

GLA Housing and Land

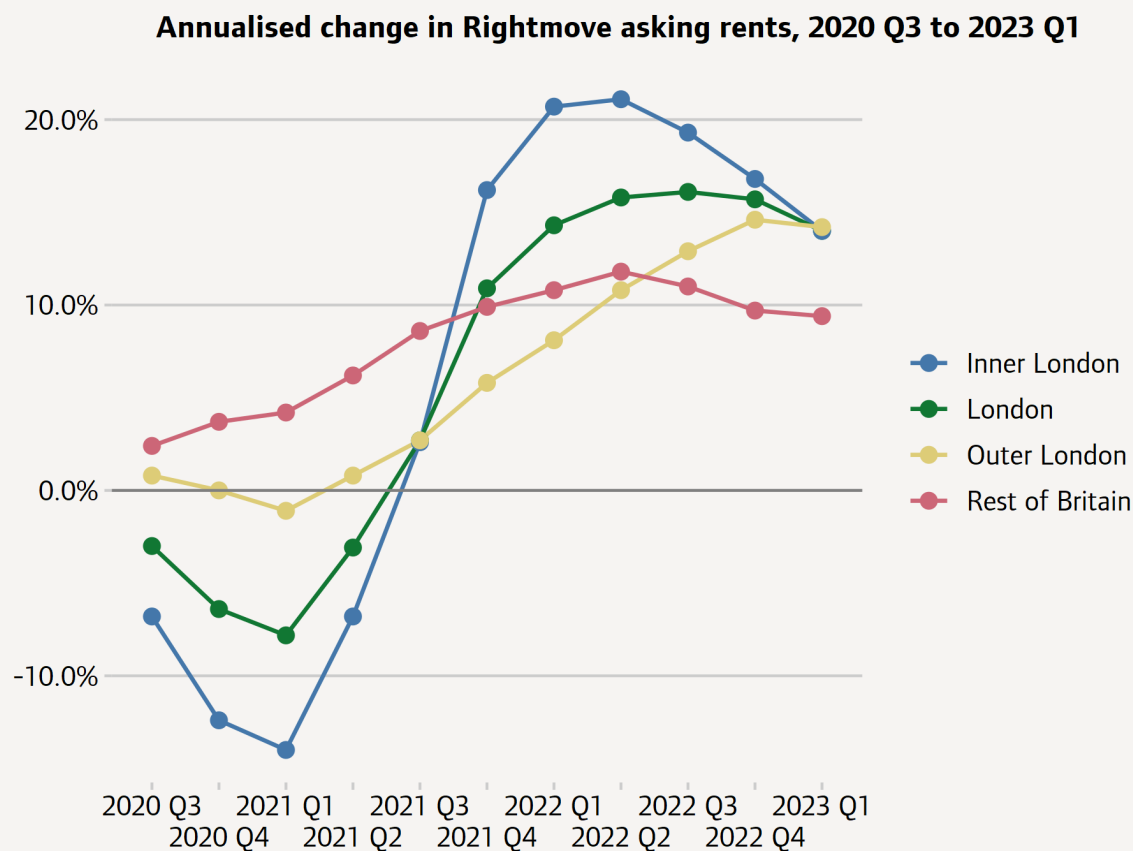
London Housing Market Report: May 2023

Summary

1. Rental growth for new tenancies in London has begun to slow, although rents remain significantly higher than the same time last year.
2. Demand remains high for rental properties of all sizes in London and supply continues to be lower than demand, however there are signs that the market is stabilising.
3. House price growth has fallen in recent months and remains lower in London than any other region. But rather than the rapid falls in house prices which were forecast, there has so far been a 'soft re-pricing' of the market.
4. The sales market in London remains very subdued, with both buyers and sellers remaining cautious.
5. Starts, completions and sales of private units on large schemes in London have fallen since the first quarter of 2022, largely as a result of economic factors and the ending of the Help to Buy scheme.
6. Prices of construction materials have stabilised since late 2022, after substantial increases during the pandemic, however labour market issues still present a challenge in the sector.
7. Housebuilding has fallen in the last quarter, and projects are being delayed as a result of lower demand for homes and high borrowing costs.

