

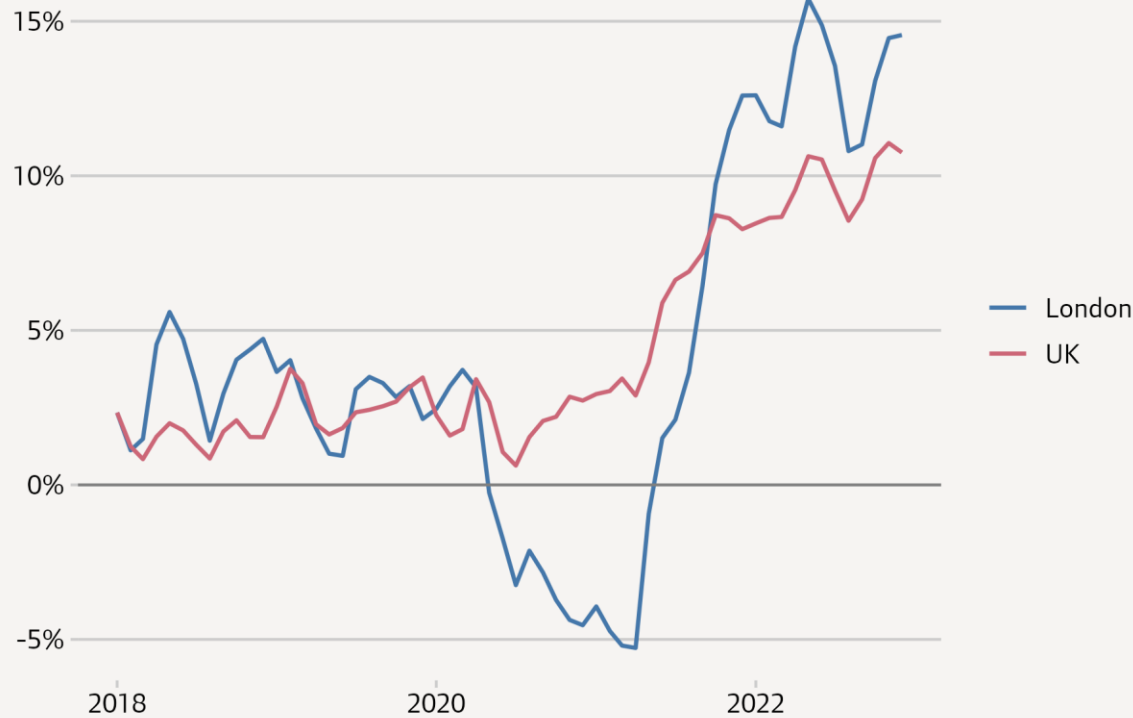
# London Housing Market Report: January 2023

## Summary

1. Rents for new tenancies in London are still growing at a very rapid rate, although the rate of growth has broadly levelled off in recent months.
2. The number of homes available for rent in London below particular price thresholds fell sharply throughout most of 2022 but stabilised towards the end of the year, a sign that the rental market may be reaching a turning point.
3. According to Rightmove the average asking price in London was £668,000 in January 2023, up 6% from a year before but down from a peak of £696,000 in October 2022.
4. RICS figures show that demand for new homes in London is falling faster than the availability of homes for sale, pointing towards falls in house prices and transaction volumes in the coming months.
5. Average mortgage interest rates jumped after the September 'mini-Budget' but peaked in October/November and are starting to come down again, albeit more slowly than they increased.
6. Moliordata shows that annualised new build starts on schemes with at least 20 private units in London were up slightly in 2022 compared to 2021, but still well below their previous peak.
7. Consumer confidence has fallen sharply in London, although less so than in the rest of the UK.

