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English Housing Supply Update

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Housing delivery down 9% in 2023 compared to previous year, as planning consents sink to lowest level for a decade

2023 sees fall in number of new homes being built

Delivery of new homes was 9% lower in 2023 than in 2022, with annual completions falling to 231,100 homes. This marks the fifth consecutive quarter of falling annual delivery. Meanwhile, ONS figures for construction output for housebuilding were at 82% of 2019 levels in November 2023, suggesting an increase in delivery in the near-term is unlikely.

The lack of completions has meant that five English regions failed to build enough homes to meet their housing need in 2023, when measured against the Standard Method . London was again furthest short, building only 40% of what is needed, with several boroughs building less than 50% of what is needed (see Figure 1).

Affordable Housing and Build to Rent see stronger delivery and pipeline

Delivery of affordable homes in the latest reporting series was the highest since 2015. Social rented homes saw a 26% increase in completions. Next year is also expected to see solid delivery of new homes, thanks both to Homes England's Strategic Partnership programme and also Plc housebuilders looking to partner with housing associations to offset a weaker private for-sale market.

Meanwhile, Build to Rent (BtR) passed the 100,000 completions mark across the UK at the end of 2023. Completions rose by 57% compared to 2022, driven by strong delivery of flatted schemes in regional cities. Starts were 26% below their 2017-19 average, but a large existing pipeline should sustain delivery.

Further squeeze on homes gaining planning permission

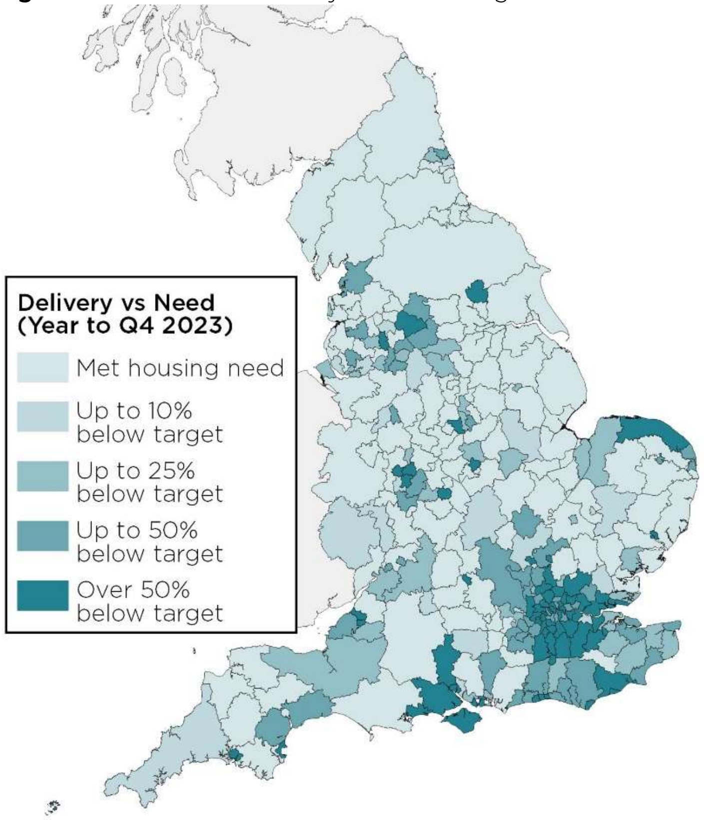
The downward trend of planning consents continues. Around 235,000 new homes were estimated to have gained full planning permission across 2023 – the lowest figures for planning consents since 2013. That puts consents at barely 5,000 more homes than were completed in 2023. Given at least 10% of consents are generally lost due to attrition, there is a risk of housing delivery falling below 200,000 homes per annum for the first time since 2015.

What does this look like at a local level? Across 2023, nearly two-thirds (66%) of local authorities in England granted consent to fewer new homes than were completed in their districts (see Figure 2). This means they are at risk of the supply of new homes shrinking in the coming years, as homes are built out more quickly than the planning system is replenishing them.

