

GLA Housing and Land

London Housing Market Report: August 2024

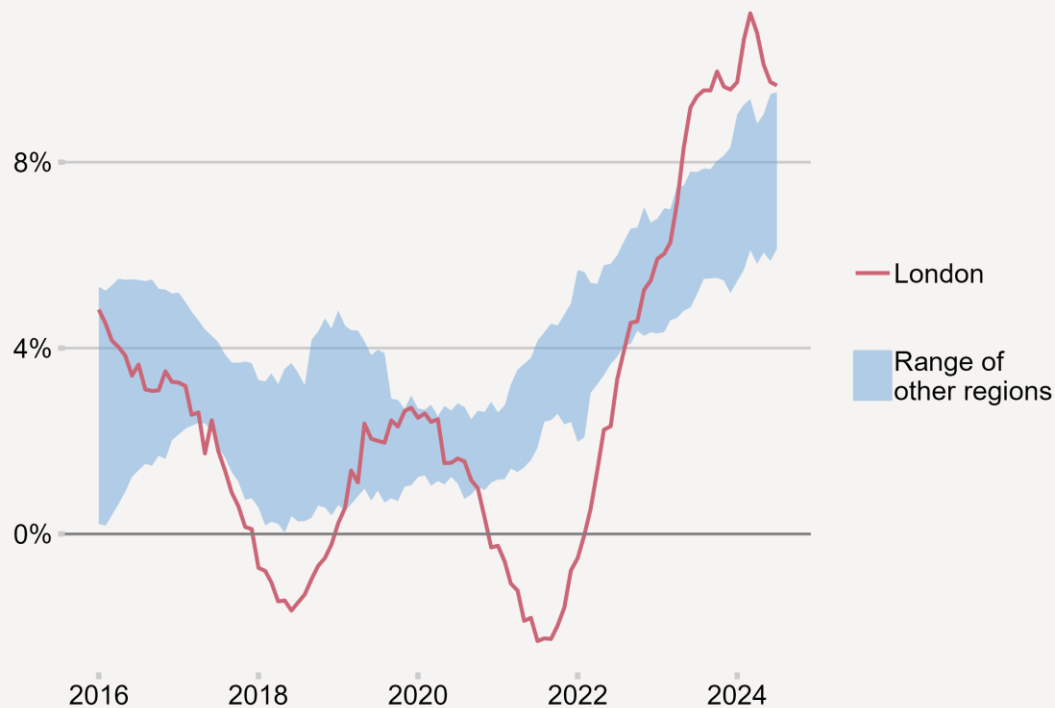
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Summary

1. The average asking rents for new tenancies in London saw signs of slowing down in the last quarter, but unaffordability remains high.
2. The number of available rooms advertised for houseshares maintains an overall increase since 2023 while demand for rented rooms fluctuates.
3. The average price of homes sold in London saw the first year-on-year average house price increase since April 2023.
4. A changing balance of new buyer enquiries compared to instructions to sell shows increased activity within the market.
5. Prices of construction materials in the UK have been falling gradually since its peak in mid 2022, but remain comparatively stable after very rapid growth in 2021 and 2022.
6. Housebuilding activity in London maintains steady decline since 2022.
7. Housing completions so far in 2024 improved marginally compared to 2023, but significantly lower than previous years.

1. The average asking rents for new tenancies in London saw signs of slowing down in the last quarter, but unaffordability remains high.

