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# English Housing Supply Update

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## 2021 housing delivery came close to its pre-Covid peak but this is unlikely to last

### 244k new homes delivered in 2021

243,775 new homes were built in England in 2021, according to Energy Performance Certificate (EPC) data. That comes close to matching the record 255,206 homes built in 2019. But annual delivery of new homes has now fallen for two consecutive quarters, suggesting the recovery has already peaked and supply is on a downward trajectory.

### Lowest number of consents since 2015

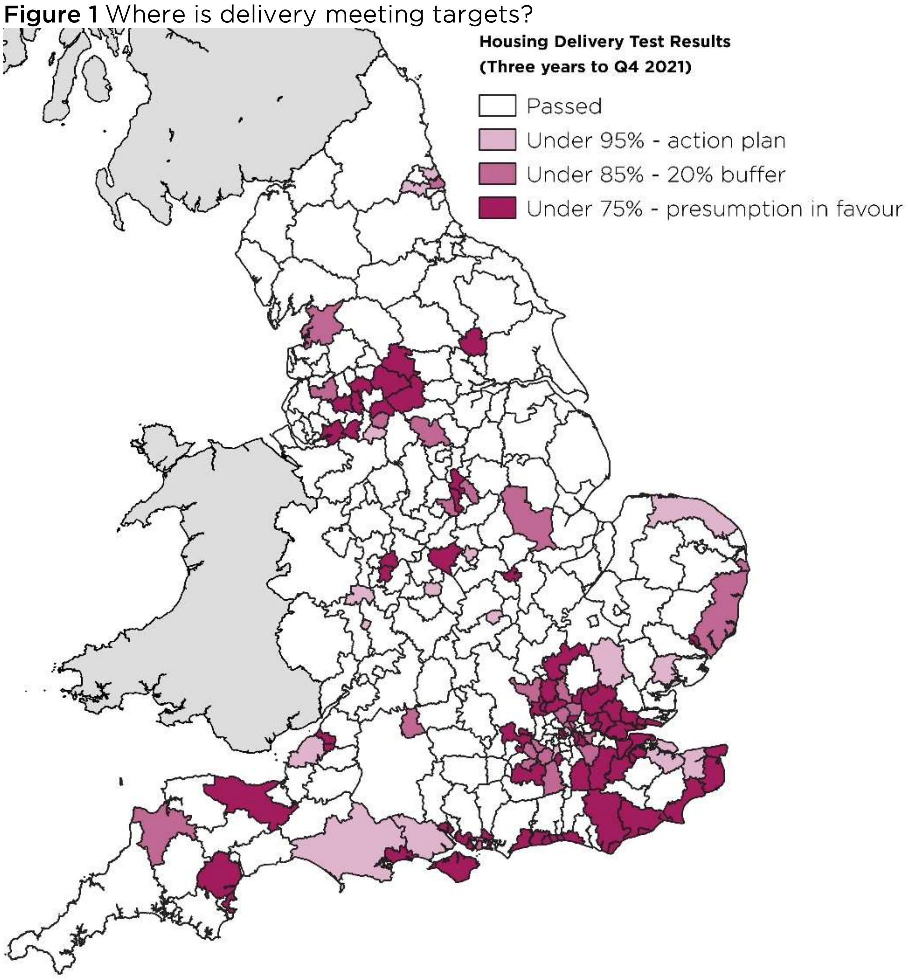
Full consent was granted for 272,000 new homes in 2021– the lowest yearly total since 2015, according to our calculations using Glenigan figures. Consents fell below 2020 numbers in every region apart from London and the North East. The gap between planning consents and new completions across England is at its smallest for over a decade.

### Recovery in starts runs out of steam

Construction starts returned to pre-pandemic levels last year and hit figures not seen since 2007 in the year to Q3 2021. But early data from Glenigan indicates that starts fell to much lower levels towards the end of 2021. This will increase the already considerable deficit against completions that has built up over the last three years.

The pressure on the new homes pipeline is being felt in the land market, where values have increased sharply in recent months (see our recent Market in Minutes). While housebuilders are seeking to replenish land pipelines, fewer consents mean the supply of sites is limited. Developers are also contending with cost inflation and labour shortages. The supply of new homes is therefore likely to fall in 2022 due to these combined pressures.

