

GLA Housing and Land

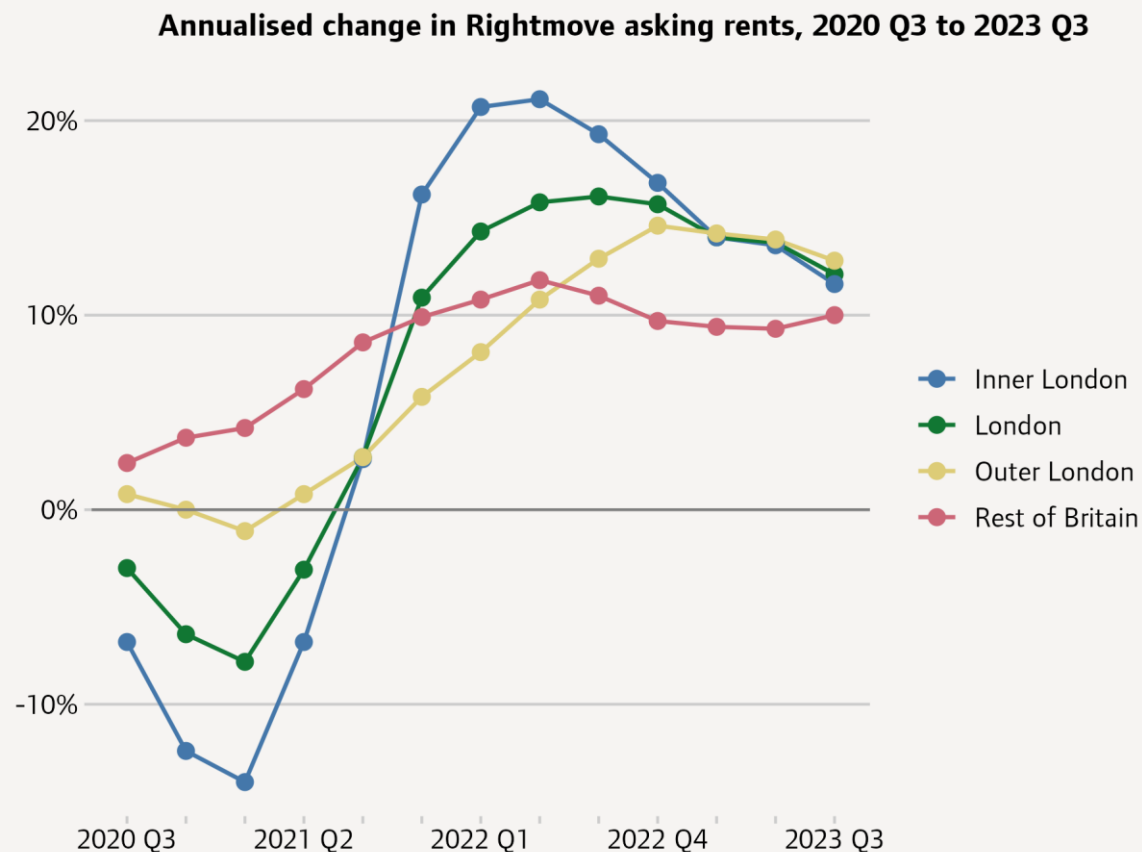
London Housing Market Report: November 2023

Summary

1. The rate of growth in average asking rents for new tenancies in London has slowed over the last year but remains high.
2. The demand for rented rooms in London has fallen compared to last year, while the number of available rooms advertised has risen.
3. The average price of homes sold in London has fallen slightly over the last year, while prices are still growing in most other regions.
4. Demand for home purchase is falling in London and across the country as a whole, pointing to further price falls to come.
5. Starts, completions and sales of private units on large schemes in London have fallen sharply in the last year.
6. The prices of housebuilding construction materials in the UK fell slightly in the last month, but are still relatively stable after very rapid growth in 2021 and 2022.
7. New housebuilding in London is running at a slower pace than in the last four years.

James Gleeson

1. The rate of growth in average asking rents for new tenancies in London has slowed over the last year but remains high.

