Housing Completions Forecast for England

Housing delivery is set to fall despite recent planning reform as demand for new homes remains subdued

We think there will be roughly 840,000 new homes completions in the five years to 2028/29, 42% short of the Government target of 1.5 million. Falling planning consents in the last three years have reduced the pipeline of new homes which can be delivered in the near term, while recent planning reform will take time to have an impact on completions. In addition, subdued demand for new homes will remain a barrier to growth – housebuilders will only build where they see demand for the finished homes. Even if policy removes this demand barrier through measures such as a buyer support scheme or a large increase in grant funding for affordable housing, delivery will be constrained by the speed at which the housebuilding sector can expand its workforce and supply chains. We think the sector could only expand to reach 1.2 million completions over five years at absolute capacity, based on past precedents for expansion.

The key headlines:

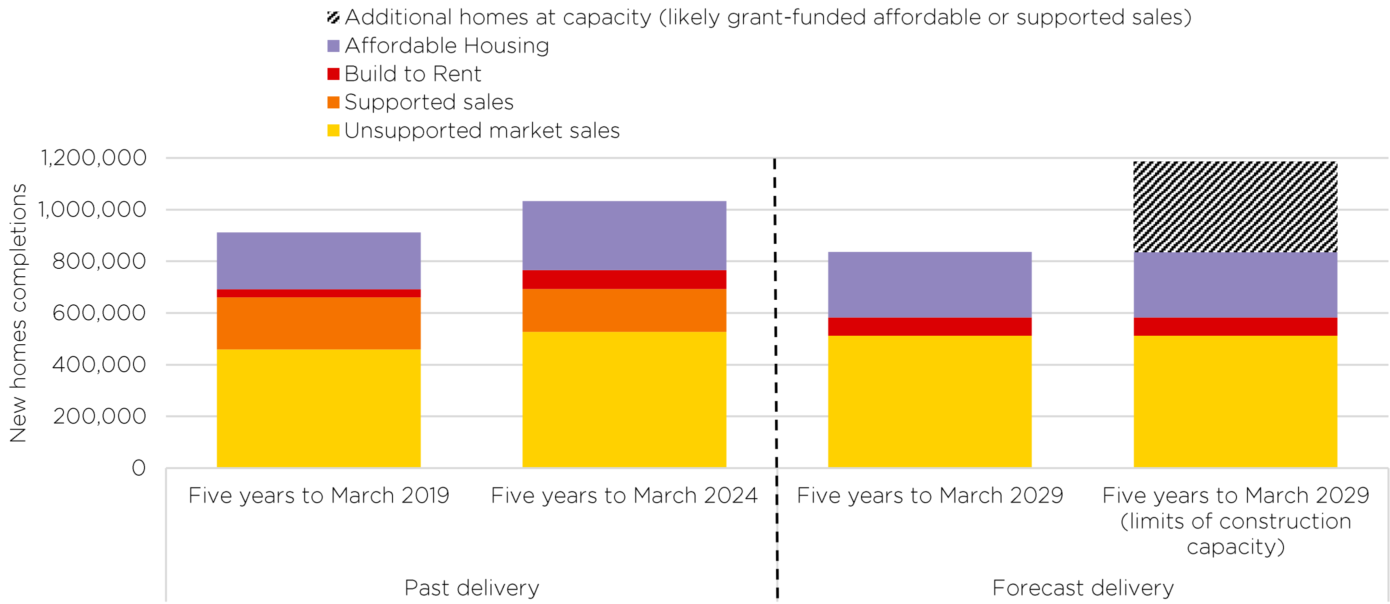
We expect unsupported new homes sales to individuals to average around 100,000 per year. This amounts to roughly 10% of all housing transactions, a level broadly unchanged over the last 50 years. Any increase beyond this level will require a demand support scheme to allow more buyers to access home ownership.

