

September 2022 Issue

Top-end prime London sees  
rise in new instructions -  
now 30% up on 2018

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New lets across prime London  
43% down year-on-year while  
rents are 24% higher

# Analysis of the Prime London Housing Market: August 2022



## Prices still rising...

Prices are still rising across prime London at an annual rate of 4.2% in August. This left prices 3.1% higher than their average prior to the pandemic (2017 - 2019).



## But there are signs of caution...

There are some signs of caution with an uptick in the number of transactions falling through over the summer (33% higher in August 2022 than the same month last year).



## Transactions above pre-pandemic average....

Transaction numbers are robust with the number of sales 11.6% higher than their pre-pandemic average (2017 - 2019) while new instructions – a leading indicator for activity – were 5.5% higher.



## New instructions vary across the prime markets....

New instructions are highlighting some clear patterns in activity across the prime London market:

- o The number of houses listed for sale was 7% higher than 2018 levels while the number of flats was 3% below.
- o The top-end of the market (£5m+) has seen the biggest increase in new instructions, up 30% on 2018 levels while properties priced between £500k and £1m are 5% below.
- o It is a similar pattern with Prime London areas. The highest value market – Prime Central – has seen new instructions 8.5% higher than 2018 levels and Prime Inner are 1.7% higher while Prime Fringe are 8.8% below.



## Lack of stock still a problem in the rental market...

The rental market is still suffering from a lack of stock and low activity – new lets in August were 43.8% down on last year while new instructions were 21.7% lower.



## As rents continue to rise....

The lack of rental stock has led to rapidly rising rents, up 24% over the last 12 months. Rents are rising fastest for studios (26.0%) though this partly reflects their fall in rents last year. Houses are recording the slowest growth, though still up 11.5% on the year and 14.6% higher than pre-pandemic.

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	4.2%	3.1%	24.0%	15.0%
Properties sold/let	27.8%	11.6%	-43.8%	-55.5%
New instructions	1.2%	5.5%	-21.7%	-44.9%

Source: LonRes

## The Summer is Over, Back to Work...

The housing market across prime London continues to record rising prices (up 4.2% over the last year) and robust transactions (11.6% higher than prior to the pandemic). However, there are growing concerns about the challenges facing the wider economy and the broader housing market. While these may not immediately affect the prime London market, it is something that we will of course be keeping an eye on as we head into the winter months.

Transactions were  
33% higher in  
August 2022

Source: LonRes

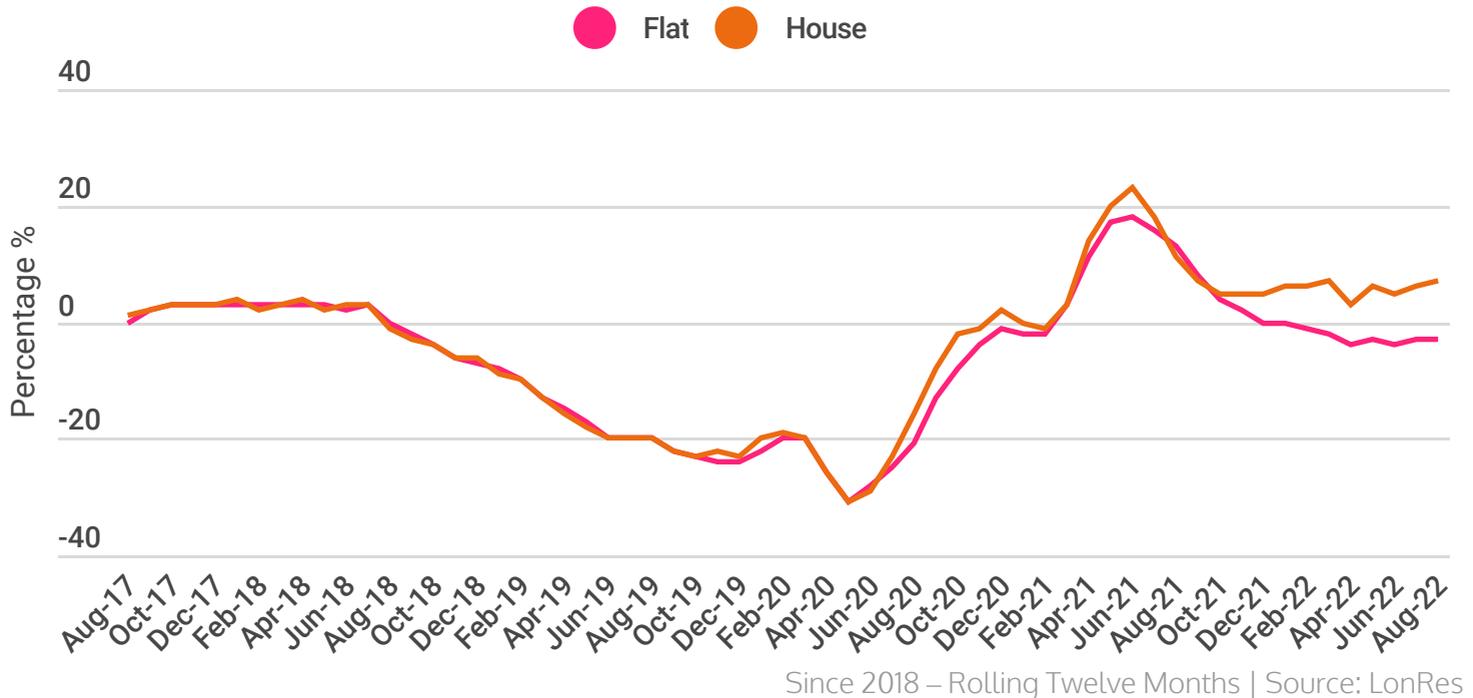
There are already some signs that buyers are being more cautious, with an uptick in the number of transactions falling through over the summer (33% higher in August 2022 than the same month last year). But the summer tends to be a quieter period for the housing market and the next few weeks could set the tone for the rest of the year.

