GLA Housing and Land

Housing Research Note 1

The profile of London's new homes in 2016/17: Analysis of the London Development Database

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Cover image by James Gleeson

Copies of this report are available from http://data.london.gov.uk

Introduction

The following technical analysis of London's net conventional housing completions seeks to answer two questions:

1. **What was the profile of 2016/17 new homes in London?** The analysis looks at how many new homes were completed in London in 2016/17 by location, development type, tenure and whether they were on small or large sites. This is set out in the first section, Summary of 2016/17 new homes.

2. **What have been the trends in completions over the last five years?** The analysis looks back over the last five years to put the 2016/17 figures into context. This is set out in the second section, Further details and trends over time.

A glossary of terms has been included to provide definitions and context of terms used.

The London Development Database (LDD)

To produce this analysis, we have used London Development Database (LDD) data on new homes between 2012/13 and 2016/17 (extracted in November 2017) as a primary resource. The LDD is the system used by the Mayor to monitor planning permissions and completions across London. It has been running since 2004.

The LDD is a uniquely detailed database of housing development in London, created from data provided by London borough planning departments and checked by the Greater London Authority (GLA). It contains details of all planning consents which meet certain criteria agreed with the London boroughs. The criteria are:

- Any new build residential units.
- Any loss or gain of residential units through change of use or conversion of existing dwellings.
- Creation of seven or more new bedrooms for use as either a hotel, a hostel, student housing or for residential care through new build or change of use.
- 1,000m² or more of floor space changing from one use class to another or created through new build or extension for any other use.
- The loss or gain or change of use of open space.

The LDD's comprehensive record of planned and completed homes over the last decade is a great strength. Its principal limitations are:

- The LDD only tracks schemes after they have received planning consent, so it does not provide information on applications for planning permission.
- The LDD does not include information on the type of housebuilder, beyond 'private', 'housing associations' and 'council'. This limits insight into how many new homes were completed by Small and Medium Enterprise (SME) builders, or Build to Rent operators.

- The attribution of homes arising from planning obligations ('Section 106') is contested as to whether they should be credited to the private housebuilders who build them, or affordable housing providers who purchase them. The LDD attributes these homes to affordable housing providers. However, the minority of homes which are acquired post-completion by affordable housing providers but were built by private housebuilders are attributed to 'private'.

Further information on the LDD can be found here. Further information on trends in London's housing supply can also be found in the Mayor's *Housing in London* report.

Other sources

When looking at specific questions, such as types of housebuilder, we have also utilised other resources such as the Molior London Database and data from the Ministry of Housing, Communities and Local Government (MHCLG).

Relationship with the London Plan Annual Monitoring Report

The data contained within this report is not directly comparable to that published in the London Plan Annual Monitoring Report (AMR) 2017/18 for two primary reasons:

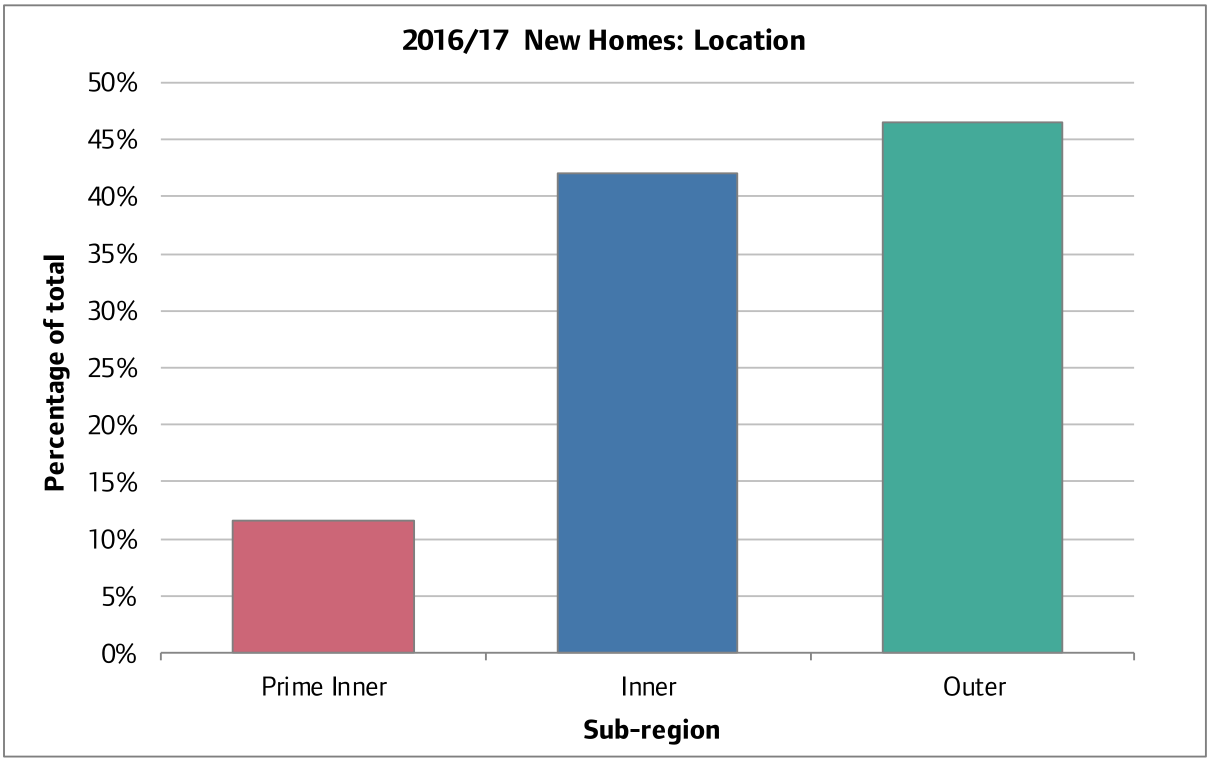
1. The 'non-conventional' supply of bedrooms in hostels and halls of residence is counted towards the London Plan housing supply targets, as monitored by the AMR. However, they are not included in this report, which is concerned with conventional, self-contained new dwellings only (see glossary for definitions of these terms).

2. This Housing Research Note is based on data extracted from the LDD in November 2017. Subsequent to the release of this data (a version of which was used by MHCLG in their annual Net Additional Dwellings statistical release in November 2017), there have been data revisions which are reflected in the AMR 2017/18. This is not expected to substantially change key trends outlined in this report.

Note that due to rounding percentages in this report may not always sum to 100%.

Summary of 2016/17 new homes

Location[1]



2016/17 new homes:

- 12% of the net[2] new homes completed in 2016/17 were in Prime Inner London.
- 42% were in Inner London.
- 46% were in Outer London.

Per-borough, on average:

- Prime Inner boroughs each accounted for 2% of London's new homes on average.
- Boroughs in the rest of Inner London on average accounted for 5% of London's new homes each.
- Boroughs in Outer London on average accounted for 3% of London's new homes each.

As a percentage of their existing stock:[3]

- Tower Hamlets accounted for the largest increase (4.3%), followed by Greenwich (2.2%) and Newham (2.2%).[4]
- Merton (0.5%), Havering (0.4%), Kingston-upon-Thames (0.4%), Kensington and Chelsea (0.4%) and City of London (0.1%) accounted for the lowest increases. For a full breakdown of boroughs, see Further details and trends over time

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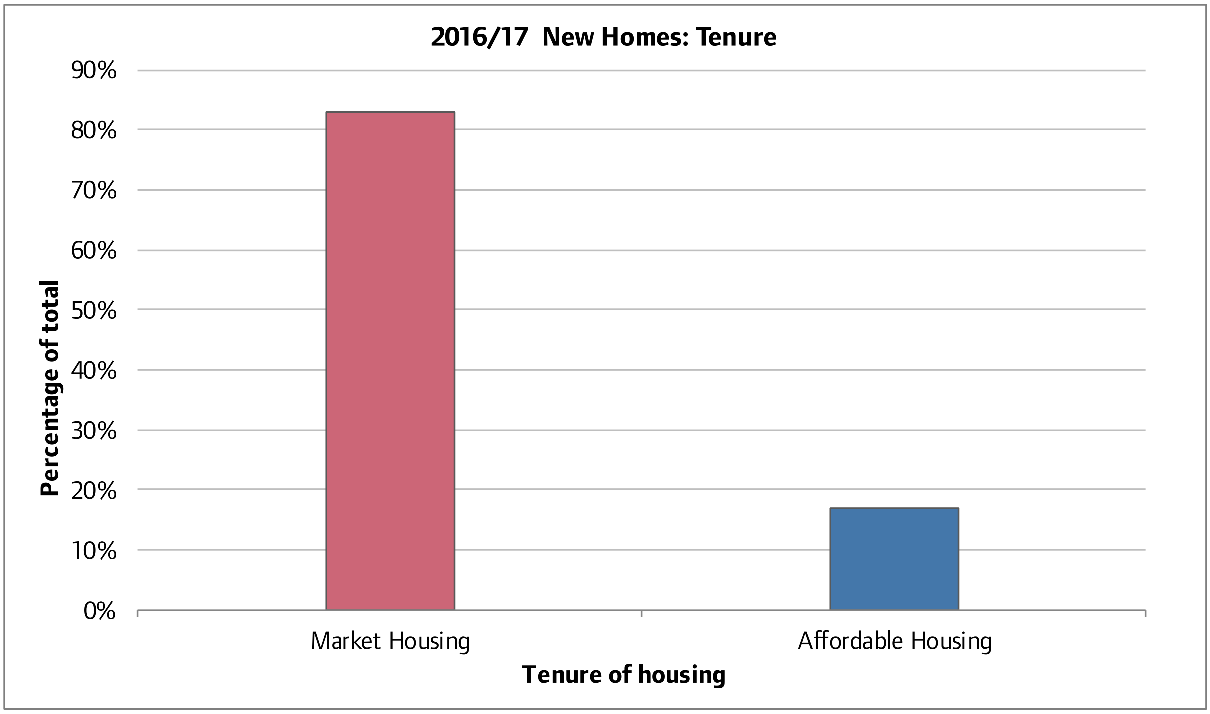
[1] Definitions of what constitute Prime Inner, Inner and Outer London are provided in Annex 1.
[2] All figures used in this report are net of demolitions and replacement homes unless stated otherwise
[3] 2016/17 net additions as a percentage of London boroughs' 2016 stock
[4] Borough housing stock data taken from MHCLG Table 100

