

## Prime Central London Market Report – April 2016

### SALES:

Pricing is Key.

Agent Experience is essential in achieving best execution.

Domestic buyers account for 60% but little interest from America's due to transaction tax.

Volumes expected to slow.

Limited observed price movement suggest no forced sellers, but transaction tax has stopped aspirational moves.

Our apologies to fellow Agents, but we are busy!

### SALES

Pricing is key in this market. Taking into consideration the available for sale stock which is not advertised, in addition to the stock on the web portals, there is oversupply which means that this remains a buyers market. This does not mean however that the lowest price wins.

At this point in the cycle, experienced agents come into their own and through carefully crafted pricing and marketing strategies, we have been able to achieve a number of sales this month including 2 on Redburn Street in SW3, and in so doing achieving the highest price paid per square foot on the street. Understandably we are reluctant to share our process in writing (why give the competition a leg-up?) but we would be happy to walk you through how we are doing it by phone or in person.

Our applicants are 60% domestic and 40% overseas investors, arriving from Europe, the Middle East and Asia. We are seeing little to no interest from The Americas even with the more favourable exchange rate. Our US Licensed Realtor (based in our office) reports that her clients are simply not prepared to pay stamp and agents costs of over 12% up front when the equivalent in the US is 7% (Plus 6 monthly property tax at 1-1.5% per annum). The upfront amount is psychologically too much.

We anticipate volumes however to slow in the lead up to the 23<sup>rd</sup> June and, depending on the result ("In" maintaining the status quo and confidence; "Out" producing uncertainty and therefore limited transactions) will either pick up or slow as we go into Q4.

### Market Update provided by Lonres.com for Q1 2016:

Sold Property Data Q1 2016	Annual Change in Price	Annual Change in Transactions	Average Achieved Price per Sq Ft	Houses as % of properties sold
Chelsea	0.30%	-33%	£1,670	21%
Kesington, Notting Hill, Holland Parl	0.40%	-7%	£11,370	25%
Battersea, Clapham & Wandsworth	2%	-19%	£862	26%
Fulham & Earls Court	-1%	32%	£1,033	27%

Our analysis of the above suggests that whilst we would expect the annual price change to be greater, given the change in transactions, this has not happened due to low interests rates. Mortgages are affordable so Home owners are moving as a result of probate, divorce or family necessity rather than for aspirational reasons. The latter has been subdued to the cost of Stamp Duty often being much greater than the cost of extending the existing home. We expect this trend to continue unless Council Tax is increased (please see our research on the New House Price Index). Notwithstanding, the above data, Lonres also show that house prices are lower by £300 per sq ft in Q1 vs 2014 in Chelsea (for example)

## LETTINGS:

**Additional Stock putting pressure on Rents.**

**Void Periods are the single biggest risk to maximising rental returns.**

## SALES:



**Jamie Hope**  
**Managing Director**  
**0207 581 2216**  
[jamie@maskells.co.uk](mailto:jamie@maskells.co.uk)



**Merton**  
**Croisdale-Appleby**  
**Development Director**  
**0207 581 2216**  
[merton@maskells.co.uk](mailto:merton@maskells.co.uk)

## LETTINGS:



**Peter Hermon-Taylor**  
**Managing Director**  
**0207 581 2216**  
[peter@maskells.co.uk](mailto:peter@maskells.co.uk)

## LETTINGS

Whilst house prices have remained predominantly flat, we have seen an increase in supply of stock in the lettings market. This may well be due to vendors now placing unsold stock on the lettings market, which has led to pressure on Rents.

Certainly, we have seen a reduction above £850 of approx. 15% in the last quarter. Lower applicant requests may well be driven by businesses continuing to recruit domestic employees to avoid relocation costs and / or waiting for the result of the Brexit vote.

Our main advice to Landlords is to "Avoid the Void". A void period is where the property remains empty either as a new property to market or between tenancies. Why is this so important: a property which is being marketed at £1,000 a week is expected to generate £4,333 per month gross for a Landlord. If an offer of £850 is rejected (being £3,683 per month) and the property remains empty, the landlord loses £4,333 rather than £650 for that month. Holding out for a higher rent over 2 months produces a loss of £8,666 to the landlord vs £1,250 if the lower rent had been accepted. At the end of a 12 month period, had the landlord accepted the lower offer the gross rent would be £44,196 for 12 months vs £43,330 for 10 months (assuming the property rents at £1,000 a week at that point). The landlord would however need to deduct Council Tax and Utilities for the 2 month void period further reducing the return. The point being that is in this market all offers should be considered and rejecting what appears to be a low offer may be a false economy.

Landlords must also remember that the Lettings Market is just that – a market - which can be volatile. The Assured Shorthold Tenancy Agreement you sign may provides a 6 month break clause so, unless otherwise negotiated, a Landlord may choose to break the contract if market prices move materially in their favour. A close relationship with your lettings agent is key to keeping track of Market Pricing.

Established in 1965, Maskells is one of the oldest independent estate agents in Prime Central London. With multi-lingual staff and a full sales and ARLA registered lettings operation, Maskells gives you access to an unrivalled depth of property expertise, experience and local knowledge. Our Agency offering and post transaction services, via concierge sister-company White Circle Collection, [www.whitecirclecollection.com](http://www.whitecirclecollection.com), provide a one-stop solution for all Prime London Property requirements.