

Quarterly Housing Market Report

August 2020

This report summarises key trends in London's housing market in Q2 2020. The analysis covers house prices, rents, mortgage and landlord repossessions, and new supply.

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Executive Summary

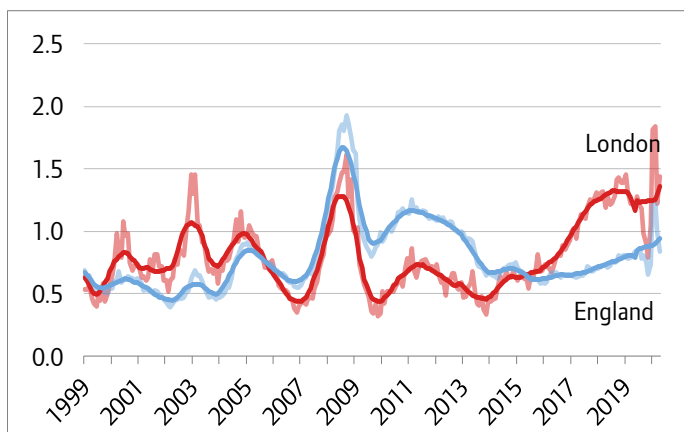
1. Traditional data sources are usually published on a monthly or quarterly basis, with a time lag. Following the onset of the Coronavirus pandemic, **a number of traditional data sources have been temporarily suspended or have had their methodologies revised**, so this report provides a shorter overview than previous publications.
2. RICS survey data shows there were **sharp drops in demand and supply of homes for sale at the outset of the Covid-19 pandemic, with some recovery** in July 2020.
3. In the year to July 2020, private rents in London increased by 1.1% in nominal terms, compared with 1.6% across England. **With CPI at a low level, rents in London increased by 0.1% in real terms** over this period.
4. Following the introduction of the Coronavirus Act in March 2020, mortgage and landlord possessions have dropped to unprecedented levels, with **no bailiff repossessions recorded in Q2 2020**. This legislation has been extended and currently runs to 30 September 2020.
5. The number of Energy Performance Certificates (EPCs) lodged in Q2 2020 for completed new dwellings was 48% lower than in Q2 2019. Weekly figures for new dwelling EPCs indicate that **the recovery in London's development market has been reasonably strong**.
6. While there are indications that the sales, rental and development market has started to recover, **it is too early to discern the long-term impact of Covid-19 on London's housing market**.

1. House prices

The [UK House Price Index \(UKHPI\)](#) was suspended in May 2020, due to insufficient data. The minimum number of transactions needed to provide an acceptable level of confidence in the data has now been met, so publication has been resumed. However, the data reflects a new methodology, so figures are subject to revision in subsequent periods. For this reason, the new data for London is not reported within this report.

2. Transactions and market sentiment

Figure 1: Years of inventory on surveyors' books (average stocks divided by average sales) (RICS)



[RICS Survey](#) data¹ 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 July 2020 to a new high of 1.4, following low levels of sales per surveyor between April and July 2020.

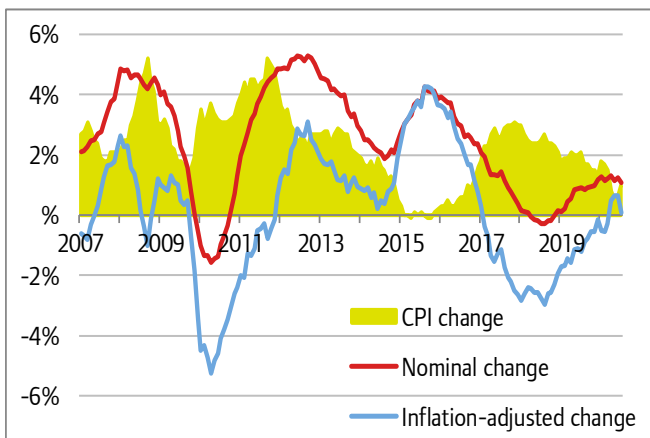
There were sharp drops in both demand (as measured by new buyer enquiries) and supply (as measured by new instructions) of

homes for sale at the outset of the Covid-19 pandemic. Surveyor expectations for house prices in London in the next three months improved slightly in July 2020, compared with the previous three months, but remained negative.

¹ RICS Residential Market Survey data is from a sample of London-based surveyors. The sample is weighted towards Inner London.

