

Greater London Authority

London housing market report, Quarter 4 2012

Introduction

This report summarises key trends in London's housing market, including prices, affordability, repossessions and new housing construction. The data presented is the latest available as of late February 2013, and the report should be read with the caveat that changes in the housing market can take time to show up in published data.

Where possible, comparisons are made between trends in London and the rest of the country (or the country as a whole), as national trends may mask significant regional differences. Where the data allows, timelines are standardised to begin in 2007.

This report is updated on a quarterly basis. Previous editions can be found on the GLA website at the following address: <http://www.london.gov.uk/publication/archive-quarterly-london-housing-market-reports>. For the data behind the charts please refer to the original sources listed in each case.

Summary of key points

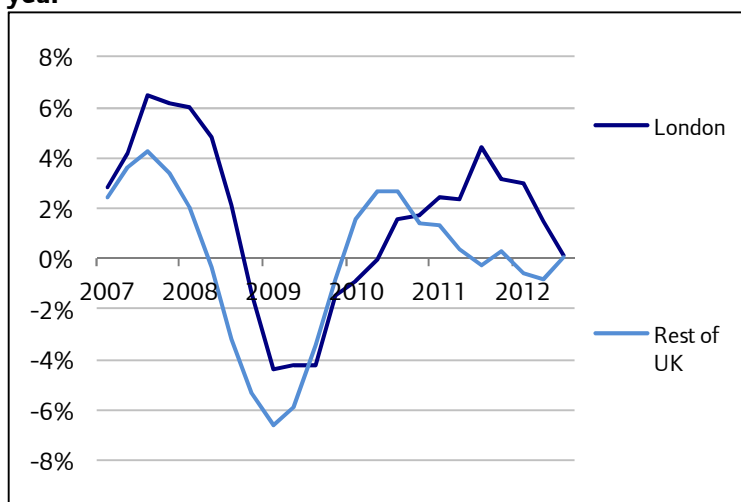
- There was zero real-terms economic growth in London and the rest of the UK in the last year, but London's unemployment is falling and converging with the national rate (see charts 1.1 and 1.2).
- The number of new mortgage loans to first time buyers in London rose over the last year but remains well below pre-recession levels (2.1).
- There are signs of revival in the mortgage market, with lenders reporting increases in both demand and supply (2.2).
- Average house prices in London grew by 6.4% in London over the last year, again the highest growth of any English region (2.3).
- However, the main price indices suggest little or no growth in London house prices in the last three months (2.5).
- Both consumers and surveyors expect house prices to continue growing in London (2.6 and 2.7).
- Monthly home sales remain volatile but in broad terms have been relatively flat over the last three years (2.8).
- Average private rents grew by at least 8% for homes of all sizes in London over the last year (2.9).
- Recent months have seen little change in either average first-time buyer deposits or mortgage payments as a share of income, while average interest rates for new and outstanding mortgages continue to converge (3.1 and 3.2).
- The proportion of mortgages in arrears has stabilised, while mortgage possessions continue to decline (3.4 and 3.5).
- However, orders for landlord possession (both private and social) have increased significantly in recent years (3.5).
- Both new construction orders and new housing starts have fallen on an annualised basis in recent months, though completions (which lag orders and starts) are still rising (4.1 to 4.3).
- Annualised growth in housing construction materials prices has steadied at around 1% (4.5).

Contents

The report is divided into four parts: economic conditions; the housing market; affordability and repossessions; and housing supply. Appendix 1 shows borough-level house price information from the Land Registry.

Part 1 – Economic conditions

There was zero real-terms economic growth in London and the rest of the UK in the last year

