

# English Housing Supply Update



## Housing supply stagnant at 230k homes per year as Government contemplates major planning changes

### Residential development continues to slow down

The Government recently announced a series of changes to the planning system in the hope of boosting housebuilding, but the latest figures highlight the challenges ahead. 229,700 new homes were completed in the twelve months to June 2024, according to the latest Energy Performance Certificate (EPC) data. The supply of new homes has been essentially static at around 230,000 since the end of 2023.

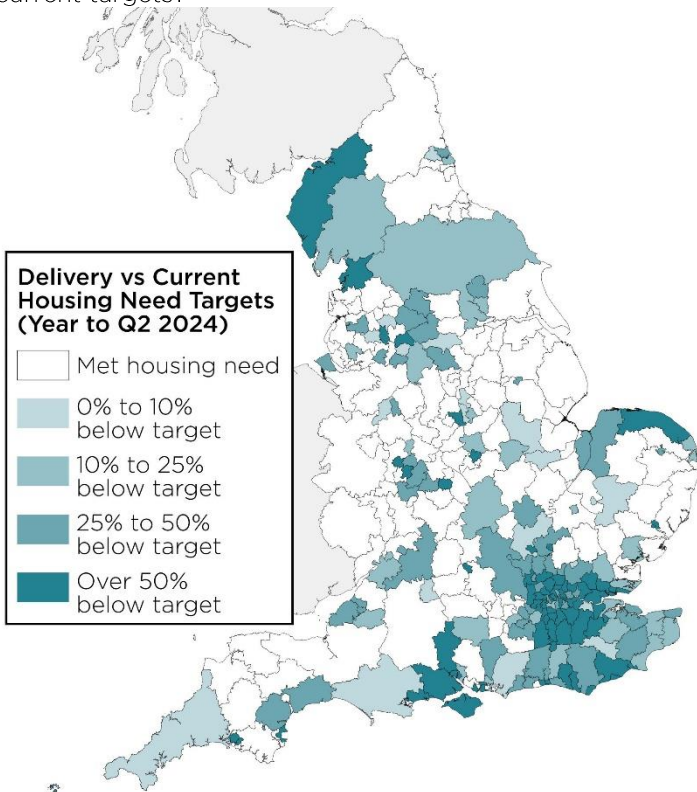
Residential development generally continues to decline. The ONS construction output measure sank to more than 15% below 2019's level in May 2024. More alarmingly still, starts are falling rapidly. Annualised starts have more than halved in a year, falling 55% between Q2 2023 and Q2 2024 according to the National House-Building Council (NHBC).

### Consents trend downwards, threatening future supply

If housebuilding is to take off under the new Government, a substantial increase in the number of planning permissions will be needed. Only c. 235,000 new homes gained full planning consent in the twelve months to June 2024, according to estimates from Glenigan and the Home Builders Federation (HBF).

The gap between consents and delivery remains razor-thin, with slightly more homes gaining consent than were built over the last twelve months. In practice, the situation is likely worse: around 10% to 20% of consented homes typically fail to be built. This means the effective pipeline of consented homes is below the current level of housebuilding, and a fall in supply in the immediate future is likely.

**Figure 1** Where does delivery meet housing need against current targets?



Source MHCLG Live Tables NBI and 2024 Standard Method Housing Need

### Affordable delivery on course for second-best year in a decade, but challenges lie ahead

Affordable housing looks set to have a strong year, with 2023/24 estimated to see the second-highest number of new Affordable homes delivered since 2014-15, with more Social Rent homes than any year since 2013-14, according to the National Housing Federation (NHF).

