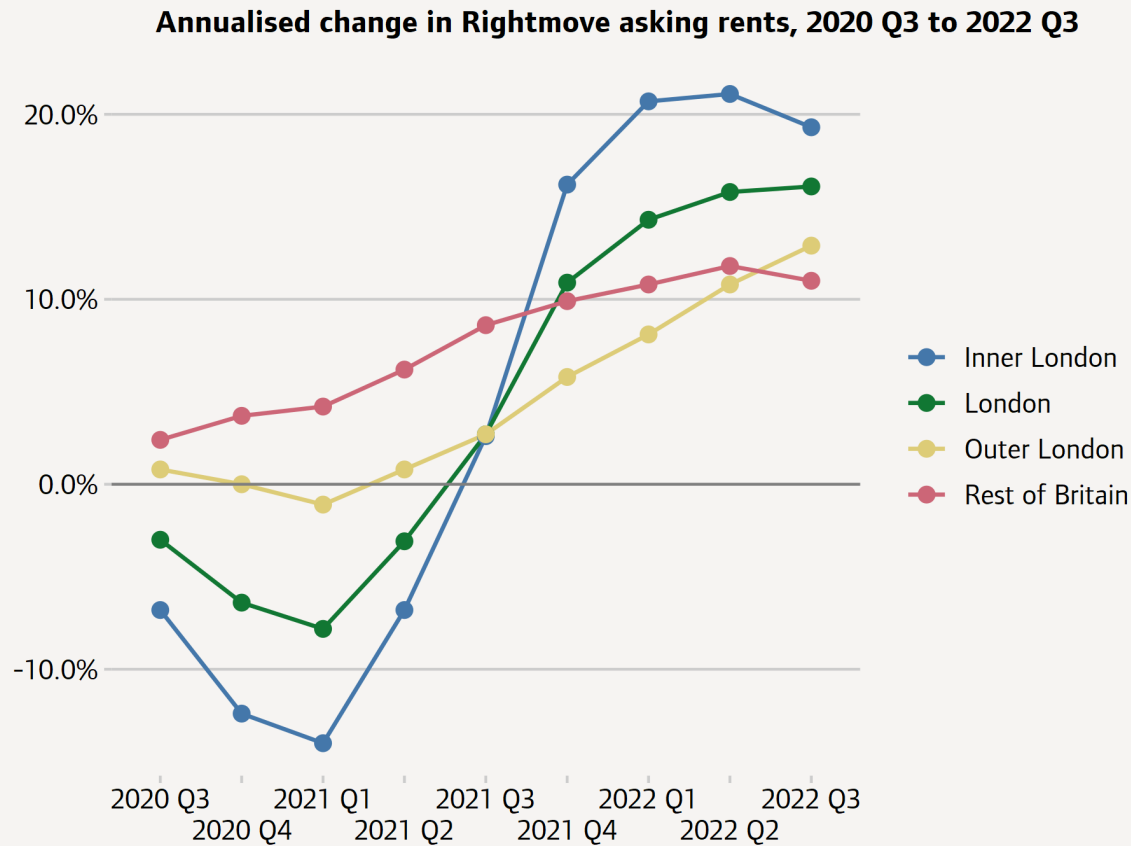


# London Housing Market Report: October 2022

## Summary

1. Asking rents in London are still growing faster than in the rest of Britain but rent growth has begun to slow in inner London after record growth since the start of 2021.
2. Demand for privately rented homes in London remains high, although recent data shows it may be starting to fall due to high rents and cost of living pressures.
3. House prices in London grew by 8.3% in August compared to the previous year, the lowest growth of any English region and almost half the national rate of 14.3%.
4. RICS figures show a fall in buyer demand and an increase in new instructions to sell between August and September due to the recent economic turbulence and interest rate hikes.
5. Annualised Molior data shows small falls in both starts and completions of large projects in London in Q3 2022. According to more recent EPC data, completions of new homes increased slightly in October.
6. The price of construction materials has begun to fall on a monthly basis due to falls in the cost of oil, but prices remain considerably higher than in previous years.
7. CPI rose to 10.1% in the year to September, up from 9.9% in August, leading to a rise in mortgage rate offers from banks.