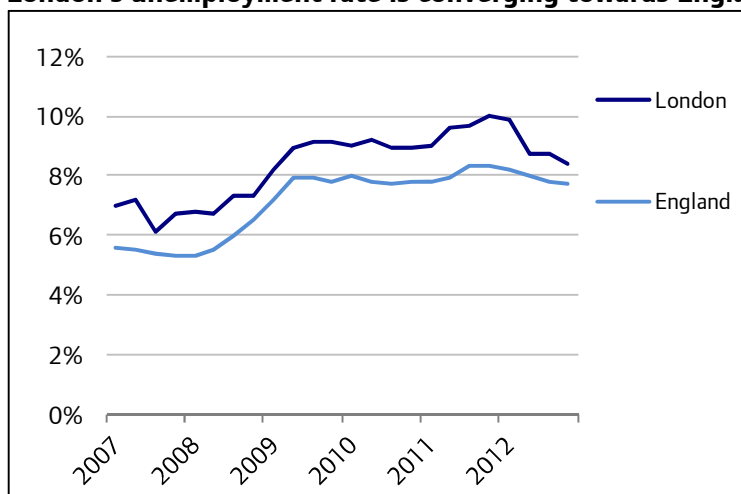


1.1 Real GVA growth (year on year), London and rest of UK

Source: Experian data provided to GLA

<http://www.experian.co.uk/>

London's unemployment rate is converging towards England's rate of 8%



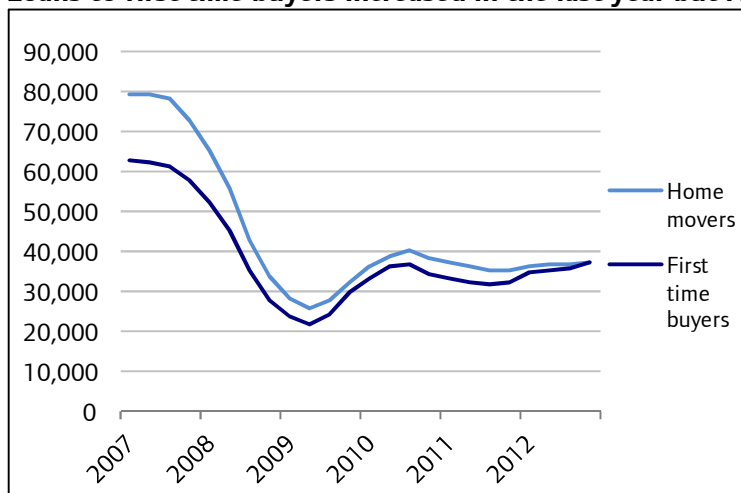
1.2 – Quarterly unemployment rate (ILO definition), London and England

Source: ONS Labour Market Statistics

<http://www.ons.gov.uk/>

Part 2 – The housing market

Loans to first time buyers increased in the last year but remain well below 2007 levels

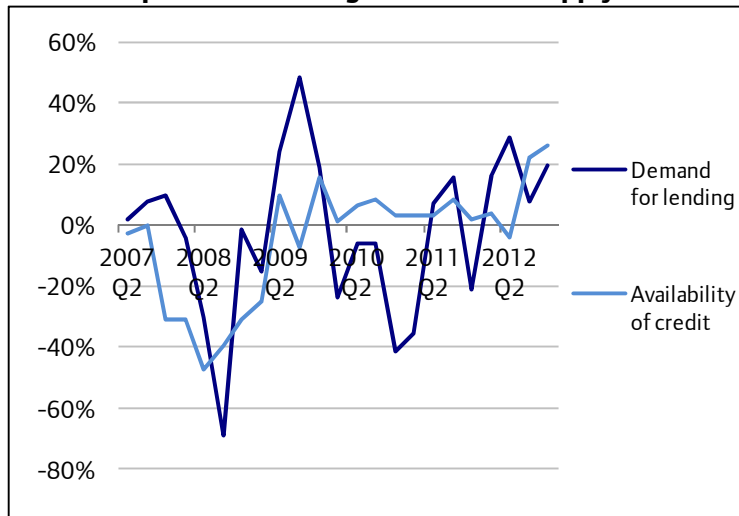


2.1 Quarterly number of new mortgage loans by type, London

Source: CML Mortgage Lending Statistics

<http://www.cml.org.uk/cml/statistics>

Lenders report that lending demand and supply have both risen in the past three months

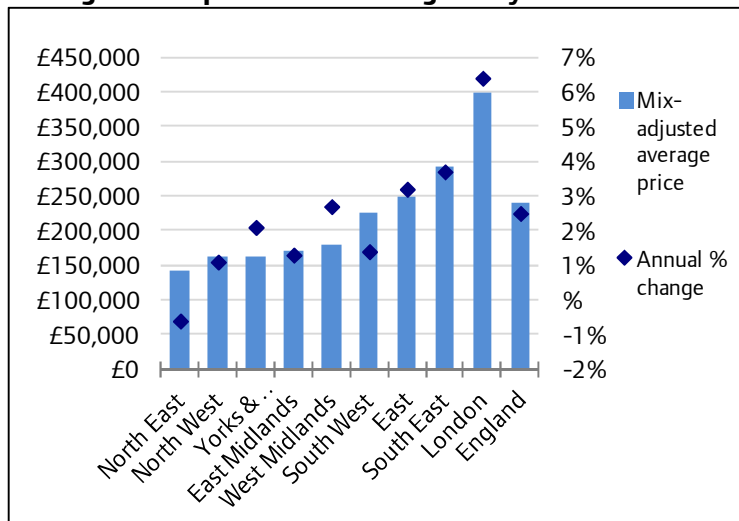


2.2 Net balance of lenders reporting increase in demand and availability of credit for secured lending from households (UK)

