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UK REAL ESTATE: A GLOBAL PERSPECTIVE

Prime residential markets in an era of uncertainty

Market Insights

2025 Vol. I

WELCOME

Our Market Insights reports investigate key trends and structural changes in the UK's prime housing markets.

This report—part of our ongoing collaboration with real estate researcher Yolande Barnes—explores the role of UK prime residential property on the global stage during a time of economic uncertainty and shifting investment priorities.

Through historical analysis, macroeconomic signals, and global pricing comparisons, the report suggests that prime UK property offers compelling value for international investors. With sterling still weak, gold at record highs, and real estate providing welcome stability, the conditions appear well-aligned for renewed overseas interest.

I hope you find this an interesting read.

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EXECUTIVE SUMMARY

- Prime residential property in the UK looks like a 'buy' for several reasons:
  - Prices in Prime Central London are back to 2013 levels.
  - In dollar terms, prices are even lower, below 2011 levels, making landed London houses particularly cheap on the global stage.
  - When compared to gold, prices are low, while also sharing some of its 'real asset' qualities.
  - Despite the recent rally, the British pound is still cheap against world currencies in relation to previous decades.
  - London and the UK have particular qualities among global cities and countries, making them an investible 'safe haven'.
  - Threats of global recession and uncertainty around conventional investment assets mean global equity will be looking for a secure, long-term home.
  - The same threats mean that there may be increased opportunities to 'buy the dip' over the next year or two.
  - Real estate has desirable qualities in comparison to other, more volatile assets.
  - The UK's established rule of law and legal title are important considerations for some overseas investors who cannot take them for granted.
- Other attractions for real estate investors can include a moderate climate, lack of geothermal and earthquake activity, social and religious tolerance, democracy, education, culture, language, time zone, familiarity, amenities, open spaces, stock quality, business environment, and financial capability.
- Historically, prime London markets have performed well after injections of overseas capital. Two out of three conditions which have attracted overseas capital in the past are present now; the third is uncertain. They are:
  - Cheap US dollar exchange rate.
  - Prices have fallen or not grown for several years.
  - There is a prospect of broader economic recovery.
- There are compelling incentives present for global investors to buy long-term, illiquid assets in safe jurisdictions that will not exhibit the price volatility of stock and bond markets.
- Real estate presents potential for portfolio diversification as it has behaved differently from stock and bond markets. This is particularly true of Prime Central London residential property.
- An analysis of residential prices against the price of gold suggests that Prime Central London property has rarely looked better value on the global stage. Prices are now at the same inflation-adjusted level as in the recovery year 1987; they have not reached this level of affordability since. Either gold is overpriced (possibly), or prime UK property is a 'buy'.

UK REAL ESTATE: A GLOBAL PERSPECTIVE

INTRODUCTION

What role does real estate play in tumultuous times? In particular, can prime residential property in the UK still act as a safe global asset class? This article looks at the price and value of prime property in London and the country on the global stage to determine whether it is a 'buy', 'hold' or 'sell' and how international markets might affect its growth prospects in future.

TRUMP'S TARIFF TURMOIL

Recent global financial turmoil in stock and bond markets has highlighted the need to diversify risk in any investment portfolio. The traditional 'safe haven' asset is gold, and it is not surprising that, at the time of writing (April 2025), the price of gold has reached an all-time high – albeit accompanied by a very high level of volatility. As the US trade war with China escalates, uncertainty and instability exist in all global markets, including stocks and bonds. Those unwilling or unable to profit from short-term fluctuations and market manipulations are increasingly seeking alternative assets to shelter their finances.

LONDON HOUSING IS A GLOBAL INVESTING TRADITION

It is often argued that London is a global city and has been for many centuries. As the heart of a trading nation, London has seen many different nationalities make it their home or part of an international portfolio of homes. In the late 20th century, a series of different nationalities chose Prime Central London houses and flats not only as accommodation for visits to the city but also as associated with safety, status, and other business and investment dealings in the UK.

