

GLA Housing and Land

London Housing Market Report: April 2022

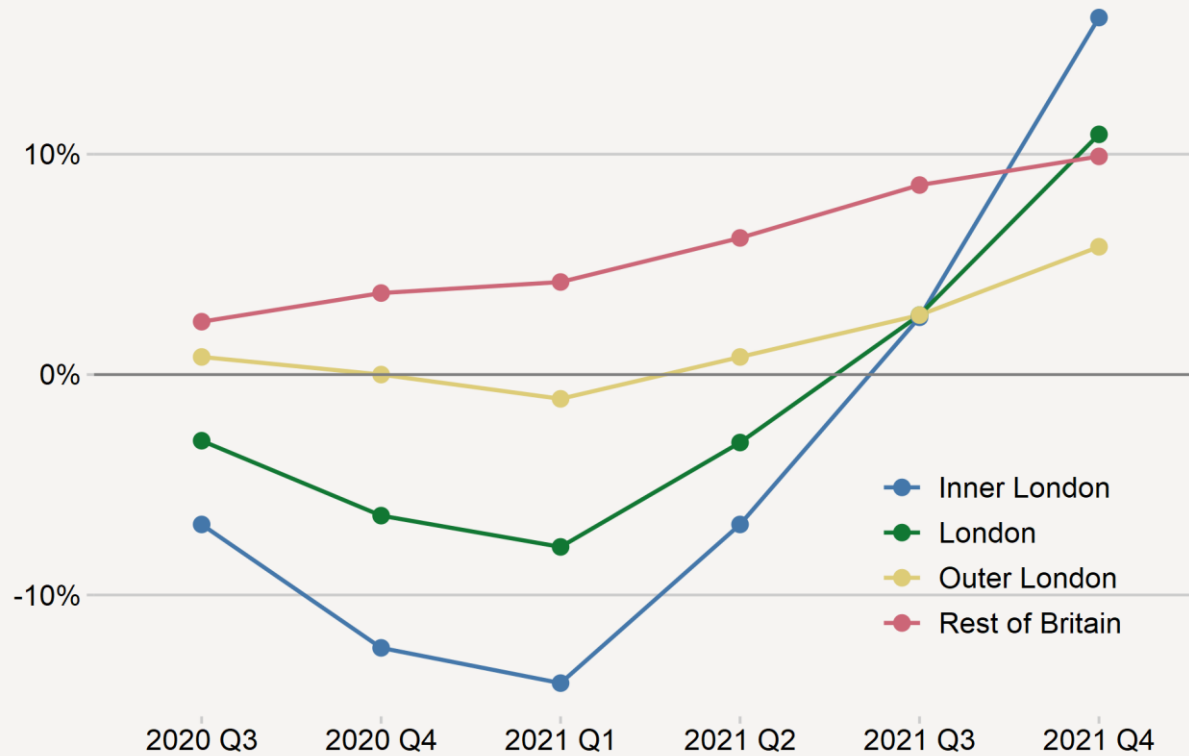
Catarina Finnerty

Summary

1. A lack of properties available to rent and high demand as the economy continues to recover mean that high prices and rents are expected to continue in the short-term.
2. Rental growth has slowed over the past six months, partly due to the cost-of-living crisis which is expected to continue to impact rents this year.
3. In the sales market, buyer enquiries are increasing and the availability of properties for sale remains low after the ending of the stamp duty holiday.
4. The average London house price reached a record £521,000 in December and price growth is increasing, although it continues to fall behind national growth.
5. In the new build market, starts and sales on large schemes recovered towards the end of 2021, after they struggled at the beginning of the year.
6. Output among construction firms increased in February despite continuing supply chain and material cost concerns.

1. Average London rents increased steeply throughout 2021 but prices stabilised in September and have stayed level for the past six months.

