

**GLA** Housing and Land

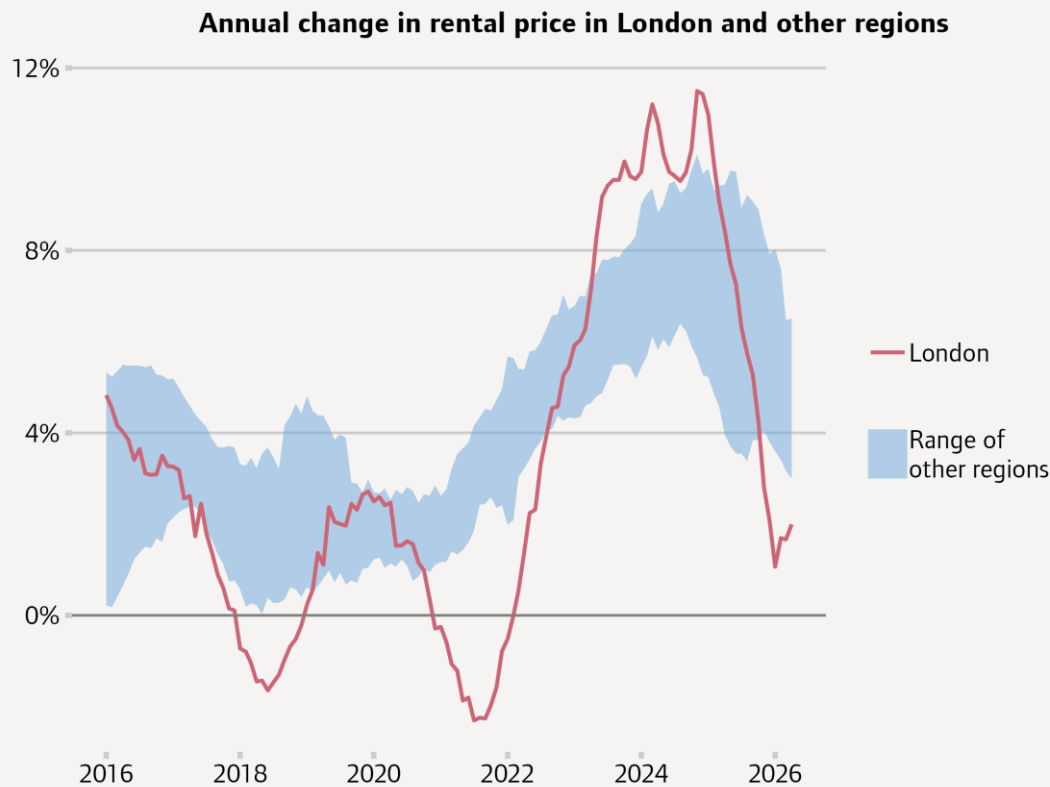
# London Housing Market Report: May 2026

## Summary

1. Annual growth rate in rents rose to 2% in April 2026, remaining one of the lowest rates recorded in recent years.
2. Number of buy-to-let loans for new home purchase fell compared to a year prior.
3. London house prices fell 2.1% in the year to March 2025, with buyers taking longer to commit amid uncertain mortgage rates.
4. Buyer demand in London remained subdued, with rising borrowing costs and geopolitical uncertainty weighing on activity and sentiment.
5. Construction cost pressures intensified in early 2026, driven by material price and fuel cost inflation linked to the conflict in the Middle East.
6. London housebuilding shows signs of recovery in Q1 2026, though new project starts remains constrained by cost pressures and uncertain demand.
7. Housing completions reached 1,060 in early 2026, the highest figure for this point in the year since 2022.