The post-war era of housing acquisition by wealthy foreign nationals started in the wake of the tumultuous 1973 energy crisis, when the large amounts of wealth made in oil-producing nations sought a safe home in European and North American cities. Wealthy individuals were attracted to cities away from war zones, with an established rule of law and legal title. Also, climate, tolerance, education, culture, democracy, language, time zone, familiarity, amenities, open spaces, stock quality and a favourable exchange rate have played a part in attracting wealthy individuals and families to London.

HELPED BY MACROECONOMIC CONDITIONS

Many different international groups have repeated this pattern of safe haven investing over subsequent decades. Overseas purchasing activity in London tended to be particularly high in years when the following three conditions were met:

1. Property prices had recently fallen in nominal or real (inflation-adjusted) terms.
2. The value of the pound was low in overseas exchange markets (making UK assets appear even cheaper).
3. There was a ‘recovery play’. Economic contraction had occurred, laying the foundation for the likelihood of eventual economic recovery.

Purchases of London property using capital generated overseas have been particularly important in early-cycle UK housing market recoveries. Activity tends to start at the top end of the London market before extending to the prime country markets, the mainstream, mortgaged markets in the South East and beyond. These capital injections are particularly important in the ‘re-start’ phase of the cycle before mortgage lending conditions are ripe to boost weak local demand. Could this be the case again in 2025 or 2026?

TABLE 1: PRIME LONDON-LED HOUSING MARKET RECOVERIES

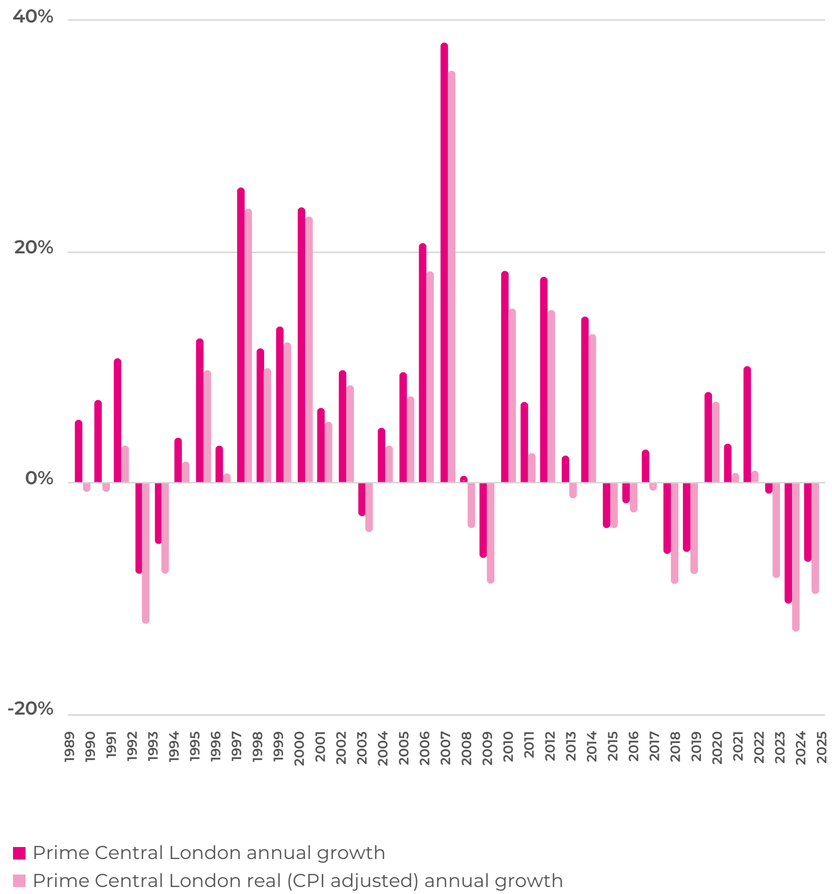
Recession period	GDP contraction	Fall in value of GBP v USD	First uptick in PCL overseas purchases	Year of GDP recovery
1973 – 1975	-6.1%	-31%	1976	1977
1980 – 1981	-4.3%	-55%	1983	1984
1990 – 1991	-2.0%	-14%	1992	1993
2008 – 2009	-6.3%	-28%	2009	2015
2019 – 2020	-21.2%	-35%	2021	2021

