

GLA Housing and Land

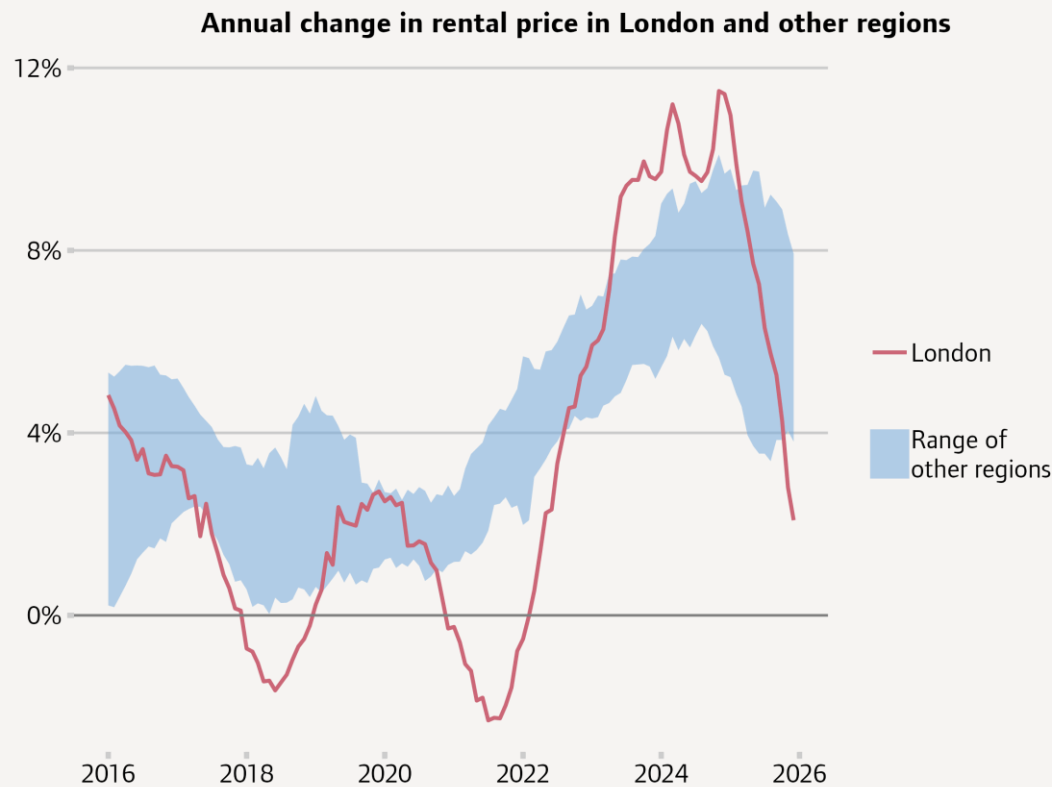
London Housing Market Report: February 2026

Summary

1. Annual growth rate in rents fell to 2.1% at the end of 2025, the lowest since 2022, as rent increases for new tenancies slowed markedly.
2. 31% of homes for sale in London are former rentals, almost 3 times the average across the rest of the country.
3. London was the only region to record an annual house price fall in November 2025.
4. Buyer demand and sales prospects show signs of improvement, as supply of homes in the sales market increased by 14% year-on-year.
5. Prices of construction materials in the UK increased for 12 consecutive months, following an 18-month period of decline.
6. Measures of housebuilding activity in London show signs of improvement towards the end of 2025.
7. Housing completions in 2025 were the lowest in the last five years.

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1. Annual growth rate in rents fell to 2.1% at the end of 2025, the lowest since 2022, as rent increases for new tenancies slowed markedly.