Catarina Finnerty

1. Rental growth in London has begun to slow and affordability has improved since late 2022, although rents remain significantly higher than the same time last year.

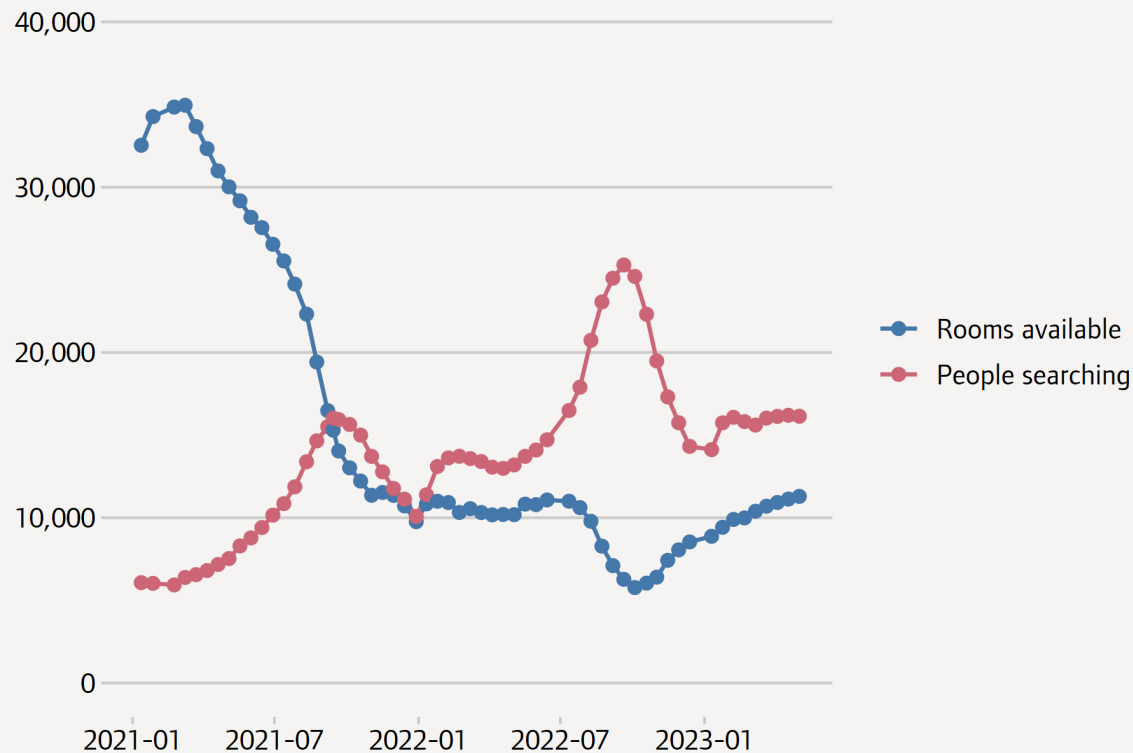


Source: Rightmove quarterly asking rent data

- According to [Rightmove](#), average asking rents for new tenancies in London surpassed £2,500 for the first time in the Q1 2023. Despite this, rental growth has slowed, particularly in Inner London, and annual rental growth in Outer London has overtaken Inner London for the first time since 2021.
- Annual rental growth remains extremely high, with asking rents 14% higher in the first quarter of 2023 than the previous year, down from a peak growth of 16.1% in Q3 2022. In comparison, average asking rents in the rest of the country are 9.4% higher than they were a year before, down from a high of 11.8%.
- Similarly, [HomeLet](#) figures show a fall in rental growth in London to 11%, whilst national growth has remained steady at 9.9%. HomeLet's data shows that Londoners were spending 35.4% of their income on rent in April 2023, compared to 30.9% nationally.

