



Prime London sales market remains subdued as activity and prices fall in October.

Meanwhile lettings supply increases but not enough to stem continuing rental growth...

# Analysis of the prime London housing market

1 October to 31 October 2023



## Ups and Downs

The prime London sales market recorded both annual price and transaction falls in October. In lettings, strong rental growth continued and activity remained low.



## Laying Low

Average achieved sold prices fell by 3.3% in October on an annual basis, the largest fall since May 2021. Average values across prime London are approximately in line with their early 2014 level. There were 29.5% fewer transactions in October compared to the same month a year earlier, and 8.2% fewer than the 2017-2019 (pre-pandemic) October average.



## Got to Bounce

The number of properties going under offer bounced back after a challenging September, with 9.7% more than in October 2022. The number of new sales instructions fell by 7.2% on an annual basis. However, a fall in new instructions, combined with slower sales activity has meant the volume of stock available for sale at the end of October is only 1.5% lower than a year earlier.



## Act Normal

The £5 million plus market continued its return to more normal activity levels after a strong two years. Sales in October were 31.6% down on a year earlier but ahead of the 2017-2019 (pre-pandemic) October average. New instructions in this market rose in October by 20.4% annually and the number of properties going under offer increased by 3.6% on the same basis.



## Grow Slow

The pace of annual rental growth across prime London slowed slightly, to 8.1%, in October. This is on top of significant previous growth, with values 33.0% above their 2017-19 (pre-pandemic) average.



## So Demanding

LonRes data for October showed an annual fall of 3.7% in lets agreed and a 17.2% increase in new instructions, with activity on both measures remaining at around half of pre-pandemic levels. These results come with the caveat that rental demand is so strong that a significant proportion of properties are being let without listing, so are not captured in the data.

# Monthly prime data

(1 October to 31 October 2023)

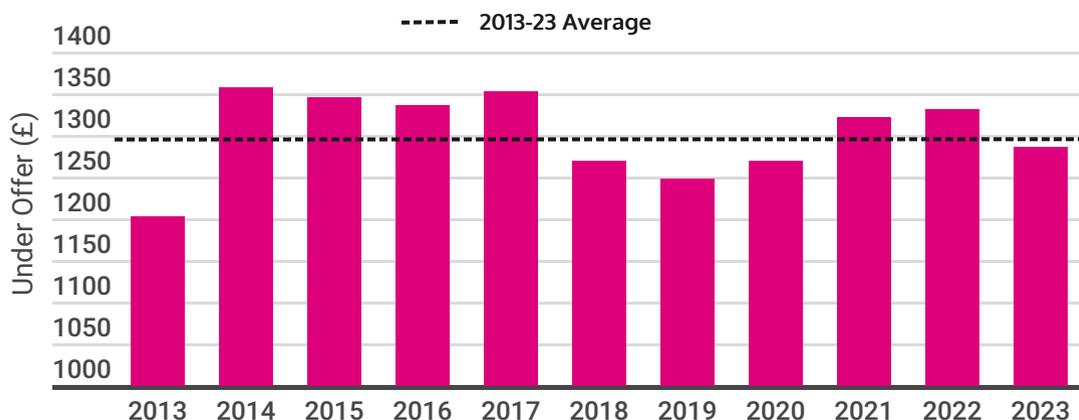
	Prime Sales Annual Change	Prime Sales Change vs. 2017-19*	Prime Lettings Annual Change	Prime Lettings Change vs. 2017-19*
Achieved prices/rents	-3.3%	-0.4%	8.1%	33.0%
Properties sold/let	-29.5%	-8.2%	-3.7%	-54.5%
New Instructions	-7.2%	-3.2%	17.2%	-42.3%

\*Pre-pandemic | Source: LonRes

## Steady October as prime London sales market adjusts to lower activity levels...

October saw another relatively subdued performance for the prime London sales market. Average achieved prices fell by 3.3% compared to a year earlier. While this is the largest annual fall since May 2021, values overall have been broadly unchanged with little significant movement in either direction for almost a decade. Looking back at average October prices over this period, they have stayed in a range of between £1,250 to £1,350 per sq ft in each year from 2014 through to 2023 and currently sit very close to the 10-year average.