Source: Bank of England Credit Conditions Survey

<http://www.bankofengland.co.uk/publications/other/monetary/creditconditions.htm>

Average house prices in London grew by 6.4% in the last year

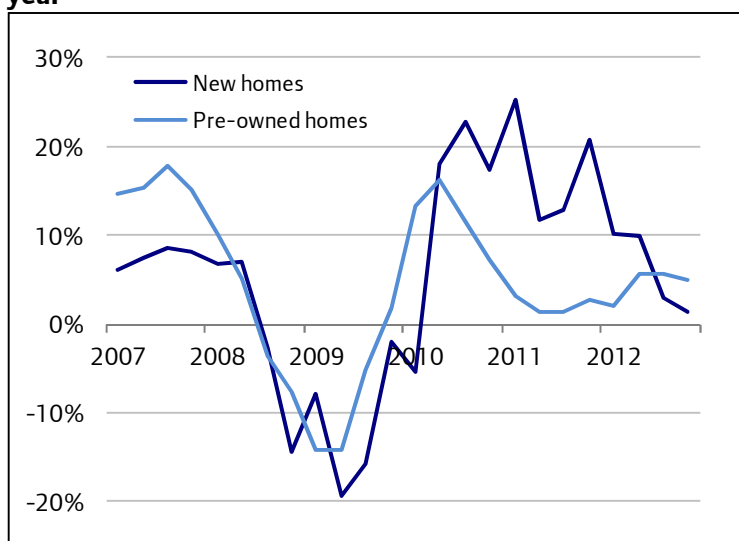


2.3 Mix-adjusted average house price and annual change by region, December 2012

Source: ONS, House Price Index tables 1 and 2

<http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=House+Price+Indices>

Average new home prices grew by 1% and pre-owned homes by 5% in London in the last year

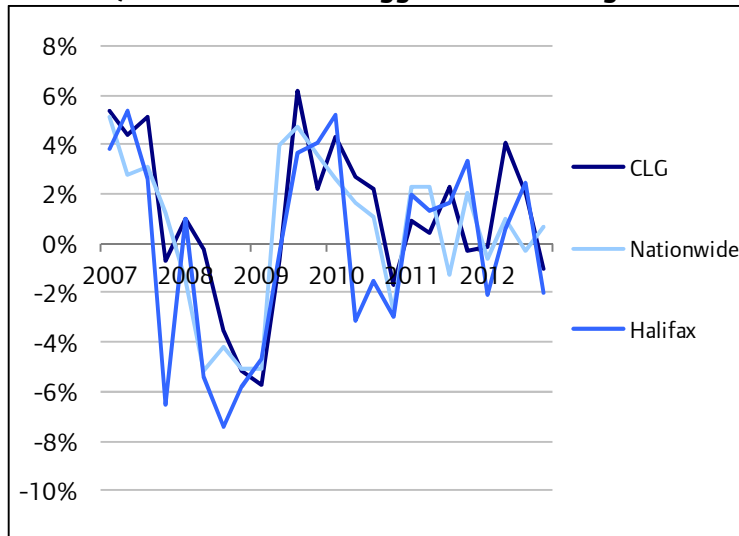


2.4 Trend in annual house price change for new and existing homes, London December 2012 (mix-adjusted prices, quarterly data)

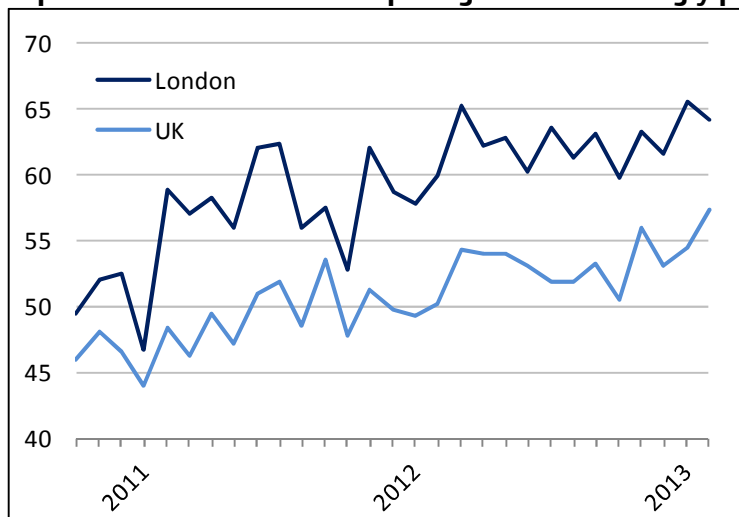
Source: ONS, House Price Index table 10

<http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=House+Price+Indices>

However, the main indices suggest little or no growth in London prices in the last quarter