1. Rents for new tenancies in London are still growing at a very rapid rate, although the rate of growth has broadly levelled off in recent months

**HomeLet: Annualised change in average rents for new tenancies, January 2018 to December 2022**

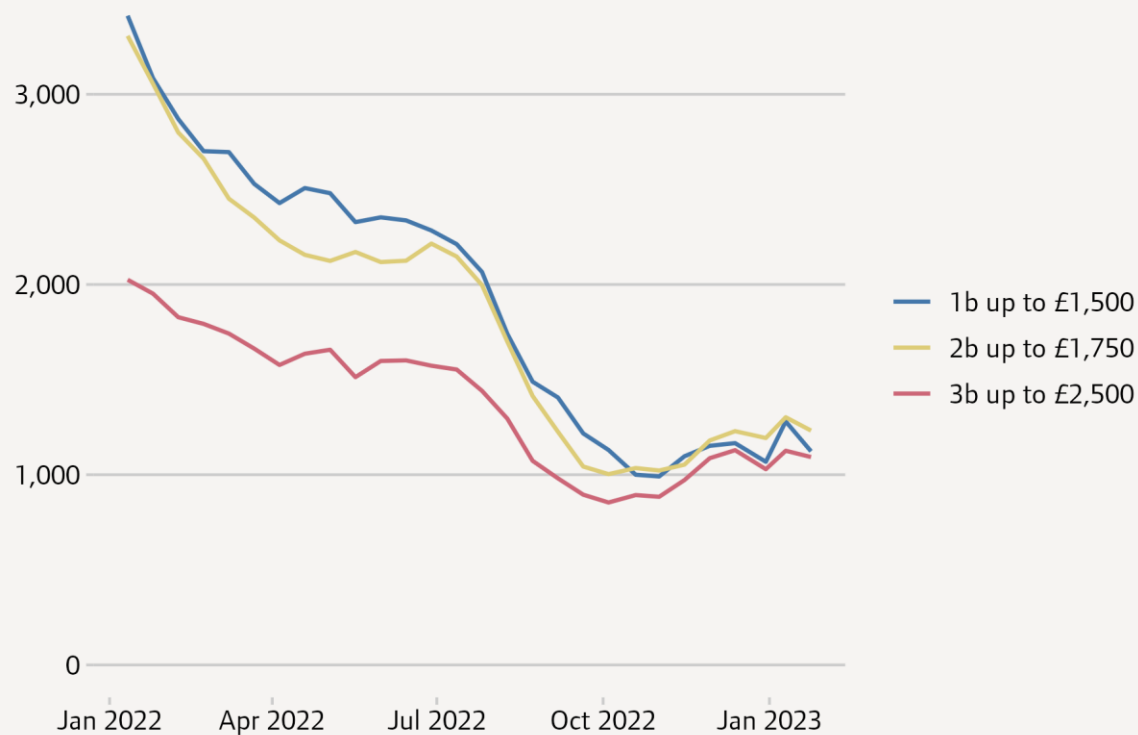


Source: HomeLet monthly data on rents for new tenancies

- [HomeLet](#) data shows that monthly rents for new private tenancies in London grew by 15% in the year to December 2022, reaching an average of £2,007. That figure means that Homelet have recorded annualised growth in London rents of at least 10% every month since November 2021.
- Annualised rental growth in London remains well above the national average of 11%, but has broadly levelled off in recent months - a picture corroborated by data from Rightmove. However, the rate of growth remains extremely high, especially in the context of a cost-of-living crisis.
- According to HomeLet, Londoners agreeing new tenancies are spending on average of 36% of their gross income on rents, considerably higher than the national average of 31% and the highest figure in two years.

