

New Homes Pipeline Report

Spring 2022



Welcome to Zoopla's new homes outlook, where we focus on the key market indicators that matter to the new homes industry.

Executive summary

- Work commenced on 112,000 private plots in the 12 months to February, up 45% from the previous year and in line with the pre-pandemic average of 2017-19.
- Private starts have been focused on the South and North of England, with each region growing their share of starts by 5% and 2% on the year.
- Private home completions have not bounced back in the same way, with the number of private homes completed over the last 12 months 14% below the 2017-19 average.
- As forecast by Zoopla, buyer demand and sales activity have remained strong following the end of the stamp duty holiday in England. Our data shows that the reassessment of the home still has some way to run, with demand and sales both running well above the 5-year average at 70% and 26%, respectively.
- A recent Zoopla survey of 600 first-time buyers found that 60% of respondents said that Help to Buy was either 'quite' or 'very important' in terms of their ability to buy a new build home.

Housebuilder pipeline summary

Using Zoopla's market-leading analysis, along with Government and [NHBC data](#), our housebuilder pipeline summary captures data from planning decisions right through to sale volumes nationally, to provide an at-a-glance picture of the market.

	Current	12 months ago	12 month change	3 year avg	3 year trend	Coverage	Data to
Planning							
Major decisions applications	6,025	6,292	-4.2%	7,921	↓	Eng	Sep-21
Major decisions granted	5,144	5,280	-2.6%	6,443	↓	Eng	Sep-21
Starts							
Private	111,597	77,086	44.8%	100,595	↑	UK	Feb-22
Affordable + LA	40,185	36,902	8.9%	41,334	—	UK	Feb-22
TOTAL	151,782	113,988	33.2%	141,929	↑	UK	Feb-22
Under Construction							
Private and affordable	194,983	181,214	7.6%	187,228	—	UK	Feb-22
Completions							
Private	97,506	82,806	17.8%	99,507	—	UK	Feb-22
Affordable + LA	40,507	32,530	24.5%	38,727	—	UK	Feb-22
TOTAL	138,013	115,336	19.7%	138,234	—	UK	Feb-22
Sales							
Residential transactions	1.48m	1.05m	41.0%	1.19m	↑	UK	Jan-22

All values are reported as 12 month rolling totals

Sources: NHBC, DHLUC, HMRC, Zoopla Research

-3.9% —
Change in quarter
Sept 2021

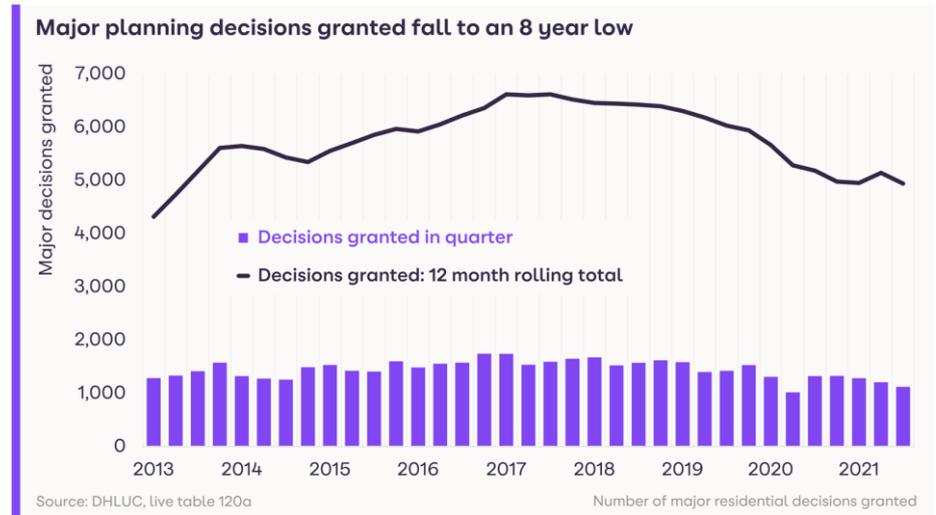
-2.6% —
Annual change
Sept 2021

-21.4% ↓
Sept 2021 relative to
2017-19 average

1. Planning

The pipeline of planning approvals for major residential sites across England has fallen to the lowest level since 2013. The data shows that despite a small rebound in Q2 2021, the number of decisions granted has fallen back again.

