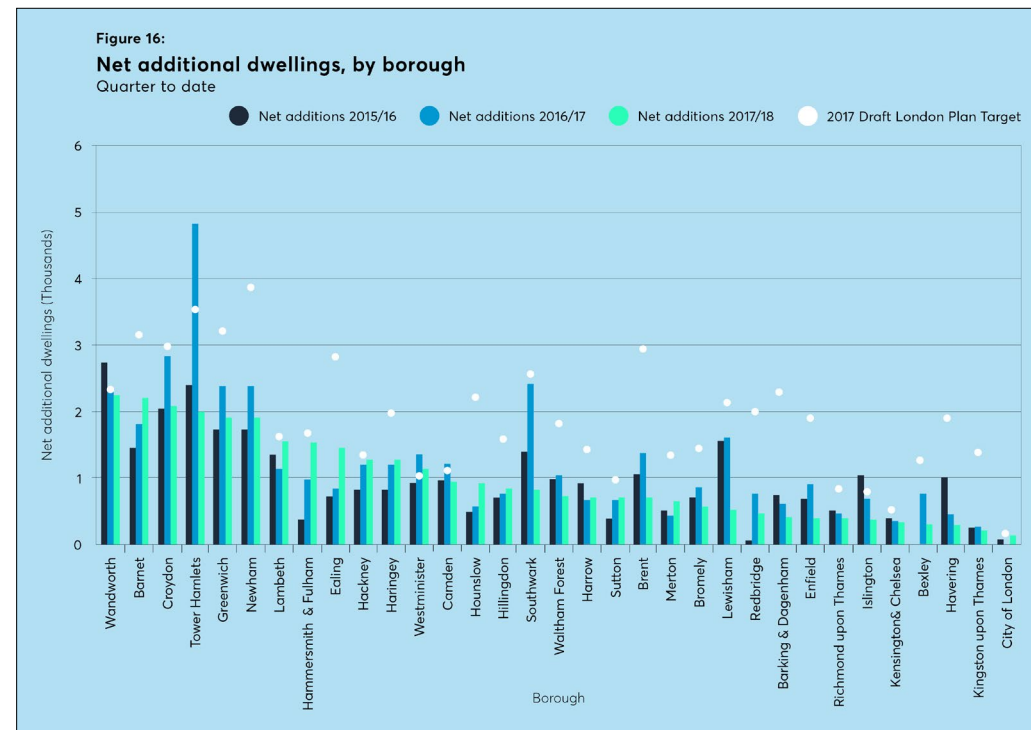


In the third quarter of 2018, London's housing supply continued to slow, losing all gains made during the previous year and returning to Q4 2016 levels.

Q3 2018 saw 22,500 completions; 6 per cent below the figure a year earlier. Construction also got underway on 16,700 new homes, down 7 per cent when compared to Q3 2017.

This is a worrying trend, given the tough targets for new supply set in the draft new London Plan, which is undergoing its examination in public at present. Though overall supply figures have slumped, [some predict](#) that the market's supply shortage will buoy up house prices during 2019.

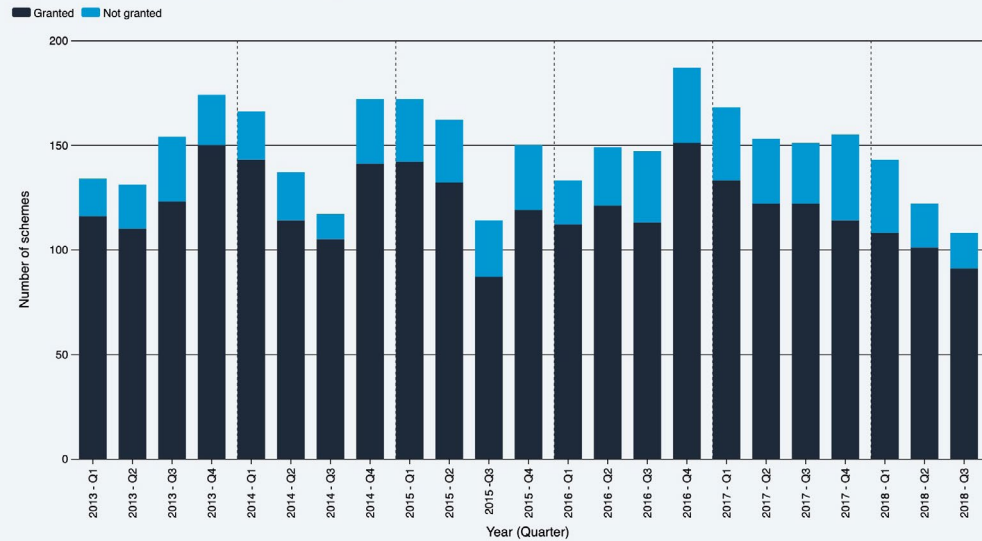


Net additional dwellings, which include conversions and changes of use as well as new builds, provide a more comprehensive picture of housing delivery in the capital.

Across London, net additional dwellings fell to 32,000 in 2017/18, from a record level of more than 40,000 the previous year, and below half the level stipulated by the draft New London Plan. New builds (27,000) and net conversions (1,500) were both down 13 per cent on the previous year, with net change of use (5,500) seeing the sharpest fall, down 37 per cent on 2016/17. This reflects a slowdown in the level of permitted development conversions of commercial premises to residential units, which had boosted the previous year's figures.

At the borough level, those which experienced a bumper 2016/17, saw delivery slow down. Lewisham (-67 per cent), Southwark (-66 per cent) and Bexley (-64 per cent) saw fewer than half the number of net additions when compared with the previous year, showing the breadth of poor performance across central and outer London boroughs. Tower Hamlets (-59 per cent) was also not far behind, though the borough continues to contribute a higher number than most to London's housing stock (2,003). These declines, however, are less dramatic compared to the levels of net additional dwellings in 2015/16.

Figure 14: Residential planning decisions, major schemes



Source: Ministry of Housing, Communities & Local Government

The number of considered planning applications continued to fall in the third quarter of 2018. In the quarter to September 2018, London planning authorities determined 108 major housing schemes, 30 per cent fewer than in the corresponding quarter of 2017. There was a 25 per cent decline in the amount of granted applications for major schemes (84 per cent of the total applications) in comparison to this time last year. A similar pattern – slowdown in activity, but an increase in the proportion of applications approved – can be seen for minor applications.

The percentage of major residential planning, determined within the government’s 13-week target, sat at 83 per cent in the third quarter of 2018, a two-percentage point increase on the year previously.

Whilst it appears London’s local authorities are processing applications faster, and making more positive decisions, a fall in the number of residential applications submitted is a cause for concern. It will be interesting to see if this is reversed in Q4, as in 2014, the last London borough election year before 2018, or whether it is a signal of a longer-term slowdown in activity.

One possible reason for the decline in planning applications is the growth of permitted developments. Since May 2013 applicants have been permitted to convert office space to residential use without seeking planning permission, instead requiring a ‘prior approval’ application only. Under this process, local authorities are unable to enforce minimum space standards, or seek affordable housing contributions, a feature which has [drawn criticism](#).

A downward trend in the new supply pipeline pushes the draft new London Plan’s target (65,000) further out of reach, whilst also showing signs of slowdown in the construction industry.