2. The number of homes available for rent in London below particular price thresholds fell sharply throughout most of 2022 but stabilised towards the end of the year, a sign that the rental market may be reaching a turning point

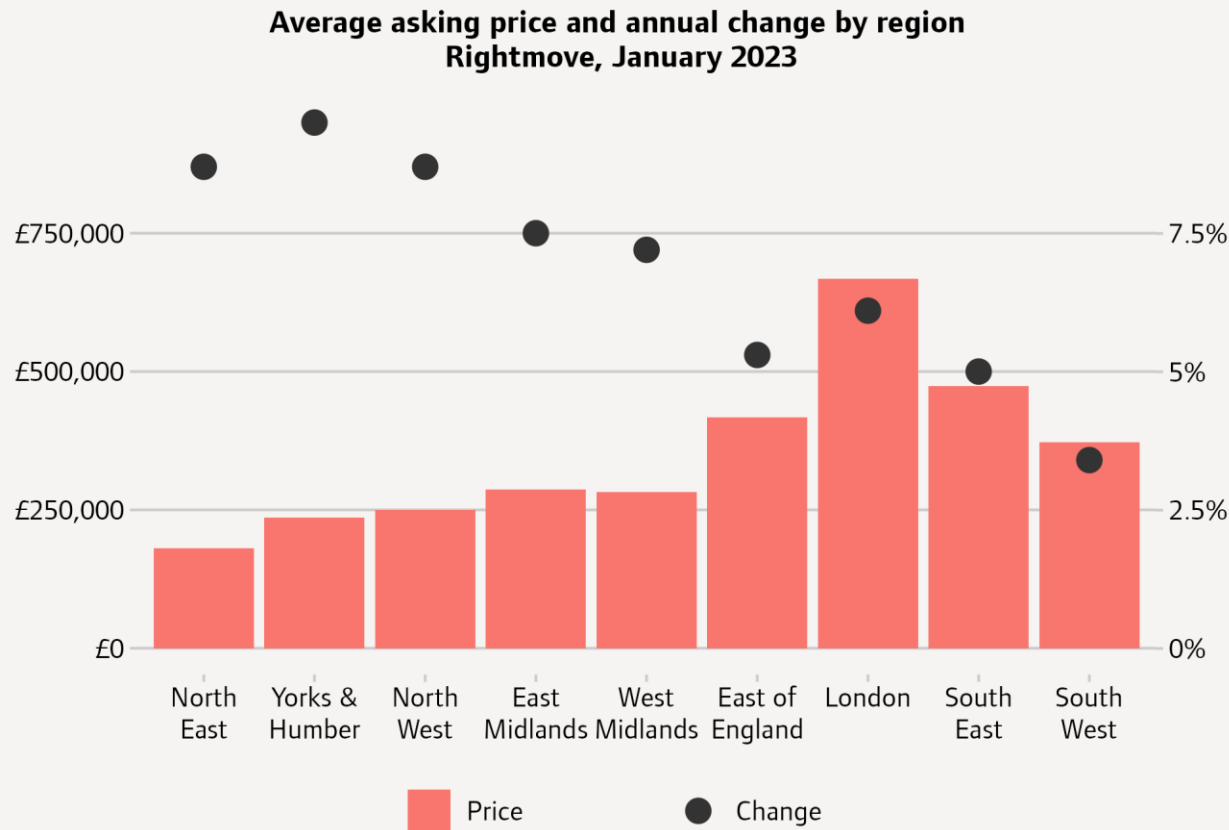
**Number of London homes advertised for rent on Zoopla below specific rent levels, January 2022 to 2023**



Source: Data gathered manually by GLA from [Zoopla](https://www.zoopla.co.uk/)

- At the start of 2022 there were over 3,000 1-bedroom homes in London advertised for rent on the [Zoopla](https://www.zoopla.co.uk/) portal at £1,500 a month or less, but this figure (which itself was down from a peak of over 13,000 in March 2021) fell sharply to around 1,000 in October 2022.
- There was a similar fall in the number of 2-bedroom homes advertised at up to £1,750 a month, while the number of 3-bedroom homes advertised for up to £2,500 a month fell by around half.
- Each of these trends bottomed out around October/November 2022, and there has since been a very small improvement in the availability of homes to rent at these price points – but still nowhere near back to the levels of early 2022.