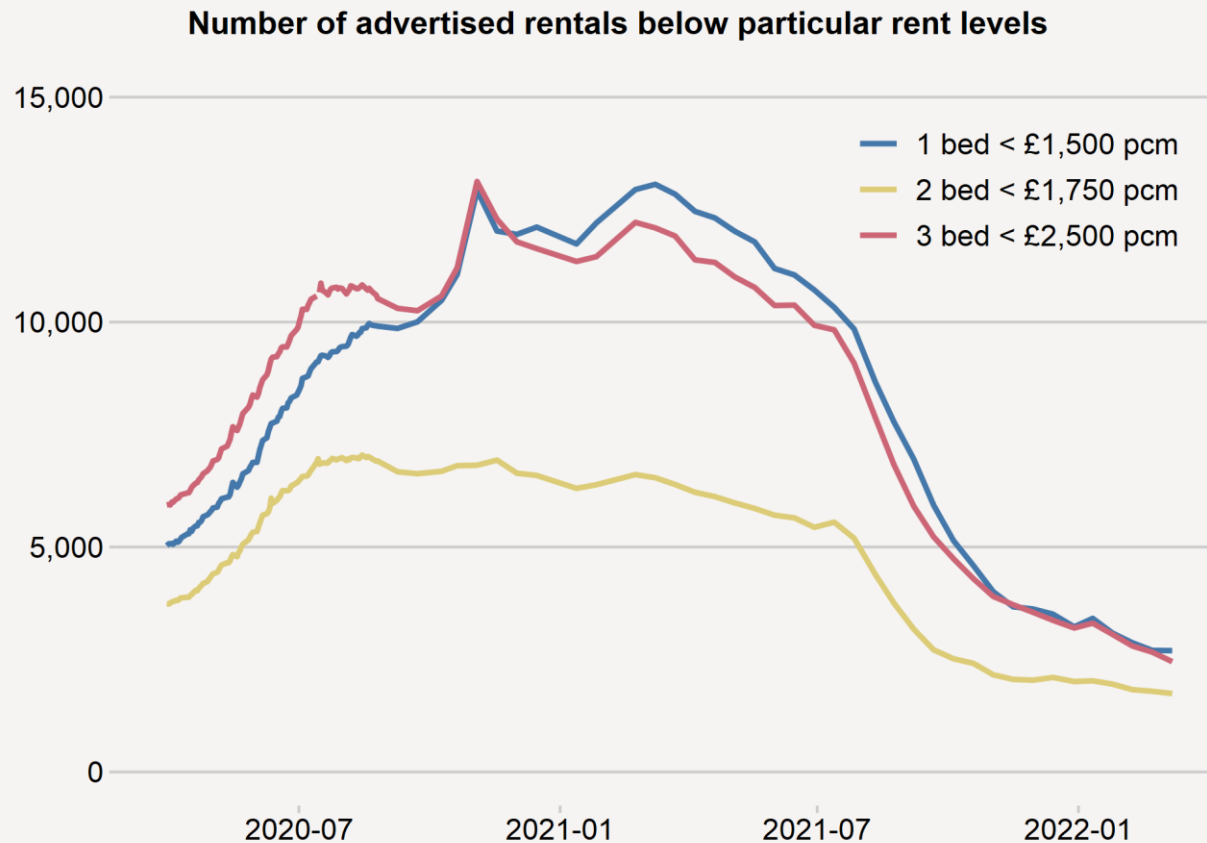
Annualised change in Rightmove asking rents, 2020 Q3 to 2021 Q4



Source: Rightmove quarterly asking rent data

- [Homelet](#) data shows an 11.8% rental increase in London in February compared to the same time last year. According to their figures, the average rental value for new tenancies in London is £1,757 per month, a 5% increase on pre-pandemic prices. Whilst rents have increased dramatically since this time last year, Homelet data shows that average rents have stayed largely the same for the last six months.
- Quarterly data from [Rightmove](#) (left) shows that advertised rents in London rose by 10.9% between Q4 2020 and Q4 2021, driven by a record price rise in inner London of 16.2%. Advertised rents in Inner London have surpassed pre-pandemic levels for the first time, recovering from the 14% drop at the beginning of 2021.
- [Knight Frank](#) reported a record annual rental price growth of 23.3% in prime central London in February. Although growth is expected to continue as demand stays strong, the market is showing signs of beginning to settle.

