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# PRIME LONDON MARKET UPDATE

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April 2021



# INTRODUCTION

The run-up to the end of the stamp duty holiday on 31 March was always going to be a busy time for the housing market and prime London was no different. Encouraging news on the vaccine roll-out, together with a detailed roadmap out of lockdown resulted in a renewed confidence for London's prime housing market and a surge in sales activity over the first quarter of the year.

It was the market below £1 million that saw the most significant annual increase in sales - unsurprising given this is where the biggest saving, as a proportion of total buying costs, was to be made. But the top end of the market did well too.

The market below  
£1 million saw the most  
significant annual increase  
in sales

We anticipate the re-opening of London's offices, restaurants, bars and theatres will all benefit the prime lettings market over the coming months. Stock levels, still high in a historic context, are falling back and new lets are also on the rise.



# SALES MARKET

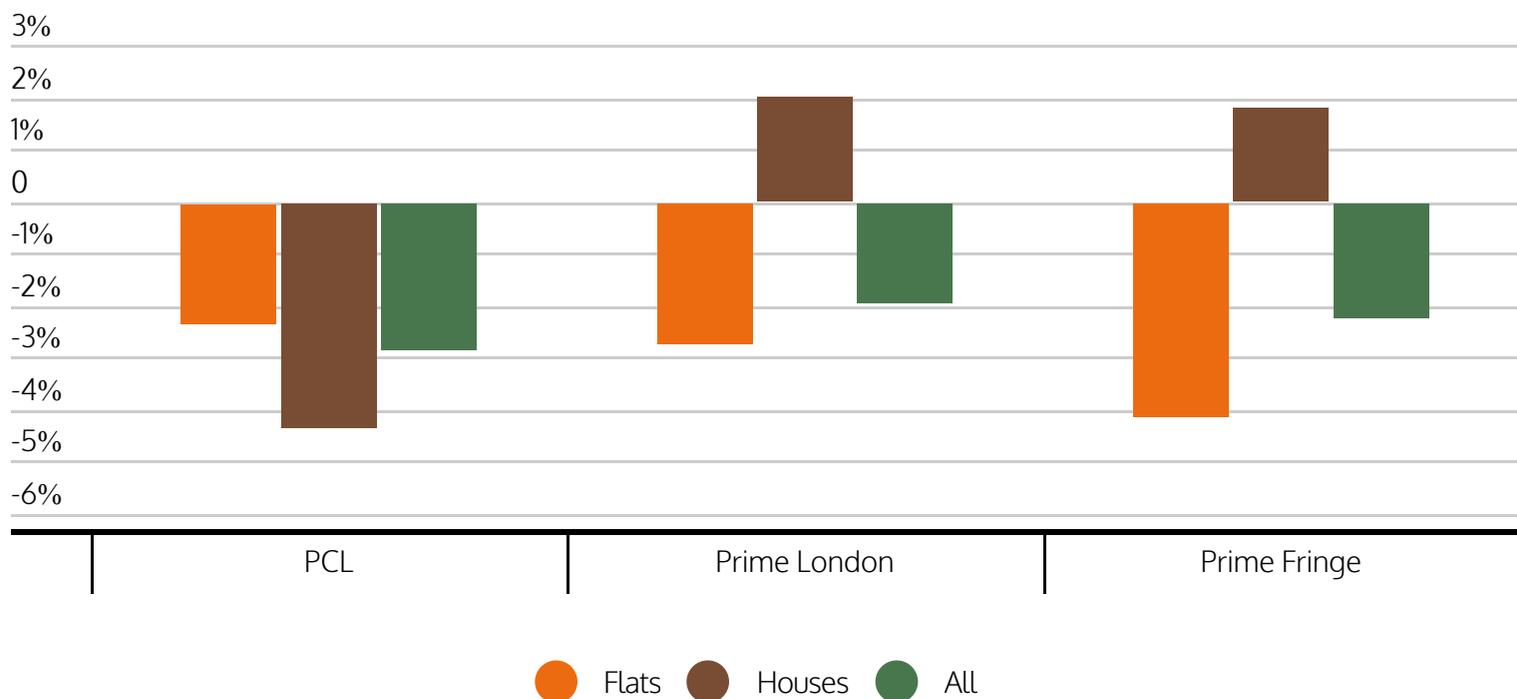