3. According to Rightmove the average asking price in London was £668,000 in January 2023, up 6% from a year before but down from a peak of £696,000 in October 2022

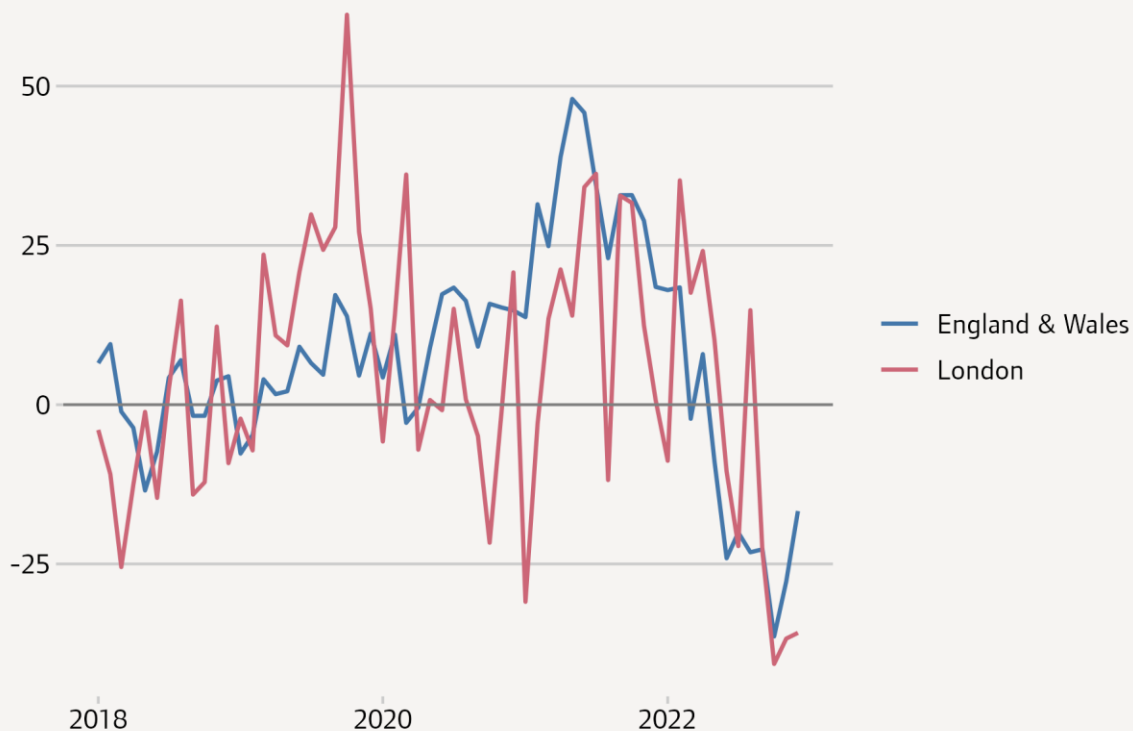


Source: Rightmove house price index

- [Rightmove](#) report the average asking price for homes advertised on its portal, and in January 2023 the average price in London was £668,000. This figure represented a 6% increase from a year before, but was down from a peak of £696,000 in October 2022.
- At the regional level, prices are lower but the latest annual increases generally higher in the Midlands and the North.
- The annualised change in asking prices in London is likely to dip into negative territory in the coming months as the impact of recent interest rate rises and slower economic growth takes hold.
- However, it will take some time for these changes to be reflected in the official UK House Price Index, as that is based on the values of completed sales.
- Zoopla reported that demand is increasing for smaller flats as buyers adjust to higher mortgage rates and energy prices.