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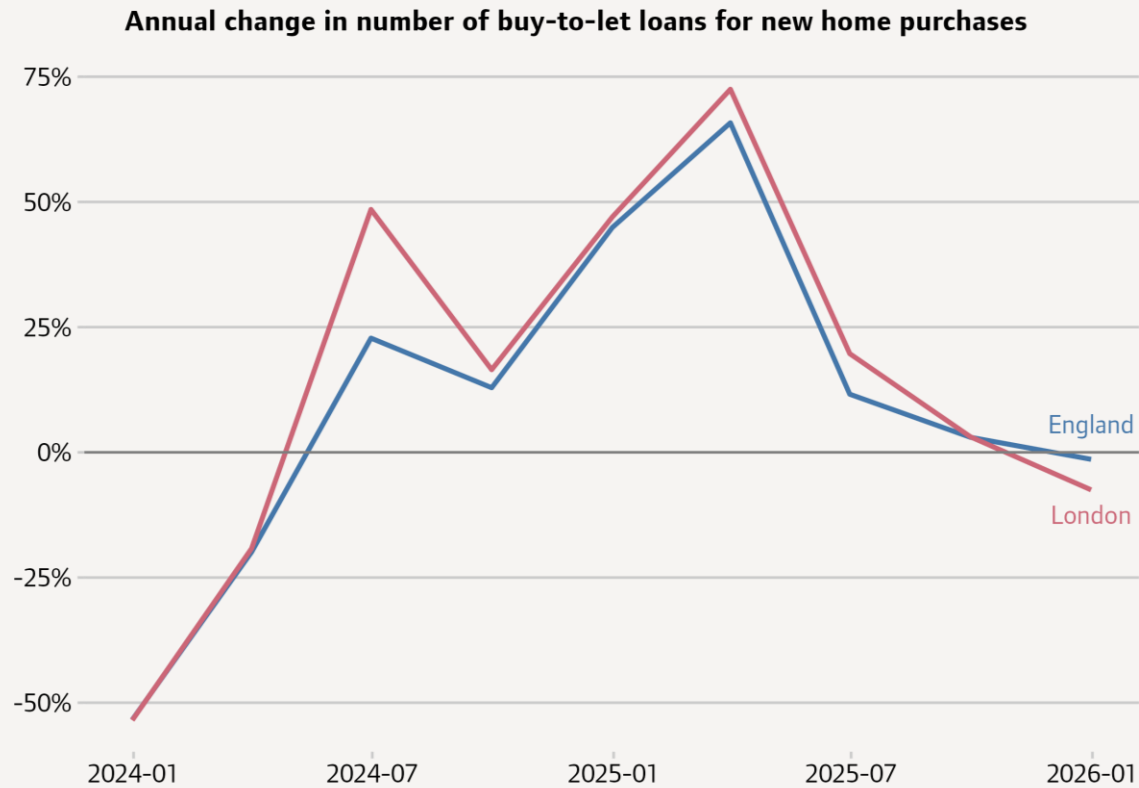
1. Annual growth rate in rents rose to 2% in April 2026, remaining one of the lowest rates recorded in recent years.



Source: ONS Price Index of Private Rents.

- According to the [ONS Price Index of Private Rents](#) (covering both new and existing tenancies) the average monthly private rent in London reached £2,290 in April 2026, up 2% in the last year and still one of the lowest growth rates in recent years.
- [Rightmove](#) reports that average asking rent for new tenancies in London reached £2,736 a month in Q1 2026. Annual growth in recent price rose to 1.4%, marginally higher than the lowest recorded growth rate of 0.8% in the last quarter.
- Rightmove and Zoopla both reported an improved tenant demand and supply balance across the UK, with the total number of available homes to rent now 3% higher than a year ago, and Zoopla reporting an 11% increase in March 2026.
- However, data collected from Rightmove points to a diverging trend in London specifically. The number of available homes to rent in the capital is 7% lower in mid-May than a year ago, while the number of rental listings added in the last 14 days is 11% lower. This is an emerging trend that will require close monitoring in the coming months.

