

Housing & Residential Development Market Overview

Lucian Cook and Emily Williams, Savills Residential Research

A lot has happened since last year



In 2022 we warned of a policy black hole



Print subscriptions Sign in Search jobs Search UK edition

The Guardian

Newspaper of the year

Labour considering higher taxes on foreign buyers of UK homes

Move comes as senior Tory blames party's scrapping of housebuilding targets for poor local election results



Labour's plan includes increasing the stamp duty surcharge for overseas purchasers and a sale period for first-time buyers only. Photograph: Karen Robinson/The Observer

Labour is considering moves to levy higher taxes on foreign buyers of UK homes, as a senior Conservative blamed their party's abolition of housebuilding targets for woeful results in last week's local elections.

In another sign that Labour believe Rishi Sunak is politically vulnerable over the housing crisis, the party has devised a series of policies aimed at making it easier for UK residents to buy homes.

One plan would be to increase the 2% surcharge on stamp duty that overseas purchasers have to pay on UK homes.

Another would introduce a rule making new developments available for purchase to first-time buyers only for a fixed period - a time to be agreed by the local council with the developers.

THE TIMES

Monday May 1 2023 | Business.co.uk | No. 74014

Move over, Poldark!

TV's new period Britons last chance to flee Sudan

Exceptional' flight offers Britons last chance to flee Sudan

Kate may give flowers the nod over tiara

Sunak eyes more Help to Buy

Boost for would-be homeowners' back on the table'

Labour vows to ensure 300,000 properties are built every year

Contrasting political positions



“The idea that the planning system should favour the already wealthy, not the new houses, wind farms, and laboratories we need to create more wealth, is not going to work for us

