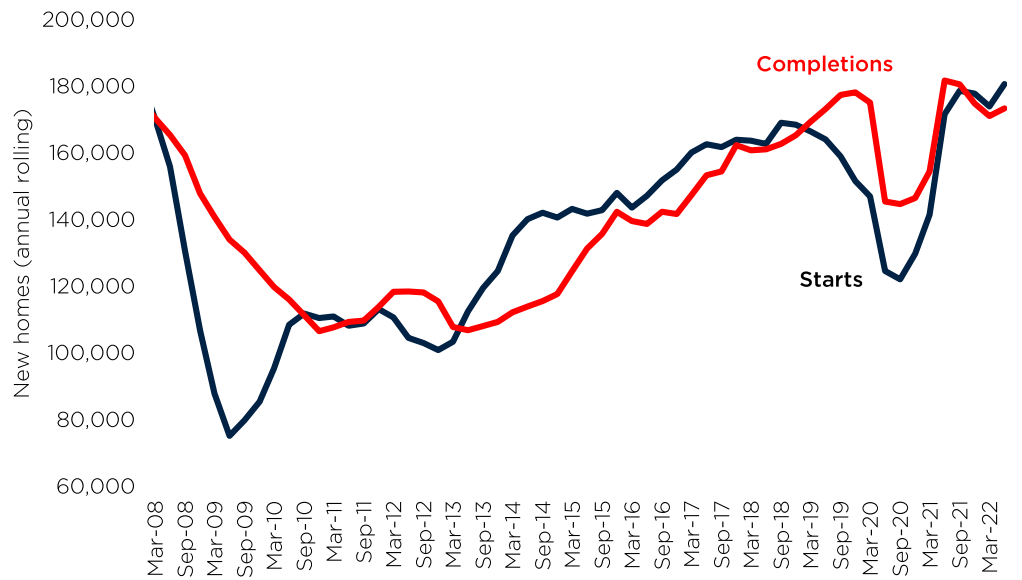
Increased delivery seems possible in London, where 53% more homes – c. 20,500 – were granted consent than delivered. If followed through, that would boost London’s housing delivery substantially, but many consents will be reworked before any homes are built.

Figure 2 New homes delivery steady as consents enjoy modest rebound



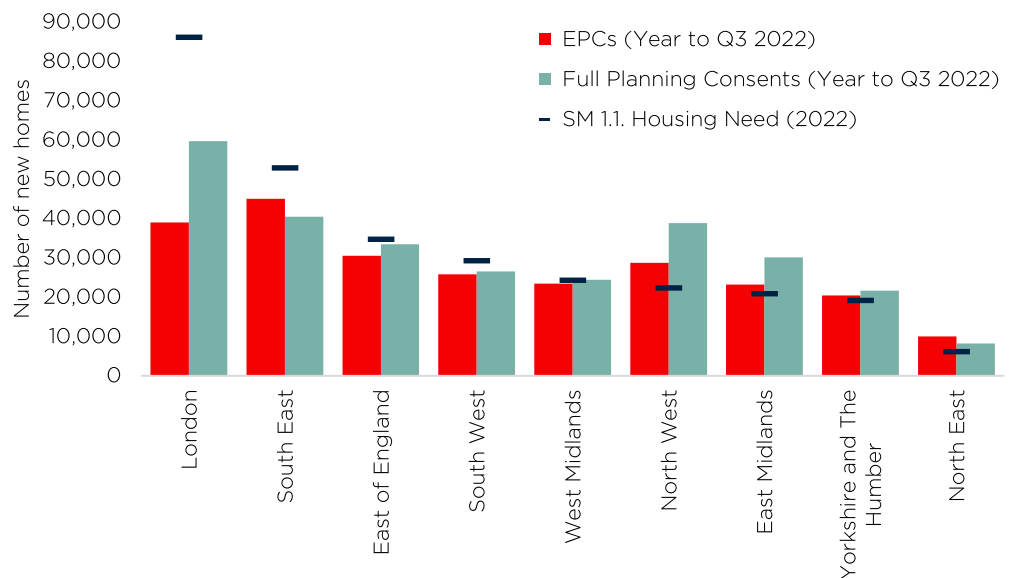
Source DLUHC Live Tables 122, NBI, HBF, Glenigan (only 10+ units)