1. Asking rents in London are still growing faster than in the rest of Britain, but rent growth has begun to slow in inner London after record growth since the start of 2021.

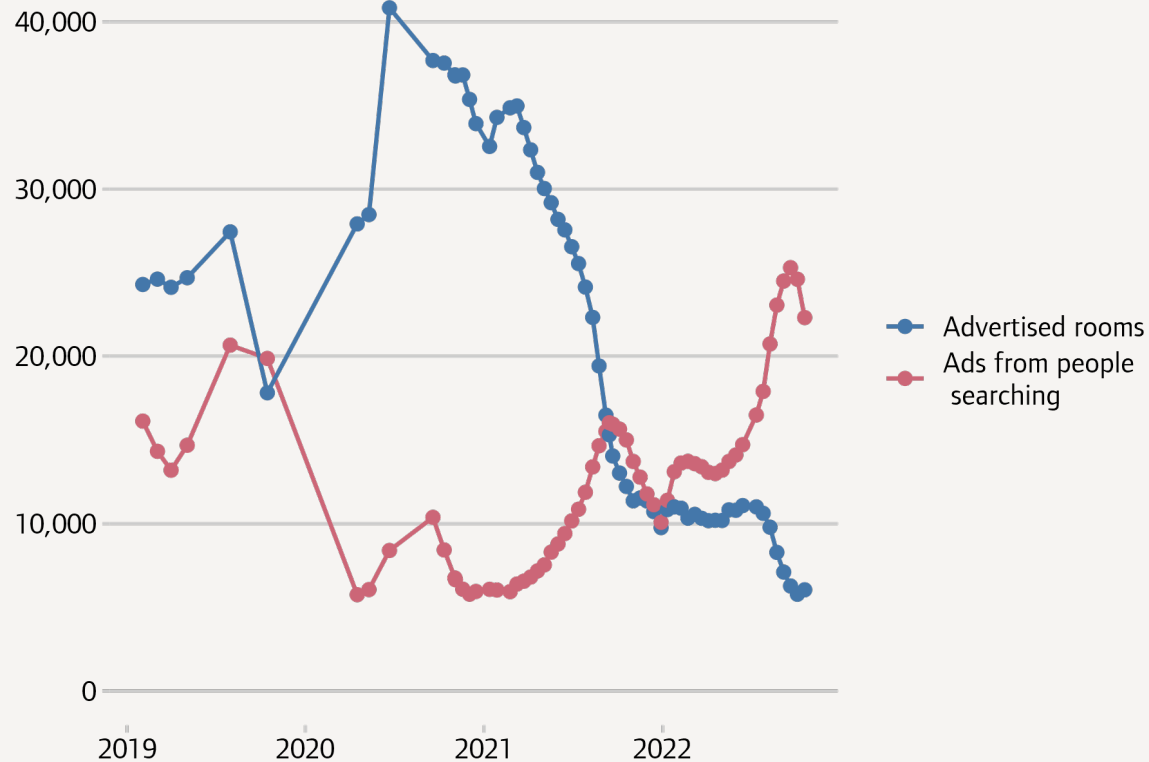


Source: Rightmove quarterly asking rent data

- [Rightmove](#) data shows that average London asking rents in the third quarter of 2022 reached £2,343 per month, 16.1% higher than the same time last year. This is a record level of asking rents and the highest ever rate of rent growth of any region. The increase has been driven by steep rent rises in inner London where prices fell significantly during the pandemic, but the rate of growth may now have peaked. Asking rents in outer London have risen consistently since the beginning of 2021.
- [Zoopla](#) reports that average rents in London were 17.8% higher in July 2022 than the year before. Their data shows that average rents per month in London are currently £1,818, more than double the average across the rest of the country of £872.
- [HomeLet](#) data shows that Londoners are paying on average 34.3% of their gross income on rents in new tenancies, considerably higher than the national figure and a rise of 0.6% from Sept 2021.