2. Number of buy-to-let loans for new home purchase fell compared to a year prior.

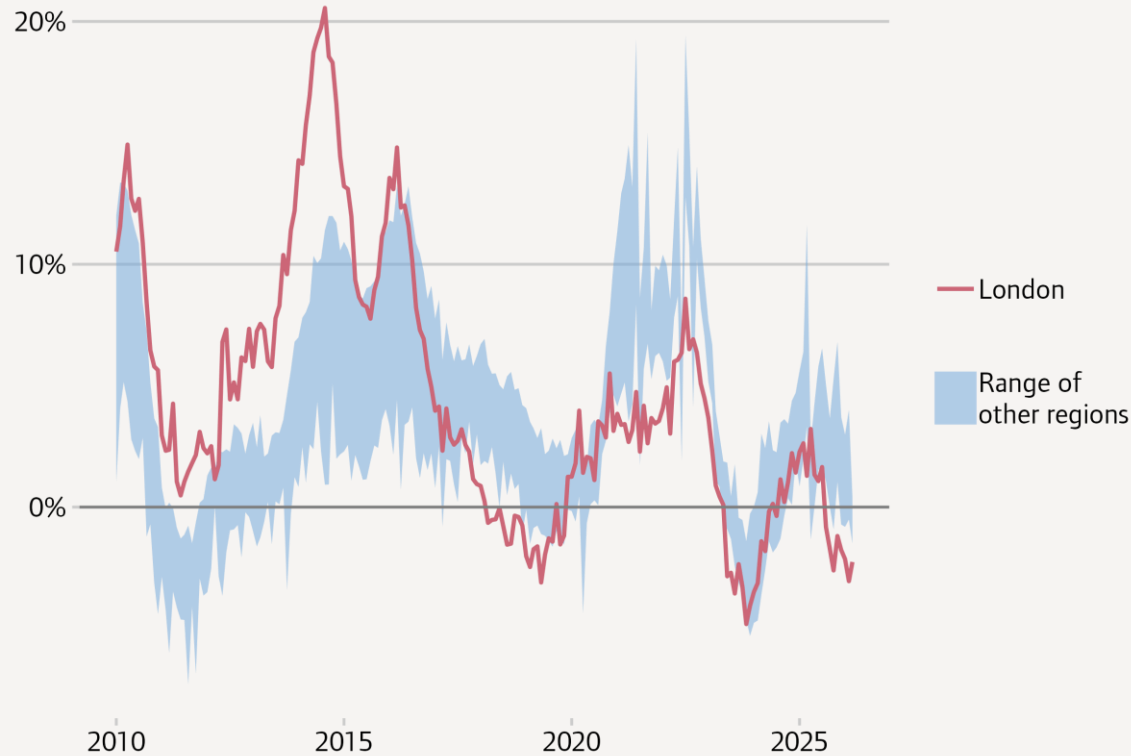


Source: Data published by [UK Finance](#).

- Data from [UK Finance](#) shows a decrease in the number of new house purchase buy-to-let loans in Q4 2025, with England averaging -1.4% and London recording -7.5% year on year change. More recent reporting from Rightmove indicates that rate increases since the start of conflict in the Middle East have further added to cost pressures for landlords.
- UK Finance also reported the number of buy-to-let remortgage loans across the UK increased by 28% in the year to Q1 2026, suggesting while existing landlords are choosing to remain in the private rented sector, the volume of new landlords entering the sector has fallen in the last quarter.
- [Hamptons](#) reports that so far in 2026, a record 17% of homes bought by landlords in London has been let by the previous owner, up from 10% in 2024. This points to a consolidation of landlord portfolio in the capital, though London remains below the Great Britain average at 23%.
- Latest [repossession data](#) shows the number of Section 21 no-fault evictions in London fell by 18% year on year at the end of December 2025, with private landlord and social landlord evictions also falling by 9% and 16% respectively. However more recent reports suggest a higher volume of no-fault evictions in the period closer to the implementation of the Renter’s Rights Act.

3. London house prices fell 2.1% in the year to March 2025, with buyers taking longer to commit amid uncertain mortgage rates.

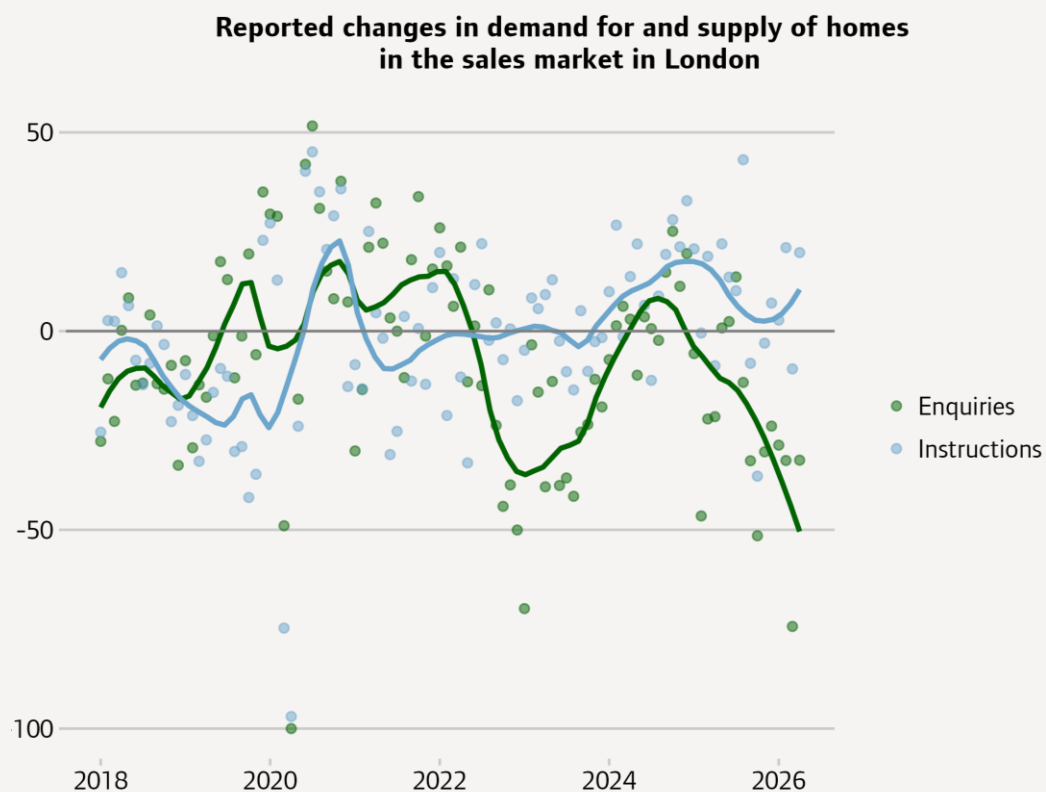
**Annual house price growth in London and other regions**



