

December 2022 Issue

2022 has been a mixed
year for the prime
London housing market

Highest price growth in
prime fringe, but the
greatest sales activity in
prime central London

Analysis of the Prime London Housing Market: November 2022



Homes under offer are down

The prime London market is not immune from the wider issues facing the housing market, with the number of homes under offer down 14.6% in November compared to the previous year, while sales were 4.8% lower.



Prices are rising

Prices are still rising, up 1.9% over the year to November.



Prime market differences (%)

Analysis of local markets shows higher price rises during 2022 in the lower value prime fringe London (5.2%), followed by prime inner (3.4%), with prime central – the most expensive market – recording the lowest price growth of all markets (2.5%).



Higher sales and smaller declines

The opposite is true in terms of sales with higher priced local markets generally recording higher sales this year and smaller declines, if not rises, compared to last year.



Double-digit rent increases

The lack of rental stock, combined with rapidly rising rents, is a consistent theme across all parts of prime London. All local markets have recorded double-digit rent increases over the last year.

Source: LonRes

Monthly Prime Data: November

| | Prime Sales Annual Change | Prime Sales Change Since 2017-19* | Prime Lettings Annual Change | Prime Lettings Change Since 2017-19* |
|------------------------|---------------------------|-----------------------------------|------------------------------|--------------------------------------|
| Achieved prices/ rents | 1.9% | 3.5% | 15.4% | 17.2% |
| Properties sold/let | -4.8% | -1.7% | -24.9% | -52.7% |
| New instructions | 4.6% | 9.1% | -8.3% | -45.5% |

*(pre-pandemic)

Source: LonRes

A Mixed Year...

The prime London market has not been immune to the wider challenges facing the housing market. The impact of higher interest rates and political and economic uncertainty can even be seen in the prime London market despite it being less dependent on mortgages.

The most immediate impact has been on activity, with the number of homes going under offer during November down 14.6% compared to the same month last year while sales agreed were 4.8% lower over the same period. There are also some signs of increased supply, thanks to the number of new instructions rising 4.6% higher in November than during the same month last year

...homes going under offer during November down 14.6% compared to the same month last year...

Source: LonRes

Falling Under...

However, there are so far, no signs of price falls. The average achieved price per square foot currently stands 1.9% higher than at the same point last year.

While headline price growth across prime London might have peaked at 8.9% in July and fallen to 1.9% in November, the picture for local markets within Prime London is much more varied. As the following chart shows, there has been considerable variation in how much average prices per square foot have risen in 2022 compared to 2021.

The market with the highest growth was Marylebone at 12.7%, while the second highest was Knightsbridge & Belgravia at 9.3%. New build sales, priced at a premium to the local market lie behind these figures.

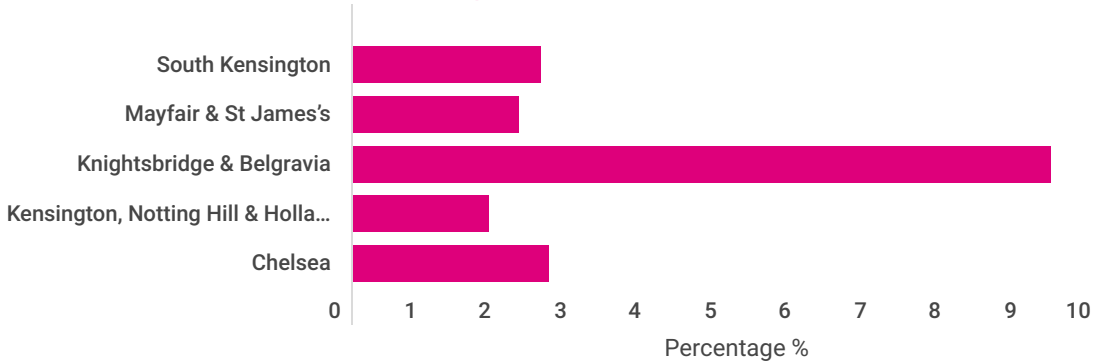
Meanwhile, and ignoring the outliers, the broader trend appears to be one of higher price rises in prime Fringe London followed by prime Inner, with prime Central recording the lowest price growth of all markets. This situation could well reverse next year as the more mortgage-dependent prime Fringe markets start to struggle.