Tenure



2016/17 new homes:

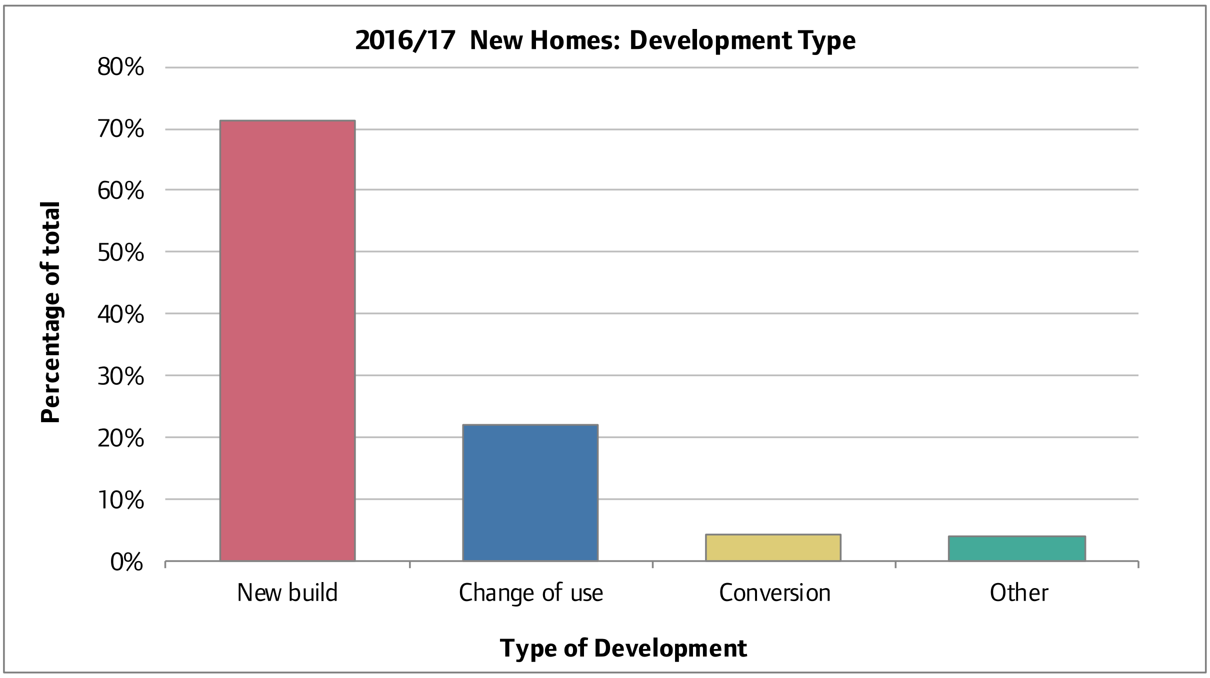
- 83% of new homes completed in 2016/17 were market housing (see definition below).
- 17% were affordable housing (see definition below).

Definitions:

- 'Market housing' is an umbrella term that covers homes that are built for market sale and for market rent. Using Molior London data to disaggregate the market supply, we estimate that 71% of all new completions were built for open market sale housing (including those sold to homeowners and those sold to investors) and 12% were Build to Rent.

- 'Affordable housing' is also an umbrella term and includes those homes built for social rent, Affordable Rent, intermediate rent and affordable home ownership.

Development type



2016/17 new homes:

- 71% of new homes in 2016/17 were new build developments.
- 22% were through changes of use.
- 4% were through conversions.
- 4% were of other types, including part conversion, part change of use.

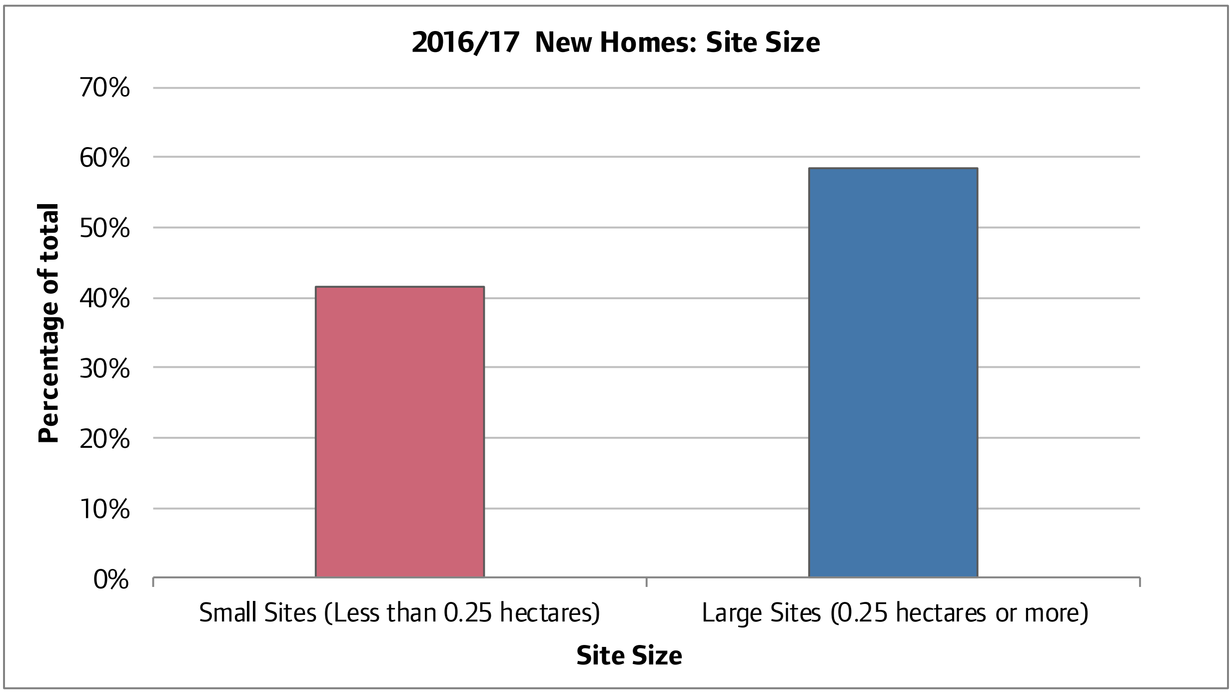
See glossary for definition of these development types.

Changes of Use and Permitted Development Rights:

- Approaching three quarters of the completions in the Changes of Use category (73%) used permitted development rights.[5]

[5] MHCLG, Table 123; Permitted development rights are rights to make certain changes to building without planning permission. The policy's extension to cover to changes to residential use was temporarily introduced in 2013. The policy was made permanent in 2015. Further detail here http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN00485

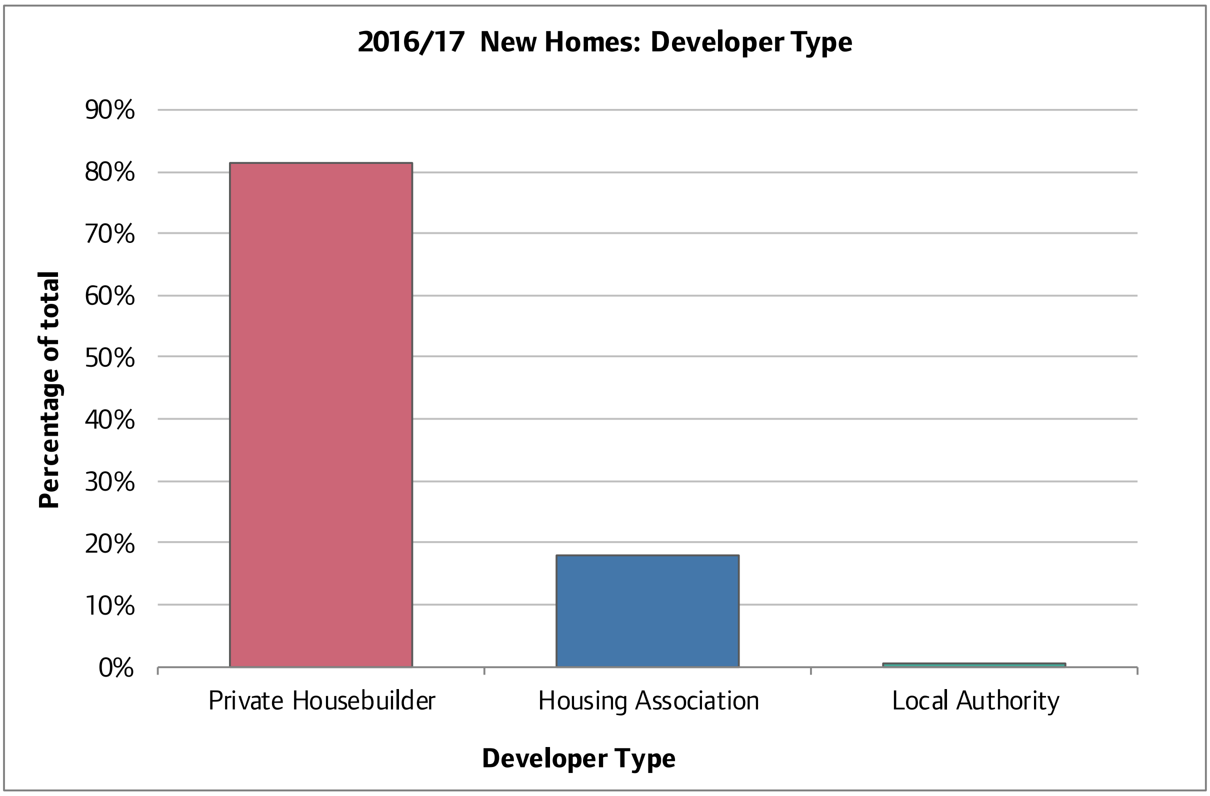
Site size



2016/17 new homes:

