Winter Edition 2024/25

Prime London Market Update

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Anthony Payne's

Opening Thoughts

LonRes is celebrating its twenty-fifth anniversary this year. Which got me thinking. The prime London market has changed massively over the last quarter of a century but in one respect it seems to have gone full circle. Home ownership is back.

In the early 2000s when we launched LonRes, prime London purchasers were predominately buying homes – places in which to live. Back then it was the early days of buy-to-let mortgages and the investor market was starting to gain momentum.

And the momentum grew. The buying public saw buy-to-let as an investment for the future and an income stream for the present. Prime London was no different and whole swathes of the capital became investment havens for both domestic and international buyers.

The financial crash of 2008 – which for the prime London market was short-lived – was the only blip in what had become a fast-growing sector. London's buy-to-let market only really started to slow after the introduction of the 2014 'slab to slice' stamp duty changes, followed in 2015 by an extra 3% stamp duty levy on second homes. At the time the changes were designed to take the froth out of the market and the heat out of price growth.

It takes time for people to feel the impact of government policy, but I believe we're feeling it in prime London now. People today are again buying homes in which to live just as they did in the early 2000s and investors (on the whole) have headed out of town.

Communities and neighbourhoods are what make London a great place to live. Back in 2000, the neighbourhoods that anyone with money wanted to be a part of were in the heart of the capital. Chelsea and Kensington, Mayfair and Belgravia, had the lot – great shops, bars and restaurants.

Twenty-five years on, the quality of shops and restaurants have been replicated on high streets outside prime central London, turning once less fashionable boroughs, into some of the most desirable.

Notting Hill, Hampstead, St John's Wood and Wandsworth are all examples of where this has happened. For anyone living here there's no longer the need to trade up to London's most expensive postcodes. Buyers have everything they need right on their doorstep. It's not surprising that these are among the areas that have seen some of London's strongest price growth and are considered the new prime.

Prime London changes constantly, undoubtedly that's part of its appeal. And 25 years on, prime London is as appealing to buyers today, as it's ever been.

Anthony Payne
Managing Director

"Prime London changes constantly, undoubtedly that's part of its appeal. And 25 years on, prime London is as appealing to buyers today, as it's ever been."

Head of Research's Introduction

New Year, Same Housing Market?

2024 was a stop-start year for the prime London property market. Activity was generally subdued but punctuated with bursts of intense activity, meaning transactions finished the year up on both 2023 and the pre-pandemic (2017 to 2019) average. The final quarter of the year took this to extremes, with record-breaking sales volumes in October followed by two quiet months.

External factors played a significant role in this pattern, with the Conservative Budget in March, then a general election and change of government in July. Later in the year we had the first Labour Budget for 14 years in October rapidly followed by the US election in November. Buyer and seller responses were therefore a mixture of rushing to act ahead of deadlines and the 'wait and see' approach that dominated much of 2023.

The underlying fundamentals of the sales market itself are reasonably sound but the prospects for a major upswing in either values or activity appear limited. On the positive side, demand appears robust, particularly amongst domestic buyers of family homes. Values are low in historical terms, providing less scope for any further price falls.

On the other hand, there remain a series of barriers to house price inflation in the prime residential markets, most of which have been around for a while. We've had a run of negative policy and tax changes, a lack of confidence in the wider economy, and interest rates remaining stubbornly high despite slow economic growth. High build costs have also limited the market for homes needing significant work, whether from developers or owner-occupiers.

The prime London lettings market was much less volatile. Activity remained low, constrained by a lack of new instructions across the more affordable, traditionally higher-volume parts of the market. Again, policy and tax changes have had a negative impact here, but unlike the changes in the sales market there are no carrots, only sticks. This isn't good news for tenants; while rental growth remains much lower than 2022/23 it accelerated through the year as the lack of supply began to bite once more.

Looking ahead to the rest of the year, the evidence so far points to 2025 looking similar to 2024. Fewer discretionary buyers mean those who remain in the market are not in a rush and can afford to be price sensitive, although the lack of recent growth underpins current values to some extent.

Nick Gregori
Head of Research

"2024 was a stop-start year for the prime London property market."

Overview

Sales Market

The final quarter of 2024 saw a significant change in the prime London market. Sales activity had been subdued in the first nine months of the year, in line with 2023s relatively poor performance.

