

MONTHLY BRIEFING

PRIME LONDON MARKET

May 2023 Issue

Prime London's housing market lacks seasonal spring bounce with prices flat and transactions down, but top end leads the way.

Signs of demand starting to cool in rental market, but lack of stock supports rental growth.

Analysis of the prime London housing market: April 2023



Subdued Sales

The prime London sales market was subdued in April, with prices flat and transaction levels down both compared to last April and the longer-term average.



Rental Demand

The rental market meanwhile continued to see strong demand against a backdrop of weak supply. However, there are emerging signs that demand is starting to cool. Annual rental growth of 7.4% in April remains similar to last month.



April Falls

Sales activity in April was 34.7% lower than in 2022, with the year to date total down more than 24% annually. The number of properties under offer also fell, with an annual change of -11.7% in April and -11.0% year to date.



£5 Million + Highs

The £5 million plus market picked up in April, after a slow March. Agreed sales were up 26.1% on last year and were more than 50% above the 2017-19 average. The level of new instructions fell after the highs seen earlier in 2023, but the number of properties under offer in this market remained high.



Lettings Activity Slows

Activity in the prime London lettings market declined again in April. New lets were down 26.2% on an annual basis and new instructions were 12.2% lower

Source: LonRes

Monthly prime data: April 2023

*(pre-pandemic)

	Prime Sales Annual Change	Prime Sales Change Since 2017-19*	Prime Lettings Annual Change	Prime Lettings Change Since 2017-19*
Achieved prices/ rents	-0.9%	0.7%	7.4%	20.5%
Properties sold/let	-34.7%	-16.8%	-26.2%	-53.5%
New instructions	8.8%	-1.0%	-12.2%	-54.1%

Source: LonRes

Subdued sales market across prime London...

Prime London sales activity remained low in April. In fact, agreed sales for the month were at a record low, excluding the lockdown-affected April 2020, and down almost 35% on a year earlier.

However, sales taken over the course of the year to date are only 1.4% below the 2017 to 2019 (pre-pandemic) average. In a sentiment-driven market with price falls widely forecast, buyers are clearly playing a waiting game just now.

Prime inner London was the best performing area, recording annual growth for the first time in six months (+3.5%).

Source: LonRes

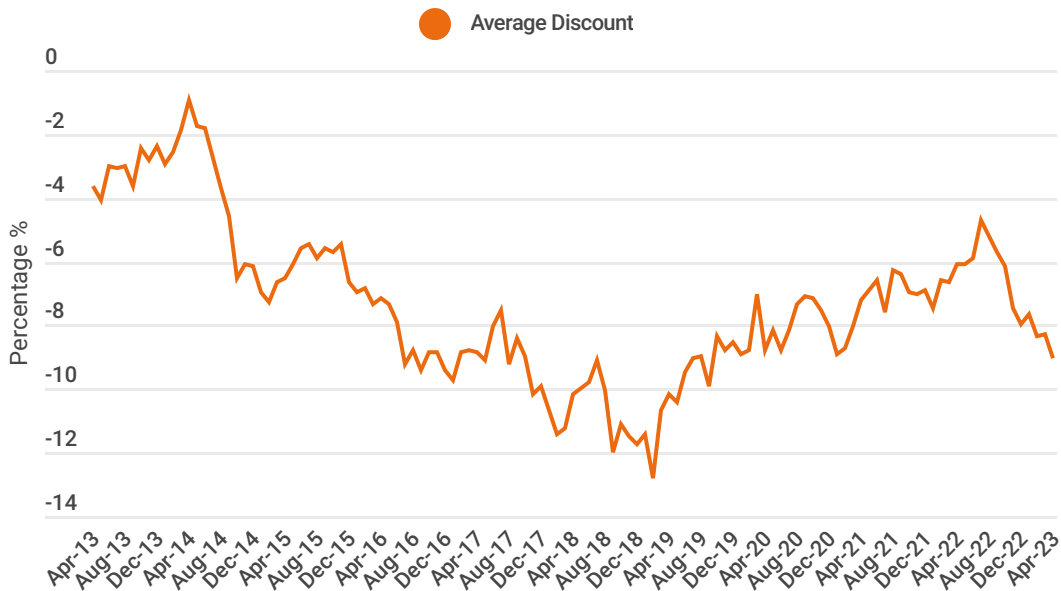
New instructions in April were up by 8.8% on April last year, taking the year-to-date rise to 9.2%. The number of properties being withdrawn from sale is well below its longer-term trend level (year to date 16.3% below the 2017-19 pre-pandemic average).

Meanwhile, the number of properties under offer, a lead indicator, was 11.7% lower than a year earlier, suggesting that activity is unlikely to increase significantly over the coming months.