- Demand remains high for rental properties of all sizes in London and supply continues to be lower than demand, however there are signs that the market is stabilising.

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

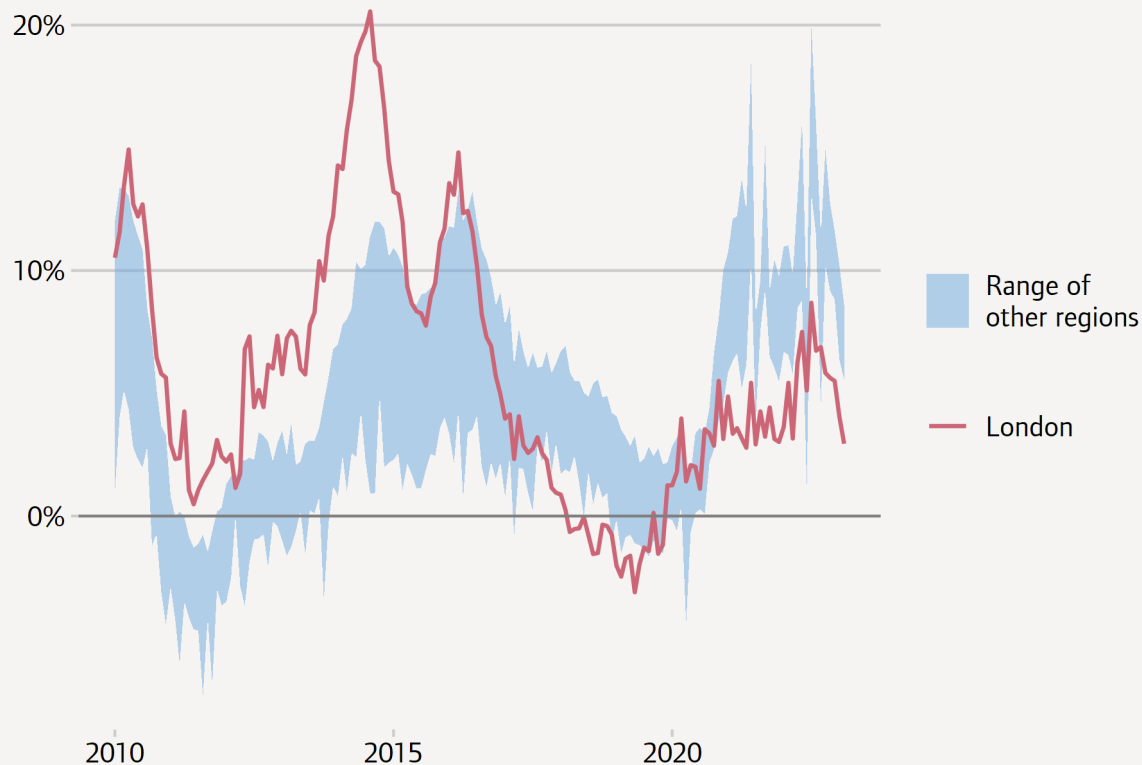


Source: Data gathered from [SpareRoom](https://www.spareroom.com). The number of people searching is measured as the number who have placed a 'room wanted' ad, which is lower than the number of people searching for rooms on the site

- Figures gathered from SpareRoom.com show that the number of people searching and rooms available have stabilised since the beginning of 2023, however the number of people searching remains higher than the number of rooms available. There are currently 0.7 rooms available per searcher, the highest since June 2022.
- On the other hand, data gathered from Zoopla shows that number of one-bedroom homes available to rent in London below £1,000 per month fell to just 44 in April, down from a recent peak of 1,557 in July 2021. There was a similar fall in the number of 2- and 3-bedroom homes, with the number of larger homes available at £1,750 a month falling by the greatest amount.
- RICS survey respondents in March reported continued high demand for rental properties in London which are driving higher rents.

3. House price growth has fallen in recent months and remains lower in London than any other region. But rather than the rapid falls in house prices which were forecast, there has so far been a 'soft re-pricing' of the market.