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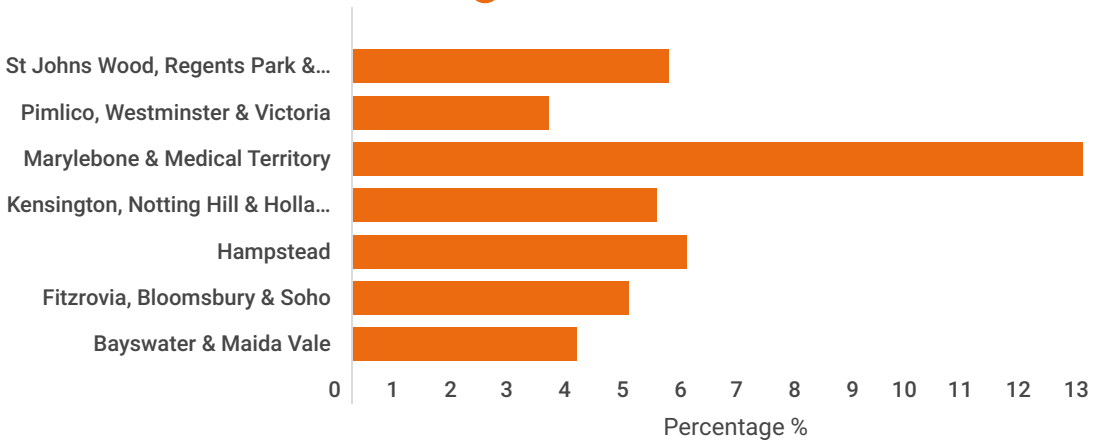
Source: LonRes

Annual Change in Price Per Square Foot

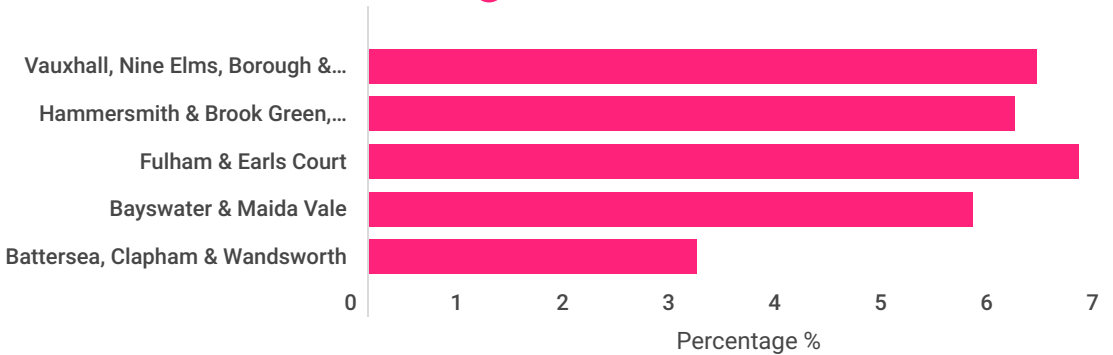
Prime Central



Prime Inner



Prime Fringe



Jan - Nov 2022 vs. Jan - Nov 2021 | Source: LonRes

Some up and some down...

The stamp duty holiday may have ended last year but the number of sales across prime London was consistently higher than the pre-pandemic average for every month until November. Between January and October this year, the number of sales across prime London was 26% higher than the pre-pandemic average. However, the recent slowdown in activity has taken this figure down to 1.7% below the pre-Covid average in November. Despite the strong performance across the whole market, there are differences within local markets.