## Average Achieved Price in October (£psft)\*



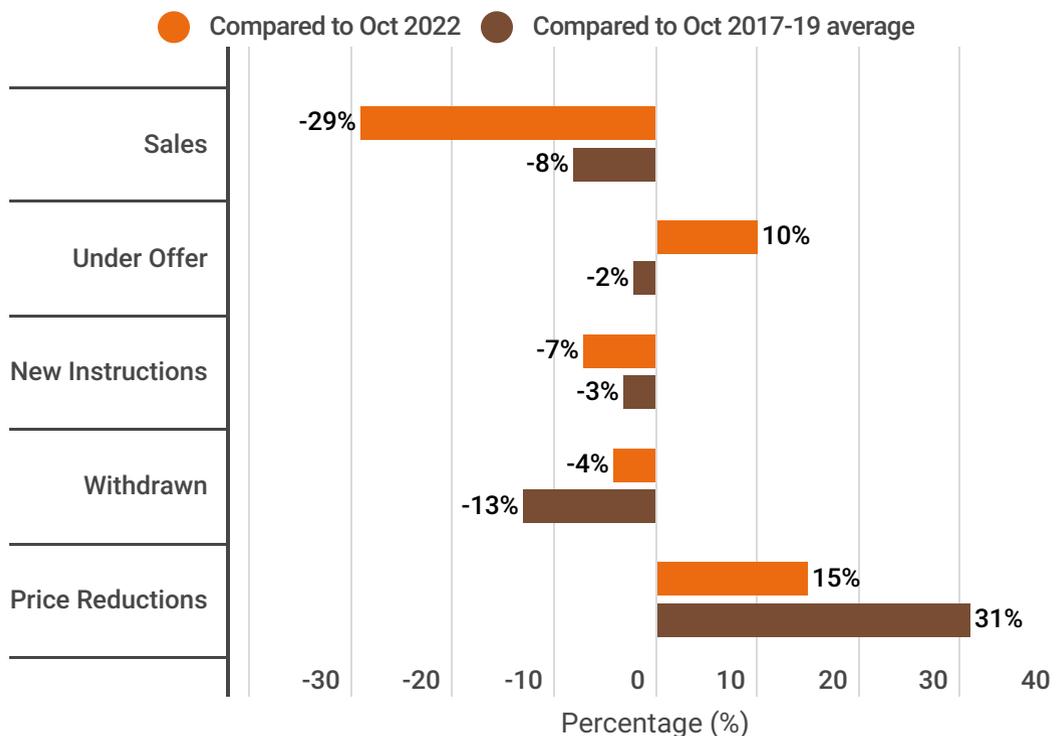
\*All prime London | Source: LonRes

Activity measures show a mixed picture. There were 7.2% fewer new sales instructions in October compared to the same month last year and 3.2% fewer than the pre-pandemic (2017-2019) October average. Transactions saw larger falls, with 29.5% fewer sales than a year earlier and 8.2% fewer than the pre-pandemic (2017-2019) October average.

October is traditionally the month with the highest number of properties going under offer, as sales are agreed on September's new listings and buyers hope to conclude their moves before Christmas. While slower conveyancing may scupper this ambition for some buyers in today's market, under offer numbers did indeed pick up in October, with 9.7% more than a year earlier. However, it is worth noting that buyer demand last October was negatively impacted by Liz Truss's brief spell as Prime Minister.

Our wider market metrics suggest that sellers this autumn may be more motivated than in past years. The number of properties being withdrawn from sale is 4% lower than a year earlier while the number being reduced in price is 15% higher. Compared to pre-pandemic benchmarks the change is even more significant. It may be the case that vendors are reluctant to withdraw and re-list later if they feel that the market will get weaker before it gets better, so are staying on the market longer and reducing asking prices to try and secure a sale.

