

GLA Housing and Land

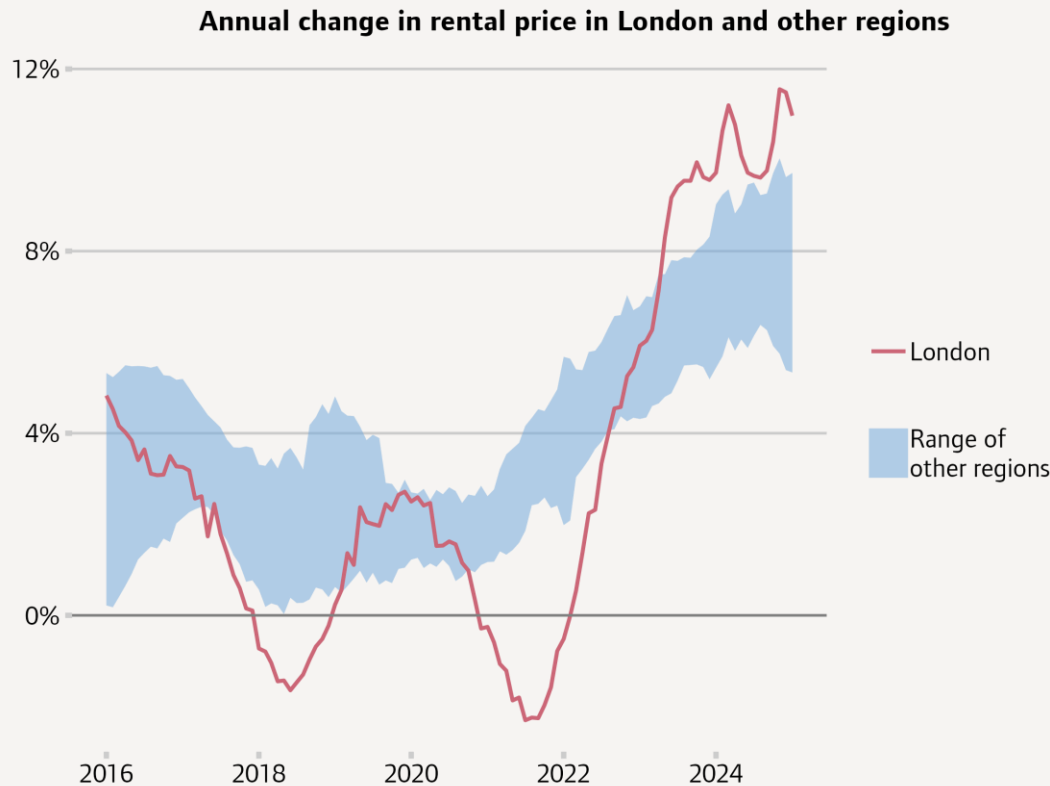
London Housing Market Report: February 2025

Summary

1. Growth in average private rents across all tenancies remains very high, but rents for new tenancies are stagnating or even falling.
2. The number of available rooms advertised for flatshares has increased since 2023 while demand for rented rooms has fallen.
3. Average house price in December 2024 remained unchanged from the year prior.
4. New buyer enquiries and instructions to sell have increased in the last six months.
5. Prices of construction materials in the UK have fallen marginally since their peak in mid-2022, but remain comparatively stable after very rapid growth in 2021 and 2022.
6. The number of completions on larger sites improved in the last year while sales and construction starts stabilised.
7. Housing completions in 2024 were 1.6% higher than in 2023, the second lowest completion rate in the 2020s.

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1. Growth in average private rents across all tenancies remains very high, but rents for new tenancies are stagnating or even falling.

