



Private rental market and House price trends in Tower Hamlets

Summary of key findings

The Corporate Research Team is publishing a quarterly update covering changes in the Tower Hamlets housing market bringing together Land registry data¹ and VOA private sector rent data.²

House prices

- The **average house price** in Tower Hamlets in April 2013 was **£370,500** which is slightly below the London average of £375,800. Flats and Maisonettes cost on average £365,000 and Terraced houses cost on average £397,200 in the borough.
- **House prices grew** over the last 12 month in Tower Hamlets **by 4.2%** which was less than the overall London growth of 6.2% mainly driven by some central London areas.
- Between Jan 2013 and April 2013, the **most expensive property sold for £1,200,000** in Marsh Wall / Land Mark East Tower in Millwall. The cheapest property was a flat sold in Gower's Walk / Whitechapel for £81,000 on a shared ownership basis.
- In **Feb 2013, 236 properties were sold** in the Borough. On average over the last 12 months around 300 properties are sold every month in the borough.

Private rents

- For all property types, the median rental **market price** for private properties **in Tower Hamlets was higher than** the **London** median price. Prices in Tower Hamlets are especially higher for Studios (49%) and 1 and 3 bed room properties (27% and 30% respectively).
- Over the last 12 months, median monthly rental prices have increased on average in all property size categories in the Borough. The **average private rent increased by 16.7%** compared to a **London average increase of 8.9%**
- Private rental prices in Tower Hamlets are moving into price ranges common to areas like Islington adopting the market characteristics of high demand / high priced central London boroughs.

¹ Land registry data in this document is price paid data and can be found here: <http://www.landregistry.gov.uk/>

² Valuation Office Agency - private sector rent data http://www.voa.gov.uk/Corporate/statisticalReleases/120126_PrivateRentalMarket.html

1 Tower Hamlets House prices

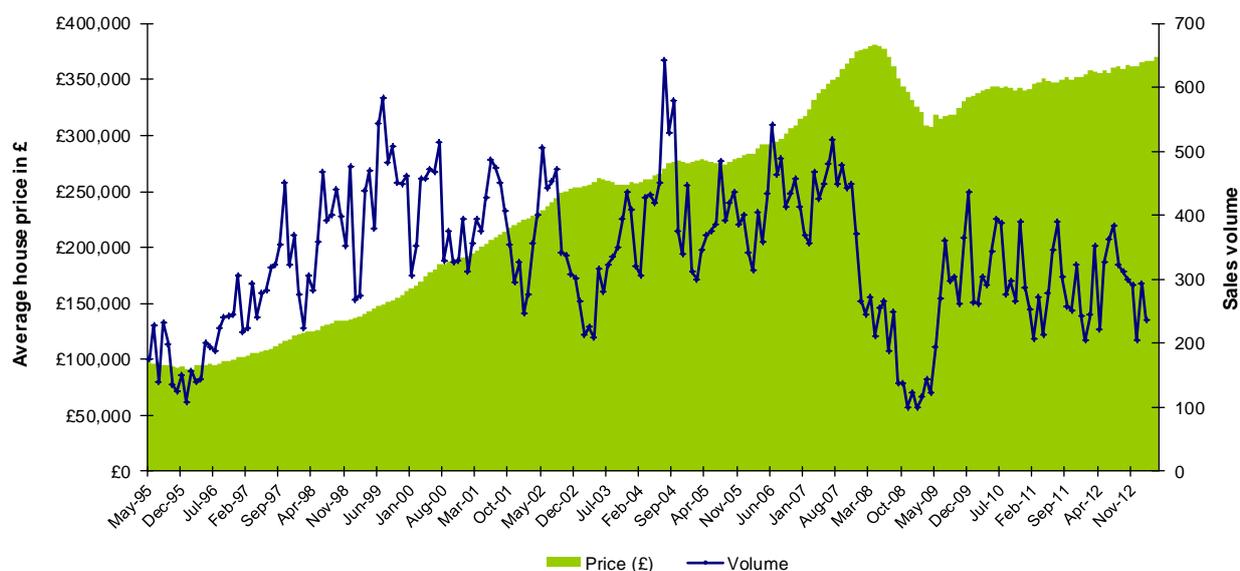
Average house prices and sales volume

The average house price paid was £370,500 in April 2013 which was below the London average of £375,800. House prices in Tower Hamlets have been increasing steadily. The current trend indicates that the 2008 house price peak of around £380,000 could be reached this year.