Q4 recorded a

20%

increase in transactions compared to the same period in 2023

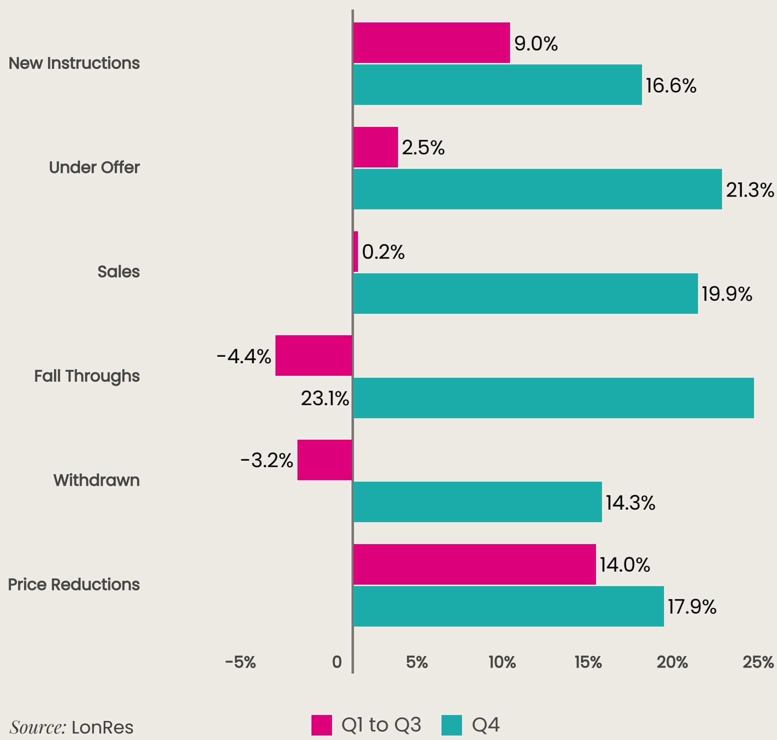
Source: LonRes

A flurry of deals in October – 75% higher than the pre-pandemic (2017-2019) average for the month and the most in any October since our records began – contributed to Q4 recording 20% more transactions than the same period in 2023. Sales volumes for the full year finished 4.9% up on 2023 and 10.0% above the pre-pandemic average.

However, this momentum shift is unlikely to be long-lived. The main driver of the record-breaking October appeared to be a fear of tax rises at Labour's first Budget on 30 October, with both buyers and sellers keen to conclude deals ahead of rumoured increases in stamp duty or capital gains taxes. The reality was not as bad as feared, with smaller changes to the rates for additional and enveloped purchases. Even so, the final two months of the year saw activity slow back down, partly offsetting the deals brought forward.

Other metrics highlight a mixture of positive signs and continuing weakness in the market. New instructions grew steadily throughout the year compared to the equivalent periods in 2023, rising by 16.6% in Q4 to finish 10.5% up for the full year. Q4's under offer numbers grew by 21.3% on an annual basis, indicating a healthy pipeline of future sales. The number of price reductions has been high since summer 2023 and Q4 saw further growth of 17.9%, broadly in line with the growth in instructions.

Chart 1 – Activity Measures Across Prime London 2024
Compared to Same Period in 2023