- 58% of new homes were on large sites, defined as comprising an area of 0.25 hectares or more.
- 42% of new homes were on small sites, defined as comprising an area of less than 0.25 hectares.

Developer type



2016/17 new homes:

- 81% of new homes were completed by private housebuilders.
- 19% were completed by housing associations.
- 1% were completed by councils.

Definitions:

- 'Private housebuilder' is an umbrella term, which covers a variety of different types of housebuilder. These include large housebuilders building homes for market sale, SME builders and Build to Rent operators.

New Build to Rent homes:

- Estimating the contribution that different types of private housebuilder made to total completions is difficult and inexact. However, using Molior data we cautiously estimate that 12% of total completions were by Build to Rent operators.[6]
- Further estimates, including for SME builders, are contained in Further details and trends over time.

[6] Build to Rent operators purpose-build blocks of new homes for private rental. This is distinct from private housebuilders who sell homes on the open market, some of which will be individually purchased by private landlords and let out. See glossary for further definitions of terms.

Crosscuts

Location and tenure

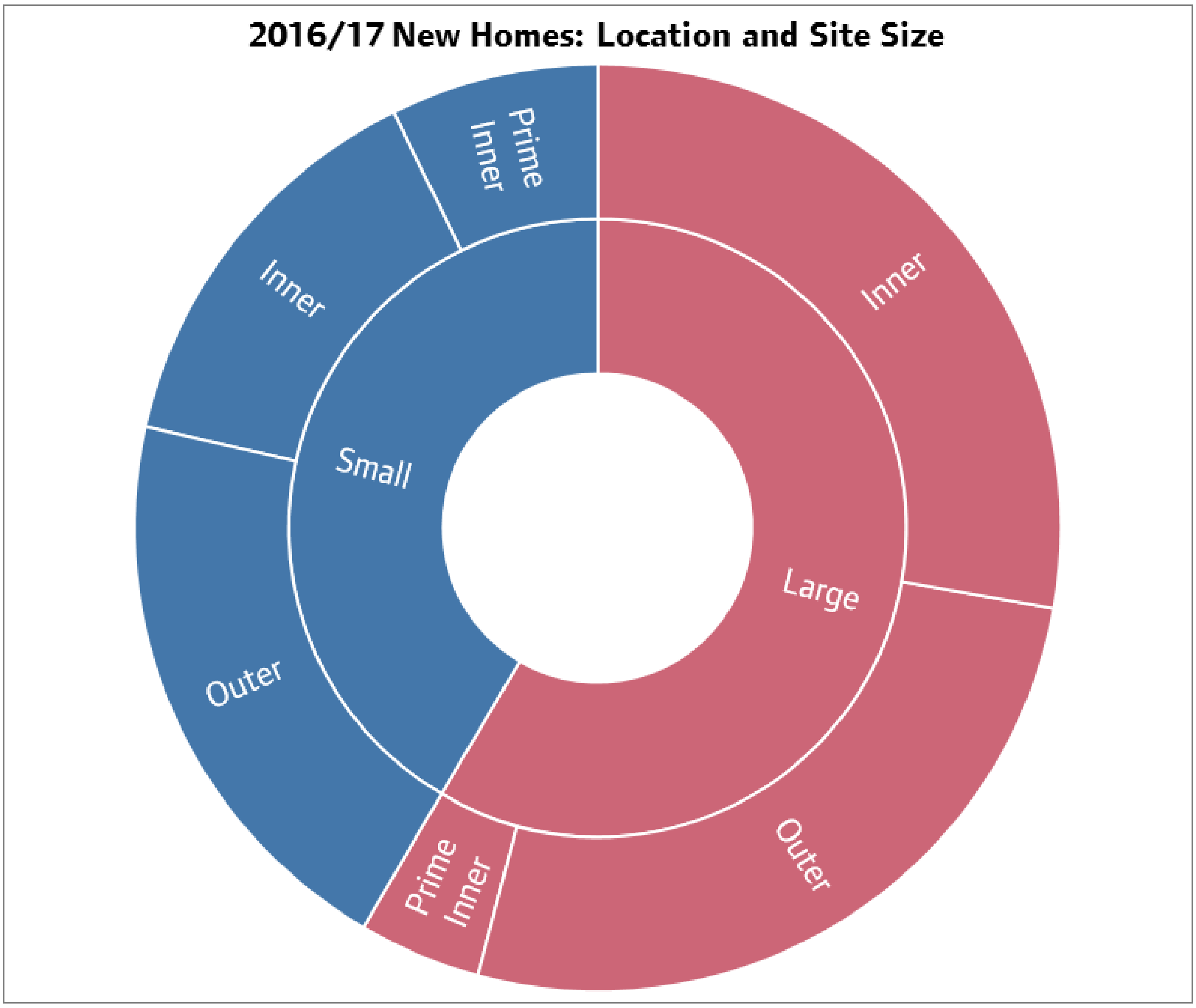
Market housing in Outer (40%) and Inner London (33%) accounted for 73% of all new homes in 2016/17.

Location and development type

New build sites in Inner (36%) and Outer London (29%) accounted for around two thirds of total 2016/17 new homes. Changes of use in Outer London accounted for a further 14% of 2016/17 new homes.

Location and site size

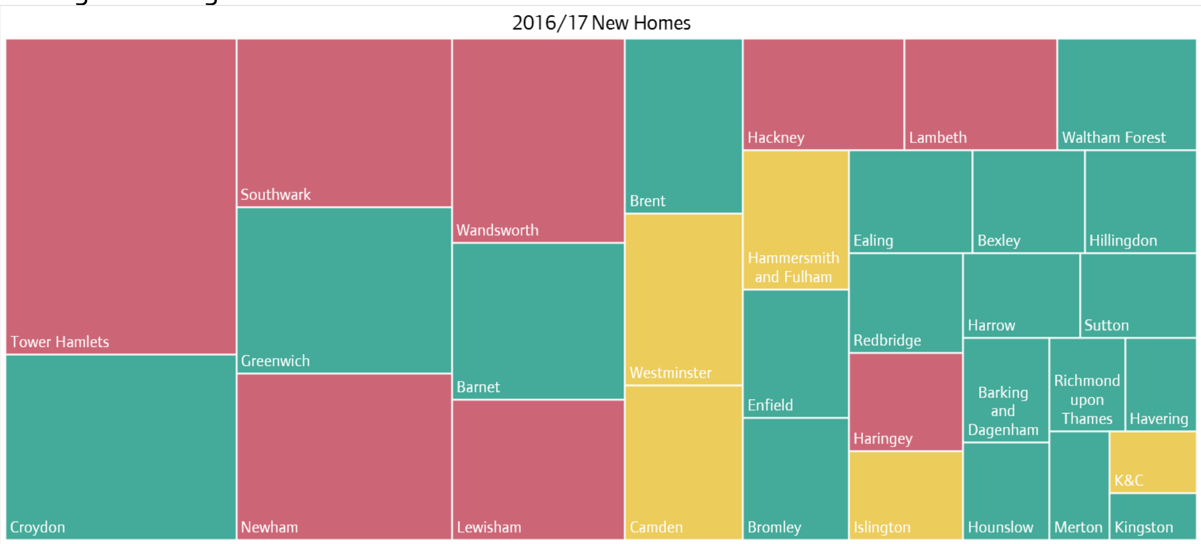
The below chart shows all 2016/17 new homes, by location and by site size. Large sites in Inner (28%) and Outer London (26%) accounted for over half of all development. Small sites in Outer London accounted for an additional 20%.



Further details and trends over time

1. Location

1.1. The below chart orders boroughs by the number net new home completions in 2016/17. Prime Inner boroughs are in yellow, Inner London boroughs are in red and Outer London boroughs are in green.