The prime London market had been struggling with much lower activity levels prior to the pandemic. While the post-pandemic market saw a resurgence with the number of sales in the first 11 months of 2022 consistently higher than 2019 across most local markets in prime London.

Between January and October this year, the number of sales across prime London was 26% higher than the pre-pandemic average. However, the recent slowdown in activity has taken this figure down to 1.7% below the pre-Covid average in November

Source: LonRes

Chelsea reporting the biggest increase [in transactions] at 40.6% with Kensington, Notting Hill and Holland Park not far behind at 37.1%.

Source: LonRes

As the table on the following page shows, the majority of local markets recorded much higher transactions, with Chelsea reporting the biggest increase at 40.6% with Kensington, Notting Hill and Holland Park not far behind at 37.1%. However, there were some exceptions with lower sales in a couple of prime Fringe markets (including Vauxhall and Hammersmith & Brook Green), possibly reflecting their relatively better performance pre-pandemic.

A comparison of sales this year with 2021 is complicated by last year's stamp duty holiday. However, there are still some interesting patterns to be seen. The biggest falls in sales were to be found in the prime Fringe markets where domestic buyers moving out of central London were not only paying relatively lower prices for more space but taking advantage of the stamp duty holiday too. Hammersmith & Brook Green, Chiswick, North Kensington all fell 38.7% over the year.

Jan - Nov 2022 Sales Compared to Same Period in 2019 and 2021

| Prime Central | Sales Vs. 2019 | Sales Vs. 2021 |
|---|----------------|----------------|
| Chelsea | 40.6% | 4.6% |
| Kensington, Notting Hill & Holland Park | 37.1% | -4.3% |
| Knightsbridge & Belgravia | 28.5% | -1.2% |
| Mayfair & St James's | 18.8% | 16.9% |
| South Kensington | 26.9% | 8.7% |

| Prime Inner | Sales Vs. 2019 | Sales Vs. 2021 |
|---|----------------|----------------|
| Bayswater & Maida Vale | 10.3% | -14.6% |
| Fitzrovia, Bloomsbury & Soho | 29.5% | 18.8% |
| Hampstead | 10.5% | -7.6% |
| Kensington, Notting Hill & Holland Park | 6.3% | -26.4% |
| Marylebone & Medical Territory | 22.5% | -2.2% |
| Pimlico, Westminster & Victoria | 29.7% | 13.1% |
| St Johns Wood, Regents Park & Primrose Hill | 32.0% | -10.2% |

