

MASON

VALUATION CONSULTANTS

Prime Central London Update February 2025

Key Highlights

- Prime Central London* sales activity increased in Q4 2024, with 172 transactions recorded by LonRes**. This is 12% up on sales volumes in Q3 2024. There were 650 sales above £3m in 2024 in total, 4% higher than the 12 months to September and 28% above the Q3 2016 to Q1 2020 average, the period following the Brexit referendum but pre-Pandemic.

- The number of homes for sale in the £3-15m market is high compared to past levels and relative to current sales activity. The ratio of available stock to monthly sales was 24.1 in Q4 2024, down from 26.9 at the end of Q3 but above the long-term average of around 20.

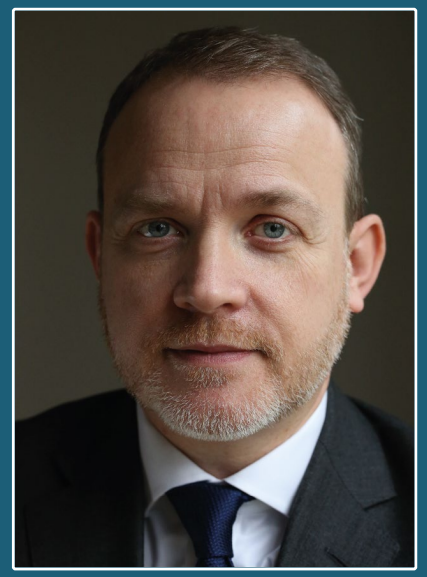
- Values for £3m+ PCL homes increased slightly in Q4, while measures of the wider market indicated falls. The value gap between houses and flats on a £ per sq ft basis increased slightly in Q4, but it lower than it was a year ago.

- Average discounts in PCL were unchanged in Q4, following two years of increases. Broken down by property type, average discounts for prime houses remain smaller than for flats (9.0% vs. 9.3%), with the gap smaller than in Q3.

- New agents' forecasts were released in November and December. For PCL there are some major differences in opinion, both in the short and longer-term. Expectations for 2025 range from +2% to -4%. This is in contrast to the consensus seen amongst forecasters last year. Views on Greater London mainstream values are more consistent, although even here five-year growth figures range from +15% to +22%.

*PCL in this report refers to £3m+ sales in the following areas unless otherwise stated: SW1(A, W, X, Y), SW3, SW7, SW10, SW5, W14, W11, W8, W2, W9, NW1, NW8, W1(C, G, H, J, K, S, U).
**LonRes is a well-publicised data source for professionals working in London.

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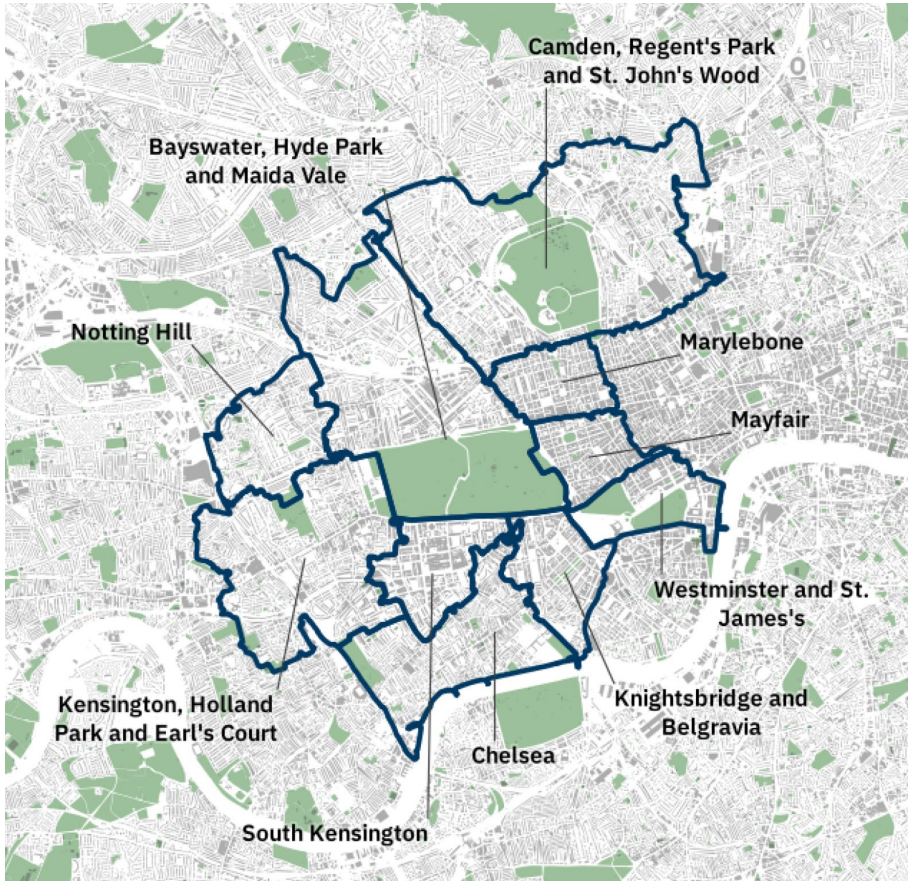


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Market Background

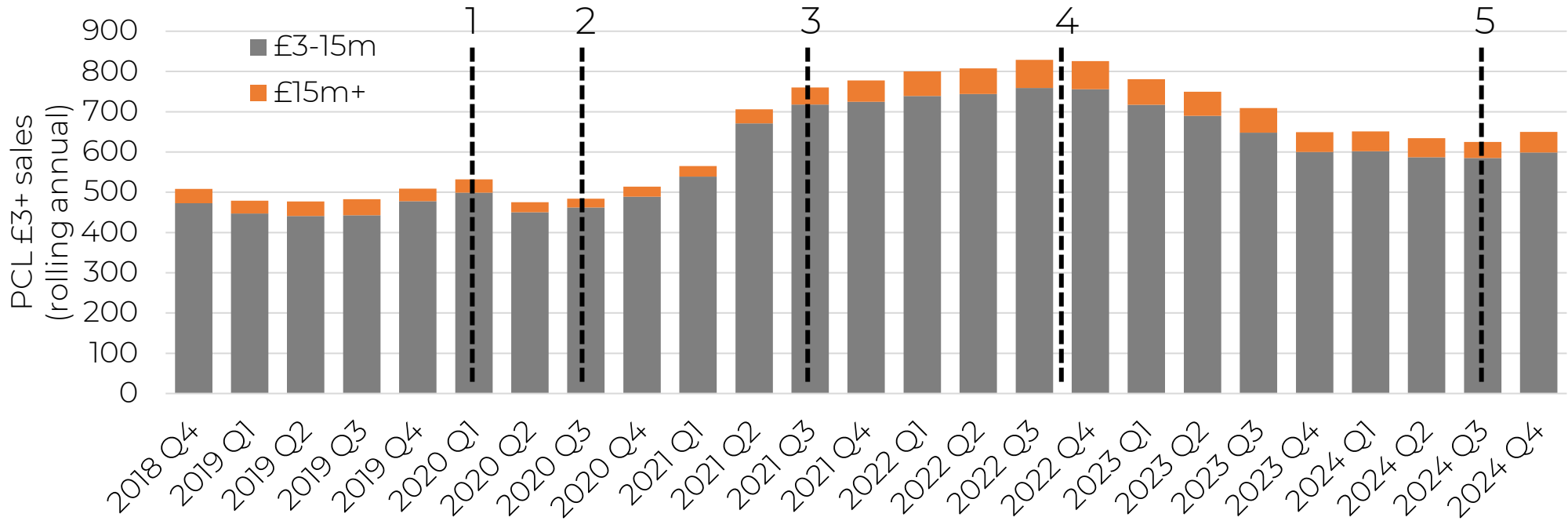


Area	Transactions (12m to Sep-24)	Compared to last Q (12m to Jun-24)
England	644,000	Down 62,000 (-9%)
London	72,000	Down 8,000 (-10%)
Camden, Westminster and RBKC	5,300	Down 800 (-13%)
PCL £3m+	530	Down 130 (-19%)

Source: Land Registry Price Paid Data
Note: Figures rounded. Previous Q figures have been revised.

