



PRIME LONDON MARKET UPDATE

August 2020

Following the Chancellor's announcement in July of a stamp duty holiday, the housing market has continued to see a rise in activity levels. Of course, the savings account for a far higher proportion of a buyer's stamp duty bill at £500,000 than at £5 million, yet the increase in momentum has also been felt across London's prime market.

More prospective vendors are bringing their homes to market and July recorded the first annual increase in properties going under offer since March.

The lettings market, however, remains more challenging.

Fewer overseas students, corporate relocations and a lack of new jobs is impacting demand levels. This together with relatively high stock levels is impacting achieved rents.

SALES MARKET

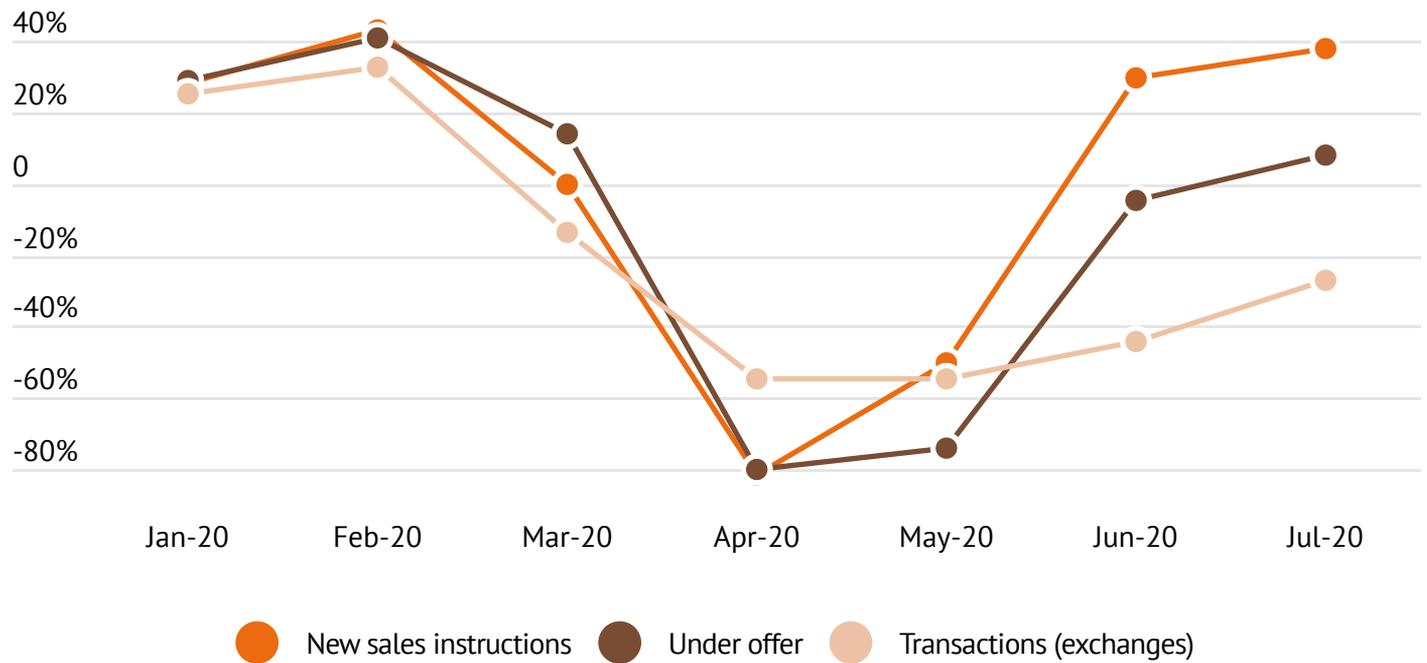


The July market is often a quiet one for central London. Traditionally both vendors and prospective buyers see the summer months as an opportunity to jet off to warmer climes, putting their search on the back burner until the schools return in September.

This year, despite many still making time for family holidays, London's prime market appears busier. New instructions rose in July and we recorded the first annual increase in under offer volumes since March.

New listings rose too. The number of new properties reaching the market in July was up 39% on levels recorded a year ago, with the usual summer slowdown in activity being less pronounced this year.