Annual change in rental price in London and other regions

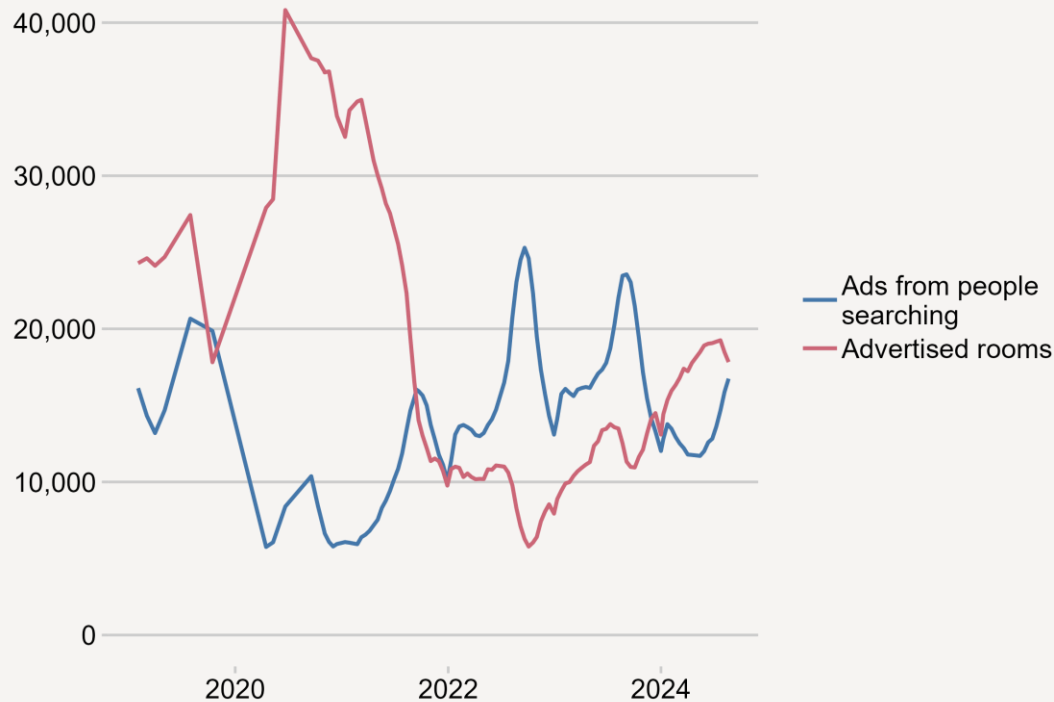


Source: ONS Price Index of Private Rents.

- According to the new [ONS Price Index of Private Rents](#), which covers both new and existing tenancies, the average monthly private rent in London reached a record high of £2,114 in July 2024, up 9.7% in the last year. London had the greatest year-on-year rent inflation of all English regions, but below the record-high annual rise of 11.2% in March 2024.
- [Rightmove](#) reports that average asking rents for new tenancies in London reached £2,661 a month in Q2 2024, with the annual growth in rent prices slowing to 3.7%, the lowest rate since 2021. The rate of growth in asking rents for the rest of Britain surpassed London at 8.5% for the third quarter in a row.
- Monthly [HomeLet](#) figures on rents for new tenancies in London saw a 0.4% decrease in the year to July, after a larger decrease (3.1%) in June. Homelet data also shows a worsening in affordability in the last two years as rents have outpaced earnings growth. Londoners starting new tenancies in July were spending 38.8% of their income on rent, down from the peak of 40% in February.

2. The number of available rooms advertised for houseshares maintains an overall increase since 2023 while demand for rented rooms fluctuates.

