



# Prime Central London Report

2024 Spring

New Homes | Sales | Lettings





# Introduction

**More than a quarter of the way through 2024, and we're seeing a few more positive trends across the prime central London (PCL) market, giving us cause for optimism as the year progresses. This comes in the form of more stable property prices, ongoing high levels of buyer demand, and a greater amount of stock for sale and for rent in this section of the market.**

This quarter's Prime Central London Report incorporates the results of our quarterly JLL Prime Central London Index, and here we outline exactly how the market

has been performing since the year began. The figures can also help us to predict what the coming months might have in store for PCL.



### Key points from Q1 2024



Improved market sentiment is already feeding through into Prime Central London. While average house prices are still down -4.9% annually, **the rate of price falls is slowing** and we expect activity will increase as we move into the spring market.



Our index shows that total **PCL sales are at 421 for the quarter**, up marginally (1.2%) on the 10-year Q1 average of 416.



Homes at the top end of the market continue to attract a lot of interest. **Sales of properties priced at £5million or more are 22.5% higher in Q1 2024** than the previous five-year Q1 average. Total spend in Q1 2024 of homes priced at £5million or more is 37% higher than last year's Q1 figures.



The market is beginning to see **increased demand from buyers looking for homes priced at less than £2million**. The anticipation of interest rate cuts in the near future has greatly improved sentiment among buyers so far this year, with the number of sales in the under £1million and £1-2million price brackets up 5% and 4% respectively in Q1 2024, compared with a year prior.

We have seen an **increase of stock in both the sales and lettings markets in Q1**. This bodes well for a characteristically busy spring market, and we anticipate an increase in choice for buyers leading to a flurry of sales and lettings activity in the coming months.

### PCL overview – Sales market Q1 2024

PCL Sales market	Quarterly change	Annual change
Achieved prices	-1.3%	-4.9%
Transactions	-1.6%	4.5%
On market for sale	6.3%	19%

### PCL overview – Lettings market Q1 2024

PCL Lettings market	Quarterly change	Annual change
Achieved rents	-1.4%	3.1%
New lets	1.4%	11.9%
On market to let	6.8%	49.8%

Source: JLL, LonRes



### **Economic outlook set to improve as 2024 progresses**

The UK economy is widely anticipated to return to growth in Q1 2024, following news that it fell into recession in the second half of 2023. But expectations remain muted, with UK GDP forecast to rise by less than 1% in 2024, only marginally above 2023 levels. The latest figures show a rise in retail spending and construction activity meant UK GDP grew by 0.2% month-on-month in January, up from -0.1% in December 2023.

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The rate of inflation is still falling, despite a few sticky months, and the current forecast is that we could reach the government's 2% target at the beginning of 2025. So far, the direction and pace of falls in the inflation rate have not been sufficient to convince the Monetary Policy Committee (MPC) to announce any rate cuts. But a continued downward trajectory of inflation has brought about some promise that we are returning to more stable economic conditions.

For the housing market, much hinges on the timing and scale of cuts to the base rate. Sentiment is improving and appetite from buyers is evident, but many are still waiting for mortgage rates to fall. Economic momentum is expected to build in the second half of the year, hand in hand with the anticipated rate cuts.

Prime Central London

# Sales market

**More homes were sold in PCL this quarter than in the first quarter last year, with sentiment around the wider market improving with the expectation that 2024 might just be better than 2023. But higher mortgage rates, which have crept up a little since January, are still holding buyers back.**

