

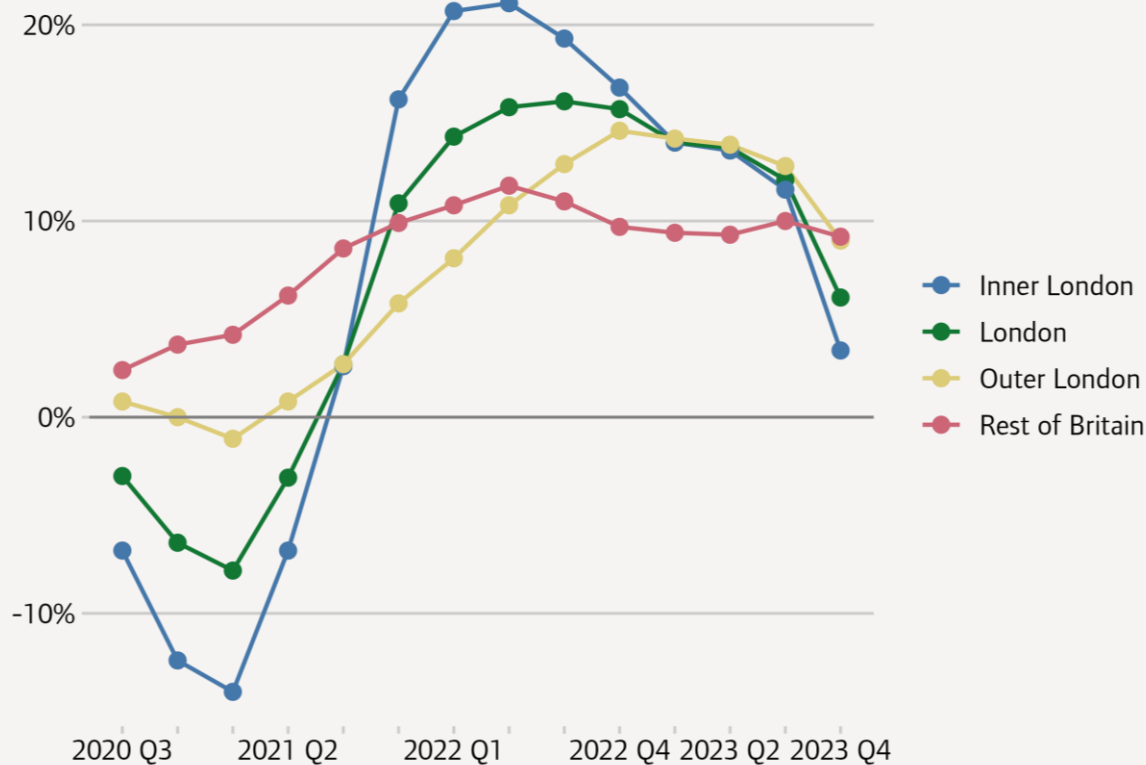
London Housing Market Report: February 2024

Summary

1. The rate of growth in average asking rents for new tenancies in London fell significantly over the last quarter, but affordability continued to worsen.
2. For the first time since 2021, the number of available rooms outstrips the demand for rooms in the flatsharing market.
3. The average price of homes sold in London fell sharply over the last quarter, but asking prices have seen a marginal increase in recent months.
4. Changes in demand and supply in the sales market are now balancing out after a period of low demand.
5. Prices of construction materials in the UK have been falling gradually since its peak in mid 2022, but remain comparatively stable after very rapid growth in 2021 and 2022.
6. Housebuilding activity in London has weakened in the last year, as is the case in the rest of England.
7. Housing completions are running at a slower pace, as part of a wider national slowdown.

1. The rate of growth in average asking rents for new tenancies in London fell significantly over the last quarter, but affordability continued to worsen.