2. Shortages in the supply of all types of rental properties across London and strong tenant demand is expected to continue in the short-term, although rents may reach a ceiling soon due to affordability pressures.

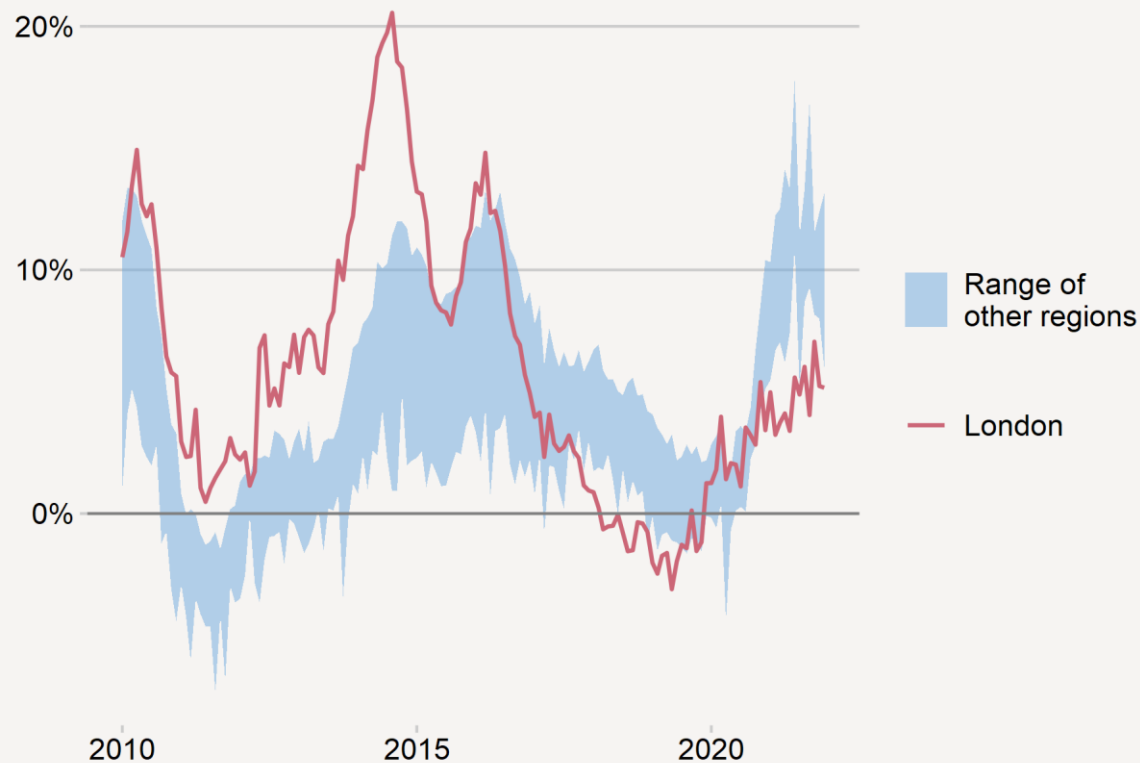


Source: Data gathered from Zoopla

- Data gathered from Zoopla shows that the number of properties available to rent in London under certain rent levels have fallen below pre-pandemic levels. This has occurred across one bed properties costing up to £1,500 per month, two bed properties costing up to £1,750 per month, and three bed properties costing up to £2,500 per month.
- Data from the [SpareRoom](#) website shows that demand for flatsharing has remained strong throughout the past six months. As renters continue to move back into London following the pandemic, supply is low and demand remains steady. With the return of tourism, some rental properties have been turned back into short-term lets on platforms such as Airbnb.
- Respondents to the [RICS survey](#) in February reported shortages of supply across London. They predict that demand will remain high in the short-term, but inflation and cost of living rises will limit rental growth.

3. House price growth and buyer demand in London has increased in recent months as people are returning to the city alongside the ending of restrictions, but price growth remains lower than in other English regions.

