GLA Housing and Land

London Housing Market Report: August 2025

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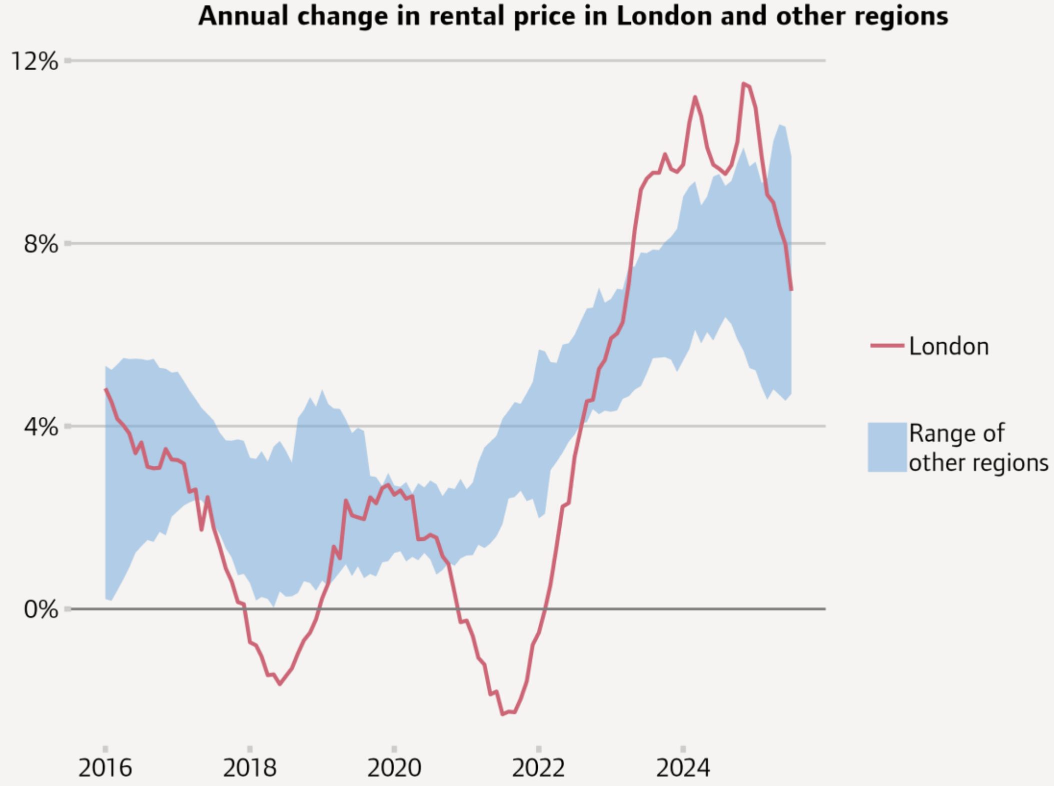
Summary

1. Growth in average private rents across all tenancies has been falling through 2025, as growth in rents for new tenancies slowed markedly (and by some measures turned negative).
2. The number of available rooms advertised for flatshares increases steadily throughout 2025 while seasonal demand peaked at a relatively subdued level.
3. Annual house price growth in London has remained positive for nearly a year, though the pace of growth has been modest Annual house price growth in London has been positive for seven consecutive months.
4. Buyer enquiries rose cautiously, driven by the potential benefits of further interest rate cuts and easing mortgage conditions.
5. The construction industry experienced the highest number of insolvencies in the year to June 2025, compared to other industries.
6. Measures of housebuilding activity in London has fallen to its lowest level in a decade.
7. Housing completions in 2025 is the lowest recorded in the last four years.

1. Growth in average private rents across all tenancies has been falling through 2025, as growth in rents for new tenancies slowed markedly (and by some measures turned negative).



Source: ONS Price Index of Private Rents.