It is worth noting that despite this downward trend in major planning consents, the pipeline of plots planned remains broadly unchanged. This points towards developers bringing larger, strategic sites to market to maintain output as slower planning decisions and nutrient neutrality contribute to a shortage of available sites.



+0.9% —
Change in quarter
Feb 2022

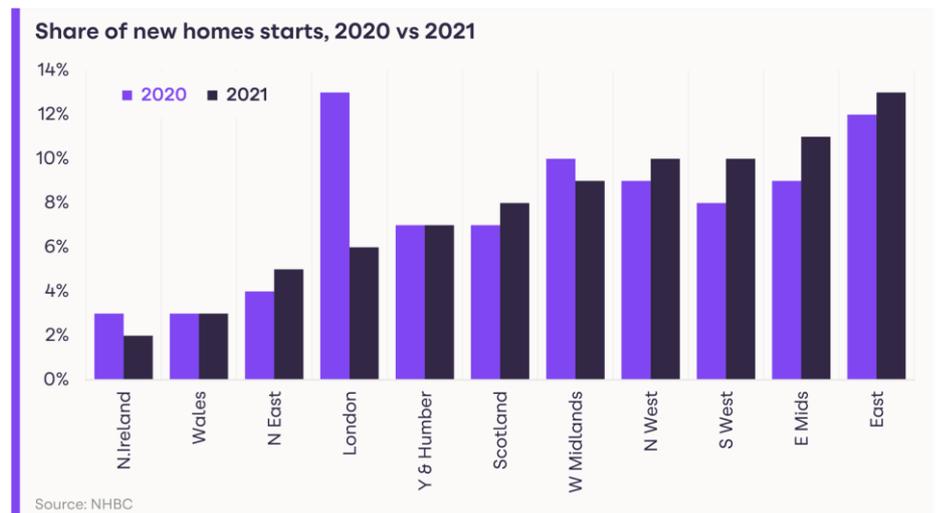
+44.8% ↑
Annual change
Feb 2022

-0.0% —
Feb 2022 relative to
2017-19 average

2. Housing starts

Private housing starts rose by 44.8% over the 12 months to February 2022 as the market recovered to 2017-19 levels.

While the volume of starts has recovered, the distribution of where homes are built has changed. London's share of new home starts fell by half to 6% in 2021 compared to 2020 (13%), with the regions in North and South of England growing their share of homes by 5% (40%) and 2% (22%), respectively.