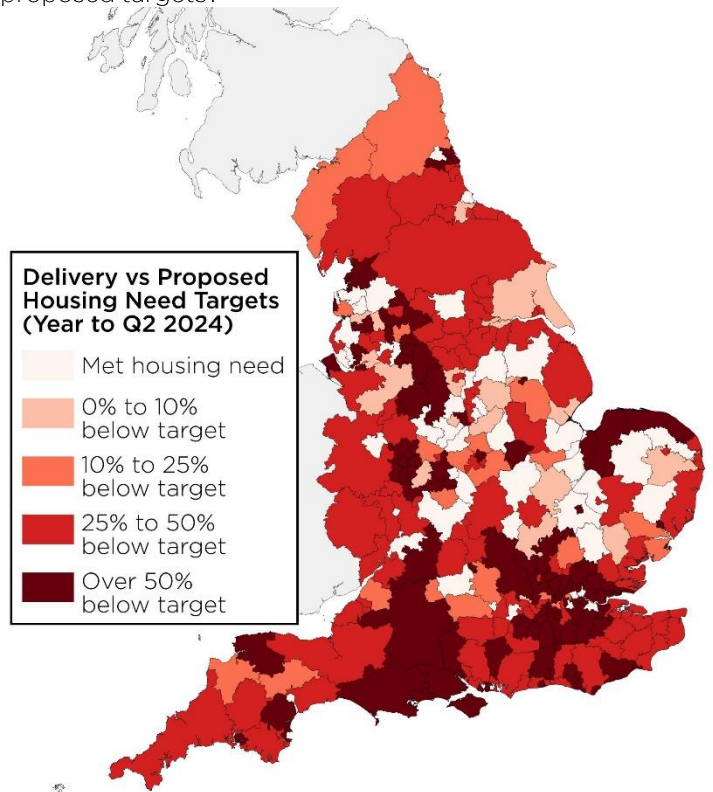
But future supply remains at risk, with falling development activity generally (starts on Alternative homes, which are predominantly Affordable, were down 51% year-on-year in the twelve months to Q2 2024, per NHBC), and also particular issues with Section 106, the main mechanism by which Affordable housing is delivered.

### How will changes to planning targets affect local authorities?

A key part of the Government's proposed changes to planning include a new method for calculating housing need, focusing on stock levels rather than projections of population and household growth. They are also aiming for a higher target, at c. 370,000 homes per annum instead of the 295,000 produced by the current Standard Method.

The differences these changes make are shown on the maps below. Figure 1 shows housing delivery over the last twelve months compared to the current housing targets (using the unreformed Standard Method), while Figure 2 does the same for the proposed targets. The difference is considerable: under the new method, much more of England would be assessed as failing to meet need based on current rates of delivery.

