

REAL ESTATE

London real estate market showing resilience: Knight Frank

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London's real estate market is showing signs of promise. Image credit: Knight Frank

By SARAH RAMIREZ

In light of the uncertainty surrounding Brexit, there are indications that the prime London residential market is headed in a positive direction.

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Per Knight Frank's "London Residential Review Spring 2019" report, the number of new prospective buyers in the market rose by 5 percent. The fourth quarter of 2018 also saw the highest ratio of new demand versus new supply in years.

"The conditions for a recovery are taking shape," said Tom Bill, head of London residential research at **Knight Frank**. "I would emphasize it's all dependent on the current political background."

Real estate recovery

London's real estate market experienced an uneven 2018.

Property sales in prime central London increased 7 percent from March 2017 to March 2018. However, sales volume was down 15 percent year-over-year by December 2018.



London's Mayfair neighborhood in prime central London. Image credit: Knight Frank

Prices fell 4.4 percent year-over-year in December 2018, compared to a narrower 0.7 percent decline in January 2018.

Nonetheless, the decline in prices may have contributed to an increase in the number of prospective buyers.

New prospective buyers increased 5 percent in 2018, despite the fall in exchanges over the year. The ratio of new demand to new supply stood at 4.9 percent as of the fourth quarter of 2018, the highest level in four years.

Marketing time also declined by 2 percent over the course of the year.

For owners of investment properties, there was positive news as well.

In prime central London, annual rental growth experienced a boost of 1.1 percent in December. PCL also saw an annual gross yield of 3.35 percent, compared to prime outer London's gross yield of 3.5 percent, and both were the highest rates in years.

London and Brexit

Since the Brexit referendum vote in 2016, London's real estate has seen some changes.

Initially, there was an increase in interest in prime central London following the European Union referendum compared to 2015.

Addresses seen under contract in the eight weeks following Brexit grew 19 percent compared to 2015. However, housing costs experienced a 1.8 percent drop in price growth, the steepest drop in the London real estate market since 2009 ([see story](#)).

As the deadline for the United Kingdom's withdrawal from the E.U. quickly approaches, the London real estate market continues to be one with mixed signals.

In July 2018, the number of new prospective luxury buyers in London compared to the number of listings jumped to the highest ratio in the previous 18 months.

Since the pound remains weaker than the U.S. dollar, American buyers would currently save by investing in London real estate. The London market may also benefit as stock markets in other economies, such as Turkey, have continued to fluctuate ([see story](#)).

As the March 29 deadline for Brexit looms, there remains strong opposition to the current negotiated deal with the European Union ([see story](#)).

"We've done our forecast based on a deal," Knight Frank's Mr. Bill said. "It's difficult to assess otherwise."