4. RICS figures show that demand for new homes in London is falling faster than the availability of homes for sale, pointing towards falls in house prices and transaction volumes in the coming months

**RICS: Monthly change in buyer enquiries minus change in instructions to sell, January 2018 to 2023**

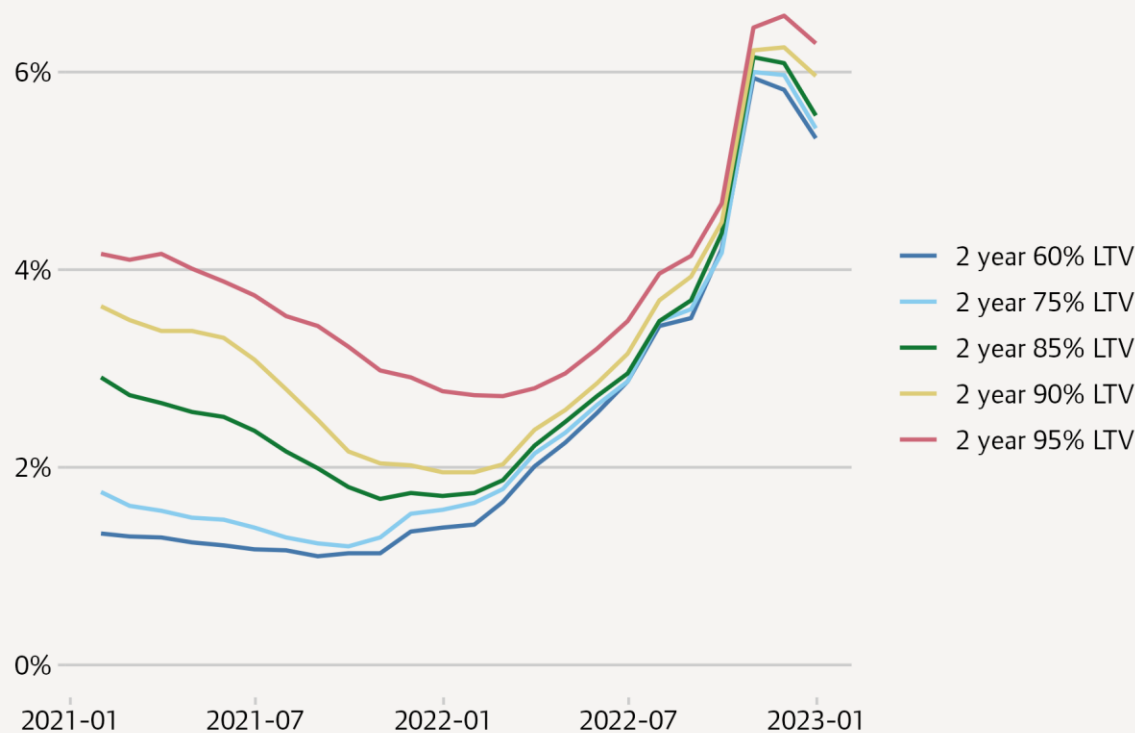


Source: RICS monthly housing market survey

- Data from [RICS](#) shows that a large majority of survey respondents have been reporting falling numbers of buyer enquiries in London for several months, while a smaller majority are reporting falling volumes of homes for sale. As the change in demand is much greater, the net effect points towards falls in house prices in London (and the rest of the country) in the coming months.
- The fall in both demand and supply also suggests that transaction volumes will be low in the sales market, likely due to a combination of the economic slowdown and buyers waiting to see if mortgage rates will continue to trend downwards.
- National mortgage approvals data already indicates a slowdown in transactions, and lenders reported falling demand for secured lending in their responses to the Bank of England [Credit Conditions Survey](#).

5. Average mortgage interest rates jumped after the September ‘mini-Budget’ but peaked in October and November and are starting to come down again, albeit more slowly than they increased

