LON RES

Summer Edition 2026

Prime London Market Update

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CEO's Introduction

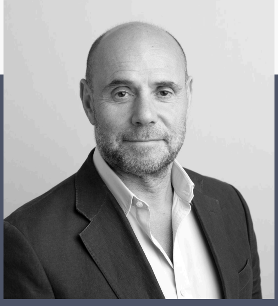
Opening Thoughts

As I write a new Prime Minister has been sworn into office – which by my reckoning makes that seven PMs in 10 years. Each has brought with them a slew of tax changes, some aimed directly at the housing market. Nick has the full story in this issue, which I'd recommend as a read, but what comes next is the question on every homeowner's and buyer's lips.

Summer has come early for the housing market and it seems that it's not the first time I've written these words. There's nothing like a bit of uncertainty to bring the market to a standstill. People – quite reasonably – become animated when it comes to tax and for homebuyers, that tax is all about stamp duty. So when whispers started circulating that Andy Burnham may scrap this, along with council tax, it's understandable that would-be movers put their plans on hold.

While the PM has ruled out scrapping stamp duty this year, it's not inconceivable that the topic could come up again at a later stage. The campaigning organisation Fairer Share has long been in favour of a new Proportional Property Tax (PPT) which it is rumoured Andy Burnham has shown interest in. Under their proposal, stamp duty and council tax would be replaced with a flat 0.48% tax on the current value of a homeowner's property.

There would be an initial cap on increases for homeowners of £100 a month while some – second homeowners, overseas owners and owners of empty properties - would pay higher rates. For buyers there would be no stamp duty – I can hear the cheers as I write these words! However, be careful what you wish for. For expensive areas of the country, and this includes prime London, it could prove more costly. Since 1991 – when homes were last valued for council tax purposes - properties in London have seen some of the biggest increases in value, meaning council tax bills have been proportionately smaller. So it's realistic to assume that under a revaluation process - which would inevitably be required - bills will go up, rather than come down. On the plus side, there would be less of a barrier to moving home and this in turn could act as a stimulus to the market. Hopefully we'll have a clearer idea of what's planned for the market in three months' time, which is when I'll be writing this column again.



Anthony Payne
CEO

"While the PM has ruled out scrapping stamp duty this year, it's not inconceivable that the topic could come up again at a later stage."

Speculation and uncertainty continue to dampen the market

Anyone hoping for a nice, quiet few months where the market could settle down will have been disappointed with the second quarter of 2026. A stable environment in terms of policy, taxes and regulations helps with any industry and the property market is no different, with a mix of local and international factors combining to stifle demand.

On the domestic side, we get our fifth Prime Minister in four years, with yet another round of speculation about potential tax changes – including property – already picking up. We saw in the latter part of 2025 that conjecture about new or increased taxes can be highly damaging to the property market, particularly a discretionary one such as prime London where fewer buyers or sellers really need to transact.

After getting off relatively lightly at last year's Budget compared to what had been feared in advance, some of the discarded ideas are back again. The leading prospects this year appeared to be higher Capital Gains Tax and replacing SDLT with an annual property tax – both of which would disproportionately impact the top end of the London market given values and the lower proportion of main residences.

These might be good reforms in the long run, but we have seen in the past that the market can better adapt to changes when it is functioning strongly, which is not the case right now.

Internationally, the situation in the Middle East escalates then de-escalates on what seems like a daily basis. As I write, tensions are high again, with the impact here most likely to be felt through higher inflation and borrowing costs. London's position as a safe haven for wealth and investment will likely be weakened until there is more certainty on taxation, but this hasn't stopped some huge trophy deals from being agreed in 2026 already.

The prime London lettings market is also adapting to a policy change, following the introduction of the Renters' Rights Act in May. We've already been hearing anecdotal feedback from agents that landlord and tenant behaviour is changing in response, but it will take a while longer for the data to catch up.

Overall, the outlook for the second half of the year remains relatively poor. There are a lot of homes available for sale, many with price reductions. There are buyers out there, but for those who are not 100% committed another round of tax speculation will further lessen their motivation.

Nick Gregori
Head of Research

"The market can better adapt to changes when it is functioning strongly, which is not the case right now."