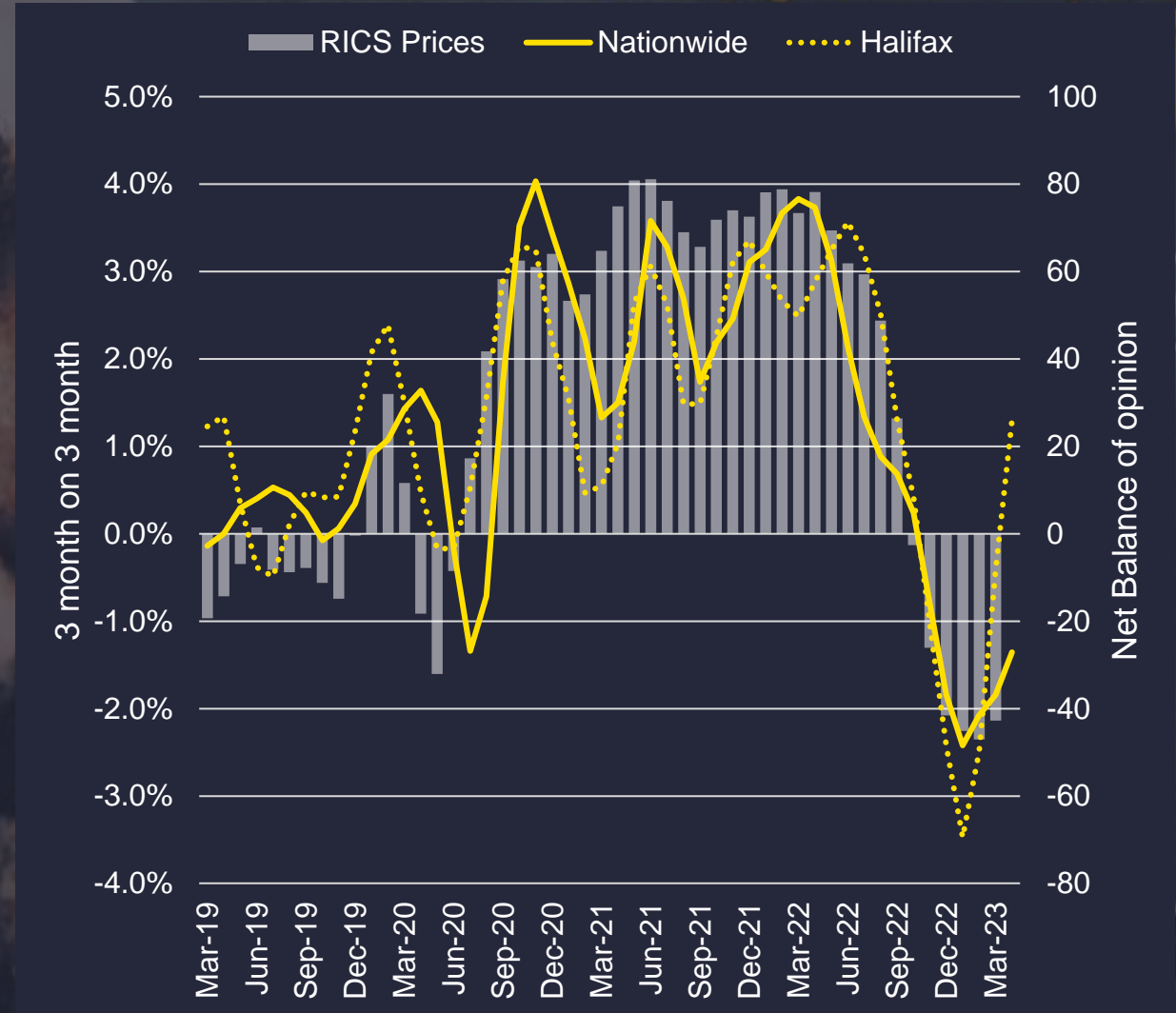
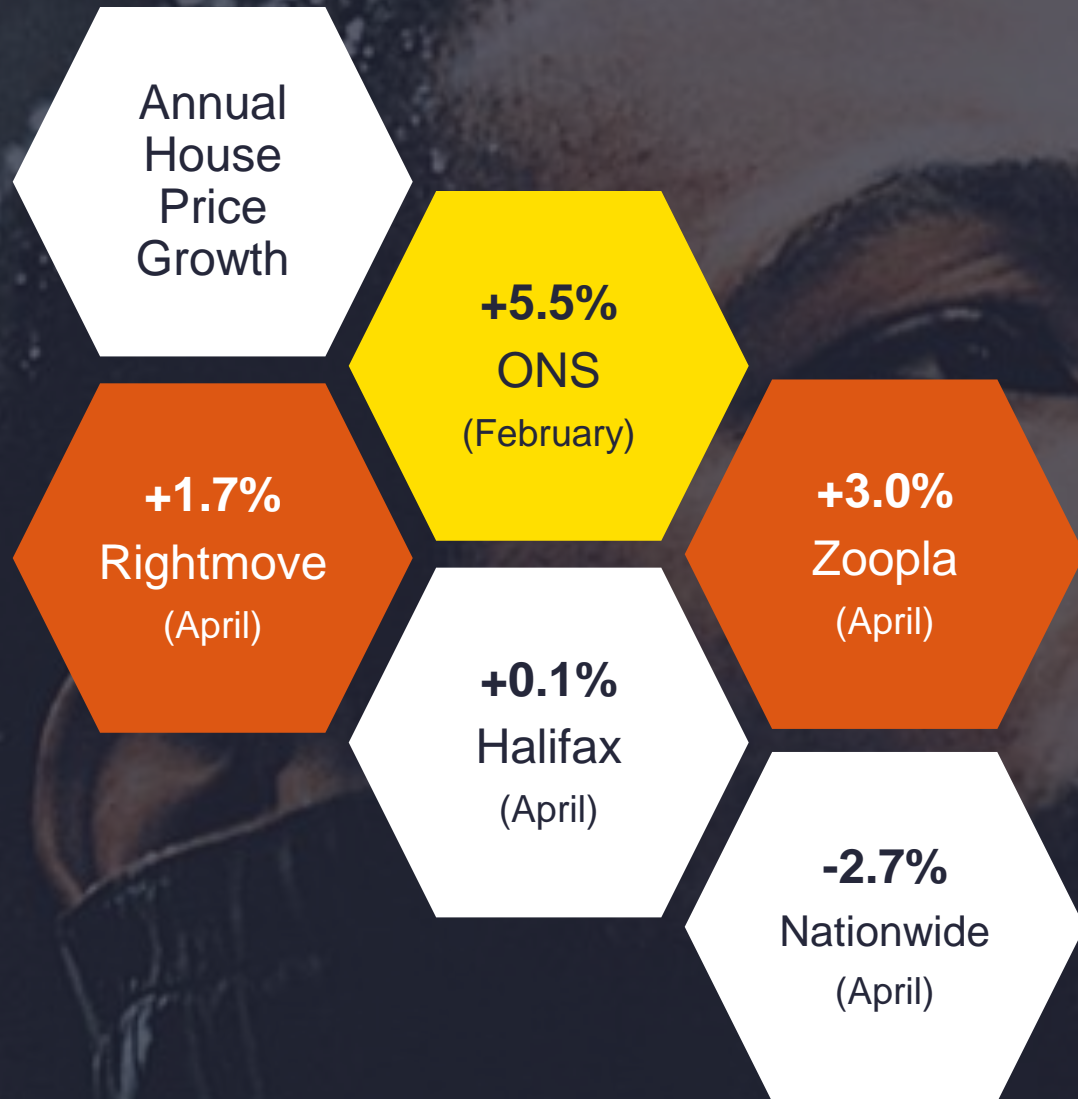
It’s not going to work for growth and won’t deliver what our country needs.”