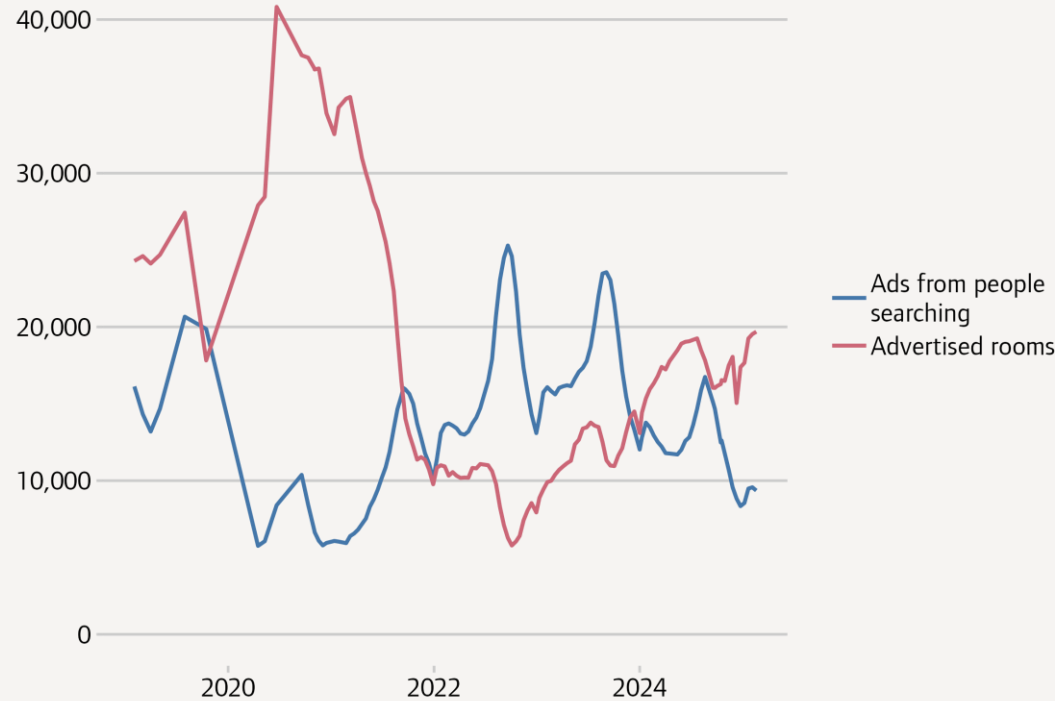


Source: ONS Price Index of Private Rents.

- 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 £2,227 in January 2025, up 11% in the last year, softening from recent peak in November at 11.6%. London by far has the greatest year-on-year rent inflation of all English regions, with the North West following closely with a 9.7% annual rise in January 2025.
- [Rightmove](#) reports that average asking rents for new tenancies in London reached £2,695 a month in Q4 2024, with the annual growth in rent prices slowing to 2.4%, the lowest rate since 2021. The rate of growth in asking rents for the rest of Britain (4.7% in Q4) has surpassed London for a year.
- More recent monthly [HomeLet](#) figures on rents for new tenancies in London saw a 2.7% decrease in the year to January 2025,. HomeLet data also shows affordability has plateaued in the last year, maintaining at 38% to 39% of income to rent ratio. Londoners starting new tenancies in January were spending 38.8% of their income on rent, down slightly from the peak of 40% in February 2024.

2. The number of available rooms advertised for flatshares has increased since 2023 while demand for rented rooms has fallen.

