

## Quarterly Housing Market Report February 2020

This report summarises key trends in London's housing market in Q4 2019. The analysis covers house prices, rents, mortgage lending, repossessions and new supply.

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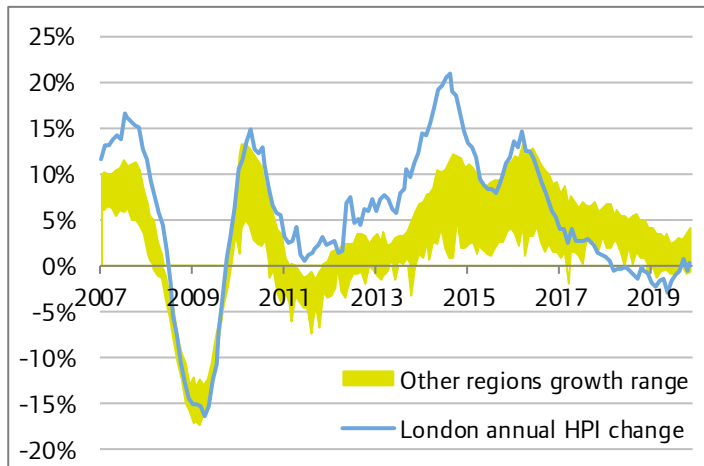
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### Executive Summary

1. **House prices in London are displaying the first signs of market recovery.** In Inner London, house prices grew in the year to November 2019. In Outer London, while the annual house price change continues to be negative, the rate of decline appears to be slowing.
2. **Private rents in London continue to increase** and December 2019 marked thirteen consecutive months of positive nominal rental growth. A fall in CPI means that, in real terms, rents in London fell by only -0.1% in 2019.
3. **The volume of transactions remains subdued by historical standards** and, in particular, home mover mortgage lending is down. However, in December 2019, more agents reported increasing new buyer enquiries in London than at any point since 2015.
4. There were **40,580 new home Energy Performance Certificates registered in London in 2019**, broadly aligned with 2018 and signalling another strong year of housing completions.
5. **Planning approval figures remained stable in the first half of 2019.**

## 1. House prices

Figure 1: Annual house price change (seasonally adjusted), London and other regions



In November 2019 the seasonally-adjusted average house price in London was £476,200 ([HM Land Registry](#)), up 0.2% from November 2018, as prices stabilised in the second half of 2019.

In England, average house prices rose by 1.7% last year, with price increases particularly in the second half of 2019.

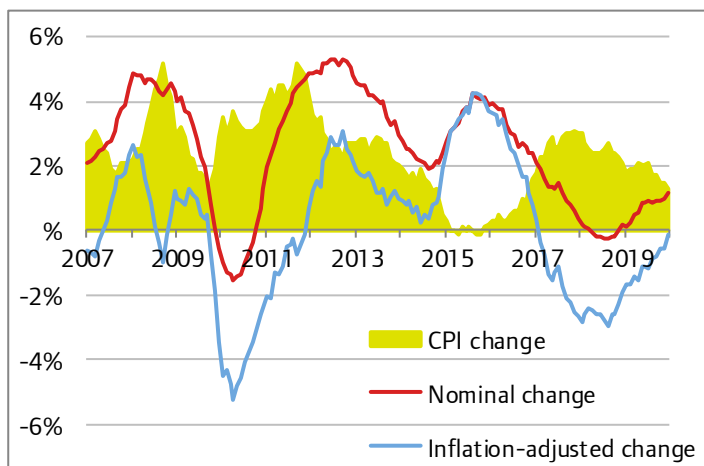
House prices increased in all regions, except the East of England where prices decreased.

House prices appear to be stabilising in London and the South East after falling in 2018 and 2019.

Prices in Inner London had been falling since January 2018, but the rate of decline slowed in the second half of 2019, displaying first signs of market recovery. The annual house price change in Outer London continues to be negative, but the rate of decline appears to be slowing.

## 2. Private rents

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



In September 2019, the median monthly rent in London was £1,450, compared to £700 in England as a whole ([ONS](#)).

