

## Quarterly Housing Market Report

June 2021

This report summarises key trends in London’s housing market in recent months. The analysis covers rents, house prices and new supply.

### Contents

1. Rents.....	2
2. Prices and sales .....	2
3. New supply .....	4
4. Sentiment.....	5
5. Economic outlook .....	5

### Summary

1. Asking rents in London are still well below the level of a year ago, driven by large falls in inner London, but are beginning to bottom out.
2. Rental growth has been set back by five years or more in most parts of London, improving affordability relative to earnings in the city centre.
3. The rate of house price growth in London is low compared to the rest of the UK, narrowing the gap between prices in London and elsewhere in the country. Prices have grown more for houses than for flats. Rightmove are reporting slower growth in asking prices, indicating that headline house price growth is likely to slow down within the coming months.
4. Since the beginning of the year, London has seen low sales volumes of new build properties (apart from those sold through Help to Buy), however sentiment among developers is improving and sales are expected to be stronger in the next quarter. Elsewhere the market has reported strong sales, boosted by the Stamp Duty holiday.
5. Financial data shows high numbers of new mortgages in London for first time buyers and home movers in the last quarter. Help to Buy sales remained steady in London, compared to a 5% fall in sales nationally since pre-pandemic figures.
6. Starts on large private homebuilding projects have been low in the first quarter of the year but completions have remained high in outer London. Delays to deliveries of construction materials and high demand for home improvements have increased prices and contributed to slowing starts on large projects.

## 1. Rents

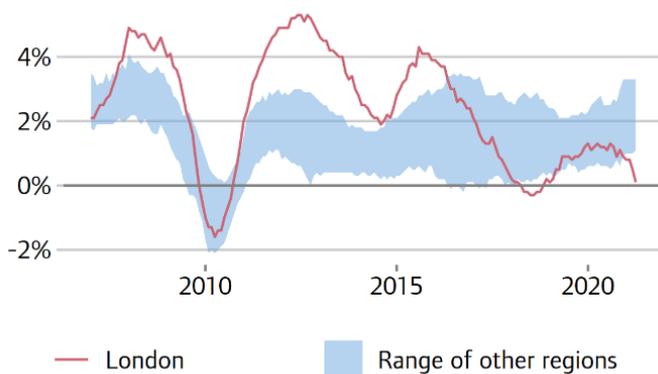
Annual change in asking rents, Rightmove Q1 2021



According to [Rightmove](#), there has been a 7.8% decrease in London rents compared to March 2020, split between a 14% fall in inner London and 1.1% fall in outer London. More recent Rightmove data (see chart below) indicates that year-on-year rental declines have now bottomed out in London.

Similarly, [Zoopla](#) has reported a 9.4% fall in asking rents in London over the last year, driven by a large price decrease in inner London. Rental prices continue to rise steadily outside London, at 3% annual increase in rental charge.

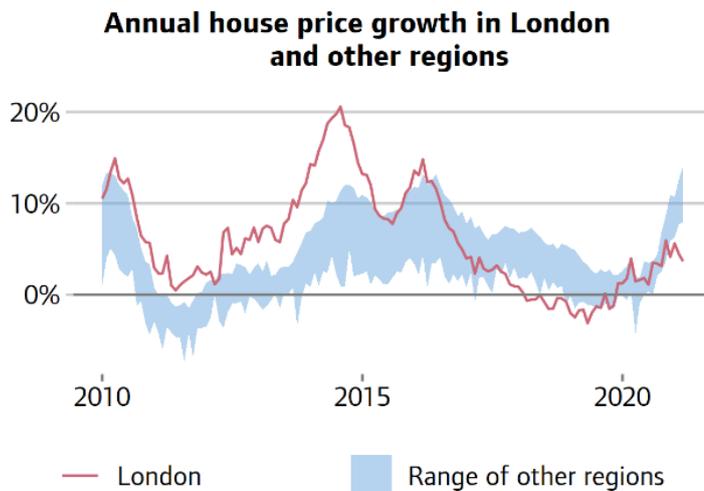
Annual rent change in London and other regions



The [ONS private rental index](#) has a delayed response to market changes, but it found that the growth in private rents in London has slowed in the last quarter. This stagnant growth reflects lower demand for rental properties, partly due to job losses and homeworkers no longer needing to be close to offices, and higher levels of supply, as short-term lets change to long-term lets.

[Zoopla](#) data, unadjusted for inflation, shows that asking rents in several inner London boroughs are now at their lowest levels recorded since records began in 2011. This increase in affordability is raising the demand for rental properties in inner London, with some areas becoming accessible to middle-income earners for the first time in years. Across London, rents relative to earnings are the most affordable that they have been in a decade at 42% of a single earner's average income, down from 49% last year – but this is of little benefit to those Londoners that have lost work or income during the pandemic. [Data](#) from the ONS shows that London had the highest unemployment rate in the UK during the first quarter of 2021 at 6.8%.

## 2. Prices and sales



According to [ONS data](#), the rate of house price growth in London since March 2020 was the lowest of any UK region at 3.7%, compared to the national average of 10.2%. The average London house price is £500,000 and prices have risen since March 2020 in all but four London boroughs (City of Westminster, Kensington and Chelsea, Camden and Wandsworth).

[Rightmove](#) reported that average London house prices are 2.9 times higher than prices in the northern areas of Great Britain, the smallest ratio recorded since 2013.