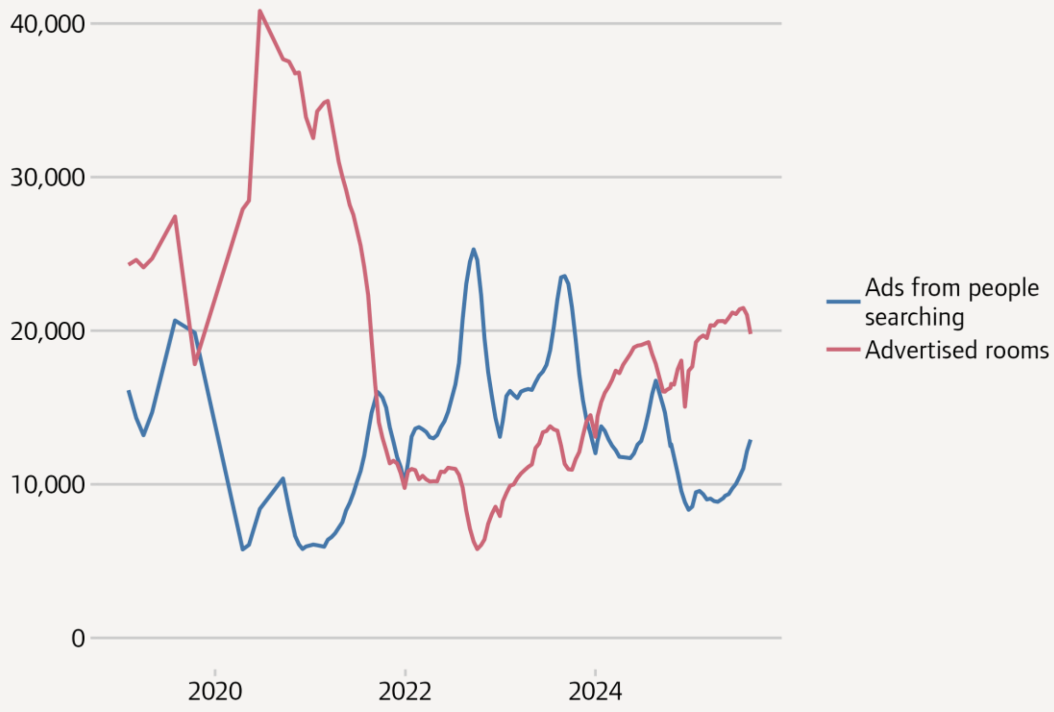
- According to the ONS Price Index of Private Rents, which covers both new and existing tenancies, the average monthly private rent in London reached £2,250 in July 2025, up 6.3% in the last year. This marks a slowdown from the peak annual growth rate of 11.5% in November 2024. Annual rental growth slowed significantly down compared to the rest of England, with the North East recorded the highest annual rise at 7.9%, followed by the North West and the East of England.

- Rightmove reports that average asking rents for new tenancies in London reached £2,712 a month in Q2 2025, with the annual growth in rent prices falling to 1.9% after three quarters maintaining at 2.5%. The rate of growth in asking rents for the rest of Britain was recorded at 3.9%, lowest rate since Q1 2021.

- Monthly HomeLet figures on rents for new tenancies in London saw a 0.9% decrease in the year to August, marking this 12 months of subdued and negative rental growth rate. Despite a fall in rent, affordability remains stretched. Homelet data shows Londoners starting new tenancies in August 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 increases steadily throughout 2025 while seasonal demand peaked at a relatively subdued level.

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.

