



London | September 2019

RESIDENTIAL MARKET OUTLOOK

The UK has a new prime minister but politics, personalities and the purse strings continue to hold sway across the London housing market. For those in the market, is now the time to act?

- Annual price growth across London fell to its lowest level since August 2009, prices fell by 3.1% in the year to May.
- Sales volumes across prime Central London up 6.6% in the first half of 2019, although remaining 20% lower than the 5-year average.
- Uptick in new buyer enquiries; the second half of 2019 may well prove a buyer's market.
- Average £psf for property across prime Central and Core London back to levels of 2014.

-3.1%

Annual price growth London
(UK HPI End May)

6.6%

Increase in sales across
prime Central London
2019 to date

£1,503

Average £psf achieved across
prime Central and Core
London, down 4.7%

30%

Increase in new buyer
enquiries*

RESIDENTIAL MARKET OVERVIEW

Across the capital the average price of a property is back to a level last seen at the start of 2016. In prime Central areas, prices per square foot are now comparable with five years ago.

Price Growth – Quarter v Quarter Source: Cluttons, UKHPI



Price Growth – Per Annum Source: Cluttons, UKHPI



Prices in the capital suffered their highest annual fall since August 2009 in the year to May (-3.1%), ending the quarter 2.7% lower than a year ago. Supply remains constrained while buyer enquiries have increased significantly quarter on quarter.

- Quarterly price falls now less than 0.5% in 10 Core London markets, with prices static or increasing across six. A year ago, price falls exceeded 2% in 11 Core London areas.
- £1 million to £3 million market across prime Central London performing well, with an 18% increase in sales during the first half of 2019 compared to a year ago.
- Buyer enquiries are on the up, with high levels of interest in markets such as Wapping and Shad Thames.

Across prime Central and Core London price reductions remain commonplace. To date in 2019, 85.5% of properties have been reduced in price prior to the point of sale. This compares to a level

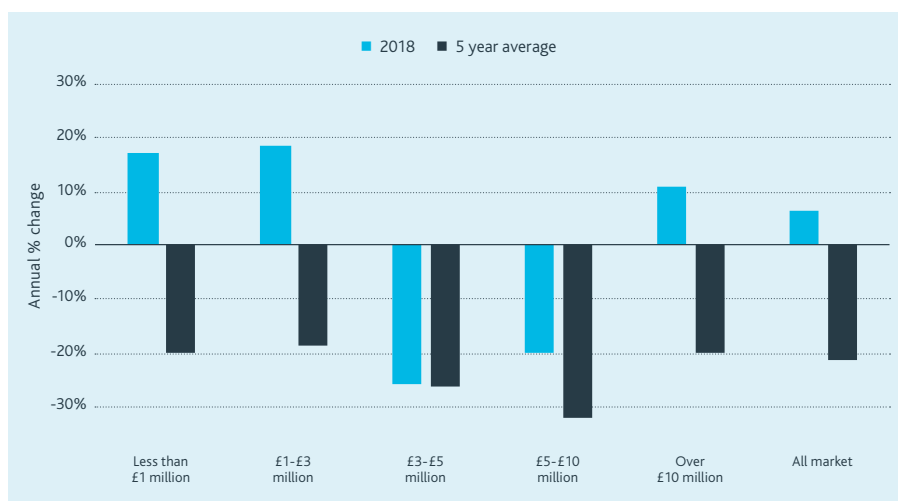
of 90% in the final quarter of 2019. In most cases prospective purchasers are on the mark with offer levels, and realistically priced properties continue to attract interest.

Brexit is the main predator in the super prime market, for the sub-million market affordability assumes that role. Every location has a price point and areas where the market has readjusted to such levels are bucking the London trend

Super-prime boost

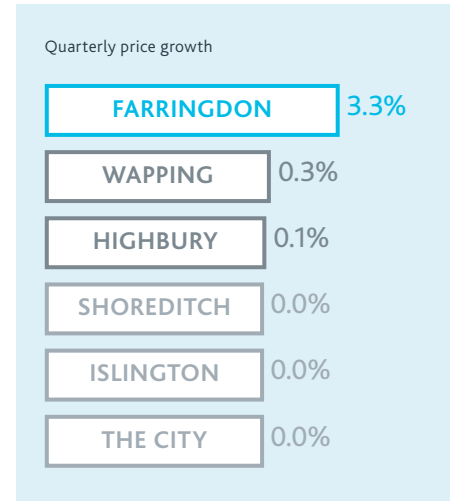
Twice as many super-prime (+£10 million) deals completed in Q2 2019 compared to a year previously across prime Central London, as buyer discounts for overseas purchasers have been pushed to record highs. Effective discounts are now over 25% compared to June 2016, as sterling fell to a new post-referendum low against the US\$ during the second quarter.

