

English Housing Supply Update

Second quarter new homes completions fall -56% to lowest level since 2013

The number of homes being completed fell by -56% in Q2 2020, compared to the same time last year. On an annual basis, that brought the number of homes delivered down to 217,311 in the year to June. The impact of lockdown on housebuilders was sudden and severe, however, sites were quick to start reopening, with nearly all suspended sites reopened by mid-August. Although completions have rebounded quickly, starts on site have remained at very low levels suggesting developers are cautious about sales rates in the medium term.

The planning system was able to adjust quickly to remote working in most places. Full planning consents reached 82% of the pre-lockdown level in July 2020.

When compared to the previous year, delivery of new homes has fallen in every region except Yorkshire and Humber. The largest percentage falls were in the South West, West Midlands and North East at over -20%. Supply in London fell 14%, leaving it at half the level needed to meet housing need over the last 12 months.

There are also local variations in our projections of local authorities meeting their Q2 2020 Housing Delivery Test (HDT). Only 56% of local authorities would pass the test. Crucially, 92 authorities would deliver less than 75% of their housing requirement and fall under the presumption in favour of sustainable development. The fall in delivery due to lockdown means many authorities face

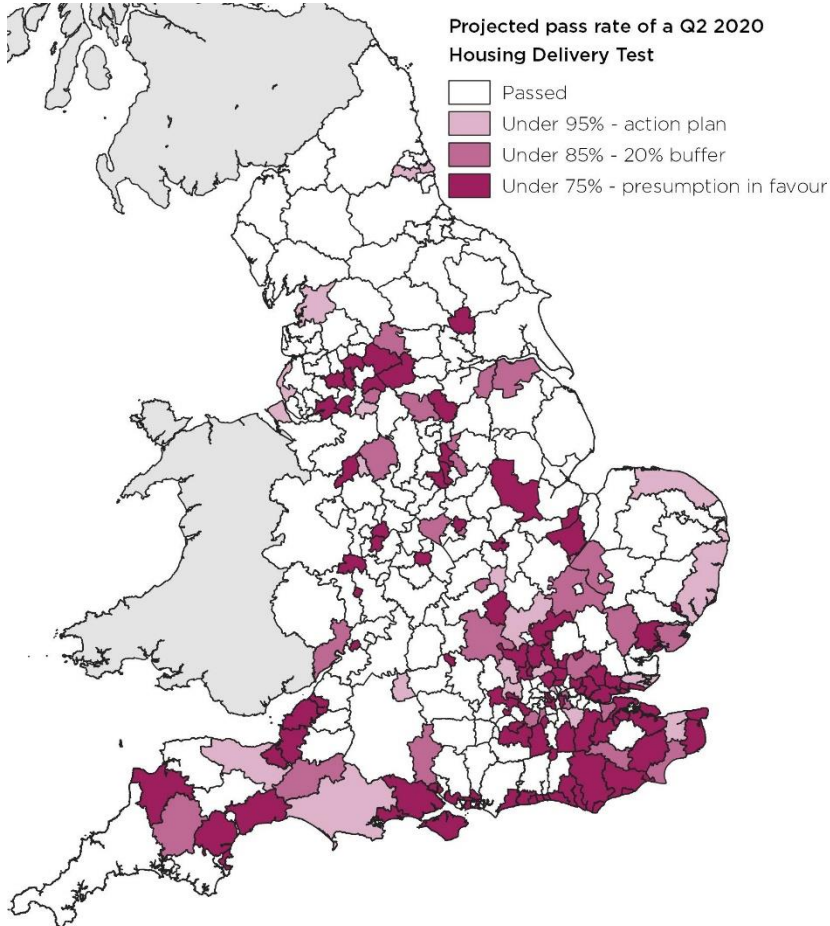
an uphill struggle to get enough homes delivered during 2020/21 to ensure that by the end of the year they are not facing the presumption in favour of development. The worst affected area is likely to be London's commuter belt.

The official HDT publication in November 2020 will cover the 2019/20 period, which will essentially be unaffected by Covid-19. The effect of the lockdown on HDT outcomes will not be confirmed until November 2021. The government will have to relax the rules for the 2021 test to avoid the lockdown period causing authorities to fail the test.

The number of grant funded affordable homes completed in 2019/20 was slightly down on the previous year. Section 106 delivery is likely to have been high during that year, as total completion levels reached a new high. But Section 106 is likely to be a casualty of Covid-19 during 2020/21, so maintaining this level of affordable housebuilding will be more reliant on grant funded completions.

Although unable to entirely escape the impact of lockdown, the number of Build to Rent (BTR) completions in the year to June was only slightly down. Generally the number of BTR completions remains on an upward trajectory. Starts have remained stable since January as BTR developers remain confident of longer term demand.

Figure 1 Where does new housing supply fail to hit targets?