1.2. As can be seen, half of London's 2016/17 new homes (52%) were completed in just eight boroughs (five in Inner London and three in Outer London):

- Tower Hamlets
- Croydon
- Southwark
- Greenwich
- Newham
- Wandsworth
- Barnet
- Lewisham

1.3. More new homes (4,830) were completed in Tower Hamlets in 2016/17 than in the following ten boroughs combined (eight in Outer, two in Prime Inner):

- Harrow
- Sutton
- Barking and Dagenham
- Hounslow
- Richmond-upon-Thames
- Havering
- Merton
- Kensington and Chelsea
- Kingston-upon-Thames
- City of London

2016/17 new homes as percentage of total housing stock, by borough

1.4. Looking at net new additional dwellings as a percentage of existing stock is another way to evaluate boroughs' contribution to new housing supply, adjusting in part for significant variation in borough size. There was significant variation in 2016/17 completions between boroughs on this measure, with three East London boroughs (Tower Hamlets, Greenwich and Newham) experiencing over 2% housing stock growth, and five boroughs seeing growth of 0.5% or less (Merton, Havering, Kingston upon Thames, Kensington and Chelsea, and City of London).

London Borough	Total Stock in April 2016[7]	Net additional dwellings in 2016/17[8]	As percentage of stock
Tower Hamlets	113,190	4,827	4.3%
Greenwich	108,600	2,380	2.2%
Newham	110,250	2,377	2.2%
Southwark	129,740	2,412	1.9%
Croydon	154,560	2,835	1.8%
Wandsworth	141,580	2,336	1.6%
Lewisham	124,360	1,604	1.3%
Barnet	146,730	1,799	1.2%
Camden	102,620	1,208	1.2%
Brent	116,650	1,364	1.2%
Hammersmith and Fulham	85,640	974	1.1%
Hackney	107,570	1,196	1.1%
Westminster	122,020	1,342	1.1%
Waltham Forest	101,280	1,033	1.0%
Lambeth	137,610	1,135	0.8%
Barking and Dagenham	73,910	596	0.8%
Sutton	81,630	653	0.8%
Bexley	96,860	764	0.8%
Redbridge	102,710	755	0.7%
Harrow	89,320	656	0.7%
Enfield	124,470	898	0.7%
Hillingdon	108,170	764	0.7%
Haringey	106,880	741	0.7%
Islington	101,780	674	0.7%
Ealing	131,250	845	0.6%
Bromley	137,560	858	0.6%
Hounslow	99,270	557	0.6%
Richmond upon Thames	84,290	465	0.6%
Merton	83,220	434	0.5%
Havering	101,270	443	0.4%
Kingston upon Thames	66,650	273	0.4%
Kensington and Chelsea	86,920	355	0.4%
City of London	6,310	7	0.1%

[7] MHCLG, Live Table 100
[8] MHCLG, Live Table 123

Growth in housing stock 2006-16, by borough and sub-region

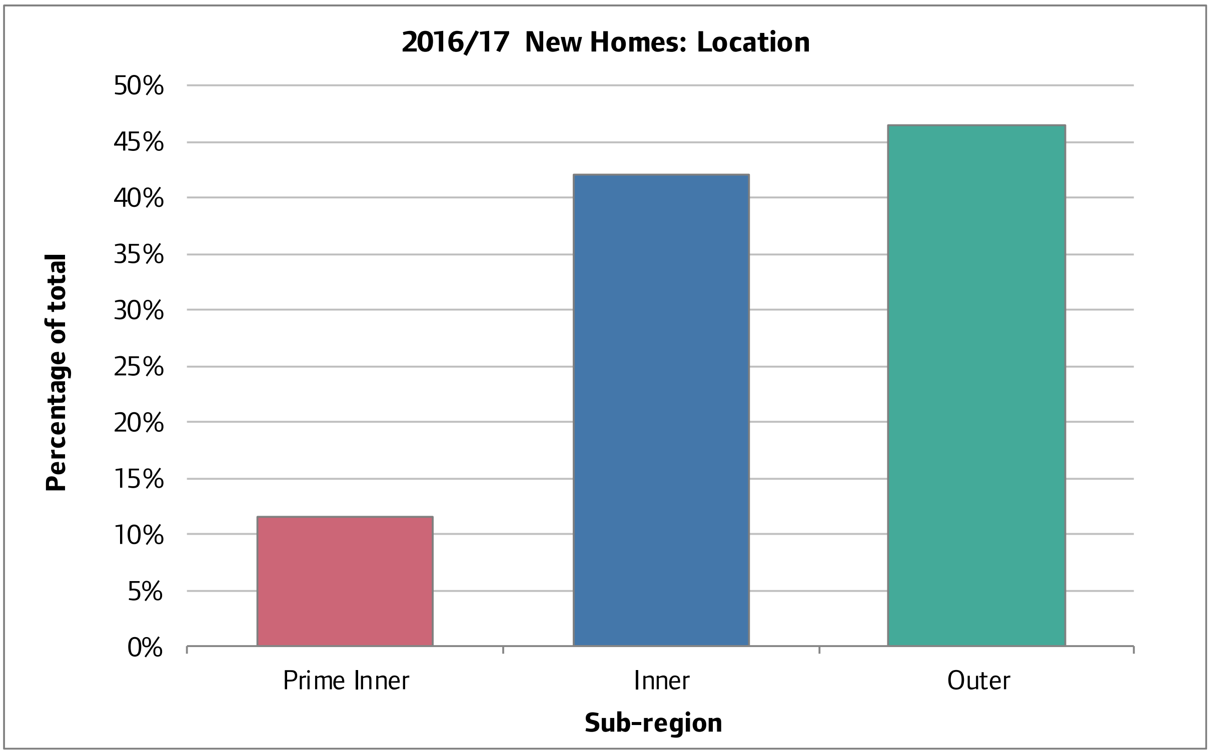
1.5. Taking a ten-year view, there is substantial difference between the boroughs with the strongest and the weakest proportional growth in housing stock, with eleven boroughs experiencing at least 10% growth and nine seeing growth of 5% or less.

London Borough	Stock in 2006	2006-16 growth rate
Tower Hamlets	91,360	24%
City of London	5,370	18%
Islington	88,820	15%
Hackney	93,940	15%
Southwark	113,730	14%
Newham	98,270	12%
Wandsworth	127,240	11%
Westminster	110,180	11%
Lewisham	112,630	10%
Lambeth	125,210	10%
Hounslow	90,370	10%
Brent	106,770	9%
Barnet	134,940	9%
Haringey	98,340	9%
Croydon	142,960	8%
Hammersmith and Fulham	79,310	8%
Greenwich	101,190	7%
Waltham Forest	94,380	7%
Harrow	83,360	7%
Ealing	122,740	7%
Hillingdon	101,240	7%
Camden	96,350	7%
Barking and Dagenham	69,530	6%
Enfield	117,610	6%
Havering	96,190	5%
Redbridge	97,670	5%
Bromley	131,390	5%
Richmond upon Thames	80,820	4%
Sutton	78,500	4%
Kingston upon Thames	64,250	4%
Bexley	93,430	4%
Merton	80,540	3%
Kensington and Chelsea	84,600	3%
London	3,213,230	8%
Inner London (exc. MDCs)[9]	1,325,350	11%
Outer London (exc. MDCs)	1,887,880	6%

1.6. Inner London boroughs in aggregate saw an 11% growth in housing stock over the decade, compared to 6% in Outer London.

[9] MDCs are Mayoral Development Corporations.

Trend over time



	2012/13	2013/14	2014/15	2015/16	2016/17
Prime Inner	2,757	4,088	4,019	3,742	4,560
Inner	10,777	9,763	11,787	13,151	16,630
Outer	10,940	12,766	14,845	17,893	18,373

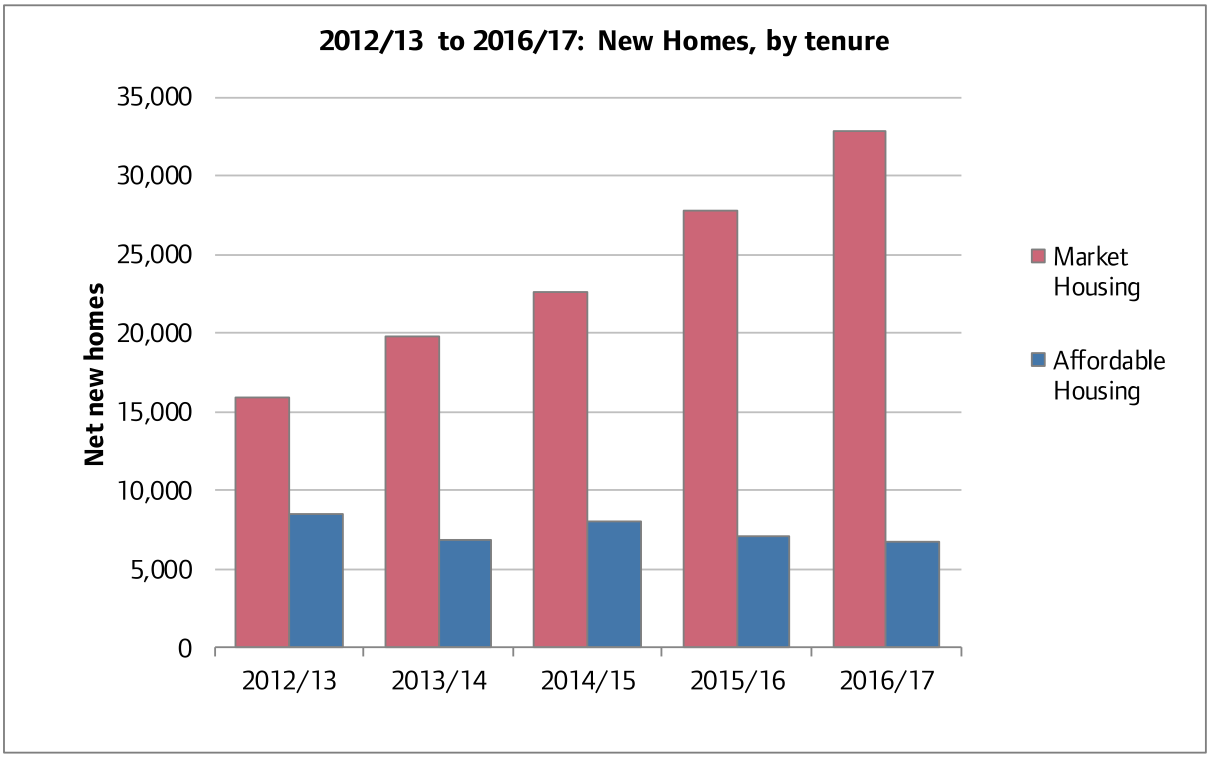
1.7. Outer London has consistently contributed between 45% and 51% of total completions over the last five years, with 2016/17 its second lowest percentage (46%) of total new homes. Conversely, last year Inner London contributed its second highest percentage of total completions (42%) over the last five years.