Overview

Sales Market

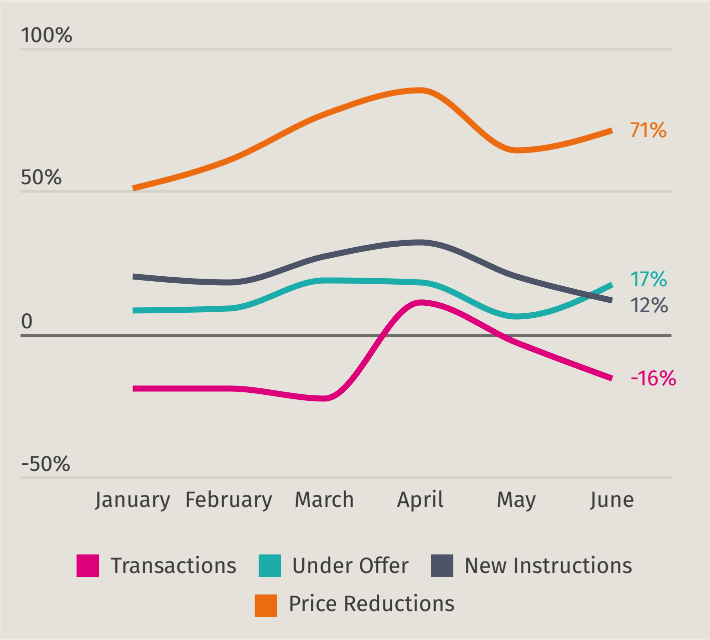
In the first half of 2026, activity in the prime London sales market has been relatively subdued. Transactions have been below the long-term average for five out of six months so far, while the number of price reductions is significantly above past levels. The number of properties going under offer has consistently been higher than past years, suggesting that buyer demand is robust but somewhat fragile, with challenges in terms of completing deals.

Sales volumes in Q2 were 10.0% higher on an annual basis but 4.0% lower than the long-term (2016-2025) Q2 average. This is a reversal of the poor Q1 figures, but the annual comparisons are strongly influenced by the pattern of activity in the first half of last year, which was impacted by a stamp duty holiday that ended in March 2025. For the year to date, sales volumes are 11.4% down on the same period in 2025.

Under offer numbers remain positive. Q2 saw a 9.0% annual increase, similar to Q1's result. This metric continues to point to an improvement in future activity, but actual transactions remain stubbornly low through a combination of fall-throughs and slow progress through the conveyancing process.

Supply has continued to rise this year, but the growth appears to be levelling off. New sales instructions in Q2 were 0.8% higher than last year, and 21.1% higher than the long-term (2016-2025) Q2 average. For H1 2026 there were 2.3% more homes listed than in the first half of 2025. The homes that are already on the market are seeing their asking price reduced more frequently. Every month in 2026 so far has seen more than 50% more price reductions than the long-term average.

Monthly Activity in 2026 so far compared to 2016-25 average, All Prime London
Source: LonRes



The combination of supply and demand dynamics over the recent period has resulted in steady growth in the number of homes available for sale across prime London. At the end of June this measure was up by 3.0% compared to a year earlier.

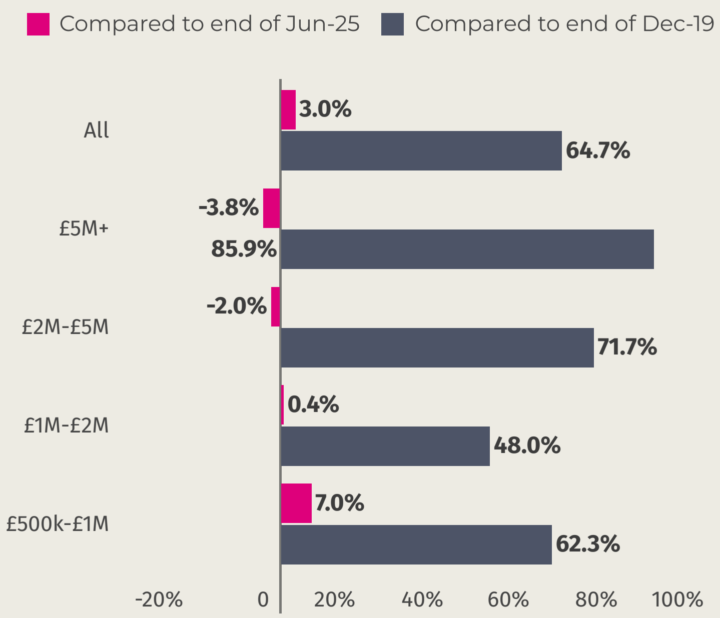
While the rate of growth in available stock has slowed, it remains high in a longer-term context – up 64.7% compared to the end of 2019. Performance across different price points has started to vary over the past year, with the number of available £5m+ homes falling back by 3.8% while the £500k to £1m band has seen growth of 7.0% on the same basis.

The level of available stock and the number of price reductions are inevitably having an impact on achieved prices. The latest LonRes Prime London Sales Index reported an annual fall of 7.5% in Q2 for all prime London. This is the largest fall since 2009 – the aftermath of the global financial crisis. Prime central London continues to underperform, with an annual fall of 9.0% in Q2.

Average time on the market across prime London in H1 2026 was 186 days, a small rise on the 178 days recorded in the first half of 2025. Over the same period, the average discount to asking price increased significantly, from 8.3% to 10.4%. These figures highlight that the market is weaker than at the same point last year, with more choice for buyers meaning sellers may be more likely to accept lower offers.

