

LON  
RES

# PRIME LONDON MARKET UPDATE

---

December 2021



# Introduction

For the prime lettings market the last 12 months have been something of a rollercoaster. In late 2020 tenants were bargaining hard with landlords and double-digit discounts had become the norm across central London. A year on and it is tenants who are having to work harder to secure a property.



Achieved rents were  
19.7% higher in  
November 2021 than  
November 2020 and  
2.7% higher than the  
pre-pandemic peak

Rents are still rising, 19.7% higher than November last year and 2.7% higher than pre-pandemic levels. And, with stock at historic lows, chances of bagging a new rental property at a discount are slim. Discounts are now at their lowest level since LonRes records began in 2005.

In November the sales market saw a small annual fall in sales, down 3.1% on a busy month last year. Overall prices rose 2.7% annually, with houses continuing to outperform flats. Indeed houses accounted for over half of the total spend in prime London this November.

# Sales market

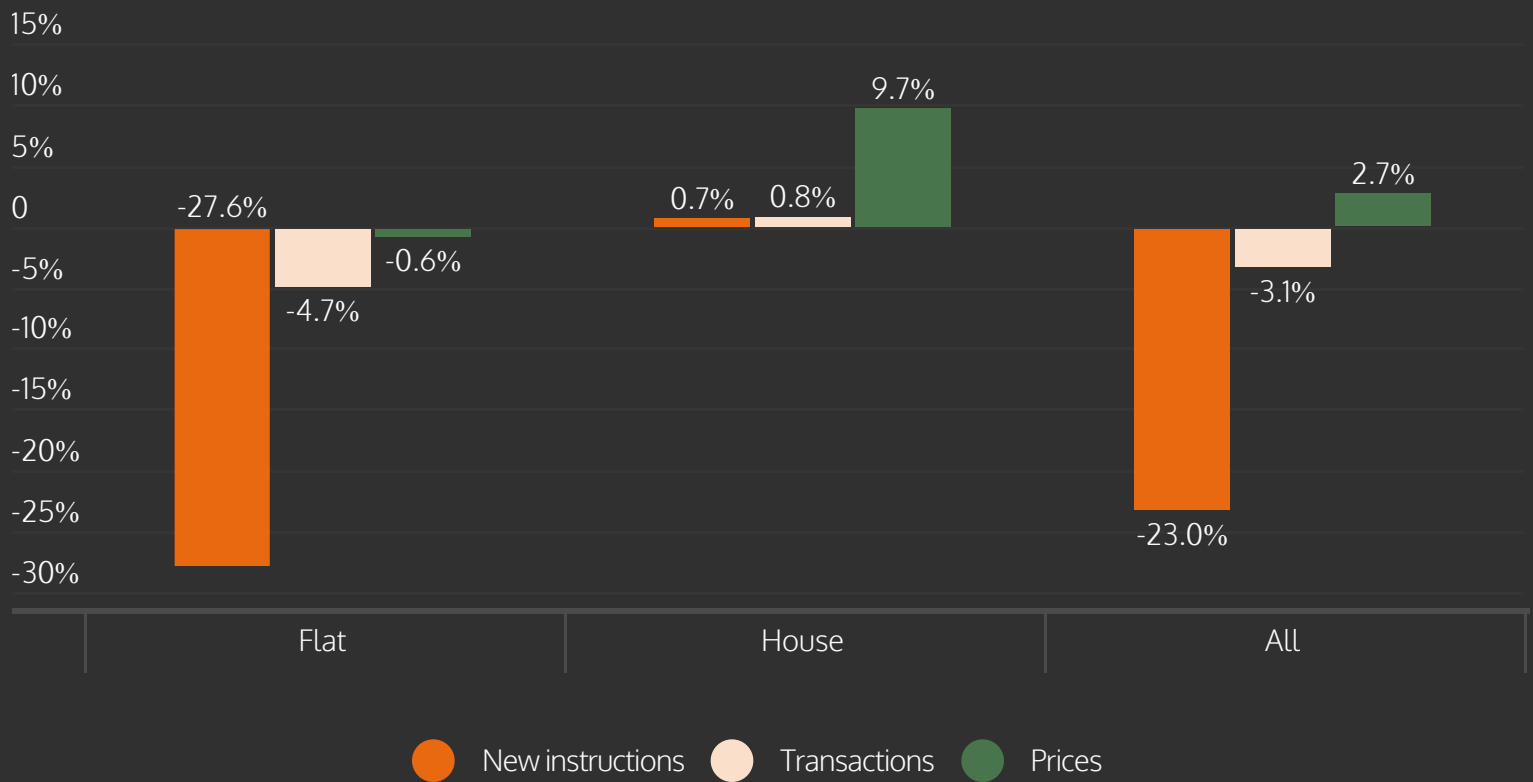
Even with a month to go before the year end there is no doubt that 2021 will be considered a good year for the prime sales market, with activity up, supported in part by government incentives.