- The £3m+ Prime Central London market typically makes up less than 1% of all transactions in London, and around 0.1% nationally.
- At times it can behave very differently to the mainstream markets because the drivers of activity are not the same.
- Smaller sales volumes – plus unique properties and a higher proportion of off-market deals – mean prices can be volatile.

Transaction Trends



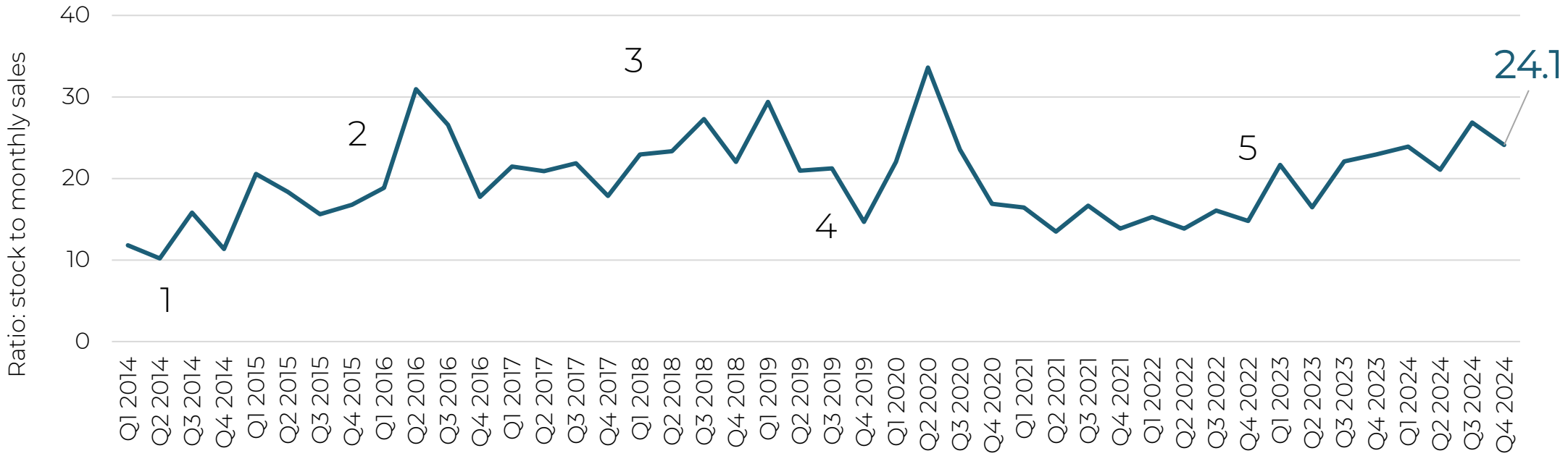
Source: LonRes

Mar 2020	Jul 2020	Q2 2021	Sep-Oct 2022	Jul 2024
1: First Covid-19 lockdown starts	2. Stamp Duty holiday starts	3: Stamp Duty holiday tapers down (ends in Q3)	4: Rishi Sunak becomes third PM of 2022 after Liz Truss resigns	5: Labour Government – first in 14 years

Transaction Trends

- £3m+ activity in PCL in Q4 2024 increased compared to Q3, driven by a 73% rise in the volume of sales in the super prime (£15m+) market. Transactions in the prime (£3-15m) market rose by 8% over the same period.
- In Q4 there were 172 transactions across both price bands, 12% more than Q3 and 17% more than Q4 a year ago, based on LonRes data.
- There were 599 recorded prime sales and 51 super prime in 2024. The total figure of 650 transactions is 4% up compared to the 12 months to September 2024.
- For longer-term context, the current level is around 28% above the annual average from mid-2016 to early 2020 – the period following the Brexit referendum but before the Pandemic.

Supply and Demand



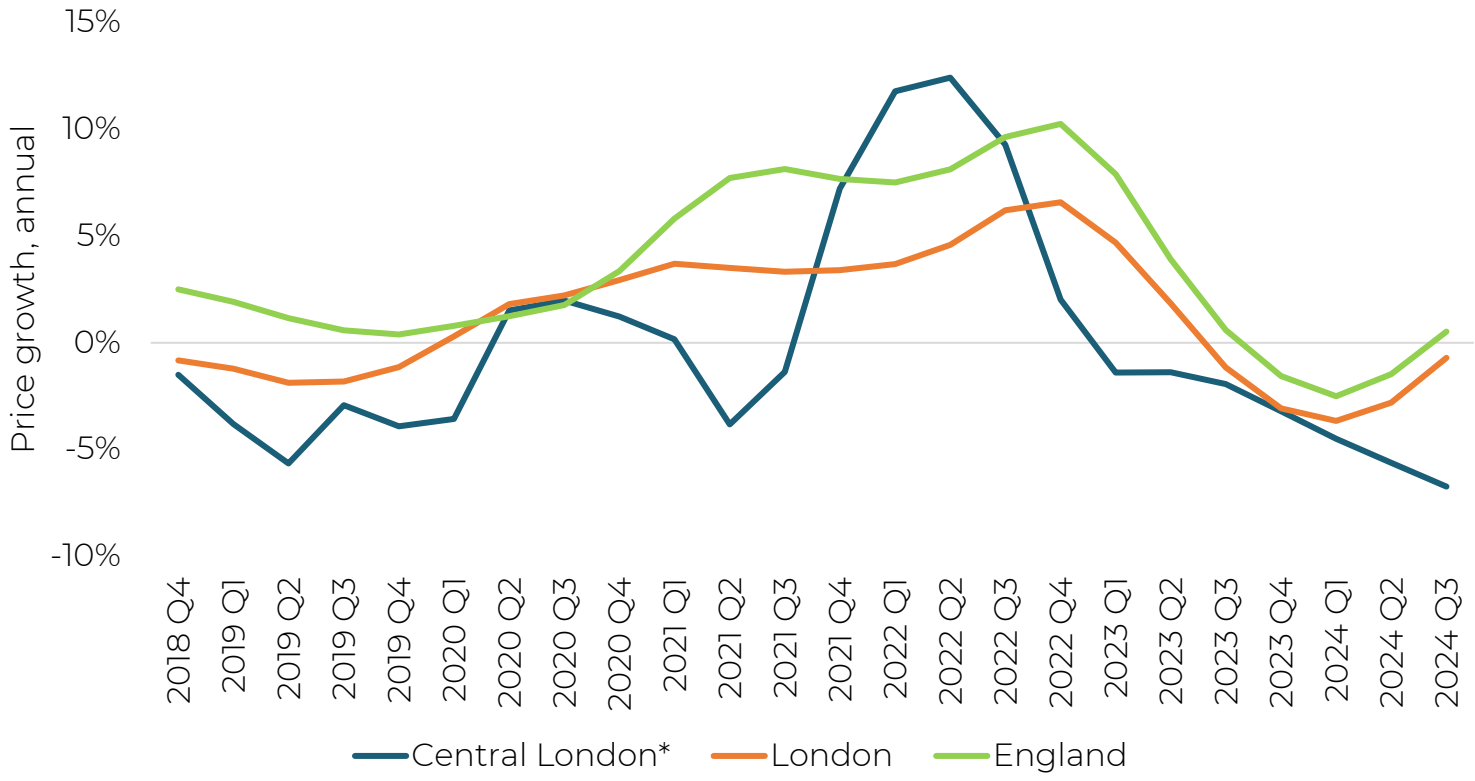
Source: MVC using LonRes data *Note: £3-15m properties only, includes properties under offer*