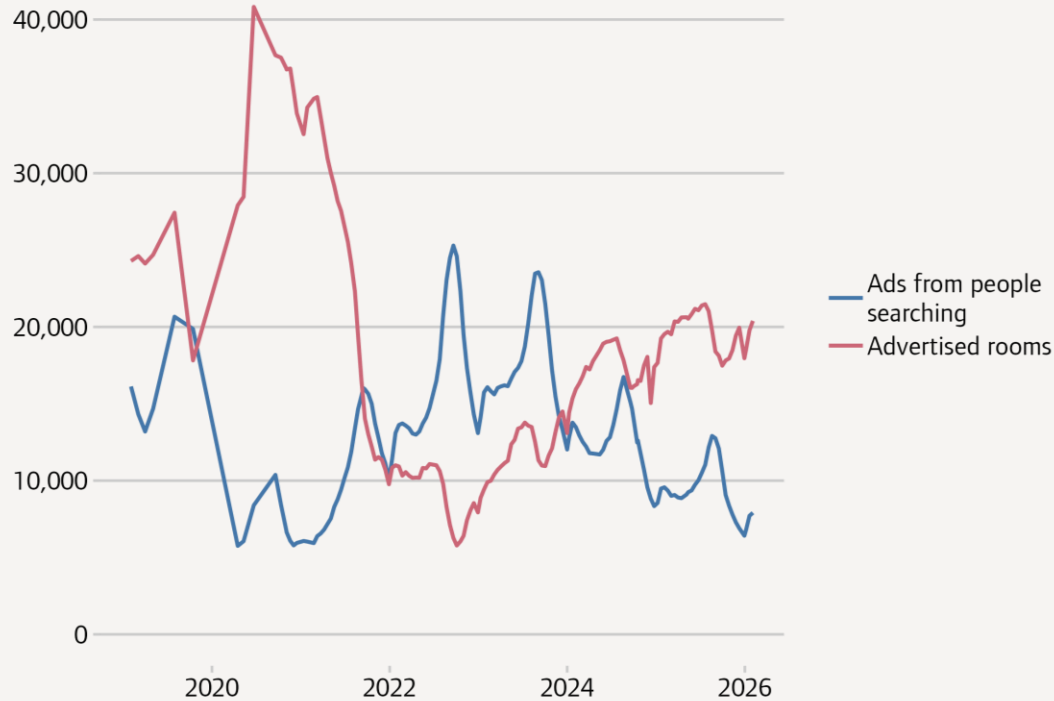


Source: ONS Price Index of Private Rents.

- According to the [ONS Price Index of Private Rents](#), which covers both new and existing tenancies, the average monthly private rent in London reached £2,268 in December 2025, up 2.1% in the last year. This is the lowest growth rate since 2022 and significantly below the peak of 11.4% in 2024.
- [Rightmove](#) reports that average asking rents for new tenancies in London reached £2,716 a month in Q4 2025. Annual growth in rent prices slowed to 0.8%, the slowest in five years, compared to 2.4% a year prior. Inner London recorded growth of 0.5%, compared with 1.1% in Outer London.
- According to [Homelet](#), Ealing (9.1%), Lewisham and Southwark (both at 8.5%) recorded the largest annual increases in rents, while the largest falls were seen in Haringey, Islington (6.3%) and Bromley (3.7%).
- Affordability worsened slightly, with renters spending an average of 38.2% of income on rent in London in January 2026, up from 37.8% a year prior.

2. 31% of homes for sale in London are former rentals, almost 3 times the average across the rest of the country.