## Measures of Market Activity, October 2023



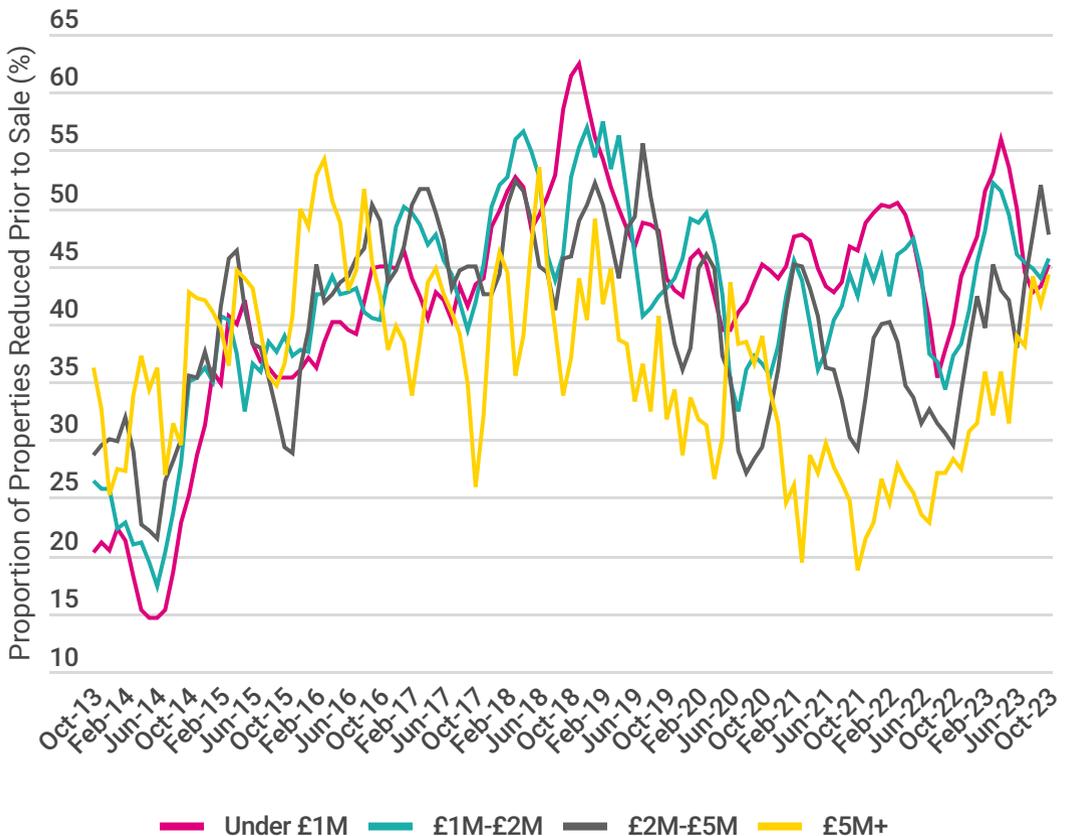
Source: LonRes

## £5m+ metrics fall into line with wider London market...

We have seen a shift in the supply-demand dynamics of the £5m+ market in recent months, and this continued in October. Sales volumes fell by 31.6% compared to a year earlier while there were 20.4% more new instructions. The fall in transactions may seem big but this follows two years of strong activity; the latest figure is 8.3% higher than the pre-pandemic (2017-2019) October average so what we're seeing is a return to more normal levels of demand.

Data on price reductions gives a further indication of the change in this market. Prior to 2020, this measure behaved much the same across all price points, with data for £5m+ slightly more volatile. In October 2021 less than one in five £5m+ properties were reduced before sale, while for those priced at under £1m it was almost half. This October the figures were much closer together – 45.2% for under £1m and 44.2% for over £5m – showing how the top end of the market is now much more in line with the lower bands.

## Proportion of Properties Reduced Prior to Sale\*



\*By Price Band | Source: LonRes

## Supply and demand start to rebalance in prime London lettings market...

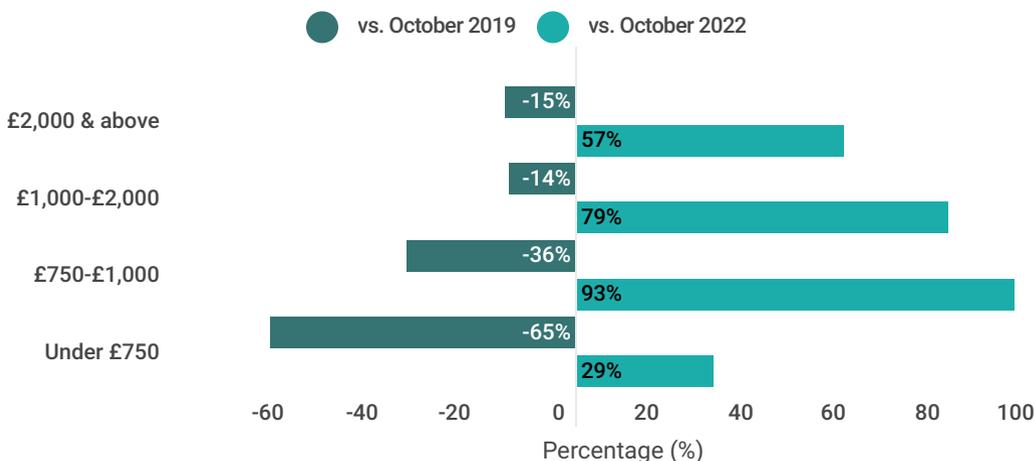
Annual rental growth across prime London slowed slightly to 8.1% in October. However, this is the twenty-seventh month in a row that rents have risen on this basis. The latest rise means rents are now 33.0% above their 2017-19 (pre-pandemic) average. All areas and sub-markets have seen strong growth but prime fringe was the best performer for the eighth month in a row, recording an annual rise of 11.2%.

Tenant demand still appears high, 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 in October fell by 3.7% compared to a year earlier, and were 54.5% lower than the average October levels recorded in 2017-2019. Annual growth in new instructions was 17.2% in October.

Rising instructions and continuing low levels of newly agreed lets mean that the stock of homes available is growing compared to the low point reached at the end of 2021. At the end of October there were 60.9% more properties on the market to let than a year ago. However, the current level is still 39.5% down compared to the end of October 2019.

Breaking these results down by price point shows that the shortage of rental properties is more acute at the more affordable end of the market. For properties available at less than £750 per week, there are 29% more homes on the market compared to a year ago but 65% fewer than four years ago. At higher price points the longer-term drop is much lower, for example above £2,000 per week there are only 15% fewer homes available than four years ago.

## Stock on The Market by Weekly Rent at End of October\*



\*All prime London | 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 October 2023.

*\*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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