Grant-funded affordable housing is the easiest and quickest route to higher delivery. Future affordable completions will be determined by the level of funding announced for the new Affordable Homes Programme. But alongside this, policy must enable housing associations to rebuild financial capacity and to ensure there is demand to take on these new homes.

Build to Rent starts have fallen by -59% since a peak three years ago. While investor interest remains strong, higher interest rates and weaker rental growth are challenging viability, meaning completions will probably not surpass their 2024 levels during the next five years.

A large expansion in housebuilding will be constrained by the degree to which the necessary workforce and supply chains can be put in place. Over the last 50 years, completions have grown by a maximum of just over 15% in any year. At this rate of expansion, just under 1.2 million new homes could be delivered in the five years to March 2029.

Figure 1 How the numbers add up – past and future potential delivery



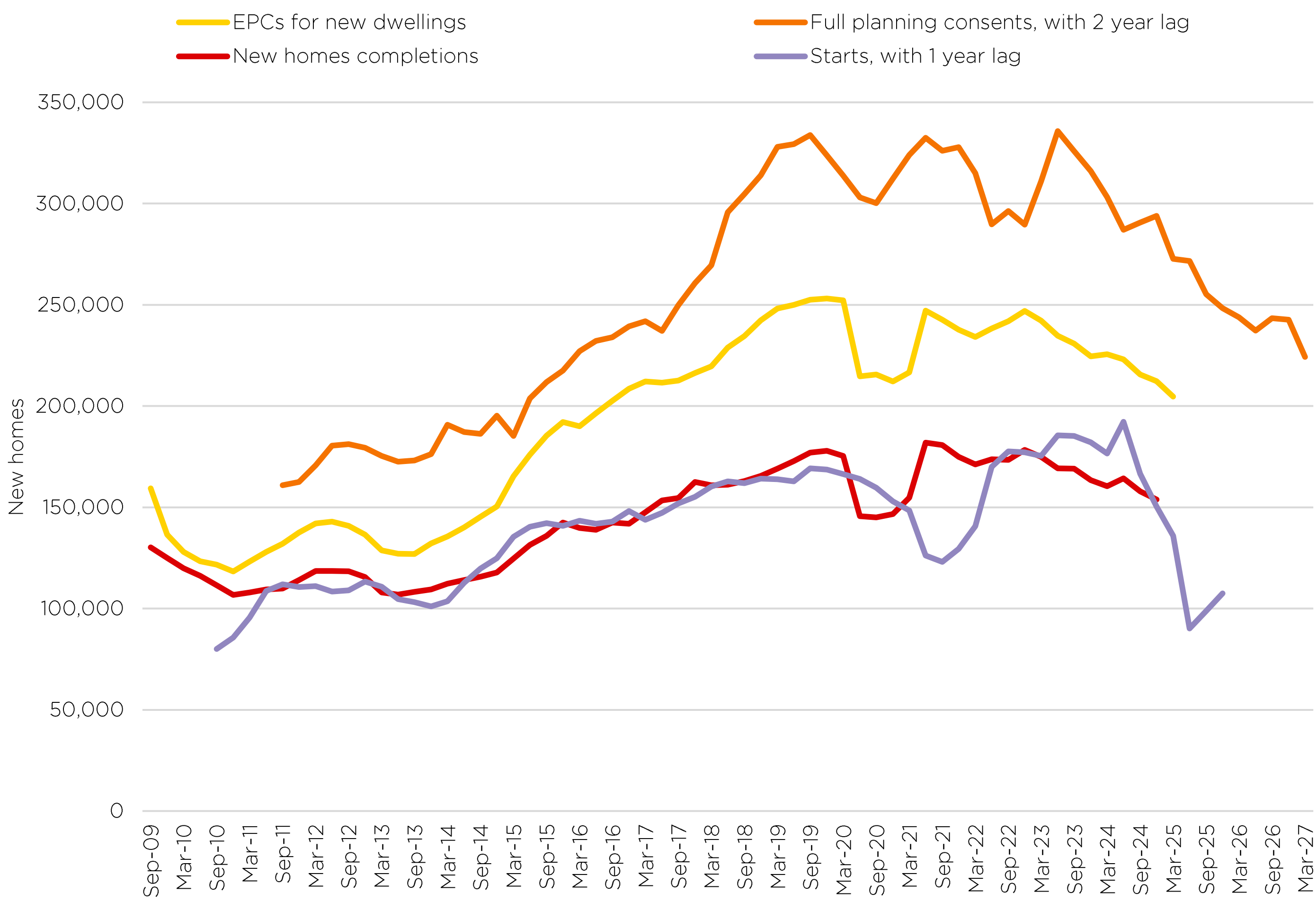
Source Savills Research using MHCLG

New homes completions fell in the year to March 2024 by -6.5% to 198,600 homes, in the most recent year of official MHCLG data. A drop in completions was widely anticipated, given that the Help to Buy scheme, a significant demand boost for new homes, had ended in March 2023. The scheme (and other smaller sales support schemes) had contributed 26,000 sales in 2022/23, and up to 55,700 sales at its peak in 2020/21. Its end was always going to leave a sizeable gap.

In this context the number of completions remained relatively robust in 2023/24, falling by just -13,750 homes. Completion volumes were supported by a record year for Build to Rent completions (up 80% on the previous year) and stability in affordable housing delivery (down just -2.3%). But forward indicators suggest that new homes completions will fall further in the next couple of years.

