

**GLA** Housing and Land

# London Housing Market Report: July 2022

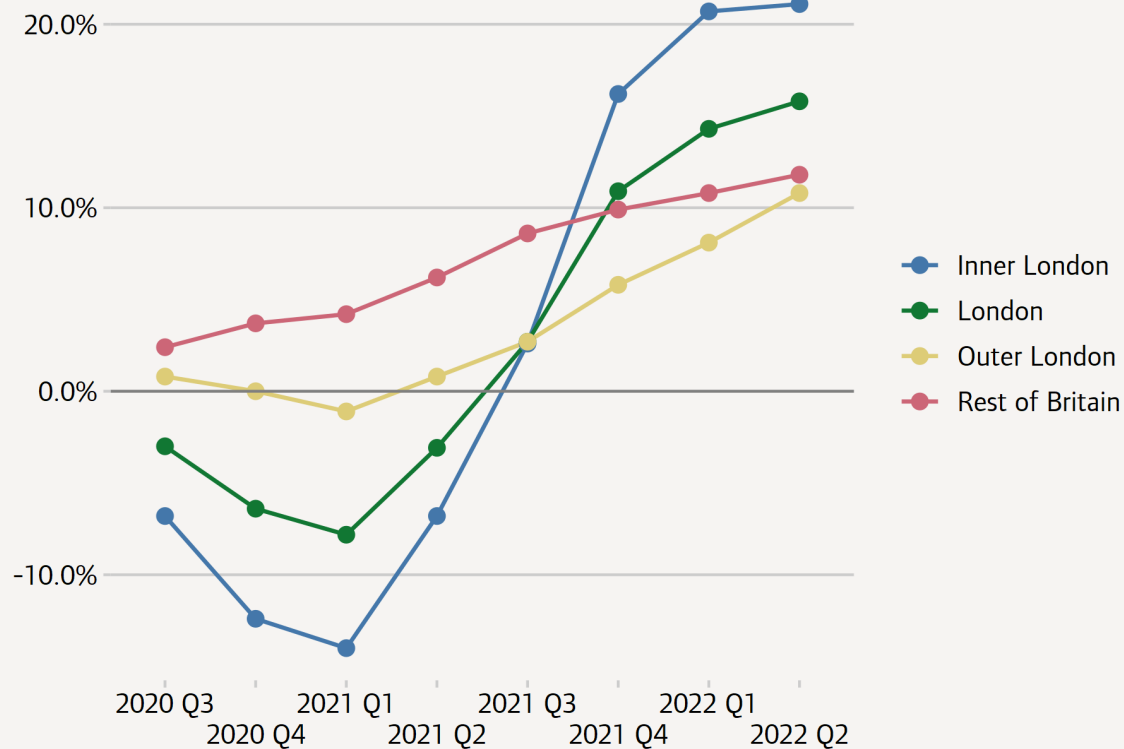
Catarina Finnerty

## Summary

1. As a result of the fall and the subsequent recovery of London rents during the pandemic, annual increases in average asking rents were at a high of 15.8% in the second quarter of 2022, with Rightmove recording the highest annual growth ever in any region.
2. Demand for private rental homes remains above supply in London and there are signs that both demand and supply are continuing to increase slowly, despite reports of many landlords considering leaving the market.
3. House price growth in London remains behind other regions, although average asking prices have increased since July last year in 31 out of 32 boroughs (excluding the City of London).
4. Whilst demand amongst buyers in London may be starting to fall as a result of inflation and economic and political uncertainty, the market imbalance and upwards pressure on prices continues due to low numbers of properties on the market.
5. Between Q1 and Q2 2022 the number of large housebuilding schemes starting in London fell considerably, whilst completions rose, and demand was strong from Build to Rent and Help to Buy.
6. Prices of construction materials continue to rise steeply alongside high levels of economy-wide inflation, however prices for new housing materials have fallen slightly behind other construction categories.
7. The Consumer Price Index has risen by 9.4% in the 12 months to June, prompting likely further interest rate increases which could dampen buyer demand.

