

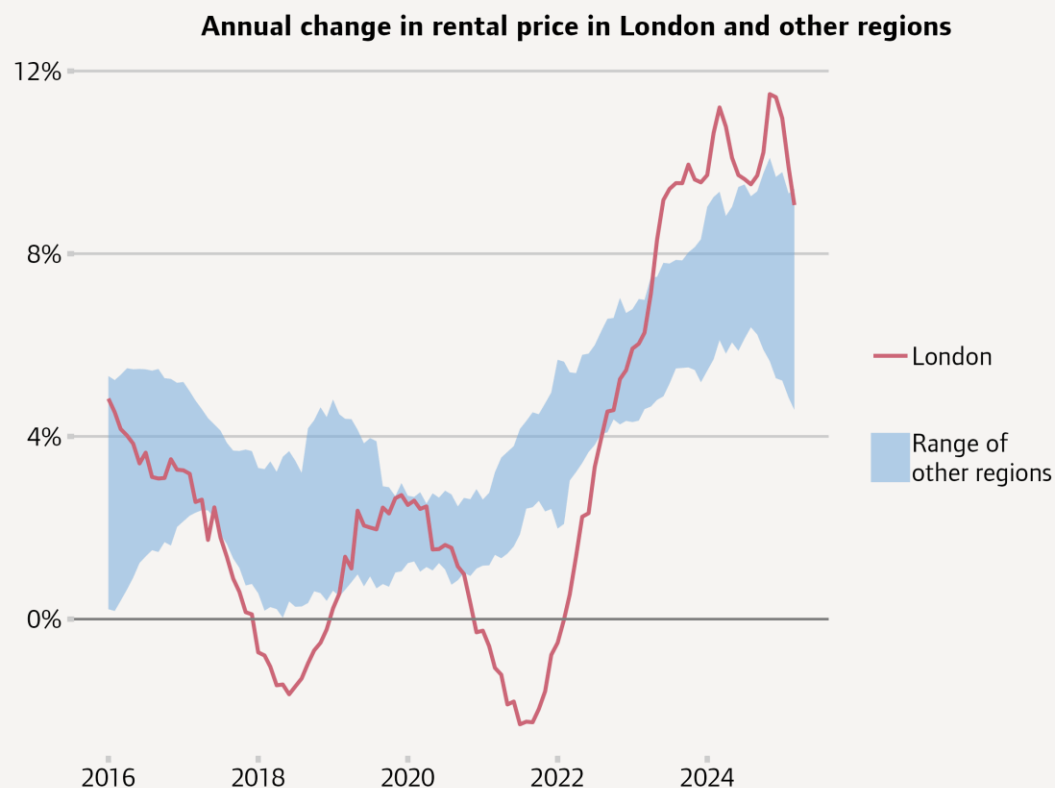
London Housing Market Report: May 2025

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Summary

1. Growth in average private rents across all tenancies remains very high, but growth in rents for new tenancies has slowed markedly (and by some measures has turned negative).
2. The number of available rooms advertised for houseshares has increased since 2023 while demand for rented rooms has fallen.
3. Annual house price growth in London has been positive for seven consecutive months.
4. Buyer enquiries fell substantially in the last quarter, linked to concerns over uncertainty in the domestic and global economy, while the supply of homes remained stable.
5. The construction industry experienced the highest number of insolvencies in the year to February 2025, compared to other industries.
6. Housebuilding activity in London has been on a steady decline since 2022.
7. Housing completions so far in 2025 are greater than in the previous two years.

1. Growth in average private rents across all tenancies is easing, as growth in rents for new tenancies slows (or by some measures turns negative).