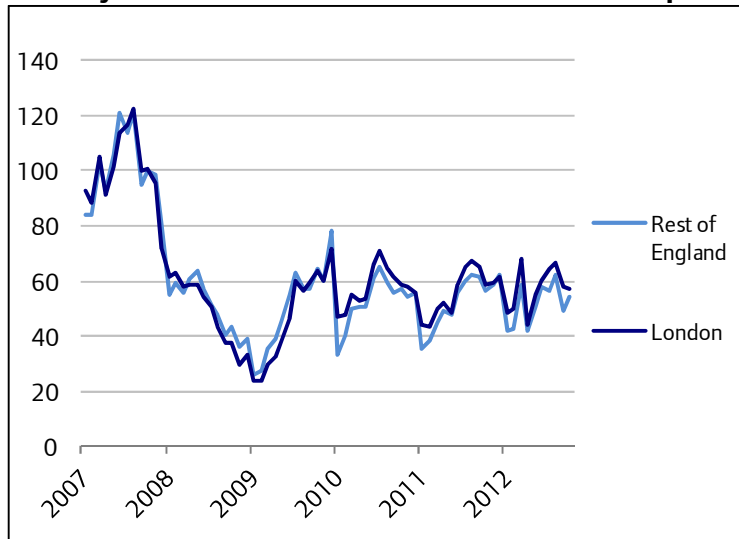
Expectations of future house price growth are strongly positive in London



A majority of surveyors in London expect house prices to rise in the next quarter



Monthly home sales remain volatile and well below pre-recession levels



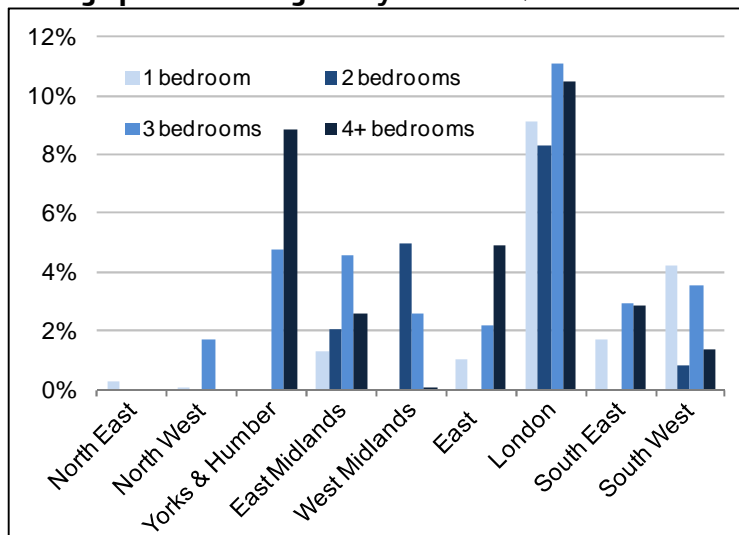
2.8 Trend in recorded monthly home sales, London and rest of England (Index 2007 = 100)

Source: CML Mortgage Lending Statistics

<http://www.cml.org.uk/cml/statistics>

(Note: The latest month shown is October 2012)

Average private rents grew by at least 8% for homes of all sizes in London in the last year

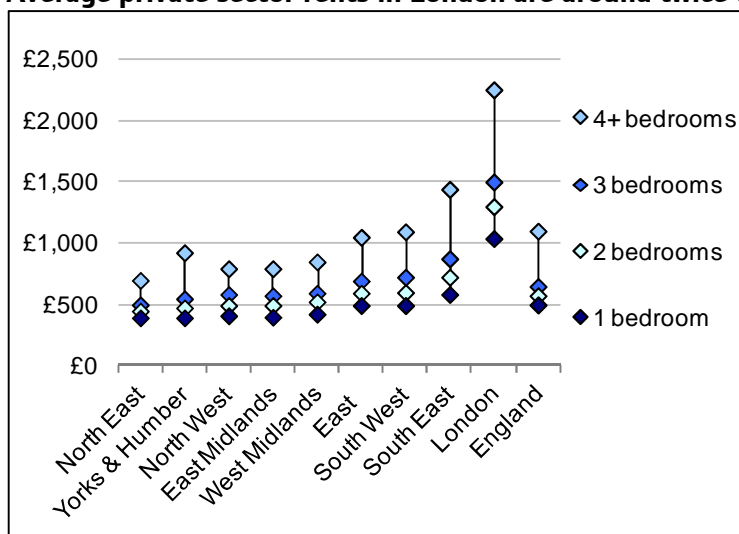


2.9 Quarterly change in median private rent for a two-bedroom home, by region, from year to December 2011 to year to December 2012

