# London property market shows stark contrasts as some boroughs soar while central areas decline



Property prices in the UK are once again on the rise; however, this upward trend is not uniform across London. Various boroughs are indeed experiencing notable declines, making the city’s real estate landscape increasingly complex. Many prospective buyers are finding it difficult to enter the market, prompting a shift in living preferences as more Londoners consider relocating to areas outside the city.

Nationwide data indicates a small but significant trend of individuals moving from metropolitan areas to small towns and rural locales. This trend is reflected in the increased difficulty many Londoners face when attempting to purchase homes in the capital. Toby Leek, president of NAEA Propertymark, noted that London remains a coveted destination, yet many aspiring homeowners struggle to afford the average property price of approximately £680,000, which stands in stark contrast to average earnings of around £48,000—over 14 times the typical income. Compounding this issue are increased Stamp Duty thresholds introduced in April, a stagnant supply of homes due to slow development rates, and rising interest rates that make securing a mortgage more challenging.

A more granular look at the London property market reveals severe disparities in price movement. While areas such as Lewisham and Havering have seen house prices increase by 8 to 9 percent year-on-year, other boroughs, particularly those in central London like Islington and Kensington and Chelsea, have experienced average declines of 8 percent and 15 percent respectively. The situation has forced sellers to lower their asking prices significantly, with nearly 82 percent of prime properties reportedly selling below their initial asking prices between January and March of this year.

Analysts suggest that this downturn is not exclusive to high-end properties. Alice Haine, a personal finance analyst, pointed out that even lower-income buyers are reconsidering their options as mounting living costs and higher mortgage rates strain their financial capabilities. Most London homeowners devote a more substantial portion of their income to mortgage payments compared to their counterparts in other regions of the UK. Consequently, the allure of a more affordable lifestyle elsewhere has become increasingly attractive, as many seek to balance their finances against the backdrop of escalating rents and stagnant wages.

The pandemic has further transformed perceptions regarding work-life balance. Many employees now favour remote work options that allow for flexibility, leading to a desire for larger living spaces away from the city’s hustle. With the reduction of commuting frequency, it has become feasible for some to opt for homes in quieter, less expensive areas, prioritising comfort and financial stability over proximity to their workplaces.

Despite these shifts, data from the Bank of England indicates that mortgage approvals dropped for the third consecutive month in April. As interest rates are projected to remain above 4 percent for the remainder of the year, many potential buyers are hesitating. Those who have postponed their purchases may now feel compelled to act amidst the uncertainty surrounding interest rate trends and the possibility of further price adjustments in the housing market.

Overall, the mixed signals within the UK real estate market underscore the need for ongoing attention and adaptability from both buyers and policymakers alike. While certain boroughs are evidently flourishing, central areas continue to grapple with stagnation, highlighting the complexities arising from the varying needs and circumstances of today’s homebuyers.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.independent.co.uk/money/house-prices-uk-london-mortgages-b2761857.html), [[4]](https://moneyweek.com/investments/house-prices/house-prices)
* Paragraph 2 – [[1]](https://www.independent.co.uk/money/house-prices-uk-london-mortgages-b2761857.html), [[2]](https://www.ft.com/content/c9923262-fa55-4399-9f98-f8720fc218aa), [[5]](https://www.gov.uk/government/news/uk-house-price-index-for-december-2023)
* Paragraph 3 – [[3]](https://www.ft.com/content/efb517cc-dee1-478f-a1d2-c42949dd83ea), [[6]](https://www.reuters.com/world/uk/asking-prices-uk-homes-rise-by-most-10-months-survey-shows-2024-03-18/)
* Paragraph 4 – [[1]](https://www.independent.co.uk/money/house-prices-uk-london-mortgages-b2761857.html), [[3]](https://www.ft.com/content/efb517cc-dee1-478f-a1d2-c42949dd83ea)
* Paragraph 5 – [[1]](https://www.independent.co.uk/money/house-prices-uk-london-mortgages-b2761857.html), [[6]](https://www.reuters.com/world/uk/asking-prices-uk-homes-rise-by-most-10-months-survey-shows-2024-03-18/)
* Paragraph 6 – [[1]](https://www.independent.co.uk/money/house-prices-uk-london-mortgages-b2761857.html), [[4]](https://moneyweek.com/investments/house-prices/house-prices)
* Paragraph 7 – [[1]](https://www.independent.co.uk/money/house-prices-uk-london-mortgages-b2761857.html), [[7]](https://www.gov.uk/government/news/uk-house-price-index-for-november-2023)

