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MIND THE GAP

PRICE REDUCTIONS IN PRIME CENTRAL LONDON

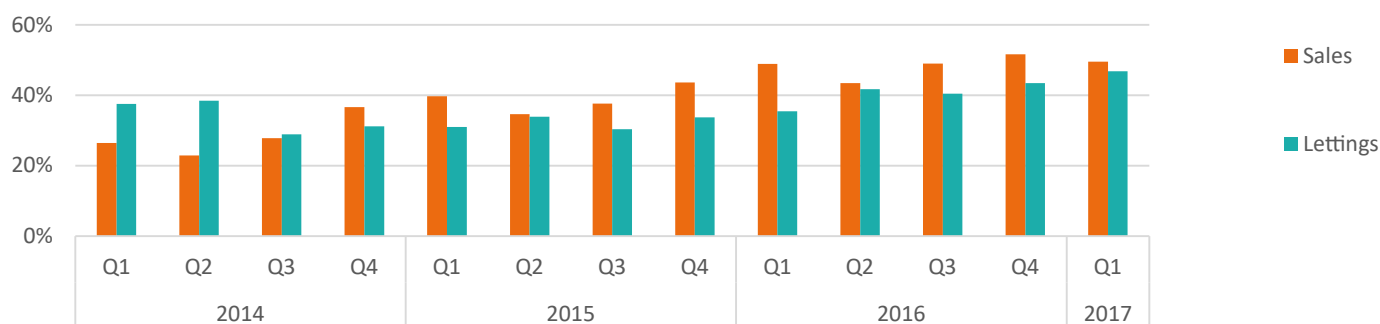
25 May 2017



A year ago, with prices falling, we examined the rise in price reductions, which were becoming more prevalent across prime central London. More recently, in Q1 2017 45% of properties sold had been reduced in price before finding a buyer. Still a significant proportion of sales. However, it does represent a modest improvement on both the first quarter last year and Q4 2016, when 51% of homes sold had been reduced in price.

In contrast, the lettings market has followed a different path. The number of properties let, which had been reduced in price before finding a tenant, rose last year, reaching 47% in Q1 2017. Despite the number of properties let across prime central London rising last quarter, an increase in stock in the latter part of 2016 has meant rents have fallen, and landlords are having to adjust their asking prices to attract tenants.

% of properties where asking price was reduced before sale/ let - Prime Central London

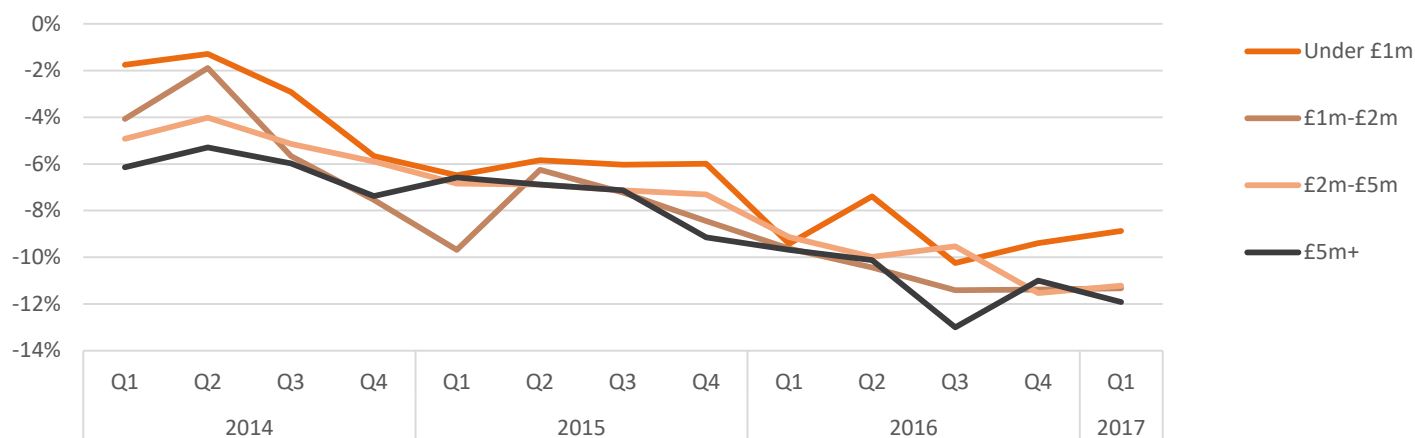


Source: LonRes

Sales Market

Price paid compared with initial asking price - Prime Central London by price band