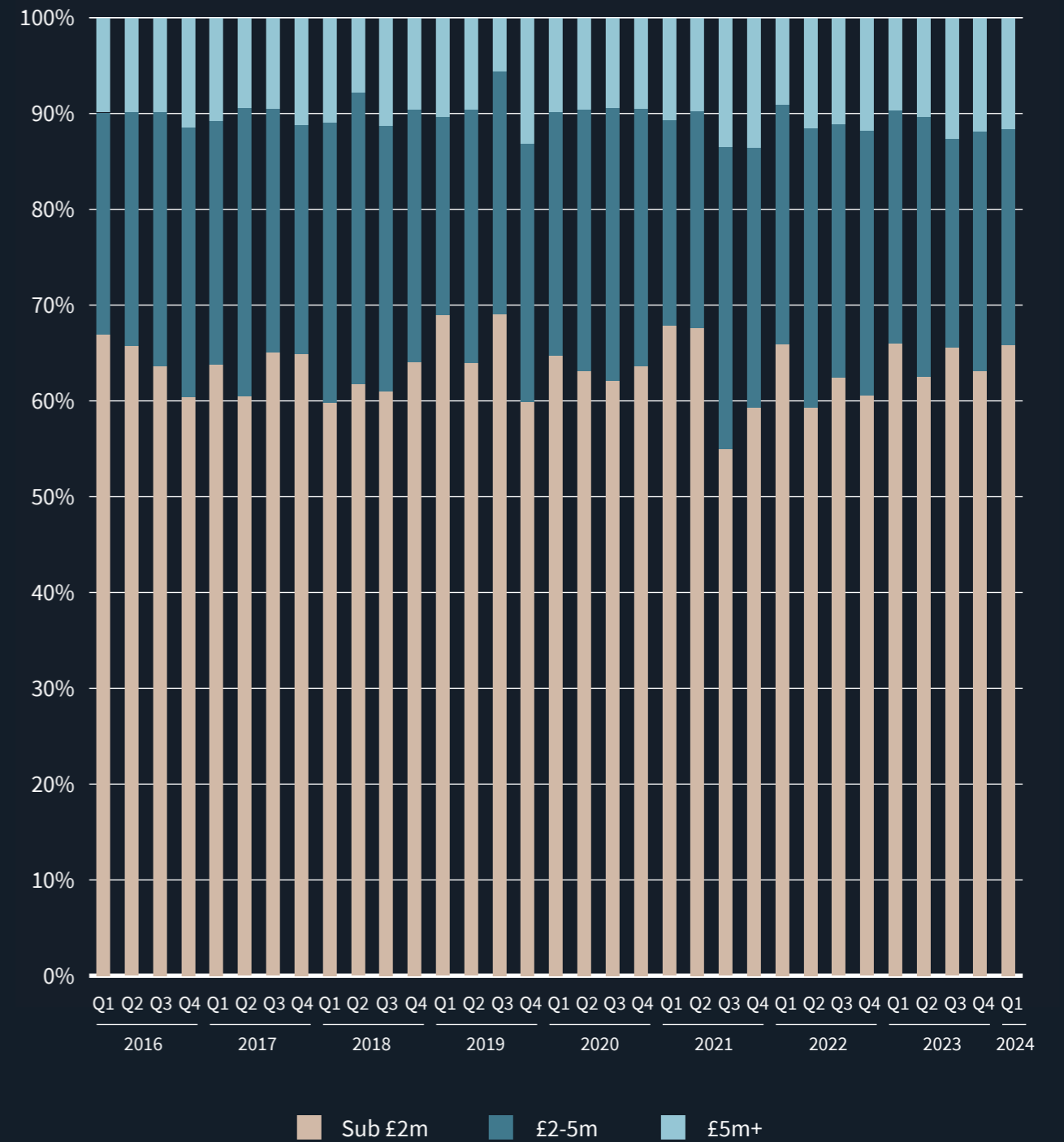
Across the wider market, needs-based buyers dominate, with discretionary purchasers (by nature) more inclined to wait. With PCL more weighted towards discretionary purchase, this 'wait and see' approach has been even more apparent in the sales market, although there is a sense that more are now dipping their toe in the market.

PCL transactions totalled 421 in Q1 2024, resulting in the first annual increase in completed sales since Q4 2022 (+4.5%), while also coming in marginally higher than the 10-year Q1 average of 416 transactions.

Transactions for homes in the sub-£2million price bracket are up 4.1% annually. This is encouraging for the market, given the nature of these sales typically relying on mortgaged purchases. It is an indication that buyers may well return to the market in higher numbers once the rate-cutting cycle begins.