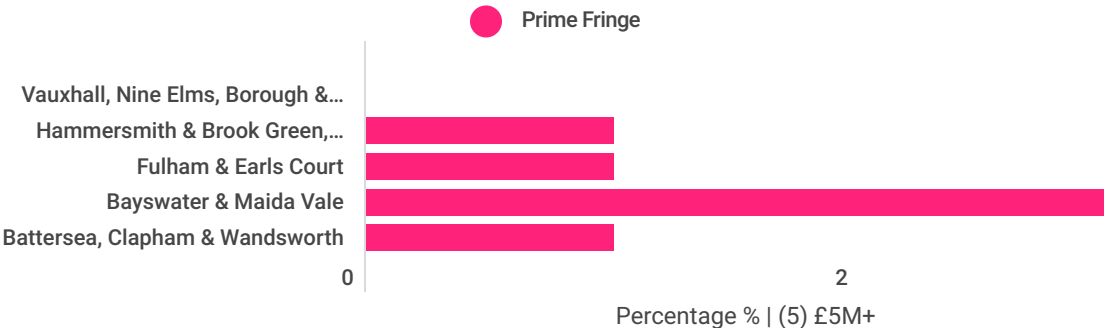
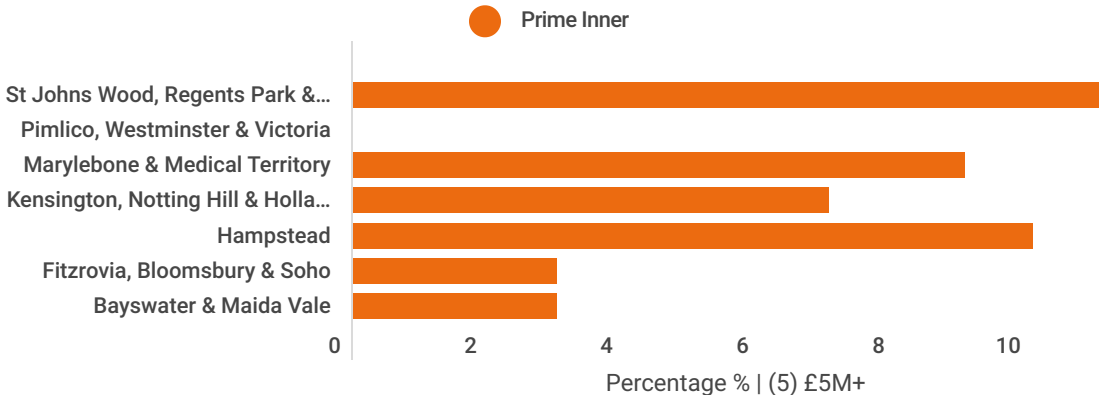
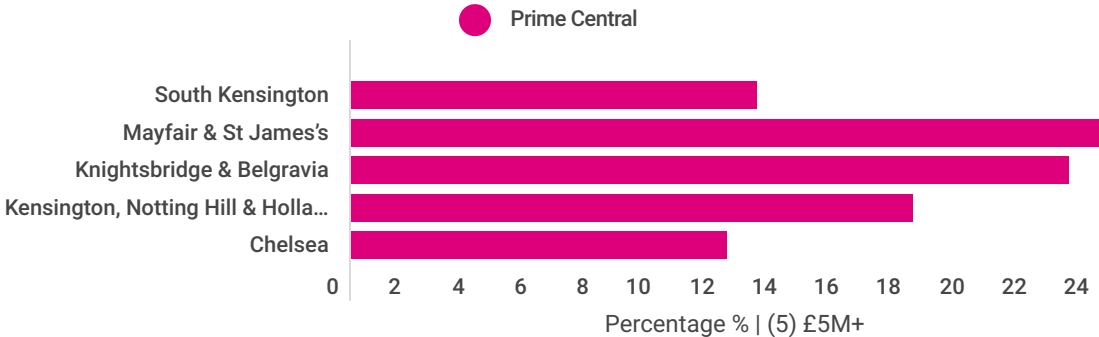
| Prime Fringe | Sales Vs. 2019 | Sales Vs. 2021 |
|---|----------------|----------------|
| Battersea, Clapham & Wandsworth | 1.3% | -24.5% |
| Bayswater & Maida Vale | 23.8% | -17.9% |
| Fulham & Earls Court | 18.2% | -22.0% |
| Hammersmith & Brook Green, Chiswick, North Kensington | -9.7% | -38.7% |
| Vauxhall, Nine Elms, Borough & Kennington | -29.9% | -11.5% |

Source: LonRes

Meanwhile, the local markets with higher prices and a larger share of transactions above £5 million have generally seen higher sales this year and smaller declines, if not rises, compared to last year. The post-pandemic market has seen improved sentiment at the top end of prime London, a market that had been struggling in the previous years.

As prices recovered, existing owners have become more willing to sell while buyers have been encouraged by the recovery in global travel and potential savings thanks to the exchange rate. For example, 24% of sales in Mayfair & St James's over the last two years have been above £5 million (Chart 2) and sales this year were 16.9% higher than last year.

Percent of Sales at £5 Million Plus



January 2021 to November 2022 | Source: LonRes

Rising Rents....

A shortage of homes available to rent across all parts of prime London is still driving double-digit rises in rents. The number of new instructions in the rental market during November was just 8.3% lower than the figure for the same period last year.