Sale volumes in the borough, including seasonal peaks, stayed between 205 and 384 sales a month over the last year. In Tower Hamlets far higher sale volumes were recorded compared to former Olympic host boroughs like Hackney (210), Barking & Dagenham (110), Newham (136) or Waltham Forest (195).

While in February 2013 around 236 properties were sold, a total of 3,606 properties were sold between March 2012 and Feb 2013 in Tower Hamlets. See Chart 1 below.

Chart 1: Average house prices and sales volume in Tower Hamlets January 1995 to April 2013



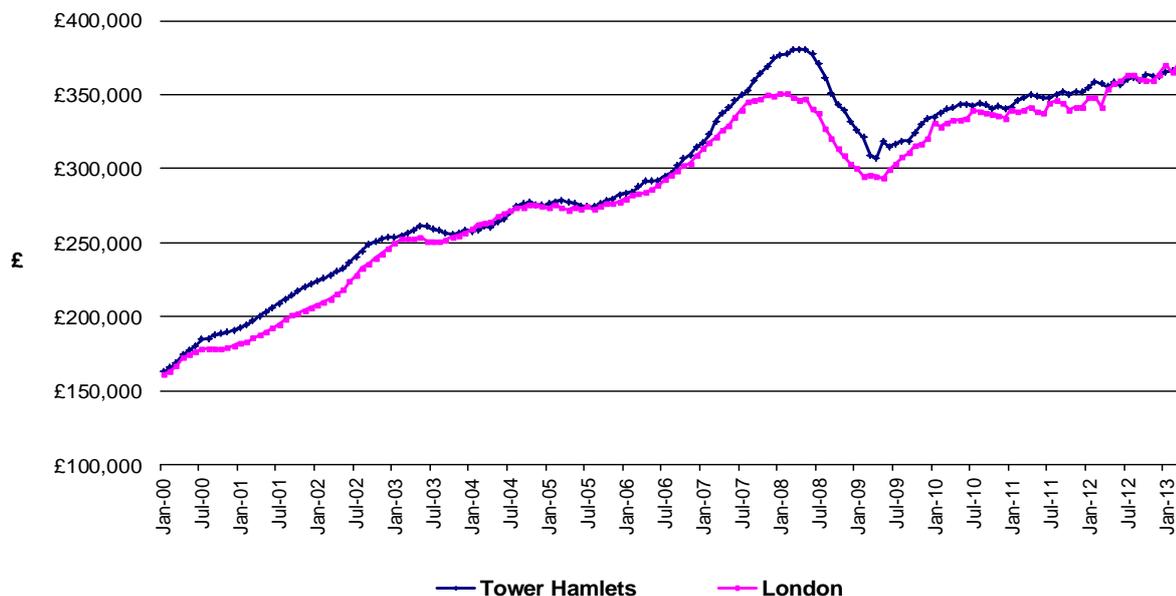
(Source: Land Registry Feb / April 2013)

House prices in Tower Hamlets and London

The average house prices in Tower Hamlets and London show similar trends. However, during the Credit Crunch and the 2008/09 economic recession Tower Hamlets house prices increased for longer and declined later than the London average.

Over the last three years, house prices in London and Tower Hamlets have recovered and show a growth rate similar to the pre house price crash. See Chart 2 below.