1. As a result of the fall and the subsequent recovery of London rents during the pandemic, annual increases in average asking rents were at a high of 15.8% in the second quarter of 2022, with Rightmove recording the highest annual growth ever in any region.

**Annualised change in Rightmove asking rents, 2020 Q3 to 2022 Q2**

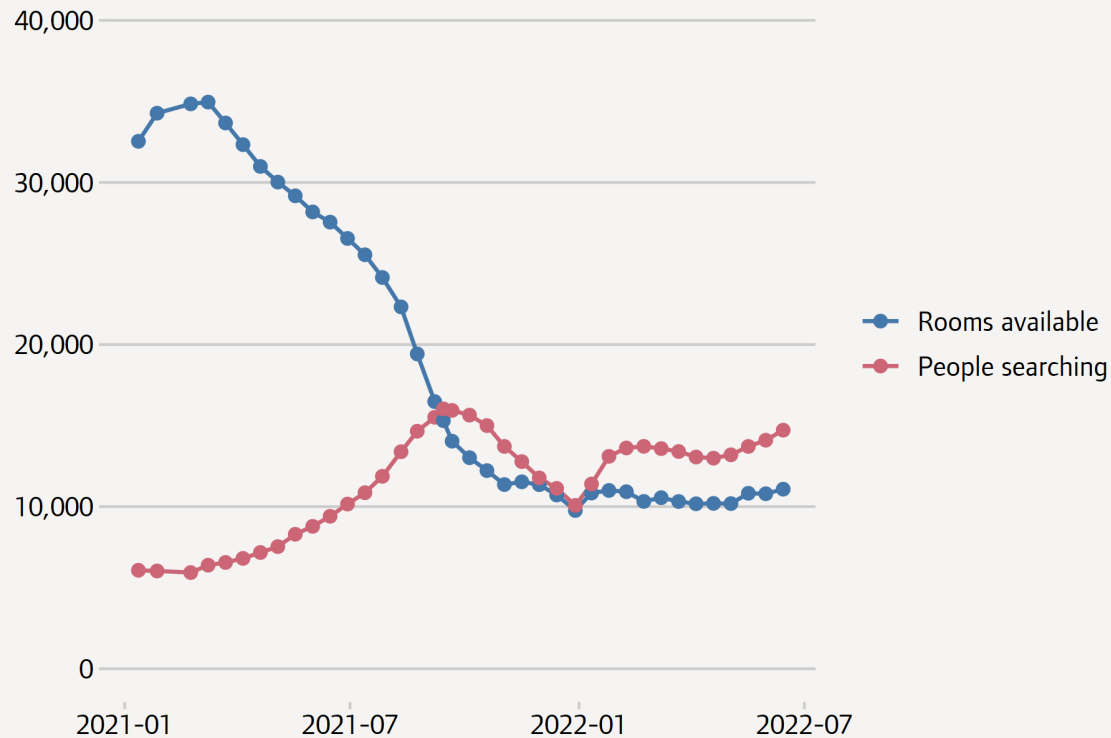


Source: Rightmove quarterly asking rent data

- [Rightmove](#) data shows that average London asking rents in the second quarter of 2022 reached £2,257 per month, 15.8% higher than the same time last year. This is a record average asking rent and the highest ever annual growth in rents of any region. The increase has been driven by steep rent rises in inner London where prices are recovering from the significant falls in average rent charged during lockdowns. Outer London rents have more closely resembled the trend seen in the rest of the country, where asking rents have risen by 10.8% since Q2 2021.
- [Homelet's Rental Index](#) shows similar trends, reporting that rents in London increased annually by 14.9% in June, compared to a rise of 8.7% across the rest of the UK. Average rents have risen the most in Westminster (27.8% increase since June 2021) and the least in Enfield (5.2% annual increase).
- Londoners living in the private rented sector are spending 34% of their income on rent on average, up slightly from 33.8% the same time last year ([Homelet](#)).