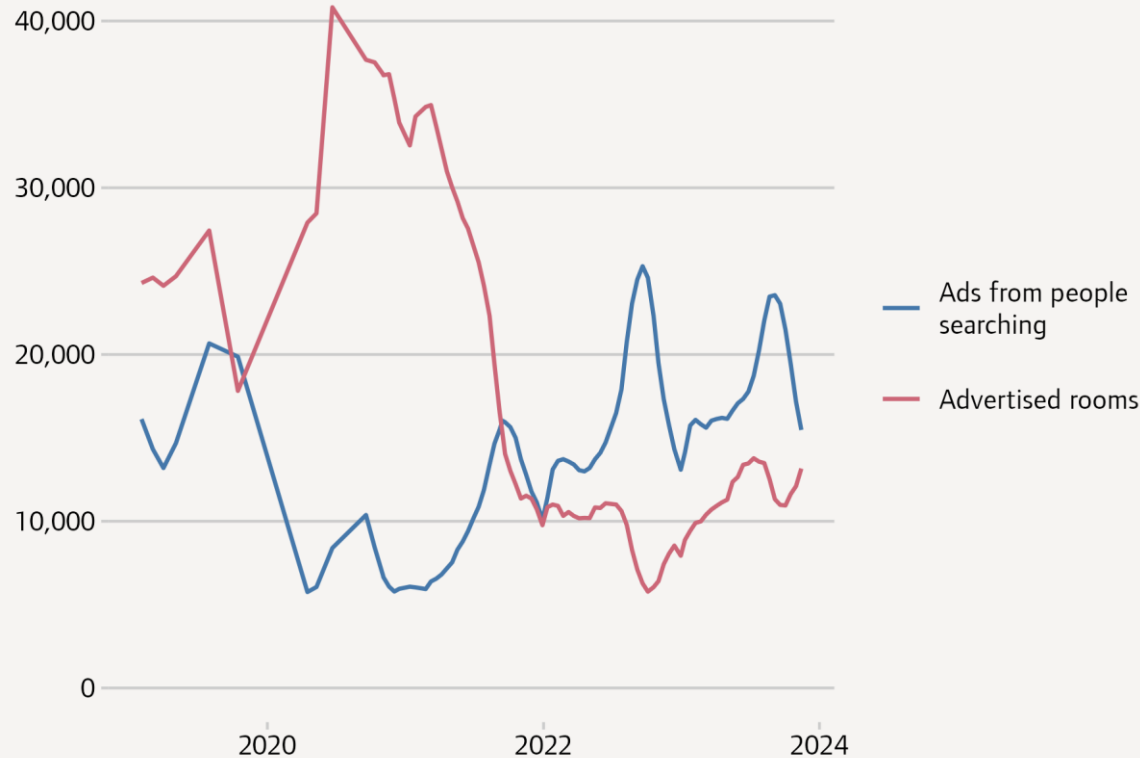


Source: Rightmove quarterly asking rent data

- According to [Rightmove](#), average asking rents for new tenancies in London reached £2,627 in Q2 2023. Annual rental growth slowed in Q3 to 12.1%, while Outer London once again showed faster growth than Inner. Annualised rental growth in London has now been over 10% for eight consecutive quarters.
- The rate of growth was lower in the rest of Britain at 10.0%, but still far above historical norms and showing little sign of falling, despite the wider cost of living crisis.
- Monthly [HomeLet](#) figures on rents for new tenancies in London also showed a slowing rate of growth, at 10.2% in October. However, HomeLet’s data also shows that Londoners starting new tenancies were spending an average of 38.8% of their income on rent in October, the highest figure recorded since the data began in 2014.

2. The demand for rented rooms in London has fallen compared to last year, while the number of available rooms advertised has risen.