Source: VOA private rental market statistics

<http://www.voa.gov.uk/corporate/statisticalReleases/PrivateRentalMarketStatistics.html>

Average private sector rents in London are around twice the national average



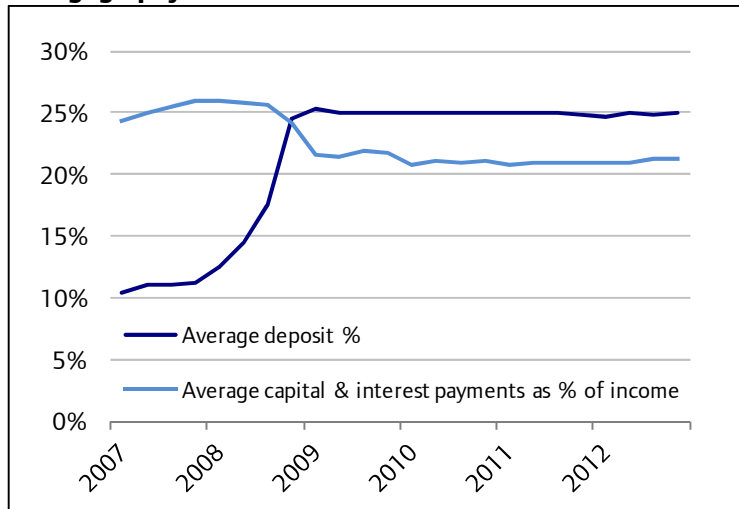
2.10 Median monthly rents by region and number of bedrooms, year to December 2012

Source: VOA private rental market statistics

<http://www.voa.gov.uk/corporate/statisticalReleases/PrivateRentalMarketStatistics.html>

Part 3 – Affordability and repossessions

Recent months have seen little change in either average first-time buyer deposits or mortgage payments as a share of income

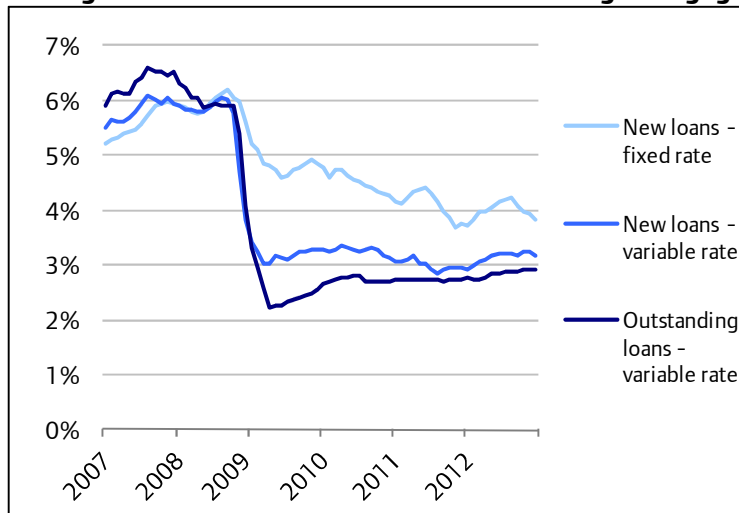


3.1 Median deposit requirement and capital and interest repayments as a proportion of income for first time buyers (London)

Source: CML Mortgage Lending Statistics

<http://www.cml.org.uk/cml/statistics>

Average interest rates for new and outstanding mortgages continue to converge

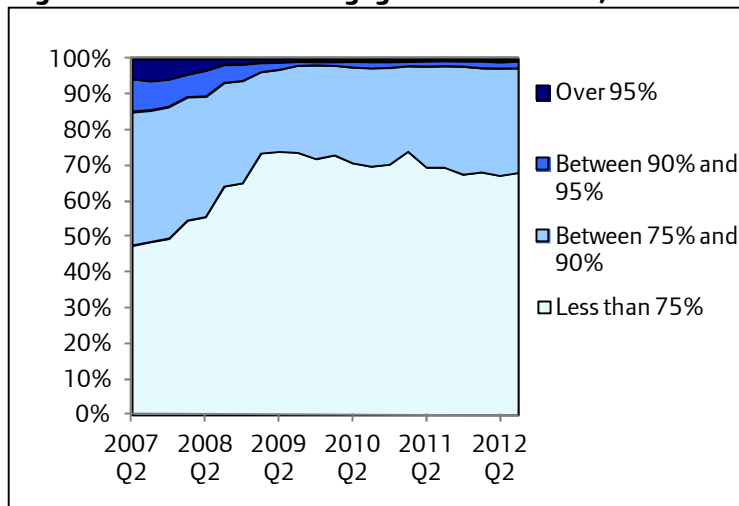


3.2 Average effective mortgage interest rates

Source: Bank of England statistical database

<http://www.bankofengland.co.uk/mfsd/iadb/NewIntermed.asp>

Higher loan-to-value mortgages remain scarce, with two thirds having a ratio of 75% or less