Stock on the Market by Price Band at end of June 2026

Source: LonRes



186 days

2026 H1 average time on the market

Source: LonRes

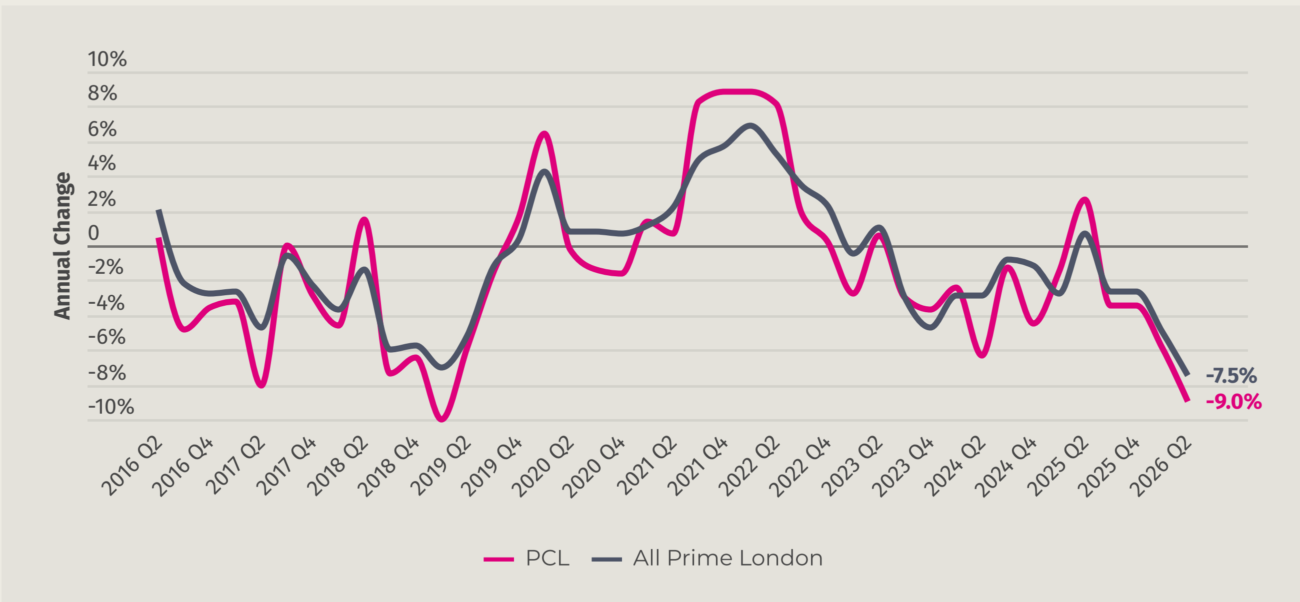
10.4%

average discount so far in 2026

Source: LonRes

Average Annual Change in Achieved Sale Price

Source: LonRes



Super Prime Sales Market Update

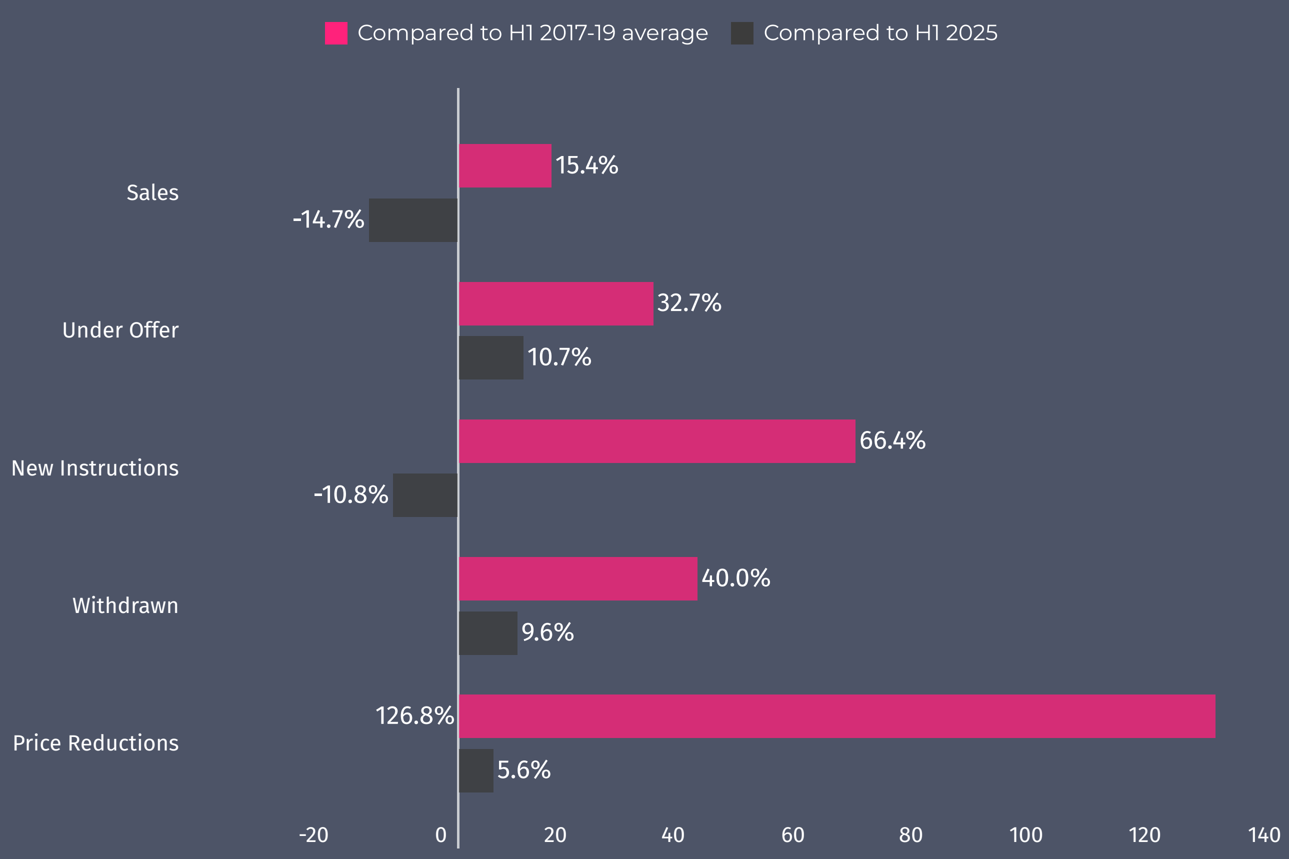
Over the first half of the year the super prime market behaved broadly in line with wider prime London, particularly in terms of annual comparisons. £5m+ transactions in the first six months of 2026 were down 14.7% compared to the same period in 2025 but 15.4% higher than the 2017-2019 (pre-pandemic) H1 average. Under offer numbers are up 10.7% annually and 32.7% on the 2017-2019 average level.