So far this year the gap between initial asking prices and prices achieved has narrowed. However, discounts are still higher than we saw pre-2016 and suggest that there is still some recorection to come in asking prices in order to bring them closer in line with buyer expectations.



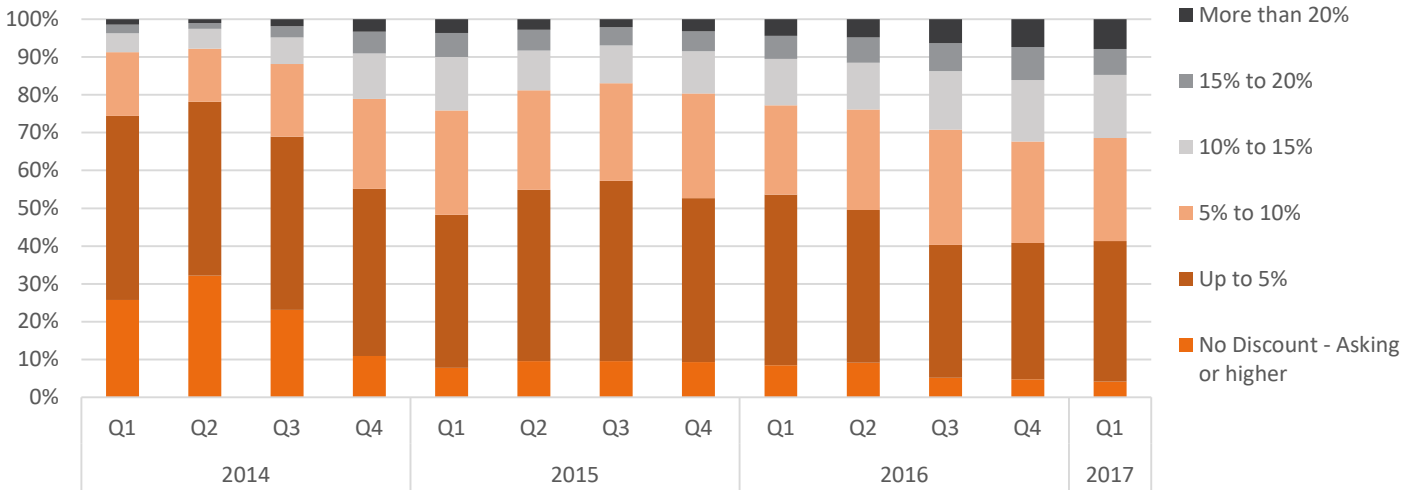
Source: LonRes

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Mind the gap – price reductions in prime central London