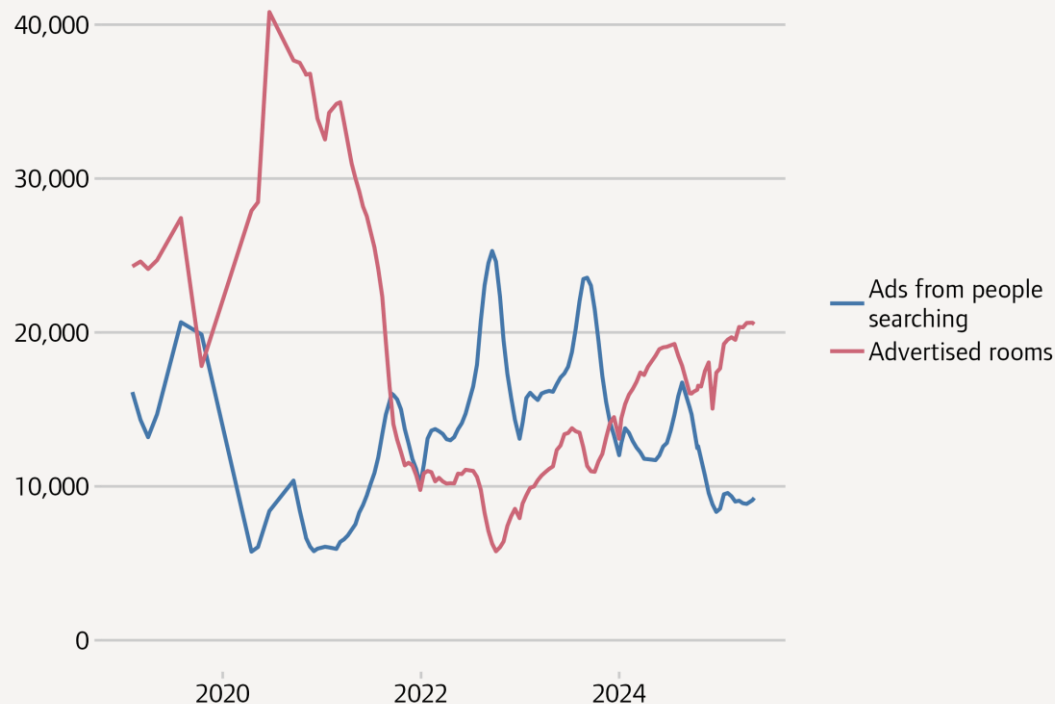


Source: ONS Price Index of Private Rents.

- According to the [ONS Price Index of Private Rents](#), which covers both new and existing tenancies, the average monthly private rent in London reached £2,243 in March 2025, up 9.1% in the last year. This marks a slowdown from the peak annual growth rate of 11.5% in November 2024. In March 2025, the North East recorded the highest annual rise at 9.4%, with London following closely behind.
- [Rightmove](#) reports that average asking rents for new tenancies in London reached £2,698 a month in Q1 2025, with the annual growth in rent prices maintaining at around 2.5% in the past three quarters. The rate of growth in asking rents for the rest of Britain (4.5%) has surpassed London since the end of 2023.
- Monthly [HomeLet](#) figures on rents for new tenancies in London saw a 4% decrease in the year to April, the largest decrease recorded since 2020. Despite this significant fall in rent, affordability remains stretched. Homelet data shows Londoners starting new tenancies in May were spending 38.8% of their income on rent, a proportion that has remained broadly unchanged over the past year.

