

SALES MARKET

Annual price growth across London is in positive territory for only the second time in nearly two years, according to the latest edition of the UK House Price Index. Prices in London rose by 0.2% in the year to November. At 2.2%, UK growth is at its strongest level in 12 months. Across the prime London markets, Boris Johnson's decisive election result in December created a clear sense of direction and an instantaneous effect. Far from being unlucky, data from LonRes shows the number of sales completed on Friday 13th was the second highest daily December total since the rush of sales on 3rd December 2014 prior to the stamp duty overhaul. Transactions in December were at their highest monthly level since March 2016, prior to the introduction of the 3% SDLT surcharge. Over twice the normal monthly level of £5 million+ sales took place, the most active this price point has been since the summer of 2013 (Lon Res).

Pent-up demand has undoubtedly been building across the market throughout 2019

and as we head to the spring this looks set to boost activity. The window of opportunity however may be shortlived. The potential introduction of an additional surcharge for non-resident UK purchasers, plus the erosion of the Sterling discount are both set to impact overseas purchasers. Stock levels also remain low. Across prime central London new instructions to the market over the course of 2019 were down 20% on 2018, year-on-year instructions in the final quarter down over 10%. It is hoped with more clarity, prospective sellers will enter the market over the coming months.

While annual price falls have epitomised the market in recent years, an average of independent forecasts predict modest but positive price growth of 2.3% across prime markets and 1% across the capital as a whole, during 2020. Compound growth until 2024 is predicted to be 18% and a net balance of London surveyors are the most positive with regard to price growth for over four years (RICS, December 2019).

FISCAL POLICY

The first budget since 2018 will be delivered by Sajid Javid on March 11th. The budget pledges to "unleash Britain's potential [and] usher a decade of renewal" with a greater regional spread of investment. We may also see the introduction of an additional Stamp Duty Land Tax surcharge for non-UK resident purchasers, both individuals and companies. Such a charge could mean a top SDLT rate of 18%, rather than the current 15% for some non-resident buyers, on a purchase price that exceeds £1.5 million.

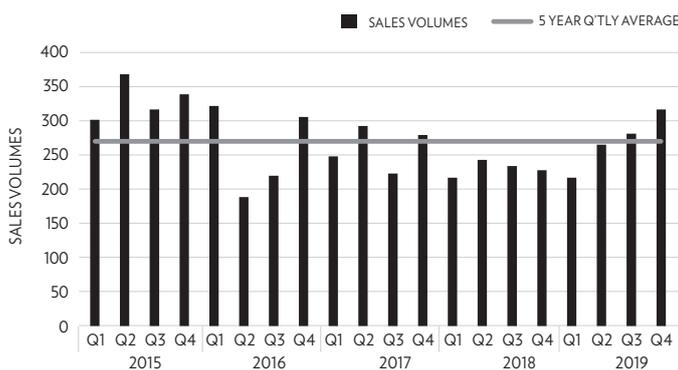
New rules on Capital Gains Tax also come into force from April 2020; individuals and trustees disposing of residential property will be required to make their tax payment on account within 30 days of sale completion.

ECONOMIC BACKDROP

UK inflation fell to its lowest level in over three years in December, fuelling speculation that the Bank of England may well cut interest rates in the near future. At 1.3%, the Consumer Price Index is significantly lower than the Bank's 2% target. Despite predictions that the UK economy will have grown by just 1.3% over the course of 2019, its lowest

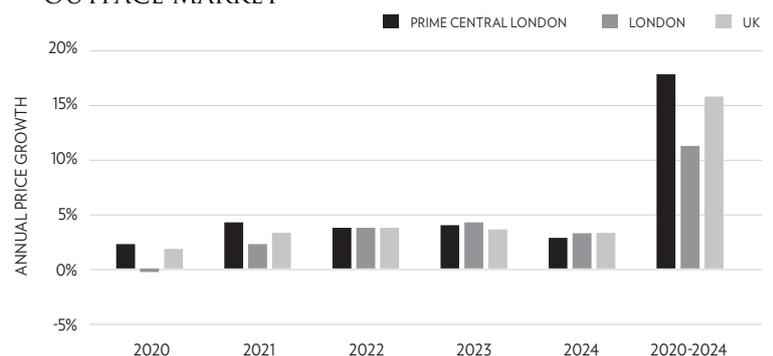
level since 2009, consumer confidence in the economy over the next 12 months saw a 7 point jump in the GfK consumer confidence tracker in December. The FTSE 250 posted its highest daily rise in a decade following the election result, while the value of Sterling against other global currencies has also risen.