Annualised change in Rightmove asking rents, 2020 Q3 to 2023 Q4

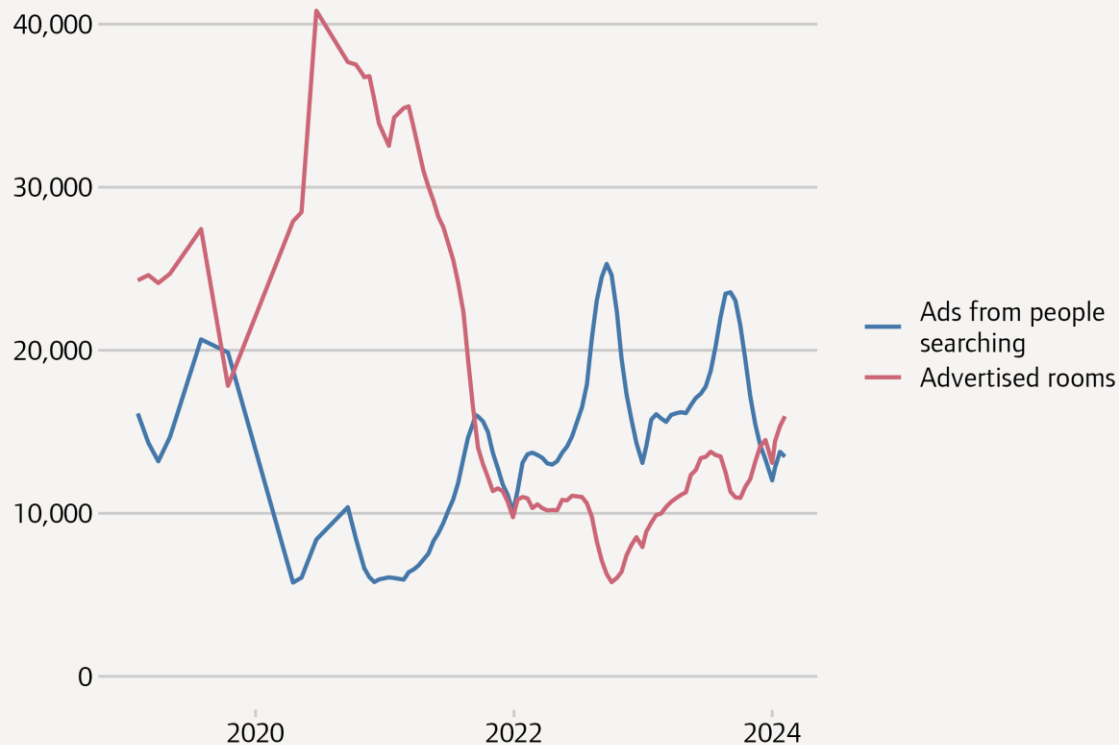


Source: Rightmove quarterly asking rent data

- According to [Rightmove](#), London's annual rate of rental growth slowed markedly in Q4 2023. Average asking rents for new tenancies in London reached £2,631, with the quarterly annualised growth in rental prices halving from 12.1% to 6.1% (Q3 to Q4 2023) and falling to its lowest rate since Q4 2021. Growth in inner London fell from 11.6% to 3.4% and growth fell in outer London from 12.8% to 9.0% (both the lowest rate since the end of 2021).
- The rate of growth for the rest of Britain surpassed London at 9.2%, after eight consecutive quarters below. Rental growth rates across Britain as a whole show little signs of slowing down.
- Monthly [HomeLet](#) figures on rents for new tenancies in London also showed a significant slow-down in growth, to 4.6% in the year to January. Despite rising less sharply, rental prices have become less affordable due to stagnating wages. Londoners starting new tenancies in December were spending 40% of their income on rent, a record high since the data began in 2014.