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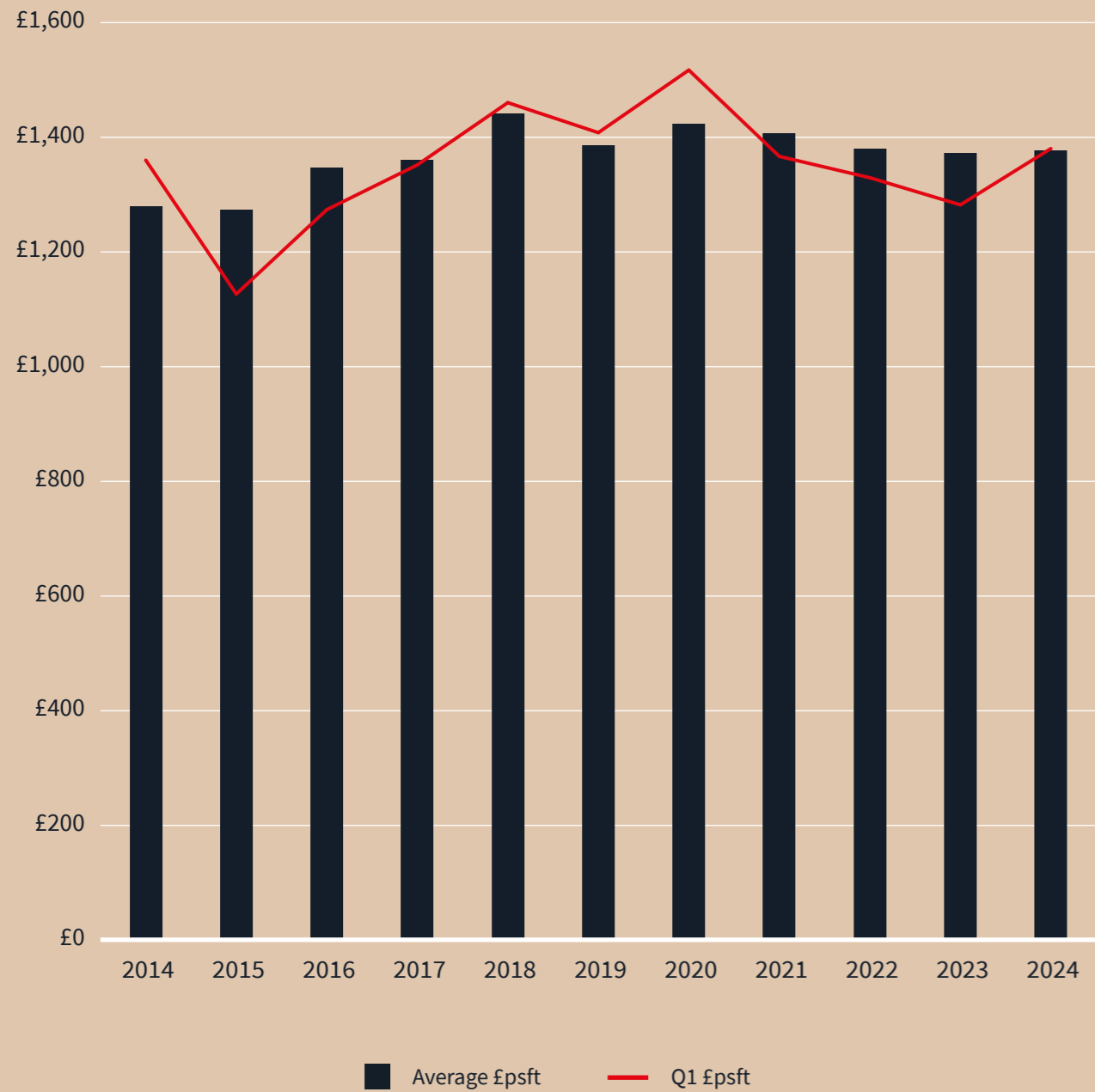
Proportion of sales by price band



Source: JLL/LonRes



### Average £psft values in the past 10 years



*"On a pound per square foot (£psft) basis, average values are back up to the highs of where they were a decade ago."*

Source: JLL

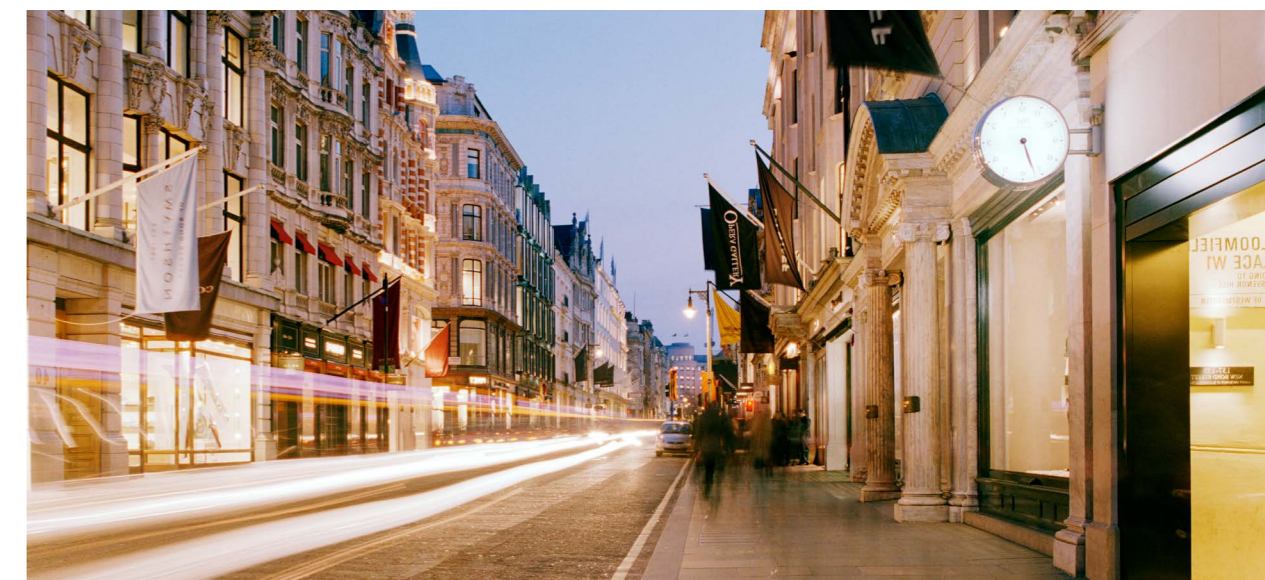
The latest figures from the JLL Prime Central London Index, which values a range of properties across central London, show a softening in values across all price bands in Q1 2024. By the end of March, average values were down -1.3%, which is a marginal improvement from -1.4% in Q1 2023. However, we anticipate more activity and interest in the prime central London sales market as we move into the spring, particularly if the anticipated reduction in the Bank of England base rate starts to feed through favourably into the mortgage markets. Could this mean less significant annual house price falls next quarter? We think so.

