

London's new homes landscape

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Small and medium sized developments (SMDs) play a significant role in housing delivery across Greater London. More than two-thirds of schemes in the planning pipeline comprise between 20 and 150 units.

% of schemes that are SMDs

- Westminster 89.6%
- Camden 87.5%
- Merton 86.7%
- Bromley 85.7%
- Hillingdon 83.3%
- Sutton 81.3%
- Kensington & Chelsea 81.0%

Source: EGi/Dataloft (5th January 2017), Boroughs with 80%+ of schemes of 20–150 units in size

Large developers alone are not enough to meet housing targets

Housing delivery has become highly reliant on a small number of big players. This was identified as a cause of 'our broken housing market' in the White Paper published at the beginning of February. Our analysis of Greater London's private housing development pipeline leads us to a similar conclusion: 81% of units in the planning pipeline are in schemes larger than 150 private dwellings.

While there is no doubt that volume housebuilders and developers are key to delivering homes at scale for a city the size of London, there is now a recognition that encouraging small and medium sized developments (SMDs) will be critical if we are to meet London's pressing housing need.

The challenge of meeting housing targets

The Mayor of London set a target for net additional homes in London at 42,000 per annum, as outlined in the London Plan. Further studies have suggested that the real need is at least 49,000* per annum. The number of net additional homes completed in London in the year to March 2016, was 30,390 – falling 28% short of the target. The vast majority of net addition to stock (87%) was new build, (not conversions), and almost all of new build stock (84%) was delivered by the private sector.

The failure to meet the housing target is in spite of private completions in the capital reaching their highest level for a decade at just over 17,000 and, as a region making its largest contribution to national supply since 2009/10, at 15.3%. In order to meet the demand for new housing we need to maximise opportunities on small sites, land inbetween sites, behind sites and make use of other hidden potential.

SMDs already play an important role in some areas of London

In January 2017 there were 214,875 units in London's planning pipeline including applications, permissions and under construction. To put this into context, the average number of private homes completed in London over the last five years has been 12,800 per annum. At that rate, the current pipeline equates to 17 years of housing delivery – the problem is not lack of opportunity, it is in bringing sites into construction.

While large single schemes can deliver at scale, the combined capacity of small and medium sites (SMDs) outweighs large sites in many parts of London. In Bromley for instance, more than 70% of private units in the pipeline are in SMDs, while in Richmond, with its tight planning restrictions, 63% of units are in SMDs.

* The London Strategic Housing Market Assessment (SHMA), 2013

19%

of units in the planning pipeline are in schemes smaller than 150 private dwellings

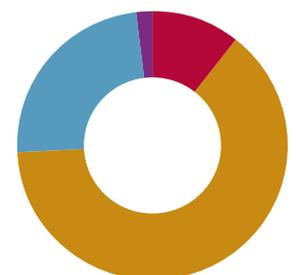
28%

Shortfall of homes completed against target in London in the year to March 2016

Source: GLA

Most units in the London pipeline are at planning permission stage

- 10.8% Application
- 63.4% Permission
- 24% Under construction
- 1.8% Under construction all sold / let

