**What’s Going On In The London Property Market ?**

London tends to be the barometer of the UK property market. What happens in London tends to happen in the rest of the country. When prices rise in London they tend to ripple out to the rest of the UK sooner or later.

However, even in the midst of the Covid-related property boom, the London property market seems to be cooling at the moment. Property prices seem to be softening in London, but are strengthening elsewhere.

According to [HM Land Registry figures,](https://www.gov.uk/government/publications/uk-house-price-index-england-october-2020/uk-house-price-index-england-october-2020) house prices rose 5.4% on average in England and Wales over the last year, and up to 6.6% in some places – but only 3.9% in London. A small margin maybe, but a sharp contrast to what has tended to be the case in recent years.

**Why is the London property market softening ?**

Property experts have suggested a few theories as to why the London property market could be falling behind at the moment.

**Stretched affordability.** Prices have reached such a high point over the last decade that there are some parts of London where few people can afford to buy anymore. Investors won’t consider many parts of London because they can’t make a return on their money.

**Fewer foreign buyers.** Foreign buyers and investors have been pushing the London market for years. Increased Stamp Duty amongst other factors have cooled their interest.

**Brexit.** Has caused some buyers to question whether London property will keep on being such a sound investment. The possibility of fewer people working in the City of London, for long an important factor in the London market, may have affected confidence.

**Covid.** Is encouraging more Londoners to consider moving away from London, it is believed. More people working from home means fewer need to live near London offices. This has also hit demand in the rental market.

[Some reports](https://www.theguardian.com/uk-news/2021/jan/07/london-population-decline-first-time-since-1988-report-covid-home-working#:~:text=The%20accountancy%20firm%20PwC%20said,first%20annual%20drop%20since%201988.) suggest the London population will fall for the first time in 30 years. [Some reports](https://www.ft.com/content/dd231c09-8ecf-4d8a-8cee-f772fcb99f5b) say flats without outside space in London haven’t benefitted from the latest property boom and can be hard to sell.

**Increased property supply.** For decades London has been chronically short of housing. But there are some really big new housing development schemes in London now, which is helping to increase supply.

*Many areas outside London are facing a completely opposite situation, however. In many parts of the Midlands and North housing is still relatively affordable, there are plenty of buyers, investors can get good yields while Brexit and Covid haven’t affected the market in the same way.*

**So what’s the future for the London property market ?**

At the end of the day, the London property market is still underpinned by very strong fundamentals. It’s a major global city for business – one of only two Alpha++ cities in the world (the other being New York). It’s more than likely that going forward more people will want to live in London than the property market can keep up with.

Many experts think that the property market across the whole UK will be slow or stagnant across the UK in 2021. The continuing Covid crisis, Brexit and the end of the Stamp Duty holiday will be contributors. But then it will start to pick up. Many suggest that London price growth will lag the rest of the country over the next few years, but it will recover and there will still be growth.

[Forecasts from Hamptons](https://www.hamptons.co.uk/research/articles/housing-market-forecasts-2020/house-price-forecasts/) suggest prices in London will fall 1% this year, but will stay static in Great Britain as a whole. Over four years they believe house prices nationally will rise 8%, although a more modest 6% in London.

[Savills](https://www.savills.co.uk/insight-and-opinion/research-consultancy/residential-market-forecasts.aspx) believe that prices will be static right across the country in 2021. But they feel over four years they will rise around 20% across the UK and 12.7% in London.

**So what does this mean for you ?**

Anyone with an interest in London property whether buyers, owners, investors and agents would be best advised to take a long term view .... something that’s always good in property.

Sellers probably shouldn’t be in any rush to sell, unless they really have to.

Anyone looking to buy in London could find there are some good buys to be had. Would-be buy to let investors could find that there are some good letting yields to be had in areas which haven’t been attractive for investment for years.

It’s sensible to bear in mind, however, that London isn’t a single property market. The London property market is made up of many different markets, from prime central London to the semi-rural suburbs. They won’t all behave in the same way.

In the current situation of course, taking into account factors such as Covid and Brexit, anything could happen. The best advice for anyone involved in the London market is to keep an eye on the market and keep informed.