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

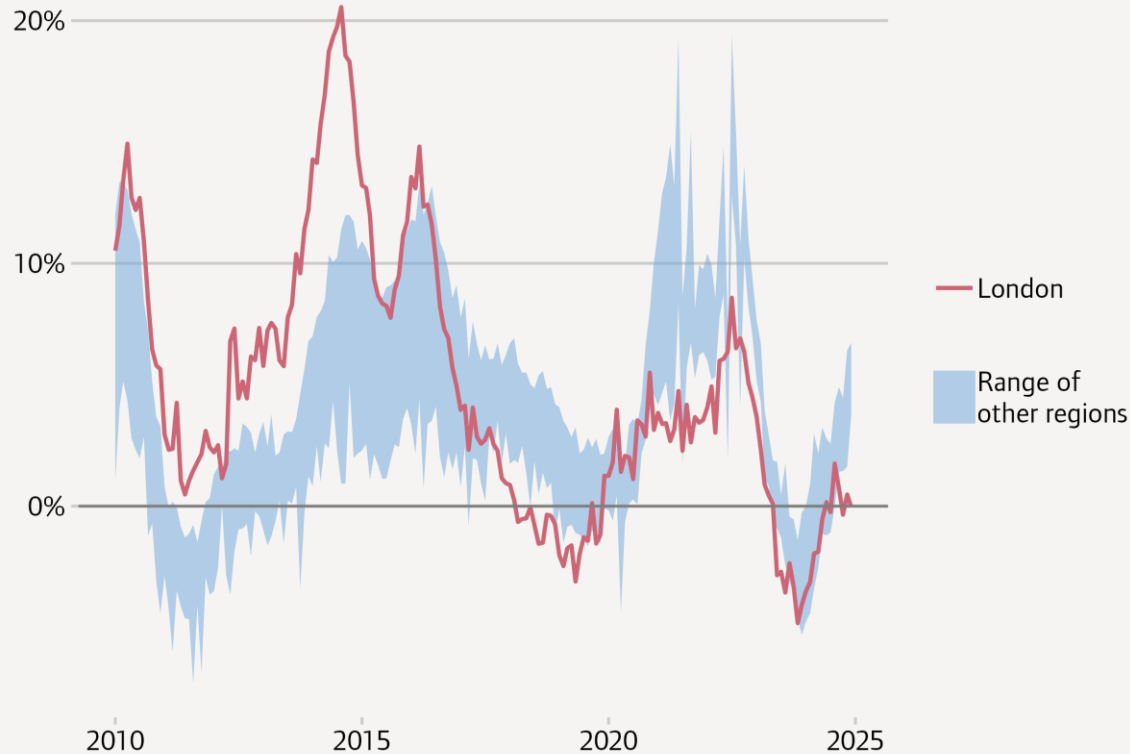


Source: Data gathered from [SpareRoom](#). The number of people searching is measured as the number who have placed a 'room wanted' ad, which is lower than the number of people searching for rooms on the site.

- Figures gathered from SpareRoom.com show the number of advertised available rooms to rent in London flatshares was 19,687 in mid-February, 20% more than in February 2024, while the number of advertisements placed by people searching for rooms fell by a quarter. There were 2.10 rooms available per searcher, around 70% more than the same time last year.
- Data gathered from Zoopla show that the number of homes available to rent in London has been steadily increasing since the low levels seen in 2023. The number of listings for three-bedroom homes to rent below £2,500 per month increased the most by 50% to 1,421 since April 2023. This increase is followed the supply of one-bedroom homes under £1,500 which rose by 41%, while two-bedroom homes under £1,750 rose by only 22% over the same period.
- The January [RICS market survey](#) found that tenant demand has stagnated in recent months, while the decline in landlord instructions has persisted over the past few years. This has slightly eased the upward pressure on rental prices, but survey respondents still anticipate rents to rise in the near term.

3. Average house price in December 2024 remained unchanged from the year prior.

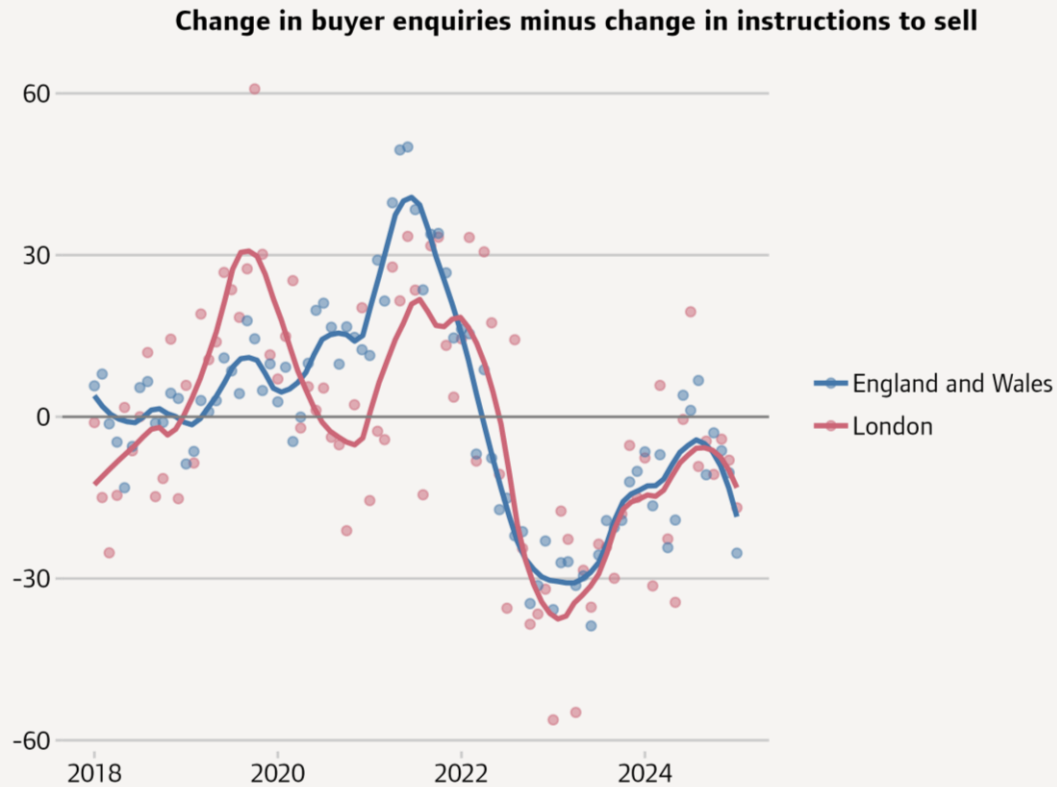
Annual house price growth in London and other regions