Source: ONS, UK House Price Index

- According to the ONS [House Price Index](#), the average house price from completed sales in London fell by 2.1% to £542,000 in the year to March 2025. London recorded the large annual decrease compared to other English regions. House price inflation follows a north-south divide, with Zoopla reporting house prices are rising fastest in the North East and the North West and slowest in London and the South East.
- [Rightmove](#) data shows the number of homes available to buy is at its highest level for this point in the year since 2015, with nearly a third of listed properties having had their asking price reduced across the UK.
- However buyers are exhibiting more caution, with [Zoopla](#) data shows properties in London are taking an average of six days longer to find a buyer than a year ago, with the trend most pronounced in outer London where first-time buyers are more prevalent and sensitive to mortgage rates. Time to sell in Harrow increased by 65% year on year, South East London by 34%, and East London up by 29%.

4. Buyer demand in London remained subdued, with rising borrowing costs and geopolitical uncertainty weighing on activity and sentiment.

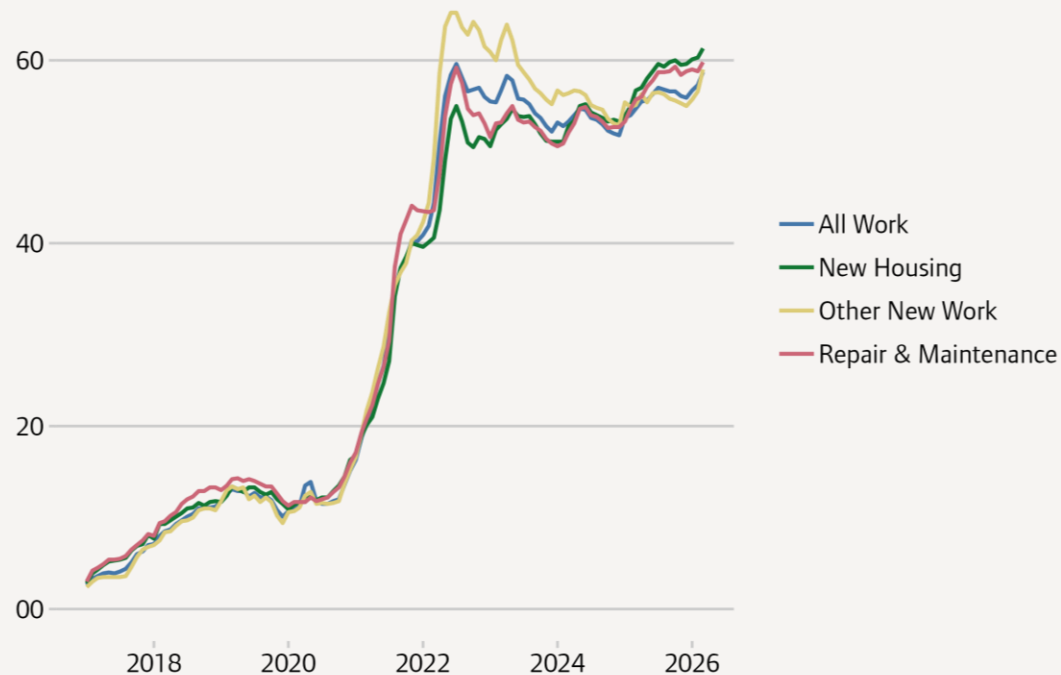


Source: [RICS monthly housing market survey](#)