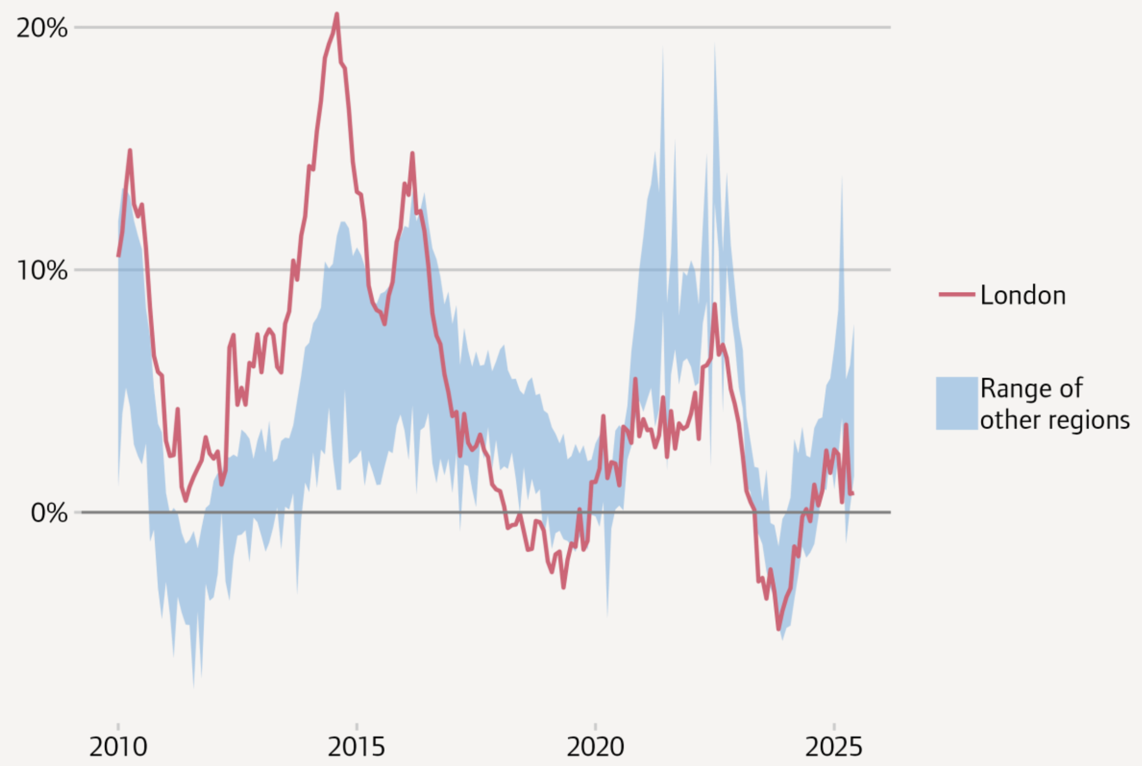
- Figures gathered from SpareRoom.com show the number of advertised available rooms to rent in London flatshares was 19,782 in August, 11% higher than May 2024, while the number of advertisements placed by people searching for rooms fell by 23%. There were 1.53 rooms available per searcher, nearly 23% lower 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 21% to £1,709 in the year to August. 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 22% and 19% respectively.

- Foxtons reports renter demand in July 2025 fell by 6% compared to the same period last year, largely driven by a reduction in demand in South and West London, while Central London continues to lead in absolute volume and growth, recording a 4% year-on-year increase. Supply improved significantly with the number of new listings increased by 12% year-on-year, the largest volume of new listings available in the last 4 years.

3. Annual house price growth in London has remained positive for nearly a year, though the pace of growth has been modest.