Chart 2: Average house prices in Tower Hamlets and London Jan 2000 to April 2013



(Source: Land Registry April 2013)

House prices by property type

In April 2013 the London average house price (£375,800) was above the Tower Hamlets average (£370,500). This can mainly be explained with the far higher price of detached houses in London overall. However, flats, maisonettes and terraced housing were on average more expensive in Tower Hamlets compared to London.

In Tower Hamlets, Flats and Maisonettes cost on average £365,000 and Terraced houses cost on average £397,250. The few detached houses had an average paid price of £471,200.³ Prices in Tower Hamlets are especially high for Flats and Terraced housing when compared to London. This is important because the majority of properties in the Borough are Flats/Maisonettes and Terraced houses. See Table 1 below.

Table 1: Prices paid by property type April 2013 (in £, rounded) in Tower Hamlets and London

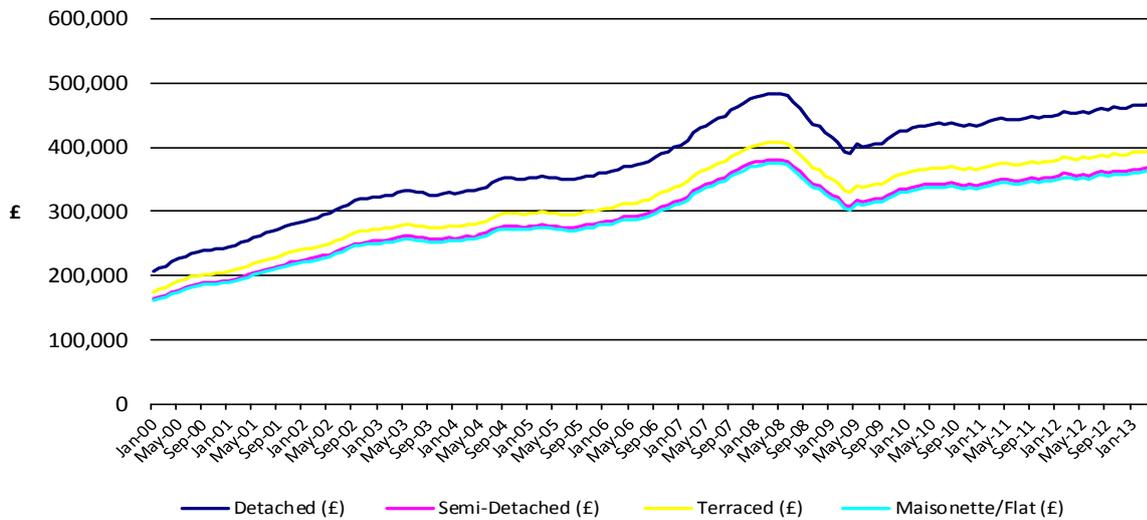
	Detached	Semi Detached	Terraced	Maisonette/Flat	Total average
Tower Hamlets	471,207	370,391	397,247	364,974	370,500
London	662,685	385,409	343,625	337,239	375,800

(Source: Land Registry April 2013)

Chart 3 below shows house price trends in the Borough by property type over time. Prices for all property types declined in 2008 but show a steady recovery ever since. Detached houses achieve the highest prices, followed by Terraced houses. Prices for Semi-detached houses and Maisonettes / Flats are fairly equal.

³ No information is available about the number of rooms and size.