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

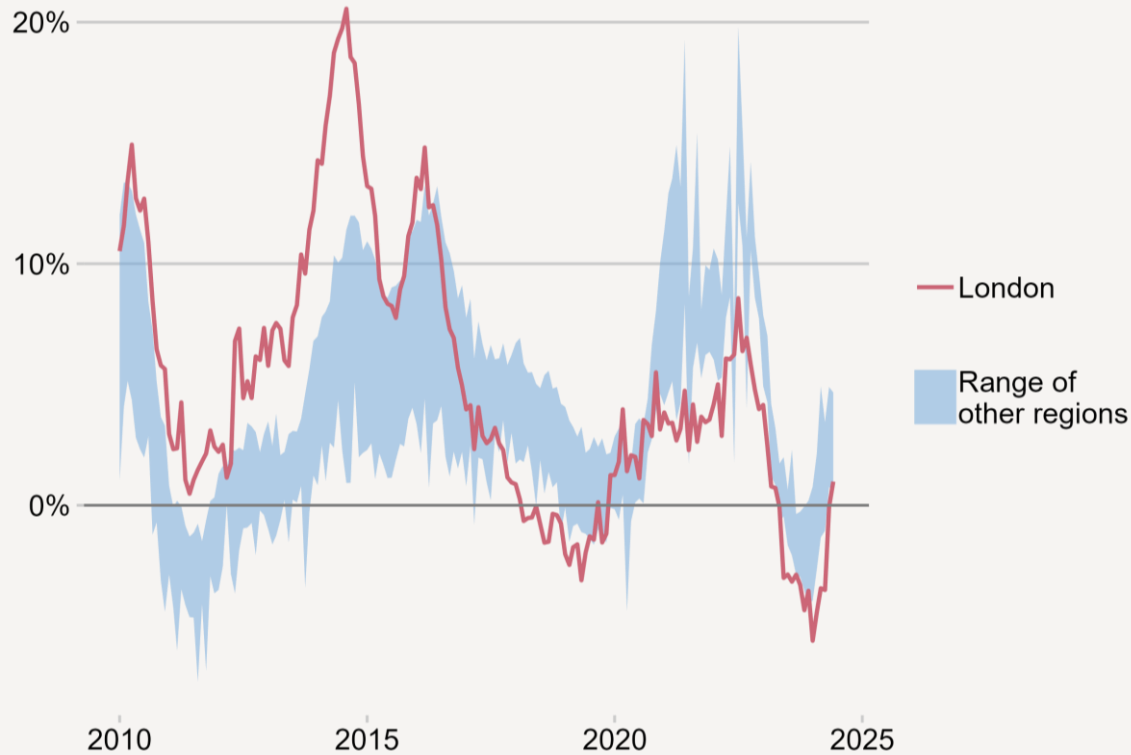


Source: Data gathered from [SpareRoom](#). The number of people searching is measured as the number who have placed a 'room wanted' ad, which is lower than the number of people searching for rooms on the site.

- Figures gathered from SpareRoom.com show the number of advertised available rooms in London flatshares reached its highest level since the pandemic with 19,250 rooms to rent in July. The figure fell to 17,800 in mid-August, representing a 42% increase compared to the same time last year, while the number of advertisements placed by people searching for rooms was down 28% compared to last year. There are 1.06 rooms available per searcher, a number that has fallen in recent months due to seasonal factors but is twice as high as the same time last year.
- Data gathered from Zoopla showed that the number of one-bedroom homes available to rent in London below £1,500 per month rose by 22% to 1,412 in the year to August. The supply of two-bedroom homes under £1,750 and three-bedroom homes under £2,500 saw substantial year-on-year increases, with availability rising by 19% (up from 8% in the previous quarter) and
- The July [RICS market survey](#) reported that tenant demand continued to grow, but more slowly in the last quarter, while landlord instructions continued to fall this year.

3. The average price of homes sold in London saw the first year-on-year average house price increase since April 2023.

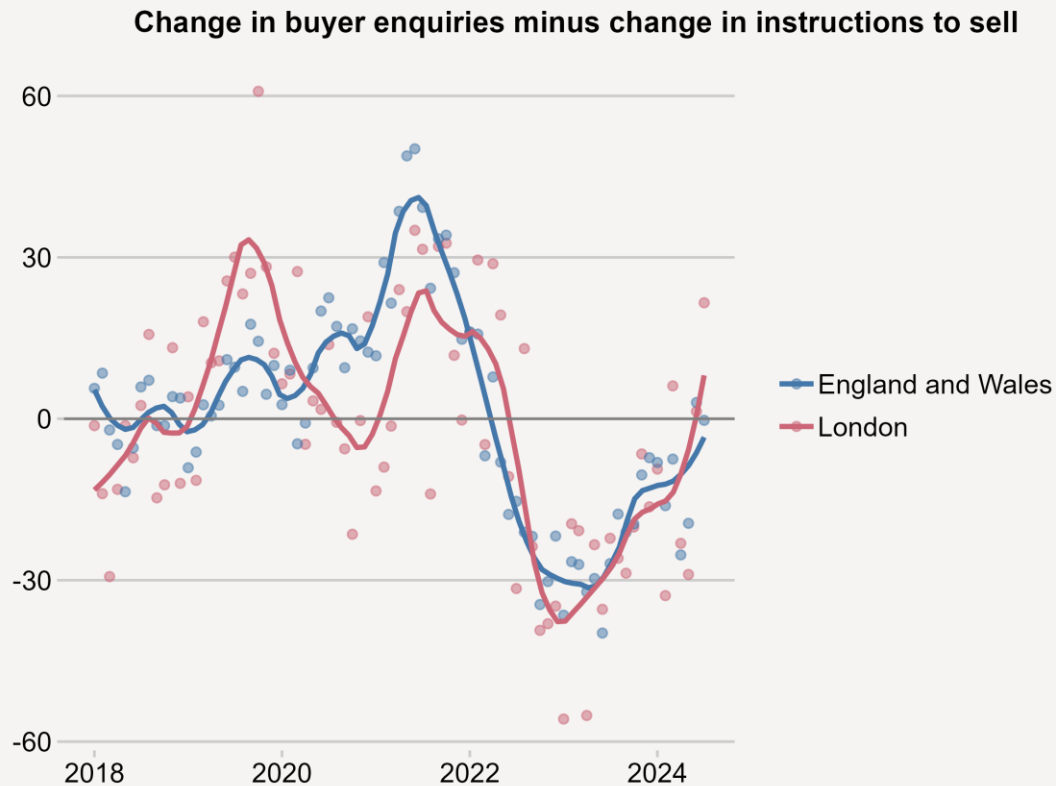
Annual house price growth in London and other regions



