DECEMBER
2023

Emerging positive signs in prime London sales market as economy stabilises.

Rents still rising but rate of rental growth slows to two-year low.

Analysis of the prime London housing market

1 November to 30 November 2023

Going Steady

Values across prime London remain largely in line with their early 2014 level. While November's achieved sold prices recorded a small fall of 4.1% on the same time last year, they remain 1.6% higher than five years ago and 4.1% higher than 10 years ago.

Keep it in Perspective

Transactions were down 32.1% in November compared to November last year – but 2023 sales look likely to end the year only slightly below their long-term average.

Taking Stock

The number of properties going under offer in November was lower than a year ago (by 8.6%). However, new instructions increased by 5.0% on an annual basis. This combination of recent supply and demand activity means that there was 5.9% more stock on the market across prime London at the end of November than a year ago.

On the Up

In the £5 million plus market new instructions rose slightly compared to a year earlier, by 1.4%. And while sales were lower on the same basis (by 28.1%), the number of properties going under offer increased by 16.1% over the same period.

Stay High

There was some good news for prime London renters as the pace of annual rental growth slowed to 6.9%, in November. However, rents remain 31.9% above their 2017-19 (pre-pandemic) average.

Follow the Instructions

Much needed stock levels continued to rise in November with new instructions increasing by 14.5% on the same time last year. Meanwhile agreed lets fell by 6.7% on an annual basis. These results come with the caveat that rental demand in some market sectors remains sufficiently strong that a significant proportion of properties are being let without listing, so are not captured in this data.

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Monthly prime data

(1 November to 30 November 2023)

|	Prime Sales Annual Change	Prime Sales Change vs. 2017-19*	Prime Lettings Annual Change	Prime Lettings Change vs. 2017-19*
Achieved prices/rents	-4.1%	-1.2%	6.9%	31.9%
Properties sold/let	-32.1%	-25.4%	-6.7%	-53.1%
New Instructions	5.0%	13.6%	14.5%	-40.0%

*Pre-pandemic | Source: LonRes

Prime London prices and transactions fall in November but remain only slightly below long term average…

The prime London sales market recorded a relatively subdued month in November, continuing a trend seen throughout 2023. Average achieved prices were slightly lower than a month earlier and the annual rate of change was -4.1%, the largest fall since August 2019. However, the longer-term context shows that values are broadly unchanged from a decade ago and in fact are now 1.6% higher than five years ago and 4.1% higher than 10 years ago.

Transaction levels were also down in November (by 32.1%) on an annual basis, despite a high number of properties going under offer in October. However, we have not seen a rise in fall throughs which suggests deals are just taking longer to proceed. On the supply side, November saw 5.0% more new sales instructions compared to the same month last year which is good news for those looking to buy.

It's worth noting that while November's sales activity may look low compared to last year, looking further back suggests that 2023 will only be slightly below the long-term average. Our records show that for transactions recorded in January to November each year, 2023 is within 10% of the average from 2005 to 2022.

Transactions in Jan-Nov Each Year*

● **Sales**   ----- **2005-22 Average**

Sales

*All Prime London | Source: LonRes
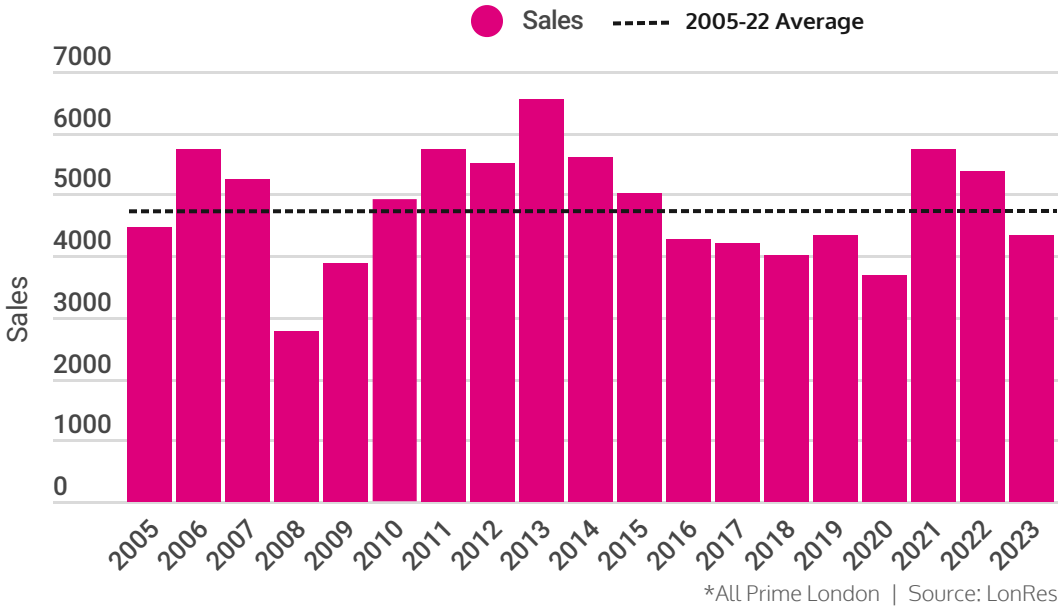
Our listings data is not showing it yet but there are signs that buyer sentiment in the prime London sales market is improving. One measure of demand we look at is the number of enquiries from buying agents. This has been increasing steadily over the past four to five years and the 12-month average of enquiries is currently more than triple the levels seen in 2017 to 2019.