- Demand for privately rented homes in London remains high, although recent data shows it may be starting to fall due to high rents and cost of living pressures.

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

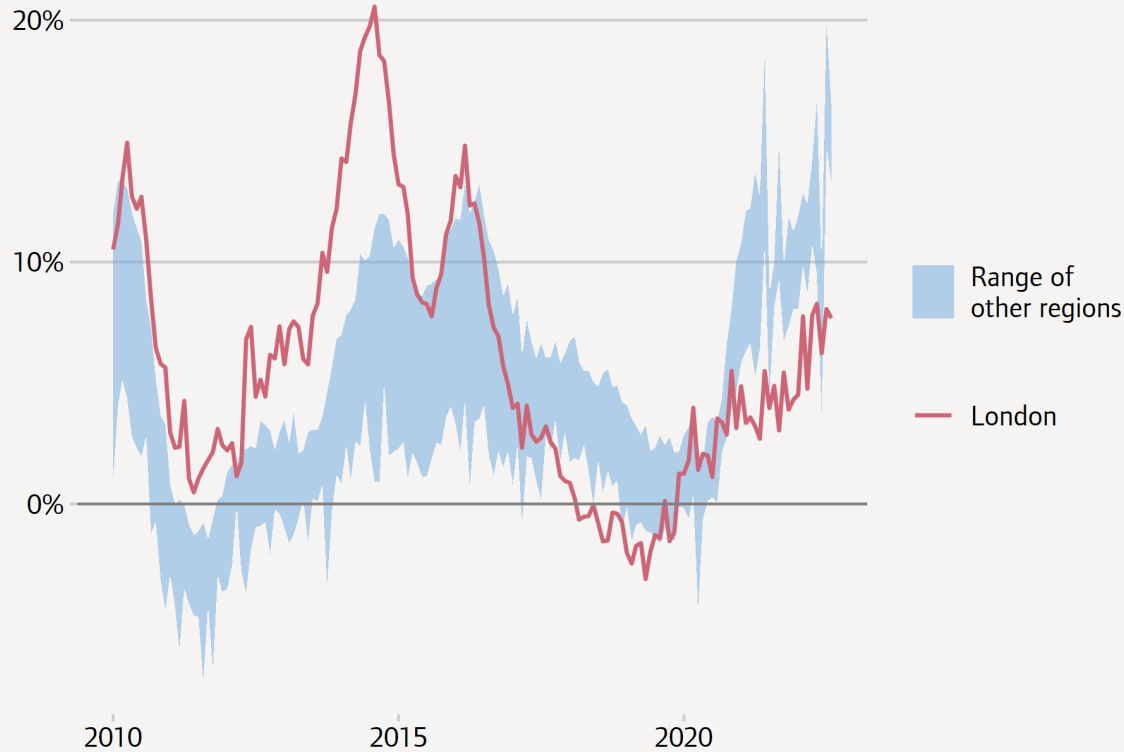


Source: Data gathered from <https://www.spareroom.co.uk/flatshare-house-share/uk/>

- Recent figures from [SpareRoom](#) show that the number of ads placed by people looking for rooms in London flatshares increased strongly in 2022 but is now starting to fall. The number of available rooms advertised on the site fell since the summer to one sixth of its pre-pandemic level, but has also begun to even out.
- Respondents to the [RICS residential market survey](#) reported exceptional rental growth in prime London markets, but demand in these areas is expected to stabilise towards the end of the year due to economic pressures.
- Across the UK, renter demand is increasing for smaller properties & flats, moving away from larger houses. This is a reversal of the trends seen during the pandemic, when demand for houses with outdoor space grew considerably.
- Despite concerns from landlords about the renter's reform bill and other government legislation, [Rightmove](#) reported that 34% of landlords nationwide are planning to expand their portfolio in the next year, compared to 11% who are planning to reduce them.

3. House prices in London grew by 8.3% in August compared to the previous year, the lowest growth of any English region and almost half the national growth of 14.3%.