2014	2015-16	2017-21	2019-20	Late 2022
1: Previous market peak	2. Property tax increases (ATED Apr-15, additional SDLT 16)	3: Tapering of mortgage interest relief on rental properties	4: 'Boris Bounce' (Q4 2019) followed by pandemic (Mar-20 on)	5: Jump in interest rates after Truss 'mini-Budget'

Supply and Demand

- The chart on the previous page shows the ratio of available stock for sale at the end of each quarter to the average sales per month in that quarter. The long-term average over the past decade is a ratio of around 20. When the ratio is below 20 for an extended period – i.e. less supply (available stock) relative to demand (sales) for consecutive quarters – we have tended to see price growth, although there is not a rigid relationship due to external factors.
- The lowest points (= stronger market) were seen in 2014 and 2021/22. Tax changes in 2015 (ATED), 2016 (additional SDLT), and 2017 (removal of mortgage interest relief), combined with the vote to leave the EU also in 2016, weakened the market.
- It started to recover in late 2019 after Boris Johnson secured a large majority at the General Election, but this was immediately cut short by the Covid pandemic in Q2 2020. The post-pandemic recovery in 2021, boosted by a SDLT cut, slowed in 2022 following conflict in Ukraine and the mini-Budget of September.
- The ratio has in general continued to rise since then, with negative sentiment from geopolitical uncertainty and an underperforming domestic economy putting pressure on the market. In Q4 it reached 24.1, down from a recent peak in Q3.

House Price History

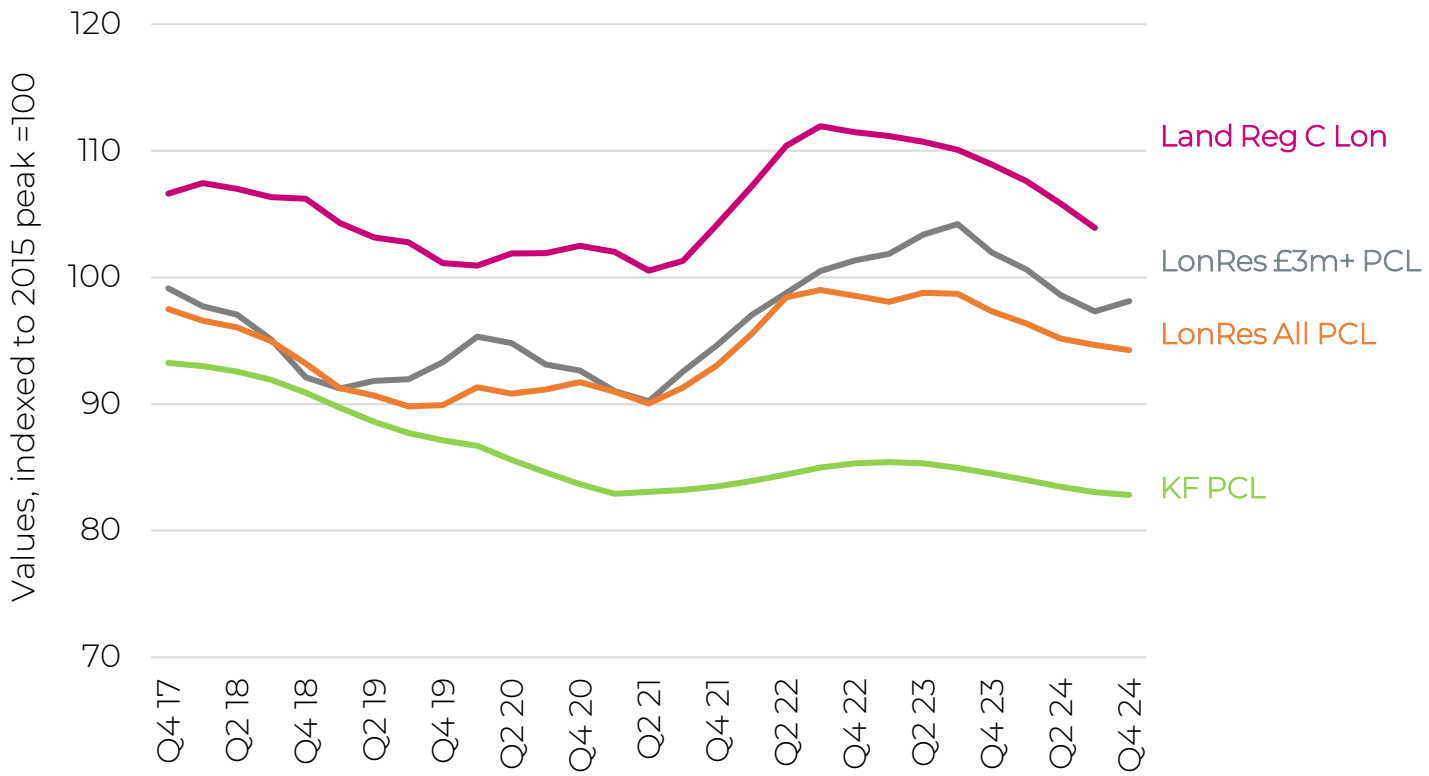


- National house prices rose in Q3 2024 by 0.5% on an annual basis, according to the ONS index for England.
- Prices fell in central London boroughs* in Q2, with an annual change of -6.7%, down from -5.6% (revised) in the previous quarter.
- The wider London region fared better with an annual fall of 0.7%.

Source: ONS UK HPI (data smoothed, 6 months)

**Note: Central London defined here as Westminster, RBKC and Camden average – a larger area with lower average values than the PCL area used in the rest of the report*