**Figure 2** Where does delivery meet housing need against proposed targets?

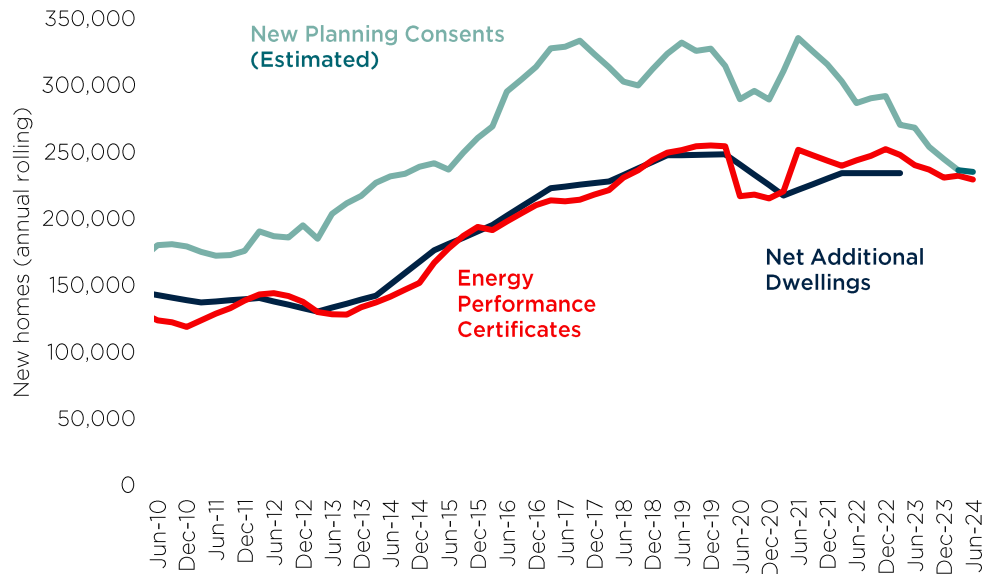


Source MHCLG Live Tables NBI and Proposed New Standard Method Housing Need

229,700 new homes were built in the twelve months to Q2 2024, according to EPC data. This marks a small decline of 1% from Q1's annualised completions, and 9% lower than the equivalent figure in Q2 2022.

Around 235,000 new homes gained full planning consent in the twelve months to Q2 2024, according to initial estimates from Glenigan and the HBF. An upwards revision in the number of consents means that the number of homes gaining consent remains above the present level of completions. Nevertheless, with a gap of just 2% between consents and completions, supply remains very constricted.

**Figure 3** Current delivery stagnates at c. 230k new homes, while consents remain low

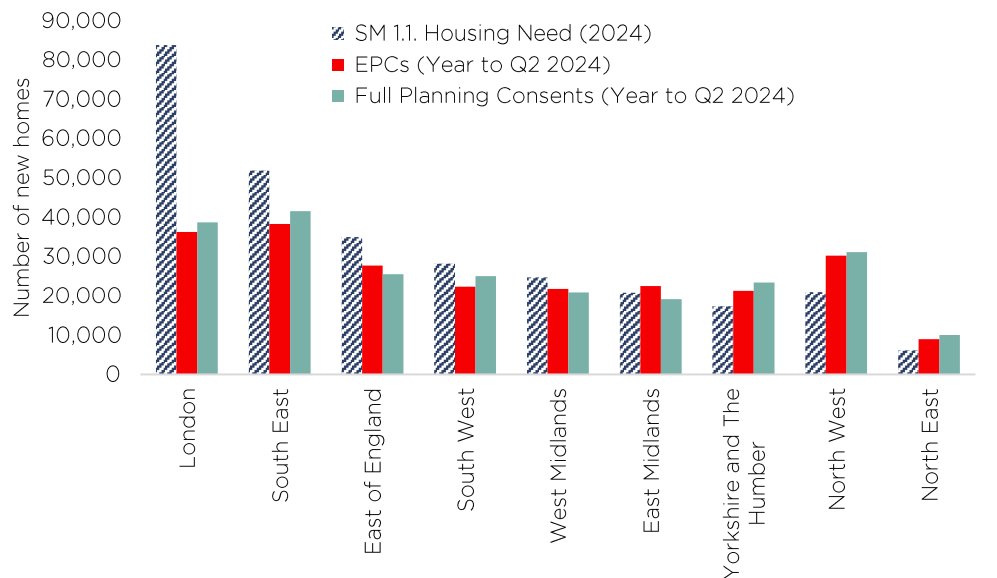


Source MHCLG Live Tables 122, NBI, HBF, Glenigan (only 10+ units)

Only three regions – Yorkshire and the Humber, the North West, and the North East – granted planning permission for more homes in the year to Q2 2024 than the annual minimum called for by the current iteration of the Standard Method.

London, the South East and the South West saw more homes gaining consent than delivered over the twelve months to June, suggesting potential for a small increase in delivery. In all three regions, however, the number of consented homes remain well below need, and issues around development viability in London raise questions about how many consented homes will translate into actual completions.