As we near the end of year the flat market appears to be quieter than houses. This has been the case for some months now. The rush on flat sales earlier in the year was driven by the stamp duty holiday and saw deals pull forward to meet the deadline. This has further exacerbated the difference between the performance of flats and houses.

Prices achieved for houses are now 9.6% higher than before the first lockdown in early 2020



## November 2021 - annual change



Source: LonRes

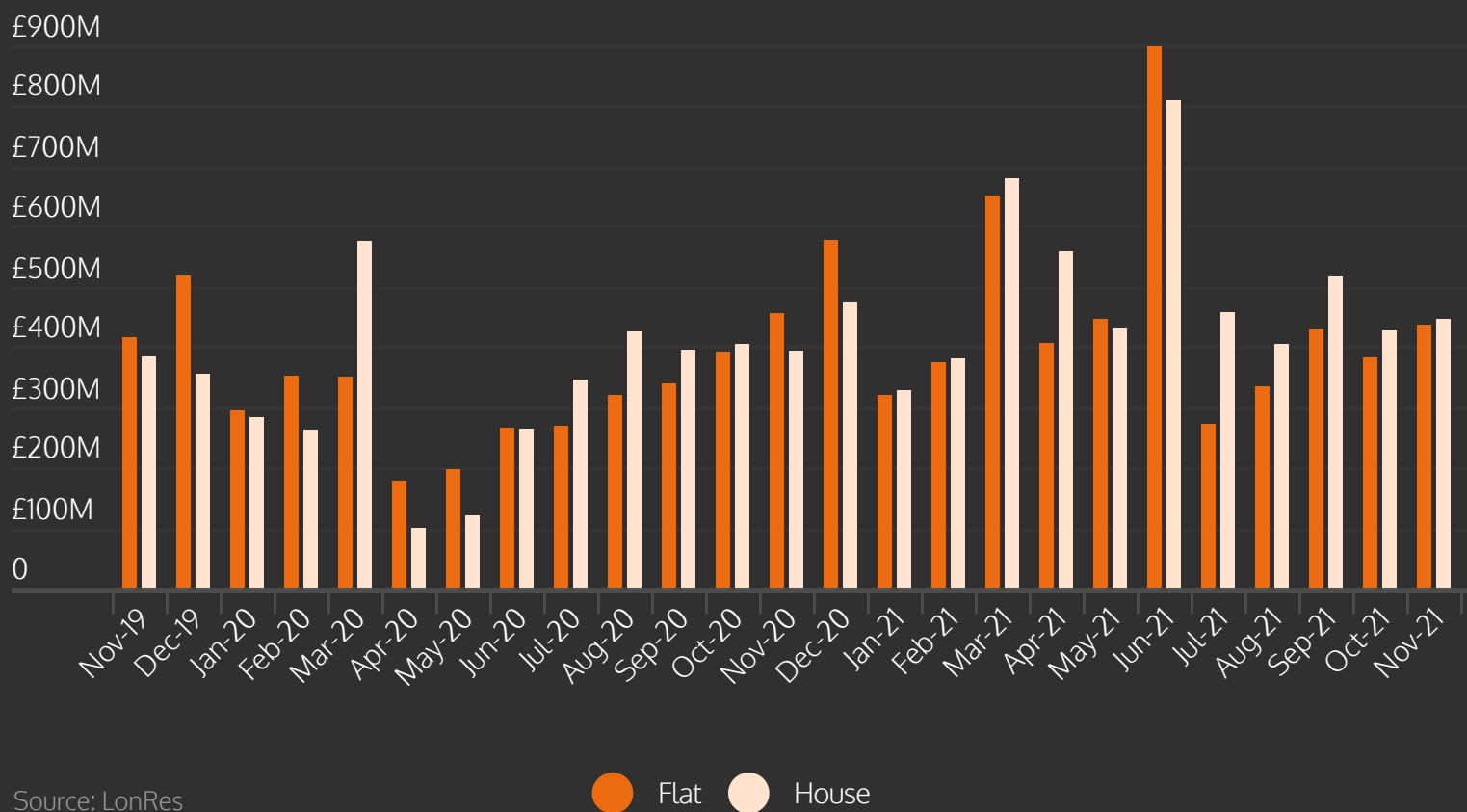
Fewer vendors listed their homes for sale in November. The number of listings were down 23.0% on a busy November 2020 and 4.8% down on the five-year (2015-19) average November figure.