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

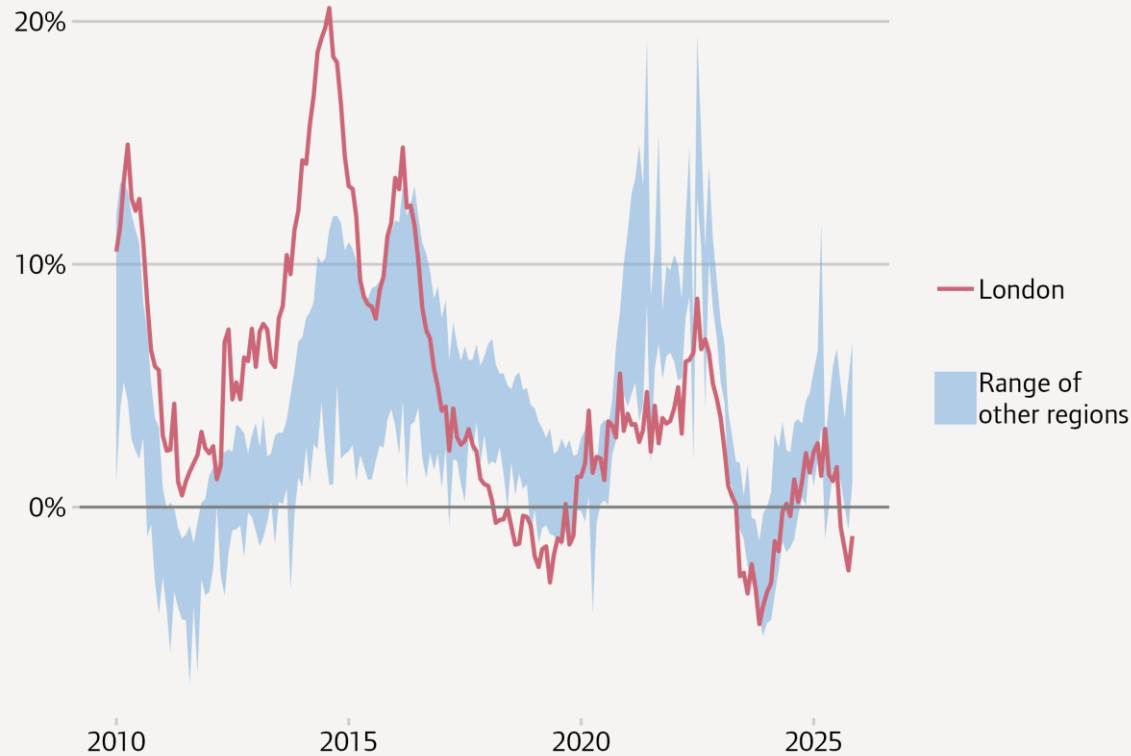


Source: Data gathered from [SpareRoom](#). The number of people searching is measured as the number who have placed a 'room wanted' ad, which is lower than the number of people searching for rooms on the site.

- Figures gathered from SpareRoom.com show the number of advertised available rooms to rent in London flatshares was 20,392 in February, 8% higher than February 2025, while the number of advertisements placed by people searching for rooms fell by 17%, near the lowest levels seen since 2021.
- The [Financial Times](#) using data collected by Zoopla reported UK rental demand was at its lowest in January in 7 years, citing improved affordability for first time buyers and falling levels of immigration eased competition among tenants.
- Rental supply conditions are evolving, with growth slowing as more landlords exits the market alongside renewed buy-to-let lending. In London, [Zoopla](#) reported a 6% increase in rental supply in the year to December 2025, one of the weakest of all English regions, while 31% of homes for sale in London are former rentals, almost 3 times the average across the rest of the country. However, improved mortgage affordability has supported some new supply, with [UK Finance](#) reporting a 3.1% annual increase in buy-to-let mortgage lending in Q3 2025.

3. London was the only region to record an annual house price fall in November 2025.

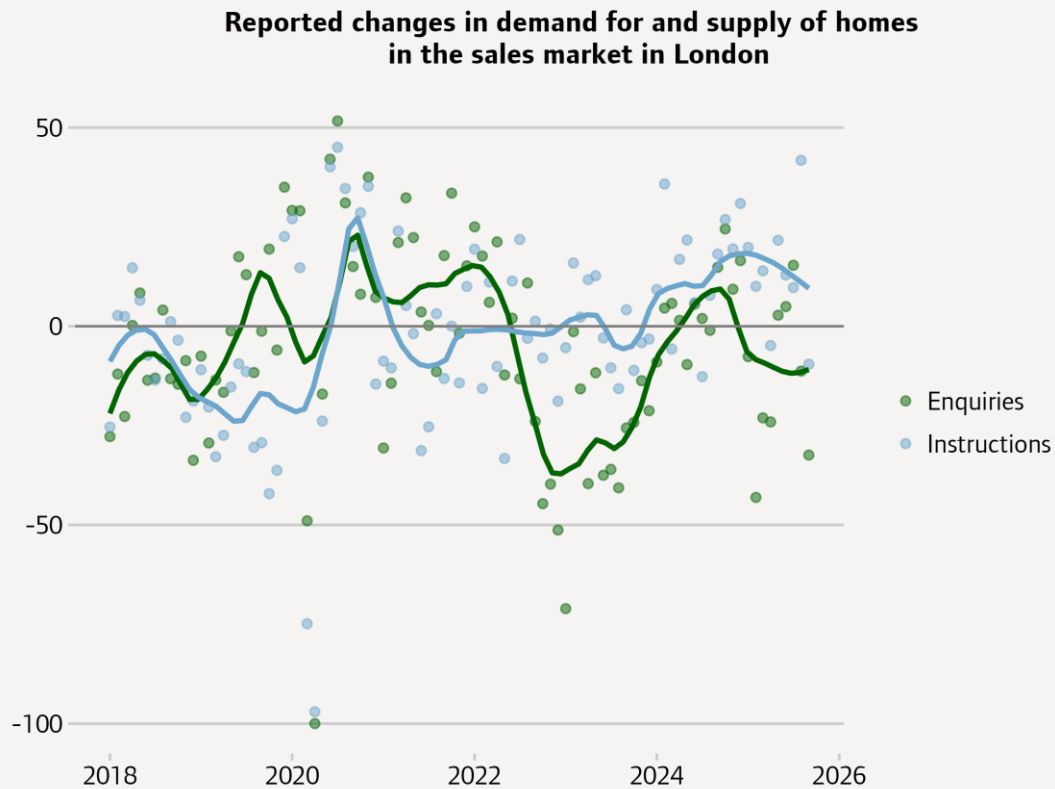
Annual house price growth in London and other regions