We estimate that 180,700 new homes were completed in 2024/25, based on EPC data. And a continued fall in full planning consents in 2024/25 suggests the decline in completions will necessarily continue for up to two years (the rough length of time between a change in consents volumes and a subsequent change in completions). Starts dropped by around half in the year to June 2024, but have begun to rebound, according to MHCLG. Still, this also suggests that completions over the next year or two will remain low. This is consistent with the drop in completions we have forecast in 2025/26, down to just over 160,000, their lowest since 2014/15.

Figure 2 Completions, starts and consents have all been falling over the last two years



Source EPCs, HBF

It is likely that the Government's recent planning reforms will increase the supply of consented land beyond the next couple of years. We do expect a slight rise in completions from 2026/27, but the scale of this rise will be constrained not by the planning environment but by the demand to take on new homes from individual buyers, investors and registered providers. We are therefore forecasting completions to reach 166,000 in 2028/29. This is well below the Government's ambitions, regardless of whether their target represents 1.5 million completions or 1.5 million net additional dwellings (which would amount to an estimated 1.38 million new homes completions when accounting for historic rates of conversion and changes of use).

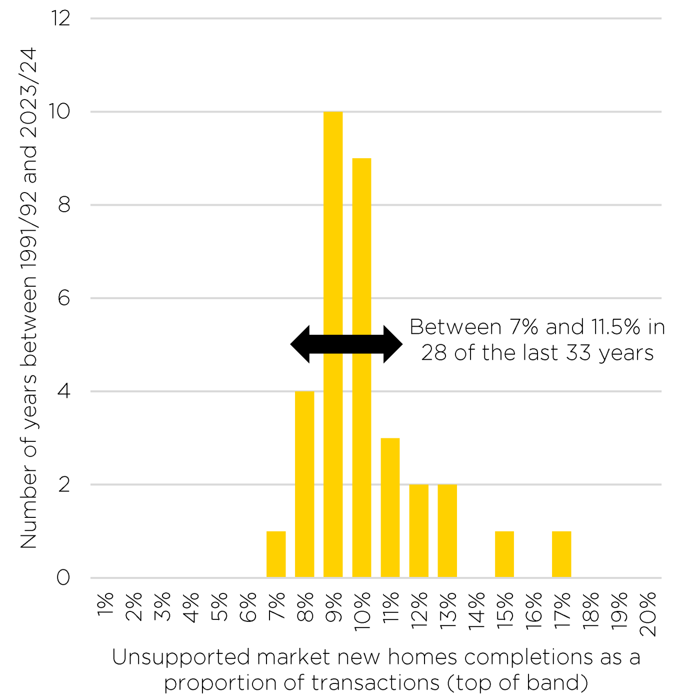
Private sales

Sales to individuals is the main source of demand for new homes, and the expected appetite from individual buyers is a key driver of activity for housebuilders. The substantial incentive offered by the Help to Buy scheme increased this appetite in the last decade, allowing private new homes sales to reach more than 150,000 in 2019/20.

