

Quarterly Housing Market Report

May 2020

This report summarises key trends in London's housing market in Q1 2020. The analysis covers house prices, rents, mortgage lending, repossessions and new supply.

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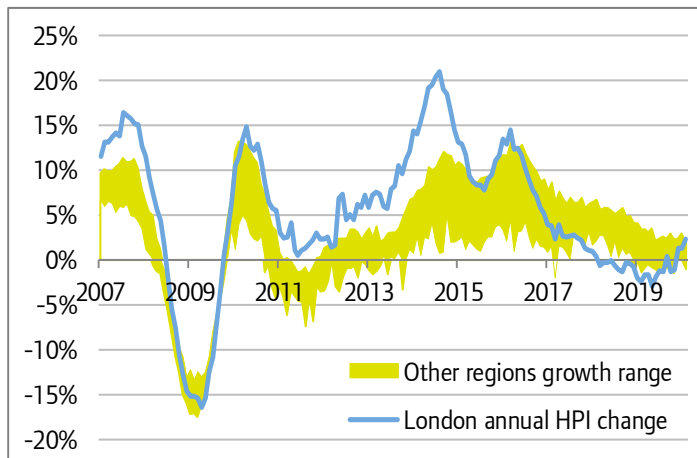
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Executive Summary

1. Traditional data sources are usually published on a monthly or quarterly basis, with a time lag. For this reason, the data sources referenced below do not yet reflect the impact of Covid-19 on the housing market, and **the report generally describes the state of London's housing market before the onset of the crisis.**
2. **Before the Covid-19 crisis, house prices in London were beginning to display the first signs of market recovery**, with both Inner and Outer London recording positive annual house price growth in the year to the end of February 2020. However, the volume of transactions remained subdued in 2019.
3. **In 2019/20, private rents in London increased by 1.2% in nominal terms**, compared with 1.4% across England. With CPI at a low level, rents in London fell by 0.3% in real terms in 2019/20.
4. There were **42,630 new home EPCs registered in London in 2019/20**, signalling another strong year of housing completions. However, planning approval figures for new homes in London were down at the end of 2019.
5. While **it is too early to discern the impact of Covid-19 on London's housing market**, there are indications that both demand and supply of homes for sale has weakened.

1. House prices

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



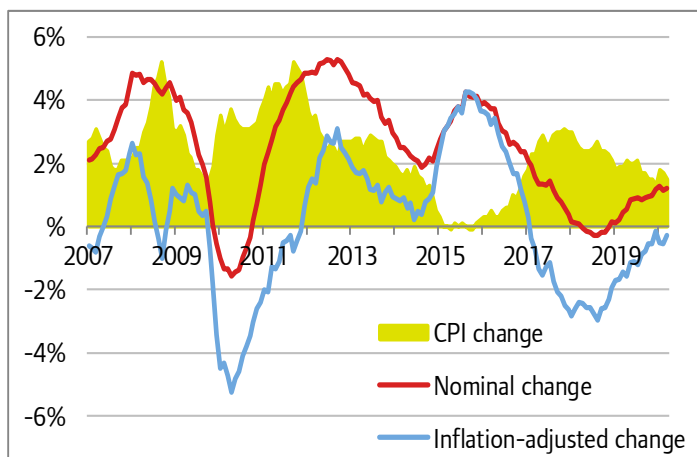
In February 2020 the seasonally-adjusted average house price in London was £478,900 ([HM Land Registry](#)), up 2.3% from February 2019, which is the largest annual house price increase in London since October 2017.

House prices increased in all regions, except the East of England. In England, average house prices rose by 0.8% in the year to February 2020, with price increases particularly in the second half of 2019.

In the year to February 2020, average house prices grew by 3.6% in Inner London and 0.5% in Outer London. Annual house price growth in Outer London remained below that of Inner London, but was positive for the first time since August 2018.

2. Private rents

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



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 2019/20 ([ONS](#)). This is up from 0.5% in 2018/19 and marks seventeen consecutive months of positive nominal rental growth.

