

English Housing Supply Update



Poor outlook for new housing supply as planning consents dip below completions

Latest planning consent figures point to supply crunch

The latest figures for the number of homes gaining planning consent in England suggest a substantial contraction in future housing supply. Only 222,000 new homes gained full planning consent in the twelve months to Q1 2024, according to estimates from Glenigan and data from the HBF.

This marks the first time since the 2008-09 financial crisis that the number of new homes gaining consent has fallen below the present level of completions. Given upwards of 10% of consents are usually 'lost' during development, the new figures all but ensure further reductions in supply are likely. [Our latest forecast for housing completions](#) suggests new housing supply could fall to just 160,000 by 2024/25.

Q1 saw respite from falling new build completions

While future supply faces a sharp contraction, new home completions remained steady at the start of 2024. After five quarters of falling delivery, completions saw a mild rise of 1% in the year to Q1 2024, with 232,500 new homes built according to EPC data.

Falling consents and challenging market conditions have already begun to hit development, however. NHBC data shows construction starts on an annual rolling basis were down 24% in Q1 2024 compared to the previous year. Annualised brick deliveries have fallen 25% year on year, while construction output in the housebuilding sector was 19% below 2019 levels in February.

Geographic divide in meeting housing need persists

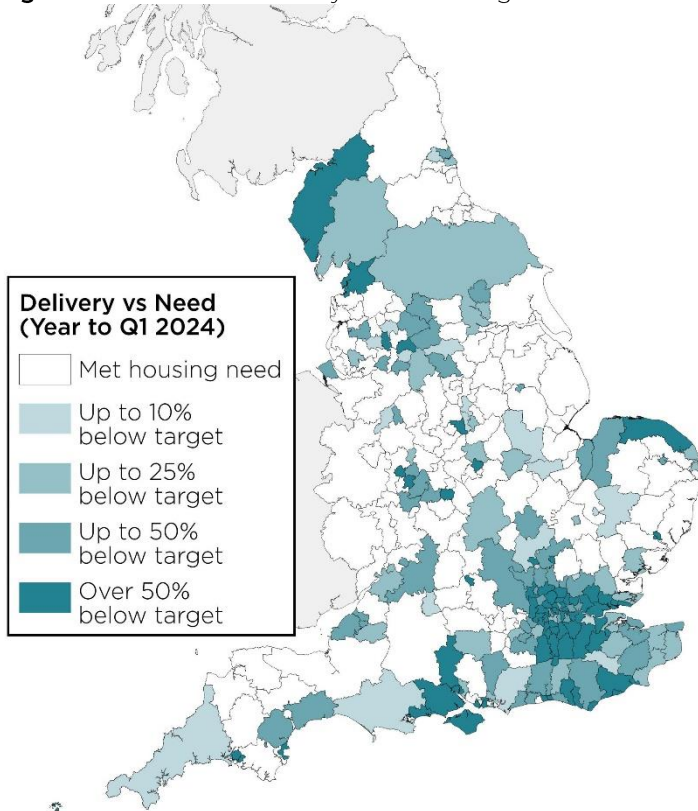
Unsurprisingly, sluggish delivery and falling consents has meant difficulty in meeting housing need. Our latest estimates on regional supply found that four English regions failed to build enough homes to meet their Standard Method housing need over the year to Q1 2024 (see Figures 1 and 4). And when measured against current delivery, the contraction in consents is already noticeable across much of England (see Figure 2). We estimate that only three regions, all in the north of England, have issued enough planning consents to meet their housing need.

Non-market sale homes continue to deliver

In the Affordable and Build to Rent (BtR) sectors, new home delivery has been relatively strong. Construction output for public new housing saw a small rise year-on-year according to ONS figures. The NHF's latest estimates suggest affordable completions will remain above 50,000 homes for the third year running. BtR completions hit their highest level since 2021, [with 14,482 new homes built in the twelve months to March 2024](#).