**Figure 4** Only three English regions met targets for future new home supply



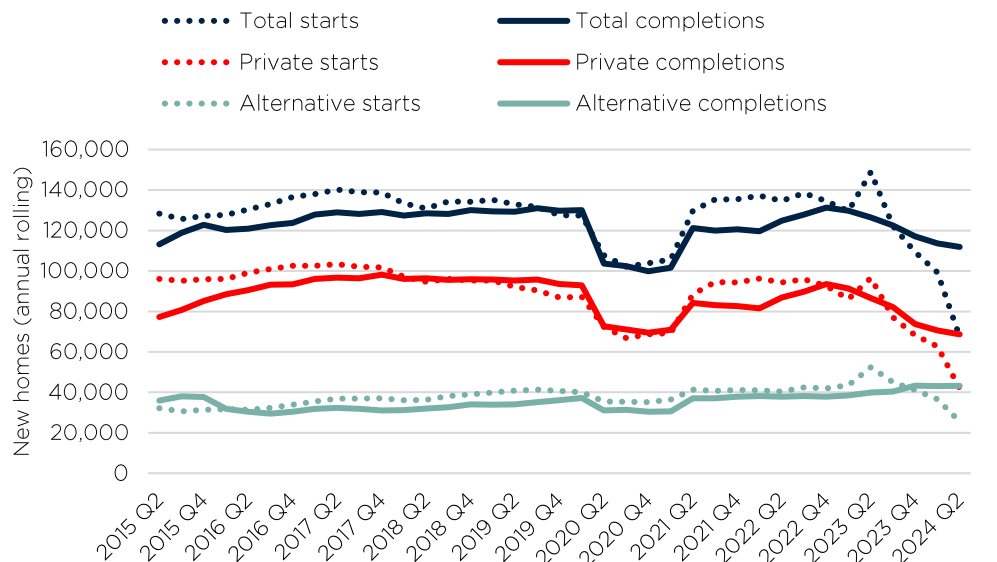
Source MHCLG Table NBI, HBF, Glenigan (only 10+ units)

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 continued to fall sharply into Q2 2024, falling 55% on a year-on-year basis. Both private and alternative starts contracted sharply, by 57% and 51% respectively over the same period.

As a result of the decline in starts, completions are also falling. Total annualised completions fell 11% in Q2 2024 year-on-year. Private completions fell 21% on the same basis, while alternative completions remain positive, at 9% growth year-on-year, though lower than the level recorded in Q1.

**Figure 5** New home starts fall across all tenures, as private completions decline by fifth



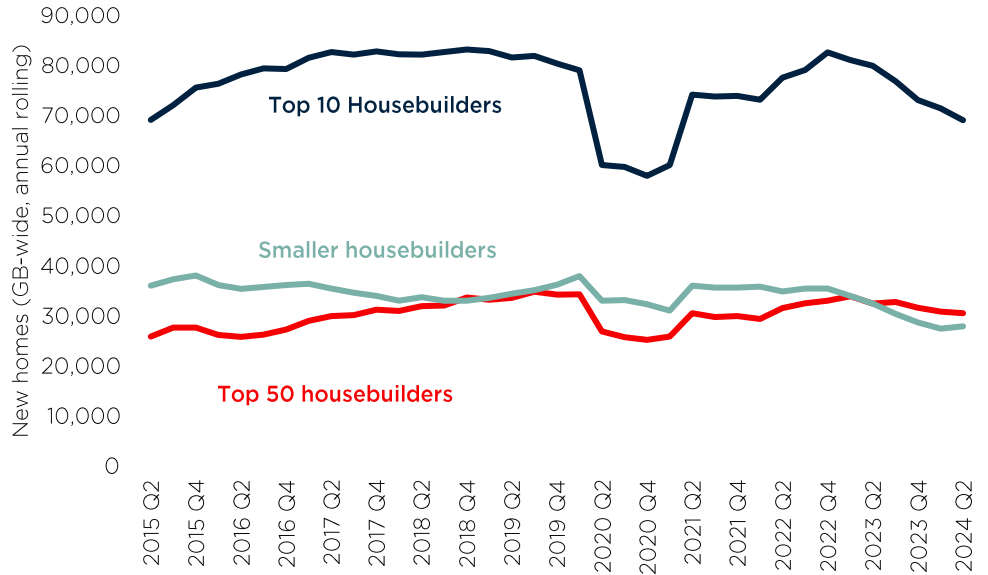
Source NHBC Residential Construction Statistics Portal

The number of new homes completed by the largest housebuilders continued to decline in Q2 2024, while delivery from the small and medium-sized builders showed signs of stabilising.