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## Bibliography

1. <https://www.independent.co.uk/money/house-prices-uk-london-mortgages-b2761857.html> - Please view link - unable to able to access data
2. <https://www.ft.com/content/c9923262-fa55-4399-9f98-f8720fc218aa> - London's property market has experienced stagnation, with house prices increasing by just 13% over the past decade, equating to a 16% decline in real terms. Despite record-high population and surging rental demand, the sales market remains sluggish. Contributing factors include high interest rates, expensive stamp duties, restrictive mortgage regulations, and reduced investment attractiveness due to lower rental yields. First-time buyers face significant challenges due to stringent lending criteria and high deposit requirements, leading to low transaction levels and inefficient housing stock use. Policymakers face the challenge of stimulating the market without inflating prices, while addressing issues such as high migration and demand for rental properties.
3. <https://www.ft.com/content/efb517cc-dee1-478f-a1d2-c42949dd83ea> - Owners of flats are experiencing difficulties in moving up the property ladder due to low demand, which has left many flat values below their purchase prices. Flat sales have decreased by 25-33% over the past three years, with an estimated 400,000 fewer flat owners in England and Wales expected to move by the end of 2024. Stagnant flat values since 2015-16 have forced owners to wait longer to build equity. Challenges such as cladding and leasehold issues, along with high transaction costs and mortgage rates, have further compounded the problem. While house prices have risen by 28% since 2018, flat prices have only increased by 13%, with some areas seeing a decline. The analysis indicated that flat owners are half as likely to sell if facing a potential loss. London has seen substantial price falls, with flat prices particularly affected. The recent Bank of England interest rate cut and Labour's plans to reform leasehold may provide some relief and increase transaction levels for flat owners.
4. <https://moneyweek.com/investments/house-prices/house-prices> - UK house prices experienced strong annual growth of 6.4% in March 2024, partly driven by a rush to beat stamp duty threshold changes. Following those changes in late March—which lowered the tax-free thresholds for both first-time buyers and home movers—market momentum has softened. More recent indicators show mixed results: Nationwide reported slowing growth to 3.4% annually in April and a monthly drop of 0.6%, while Halifax observed 3.2% growth with a slight monthly increase. Regionally, Northern Ireland and Yorkshire and the Humber led price growth, while London lagged due to affordability constraints. Demand has shifted, with houses outperforming flats; houses were 67% more expensive than flats by early 2024. Despite a cooling market, asking prices are still rising modestly, and the volume of homes for sale is at a 10-year high, benefiting buyers. Looking ahead, experts anticipate modest positive price growth through 2025, supported by low unemployment, rising real wages, and potentially lower interest rates. Forecasts for 2024 include house price increases of 2.5% to 4%, with the North expected to outpace the South in growth.
5. <https://www.gov.uk/government/news/uk-house-price-index-for-december-2023> - In December 2023, London's average house price remained unchanged from November 2023, with an annual decrease of 4.8%, bringing the average property value to £508,000. Detached properties saw a 7.2% decline, semi-detached 5.0%, terraced 6.1%, and flats/maisonettes 3.6%. Cash buyers experienced a 5.5% annual price drop, while mortgage buyers saw a 4.6% decrease. First-time buyers faced a 4.3% annual decline, and former owner-occupiers 5.6%. New builds had a 2.9% annual price increase, while existing resold properties experienced a 3.4% annual decrease.
6. <https://www.reuters.com/world/uk/asking-prices-uk-homes-rise-by-most-10-months-survey-shows-2024-03-18/> - Asking prices for residential properties in the UK have seen a significant increase, rising by 1.5% in the four weeks leading up to March 9, marking the strongest rise in nearly a year, as reported by property website Rightmove. Despite this, prices remain approximately £5,000 below their peak in May 2023. On a yearly basis, prices are up by 0.8%. The surge in the housing market has boosted seller confidence, with London experiencing the highest demand, attributed to more people returning to offices and benefiting from wage growth and lower inflation. However, higher mortgage rates continue to challenge buyer affordability. Rightmove's data indicates an 8% increase in buyer demand and a 13% rise in sales compared to a year ago. Sellers are experiencing an average of 71 days to find a buyer, the longest duration for this time of year since 2019. Recent months have seen momentum in the property sector due to falling mortgage rates, but recent increases in borrowing costs may delay rate cuts from the Bank of England.
7. <https://www.gov.uk/government/news/uk-house-price-index-for-november-2023> - In November 2023, London's average house price decreased by 2.2% since October 2023, with an annual price fall of 6.0%, bringing the average property value to £505,000. Detached properties saw a 7.3% annual decline, semi-detached 5.2%, terraced 6.5%, and flats/maisonettes 5.7%. Cash buyers experienced a 7.8% annual price drop, while mortgage buyers saw a 5.5% decrease. First-time buyers faced a 5.8% annual decline, and former owner-occupiers 6.3%. New builds had a 1.7% annual price increase, while existing resold properties experienced a 2.4% annual decrease.