**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 2021 test thresholds (including a deduction of 122 days to account for Covid disruption), using data in the three years to Q3 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.

### Regional differences persist but London pipeline expands

Meeting English housing need was once again a geographically divided affair in 2021. Delivery met need in the north and midlands, but fell short in London and the south.

New consents continued to be granted in numbers that exceed both current supply and housing need in the midlands and north. In the south (excluding London), consents were lower than housing need and around 12% lower than completions in 2021.

But in London, 29% more new homes gained consent in 2021 than were completed. There, an already-strong 2021 was capped off by a bumper Q4, which saw the number of large (400+ units) sites gaining consent increase by more than half.

Were the Housing Delivery Test run for the three years to Q4 2021, we would expect 64% of local authorities to pass. The pass rate has been boosted by Government adjustments to the 2019/20 and 2020/21 HDTs in order to reflect disruption from Covid. Even so, our analysis suggests that over a fifth of local authorities would fail to meet 75% of housing need in their areas.

Given the low levels of planning consents and construction starts, and assuming no further adjustments to how housing need is calculated, we would expect more local authorities to fail future iterations of the test.

## Savills team

Please contact us for further information

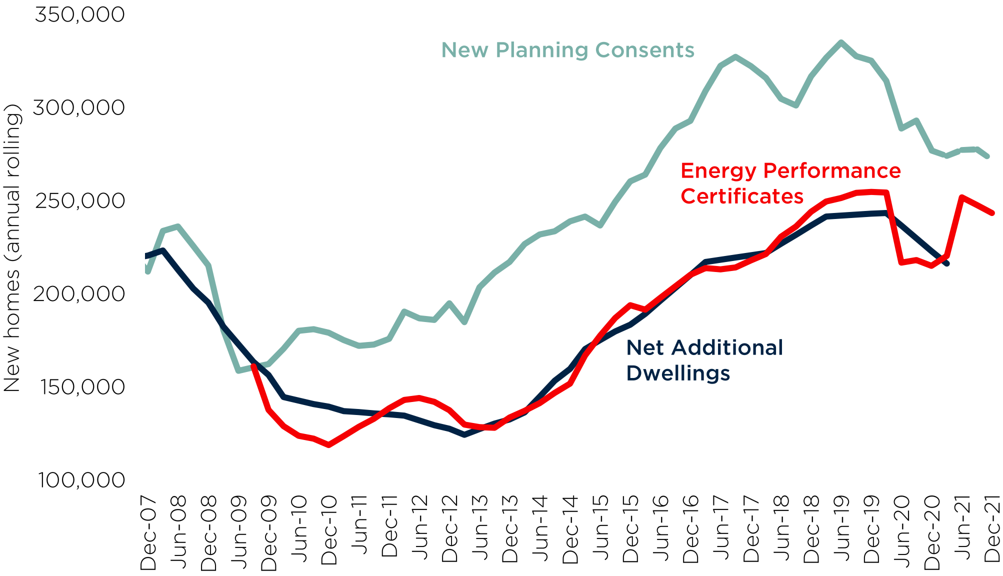
**Daniel Formston**
Analyst
daniel.formston@savills.com
0203 810 9859

**Hamish Simmie**
Associate
hsimmie@savills.com
0207 299 3018

243,775 new homes were built in 2021, according to Energy Performance Certificate (EPC) data. That's within 12,000 homes of 2019's record level of delivery. But annual delivery declined 3% between Q2 and Q4 2021, suggesting the recovery in completions has already peaked.

2021 also saw nearly 272,000 new homes gain full consent, according to our calculations using Glenigan figures. With over 53,000 fewer homes gaining consent than in 2019, future completions look set to keep falling.