Sales volumes increase at the extremes of the market during H1 2019



Source: dataloft, LonRes, prime Central London

Bucking the trend



Source: Cluttons

RENTAL MARKET OVERVIEW

Demand for rental properties remains strong across the capital. A supply-demand imbalance is fostering the return to rental price growth in many markets, with prime lets at record levels.

Rental Growth – Quarter v Quarter Source: Cluttons, UKHPI



Rental Growth – Per Annum Source: Cluttons, UKHPI



Rental price growth across the capital is gathering pace, with values up by 0.9% year on year compared to a 0.2% fall at the same point a year ago. In prime Central and Core London price growth quarter on quarter is in positive territory for the first time in nearly four years.

Renewal levels are high as many tenants are choosing to stay put and extend existing tenancy agreements. The exclusive locations of Chelsea, Knightsbridge and Mayfair remain favoured destinations for prime lets (+£5,000 per week).

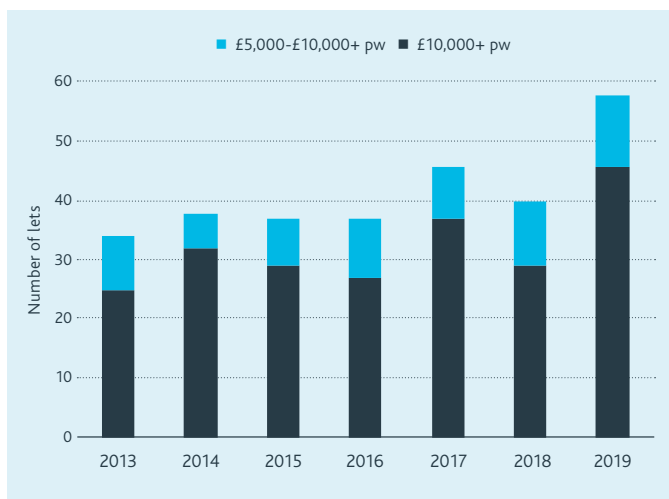
New supply for prime rental properties slowed during April to June, however the number of prime lets hit a new record high

Demand and supply

Levels of new supply to the market across prime Central and Core London remains lower than a year ago, however the second quarter saw a swathe of new property enter the market. Instructions to the market were up 10.4% compared to the first quarter, virtually double the average increase over the past five years of just 5.4%. Stock levels however remain low.

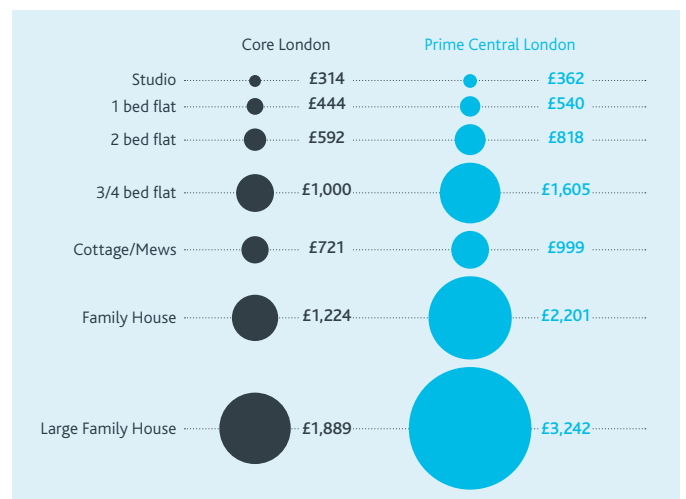
- Studio and one bedroom apartments in Core London have experienced the largest increase in rental values over the past year at 2.3% and 1.4% respectively. 86% of agents polled by LonRes flagged up a lack of stock for such properties.
- Across Core London markets rental values have risen in many markets, Shoreditch (2.5%) and Farringdon (2.3%) currently recording the highest rates of growth.

Prime rentals at record levels



Source: dataloft, LonRes, prime Central London

The price of rental property (per week)



Source: Cluttons

FORECASTS

Sales

Continued uncertainty has led us to downgrade forecasts for 2019 across the UK. We now expect prices across prime Central London to fall by 4% over the course of the year. Any overhaul to stamp duty may well prove a turning point for sales volumes, if not for prices, in the immediate term.