On the supply side, new £5m+ sales instructions in H1 were 10.8% lower compared to 2025 but 66.4% higher relative to the 2017-2019 H1 average. Despite fewer instructions, the number of price reductions increased by 5.6% on an annual basis, with a 126.8% rise compared to the 2017-2019 average level. This is an indication of both how much the super prime market has expanded, and its relative weakness. At the end of June there were 3.3% fewer £5m+ properties on the market than at the same time last year.

Like the wider market, the volume of reductions is putting downward pressure on achieved sale prices. The average discount to asking price in the first half of 2026 for £5m+ sales was 13.0%, up from 10.8% for the same period last year.

£5m+ Activity Measures Across Prime London – H1 2026

Source: LonRes



Prime London

Political Impacts

With a new Prime Minister in Downing Street – he took up office during the writing of this report – now is a good time to reflect on the impact of past policy changes on the prime London residential market.

We'll start back in May 2010, when David Cameron became PM in a Conservative-Lib Dem coalition after 13 years of Labour governments.

In 2010, the prime London market was recovering from the downturn caused by the global financial crisis. Significant real-terms price growth started to appear by 2012, then accelerated through 2013 and 2014. This was despite the introduction in 2012 of higher SDLT rates both for £2m+ properties and properties bought by companies, then in 2013 the introduction of a recurring tax for properties owned by companies (Annual Tax on Enveloped Dwellings – ATED). Four years after Cameron took office, average prices across prime London had risen by 44% - almost 30% after inflation.

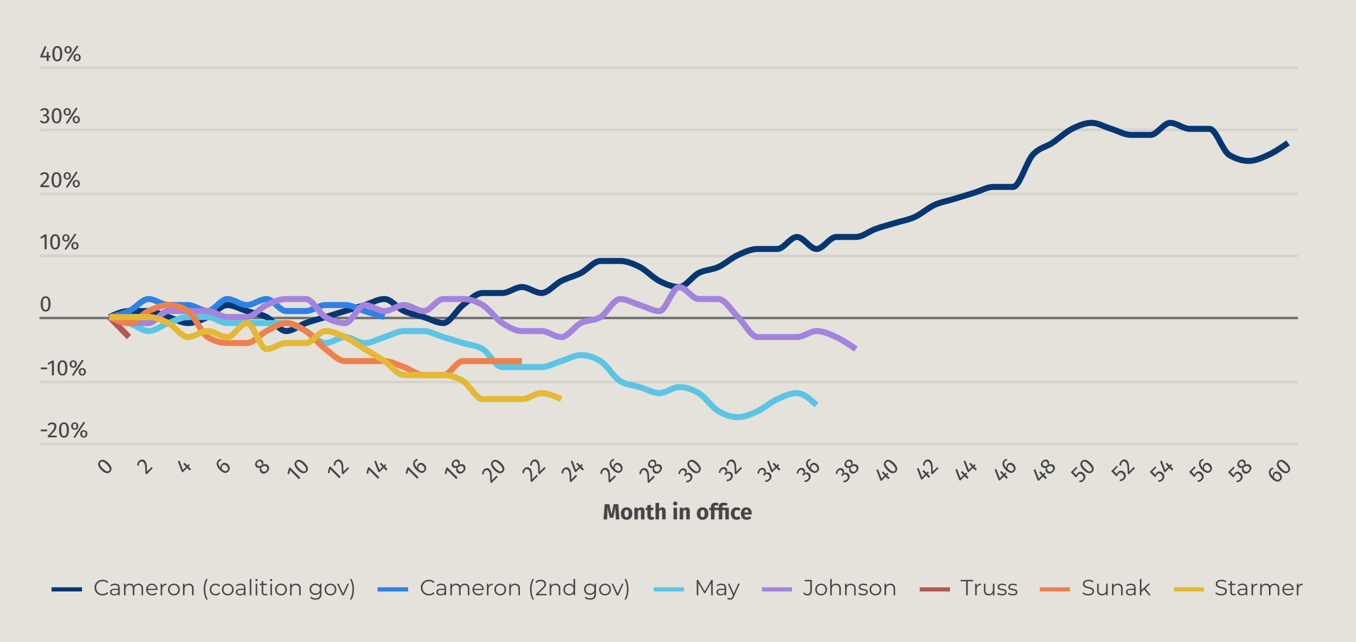
Later in 2014, on 3 December (in month 55 on the chart) the Chancellor, George Osborne, delivered the Treasury's Autumn Statement, setting out major reforms to Stamp Duty that would apply from the next day. The aim of the reforms was to make the tax more progressive and to remove the price-bunching associated with the prior 'slab' system (where the whole purchase price was subject to the prevailing rate).