Sold price compared with initial asking price – Prime Central London

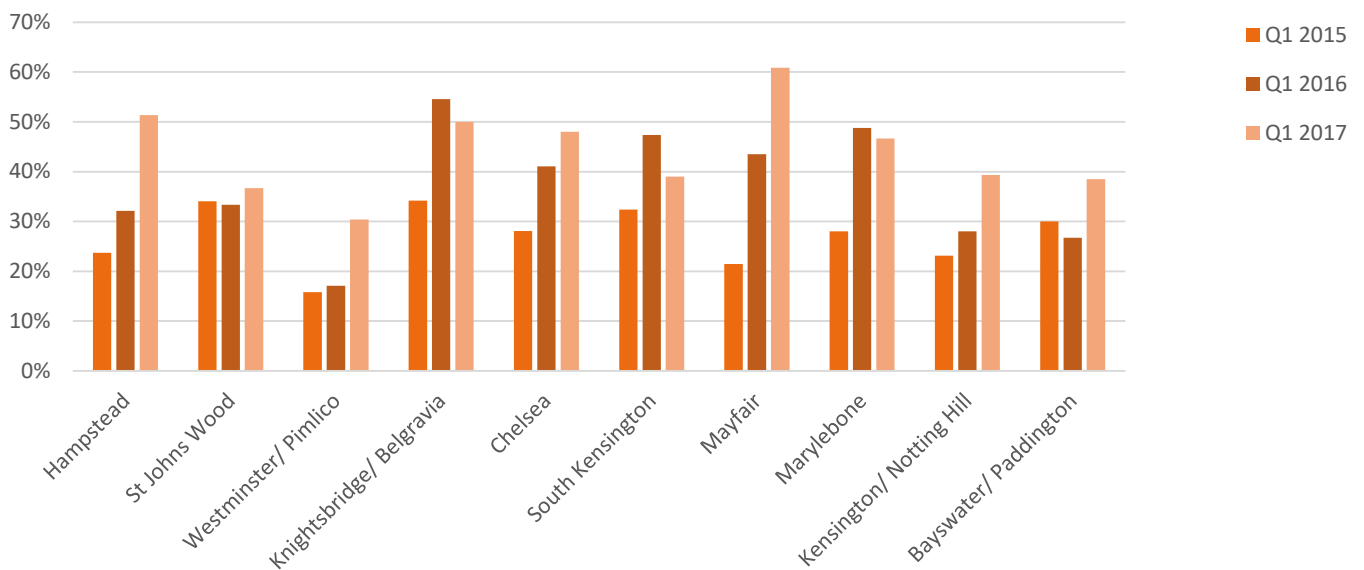
The proportion of properties sold in PCL at 10% or more below their initial asking price has continued to rise since Q1 2016. Over the last three months (Q1 2017), a third of properties sold achieved less than 90% of their initial asking price (more than 10% below their initial asking price), up from 21% a year ago. This suggests two things. Firstly, that properties are still reaching the market with overly optimistic asking prices. But, secondly, that vendors are becoming more accustomed to market reality and are now willing to accept lower offers than they may have done in the past.



Source: LonRes

Properties sold with a reduction of 10% or more off initial asking price – by area

At a local level, the majority of prime neighbourhoods saw an increase in properties sold with discounts of 10% or more off initial asking prices.



Source: LonRes

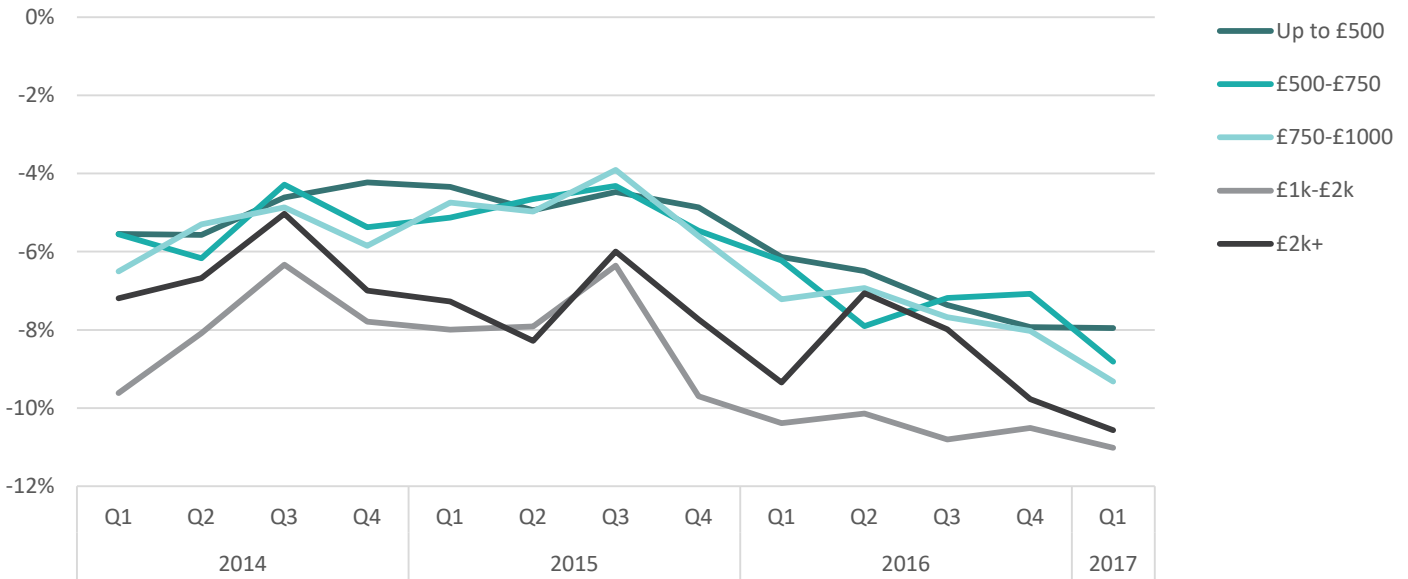
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Rental Market