Source: LonRes

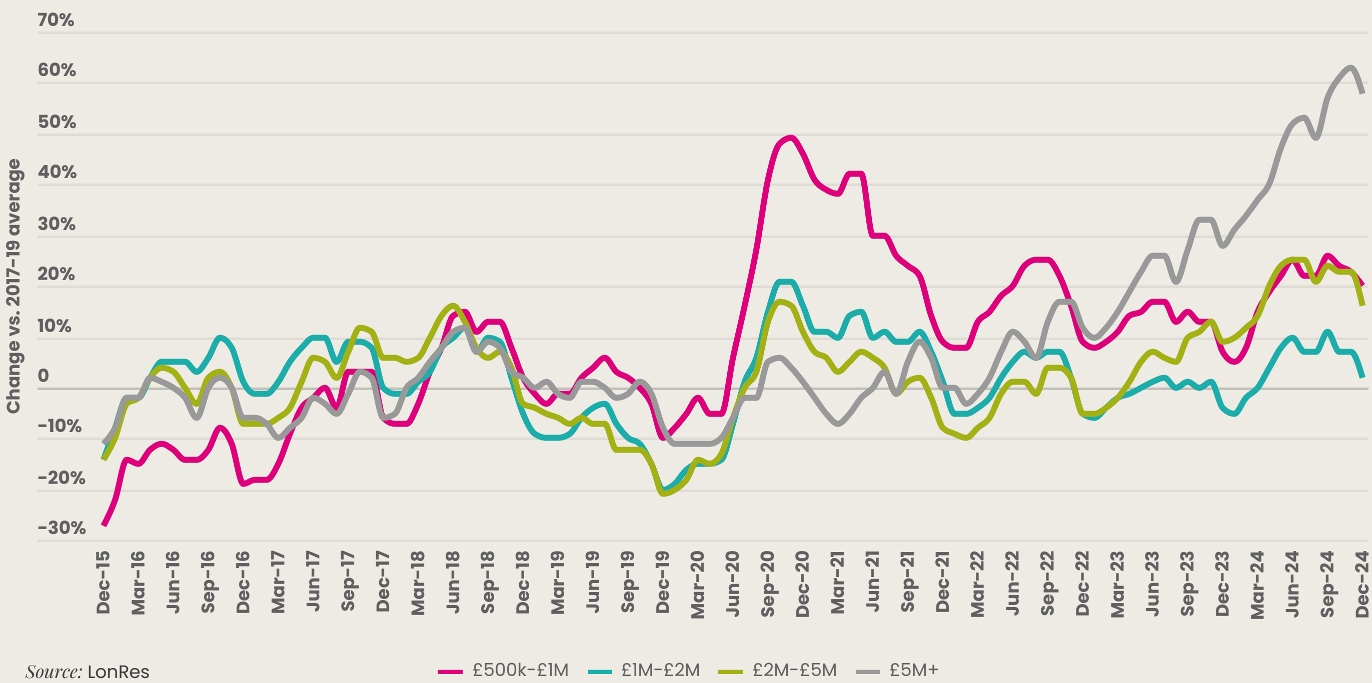
With instructions rising faster than sales for most of the year, stock on the market for sale has been increasing – at the end of 2024 it was up by 10.7% across prime London compared to a year earlier. However, a detailed look at this data reveals a more nuanced picture.

Prior to 2020, all price bands followed similar trends. The pandemic changed this, causing a jump in availability of lower value homes that has not fully reversed – at the end of December £500k to £1m stock was 20% above its 2017 to 2019 average level.

By contrast, stock at the top end of the market remained broadly constant from 2020 through 2022 but since then has been growing consistently, peaking at +63% in November and ending last year at 58% above its 2017 to 2019 average level.

Chart 2 – Stock on the Market by Price Band

Compared to 2017-19 Average



Source: LonRes

The rise in demand in Q4 has not yet had a significant effect on pricing. The latest LonRes Prime London Sales Index reported an annual change of -1.2%, down from (a revised) -0.8% in Q3. The figures for prime central London have been volatile in past quarters and remained so in Q4, with annual change falling to -4.5%.

The average discount to asking price across prime London was 8.3% in 2024, a slight increase from the 8.1% recorded in 2023. Average time on the market also saw a small rise, from 167 days in 2023 to 169 in 2024. Overall, these figures indicate a market where the underlying trends have been stable throughout 2024.

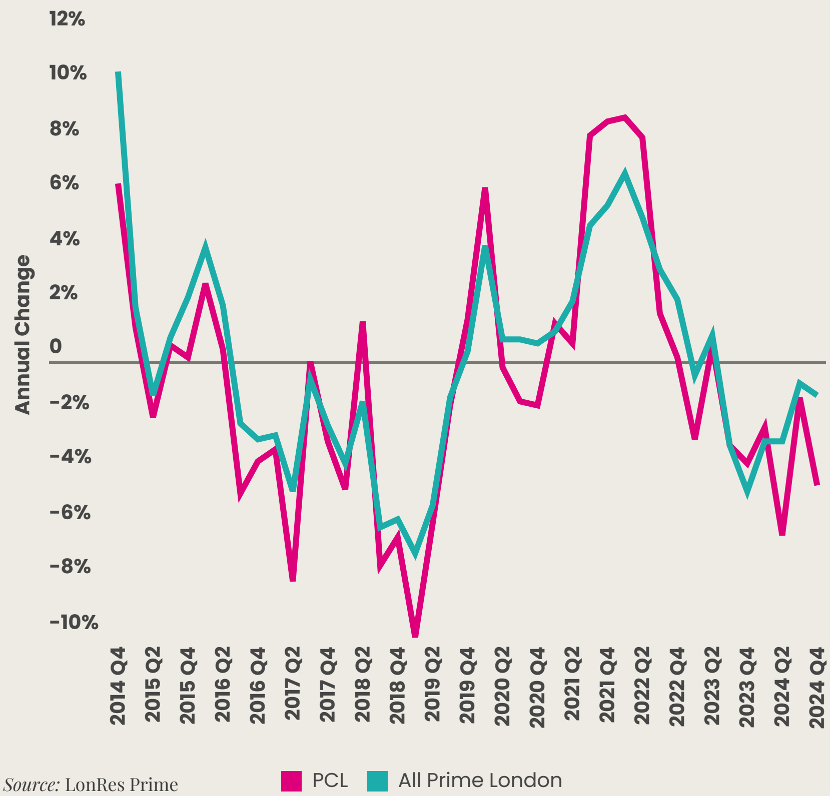
2024 average time on the market: **169 days**