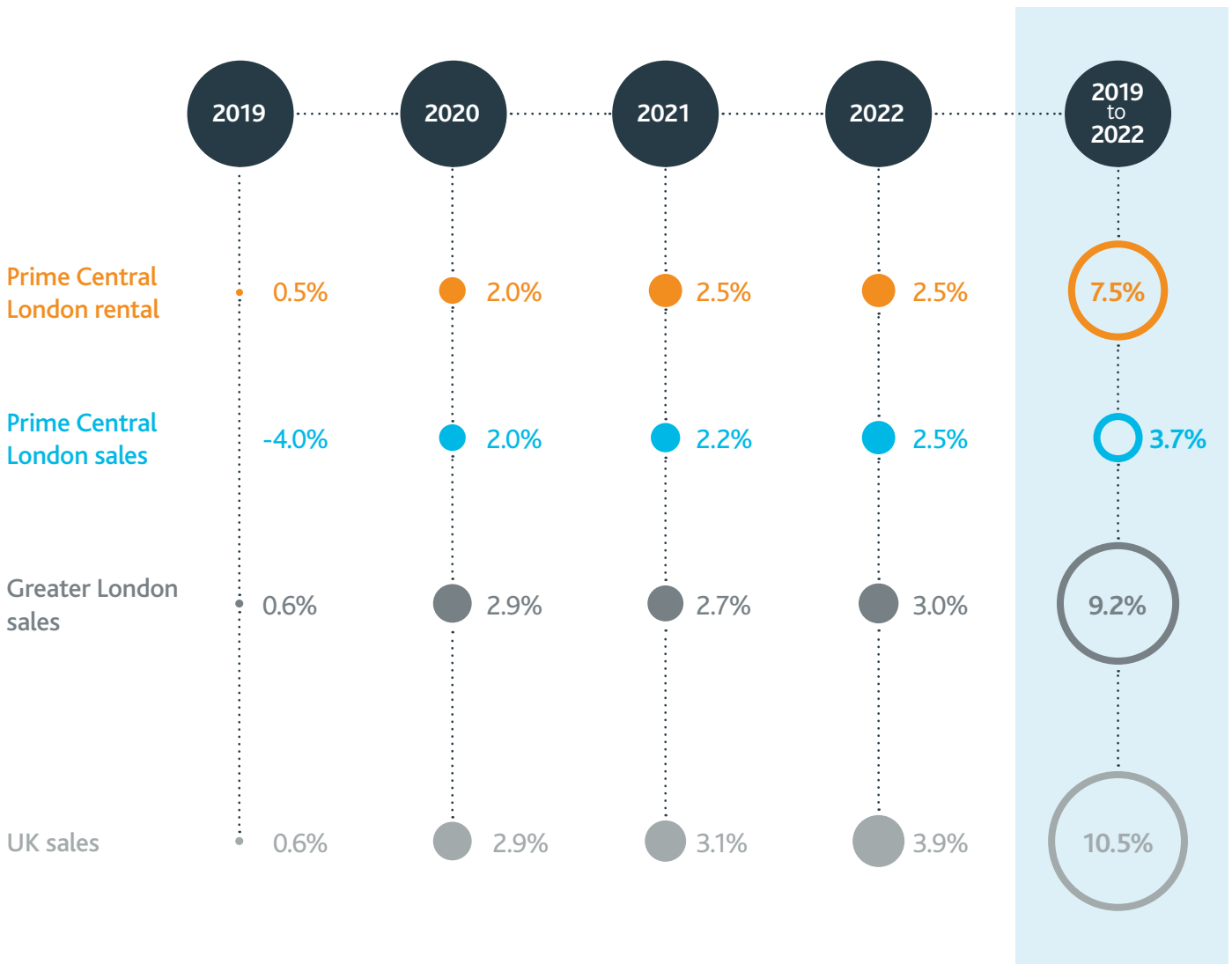
Price growth across the UK is set to outpace the capital over the next four years, the value of property set to increase by close to £25,000 by 2022. We anticipate the respective price change across greater London to be just below £44,000.

Rental

Our expectations for rental price growth remain largely unchanged, with a compound growth of 7.5% over the next four years outperforming the prime Central London sales market.

For the first time in nearly four years, Q2 2019 average rental prices across prime Central London have shown an uptick quarter-on-quarter and our expectation remains that values here will rise by 0.5% over the course of the year, with a 2.0% increase in 2020. We anticipate more steady growth between 2020 and 2022, with growth in the sales and rental market set to realign in 2022.

Q2 2019



Source: Cluttons, Experian

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Prime Central London: Belgravia, Chelsea, Covent Garden/Soho, Holland Park, Hyde Park, Kensington, Knightsbridge, Marylebone, Mayfair, Notting Hill, Regent's Park, South Kensington, St James's, St John's Wood, Westminster

Core London: Canary Wharf, Clerkenwell, Earl's Court, Farringdon, Fitzrovia, Fulham, Hammersmith, Hampstead, Highbury, Islington, King's Cross, Maida Vale, Shad Thames, Shoreditch, South Bank, The City, Wapping

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