The pandemic has impacted buyers' preferences, as the price of detached properties in London has increased annually by 5.3%, compared to a 1% increase for flats & maisonettes. Contrary to earlier forecasts of a city exodus, data from [Zoopla](#) indicates that the majority of prospective buyers from London are still searching within London in 2021, as was the case for the preceding two years.

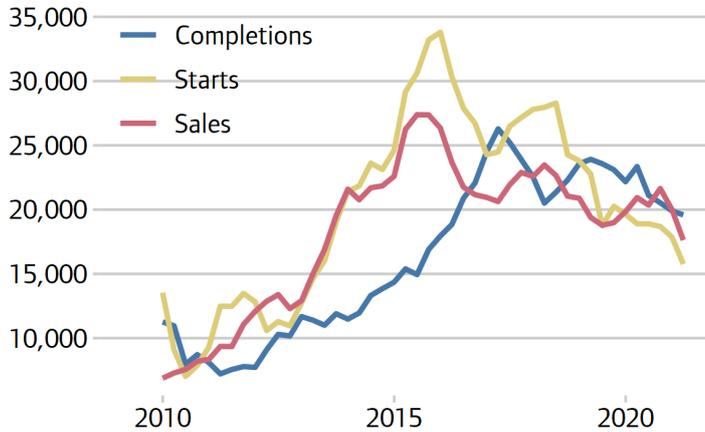
[Molior](#) reports fewer new homes sold in London during the first quarter of 2021 than in any quarter since 2012. There were some exceptions; homes which benefited from the extension of the stamp duty holiday and Help to Buy initiatives sold well, but elsewhere sales were low. However, Molior reports that sentiment is improving alongside the easing of lockdown restrictions and the success of the vaccination rollout, which have caused greater confidence among buyers and developers.

Contrastingly, figures from [UK Finance](#) show record numbers of new mortgages in London during March for first time buyers since 2005, and high numbers among home movers. The value of new mortgages totalled £4.7 billion in March, compared to a monthly average of £2 billion last year.

In 2020, [government statistics](#) show that 6,200 homes were bought using the Help to Buy Equity Loan scheme in London. Help to Buy sales remained steady in London, only falling 1% from 2019, compared to a 5% fall nationally. The number of first-time buyers using the scheme fell by 3% and most homes were bought using the full 40% equity loan available.

### 3. New supply

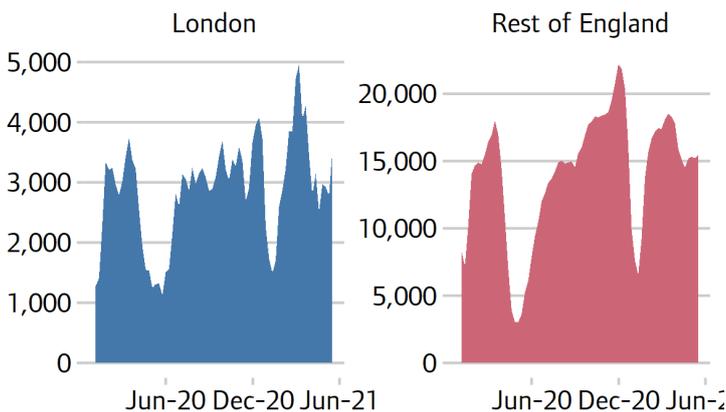
**Annualised Molior data on starts, sales and completions**



[Annualised Molior data](#) reports that the number of new starts on large projects (private properties with 20 homes or more) was very low in the first quarter of 2021 at 2,780, compared to 4,900 in early 2020. New starts have stayed steady in inner London but fallen significantly in outer London.

Contrastingly, the number of new homes completed at the beginning of the year remained high at 5,670, falling in inner London but rising in outer London.

**Four-weekly rolling number of EPCs for new dwellings**



In the last 8 weeks, [data on Energy Performance Certificates for new dwellings](#) show 6,000 new homes have been registered in London. This indicates a slight fall from the peak early this year.

[New orders for construction work](#) to main contractors on housing projects in London have fallen to £3.6 billion across the past year, from the previous quarter's rolling total of £4.3 billion. This may be as a result of the rapidly increasing cost of building supplies due to high demand and supply chain delays. [The Guardian](#) reported that the cost of many building materials has risen over the past year, including a price increase of 88% for iron ore. Delivery times for roof tiles and aluminium cladding have risen to six months as a result of Brexit delays at the UK border and the Suez Canal blockage in late March.

#### **4. Sentiment**

Responses from the [RICS April survey](#) showed steady sales market activity and a lack of supply among rental properties across London. Larger family properties with outside space are selling well, whilst one-bedroom flats are struggling to sell. Respondents expect both prices & sales to increase in London over the next three months as low cost mortgages and increased consumer confidence help to improve market activity. Rents are expected to fall again over the next three months, but the long-term view is positive for the first time since early 2020.

#### **5. Economic outlook**

According to [ONS data](#), the rate of inflation has more than doubled over the past month to 1.5%. The Bank of England have raised concerns that inflation may rise consistently above their target of 2%, which could prompt an increase in interest rates from the historically low current level of 0.1%.

[ONS payroll data](#) shows that the number of employees in London increased by 33,600 between March and April, the highest change since September. The national employment rate for Q1 2021 rose by 0.2%; this is the first rise since the beginning of the pandemic. However, the highest unemployment rate in Q1 2021 was in London at 6.8%, and London is the region with the largest increase in unemployment since March 2020. The take-up rate of furlough was also highest in London, with 710,000 furloughed employees in the city by the end of February 2021. The hospitality industry and those under 25 continue to be the worst affected.