Source: ONS, Macrotrends, YBC

CURRENT PERFORMANCE

The Prime Central London residential market (Mayfair, St James, Belgravia, Knightsbridge, Kensington, Notting Hill, Holland Park, Chelsea, and South Kensington) has seen many fluctuations over the last 30 years, both nominally and inflation adjusted.

GRAPH 1: PRIME CENTRAL LONDON PROPERTY GROWTH (1989-2025)



Source: YBC, LonRes

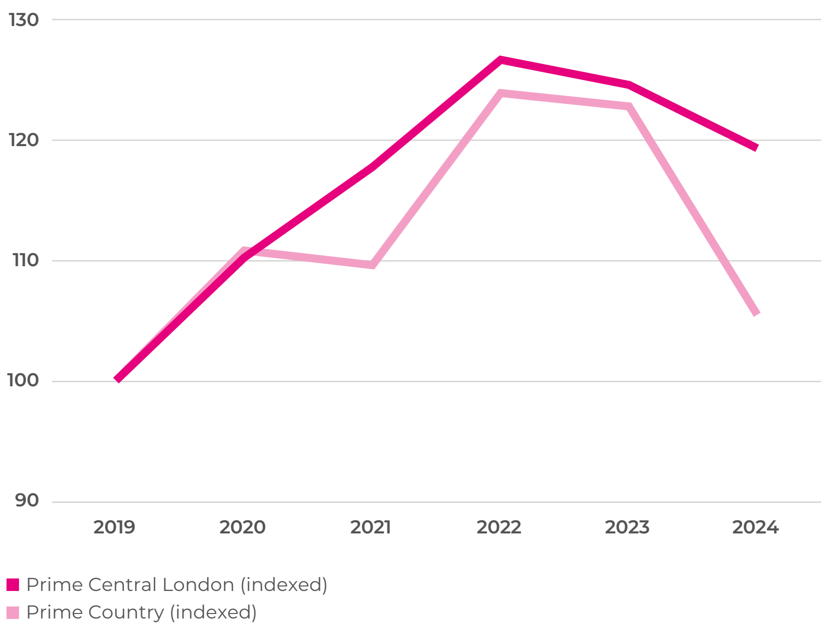
PRIME PROPERTIES HAVE SEEN LITTLE GROWTH

Unlike mainstream UK markets, Prime Central London values have fallen since September 2014, albeit with a brief reprieve during and after the COVID lockdowns. In the last 5 years, nominal prices are up just 5.5% on average.

Real estate presents potential for portfolio diversification as it has behaved differently from stock and bond markets. This is particularly true of Prime Central London residential property.

The prime country house market has recently shown similar growth patterns to the London market. The 10% most expensive properties in counties with the highest proportion of sales over £1m grew in value from 2019 to 2023 but fell in 2024. The early signs are of continued price declines for the first quarter of 2025 in both markets.

GRAPH 2: PRIME RESIDENTIAL PROPERTY VALUES (2019-2024)