+0.4%
Change in quarter
Feb 2022

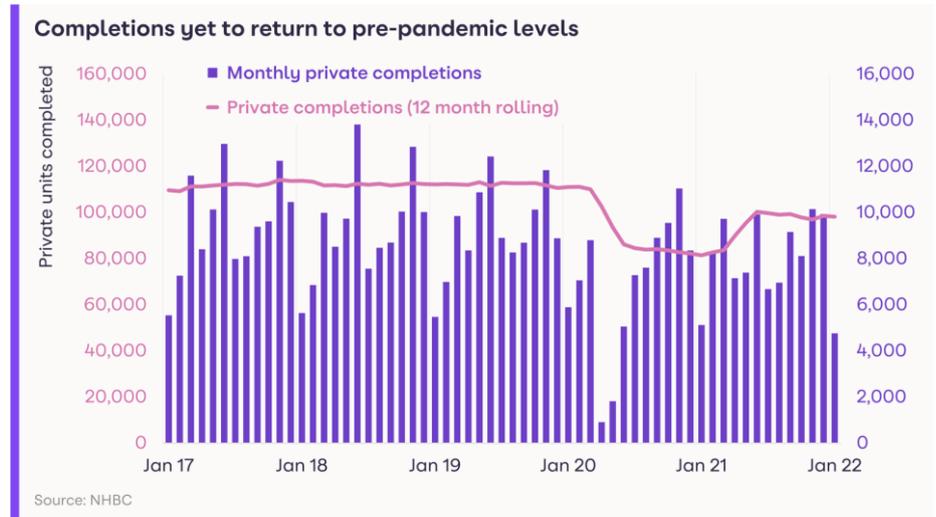
+17.8%
Annual change
Feb 2022

-13.8%
Feb 2022 relative to
2017-19 average

3. Completions

Completions for private plots has stabilised at just below 100,000 per annum, but delivery stands at 13.8% below the 2017-19 annual average of 112,300. This shows that the impact of COVID-19 on the housing industry still has some way to run as the pipeline of homes continue to work their way through the system.

Over the last 12 months, the South East and East of England accounted for almost a quarter of all affordable and private completions. London registered a 10.6% share for the same period, with most of these completions in outer London.



-1.2%
Change in quarter
Feb 2022

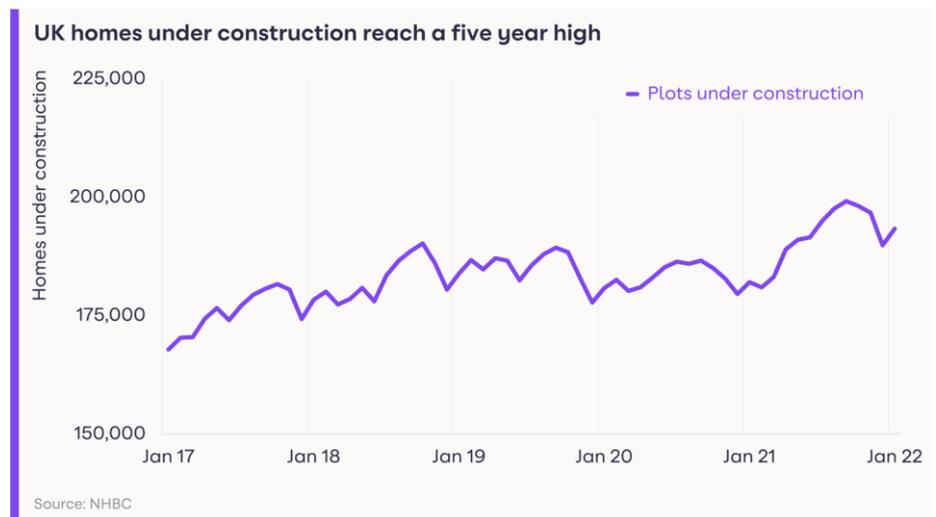
+7.6%
Annual change
Feb 2022

+7.7%
Feb 2022 relative to
2017-19 average

4. Homes under construction

The pipeline of affordable and private homes under construction has built steadily over 2021 and currently stands at 195,000, an increase of 7.6% against the previous year as a combination of COVID-19 delays and supply chain shortages took their toll on the sector.

As such, we expect to see some erosion in the pipeline of homes under construction in the first half of the year as those completions delayed by external forces make their way to market.