**Bank of England: Quoted household interest rates on 2 year fixed-rate mortgages, January 2021 to December 2022**

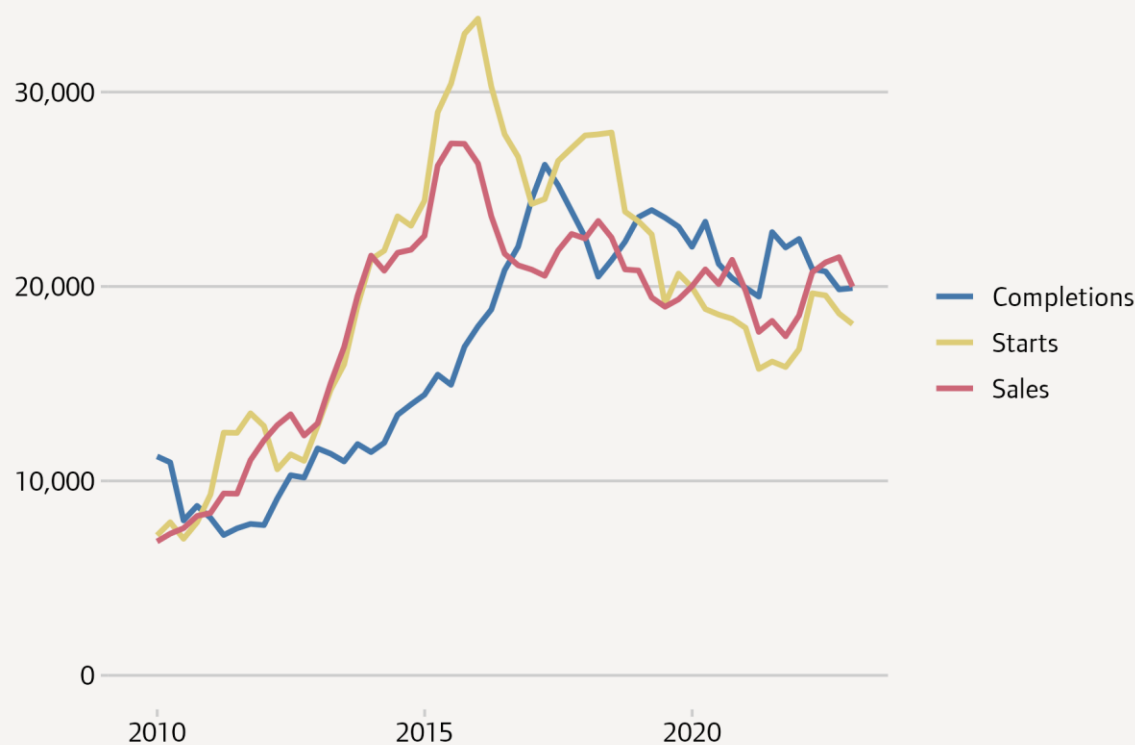


Source: Bank of England, Quoted household interest rates

- The [Bank of England](#) tracks the average quoted interest rates for a range of mortgage products, including 2 year fixed-rate mortgages.
- Until very recently, there was a wide spread between the average quoted rates according to the loan-to-value (LTV) ratio of the mortgage, with higher LTV mortgages (those where the borrower puts down a smaller deposit) requiring significantly higher interest rates (4% for a 95% LTV in January 2021, for example).
- Interest rates began to increase in early 2022 but this increase accelerated sharply around the time of the government’s ‘mini-Budget’ in September 2022. The rates for mortgages of all LTVs reached around 6% and the spread became much tighter.
- Rates peaked in October and November and had decreased slightly as of December (a trend that has continued into the new year), with the spread also starting to widen again.

6. Annualised Molior data shows that annualised new build starts on schemes with at least 20 private units in London were up slightly in 2022 compared to 2021, but still well below their previous peak

