

## Quarterly Housing Market Report November 2019

This report summarises key trends in London's housing market in Q3 2019. The analysis covers house prices, rents, mortgage lending, repossessions and new supply.

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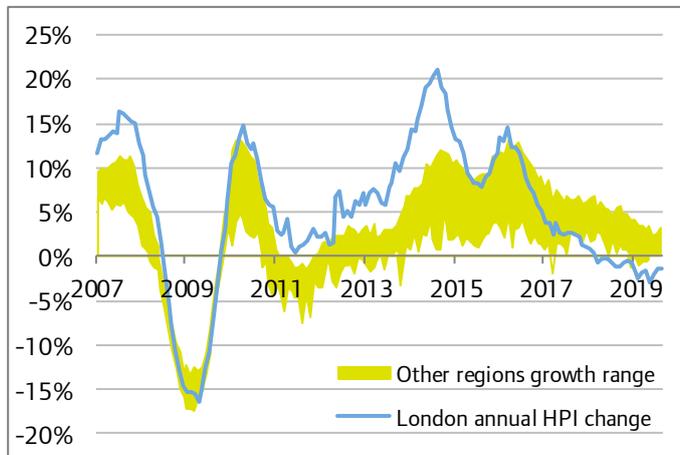
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### Executive Summary

1. **House prices in London are continuing to decline.** In Outer London, the speed of decline appears to be increasing and the annual house price change was below that of Inner London for the first time in two years.
2. **Private rents continue to increase** and September 2019 marks ten consecutive months of positive nominal rental growth.
3. **The volume of sales remains subdued by historical standards** and, in particular, home mover transactions are down. However, commentary from London surveyors suggests there is increasing interest from buyers.
4. Data on Energy Performance Certificates issued for new dwellings indicates that **new build housing completions continued to increase into the second half of 2019.**
5. **Planning approval figures remained stable in 2018/19.**

## 1. House prices

Figure 1: Annual house price change, London and other regions



In August 2019 the seasonally-adjusted average house price in London was £467,000 (ONS), 1.4% lower than in August 2018.

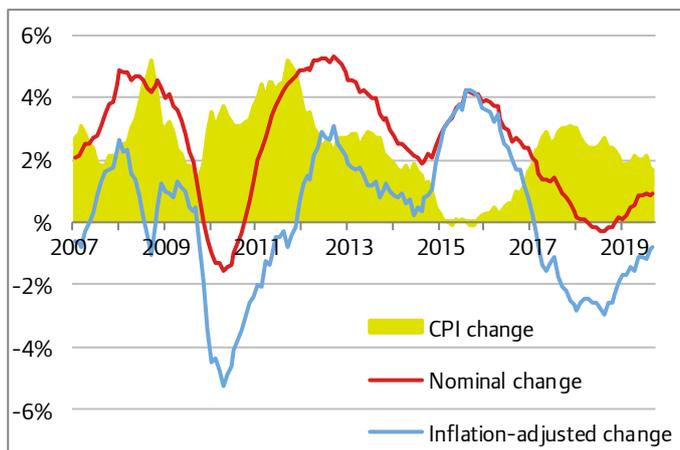
London had the lowest annual growth of any region in the UK in the year to August 2019.

In England, average house prices rose by 1.1% last year, which remains subdued. However, price growth was positive in all regions except London and the South East.

Prices in Inner London have been falling since January 2018, but the speed of decline slowed in the third quarter of 2019, after a challenging first half of 2019. However, Outer London price growth continues to be negative and the speed of decline appears to be increasing.

## 2. Private rents

Figure 2: Annual private rents change in London, nominal and inflation-adjusted



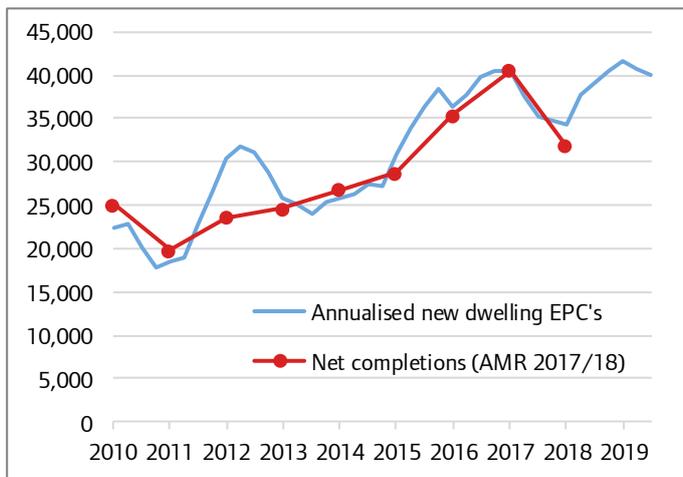
Private rents in London rose by 0.9% in nominal terms in the year to September 2019 (ONS). This is up from -0.2% in September 2018 and marks ten consecutive months of positive nominal rental growth.

