



## DISCOVER LONDON

# Prime Central London

Buyer caution has been most evident at the top end of the market

### The sales market

Across London's prime housing market values grew by an average of 1.6% in the three months to the end of June, but remain 0.7% below where they were a year ago, as increased stamp duty rates and unsold stock levels restricted a bounce in values post election.

Buyer caution has been most evident at the top end of the market, with prices in the prime central London market barely showing any net house price growth over the quarter at 0.3%. This means that house prices in this market are down by an average of 4.3% year on year.

The price falls largely resulted from stamp duty changes announced in the 2014 Autumn Statement and uncertainty surrounding a mansion tax in the run up to the general election. Following the Conservative Party election victory and with the threat of such a tax removed, the full effect of the stamp duty changes are becoming clear, particularly in the high value prime central London markets.

Some of the deferred demand from the pre-election period has begun to flow back into the prime London housing market, but the new higher tax rates are being keenly felt by buyers. This has restricted any significant boost to prices and transaction numbers.

We now expect the prime London housing market to remain relatively subdued over the rest of 2015 as high levels of available stock built up during a long period of pre-election caution and it will take time for this to be absorbed.

Nonetheless, we are forecasting price growth to return to the market in 2016 and values to rise by 22.7% over the five years to the end of 2019. ➔



Sales	Quarterly	Annual	5-year
Under £2m	0.7%	-2.2%	39.2%
£2m – £3m	0.6%	-4.6%	33.4%
£3m – £5m	0.2%	-5.1%	30.3%
£5m+	-0.1%	-5.1%	26.2%
Rents p.w	Quarterly	Annual	5-year
Under £1500	0.3%	1.3%	23.2%
£1500 – £3000	0.7%	0.4%	5.3%
£3000+	0.1%	-0.1%	6.5%

Source: Savills Research

**22.7%**

**5-year growth  
forecast for  
prime London**

## Capital and rental values £/sqft

■ Capital values £/sqft ■ Rental values £/sqft per annum



Source: Savills Research

Capital values per square foot

**£2,017**

Rental values per square foot per annum

**£59**

Average yield

**2.9%**

## The rental market

Across prime London as a whole, rental growth remained subdued in the second quarter of 2015. Average rents rose by just 0.5%, leaving annual growth at 1.5%. Growth has been restricted by the level of new stock being brought to the rental market by investment buyers of both existing and newly developed properties.

In prime central London, average rents underperformed the London average with rents increasing by 0.4% over the quarter to leave annual rental growth at just 0.6%. Within this market, houses have seen stronger levels of annual growth than flats, with rents rising 1.3% and 0.1% respectively. This reflects a higher volume of smaller new build stock coming on to the market from investor landlords.

Looking forward, we expect the strengthening London economy and continued expansion of sectors such as technology and telecommunications to underpin demand for prime rental property over the medium term.

Value movements to Q2 2015	Capital values	Rental values
Quarterly	0.3%	0.4%
Annual	-4.3%	0.6%
5-year	30.7%	11.8%

Source: Savills Research

A potential risk to the sector is the level of new stock being brought to the market by overseas investors in certain locations on the fringes of prime London. This may lead to rents coming under pressure.

Across the prime London markets as a whole we expect rents to rise by 17% over the course of the next five years. ■

## Prime London forecasts

Sales	2015	2016	2017	2018	2019	5-year					
Capital values		-0.5%		7.0%		5.5%		4.5%		4.5%	<b>22.7%</b>
Rental values		2.5%		3.0%		3.5%		3.5%		3.5%	<b>17.1%</b>

Source: Savills Research

NB: These forecasts apply to average values in the second hand market. New build rental values may not move at the same rate



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