

Quarterly Housing Market Report July 2019

This report summarises key trends and patterns in London's housing market in Q2 2019. The analysis covers house prices, rents, mortgage lending, repossessions and new supply.

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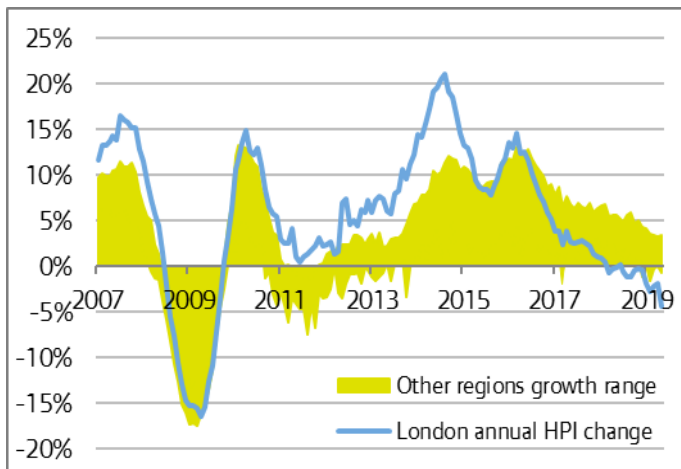
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Executive Summary

1. **House prices in London are continuing to decline.** In Outer London, which has previously shown greater resilience, house prices fell faster than at any point since 2009.
2. **Private rents continue to increase,** and June 2019 marked seven consecutive months of positive nominal rental growth.
3. **The volume of sales is still low by historical standards,** but both surveyors' price expectations and new buyer enquiries in London increased in Q2 2019.
4. Data on Energy Performance Certificates issued for new dwellings indicate that **new build housing completions returned to their previous peak in 2018/19**
5. **Planning approvals remain high compared with the levels witnessed between 2010 and 2017,** despite falling slightly in 2018/19.

1. House prices

Figure 1: Annual house price change, London and other regions



In May 2019 the seasonally-adjusted average house price in London was £456,810 ([ONS](#)), 4.3% lower than in May 2018.

London had the lowest annual growth of any region in the UK in the year to May 2019.

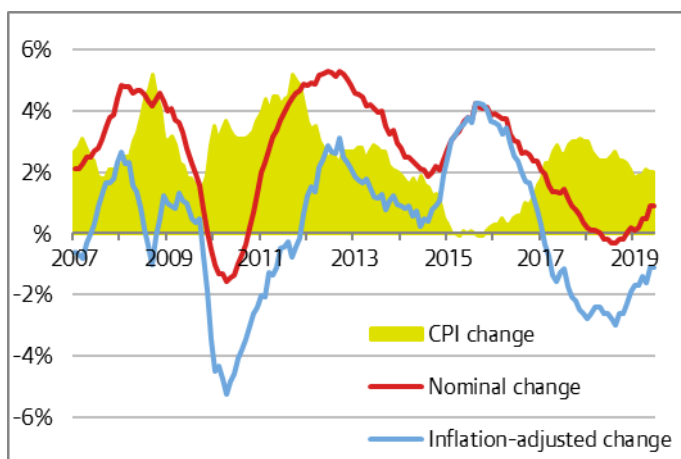
Prices in Inner London have been falling since January 2018, but the speed of decline slowed in the second quarter of 2019.

Outer London price growth dipped into negative territory in May 2018, for the first time since 2011, and the speed of decline appears to be increasing. The annual house price change in Outer London in May 2019 was at the lowest level recorded since October 2009.

Outer London price growth dipped into

2. Private rents

Figure 2: Annual private rents change in London, nominal and inflation-adjusted



In March 2019 the median monthly rent in London was £1,495, compared to £695 in England as a whole ([VOA](#)).