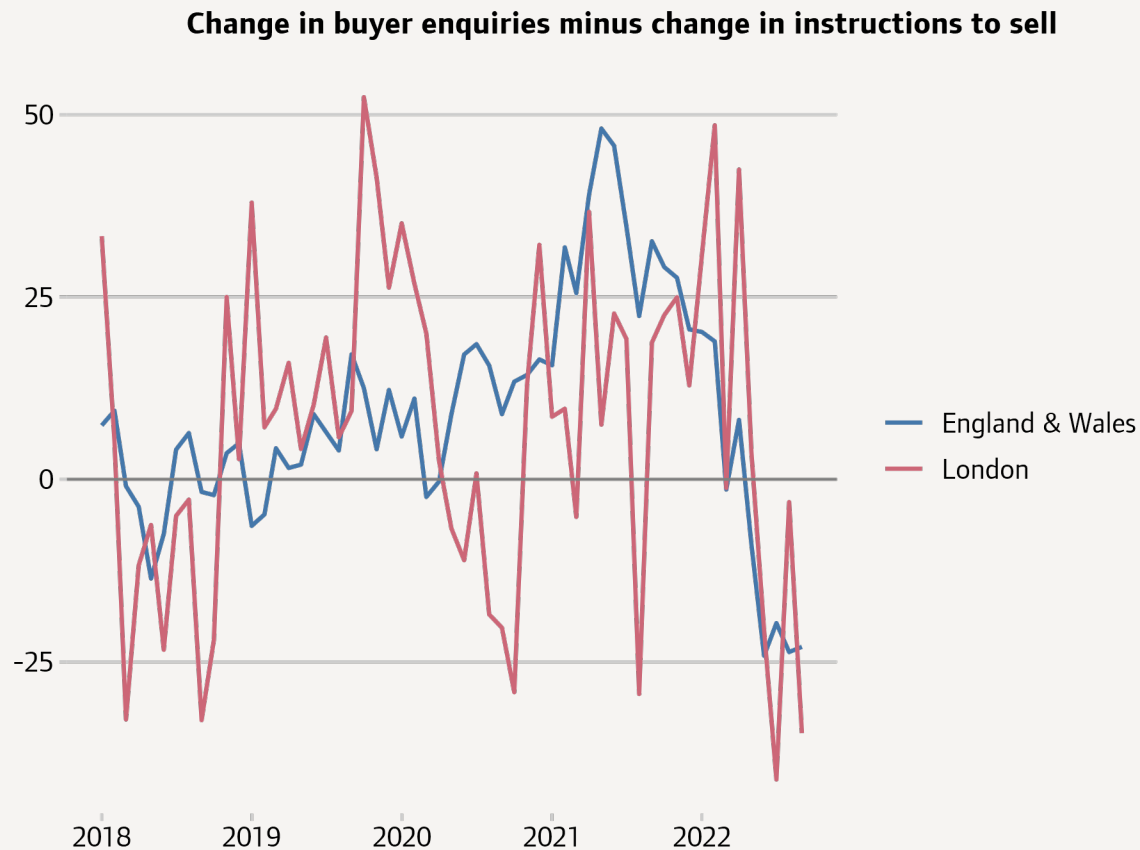
**Annual house price growth in London and other regions**



Source: ONS, UK House Price Index

- According to [ONS data](#), the rate of house price growth in London was once again the lowest of any English region in August, with 8.3% price growth since August 2021. That represents almost half the English average growth of 14.3% and a fall from July, when price growth reached 9.2%.
- More recent [Rightmove](#) data shows that average advertised house prices fell in 13 boroughs between September and October, with Westminster seeing the largest monthly fall. Some forecasts are predicting that prices may continue to fall over the next few years.
- Forecasts produced by [Knight Frank](#) at the beginning of October expect house prices in London to fall by 6% in 2023 and 4% in 2024. In the [September RICS survey](#), respondents expected prices in London to fall over the next three months, but not by as much as other regions.