Source: ONS, UK House Price Index

- According to the ONS [House Price Index](#), the average house price from completed sales in London rose from £499,670 in March, the lowest house price seen since mid-2021, to £523,134 in June 2024 by 5%. June also saw the first year-on-year price increase since April 2023, at 0.9%.
- More recent data from Rightmove shows that the average price of London homes coming to market increased by 0.7% in the year to August. The average asking price in London (not adjusted to account for the mix of homes sold as the ONS figures are) in August was £677,800.
- At the borough level, the ONS reported the annual growth in house prices was highest in outer London boroughs, led by Bexley (5.1%), Redbridge (4.8%) and Greenwich (3.9%). The biggest drops were in Westminster (22%), City of London (21%) and Hammersmith and Fulham (14.6%).

4. A changing balance of new buyer enquiries compared to instructions to sell shows increased activity within the market.

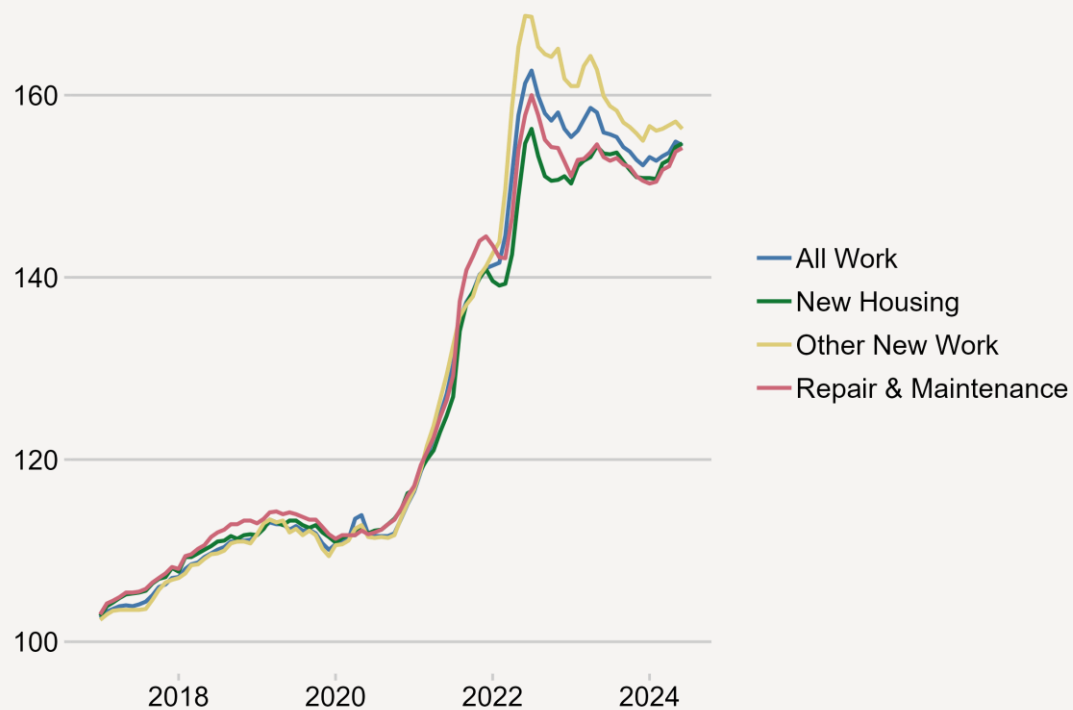


Source: [RICS monthly housing market survey](#)

- This chart combines the monthly change in buyer enquiries and the change in the number of new homes listed for sale in London, as reported by RICS survey respondents.
- Between mid-2022 and late 2023, a majority of respondents reported falling demand as measured by new enquiries, but since the start of 2024 demand has stabilised. At the same time, a growing majority of respondents have reported an increase in the supply of homes for sale, such that supply has outpaced demand in July, the first time since May 2022. However this is expected to change as the first Bank of England rate cut in four years is likely to spur buyer activity.
- 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 4.99% in July, an fall from 6.99% a year ago but still far above typical levels in recent years. Mortgage rates are expected to fall further in the coming months as market commentators anticipate a more active autumn market.