"I spent a lot of the time over the summer talking to our members and councillors about our planning system and their views on it.

What I heard, consistently, was what they didn't want was a nationally imposed, top-down set of targets imposed telling them what to do.“

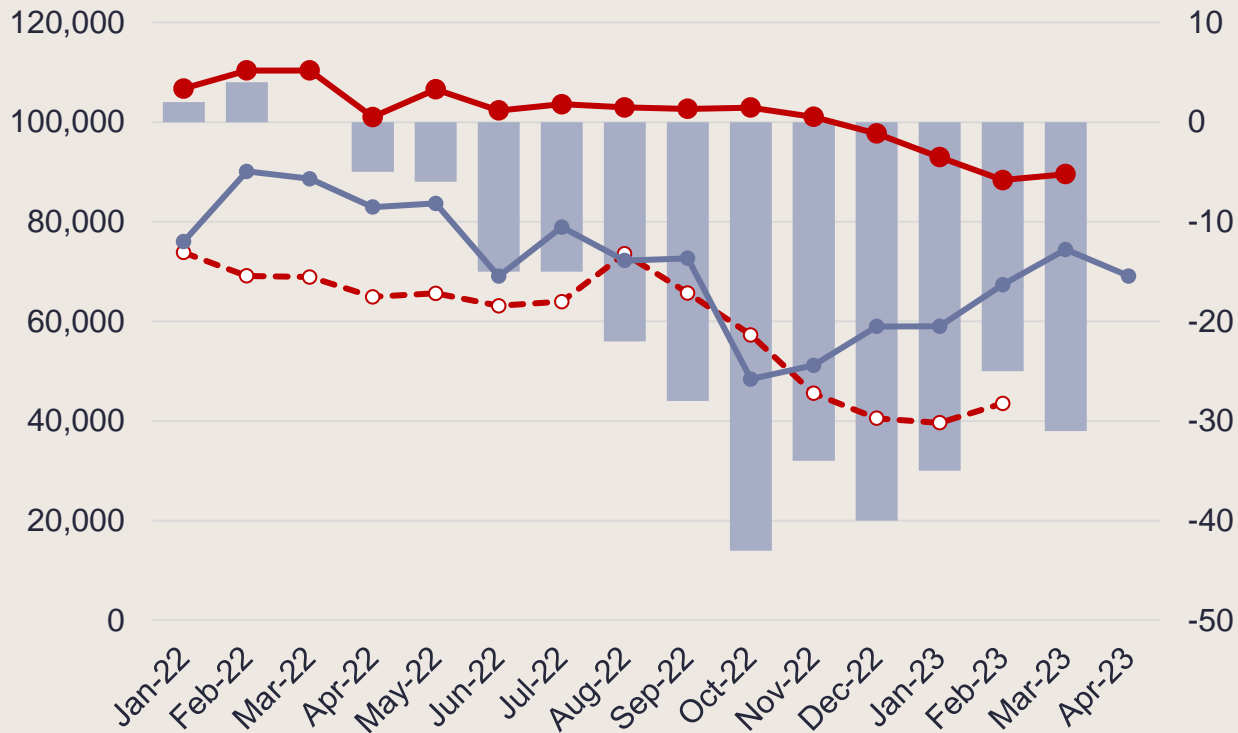
What's really going on with house prices?



What we know about completed activity in the mainstream

Seasonally adjusted measures

- Net Balance on Agreed Sales (RICS)
- Completed transactions (HMRC)
- Mortgage Approvals for Purchase (BoE)
- Net agreed Sales (20CI)



