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U.K. Faces Housing Shortfall of About 1 Million by 2015, Savills Estimates

By Chris Spillane - Mar 22, 2011 1:26 PM GMT

The U.K. faces a housing shortage of about 1 million homes by 2015, with [London](#) worst hit, as construction fails to keep pace with the growing population in the south of England, [Savills Plc \(SVS\)](#) said.

The shortfall was about 344,000 homes last year, the U.K.'s largest property broker said today. At the peak of the last housing boom in 2006, demand outstripped supply by an additional 60,000 homes each year. That number will increase to as much as 150,000 this year, Savills estimates.

"It's the usual conundrum that with economic growth comes a growth in people," Yolande Barnes, head of residential research at London-based Savills, said in an interview. "It's the areas of highest [population growth](#), so London and the South rather than the Midlands and the North that are the most hard-pressed."

The amount of homes built in England and [Wales](#) last year was the lowest during peace time since 1924, a Department of Communities and Local Government spokesman said by e-mail.

A lack of homes for sale underpins prices even as banks curb lending and the economic recovery is exposed to the biggest budget squeeze since World War II. [House prices](#) rose 0.3 percent in February, Acadametrics Ltd. reported on March 11. Banks approved 45,723 mortgages in January, about half the average over the last decade.

'Serious Gap'

The U.K. needs to build more homes to avoid a crisis, Nick Pearce, a director for the Institute for Public Policy Research, said in a report last week. "Whether the economy performs well or poorly, a serious gap looms between supply and demand."

[England](#) faces a shortfall of 750,000 homes by 2025, the London-based organization

said. London is expected to account for 43 percent of that.

The government is offering town and city councils, which face average budget cuts of 4.4 percent, incentives to approve more housing plans. They include the New Home Bonus, which will match council-tax payments for new homes in their districts for six years.

“The government has introduced a wide package of reforms designed to boost house building, including reform to the planning system,” the government department spokesman said.

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