Transactions, new instructions and under offer - annual change



Source: LonRes

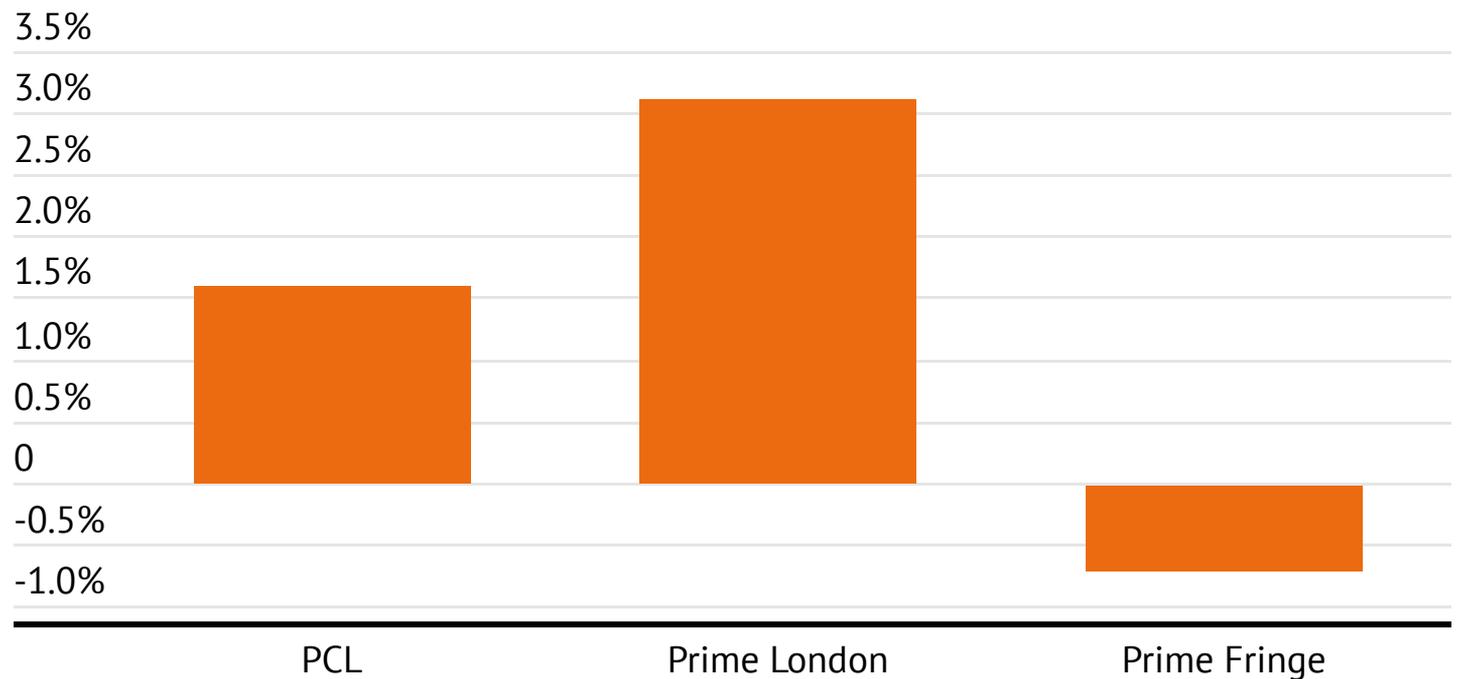
Despite a rise in new instructions, increased activity and a lack of new properties listed earlier in the year means that the number of homes on the market available to buy now is just 9% higher than at the same point a year ago.

The lockdown that began in March is still impacting sales volumes in July. Exchanges recorded now usually reflect deals agreed in previous months. Across our three prime areas* the number of transactions, measured by exchange date, were 28% down compared to July 2019.

Prime central London has recovered more quickly, with exchanges in July 2020 just 14% down on the same month a year ago.

The number of properties going under offer continued to recover in July. With 9% more properties going under offer this July compared to last, this is the first month since March that we have seen volumes increase. Comparing under offer volumes from 8 July, when the stamp duty holiday was announced, to 31 July shows a 15% annual increase.

Achieved prices - annual change



Source: LonRes

Contrary to what many were expecting prices have increased in both our PCL and prime London catchments, with growth of 1.6% and 3.1% respectively this year (from the beginning of June to the end of July) compared with the same two months a year ago. Only prime fringe recorded a modest 0.7% annual fall.

Looking ahead the recovery in under offer volumes and reports of continued demand for prime homes all bodes well for the market over the coming months. However, a sustained housing recovery will be reliant upon how the wider UK economy fares over the coming months and how fast an economic recovery we're likely to see over the long-term.