**Figure 2** Recovery in new home completions has peaked and now falling

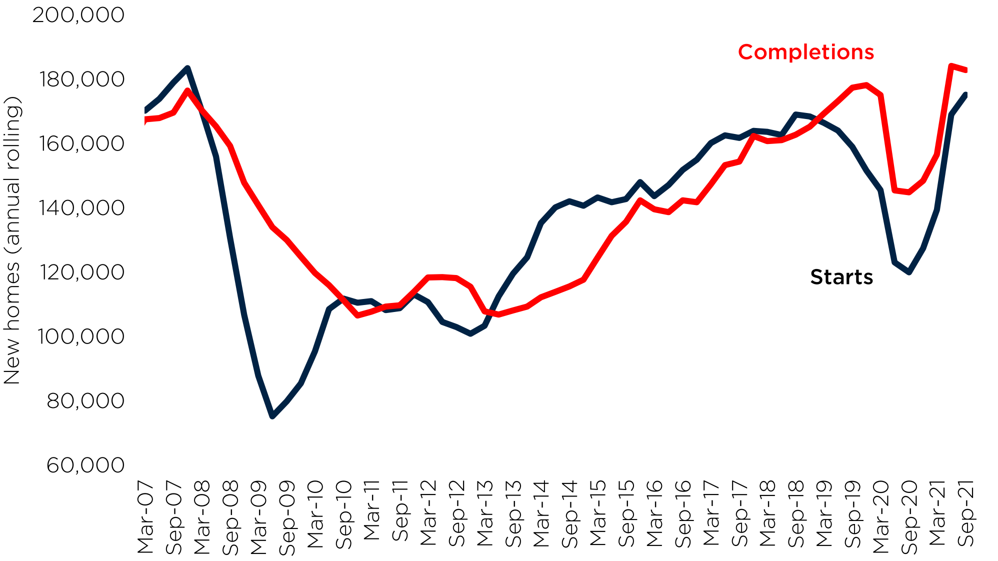



**Source** DLUHC Live Tables 120, NB1, Glenigan for HBF (Revised), Savills using Glenigan

Starts and completions exceeded pre-pandemic levels in the middle of last year, according to DLUHC figures. But more recent data from Glenigan and EPCs suggest that both fell back towards the end of the year.

There remains a substantial deficit of starts compared to completions over the last three years, suggesting that the development pipeline is now smaller than it was in 2018 and future delivery will be lower than at present.

**Figure 3** Covid recovery over as growth in starts slows and completions fall



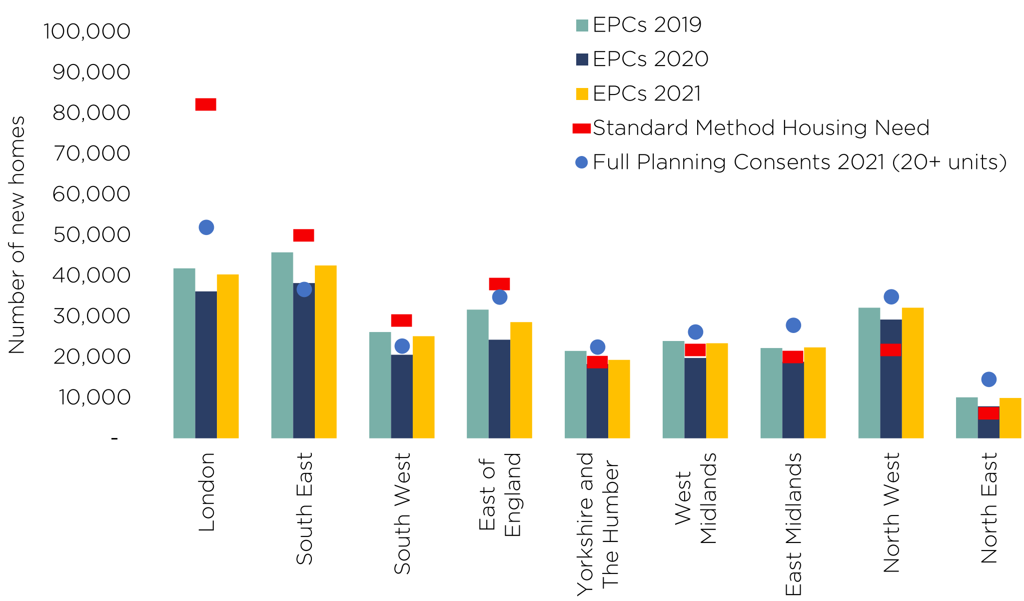

**Source** DLUHC Live Table 213

London delivery remained less than half of housing need in 2021, while only 82% of housing need was met across the wider south and east of England. Delivery continued to meet or exceed housing need in the midlands and north of England.