The number of sales in Q1 2021 was the highest for a first quarter since 2016

The first two months of 2021 saw relatively subdued levels of new instructions, with volumes listed for sale falling short of both the previous year and longer run five-year average between 2015 and 2019. Of course, at this point vendors thought the stamp duty holiday would be ending on 31 March and the possibility of their buyers, let alone them, being able to complete their purchase before the 31 March deadline was slim.

But an extension, announced by the Chancellor in the Spring Budget, saw a further three-month holiday alongside a tapering until September. This boosted market confidence, in addition to announcements on the vaccine rollout and roadmap which meant the UK looked set to emerge from lockdown too.

## Annual change in achieved prices by property type - Q1 2021



Source: LonRes

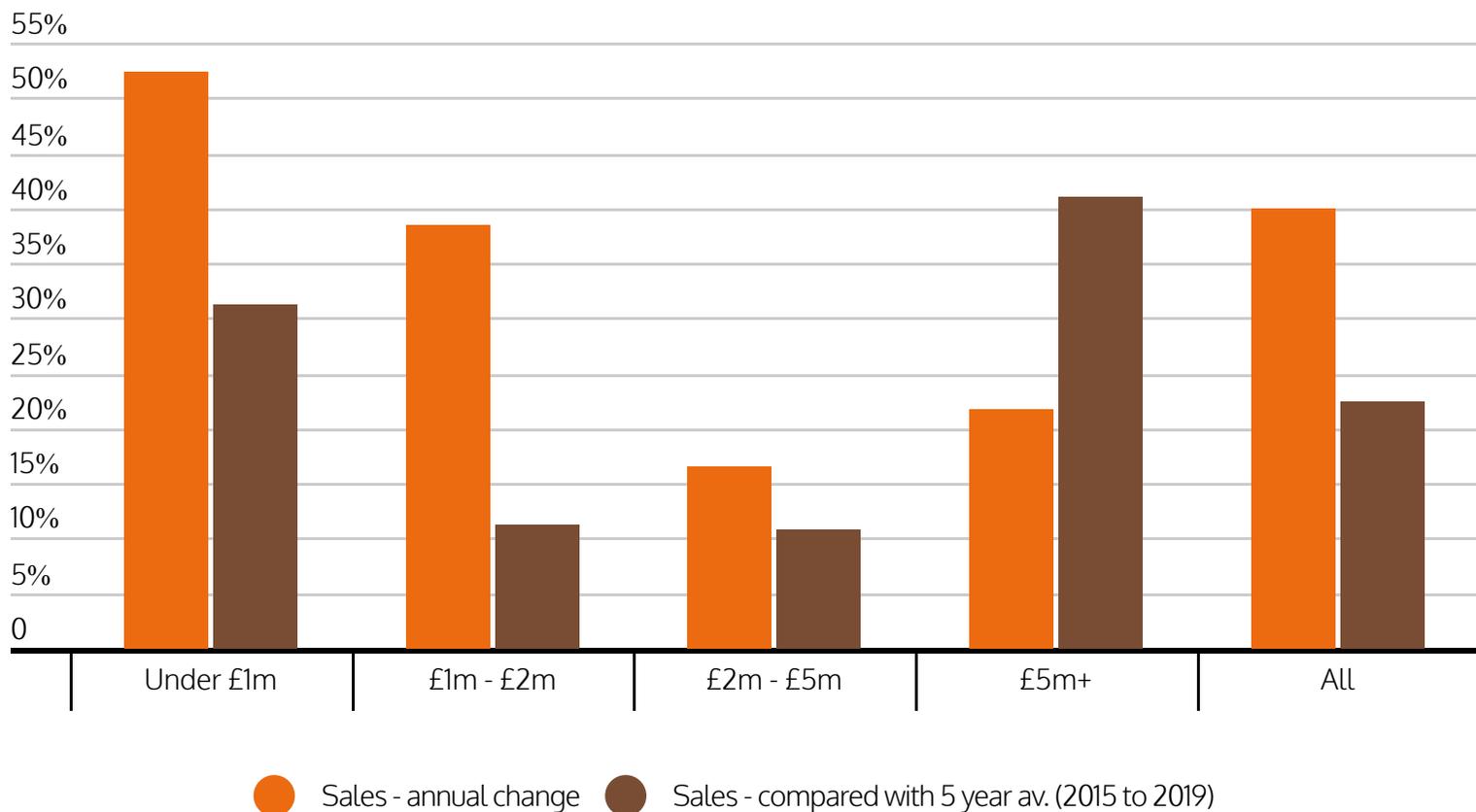
As a result, March saw new instructions rise, with 24% more properties listed than the March five-year average (2015 and 2019) and 72% more than 2020 levels, albeit that some of March 2020 was spent in lockdown.

