

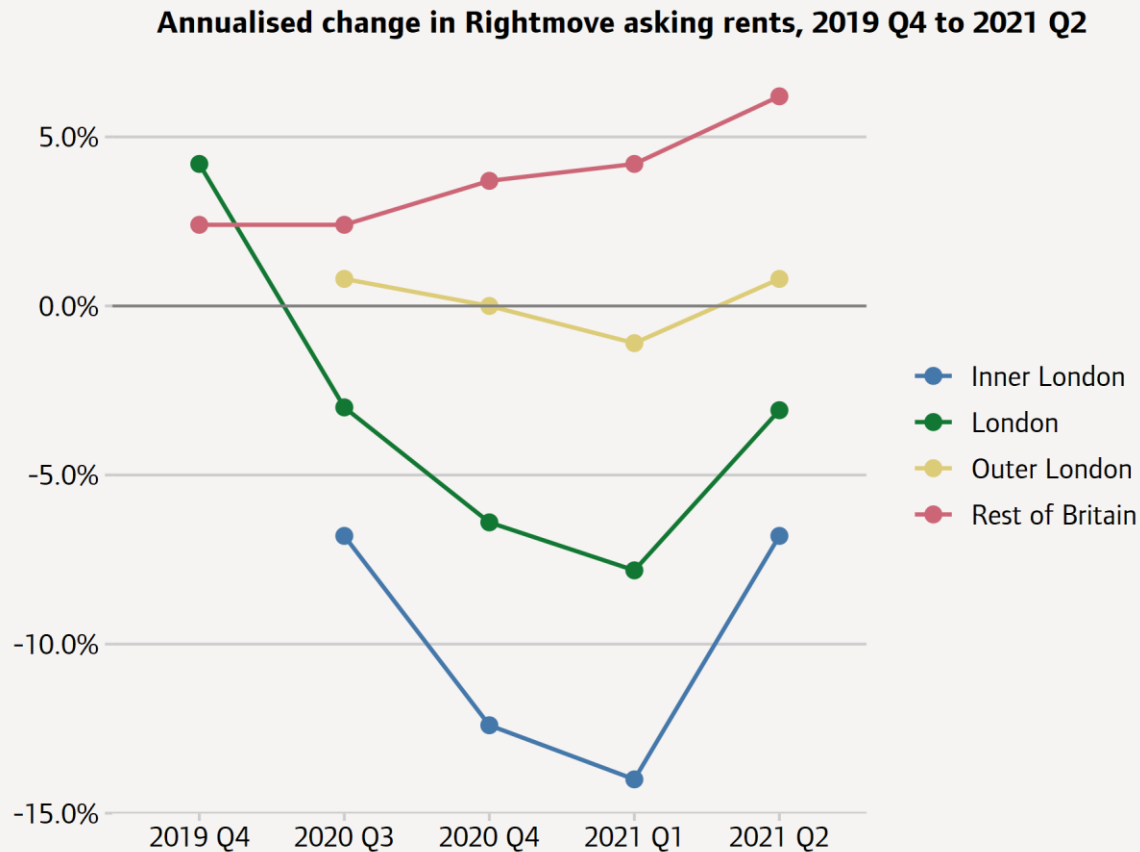
GLA Housing and Land

London housing market report: September 2021

Summary

1. Private rents are rising strongly while prices appear to be stabilising. Both rent and price growth are stronger in other regions than in London.
2. The speed of change in London's rental market is illustrated by a rapid shift from excess supply to excess demand in both the flatsharing and prime central London markets.
3. Demand from potential buyers in London fell in August following strong growth during spring and summer.
4. Much of the demand in the first half of 2021 seems to have been directed at the second-hand market, as sales rates in new build schemes were very subdued.
5. Completions and approvals of new homes in London have held fairly steady, but starts on larger private schemes are down.
6. Construction costs, delivery delays and wages have all grown rapidly in recent months, putting pressure on development viability.