4. RICS figures show a fall in buyer demand and an increase in new instructions to sell between August and September due the recent economic turbulence and interest rate hikes.

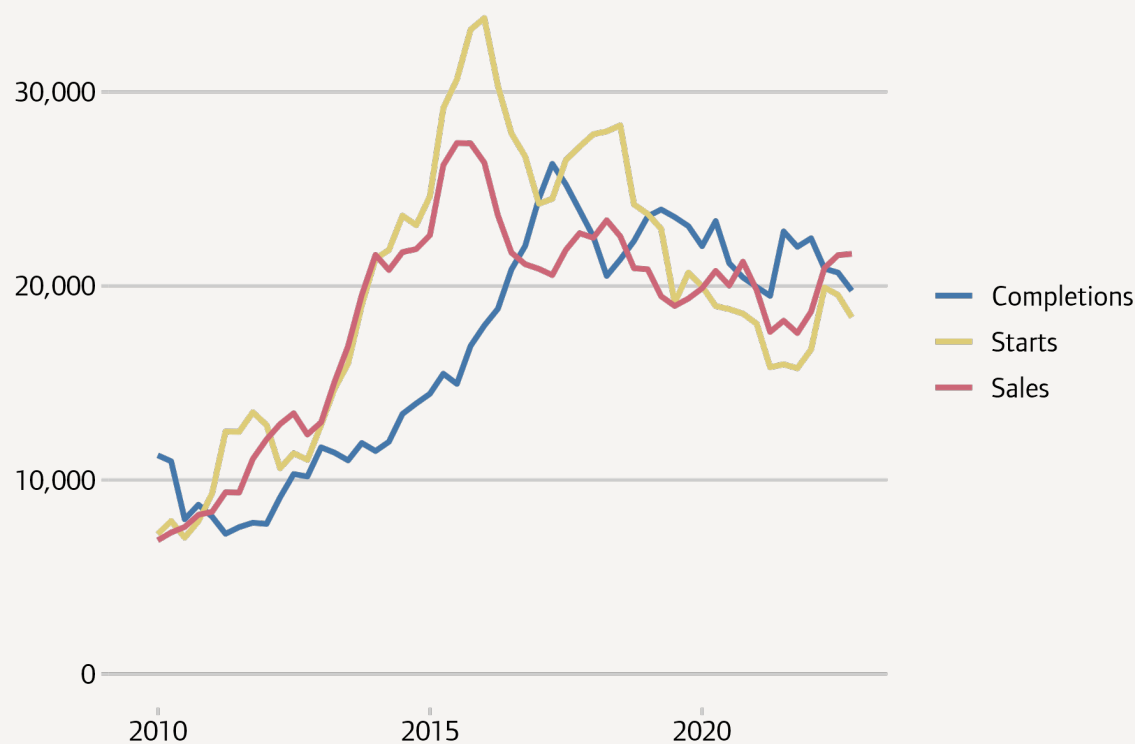


Source: RICS monthly housing market survey

- Data from [RICS](#) shows that buyer enquiries fell in London and new instructions to sell rose between August and September this year. Firms also expect prices and the number of sales to fall over the next three months.
- Respondents to the survey reported a strong start to September in terms of the number of buyers, but once the economic turbulence hit and interest rates rose they saw a sudden fall. They expect a slowing down of the number of domestic buyers towards the end of the year as a result of the recent interest rate hikes and general economic uncertainty, however they expect international buyers to increase.
- RICS respondents also reported lower demand among properties that need a significant amount of work, as people look to maintain their savings and have other financial priorities.

- Annualised Molior data shows small falls in both starts and completions of large projects in London in Q3 2022 although, according to more recent EPC data, completions of new homes increased slightly in October.