But in a world without HtB, there is a remarkably consistent pattern – the number of unsupported market sales of new homes is very closely linked to the overall number of transactions in the housing market. In the 33 years between 1992 and 2024, unsupported market sales formed between 7% and 11.5% of overall market transactions 28 times, and were between 8% and 10% on 19 occasions. It is highly unlikely that the next five years will see a significant deviation from this pattern.

Having said that, as the Help to Buy scheme was wound down, unsupported market sales increased as a share of transactions to 14.7% in 2023/24, the second highest level on record. This probably reflects housebuilders placing two way bets on whether the Help to Buy scheme would end or be extended – an increasing use of sales incentives was needed to sell these homes once it became clear the scheme would end in March 2023. We expect unsupported sales to drop back to around 10% of transactions, averaging around 100,000 per year between 2025/26 and 2028/29.

Figure 3 Unsupported market new homes sales have been roughly 10% of transactions in most of the last 30 years

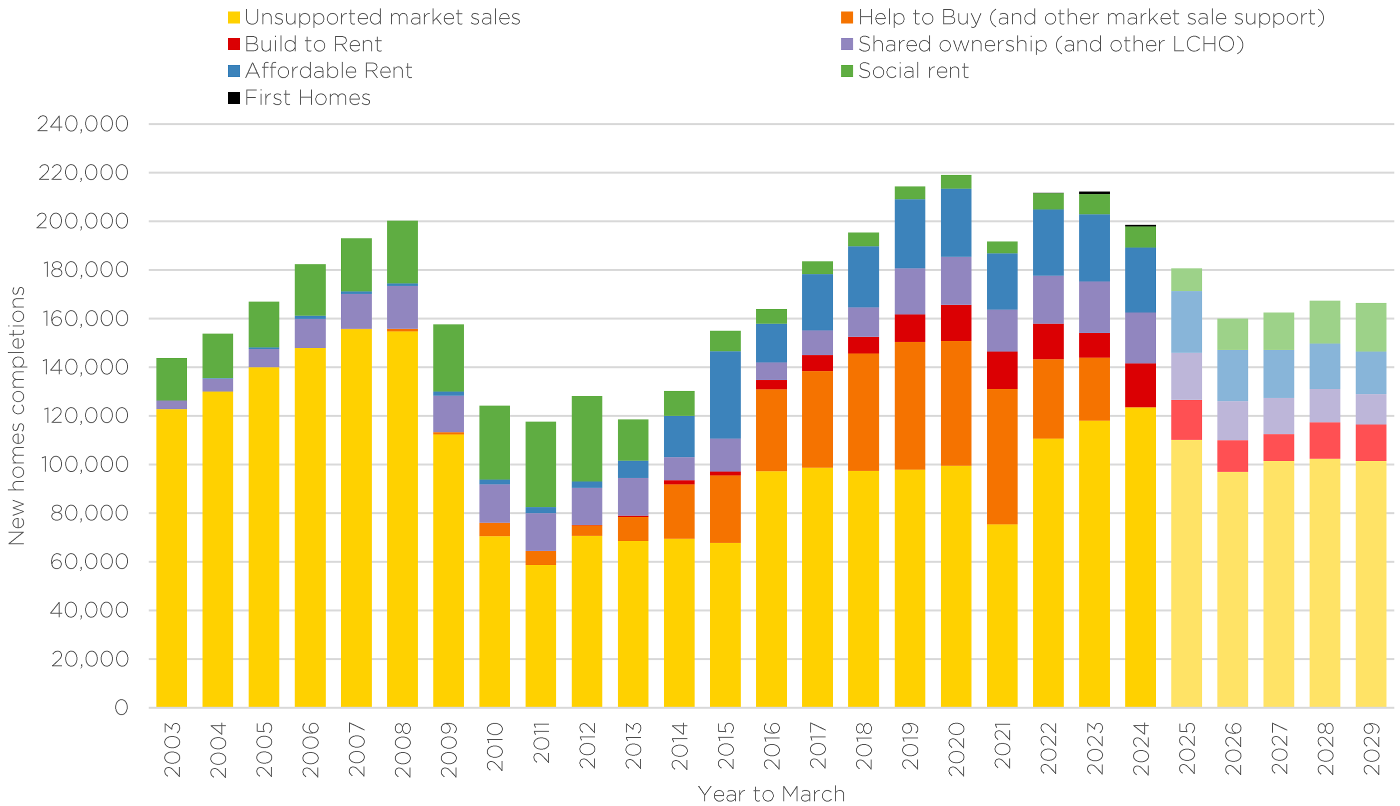


Source MHCLG, HMRC

Build to Rent

Build to Rent has formed a growing share of completions in the last five years, reaching a record 18,100 in 2023/24. There remains a good amount of investor interest in the sector across a range of sources of capital. But scheme viability is much more challenging in an environment where interest rates are higher and where rental growth of 3%+ per year is not assured. Starts have fallen precipitously by -59% from a peak of 25,700 in the year to October 2022 to 10,600 in the year to March 2025, the beginning of this fall coinciding with the Liz Truss Mini-Budget and a sharp spike in interest rates. This will lead to a continued decline in completions in the next couple of years. As the cost of debt eases, we expect activity to return, but it will take a while for this to feed through into completions numbers.

Figure 4 Forecast housing delivery in England based on current policy



Source Savills Research, MHCLG

Affordable housing

