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London Prime

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London Is Not Falling. It Is Repricing. And Foreign Capital Already Knows It.

Read the headlines and you would assume London prime is in retreat. Official data has prices down 2.1% year on year. Rightmove shows asking prices off 2.4% annually. RICS reports negative buyer enquiries and weak agreed sales. The story being told is one of caution, pressure, and the long hangover of higher borrowing costs.

That reading is not wrong. It is just incomplete. Because underneath the headline numbers, a different market is forming, one that disciplined investors with the right lens are already navigating.

THE ANGLE MOST DOMESTIC BUYERS ARE MISSING

Prime central London prices are, in real terms, still below 2013 levels. For a domestic buyer that is a flat or negative story. For an investor whose capital is denominated in dollars or euros, it is something else entirely. Sterling's sustained weakness over the past decade means that, when priced in USD or EUR, London prime is offering entry points that would have been unthinkable a few years ago. The asset has repriced in local currency and the exchange rate compounds that discount still further. **The exchange rate compounds that discount.**

This is not a speculative argument. It is arithmetic. And it explains why super prime volumes in Q1 2026 were broadly in line with ten year averages in a quarter where the general market was subdued. Kensington, Knightsbridge, Notting Hill and Holland Park, Regent's Park, Primrose Hill and Belgravia are clearing exceptional assets. Not because domestic confidence has returned. Because global capital has done the maths.

INCOME IS DOING MORE OF THE WORK NOW

The investor conversation in prime London has shifted. For years the play was capital appreciation, with income treated almost as a bonus. That era is over, at least for now. What has replaced it is more interesting: prime London yields have reset to levels not seen in over a decade. LonRes reports average prime London yields at 4.96% in Q1 2026, up materially from the 3.5% average between 2013 and 2020. Prime central London rents rose 2.6% in the year to Q1.

Income is now doing serious work in the investment case. The caveat is real: gross yields erode quickly under service charges, finance costs, and tax. But for buyers entering at current valuations with modest or no leverage, the income argument in prime London is the strongest it has been in years.

WHERE THE DIVERGENCE ACTUALLY LIVES

Not all of prime London is moving in the same direction and that is the point. The opportunity is not in the market as a whole. It is in understanding which parts are repricing toward value and which are still correcting.

Discounted central prime: Mayfair shows relative price stability while Marylebone shows sharper sales weakness and more negotiation room. For strong stock with patient capital, Marylebone offers better entry than its neighbour right now.

Income supported near prime: Wandsworth rents are up 2.7% over the prior three months. Fulham, Battersea, Chiswick and Islington are all showing rental depth alongside durable family and professional demand. These are not glamour markets. They are resilient ones.

Longer horizon regeneration: Earl's Court is finally moving from years of uncertainty toward a clearer development path. Old Oak is backed by serious infrastructure, with HS2, Elizabeth Line, GWR and Heathrow Express converging at one node and the West End ten minutes away. 8,000 homes and 200,000 sq m of commercial space are planned. The timing risk is real but so is the catalyst.

WHAT THE MARKET IS GETTING WRONG

Two things are being overstated right now. The first is doom: London is not in structural decline. It remains one of a handful of global cities where exceptional assets clear at exceptional prices. The Providence House sale in Chelsea above £265m is a data point, not a trend, but it signals that London still functions at the top when quality, scarcity and pricing align.

The second is recovery: there is no broad prime London rebound underway. New instructions rose 49% quarter on quarter in Q1. Supply is better. Buyers have leverage. Anyone pricing aspirationally is sitting. **Realistic pricing is the only route to liquidity.**

One structural headwind worth watching: Knight Frank's global wealth report notes that London's tax environment for wealthy residents is pushing some budgets lower and encouraging renting rather than buying. Cities like Milan and Madrid are capturing mobile international capital that would previously have defaulted to London. This is not catastrophic, but it is a real competitive pressure that the market has not fully absorbed.

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London prime is not a market for momentum buyers right now. It is a market for people who understand that repricing creates entry points and that the same asset looks very different depending on where your capital is denominated.

The domestic narrative is cautious. The international narrative is quietly opportunistic. The investors who will look back on this window as a good vintage are the ones reading both at once.

At Sandhütel, our approach has not changed: discipline over urgency, income over speculation, and always price what you buy correctly from day one.

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