Chart 3: House prices in Tower Hamlets by property type Jan 2000 to April 2013

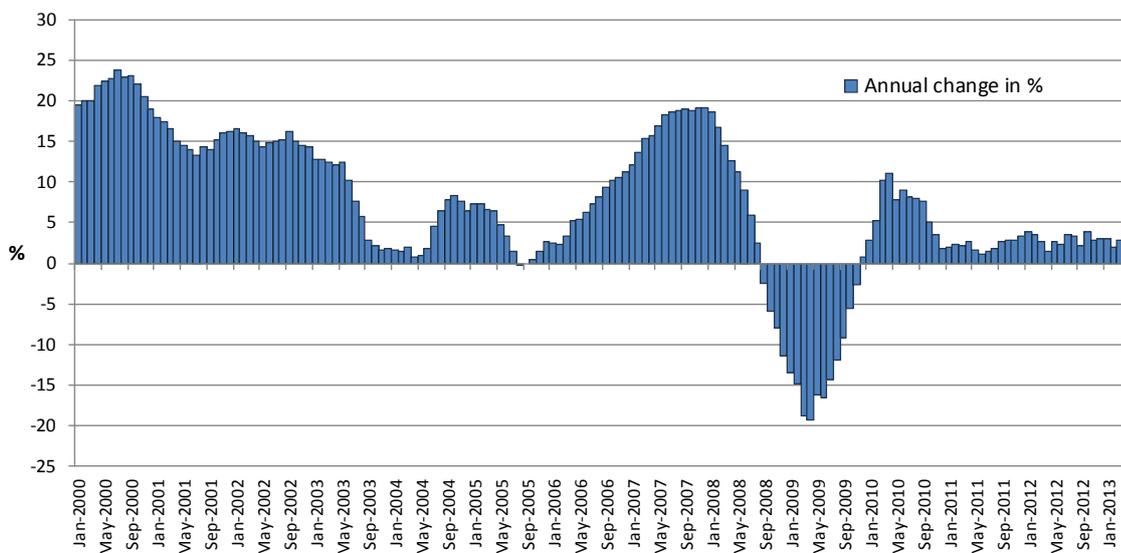


(Source: Land Registry April 2013)

Tower Hamlets Annual house price change

Chart 4 below shows the annual house price changes between January 2000 and April 2013 while Table 2 shows the change over the last 12 months. Chart 4 shows the house price fall in 2009 and the recovery in 2010. The data indicates also a more modest but still steady growth in the borough over the last 2 years.

Chart 4: Annual House price change between Jan 2000 to April 2013 (%)



(Source: Land Registry April 2013)

Annual house price changes over the last 12 months in Tower Hamlets have been overall close to the CPI / RPI inflation rates of 2.4% & 2.9 % (ONS April 2013) respectively.

Table 2: Annual House price change in Tower Hamlets Jan 2012 to April 2013 (%)

	May 2012	June 2012	July 2012	Aug 2012	Sept 2012	Oct 2012	Nov 2012	Dec 2012	Jan 2013	Feb 2013	Mar 2013	April 2013
Growth in %	2.7	2.5	3.7	3.4	2.3	3.8	2.8	3	3	2	2.8	4.2

(Source: Land Registry April 2013)

House price peaks in Tower Hamlets

Between Jan 2013 and April 2013, the most expensive property sold for £1,200,000 in Marsh Wall / Land Mark East Tower in Millwall. The cheapest property, a flat in Gower's Walk / Whitechapel sold for £81,000 on a shared ownership basis.⁴

