

Research

Prime Central London | Q4 2025

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JLL Prime Central London Report

Q4 2025

Prime Central London Overview

The PCL market shows signs of renewed momentum for 2026, with Budget fears and political turmoil subsiding.

2025 was undoubtedly a challenging year for the Prime Central London market. Those in the market were adjusting to tax and regulatory changes, pre-Budget jitters and the prospect of a new Mansion Tax.

JLL PCL Index reports average prices down 7.3% at the end of the year, with rents finishing the year marginally higher (+0.3%).

Higher debt costs impacted buyer activity in the sub £2million market, and the ongoing impact of changes to taxation for non-domiciled residents impacting demand at the top end too.

The High Value Council Tax Surcharge, introduced in the Budget for homes valued at £2million or more, will come into effect from April 2028. We expect this will have a minimal direct impact on activity, with most choosing to absorb additional costs. It could delay decision making around the £2million mark, but we expect the impact on the top end of the PCL market will be less noticeable.

There are clear opportunities this year, particularly for domestic buyers and investors looking to take advantage of lower values and less competition.

The UK still boasts competitive holding costs compared with other competing overseas markets. We anticipate the sub £2million market, the most reactive across PCL, to experience an uptick in activity and prices as we move through 2026, supported by lower mortgage rates. Forecasters expect two further 25bps reductions to the base rate in 2026, finishing the year at 3.25%.

Table no. 1

PCL Overview – Q4 2025

	Sales	Rents
Annual change in values	-7.3%	0.3%
Annual change in transactions/letting volumes	-12%	9.9%



The JLL PCL Index recorded a **-7.3%** change in average prices and a **0.3%** change in average rents over the past year.



Discount off asking prices reaches **-12.1%** in Q4, up from - 11.8% in Q3 as buyers remain focused on value.



Almost **1,000** homes let in Q4, **10% higher** than a year ago.



Prime Central London Sales

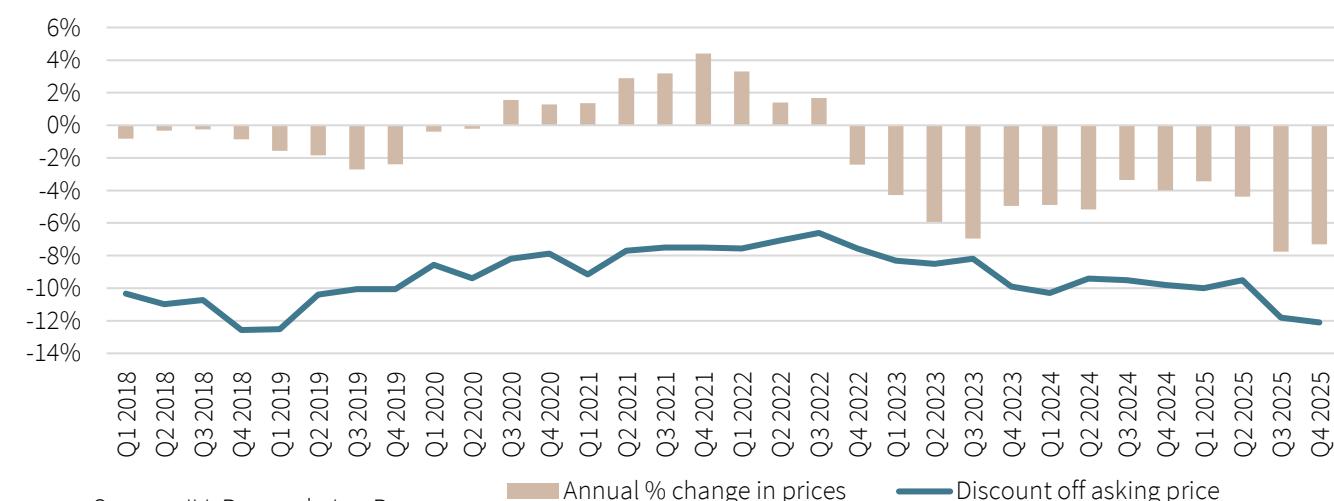
Discount off initial asking price reaches -12.1% in Q4, down from -11.8% in Q3, a trend which looks set to continue as deals agreed in Q4 exchange in the first half of 2026.

There were almost 1,850 sales recorded across Prime Central London in 2025, 6% fewer than in 2024 according to LonRes data. Vendors are becoming more realistic on price. More competitive asking prices and vendors more likely to entertain offers in the sub £2million market resulted in an increase in sales of 7% in Q4 compared with Q3.

There have been fewer homes changing hands at the top end of the market this year, likely a result of more caution from overseas buyers and pre-Budget uncertainty impacting activity. Sales of homes in the £2-5million market fell 7% from Q3 to Q4.