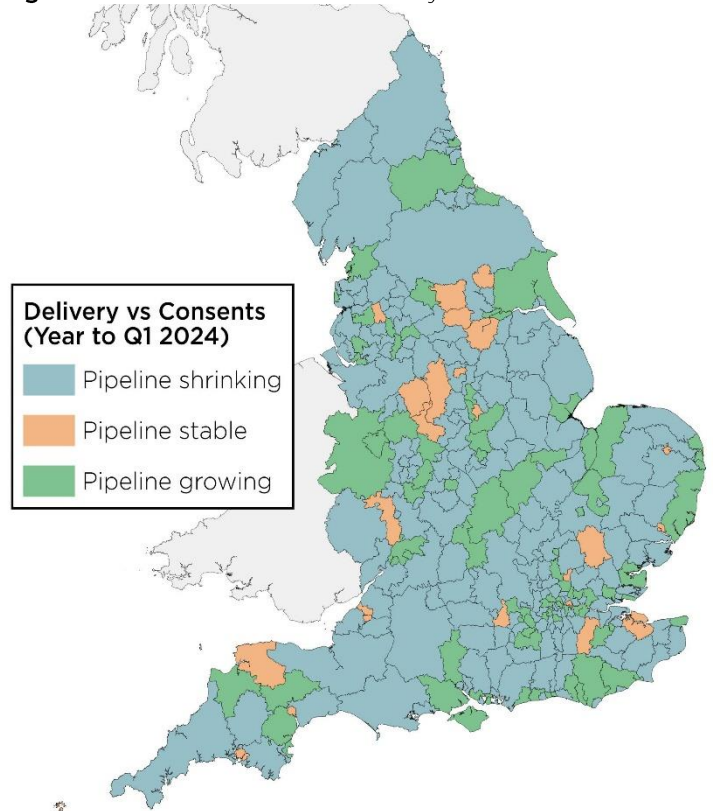
The future is more uncertain. The 2021-26 Affordable Homes Programme will miss its target of 180,000 new homes, with completions likely to come in below even a revised target of 157,000. For Build to Rent, there remains a strong construction pipeline but planning applications have dropped by 31% in the twelve months to March 2024, compared to the same period in 2023, presenting challenges for long-term delivery.

Figure 1 Where does delivery meet housing need?



Source DLUHC Live Tables NBI and 2023 Standard Method Housing Need

Figure 2 Where are new homes likely to be built?



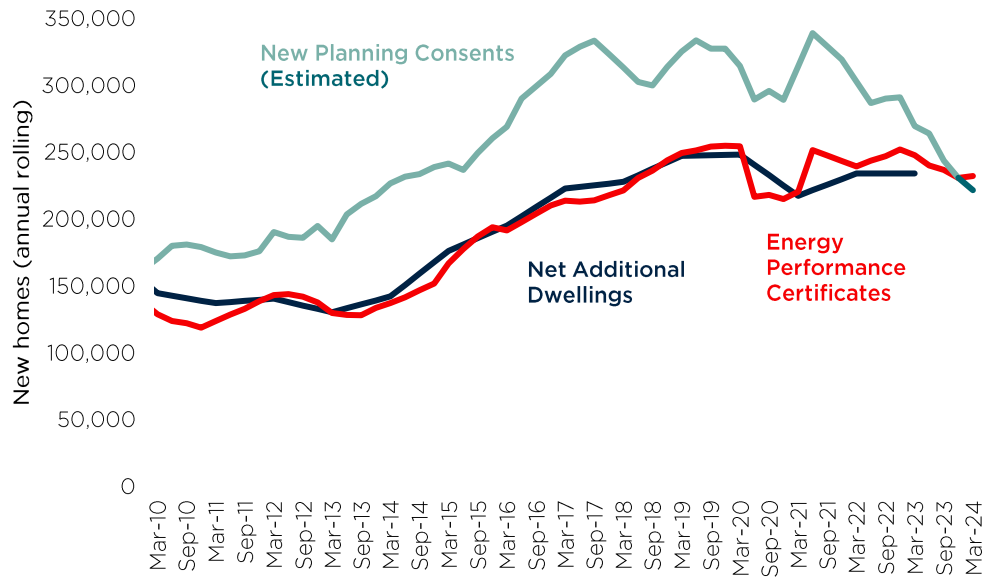
Source DLUHC Live Tables NBI and Glenigan (only 10+ units)

232,500 new homes were built in the twelve months to Q1 2024, according to EPC data. This represents a 1% increase after five consecutive quarterly falls in annualised completions, but otherwise signals a stagnating supply of new homes.

