

November 2022 Issue

**Fall throughs up and under offers
down as Prime London housing
market reacts to economic
uncertainty**

**Prime London rents
hit an all-time high**

Analysis of the Prime London Housing Market: October 2022



Sales held firm

Sales held firm during October, 11.6% higher than last year and 12.1% higher than the pre-pandemic average. However, fall throughs were 80% higher than their pre-pandemic average (2017-19).



Under offer

Under offers, a leading indicator for sales activity, fell sharply in October (-20.3% compared to last year). This was the first time the under offer data has been below its 2017-19 average since June 2020.



Under offer: prime fringe

Under offers have fallen most in the more mortgage-dependent prime fringe area: houses down 37% and flats down 18%.



Under offer: prime central London houses

Under offers for flats are down across all sub-markets but houses in prime central London saw a 38% increase.



Price per square foot

Despite cautious buyers, average achieved prices per square foot still rose, though just 0.8% compared to last year.



Rental highs

The rental squeeze continues with average rents across prime London at a record high. In prime inner London rents are now 15% higher than their pre-pandemic level while those in prime fringe London are 9% higher.

Source: LonRes

Monthly Prime Data

	Prime Sales Annual Change	Prime Sales Change Since 2017-19	Prime Lettings Annual Change	Prime Lettings Change Since 2017-19
Achieved prices/rents	0.8%	2.4%	18.9%	15.3%
Properties sold/let	11.6%	12.1%	-45.7%	-52.2%
New instructions	2.4%	5.8%	-7.7%	-49.3%

Source: LonRes

Caution Continues...

The last week of September marked a turning point for the prime London housing market. The market was not immune from the political and economic turmoil arising from the mini-budget. As we noted last month, sales fell through, properties were withdrawn from the market, and price reductions spiked.

The caution has continued into October with some mixed signals. Sales held firm during October with the total number 12.1% higher than the pre-pandemic average and 11.6% higher than the same month last year. However, fall throughs were 80% higher than the 2017-19 average for the month – a similar figure to last month.

Following the mini-budget, the number of properties put under offer was below the 2017-19 average for the first time since June 2020 at -9.2%.