2. Demand for private rental homes remains above supply in London and there are signs that both demand and supply are continuing to increase slowly, despite reports of many landlords considering leaving the market.

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

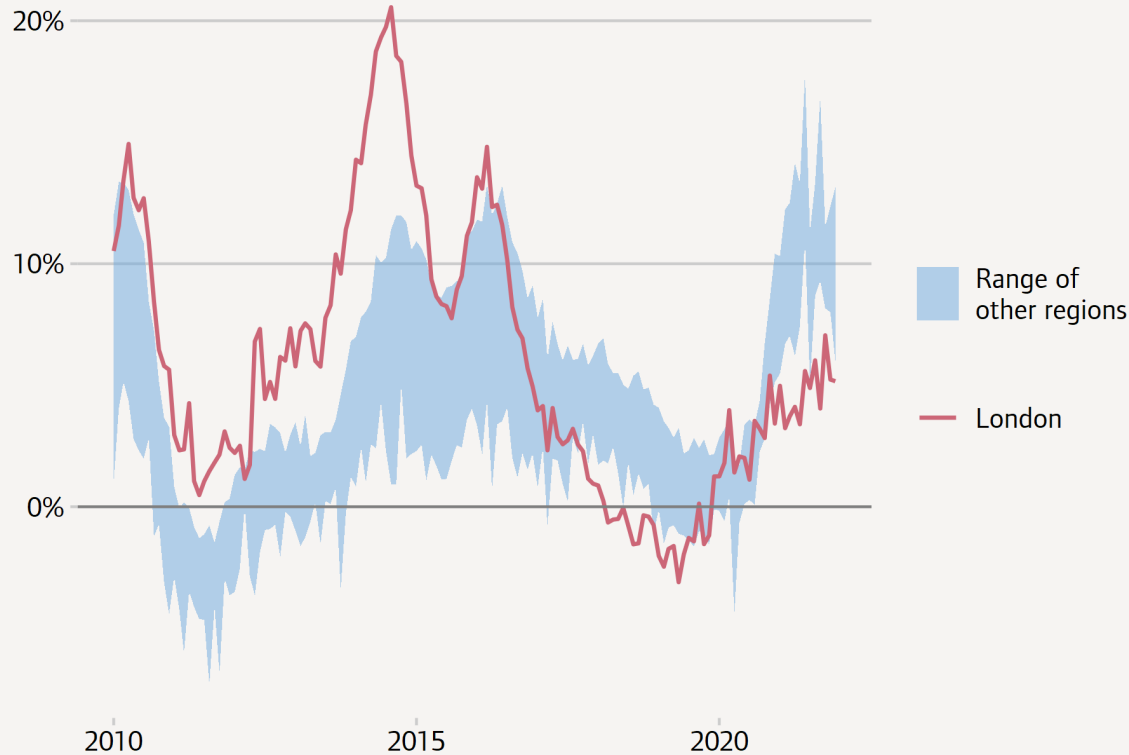


Source: Data gathered from <https://www.spareroom.co.uk/flatshare-house-share/uk/>

- According to [Rightmove](#), the large rent increases in London are as a result of tenant demand rising by 81% and the number of available properties falling by 47% compared to the pre-pandemic market in 2019.
- The latest data from [SpareRoom.co.uk](#) indicates that the number of people searching for rooms remains higher than the supply and has been rising gradually over recent months, although the number of rooms available has also begun to slowly rise.
- The [RICS Residential Market Survey](#) respondents reported that London was the region with the third highest tenant demand in May over the past three months. On the other hand, landlord instructions fell to a lesser extent in London than across England and Wales in May, providing further evidence that supply of rental homes are tentatively increasing in London. Despite cost-of-living increases, most respondents expect rents in London to continue to rise throughout 2022.

3. House price growth in London remains behind other regions, although average asking prices have increased since July last year in 31 out of 32 boroughs (excluding the City of London).