Looking at volumes quarterly the surge in new instructions in March cancelled out the falls in the first two months of the year. Overall, in Q1 2021 there were just 1% fewer new instructions than the long-term (2015-2019) Q1 average.

Transaction volumes across prime areas of London rose significantly in Q1 2021 too. Sales were up 40% on Q1 2020 and 22% higher than the previous five-year average. Indeed, the number of sales in Q1 2021 was the highest for a first-quarter since 2016, when investors were rushing to purchase before the introduction of new additional property stamp duty rates.

A stamp duty deadline has impacted activity this quarter too, as buyers again raced to meet the old deadline of 31 March. The busiest market in the first quarter was the market below £1 million which saw a 52% annual increase in sales.

## Sales by price band - Q1 2021



Source: LonRes

Yet this rush of activity appears to be about more than just stamp duty savings. The upper end of the market, where the saving accounts for only a small proportion of the overall price, was busy too, with 22% more sales at £5 million or more in the first quarter this year versus last and 41% more than the previous five-year average.

Despite an increase in activity, buyers remain price sensitive. Achieved prices across prime areas of London fell. With PCL recording a 2.8% annual decrease followed by more modest falls of 1.9% in Prime London and 2.2% in prime fringe. Houses in both prime London and prime fringe recorded an annual increase in achieved prices this quarter.

Looking ahead this increased momentum looks set to continue, with the number of properties put under offer suggesting we are in for a busy second quarter. Comparing the number of homes put under offer in Q1 2021 shows a 26% annual increase (27% higher than the 2015 to 2019 average), with the number of properties put under offer the highest first-quarter figure since Q1 2014.



