

PRIME LONDON MARKET
MONTHLY BRIEFING

Activity continues to fall across the prime London sales market but prices remain stable.

Meanwhile rents continue to grow, discounts shrink and stock levels rise in prime London lettings market.

Analysis of the prime London housing market

1 August to 31 August 2023



Activity and Values

Sales values and activity across prime London both fell in August on an annual basis. The prime London lettings market continues to see high rental values and low levels of activity.



Above and Below

Average achieved sold prices fell by 1.0% compared to a year earlier, a slower pace of decline than last month. Average values across prime London are 4.2% above their 2017-2019 average, indicating little change over the past few years. Transactions in August were 28.5% lower than the same month last year, and 9.2% lower than the 2017-2019 (pre-pandemic) August average.



A Quiet Summer

Other indicators suggest this relatively quiet market will continue. New instructions were down 16.5% compared to last August and the number of properties going under offer fell by 17.1% on the same basis.



Staying Cool

The £5 million+ price point remains the best performing segment but even here there are signs that the market is cooling. Sales in August fell 31.1% compared to last year and new instructions also fell, by 2.5%.



Record-breaking Rents

Average rents across prime London grew by 8.8% on an annual basis in August, taking them to the highest level ever recorded in our data. This increase took rents to 29.3% above their 2017-19 (pre-pandemic) average.



Rise and Fall

LonRes data for August indicated an annual fall of 21.3% in lets agreed and a 6.5% increase in new instructions, with activity 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.

Source: LonRes

Monthly prime data

(1 August to 31 August 2023)

	Prime Sales Annual Change	Prime Sales Change Since 2017-19*	Prime Lettings Annual Change	Prime Lettings Change Since 2017-19*
Achieved prices/rents	-1.0%	4.2%	8.8%	29.3%
Properties sold/let	-28.5%	-9.2%	-21.3%	-59.9%
New Instructions	-16.5%	-11.5%	6.5%	-42.7%

*Pre-pandemic | Source: LonRes

Subdued summer continues across prime London sales market...

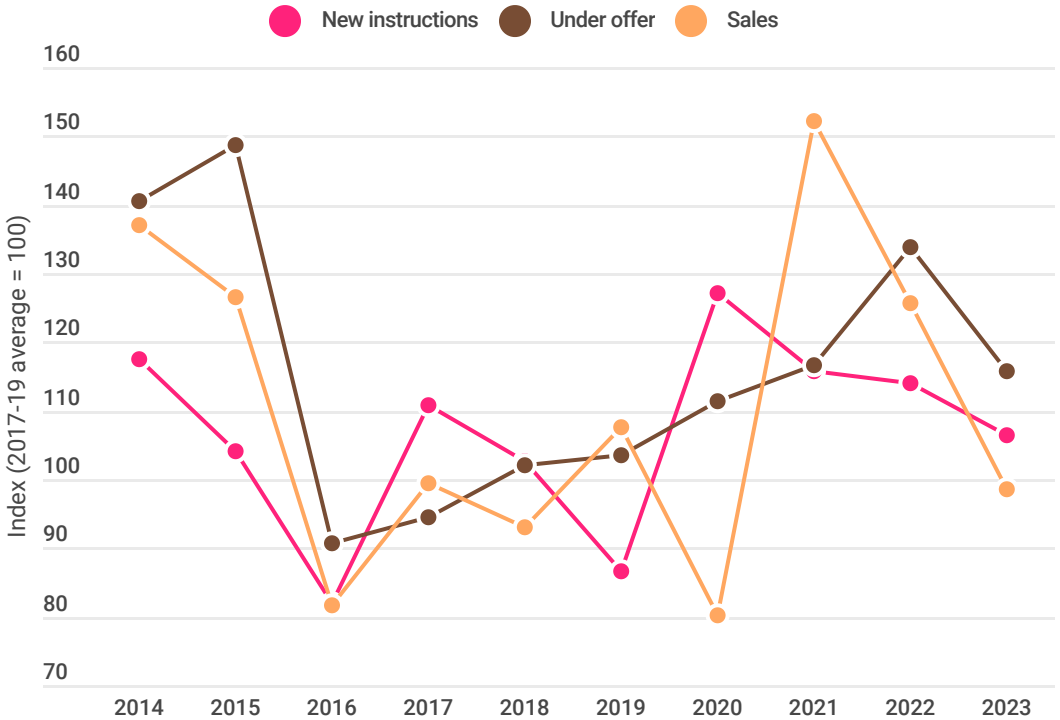
August continued the theme of 2023 so far for the prime London sales market – quiet. Values remained broadly stable, with average achieved prices falling by 1.0% compared with a year earlier. Prime central London bucked the wider trend by recording annual growth of 2.3%, bouncing back from last month.