Planning remains an unresolved challenge to supply

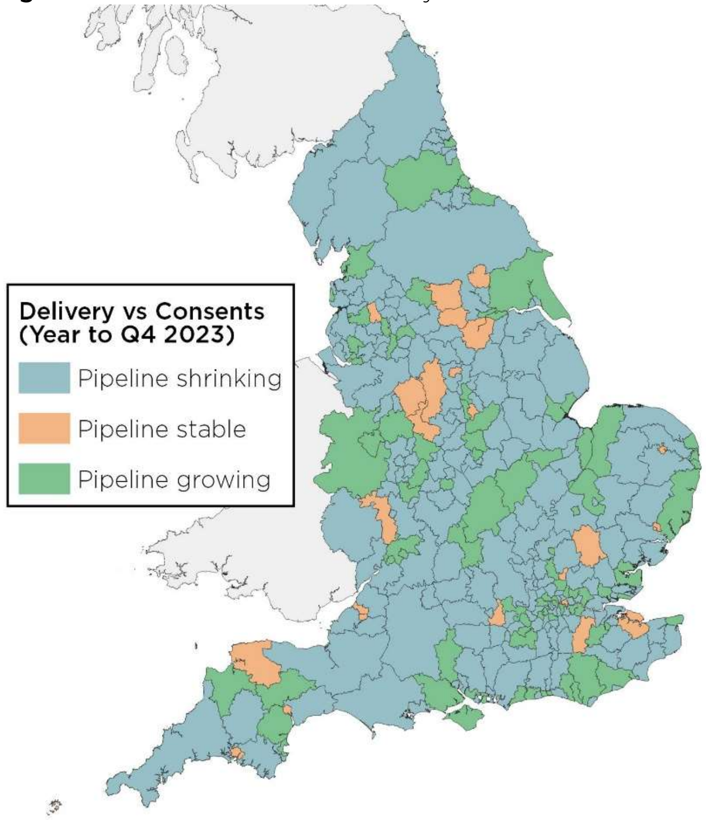
Recent changes to the planning system, including revisions to the National Policy Planning Framework and new requirements like biodiversity net gain, are likely to put further downward pressure on the number of consents being granted. Several local authorities are also seeking to withdraw or amend local plans and land supply statements, with the aim of reducing their housing targets or removing more contentious sites from being allocated for housing. Finally, uncertainty generated by an election year may encourage local authorities and developers to take a 'wait and see' attitude to future policy direction, creating yet another drag on housing delivery.

Figure 1 Where does delivery meet housing need?



Source DLUHC Live Tables NB1 and 2023 Standard Method Housing Need

Figure 2 Where are new homes likely to be built?



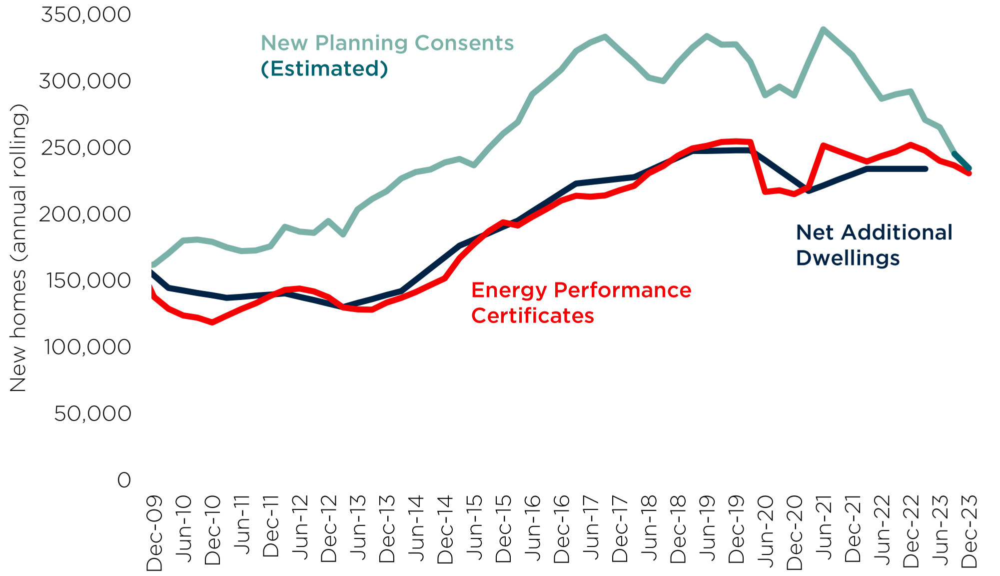
Source DLUHC Live Tables NB1 and Glenigan (only 10+ units)

231,100 new homes were built in 2023, according to EPC data. That's 9% lower than 2022 and marks the fifth consecutive quarterly fall in annualised completions.

