

# The geography of delivery

Distribution of new homes  
in London

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Kinleigh Folkard & Hayward

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COMPLETELY LONDON



Delivering new homes for London remains high on the political agenda but the challenges are mounting.

Re-inventing London

East London's loss, sustained over decades after the closure of the docks, has, finally, proved to be Greater London's gain. While opportunities to develop at scale in other parts of London have been scant, East London has provided vast tracts of under-utilised land. Investment in new transport infrastructure, the maturing of Canary Wharf and the success of the 2012 Olympics, cemented a new future for East London. The next challenge is to weave small-scale urban fabric between the large projects and to build communities.

Similarly, in South East London, estate and dockyard regeneration, together with former industrial sites are providing opportunities as more established housing markets run dry. Typically those near to the river, close to tube stations and adjacent to more affluent areas are the first to be developed.

London delivery significantly up in 2017/18

The number of units completed in Greater London in the year to Q1 2018, was almost a third higher than the previous 12 months. In South East London, 7,770 new homes were added to stock, up by 15% on the previous year, although the greatest percentage increase was in Central London, where 2,070 new home completions represented an increase of over 200%.

Achieving scale

The greatest potential remains in the East and the South East. Of the 1,505 schemes in London's pipeline in July 2018, 25% were located in East London and 20% in the South East. And schemes were much larger. The average scheme size in the East is 226 units and 203 units in the South East, compared with 89 in Central and 174 in the South West.

Larger scheme size means that the East and South East's share of unit delivery is even higher, accounting for 31% and 22% respectively of all units in the pipeline in July 2018. That is a potential of over 145,000 new homes, from a total across London of 277,545.

Construction activity has been increasing until now – there are 27,548 new homes under construction, 36% more than just one year ago. But the rate of new applications is trending downwards and the number of units at application stage has fallen by 18%, suggesting that confidence and activity are ebbing. Nevertheless, East London still has 28% of all the units at the application stage with a further 27% located in the South East.

Small but precious

In Central London, there are signs of renewed interest from developers, with a 127% increase in units at application stage, albeit a much smaller total of 2,623.

31%

of units in the **planning pipeline** are in **East London**

Source: dataloft/LRR (July 2018)

“More, better, faster”

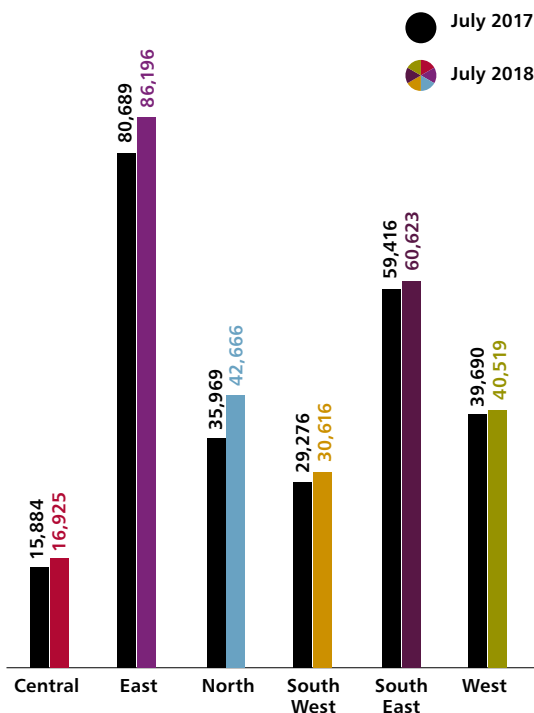
PM's mandate to the new Housing Minister, Kit Malthouse

142

the average number of **units** in a scheme at **application stage** across London

Source: dataloft/LRR (July 2018)