Source: LonRes

2024 average discount to asking price: **8.3%**

Source: LonRes

Chart 3 – Average Annual Change in Achieved Sale Price



Source: LonRes Prime London Sales Index

Sales

Super Prime Sales Market Update

In 2024 the £5m+ market fell back, following two years of being the most active prime London price band.

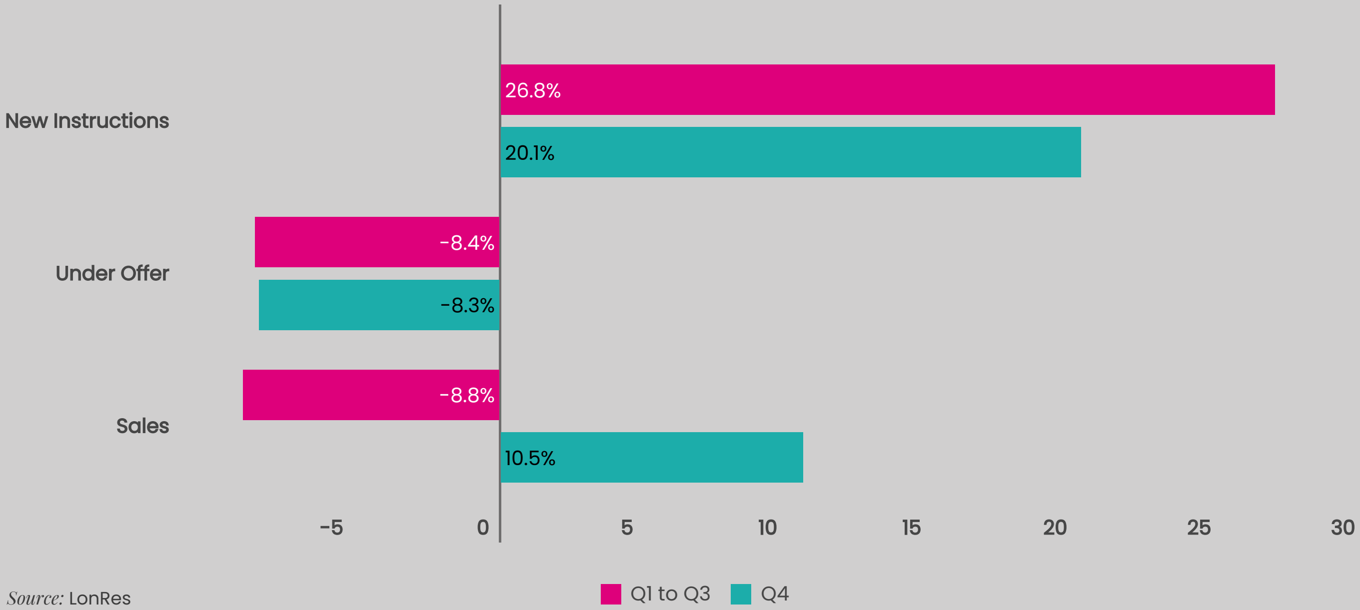
Like the wider market, Q4 saw a spike in activity, rising 10.5% compared to Q4 2023, but sales volumes for the full year were 4.1% lower than 2023. Looking longer-term, despite this slowdown there were 36% more transactions in 2024 compared to the 2017-19 annual average.

New £5m+ instructions increased steadily through 2024, with a rise of 20.1% in Q4 contributing to annual growth of 25.2%. At the end of 2024 there were 23.8% more homes for sale in this market across prime London than a year earlier.

While the £5m+ market has fallen back relative to a strong benchmark, other indicators show it is performing broadly in line with the rest of the market. The average discount to asking price in Q4 for £5m+ sales was 8.3%, the same as the whole market figure.