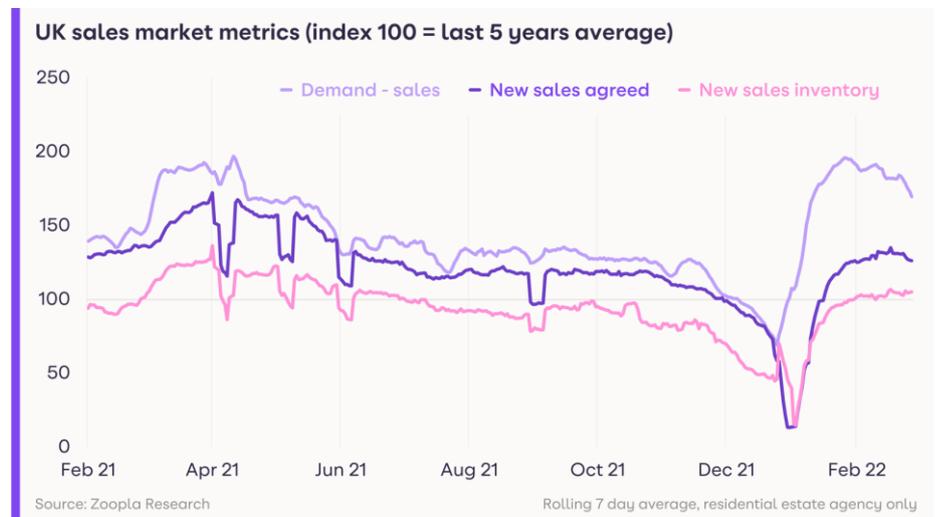


5. Zoopla leading edge analysis

High buyer demand coupled with strong forward sales has squeezed levels of available supply for sale.

However, there is now some sign of a ‘correction’ in the level of new supply coming to the wider resale market which could see stock levels start to recover over the course of the year.

Sales agreed for resale property are also tracking 26% ahead of the five-year average, signalling that even with lower stock levels, the number of committed buyers and sellers is enabling sales activity to progress and maintain pricing levels across the housing market.



-1.9% ▬

Change in quarter
Jan 2022

+42.2% ↑

Annual change
Jan 2022

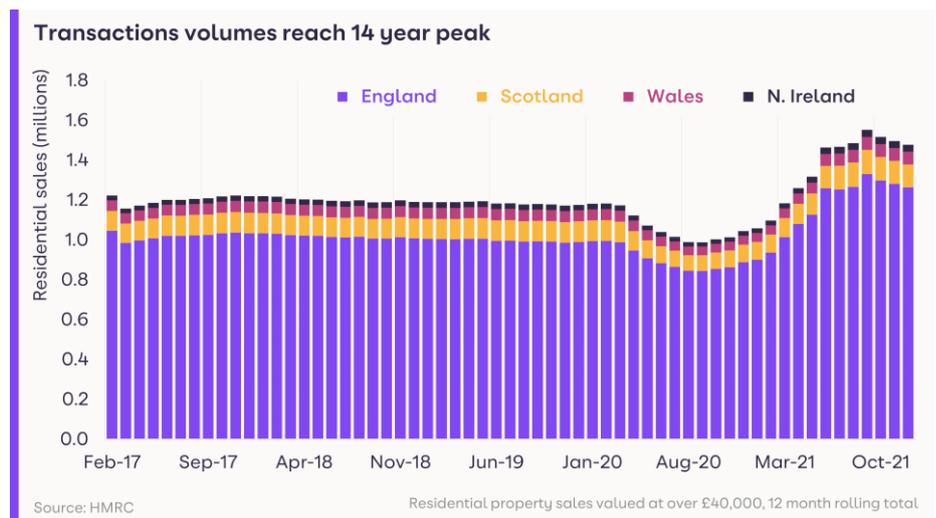
+20.1% ↑

Jan 2022 relative to
2017-19 average

7. Sales volumes

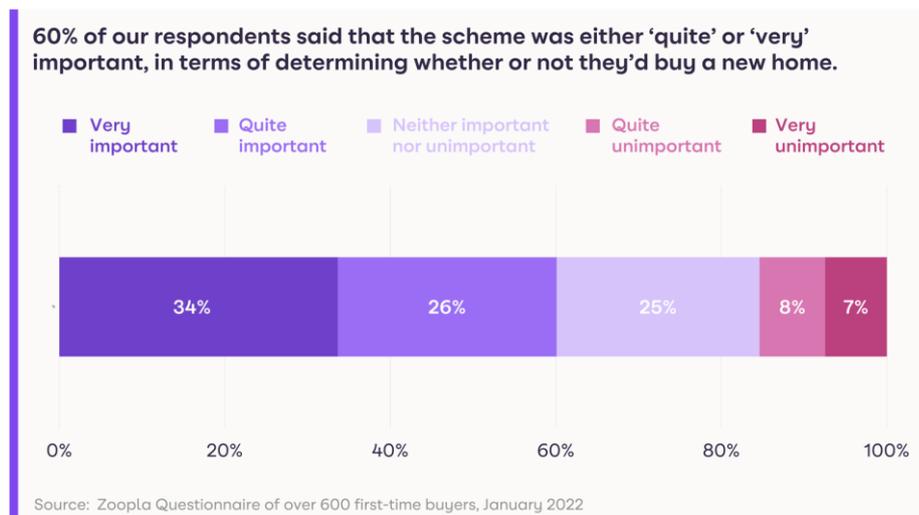
As we anticipated in our 2022 Housing Outlook report in November, annual transactions for all residential property ended the year at just under 1.5 million sales, the highest since 2007.