Source: ONS, UK House Price Index

- According to the ONS [House Price Index](#), the average house price from completed sales in London fell by 12.5% to £553,000 in the year to November 2025. London was the only region to record an annual fall, marking the fourth consecutive month of year-on-year price declines.
- More recent data from [Rightmove](#) shows that the average price of London homes coming to market increased by a modest 0.9% in the year to January. The average asking price in London (not adjusted to account for the mix of homes sold as per ONS figures) in January was £679,782.
- [Hamptons'](#) analysis of Land Registry data shows that 14.8% of London sellers sold for less in 2025 than they originally paid, above the national average of 8.7%. London house sellers were more than six times less likely than flat sellers to make a loss (3.5% vs 22.2%).
- At the borough level, ONS reported the annual decrease in house prices to October 2025 was greatest in Kensington and Chelsea (16.3%), Westminster (15.5%), reflecting weaker demand from overseas buyers following changes to non-domicile tax rules. In contrast, outer London boroughs such as Bromley (6%) and Havering (5.2%) recorded annual price increases.

4. Buyer demand and sales prospects show signs of improvement, as supply of homes in the sales market increased by 14% year-on-year.

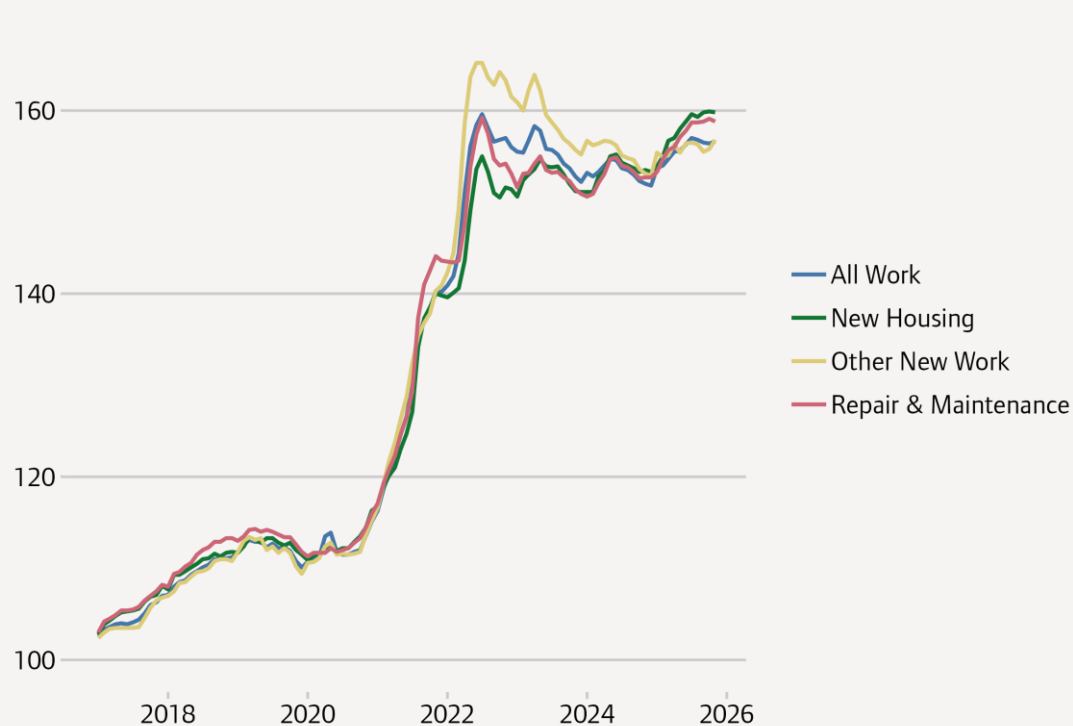


Source: [RICS monthly housing market survey](#)