The delivery of affordable housing is currently challenged by the limited financial capacity available within Housing Associations to take on completed homes. Increased spending requirements on existing stock, alongside real decreases in rental income and higher build costs means HAs are limited in the extent to which they can invest in new homes. As a result, starts fell by -39% in the year to March 2024, including an -88% drop in London, where the costs associated with high rise buildings are making viability even more challenging. This drop in starts will likely result in fewer completions – in the latest Global Accounts data, RPs predicted their delivery would be 12% lower over the next five years than they did in the previous year.

If an increase in land supply is to translate into higher levels of delivery, policy must allow HAs to rebuild their financial capacity, through inflation-linked rent increases, rent convergence and funding to resolve issues with existing homes.

Section 106 affordable housing completions rely on the delivery of private homes, and are likely to fall in line with private completions to around 20,000 per year. They increased in number through the 2010s as private completions improved, and have totalled 18% of market completions in the last five years (around 27,000 homes per year), a proportion we expect to remain fairly constant in the next five years.

Grant-funded affordable housing delivery, on the other hand, is more counter-cyclical, in that it doesn't rely on the strength of the wider housing market. The number of grant-funded completions will be determined almost exclusively by the size of the pot available to HAs. Without clarity on this, which should be provided following the conclusion of the Spending Review in the summer, it is difficult to predict how affordable housing delivery will change.

For our forecast, we have assumed that the level of grant funding will be sufficient to maintain total affordable housing delivery at similar volumes to those seen over the last five years. It would equate to around 30,000 grant funded completions, and an additional 20,000 S106 affordable homes. This will require the grant programme to be more generous than previous editions, accounting particularly for higher build costs and a lack of investment potential from HAs.

The tenure mix of new affordable homes will also determine the level of grant-funding required. The Government has shown a preference for social rented homes, which are much more grant-intensive than affordable rent or shared ownership. If delivery volumes are to be maintained, alongside an increasing focus on social rented homes, this again will require more grant funding to bridge the gap between the cost of building and the rental income which RPs can expect.