5. Prices of construction materials in the UK have been falling gradually since its peak in mid 2022, but remain comparatively stable after very rapid growth in 2021 and 2022.

UK construction material price indices (2015 = 100)

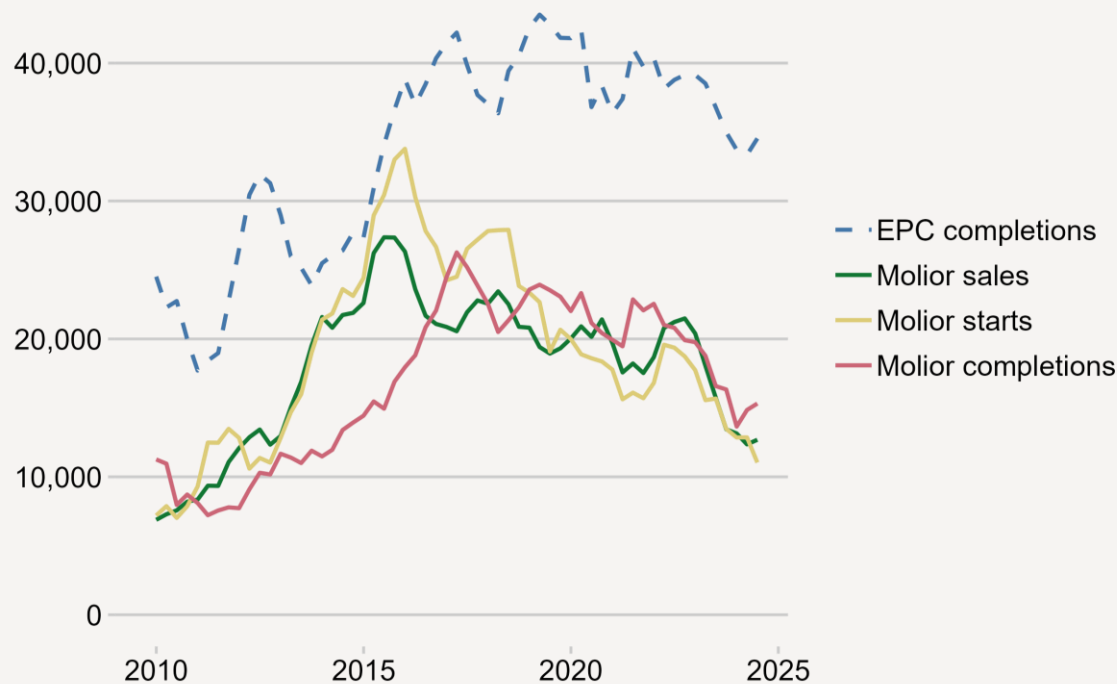


Source: [BEIS Monthly Statistics of Building Materials and Components](#)

- The latest [BEIS data](#) shows a 0.26% increase in the price index of materials used in new housing between May and June 2024, but no significant change 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).
- In the August ONS [Business Insights and Conditions Survey](#), the percentage of construction firms expecting turnover to increase fell from the last quarter, with 15.1% expecting an increase in August, compared to 19.3% in May. The proportion of construction firms reported to be at moderate to severe risk of insolvency stayed largely unchanged from the previous quarter at 11.6%. However, the percentage of firms at severe risk of insolvency increased from 0% to 1.8%.
- The proportion of respondents citing a shortage of labour as a challenge has risen to its highest level since June 2023, reaching 12.2%. Notably, the construction industry has the highest proportion of respondents reporting labour shortages as a challenge.