Around 235,000 new homes gained full planning consent across 2023, according to initial estimates from Glenigan and the HBF. That marks the lowest figures for planning consents in a calendar year since 2013.

The decline in planning consents means fewer homes will be built in the medium term. Future delivery will be well below the government's target of 300,000 new homes per annum.

Figure 3 Consents for new homes estimated to have fallen to lowest level for a decade

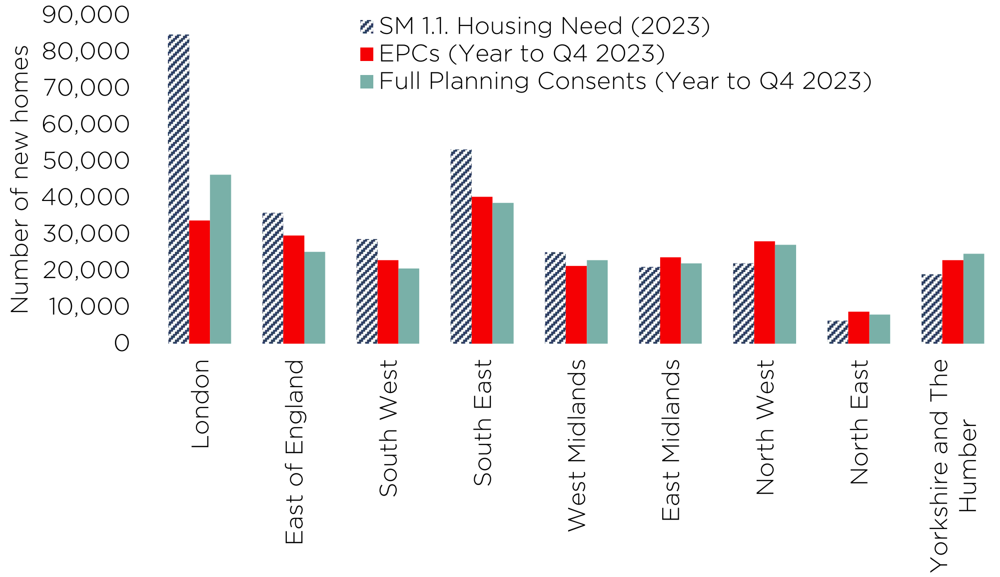


Source DLUHC Live Tables 122, NB1, HBF, Glenigan (only 10+ units)

Five English regions (four from the South plus the West Midlands) failed to build enough homes to meet their housing need in 2023, when measured against the Standard Method (SM). London was again furthest short, building only 40% of what is needed.

Yet fewer homes are likely to be built in the future: barely 5,000 more homes gained full planning consent in 2023 than were completed. Given a portion of consents are never built out, it is likely that housing delivery will fall in the medium term. Supply is particularly at risk in the South West and East of England, where consent was granted for 10% and 15% fewer homes than were completed, respectively.