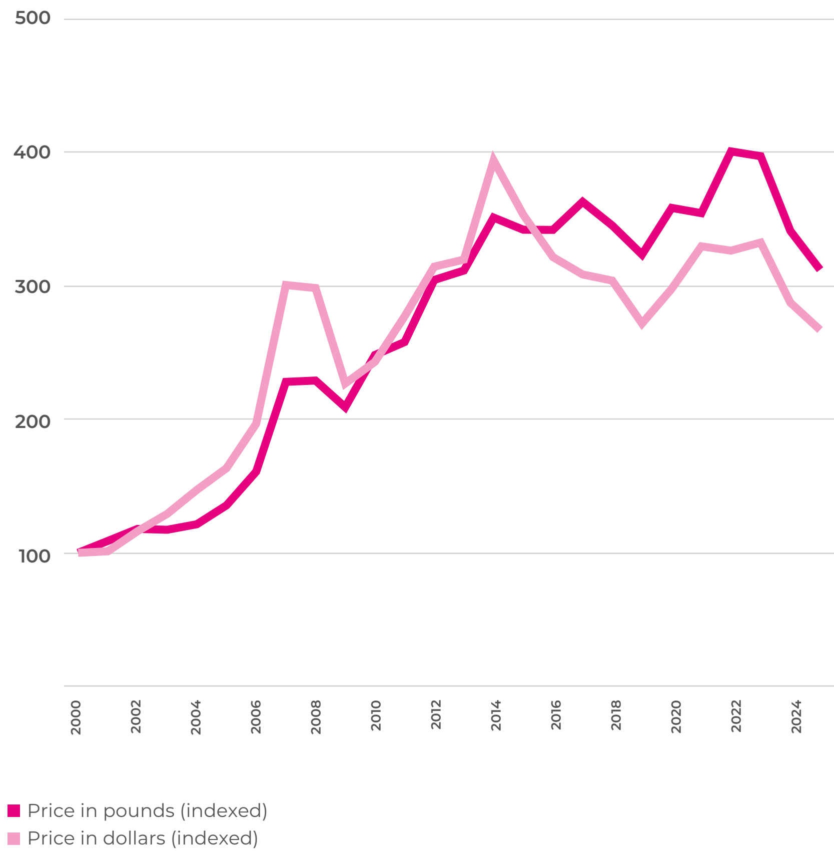


Source: YBC, LonRes

STERLING EXCHANGE RATES HAVE BOOSTED PURCHASING POWER

Priced in US dollars, Prime Central London residential property is back at pre-2011 price levels. Prime Central London homes have been cheaper for dollar buyers since 2016. The buying power of those holding the world's reserve currency is still very strong; London looks cheap on the global stage.

GRAPH 3: PRIME CENTRAL LONDON RESIDENTIAL PROPERTY VALUES (2000-2025)