Annualised new home completions by the top 10 housebuilders fell 3% between Q1 and Q2 2024, and by 14% year-on-year – equivalent to over 10,000 fewer homes.

Among the Top 50, the drop in annual completions was smaller, down 6% year-on-year and recording a modest 1% rise on a quarterly basis. Smaller housebuilder completions are down 14% year-on-year, but saw a small quarterly rise of 2%.

**Figure 6** Fewer new homes from largest housebuilders, but SMEs see signs of stability



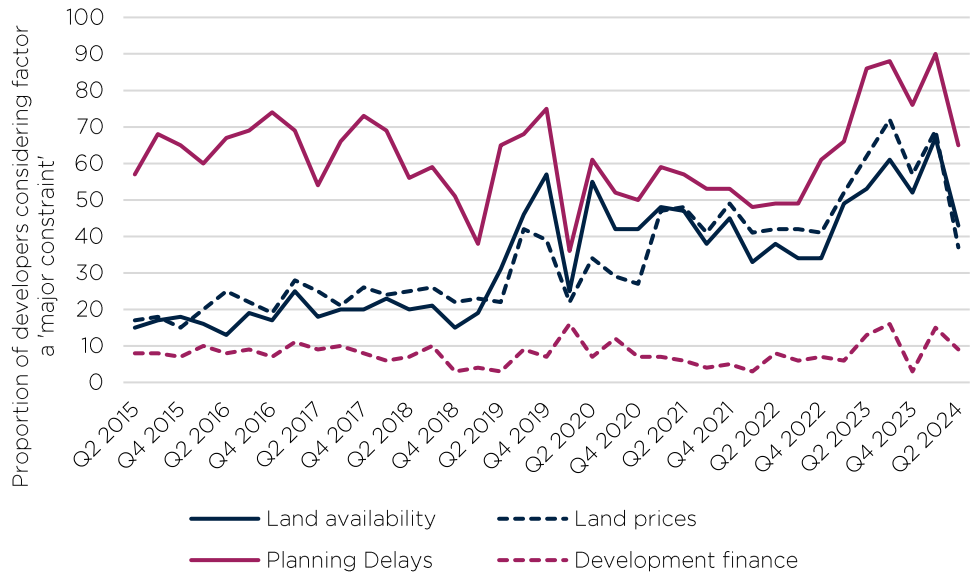
Source NHBC Residential Construction Statistics Portal

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

Planning delays remain the most pressing concern in Q2 2024, with 65% of developers surveyed citing them as a major issue. This nevertheless represents a sharp fall from Q1's record 90% share of developers.

The share citing land availability and prices as major constraints also fell, with 43% and 37% respectively reporting them as an issue, down from 67% and 69% in Q1. Finance remains a concern for only a small minority of developers, with just 9% reporting it as a constraint.

