



FEBRUARY
2024 ISSUE

Under offers and new instructions across Prime London are on the rise, but prices remain at 2014 levels

Pressure on rents continues to ease as values fall for third consecutive month

Analysis of the prime London housing market

1 January to 31 January 2024



Promising Start

It's been a relatively positive start to the year as the number of properties going under offer grew by 5.4% on an annual basis in January. While the number of new sales instructions increased by 4.2% over the same period. The volume of stock available for sale at the end of January is 5.4% higher than at the same point a year earlier.



Trailing Transactions

However, average achieved sold prices fell by 7.1% in January on an annual basis, the largest fall in almost five years. There were 15.5% fewer transactions in January compared to the same month a year earlier, and 6.9% fewer than the 2017-2019 (pre-pandemic) January average.



Back to Reality

The £5m+ market continued its return to more normal activity levels after a strong two years. Sales in January were 17.2% down on a year earlier but ahead of the 2017-2019 (pre-pandemic) January average, by 63.6%. New instructions in this market rose in January by 41.2% compared to a year ago, while the number of properties going under offer was unchanged over the same period.



Relative Slowdown

The pace of annual rental growth across prime London slowed to 3.1% in January. This took values 26.1% above their 2017-19 (pre-pandemic) average.



Annual Fluxes

LonRes data for January indicated an annual fall of 11.5% in lets agreed and a 22.1% increase in new instructions, with activity on both measures around half of pre-pandemic levels.

Monthly prime data

(1 January to 31 January 2024)

	Prime Sales Annual Change	Prime Sales Change vs. 2017-19*	Prime Lettings Annual Change	Prime Lettings Change vs. 2017-19*
Achieved prices/rents	-7.1%	-2.5%	3.1%	26.1%
Properties sold/let	-15.5%	-6.9%	-11.5%	-60.8%
New Instructions	4.2%	9.1%	22.1%	-48.2%

*Pre-pandemic | Source: LonRes

First sign of green shoots...

There are signs of green shoots in the prime London housing market. January saw a rise in the number of properties going under offer and an increase in the number of new sales instructions coming to the market. Fall-throughs and withdrawals have also fallen.

However, this data which is forward looking, is yet to translate into actual sales. As a result, values in January continued to fall slightly month-on-month, with the annual change in achieved prices across prime London falling to -7.1%, the biggest drop in almost five years. Compared to January 2014, 10 years ago, prices are only 0.8% higher.