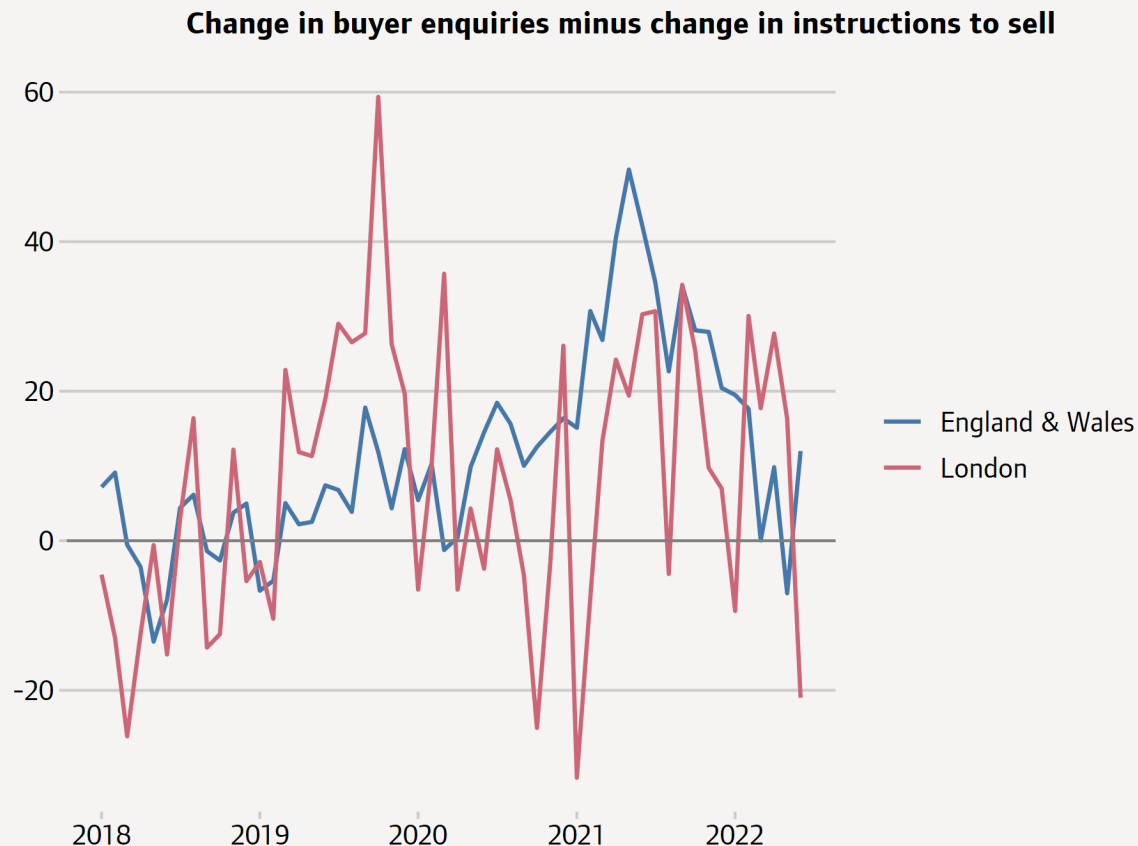
**Annual house price growth in London and other regions**



Source: ONS, UK House Price Index

- According to the [House Price Index](#) from the ONS, London house prices rose by 7.9% over the year to April, up from 4.9% annual growth in March. This was the lowest price growth of any English region. The average house price was highest in Kensington & Chelsea at £1.5 million, and lowest in Barking & Dagenham at £336,000.
- More recent data from [Rightmove](#) shows that London asking prices rose by 7.4% in July compared to the same time last year, but properties are taking far longer to sell than in the rest of the country. They recorded the average London asking price as £692,828, 87% higher than the national average of £369,968.
- Within London, asking prices in Merton rose the most over the year to July with a 11.6% increase, and Barnet and Havering were close behind with a 11.3% and 11.2% rise respectively. Kensington and Chelsea were the only borough to experience an annual fall in average house price of 0.1%. Southwark saw average prices increase by 2.1%, the smallest price increase of any London borough since July 2021.