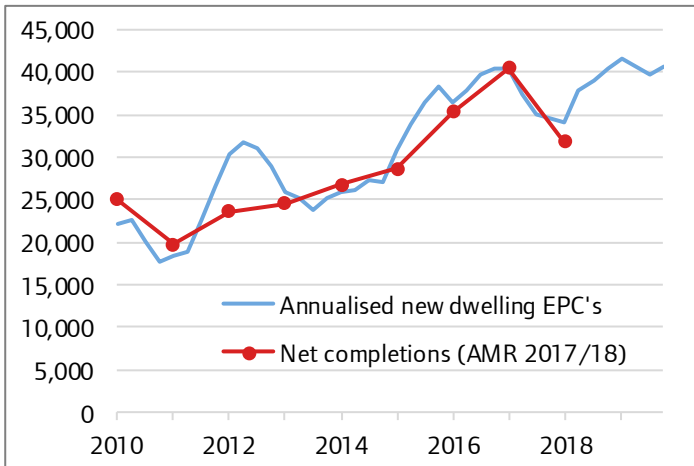
Private rents in London rose by 1.2% in nominal terms in 2019 ([ONS](#)). This is up from 0.2% in 2018 and marks thirteen consecutive months of positive nominal rental growth.

London's rental growth rate was among the lowest of any region in Great Britain, second only to the North East. Across England, private rents increased by 1.4% on average in nominal terms.

Real term rental growth in London (after accounting for CPI inflation) was negative, as it has been since the beginning of 2017. However, a fall in CPI to 1.3% (the lowest level in three years) means that, in real terms, rents in London fell by only -0.1% in the year to 2019.

### 3. New supply: completions

Figure 3: Energy Performance Certificates for new dwellings in London

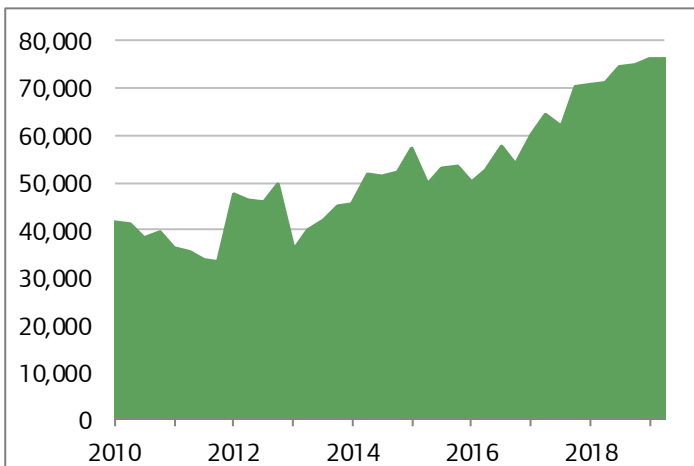


Energy Performance Certificates (EPCs) are required for all new homes and [EPC data<sup>1</sup>](#) can be used as a proxy for completions. EPC data has tracked the LDD net conventional completions data over recent years.

There were 40,580 new home EPCs registered in London in 2019, broadly aligned with the 40,530 new home EPCs recorded in 2018 (an increase of 0.1%) and signalling another strong year of housing completions.

### 4. New supply: planning approvals

Figure 4: Annualised planning approvals



Figures from the Home Builders Federation ([HBF](#)) showed that 76,290 homes were granted planning approval in London in the year to Q2 2019. This is up 7% on the previous year and the highest annualised approvals figure recorded for London.

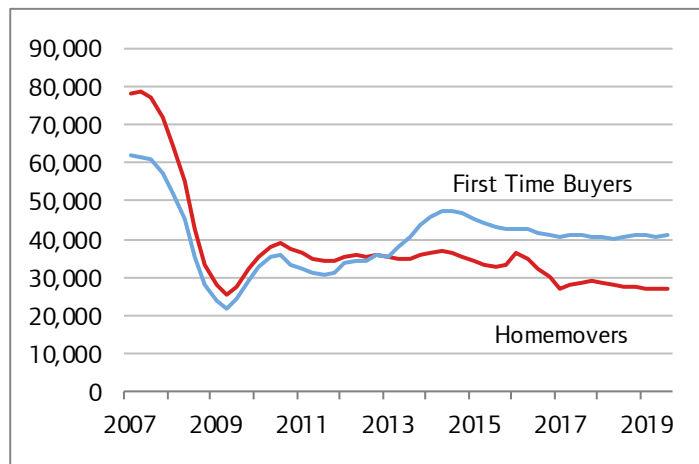
By contrast, in England, annualised housing approvals were down 1% compared with the previous year.

The average number of homes approved per project has grown each year for three consecutive years, increasing from 21 homes approved per project in Q2 2016 to 33 homes approved per project in Q2 2019.