However, London's rental growth rate was still among the lowest of any region in Great Britain, second only to the North East. Across England, private rents increased by 1.3% on average in nominal terms.

Real term annual growth (after accounting for CPI inflation) was still negative, as it has been since the beginning of 2017. However, a fall in CPI to 1.7% means the adjustment for real term rental growth is less. In real terms, rents in London fell by 0.8% in the year to June 2019.

### 3. New Supply: Completions

Figure 3: Energy Performance Certificates for new dwellings in London



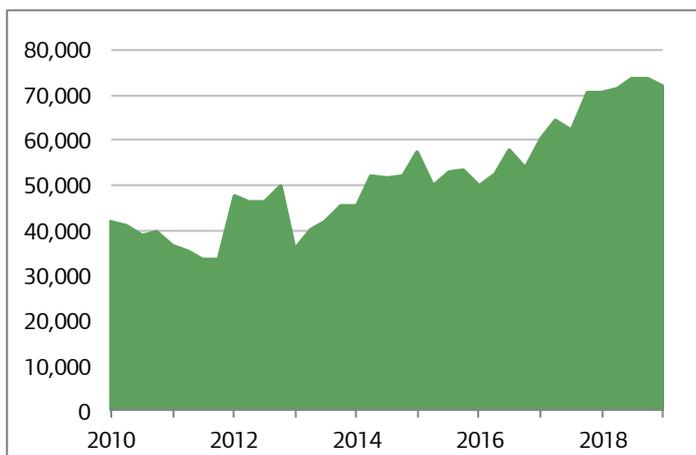
Energy Performance Certificates (EPCs) are required for all new homes and [EPC data<sup>1</sup>](#) can be used as a proxy for completions.

There were 39,970 new home EPCs registered in London in the year to Q3 2019, an increase of 2% from the previous year.

EPC data has largely tracked the LDD net conventional completions data over recent years. LDD data is published in the [London Plan Annual Monitoring Report](#).

### 4. New Supply: Planning approvals

Figure 4: Annualised planning approvals (schemes of 10 or more units)



Figures from the Home Builders Federation ([HBF](#)) for planning approvals showed that 71,660 homes were granted planning approval in London in 2018/19.

This is an increase of 1% on 2017/18, which goes against the trend across England, where housing approvals were down 4% on the previous year.

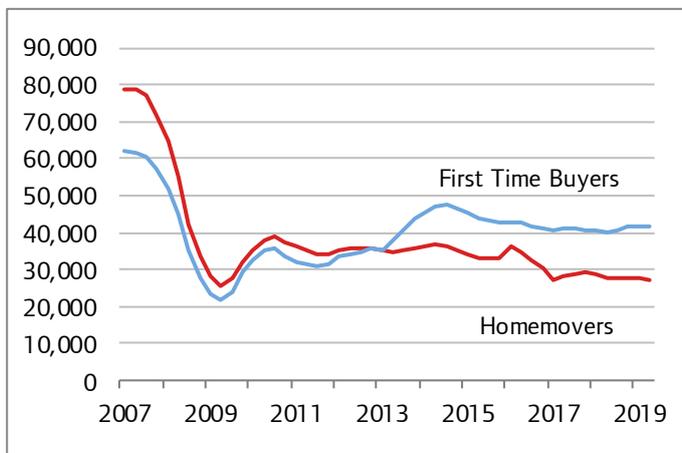
Housing approvals in London in Q1 2019 were down slightly (-3%) from the previous

quarter, but this partly reflects an increase in the Q4 2018 approvals figure previously reported. The number of planning approvals remains high compared with historic levels.

<sup>1</sup> EPC data covers all types of residential development (changes of use etc.) and is closely aligned to London Development Database (LDD) net conventional completions statistics. The data is considered to be a leading proxy of new supply.