Asking prices for sold £5m+ properties were being reduced by 3.1% on average, compared to 4.8% for the wider market, so there is no evidence yet of a significant impact on pricing from the shift in the supply-demand balance.

Chart 4 – £5m+ Activity Measures Across Prime London – 2024
Compared to Same Period in 2023



Source: LonRes

Overview

Lettings Market

2024 was a year of two halves for the prime London lettings market. Momentum appeared to be gathering in the first two quarters, with the recovery in supply picking up and allowing activity to increase.

This has not been sustained to the end of the year, with Q4 particularly quiet. With supply low, rental growth accelerated again towards the end of 2024.

Chart 5 – Activity Measures Across Prime London
Compared to Same Period in 2023

New instructions across prime London decreased by 13.1% in Q4 compared to the same period in 2023, but the full year overall saw growth of 0.8%. Lets agreed followed a similar pattern, falling by 9.7% in the final quarter but finishing the year up by 2.3%.

Source: LonRes

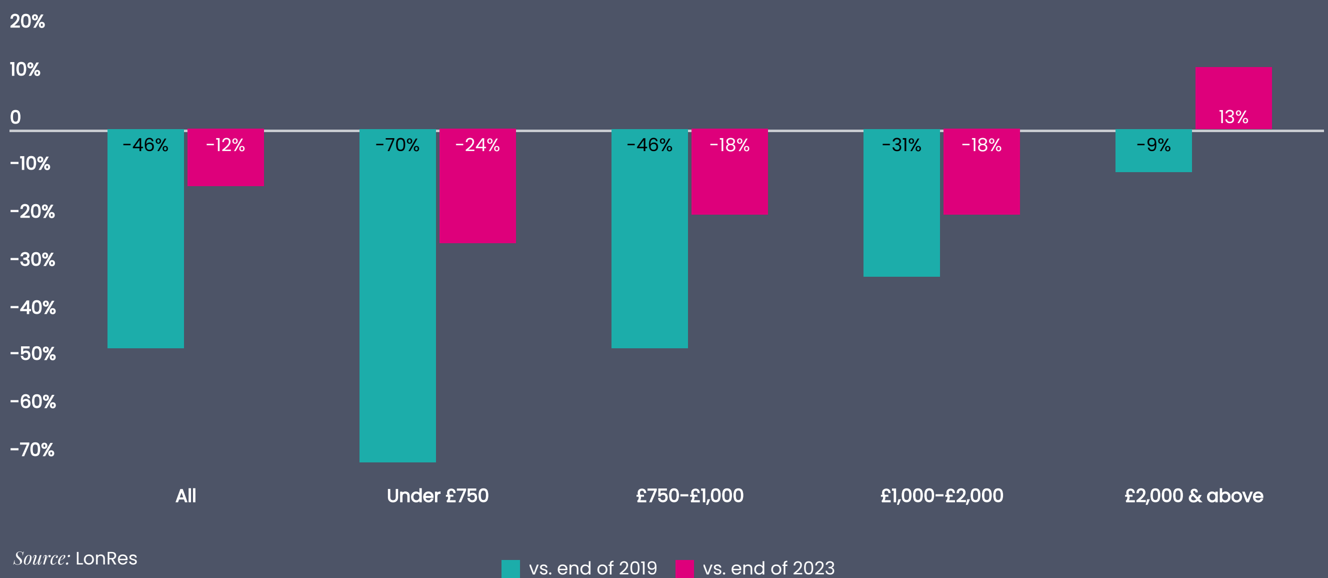
In 2023 and the early months of 2024, the number of homes available to rent had been gradually increasing after dropping to a significant low point in 2022. This recovery stalled in the middle of last year and even started to reverse in the closing months.

On 31 December 2024 there were 12.3% fewer homes on the rental market across prime London than a year earlier. Compared to five years earlier the change is -46%.

Broken down by price band, changes in availability vary a lot. At higher rental values stock on the market at over £2,000 per week is showing an annual increase and the recovery to pre-pandemic levels is almost complete (9% below).

Below £750 per week, availability was 24% lower at the end of 2024 than a year earlier and remains 70% below where it was five years ago.