Total pipeline units dominated by East and South East London



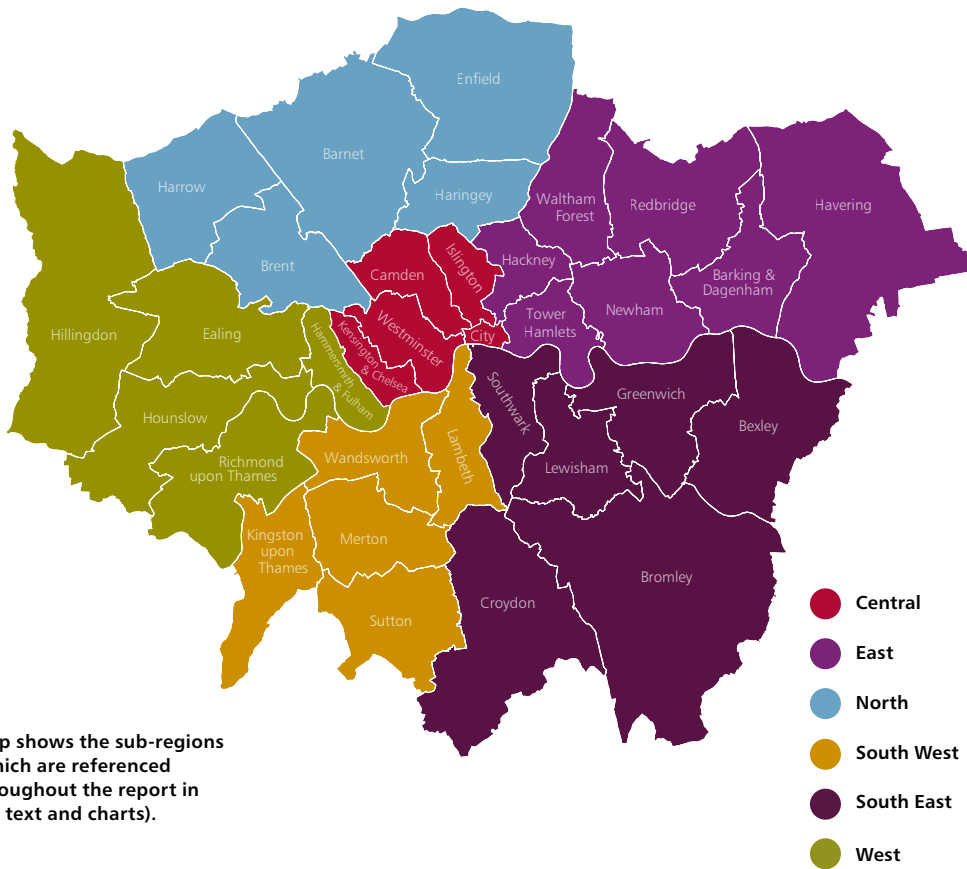
Source: dataloft using LRR

Letwin Review Phase 1, June 2018 KEY FINDINGS

- 1 Land banking is a myth
- 2 Developments need more house type variety
- 3 On-the-job training must address skill shortages
- 4 Slow infrastructure delivery causes delays in housing delivery

# London: the sub-regional geography of delivery

East London has provided most of the opportunities for housing delivery in recent years.



Map shows the sub-regions (which are referenced throughout the report in the text and charts).

### What's the hold-up?

Blame for the failure to meet national house-building targets (300,000 per annum) has variously fallen upon land-banking developers, selfish NIMBYs, a cumbersome planning system and under-resourced local authorities. The Letwin Review, commissioned to investigate the causes, published its first findings in June. It concluded that land banking could not be held responsible but criticised slow build-out rates on large schemes, suggesting that schemes need much more variety of design, size and tenure.

Research from Lichfields examined the interplay between planning officers and the planning committee. It analysed 309 residential schemes (50 units +) that were appealed. 78 (a quarter) had been recommended for approval by officers but refused by elected councillors. Two thirds of refusals were subsequently allowed on appeal – unlocking potential for over 6,000 homes. With severe pressure in the planning system, it is vital that councillors and officers work in harmony.

