



Green Street

# London's prime residential market isn't falling – it's repricing

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**The capital is experiencing a recalibration of expectations**



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London's prime residential market has looked subdued by global standards, but framing current conditions as a decline overlooks the more important underlying dynamic. The market is undergoing structural repricing driven by higher interest rates, shifting tax policy, and a more volatile geopolitical environment. This is not a collapse in demand, but a recalibration of expectations.

Knight Frank data shows prime central London prices have fallen by around 4.7%-4.9% over the past year, placing the capital near the bottom of global luxury housing performance rankings. Other markets including Tokyo, Dubai and Manila have continued to record stronger growth.

This is not simply cyclical weakness. It reflects a redistribution of global capital towards growth, fiscal stability and tax efficiency. London has been caught in that reallocation.

### **Policy impact**

Tax and policy shifts have played a central role. The abolition of non-domiciled tax status, alongside higher stamp duty and broader fiscal tightening, have changed the investment case for internationally mobile wealth. High-profile departures have reinforced perceptions that the UK is becoming less competitive for global elites.

Escalating tensions involving Iran and broader regional instability have added fresh uncertainty to global markets. Energy prices remain sensitive, inflation expectations fragile, and the path for interest rates less predictable.

For real estate, which depends heavily on financing conditions and confidence, this has translated into hesitation rather than outright exit. In London, this is visible in softer buyer enquiries, longer transaction timelines and a growing “wait and see” approach among internationally mobile purchasers.



London is experiencing softer buyer enquiries

Middle Eastern buyers – historically a cornerstone of London’s super-prime demand base – have been particularly visible in this shift. When geopolitical conditions become more volatile, these buyers tend to slow decision making rather than withdraw entirely. Paradoxically, the same instability that dampens short-term activity also reinforces London’s long-term appeal as a safe haven. In periods of stress, capital does not disappear – it reallocates.

*“Trophy assets continue to transact, often off-market and at significant price points”*

That paradox is already evident in market data. While overall transaction volumes remain subdued, liquidity has not vanished – it has become highly selective. The market is increasingly bifurcated. Trophy assets continue to transact, often off-market and at significant price points, while secondary stock struggles unless pricing reflects new market realities.

This is not systemic distress – it is a clear separation between liquid and illiquid assets. The £265m off-market sale of [Nick Candy's Chelsea mansion](#), the largest UK residential transaction since 2024, underscores this dynamic. Even in a subdued environment, ultra-prime assets with global rarity continue to attract highly selective but relatively price-insensitive buyers.

### **Pricing shift**

Relative pricing is also beginning to shift London's attractiveness. Several years of correction have improved its relative value compared with global peers, particularly for dollar-based buyers.

This repricing is also changing behaviour. Wealthy individuals are increasingly viewing London less as a permanent ownership destination and more as a flexible base, driven by lifestyle, education and business needs. This is strengthening demand for turnkey, high-specification homes in prime locations, while weakening interest in older stock requiring refurbishment or repositioning.

The rental market reflects a similar evolution. High-end lettings remain strong, as some prospective buyers choose to rent while uncertainty persists. For investors, this reinforces the importance of income, asset quality and execution, rather than capital appreciation alone.

*“History suggests that when clarity returns, even partially, London tends to recover quickly”*

The outlook is finely balanced. Weaker transaction volumes, policy-driven outflows and geopolitical uncertainty sit on one side. On the other, there remains persistent global demand for stability, legal certainty and cultural capital – attributes London continues to offer at scale. Capital has not left the market – it has paused.

History suggests that when clarity returns, even partially, London tends to recover quickly. Its structural advantages remain difficult to replicate. London's prime residential market is therefore not in decline. It is in

transition, moving from a liquidity driven, low-rate growth cycle to a more selective, income-oriented and geopolitically sensitive phase.

In that context, repricing is not a weakness. It is the mechanism through which the next cycle is being formed.