The response to this major change was broadly positive, with the reform achieving its aims and lowering the SDLT payable for more than 90% of buyers across the country. Even for prime London buyers facing a higher tax bill, the sudden introduction (and lack of being leaked in advance) avoided the months of uncertainty typically associated with any potential tax reform, and the market adjusted and moved forward.

However, while this change alone is not responsible for what followed, it effectively marked the high point for values and activity in prime London and meant that the coalition government that ended in 2015 was the last to see prices higher than when they first came into office.

Prime London house price growth by Prime Minister, adjusted for inflation

Source: LonRes



Cameron's surprise win in the 2015 general election led to the Brexit referendum in June 2016, after which he stood down and was succeeded by Theresa May. 2016 also saw ATED increased in scope and higher tax for additional property purchases, while tax relief on buy to let properties started to be phased out from 2017. The combination of higher property taxes and an uncertain economy contributed to values falling by 14% in real terms between July 2016 and the end of May's premiership in July 2019. Transactions also slowed significantly from their 2014/15 peak during these years, with international demand unsurprisingly damaged by the Brexit fallout.

Boris Johnson took over as Prime Minister and subsequently called a general election later in 2019, returning a large majority. Demand for prime London property was just starting to recover as the Covid pandemic struck in early 2020. The next two years were turbulent for the market as it dealt with demand falling and rising, SDLT holidays and the introduction of a surcharge for overseas buyers.

Liz Truss's brief period as PM didn't deliver any policy changes but did inadvertently increase borrowing costs. Rishi Sunak's term from October 2022 was also relatively quiet on the policy front, with the removal of multiple dwellings relief the main direct change to property taxation. However, his government did set in train changes to the 'non-dom' regime, starting in April 2025. By this time, Keir Starmer had taken over as PM following Labour's win in the July 2024 general election. Later that year the additional rate of SDLT for additional homes and company buyers was increased, with a relatively benign new property tax introduced in December 2025 following months of speculation about a range of possible reforms.

Overall, while it seems like tax and policy reforms have a big impact on the market, when the market is healthy it can shrug them off and buyers and sellers adapt. When the market is already struggling, changes – or even fear of potential changes – compound the issue and give people an excuse to 'wait and see'. The new Prime Minister, Andy Burnham, has promised change. Changing the fortunes of the prime London residential market is almost certainly not on his to-do list, but with recovery long overdue it would be a welcome byproduct of any wider economic improvement.

Prime London house price growth by Prime Minister, adjusted for inflation

Source: LonRes. Note: £psf and growth are inflation adjusted to a May 2010 start point

Prime Minister	Start	£psf	Finish	£psf	Growth
Cameron (coalition gov)	May-10	£933	May-15	£1,192	27.8%
Cameron (2nd gov)	May-15	£1,192	Jul-16	£1,190	-0.2%
May	Jul-16	£1,190	Jul-19	£1,023	-14.0%
Johnson	Jul-19	£1,023	Sep-22	£975	-4.7%
Truss	Sep-22	£975	Oct-22	£947	-2.8%
Sunak	Oct-22	£947	Jul-24	£877	-7.5%
Starmer	Jul-24	£877	Jul-26	£763	-13.0%