Chart 6 – Stock on the Market by Weekly Rent at End of 2024, All Prime London



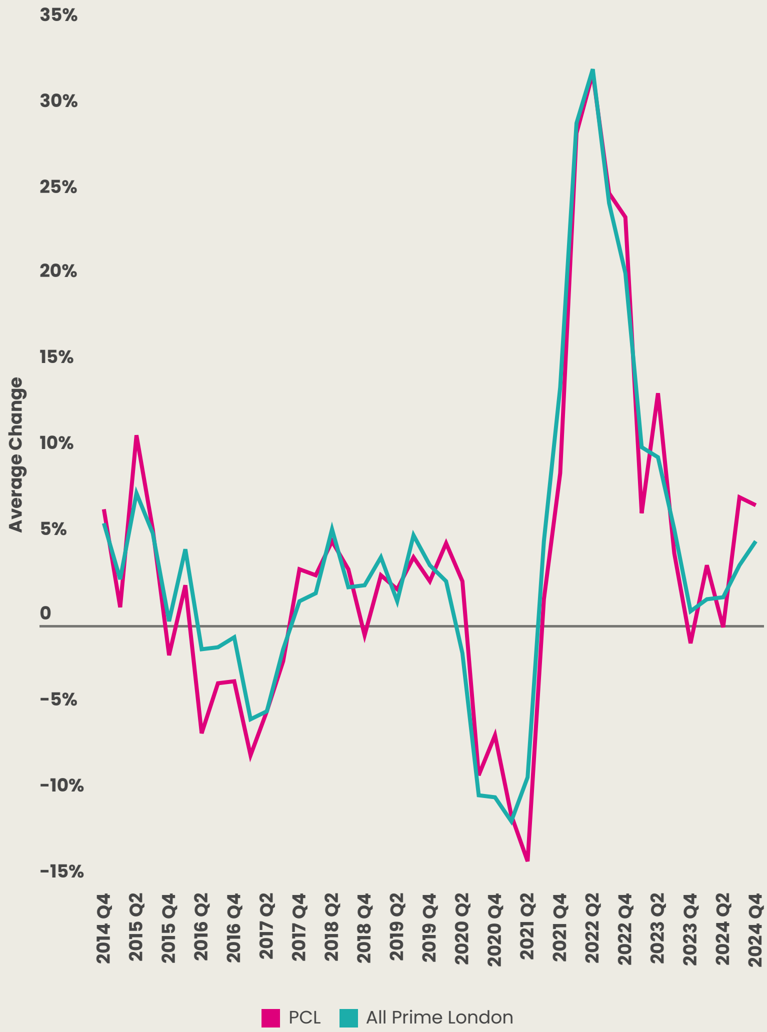
Source: LonRes

The latest LonRes Prime London Rental Index recorded a quarterly increase of 2.7%. Annual growth accelerated through the year to hit 4.9% in Q4. Prime central London was the best performing area for the quarter and the full year, with growth of 4.2% and 7.1%.

All these figures are slower than the double-digit rises seen in 2022 and the first part of 2023, but there is little evidence of rental values falling back in any of our catchment areas. On average rents are more than 30% above pre-pandemic levels.

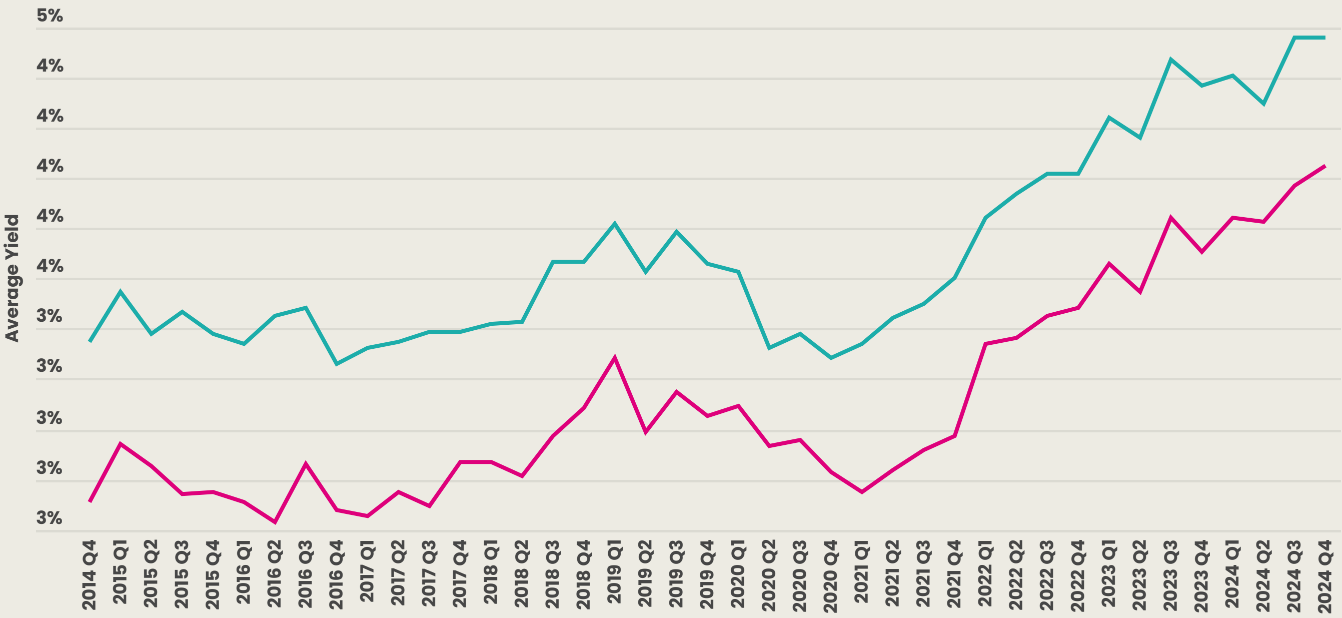
The increase in rental growth is likely to be partly driven by lack of availability, but other indicators also suggest demand has remained strong in 2024. The average discount to asking price across prime London was 3.3% in 2024, a slight increase from the 2.3% recorded in 2023 but down on the longer-term average. Average time on the market saw a small decrease, from 66 days in 2023 to 65 in 2024.