2. The number of available rooms advertised outstrips the demand for rented rooms first time since late 2021.

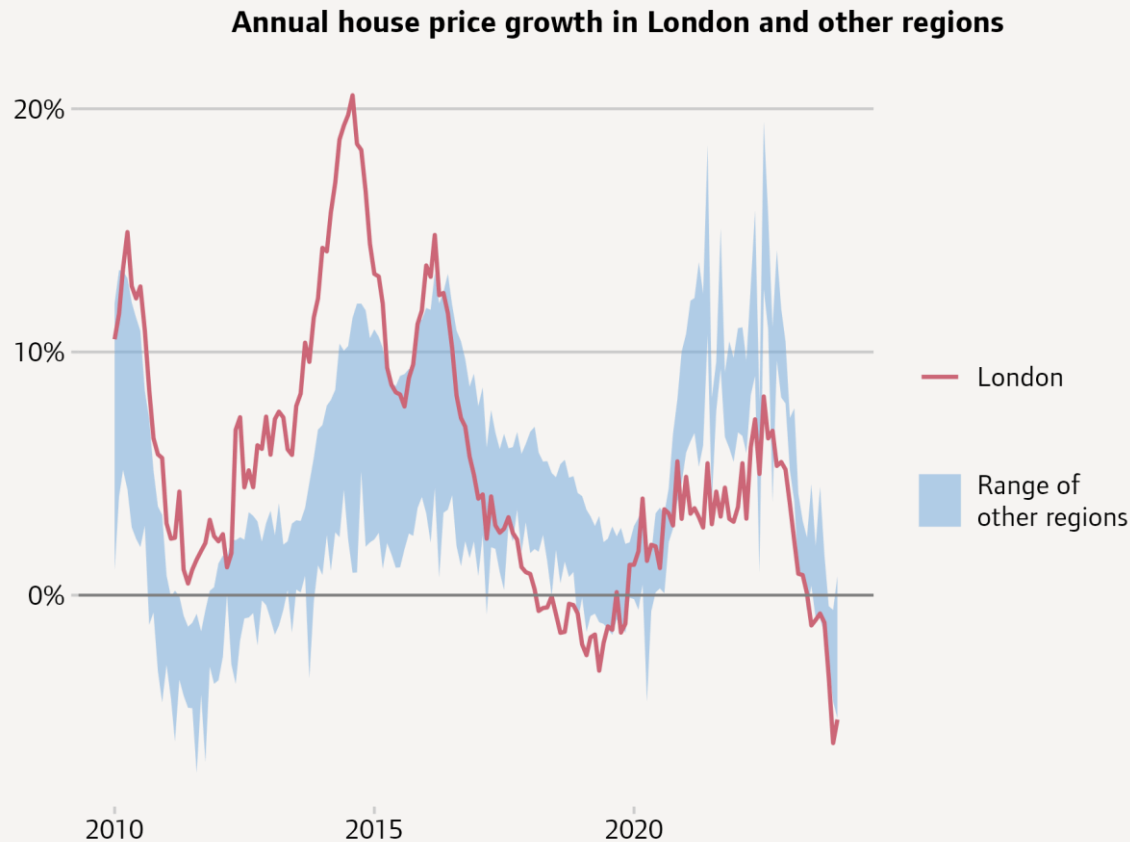
Supply of and demand for rooms in London flatshares (SpareRoom data)



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 in London flatshares reaching its highest level since October 2021, while the number of ads placed by people searching for rooms in London fell by 16% to 13,478 compared to last year. The number of rooms available per searcher has been above 1 since mid-December (for the first time since September 2021), with 1.18 rooms available per searcher in early-February.
- Data gathered from Zoopla showed that the number of one-bedroom homes available to rent in London below £1,500 per month rose by 23% year-on-year to 1,384 in late January. There were similar year-on-year increases in the number of 3-bedroom homes under £2,500 (18%), while the number of 2-bedrooms homes available under £1,750 fell by 13%.
- The January [RICS market survey](#) saw the majority of respondents reporting an increase in tenant demand in London, while landlord instructions fell over the past quarter.

3. The average price of homes sold in London fell sharply over the last quarter, but asking prices have seen a marginal increase in recent months.