Achieved Prices and Agents' Indices

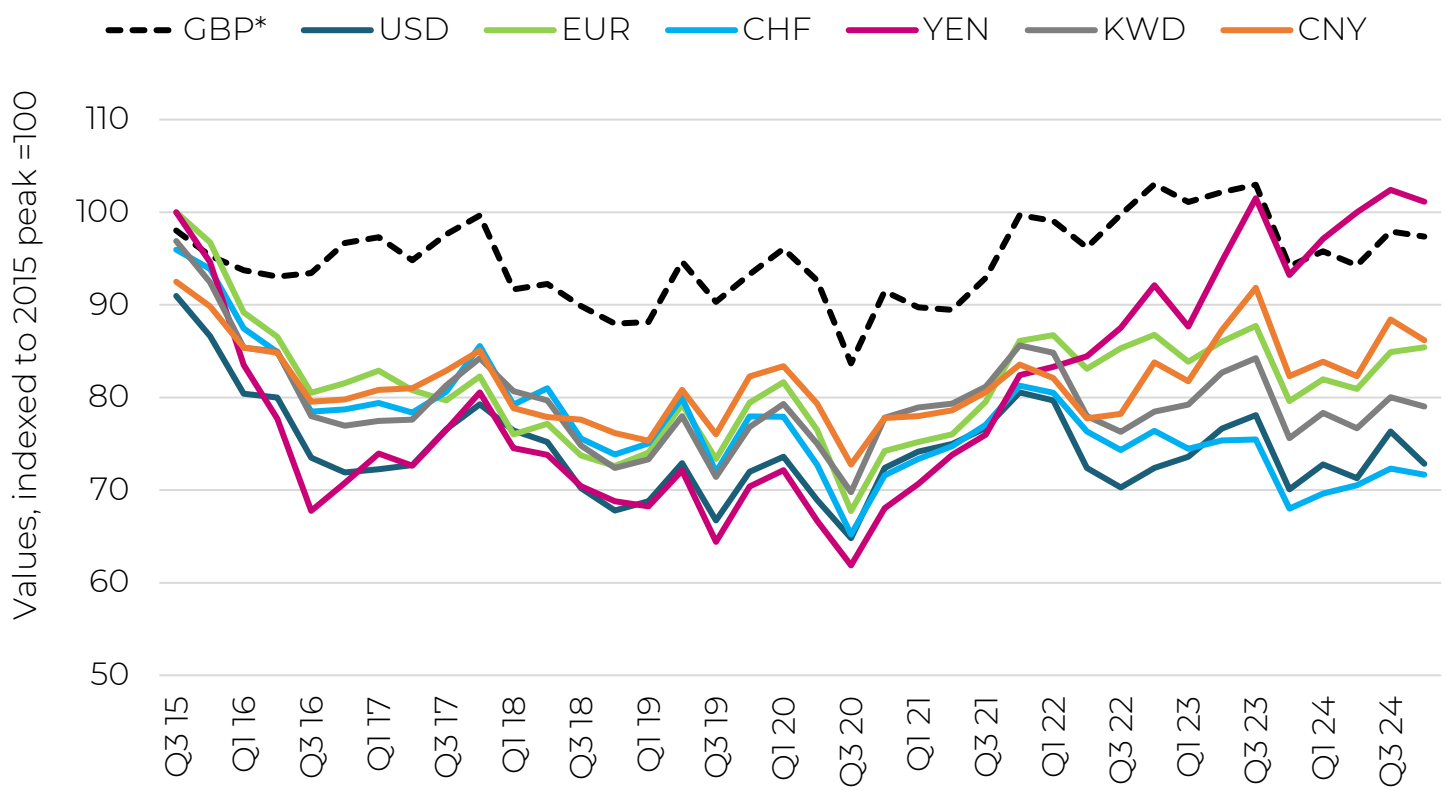


Source: Land Registry, Knight Frank, LonRes

Notes: All data 12-month smoothed. LonRes data is not an index, see page 12.

- This page compares an opinion-based house price index from a central London agent with average achieved price-based data from both the Land Registry* and LonRes.
- Knight Frank's PCL index recorded a 1.0% annual fall in Q4. This index continues to show lower relative performance compared to figures based on actual sold prices, with values more than 15% below their 2015 peak. Savills PCL indices (not shown) record similar trends.
- The all PCL average from LonRes fell in Q4 but the £3m+ band saw an increase after a year of falls.
- **Land Registry figures are an average of their Westminster, RBKC and Camden indices.*

Pricing in Other Currencies

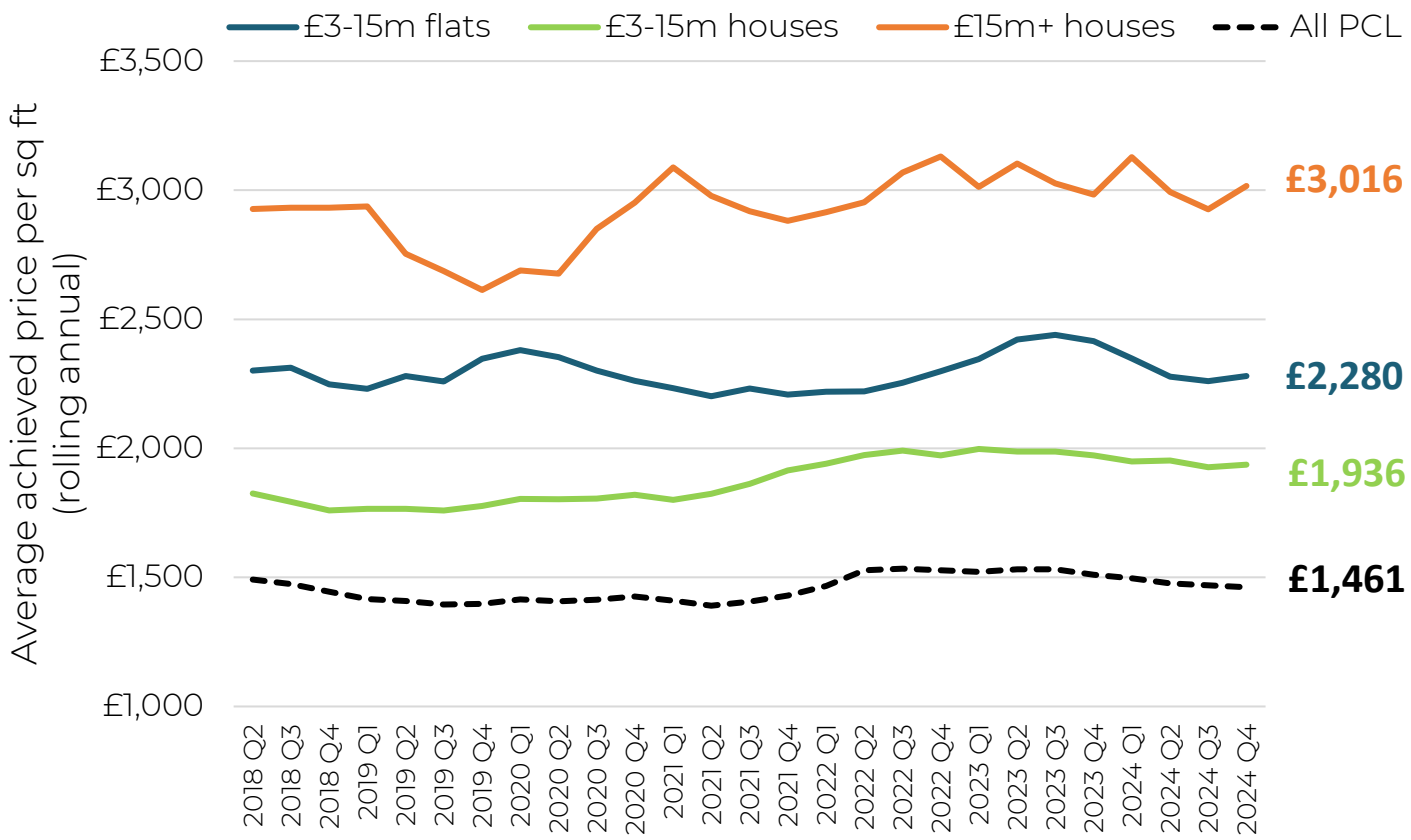


Source: LonRes, OECD, Yahoo Finance

** GBP is based on LonRes £3m+ average £ per sq ft values*

- London is a global city with market participants from all over the world.
- Nominal price movements in sterling therefore do not necessarily reflect the effective price for buyers holding wealth in other currencies.
- This chart shows the effective price movements of PCL property in a range of major currencies.
- In Sterling values are around 3% below the 2015 peak, whereas the effective 'discount' over that same period is high as 28% in Swiss Francs.

