

Quarterly Housing Market Report

02 March 2021

This report summarises key trends in London's housing market in late 2020 to early 2021. The analysis covers rents, house prices and new supply.

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Summary

1. Asking rents in Inner London have fallen sharply in the last year, while remaining steady in Outer London.
2. By contrast, house prices are reported to have increased slightly in the last year, probably in response to the Stamp Duty holiday, but weakening asking prices indicate that this growth is unlikely to last.
3. The sales market remains very active, with strong growth in the number of new mortgage loans for home buyers towards the end of 2020. If the Stamp Duty holiday is extended in the Budget then the sales market will receive a further boost (at least in the short term).
4. A majority of respondents to the RICS survey expect both prices and rents in London to fall over the coming months.
5. There is a mixed picture on new supply. Both starts and completions were down in 2020, but some short-term indicators indicate that there has been a relatively strong start to 2021.
6. Finally, a range of evidence indicates that the pandemic will have a lasting negative impact on the labour market and the economic lives of Londoners more broadly.

1. Rents

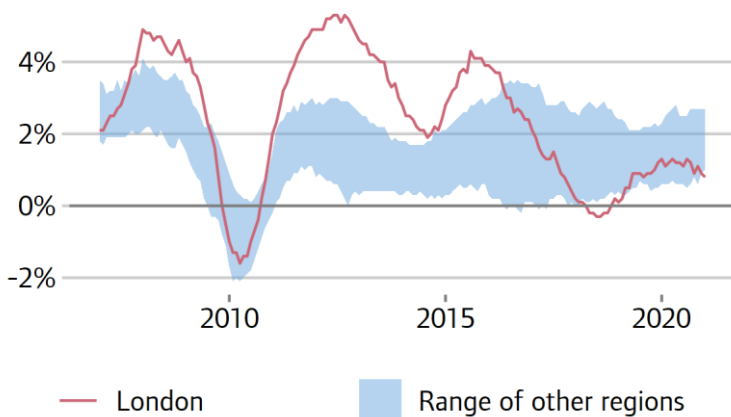
Annual change in asking rents, Rightmove Q4 2020



Asking rents have fallen in London in the last year, particularly in the city centre. According to [Rightmove](#), average asking rents in Inner London fell 12.4% between Q4 2019 and Q4 2020, while rents in Outer London were static. Asking rents rose 3.7% across the rest of the country.

Similarly, Zoopla reported that average asking rents in London were 8.3% lower in December 2020 than a year ago, with sharper falls in Inner London.

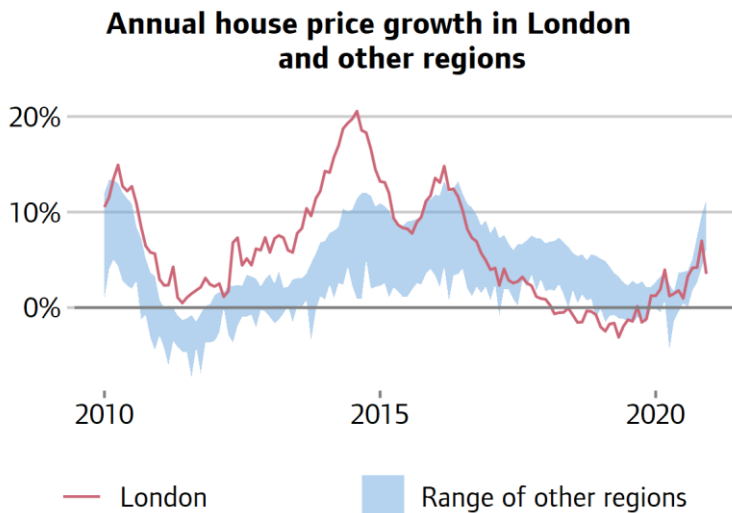
Annual rent change in London and other regions



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 0.8% in the year to January 2021, the slowest growth of any region.