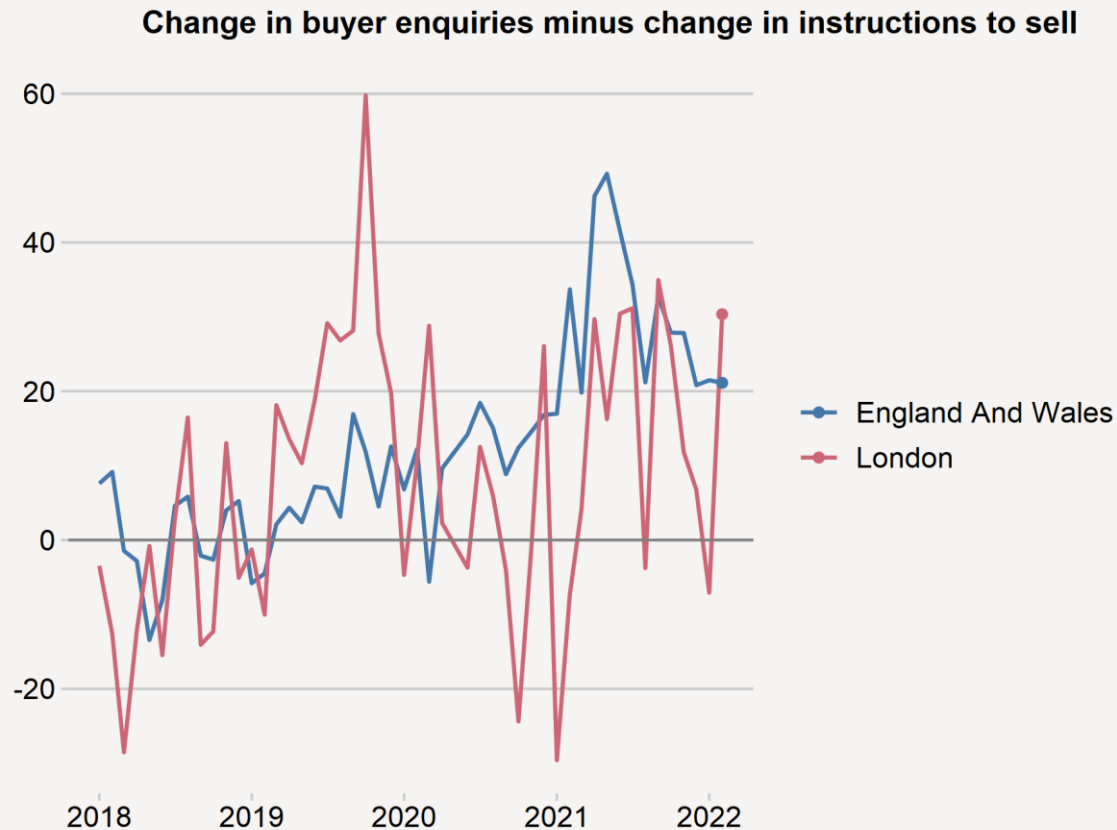
Annual house price growth in London and other regions



Source: ONS, UK House Price Index

- Average house prices in London increased annually by 5.5% in December according to [Land Registry data](#), reaching a record level of £521,000. London's house price growth is still lagging behind the national growth, which increased annually by 10.8%. The average house price in London is nearly double the national average.
- More recent data from [Rightmove](#) shows that growth in asking prices in London have been catching up with the rest of the country, although they dipped again slightly in March. Rightmove recorded an annual asking price increase of 6.3% in London compared to 10.4% nationally. This price growth has been driven by people returning to offices, and London saw the largest increase in buyer enquiries of any region in February.
- Average asking prices in Kensington and Chelsea grew by 12.3% in the year to March, the highest of any borough, whilst Lambeth experienced the lowest annual price growth at 1.4%.

4. A continued lack of supply of properties since the end of the stamp duty holiday and increasing buyer enquiries are putting an upward pressure on prices.