Index of Buying Agent Enquiries*

Index, 2017-19 = 100

*12-Month Rolling Average | Source: LonRes

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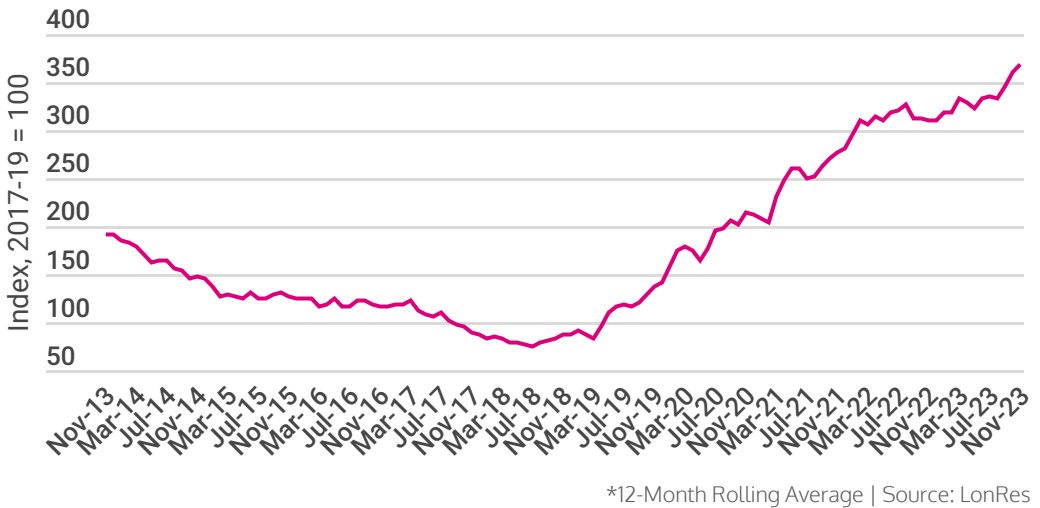
Top end remains most resilient sales sector...

The £5m+ market has stood out as the best performing sector since 2020. While activity has slowed from 2022's peak, it remains the strongest price point at the end of 2023. Sales volumes were 28% lower in November than a year earlier while there were 1.4% more new instructions and a 16.1% increase in the number of properties going under offer.

As a smaller market – £5m+ sales only made up around 8% of all prime London transactions in 2023 so far – metrics based on monthly data can be volatile. Looking at the average over three months provides a more robust view of this market's performance. Even over what has been a relatively quiet period, these figures show how much more active this market is now compared to the years preceding the pandemic (2017 to 2019).

Measures of £5m+ Market Activity*
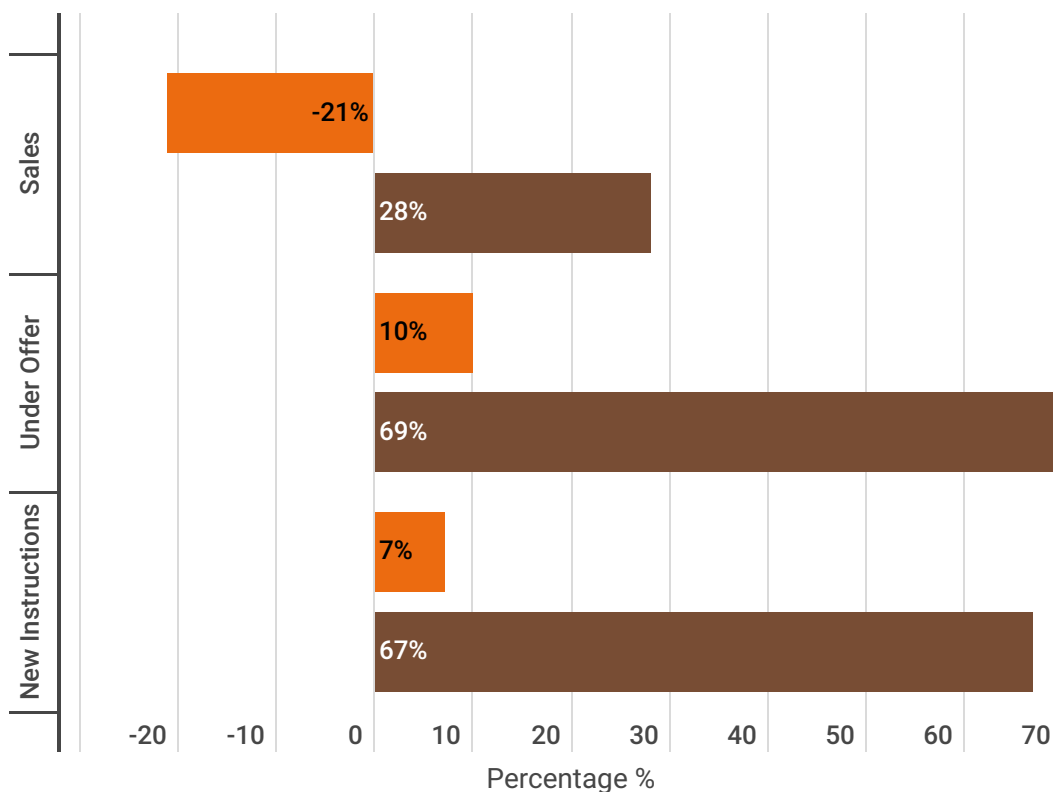
Legend: ● Compared to Sep-Nov 2022   ● Compared to Sep-Nov 2017-19 average