6. Measures of housebuilding activity in London have declined since 2022.

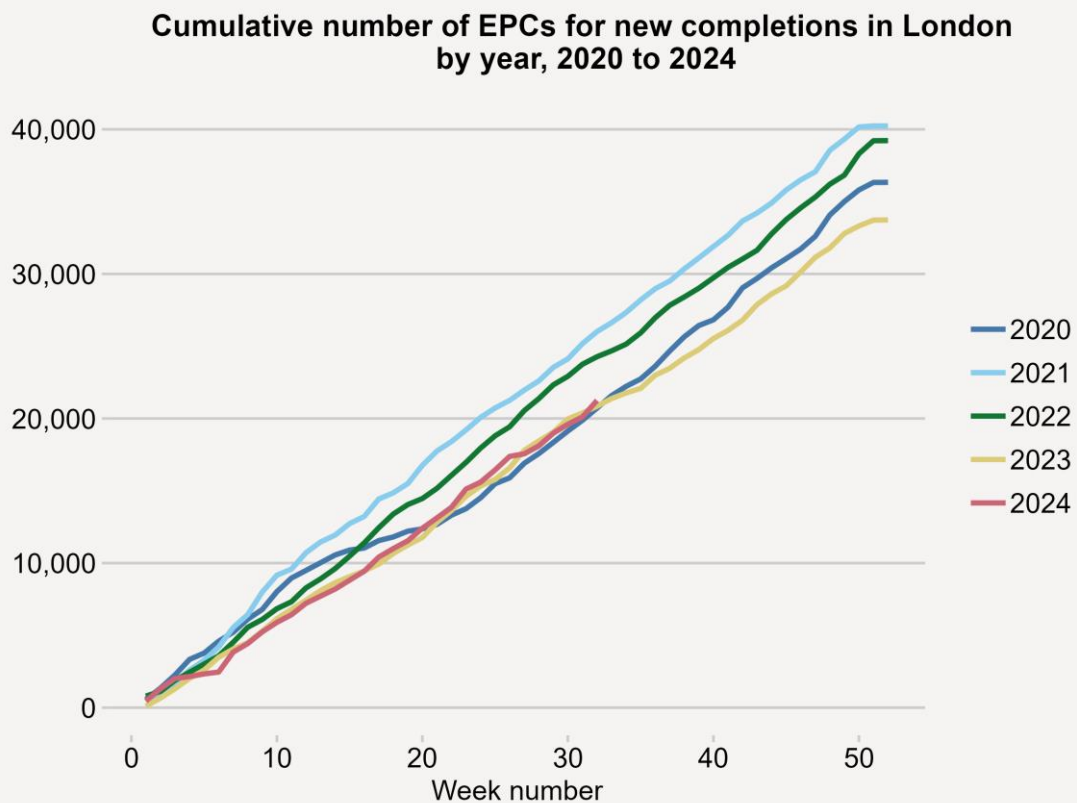
Annualised Molior data on starts, sales and completions, and Energy Performance Certificate data on completions



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

- [Molior](#) monitors data on the construction of homes in London on schemes with at least 20 private units. This data therefore covers only a part of the housebuilding activity across London, while Energy Performance Certificates (EPCs) for new homes provide a more comprehensive picture.
- Molior figures saw stagnation in the annualised numbers of starts and sales in the last quarter after persistent falls since 2022. For the first time since 2012, London has experienced two consecutive quarters with sales below 3,000 units. The first half of 2024 is also the slowest period for new construction in London since 2010. The number of completions recorded increased for the first time since 2021.
- Compared to the year to June 2023, starts in the last year fell by 29%, completions by 7% and sales by 19%. Molior also reported that 68 schemes across London, accounting for around 6,500 homes, were previously under construction but are currently stalled, due to factors including poor sales and contractors going into administration. The equivalent figure in 2008/09 was 10 developments.

7. Housing completions so far in 2024 improved marginally compared to 2023, but are running significantly lower than 2021 and 2022.



Source: MHCLG Energy Performance Certificate data

- [MHCLG data](#) showing the number of EPCs recorded weekly in London gives a more comprehensive picture of completions than the Molior data, and recent figures point to a 2% increase in number of completions in 2024 compared to same point in 2023, but a 12% decrease compared to 2022.
- August [CIPS UK construction PMI](#) reported that housebuilding activity returned to growth in July after election-related slowdown seen in June. Firms saw the strongest increases in new orders and activity since 2022 as paused projects were released amid reports of improved customer confidence.
- In its latest [Monetary Policy Report](#), the Bank of England reported housing investment rose by 3% in the first quarter of 2024, higher than the 1% fall expected in May, although continuing weakness in construction indicators suggest that investment will remain subdued. Mortgage approvals in 2024 so far is in line with the 2010-19 average, pointing to higher housing transactions in second half of 2024.