Though planning consents exceeded delivery on a national level, the south excluding London saw 12% fewer new homes granted consent than were completed during 2021, suggesting delivery will fall.

London, by contrast, issued consent for 29% more new homes than were delivered in 2021, which should go some way to address London's persistent shortfall in meeting housing need.

**Figure 4** Completions below need in south but London sees strong growth in consents

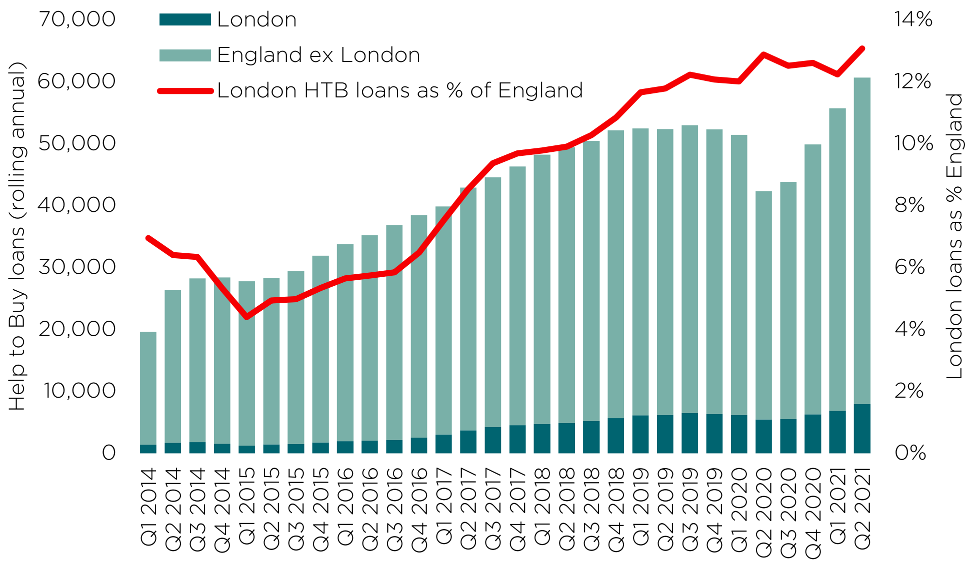



**Source** DLUHC Table NB1, HBF (Revised), Savills using Glenigan

Issuance of Help to Buy (HTB) loans reached a record 60,628 in the year to June 2021, with Q2 2021 issuance 16% higher than an average quarter in 2019. This new high was driven by the deadline to complete sales before changes to the scheme. From June onwards, HTB has been restricted to first time buyers and subject to lower value caps outside London.

By comparing HTB loans and EPC figures, we estimate that the proportion of all new homes built that were purchased with HTB loans has grown from 18% in 2014 to an average of 21% during the first six months of 2021.

