

SALES MARKET

Average prices across the capital were 3.8% lower in the year to the end of February, according to the UK House Price Index, the lowest annual level of house price growth since September 2009. Knight Frank report that across prime central London average prices were down 5.1% in the year to the end of March, while LonRes report at £1,366 average prices per square foot were 5.7% lower in the first quarter of 2019 compared to the year previously.

Across prime central London transaction volumes across the market in the first quarter of 2019 were just 1.3% down on 2018 (LonRes), with buyers, especially at the lower end of the market, keen to complete deals. There was a 9% increase in sales of properties priced less than £1 million, while property sales between £1-£3 million also showed an uptick. In comparison sales of mid-market (£3-£5 million) and ultra-prime (£10 million+) properties fell sharply, undoubtedly the result

of the political mayhem surrounding Brexit.

Knight Frank report an 11.3% increase in the number of new prospective buyers registering in prime central and prime outer London in the year to March, with a 14.3% increase in the number of offers. In contrast, new listings fell by 12.5%. The ratio of new buyers to listings now stands at 9:1, a record high. The imbalance between demand versus supply clearly indicates the potential for upward pressure on activity and prices once clarity emerges. While the announcement that the Brexit exit date has been pushed back to 31st October 2019 has resulted in a calming of the political storm, its impact on the property market is as yet unknown. Much of the year may well be marked by continued low sales volumes and price weakness as buyers and sellers remain hesitant.

FISCAL POLICY

The government consultation on a proposed 1% surcharge on Stamp Duty Land Tax for non-UK residents, those who have spent less than six of the last 12 months living in the UK and non-IL based companies, partnerships and trusts, will close on 6th May 2019. The consultation is at the lower end of the 1-3% originally mooted in the November 2018 budget, and if accepted would increase the tax liability for an overseas second home buyer of a £2 million London property from £213,750 to £233,750. This equates to just under 12% of purchase price.

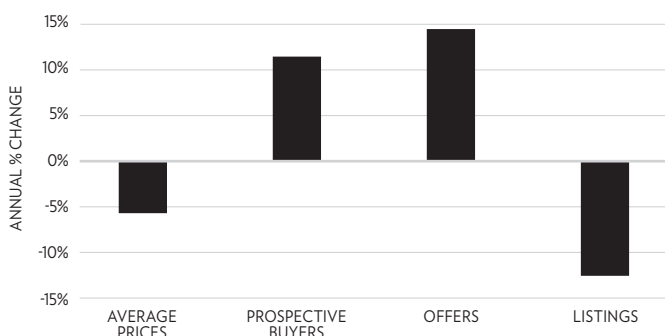
In a separate consultation, open until 6th June, the government is seeking views on the EU's Fifth Money Laundering Directive which would require high-end lettings agents dealing with rental deals of €10,000 per month or more to undertake due diligence on prospective tenants.

ECONOMIC BACKDROP

The UK economy grew at a faster rate than expected in the three months to the end of February, registering growth of 0.3% according to the ONS. Month on month, the economy grew by 0.2%, whereas economists had expected it to remain static. Government borrowing also fell to its lowest level in seventeen years. The ONS report that borrowing in 2018-2019 was

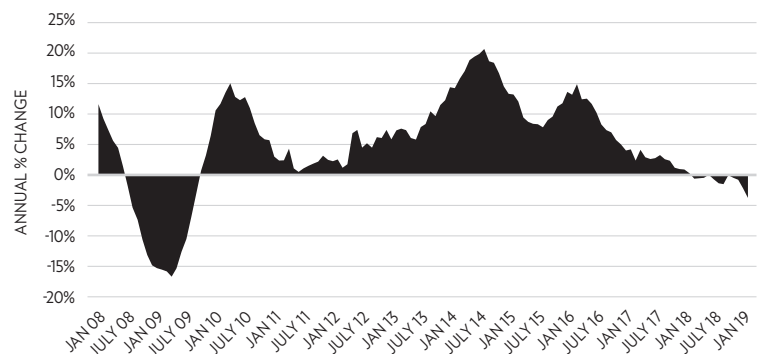
equivalent to 1.2% of GDP, down from 10% at the height of the financial crisis. UK employment stands at its highest rate since records began in 1971, with growth in wages continuing to outpace inflation; positive news for household finances. The value of sterling against both the Euro and US\$ has strengthened, up 4.0% and 2.6% respectively since the start of the year.