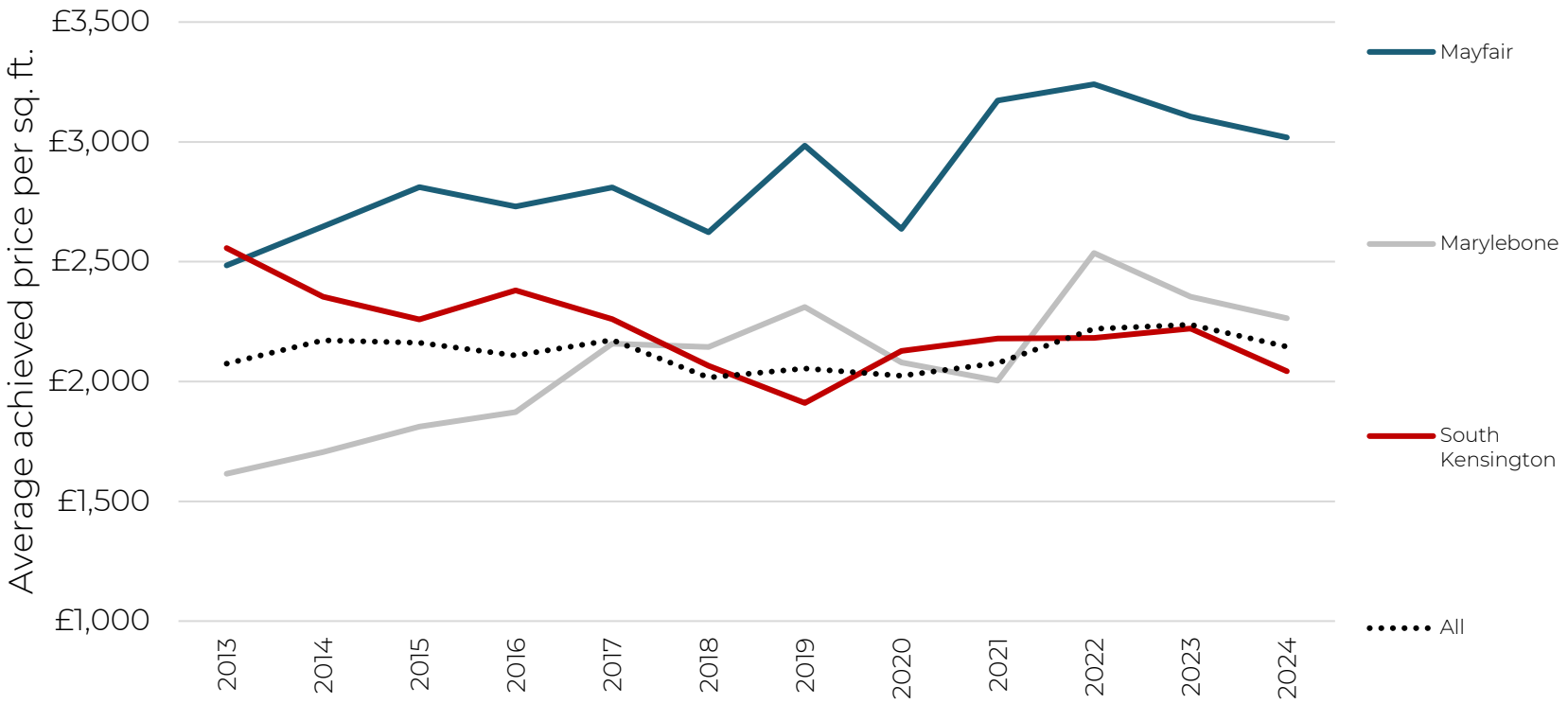
Achieved £ per sq ft by year



Source: LonRes

- On an annual basis, achieved values for PCL overall saw a 3% fall in Q4 (£1,461 vs £1,510 in Q4 2023).
- In the higher price bands the gap between flat and house values grew slightly. £3-15m flat values were down 6% compared to a year earlier with £3-15m houses down 2%.
- £15m+ houses were up by 1% annually (but this is a smaller sample and more volatile).
- Over the past five years, the changes in £ per sq ft values are as follows:
  - -3% for £3-15m flats
  - +9% for £3-15m houses
  - +15% for £15m+ houses
  - +5% for all PCL
- Note that these figures are simple averages rather than an index, but they indicate lower falls in the value of sales agreed since 2015 compared to the opinion-based indices.

Local Analysis: Values over Time

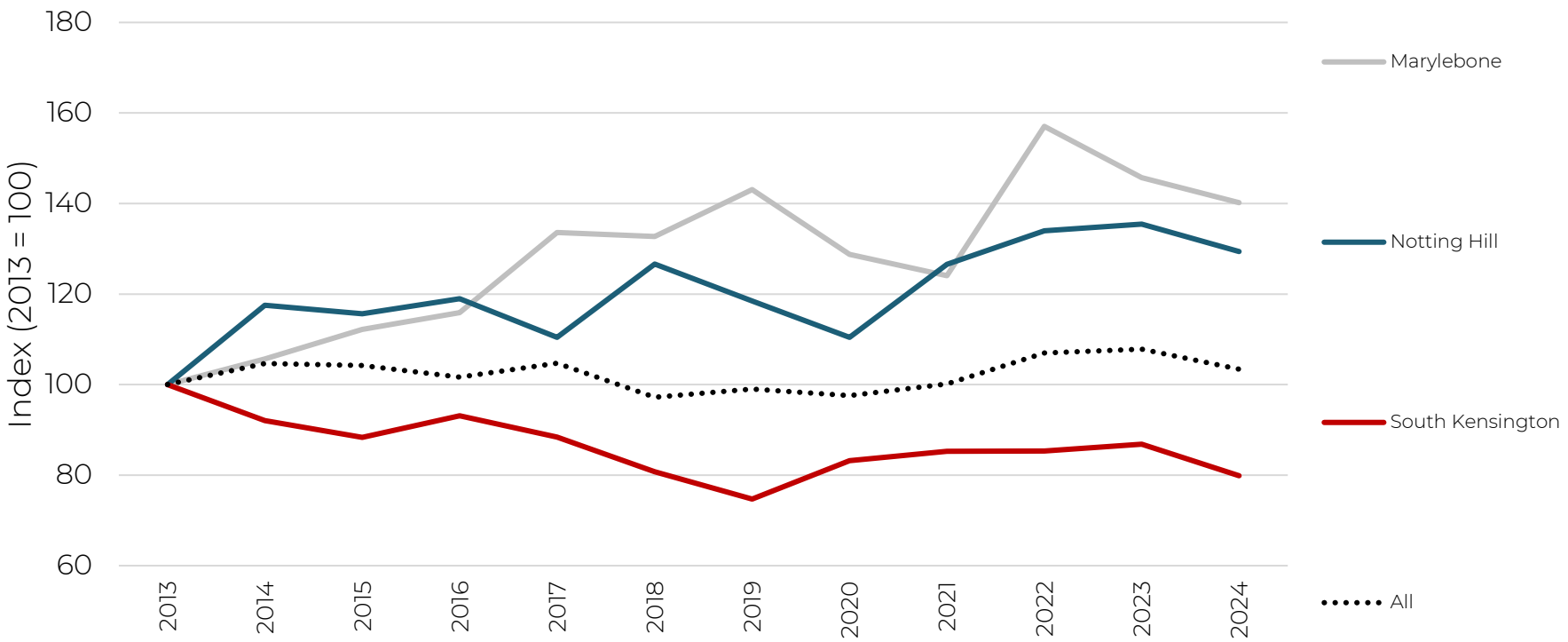


- Average achieved values across the £3m+ PCL market have been broadly flat over the past decade, but locally there has been more movement.
- In terms of £ per sq. ft, Marylebone and Mayfair have seen the biggest positive changes since 2013.
- South Kensington has seen the largest price falls in terms of £ per sq ft over the same period.
- *Note: These are average achieved local £ per sq. ft. figures, not an index.*

Source: LonRes.

Note: Only the top two and bottom local markets are shown on the chart. For further details please refer to our series of local market reports.