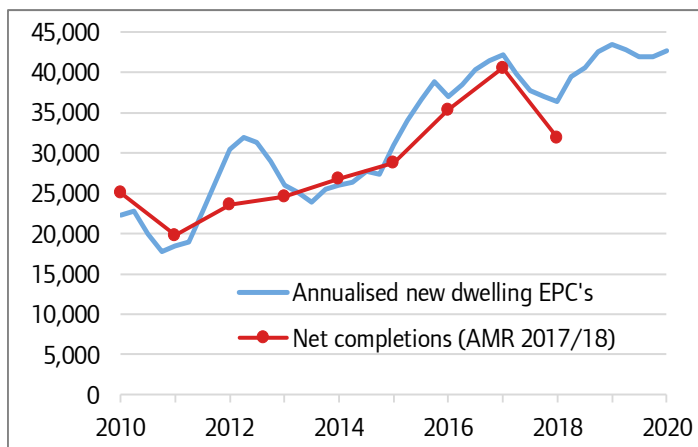
Across England, private rents increased by 1.4% on average in nominal terms, with the

South West and West Midlands regions experiencing the greatest rent increase in 2019/20.

Real term rental growth in London (after accounting for CPI inflation) was negative, as it has been since the beginning of 2017. With the Consumer Price Index (CPI) inflation at 1.5% in March 2020, in real terms, rents in London fell by 0.3% in 2019/20.

3. New supply: completions

Figure 3: Energy Performance Certificates for new dwellings in London (MHCLG)

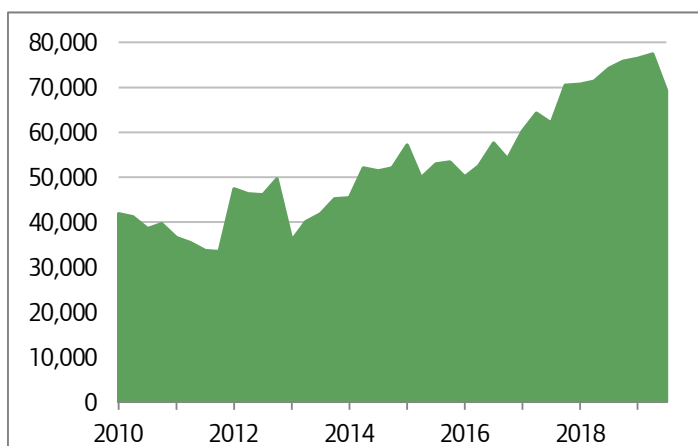


Energy Performance Certificates (EPCs) are required for all new homes and [EPC data¹](#) can be used as a proxy for completions. EPC data has tracked the LDD net conventional completions data over recent years.

There were 42,630 new home EPCs registered in London in 2019/20, a slight decrease of 2% from the 43,520 new home EPCs recorded in 2018/19 but signalling another strong year of housing completions.

4. New supply: planning approvals

Figure 4: Annualised planning approvals in London (HBF)



Figures from the Home Builders Federation ([HBF](#)) showed that 69,340 homes were granted planning approval in London in the year to Q3 2019. This is down 7% on the previous year and is the first fall in annualised approvals in two years.

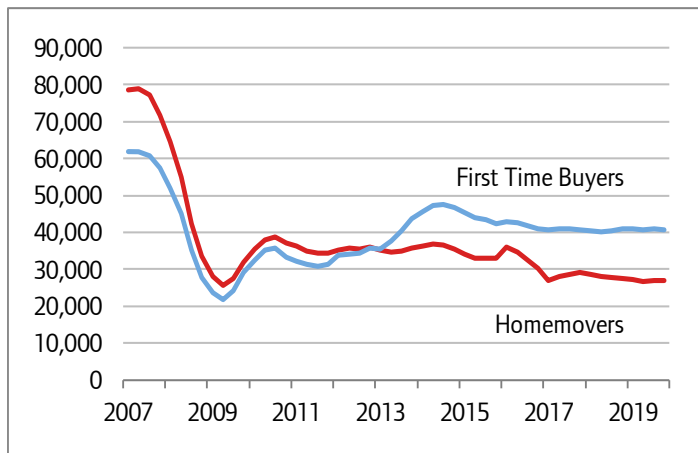
In England, annualised housing approvals were down 3% on the previous year.