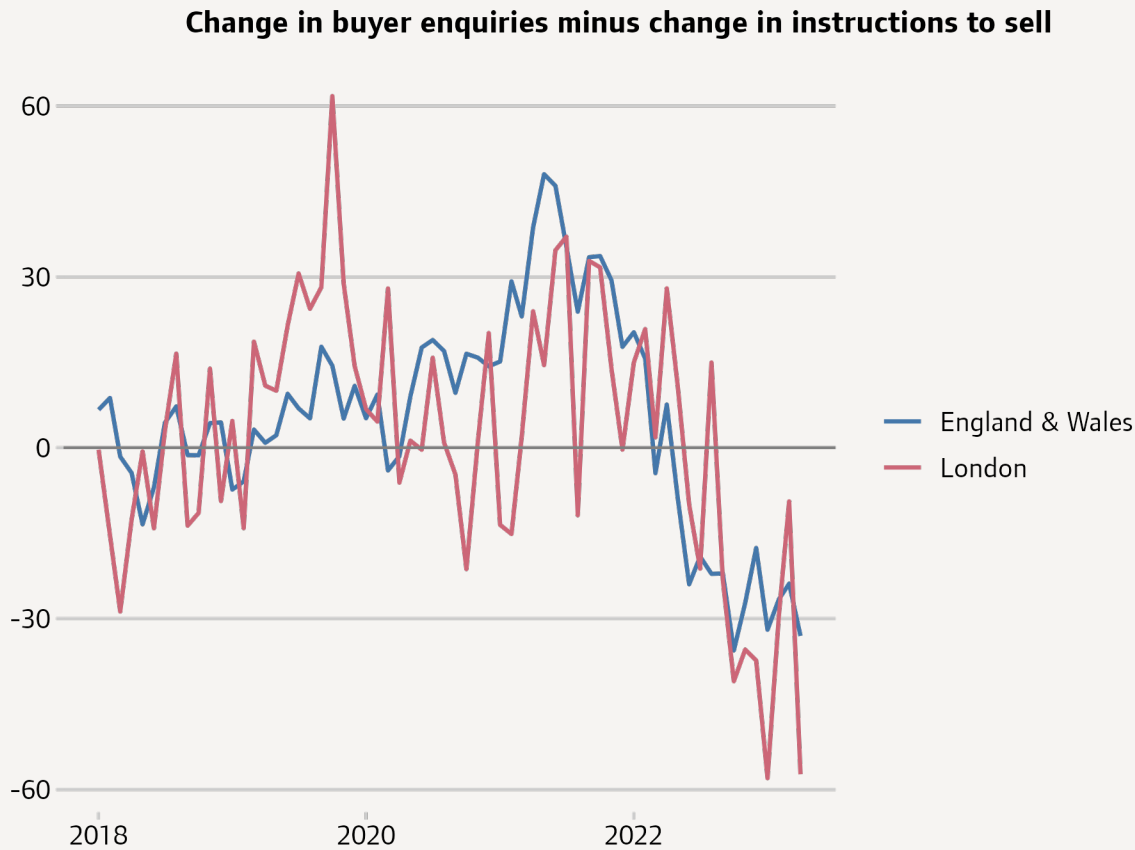
Annual house price growth in London and other regions



Source: ONS, UK House Price Index

- According to the ONS House Price Index, the average house price in London fell to £532,200 in February, from a peak of £544,600 in September 2022. The average house price across the other English regions was almost half that of London at £270,600.
- Zoopla reports an annual house price rise of 0.5% in London in March, the lowest of any region and compared to a UK average of 3.0%. Inner London sales are expected to rise in the coming months, as prices have stayed static for a prolonged period, particularly for flats.
- More recent data from Rightmove shows that the average price of London homes coming to market fell by 0.5% between March and April and showed no change since a year ago. The average asking price in London is £677,200, with the highest prices in Kensington and Chelsea and the lowest in Barking and Dagenham. Asking prices fell in 11 London boroughs between March and April, with the largest fall of 4.3% in Camden. The largest price rise was in Richmond at 3.5%, closely followed by Hackney at 3.4%.