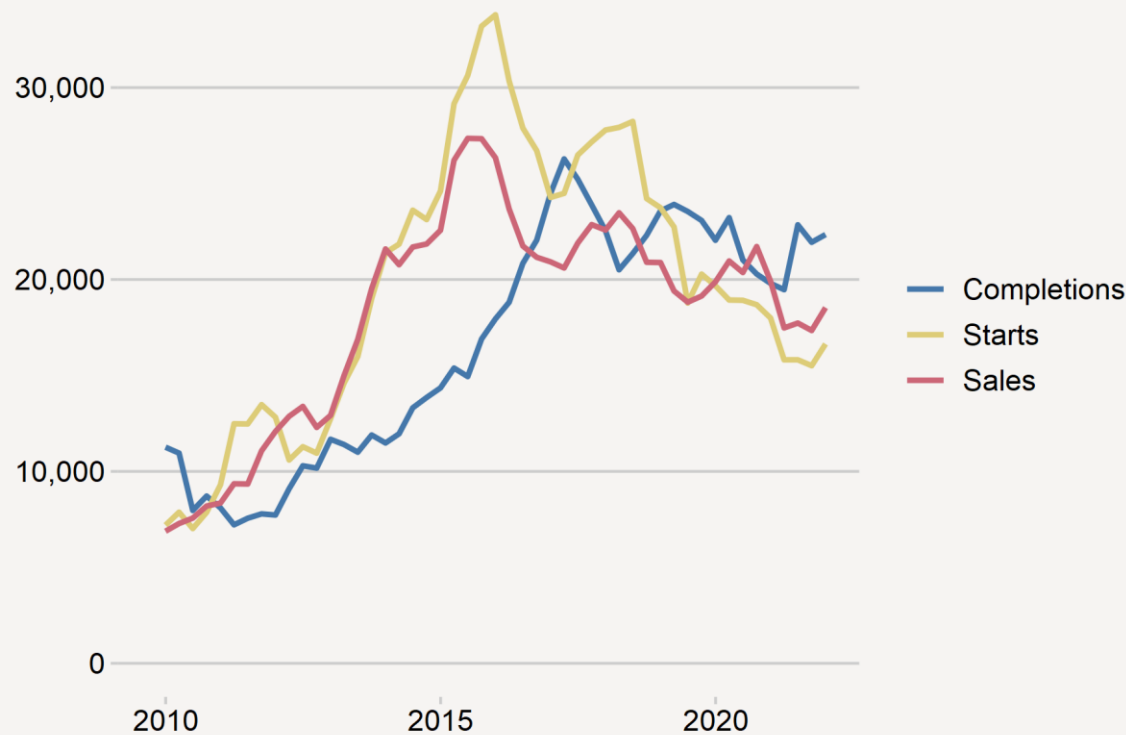


Source: RICS monthly housing market survey

- New buyer enquiries in London increased in February after a dip at the end of 2021, according to [figures from RICS](#). Rising demand and a lack of supply is expected to drive continued price growth in the short-term. However, respondents to the RICS monthly survey were unsure of the extent to which house prices at lower price bands will continue to grow, due to cost-of-living increases.
- Nationally, [Rightmove](#) have reported the largest ever mismatch between demand and supply at this time of year, more than double the number of buyers than sellers. The market is expected to balance more evenly in the second half of the year, but demand will still outstrip supply.
- [Knight Frank research](#) indicates that buyers may be moving out of London to surrounding areas at a younger age, due to higher rates of stamp duty on high-value homes and the demand for more space.

- Construction starts and sales on large London schemes fell in 2021 due to an uncertain market at the start of the year but recovered in Q3 and Q4.