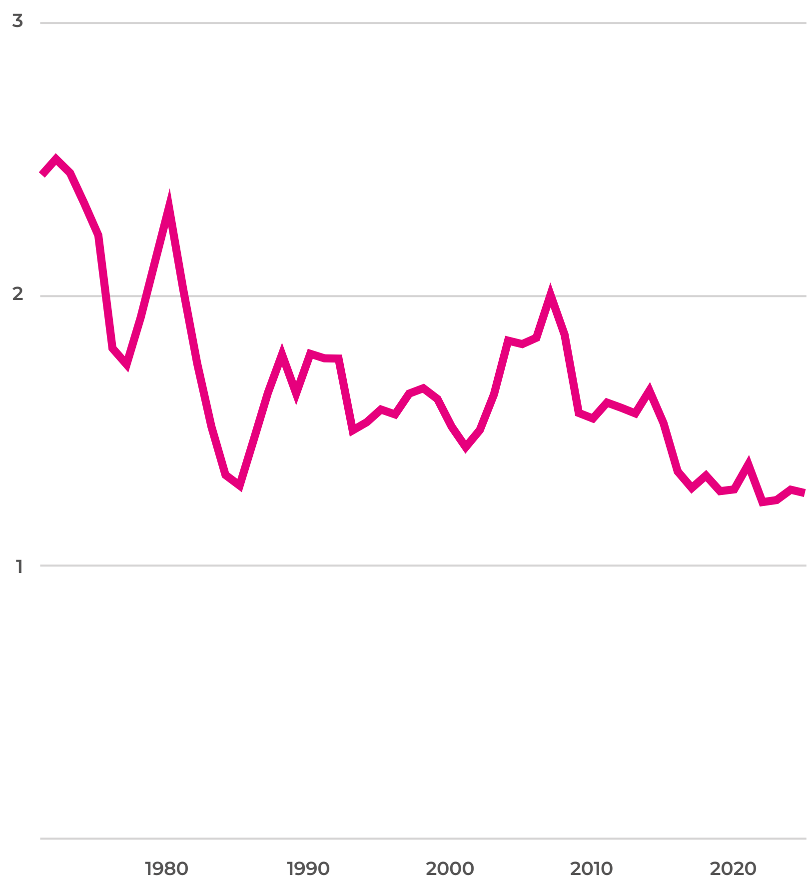


Source: YBC, LonRes, BoE

RESONANCE WITH PREVIOUS CYCLES

Some aspects of current economic and market conditions look similar to previous periods when overseas capital started to flow into the UK and kick-started markets. One of the most noticeable has been the weakness of sterling, which, despite recent recovery, is still very near its all-time low.

GRAPH 4: GBP(£) - USD($) EXCHANGE RATE (1971-2024)



Source: Macrotrends

EACH ERA IS DIFFERENT

While the three macroeconomic trends on page 8 seem to indicate the likely start of an overseas-led investment demand cycle in Prime Central London, the quality and shape of each successive market have differed considerably. Current events can trigger different market behaviours, and wider investing and business patterns can also play a significant role. For example, there was a large proportion of American buyers in Prime Central London in the mid-1980s. At this time, many US merchant banks were acquiring City brokerages in the run-up to financial deregulation in 1997. This commercial activity went hand in hand with high-end housing acquisition. The attraction of London as a home has always had a large part to play in its attraction as a financial market.

Other international homebuyers through the decades have been affected by fashions and social trends, some of which originate in different regions and cultures. Often, the first generation of Prime Central London buyers will buy the sort of properties that they are familiar with, either in their country of origin or through tourism, media and film. For example, it has been noticeable in the past that Chinese and Singaporean buyers, used to purchasing flats in new developments 'off plan' at home, extended the practice to the UK and have tended to cluster in areas like Vauxhall and Nine Elms, where there is a high number of newly developed properties.

TABLE 2: PRIME CENTRAL LONDON BUYER TRENDS (1970s-2010s)

Decade	Dominant Countries	Favoured Locations
1970s	Middle East	Park Lane, Bayswater, Knightsbridge
1980s	Europe & USA	South Kensington, Hampstead, Chelsea
1990s	Hong Kong & Singapore	Docklands, Kensington, Notting Hill
2000s	Russia & CIS	Mayfair, Belgravia
2010s	China	Vauxhall Nine Elms, Royal Docks

Source: YBC

The last 50 years have seen the Prime Central London residential market become more sophisticated, reflecting the city's success in attracting global capital and ultra-high-net-worth individuals (UHNWIs) and families to its shores. London is home to what is probably one of the most diverse diasporas in the world. It has long been seen as a market where both capital and people are secure and where there are relatively few restrictions and taxes on overseas nationals owning land.

Some of this international market extends beyond Greater London to locations outside the capital. Cities like Oxford, Cambridge and Edinburgh, with their educational establishments or exclusive estates like Wentworth and St George's Hill, see particular concentrations of overseas capital in housing. Otherwise, UHNWIs are spread across favoured counties in discreet estates and country houses.

IS LONDON PROPERTY COMPETITIVE ENOUGH?

Assessing the value of properties in international markets is quite different from looking at mainstream domestic prices, which are dependent on household incomes and mortgage rates.

The prime global market is determined by demand for global cities as places to live and do business. The relative value of UK country houses and prime London houses and flats will depend on how global markets perceive and prioritise the distinct features and attributes of each. Not all these attributes are financial.

According to Henley and Partners, London has the fifth-largest population of millionaires among world cities, numbering 227,000 at last count. This population will be most affected by turmoil in global investment markets and is also the most footloose in seeking other shores for their investments.

Unfortunately, an exodus of wealthy individuals from London has been underway for several years now. It likely has to do with issues caused by Brexit and previous non-dom measures dating from 2014. London's wealthy have fallen by 10% between 2013 and 2023. London is among just a handful of the world's 50 wealthiest cities to have seen net out-migration by millionaires and billionaires. Only Moscow and Osaka have seen more. Over the same period, all of the other European cities in the top 50 have seen a growth in the number of high-net-worth individuals of between +5% and +60%.