- This chart shows 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.
- Buyer demand in the last quarter remained negative as measured by new enquiries, although there are signs of a shift in sentiment. Respondents reported greater optimism around sales prospects in both the near term and over the year ahead, supported by expectations of further monetary policy easing and reduced Budget-related uncertainty.
- [Zoopla](#) reports London has 14% more homes for sale in January 2026 compared to a year ago, the highest increase across all regions, while Rightmove reported a third of homes on the market have reduced their asking price.
- Mortgage affordability continued to improve. 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 3.97% in December 2025, compared to 4.6% a year ago, more than a third lower than the peak in 2023.

5. Prices of construction materials in the UK increased for 12 consecutive months, following an 18-month period of decline.

UK construction material price indices (2015 = 100)

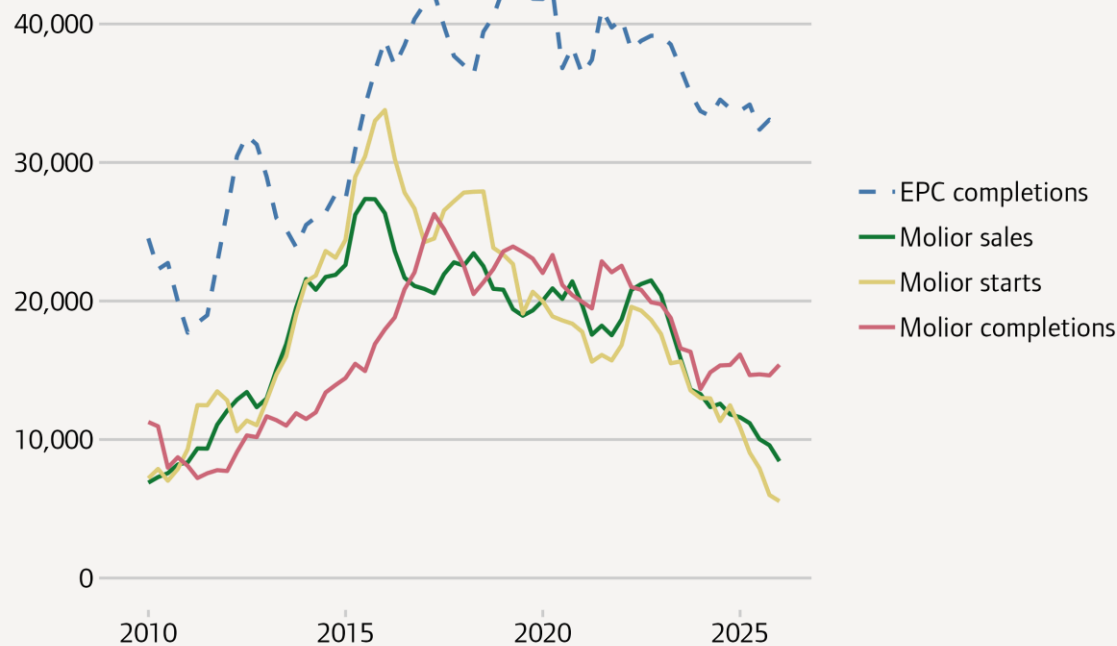


Source: [BEIS Monthly Statistics of Building Materials and Components](#)

- The latest BEIS data reveals the price index of materials used in new housing was 4.2% higher in the year to December 2025. This was the 12th consecutive month this index showed increasing annual increase and followed an 18-month period of falling prices between June 2023 and December 2024. Respondent to the CIP UK Construction PMI responded that suppliers had passed on higher raw material and wage costs, while subcontractor charges continued to rise at a solid pace despite a sustained downturn in demand.
- In the January ONS [Business Insights and Conditions Survey](#), 35% of surveyed construction firms cited cost of materials as the key challenge impacting business turnover, the highest proportion since 2023. Economic uncertainty and labour costs were each cited by 26% of respondents.
- In December 2025, 13% of firms experienced recruitment difficulties, marking the highest December level in two years and among the highest across all sectors. The [Property Institute](#) reports skill shortages are now more acute among white-collar roles.