**Figure 7** Planning delays remain the leading constraint, but signs of improvement



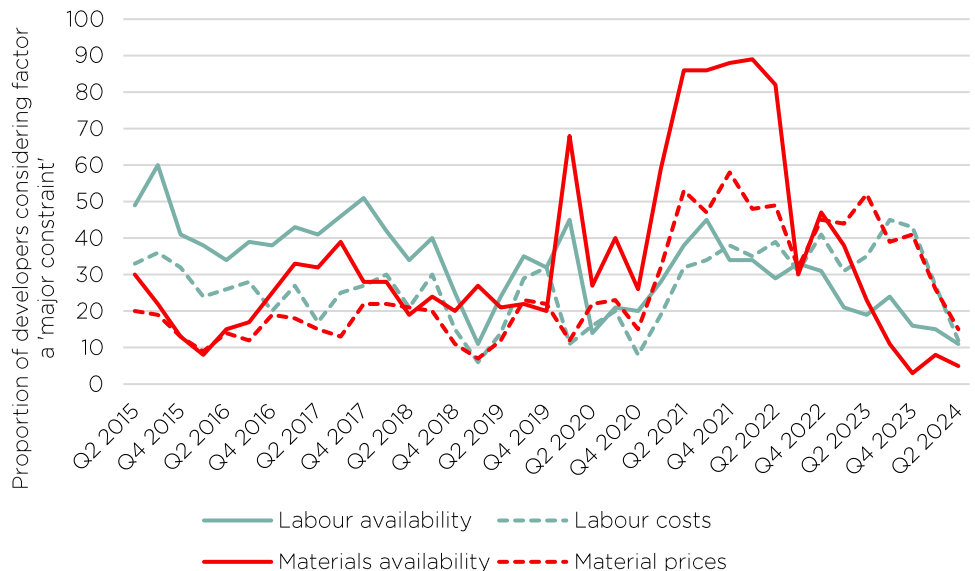
Source HBF Survey, NHBC Residential Construction Statistics Portal

Cost and supply pressures for labour and materials continue to ease, with less than one in five developers surveyed citing any of them as a major constraint on housebuilding.

Only 11% and 12% respectively cited labour availability and costs as constraints in Q2 2024.

The share of developers citing material prices as a constraint declined to 15%, while materials availability also fell back after a small rise in Q1, with just 5% of developers now citing it as a major constraint

**Figure 8** Pressure eases on supply of labour and materials

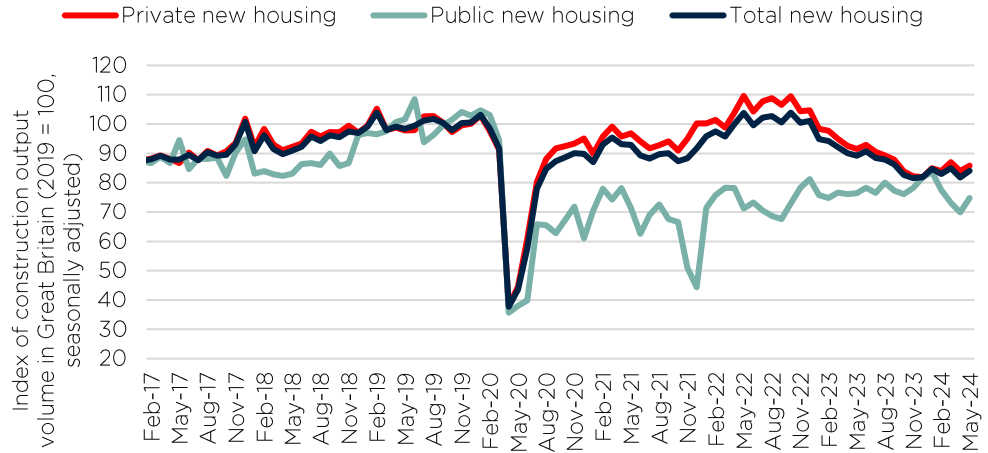


Source HBF Survey, NHBC Residential Construction Statistics Portal

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

Construction output fell across all tenures in the twelve months to May 2024. Overall, construction output in May 2024 was 6% lower than twelve months earlier, suggesting a slowdown in building activity. Private new housing, which makes up the larger share of construction, also fell by 6% over the same period. After a small annual increase earlier in the year, public housing output fell by 2%.

