

Developers foresee clear opportunity in London's new build market

2 years ago



Global real estate advisor [CBRE](#) has revealed that London's new homes market is facing further future supply constraints, with new construction applications falling by 28% year-on-year in 2022, leaving them 50% below the peak of 2014.

In Prime Central London (PCL), the new build market has experienced an especially pronounced decline in planning activity. From 2018-2022, applications, permissions and construction starts all decreased by more than 50% compared with the preceding five-year period. Notably, 2022 saw the lowest-ever recorded total of applications and permissions granted in PCL.

Looking beyond PCL, developers, and housebuilders in London face several challenges, including the loss of the government Help to Buy programme, which is contributing to the slowdown in planning activity. The scheme had a sizable impact on the London market, accounting for an average of 16% of annual new build completions in the past three years and an average of 26% of new home sales each quarter since the start of 2020.

However, while the drop in planning figures indicates a future drop in new home delivery in London, there are clear opportunities for developers in an undersupplied market.

Jennet Siebrits, UK Head of Research, CBRE said: "With the end of Help to Buy and higher interest rates, developers and housebuilders are facing obvious challenges. Market conditions are difficult, but there's real opportunity here. Developers seeking planning permission with a view of marketing in 2025 will be able to capitalise on pent-up demand from buyers in London and a shortage of available stock. Lower construction completions also mean quality homes ready to market now have a prime window of reduced

competition.”

Furthermore, in the short term, the lack of new supply will support current pricing levels of new build properties and provide sustained demand in the prime markets.

Julien Mills, Executive Director, and Head of New Homes added: “London’s new build market is supported by consistent fundamentals. It’s a great city to live, work, learn and play in. Needs-based domestic and international purchasers motivated by pivotal moments in life, such as marriage or starting a family, continue to be very active and we are seeing investor interest strengthening – many are cash buyers and aren’t as impacted by higher interest rates. These factors aren’t going away. However, for those more dependent on mortgage borrowing, affordability is naturally a more significant concern and many are looking at lower price point areas further out from the capital’s centre. Even in an undersupplied market, the quality of the home and price will remain vital in attracting buyers’ attention. Those who don’t listen to buyer needs will sit at the back of the queue when it comes to buyer commitment.”

The Build-to-Rent (BtR) sector is making up a larger part of London’s new build market than ever before and is expected to continue its strong growth.

The share of absorption through Build-to-Rent (BtR) has grown for a third successive year, with 35% of private homes in London in 2022 being BtR homes. By comparison, the figure was just 6% ten years ago, illustrating the rapid growth of the sector. Simultaneously, BtR construction starts in 2022 were at their highest rate in four years, indicating there is a strong pipeline of product.

Siebrits concluded: “There’s a strong link between build-to-rent demand and changes in renters’ priorities in a post-pandemic world. Professionally-managed apartments offer a more convenient lifestyle and better living conditions compared to the private rental market. One of the main reasons for Londoners wanting to move home is often down to the quality of their property. So we can expect this demand to continue.”