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

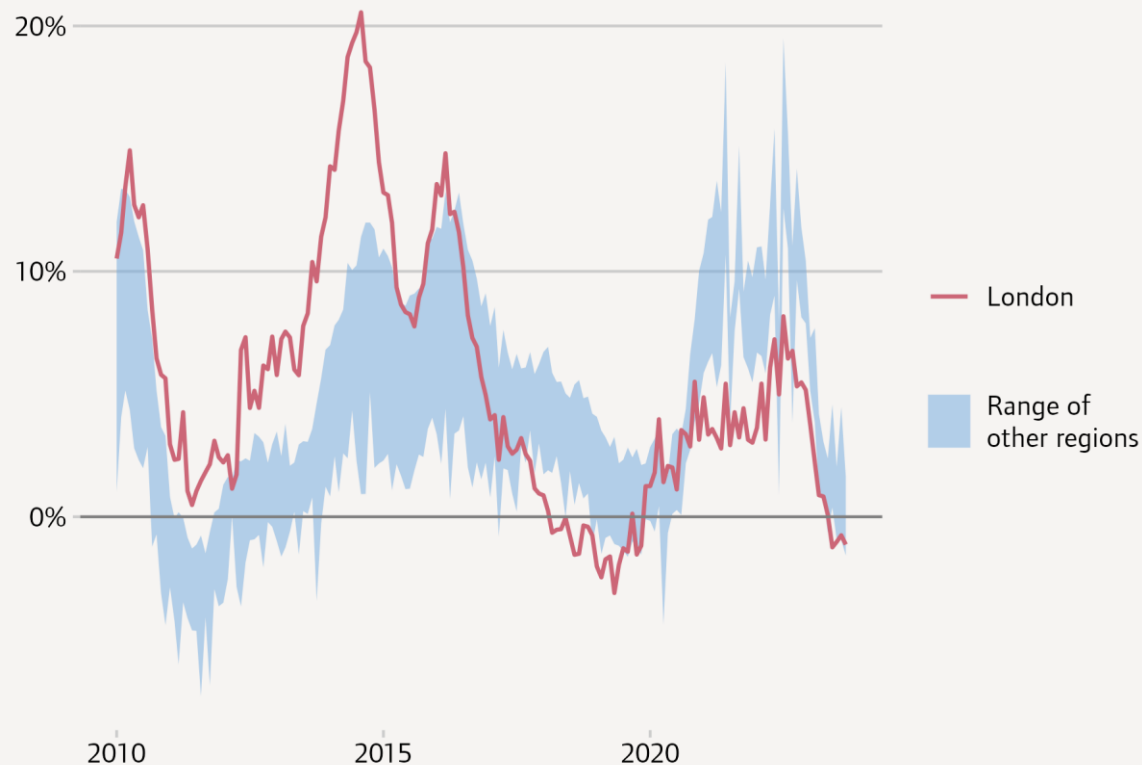


Source: Data gathered from [SpareRoom](https://www.spareroom.com). The number of people searching is measured as the number who have placed a 'room wanted' ad, which is lower than the number of people searching for rooms on the site

- Figures gathered from SpareRoom.com show that the number of ads placed by people searching for rooms in London has fallen compared to last year, while the number of advertised rooms that are available has increased. There were 0.85 rooms available per searcher in mid-November, above the 0.43 rooms per searcher at the same time last year.
- This impression of easing pressures in the rental market is reinforced by data gathered from Zoopla showing that the number of one-bedroom homes available to rent in London below £1,500 per month rose to 1,325 in mid-November, the most since September 2022. There were similar increases in the number of 2- and 3-bedroom homes available below the benchmarks of £1,750 and £2,500 a month respectively.
- In the October market survey from RICS there was a majority of respondents reporting a fall in tenant demand in London, for the first time since early 2021. Some agents reported that tenants in London were reaching the limits of affordability.

3. The average price of homes sold in London has fallen slightly over the last year, while prices are still growing in most other regions.