By type, houses showed more resilience overall, recording an annual price fall of -3.9% in Q1 2024, compared with a decline of -5.2% for flats.

The top end of the market continues to perform well, with the smallest annual falls in prices seen in the £10million+ price bracket (-1.8%). Overall, total spend for homes priced at £5million or higher was £451m in Q1 2024, which was 37% higher than a year prior (£328million).

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On a pound per square foot (£psft) basis, average values are back up to the highs of where they were a decade ago. In reality, there has been little price movement across Prime Central London over the past ten years, providing an opportunity for those entering into the market now to benefit from some capital gain. In Q1 2024, the average £psft across PCL was £1,377, which was 7.7% higher than this time last year.



*"The number of homes on the market in PCL at the end of Q1 2024 was at its highest level since Q3 2017."*

**Sustained activity at the top end**

The robustness of transactions and prices for homes at the top end of the market reflects the continued demand we've seen for larger homes of higher quality. The number of properties sold at £5million was up 22.5% in Q1 2024 compared with the previous five-year Q1 average. Due to the expectation of improving economic stability in the UK over the course of 2024, we predict demand at the top end of the PCL market will remain high.

**Stock levels rise**

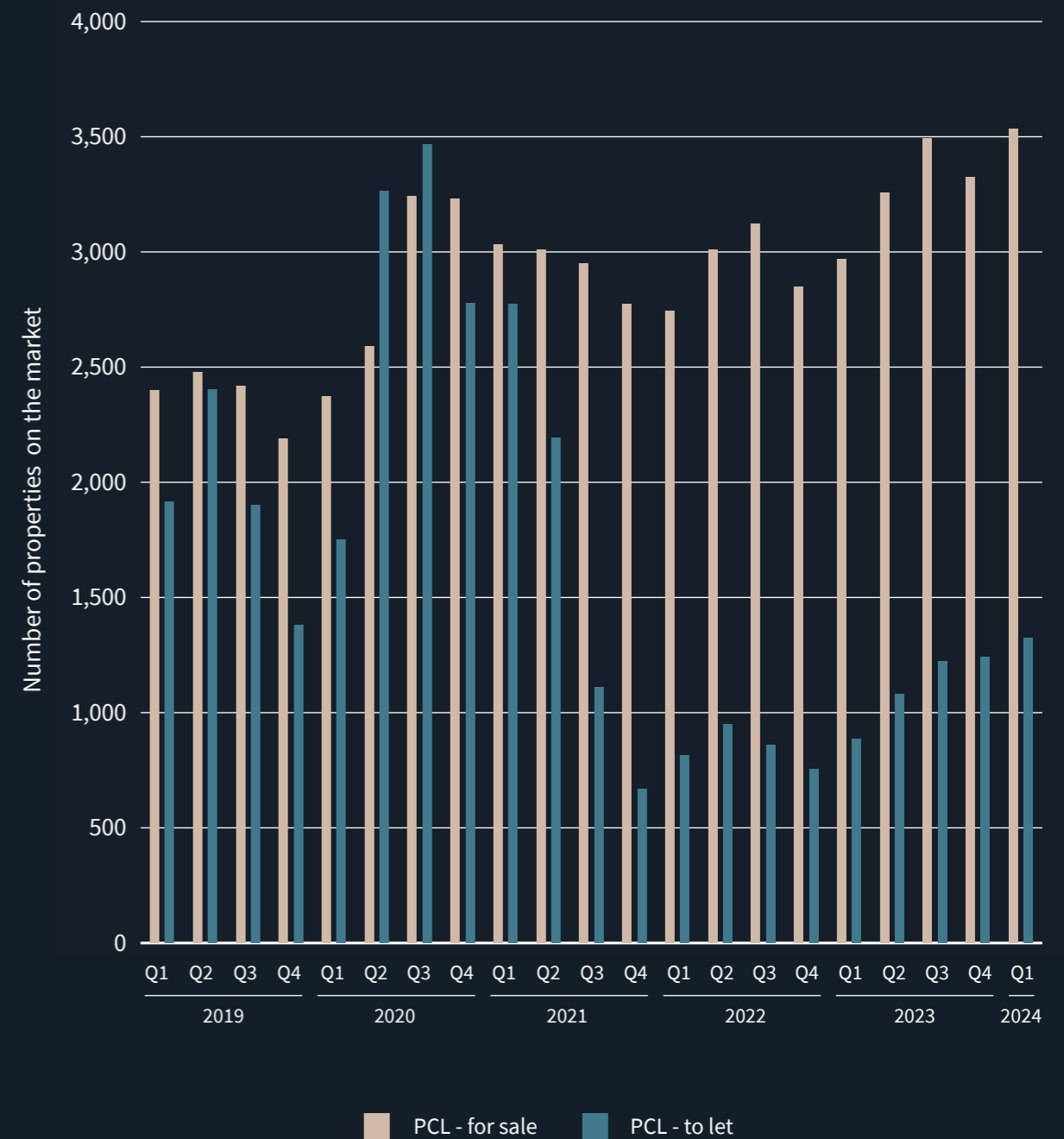
The number of homes on the market in PCL at the end of Q1 2024 was at its highest level since Q3 2017. Annually, the number of properties listed for sale has risen 19%. The £10million and above price bracket has seen the largest annual increase in