Figure 3 Annual starts reach highest level since 2007



Source DLUHC Live Table 213

Figure 4 Future supply meets need in five regions, but South East faces fall in supply

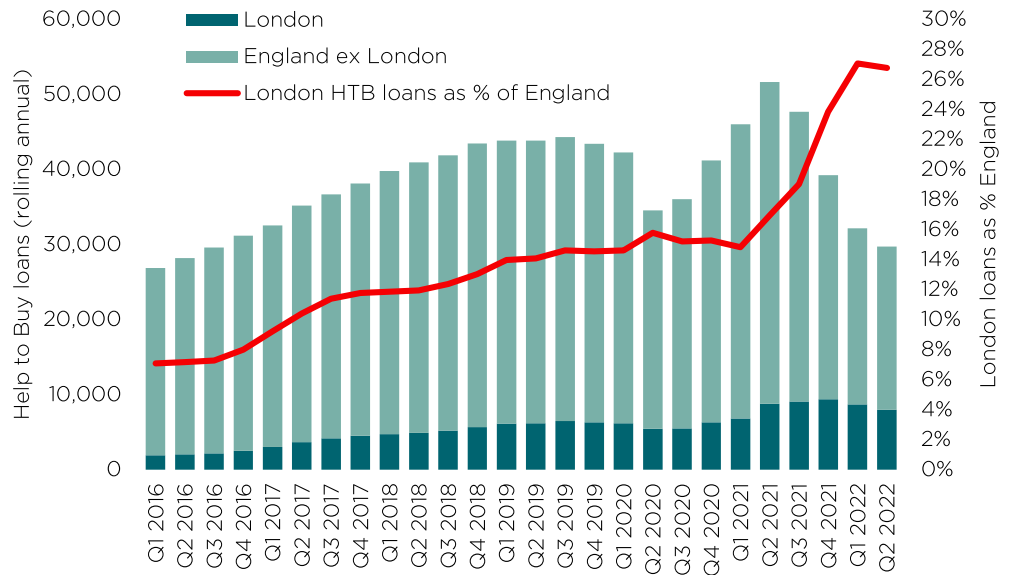


Source DLUHC Table NBI, HBF (Revised), Glenigan

Sales using Help to Buy (HTB) loans continued to fall in Q2 as the scheme winds down. The decline was greatest outside of London, where regional price caps came into effect in Q2 2021. A year on, and the data shows the number of loans outside London has fallen by almost half year-on-year, compared to -9% in the capital. As a result, HTB use became more concentrated in London, reaching a new record of 27% of the total.

The final deadline to register for Help to Buy has now passed, and sales need to be complete by 31st March 2023. Data for the final quarters of the scheme may show a rise in the number of loans, as buyers rush to complete ahead of the deadline.