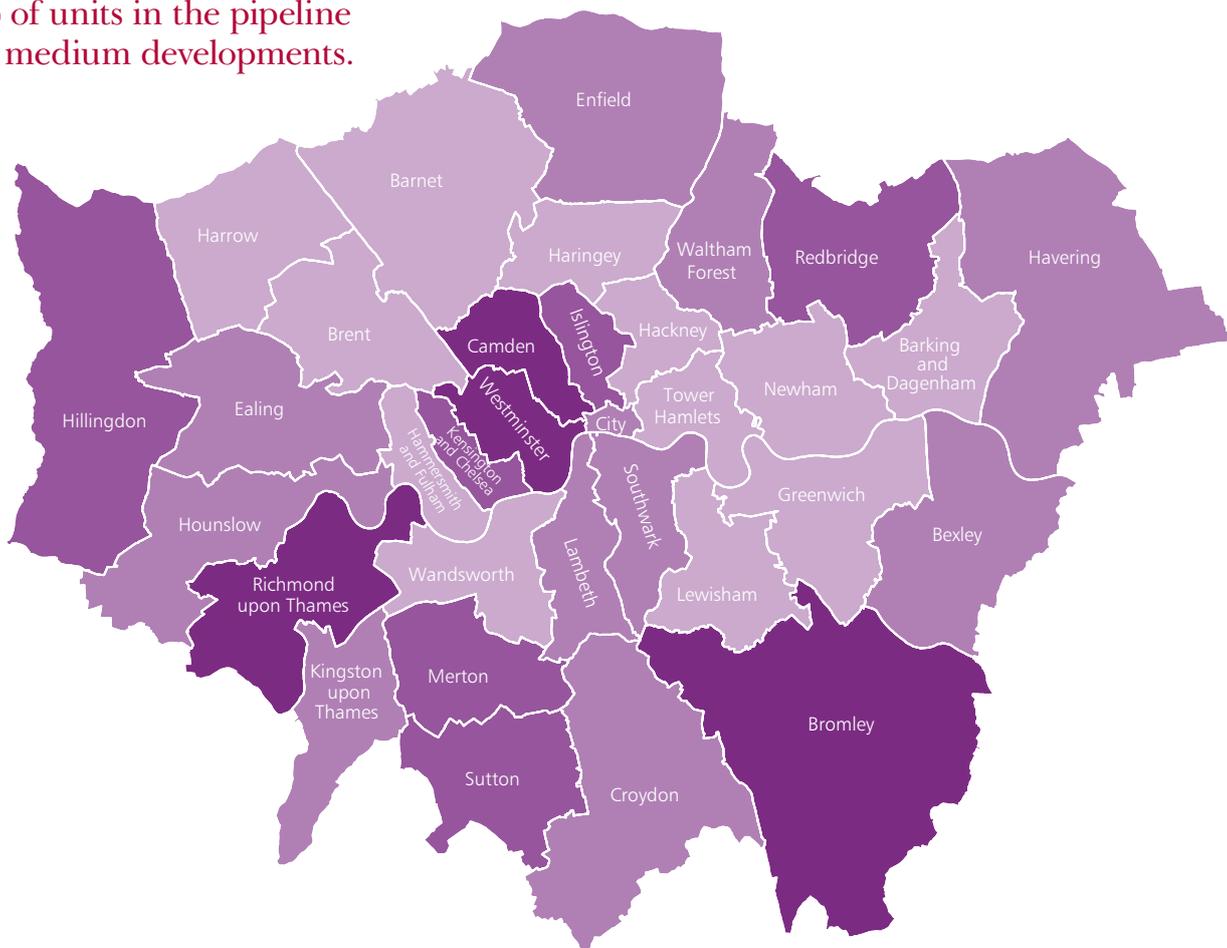


Source: EGi/Dataloft

*All the future supply figures in this report refer to schemes of more than 20 private residential units that were in the pipeline as of 5th January 2017 based on EGi data

Where are London's SMDs?

Our map highlights boroughs where SMDs make up the majority of future housing delivery. In Bromley, Camden, Richmond and Westminster, more than 60% of units in the pipeline are on small or medium developments.



Proportion of future planned units in SMDs

- Over 60%
- 35-60%
- 20-35%
- Less than 20%

Boroughs where the majority of units are delivered on SMDs tend to have small pipelines

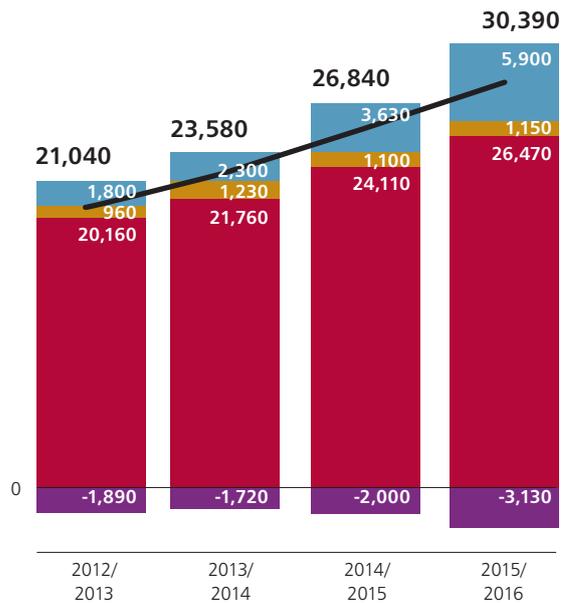
Bromley	70.5% of 1,127 units
Camden	66.0% of 3,107 units
Westminster	63.4% of 6,834 units
Richmond	63.1% of 976 units
Kensington & Chelsea	53.8% of 1,927 units

Source: EGI/Dataloft (5th January 2017)

The government has recognised the important role that small and medium developers play in delivering new housing stock and they can expect policy support in 2017.

Net additional dwellings on the rise in London

- New build plus
- Net conversions plus
- Net change of use less
- Demolitions gives
- Net additions



Source: CLG/Dataloft

Housing White Paper promises support for SMDs

The White Paper outlined how the government intends to boost national housing supply to 225,000–275,000 homes every year. It promised a detailed framework to deal with the needs and requirements of ‘a diverse and vibrant group of housebuilders’. The first group they want to help are the small and medium-size developers, who ‘were hit hard by the recession’. Measures set out in the white paper include:

- Partnering with smaller and medium sized developers in the Accelerated Construction Programme and helping them access the finance they need.
- Amending the national planning policy framework to request that local authorities have policies that support the development of small windfall sites, currently not allocated in local plans.
- To ensure that ‘at least 10% of sites allocated should be of 0.5 hectares or less’ and that local authorities co-operate with developers on the sub-division of larger sites.

In pursuit of diversification, the government has promised to promote offsite manufacturing of homes; local authority building programmes and institutional investment in the private rented sector. PRS developments generally have a minimum size of 100 units because of management costs. There are funds poised to enter the sector and government support is welcome but there remain significant hurdles to viability in competition with market sale.

The new landscape for SMDs

The White Paper will help bring more land into productive use for housing, but securing planning consent will remain a challenge – especially where there are local sensitivities. It is vital developers engage with the local community early in the process and present a scheme based on local market intelligence that demonstrates a real understanding of the appropriate mix of housing types for the area.

163,940

New build completions
England 2015/2016
Source: CLG

22%

Annual growth in starts
by top 11–50 builders,
October 2016
Source: NHBC

31%

Completions from top
11–50 developers
Source: NHBC, October 2016

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