

Quarterly Housing Market Report

December 2020

This report summarises key trends in London's housing market in mid to late 2020. The analysis covers rents, house prices and new supply.

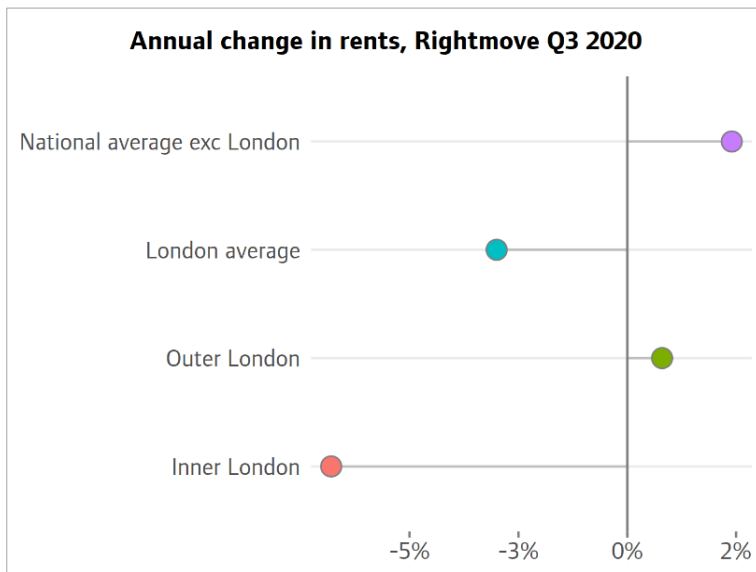
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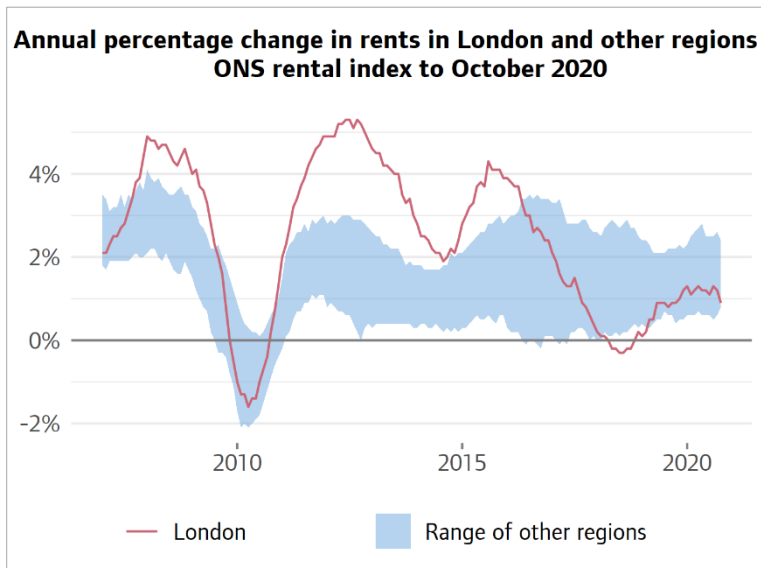
Executive Summary

1. House building in London was hit badly by the Covid-19 lockdown during spring and early summer, but had recovered to roughly its previous level by autumn.
2. Advertised rents have fallen in London in the last year, particularly in the city centre. According to Rightmove, average asking rents in Inner London fell 6.8% between Q3 2019 and Q3 2020, while rents in Outer London rose 0.8%.
3. The sales market in London is seeing positive price growth and high levels of activity. ONS report that average prices in London grew 4% in the year to September 2020, the fastest rate of growth since 2017.
4. A slight majority of respondents to the RICS monthly survey said they expect house prices in London to fall over the next three months, due to growth in demand not keeping up with the supply of homes for sale. A larger majority of respondents expect rents to continue falling over the coming months.
5. The end of the stamp duty holiday and the furlough scheme, both due in March, are likely to put downward pressure on prices in the absence of a strong economic recovery.

1. Rents



Advertised rents have fallen in London in the last year, particularly in the city centre. According to [Rightmove](#), average asking rents in Inner London fell 6.8% between Q3 2019 and Q3 2020, while rents in Outer London rose 0.8%. Rents are also up across the rest of the country. Consistent with these trends, Rightmove report that the asking rents of studio flats in London are down 3.5% on the same period last year, one- and two-bedroom flats are down 3% and 4% respectively, but two-bedroom houses are up 0.7%.