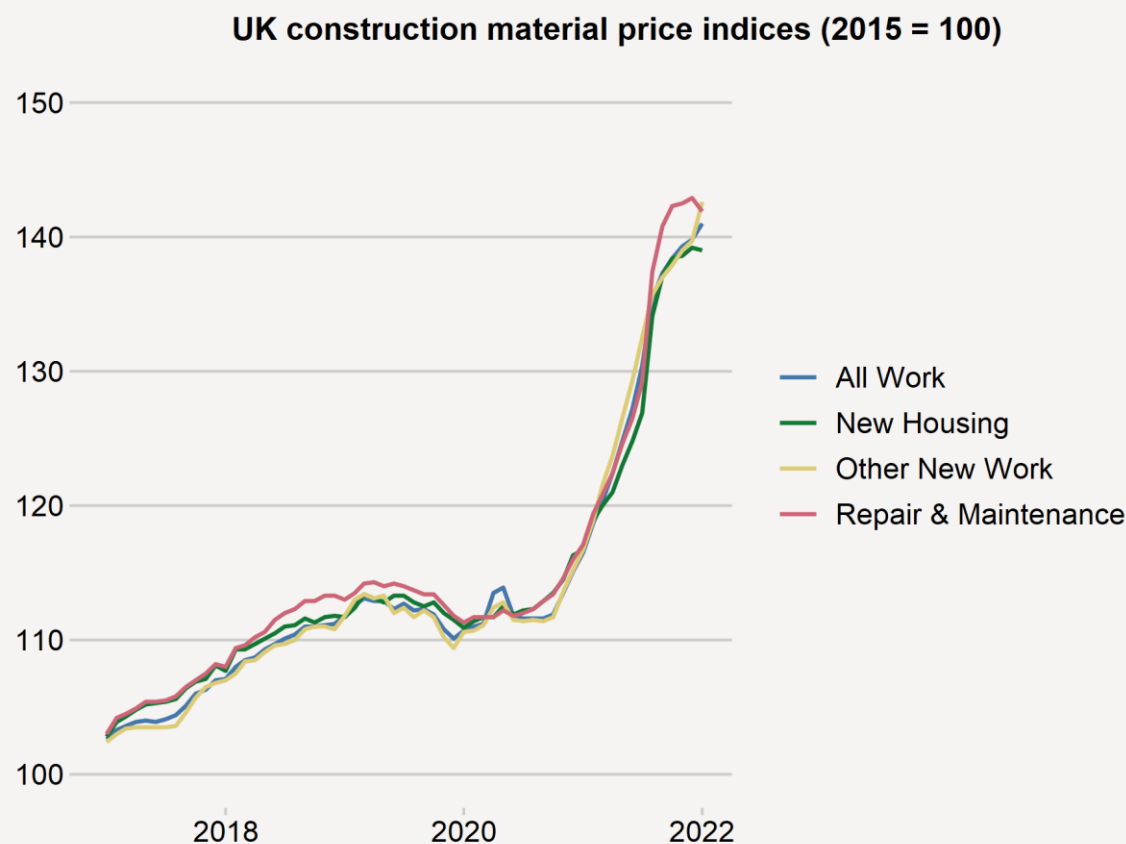
Annualised quarterly Molior data on starts, sales and completions



Source: Molior quarterly reports, four quarterly rolling totals

- [Molior](#) figures show small rises in annualised starts, sales and completions on large projects in London from Q3 to Q4 in 2021. On a calendar year basis, starts and sales fell between 2020 and 2021 as a result of uncertainty and lockdowns in the first half of the year, but they bounced back in Q3 and Q4. The final quarter of the year produce the highest number of construction starts since 2018.
- Build to Rent schemes produced the highest number of sales in 2021, accounting for a third of sales on schemes with 12 units or more in London.
- In the last 8 weeks, [data on Energy Performance Certificates for new dwellings](#) show over 5,700 new homes have been registered in London across all scheme sizes. This is the highest figure since December after a dip at the start of the year, in line with national trends.

6. As predicted, month-to-month construction material price increases have slowed considerably, although prices are still 20% higher than this time last year.



Source: [BEIS Monthly Statistics of Building Materials and Components](#)

- The [IHS Markit PMI](#) report for February found a strong rise in output in the construction sector, particularly in housebuilding which experienced its biggest rise since June. [BEIS figures](#) (left) show that the price growth of most construction materials slowed at the end of 2021.
- Despite this, 36% of construction firms who responded to the [ONS Business Insights](#) survey reported inflation of goods and services as their main concern over the next month. The construction labour market also remains an issue, with 20% of firms reporting a shortage of workers.
- There have been [warnings from manufacturers](#) that the prices of energy-intensive building materials such as bricks and steel are increasing as a result of the conflict in Ukraine and the subsequent global gas price rises. There have also been warnings that the UK needs to increase its timber production to reduce reliance on the largest timber exporter, Russia.