stock available, followed by the £2-5million price bracket.

On one hand, this bodes well for a characteristically busy spring market, with buyers having greater choice. But vendors will need to acknowledge that their homes, unless particularly unique, will have more competition from neighbouring properties. This could, of course, potentially limit the seller's ability to command a higher price.

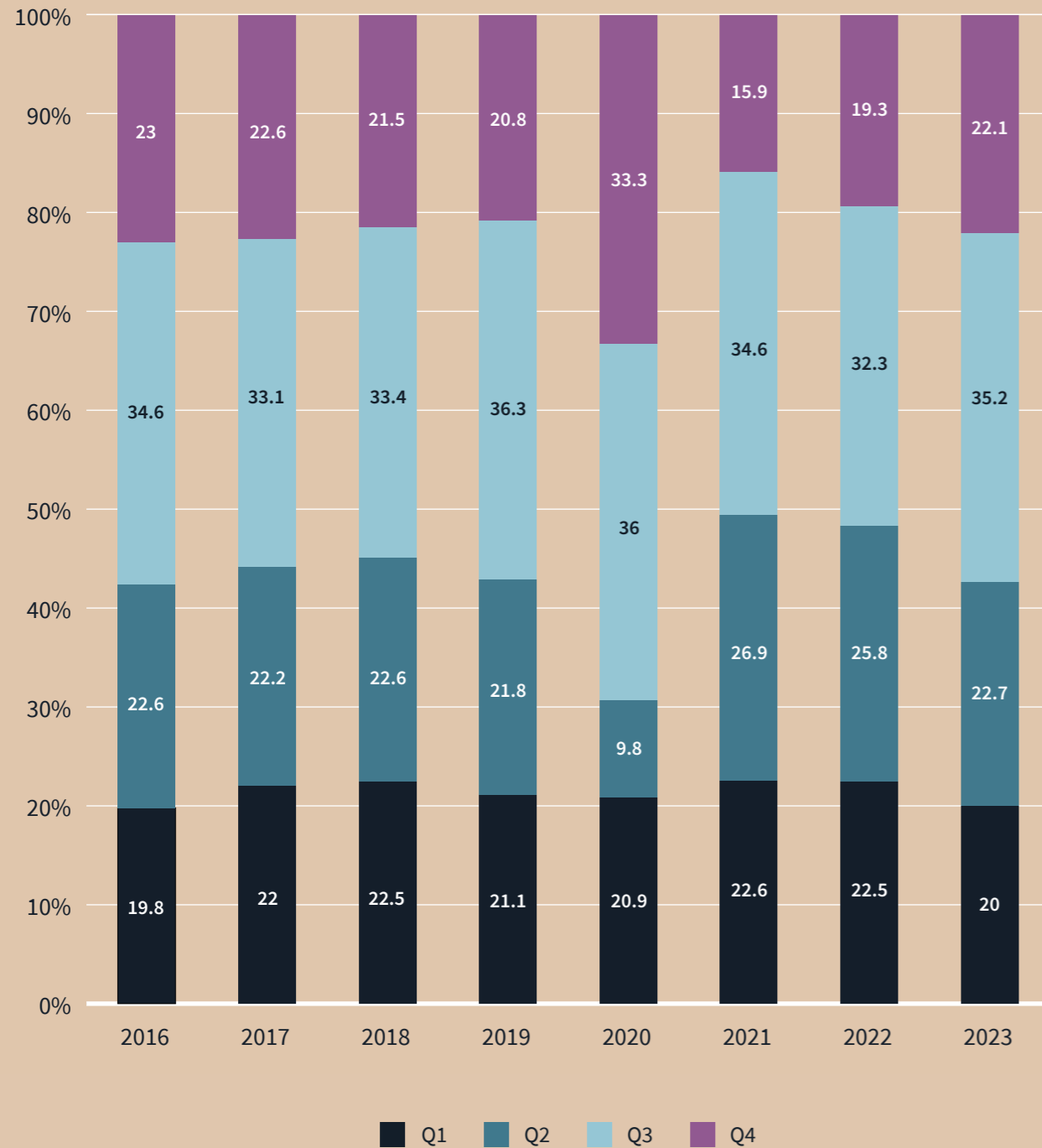
Part of the reason for this rise in stock is the length of time homes are remaining on the market. Few vendors are under pressure to sell, with many happy to list properties for sale and wait until the desired price is achieved. This means we continue to see something of a stalemate between buyers and sellers, although the picture is improving.