Chart 7 – Average Annual Change in Achieved Rents



Source: LonRes Prime London Rental Index

Chart 8 – Average Annual Yield



Source: LonRes Prime London Yields Index

PCL All Prime London

With rents rising and sales values relatively unchanged, yields across Prime London increased in 2024, continuing the trends from 2021. The average yield across prime London in Q4 was 4.56%, unchanged from Q3 but up from 4.37% at the end of 2023. Prior to 2021 prime London yields were broadly flat, remaining around the 3.5% mark for a number of years.

"Prime central London was the best performing area for the full year, with growth of 7.1%."

Source: LonRes

LonRes Turns 25 Years Old

For those too young to remember, or those who need to be reminded of life back then, in 2000 the Nokia 3310 was *the* phone to have. The top-selling music single in the UK was ‘Can We Fix It?’ by Bob the Builder. Worldwide, the top-grossing cinema releases included Gladiator and the first X-Men film.

Like the wider world, the prime central London property market has changed immensely over the past quarter of a century. The average price of a home in prime central London was £1.1m in 2000, while it’s around £2.7m now (£580 vs £1650 in £ per sq. ft.). This section looks at aspects of the market that are different, and some that have stayed the same.

Like the wider world, the prime central London property market has changed immensely over the past quarter of a century.

Highest Achieved Sale Price per Year, 2000 to 2024

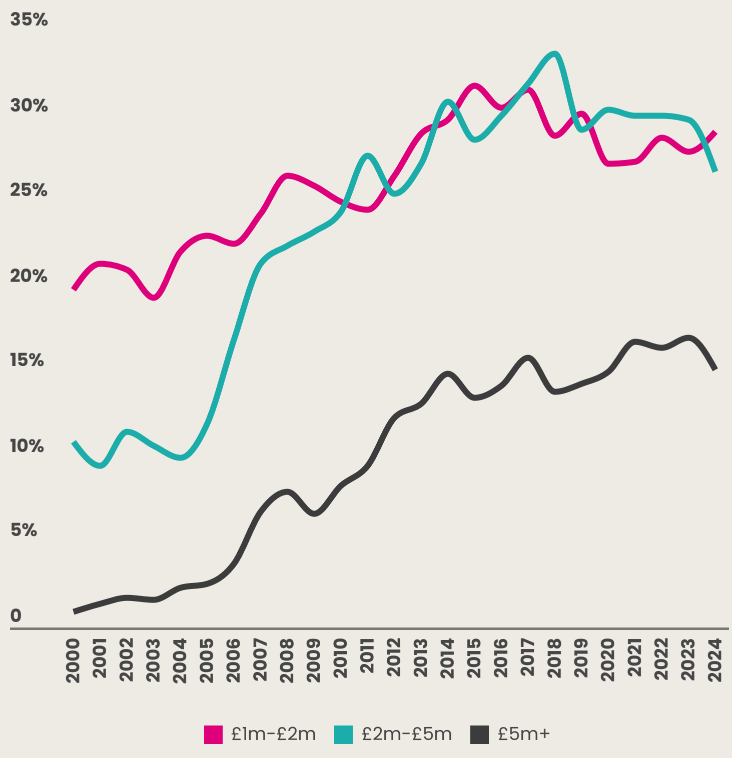
In general, the highest achieved price each year has been rising, but the

£200m deal from 2000 stands out from the overall trend.