Those selling flats appear to be more reluctant to list. There were 27.6% fewer flats listed this November compared with last. In contrast a stronger market for family houses appears to be encouraging listings, with new instructions up 0.7% on November 2020.

The number of properties sold across prime London fell 3.1% in November compared with the same month in 2020 and was 7.5% down on the November average between 2015 and 2019.

The top end of the market continues to be busy. Sales over £2 million have been higher than the long-run 2015 to 2019 average every month since July 2020. Below £2 million the market has remained quieter, with fewer sales than the long-run average in four out of the last five months.

## Value of sales by type



Source: LonRes

● Flat ● House

Prices rose this month too. Prime fringe recorded a 4.0% annual increase in achieved prices in November, prime London was up 2.0% and prime central London up 1.1%. Across the whole of London's prime catchment prices rose 2.7%.

We continue to see houses outperform flats. Comparing prices achieved in the last three months with pre-pandemic period in early 2020 shows average prices achieved for flats fell 1.0%, whereas houses are now achieving on average 9.6% more per square foot.


The interest in houses is also evident when comparing the total amount spent on different property types. Across prime London in November buyers spent £881 million. 51% of which was spent on houses, with the total spend of £446 million, £53 million higher than in November 2020. Over the same period the amount spent on flats fell by £20 million, £455 million in November 2020 compared to £435 million this year.

Despite the usual seasonal slowdown in activity, the number of properties put under offer in November was 4.0% up on November 2020. This suggests we could see activity increase in the New Year. However, some uncertainty remains, with both overseas travel corridors and levels of home working all expected to impact the market into 2022.