The summer is over and it's back to business. September tends to be a busy period for the housing market and prime London is no exception. There's usually an increase in new instructions hitting the market, price reductions are negotiated with existing sellers (August's price reduction figures were 47% higher than last year), and a push to reach completion (and year-end sales targets) before Christmas. While it is too early to know how this autumn will pan out (next month's release should give us a better idea), one barometer we can look at to provide an indication of activity levels and future trends is new instructions.

The number of new instructions across prime London is higher than prior to the pandemic – up 5.5% - but there are some key differences in the property type, price and location. There is a decline in the number of new instructions hitting the market in the years leading up to the pandemic as tax changes, price falls, and other concerns dampened the willingness of existing owners to sell.

However, the reopening of the market in May 2020, followed by the introduction of a stamp duty holiday completely reversed this. New instructions across all property types shot up as sales activity and prices rebounded. However, since then there has been a clear divergence with new listings of flats falling below 2018 levels (-3%) while houses are still 7% higher.

## Change in New Instructions by Property Type



## Top of the Market...

The differing fortunes of flats versus houses since the pandemic has been well covered but it is the differences across price bands that are most striking when looking at the flow of new instructions. Activity at the top-end of the prime market (£5m plus) is typically more insulated from wider economic shocks than properties in the less expensive price brackets.