6. Measures of housebuilding activity in London show signs of improvement towards the end of 2025.

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

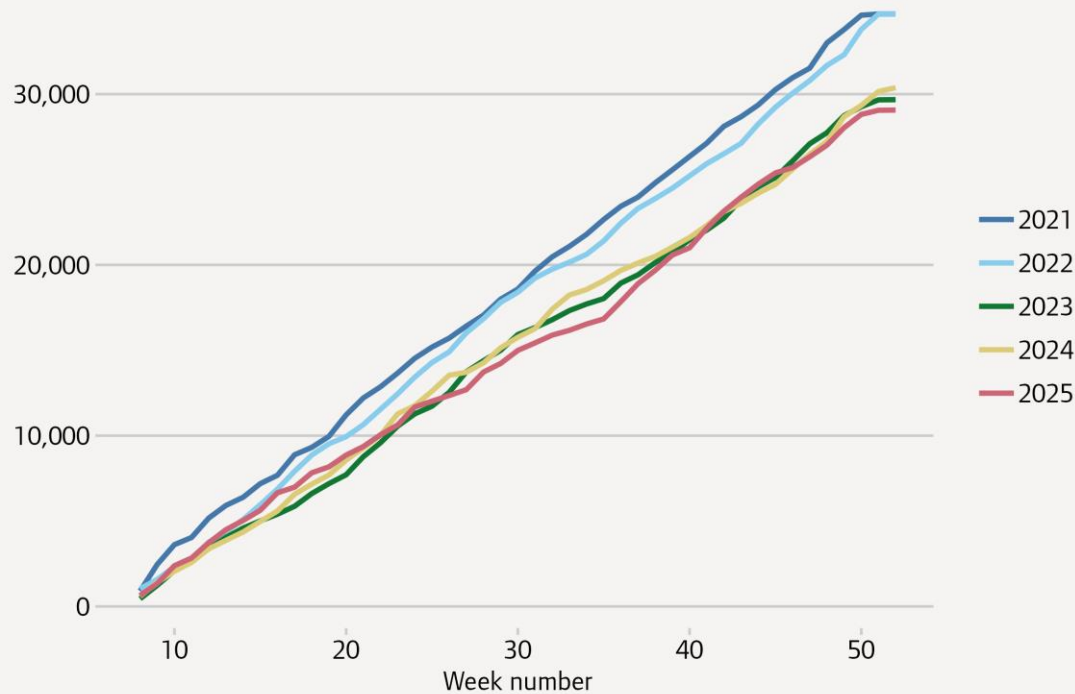


Source: Molior. The data only covers schemes in London with at least 20 private homes.

- 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 improvement in housebuilding activity after substantial downward trends in recent quarters. In Q4 2025, London recorded 2,463 sales, after reaching one of its lowest sales figures in June at 1,706 units. Completions reached 4,731, the highest quarterly total since 2022. 2,294 units were started on site, the strongest quarter for starts in 2025.
- According to Molior data, the number of completed but unsold residential units has been steadily climbing since 2023 to 3,888 units unsold in Q4 2025, 32% higher than Q4 2023 and close to the peak number of unsold properties in 2020 with close to 4,000 units. Absorption rate is low. New home units sold to overseas buyers fell by 24% from 2024, and residential transaction fell by 25%. Only private rental market homes that switched and sold as affordable homes increased by 3%.

7. Housing completions in 2025 were the lowest in the last five years.

Cumulative number of EPCs for new completions in London by year, 2021 to 2025



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 there were 32,749 new completions in London in 2025, the lowest annual completion in the last five years.
- The latest [CIPS UK construction PMI](#) reported the downturn in construction activity eased considerably in January, showing much slower decline than at the end of 2025. House building was the weakest performing sub-sector, though the pace of contraction eased to its slowest for three months. Surveyed firms mentioned lack of new residential development projects and subdued demand conditions, and planning delays.
- The Building Safety Regulator’s (BSR) has been widely cited as a source of delays and bottlenecks in the construction pipeline. According to recent [BSR](#) data, 27 decisions were made by the Innovation Unit (specialised team designed to accelerate the approval process for higher-risk buildings) in London in the 3 months to mid-January 2026. The number of legacy cases fell from 46 in November to 17 by January, with 5,734 residential units approved.