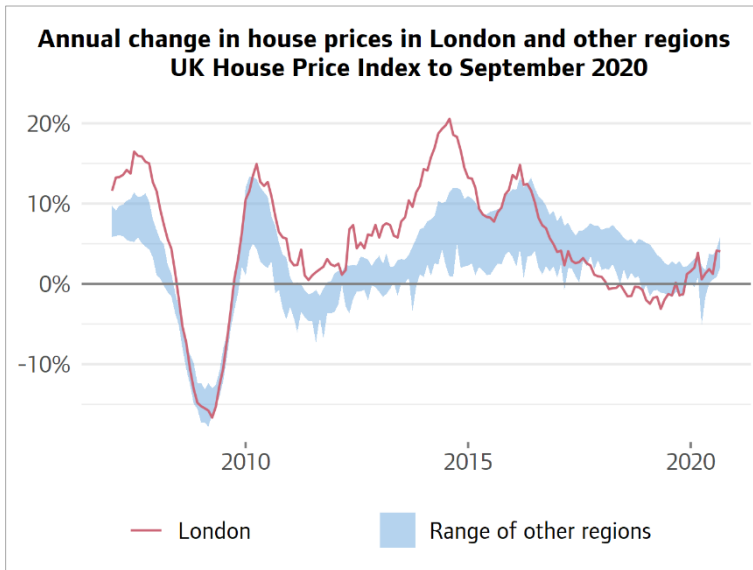


The [ONS index of private rents](#) takes longer to reflect changing market conditions, as it measures the rents paid by tenants on ongoing as well as new tenancies. According to the latest figures, rents in London grew 0.9% in the year to October 2020, well below most other regions.

Over the coming months this index is likely to show slowing and then negative growth in London rents.

2. Prices and sales

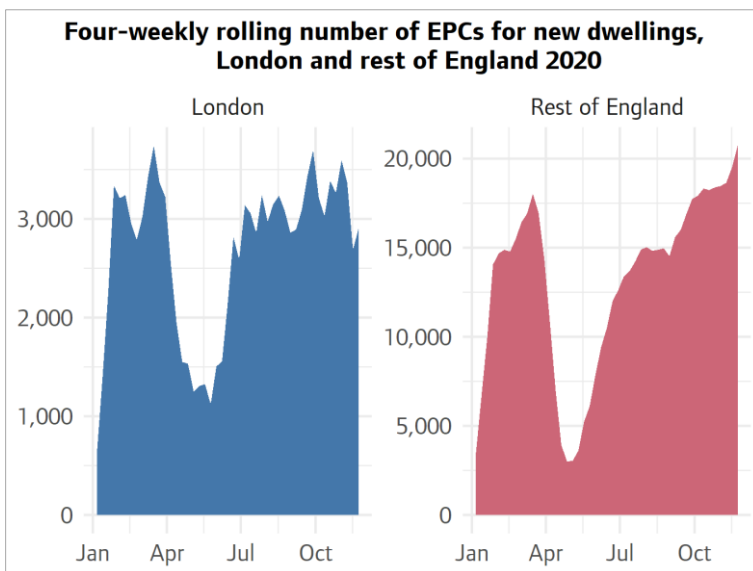
The sales market in London is seeing positive price growth and high levels of activity. [Rightmove's index of asking prices](#) in London shows a year-on-year increase of 3.5% in November 2020, and the average time to secure a buyer in London has decreased to 49 days in October 2020, from a peak of 88 days in May 2020. Rightmove also reported that the number of sales agreed in London in October 2020 was 57% up from October 2019.



[ONS](#) report that average prices in London grew 4% in the year to September 2020, the fastest rate of growth since 2017 but still well below the very rapid growth rates seen in 2014 to 2016.

Prices also grew in every other region in the country, following an initial dip during the first national lockdown.

3. New supply



Recently published [MHCLG figures](#) show that 2019/20 was a very strong year for new housing supply in London, with total net additions to the stock of nearly 42,000, the highest figure since these statistics began in 2001/02.

More recent [weekly data on Energy Performance Certificates \(EPCs\) for new dwellings](#) (left) shows that house building in London was hit badly by the Covid-19 lockdown during spring and early summer, but had recovered to roughly its previous level by autumn.

4. Sentiment

A slight majority of respondents to the [RICS monthly survey](#) said they expect house prices in London to fall over the next three months, due to growth in demand not keeping up with the supply of homes for sale. A larger majority of respondents expect rents to continue falling over the coming months.

5. Outlook

As suggested by responses to the RICS survey, the recent trend of house price growth seems unlikely to persist long into 2021. The end of the stamp duty holiday and the furlough scheme, both due in March, are likely to put downward pressure on prices in the absence of a strong economic recovery. The [Office for Budget Responsibility](#) forecast in November that prices would fall in 2021 and 2022, only recovering in 2023. Rents also seem likely to fall further over the coming months.