Around 222,000 new homes gained full planning consent in the twelve months to Q1 2024, according to initial estimates from Glenigan and data from the HBF.

For the first time since the Global Financial Crisis, the number of new homes estimated to be gaining consent has fallen below the present level of completions.

Figure 3 Supply contraction likely as estimated consents fall below new completions



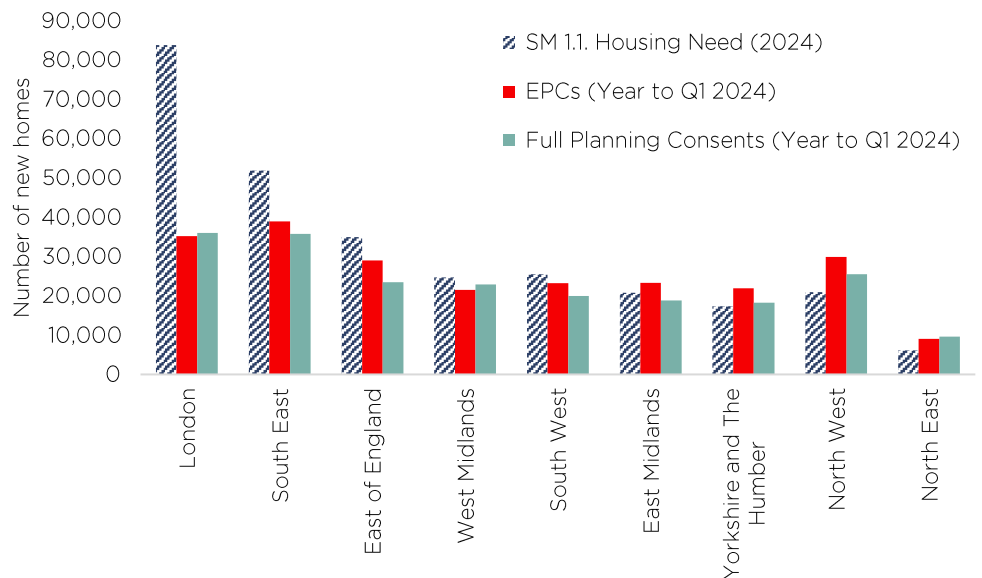
Source DLUHC Live Tables 122, NBI, HBF, Glenigan (only 10+ units)

Four English regions failed to build enough homes to meet their housing need in the twelve months to Q1 2024, when measured against the latest Standard Method (SM) figures.

Falling planning consents means that even fewer homes are likely to be built in the future. We estimate the biggest drops will come in the East of England and the East Midlands: consents in each region are 19% below current supply.

Only three regions – Yorkshire and the Humber, the North West, and the North East – have issued enough planning consents in the twelve months to Q1 2024 to meet housing need.

Figure 4 Six English regions at risk of seeing fall in new housing supply



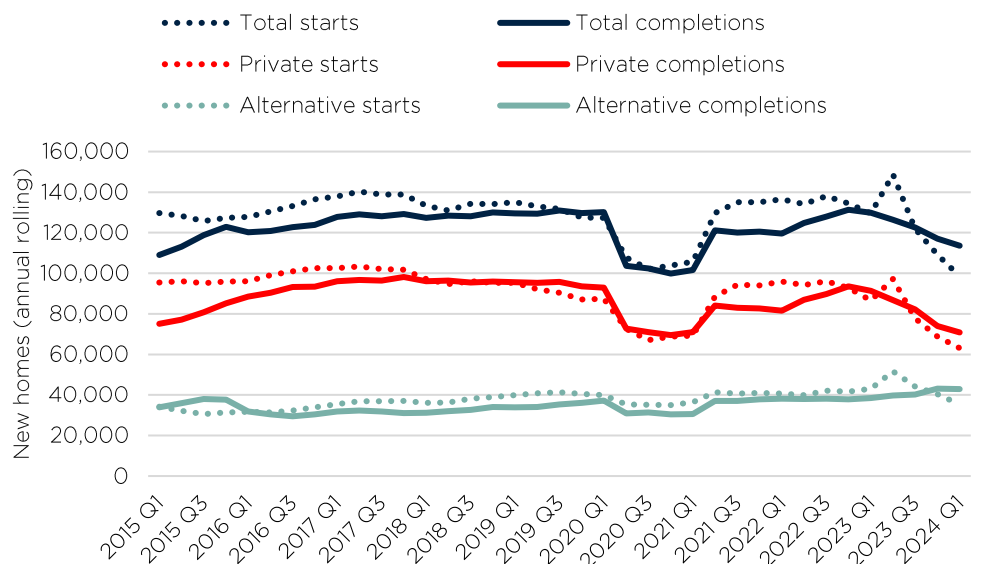
Source DLUHC Table NBI, HBF (Revised), Glenigan (only 10+ units)