**Annualised quarterly Molior data on starts, sales and completions**

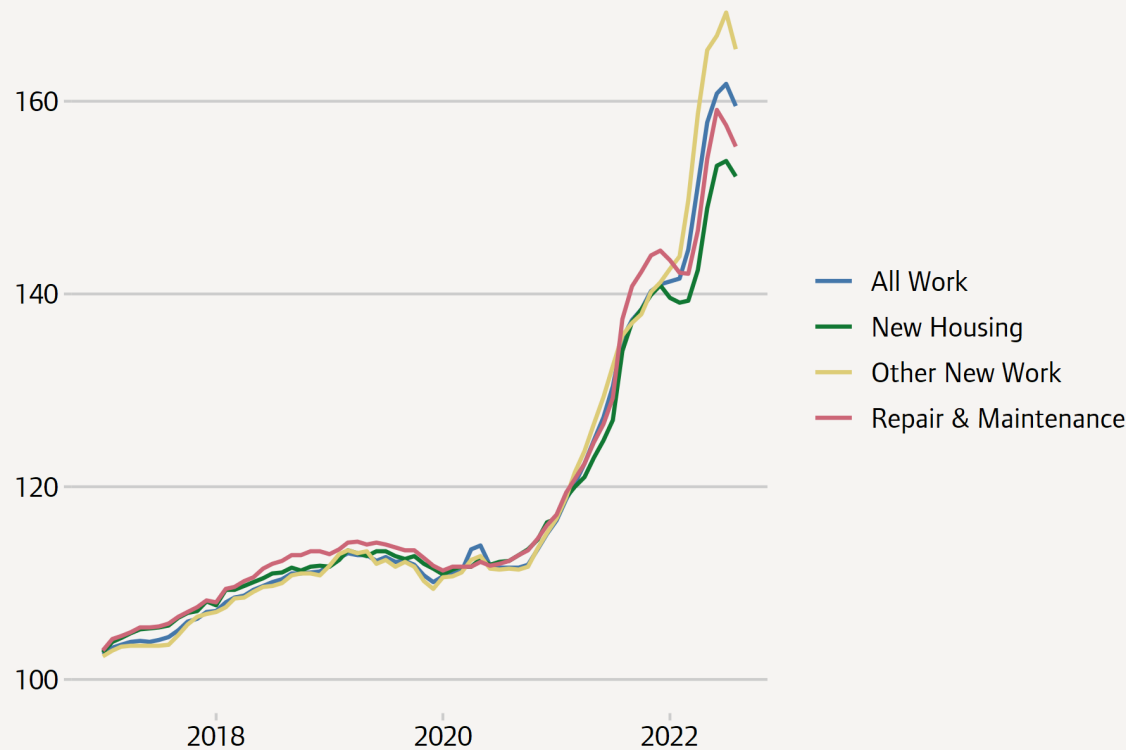


Source: Molior quarterly reports, four quarterly rolling totals

- [Molior](#) figures for the third quarter of 2022 show a small fall in the annualised number of starts and completions. Looking at their quarterly data, the number of new homes completed almost halved between Q2 and Q3. The annualised figure shows the second lowest number of completions since 2015. Sales of homes on large projects rose in Q3, driven by a large rise in inner London.
- While build cost inflation is likely to have affected a lot of this quarter's figures, the most recent market and political turmoil will not yet be reflected in the data.
- [DLUHC](#) data on the weekly number of new Energy Performance Certificates (EPCs) produced gives us a good indication of how many new homes are entering the market. On an 8-weekly rolling basis, new supply has increased in October after a small dip in August and September. The recent peak of new supply was in July, after a fall at the start of the year.

6. The price of construction materials has begun to fall on a monthly basis due to falls in the cost of oil, but prices remain considerably higher than in previous years.

