

London house price sentiment sours further

Surveyors institute turns most downbeat since 2023

LONDON: Estate agents are more gloomy about London house prices than at any point in almost three years, according to a survey that suggests the property market malaise gripping the UK capital is deepening.

The Royal Institution of Chartered Surveyors (RICS) said its gauge of expected prices over the next 12 months tumbled to minus 23 in July, the lowest since October 2023 and down from minus 10 previously.

It measured the percentage-point difference between surveyors expecting London house prices to fall and those expecting gains.

London continued to trail behind the national market where year-ahead price expectations were still positive at four, down slightly from eight in June.

RICS said the market generally was under pressure from elevated borrowing costs, the Middle East conflict and fears that property could be in the line of fire under tax changes being considered by new Prime Minister Andy Burnham.

"The prevailing economic and political climate is hardly conducive to market confidence," William Delaney at Coopers of London said in comments accompanying the RICS report.

"With transaction levels continuing to decline, it is increasingly difficult to provide accurate advice on price to any client determined to sell."

Official and industry indicators have pointed to annual price declines in London with flats performing particularly poorly.

Affordability remains a key constraint in the city of over nine million people, where house prices are double the national average at over £500,000 (US\$675,000).

Buyers in the capital are disproportionately impacted by higher mortgage rates given the amounts borrowed are the largest in the country.

According to data provider Moneyfacts, the average two-year fixed mortgage rate is at 5.62%, around 0.8 percentage points higher than before the United States and Israeli attacks on Iran forced the Bank of England to shelve its plans to cut interest rates further in 2026.

Meanwhile, renewed tax uncertainty ahead of Chancellor of the Exchequer John



Sales expectations: People walk along the Queen's Walk promenade, with the City of London's financial district in the background. A new RICS survey indicates that the property market malaise gripping the capital is deepening. — Reuters

Healey's first budget is providing another headwind heading into the autumn.

Burnham has ruled out changes to stamp duty tax on property purchases but London would be particularly hard hit were he to extend a levy targeting Britain's most expensive homes.

"The wider housing market backdrop remained lacklustre in July," RICS said.

Measures tracking new buyer enquiries and agreed sales were both unchanged deep in negative territory, though the gauges are above the lows recorded after the

Iran war broke out.

However, sales expectations for the next 12 months rose to the most positive since February.

"The housing market remains subdued and, while that is not unusual over the summer months, it is clear from the RICS seasonally adjusted data that the combination of geopolitics, the domestic political climate and the cost of mortgage finance are continuing to weigh on sentiment," said Simon Rubinsohn, RICS chief economist. — Bloomberg