

Kinleigh Folkard & Hayward



# Land and New Homes report

Building a new future

Summer 2019



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As the future of London’s housing delivery is scrutinised and Brexit discussions are at a pivotal point, London’s development market remains stoic.

Doubling the numbers

The draft London Plan is currently amid its Examination in Public, before the production of a final report during the summer. ‘London needs something radical’, were the words included in the opening commentary, this plan aiming to virtually double the rate of house building across the Capital to that witnessed over the past decade. Between 2006/2007 and 2016/2017 the number of new homes across the Capital rose by just over 280,000, the equivalent of 8%.

The Mayor’s Vision for London is a target of 649,350 new homes by 2028/2029, equivalent to growth of 15.6%. Of this target, 38% is designated to be delivered through sites comprising 25 units or less.

Brexit, bureaucracy and building

There are signs of renewed activity across London’s planning pipeline this year, although land values in the Capital are feeling the combined pinch of Brexit uncertainty, patchy house price growth and increased build costs. Of London’s 36 planning authorities, three quarters deal with over 85% of major applications within the statutory 13-week period. In four planning authorities the figure is 100% (MHCLG, 2019).

In the Capital, the number of schemes within the planning pipeline seeking to deliver 20+ units are up 18% at the start of 2019 compared to the start of 2017, while the number of proposed units has increased by 14%. The proportion of schemes, and units, at application stage has been rising steadily in London since January 2017, with one in five 20+ unit schemes and 15% of units currently at application stage.

Diversifying the product

According to the Letwin Review, it was not just the homogeneity but also the limits on the rate at which the market will absorb such products which are drivers of the slow rate of build out across the market. At a time where affordability issues are significant it is unsurprising that diversifying the product may well prove beneficial to both developers and local planning authorities.

Close to one in four new units planned across outer London is currently at application stage, the figure for inner London one in six, offering a significant opportunity to mould the way the future homes of London are delivered.

The announcement by the City of Westminster to cap the size of new build homes at 150 sqm (1,615 sq ft), 50 sqm more than the current average sized private home in the borough, and to insist on a 35% affordable homes provision in virtually all applications is a clear case in point.

649,350

New homes target across the Capital by 2028/29

Source: GLA New London Plan

20%

All schemes across London’s planning pipeline currently at **application stage**, up from **13%** two years ago