Source: LonRes, Prime Central London only

Sales of over £5m made up less than 1% of the prime central London market in 2000. Last year the figure was more than 15%.

Proportion of Sales by Price Band per Year, 2000 to 2024



Source: Source: LonRes, Prime Central London only

Average Achieved Sale Price per sq. ft. by Neighbourhood per Year

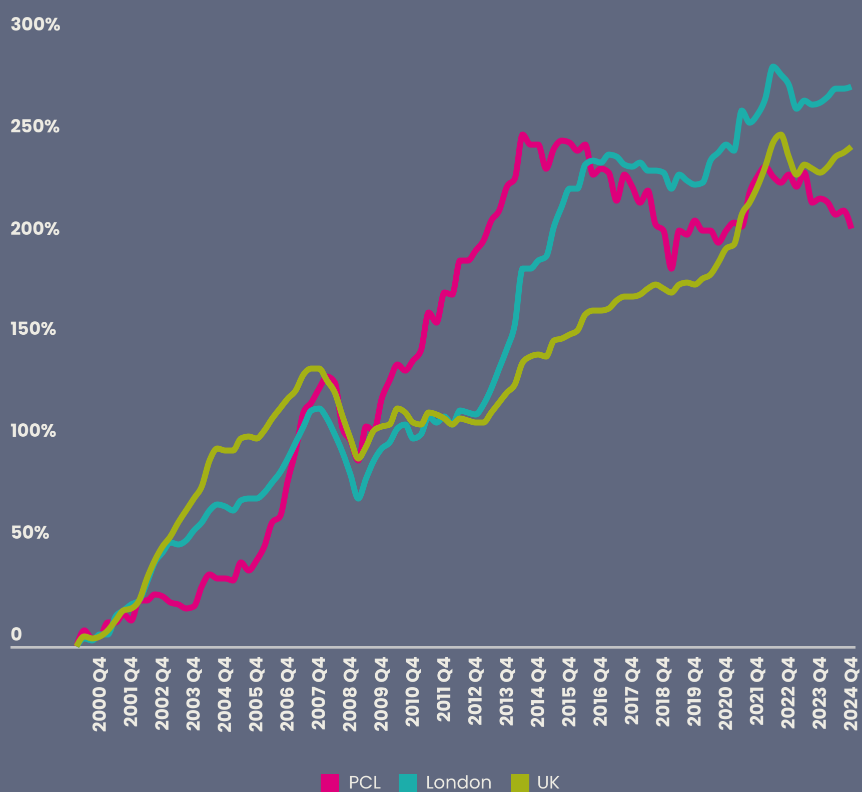
Among prime central areas, values have grown the most in Mayfair and St. James's, more than quadrupling over 25 years.

	2000	2024
Chelsea	*£586*	*£1,487*
Kensington	*£611*	*£1,602*
Knightsbridge & Belgravia	*£579*	*£2,015*
Mayfair & St James's	*£531*	*£2,285*
South Kensington	*£557*	*£1,541*

Source: LonRes

Prime Central London vs. UK and London House Price Indices
Price Change vs. 2000 Q1

Over 25 years, house prices have increased strongly for PCL and Greater London, and for the UK as a whole. But they've taken different routes to growth. PCL started the century relatively slowly but recovered much more strongly from the financial crisis, peaking in 2014 then falling back since then.



+206% Prime Central London

Source: LonRes

+275% London

Source: LonRes

+246% United Kingdom

Source: LonRes

Source: PCL from LonRes, London and UK from Nationwide House Price Index

LonRes Data

The analysis for this report takes in the three LonRes catchment areas:

- Prime Central London: SW1Y, SW1X, SW1W, SW1A, SW3, SW7, SW10, W1S, W1K, W1J, W8.
- Prime London: NW1, NW3, NW8, SW1P, SW1V, W1T, W1H, W1U, W1G, W1W, W2, W11, W14.
- Prime Fringe: SE1, SE11, SW4, SW5, SW6, SW11, W4, W6, W9, W10.

Analysis of LonRes data for this Prime London Market Update has been carried out by Nick Gregori, Head of Research at LonRes, using data up to 31 Dece 2024.

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