London and the UK more broadly clearly have their work cut out to reinvent themselves as desirable places for the UHNWIs to live, work, and invest again. This may seem like a tall order on the brink of a possible global recession, but there may be reasons for optimism. London's stock market, alongside Europe's, looks less overvalued and has, to date, been somewhat more resilient than other global bourses.

On top of this are the 'qualitative' reasons for the UK and London to re-establish as a 'safe haven' in the broadest sense. Qualities already mentioned, like the rule of law, political stability and 'soft power', could come to the fore. In a world where disruption is not confined to financial institutions, it may be that the UK's cultural and educational establishments will find themselves able to prosper from a 'brain drain' of students, academics and other talent from around the globe.

All this is a big 'if', but it may be that we become much more focused on relative performance than absolute return over the next few years.

ARE THERE ANY SIGNS OF OVERSEAS DEMAND?

According to the latest October 2024 estimates from the ONS, overseas visitor numbers to the UK are well up on post pandemic levels, (though still not back to where they were in 2019).

TABLE 3: ANNUAL OVERSEAS VISITORS TO THE UK (2019-2024)

2019	40.9m
2020	11.1m
2021	6.4m
2022	31.2m
2023	38.0m
2024P	34.9m

Source: ONS

Visitor numbers are generally related to inward investment and business activity, so the partial recovery in numbers is a hopeful sign. Visitors from the USA are an important component of the total number, reaching nearly 18% in 2022. This is a significant increase from 2020 levels. While the USA is seeing a substantial decrease in visitor numbers from overseas, this may not be reciprocated if Americans see overseas tourism as one type of import that the imposition of conventional tariffs cannot tax.

TABLE 4: USA VISITORS TO THE UK AS A PERCENTAGE OF ALL (2019-2024)

2019	13.2%
2020	10.6%
2021	12.4%
2022	17.6%
2023	16.1%
2024P	12.2%

Source: ONS

While the dollar's strength in the post-pandemic era appears to have significantly impacted the hospitality industry, it has yet to be translated into many real estate purchases. North American buyers have been underrepresented in UK markets compared to other nationalities. This dates from their significant involvement in the housing market of the mid-1980s, which went hand in hand with financial market activity and the acquisition of British businesses in the lead-up to the 'big bang'. The subsequent housing market crash of 1990-92 left some in negative equity and unable to sell when repatriated, leading some employers to place a ban on employee overseas home ownership. Consequently, US expats tend to have a culture of renting rather than buying.