New homes completions	Unsupported sales	Supported sales	Build to Rent	S106 affordable	Grant-funded affordable
167,000	102,000	0	14,000	21,000	30,000
Average delivery (5 years to Mar-29)					
207,000	*105,000*	*33,000*	*15,000*	*27,000*	*26,000*
Average delivery (5 years to Mar-24)					

How might delivery exceed our forecast?

This forecast is quite gloomy in relation to the Government's 1.5 million homes ambition. While this is what we think will happen given current policy, there are several measures which the Government could take which would increase delivery. Planning reform has reduced a key barrier to an increase in new homes supply, but additional measures would need to focus on increasing demand, to give housebuilders confidence that they will find an exit route once their homes are complete.

In the private for-sale market, it is unlikely that unsupported new homes sales can rise much higher than we have forecast. But the evidence from the Help to Buy scheme suggests demand support can aid large increases in demand and in housebuilding – supported sales averaged 39,000 per year in the decade to March 2023, which would be enough to bring forecast completions above 200,000 per year. This was alongside a continuation of unsupported sales at just under 100,000, suggesting a large share of these supported sales would not have happened without the scheme.

The Government has shied away from the question of HtB 2 thus far, but housebuilders are growing increasingly vocal in their calls for support. And some housebuilders have brought in their own buyer support products to mimic the benefit which HtB offered. Persimmon, for example, have worked with mortgage lender Gen H to create New Build Boost, a product which allows buyers to use a 5% deposit, access an 80% loan-to-value mortgage and receive a 15% interest-free loan from the housebuilder. Interest rates on this product are currently quite high compared to conventional mortgages, which may limit take-up.

But if there were a new scheme which is similar in scale to HtB, it could generate tens of thousands of additional new homes sales (and therefore new homes completions) each year.