Overview

Lettings Market

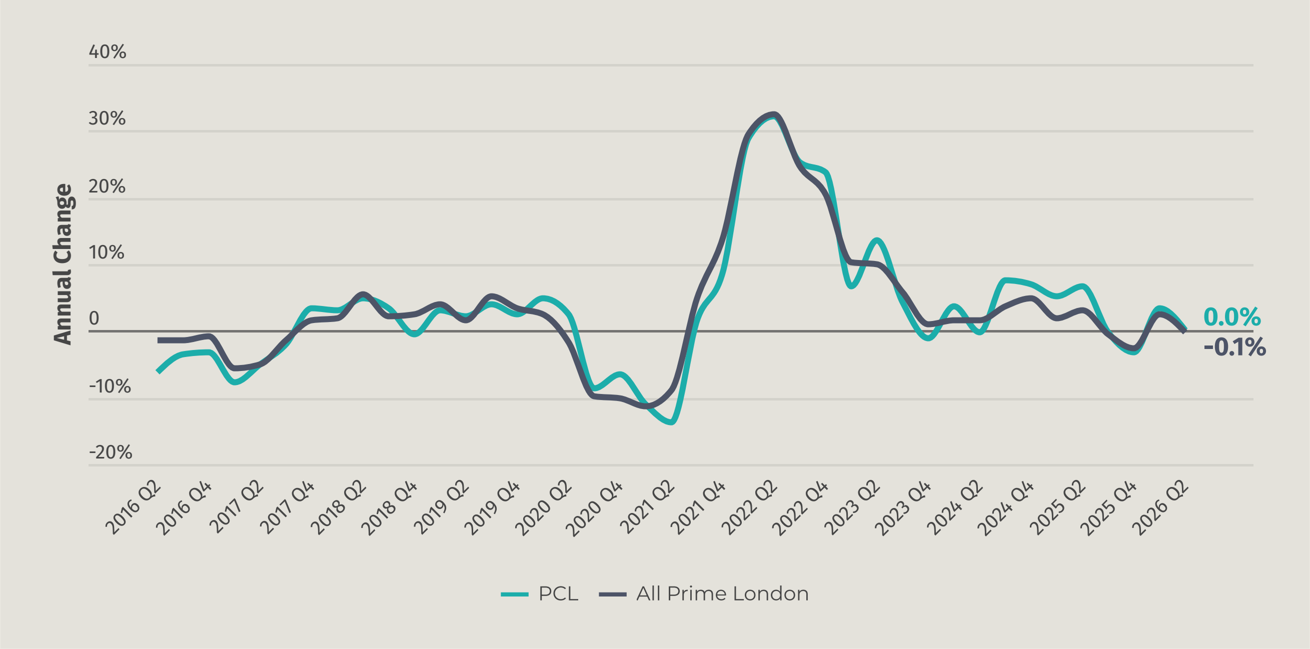
Rental growth was subdued across prime London in Q2, while the introduction of the Renters' Rights Act is likely to cause shifts in both landlord and tenant behaviour.

The latest LonRes Prime London Rental Index recorded a quarterly decrease of 0.1% in Q2, with the annual change also -0.1%. Prime central London performed similarly with a quarterly fall of 0.2% and no change in rental values on an annual basis. All these figures mark a slowdown from relatively strong growth in Q1, but over the longer-term average rents are more than 35% above pre-pandemic levels following an extended period of rapid growth from late 2021 to 2023.

Although rental growth has moderated, other indicators suggest that demand in the prime London lettings market remains high. The average discount to asking rent was 3.3% in the first half of 2026, down from 3.4% in the equivalent period in 2025. Average time on the market was also down, from 65 days in the first half of 2025 to 57 days in the equivalent months of 2026.