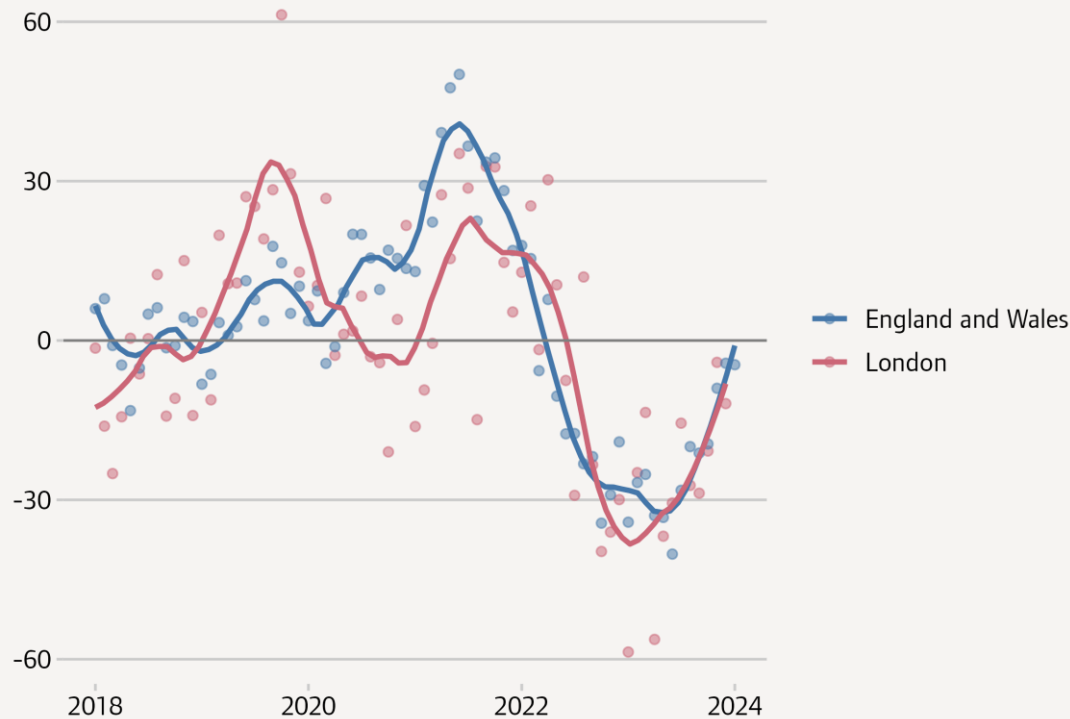


Source: ONS, UK House Price Index

- According to the ONS [House Price Index](#), the average house price from completed sales in London increased marginally by 0.5% in December (£508,000) after four consecutive months of decline. November experienced the lowest house price (£505,283) seen since late 2021 and the largest year on year decline (6%) since 2009.
- More recent data from Rightmove shows that the average price of London homes coming to market increased by 0.2% in the year to February. The average asking price in London (not adjusted to account for the mix of homes sold as the ONS figure is) in February was £682,989, down from a peak of £696,500 in May 2023.
- At borough level, Rightmove reported the annual growth in asking prices was highest in several West London boroughs, led by Westminster at 9.9%. The biggest drops were in Camden (7.8%), Merton (4.3%) and Enfield (4.1%).

4. Changes in demand and supply in the sales market are now balancing out after a period of low demand.

Change in buyer enquiries minus change in instructions to sell

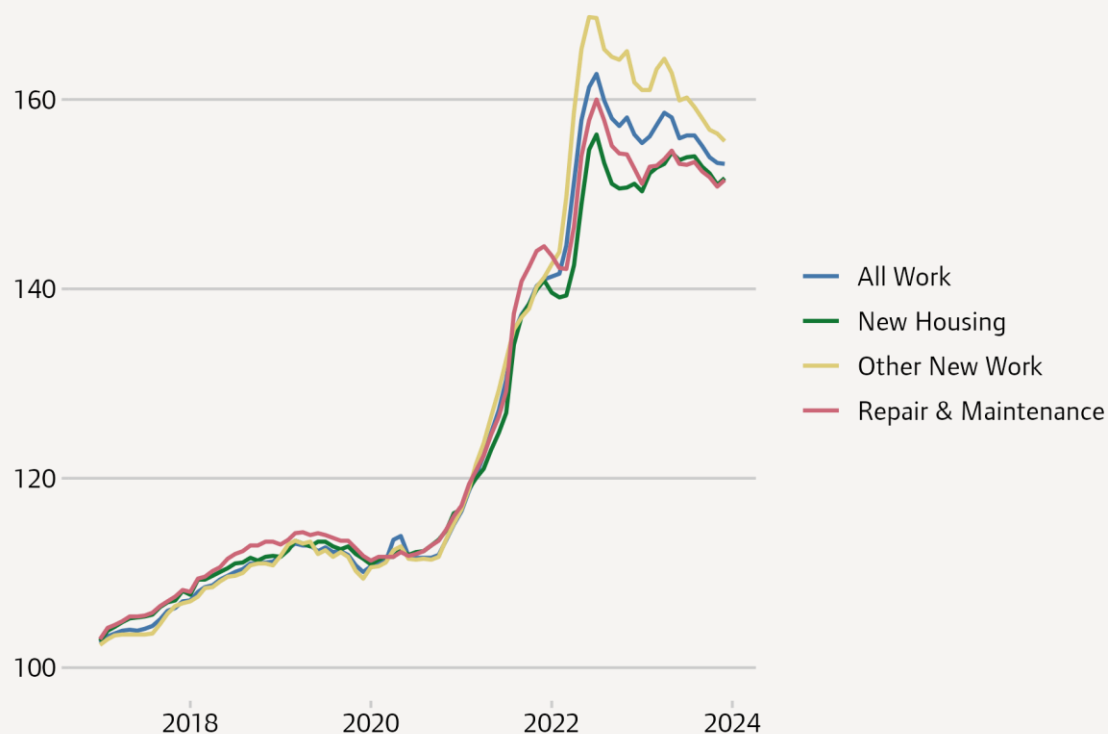


Source: [RICS monthly housing market survey](#)