Typically, decisions on major schemes are made within 13 weeks, if it goes to appeal, it is 19 months. Appeals are an important check on the system but clearly open to abuse.

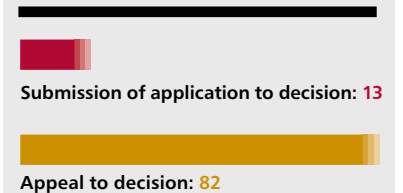
## London's development pipeline

Year to end Q1 2018\* | Annual change

	Completions	Starts	Applications*
Central	2,070   218%	720   -36%	2,623   127%
East	5,530   16%	6,710   59%	5,728   29%
North	3,730   49%	2,290   -26%	9,901   -20%
South West	1,850   24%	1,850   13%	9,409   40%
South East	7,770   15%	3,630   -5%	1,825   -41%
West	2,900   46%	2,920   59%	5,272   65%

### Planning decisions on major schemes

50+ residential units **Weeks**



Source: dataLoft/Lichfields

Source: dataLoft using MHCLG Year to end Q1 2018. \* LRR Applications July 2018. All % refer to annual change

The pace of new housebuilding fluctuates with changing market conditions and in response to policy interventions at a national and local government level.

## Help to Buy boosts first-time buyers

Almost 170,000 buyers have used the Help to Buy equity loan scheme in the last five years, borrowing £8.9 billion on sales of over £42 billion. Take-up has grown by 21% in the last year (compared with the previous 12-month period) and first-time buyers accounted for 81% of equity loans.

In Q1 2018 more than half of new build sales used Help to Buy. Unsurprising then that housebuilders had been pressurising the government to clarify the future of the scheme. The Autumn Budget announcement that the scheme would be extended until 2023 for first-time buyers has provided some reassurance.

In London, 12,200 loans have been issued over the life of the scheme, including over a thousand new home purchases in the last three quarters. When the Help to Buy scheme launched, only 4% of equity loans were in London, but by Q1 2018, the number had risen to 11% (27% by value). There were three sub-regions that had close to a quarter of all loans: East (27%), West (23%) and South East (22%).

# 27%

of value of **Help to Buy loans London based**

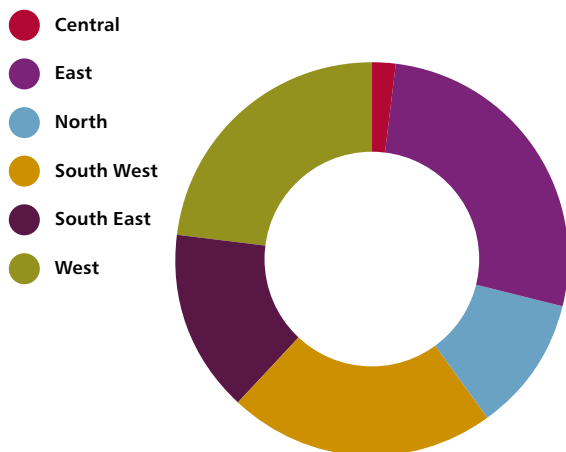
Source: **dataloft**/MHCLG

# £1.76m

evidence of **high end sale prices** achieved on new build sales (average achieved price in the GPE Rathbone Square development)

Source: **dataloft**/Land Registry

## London Help to Buy Equity loans: Q118



Source: **dataloft**/MHCLG

## Prime new builds rediscover their mojo in PCL

In prime central London there has been a surprisingly robust demand for high-end new build properties, reflected in average sale values. For the 12 months ending August 2018, the average new build price in PCL was £2.3m, compared with an average for resale properties of £1.4m. Average new build prices have been boosted by the completion of luxury developments such as Rathbone Square (Great Portland Estates), where the average price achieved was £1.76m.

# 48%

**growth over 5 years**, calculated on 3 month rolling basis (average London house prices)

Source: **dataloft**/Land Registry

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