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

Annualised total starts in Q1 2024 fell sharply compared to the same quarter last year, by 24%. A decline in private starts, down 27% on the same basis, are the main cause. Alternative starts (which includes Affordable housing and Build to Rent) saw a smaller decline of 18%.

The decline in starts has affected completions, though not yet with full force. Total completions fell 12% in Q1 2024 compared to last year, with private completions down 22%. Alternative completions actually rose after a strong year of delivery, rising 11% over the period.

Figure 5 Construction pipeline contracts as starts fall sharply



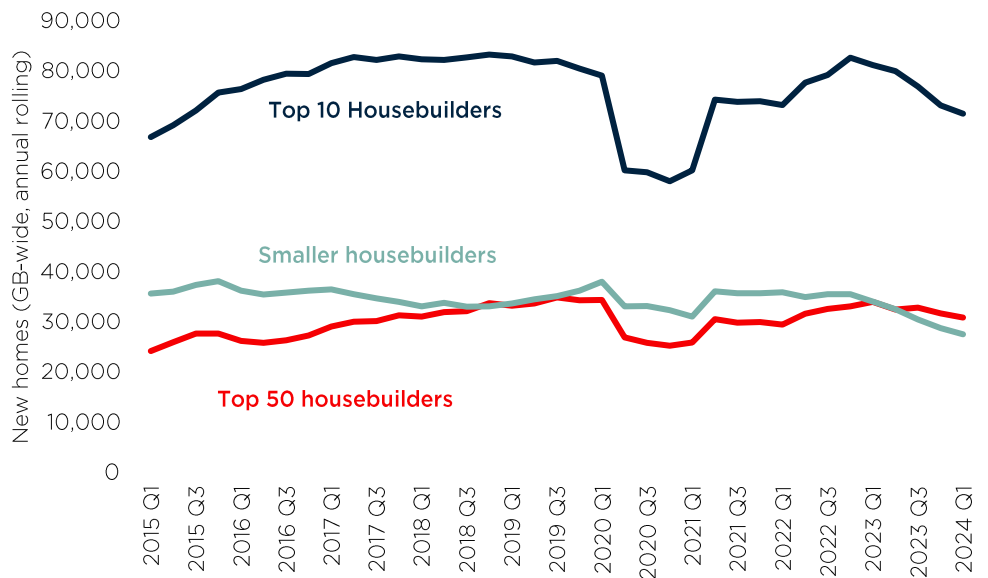
Source NHBC Residential Construction Statistics

Housebuilders of all sizes have been affected by the decline in new home completions, but the downturn has hit smaller housebuilders worst while benefiting medium-sized builders.

After recent peaks of providing 27-28% of all new homes in 2020/21, the share made up by smaller housebuilders has fallen to 21% in Q1 2024. The top 50 have seen their share increase to 24%, up from 21% in March 2024, while the top 10 remain steady at 55% of new homes.

The number of homes completed by smaller housebuilders has fallen by 19% year on year, compared to 12% for the top 10 housebuilders and 9% for the top 50.

Figure 6 Smaller developers worst affected by decline in completions



Source NHBC Residential Construction Statistics

Figure 7 Record share of developers cite planning delays as a major constraint

The HBF sentiment survey (provided by NHBC) provides qualitative data on the major constraints affecting housebuilding.

Planning delays are the most critical concern, with 90% of developers citing it as a major constraint in Q1 2024, a record level since the series began in 1992.

The share citing land availability and prices as major constraints also rose, reaching 67% and 69%, respectively. Development finance has also ticked up slightly, with 15% of developers now reporting it as a constraint.