- 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 remained negative over the last quarter as measured by new enquiries, with RICS respondents noting uncertain macroeconomic conditions linked to the conflict in the Middle East is weighing on both current activity and forward-looking sentiment. Intensifying inflationary pressures have pushed borrowing costs higher and weakened buyer demand, while near-term expectations have turned notably cautious.
- The new instructions indicator remained broadly stationary in the last quarter, pointing to a largely stagnant flow of new listings coming to market. Looking ahead, respondents signalled a potential further weakening in the pipeline of new instructions.
- Mortgage affordability worsened very quickly in the last quarter. 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 rose from 3.97% in February to 5.14% in April, a 30% increase, and 16% higher than a year ago.

5. Construction cost pressures intensified in early 2026, driven by material price and fuel cost inflation linked to the conflict in the Middle East.

**UK construction material price indices (2015 = 100)**

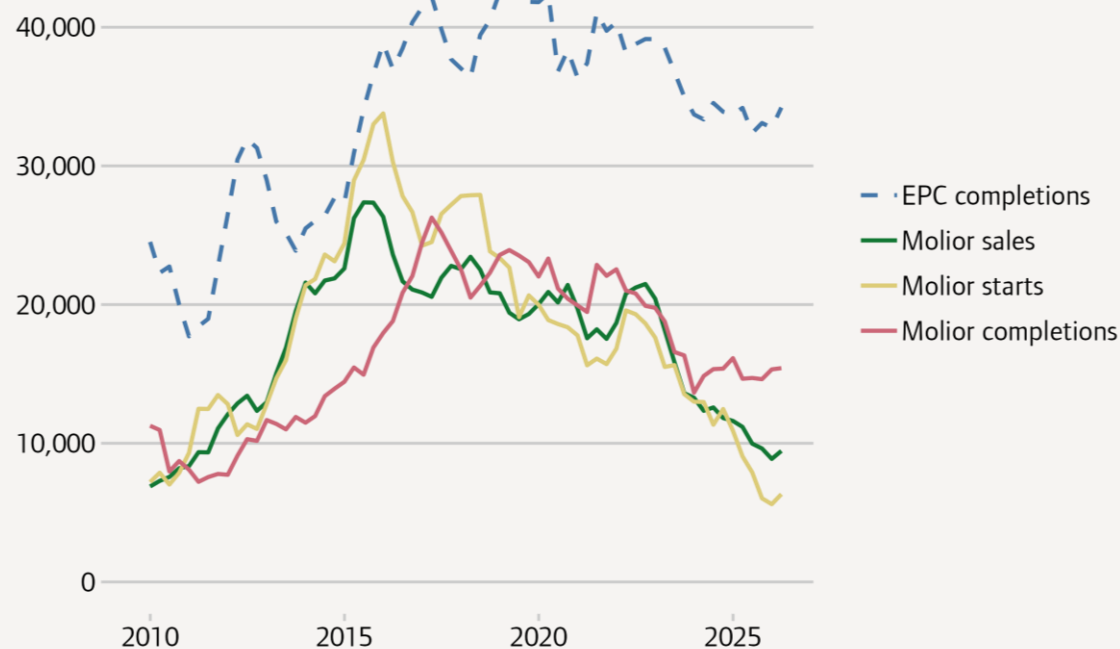


Source: BEIS Monthly Statistics of Building Materials and Components

- The latest BEIS data shows the price index of materials used in new housing was 3% higher in the year to March 2026, marking the 15th consecutive month of annual increase.
- The [Construction PMI](#) reports found that input cost inflation rose to the highest since June 2022, with over two-thirds of level respondents reporting higher cost burdens. Rising fuel costs linked to the conflict and the Strait of Hormuz shipping blockade were cited as the primary driver, with April's increase in purchasing prices among the steepest recorded since the survey began in 1997.
- [ONS employment data](#) shows the UK construction workforce was 4% smaller in Q1 2026 than in Q1 2025, with an estimated 2,051,416 people working in the sector. This represents a 14% decline compared to the workforce recorded twenty years ago in Q1 2006.
- In the May ONS [Business Insights and Conditions Survey](#), 41% of surveyed construction firms cited cost of materials as the key challenge impacting business turnover, the highest proportion since 2023. A further 33% cited economic uncertainty as a key challenge, one of the highest proportions since the survey began in 2022.

6. London housebuilding shows signs of recovery in Q1 2026, though new project starts remains constrained by cost pressures and uncertain demand.