Source MHCLG Live Tables and ONS

NB This is an estimate of how the Housing Delivery Test might turn out using the 2020 test thresholds. 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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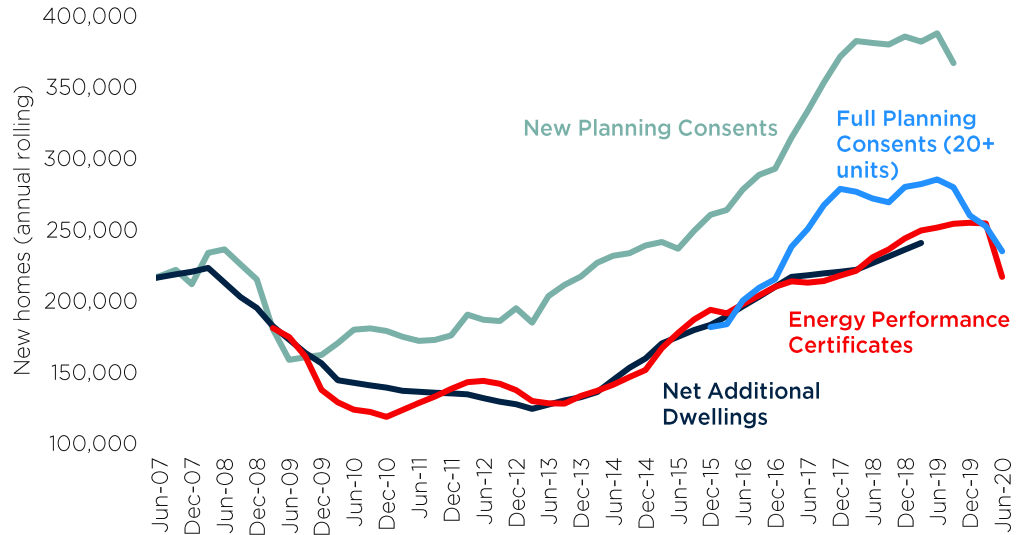
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The number of Energy Performance Certificates (EPCs) for new homes fell to 217,311 in England in the year to Q2 2020, a fall of almost -14% on the previous year's delivery. This was driven by a -15% fall between Q1 2020 and Q2 2020. This fall was due to the Covid-19 lockdown.

The number of full planning consents on sites over 20 homes in the year to Q2 2020, was down -18% compared to the year before, according to our analysis of Glenigan data.

Figure 2 Annual new homes delivery falls -15% in one quarter



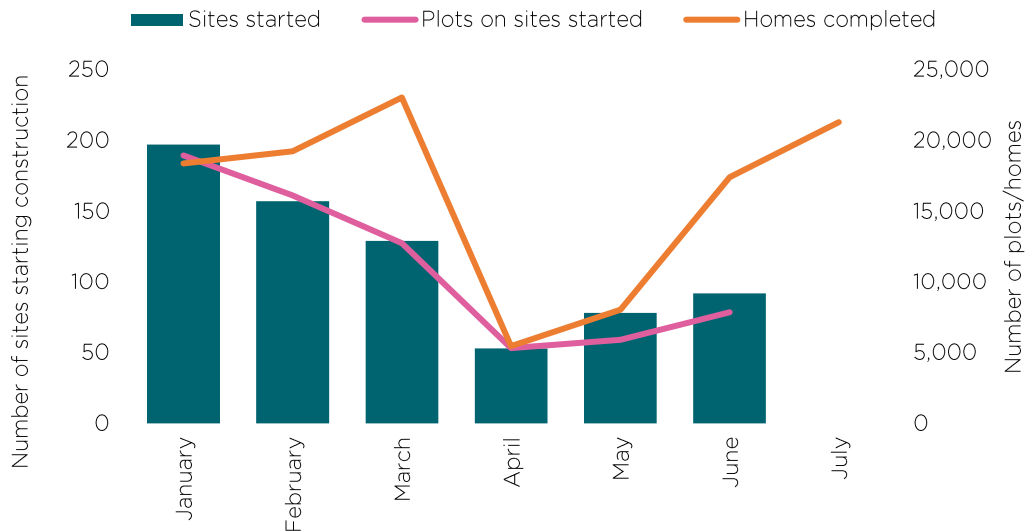
Source MHCLG Live Tables 120 and NB1, Glenigan for HBF, Savills using Glenigan

The number of sites starting construction fell to a low in April of 49, down from 198 in January. Plots on sites started fell from 19,128 to 4,891 over the same period.

The number of sites starting construction has increased to 83 in June, representing 8,039 plots.

The number of homes being completed has recovered more quickly to 21,293 in July, suggesting that the pipeline of homes under construction is getting smaller.