New instructions in August were 16.5% lower than the same month last year and 11.5% lower than the pre-pandemic August average (2017-2019). Transactions fared similarly with a 28.5% annual fall in August, 9.2% below the 2017-19 average. For the whole of 2023 so far there have been almost 24% fewer sales recorded.

The number of properties going under offer also fell in August. There was an annual fall of 17.1%, with the total for the year to date 12.6% below last year. However, the number of under offers for the year to date is 18.9% above the 2017-19 average, so the wider context suggests that there is still a decent level of demand in the market.

While there are few positive signs in the above analysis, looking at the data for the whole summer suggests that the lack of activity is to be expected and the results for 2023 are nothing out of the ordinary compared to previous years. Sales volumes for the months of June, July and August 2023 combined are a little lower than the 2017-2019 average and both new instructions and under offers are above that baseline.

Summer Activity Measures by Year*



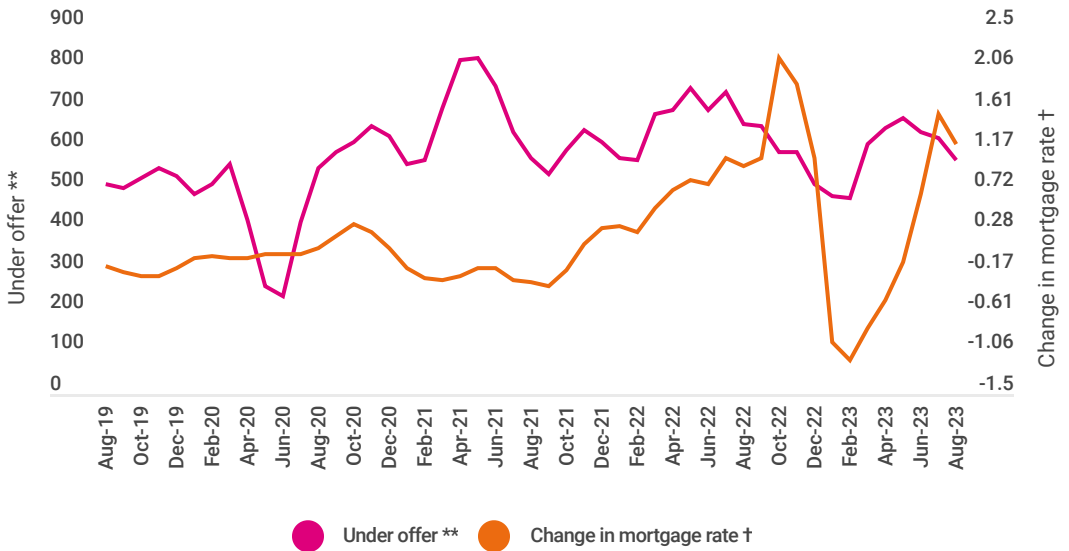
*All prime London (Indexed) | Source: LonRes (Summer = June, July and August)

Whether the rest of 2023 sees a bounce back from the summer lull is likely to depend on sentiment regarding the wider economy, which has been volatile and negative for much of the year so far.

Borrowing costs are a key component of this sentiment, and the past 18 months have seen significant swings in available mortgage rates compared to the relative stability of the preceding years. In autumn 2022 there was a rapid rise in mortgage rates, due to a combination of global factors plus the specific premium in the UK attached to Liz Truss's short-lived spell as Prime Minister.

The average quoted rate for a 75% LTV five-year fixed rate product climbed from 1.6% at the end of 2021 to 3.6% in August 2022. It then shot up to 5.6% in October before falling back through winter and then rising again this year. The impact on buyer sentiment can be seen in the under offer data for prime London, which has tended to move in the opposite direction.