Local Analysis: Indexed Values over Time

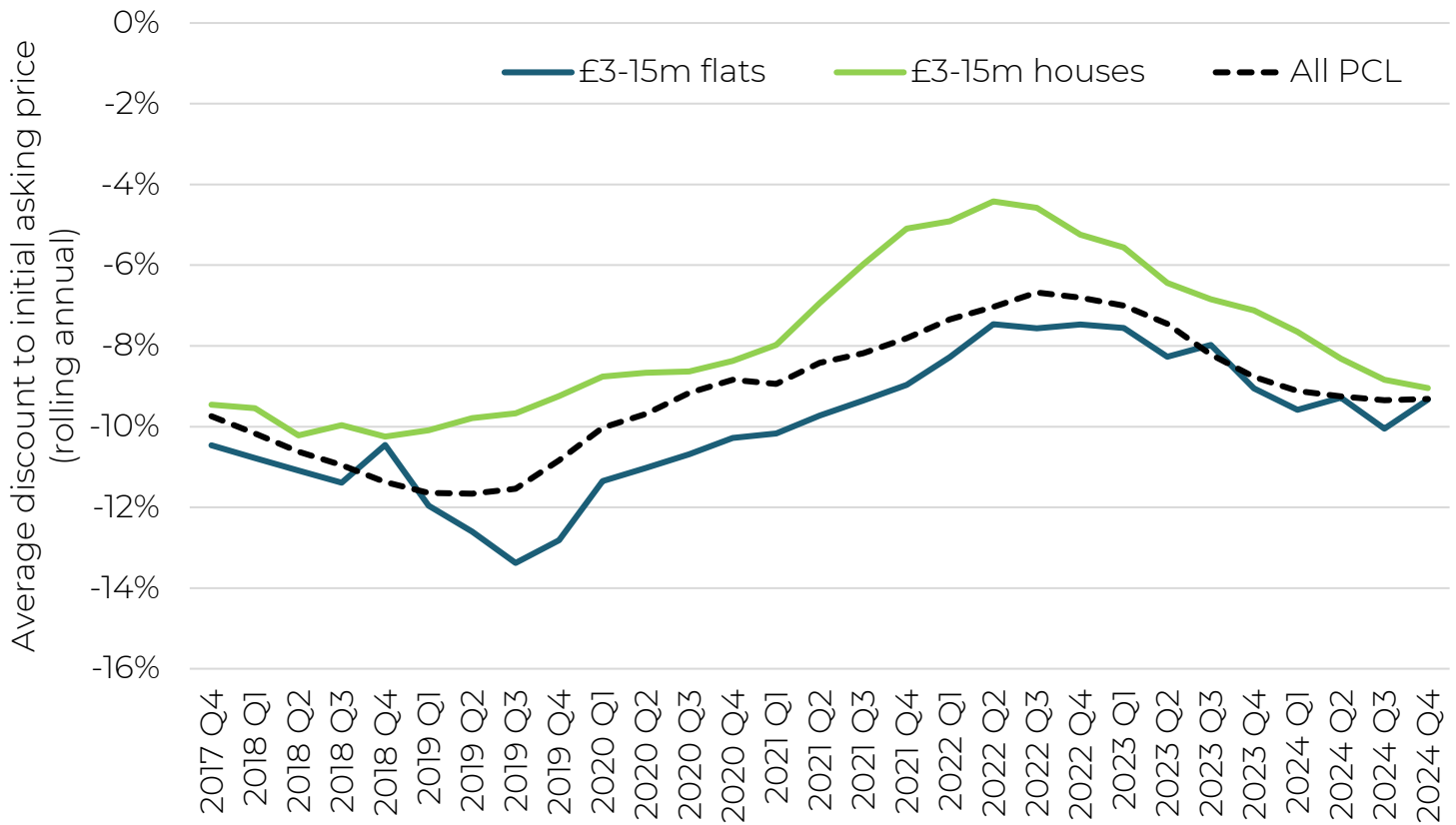


Source: LonRes.

Note: Only the top two and bottom local markets are shown on the chart. For further details please refer to our series of local market reports.

- Average achieved values across the £3m+ PCL market have been broadly flat over the past decade, but locally there has been more movement.
- In percentage terms, Marylebone and Notting Hill have seen the biggest positive changes since 2013.
- South Kensington has seen the largest relative price falls over the same period.

Average Discount to Asking Price

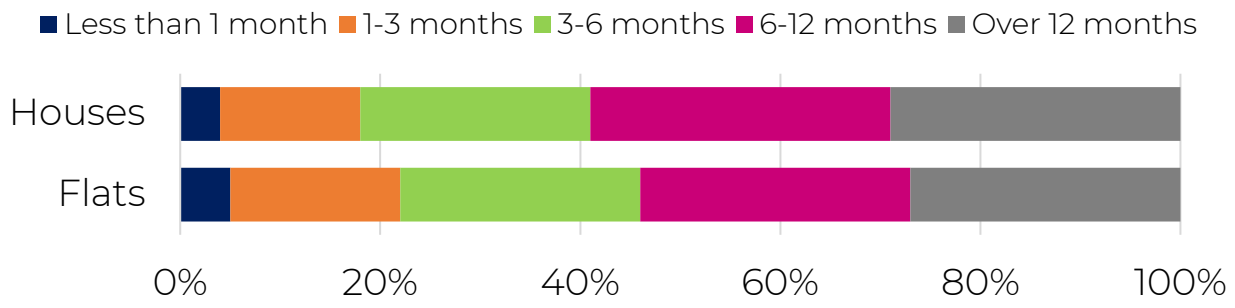


Source: LonRes

Note: £15m+ data very volatile so not included – volumes too low

- Average discounts across PCL were unchanged at 9.3% in Q4.
- In the £3-15m markets, discounts for flats decreased to 9.3%, while house discounts increased, to 9.0%.
- The difference in average discounts between flats and houses in the £3-15m band was 0.3 percentage points, the lowest level since 2018 and down from a peak of 3.9 at the end of 2021.
- The general trend of recent increases in average discount size reflect weaker buyer sentiment and market uncertainty.

Time on the Market



50.8%

Just over half of properties have been reduced

14.1%

Around 1 in 7 are currently under offer

+11.8%

Stock levels are higher than one year ago

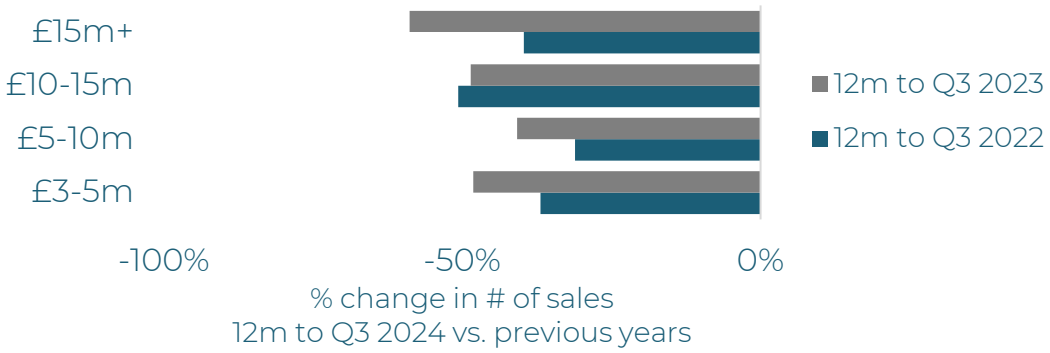
- For current listings in PCL*, 54% have been on the market for over 6 months (59% for houses; 54% for flats).
- This data indicates an average time on the market of around 8.7 months for flats and 9.3 for houses.
- Stock levels rose on an annual basis, by 14.1%. This is due to slowing sales volumes and higher numbers of new instructions compared to recent levels.