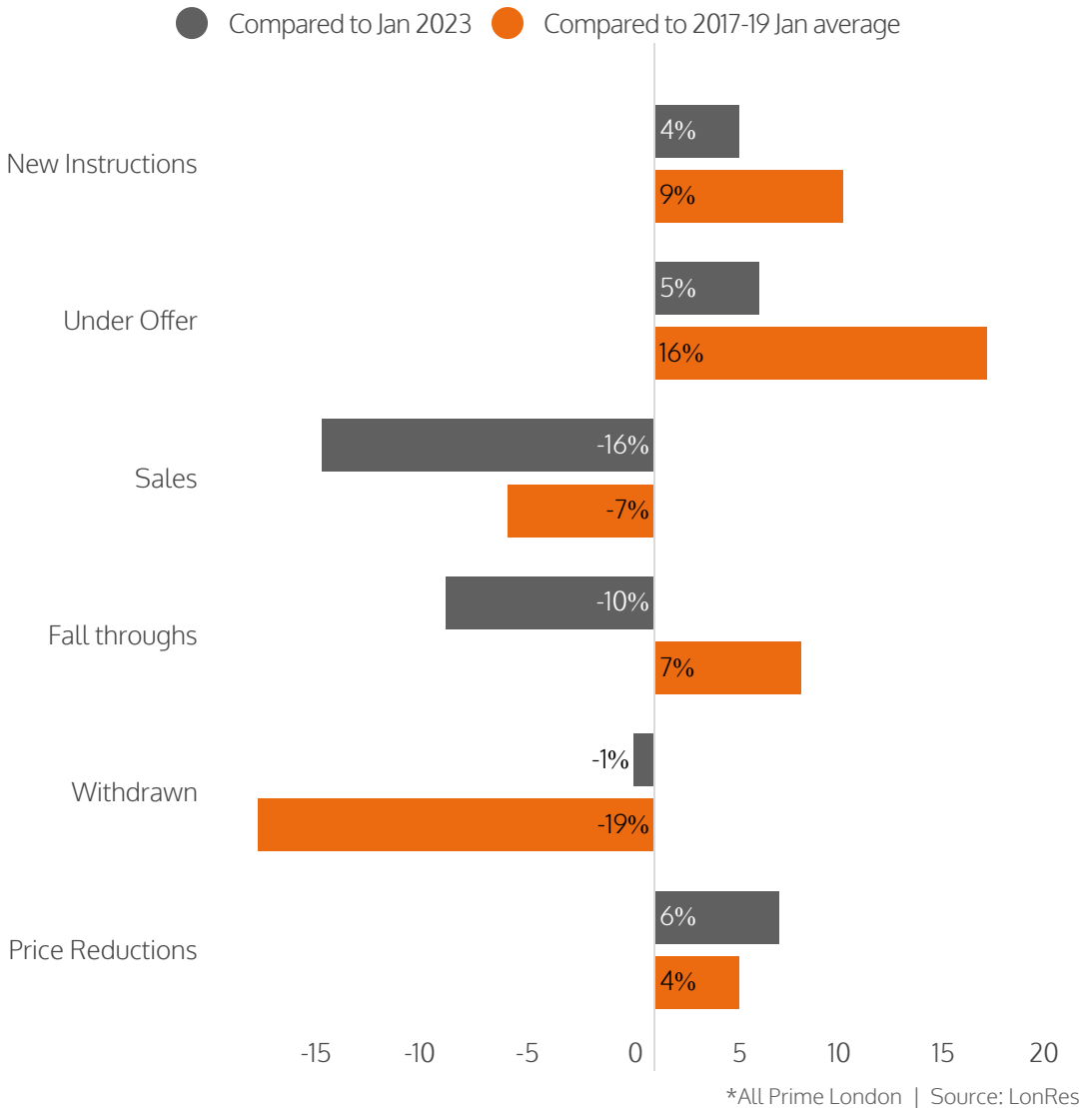
Activity also continued where it left off last year, with transactions in January 15.5% lower than the same month a year earlier and 6.9% lower than the 2017-19 January average.

However, the number of properties going under offer looks more positive, with January seeing an annual increase of 5.4%, taking levels to 15.6% above the pre-pandemic average.

New sales instructions in January were also up by 4.2% on the previous year and 9.1% above the 2017-19 average. Combined with the lower level of sales agreed, this resulted in the number of available homes for sale across prime London being 5.4% higher at the end of January than at the same point last year.

Our additional metrics – fall throughs, withdrawals, and price reductions – indicate a relatively healthy market. Fall throughs and withdrawals in January were lower than a year ago and price reductions are only 6% higher. With under offer numbers looking significantly better than sales, this continues to lend evidence to the theory that deals are being agreed but are just taking longer to conclude.

Sales activity measures in January 2024*



Values across prime London are similar to a decade ago on average, but at area and neighbourhood level there have been some variations in performance. Prime Central London has seen the least growth over 10 years, at 3.1%, but even within that there are some big differences between adjacent neighbourhoods. Mayfair and St. James's saw a change of over 20%, although this will have been boosted by new supply of high-end developments rather than like-for-like value growth. Note that these results are based on achieved prices over the whole calendar year of 2023 vs. 2013, unlike the timelier monthly data shown in this report.