# Lettings Market

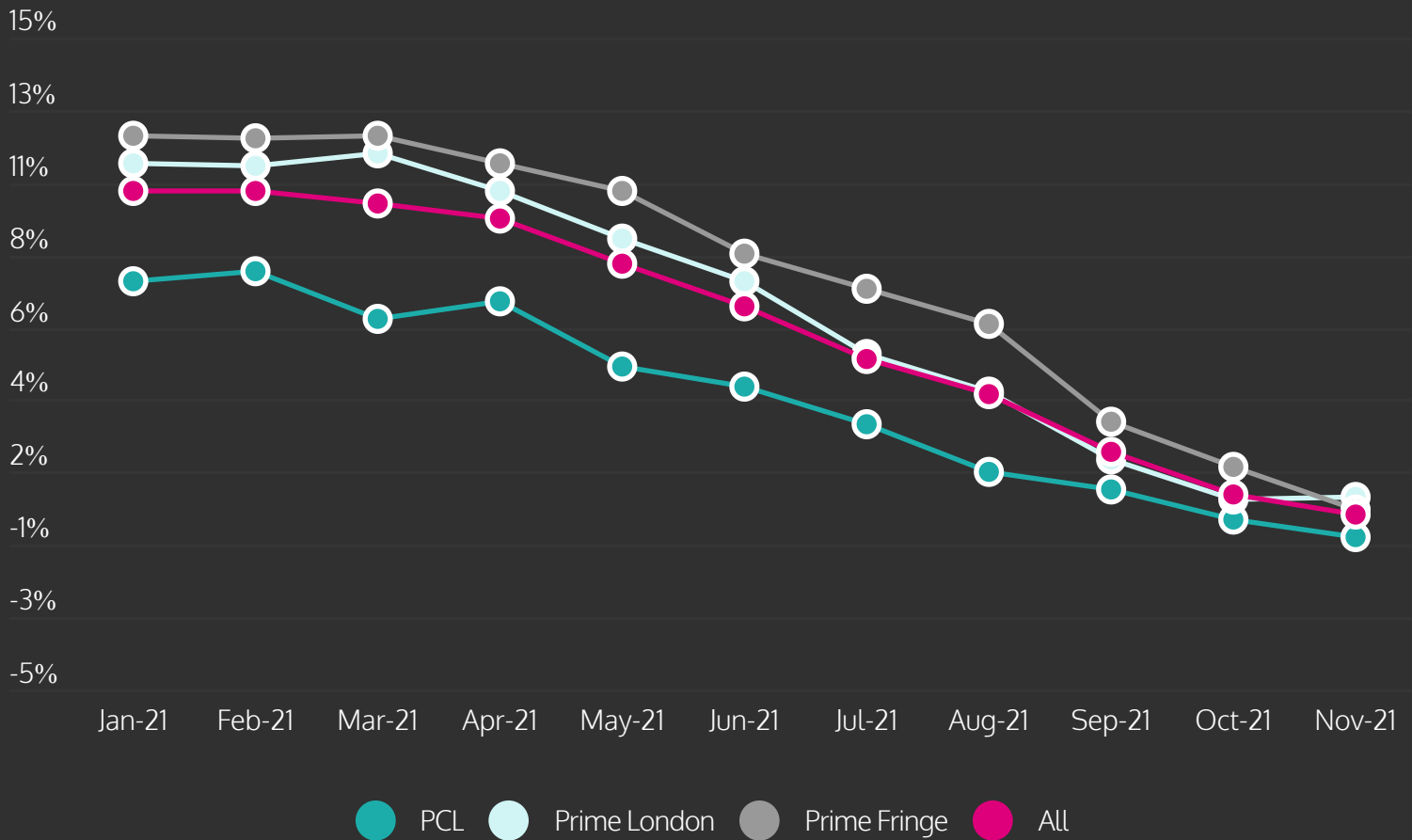
After a torrid time in 2020 and early 2021 landlords are in a far better position in the run up to Christmas this year than last. That does mean the rental market remains competitive for prospective tenants. We continue to see little stock reach the open market, with those homes which are listed finding new tenants quickly offering scant opportunity for negotiation on price.

November again saw a fall in the number of new listings. Agents have reported further increases in renewals as well as a rise in properties let to applicants before hitting the open market. In November the number of properties reaching the market to let fell 42% compared with November 2020 and by 58% compared with 2019. November recorded the seventh consecutive monthly fall in new instructions compared with 2020 levels.



Average discounts are now just 0.4% off initial asking rents. The lowest since records began at LonRes

## Average discount achieved off initial asking rent



Source: LonRes

Lack of stock means average discounts achieved off initial asking rents have fallen to just 0.4% in November, down from more than 10% in early 2021 and the lowest since records began at LonRes in 2005. For prime central London the amount paid was on average 0.3% higher than the initial asking price. This is the first month on record achieved rents have been higher than asking rents at LonRes.