2. Tenure

2.1. ‘Market housing’ is an umbrella term that includes those built for private rent, those sold to homeowners and those sold to investors (e.g. Buy-to-let). ‘Affordable housing’ is also an umbrella term and includes those homes built for social rent, Affordable Rent, intermediate rent and affordable home ownership.

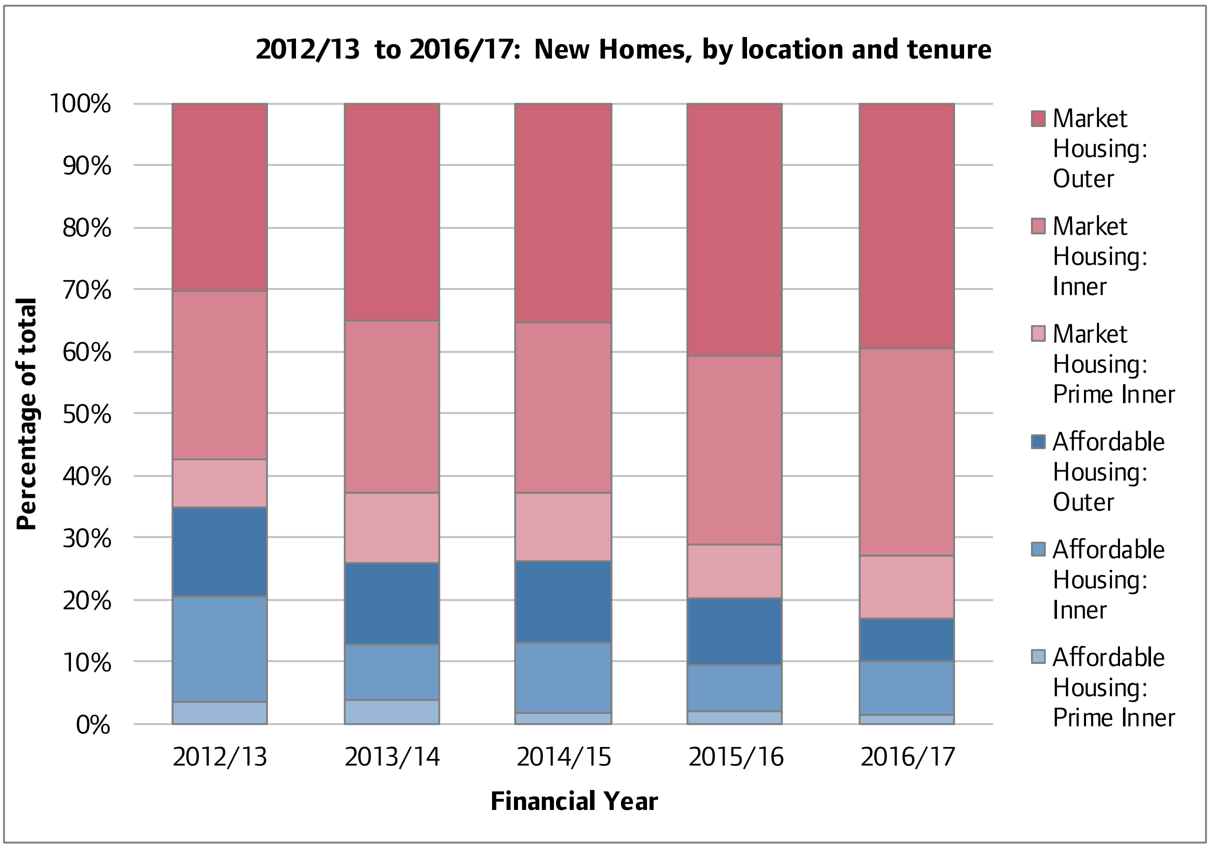
Trend over time

2.2. Over the last five years, market completions have increased year-on-year in absolute terms while affordable housing completions have stagnated. In percentage terms, affordable housing completions comprised 17% of the total in 2016/17, the smallest share since the LDD started tracking sites in 2003/04.



Crosscut: Location and tenure

2.3. The chart below shows how new affordable homes (blue shades) have reduced as a percentage of total new homes. At the same time, new market homes (red shades) have increased substantially in all three geographical sub-regions over the last five years.



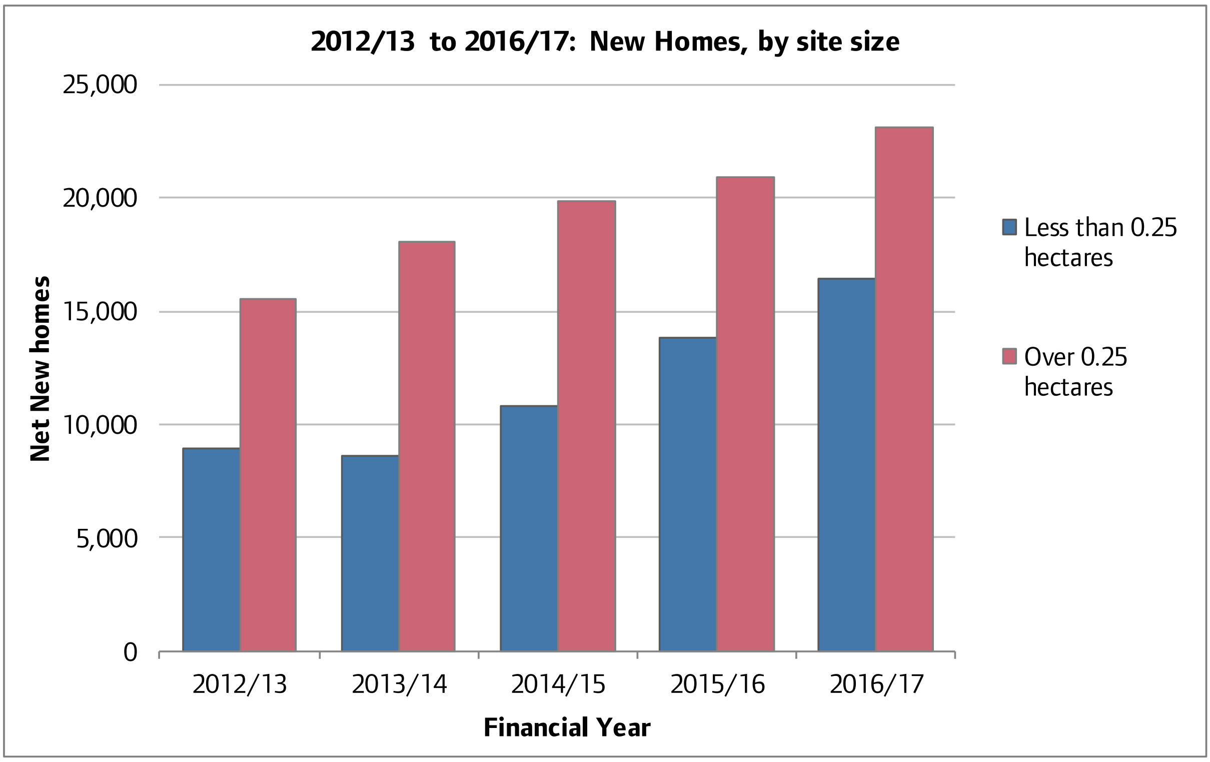
	2012/13	2013/14	2014/15	2015/16	2016/17
Market Housing: Prime Inner	1,907	3,064	3,460	3,060	3,964
Market Housing: Inner	6,629	7,385	8,369	10,520	13,222
Market Housing: Outer	7,411	9,296	10,821	14,187	15,634
Affordable Housing: Prime Inner	850	1,024	559	682	596
Affordable Housing: Inner	4,148	2,378	3,418	2,631	3,408
Affordable Housing: Outer	3,529	3,470	4,024	3,706	2,739

3. Site size

Trend over time

3.1. 2016/17 saw the highest level of completions on small sites (<0.25ha) in the last five financial years, both in terms of homes and as a percentage of total completions (42%). This increase occurred in all three geographical sub-regions (Prime Inner, Inner and Outer).