Figure 4 Five English regions failed to build enough homes in 2023

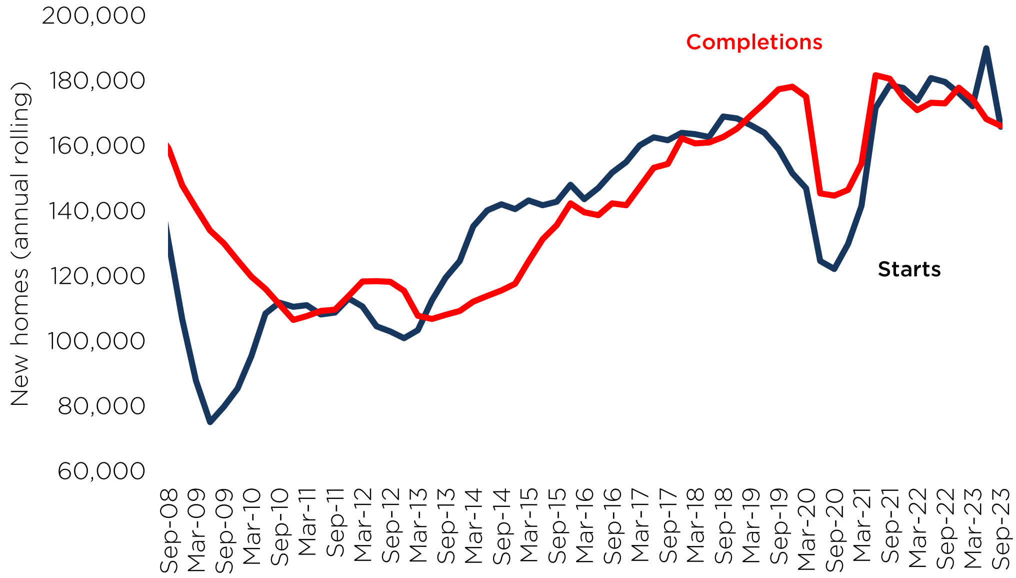


Source DLUHC Table NB1, HBF (Revised), Glenigan (only 10+ units)

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.

Tougher building regulations last quarter gave starts an artificial boost, as builders sought to begin construction before the rules took effect, but this trend has now been completely reversed. Starts fell to 165,990 in the year to September 2023, the lowest annual figure since March 2021, which was heavily affected by the pandemic. Completions also fell slightly, by 1%. With starts now marginally lower than completions, the construction pipeline has begun to contract again.

Figure 5 Construction pipeline shrinks as starts dip below completions

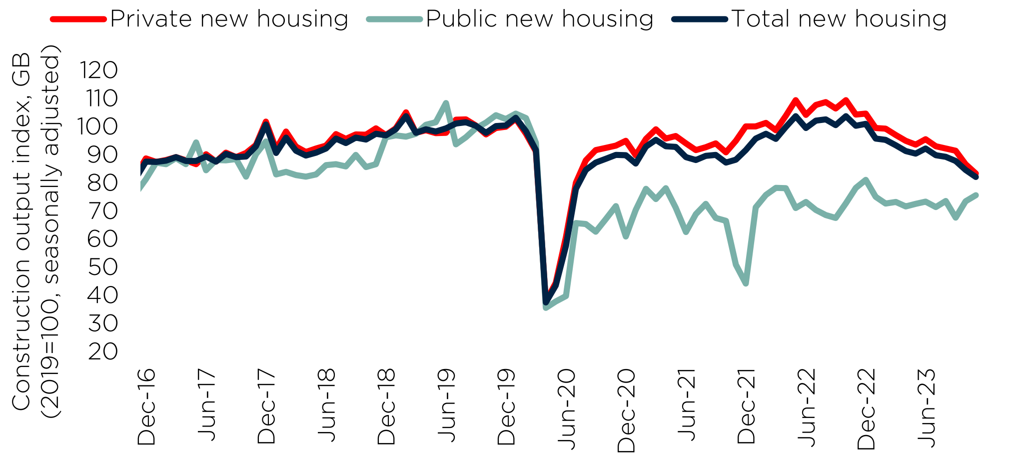


Source DLUHC Live Table 213

The ONS tracks the volume of construction output across Great Britain. This gives a more timely indicator of activity in the housebuilding sector.

Construction output for private new housing fell 20% between November 2022 and 2023. Given private housebuilding dominates the sector, this has dragged down the overall level of output to barely 82% of 2019's levels. Public new housing construction activity remains well below pre-Covid trends.