4. The sales market in London remains very subdued, with both buyers and sellers remaining cautious.

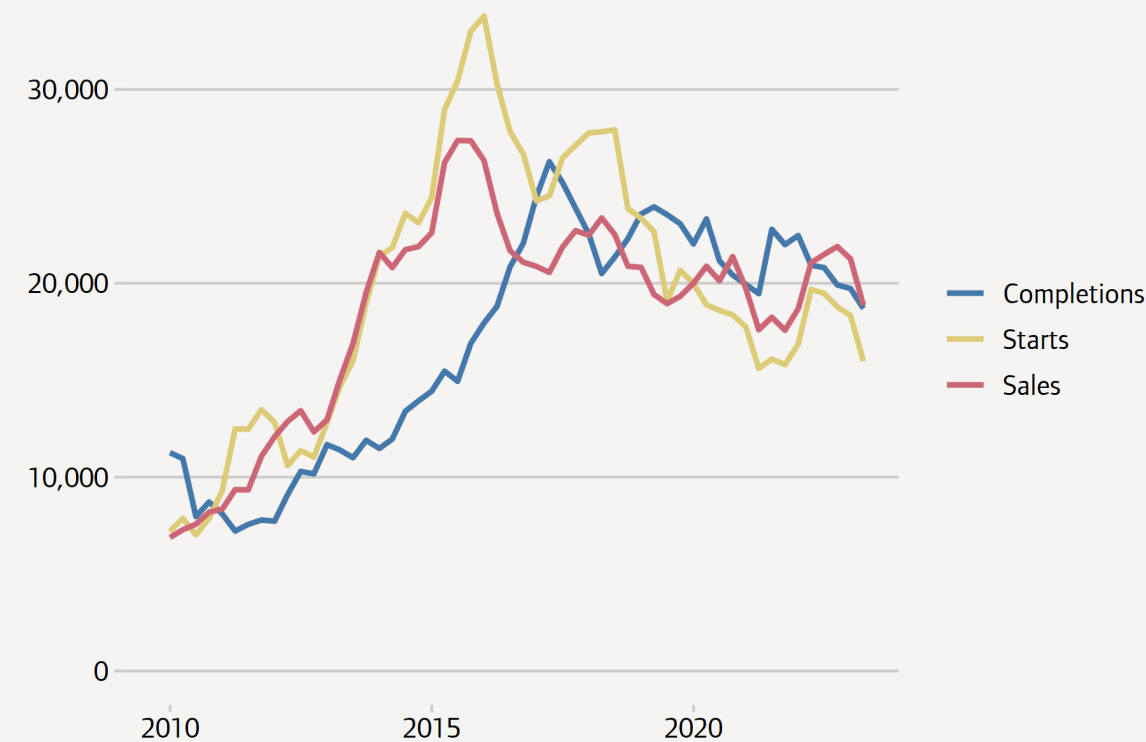


Source: RICS monthly housing market survey

- The change in buyer enquiries and the change in the number of new homes listed to sell continue to indicate a weak sales market, according to RICS survey data. New enquiries fell and instructions to sell increased between December and March.
- This trend has been followed up by comments from surveyors, who have reported higher activity in the market than was forecast given challenging economic conditions, although activity is still lower than would usually be expected at this time of year. Many have noticed both sellers and buyers are willing to wait longer before progressing with sales due to cautiousness.
- The CPI rate remains high and was 10.1% in March, down from a peak of 11.1% in October. The Bank of England's Monetary Policy Committee recently decided to raise the base rate to 4.5%. A settling of the base rate would give buyers more confidence, as reported by RICS survey respondents.

- Starts, completions and sales of private units on large schemes in London have fallen since the first quarter of 2022, largely as a result of economic factors and the ending of the Help to Buy scheme.