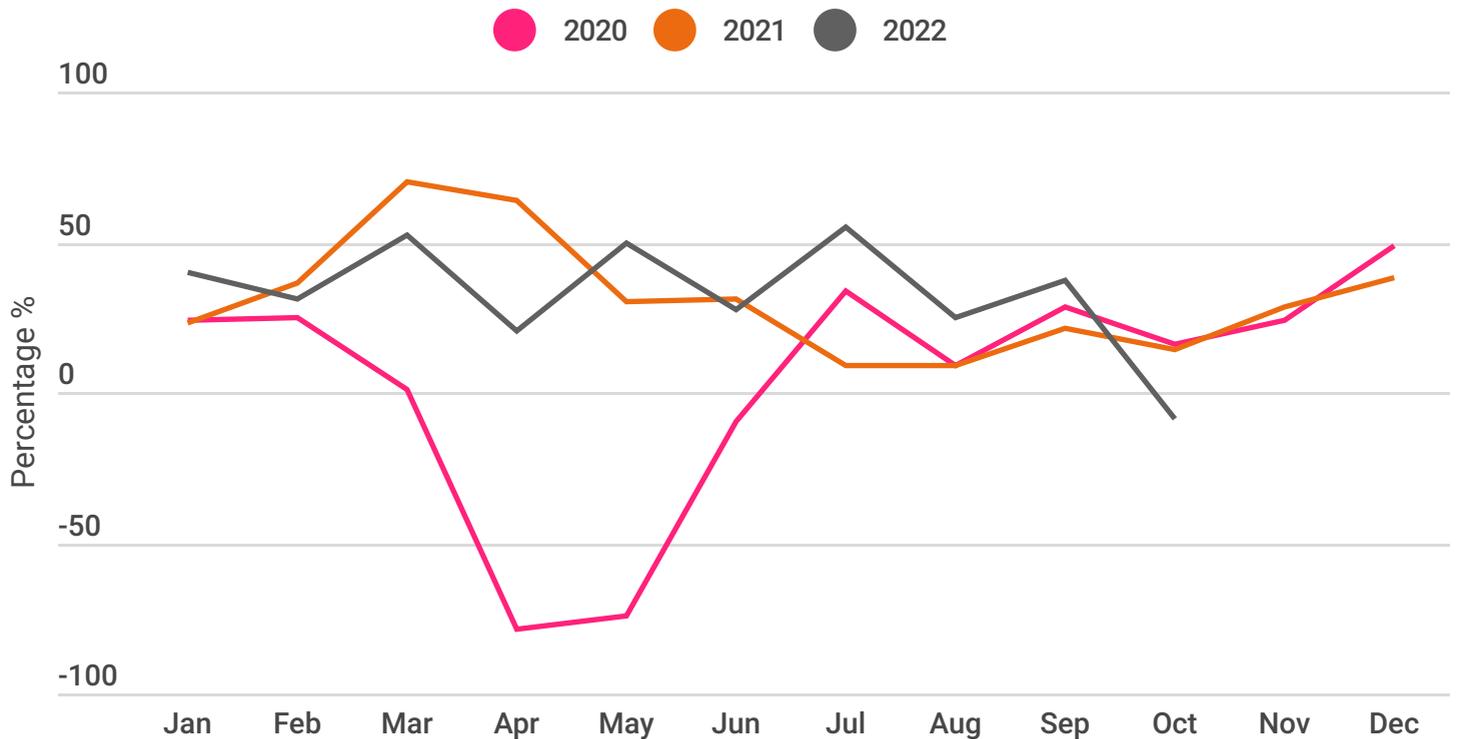
Source: LonRes

Falling Under...

Perhaps the most concerning metric over the last month is the fall in properties put under offer. This data is a useful leading indicator for sales activity and a fall in offers could signal a future decline in transactions.

The below chart shows that the number of properties under offer has consistently been above the pre-pandemic average in recent years. They were even higher this summer than the previous two years. However, following the mini-budget, the number of properties put under offer was below the 2017-19 average for the first time since June 2020 at -9.2%. This was 20.3% below last year's figure for October and a marked decline in activity.

Properties Under Offer Compared to 2017-19 Average



Source: LonRes

Top of the Market...