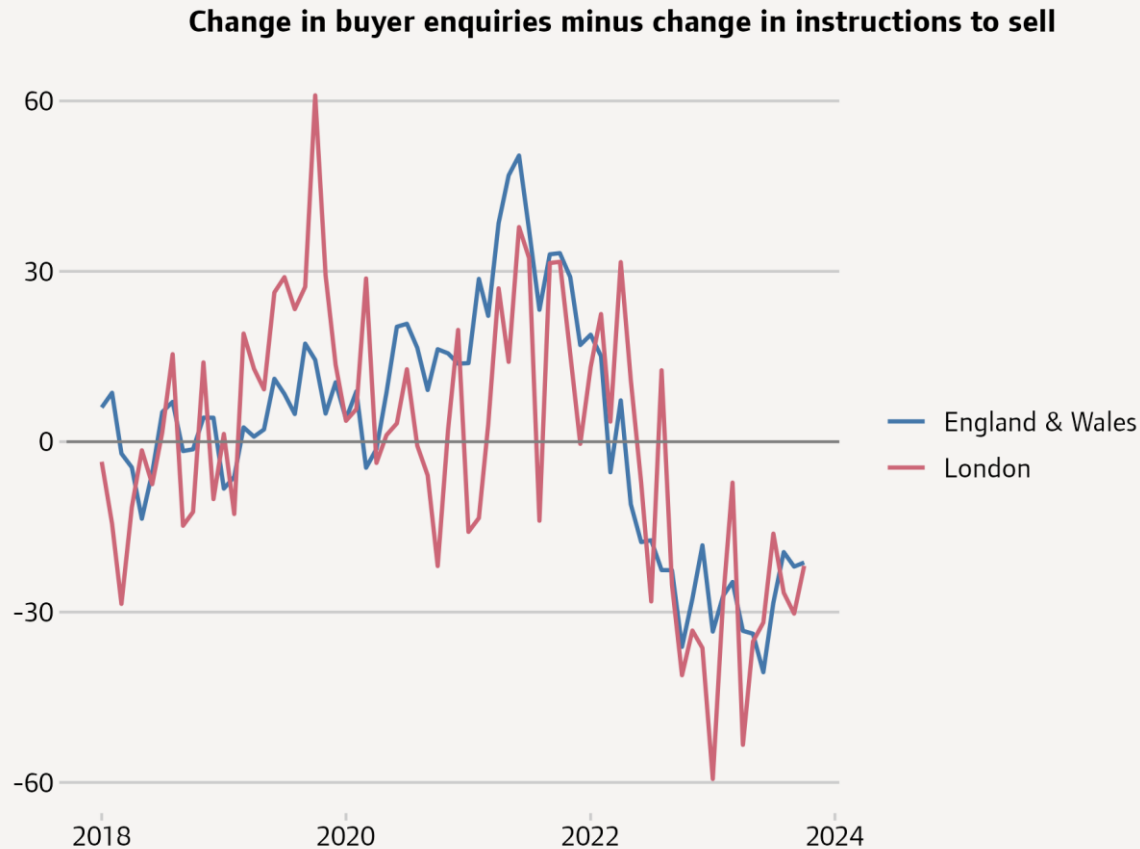
Annual house price growth in London and other regions



Source: ONS, UK House Price Index

- According to the ONS House Price Index, the average house price from completed sales in London fell to £537,400 in September, from a peak of £543,600 in September 2022. Average London prices fell 1.1% in the last year, but all regions are showing either sharp slowdowns in price growth (across the North and Midlands) or falling prices (across the wider South).
- More recent data from Rightmove shows that the average price of London homes coming to market fell by 1.3% in the year to November. The average asking price in London (not adjusted to account for the mix of homes sold as the ONS figure is) in November was £673,300, down from a peak of £696,500 in May 2023.
- At borough level, Rightmove reported the annual growth in asking prices was highest in several West London boroughs, led by Richmond upon Thames at 3%. The biggest drops were in Merton at -9% and Camden and Brent (both -5%).

4. Demand for home purchase is falling in London and across the country as a whole, pointing to further price falls to come.