Mortgage completions in February 2023

First Time Buyers

- 22% below 2022
- 11% pre pandemic average

Mortgaged Home Movers

- 22% below 2022
- 23% pre pandemic average

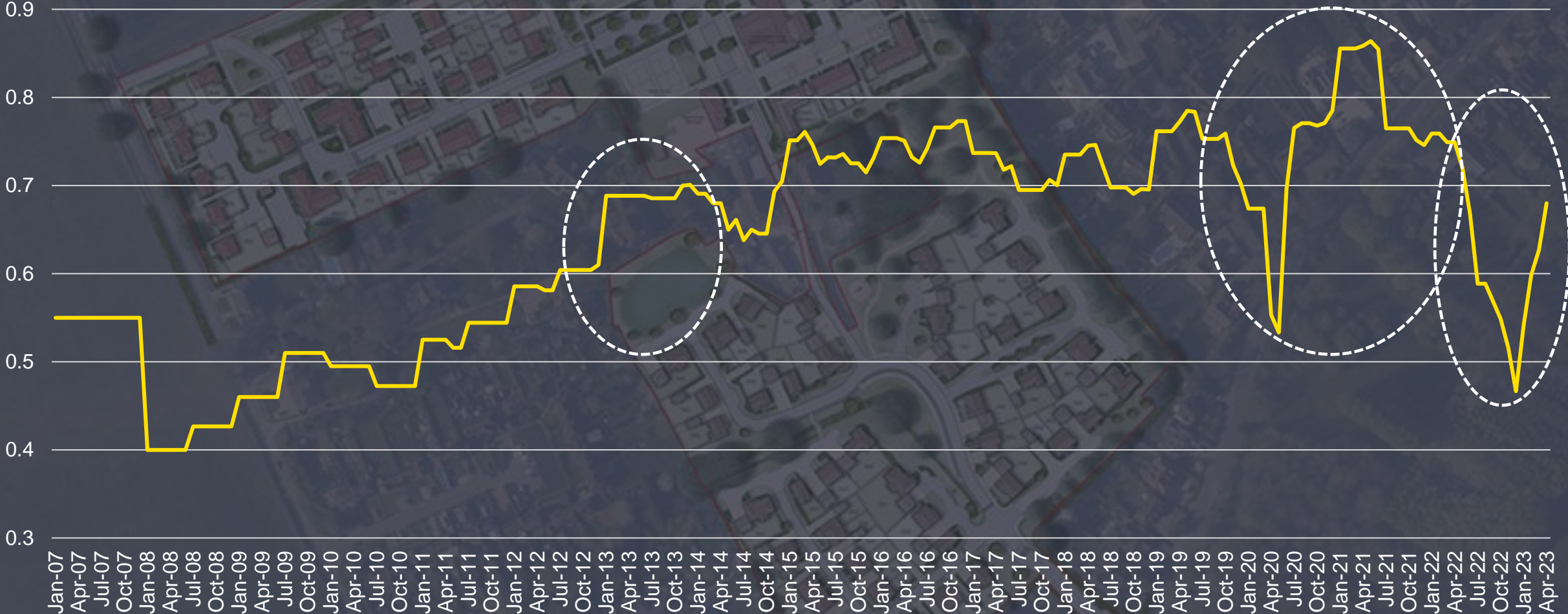
Mortgaged Buy to Let

- 47% below 2022
- 27% pre pandemic average

Housebuilders again at the sharp end of changing market conditions



Average Sales Rate per Outlet per Week of Major Listed Housebuilders



It could have been a lot worse

Monthly cost of a £225,000
75% LTV, 5-year fixed-rate, 25-year
capital repayment mortgage

£919 @ 1.23% in Jan-2022

£1,413 @ 5.61% in Oct-2022

£1,235 @ 4.27% in Mar 2023

£1,120 on a 30-year term

£891 if you temporarily go interest only
on a 2-year fix @ 4.75%



There is definitely upside on our November forecasts (prices and transactions)

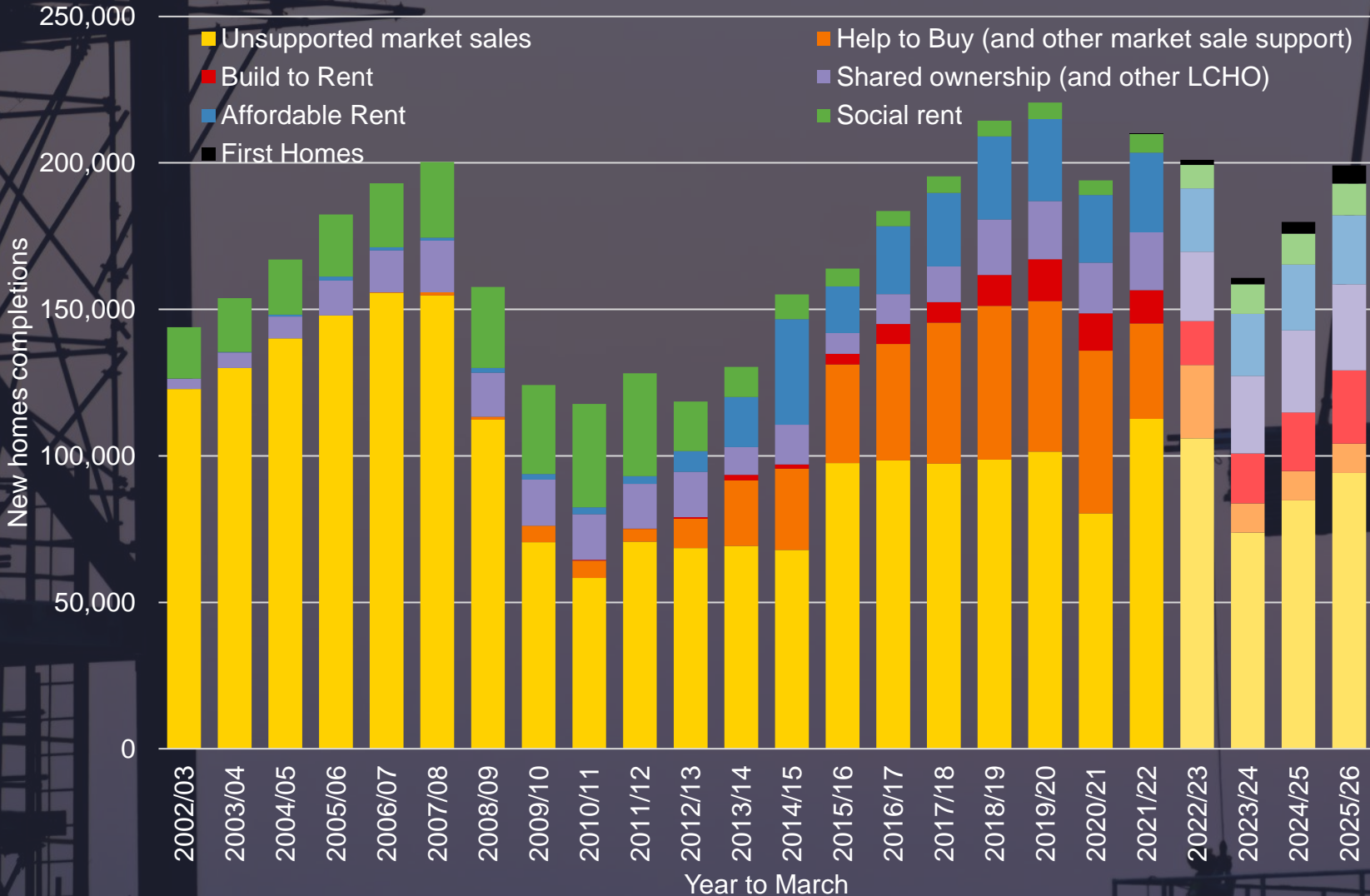
But there are still plenty of market headwinds.....