Rental values agreed compared with initial asking price

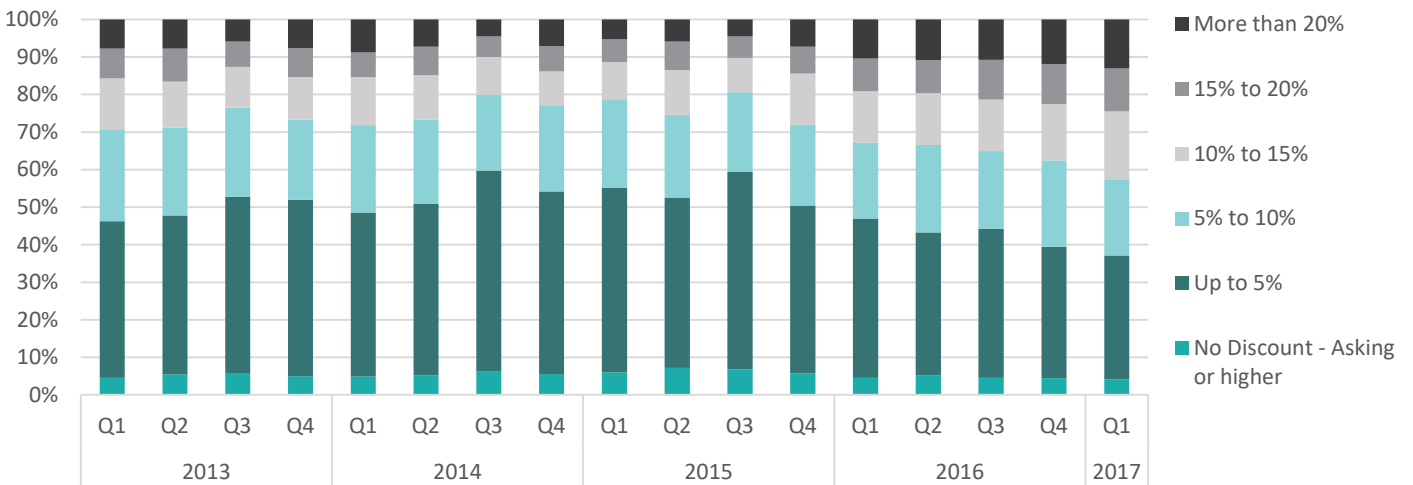
Across PCL average discounts on initial asking prices remain highest for properties let for over £1,000 per week. Properties let for less than £1,000 per week had an average discount of 8.5% off initial asking price, compared with discounts averaging 11% for homes over £1,000 per week.



Source: LonRes - Prime Central London by price band (£ per week)

Let price compared with initial asking price

Since late 2015 the number of properties let with discounts of more than 5% off initial asking prices has increased. In Q1 2017 42% of properties let achieved 10% or more below their initial asking price, up from 33% a year ago and 21% in Q1 2015.