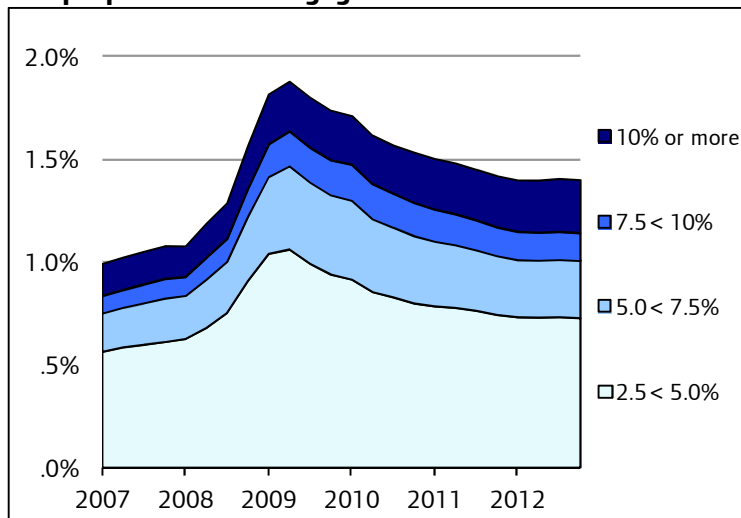


3.3 Distribution of loan to value proportions in new mortgage loans to individuals (UK)

Source: FSA Statistics on Mortgage Lending

http://www.fsa.gov.uk/pages/Library/Other_publications/statistics/index.shtml

The proportion of mortgages in arrears has steadied at a relatively high level

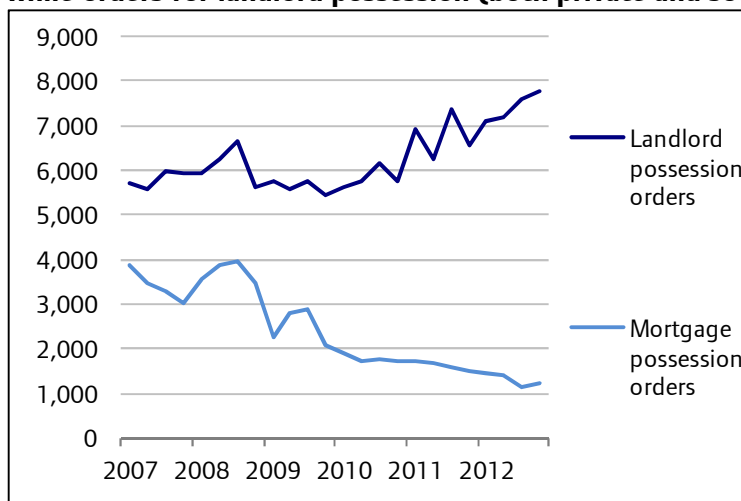


3.4 Mortgages in arrears as a proportion of all loans, by percentage of total balance in arrears (UK)

Source: CML Mortgage Lending Statistics

<http://www.cml.org.uk/cml/statistics>

Quarterly court orders for mortgage repossessions in London have fallen to nearly 1,000, while orders for landlord possession (both private and social) have risen to nearly 8,000



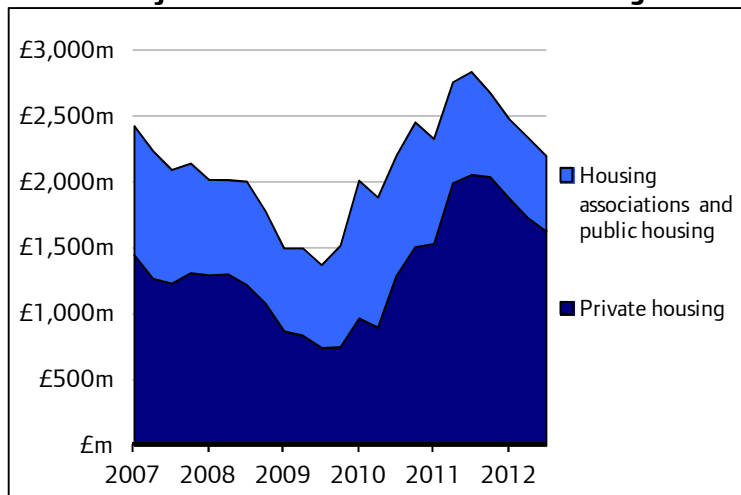
3.5 Possession claims leading to orders made in London courts (mortgage and landlord possessions)