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

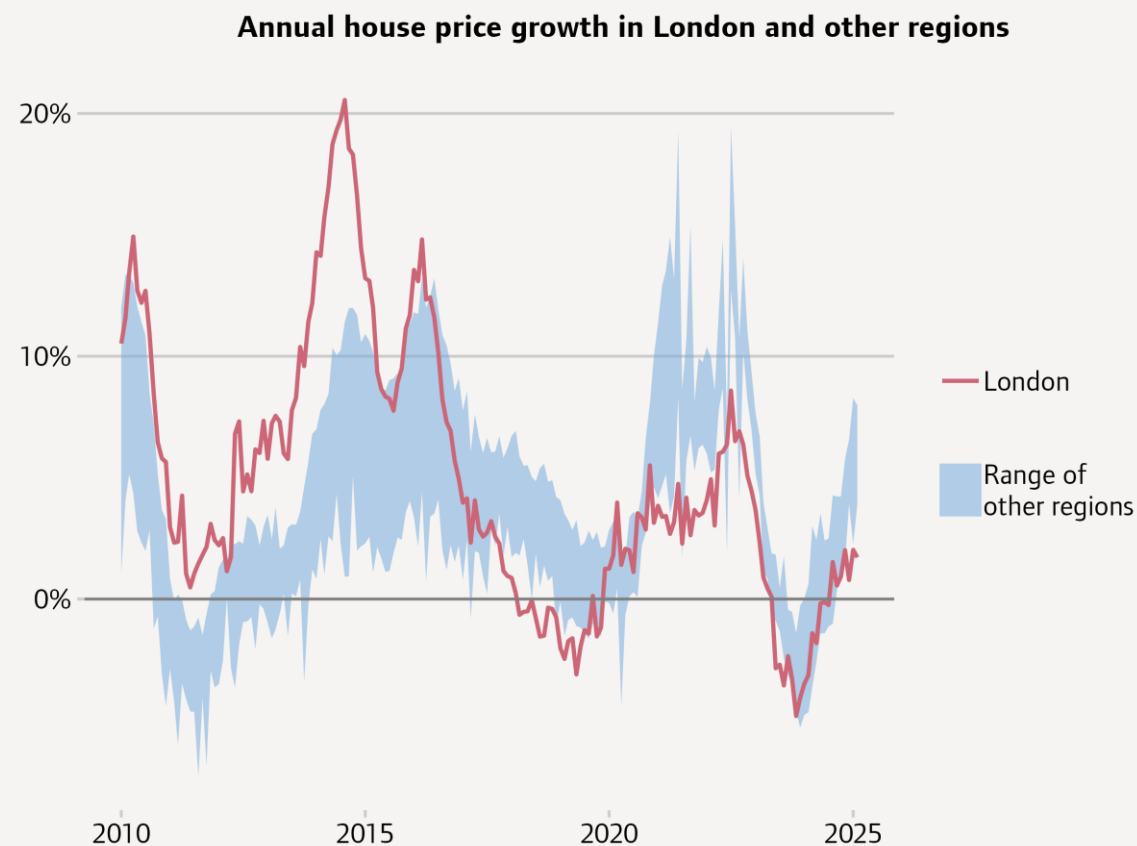
Supply of and demand for rooms in London flatshares (SpareRoom data)



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 20,534 in May, 11% higher than May 2024, while the number of advertisements placed by people searching for rooms fell by 21%. There were 2.22 rooms available per searcher, nearly 50% higher than same time last year.
- Data gathered from Zoopla show that the number of one-bedroom homes available to rent in London below £1,500 per month increased by 34% to 2,021 in the year to May. The supply of two-bedroom homes under £1,750 and three-bedroom homes under £2,500 also saw strong year-on-year increases, with availability rising by 25% and 38% respectively.
- The April [RICS market survey](#) reported tenant demand increased over the last quarter, following a period of stagnation, though the change in demand remains modest relative to the rates seen in 2023. The decline in landlord instructions to let shows little signs of slowing, with the number of instructions decreasing further in April. As a result of this imbalance between supply and demand, most respondents expect rental prices to increase in the next quarter.

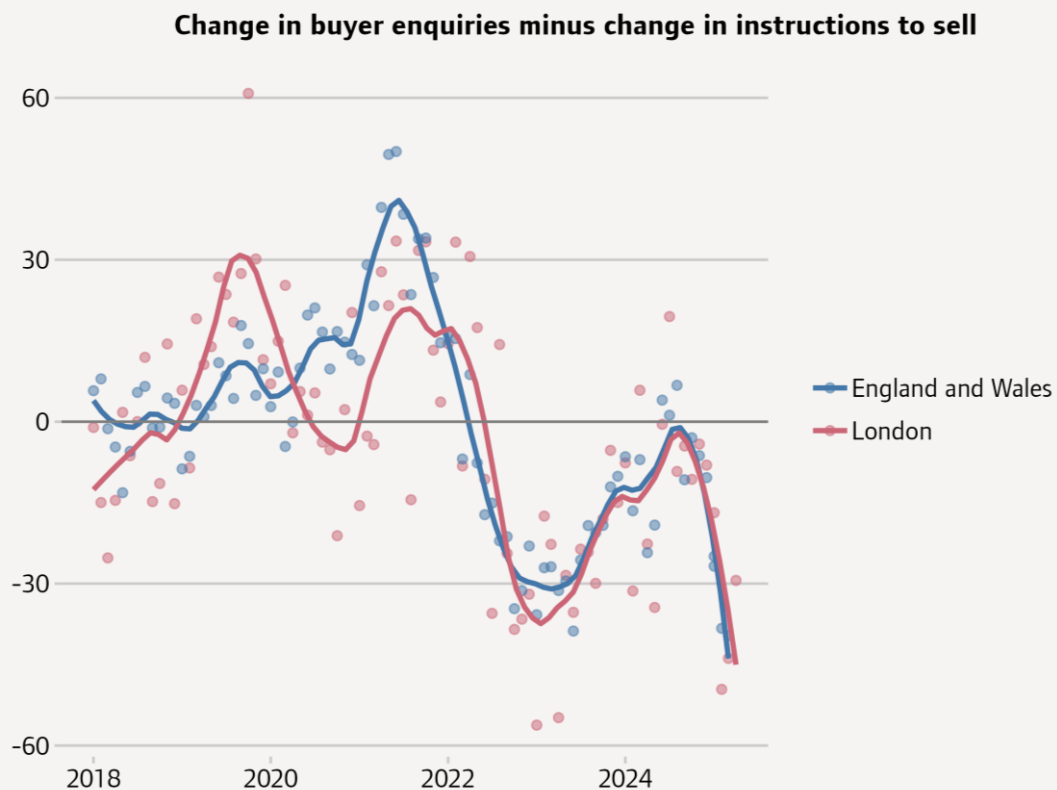
3. Annual house price growth in London has been positive for seven consecutive months.