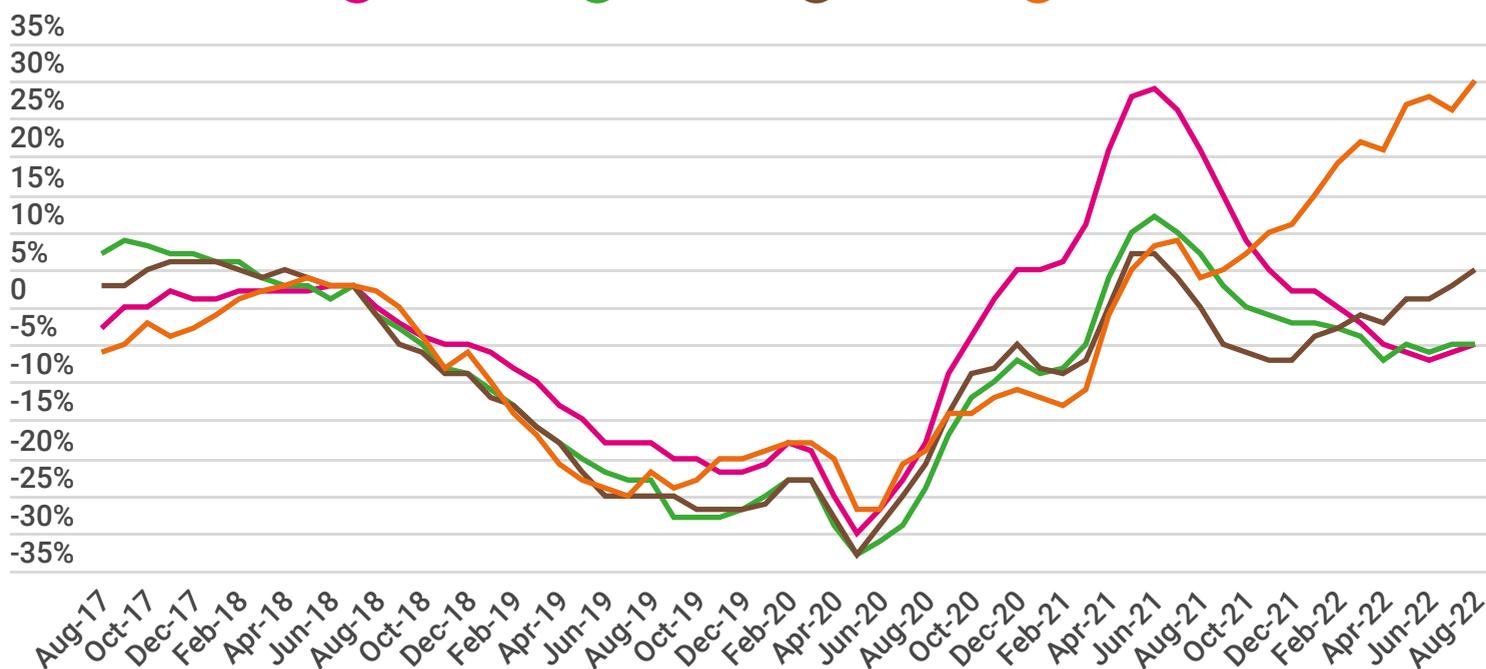
The largest bounce in new instructions during 2021 was for those properties priced between £500k and £1m. But these have now fallen to 5% below 2018 levels. It is a similar story for properties priced between £1m and £2m though the 2021 bounce was not so high. Their numbers are also down 5% on 2018 levels.

Meanwhile, the £2m to £5m market had the smallest bounce in new instructions during 2021 but 2022 has seen their numbers recover and they were 5% higher in the year to August 2022 than in 2018.

But it is the top end of the market that is seeing the strongest activity. The number of new instructions over the last 12 months was 30% up on the 2018 average. This partly reflects the high number of transactions in this market – it's the only price band where sales are higher (5.3%) than their peak in 2014 – as recovering prices and higher demand encourage existing owners to test the market.

## Change in New Instructions by Price Band

● £500k-£1M 
 ● £1M-£2M 
 ● £2M-£5M 
 ● £5M+



Since 2018 – Rolling Twelve Months | Source: LonRes

Given the pattern of new instructions by price band, it is no surprise that prime central London is seeing the highest number of new instructions – 8.5% higher than 2018 levels - while prime fringe has the lowest at 8.8% below 2018 levels. For comparison, new instructions in the LonRes prime inner London area were 1.7% higher.

## Percentage Change in New Instructions by Area

	Prime Central London	Prime Inner London	Prime Fringe London	All Prime London
Percentage Change Since 2018	8.5%	1.7%	-8.8%	-0.9%