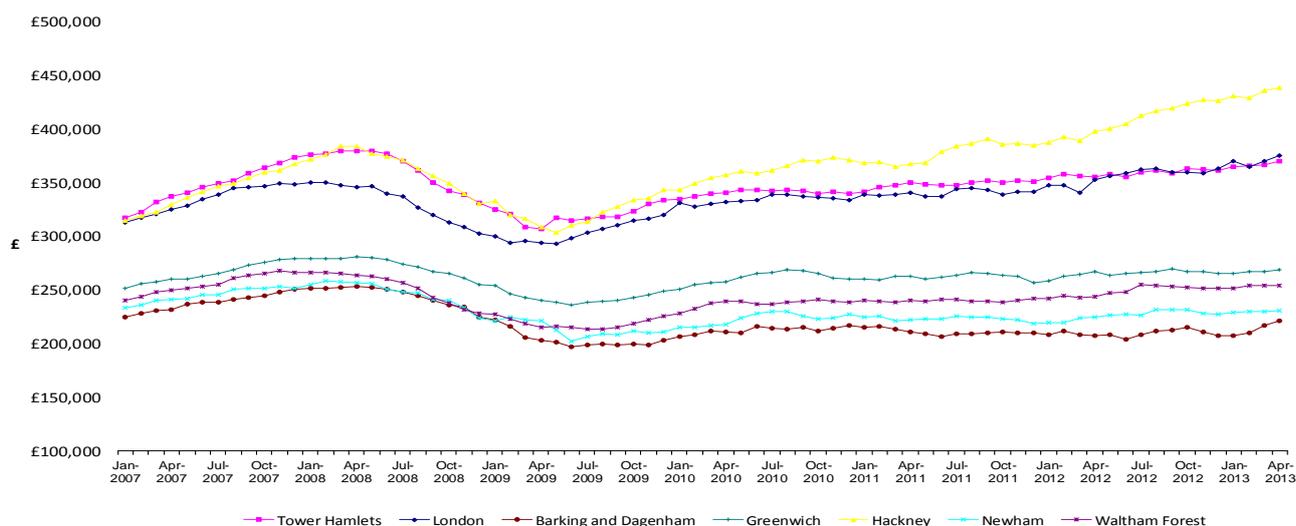
House price change in the Olympic host boroughs

Before the house price crash in 2008, prices in Hackney and Tower Hamlets were the highest out of the Olympic host boroughs. This remains the case in 2013.

Prices paid in Hackney have increased more rapidly than in any other Olympic host borough. While Tower Hamlets prices are developing around the London average, house prices in Hackney have reached the pre-recession level and outperformed it. Over the last year, house prices in Hackney have increased by roughly 10%.

House prices were lowest in Barking & Dagenham and Newham before the 2008/09 recession. This situation can also be observed in April 2013 as Newham prices stayed just above the Barking & Dagenham average. While prices in Greenwich, Waltham Forest, Newham and Barking & Dagenham had shown a post-Olympics dip in late 2012; prices have not fallen further and have increased again. See Chart 5 below.

Chart 5: House prices in Olympic host Boroughs Jan 2007 to April 2013



(Source: Land Registry April 2013)

⁴ This data covers the transactions received at Land Registry in the period [1st Jan 2013] to [April 2013]. © Crown copyright 2013. Land Registry Price paid dataset April 2013 " If you have found an error with the data please contact Her Majesty's Land Registry (HMLR)" <http://www.landregistry.gov.uk/professional/price-paid-error>

We know that first time buyers are struggling in London and Tower Hamlets to purchase a property. Table 4 below shows that while the house price crash reduced house price temporarily, in London as a whole and boroughs like Hackney, Camden and Westminster prices have risen above the 2008 peak.

The trends in Tower Hamlets, Greenwich and Waltham Forest indicate that the past house price peak could also be reached here too. Only Newham and Barking & Dagenham prices paid are currently more than 10% below the original peak back in 2008.

Table 3: Difference between house prices in selected boroughs and London pre house price crash and April 2013 (£ / %)

	House price peak before housing crash in 2008 ⁵	April 2013	Difference in %
Tower Hamlets	£380,597	£370,502	-2.7
London	£350,873	£375,795	7.1
Barking & Dagenham	£254,043	£221,701	-12.7
Greenwich	£281,342	£269,319	-4.3
Hackney	£384,362	£439,246	14.3
Newham	£258,414	£231,496	-10.4
Waltham Forest	£267,037	£254,385	-4.7
Camden	£539,460	£657,790	21.9
Westminster	£610,867	£782,652	28.1

(Source: Land Registry April 2013)

Annual change

House prices grew over the last 12 month in Tower Hamlets by 4.2% which was below the London average of 6.2%. Hackney prices increased again the strongest by 10.3% while Barking & Dagenham house prices bounced back increasing by 6.7% over the last 12 months. In comparison, house prices in Greenwich and Newham below the London and Tower Hamlets averages. See Table 4 below.