Change in values over past 10 years by neighborhood

Area	Neighbourhood	Value change (2023 vs 2013)	Area Average	Difference
Prime Central London	Chelsea	-0.9%	3.1%	-3.9%
	Kensington, Notting Hill & Holland Park	5.1%		2.1%
	Knightsbridge & Belgravia	1.9%		-1.1%
	Mayfair & St James's	20.7%		17.7%
	South Kensington	-2.5%		-5.5%
Prime Inner	Bayswater & Maida Vale	10.3%	18.9%	-8.6%
	Fitzrovia, Bloomsbury & Soho	32.6%		13.8%
	Hampstead	29.3%		10.5%
	Kensington, Notting Hill & Holland Park	26.2%		7.3%
	Marylebone & Medical Territory	18.4%		-0.4%
	Pimlico, Westminster & Victoria	10.4%		-8.4%
	St Johns Wood, Regents Park & Primrose Hill	15.9%		-3.0%
Prime Fringe	Battersea, Clapham & Wandsworth	21.1%	18.3%	2.8%
	Bayswater & Maida Vale	14.6%		-3.6%
	Fulham & Earls Court	10.5%		-7.8%
	Hammersmith & Brook Green, Chiswick, North Kensington	21.9%		3.7%
	Vauxhall, Nine Elms, Borough & Kennington	28.8%		10.5%

Source: LonRes | Note: Figures may not sum due to rounding

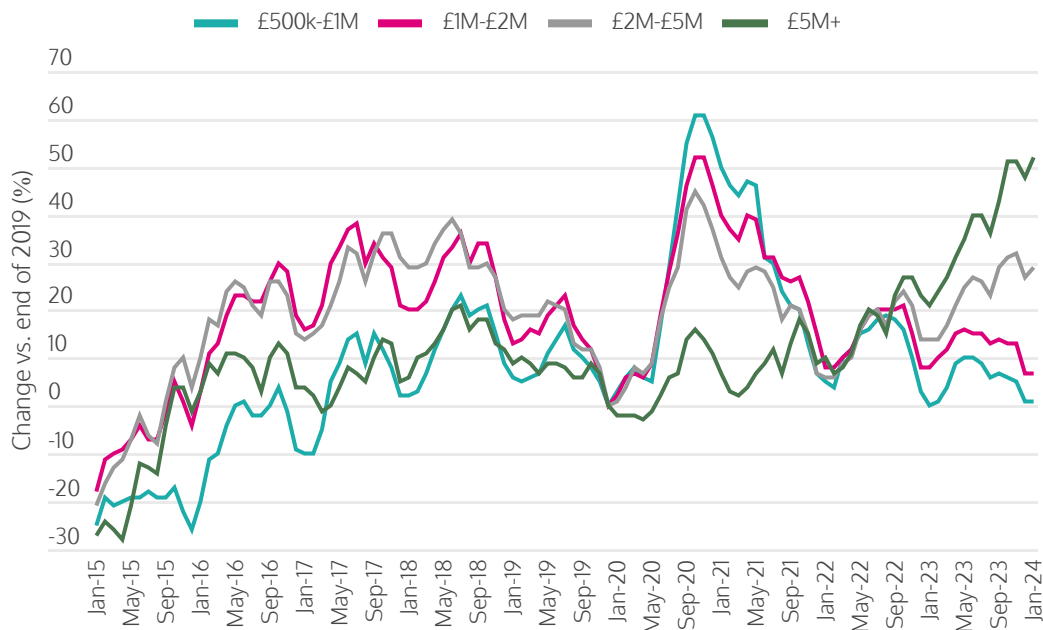
Available £5m+ stock continues to grow

January saw activity in the £5m+ market continue to slip back from a high base, but transaction levels are still well ahead of historical trends. Sales were 17% lower than the same month a year earlier but 64% higher than the pre-pandemic (2017 to 2019) January average. The number of properties at £5m+ going under offer in January this year was unchanged from January 2023, but 28% ahead of the 2017-19 average.

The supply of high-end homes for sale appears to still be increasing. New instructions in January this year were 42% higher than last year and 148% more than the 2017-19 January average. Even with the healthy sales volumes noted above, the stock of £5m+ homes available to buy at the end of January was 25% higher than a year earlier.