Twelve Months to August 2022 | Source: LonRes

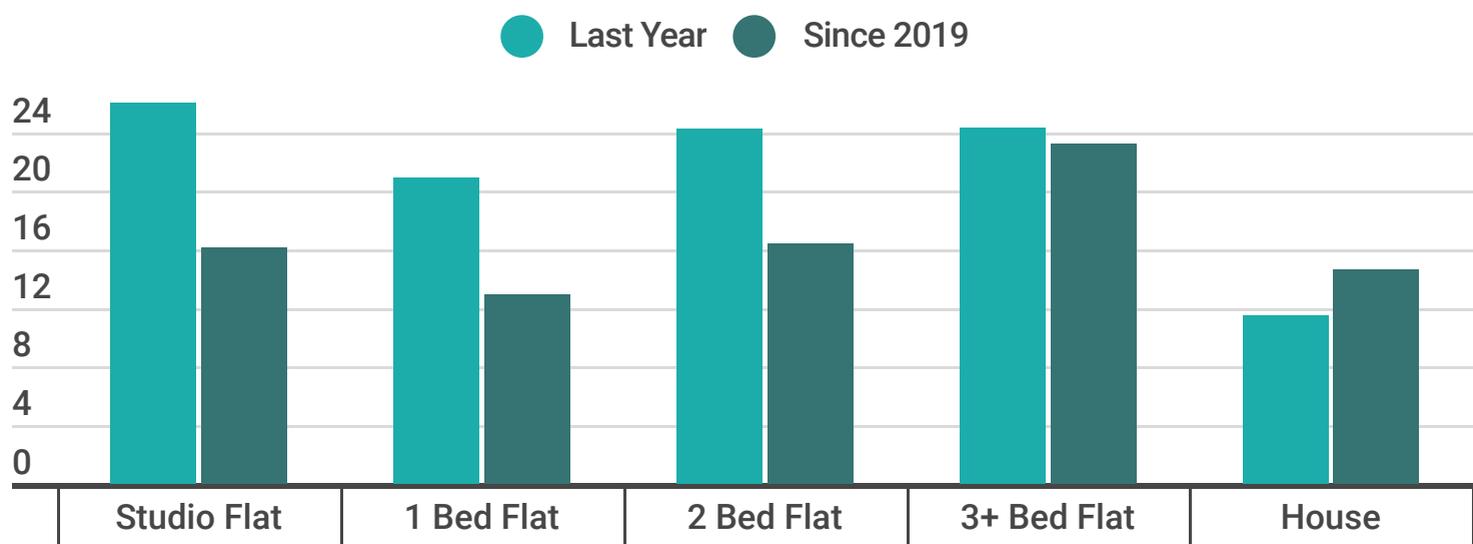
While the number of new instructions may be rising in Prime Central London, stock levels are still constrained and, while buyer demand remains high, the number of transactions will continue to require a flow of new homes available for sale.

Low stock levels, high demand and increased renewals characterise the prime London rental market. The rental market is still very tight with the number of lets nearly half the levels recorded last year (down 43.8%) leading to rapid rises in rents (up 24% over the last year).

Rents are rising rapidly across all property types although there are some interesting differences. Studio flats have seen the fastest rent rises over the last year (26.0%) but the change since 2019 is lower (16.1%) – reflecting bigger rental falls in 2021 and a subsequent bigger bounce back – possibly reflecting an increase in people looking for a pied à-terre as they return to work.

It is larger (3 plus bed) flats that have recorded the biggest rent rises since 2019 (23.2%), similar to the growth recorded over the last year (24.3%). Meanwhile, houses have recorded the lowest growth over the last 12 months (just 11.5%) though growth is higher since 2019 at 14.6% as demand for houses held firm during the pandemic and rents did not fall. There are still no signs of any big increases in homes available to rent – during what is typically the busiest time of the year for the rental market. This suggests upwards pressure on rents will continue in the coming months.

## Change in Rents Per Square Foot by Property Type



Source: LonRes

The summer is traditionally a quiet time for the housing market, but August figures show that prices and activity levels across Prime London held their own.

However, it's difficult to ignore that there could be challenges ahead. We know that people will always want to want move – demand levels remain high - and for serious sellers, realistic pricing will be key. Anecdotally we hear that realism on pricing is beginning to happen now, and its impact will undoubtedly take some of the heat out of the market, which has to be good news.

Over August, new instructions at the top end of London's prime markets were up by some 30% on 2018 levels. How these instructions translate into sales over the autumn will provide a good barometer for the wider health of the market in the months ahead.

The story for Prime London rents remains unchanged. Lack of stock, longer tenancies and heightened demand are all leading to a rise in rents – up 24% this August on last. With no sign of new stock coming anytime soon, rents look set to remain high for some time to come.

## Thank You for Your Service

All of us at LonRes are deeply saddened by the loss of Her Majesty Queen Elizabeth II and send our heartfelt sympathies to The Royal Family. We are forever grateful for her remarkable reign and unwavering service to the nation and the Commonwealth. Resilient and ever-inspiring, Her Majesty has been a constant in all our lives and will be greatly missed.



*Analysis of LonRes data for this September briefing has been carried out by Neal Hudson of BuiltPlace - exclusively for LonRes - using data up to 31 August 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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