Source: Ministry of Justice, Mortgage and landlord possession statistics

<http://www.justice.gov.uk/publications/mortgagelandlordpossession.htm>

Part 4 – Housing supply

There were just over £2bn orders for new housing in London in the last 12 months

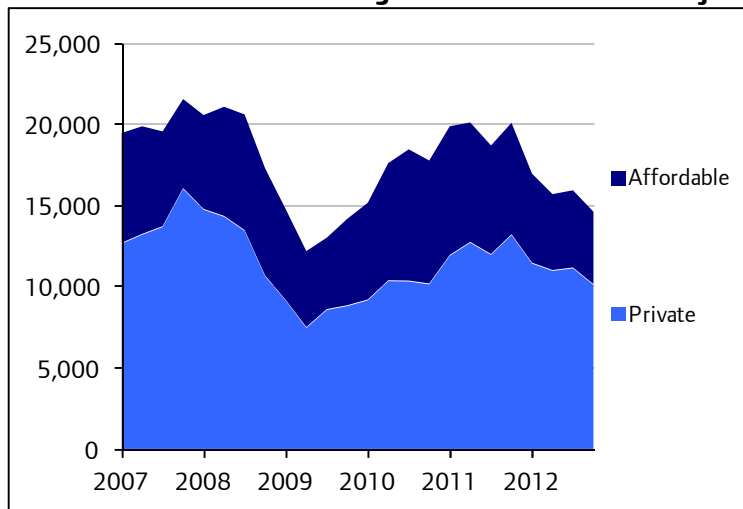


4.1 Annualised new housing orders, London (current prices, not seasonally adjusted)

Source: ONS, New orders in the construction industry

<http://www.ons.gov.uk/>

Annualised new build housing starts in London fell to just under 15,000 in Q4 2012

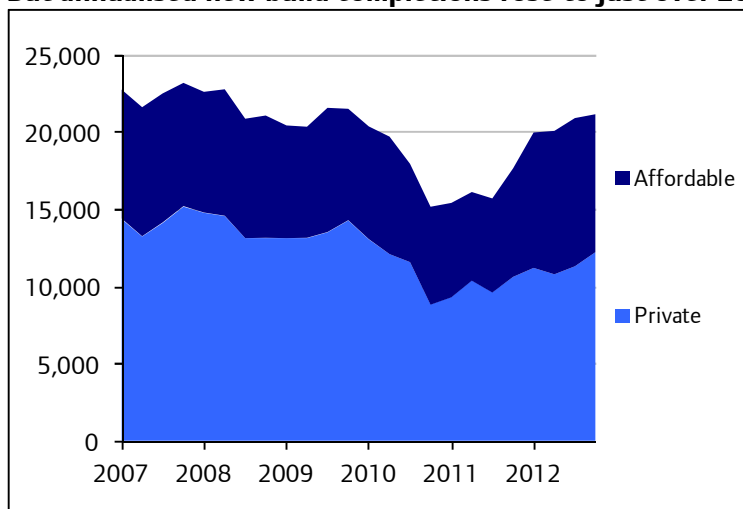


4.2 Annualised new build housing starts in London

Source: CLG, Housing Live Table 253a

<https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building>

But annualised new build completions rose to just over 20,000

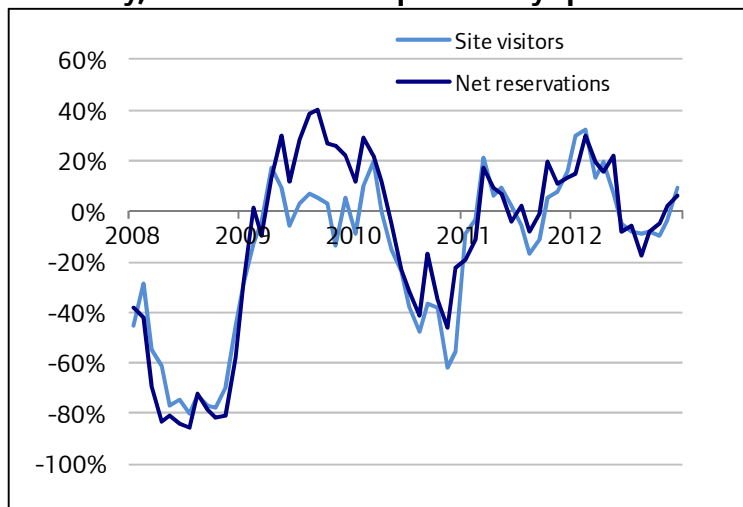


4.3 Annualised new build housing completions in London

Source: CLG, Housing Live Table 253a

<https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building>

Nationally, housebuilders are quite evenly split on whether demand is rising or falling