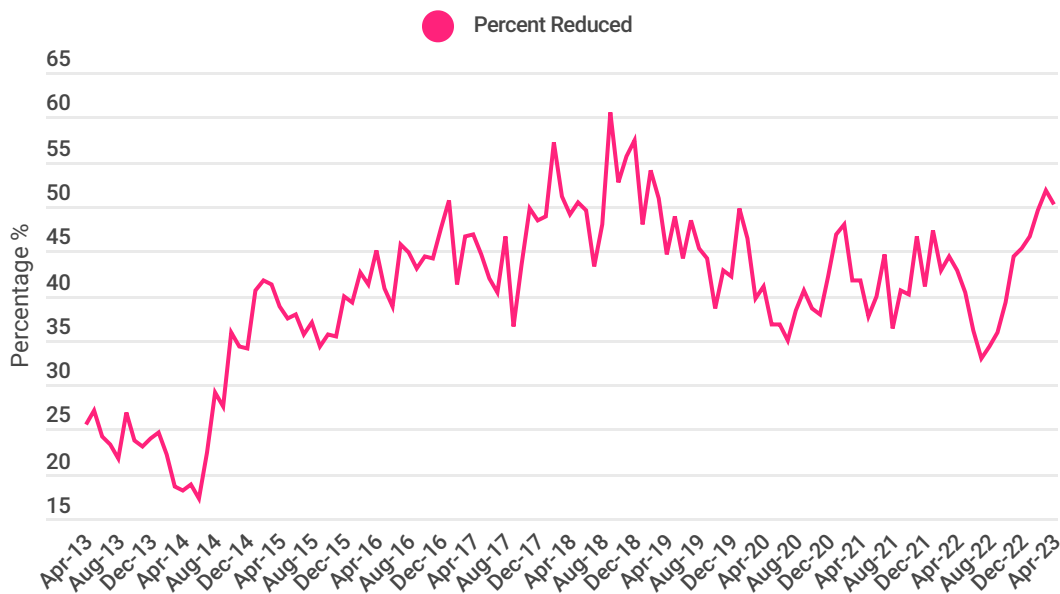
Average values across prime London showed a slight fall in April, with an annual change of -0.9%. Prime inner London was the best performing area, recording annual growth for the first time in six months (+3.5%). Across all prime London, the average discount to asking price rose to 9.1%, the highest in over three and a half years. Just over half the properties that sold in April (50.2%) saw their asking price reduced.

The April results suggest that the stock of homes available to buy will continue to increase over the coming months and that vendors may be more motivated to sell than previously. If activity levels are to recover from a slow start to the year, this motivation will likely be tested further.

Discounts and price reductions - All prime London sales



Source: LonRes



Source: LonRes

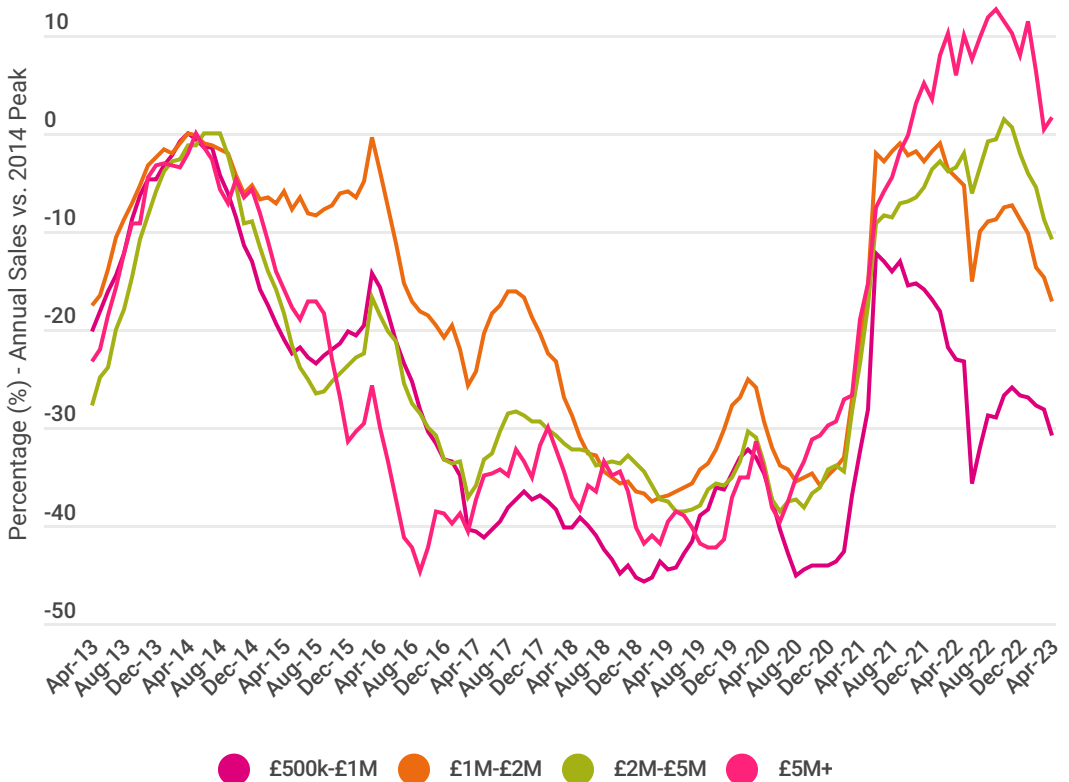
Homes above £5m continue to outperform...