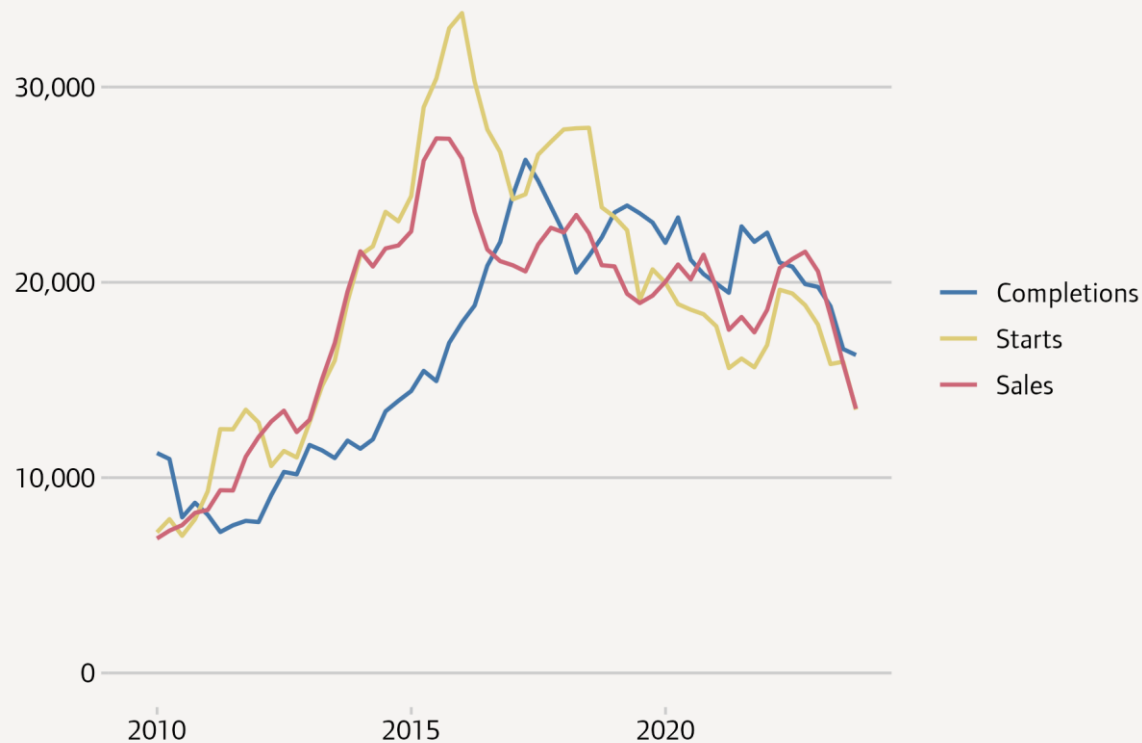


Source: RICS monthly housing market survey

- This chart combines the monthly change in buyer enquiries and the change in the number of new homes listed for sale (as reported by RICS survey respondents) and demonstrates that in the past year demand is falling relative to supply.
- In every month since September 2022, a majority of respondents have reported falling demand in London. Trends in the availability of homes for sale have been more mixed, so the downward pressure on prices is being mainly driven by falling demand, both in London and across the country as a whole.
- The sales market looks likely to remain weak in at least the short term, due to high interest rates and weaker economic growth. According to the Bank of England, the average quoted interest rate for a 2 year fixed-rate mortgage at a 75% loan to value ratio was 5.63% in October, down from the last peak of 6.25% in July but still far above typical levels in recent years.