**Properties on the market**



Source: JLL/LonRes

Properties let by quarter (%)



Source: JLL

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# Lettings market

**A more balanced market for PCL lettings will be welcome news for tenants. The days of double-digit rental growth are now firmly behind us as rental stock levels edge up, and demand and supply become more aligned. We've seen a sense of normality return this year, both in PCL and across the wider mainstream rental market.**

Quarterly, average rents fell -1.4% from Q4 2023 to Q1 2024, bringing annual growth to more sustainable levels (3.1%). But this return to a more realistic pace of rental

growth, as well as an improvement in the balance between supply and demand, is a positive indicator for the upcoming spring and summer markets.

The first quarter of the year is typically quiet in the lettings market, while activity generally increases as we move through the spring and summer months. Data from Lonres shows lettings transactions during the spring and summer markets (Q2 and Q3) accounted for an average of 58% of all lettings transactions over the past eight years (2016-2023).

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**Mid-market sees gradual rise in demand**

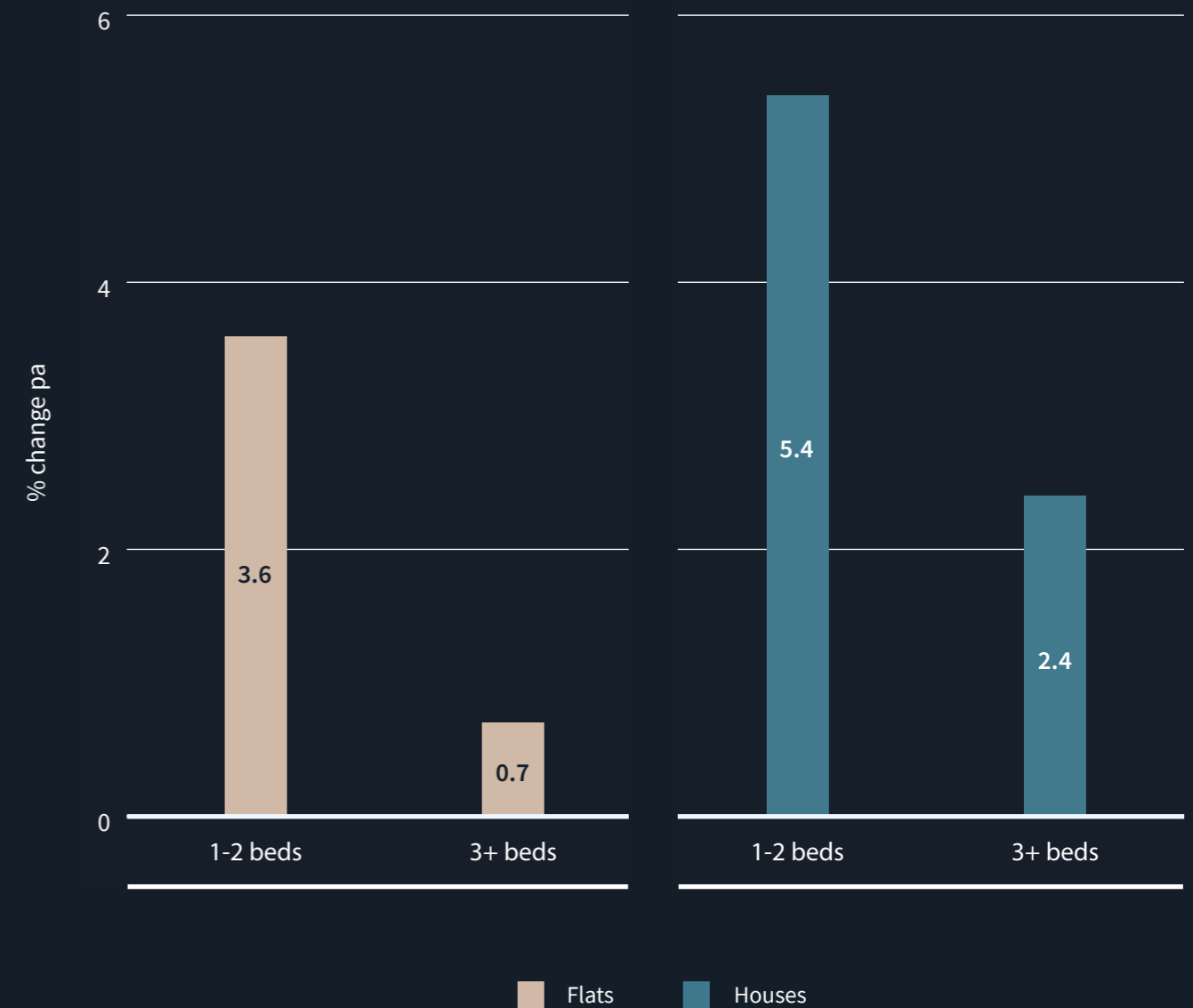
Homes letting for less than £1,000 per week recorded annual rental growth of 4.5% in Q1 2024, which was the highest of any price band. This is followed by the £1,000-£2,000 per week price band, where rents rose by 3.6%.