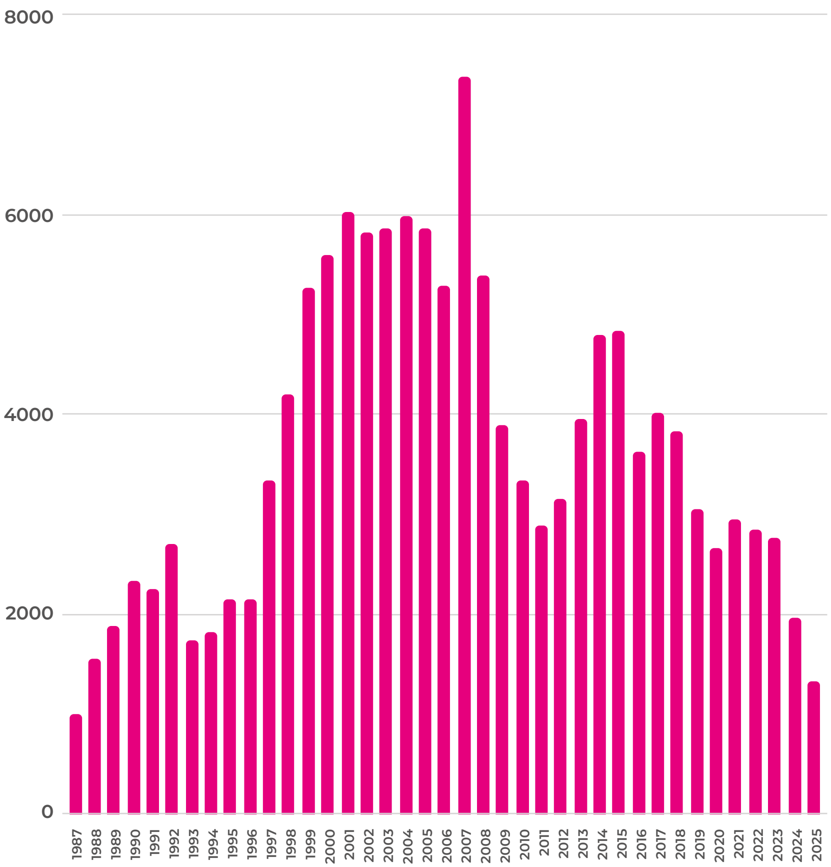
There is also a big question mark over the dollar's continued strength as markets continue to adjust to the 'Liberation Day' fallout. In the short term, this may make assets denominated in other currencies look slightly more expensive to dollar holders, acting as a theoretical deterrent to American purchasers. The counterargument to this is that, if the longer-term value of the dollar is believed to be threatened, US dollar holders may increasingly look for overseas assets, denominated in other currencies, as a longer-term hedge against dollar depreciation. Recent record highs in the gold price are testament to this, but real estate, particularly land and 'landed property' (usually freehold), can also be seen as just the right sort of asset investment to fulfil 'flight to safety' requirements. There is already anecdotal evidence of increased American buyers looking for Swiss real estate. Other currencies and real assets of choice may also come to include those denominated in Yen, Euro and sterling.

ARE THE UK PRIME RESIDENTIAL MARKETS CURRENTLY UNDERVALUED?

Like all direct real estate markets, residential property's lack of liquidity could be an advantage in a volatile world. The longer-term nature of the investment may make it less prone to price swings and short-term risks. Traditionally, property diversifies risk away from other asset classes, which is particularly important when bond and stock markets seem to have been suffering simultaneously.

Graph 5 examines the long-term and global value of property from a somewhat unconventional angle. It shows how many ounces of gold would have been needed to buy a Prime Central London residential property over the last 38 years. Using gold as a global standard of value, it incorporates elements of inflation adjustment, currency hedging, and global comparison.

GRAPH 5: WEIGHTED PRIME CENTRAL LONDON AVERAGE IN OUNCES OF GOLD



Sources: YBC, BoE, LonRes

This analysis suggests that prime London residential property has rarely offered better value on the global stage. Adjusted for time and global pricing, it now sits at the same relative level as in 1987, the recovery year, and has not been cheaper since. Either gold is overpriced (possibly), or prime UK property is a 'buy'.

CONCLUSION

Prime UK residential property appears well-positioned for long-term investors. Its enduring qualities—stability, physicality, and international appeal—stand out in an environment marked by economic uncertainty and shifting global markets. Values remain comparatively low in nominal and real terms, particularly when viewed in gold or dollar pricing. A weak pound continues to enhance overseas purchasing power, making the UK look good value on the global stage. Historically, these conditions have aligned with renewed international activity and early signs of recovery. While London faces the challenge of re-establishing its appeal to global wealth, the UK's strengths—legal certainty, educational excellence, and cultural reach—remain in place. For those seeking to reposition capital in a more defensive, long-term asset class, prime real estate offers diversification, security and the potential for future upside. This could be the moment to act for global investors seeking a secure, long-term home for capital.

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About the author

YOLANDE BARNES

Yolande Barnes has been examining and analysing real estate markets for over 35 years. As Director of World Research at Savills, she provided evidence-based advice to clients and thought-leadership in real estate. She set up and ran their UK residential research department, pioneering and developing new techniques for measuring place potential, land values and sustainable urbanism.

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