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 2024, the lowest house price seen since mid-2021, to £556,000 in February 2025, the highest growth rate in the last two years after a period of price deflation.
- More recent data from Rightmove shows that the average price of London homes coming to market increased by 0.4% in the year to April. The average asking price in London (not adjusted to account for the mix of homes sold as per ONS figures) in April was £699,200.
- At the borough level, the ONS reported the annual growth in house prices was highest in Lewisham (9.6%), Redbridge (9.3%) and Merton (7.9%). The biggest falls were in Westminster (20.9%), Kensington and Chelsea (14.2%) and Hammersmith and Fulham (10.3%).

4. Buyer enquiries fell substantially in the last quarter, citing concerns over uncertainty in the domestic and global economy, while the supply of homes remained stable.

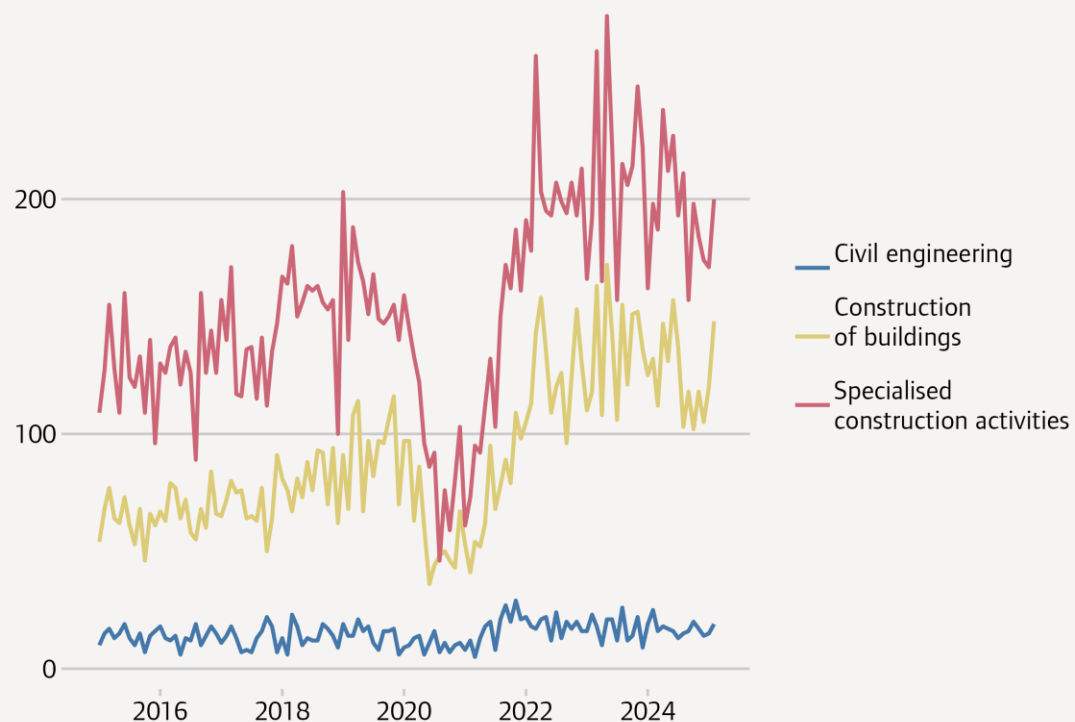


Source: [RICS monthly housing market survey](#)