Figure no. 1

Discount off asking price reaches -12.1% in Q4 as buyers seek value

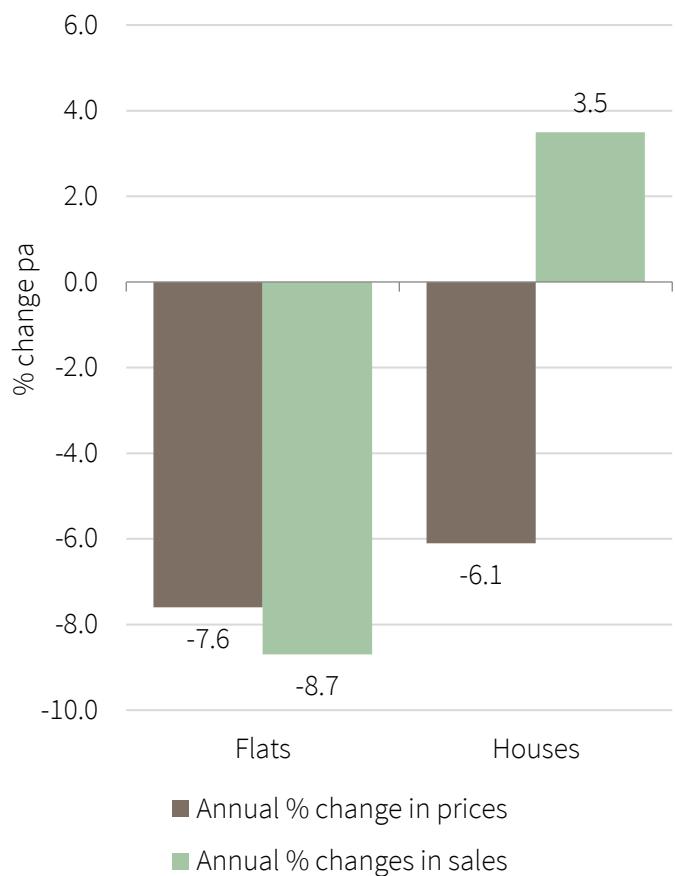


Houses proved more resilient than flats over the course of 2025, with sales volumes rising both over the quarter (+7%) and the year (+3.5%). In contrast, the number of flats changing hand during 2025 was down 8.7% compared to 2024.

The average price of flats fell 7.6% annually in Q4 according the JLL Index, with houses experiencing marginally lower falls of 6.1%. There are a few reasons why houses have performed better, one of which is due to a higher proportion of domestic buyers in the market, who typically favour houses. Higher service charges have also been a barrier for some purchasers looking to buy flats.

JLL analysis of service charge rates for more than 50 schemes across London, reveals the average service charge of a medium or highly amenitised scheme across central London has increased by more than 60% in the last five years.

Figure no. 2
High service charges impacting demand for flats across central London





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Signs of renewed momentum and optimism are appearing now Budget concerns have settled.

Lower mortgage rates this year will help support an uptick in activity and prices, particularly at the lower end of the market.

There is evidence of increased demand for homes at the top end too. Vendors who price sensibly will be rewarded with buyers looking for value and opportunity.

Meg Eglington

Associate, UK Residential Research



Prime Central London Lettings

JLL PCL Rental Index recorded a marginal increase in rents over 2025 (+0.3%) as traditional seasonality returned to the rental market.

Lettings activity remained robust in Q4 with almost 1,000 homes let, 10% more than in Q4 2024. Premium rentals dominated activity. Lettings in the £2,000-£3,000 per week and £3,000+ per week bands rose 7.6% and 6.5% respectively on an annual basis. This could indicate a 'try before you buy' approach or could signal buyers awaiting some post-Budget market clarity.

Rents for flats across PCL plateaued during 2025 (+0.1%), while houses, which saw an increase in activity from families moving homes over the summer, saw rents rise 1% in the year to Q4 2025.