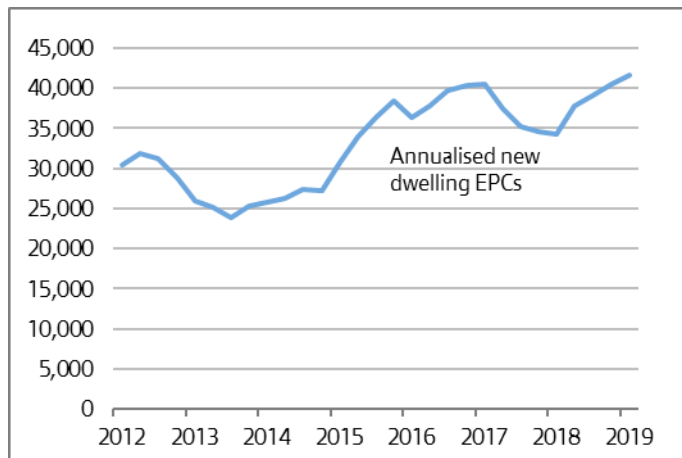
Private rents in London on average rose by 0.9% in nominal terms in the year to June 2019 ([ONS](#)). This is up from -0.2% in June 2018 and marks seven consecutive months of positive nominal rental growth.

However, London's rental growth rate was still among the lowest of any region in Great Britain, second only to the North East. Across England, private rents increased by 1.3% on average in nominal terms.

Real term annual growth (after accounting for CPI inflation) was still negative, as it has been since the beginning of 2017. In real terms rents in London fell by 1.1% in the year to June 2019.

3. New Supply: Completions

Figure 3: Energy Performance Certificates for new dwellings in London



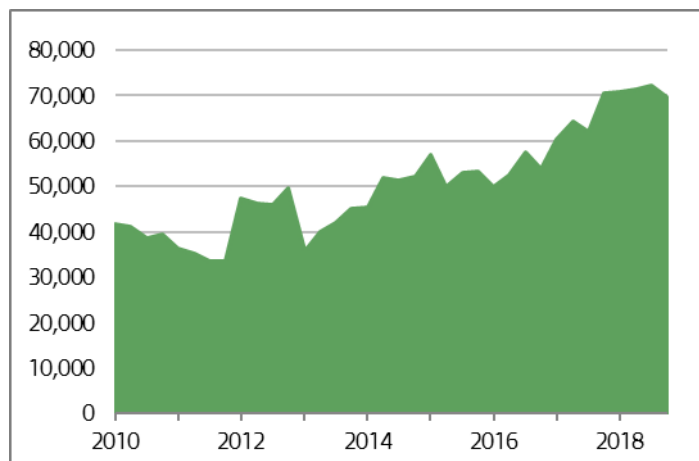
Energy Performance Certificates (EPCs) are required for all new homes and [EPC data¹](#) can be used as a proxy for completions.

There were 41,683 new home EPCs registered in London in the year to Q1 2019, an increase of 22% from 34,240 in the previous year and a return to around the previous peak in 2017.

Further investigation into the detail of the EPC figures is underway, now that record-level data has been published by MHCLG.

4. New Supply: Planning approvals

Figure 4: Annualised planning approvals (schemes of 10 or more units)



Figures from the Home Builders Federation ([HBF](#)) for planning approvals in 2018/19 will be published in the summer.

The last publication from HBF showed that 69,780 homes were granted planning approval in London in 2018.

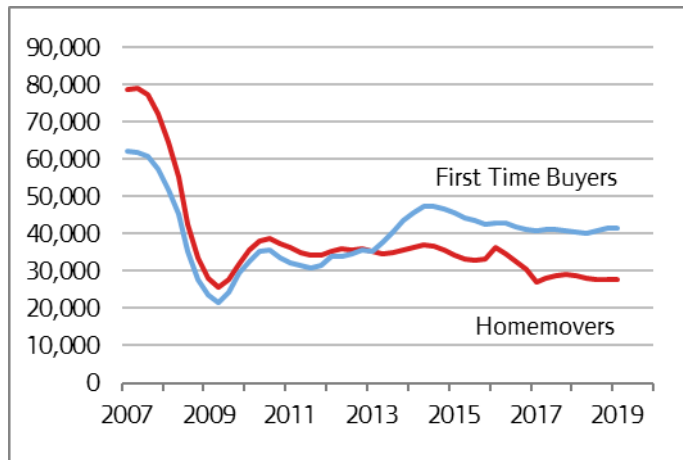
This is down 1% on 2017, which is the first fall in annualised planning approval numbers since the beginning of 2017. However, the data continues to show high numbers of

planning approvals compared with the period between 2010 and 2017.