1. Private rents are rising again in London after falling sharply during 2020

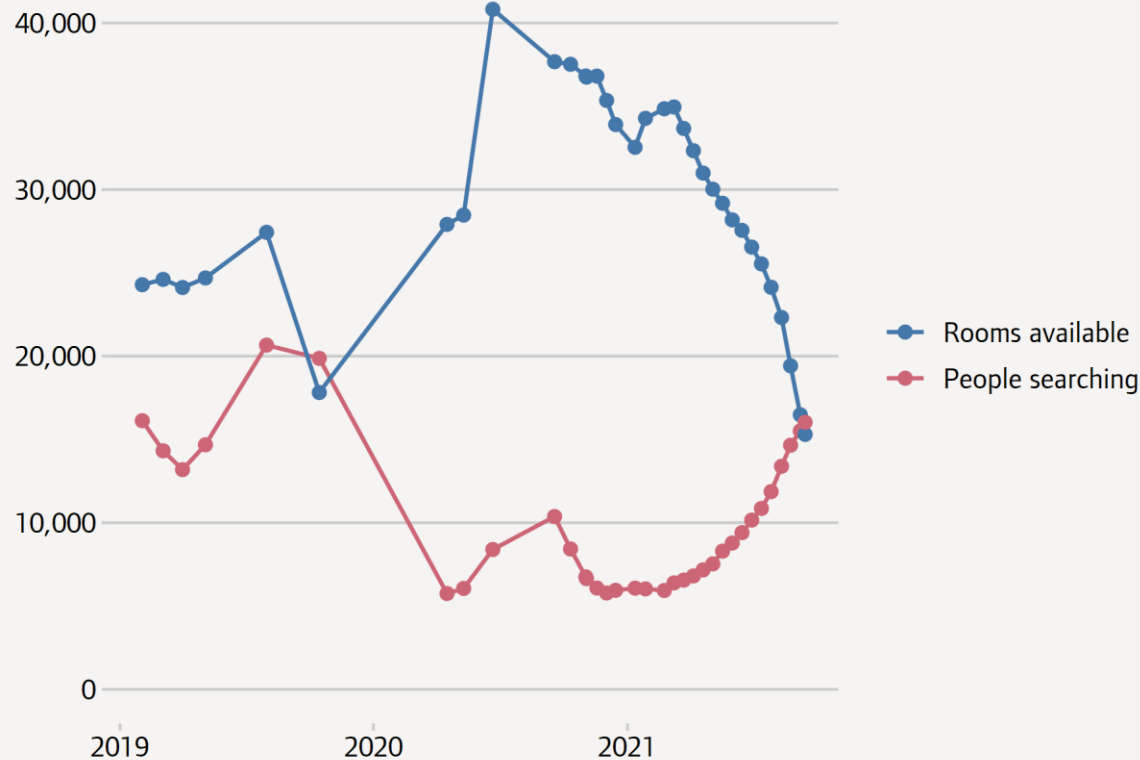


Source: Rightmove quarterly rent index.

- According to [Rightmove's](#) quarterly reports, advertised rents in London fell 3.1% between Q2 2020 and Q2 2021, split between a 6.8% fall in inner London and a 0.8% increase in outer London. On a quarterly basis however, rents have risen in London since the start of 2021. Rents are rising more strongly in other regions.
- The [ONS private rents index](#) has a delayed response to market changes, and reported a slight fall in rents in the year to July 2021 in London, in contrast to growth in other regions.
- [Homelet](#) data indicates that the fall in asking rents resulted in improved affordability for new tenancies in London, with tenants spending an average of 34% of their income on rent in July 2021, down from a peak of 37% in December 2019 (but still well above the UK average of 30%).

- London’s flatsharing market has tightened dramatically in recent months, with the number of people searching for rooms overtaking the number of rooms available for the first time since the start of the pandemic

Supply of and demand for rooms in London flatshares (SpareRoom data)