Over the coming months this index is likely to continue slowing and then turn negative as the reduction in asking rents affects a greater number of tenancies.

2. Prices and sales



[ONS](#) report that average prices in London grew 3.5% in 2020, slower than any other region but still above the average rate of the last few years. Recent index figures should be treated with some caution as delays in registering sales mean they may be subject to substantial revisions over time.

Rightmove report that average asking prices in London were down 1.1% in February from a year ago, but rose in every other region.

The sales market remains very active, with [UK Finance](#) figures showing 7,700 mortgage approvals in December, up 31% from 2019 and the highest monthly total since March 2016.

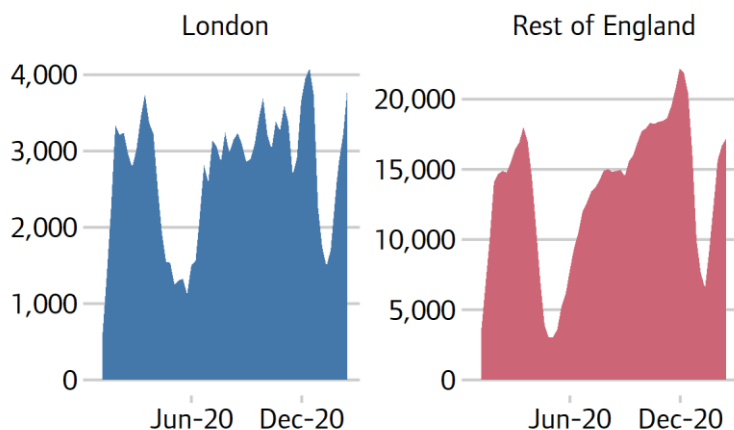
Sales activity is likely to remain strong ahead of the scheduled end of the Stamp Duty holiday in March, and if the holiday is extended in the forthcoming Budget then sales are likely to receive a further boost.

3. New supply

Molior report that the number of new starts on larger schemes (those with 20 or more private homes) in London fell to 17,860 in 2020, down from 19,640 in 2019 and the lowest annual total since 2012. The number of new homes completed also fell, from 22,210 in 2019 to 19,900 in 2020.

Both starts and completions have fallen in recent years in response to relatively soft sales figures.

Four-weekly rolling number of EPCs for new dwellings



More recent [weekly data on Energy Performance Certificates \(EPCs\) for new dwellings](#) (left) shows that house building in London has made a good start to 2021, with just over 5,500 new homes registered in the first seven weeks of the year.

Other construction indicators add to the mixed picture:

- HBF data on the [planning pipeline](#) indicate that the number of new homes approved in London fell from a total of 50,350 in Q4 2019 and Q1 2020 (the highest six-month total on record) to just 28,150 in the following six months.
- TfL reported that [Community Infrastructure Levy returns](#) from construction in London reached £36.3m in Q4 2020, the highest return in almost four years.
- Using data from [Emsi](#), GLA Economics reported that the number of unique online job postings for construction-related occupations in London in late 2020 rose to more than 20% above the level of a year ago, after dropping well below trend during the summer.

4. Sentiment

A majority of respondents to the [RICS monthly survey](#) said they expect house prices in London to fall over the next three months, while a larger majority of respondents expect rents to continue falling over the coming months.

5. Economic outlook

Data from [Indeed](#) indicates that the number of online job ads in London has so far recovered more slowly than in the rest of the UK, while proportion of ads for remote work has risen faster in London than elsewhere. These trends together suggest that employee demand for homes in central London will take some time to return – although the cheaper rents in central areas will also attract some people who had previously been priced out, so the net change in population may not be as large as expected.

The Financial Conduct Authority's [Financial Lives Survey](#) provides some further evidence for longer-term economic scarring in London. According to the survey, London has the highest proportion out of the nine English regions of adults who say their financial situation has worsened as a result of Covid-19 (48%), and the highest proportion who are not confident of being able to pay their domestic bills or meet their mortgage, rent or credit commitments in the next six months (50%).