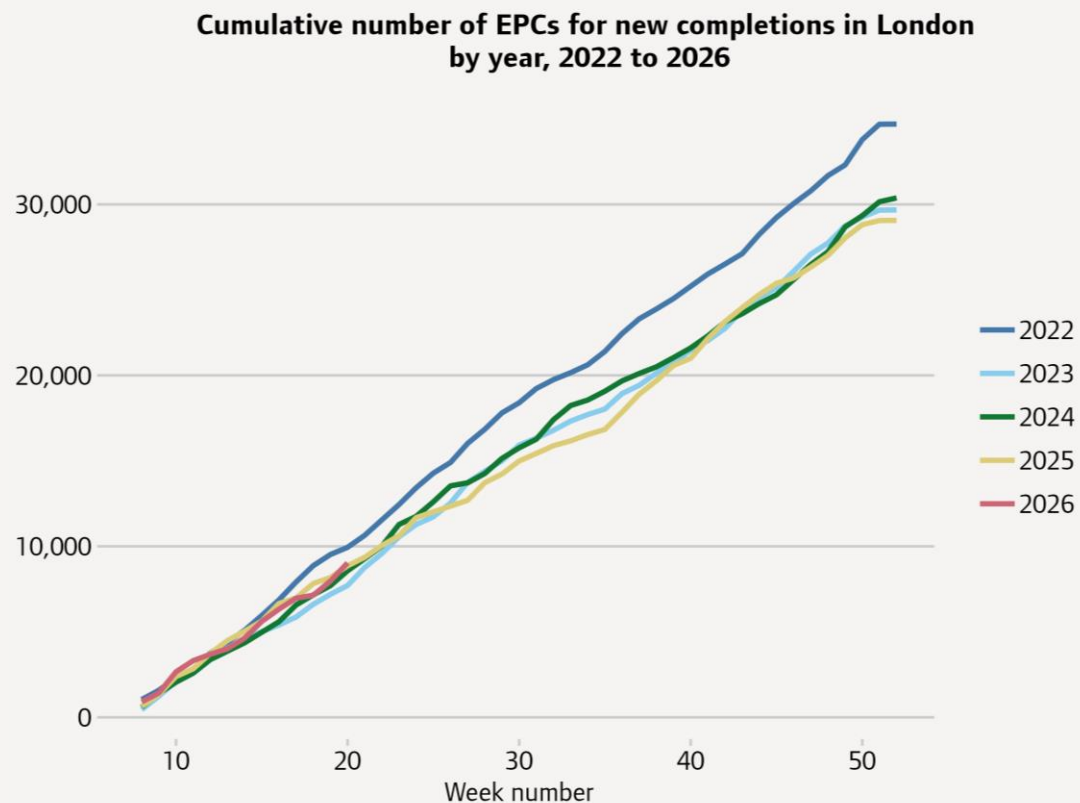
**Annualised Molior data on starts, sales and completions, and Energy Performance Certificate data on completions**



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 points to some improvement in housebuilding activity following substantial downward trends in recent quarters. In Q1 2026, London recorded 2,836 sales, after reaching one of its lowest sales figures in June at 1,665 units. Completions reached 2,926, a 37% decrease from the last quarter but 3% higher than last year. 2,103 units were started on site, higher than the 2025 quarterly average of 1,400.
- Molior data shows that 50% of 36,750 homes under construction have been sold, and 92% of 45,000 completed during the last three years have now been sold. While sales figures in Q1 have been positive, the ongoing conflict in the Middle East is expected to influence buyer's demand in the coming months.
- Looking ahead, 269 development sites are estimated to complete current phases by the end of 2027, and new project starts are likely going to be challenging given continued development cost inflation.

7. Housing completions reached 1,060 in early 2026, the highest figure for this point in the year since 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. Recent data shows 1,060 new completions in London so far in 2026, the highest figure for this point in the year since 2022.
- The S&P Global UK Construction PMI reports that new construction activity fell at its sharpest rate since November 2025 in April, with respondents citing subdued demand and insufficient new work to replace completed projects. Some firms also reported not backfilling roles vacated by staff leaving the sector.
- The Building Safety Regulator’s (BSR) was cited as a source of delays and bottlenecks in the construction pipeline. According to recent [BSR](#) data, the number of live applications of all categories (both building remediation and new build application for high-risk buildings) in London has increased from 807 to 849 between February and April, while a total of 383 applications have been closed. On average, 74% of all London applications are approved, with decisions taking an average of 35 weeks. 62% of all decisions across all categories in the past 12 weeks across the county related to London cases.