A longer-term comparison of stock for sale by price band shows that the build up of available £5m+ stock has been a clear trend since early 2022. Relative to the levels seen at the end of 2019, there were 52% more £5m+ homes for sale across prime London at the end of January. Most of this growth has taken place in the past two years. Other price points followed a similar trajectory in 2022 but, since then, the number of available homes has fallen back, particularly for those priced at under £2m.

Stock on the market by price band*



*Compared to end of 2019 | Source: LonRes

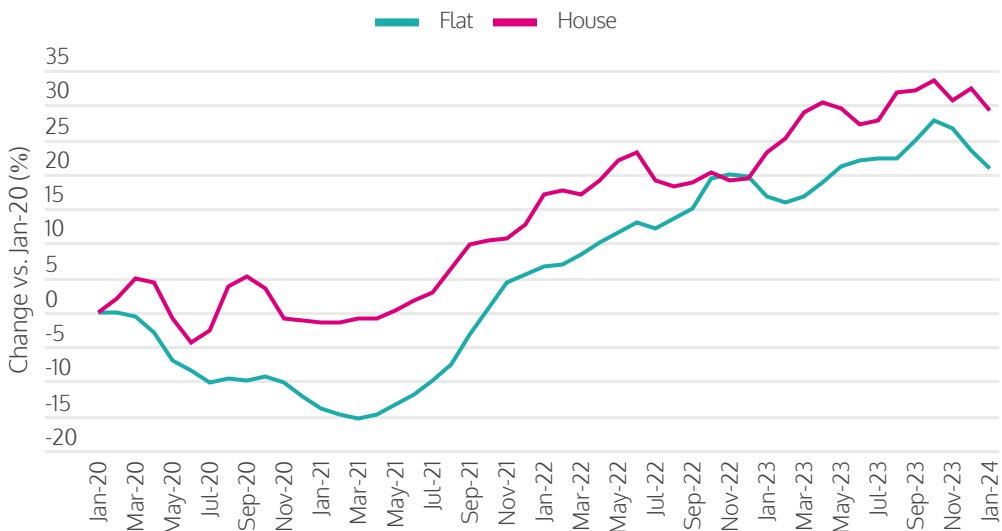
Post-pandemic rental premium for houses still there, but overall growth slowing

Rental growth across prime London slowed again in January, with average rents falling on a monthly basis for the third time in succession. Annual rental growth fell to 3.1%, but rental values remain 26.1% higher than their 2017-19 (pre-pandemic) average.

The number of newly agreed lets in January fell by 11.5% compared to a year earlier and was 60.8% below the pre-pandemic (2017 to 2019) January average. New instructions rose last month by 22.1% on an annual basis, but the figure was 48.2% below the average 2017 to 2019 January level. Across prime London there were 59.0% more properties on the market to let on 31st January than a year earlier, but that figure is 27.5% lower than the end of January 2020.

In the prime London rental market, flats have typically commanded a premium versus houses, on a £ per sq. ft. basis. At the start of 2020, this premium was 13%. Rental growth for the two property classes has followed differing paths since then. In Q2 2020, the pandemic and associated lockdowns reduced demand for rental property across central London, so values for both types fell. Very quickly, this shifted to increased demand for houses relative to flats. In spring 2021, house rental values were in line with their January 2020 level, while flats were 15% below. Flats subsequently recovered and closed the growth gap in late 2022, but a new gap has opened up since then. The flat premium in January 2024 has fallen to 6%.

Rental growth since January 2020 by type



Source: LonRes



Analysis of LonRes data for this Monthly Briefing has been carried out by Nick Gregori, Head of Research at LonRes.
This Prime London Market Briefing uses data up to 31 January 2024.

**Prime London analysis includes properties within the following postcodes:*

*** Prime Central London: SW1Y, SW1X, SW1W, SW1A, SW3, SW7, SW10, W1S, W1K, W1J, W8.*

Prime Inner London: NW1, NW3, NW8, SW1P, SW1V, W1T, W1H, W1U, W1G, W1W, W2, W1I, W14.

**** Prime Fringe: SE1, SE11, SW4, SW5, SW6, SW11, W4, W6, W9, W10.*

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