In terms of property type, smaller houses were in high demand, with annual rental growth of 5.4% in Q1 2024.

The £1,000-£2,000 per week price band was the most active, with a 30% increase in the number of homes let compared with Q1 2023.



**YoY Q1 2024 rental growth by property type**

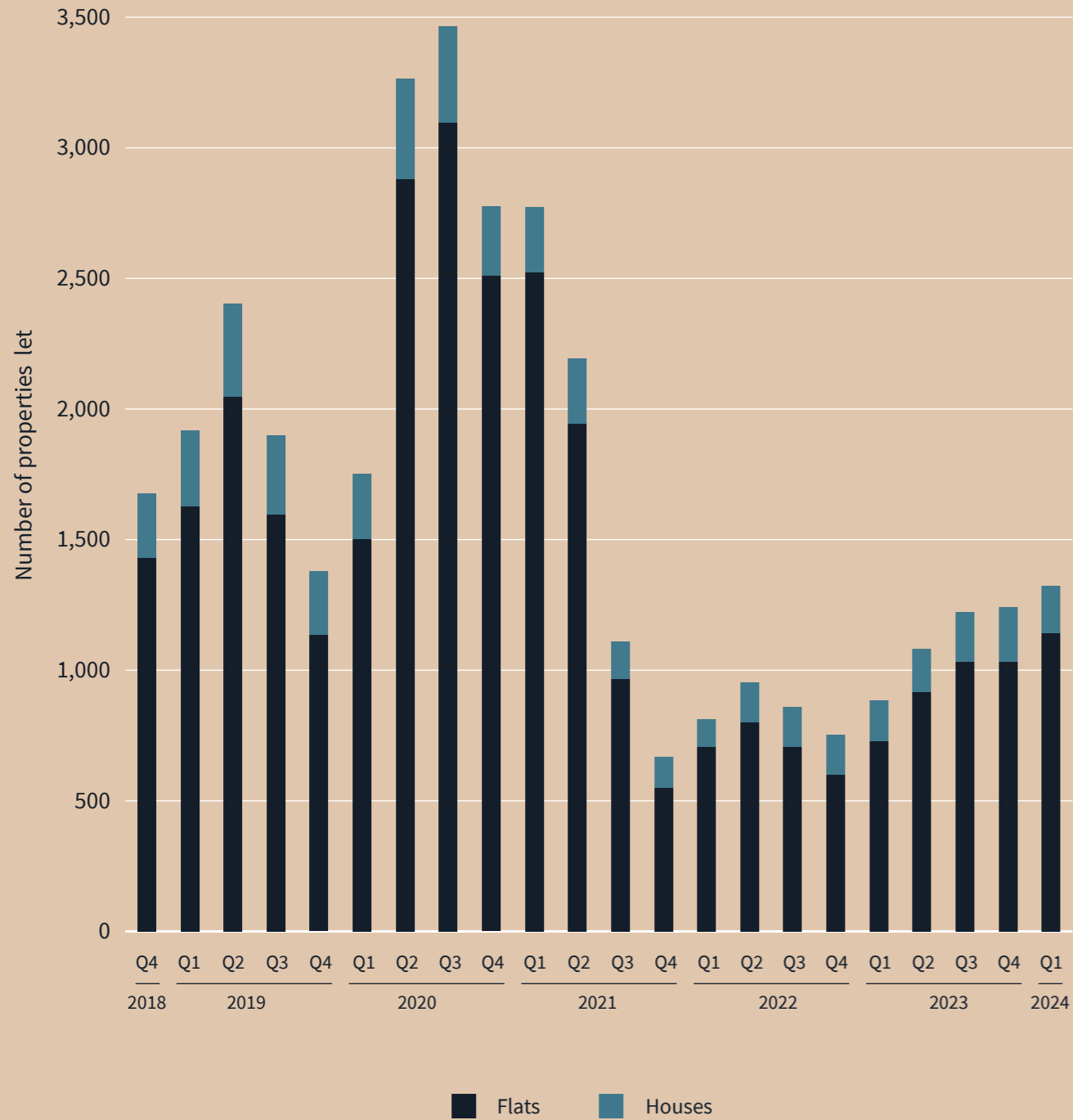


*"Homes letting for less than £1,000 per week recorded annual rental growth of 4.5% in Q1 2024, which was the highest of any price band."*

Source: JLL



## Rental properties on the market to let



Source: JLL, LonRes



### Plentiful stock for a busy spring market

The reduction in homes listed for rent in 2022 and early 2023 means that annual changes in new instructions appear significant. For Q1 2024, stock levels are 50% higher than they were this time last year, and there are also 6.8% more properties on the market to let now than there were at the end of 2023. But stock levels are still down on historic norms, with 31% fewer listings at the end of Q1 this year compared with the same point in 2019.

The middle price bands within the PCL market have seen the largest annual increase in the number of rental homes on the market. Annually, there has been a 49% rise in the number of properties to let in the £1,000-£2,000 per week price

band, and a 70% surge in stock priced at £2,000-£3,000 per week. This is another positive indicator that we will see a typically busy spring market across PCL, with a greater level of choice for tenants.

Recent high levels of competition in the market, exacerbated by a shortage of rental stock, have led to more tenants than ever staying put in their existing properties. So far this year, 44% of JLL lets in PCL were renewals, which is down from highs of 51% in Q2 2023, but remains higher than the 30% we recorded pre-pandemic. However, it is likely that the market will begin to see a higher number of tenants moving homes across PCL in the months ahead as the boost in stock levels provides more choice for renters.