However, it was 45.5% lower than the pre-pandemic average – highlighting just how ingrained this situation has become. A lack of stock continues to limit activity in the market, with the number of properties let in November 52.7% below the pre-pandemic average. But thanks to strong demand, average rents are still rising rapidly, up 15.4% over the last year.

This pattern of a lack of stock, combined with rapidly rising rents is one being played out across all parts of prime London. All local markets have recorded double-digit rent increases over the last year. However, there are some variations.

"A shortage of homes available to rent and high demand from tenants has contributed to rapidly rising rents. Local markets across prime London are no exception with double-digit rises across the board."

Source: Anthony Payne, Managing Director, LonRes

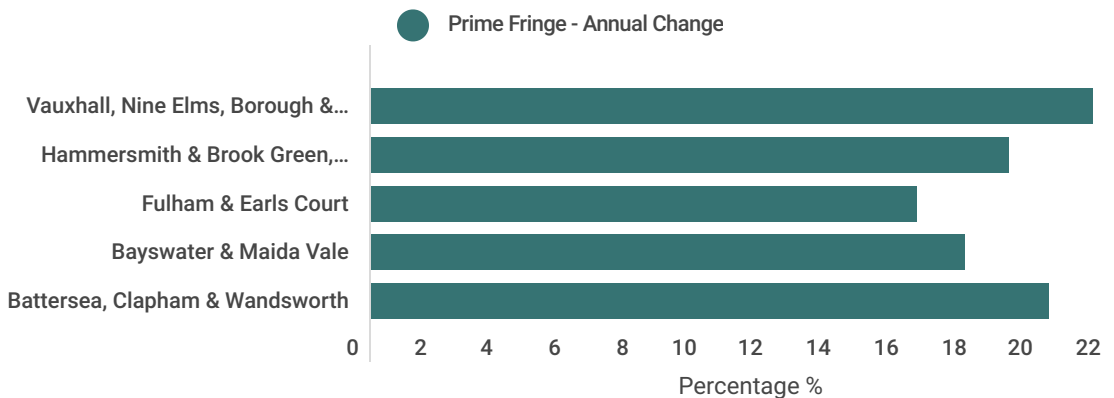
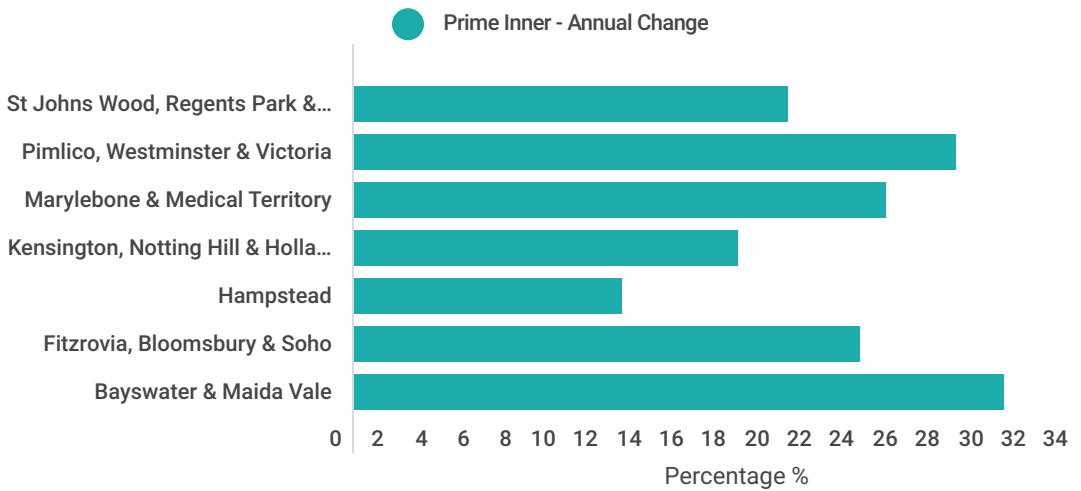
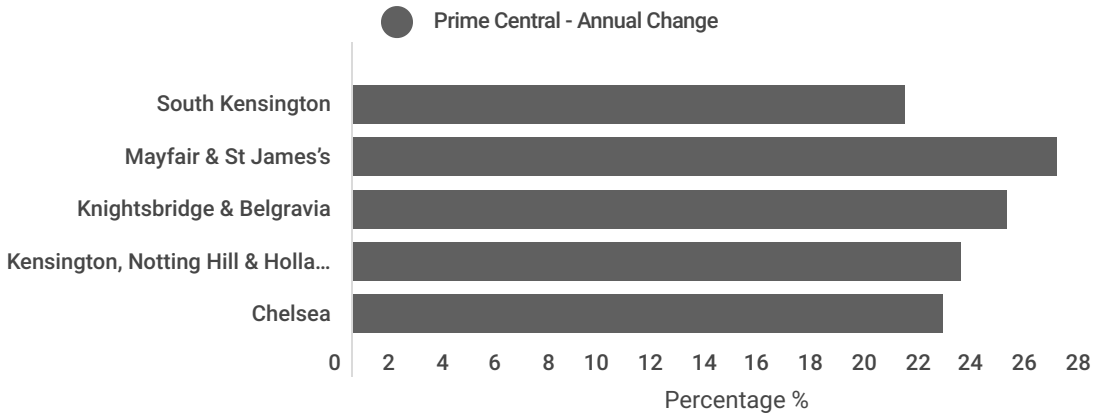
The fastest rising markets are in Bayswater & Maida Vale (30.4%) and Pimlico, Westminster & Victoria (28.2%) reflecting a significant fall in activity and strong demand.