<sup>1</sup> EPC data covers all types of residential development (including changes of use) and is closely aligned to London Development Database (LDD) net conventional completions statistics. EPC data is a leading proxy of new supply.

## 5. Mortgage lending

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



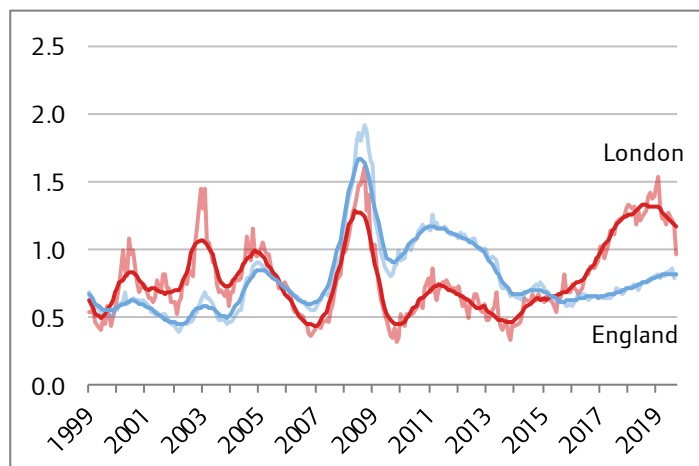
There were 40,840 new mortgages advanced to first-time buyers in London in the year to Q3 2019, which is 0.9% up on the number of loans advanced in the previous year. First-time buyers took out loans averaging 3.8 times their income in Q3 2019 ([UK Finance](#)).

The number of loans to home movers in London was 26,790 in the year to Q3 2019, down 3.1% on last year. Home movers took out loans of 3.8 times their income.

The average price paid by first-time buyers was £449,200 in Q3 2019, and the average deposit amount was £142,400 – these amounts have increased 26% and 37% over a five-year period, respectively. The average combined gross household income of a first-time buyer was £84,300 in Q3 2019 and the mean age of the first named borrower was 33.

## 6. Transactions and market sentiment

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



[RICS Survey](#) data<sup>2</sup> 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 – decreased in London in Q4 2019 to 1.2. This is at the lowest level in two years, but is still above the level seen in 2008.

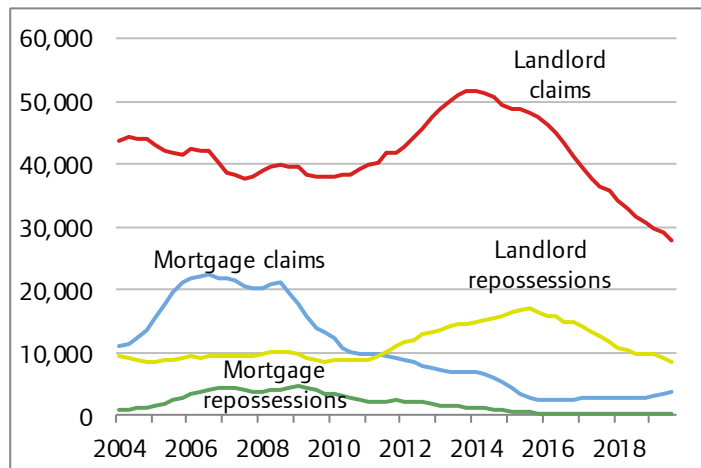
Surveyors' price expectations improved noticeably in Q4 2019 and were positive for the first time since Q4 2016. In addition, in Q4 2019, more agents reported increasing

new buyer enquiries in London than at any point since 2015. Commentary from London surveyors reports buyer confidence is improving after the general election and with more clarity around Brexit.

<sup>2</sup> RICS Residential Market Survey data is from a sample of London-based surveyors. The sample is weighted towards Inner London.

## 7. Landlord repossessions / tenancy terminations

Figure 7: Annualised mortgage and landlord claims/possessions



8,600 rented homes were repossessed by court bailiffs from private or social tenants in London in the year to Q3 2019 (MOJ), a decrease of 12% from the previous year and the lowest number since Q4 2009.

The number of landlord claims also decreased in the year to Q3 2019 by 12%, to 27,960. Therefore, the number of landlord repossessions is expected to continue to decrease.

373 mortgaged homes in London were repossessed in the year to Q3 2019, which is broadly aligned with the previous (1.3% down) and still at a low level by historic standards. The number of mortgage repossession claims was 3,830 in the year to Q3 2019, up 44% from the previous year and the highest number of mortgage claims recorded since 2015.