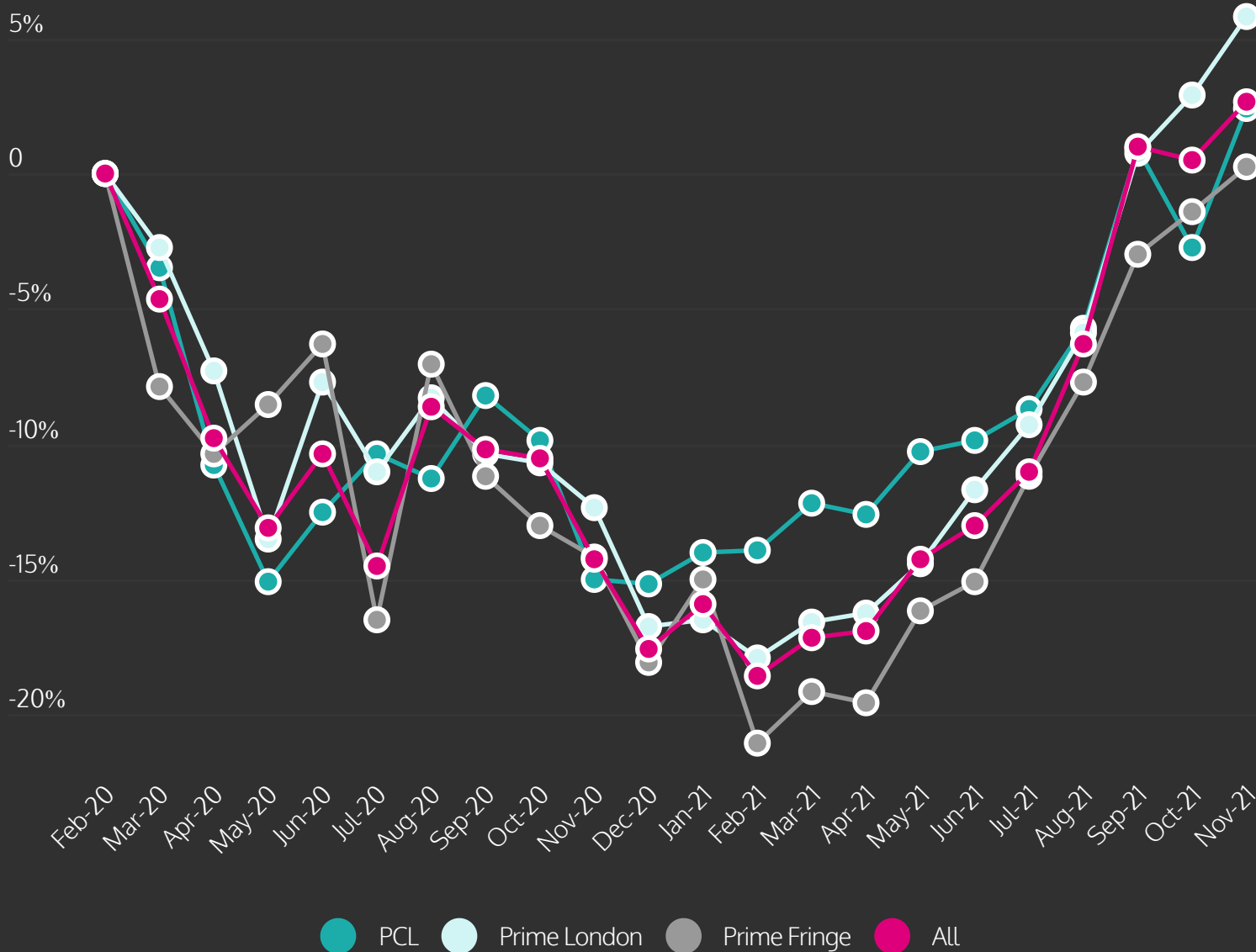
Given properties are letting more quickly, there is little need for price reductions either, with only the most optimistic of landlords having to reduce their asking prices. Back in April 52% of properties let had seen their asking price reduced before finding a tenant, with some landlords slower to react to changes in rent achieved. The number of properties requiring a price reduction has fallen since, with just 10% of properties let in November 2021 seeing an asking price cut.

In November the prime lettings market saw further increases in achieved rents as the supply squeeze continued.

Rents achieved in November this year were 19.7% higher than in November 2020, with tenants now paying, on average 2.7% more than they were pre-lockdown in February 2020 and 4.0% more than they were in November 2019.

Looking ahead much of the outlook for the prime London rental market relies on workers returning to their offices. But in the short-term chronic lack of supply means that rental increases could be here to stay and we expect further rental rises into early 2022.

## Change in rents since February 2020



Source: LonRes



\*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.

This issue was produced in December 2021 using data to 30 November 2021

---



**Marcus Dixon**

Head of Research

LonRes

[research@lonres.com](mailto:research@lonres.com)

020 7924 6622 | [LonRes.com](https://lonres.com)