Annualised quarterly Molior data on starts, sales and completions

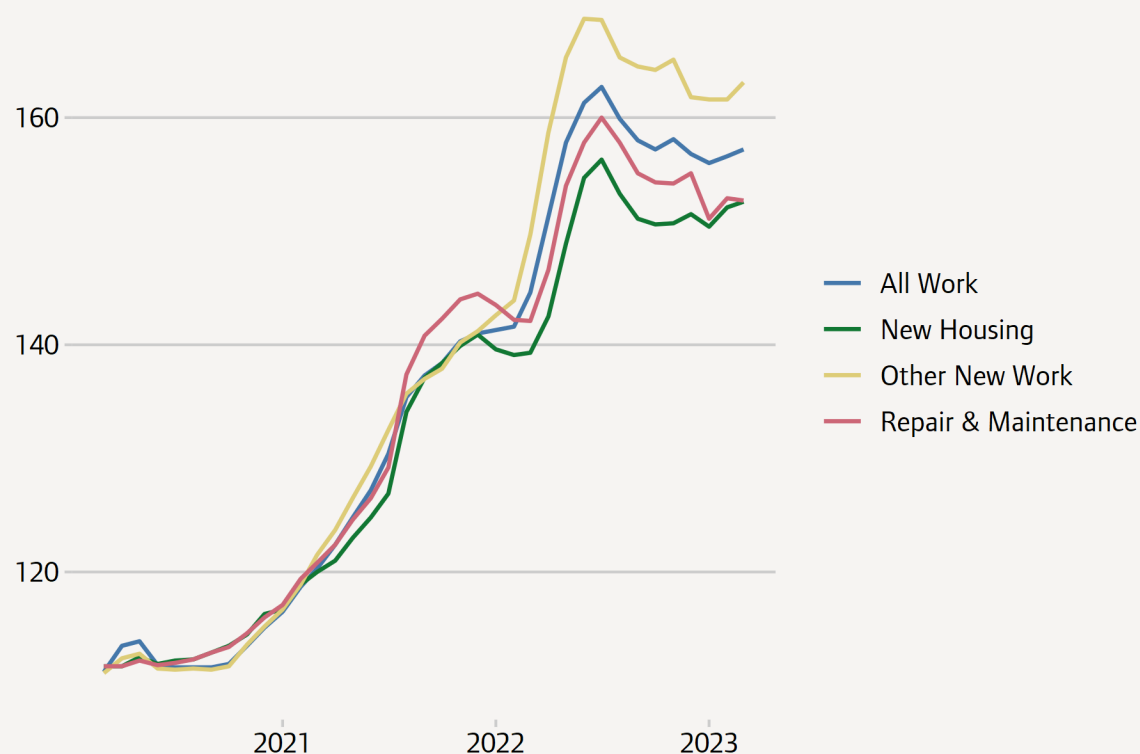


Source: Molior

- [Molior](#) monitors data on the supply of homes on schemes with at least 20 private units in London. Their figures for the first quarter of 2023 show a fall in the number of starts, completions and sales since the previous year. Starts fell by 43%, sales by 39% and completions by 25%.
- One key reason for the fall in sales is the end of the Help to Buy scheme, which had been one of the largest drivers of sales over recent years. ‘Sales’ to Build to Rent also fell, but it still represents the largest sector.
- The number of private units which were switched to affordable tenures doubled since the last quarter of 2022. Usually these are switched to Shared Ownership units, however a growing proportion are changing to London Affordable Rent.

6. Prices of construction materials have stabilised since late 2022, after substantial increases during the pandemic, however labour market issues still present a challenge in the sector.