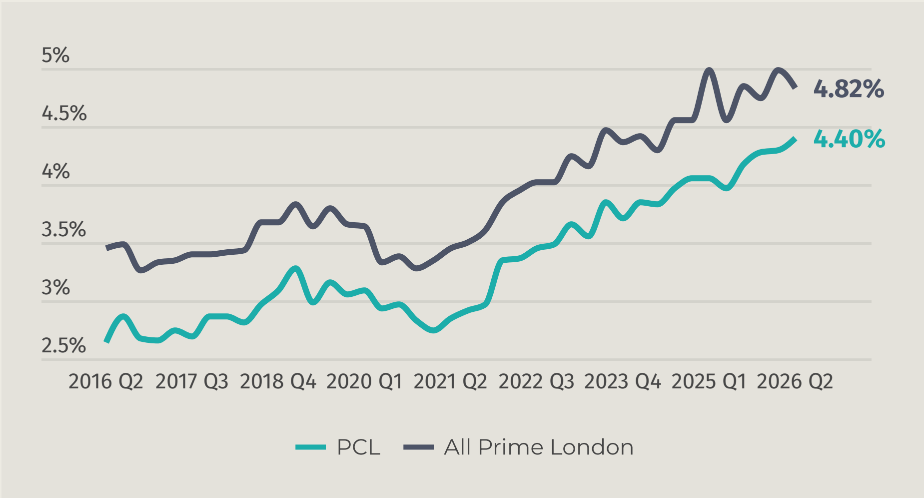
Average Annual Change in Achieved Rents

Source: LonRes Prime London Rental Index



Average Annual Yields

Source: LonRes Prime London Yields Index



57 days

2026 H1 average time on the market

Source: LonRes

3.3%

2026 H1 average discount

Source: LonRes

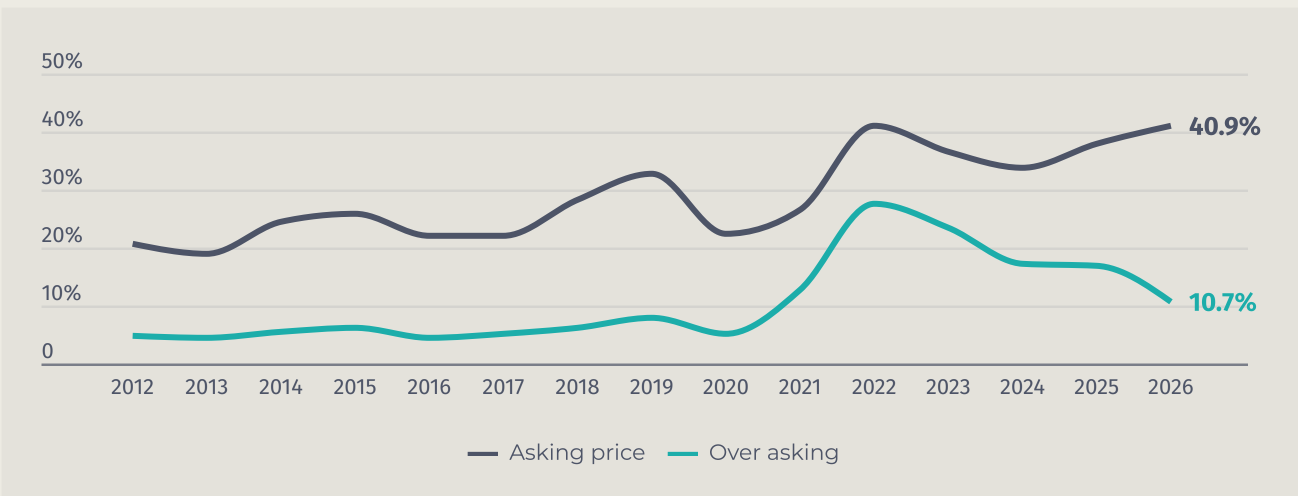
Since 2020, yields across prime London in general have been steadily rising as rents have grown faster than capital values. Following a similar pattern to last year, 2026 has seen some volatility in the Prime London Yields Index, with yields rising in Q1 then falling back in Q2. The average yield across prime London in Q2 was 4.82%, compared to 4.74% at the end of 2025. Prior to 2021 prime London yields were broadly flat, remaining around the 3.5% mark for several years.

While rental values didn't change much in Q2, the rules around tenancies certainly did, following the introduction of the Renters' Rights Act (RRA) on 1 May. It is too early to draw any firm conclusions based on less than one quarter of data, but we know from agent feedback and past survey responses that landlord and tenant behaviour has already started to change in response.

Offering above the advertised rent is no longer allowed under the new regime, so you would expect landlords to pitch their initial asking rent higher to account for this, though there is a balance in terms of not putting off potential tenants. Overall, in time you would expect the average discount to rise due to this change. For 2026 to date, 10.7% of let properties on LonRes achieved more than their asking rent, with this measure reaching a peak of 27.7% back in 2022.