4. Whilst demand amongst buyers in London may be starting to fall as a result of inflation and economic and political uncertainty, the market imbalance and upwards pressure on prices continues due to low numbers of properties on the market.

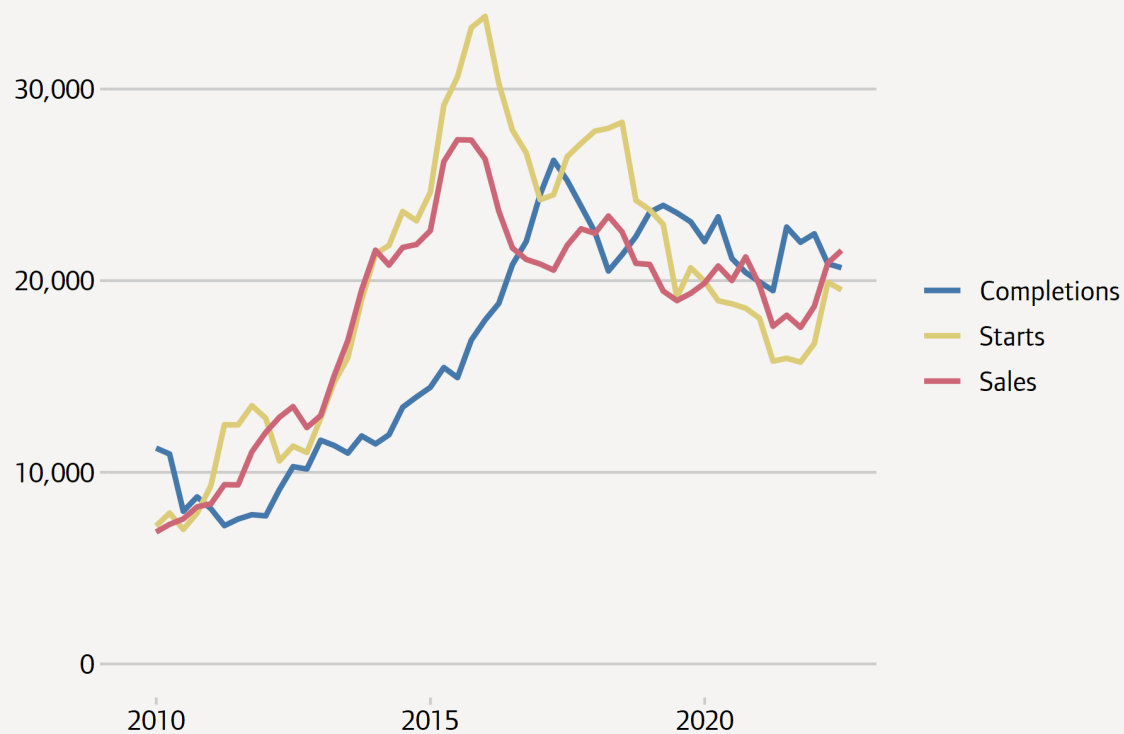


Source: RICS monthly housing market survey

- Data from [RICS](#) shows that both new buyer enquiries and new instructions to sell in London rose between May and June, with new instructions increasing significantly. Despite these figures, respondents to their monthly survey reported concern amongst buyers over the cost of living rises, inflation and political uncertainty, all of which may dampen new enquiries in the short term. Some have also seen a continuation of preferences for houses over flats and properties with outdoor space being more popular.
- Agents included in [Rightmove's House Price Index](#) for June have described a 'huge imbalance' between the number of buyers and the low stock levels in London, although they have begun to see buyer demand slowing. The average number of days to secure a buyer in London has continued to fall since its peak in January, but it remains significantly higher than the average in the rest of the UK.

5. Between Q1 and Q2 2022 the number of large housebuilding schemes starting in London fell considerably, whilst completions rose, and demand was strong from Build to Rent and Help to Buy.