- 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.
- In the last quarter, a majority of respondents reported falling demand as measured by new enquiries. Respondents cited concerns over both the domestic and global economy as key drivers of subdued demand. Supply as measured by new instruction to sell has remained positive over the past year, although the data indicates a flatter trend compared to earlier in the year.
- 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 4.43% in April, compared to 5% a year ago, but still far above typical levels in recent years. Experts expect mortgage rates to fall further over the coming year, following anticipated cuts to the base rate.

5. The construction industry experienced the highest number of insolvencies in the year to February 2025, compared to other industries.

Monthly construction insolvencies in England and Wales by firm type

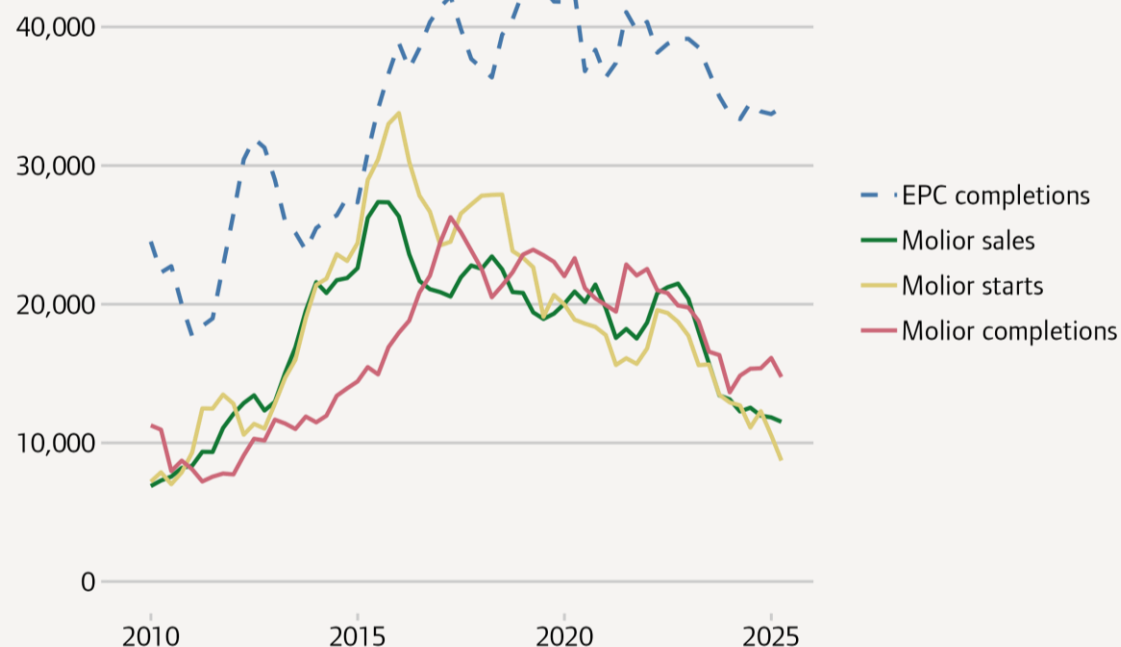


Source: [The Insolvency Service](#)

- According to data from the [Insolvency Service](#), construction firms accounted for 19.5% of all insolvencies in England and Wales in February 2025. This included 148 firms specialising in the construction of buildings (both residential and non-residential), 200 in specialised construction activities (such as site demolition, preparation, and building completion), and 19 in civil engineering.
- This represents an increase of 19.9% from January 2025, the largest monthly rise since April 2024. The construction industry also recorded the highest number of insolvencies in the year to February 2025 compared to other industries.
- In the April ONS [Business Insights and Conditions Survey](#), 26.5% of surveyed construction firms expected the price of their services to rise in the next month, the highest proportion reported since the beginning of 2023, when construction material costs peaked. Most firms cited rising raw material prices as the key factor causing firms to increase prices, closely followed by growing labour costs. Economic uncertainty was also cited as a key challenging impacting business turnover.