Monthly change

Land registry data shows that house prices between March and April 2013 increased in most former Host Boroughs. Only the house prices in Barking & Dagenham increased above the London average last month. See Table 4 below.

Table 4: Annual & Monthly change of average property prices in Olympic host boroughs April 2013 (%)

	Barking and Dagenham	Greenwich	Hackney	Newham	Tower Hamlets	Waltham Forest	London
Annual Change	6.7	0.7	10.3	2.8	4.2	4.2	6.2
Monthly change	2.2	0.7	0.7	0.5	0.9	-0.1	1.4

(Source: Land Registry April 2013)

⁵ Peaks refer to different months of 2008 but always the months before the first house price decrease.

2 Tower Hamlets Private Sector Rents⁶

The Valuation Office Agency provides statistics on the private rental market for Local Authorities in England. The data shows a median price over the last 12 months to the end of the date stated. The available data currently covers the period between June 2011 and March 2013 and is based on a quarterly sample of a few hundred properties in each property size group. While the sampling could cause some unusual peaks and even errors, this data is the best available to us.

Rental prices in Tower Hamlets

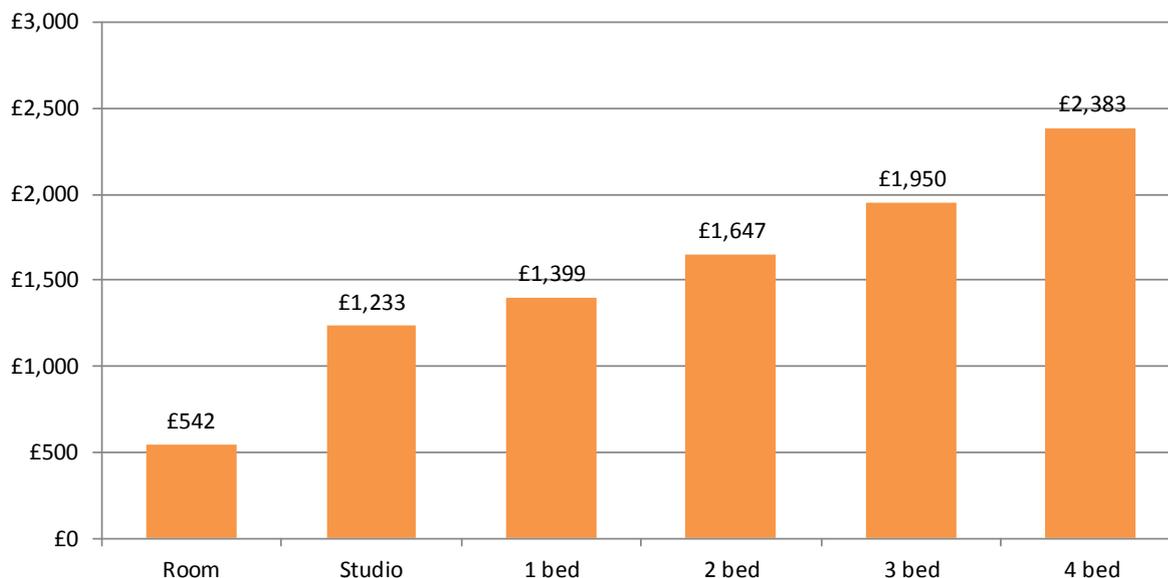
The cost of renting a private property in Tower Hamlets is high and above the London average.

Median private rental prices for 2 bed and 3 bed room properties were £1,647 and £1,950 respectively. A 1 bed property had a median price of £1,399 while a Studio was £1,233. A single room had a median rental price of £542 a month.

The median rental price was highest for a 4 bed room property with £2,383 which was substantially higher than the rental price of a 3 bed property. See Chart 6 below.