Annual house price growth in London and other regions

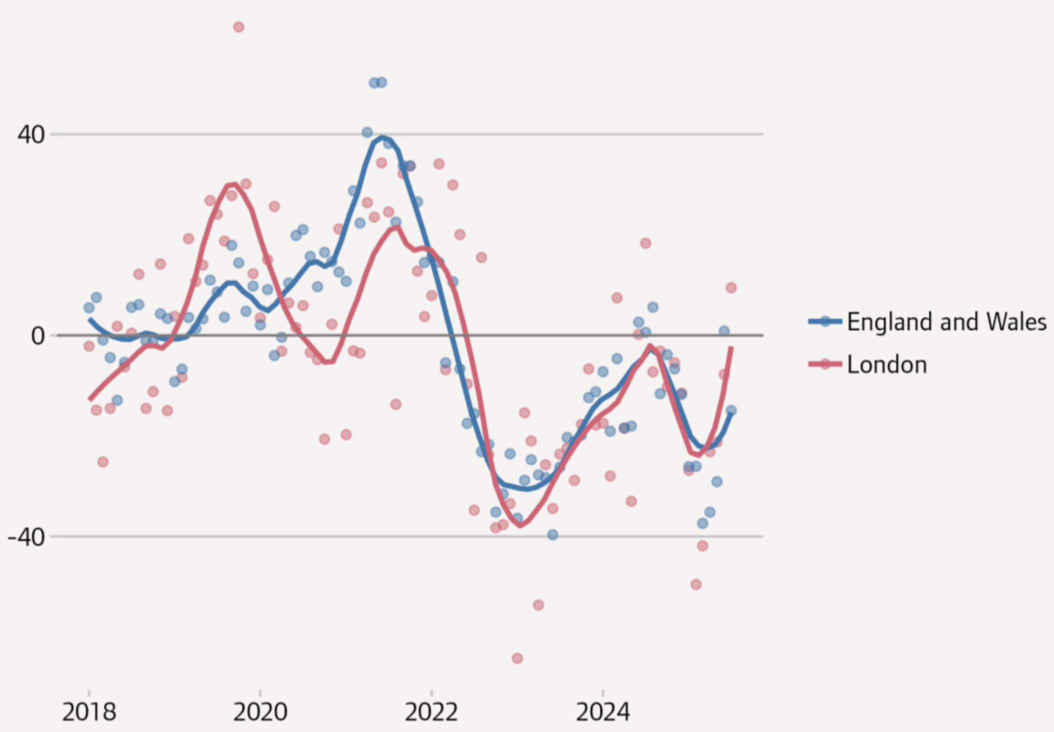


Source: ONS, UK House Price Index

- According to the ONS House Price Index, the average house price from completed sales in London rose from £557,000 in June 2024 to £561,000 in June 2025, representing an annual growth rate of 0.8%, an improvement from 0.1% a year prior.
- More recent data from Rightmove shows that the average price of London homes coming to market fell by 1.6% in the year to August. The average asking price in London (not adjusted to account for the mix of homes sold as per ONS figures) in August was £666,983.
- In its latest Monetary Policy Report, the Bank of England reported past increases in interest rates are estimated to still be weighing on housing investment, but the recovery in house price inflation over recent quarters, and growing demand for house purchases, suggests that the monetary policy impact on the level of housing investment may be around its peak. But housing investment is expected to remain subdue over the coming year.

4. Buyer enquiries rose cautiously, driven by the potential benefits of further interest rate cuts and easing mortgage conditions.

Change in buyer enquiries minus change in instructions to sell

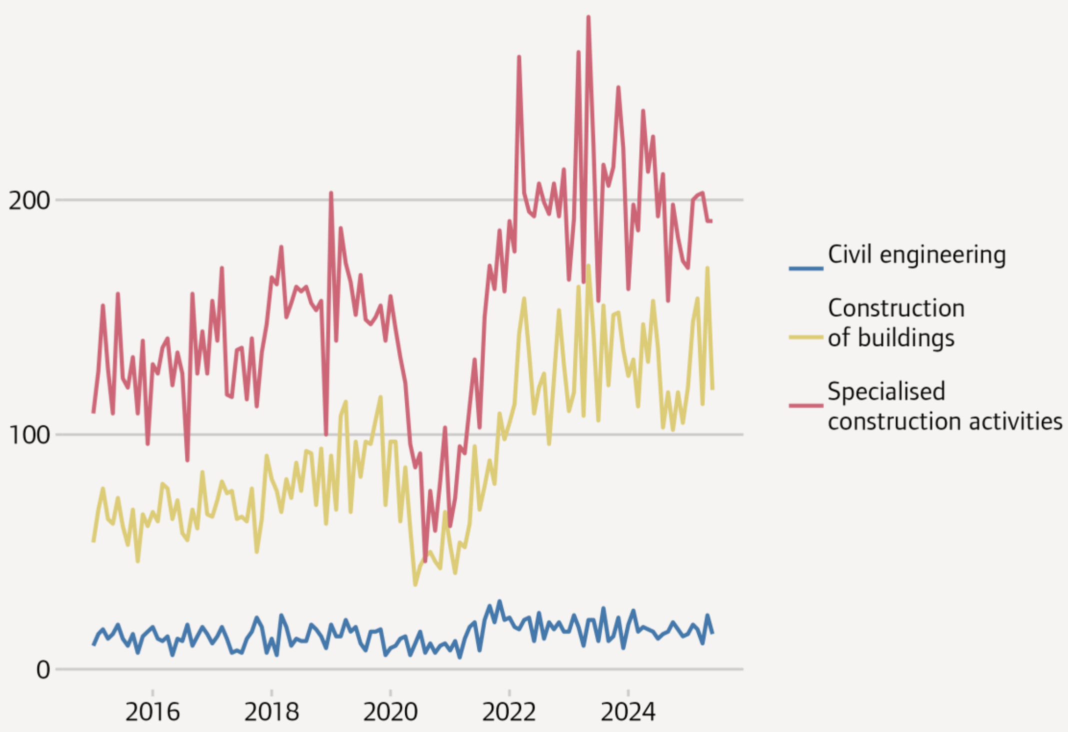


Source: [RICS monthly housing market survey]()

- This chart combines the monthly change in buyer enquiries and the change in the number of new homes listed for sale in London and England and Wales, as reported by RICS survey respondents.
- In the last quarter, a small majority of respondents reported demand increase as measured by new enquiries, given potential for domestic demand to benefit from further interest rate cuts and a gradual easing in the cost of mortgage finance. Supply as measured by new instruction to sell has remained positive over the past year, although the growth in supply is said to be marginal.
- 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 4.25% in July, compared to 4.99% 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 June 2025, compared to other industries.