4.4 Net balance of housebuilders reporting a change in site visits and net reservations from 12 months ago (Great Britain)

Source: HBF Housing Market Report (not online)

Note: Net reservations is defined as commitments to purchase minus cancellations.

Annualised growth in housing construction materials prices has steadied at around 1%

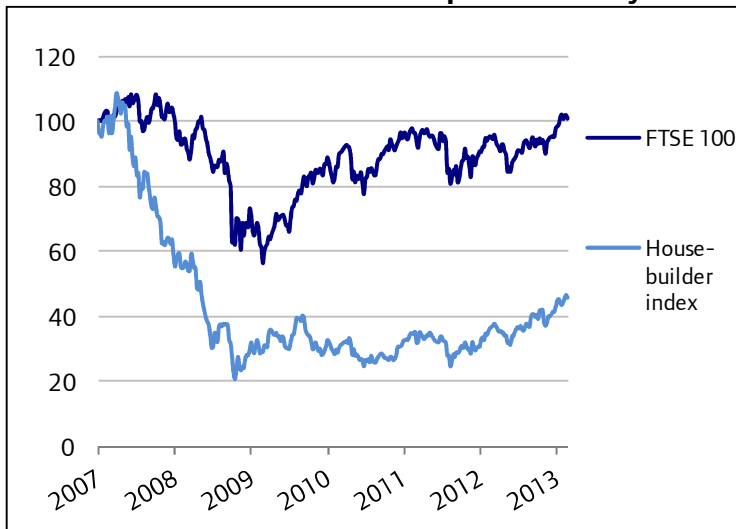


4.5 Annualised change in construction material price index for new housing, UK

Source: BERR, Monthly bulletin of building materials and components

<http://stats.berr.gov.uk/construction/building/>

Housebuilder share values have improved steadily over the last 18 months



4.6 Trend in FTSE 100 and aggregated index of house builder share prices

Source: Yahoo UK Finance

<http://uk.finance.yahoo.com/>

Note: Housebuilder index constructed by GLA from average of share indices for five main housebuilders, all re-based to 100 in January 2007.

Appendix 1 - Land Registry average price and change by borough

London borough	Monthly change %	Annual change %	Average price (£)
Barking and Dagenham	-0.4	-1.3	206,651
Barnet	0.7	4.0	368,444
Bexley	0.2	2.0	226,152
Brent	0.1	4.3	338,371
Bromley	0.2	2.4	295,648
Camden	1.7	11.2	643,635
City of London	n/a	n/a	n/a
Croydon	0.5	3.0	253,227
Ealing	1.2	5.2	349,851
Enfield	0.2	1.0	260,407
Greenwich	0.5	3.1	267,046
Hackney	1.1	11.6	436,376
Hammersmith and Fulham	1.4	11.3	580,479
Haringey	0.0	10.0	372,647
Harrow	-0.1	5.9	305,142
Havering	-0.7	0.6	256,519
Hillingdon	0.3	1.7	264,537
Hounslow	1.9	4.0	289,951
Islington	1.1	9.6	510,671
Kensington and Chelsea	-0.2	12.4	1,079,338
Kingston upon Thames	1.1	5.5	331,965
Lambeth	0.3	6.7	375,270
Lewisham	-0.4	2.7	278,395
Merton	0.8	7.8	356,017
Newham	0.4	4.3	229,118
Redbridge	0.9	0.6	290,919
Richmond upon Thames	1.1	8.7	489,741
Southwark	0.9	8.2	401,573
Sutton	0.7	2.8	253,438
Tower Hamlets	0.6	2.8	364,485
Waltham Forest	-0.2	3.7	251,116
Wandsworth	0.7	8.0	423,582
Westminster	-0.5	11.4	770,783
London	2.5	7.1	373,207
England and Wales	1.0	1.0	162,441

Source: Land Registry House Price Index January 2013 (released 28 February 2012)

<http://www.landregistry.gov.uk/public/house-prices-and-sales>

Note: These figures use a different methodology and cover a different period than those in Part 2