Figure 9 Construction volumes of housebuilding continue to decline

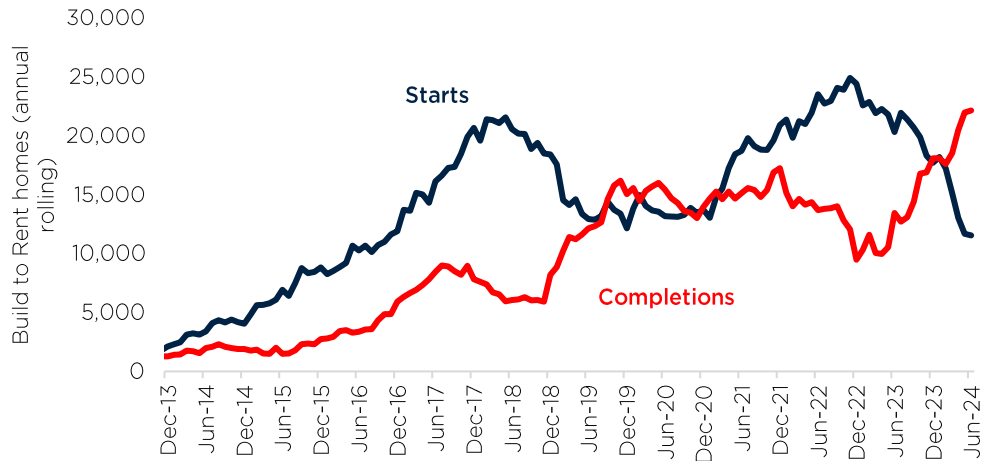


Source ONS Construction Output and Employment

Build to Rent completions hit their highest level on record, with 22,157 homes finished in the twelve months to June 2024. Starts fell to their lowest annual level since 2016, with only 11,548 homes entering construction over the year to June.

Both starts and completions show signs of plateauing, with little change between May and June. This suggests the large gap between the two will return to a more typical relationship as schemes finish and funding picks up. Q2 2024 was the second-highest second quarter for investment on record, driven by strong letting rates.

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

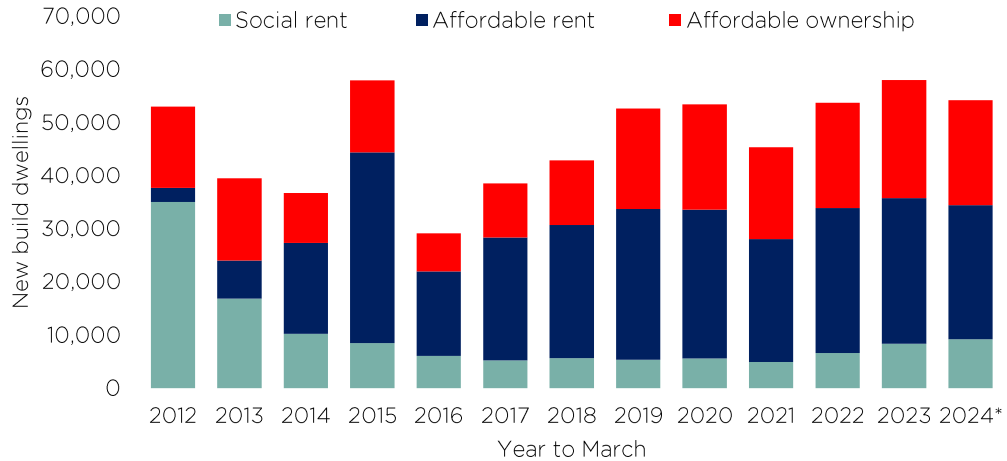


Source Savills, British Property Federation, Molior

2023/24 remains on course to be a solid year for Affordable delivery. NHF estimates suggest overall annual delivery in the year to March 2024 will be 7% lower than last year. Nevertheless, this would still represent the second-highest number of new Affordable homes delivered since 2014-15, and more Social rent homes than any year since 2013-14.

The future is more worrying, however. Demand for Affordable homes delivered via Section 106 (the largest source since 2015-16) has fallen sharply. Read more about the challenges facing S106 development here.

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



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

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