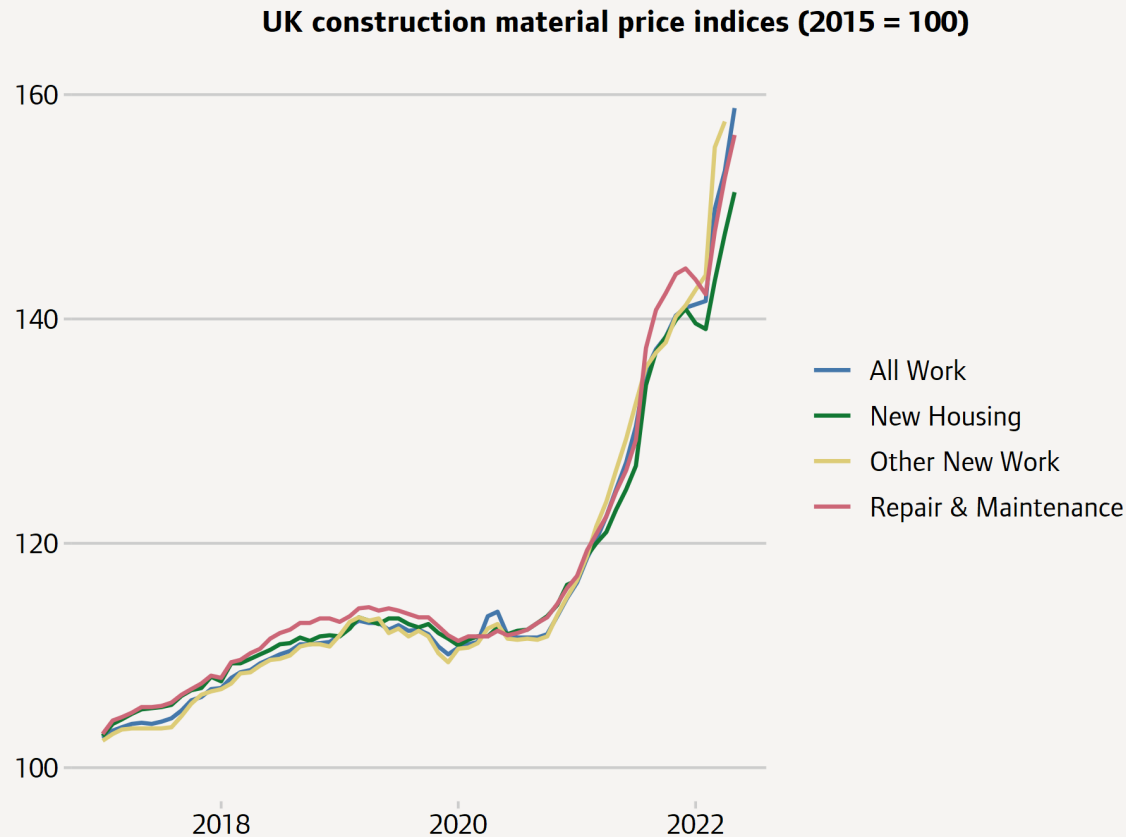
**Annualised quarterly Molior data on starts, sales and completions**



Source: Molior quarterly reports, four quarterly rolling totals

- Annualised figures from Molior on large schemes in London show a rise in sales of homes, but a small dip in the number of projects starting on site and being completed in the past year. In the short term, quarterly figures show that the number of schemes started in Q2 2022 was nearly half the number started in Q1, whilst completions rose by over 50%.
- At the beginning of 2022, more new homes on large sites were sold than in any quarter since 2018, driven by large numbers of Build to Rent and Help to Buy homes sold.
- In the last 8 weeks, [data on Energy Performance Certificates for new dwellings](#) show over 6,900 new homes have been registered in London across all scheme sizes. This is the highest figure since April 2021 after a dip at the start of the year.