.....which together with the political backdrop means the period of purgatory isn't over yet

The risk of a short-term planning policy void remains

But housing is going to rise up the agenda as we approach the general election

What does this mean for housing delivery?



2021-22
210k homes



2023-24
170k homes



Major housebuilders

Land availability challenge

Sales more positive than expected



SME housebuilders

Build costs and rising cost of debt is a major obstacle



Housing Associations

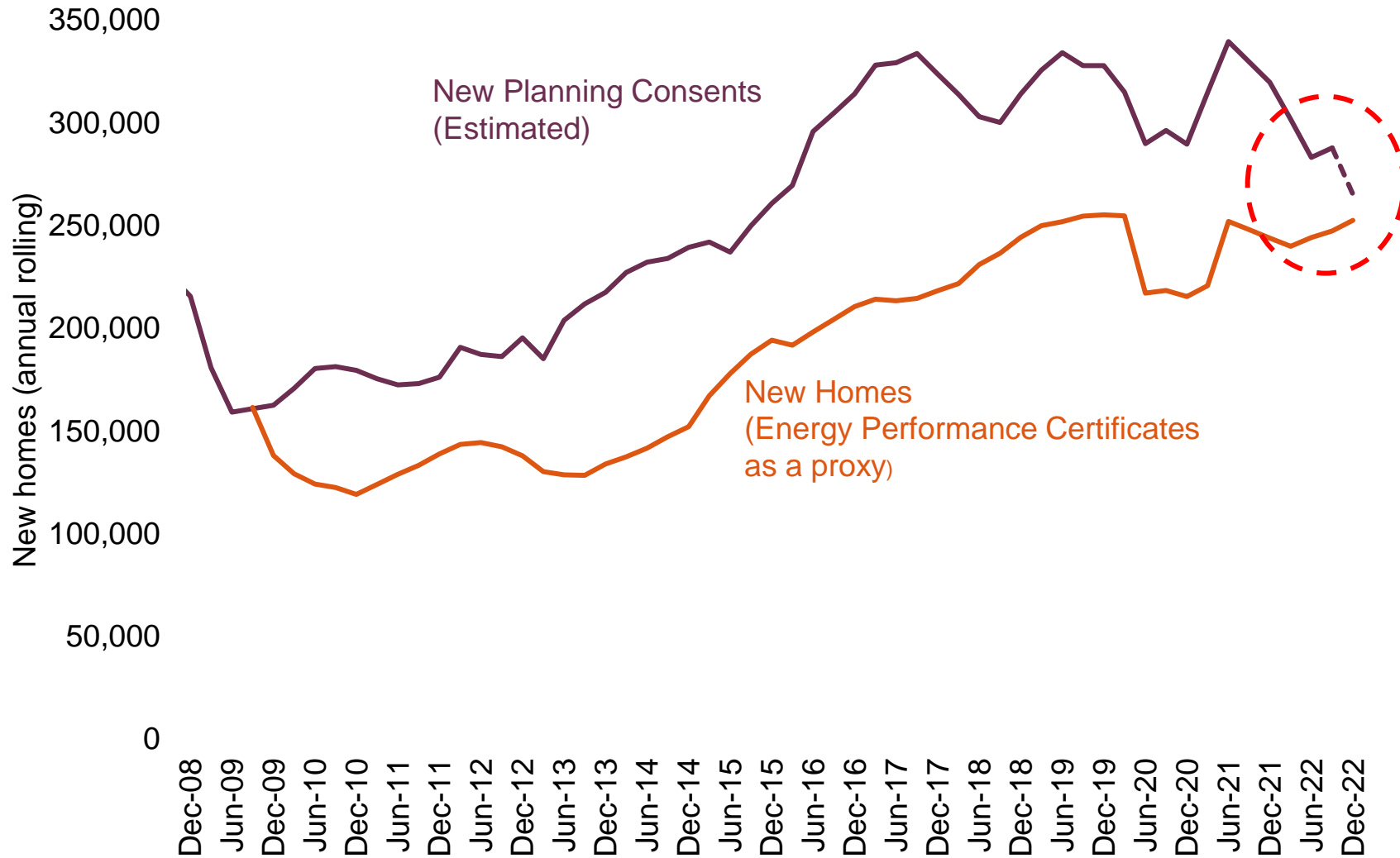
Strong grant program but challenges with existing stock