Figure 3 Completions of new homes is recovering more quickly than starts



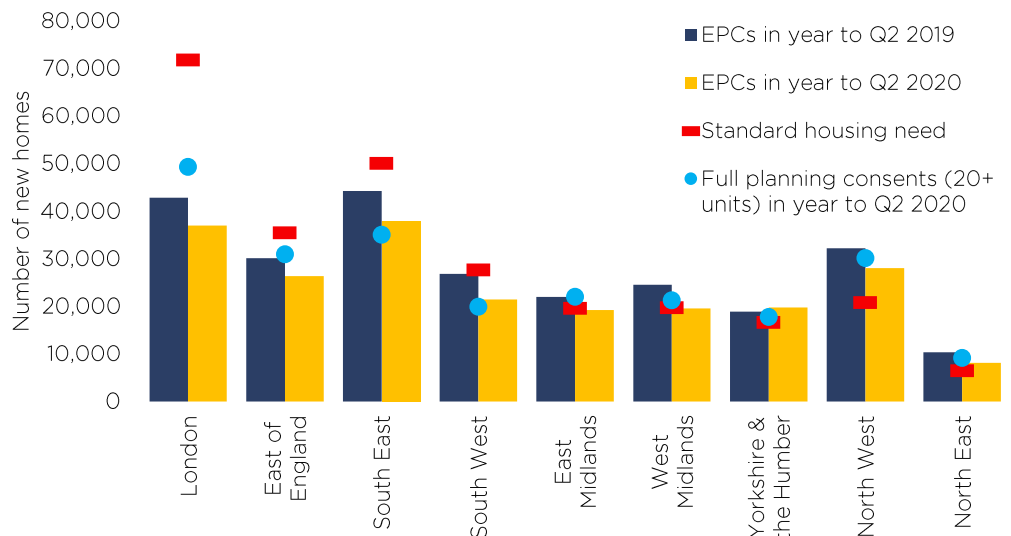
Source Glenigan

There were falls in the number of EPCs for new homes recorded across all regions except for Yorkshire & the Humber where the number of new homes delivered increased by 4.6%. The largest falls recorded were in the North East, West Midlands and South West where the number of new homes delivered fell by over -20%.

All regions except the North West also saw falls in full planning consents granted on sites with over 20 homes. The largest fall was in the South East at -27%.

In London, the region with the largest shortfall, delivering only 52% of housing need in the year to Q2 2020, completions fell -14%. Full consents were also down -18%.

Figure 4 Delivery has fallen in every region except Yorkshire and the Humber



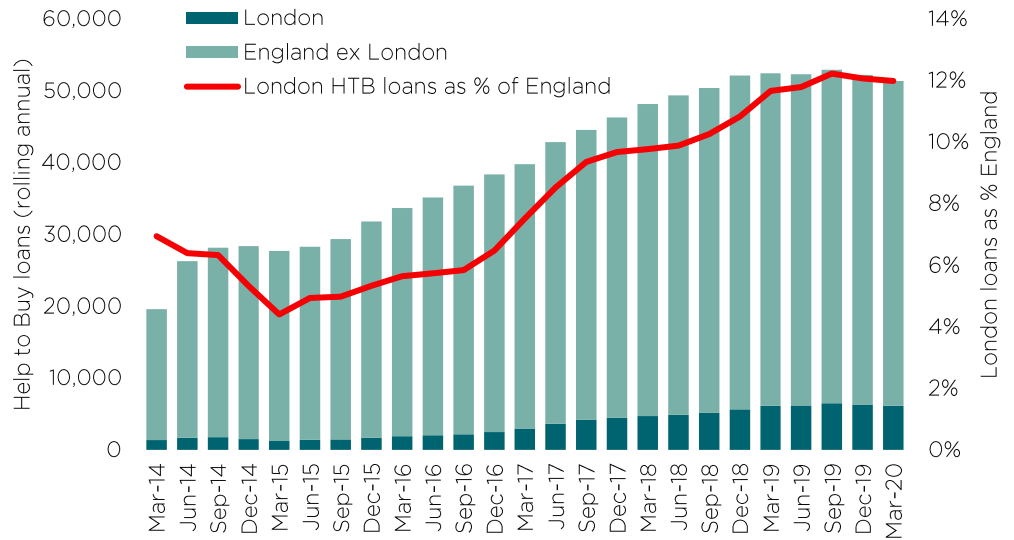
Source MHCLG Live Table NB1, MHCLG housing need consultation, Savills using Glenigan

The total number of Help to Buy transactions in England continued to decline in the pre-lockdown period. The total number of loans fell to 51,357, down -2.1% on the year before.

This suggests that Help to Buy had reached its peak. But Help to Buy is now one of the few ways for buyers to access the market with a 5% deposit, as lenders have reduced the availability of higher loan to value products and homes sales reach new highs.

The Stamp Duty holiday is also a potential driver of demand for Help to Buy, particularly in London – see our paper on this [here](#).