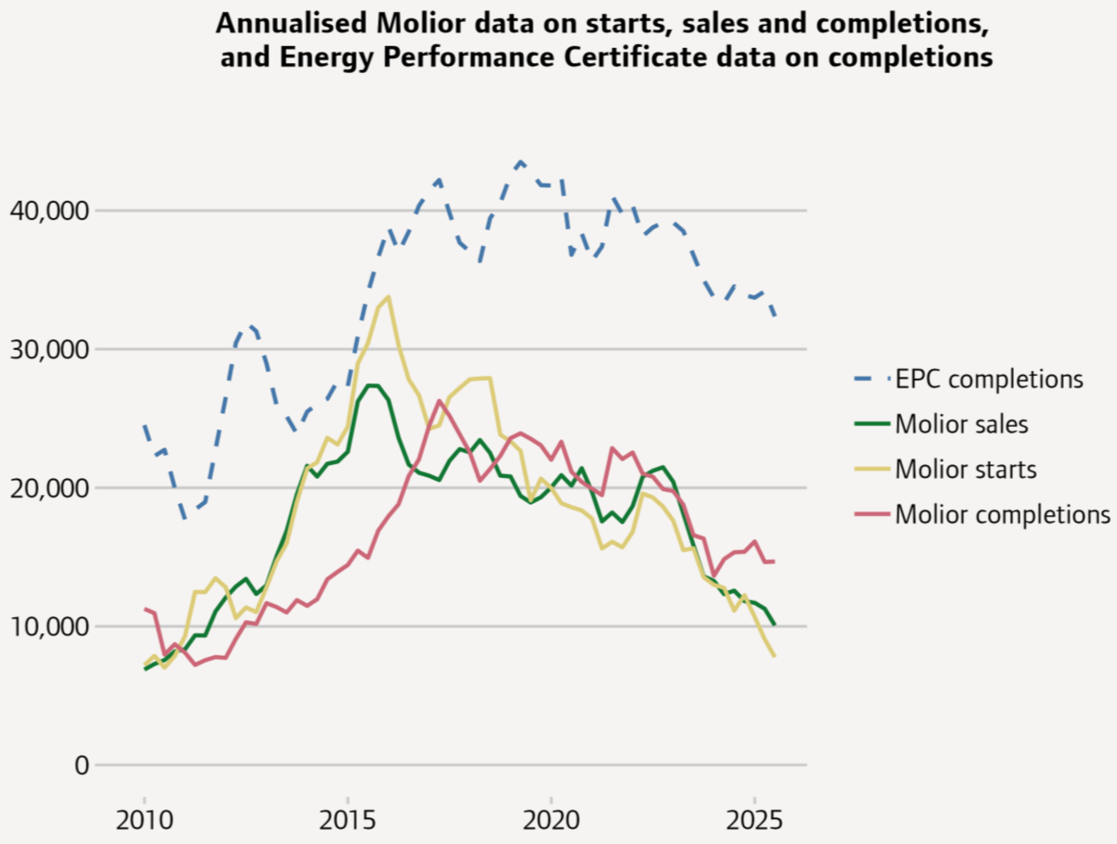
Monthly construction insolvencies in England and Wales by firm type



Source: The Insolvency Service

- According to data from the Insolvency Service, construction firms accounted for 17% of all insolvencies in England and Wales in June 2025. This included 119 firms specialising in the construction of buildings (both residential and non-residential), 191 in specialised construction activities (such as site demolition, preparation, and building completion), and 15 in civil engineering.
- The numbers of construction insolvencies in the 12 months to June 2025 (3,982) were lower than those in the 12 months to June 2024 (4,317), aligned with wider insolvency trends. The construction industry recorded the highest number of insolvencies in the year to June 2025 compared to other industries.
- In the August ONS Business Insights and Conditions Survey, 28% of surveyed construction firms cited the cost of materials as a challenge impacting business turnover, followed by 17.4% who cited cost of labour and 16.1% citing economic uncertainty. Insufficient domestic demand was cited by 13.7% of surveyed firms, the highest proportion since February 2024.