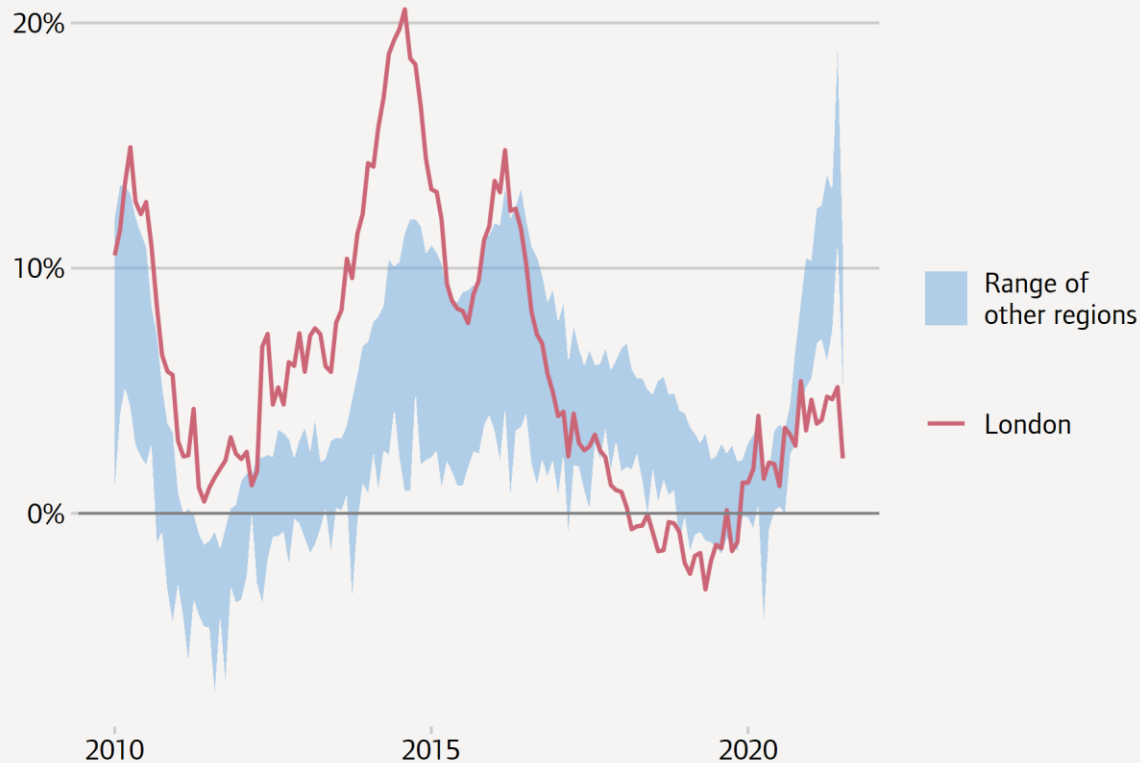


- Flatsharing is an important part of London’s rental market, and one indicator of the balance between supply and demand in this sector is given by the number of rooms advertised as available and the number of flatshares registered as looking for rooms on the website [SpareRoom](https://www.spareroom.co.uk/).
- According to data gathered from SpareRoom, the supply of rooms increased and demand fell during the pandemic, but since the start of 2021 the market has tightened again and as of early September supply and demand were back in balance.
- At the other end of the market, [Knight Frank](#) reported that Prime Central London was rapidly “becoming a landlord’s market” in late summer as demand rose strongly while supply remained restricted.

Source: Data gathered from <https://www.spareroom.co.uk/flatshare-house-share/uk/> and from archived versions of the page via the Internet Archive for before November 2020.

3. Recorded house prices continue to rise in London, but more slowly than in other regions, while asking prices are holding steady