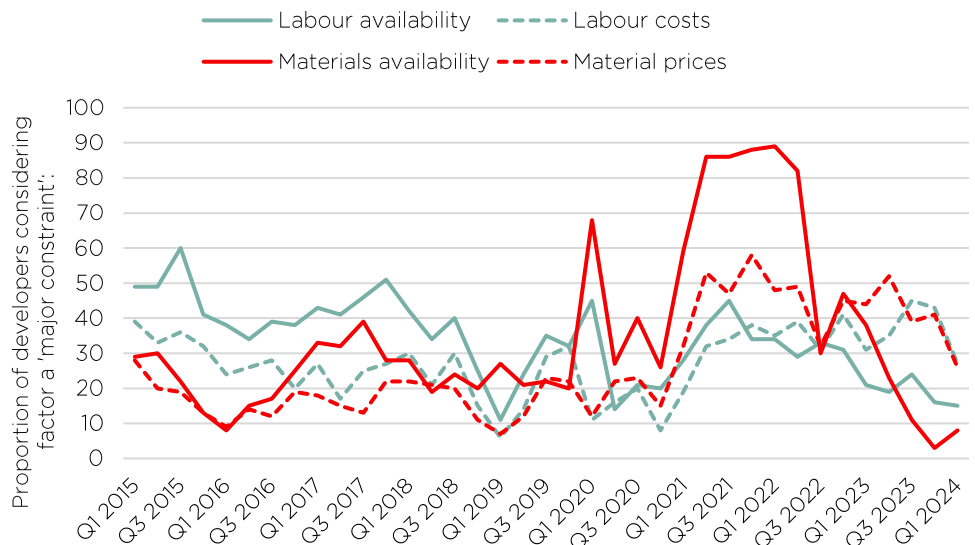
Source NHBC Residential Construction Statistics

Figure 8 Labour and Materials continue to fall as supply pressure eases

The HBF sentiment survey (provided by NHBC) provides qualitative data on the major constraints affecting housebuilding.

Fewer developers cited labour availability and costs as a constraint in Q1 2024, with both factors falling to their the lowest reading for several years.

The share of developers citing material prices as a constraint fell by 15% between Q4 2023 and Q1 2024. Materials availability as a constraint rose slightly to 8%, but this is low both historically and compared to other constraints.

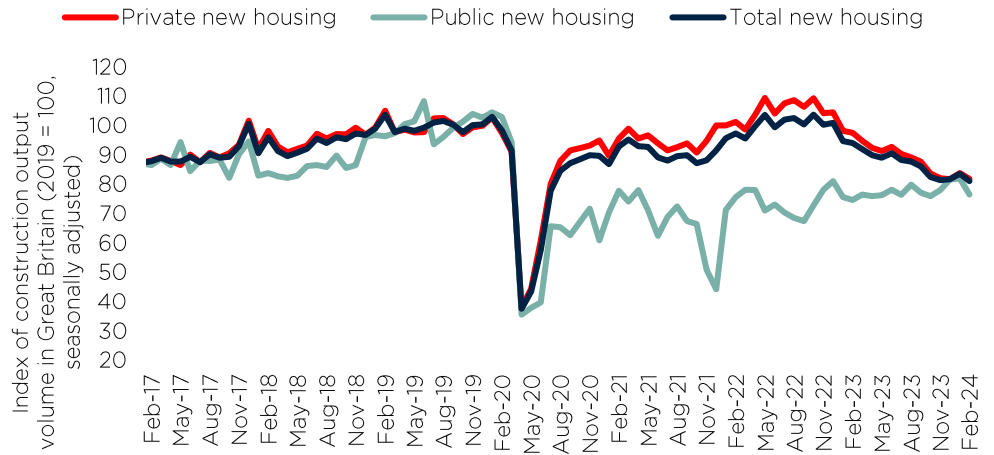


Source NHBC Residential Construction Statistic

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

Construction output for private new housing continued to fall, dropping 16% between February 2023 and 2024. Construction output of public new housing saw a minor rise year-on-year, but remains well below pre-Covid trends. As private housebuilding dominates the sector, total output has fallen back to 81% of 2019 levels.