UK construction material price indices (2015 = 100)

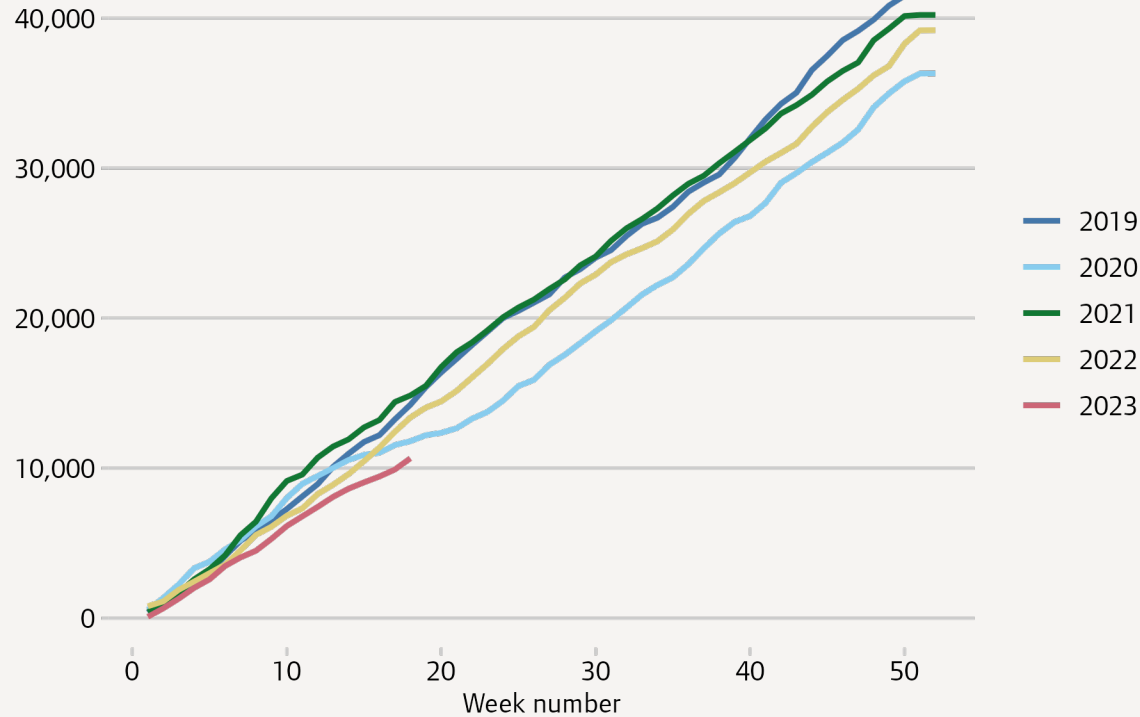


Source: [BEIS Monthly Statistics of Building Materials and Components](#)

- Latest [BEIS data](#) shows small increases in the prices of materials used in new housing between February and March of 0.3%, down from 1.1% the previous month. This maintains the recent pattern of stability in material prices, although prices remain considerably higher than the same time last year. The prices of materials used in new housing were 9.5% higher in March than the year before, the highest annual increase of any material type. Insulating materials have increased in price the most over the past year.
- According to the [ONS Business Insights Survey](#), the main concerns for construction firms in April continued to be inflation of goods and services prices, falling demand and taxation. 70% of construction firms surveyed were planning to raise their prices in April, with the main reasons behind the increase being raw material and energy prices, and labour costs. On the labour market, 11% of construction firms reported experiencing a shortage of workers in late March, down from 16% the month before.

7. Housebuilding has fallen in the last quarter, and projects are being delayed as a result of lower demand for homes and high borrowing costs.

Cumulative number of EPCs for newly completed homes in London by year, 2019 to 2023



Source: DLUHC Energy Performance Certificate data

- [DLUHC data](#) showing the number of EPCs recorded weekly in London gives a good indication of completions, and recent figures point to a lower number of homes completed so far this year compared to the previous four years.
- The [CIPS UK construction PMI](#) reported the sharpest decline in housebuilding across the country for three years, whilst in other areas of construction activity is rising. Respondents to their survey named lower demand and high borrowing costs as the main reasons behind this, which has caused projects to be delayed.
- Similarly, the [Bank of England Summary of Business Conditions](#) published in March reported a contraction of construction output, driven by lower demand for housing. They found that construction of social housing across the country had also fallen.