ACTIVITY ON THE UP



Source: dataloft, LonRes prime central London

CAPITAL GROWTH ACROSS PRIME AREAS FORECAST TO OUTPACE MARKET



Source: dataloft, average of independent forecasts

RENTAL MARKET

In the year to December rental values across London rose by 1.2%, the highest annual rate of growth since August 2017. According to the official Index of Private Housing Rental Prices this represents the 13th consecutive month of positive price adjustment across the market. Against a backdrop of low supply, as policy changes continue to impact the buy-to-let investor market, and continued tenant demand, it is unsurprising that at 2.2% price growth across the capital's rental market is anticipated to outpace the sales market over 2020.

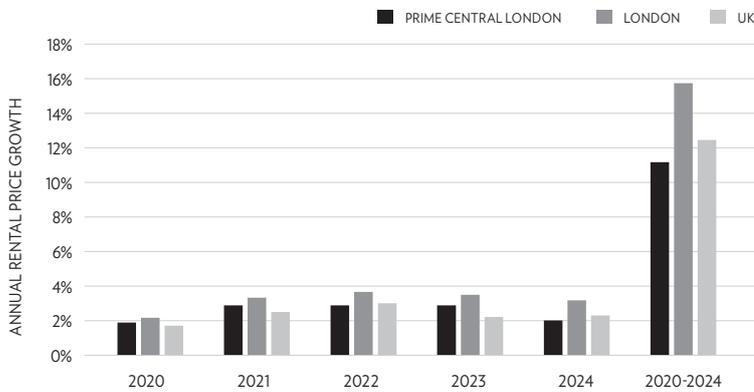
Rental values across prime central London also continue to edge upwards, up 0.7% year-on-year according to Knight Frank, with

price growth across prime outer London standing at 0.4%. LonRes report new instructions to the market in prime central London fell 4.2% in 2019 year-on-year, with instructions during the final quarter down 10% over the same period, their lowest level in six years, as many awaited the election outcome. Heightened confidence in, and a return to capital growth across the sales market is likely to exert downward pressure on stock levels over the coming year as prospective landlords may well choose to market for sale not rent.

Prices however will remain underpinned by tenant demand which is set to remain steady, especially across the core market (<£1000 per week). Knight Frank report there is an average

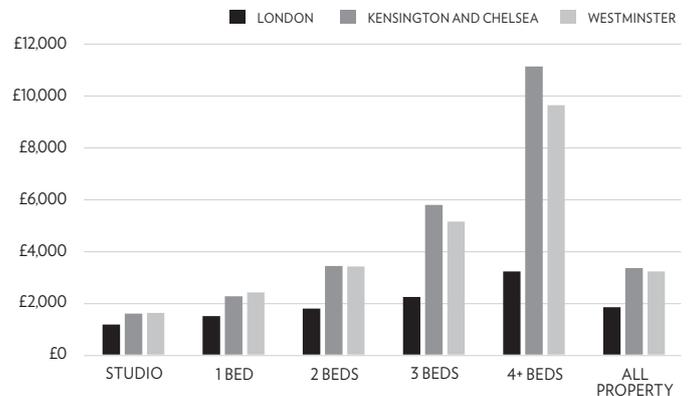
of 7.5 new tenants per listing for properties marketed at <£1000 per week, compared to just 3.4 for those marketed at £1000-£4000 per week. Throughout 2019, 69% of tenancies across prime central London were let for less than £1000 per week, an additional 28% let between £1000-£4000 per week, with Knight Frank reporting annual price growth across the lower price brackets continues to outperform the market as a whole. The average price for a property across the capital is now £1697 per month, rising to over £3000 across the prime residential districts of Kensington & Chelsea and Westminster, with prime properties (top 25%) attracting rents in excess of £5000 for a 3-bed and £10000 for a 4-bed property.

RENTAL VALUES SET TO RISE OVER THE COMING YEARS



Source: dataloft, average of independent forecasts

AVERAGE MONTHLY RENTS OF PRIME PROPERTY



Source: dataloft, Valuation Office Agency (December 2019), based on top 25% of properties let

GOLDEN VENN PERSPECTIVE

Markets like certainty and an emphatic election result has brought a new wave of confidence to the prime London residential market. At Golden Venn, this optimism has translated into increased interest from both domestic and overseas buyers.

We saw the start of this in December, where transactions were at their highest monthly level since March 2016. Pent-up demand, which has in part been fuelled by sellers adopting a 'wait-and-see' strategy, is set to breathe life into the spring market.

While Sterling has rallied, it is still below pre-Brexit levels and this, together with an average of independent forecasts predicting a return to growth not just in 2020 but over the next five years, and the potential of additional property taxation charges, is adding a sense of urgency to the market. Buyers may be advised to make their move sooner rather than later.



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.

Eirini Nousia
42 Brook Street
Mayfair
London W1K 5DB

+44 (0) 20 7117 6324
+44 (0) 77 8662 4376
eirini@golden-venn.com
www.golden-venn.com