5. Starts, completions and sales of private units on large schemes in London have fallen sharply in the last year.

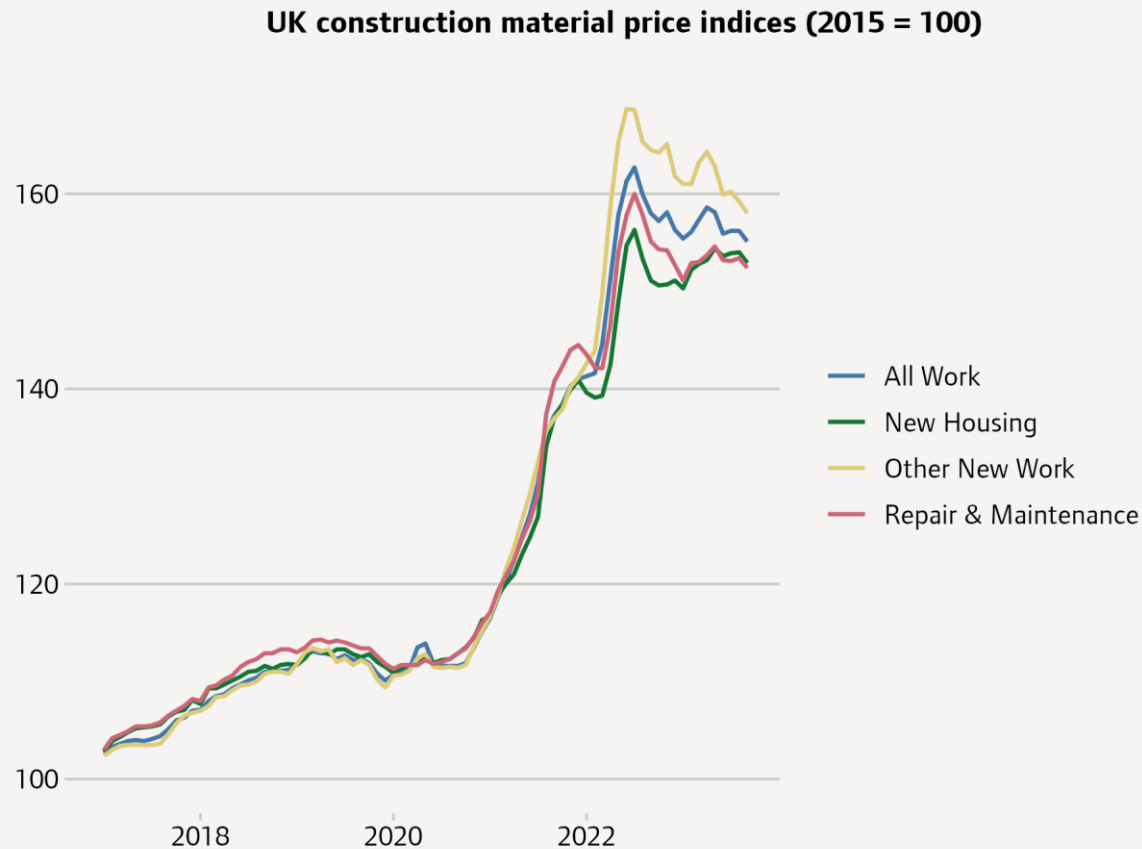
Annualised quarterly Molior data on starts, sales and completions



Source: Molior. The data only covers schemes in London with at least 20 private homes.

- [Molior](#) monitors data on the supply of homes on schemes with at least 20 private units in London. Their figures for the third quarter of 2023 show sharp falls in the annualised numbers of starts, completions and sales over the last year.
- Compared to the year to September 2022, starts in the last 12 months have fallen by 28% (to their lowest annualised level since 2012), completions by 18% and sales by 37% (also to the lowest level since 2012). Molior also reported that 65 schemes across London, accounting for just under 6,000 homes, were previously under construction but are currently stalled, due to factors including poor sales and contractors going into administration.
- The [British Property Federation](#) has commented that Build to Rent schemes in London have been hit hard by higher interest rates as they are more capital intensive than schemes outside London. Molior report that Build to Rent starts in London are down by more than half compared to the previous 12 months.