## 5. Mortgage lending

Figure 5: Annualised mortgage advances to first-time buyers and home movers, London



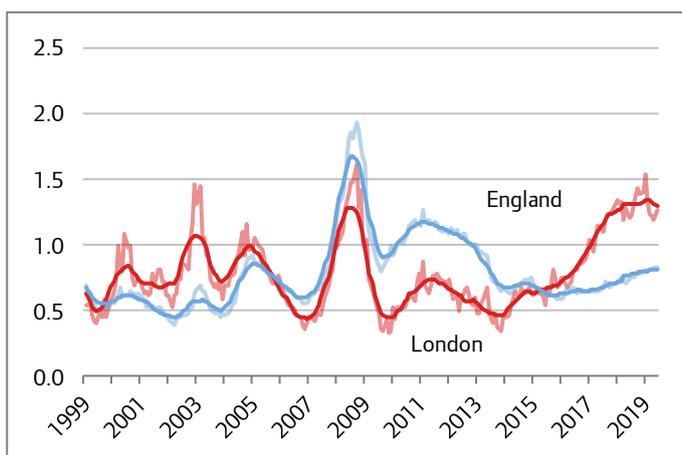
There were 41,700 new mortgages advanced to first-time buyers in London in the year to Q2 2019, which is up 4.3% on the number of loans advanced last year. First-time buyers took out loans averaging 3.8 times their income in Q2 2019 ([UK Finance](#)).

The number of loans to home movers in London was 27,380 in the year to Q2 2019, down 2.1% on last year. Home movers took out loans of 3.8 times their income.

The average price paid by first-time buyers was £443,100 in Q2 2019, and the average deposit amount was £144,500 – these amounts have increased 27% and 39% over a five-year period, respectively. The average combined gross household income of a first-time buyer was £82,800 in Q2 2019 and the mean age of a first-time buyer was 33.

## 6. Transactions

Figure 6: Years of inventory on surveyors' books (average stocks divided by average sales)



[RICS Survey](#) data<sup>2</sup> indicates that the years of inventory held by surveyors – the number of years it would take to sell all properties marketed for sale at the current sales rate – decreased in London in Q3 2019 to 1.3, but is still above the level seen in 2008. This follows a slow sales rate over recent months.

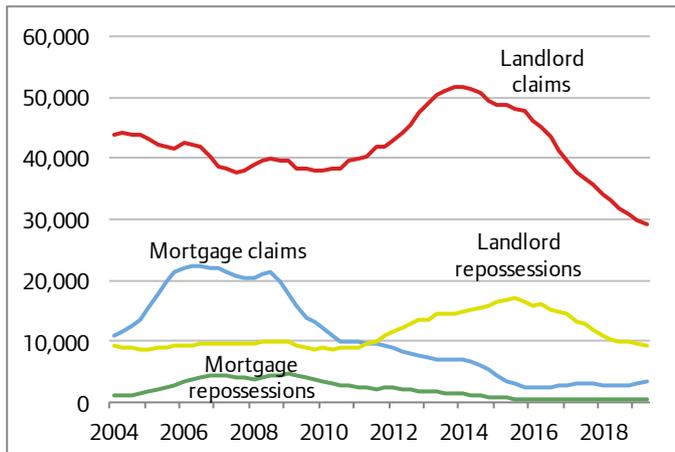
Surveyors' price expectations continue to be negative but appear to have stabilised. In addition, new buyer enquiries in Q3 2019 were at the highest level since 2015, which

indicates a recovery in demand from home owners / investors. Commentary from London surveyors suggests there is increasing interest from buyers, but sellers remain uncertain.

<sup>2</sup> RICS Residential Market Survey data is from a sample of London-based surveyors and is weighted towards Inner London.

## 7. Landlord repossessions / tenancy terminations

Figure 7: Annualised mortgage and landlord claims/possessions



9,090 rented homes were repossessed by court bailiffs from private or social tenants in London in the year to Q2 2019 ([MOJ](#)), a decrease of 12% from the previous year and the lowest number since Q2 2011.

The number of landlord claims also decreased in the year to Q2 2019 by 11%; therefore, the number of landlord repossessions is expected to continue to decrease.

383 mortgaged homes in London were repossessed in the year to Q2 2019, an increase of 7% from the previous year but still a low level by historic standards. The number of mortgage repossession claims was 3,460 in the year to Q2 2019, which is up 29% from the previous year.