Mortgage Rates vs. Number of Properties Going Under Offer*



*All prime London | Source: LonRes, Bank of England
 **Number of properties going under offer - rolling 3 month average
 †Quoted mortgage rate (5 year fix) - 3 month on 3 month change

Quiet market spreads to top end as £5m+ sales fall again...

The market for properties priced at £5m or more has been the strongest segment this year, but activity is slowing. Transactions in August were down 31.1% on the same month a year earlier and under offers fell 34.5%. New instructions fell 2.5% after two months of high levels. But all three of these metrics are significantly above their average 2017-19 levels. 47% of £5m+ properties sold in the three months to August had their asking price reduced prior to sale. This is the highest level of price reductions since early 2019.

Monthly £5m+ Data

(1 August to 31 August 2023)

	£5m+ Sales Annual Change	£5m+ Sales Change Since 2017-19*
Properties Sold	-31.1%	50.0%
New Instructions	-2.5%	30.0%
Under Offer	-34.5%	11.8%

*Pre-pandemic | Source: LonRes

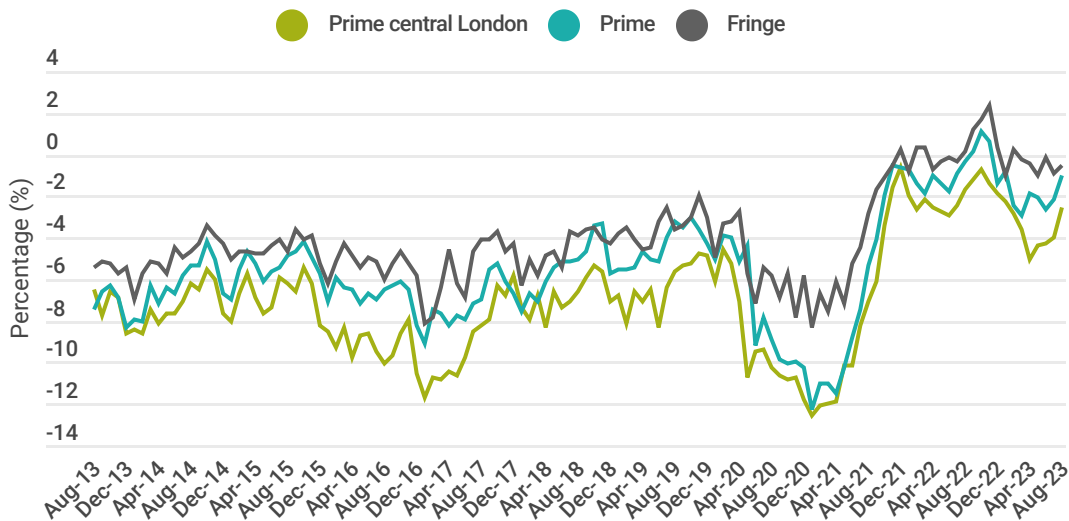
No signs of rental growth slowing in prime London lettings market...

Annual rental growth in August was 8.8% across prime London. This figure took rents to 29.3% above their 2017-19 (pre-pandemic) average. All areas and sub-markets have seen similar levels of growth but prime fringe was the best performer for the sixth month in a row, recording an annual rise of 12.4%.

Demand remains strong, with a significant proportion of properties being let without listing, meaning they are not captured in the data. However, even with that caveat there are signs that supply is creeping up from these recent lows, with new instructions rising by 6.5% in August compared to a year earlier. Lets agreed fell by 21.3% on the same basis, and are almost 60% lower than the levels recorded in 2017-2019.

With the activity metrics impacted by a lack of listings, the data on discounts and reductions may be a better indicator of demand. Average discounts across prime London were typically around 6% to 10% from 2013 to early 2020. After rising in the early stages of the pandemic they fell sharply through 2021 and in late-2022 properties were even reaching more than 100% of their asking price on average in some months. While the market appeared to cool slightly on this measure in the first half of 2023 the latest data shows discounts falling again. The prime fringe market looks particularly strong, with average discounts of 0.5% in August.

Average Discount to Asking Rent*



*By Area | 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 August 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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