Annual house price growth in London and other regions

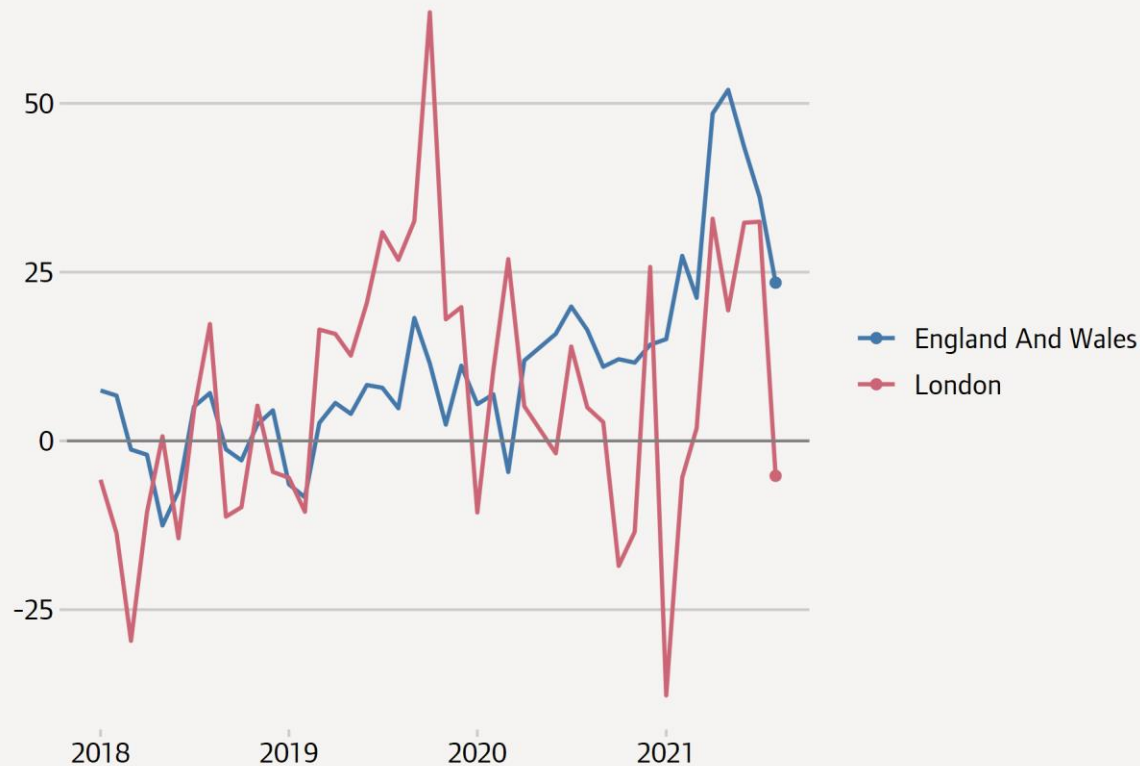


Source: ONS, UK House Price Index

- According to [ONS](#) data, the rate of house price growth in London in the year to July 2021 was by some distance the lowest of any UK region at 2.2%, compared to the national average of 8%. The average London house price is now £495,000.
- [Rightmove](#) reported that average asking prices rose 0.8% in the year to September, and are 2.9 times higher than prices in northern regions, the smallest ratio recorded since 2013. They also reported that homes in London are taking an average 58 days to sell, compared to 37 days across England and Wales as a whole.
- Research from [Hamptons](#) indicates that buyers from London bought a record number of homes in other regions in the first half of 2021, making up 8.6% of buyers in other regions (up from 6.6% in 2020). Some of these purchases are for second homes so may not correspond directly to a decrease in demand for property in London.

4. Demand from potential buyers in London fell in August following strong growth during spring and summer

Change in buyer enquiries minus change in instructions to sell

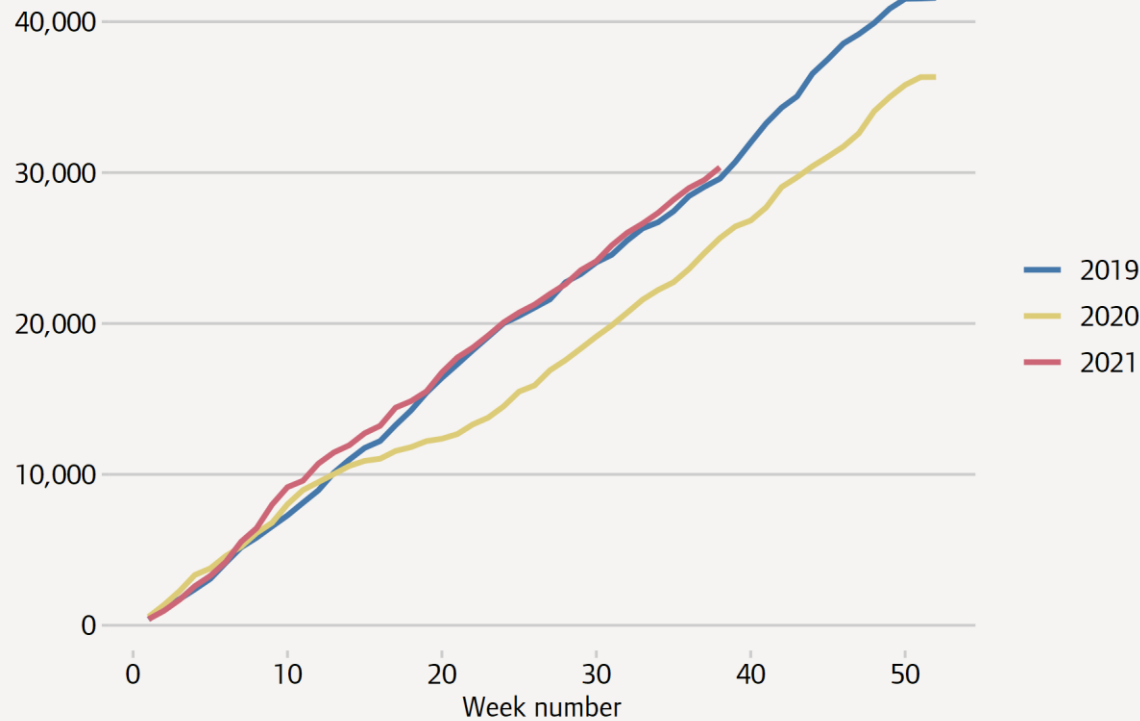


Source: RICS monthly housing market survey

- According to data from the monthly [RICS housing market survey](#), there was significant growth in demand from potential buyers relative to supply from sellers during Spring 2021, but demand fell again in August (while supply remained subdued).
- The total volume of new mortgage loans reported by [UK Finance](#) reached its highest levels since the global financial crisis. Some of this surge will reflect the Stamp Duty holiday, which began to be tapered away in early July, but the strength of the lending figures indicates a general increase in demand from buyers wishing to change their housing circumstances in one way or another.
- [Government statistics](#) show that 6,800 new homes were bought in London with assistance from the government's Help to Buy equity loan scheme in 2020/21, up from 6,170 in 2019/20 and the highest annual total yet. 4,890 of the purchases in 2020/21 were in Outer London boroughs and 1,910 were in Inner London.