Figure no. 3

More stock on the market means increased lets not transpired into higher rents

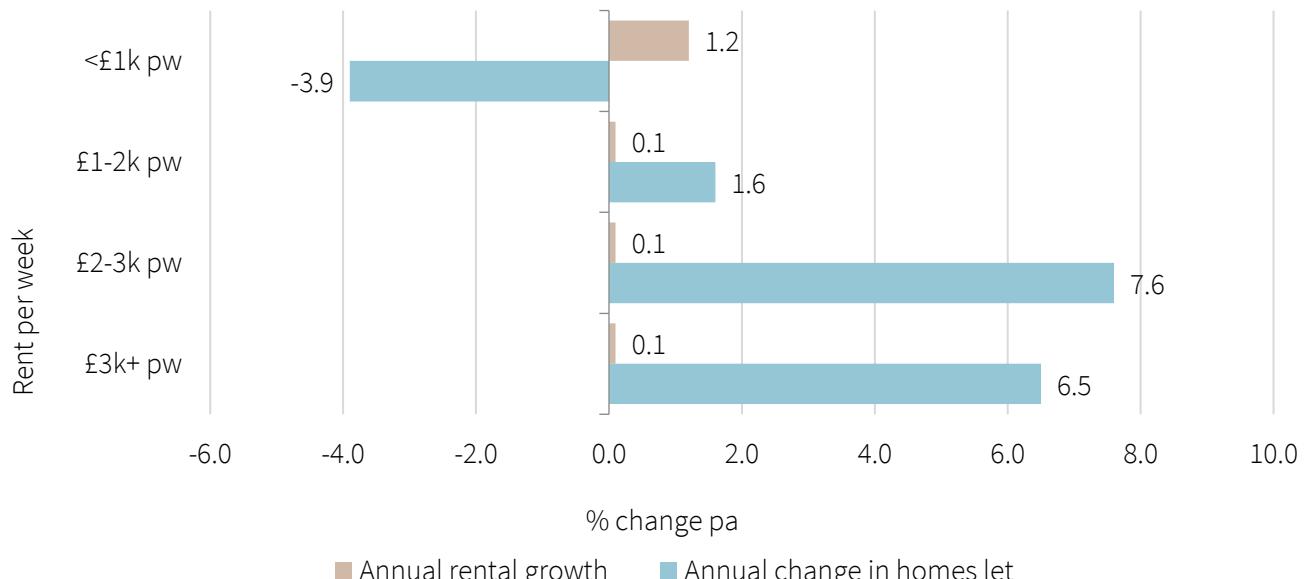
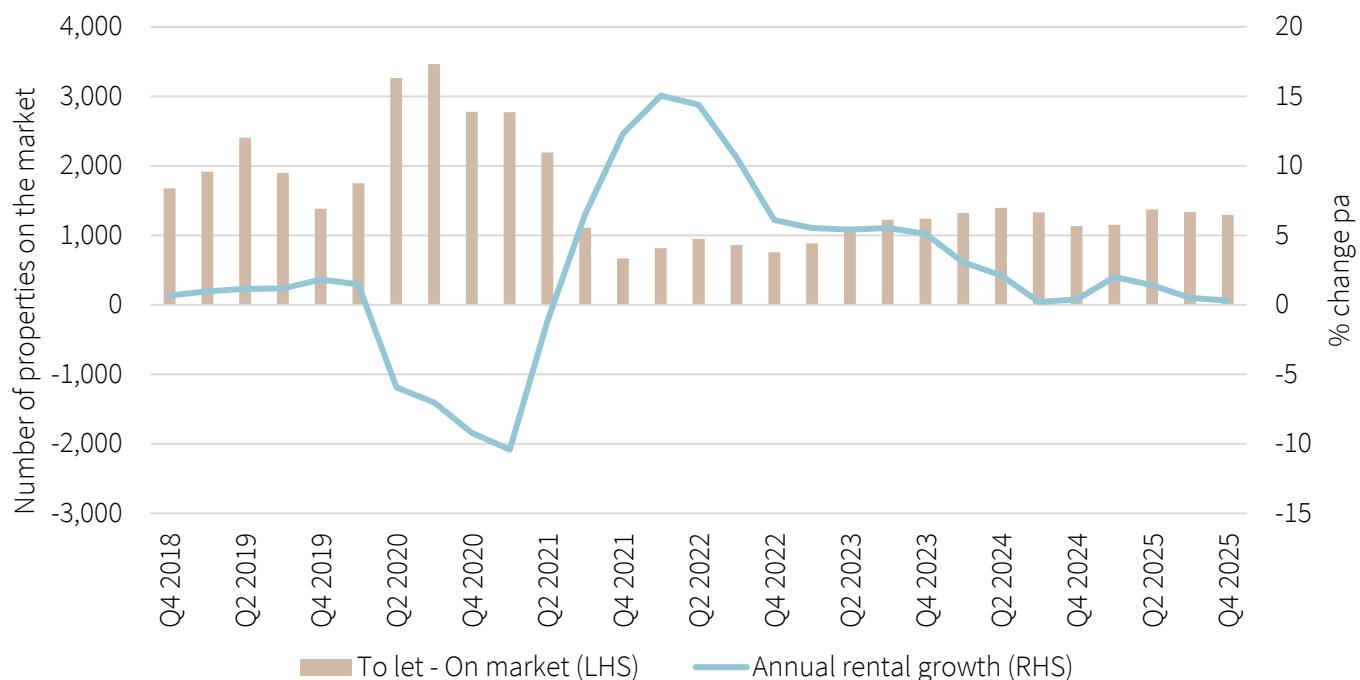


Figure no. 4

Higher stock levels are limiting rental growth opportunities

The rental market is back to its usual pre-pandemic seasonal pattern - busiest during Q2 and Q3, then quieter at the beginning and end of the year.