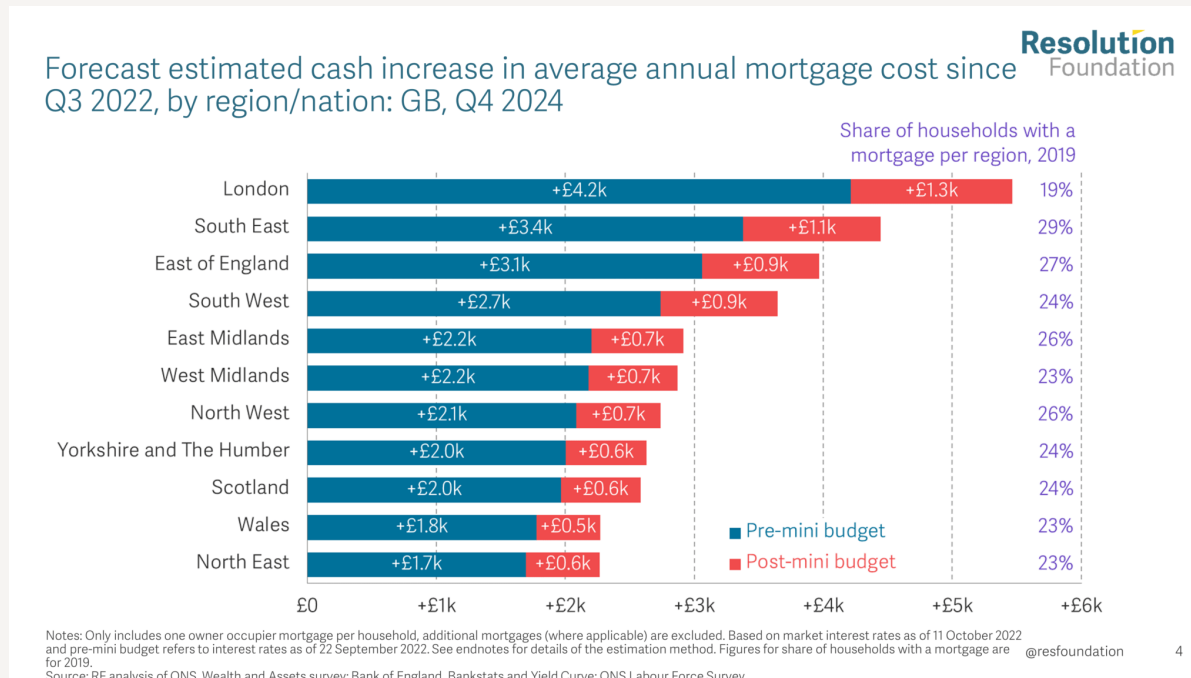
**UK construction material price indices (2015 = 100)**



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

- [BEIS data](#) showed a continued fall in construction material prices in August compared to previous month, however prices are still 17.8% higher than in August 2021. The price increases for materials used to build new housing remain lower than in other types of construction and have risen by 13.5% since August 2021.
- Recent falls in oil prices have contributed to this reduction in prices after the steep increases during the outbreak of the war in Ukraine. Nevertheless, more than a quarter of construction firms interviewed in the [ONS Business Insights survey](#) reported needing to increase their prices between July and August, highlighting energy price rises, raw material price increases and labour costs as the main reasons.
- [ONS estimates for construction output](#) in July 2022 showed a monthly decrease of 0.8% since June, following a 1.4% decrease the previous month. Despite low GDP forecasts, [Experian](#) predicts construction output will grow by 3.3% in 2023 and 2.7% in 2024.

7. CPI rose to 10.1% in the year to September, up from 9.9% in August, prompting a rise in interest rates and a fall in confidence throughout the sector.



Source: [Resolution Foundation](#) analysis

- According to [ONS figures](#), consumer price inflation has risen to 10.1% in the year to September, up from 9.9% in August and equalling the 40-year-high seen in July. The Bank of England have increased base rates to 2.25% so far and are expected to continue increasing them in an attempt to control inflation. Economists have predicted that base rates could rise to around 4.25% by March 2023.
- The rise in base rates caused most banks to significantly raise interest rates on their mortgage offers. The Resolution Foundation produced analysis forecasting that average mortgage costs in London will rise by an extra £1,300 per year by 2024 as a result of market changes since the announcement of the mini budget, in addition to an increase of £4,200 already expected.
- The [RICS Residential Market Survey](#) respondents in September expect to see a slowing market in sales, as consumers lose confidence in the economy.