**Figure 5** Help to Buy loans set new record as critical deadline passes

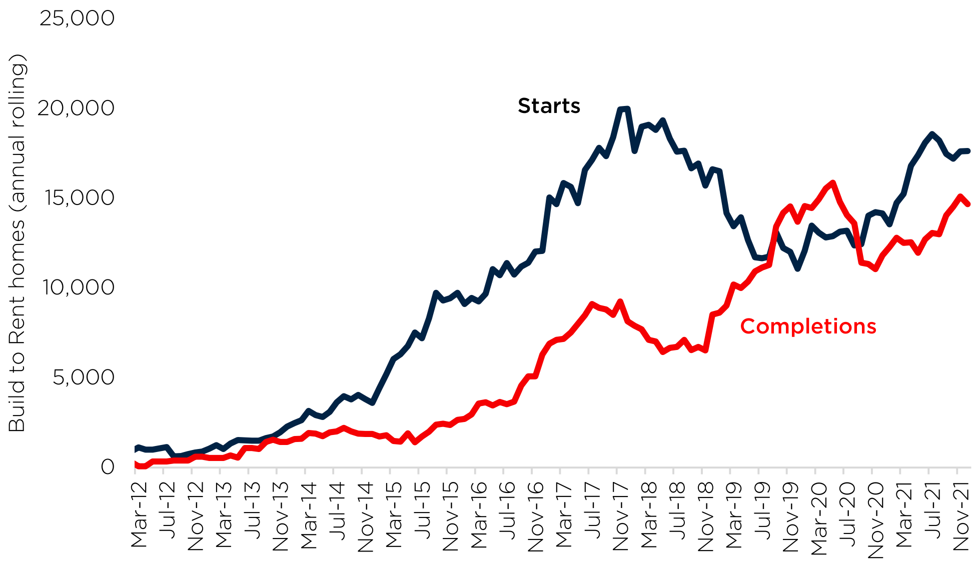



**Source** DLUHC Live Table Help to Buy

The Build to Rent (BtR) sector enjoyed significant expansion in 2021, with both starts and completions growing by 24%.

Construction starts ran ahead of completions by an average of 28% across 2021. This indicates a growing pipeline of BtR homes under construction, as the total stock of BtR units continues to expand.

**Figure 6** Build to Rent sees nearly 25% growth year-on-year



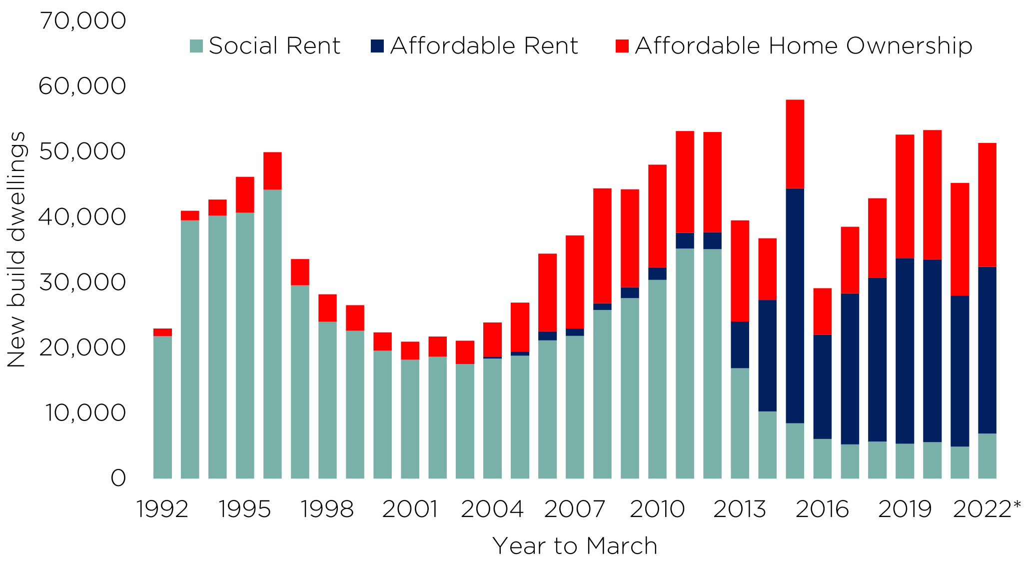

**Source** Savills, British Property Federation, Molior

Delivery of affordable homes fell by 15% in 2020/21, but is set to recover in 2021/22, according to early NHF data.

In line with previous forecasts, delivery of affordable homes in the year to March 2021 was 15% below the previous 12 months, according to figures from DLUHC. The largest fall was in Affordable Rent homes, at 17%. Affordable home ownership and social rent delivery were both down 13%.

By contrast, NHF's first quarterly data for 2021/22 saw completions run at their highest level since before the pandemic. If maintained for the rest of the year, we can expect to see a rebound in affordable delivery.

**Figure 7** Affordable delivery down in 2020/21, but set to recover in 2021/22




**Source** DLUHC Live Table 1009, *Estimated using NHF data