While March saw signs of a potential slowdown in the £5m+ market across prime London, April saw a bounce back. This top end of the market remains the strongest performing segment, with relative activity stronger than in other price bands.

£5m+ sales volumes in April were 26.1% up year-on-year and 58.2% above the April pre-pandemic average (2017-2019 April). The number of properties going under offer in April also grew, 13.6% up on a year earlier. This is well above past trends at 63.0% above the 2017-19 April average level.

The growth in the supply of homes for sale in this market slowed in April. New instructions were slightly down (-1.4%) in April compared to a year earlier, although the current level is significantly above historical trends – the number of £5m+ homes currently on the market is the highest in the 10 available years of data.

Sales activity by price band, compared to 2014 peak



Source: LonRes

Rental demand finally starting to fall back...

The rate of annual rental growth remained high in April, at 7.4%, pretty much in line with the past three months and down from the 25%+ seen in summer 2022. Activity continues to be constrained by low volumes of stock coming to market – the number of new lets agreed was down 26.2% in April compared to April last year.

Lead indicators of activity suggest little change in the near-term, with the number of properties going under offer down by 23.7% on an annual basis, and new instructions 12.2% lower. Compared to longer-term trends, new lets, new instructions and under offers all remain more than 50% below their pre-pandemic levels.

One sign of slowing demand can be seen in the data for discounts and price reductions. The average discount to asking price reached 2.4% in April, which remains low in a historical context but is down from late last year when properties were achieving above asking price on average.

The proportion of homes discounted before being let increased to 25.9%, the highest level since August 2021.

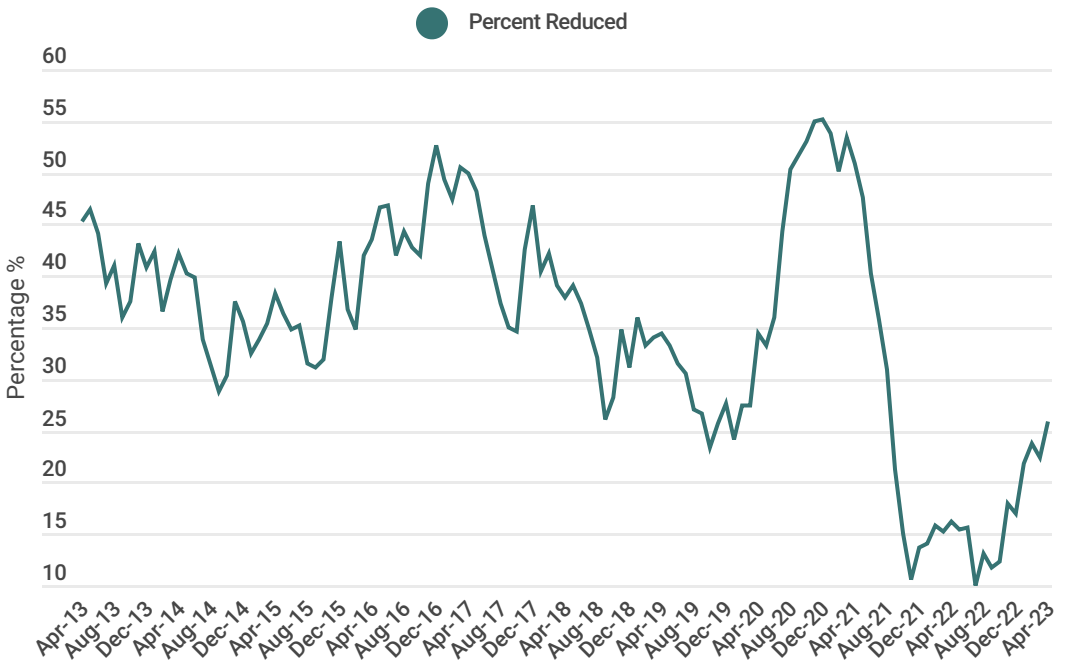
The average discount to asking price reached 2.4% in April, which remains low in a historical context but is down from late last year when properties were achieving above asking price on average.

Source: LonRes

Discounts and price reductions - All prime London lettings



Source: LonRes



Source: LonRes



Analysis of LonRes data for this Monthly Briefing has been carried out by Nick Gregori of BuiltPlace - exclusively for LonRes - using data up to 30 April 2023.

*Prime London analysis includes properties within the following postcodes:

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

*The prime areas break down as:

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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