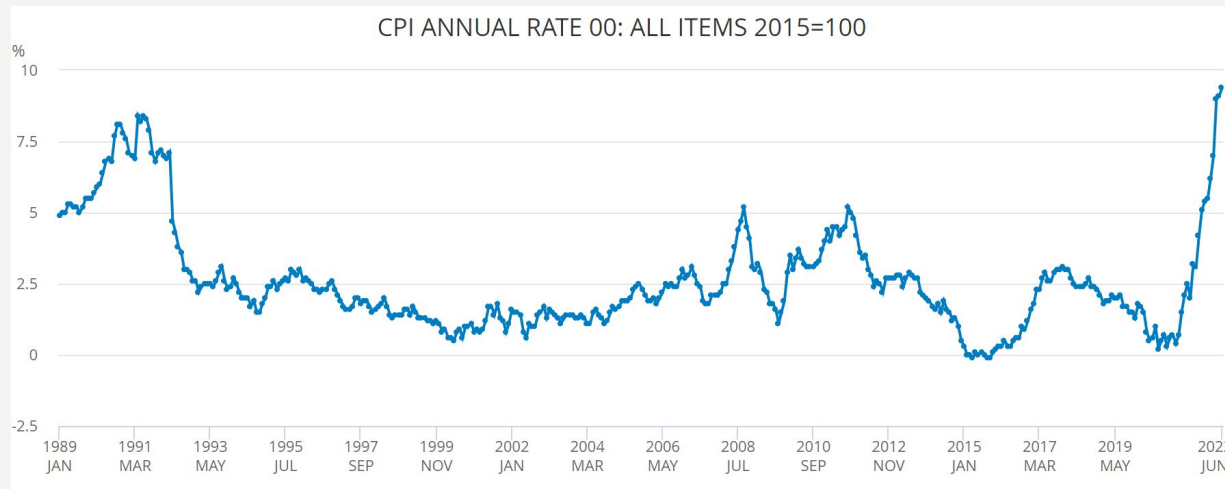
6. Prices of construction materials continue to rise steeply alongside high levels of economy-wide inflation, however prices for new housing materials have fallen slightly behind other construction categories.



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

- Despite a brief dip at the beginning of this year, prices of construction materials have been rising sharply since February among all categories ([BEIS](#)). Prices for new housing materials remain slightly behind materials for other types of construction, but still rose by 23% between May 2021 and May 2022.
- Prices are continuing to be driven upwards by a number of factors, including high energy costs as a result of the war in Ukraine, a lack of labour increasing wages in construction, and inflation across the economy. There have been [reports](#) of firms stockpiling materials due to ongoing shortages, which is further increasing prices.
- 16% of construction firms who responded to the [ONS Business Insights Survey](#) in June experienced difficulties in recruiting employees, higher than the average across all sectors. The main reasons they gave for these difficulties were a lack of qualified applicants, a low number of applications, not being able to offer an attractive pay package, and a reduction in the number of EU applicants.

7. The Consumer Price Index has risen by 9.4% in the 12 months to June, prompting likely further interest rate increases which could dampen buyer demand.



Source: ONS CPI data

- According to [ONS figures](#), consumer price inflation has risen to 9.4% in the year to June, up from 9.1% in May. The governor of the Bank of England, [Andrew Bailey](#), [has said that](#) returning inflation to the target of 2% is the 'absolute priority' for the Monetary Policy Committee, and they will consider raising interest rates by 0.5% in August to 1.75%.
- The [RICS Residential Market Survey](#) respondents in June are anticipating buyers and renters losing confidence in the market as a result of political uncertainty, inflation and increasing interest rates. Many respondents report landlords considering leaving the market due to proposed adverse legislation, however the market is unsure on what will happen to proposed legislation if a new housing minister is appointed in the coming months.
- Despite economic uncertainty reported across sectors, construction firms are more concerned by the impact of the cost and availability of labour and materials on their turnover, according to the [ONS Business Insights](#) Survey results for June.