- This chart combines the monthly change in buyer enquiries and the change in the number of new homes listed for sale (as reported by RICS survey respondents) and demonstrates that in the past year demand has been falling relative to supply.
- In every month since September 2022, a majority of respondents have reported falling demand in London, but this majority has shrunk in the last quarter. This convergence in instructions and demand suggests that prices are likely to stabilise. Trends in the availability of homes for sale have been more mixed, so movement in prices is being mainly driven by change in demand, both in London and across the country as a whole.
- 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 4.73% in January, down from the last peak of 6.25% in July but still far above typical levels in recent years.

5. Prices of construction materials in the UK have been falling gradually since its peak in mid 2022, but remain comparatively stable after very rapid growth in 2021 and 2022.

UK construction material price indices (2015 = 100)

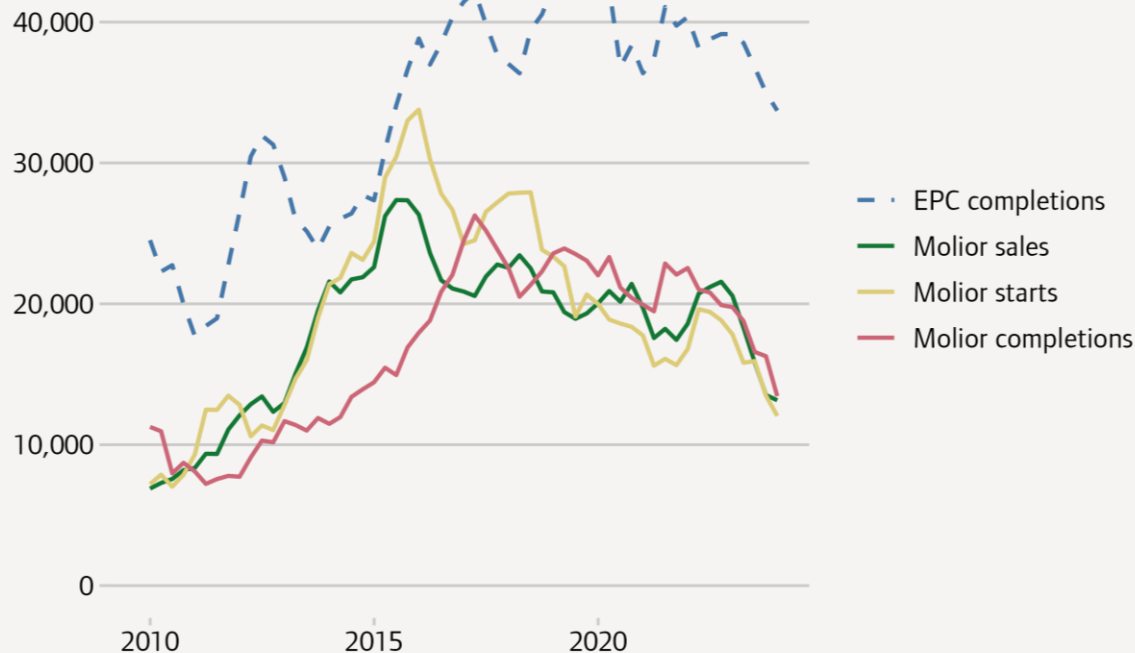


Source: [BEIS Monthly Statistics of Building Materials and Components](#)

- The latest [BEIS data](#) shows a 0.46% increase in the price index of materials used in new housing between November and December 2023, and an 0.4% increase over the last year. In general, while the very rapid cost increases seen in 2021 and 2022 have come to an end, the costs of housebuilding materials have not fallen far from their peak (and have fallen less than materials for non-housing construction, albeit after peaking at a lower level).
- In the February ONS [Business Insights and Conditions Survey](#), 31% of construction firms reported they had no concerns affecting their business, the highest proportion since early 2022. Where there are concerns, falling demand is the most significant, with 23.6% of construction firms reporting this issue, the highest proportion since data was available in March 2022.
- The [CIPS UK Construction PMI](#) reported higher prices paid for imported items, which may indicate supply chain disruption that is already affecting [other sectors](#) as a result of the Red Sea crisis.