Build to Rent

Cautious recovery in funding of new delivery

The gap between housing completions and planning consents is increasingly closing

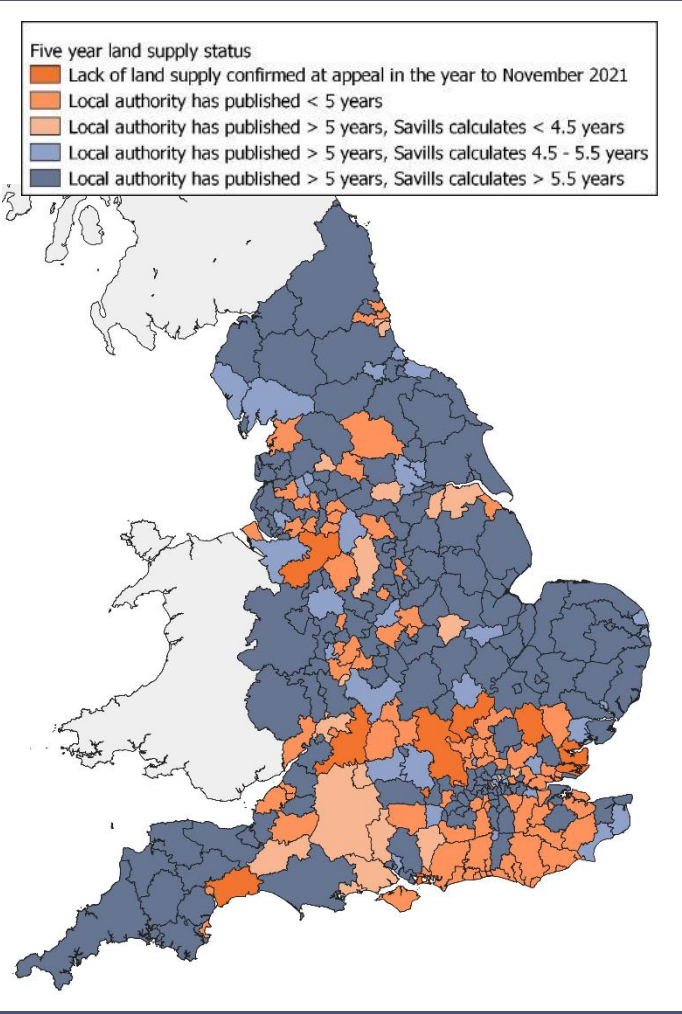


252,500 homes completed in the last 12 months

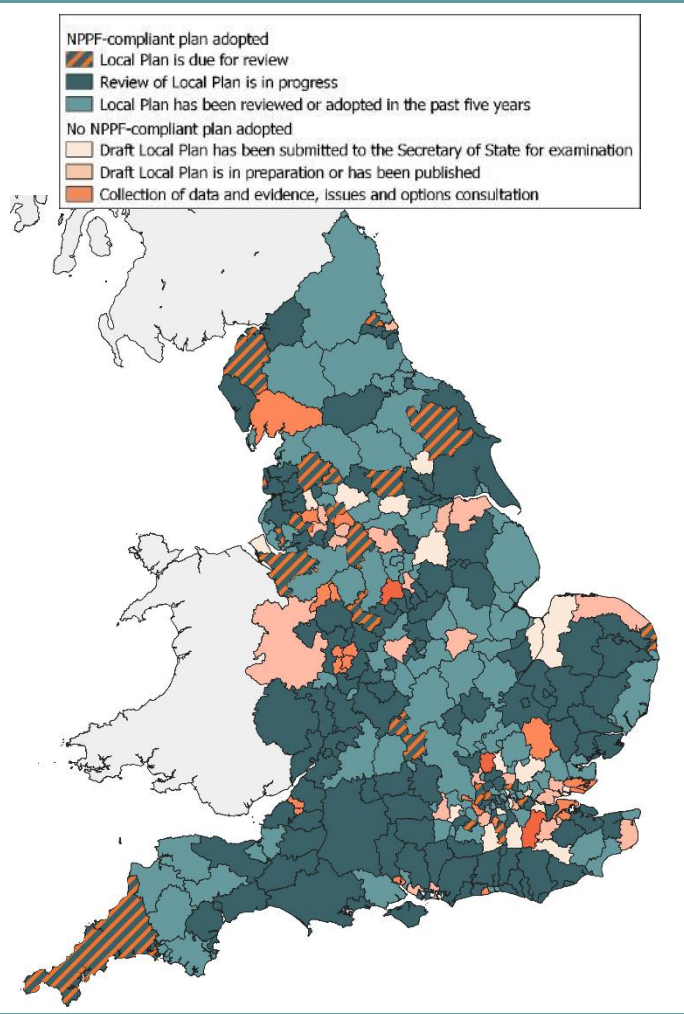
265,000 homes granted consent in 2022

“The worst ever” planning environment?

5-year land supply



Local Plan Status



116 LPAs don't have a 5 year housing land supply