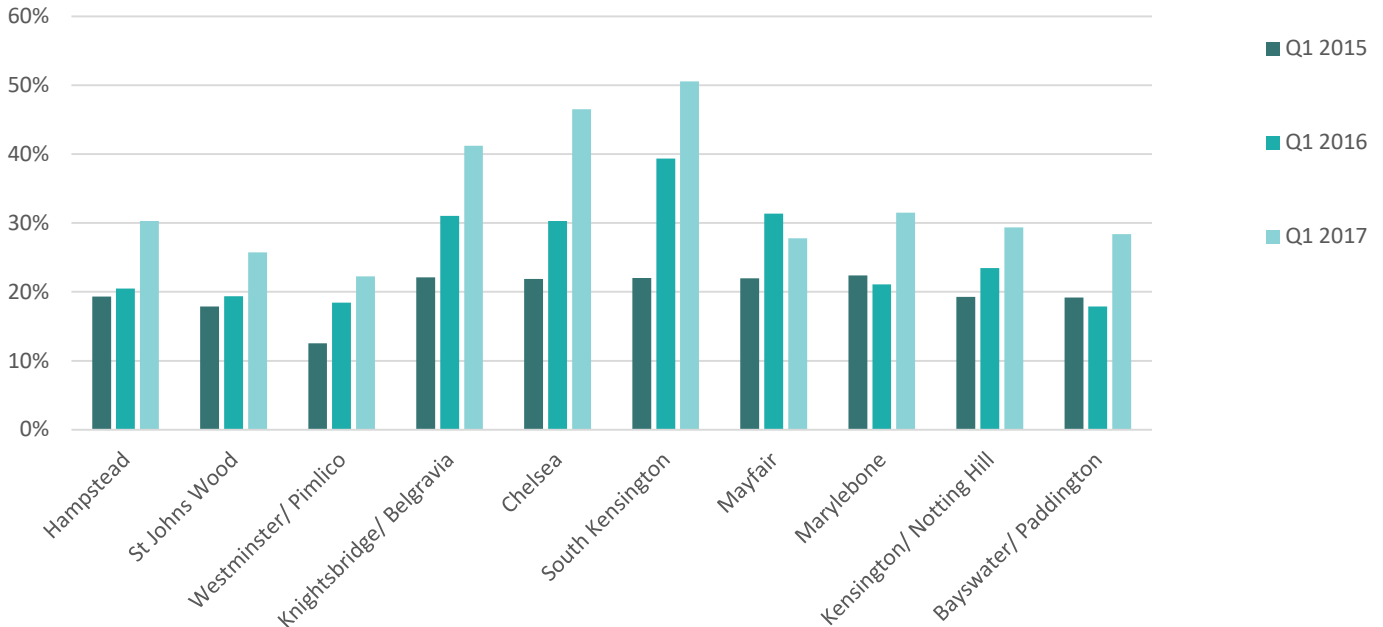
Source: LonRes - Let in Prime Central London

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Mind the gap – price reductions in prime central London

Properties let with reduction of 10% or more off initial asking price - by area

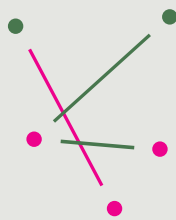
Looking at specific neighbourhoods, the majority again saw an increase in the proportion of properties let at 10% or more below initial asking price, with only Mayfair seeing a significant reduction. In South Kensington, Chelsea and Knightsbridge and Belgravia more than 40% of properties let in Q1 2017 were agreed at prices 10% or more below their initial asking price.



Source: LonRes

A year on from our last report on price reductions, it seems that many are still struggling to set realistic and achievable asking prices. We had anticipated that we could see a fall in price reductions this year. But, what is encouraging, is that vendors and landlords are realising that in the current market they need to consider lower offers.

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Drawing on the power of the LonRes database, ResResearch offers an advanced level of insight on London's residential property market.

Whatever your requirement, our research team are ready to help.



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