6. Housebuilding activity in London has weakened in the last year, as is the case in the rest of England.

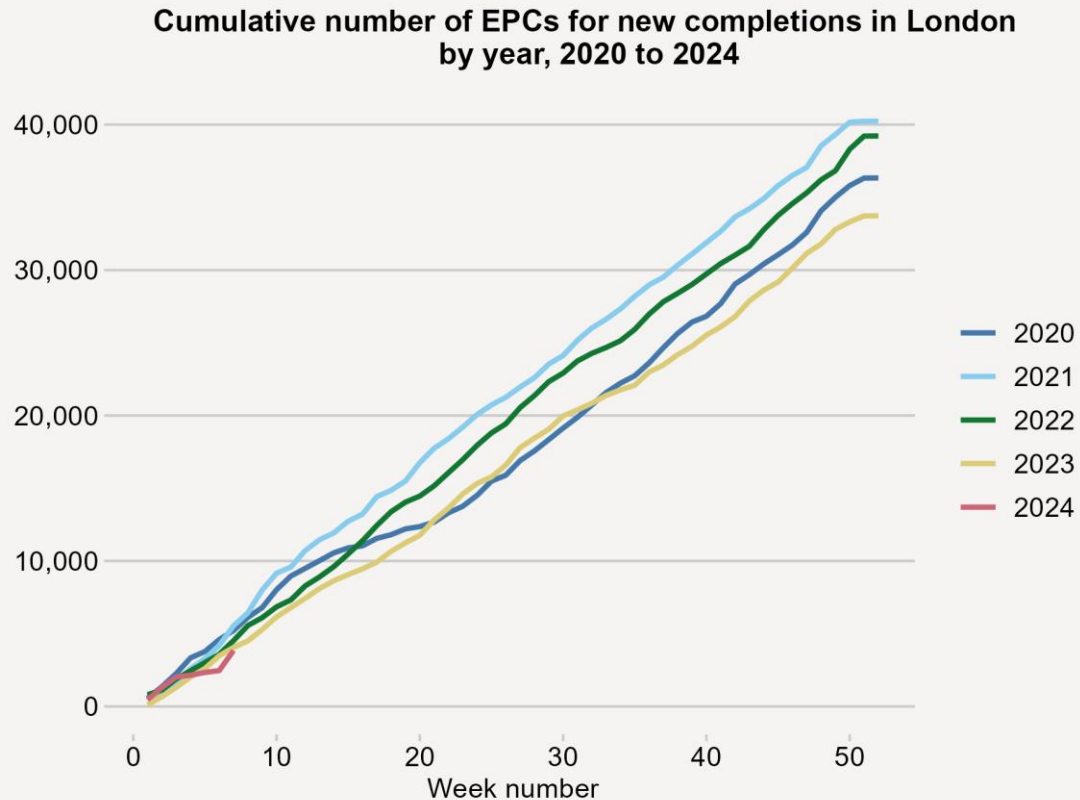
**Annualised Molior data on starts, sales and completions,
and Energy Performance Certificate data on completions**



Source: DLUHC Energy Performance Certificate data and Molior. The Molior 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 for the fourth quarter of 2023 show continued sharp falls in the annualised numbers of starts, completions and sales over the last year. Compared to the year to December 2022, starts in 2023 fell by 32%, completions by 31% and sales by 36%. Molior also reported that 61 schemes across London, accounting for around 6,000 homes, were previously under construction but are currently stalled, due to factors including poor sales and contractors going into administration.
- There was better news at the end of 2023 on planning applications, with over 10,000 homes on applications submitted in Q4, the highest for two years. Similarly, there were over 11,000 homes granted planning permission in Q4 2023, again the highest for two years.

7. Housing completions are running at a slower pace, as part of a wider national slowdown.



Source: DLUHC Energy Performance Certificate data

- [DLUHC data](#) showing the number of EPCs recorded weekly in London gives a more comprehensive picture of completions than the Molior data, and recent figures point to 13% decrease in number of completions in 2023 compared to the previous year.
- February [CIPS UK construction PMI](#) reported that housebuilding activity continues to be the weakest performing sector. Respondents to the survey pointed to low demand and a lack of work to replace completed projects as key constraints on housebuilding. However, future business activity expectations reached to highest level of optimism since January 2022.
- In its February [Monetary Policy Report](#), the Bank of England reported a continued fall in housing investment in 2023 Q3, down by 1.4% since mid 2022. This was largely driven by a fall in new dwellings, whilst investment in house improvements and spending associated with house purchases remain unchanged and resilient in recent quarters. Housing investment is expected to remain subdued for some time, due to the ongoing impact of high interest rates.