66 LPAs meeting less than 75% of need

10% fall in the number of consents granted since 2021

Reform: Setting lower requirements...

Standard Method is an “*advisory starting point*”

5 year housing land supply no longer required for up to date plans

Green Belt boundaries “*are not required to be reviewed*”

Duty to Co-operate is removed

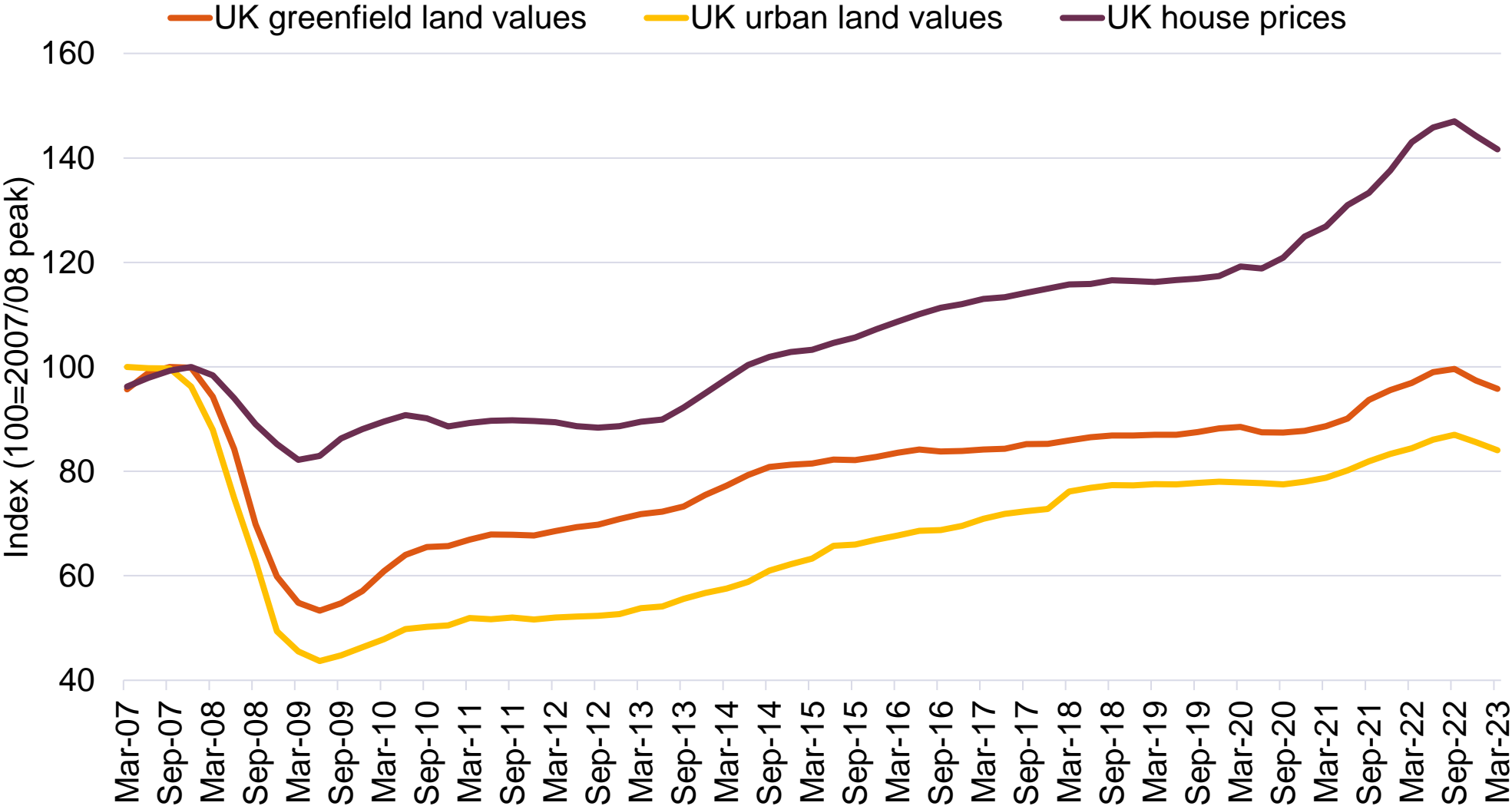
...and making it harder to challenge plans