LETTINGS MARKET



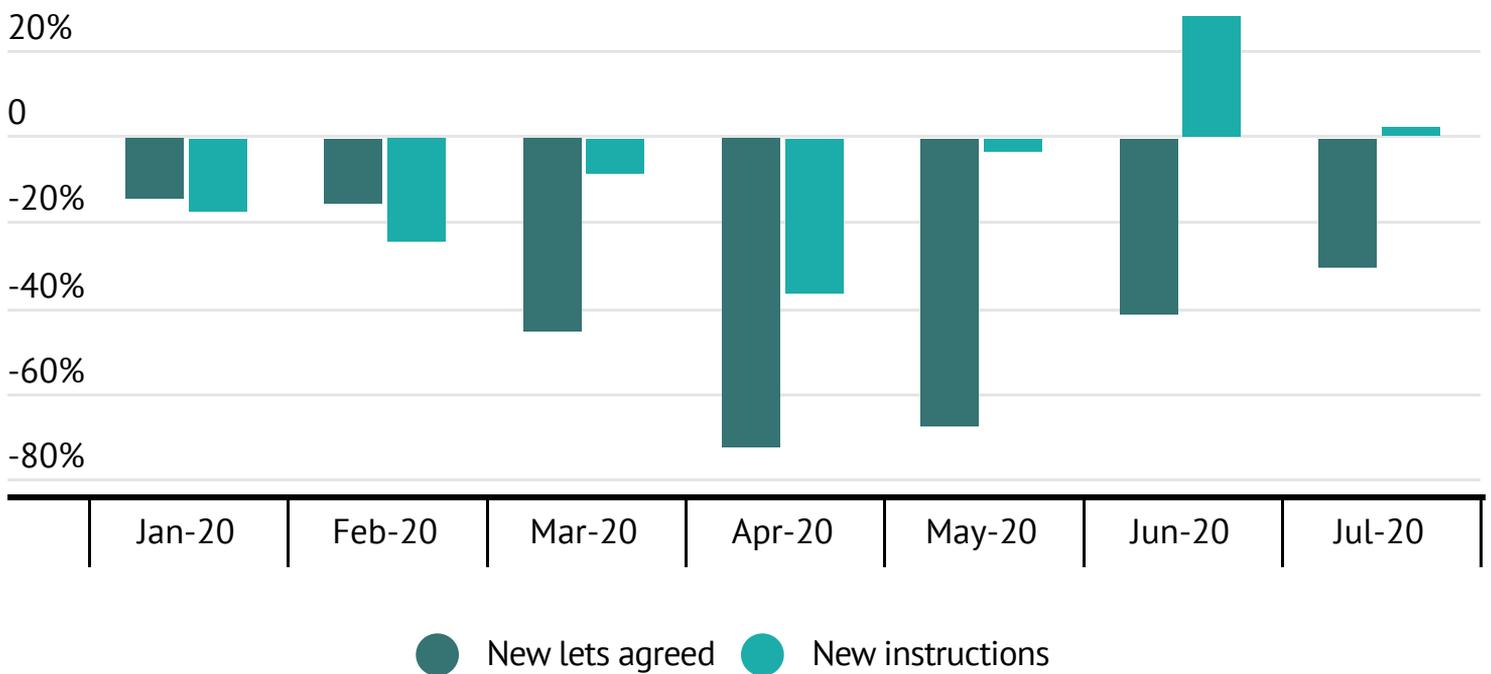
July was the busiest month so far this year for prime lettings, with the number of new lets agreed up 41% on June levels. July and August are traditionally the busiest two months of the year for the prime lettings market so this increase in activity will certainly be welcome news for landlords and agents alike.

But activity still lags behind volumes we would usually expect at this time of year. Yes, the market has improved compared with recent months, but new lets in July remained down 30% on the same month in 2019.

A recent report by King's College and The Harvard Kennedy School suggested overseas student numbers in London could fall by 50% to 75% this academic year. Fewer overseas students, a lack of both corporate relocations and creation of new jobs in central London are all impacting on levels of demand this summer.

Stock volumes at the beginning of August were 42% higher than at the same point a year ago, however levels of new instructions fell back in July. Across our three prime areas there were just 2% more new instructions in July this year compared with last, down from a 28% increase in June.