Source: ONS, UK House Price Index

- Data from the ONS [House Price Index](#) recorded a significant decline in average London house prices from mid-2022 until the end of 2023, with prices falling by 4.8% in the year to December 2023. House prices have stabilised recently, standing at £549,000 as of December 2024, and unchanged from December 2023.
- More recent data from Rightmove shows that the average price of London homes coming to market increased by 0.9% in the year to February. The average asking price in London (not adjusted to account for the mix of homes sold as per ONS figures) in February was £688,885.
- At the borough level, ONS reported the annual growth in house prices to December 2024 was highest in Greenwich (8.8%), Redbridge (6.6%) and Sutton (6.2%). The biggest falls were in Kensington and Chelsea (22.9%), Hammersmith and Fulham (10.5%) and Wandsworth (10.5%). It is important to note that ONS borough-level figures can be volatile when the volume of sales is low.

4. New buyer enquiries and instructions to sell have increased in the last six months.

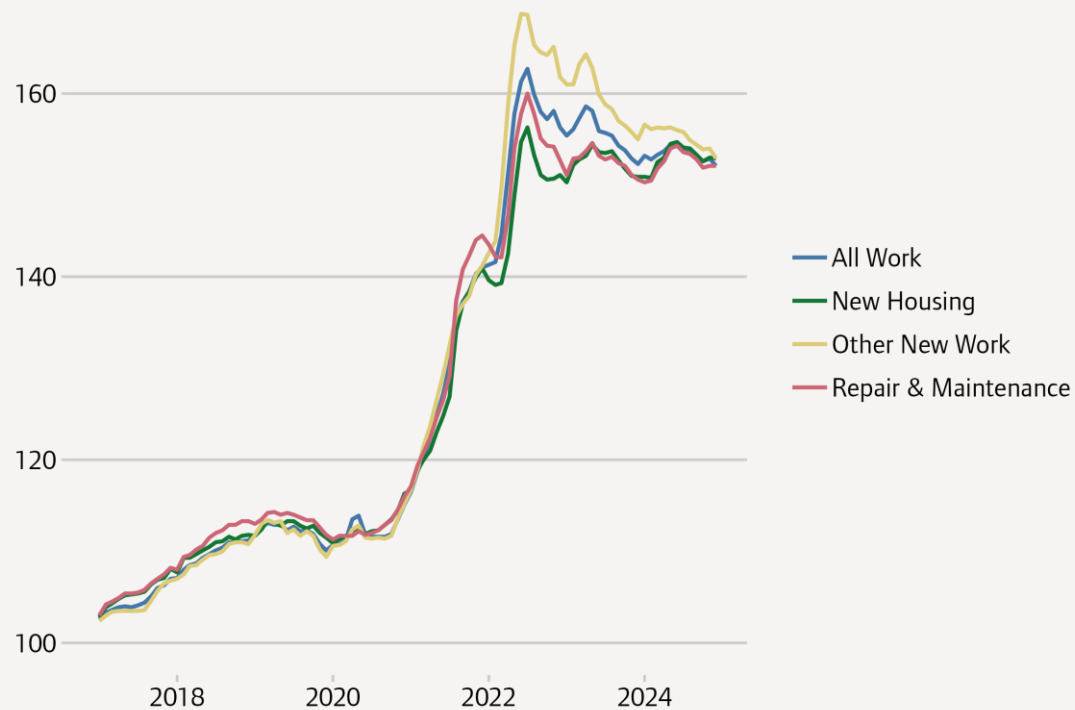


Source: [RICS monthly housing market survey](#)

- 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. Demand has since grown following the series of Bank of England rate cut starting in May 2024. At the same time, a growing majority of respondents have reported an increase in the supply of homes for sale, and supply still outpaces demand. Demand is likely to increase in the coming months as buyers rush to completion before increases in stamp duty charges take effect in April.
- 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 4.65% in January, compared to 4.73% a year ago fuelled by rate cuts, but still far above typical levels in recent years. However, experts do not expect the anticipated rate cuts in 2025 to reduce interest rates as significantly as they did in the previous year.