¹ EPC data covers all types of residential development (changes of use etc.) and is more closely aligned to LDD net conventional completions statistics. The data is, therefore, considered to be a leading proxy for new supply.

5. Mortgage lending

Figure 5: Annualised mortgage advances to first-time buyers and home movers, London



There were 41,570 new mortgages advanced to first-time buyers in London in 2018/19, up 3% on the number of loans advanced in 2017/18 ([UK Finance](#)).

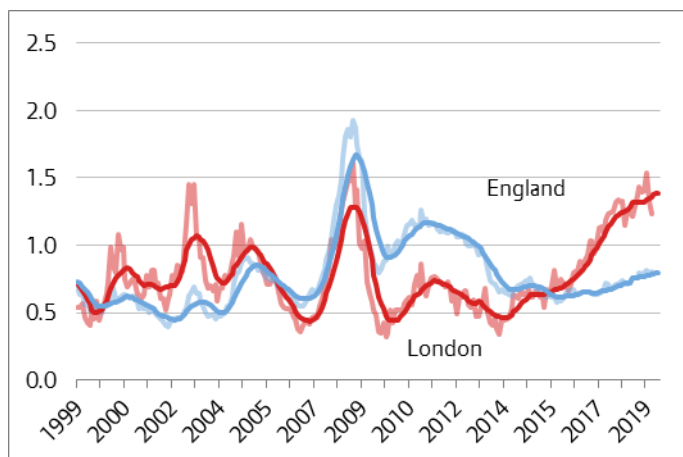
The number of loans to home movers in London was 27,570 over the same period, down 4% on the previous year.

The typical first-time buyer took out a loan of 3.79 times their income in Q1 2019 and the typical homemover took out a loan of 3.78.

The average price paid by first-time buyers was £431,7621 in Q1 2019 and the average deposit amount was £148,803 – these amounts have increased 32% and 53% respectively in the last five years. The average household income of a first-time buyer was £77,314 in Q1 2019.

6. Transactions

Figure 6: Years of inventory on surveyors' books (average stocks divided by average sales)



[RICS Survey](#) data² indicates that the years of inventory held by surveyors – the number of years it would take to sell all properties marketed for sale at the current sales rate – increased in London in Q2 2019 to 1.4, which is 8% above the level seen in 2008. This follows a slow sales rates over recent months.

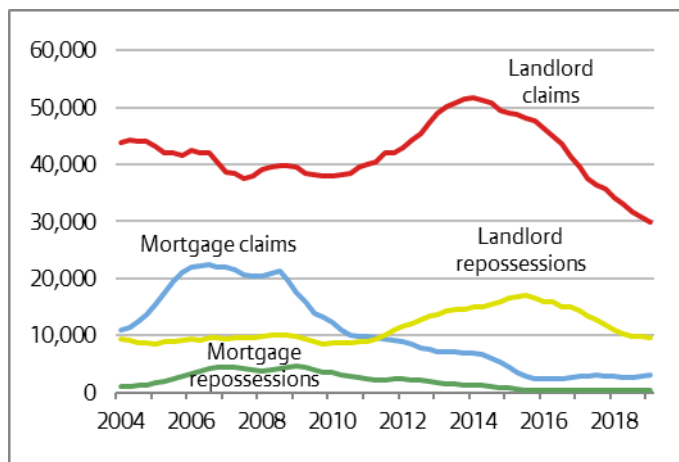
Surveyors' price expectations continue to be negative but improved slightly in the first half of 2019.

New buyer enquiries in Q2 2019 were at the highest level since 2015, indicating a recovery in demand from home buyers that has potential to feed through to an increase in sales rates.

² RICS Residential Market Survey data is from a sample of London-based surveyors and is weighted towards Inner London.

7. Landlord repossessions / tenancy terminations

Figure 7: Annualised mortgage and landlord claims/possessions



9,701 rented homes were repossessed by court bailiffs from private or social tenants in London in the year to Q1 2019 ([MOJ](#)), a decrease of 11% from the previous year. The number of landlord claims also decreased in the year to Q1 2019 by 12%.

402 mortgaged homes in London were repossessed in the year to Q1 2019, an increase of 19% from the previous year but still a low level by historic standards.