Figure 5 Help to Buy transactions falling but there may be a surge in activity



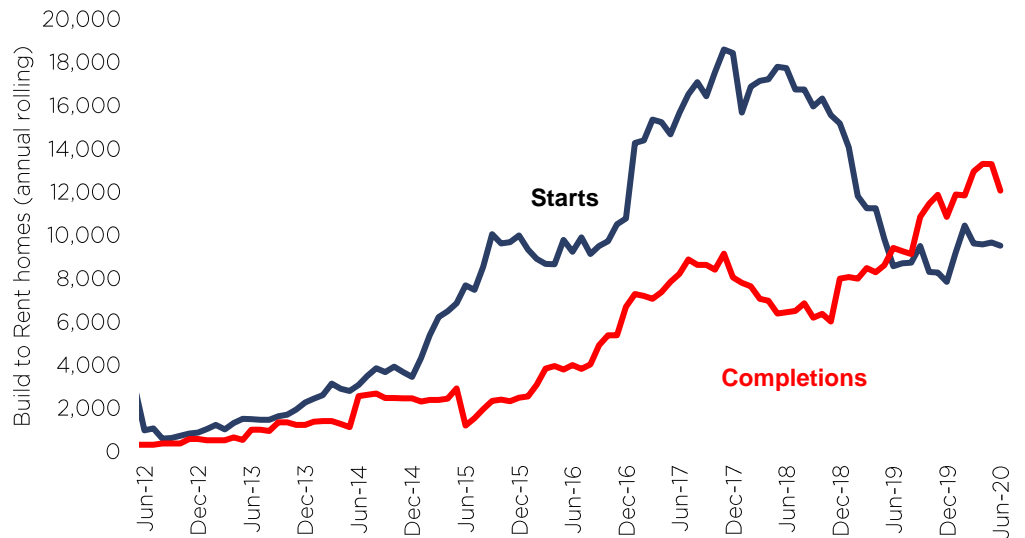
Source MHCLG Live Table Help to Buy

Off the back of a large rise in Build to Rent (BTR) starts and completions late last year, completions were 12,082, up 11% on the year before. Likewise, starts are up 28% having fallen to a low at the end of Q2 2019.

The number of new starts has remained broadly flat since January, suggesting BTR construction has held up better than the wider housebuilding industry.

The BTR sector is less vulnerable to short term market distortions. Developers are confident of long term demand for rented housing and have continued starting new projects.

Figure 6 Build to Rent starts remain stable as completions rise



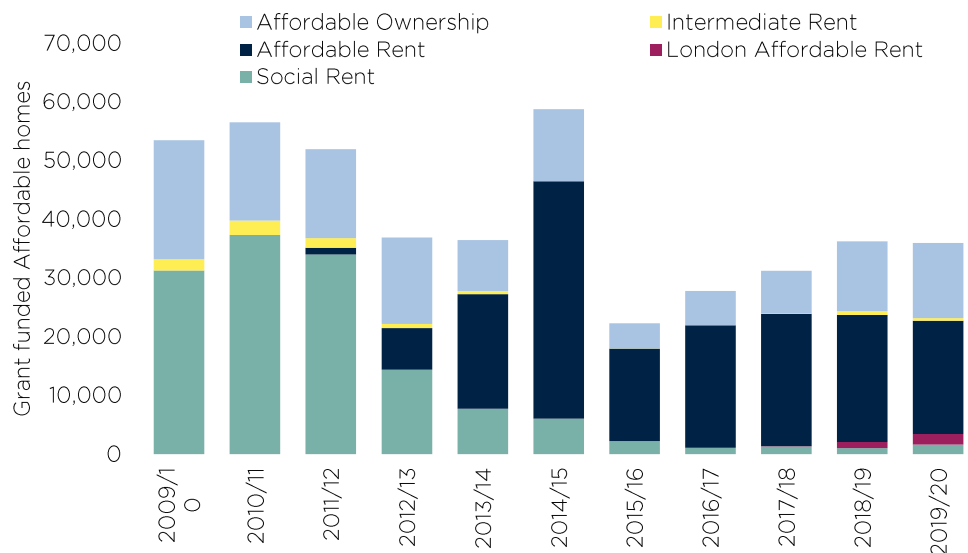
Source Savills for BPF using Molior and Glenigan

In 2019/20 the number of affordable homes built using Homes England and GLA grant funding has fallen slightly compared to the year before.

The high numbers of completions in 2019/20 suggest that total affordable homes completions are likely to have been boosted by Section 106 delivery.

Section 106 is likely to be a casualty of Covid-19 during 2020/21, so maintaining this level of affordable housebuilding will be more reliant on grant funded completions.

Figure 7 Grant funded affordable delivery stable between 2018/19 and 2019/20.



Source MHCLG Live Tables 1012 and 1000