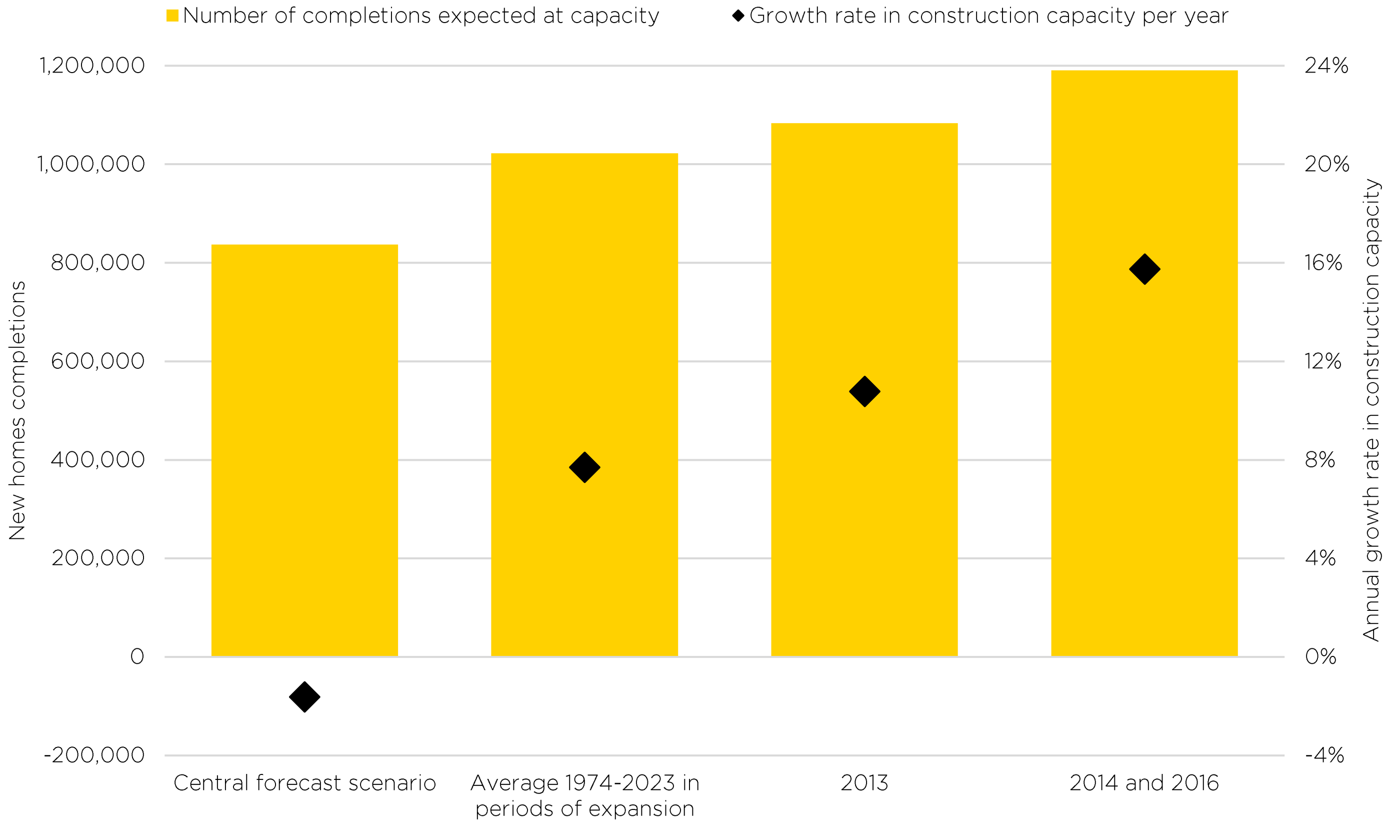
The limits of construction capacity

But there are limits to the speed at which housing completions can grow, regardless of how much funding is allocated to new homes – the labour, materials supply and expertise are not in place to simply double housebuilding overnight, for example. Looking at the last 50 years, in years when housebuilding has been expanding, the average rate of expansion has been 7.7% per year. Supported by the HtB scheme, the rate of expansion in the mid-2010s was much higher, at 10.8% in 2013 and around 15.7% in both 2014 and 2016.

If the expansion in housebuilding capacity matched this peak rate of 15.7% per year in all of the next four years to 2028/29, we would see at most c.1.2 million completions in the five years to March 2029, an additional 350,000 above our central forecast. These additional completions would likely all be delivered between 2026/27 and 2028/29, as it would take time for the increased capacity to produce completed homes. This is an upper limit to the number of homes that can be built, and would require unprecedented levels of multi-year growth in housebuilding. Yet it would still not get close to reaching the 1.5 million which the Government has committed to.

If this increase was financed through grant funding alone, it could cost around £40bn, on top of the roughly £17bn required to maintain grant-funded affordable housing delivery at 30,000 per year in our central forecast. This is based on the recent Government grant commitment of £2bn in 2026/27, which they estimate will fund 18,000 homes at a rate of £111,000 per home.

Figure 5 Number of completions expected if construction capacity expanded at various precedent rates



Source Savills Research, MHCLG

The Government's planning reforms have removed a key barrier to increasing housing completions at a time where new homes are desperately needed. But this will not happen unless the demand for new homes increases. Current policy and historic trends lead us to conclude that housing completions will probably remain low, at 160,000 to 170,000 per year in the next few years. And it would take a completely unprecedented set of circumstances for the Government to achieve its goal of 1.5 million new homes completions (or net additional dwellings, depending on how it defines its target) in five years. But a sharp increase in completions compared to our forecast level is entirely possible if the (admittedly significant) funding is there to support it, and would still go a long way to meeting the significant need for housing in England.

Savills team
Please contact us for further information

Dan Hill
Associate
dan.hill@savills.com
0207 299 3065

Chris Buckle
Director
cbuckle@savills.com
0207 016 3881

Emily Williams
Director
emily.williams@savills.com
0203 618 3583