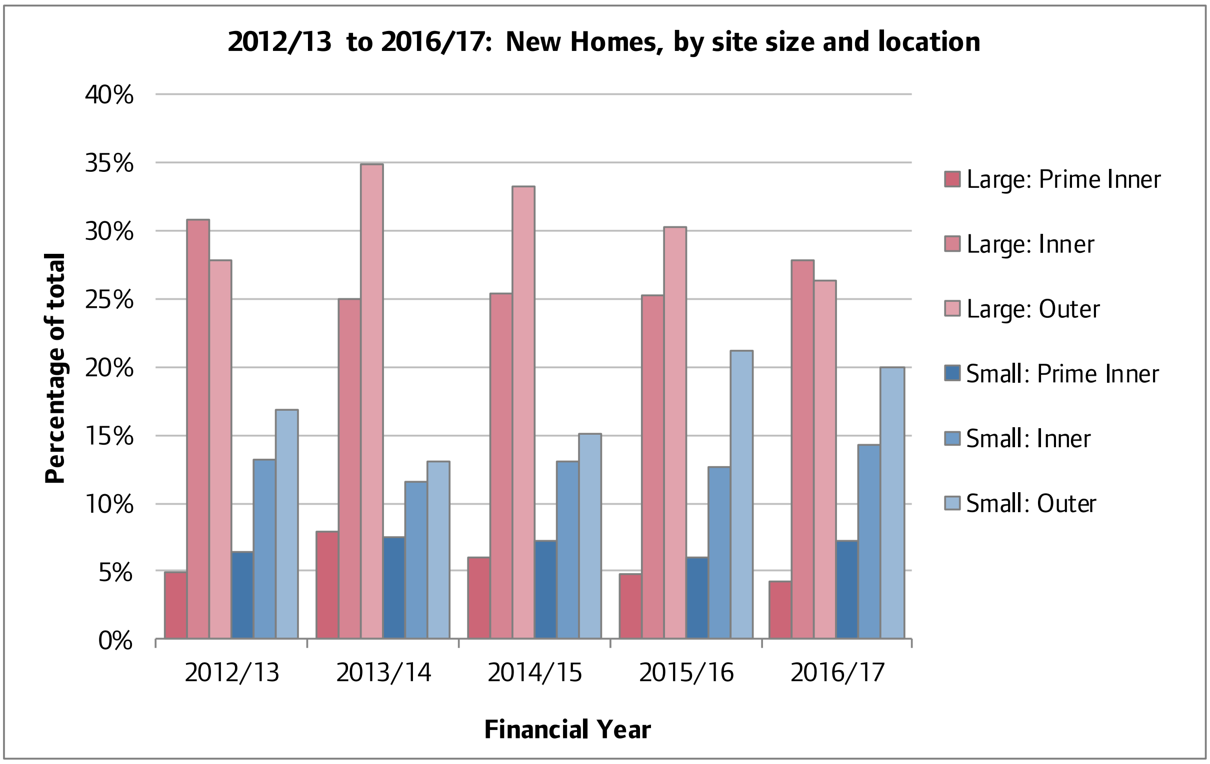
3.2. The crosscuts below go into further detail regarding the different trends in development types on small sites in Inner and Outer London.



Crosscut: Location and size

3.3. 2016/17 saw the highest level of completions on small sites at a Greater London level in the last five years, both in terms of both homes and as a percentage of Greater London completions. See crosscut below on Location and Development type, to see the role of Changes of Use in explaining this increase.

3.4. The increase in new homes on small sites was seen in Inner and Outer London but not Prime Inner boroughs. Completions on large sites in Outer London (the light red column below) notably fell as a proportion of total completions year-on-year over the last four years.



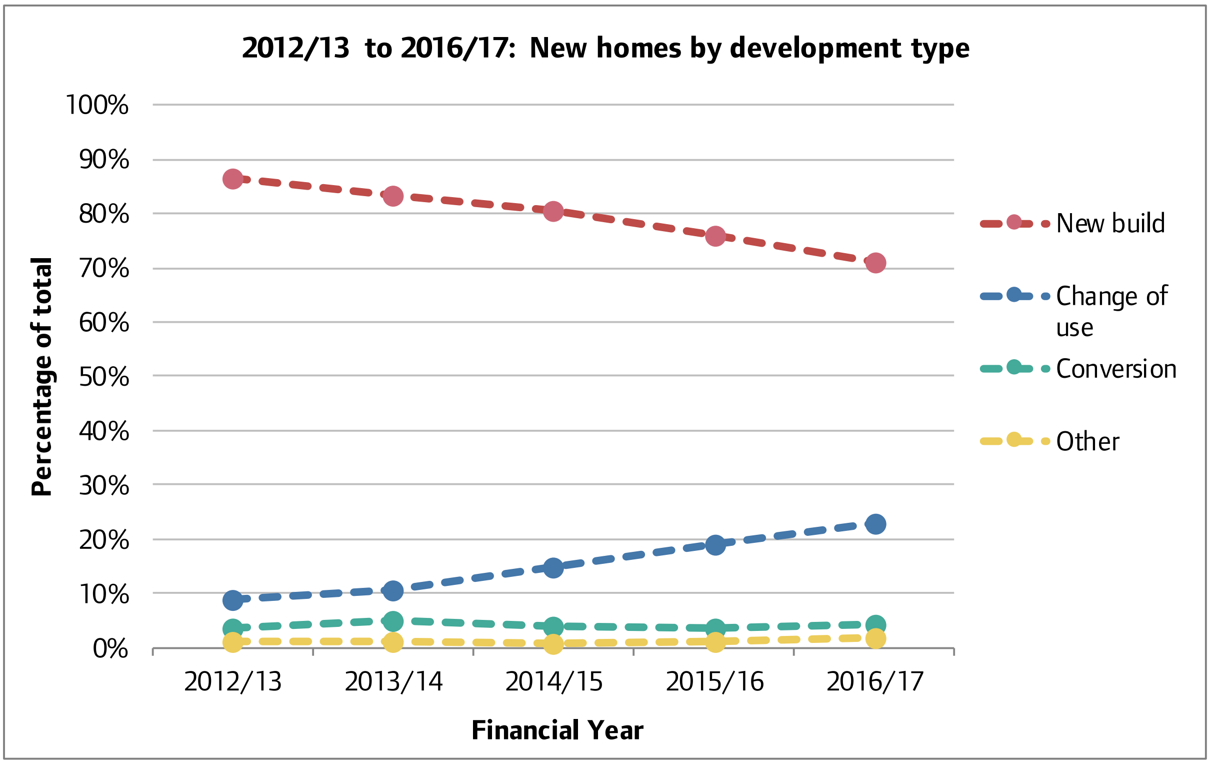
Site size by location	2012/13	2013/14	2014/15	2015/16	2016/17
Large: Prime Inner	1,197	2,101	1,822	1,644	1,686
Large: Inner	7,533	6,669	7,796	8,767	10,995
Large: Outer	6,805	9,274	10,207	10,513	10,444
Small: Prime Inner	1,560	1,989	2,197	2,098	2,875
Small: Inner	3,245	3,095	3,991	4,384	5,635
Small: Outer	4,135	3,492	4,638	7,381	7,929

4. Development Type

Trend over time

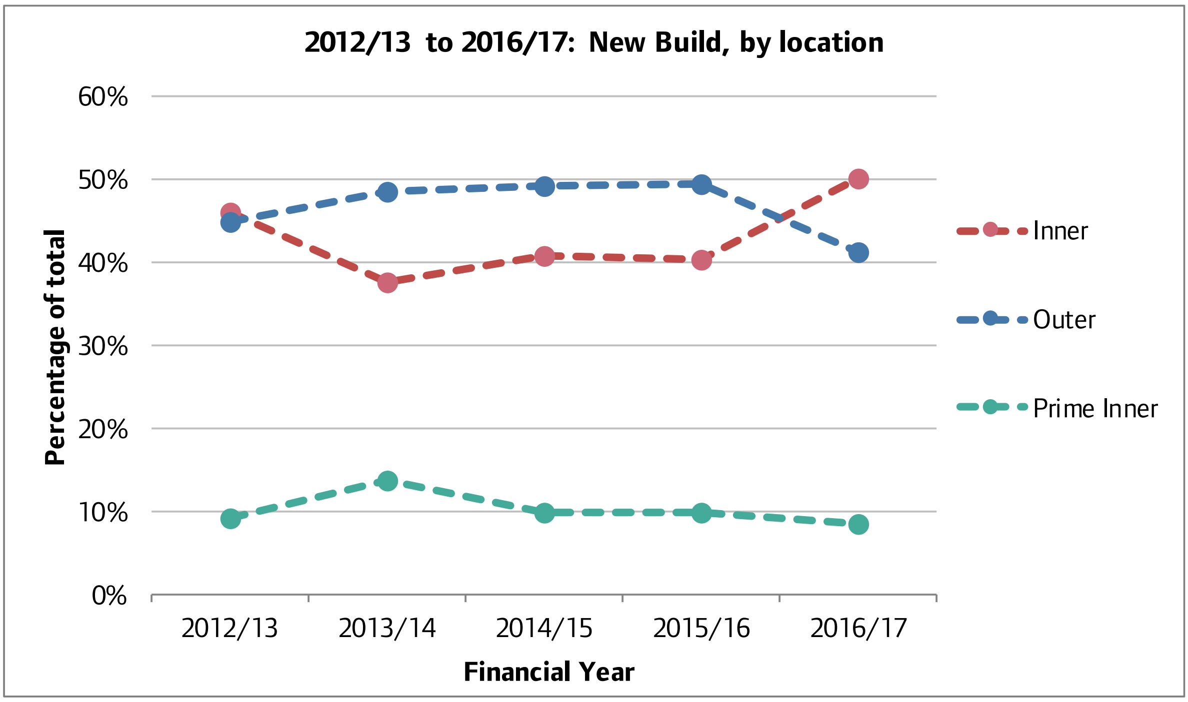
4.1. 71% of the new homes completed in 2016/17 were new builds. However, over the last five years change of use has become an increasingly important contributor to overall supply, accounting for close to 9,000 additional dwellings in 2016/17 (see also 'Crosscut: Development type by location' below).