# LETTINGS MARKET

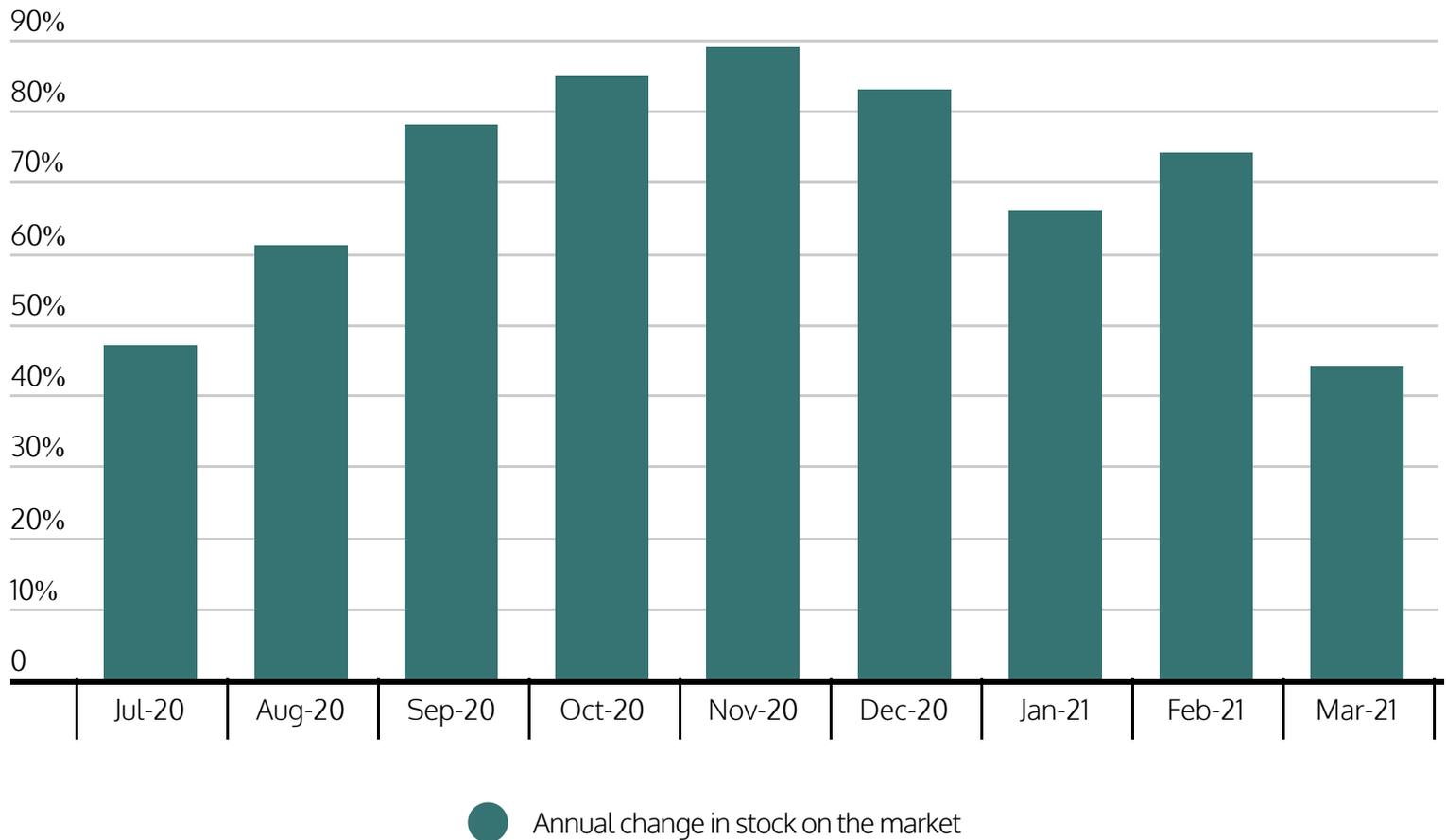
The imbalance between stock levels and demand, which has plagued the prime lettings market for almost a year now, is still impacting achieved rents, voids and sentiment. But, there are signs that the market is improving with the gradual lifting of lockdown restrictions and Londoners returning to the office both looking set to support increased activity within the prime lettings market over the coming months.

Stock levels, which in November 2020 were 89% higher than in the previous year are starting to fall, with the number of properties listed to let recording the lowest annual change in stock available since June 2020, albeit still 44% higher than at the same point a year ago. We are seeing fewer new properties reach the market too. New instructions in the first three months of the year were 12% higher than a slow Q1 2020, but 19% down on the average number of new first-quarter listings between 2015 and 2019.

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New lets were higher than they were a year ago, with 25% more properties let in Q1 2021 compared with Q1 2020.

## Properties on the market to let - annual change



Source: LonRes

The average number of days a property remains empty between tenants also fell in Q1 2021, from a high of 66 void days in Q4 2020 to 63 this quarter.