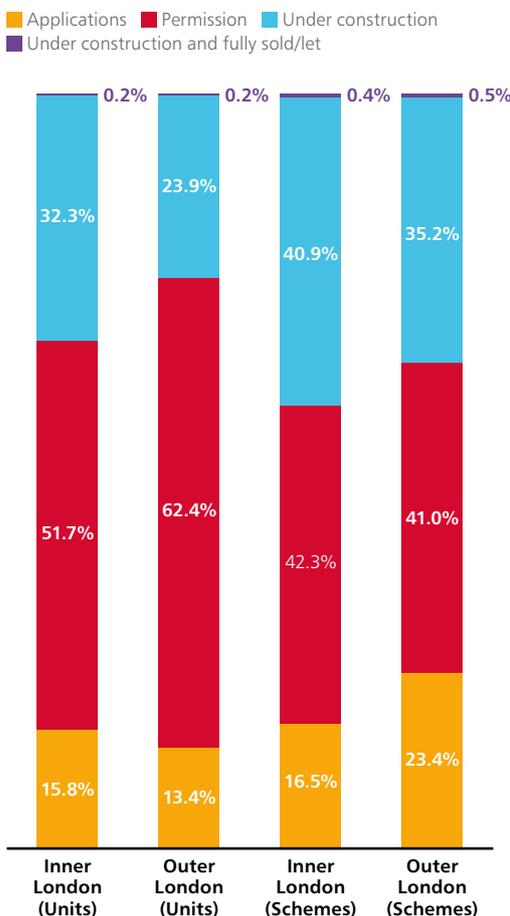
Source: dataloft, EGI, January 2019

541

Tall towers currently in the planning pipeline across London

Source: New London Architecture, 2019, +20 storeys

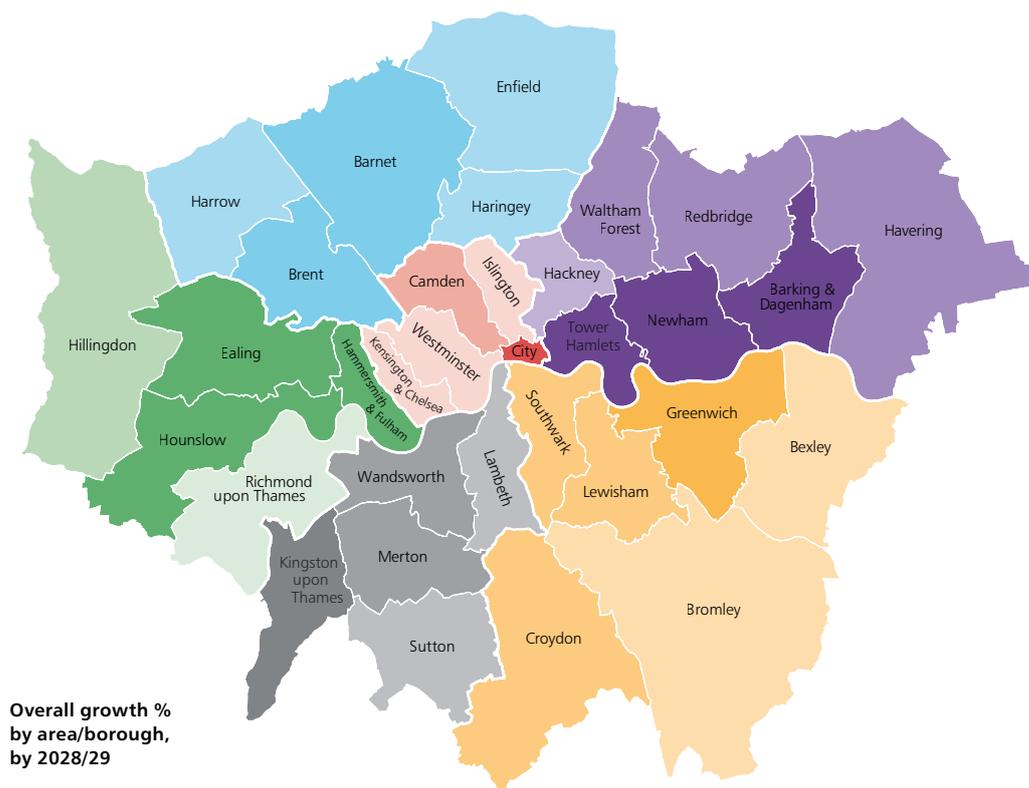
London’s planning pipeline



Source: dataloft, EGI

# Where will London's new homes be located?

Strategic Housing Growth by borough – East and North West London set for largest housing gains.



## Standing Tall – Building a new future

London is set for a decade of building and change if the Mayor's ambition outlined in the London Plan is to be achieved. Traditionally renowned as a low-rise capital, the London skyline is set to look quite different a decade from now as the provision of tall towers increasingly dominate developments.

The latest New London Architecture Tall Building Survey notes there are currently over 540 tall buildings (+20 storeys in height) within the Capital's planning pipeline, of which 90% include residential use. Such buildings could provide over 110,000 new homes, 17% of the Mayor's total, or the equivalent of one in every six new homes. Over 120 are currently under construction, with 75 due to complete in 2019 and nearly 300 others with permission. While the majority (62%) are 20-29 storeys, towers up to 60 storeys will create new iconic structures across the capital, especially in the City and East London, where dwelling stock is expected to increase by a quarter on current levels over the next decade.

## London's current housing stock – the current reliance on the private sector

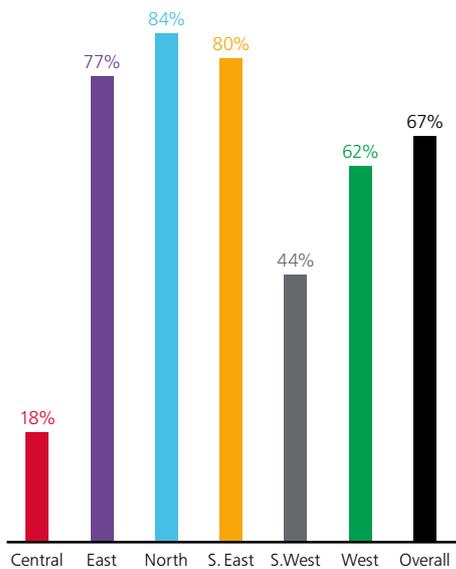
	Central	East	North	South East	South West	West	Overall London
Private Sector	71%	74%	83%	75%	79%	80%	77%
Public Sector	16%	13%	8%	12%	10%	10%	11%
Housing Associations	13%	13%	9%	13%	11%	10%	12%
Housing target by 2028-29	<b>35,050</b>	<b>187,640</b>	<b>113,830</b>	<b>134,930</b>	<b>75,300</b>	<b>102,600</b>	<b>649,350</b>

Source: data1oft, Draft London Plan, MHCLG (2019, housing stock 2017/18)

The number of first-time buyers rose to a three year high across London in 2018, aided by the government's flagship Help to Buy scheme.

Two-thirds of London's new build homes fall within the £600k Help to Buy threshold

% new build <£600k



Source: dataloft, Land Registry, based on sales in 2018

First-time buyers numbers remain buoyant

The number of first-time buyers purchasing across London in 2018 showed a slight uptick on 2017 thanks to improved activity during the second half of the year; the number of mortgage loans issued between July and December, up 15% on January-June<sup>1</sup>. Across London, first-time buyers accounted for 60% of loans for home ownership in 2018. The government backed Help to Buy equity loan scheme which offers up to a 40% loan on a new build property valued up to £600,000, is proving a vehicle of choice for many. One in every nine first-time buyer properties bought across the Capital utilises a Help to Buy equity loan, with the number of loans issued in 2018 up 22% on a year ago<sup>2</sup>.

Affordable new build

Until April 2021 home movers as well as first-time buyers are eligible for the Help to Buy equity loan scheme, the average price of a property purchased under the scheme across the Capital currently £458,914<sup>2</sup>. To purchase such a property with a 40% equity loan would require a deposit of just below, £13,770. In excess of 60% of new build property across outer London and over one quarter (27%) in inner London sold for below £600,000 in 2018, while across North and South East London the figure exceeds four in every five new build properties sold<sup>3</sup>.

Lucky seven

Across London, one in every seven properties sold during 2018 was a new build property, although this masks significant variation across the city. New build property accounted for one in every five property sales across East London, thanks to significant development across Newham and Tower Hamlets, while across South West London the proportion was just one in every ten. Apartments dominate new build sales, accounting for nine in every ten new build properties sold across the Capital during 2018.

<sup>1</sup> UK Finance, data on first-time buyer mortgages across Greater London, published February 2019

<sup>2</sup> MHCLG, data to end of December 2018, published April 2019

<sup>3</sup> dataloft, Land Registry, based on sales in 2018

102

Sales per week across London aided by Help to Buy

Source: dataloft, MHCLG Q1-3 2018

42,800

First-time buyer loans issued across London in 2018

Source: UK Finance (2019)

£13,767

5% deposit required to purchase the average priced new build property using Help to Buy

Source: dataloft, MHCLG

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Date of publication: Summer 2019