Removal of
buffers in HDT

Adjustment for
“oversupply”

Limiting the
presumption in
favour of
sustainable
development

Land market is adjusting, but supply shortages limit falls



Annual change to March 2023

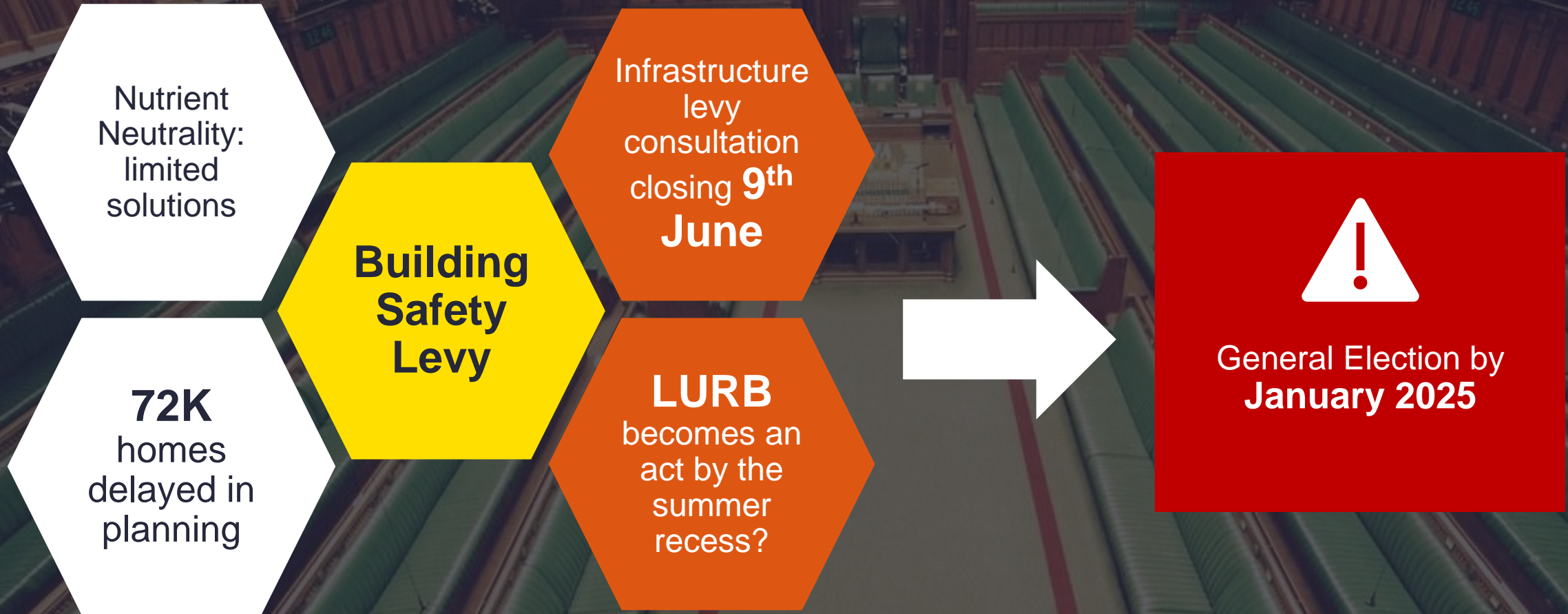
-1.0%

-1.2%

-0.5%

Source: Savills, Nationwide

Matters still outstanding...



Slowing market, but some reasons for optimism

Affordability is the main driver

Activity picking up in the development market

Land supply is the major constraint

Little prospect of increased policy clarity before the election?



savills

Thank you