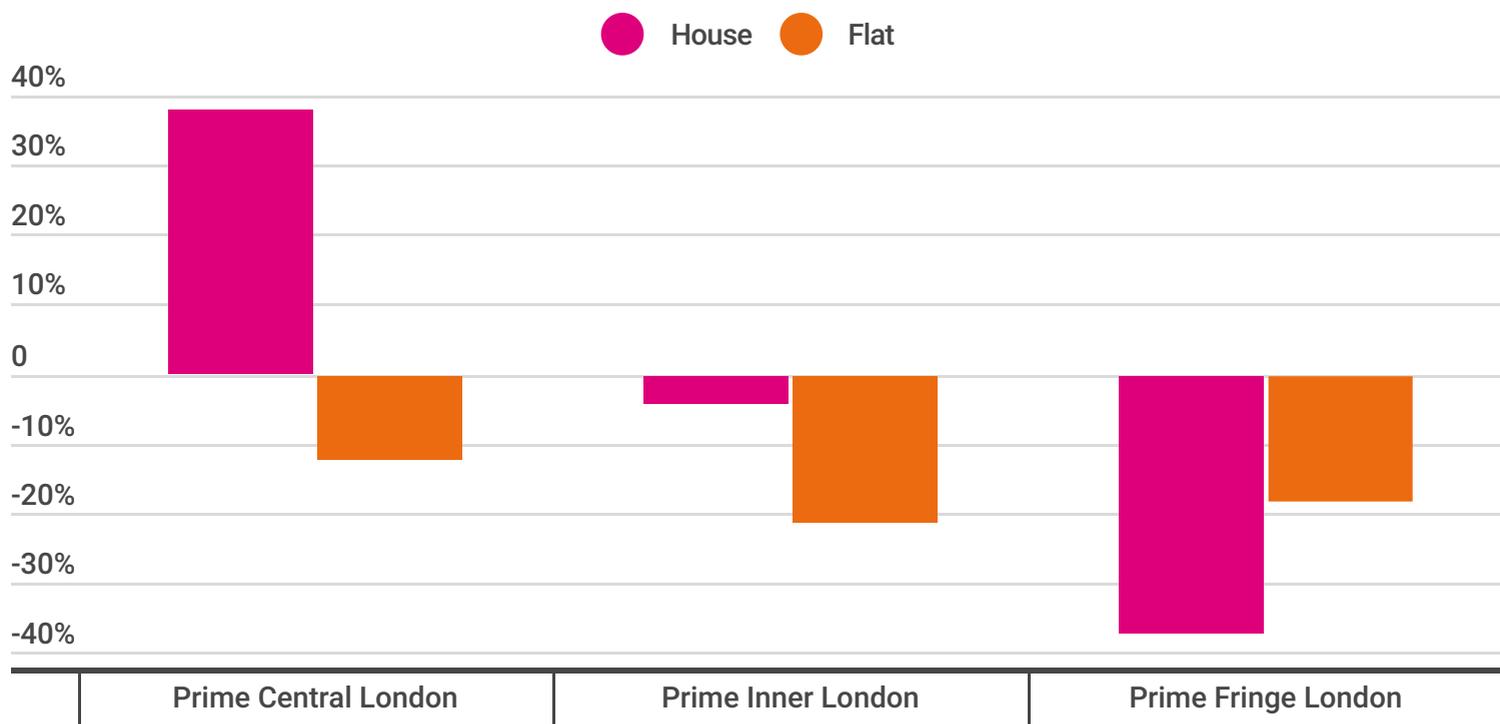
The downturn in the number of properties going under offer reflects the underlying uncertainty facing the housing market and economy. Therefore, it's no surprise that buyers are being more cautious in the current environment and further analysis of the under offer data highlights some key trends in the market during October.

The areas in which under offers have fallen (and risen) appear to reflect the wider challenges facing a market impacted by higher mortgage rates. Under offers have fallen most in prime fringe – where average prices are relatively lower but buyers are more likely to depend on very large (and now much more costly) mortgages. The fall here is larger for houses (-37%), a more expensive and a bigger financial commitment, than flats which fell by 18%.

In prime inner London, the number of houses under offer was just 4% lower while flats were 21% lower. Meanwhile at the top end of the market, in prime central London, there has still been a downturn in flats under offer (12%) but houses actually saw an increase (+38%) during October.

The consistent decline in flats under offer may also reflect differences in the typical buyer types – with investors more cautious about where investment yields might settle in a market where yields have been historically low.

Change in Properties Under Offer



October 2022 vs. average for Oct 2018-2021 | Source: LonRes

Despite the caution, the average achieved price per square foot of properties sold in prime London during October still rose, although just 0.8% up on the same month last year. Meanwhile, the number of properties with price reductions increased during the period of turmoil with October's figure 27% higher than the pre-pandemic average. However, this was similar to levels seen back in October 2020 and continues a trend that began in the Summer.

On the supply side: new instructions held up in October, 2.4% higher than last year and 5.8% higher than the pre-pandemic average, as more homes were put up for sale. While there was a spike in the number of properties withdrawn from the market in the week immediately following the mini-budget, the total number withdrawn in October was actually 11.4% lower than the same month last year.

Rapidly Rising Rents...