THE PRIME LONDON MARKET



Source: dataloft, Knight Frank, LonRes (year to the end of March 2019)

ANNUAL PRICE GROWTH ACROSS LONDON AT ITS LOWEST LEVEL SINCE MID 2009



Source: dataloft, UKHPI

RENTAL MARKET

Annual growth in rental values across London reached 0.5% in the year to March, the strongest growth across the capital since November 2017 according to the IPHRP produced by the Office for National Statistics. This compares to average annual growth of -0.1% over the previous 12 months. Across prime central London, rental values posted growth of 1.1% in the year to March according to the latest index from Knight Frank, while across outer London values have risen by 0.6%. LonRes report average rental values during the first quarter of 2019 were up 1.0% on the 2018 average. Average asking prices for properties across the capital rose by 2.9% in the three months to March,

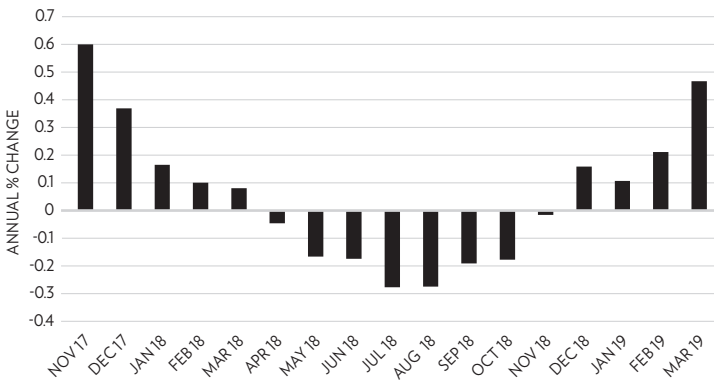
compared to a fall across the rest of the UK of 0.2% (Rightmove).

Rental values have strengthened as demand has continued to outstrip supply. In prime central London, Knight Frank and Rightmove report the number of new listings in prime central London fell 9.2% in the year to February while the number of new tenancies agreed was up 0.2%. Unsurprisingly since the confirmation of the introduction of the Tenant Fees Bill from 1st June, demand has fallen. LonRes report a 12% drop in the number of properties let across prime central London in March compared to a year earlier.

With continued uncertainty in the sales market prime lettings activity (+£5,000 per week) continues to remain buoyant. Over the past six months LonRes report such lets accounted for 1.2% of all tenancies agreed, the total weekly value of lets agreed at this level close to £646,000 per week.

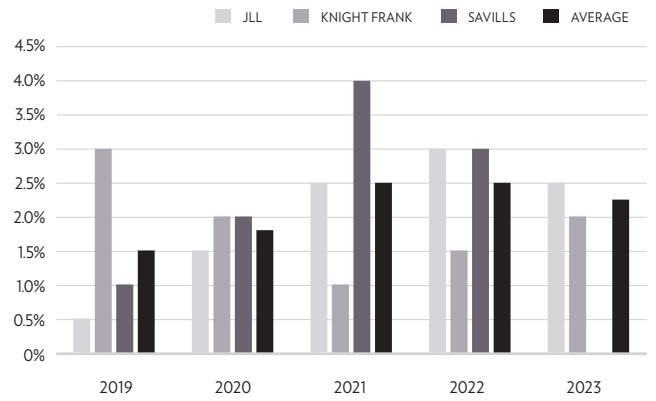
An average of independent forecasts anticipate rental values across prime central London will rise by 1.5% over 2019 after which growth is predicted to strengthen to 1.9% in 2020 and 2.5% in both 2021 and 2022. Compound growth in the region of 9.1% is anticipated over the next five years (2019-2023).

ANNUAL RENTAL GROWTH ACROSS LONDON REACHES HIGHEST LEVEL IN 16 MONTHS



Source: dataloft, ONS Index of Private Housing Rental Prices

FORECASTS FOR PRIME CENTRAL RENTAL GROWTH



Source: dataloft, JLL, Knight Frank, Savills

GOLDEN VENN PERSPECTIVE

While many buyers and sellers are understandably hesitant, watching the market carefully and biding their time, both the number of new prospective buyers registering and the number of offers being made increased in the year to February.

A growth in rental values in the year to March has led to a renewed focus on this section of the market, reinforced by a predicted compound growth of 9.1% over the next five years.

London has maintained its position at the top of many global league tables, but the delays to decisions surrounding Brexit has impacted the PCL property market. The resulting fall in the number of new properties which have been listed for sale has created disparity between supply and demand. This does however bode well for a potential upward pressure on both prices and market activity once there has been a resolution to this uncertainty.



Golden Venn is a boutique firm specialising in advising international buyers on the acquisition of investment properties in prime central London and other major cities around the world.

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