*Sep-Nov 2023 | Source: LonRes

LONRES   PROPERTY. DATA. NETWORK.

Rental growth finally slows in prime London lettings market...

The lettings market tends to slow down approaching the end of the year and this November was no different. Annual rental growth across prime London slowed again, to 6.9%. Rents have been rising on an annual basis since August 2021, but this is the slowest pace of growth since September 2021. Compared to their 2017-19 (pre-pandemic) average, rents are 31.9% higher.

Historically, rental growth has been driven by wage increases. While this relationship is likely stronger for mainstream rental markets across the UK, it will still apply to some extent in prime London. Prime London had seen very little rental growth in the years prior to 2020, and values fell rapidly during the early stages of the pandemic from March 2020. They have since more than recovered those losses, and in November rents were 26% above their level from February 2020.

For comparison, the latest CPIH (Consumer Prices Index including owner-occupiers' housing costs) inflation figure from October shows an increase of 20% over the same period. Rather than overall employment data we have selected Finance and Business Services as a better match for prime London tenants, and wages in this sector have grown at a faster pace than inflation, +31% from February 2020 to September 2023.

Prime London Rents vs. Wages* and Inflation†
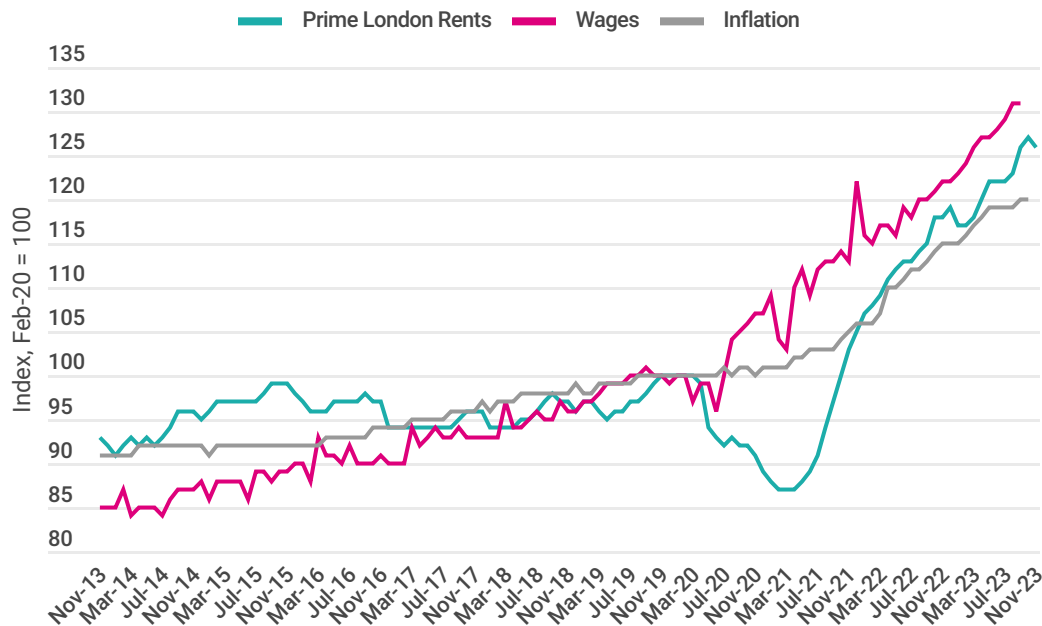
*Finance and Business Services   †CPIH | Source: LonRes, ONS

LON RES   PROPERTY. DATA. NETWORK.

Tenant demand still appears relatively high for the time of year, but recorded activity is low as a high proportion of properties are being let without listing, so are not captured in the data. Lets agreed for November fell by 6.7% compared to a year earlier, and were 53.1% lower than the average November levels recorded in 2017-2019. Annual growth in new instructions was 14.5% in November, so the gradual recovery of supply continued. At the end of November there were 58.9% more properties on the market to let than a year earlier. However, the current level is still 33.7% down compared to the end of November 2019.

*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, W11, W14.
*** Prime Fringe: SE1, SE11, SW4, SW5, SW6, SW11, W4, W6, W9, W10.*

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