4.2. Conversions have decreased slightly as a percentage of total completions over the last five years.

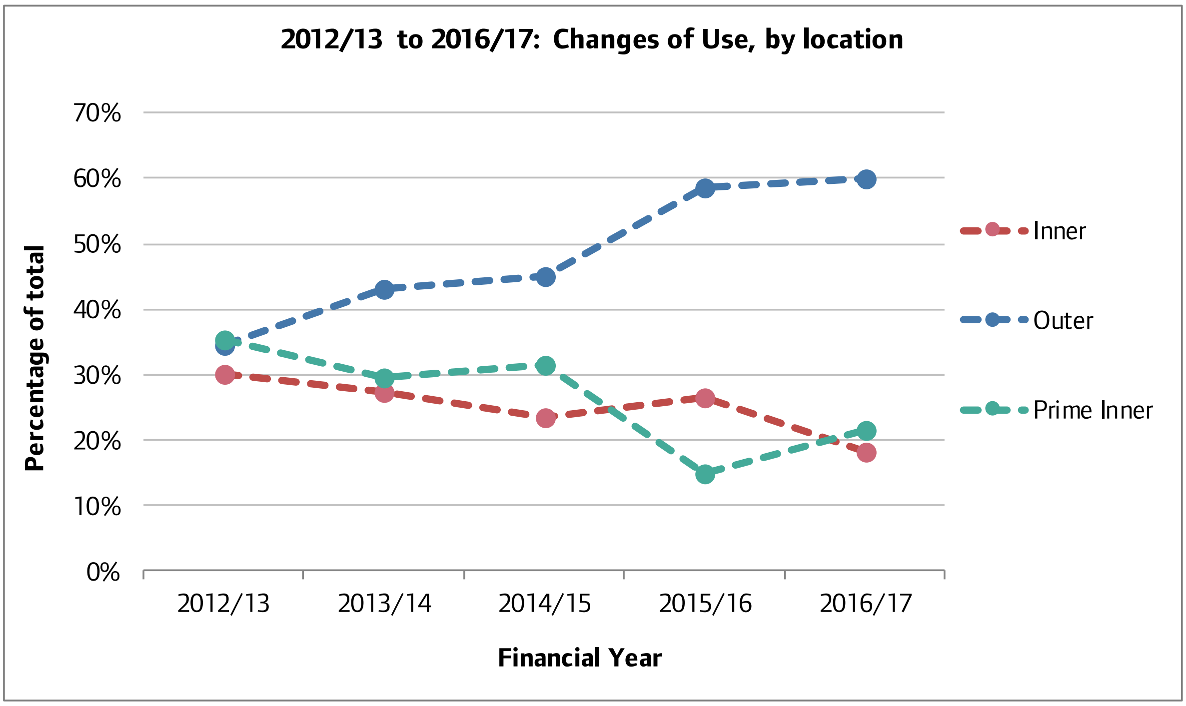


Crosscut: Development type by location

4.3. Over the last five years, Inner and Outer London have consistently accounted for around 90% of London's new builds (new build is a distinct sub-category of new conventional completions that excludes conversions and change of use – see glossary). 2016/17 saw the lowest percentage of new builds (41%) completed in Outer London in the last five years.

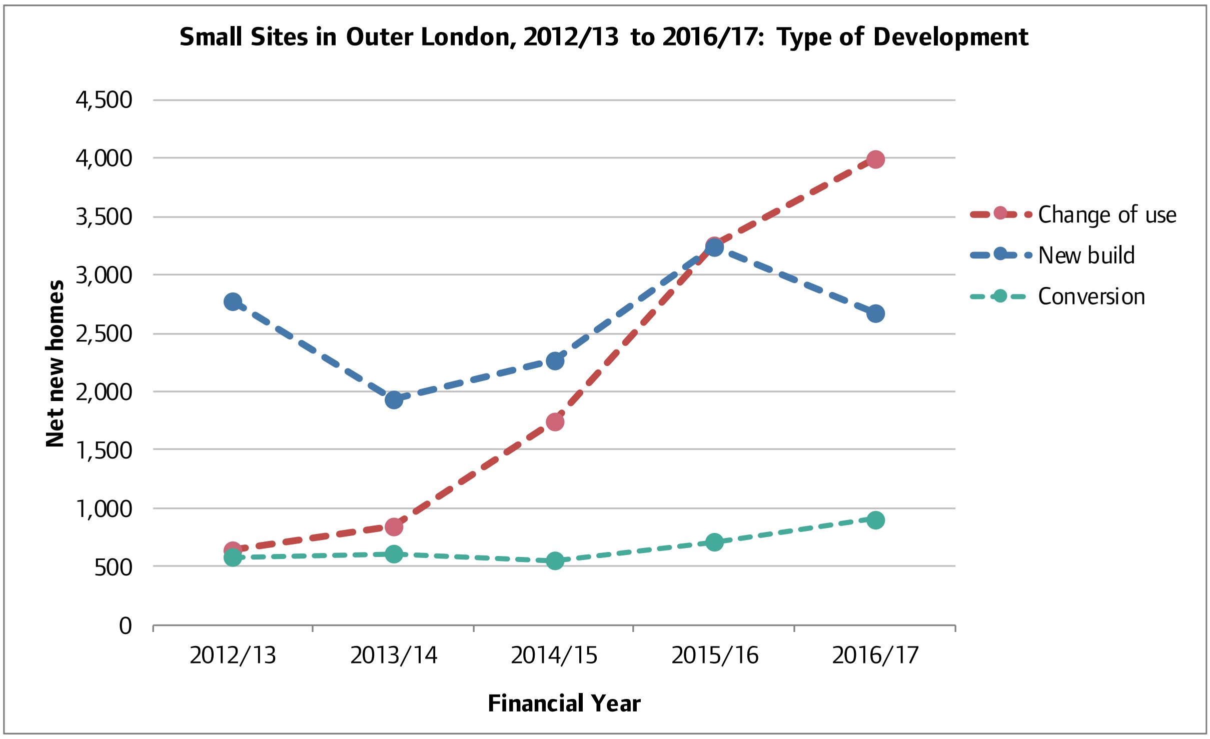


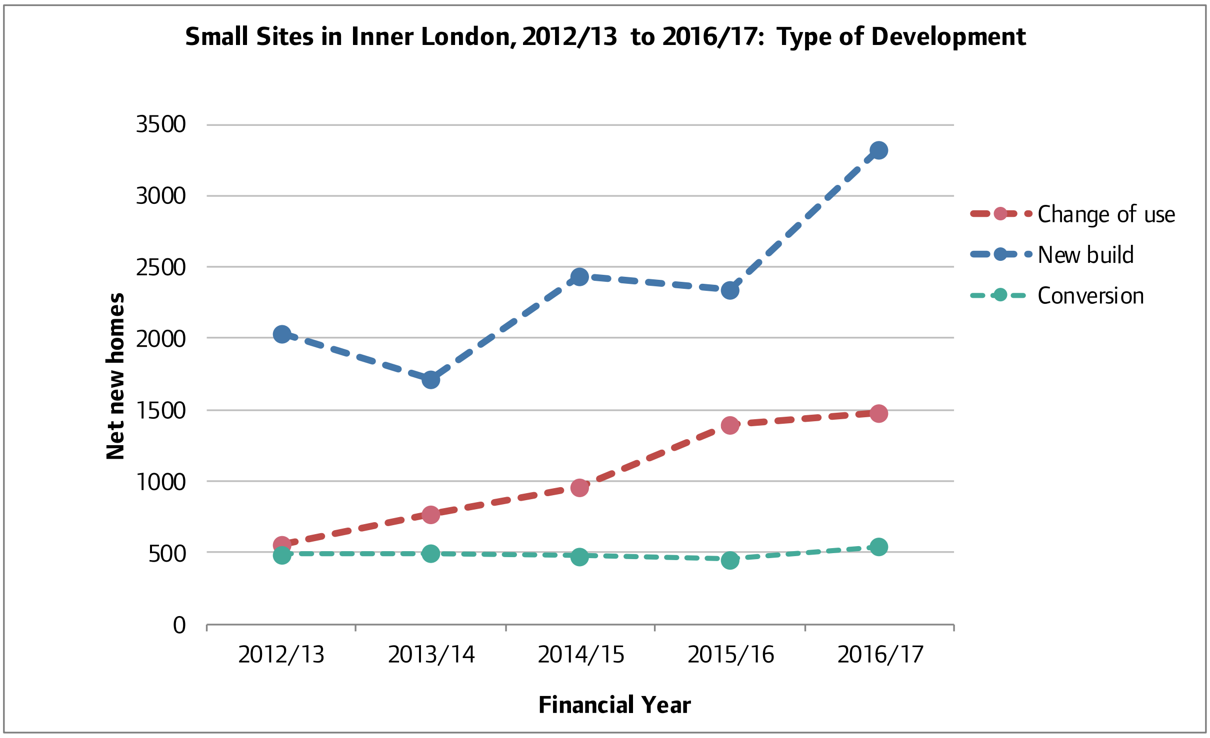
4.4. Outer London, however, has nearly doubled its share of total completions through changes of use. This comes at a time when the number of new homes completed in Greater London through change of use has increased from just over 2,000 in 2012/13 to around 9,000 in 2016/17.