The average number of homes approved per project remains high compared with historic levels, with 31 homes approved per project in the year to the end of Q3 2019.

¹ 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 (UK Finance)



There were 40,800 new mortgages advanced to first-time buyers in London in 2019, which is slightly less than the number of loans advanced in 2018 (41,000).

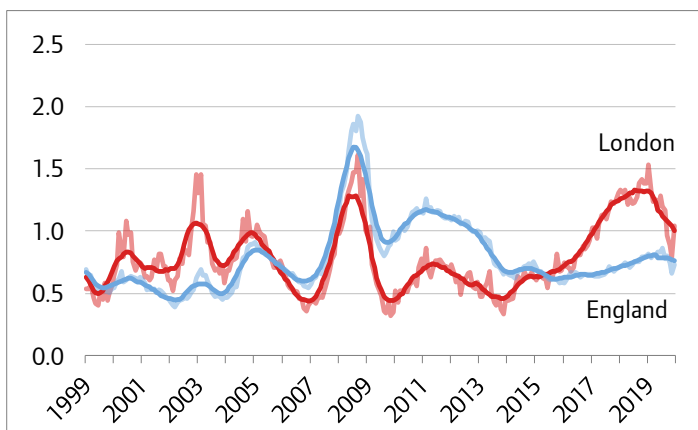
The number of loans to home movers in London in 2019 was 27,000, down slightly from 27,500 in 2018.

The average price paid for a home in London by first-time buyers was £442,400 in 2019 and the average deposit amount

was £143,400 – these amounts have increased 29% and 42% over a five-year period, respectively. The average combined gross household income of a first-time buyer was £82,900 in 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)



[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 – decreased in London in Q1 2020 to 1.0, following a strong start to the year.

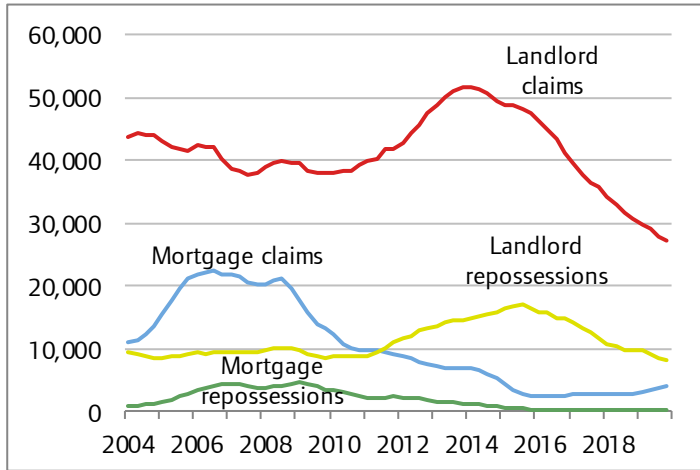
However, there have been sharp drops in both demand (as measured by new buyer enquiries) and supply (as measured by new instructions) of homes for sale, following

the onset of the Covid-19 pandemic. Surveyors' expectations for sales and house prices fell sharply in Q1 2020. Reported falls in expected sales and expected house prices were more widespread in March 2020 than at any point on record, including during the financial crisis.

² 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 (MOJ)



8,260 rented homes were repossessed by court bailiffs from private or social tenants in London in 2019 (MOJ), a decrease of 15% from 2018 and the lowest number recorded since Q4 2009. The number of landlord claims also decreased in 2019 by 11%, to 27,200 claims.

383 mortgaged homes in London were repossessed in 2019, which is broadly aligned with 2018 (1.5% down) and still at a low level by historic standards. The number

of mortgage repossession claims was 3,980 in 2019, up 39% from 2018 and the highest number of mortgage claims recorded since 2015.