5. Prices of construction materials in the UK have fallen marginally since their peak in mid-2022, but remain comparatively stable after very rapid growth in 2021 and 2022.

UK construction material price indices (2015 = 100)

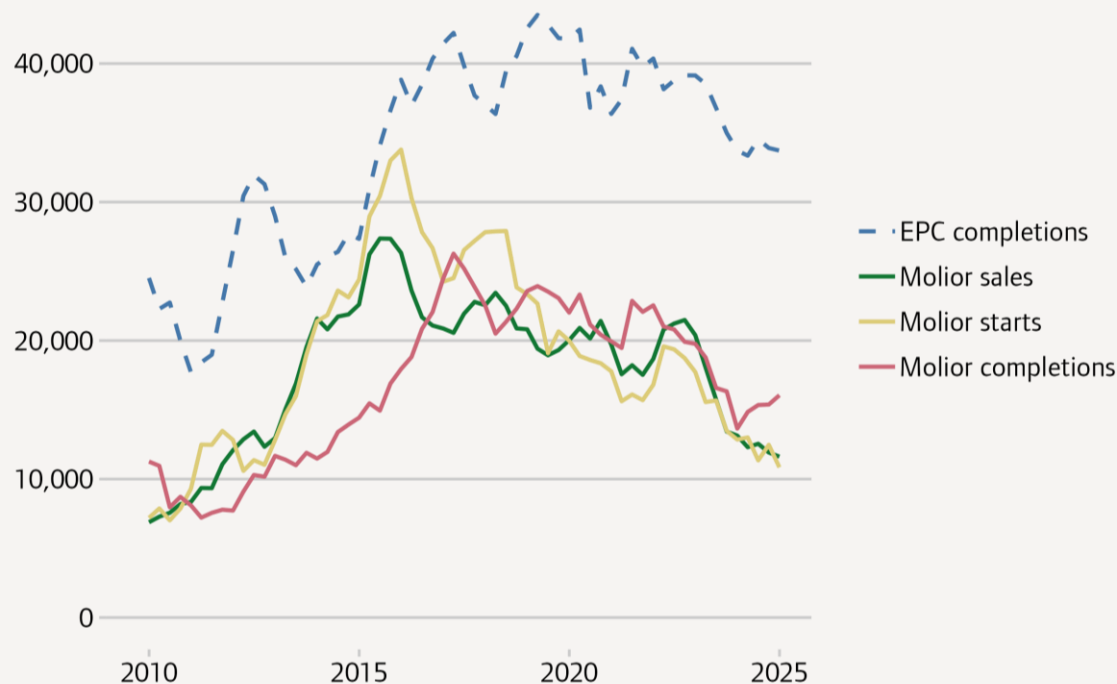


Source: [BEIS Monthly Statistics of Building Materials and Components](#)

- The latest [BEIS data](#) reveals the price index of materials used in new housing in December 2024 is only 2% lower in nominal terms than its highest point in 2022. The material price index for all construction work also only fell by 6% from its peak. In general, while the very rapid cost increases seen in 2021 and 2022 have come to an end, the costs of housebuilding materials have remained relatively high (and have fallen less than materials for non-housing construction, albeit after peaking at a lower level).
- In the January ONS [Business Insights and Conditions Survey](#), the primary concern for construction companies in February continued to be falling demand (cited by 21% of firms reporting), 6 percentage points higher than a year prior. Taxation is also a significant concern at 15% followed by inflation at 13%. Notably, 13% of respondents in the construction industry reported labour shortages, the highest proportion of any industry. A majority of firms also identified material shortages as the main cause of disruption in their global supply chains, followed by Brexit. The conflict in Ukraine is no longer cited by firms as a reason for disruption.