Figure 9 Construction volumes of housebuilding continue to decline

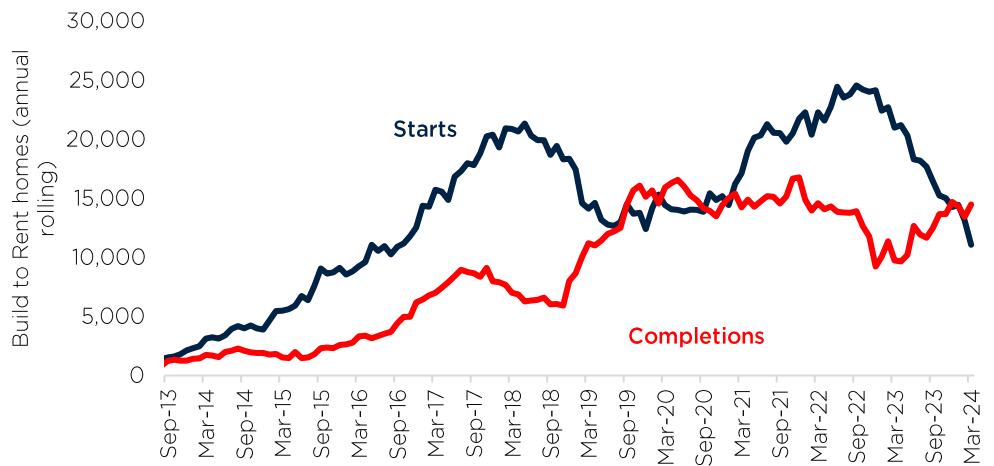


Source ONS Construction Output and Employment

Build to Rent completions hit their highest level since 2021, with 14,482 new homes finished in the twelve months to March 2024. Starts continue to fall, with 11% fewer homes starting on site compared to 2019, although this comes after a period of high starts across 2021-22.

With 54,800 homes under construction and permission for a further 59,000 as of March 2024, the pipeline remains robust despite a fall in starts. More concerning is number of homes at application falling by 31% compared to the year to Q1 2023, highlighting the need for new sites to secure long-term delivery.

Figure 10 Build to Rent completions up 57% in 2023 over previous year

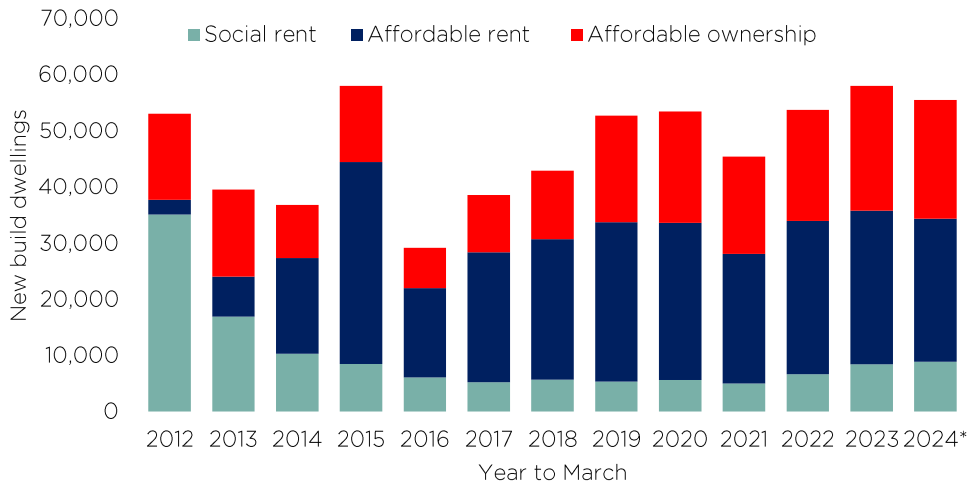


Source Savills, British Property Federation, Moliior

2023/24 is currently expected to be solid year for affordable delivery. Estimates from the NHF suggest overall delivery will fall by 12%, in line with an anticipated contraction in housebuilding more broadly, but remain above 50,000 homes for the third consecutive year.

The outlook beyond this point is harder to predict. Diminished Section 106 appetite and a drive to improve existing stock may reduce delivery beyond 2024, and the scale of affordable housebuilding will be dependent on future grant programmes.

Figure 11 Affordable delivery expected to fall but remain above 50,000 homes a year



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

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