Proportion of Properties Let at or above Asking Price, by year

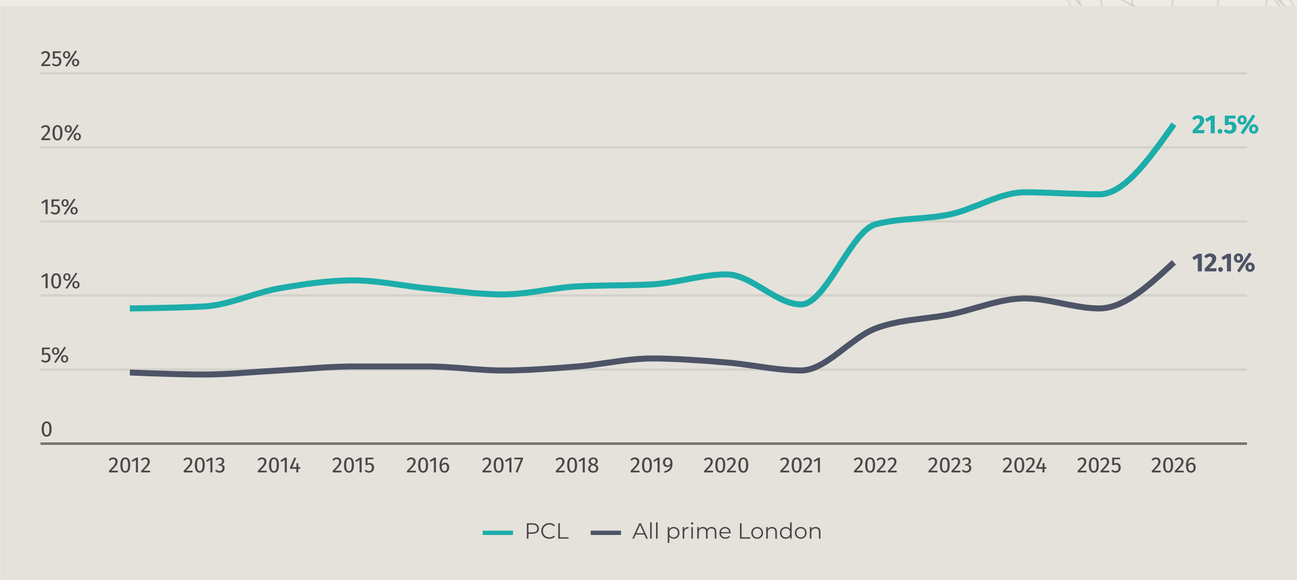
Source: LonRes

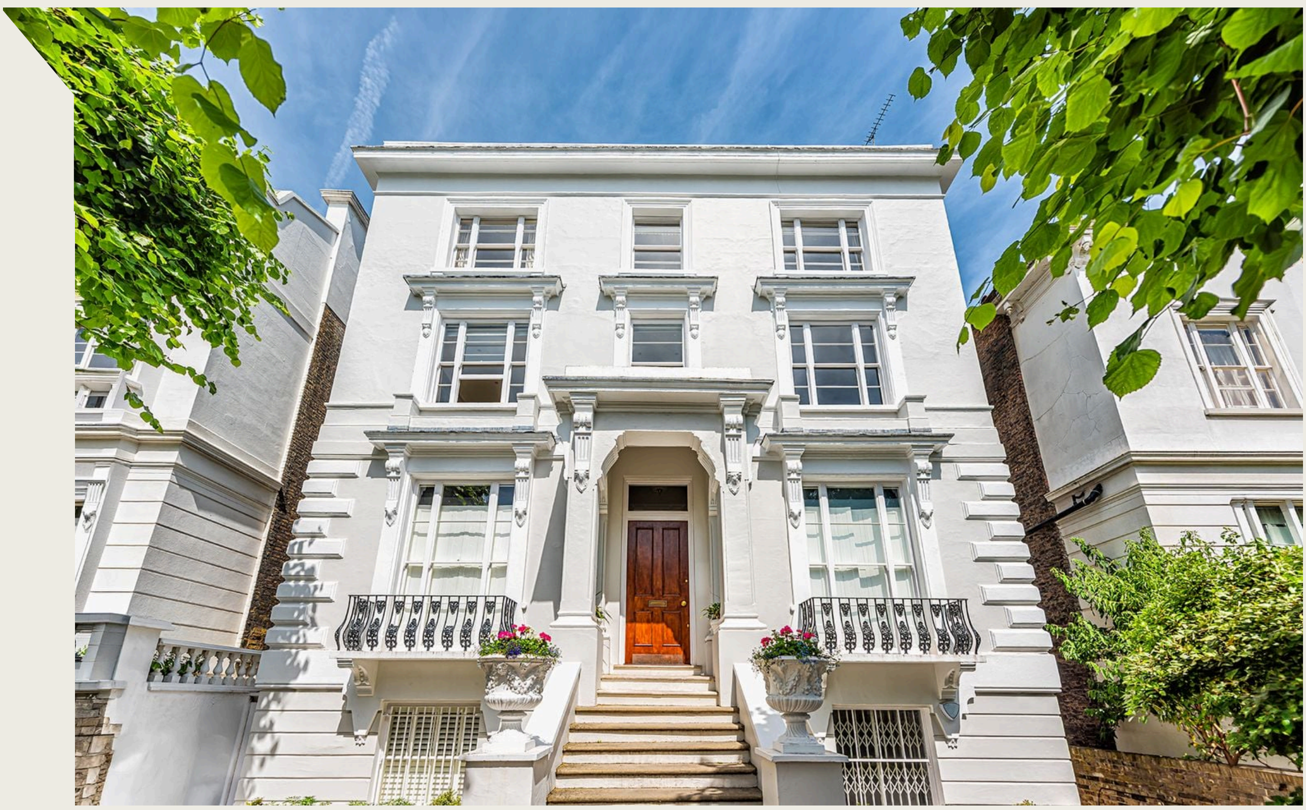


The RRA does not apply to properties where the annual rent is over £100,000 as they are classed as Common Law tenancies. While this is not a large part of the market at a national level, it can be a significant proportion of some markets. Across prime London almost 1 in 8 properties (12.1%) let so far in 2026 were above the limit, while that figure rises to 21.5% in PCL and over 40% for Mayfair & St James's. As is often the case with 'cliff edge' thresholds, it is possible that the market around this rental value – equivalent to £1,923 per week or £8,333 per month – could be distorted.

Proportion of Properties Let at or above £100k, by year

Source: LonRes





LonRes Data

The analysis for this report takes in the three LonRes catchment areas:

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

Analysis of LonRes data for this Prime London Market Update has been carried out by Nick Gregori, Head of Research at LonRes, using data up to 30 June 2026.

Contact Us
LonRes Research Team
research@lonres.com
020 7924 6622 | LonRes.com