5. Both new starts and new home sales on larger schemes have fallen to their lowest levels in several years, but approvals and permissions have remained steady

Cumulative number of EPCs for new completions in London by year, 2019 to 2021

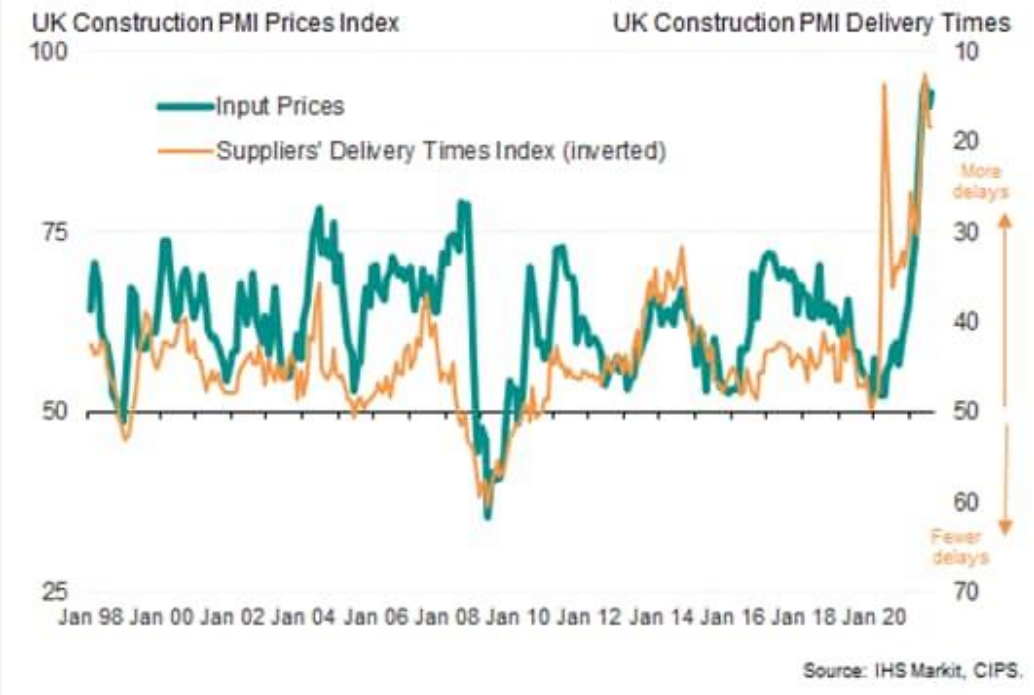


Source: DLUHCS Energy Performance Certificate data

- In the last 12 weeks, [data on Energy Performance Certificates for new dwellings](#) show just over 9,000 new homes have been registered in London, leaving the total completed in 2021 slightly ahead of the trend from 2019 and 2020
- According to the [Home Builders Federation](#) and [government statistics](#) the number of homes granted planning permission in London stayed fairly steady during the pandemic, with 51,600 new homes approved in 2020 (down 4% from 53,900 in 2019), and 52,500 in the year to June 2021.
- According to annualised [Molior](#) data the level of new starts on larger projects (those with 20 or more private homes) fell to 15,800 in the year to June 2021, down from 18,900 a year before and the lowest since 2014. Sales volumes were also at their lowest level in several years, but completions were relatively strong at 22,800 in the last year.

6. Construction costs, delivery delays and wages are all growing rapidly, putting pressure on development viability

UK construction supply delays and raw material prices



Source: IHS Markit Construction PMI.

- In its latest Construction PMI survey, [IHS Markit](#) reports that both input price growth and delivery delays are at their highest levels ever recorded in the more than two decades the survey has been running. IHS Markit also reported that the availability of sub-contractors deteriorated at a record rate (excluding the pandemic-driven shutdown last year)
- [Mace](#) have revised their forecasts of construction project tender prices in London upwards, and now expect prices to grow by 1.5% in 2021, 2% in 2022 and 3.5% in 2023, before settling down to 2.5% after that. Most of the increased price pressure comes from material costs.
- Construction wages are also rising rapidly. [Indeed](#) found that from February to July 2021, average advertised pay grew 6.7% in construction, 5.7% in driving, 4.8% in manufacturing and 3.7% in food preparation & service vs. 0.8% for all jobs.