# Outlook for PCL

**We predict that as stock levels continue to rise in the sales market in the spring and summer months, PCL will see a heightened level of activity from buyers as they take advantage of the greater range of property choice available. However, sellers should also expect that prospective buyers may be emboldened to negotiate further in a more fully supplied market, so realistic pricing will be necessary.**

With improved sentiment and the anticipation of interest rate cuts on the horizon, we expect demand for homes in lower price bands, which are typically more reliant on mortgaged buyers, to increase. Sales volumes have already started to edge up, with the number of sales for homes priced at up to £2million already increasing by 4% compared with Q1 2023.

In the rental market, we continue to see a better balance between supply and demand, resulting in more sustainable levels of rental price growth. Smaller, more modestly priced properties

have generally performed better, although there is still relatively strong demand for houses for those who have the budget, particularly smaller houses. Annually, average rents for houses in PCL have risen 3.9%, while rental prices for flats have only climbed 2.9%.

The stock levels story mirrors that of the sales market. We anticipate the usual increase in activity from tenants over the summer months, with greater choice and availability allowing tenants to move between rental properties, without the fear of surging rents or lack of supply.

## Sales market: key stats for Q1 2024

**£1 billion**

total PCL spend in Q1 2024 (15.4% more than Q1 2023).

**421**

PCL sales in Q1 2024, the first annual increase (+4.5%) since Q4 2022.

**19%**

annual change in number of homes on the market for sale, Q1 2024.

**£1,377** Average £psft (pound per square foot) in Q1 2024, back to highs of a decade ago.

## Lettings market: key stats for Q1 2024

**3.1%**

annual change in JLL PCL Rental Index.

**50%**

annual increase in number of properties on the market to let.

**30%**

annual increase in the number of homes let in the £1,000-£2,000 p/w price band.



# Prime Central London Report

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