This was mainly because of the relative small number of 4 bed room properties in the borough (around 6,000). The Census 2011 results showed that the majority of properties in the borough had one (30,200) or two bedrooms (41,800) while there were another 20,500 properties with three bedrooms.⁷

Chart 6: Private sector rental – median monthly price (£) in Tower Hamlets by property size



(Source: VOA March 2013)

⁶ Valuation Office Agency (VOA) Rental data, VOA has recently published rental data for the Borough, starting in June 2011 based on the 12 months before. For data quality consideration see:

http://www.voa.gov.uk/Corporate/statisticalReleases/120126_PrivateRentalMarket_Release_Notes.html

⁷ Please note that the Census 2011 figure covers all properties in the borough and not just those rented privately. Information about the rented sector will be available later in 2013.

Annual Change

Over the last 12 months median monthly rental prices have increased in most property size groups in the Borough. The average rent increase (all categories) in the borough was 16.7%.

Monthly private rental prices increased the most for Studios (29%) and 1 and 3 Bed room properties by 18.5% each. Rooms (4.2%), 2 bed room properties (8.6%) and 4 bed room (4.7%) properties showed a rent increase which was below the Tower Hamlets average.

Still, private rental prices increased substantially above the CPI (2.4%) and RPI (2.8%) inflation measures from April 2013.⁸ Overall, the March 2013 data shows the largest increase in the private rented market since the data was published first in autumn 2011.

Table 6: Private sector rental – median monthly price in Tower Hamlets (£) by property size & change (%)

	Room	Studio	1 bed	2 bed	3 bed	4 bed	all categories
Jun-12	520	953	1,181	1,517	1,646	2,275	1,300
Sep-12	520	997	1,196	1,517	1,733	2,383	1,322
Dec-12	520	1,040	1,235	1,517	1,850	2,383	1,400
Mar-13	542	1,233	1,399	1,647	1,950	2,383	1,517
Change between June 2012 and March 2013	4.2	29.4	18.5	8.6	18.5	4.7	16.7

(Source: VOA March 2013)

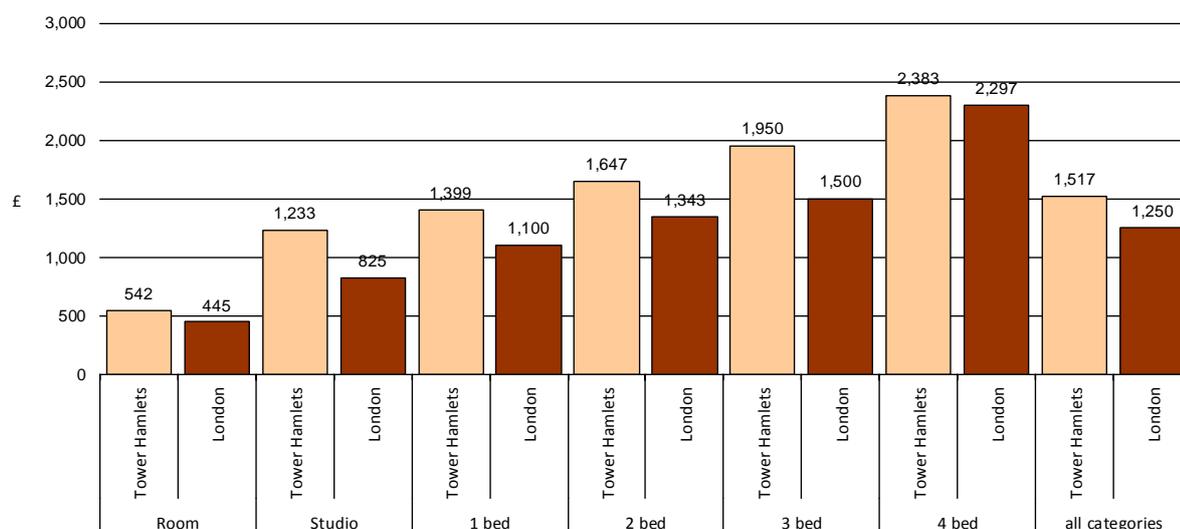
Comparing London and Tower Hamlets

For all property types in the private market, the median rental market price in Tower Hamlets was above the London median price.