Source: LonRes, data for Q4 2024 only

**Note: Time on market data relates to PCL properties of all values – not available by price band*

Depth of Market

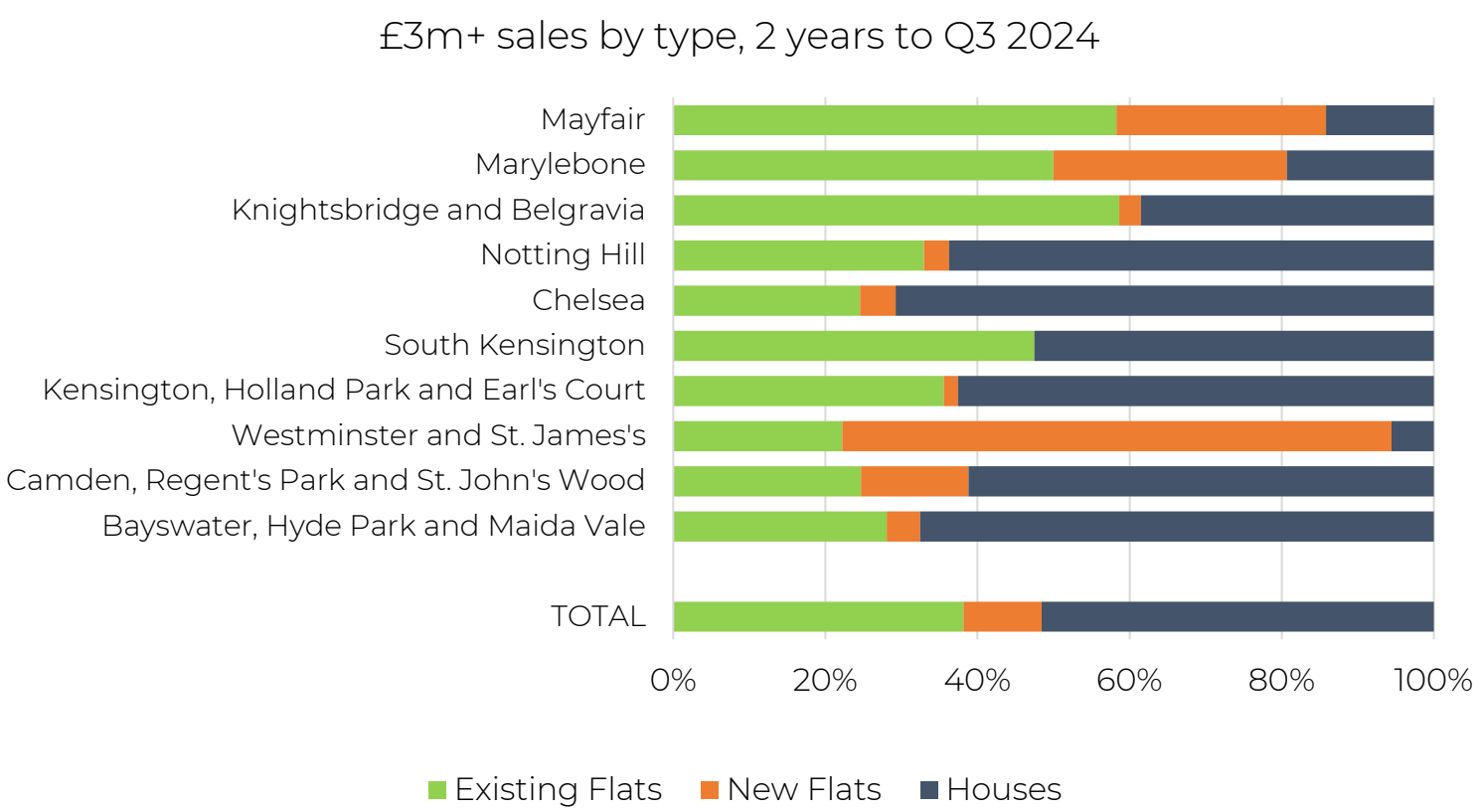
Price band	Existing flats	New flats	Houses*
£3-4m	79	5	57
£4-5m	51	12	63
£5-6m	21	4	47
£6-7m	15	1	26
£7-8m	13	2	17
£8-9m	9	4	18
£9-10m	4	1	11
£10-12.5m	9	5	12
£12.5-15m	6	0	4
£15-17.5m	0	1	5
£17.5-20m	0	1	5
£20-25m	1	3	7
£25-30m	2	0	3
£30-40m	0	1	2
£40-50m	0	0	0
£50m+	1	1	2
TOTAL	211	41	279



- The table shows £3m+ sales volumes by price band in the 12 months to Q3 2024, according to Land Registry completions data.
- A comparison to the trends in the two previous years is shown in the chart. Activity over the most recent 12 months is lower at all price points relative to past years.
- * Land Registry data notes:
  - Refurbished houses are included in 'Houses' as these are not distinguished in the data.
  - There can be a significant delay in recording completions, so any drops in activity shown in the chart may be overstated, with revisions in future releases likely.

Source: Land Registry Price Paid Data

Local Analysis: Transactions by Type

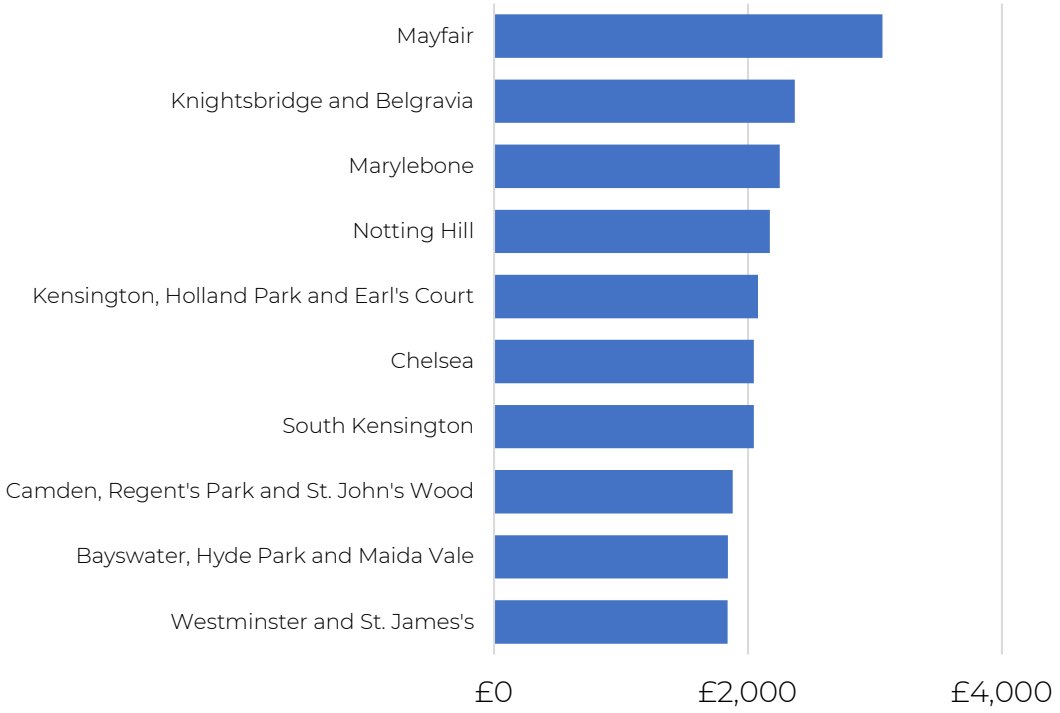


- New build homes have accounted for 10% of sales in the £3m+ market over the past 2 years.
- Overall, houses and flats were split 52% to 48%.
- Westminster & St. James's had the highest proportion of new build activity over this period.