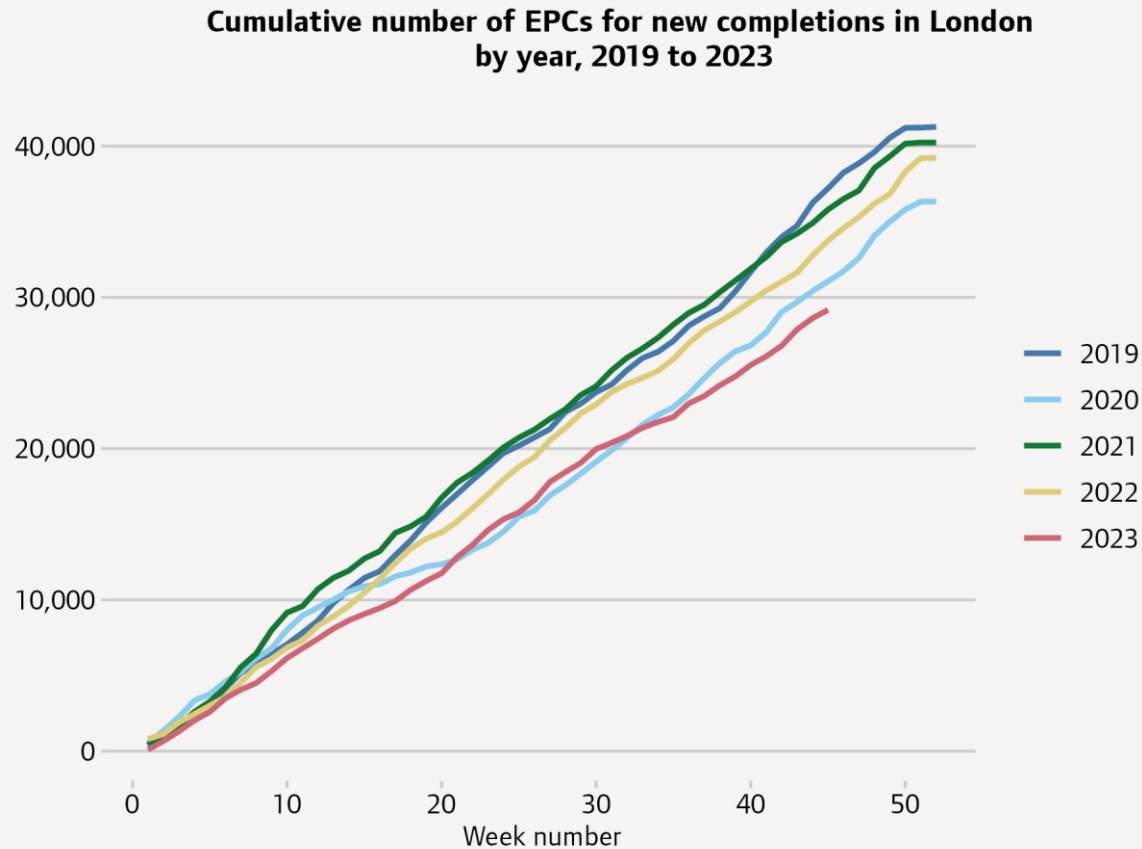
6. The prices of housebuilding construction materials in the UK fell slightly in the last month, but are still relatively stable after very rapid growth in 2021 and 2022.



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

- The latest [BEIS data](#) shows a fall of 0.7% in the price index of materials used in new housing between August and September 2023, but an increase of 1.2% over the last year. In general, while the very rapid cost increases seen in 2021 and 2022 have come to an end, the costs of housebuilding materials have not fallen far from their peak (and have fallen less than materials for non-housing construction, albeit after peaking at a lower level).
- According to responses to the November ONS [Business Insights and Conditions Survey](#), construction firms are increasingly likely to expect their turnover to fall and to report falling demand, but were far less concerned about cost inflation and supply chain disruption than a year ago. Similarly, whereas a year ago more construction firms were planning to increase their workforce than to decrease it, that has now gone into reverse and a tenth of firms said they expected their workforce to shrink in the following month.

7. New housebuilding in London is running at a slower pace than in the last four years.



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 October [CIPS UK construction PMI](#) reported that housebuilding activity across the country fell for the eleventh successive month and at a much steeper pace than other types of construction. Respondents to the survey pointed to low demand and high borrowing costs as key constraints on housebuilding.
- In its November Monetary Policy Report, the Bank of England forecast that UK housing investment (which includes new construction, house improvements and spending associated with house purchases) would fall sharply by 5.75% in 2023, by another 6.75% in 2024 and by 2.75% in 2025, reflecting the impact of sustained high interest rates.