3. Private rents

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



In March 2020, the median monthly rent in London was £1,425, compared to £700 in England as a whole (ONS).

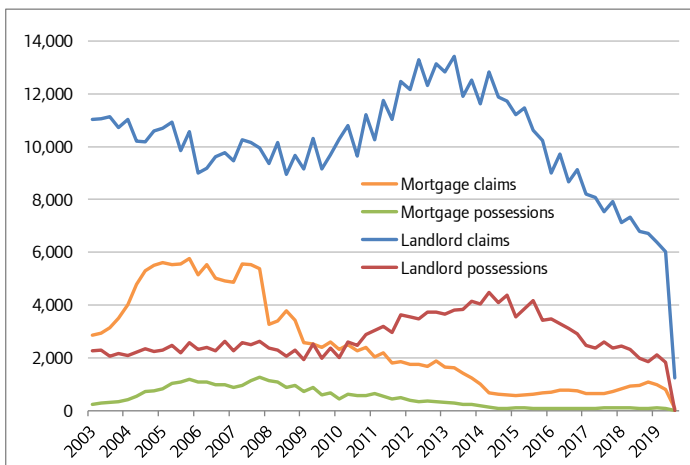
Private rents in London rose by 1.1% in nominal terms in the year to July 2020 (ONS). This is up from 0.9% in July 2019 and marks twenty-one consecutive months of positive nominal rental growth.

Across England, private rents increased by 1.6% on average in nominal terms, with the South West region experiencing the greatest rent increase.

Real term rental growth in London (after accounting for CPI inflation) became positive in April 2020, after negative growth was recorded in London since the beginning of 2017. With the Consumer Price Index (CPI) inflation at 1.0% in July 2020, in real terms, rents in London grew by 0.1% in the year to July 2020.

4. Landlord repossessions / tenancy terminations

Figure 3: Annualised mortgage and landlord claims/possessions (MOJ)



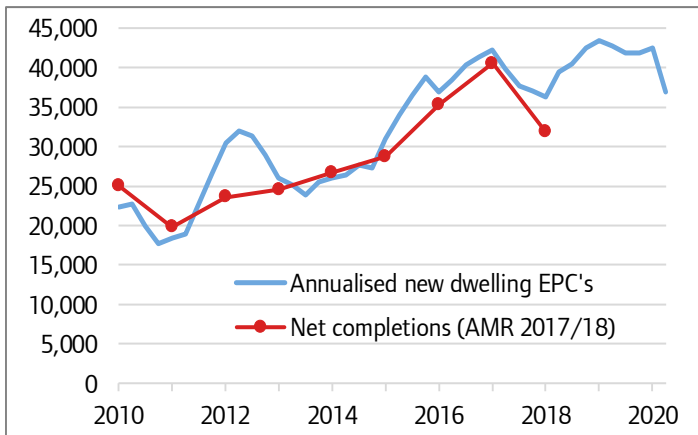
Following the introduction of the [Coronavirus Act](#) in March 2020, mortgage and landlord possessions have dropped to unprecedented levels, with no bailiff repossessions recorded in Q2 2020. This legislation has been extended and currently runs to 30 September 2020.

1,226 repossession claims for rented homes in London were made to court bailiffs in Q2 2020 (MOJ), a 82% decrease from Q2 2019.

70 repossession claims for mortgaged homes in London were made to court bailiffs in Q2 2020, a 93% decrease from Q2 2019. As was the case before the pandemic, it is likely that not all claims will progress to actual possessions.

5. New supply: completions

Figure 4: Energy Performance Certificates for new dwellings in London (MHCLG)



Energy Performance Certificates (EPCs) are required for all new homes and [EPC data²](#) can be used as a proxy for completions. EPC data has tracked the LDD net conventional completions data over recent years.

There were 36,960 new home EPCs registered in London in the year to Q2 2020, down 14% from the 42,800 new home EPCs recorded in the previous year.

The number of Energy Performance Certificates (EPCs) lodged in Q2 2020 for completed new dwellings in London was 6,007, a 48% fall from Q2 2019.

MHCLG has also started publishing weekly figures for new dwelling EPCs. This data indicates the fall in completions in London in Q2 2020 was less severe than in other regions, while the subsequent recovery (up to and including the second week of August) has been reasonably strong.

² 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.