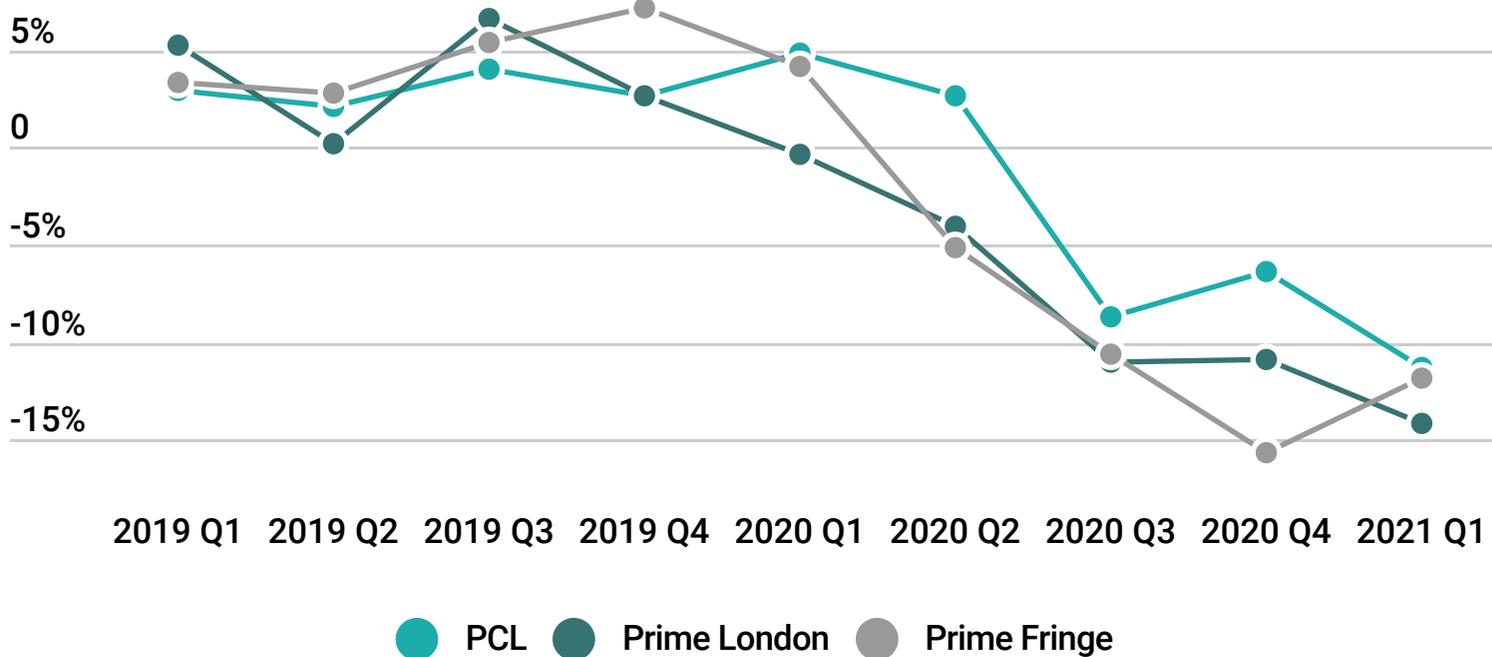
New lets were higher than they were a year ago, with 25% more properties let in Q1 2021 compared with Q1 2020. The first lockdown at the end of the first quarter last year will impact the Q1 2020 figures. But, even comparing volumes this year with 2019 levels, shows a robust performance with the number of properties let in Q1 2021 just 2.6% lower than Q1 2019 volumes.

Despite the market showing signs of recovery, we continued to see double-digit annual falls in rents this quarter. The *LonRes Prime Lettings Index* for Q1 2021 shows the highest annual average rental falls in prime London at -14.2% compared with falls of 11.3% in prime fringe and 11.8% in prime central London compared with the first quarter of 2020. Across our three areas combined, average achieved rents in March this year were 13.2% lower than March 2020, but falls were lower than those recorded in February when annual change in achieved rents hit -17.8%.

Looking ahead, we stand by our view that as long as the roadmap out of lockdown continues as planned, we expect to see a significant increase in demand for prime rentals, as employees return to the Capital and overseas students settle prior to the start of the academic year in September. Until then savvy tenants could still secure a good deal on a new London home, just don't wait too long....



## Achieved rents - annual change



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 April 2021 using data to 31 March 2021

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