6. Measures of housebuilding activity in London has fallen to its lowest level in a decade.



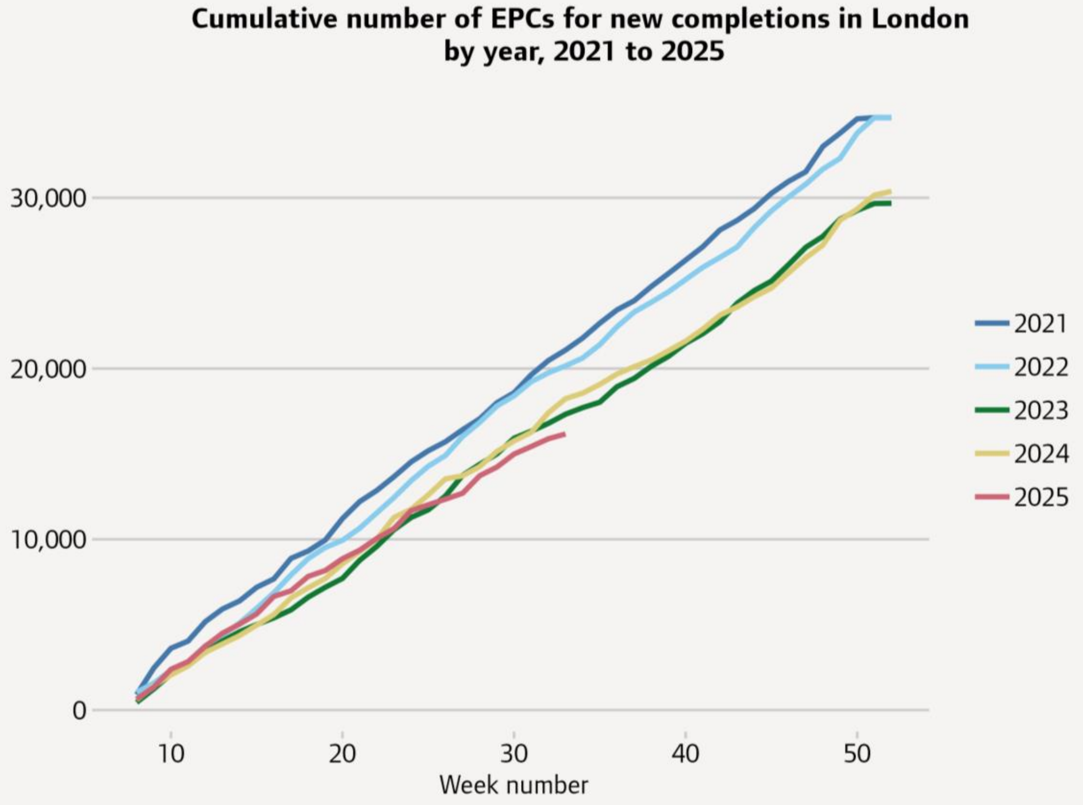
Source: Molior. The data only covers schemes in London with at least 20 private homes.

- 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 second quarter of 2025, London recorded its lowest sales figure since 2010 at 1,691 units. There were 4,629 completions recorded this quarter, highest level in the last year. 731 units were started on site in London in 2025 Q2, the lowest quarterly total recorded since 2009. Compared to the year to June 2024, starts in the last year fell by 3%, while completions fell by 4% and sales dropped significantly by 20%.

- Molior forecasts a total of 9,100 private homes to be completed in London between 2027 and 2028, with 10 boroughs expecting to record no new completions in the two years.

7. Housing completions in 2025 is the lowest recorded in the last four 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 10% decrease in number of completions in 2025 compared to same point in 2024, and a 20% decrease compared to 2022.

- According to the latest CIPS UK construction PMI, total construction activity levels fell at the steepest pace since May 2020, contributed by a renewed decline in residential building activity. Surveyed firms mentioned site delays, lower volumes of incoming new business and weaker customer confidence. The downward trend in payroll numbers continued into July, the 7th consecutive month of decline. Constructors reduced their usage of subcontractors, but their rates charged continued to rise at a sharp pace.

- The August Monetary Policy Report saw house builders now mostly report growth in new build rates, despite frequent mention of planning delays. The Bank of England expect the medium-term outlook to be positive, while remaining cautious about the extend of recovery in 2026. High-rise development is hampered by new planning regulations and higher costs. Housing association spending remains focused on repair and maintenance.