Source: LonRes

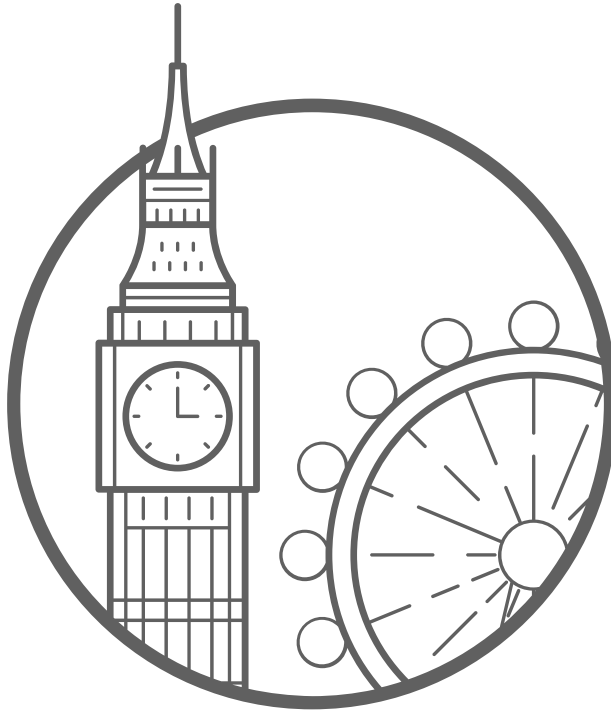
The fastest rising markets are in Bayswater & Maida Vale (30.4%) and Pimlico, Westminster & Victoria (28.2%) reflecting a significant fall in activity and strong demand. Meanwhile, the market with the lowest recorded growth rate was Hampstead at 12.5%.

These figures are reflective of the higher proportion of houses rather than flats in the local markets. And this is at a time when flats are in demand and recording larger rent rises across the whole of prime London. The race for space in the sales market led to greater demand for larger homes but the race for space in the rental market reflects tenants' desire to have their own space, albeit in a smaller home.

Annual Change in Rents Per Square Foot



Jan-Nov 2022 vs. Jan-Nov 2021 | Source: LonRes



Analysis of LonRes data for this November briefing has been carried out by Neal Hudson of BuiltPlace - exclusively for LonRes - using data up to 30 November 2022

*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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