MASKELLS

Agents in Prime Central London since 1965

Prime Central London Market Report – MAY 2016

COMMENTARY:

It's not Brexit, Mr Osbourne – It's You!

The Chancellor has warned that a vote to leave the EU would hit UK house prices by between 10% and 18%. This may be a bit of misdirection, in our opinion, as the Chancellor seems to doing a fine job in achieving this reduction himself.

Changes since 2014 have shown that the market is still finding its' feet across 104 postcodes we analysed.

Whilst overall house prices in the UK have risen, parts of London have not. Our Analysis of 104 postcodes in Prime Central and the South West London market, using data from Land Registry compiled by LonRes, shows that the Market is still finding its feet. The table below shows the number of postcodes which have shown and increase/ decrease in average property value per SDLT band and the percentage of that increase / decrease.

104 Postcodes in Central and South West London	Change in Average Price Q4 14 to Q1 15 & postodes showing gains/losses				Change in average Price Q4 14 to Q1 16 & postcodes showing gains/losses			
SDLT Band	**No. Up**	**Av Increase**	**No. Down**	**Av. Drecrease**	**No. Up**	**Av Increase**	**No. Down**	**Av. Drecrease**
£250,000 to £925,000	34/58	15%	24/58	-12%	48/58	22%	10/58	-9%
From £925,000 to £1.5m	10/21	16%	11/21	-14%	6/21	17%	15/21	-11%
From £1.5m upwards	4/25	48%	21/25	-35%	5/25	27%	20/25	-36%
TOTALS UP/DOWN %	46%		54%		47%		53%	

Source: Land Registry, provided by LonRes, Calculations Maskells. *We used Q4-14 to Q1 15 and Q4-14 to Q1 16 as a date rage as we wanted to show the effect of the increase in SDLT. However for the Volume calculations below, we used Q1 14 to Q1 16 so that the figures would be seasonally comparable.*

Bottleneck at £925,000 SDLT band has pushed prices in that band up more than any other.

Whilst there seems to be a status quo with the number of postcodes showing gains and losses, we can see that the market up to £925,000 has shown the most number of increases, demonstrating the difficulty in jumping from one SDLT band to another due to additional costs.

Volumes however are down across all SDLT bands in our sample which indicates a Bear Market.

However the biggest shock is the drop in volume. Our Analysis of volumes from Q1 2014 to Q1 2016 show a **41.3%** drop for the £250,000 to £925,000 SDLT band in our 104 postcodes. In the £925,000 to £1.5m band we see a drop of **47.8%** and above £1.5m a drop of **58.2%.** Of our sample of 104 postcodes, the only areas which saw an increase in volume were SW20 9XX; SW8 5XX. This is important as rising prices which are not supported by rising volume are, in the financial markets, usually an indicator of a bear market. We will examine property trading patterns and market strengths in a research piece this summer.

Bid / Offer in the market is almost 10% as noted by Lonres at the end of April.

LonRes, in their report "Great Expectations – The Gap between asking and achieved prices" (April 2016) noted that agreed sales prices for properties sold in Q1 2016 were on average 9.1% below the initial asking price and for properties over £5m an average of 11.1%. The pressure on pricing we have seen since the introduction of the new SDLT bands remains.

But Bookies show an 82% probability of staying in Europe so we expect an uptick in activity.

Nevertheless, activity has also been delayed by buyers waiting for the result of the BREXIT vote. Whilst newspaper polls suggest a 45% vote to stay and 43% vote to leave with 12% undecided (FT poll of polls 7th June 2016), the odds at the Betting Companies suggest an over 70% % probability that we remain in Europe. As punters tend to follow their bet when voting, the odds give a good indication that we will stay in the EU. We do expect to see some increase in activity but properties which are due to come on the market post Brexit are already being quietly marketed (please call us re this point as we do have several off-market houses and flats we are quietly pre-marketing).

Canny buyers may seek to transact prior to the vote.

But demand for housing remains and we must now accept this Market as the "new" normal.

For potential buyers (specially overseas buyers as Sterling weakens in the lead up to the 23rd June), it may however be a canny move to buy this side of the Brexit vote in light of the betting odds but be under no illusion, the market has been fundamentally changed as a result of the Chancellor's actions over the past 24 months and his blaming further housing market turmoil on BREXIT is just a further poke in the eye to the market. We are unlikely to see a spike in prices any time soon in Central and SW London – Brexit or no Brexit - and one must remember that the demand for housing remains. Even with the bottleneck at £925,000 SDLT mark, It is time to accept the change and move on and as to Mr Osbourne – we will each have an opportunity to express our own views at the next election because in hindsight, anyone looking to sell in the South East and London now and in the future, may well have preferred a Mansion Tax to the current situation.

SALES

With current market conditions creating a situation where transaction volumes have dropped significantly, we have been active with a number of our properties going under offer of late and reaching exchange of contracts. Maskells has developed a particular sales technique which has led to us achieving a record price in the Abbeville Village (Crescent Lane) SW12, as well as taking 2 properties (Brechin Place SW7 and Glycena Road, SW11) to competitive bids. There are buyers in the market and Maskells continues to deliver value to our Vendors. This month we will be bringing to market 2 Chelsea homes (SW3) at the £8m price point.

LETTINGS

Since January 2016 stock levels in Prime Central London have risen steadily from 7,802 (Jan) to 10,949 (May). Underlying activity levels (number of Lets per month) however have remained stable at between 2,000 – 2,200 lets per month. In any market, an increase in supply of nearly 30% coupled to static demand is going to have an impact on prices achieved and our market is not immune to these fundamental economic forces. The good news for Landlords is that well-priced and presented properties are still letting. To illustrate this statement, Maskells enjoyed a record month in May for new Lets agreed and has achieved within 6% of asking price for our clients properties let within the month including a Lennox Garden Mews (SW3) house which we let in just under a week at 98% of the asking price.

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 , provide a one-stop solution for all Prime London Property requirements.

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