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

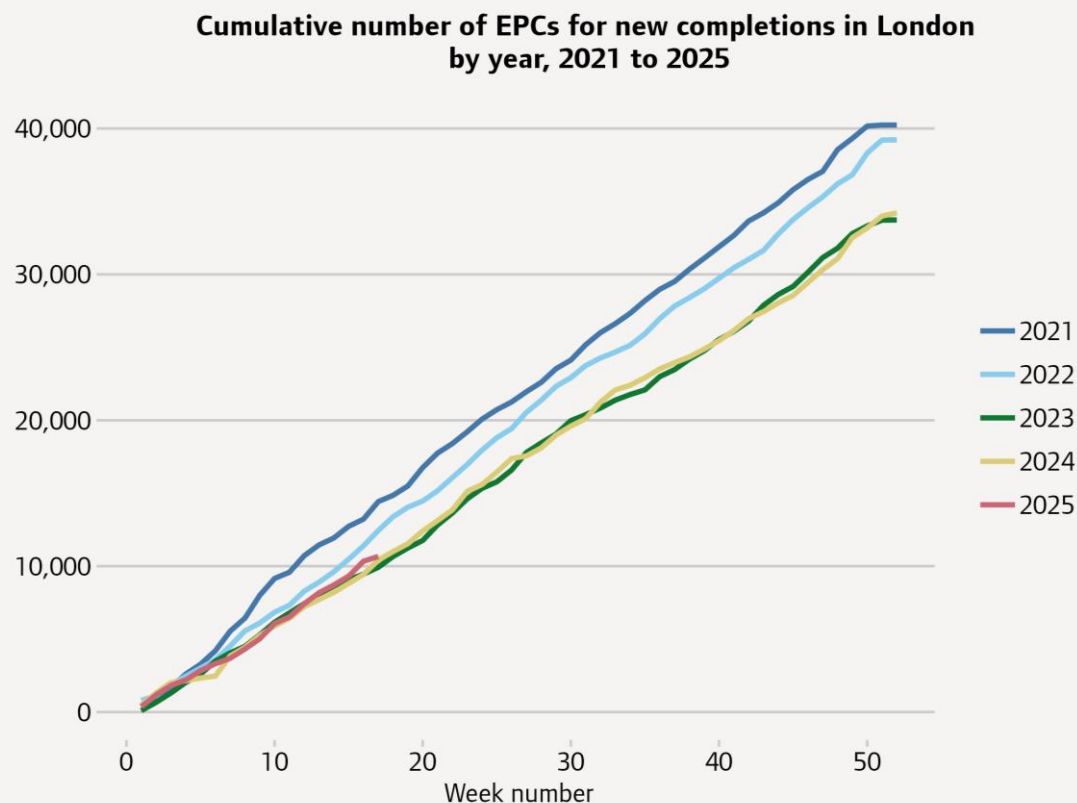
**Annualised Molior data on starts, sales and completions,
and Energy Performance Certificate data on completions**



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 show a continued decline in the annualised numbers of starts and sales in the most recent quarter after persistent downward trends since 2022. In the first quarter of 2025, London recorded its lowest sales figure since 2011 at 2,373 units. Completions also reached a decade low at 2,953 units. 1,210 units were started on site in London in 2025 Q1, the lowest quarterly total recorded since 2009. Compared to the year to March 2024, starts in the last year fell by 31%, completions remained largely unchanged and sales fell by 6%.
- In addition to ongoing supply-side constraints, including rising construction costs and longer planning timelines, Molior noted sales volumes have been in decline since 2017. This long-term drop in sales has ultimately influenced the low number of construction starts, reflecting the close link between sales activity and the capital available for housebuilding.

7. Housing completions so far in 2025 are greater than in the previous two years.



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 2.4% increase in number of completions in 2025 compared to same point in 2024, and a 7.5% increase compared to 2022.
- The latest monthly [CIPS UK construction PMI](#) reported housebuilding activity fell for the fourth consecutive month as rising economic uncertainty led to delayed decision-making on new projects. Although the reduction in activity in April was the slowest compared to the declines seen in commercial and civil engineering activities.
- In its latest [Monetary Policy Report](#), the Bank of England reported the rate of decline in construction output has been easing. Positive output growth is expected to return in the second half of 2025, though this is expected to be modest following the Budget and ongoing supply constraints. Private housebuilding activity continues to increase, while repair and maintenance output has seen only modest growth compared to last year. New commercial development remains down on a year ago.