Lettings and new instructions - annual change

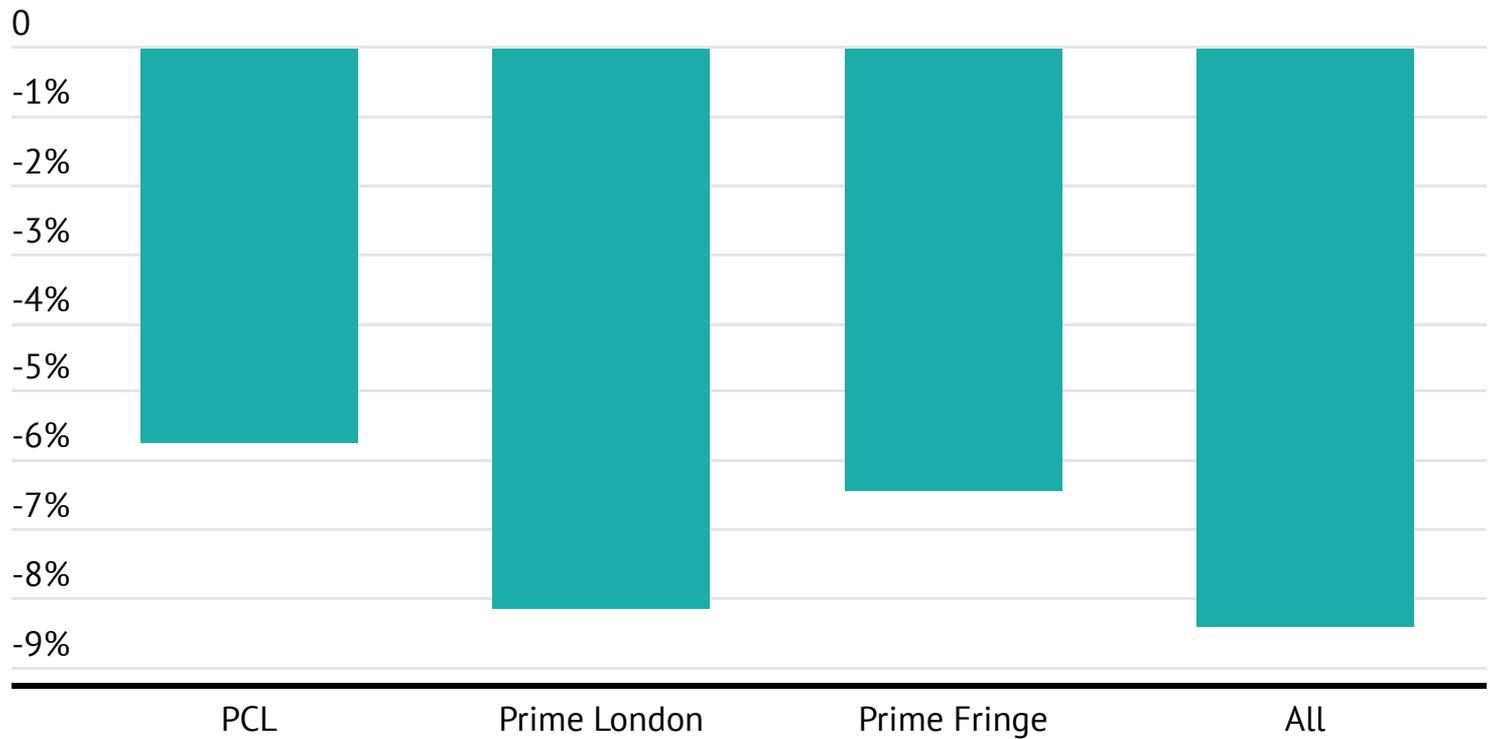


Source: LonRes

High levels of available stock continue to put downward pressure on rents, as choice increases for prospective tenants and they become more inclined to negotiate on asking rents. Comparing rents achieved in June and July this year with the same period in 2019 shows an annual fall in achieved rents of 8.4%.

In July, tenants were able to secure an average discount of 8.2% off initial asking rents, down from 3.9% at the same point a year ago.

Achieved rent by area - annual change



Source: LonRes

A slowdown in the number of new homes being listed to let will be welcome news for landlords concerned about competition for their rental properties. However, greater stock availability means that many will still need to be realistic in their expectation on achieved rents if they are to avoid lengthy void periods.

*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.



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