Crosscut: Development type by site size and location

4.5. Burrowing even further, we find that the increased numbers of completions from small sites in Outer London since 2012/13 have been entirely driven by changes of use and (less importantly) conversions. In Inner London, increased numbers of new homes have been driven more equally from new build and changes of use.





5. Type of Builder

Build to Rent

5.1. According to Molior[10], Build to Rent (BtR) completions were 15% of all 2016/17 market completions. This figure is imperfect, as Molior's database only includes schemes with 20+ unit private units. However, our best estimate of BtR activity is 12% of total net new homes in 2016/17 (15% applied as a factor to a subset of market completions[11]).

Private SMEs

5.2. The LDD does not contain granular information on the type of builder. Instead, it holds data on site size and the number of units on sites.

5.3. 25% of completions in 2016/17 came on sites of 0.25ha or less which had only 25 market housing units or fewer proposed for development.

5.4. A more stringent category are those sites of less than 0.25ha where only 10 or fewer net units were proposed. These sites accounted for 20% of new homes in 2016/17. The best estimate of SMEs' contribution to total new homes in London in 2016/17, using LDD data, is therefore between 20-25%. Note that there is overlap between SMEs and Build to Rent operators, so the two cannot be simply summed together.

Trend over time

5.5. Housing associations' completions have steadily fallen as a percentage of total completions since 2012/13. This falling share is partly due to lower numbers of affordable homes provided (2012/13 was a particularly high year of 9,500 net additional homes), but it is primarily due to private housebuilders doubling their output over the period. Note that housing associations' total also includes market homes that they have built.[12]

5.6. Local authorities completed 1% of new homes in 2016/17. Their largest proportional contribution to total new housing over the last five years was 2% in 2013/14.

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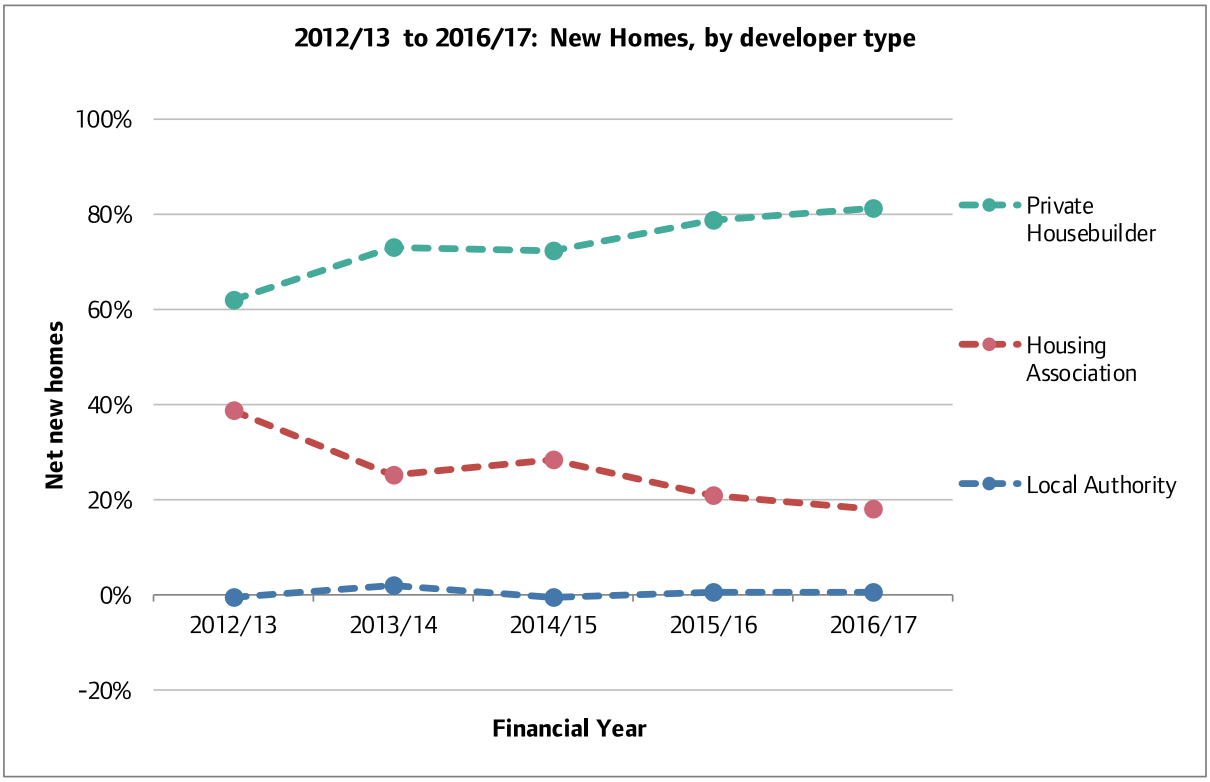
[10] Molior, Quarterly Analysis: BtR May 2017

[11] New market homes arising through new build and changes of use were 77% of total new homes in 2016/17. 15% multiplied by 77% comes to 12%. Conversions and other types of development were excluded, as they are not covered by Molior's data, and they are not types of development through which BtR homes are commonly delivered.

[12] According to data from the National Housing Federation, the trade body for housing associations, between a quarter and a third of housing association completions in London in 2016/17 are estimated to have been for market sale or market rent. http://s3-eu-west-1.amazonaws.com/pub.housing.org.uk/How_many_homes_did_housing_associations_build_in_2016-17.pdf


2012/13 to 2016/17: New Homes, by developer type
100%
80%
60%
40%
20%
0%
-20%
Net new homes
2012/13
2013/14
2014/15
2015/16
2016/17
Financial Year
Private Housebuilder
Housing Association
Local Authority

Annex 1: Geographical categorisation

Prime Inner: Camden, City of London, Hammersmith and Fulham, Islington, Kensington and Chelsea, Westminster.

Inner: Hackney, Haringey, Lambeth, Lewisham, Newham, Southwark, Tower Hamlets, Wandsworth.

Outer: Barking and Dagenham, Barnet, Bexley, Brent, Bromley, Croydon, Ealing, Enfield, Greenwich Harrow, Havering, Hillingdon, Hounslow, Kingston upon Thames, Merton Redbridge, Richmond upon Thames, Sutton, Waltham Forest

Annex 2: Glossary

Affordable home ownership: A category of affordable housing to help those who would struggle to buy on the open market (predominantly would-be first-time buyers) to buy a home in full or part. Includes shared ownership.

Affordable Rent: A category of affordable housing introduced by central government in 2011. Rents are set at up to 80% of gross market rents within a local area.

Build to Rent: Accommodation purpose-built for private renting.

Buy to let: The practice of buying a home to rent out on the private market.

Change of Use: A sub-category of conventional housing completions. The practice of changing a non-residential property, such as offices, into accommodation of 1 or more homes.

Completions: A home is regarded as completed when it becomes ready for occupation or when a completion certificate is issued whether it is in fact occupied or not.

Conventional housing completions: Self-contained homes from new build, conversions or changes of use (see also 'Non-conventional housing completions').

Conversion: A sub-category of conventional housing completions. The creation of two or more new homes out of one existing home without redeveloping the building.

Development: The carrying out of building, engineering or other operations involving land, or the making of any material change in the use of any buildings or other land. In this document, 'Development' refers to activities which create new residential accommodation

Housing association: An independent, not for profit company set up to provide affordable homes for people in housing need.

Intermediate rent: A type of affordable home. Homes with rents set above those of social housing but below 80 per cent of market rent, and aimed at middle income households.

London Plan: The Mayor's Spatial Development Strategy.

London Plan Annual Monitoring Report (London Plan AMR): Section 346 of the Greater London Authority (GLA) Act 1999 places a duty on the Mayor to monitor the implementation of the Mayor's London Plan. The London Plan AMR is the most important document for assessing the effectiveness of the London Plan and its policies.

Net new homes: The number of self-contained homes developed through new build, changes of use and conversions and other means minus those demolished.

New build: A sub-category of conventional housing completions. Refers to newly built residential property. This can include homes built on a plot of land where a previous property was demolished to make way for the new home.

Non-conventional housing completions: Non-self-contained housing such as bedrooms in hostels or student halls of residence.

Non-self-contained housing: Housing such as bedrooms in hostels or student halls of residence.

Permitted Development Rights: Permitted development rights are rights to make certain changes to buildings without planning permission. The policy's extension to cover to changes to residential use was temporarily introduced in 2013. It was made permanent in 2015. Permitted development rights are commonly used in changes of use from office to residential.

Planning Obligations: Negotiated agreements between planning authorities and developers under Section 106 of the Town and Country Planning Act 1990. They are focused on site specific mitigation of the impact of development and on the provision of affordable housing.

Private housebuilders: Private enterprises who oversee the construction of market homes, including the sale of these properties. Through planning obligations, private housebuilders can also construct new homes which are then transferred to affordable housing providers for use as affordable housing.

Section 106: See Planning Obligations.

Self-contained housing: A self-contained unit can mean both a living space that is separate from other accommodation, and also living accommodation that is connected to, and sharing an access with, adjoining accommodation. The physical characteristics and layout of the home must be capable of use as separate living accommodation. (see non-self-contained)

Social rent/social housing: A type of affordable home. Low cost rented homes provided to households whose needs are not met by the market, typically by councils and housing associations, with rents set within guidelines issued by the social housing regulator.

Tenure: The conditions under which land or property are held or occupied. London's residential housing sector is typically split into three tenures: social rented, private rented, and owner occupied.