However, the number of homes on the market has meant the usual supply and demand imbalance during these busier periods hasn't translated into significant rental increases. Rents only rose 0.8% in Q3, compared to the 5-year Q3 average of 3.3%.

There were just short of 1,300 homes on the market to let in Q4, 14% more than a year prior, but broadly in line (4% more) than the five-year average (1,245).

Stock levels have been bolstered by reluctant landlords, with our offices reporting an increase in vendors who are struggling to sell putting their homes up for rent instead.

There were 21% more houses available to let at the end of 2025, compared to a year prior, while the number of homes available to let for more than £3,000 per week, was up 12.6%.

More significantly, the number of homes available to let for under £500 per week rose 15% over the last quarter, bucking the usual trend of declining stock levels at this time of year.

2026 outlook

Looking ahead, there are clear opportunities in Prime Central London this year, especially for domestic buyers and investors looking to take advantage of lower values and less competition. There are signs that the sales market may have weathered the worst of the price corrections. Whether the market bottomed out in Q4 or will do so during early 2026 is still unclear, but sentiment is improving post-Budget meaning there is some cautious optimism creeping in for 2026.



Lower debt costs and risk-free rate

Mortgage rates are expected to continue to fall in 2026, as inflation eases and the Bank of England looks set to make additional interest rate cuts - most are pricing in two quarter-point rate cuts during 2026. This will help to stimulate activity and price growth across central London, particularly in the sub £2million markets. As rates fall back, buyers who have been holding money in high-interest rate accounts or other low-risk assets, may look to invest in property once again.



Prices bottoming out?

We are forecasting prices in central London bottom out in early 2026, sentiment is improving post-budget and there are signs that activity is beginning to pick up. We can already see some cautious optimism creeping in, particularly in the sub £2million market, where the prospect of further rate cuts this year is helping to underpin demand. Vendors at the top end will have to be realistic about pricing, but there is demand here and buyers are ready to transact for the right homes at the right price.



Stability

While pre-Budget leaks in 2025 created uncertainty and talk of a 'mansion tax' put much of the market on hold, we now have some clarity. There is clear pent-up demand from buyers, and we anticipate some welcomed stability over the next few months will boost sentiment and bring some of these prospective buyers back to the market in 2026.

JLL Forecasts

JLL forecast house prices will rise by 20% over the next five years UK-wide. More affordable regions are expected to outperform in the near-term, with London and the South East reflecting stronger growth towards the back end of our forecast.

For central London, the absence of some of the more draconian policies floated pre-Budget will confine the most significant price falls to 2025. But with a domestic buyer pool focused on value, we don't expect this will translate into meaningful price increases until later in the five-year forecast period. We anticipate cumulative growth of 17% across central London from 2026-2030.

The High Value Council Tax Surcharge is perhaps the least damaging to market activity of the proposed 'mansion' taxes floated pre-budget. While we expect that it may impact some buyers and homeowners' decision to purchase, the annual charge is more likely to be begrudgingly absorbed than directly impact market activity.

The additional 2% tax burden for landlords, alongside concerns over the implementation of the Renters' Rights Act, means we anticipate some landlords choosing to exit the sector, supporting rental growth. We forecast rents will rise marginally higher than wage growth over the next five years, with 15.9% growth nationally between 2026 and 2030. Rental growth is forecast to be higher in London, with growth of 17% across Greater London and 16.5% in central London over the same period.

Table no. 2

JLL house price forecasts: 2026-2030

House price forecasts 2026-2030	2026	2027	2028	2029	2030	Change 2026-2030
Central London	0.0	2.0	4.0	5.0	5.0	17.0
Greater London	1.0%	2.5	3.5	5.0	4.5	17.6
UK	2.0	4.0	4.5	4.5	3.5	19.9

Table no. 3

JLL rental forecasts: 2026-2030

Rental forecasts 2026-2030	2026	2027	2028	2029	2030	Change 2026-2030
Central London	1.5	3.0	3.0	4.0	4.0	16.5
Greater London	2.0	3.0	3.5	4.0	3.5	17.0
UK	2.5	2.5	3.0	3.5	3.5	15.9

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About JLL Research

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JLL's Residential and Living team consists of over 300 professionals who provide a comprehensive end-to-end service across all residential property types, including social housing, private residential, build to rent, co-living, later living, healthcare and student housing.

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