Prices in Tower Hamlets are especially higher for Studios (49.5%), 3 bed room properties (30%) properties and 1 Bed room properties (27%) when compared to London. The smallest gap can be observed for 4 bed room properties with around 3.7%. For more information see Chart 7 below.

⁸ Consumer Price Index and Retail Price index represent a 12 monthly change in %. RPI includes the costs of housing (mortgage interest costs and council tax etc.) while CPI does not.

Chart 7: Private sector rental prices for properties in London and Tower Hamlets March 2013 in £



(Source: VOA March 2013)

Annual change in Tower Hamlets and London by property type

While private rents in Tower Hamlets have increased substantially above the London average, they increased most rapidly for Studios, 1 and 2 bed room properties. In comparison the rents for Rooms, 2 bed and 4 bed properties increased below the London average. See Table 7 below.

Table 7: Change between June 2012 and March 2013 in %

	Room	Studio	1 bed	2 bed	3 bed	4 bed	all categories
Tower Hamlets	4.2	29.4	18.5	8.6	18.5	4.7	16.7
London	2.8	8.8	10.6	9.2	5.6	6.0	8.9

(Source: VOA March 2013)

Selected London Boroughs rental property prices

Private property rental prices can show substantial differences in London and the former Olympic host boroughs. The cost for renting privately in Hackney and Tower Hamlets is above the London average and at times even above the Inner London average.

In comparison, prices in Newham, Barking & Dagenham and Greenwich are below the London average and for some sizes even below the Outer London averages. See table 8.

Table 8: Private sector rental median monthly price Selected London Boroughs & London March 2013 (£)

	Room	Studio	1 bedroom	2 bedroom	3 bedroom	4 bedroom
LONDON	445	825	1,100	1,343	1,500	2,297
Inner London	520	997	1,300	1,603	2,058	2,773
Outer London	412	690	850	1,100	1,300	1,875
Hackney	520	867	1,213	1,517	1,950	2,470

Newham	429	700	900	1,100	1,300	1,600
Tower Hamlets	542	1,233	1,399	1,647	1,950	2,383
Barking and Dagenham	390	650	700	888	1,050	1,425
Greenwich	450	861	835	1,100	1,300	1,600
Waltham Forest	458	696	802	1,000	1,300	1,600
Camden	672	997	1,430	1,907	2,600	3,456
Islington	563	1,040	1,408	1,733	2,167	2,643
Westminster	693	1,300	1,712	2,383	3,250	6,064

(Source: VOA March 2013)

In the last house price factsheet (Feb 2013) we discussed that prices in Tower Hamlets are moving into price ranges common in areas like Islington adopting the market characteristics of high demand / high price central London boroughs. The latest data indicates that by March 2013 this has happened. Prices in the private rent market are now comparable to Islington especially for Rooms, Studios and 1 bed room flats.

The VOA data is based on a sample; this means that while the data indicates a increase of private rents, it is most likely to be influenced by new or refurbished properties entering the market. Those properties have in general higher rents. For example the Right move website is advertising around two hundred 1-bedroom properties for more than £500 a week at the moment.⁹ We currently do not know if the private rent of households on long running contracts is going up with the same extend.

⁹ www.rightmove.co.uk website accessed 20th June 2013.

Further information

This Factsheet was produced by the Council's Corporate Research Unit (CRU), which is based in the Chief Executive's Directorate. Factsheets provide timely analysis of data about Tower Hamlets and are designed to improve the use and sharing of data and evidence. Briefings can be downloaded from the Tower Hamlets Borough profile web pages.

Readers can contact the research team via email: CRU@towerhamlets.gov.uk

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