6. The number of completions on larger sites improved in the last year while sales and construction starts stabilised.

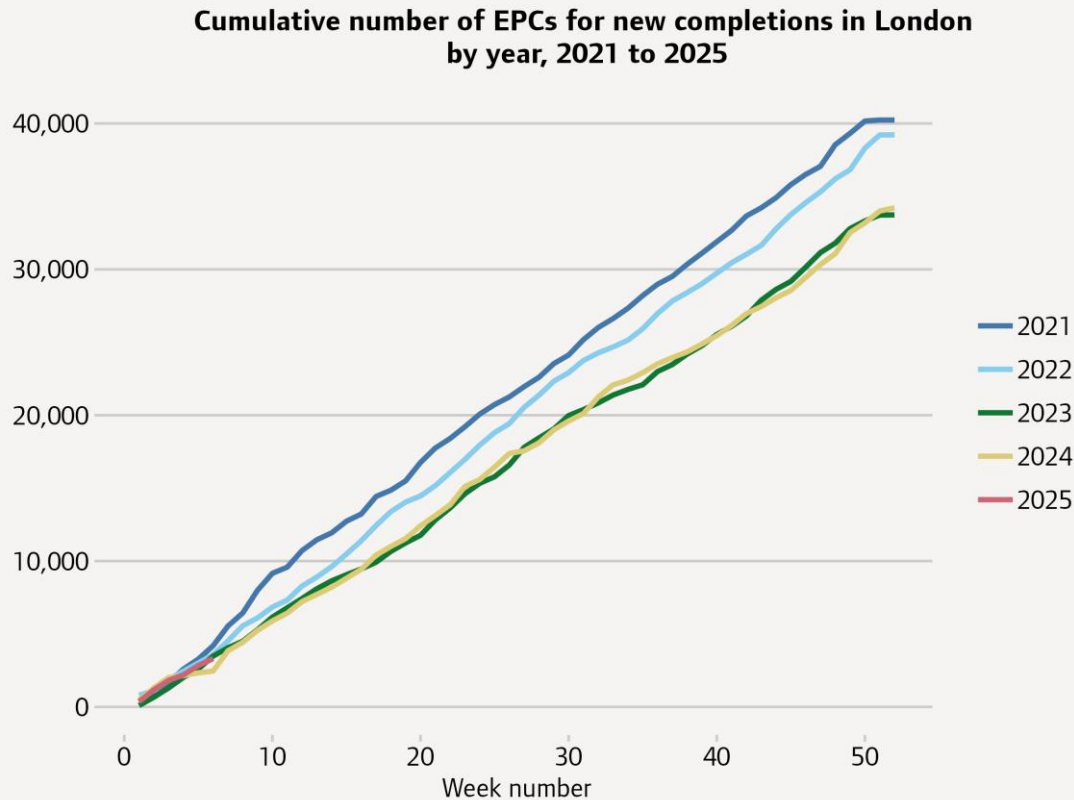
Annualised Molior data on starts, sales and completions, and Energy Performance Certificate data on completions



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 stabilisation in the annualised numbers of starts and sales in the last two quarters, after persistent fall since 2022. There were 3,528 sales recorded in the last quarter, ending the three consecutive quarters streak with sales below 3,000 units. The number of completions recorded has shown a consistent increase since the low levels seen in 2023.
- Compared to the year to December 2023, starts in the last year fell by 15% and sales by 11%, while completions rose by 17%. Despite current optimism surrounding completions, Molior suggests these numbers are likely to fall in 2026, with only 22 out of 355 sites currently under construction programmed to run into 2027.

7. Housing completions in 2024 were 1.6% higher than in 2023, the second lowest completion rate in the 2020s.



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. Recent figures show that completions in 2024 were 1.6% higher than in 2023, making 2024 the second-lowest year for housing completions in the 2020s, just 549 homes ahead of 2023.
- The latest monthly [CIPS UK construction PMI](#) reported housebuilding activity decreased for the fourth consecutive month and at the fastest pace since January 2024. Some construction companies noted that general economic uncertainty and subdued market conditions had weighed on activity at the start of 2025.
- In its latest [Monetary Policy Report](#), the Bank of England reported the rate of decline in construction output compared to a year prior continues to ease. A positive output growth is expected in the second quarter of 2025, but weakened confidence following the Autumn budget and supply constraints suggest growth will be modest.