Figure 6 Construction volumes of private housebuilding continue to decline

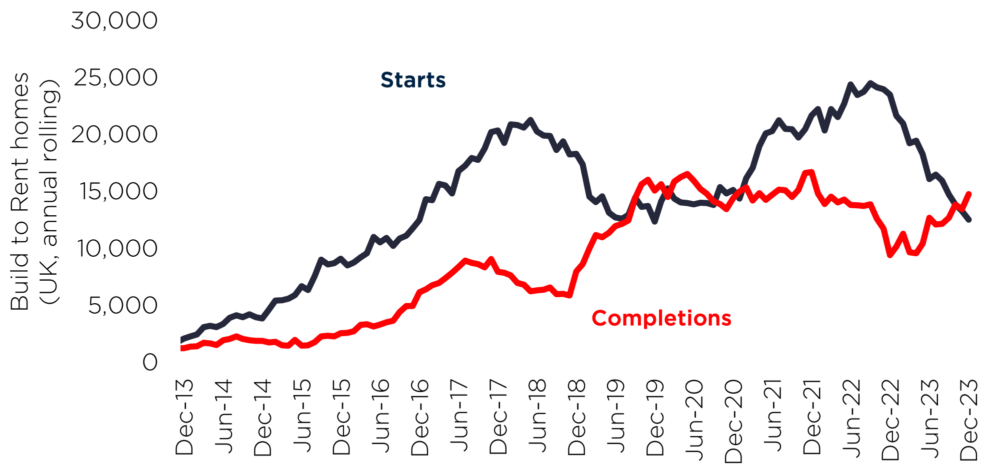


Source ONS Construction Output and Employment

Q4 2023 saw UK Build to Rent reach 100,000 completed homes across the lifetime of the sector. Annual completions were up 57% compared to 2022, thanks to strong delivery in regional cities. Construction starts remain down by 26% compared to the 2017-19 average, however.

Looking ahead, 53,780 homes were under construction as of Q4 2023, with a further 112,840 in the planning pipeline. Build to rent Houses (also known as Single Family) also offers a growing opportunity for future growth.

Figure 7 Build to Rent completions up 57% in 2023 over previous year

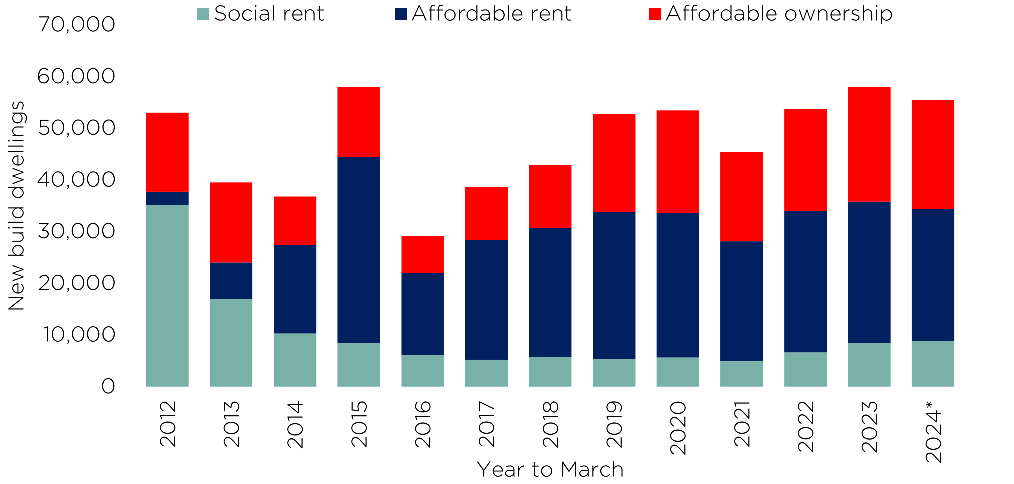


Source Savills, British Property Federation, Molior

Delivery of affordable homes rose in the year to March 2023, according to DLUHC figures. Social rented homes saw a 26% increase in delivery compared to the previous year.

2023/24 is also expected to be a strong year for affordable delivery, according to the NHF, with several housebuilders eyeing up partnerships with Housing Associations (HAs) as an alternative to a weak for-sale market. Read more about the outlook for affordable delivery here. Diminished Section 106 delivery and HAs needing to improve existing stock may reduce delivery beyond 2024, however.

Figure 8 Affordable delivery set to remain above 50,000 homes a year



Source DLUHC Live Table 1009. *2024 totals estimated using NHF data

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*Savills index is an unadjusted repeat sales index based on HM Land Registry and Registers of Scotland price paid data. Note that Savills national index (labelled UK) is for Great Britain, not including Northern Ireland.