

Rich buyers will sustain London's prime housing market, says Savills

Central London's prime property markets will ride out of the cost of living storm with wealthy buyers who do not need mortgages still snapping up high-end apartments and houses, agent Savills said today.

The firm said it continued to expect luxury London homes to go up in value next year despite expectations of a UK recession. The average price of a property sold by the group in the past six months grew by 16% to hit £2.2 million.

Savills group chief executive Mark Ridley told the Standard: "We're still positive about the premium market in the year to come and beyond.

"We're still predicting house price growth at the upper end."

Cash-rich buyers at the top end of the market were less exposed to rising interest rates as they tend to borrow less when investing in a new home, Ridley said, adding a shortage of housing stock was also slowing down transaction rates and pushing up prices.

It comes as Savills reported a bumper six months of growth, with revenues in the first half of 2022 topping £1 billion, up 11% on 2021, led by a 26% jump in commercial property transaction revenue as employers searched for new space amid a post-Covid return to the office.

Office take-up in London remains ahead of pre-pandemic levels, Savills said, with demand for space in the West End up 8% on a 10-year average.

Demand in Europe was softer, with volumes up 3%, while transaction fees in Asia plummeted 37% amid a drop-off in activity in restriction-heavy China and Hong Kong.

Savills shares slid 2% in early trading.

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Its buoyant sales of luxury homes stand in stark contrast to the rest of the property market, which has seen its third consecutive drop of buyer enquiries, according to data from the Royal Institution of Chartered Surveyors (RICS), as a weakening economic outlook combined with higher mortgage rates prompts buyers to hold off on making an offer for their dream home.

Sales of homes continues to fall, RICS survey data suggests, while sales expectations hit their lowest level in over two years. Prices continued to rise across the country, however, amid near-record lows of housing stock availability. Tenant demand continued to rise in the lettings market.

Jeremy Leaf, north London estate agent and former RICS residential chairman, said: “We are finding at the sharp end that the desire to move is outweighing worries about continuing increases in interest rates and the cost of living.

“On the other hand, those concerns are disproportionately affecting lower income households which is compromising the

bottom of some chains, resulting in fewer and lengthier transactions.”

Savills warned the UK’s commercial market was beginning to see a slowdown, as geopolitical events knocked investor confidence.