As we can see in the previous chart, the number of homes sold subject to contract is still running at 26% above the five-year average, suggesting that strong buyer demand will continue to drive sales in the first half of 2022.



8. Help to Buy

A recent Zoopla survey of 600 first-time buyers highlighted Help to Buy is still a big pull for first-time buyers, with 60% saying the scheme was either ‘quite’ or ‘very important’ in terms of their ability to buy a new build home.



This shows the importance of the scheme in getting first-time buyers on to the housing ladder, especially for those on lower incomes and/or in markets in the South and London where mortgage lending thresholds can be prohibitive without a sizeable deposit.

As the scheme enters it’s last 12 months, a raft of alternative initiatives are waiting the wings to support buyers into homeownership. This includes mortgage indemnity solutions, such as the HBF’s Deposit Unlock and the government-backed mortgage guarantee scheme, plus the introduction of First Homes and the continuation of the affordable housing programme to 2026.

In addition, the Bank of England is moving to relax its mortgage affordability criteria from 2023, which requires lenders to ensure prospective borrowers can still afford repayments should interest rates increase. This relaxation in regulations could see a rise in demand amongst first-time buyers; Bank figures suggest that 6% of renters hoping to buy are held back by affordability checks.

While there will be routes to market for first-time buyers without access to a deposit, it will not be at the same scale as the c45,000 sales per annum that Help to Buy has delivered in recent years.

There will likely impact first-time buyer demand later in the year and could lead to a reassessment of the unit mix on sites with more one or two bed homes built to meet the price point of buyers no longer able to rely on the equity loan.

9. Policy

The government has made some progress around housing policy, specifically fire safety and levelling up, but planning white paper continues to drag as the Department for Levelling Up, Housing and Communities reconciles the demands of 'red wall' MPs with delivering a meaningful and sustained pipeline of homes to support the levelling up programme.

Meanwhile, the industry awaits the conclusion of the Government's consultation on Biodiversity net gain (BNG) legislation in April. Forming part of the Environment Act 2021, BNG legally requires, along with other measures, that developments across England deliver a minimum 10% biodiversity net gain for a minimum period of at least 30 years.

However, the steps taken on climate and biodiversity will only have a positive impact on the 'green' credentials of the development industry, the residents of all new developments, and the environment in the long term.

(Cont...)

Outlook

The last six months has demonstrated the wider housing market's resilience, with strong buyer demand even amid rising economic headwinds.

As we move into Q2 and beyond, concerns around the rising cost of living and the impact on mortgage rates amid wider global uncertainty, will potentially dent some buyers' willingness or ability to move.

In the UK development landscape, the number of starts and plots under construction has returned to pre-pandemic levels. However, there is still a significant gap in construction output, with completions 13.8% below the 2017-19 long-run average. We expect to see construction output improve over the next six months as the delays caused by COVID-19 and supply chain disruptions continue to unwind.

As we move into the final year of Help to Buy in England and Wales, a number of alternate buying schemes backed by the industry, government and lenders have entered the market. While these initiatives will support some buyers into homeownership, those on lower incomes could see their buying options limited as they struggle to meet the income multiplier component of lenders' affordability tests.

Housebuilders could mitigate some of this risk to sales and buyer demand by re-assessing the mix of developments towards two and three-bed homes to continue as an essential route into homeownership for first-time buyers.

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