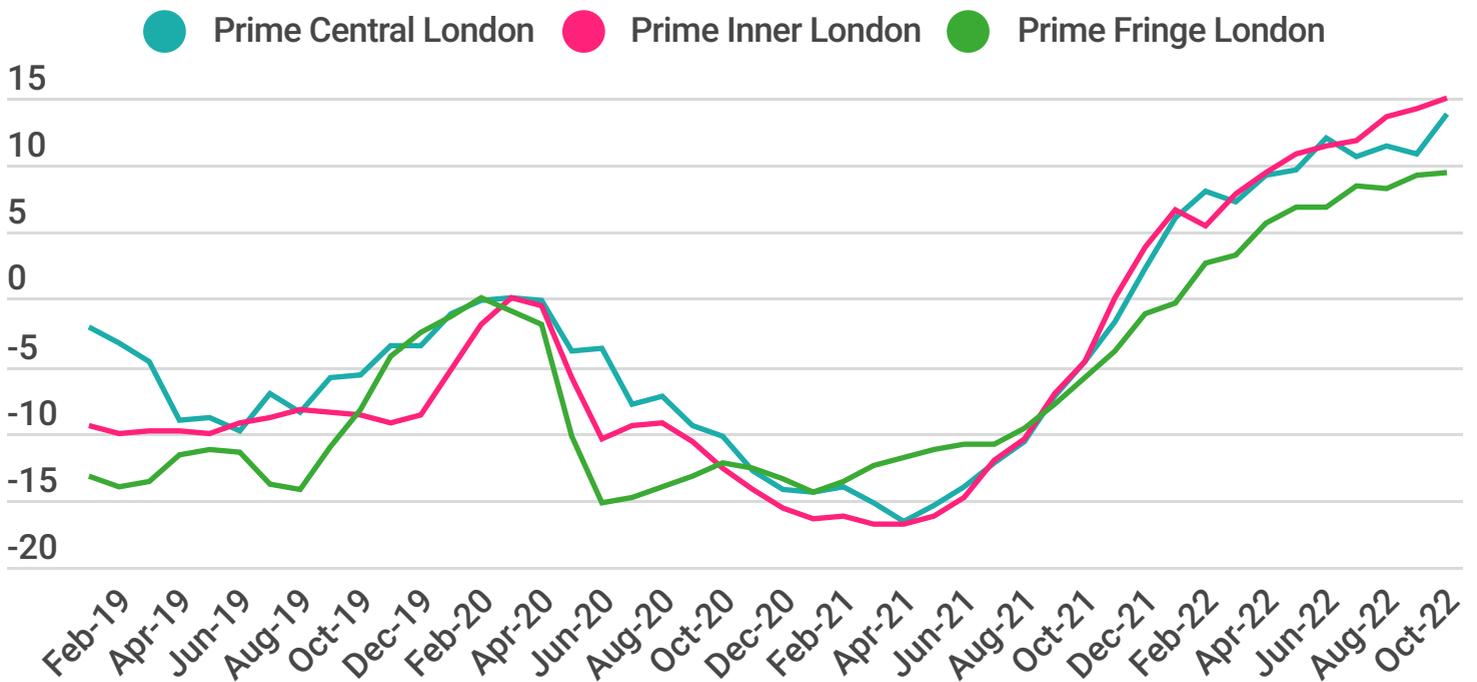
Average rents per square foot are still rising rapidly in all parts of prime London. As the following chart shows, the average rent in all three areas – prime central, prime inner, and prime fringe - have surpassed their pre-pandemic peaks and are now well above previous levels.

Average rents in prime Inner London are now 15% higher than their pre-pandemic level while those in prime fringe London are 9% higher. The annual growth in rents has slowed in recent months but it is still firmly in double digits at an average of 18.9% across prime London. There is relatively little difference between sub-markets, with annual growth of 16.4% in prime fringe and 20.5% in prime inner London.

The rental growth figures are being driven by continued strong demand for rental homes amidst a severe shortage of property available to rent. The number of new instructions in October might be just 7.7% below the previous year but that reflects the length of time this situation has been ongoing – it was 49.3% lower than the pre-pandemic average.

A lack of stock available to rent is still limiting the number of new lets. New lets in October were 45.7% lower than last year and 52.2% lower than the average for 2017-19. The shortage of homes available to rent looks set to put further upwards pressure on rents unless there is a dramatic increase in new listings.

Percentage Change in Rents Since February/March 2020



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 31 October 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.