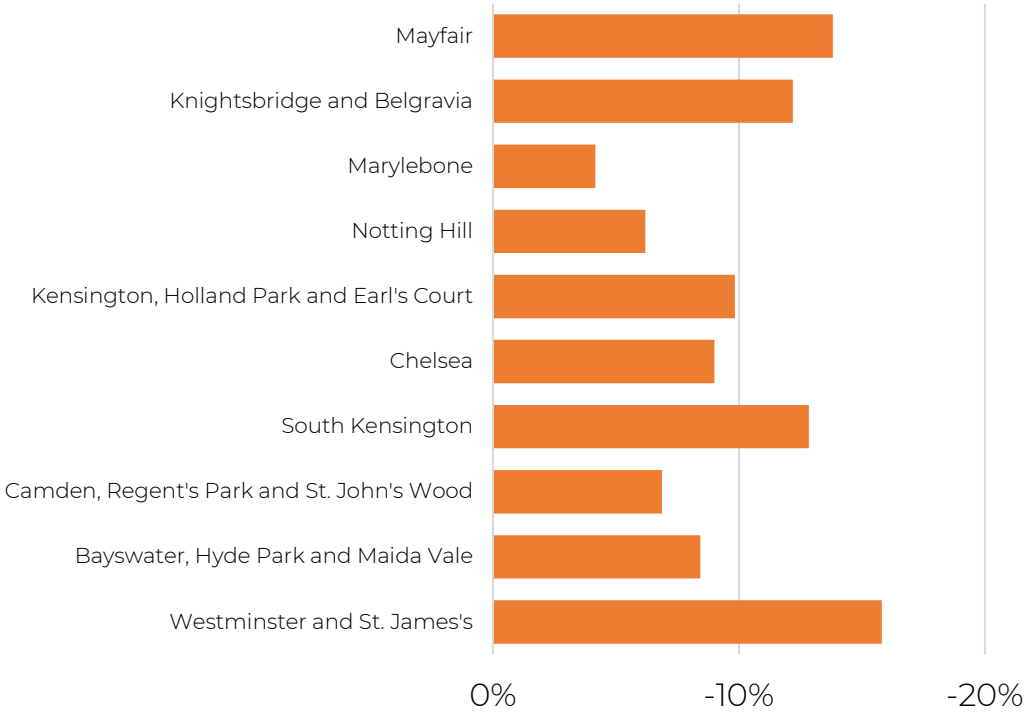
Source: Land Registry Price Paid Data

Local Analysis: Values and Discounts

Average achieved £ per sq ft

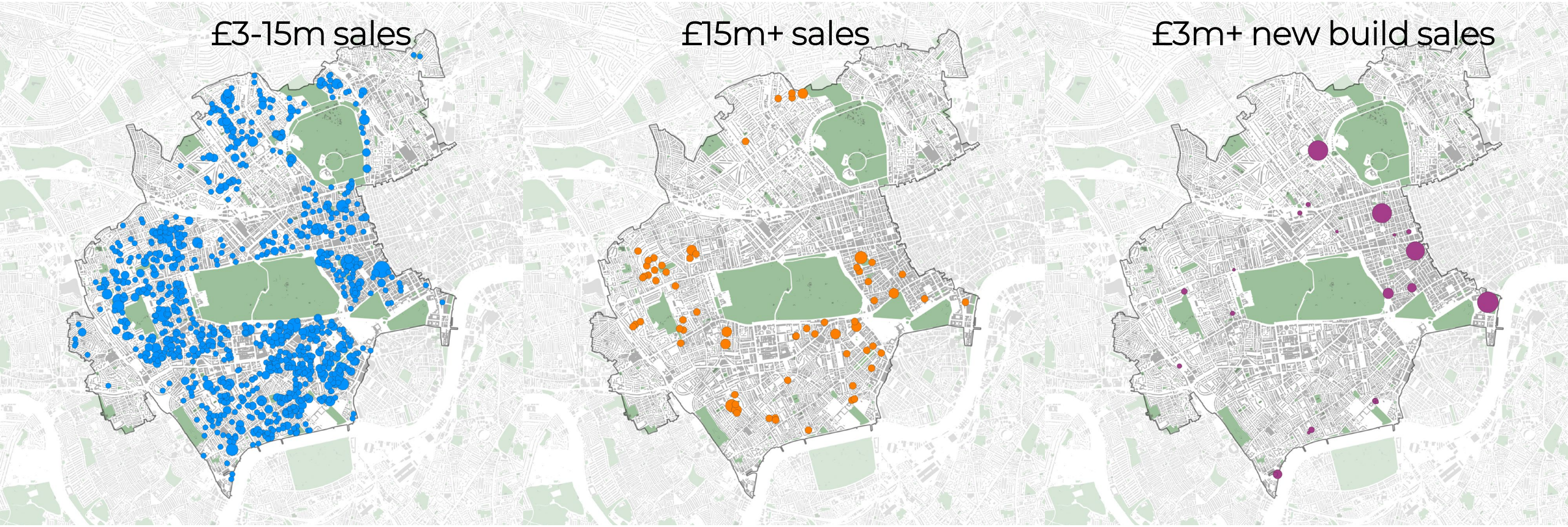


Average discount to initial asking price



Source: LonRes, £3m+, 12 months to Q4 2024

Activity Maps



Source: OS OpenData, HM Land Registry

Notes: Size of dot = # of sales. All recorded sales Oct 2022 to Sep 2024. First two maps pre-owned only.

Forecast Summary

- Q4 was all change as usual, with agents and researchers producing full sets of new forecast figures in November and December, presumably with some last-minute adjustments to account for the Budget taking place on 30th October. Unlike the consensus reached over the course of last year, we start the new five-year cycle with some differences in opinion.
- Savills expect values in PCL to fall by 4.0% in 2025, citing downward pressures such as increased supply, additional taxes, and a growing preference for renting amongst 'non-doms'. Growth returns in 2026 and accelerates from 2027, leading to a five year total increase of 9.6%. They are more positive about Greater London mainstream markets, forecasting steady rises each year for five year total growth of 17.1%.
- Knight Frank's PCL forecast is bullish for a market that seen very low growth over the past decade. They start with a 2.0% rise in 2025 and expect consistent growth over the five year period, totalling 21.6%. They expect Greater London values to move on a similar trajectory but with a slower pace of growth, rising 15.3% over the five years.
- JLL have not published a PCL forecast this year. Of our three agents, they are the most positive about mainstream Greater London values, expecting a rise of 21.6% over the five years to 2029.
- Although there have been some big changes from the previous figures, plus different views between the forecasters, they all agree that the fastest growth will be in the middle-to-late period of the next five years. The early period is set to be weakest as sentiment continues to be dampened by economic and political volatility.

Forecast Summary

	Agent	*Last updated*	2025	2026	2027	2028	2029	*5 year total*
Prime Central London	Savills	*Dec 2024*	-4.0%	1.0%	3.5%	5.0%	4.0%	**9.6%**
	Knight Frank	*Nov 2024*	2.0%	3.5%	4.5%	5.0%	5.0%	**21.6%**
	JLL				*Not published*			
Greater London (mainstream)	Savills	*Nov 2024*	3.0%	4.0%	3.5%	3.0%	2.5%	**17.1%**
	Knight Frank	*Nov 2024*	2.0%	2.0%	3.0%	3.5%	4.0%	**15.3%**
	JLL	*Nov 2024*	2.5%	3.5%	5.0%	5.0%	4.0%	**21.6%**

Source: Agent websites and latest reports. All figures nominal.

Risks and Outlook

Positive

Solid owner-occupier demand

PCL sales activity increased in Q4, partly driven by pre-Budget fears of tax rises affecting prime property purchases. Even though most of the fears were unfounded, for buyers who needed to move but had previously been hesitant, this was a sufficient trigger to act decisively on a purchase.

While we don't have data on buyers or their motivations, anecdotally demand from people looking for homes to live in is holding up better than from those seeking investments or development projects.

Relative value supporting prices

Average achieved prices in PCL fell slightly in 2024, continuing a long-term trend of underperformance. Going forward this is potentially a positive for values and activity, as prime London properties look relatively better value compared to other parts of the UK and competitor global cities.

Relative value is even higher in some other currencies, with prices at an effective discount of over 25% from the 2014 peak in US dollars.

Negative

Weaker investor demand

The case for investor buyers remains weak. Taxes at the point of purchase have increased for this market, and prices have been falling in real terms, meaning PCL homes have not successfully performed their usual task of 'wealth protection'.

In the long term, London's position as a global city and safe haven for wealth is likely to remain. But now it is suffering from a perception that it is not as welcoming to investment as rival locations might be.

Supply building up

Our supply-demand metric remained above its long-term average at the end of the year. This is despite the rise in transactions in Q4, indicating that there are a lot of homes still on the market.

Average time on the market and discounts have also increased over the past 12 months, adding to the sense that Prime Central London in 2025 is more of a buyers' market.