Figure 5 Final stages of HTB increasingly dominated by London



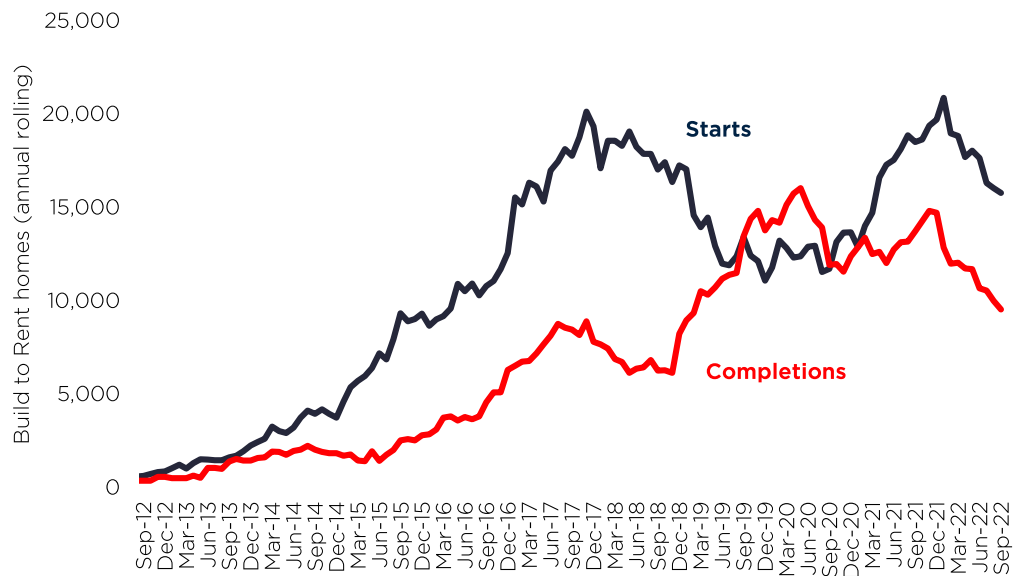
Source DLUHC Live Table Help to Buy

The Build to Rent (BtR) sector has seen construction activity slide during 2022, albeit after a very strong 2021. Annualised starts and completions have fallen by 15% and 30% during the year to Q3.

Starts fell by similar proportions in London and regional markets, but the capital saw a greater decline in completions at 36% down year-on-year, compared to a 25% fall in the larger regional market.

Looking ahead, the sector has yet to fully build out previous gluts of construction starts, which should sustain completions in the medium-term even with fewer schemes starting on site. Find out more in our latest [Build to Rent note](#).

Figure 6 Build to Rent starts and completions falling



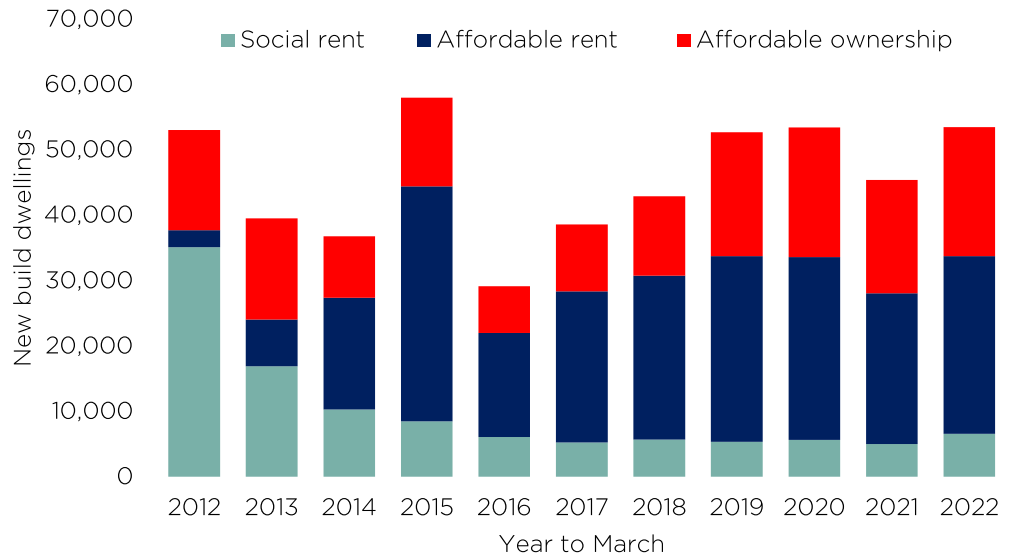
Source Savills, British Property Federation, Molior

Delivery of affordable homes fell by 15% in 2020/21 but recovered strongly in 2021/22, according to the latest data from DLUHC.

The social rented sector saw more completions than in any year since 2014/15, while First Homes, a new type of discounted market sale housing, saw its first completions.

Overall, delivery of rented and affordable home ownership has returned to pre-pandemic levels. However, the sector is likely to face difficulties having to manage inflation with limited ability to pass costs onto tenants.

Figure 7 Affordable delivery recovered strongly in 2021/22



Source DLUHC Live Table 1009