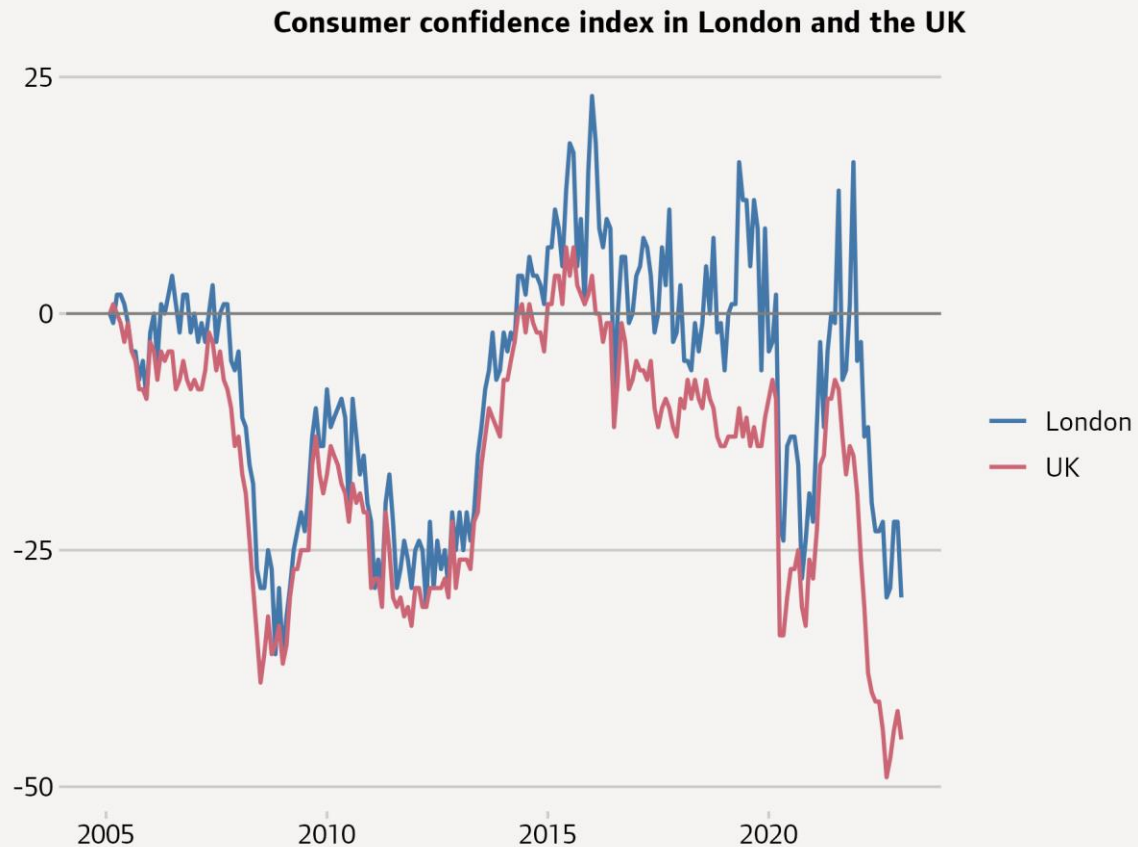
**Annualised quarterly Molior data on starts, sales and completions**



Source: Molior

- [Molior](#) monitors data on the supply of homes on schemes with at least 20 private units. Their figures for the fourth quarter of 2022 show a small fall in the annualised number of completions and an increase in starts compared to 2021, but both figures are well down on their peaks of several years before. Sales in 2022 were up from 2021 but broadly in line with the average of the last four years.
- Separate Molior data on the buyers of homes on schemes of 12+ units shows a significant change in Q4 2022. Help to Buy purchases have typically accounted for around a quarter of sales in recent years, but in Q4 this fell to just 6% as the scheme came to an end. Build to Rent continued to account for a large share of 'sales' on these schemes, while the proportion of sales to overseas buyers increased markedly in Q4.
- Molior said that around 23,000 homes are expected to be completed in 2023, of which 66% are already sold.

7. Consumer confidence has fallen sharply in London, although less so than in the rest of the UK



Source: GfK

- One indicator of the impending economic slowdown is the sharp fall in [GfK's](#) consumer confidence index, which reflects people's views on their financial position and the general economy over the past year and in the next 12 months (with a score above zero suggesting positive sentiment and below zero indicating negative sentiment).
- By this measure, consumer confidence has fallen both in London and across the UK as a whole, but more sharply at the national level than in London.
- However, other analysis indicates that the impacts of the cost of living crisis (and in all likelihood the economic slowdown) are highly unequal within London, with homeowners (particularly outright owners) experiencing much less severe impacts than private or social renters.