

SALES MARKET

There are signs that the prime London market is beginning to stabilise. Savills report average property prices across prime London were just 1.8% lower in the second quarter of 2019 compared to a year previously, less than half the fall experienced in the second quarter of 2018. Prices held firm between April and June for the first time since the autumn of 2015, underpinned by a lack of new supply along with a rise in prospective buyers. Furthermore, competition for the best properties has resulted in competitive bidding on one in six of Savills deals.

Across prime London, Knight Frank report the number of new prospective buyers rose by 21% in the year to May. London agents are also more positive about buyer enquiries than they have been since the start of 2016, according to the latest survey by the Royal Institute of Chartered Surveyors.

Although year-on-year sales volumes in the capital remain muted, LonRes report sales volumes in the first six months of 2019 were just 0.8% lower across prime London than a year ago. Deals for properties priced less than £2 million are up 5.6% on a year ago, while the super prime market (+£10 million) has held its own. Five-year swap rates have fallen in recent months, aiding mortgage market liquidity at the lower end of the market, while the effective discount for overseas buyers purchasing in PCL has been pushed higher. Against the US dollar, sterling weakened to a new post-referendum low of \$1.25.

Average property prices across London have seen less stability, falling by 4.4% in the year to May according to the UK HPI. Not since August 2009 has the market witnessed such a fall, as the impacts of Brexit and affordability ripple across the capital.

FISCAL POLICY

Boris Johnson has been named the UK's new Prime Minister. Mr Johnson is set to quit the EU without a deal in October and has indicated an emergency 'no deal' Budget would include tax cuts and an overhaul of stamp duty. Mr Johnson's mooted SDLT overhaul could involve switching the liability for SDLT from the buyer to the vendor, curbing SDLT for all properties up to £500,000 and a reversal of the 2014 hike from 7% to 12% on homes above £1.5 million. In the past year, two-thirds of properties sold in excess of £1.5m have been in London.

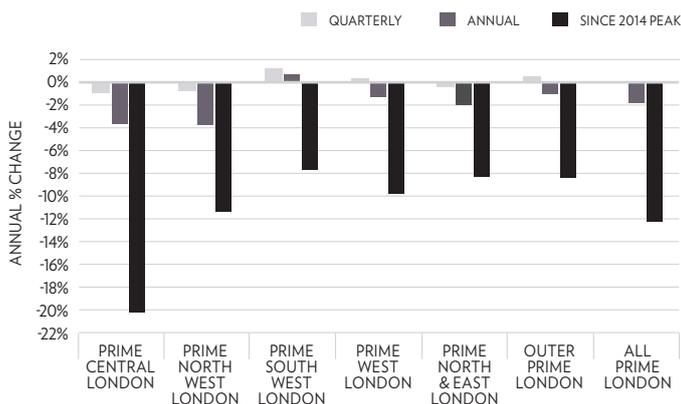
From April 2020 changes to Capital Gains Tax regulations mean sellers will be required to pay gains within 30 days of property completion. Sellers may well need to get additional funds in place or look to offload surplus or underperforming properties before the change is introduced.

ECONOMIC BACKDROP

At 3.6%, wage growth in May was at its highest rate since 2008 and continues to outstrip inflation (CPI) which stood at 2.0% in May, down from 2.1% in April. The ONS also reports the UK economy rebounded by 0.3% in May, after contracting 0.4% in April, boosted by some recovery in car production. However, fears of a slowdown persist with growth in

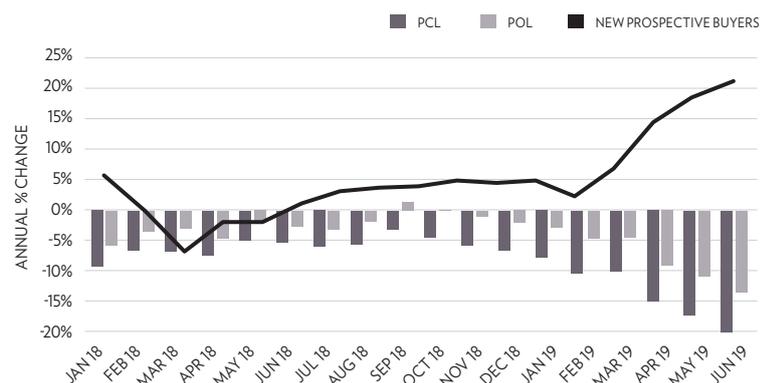
the service sector remaining static and the IHS manufacturing index at its lowest level in June since February 2013. Consumer confidence also fell back in June, following a brief uptick in May, according to the GfK, as consumers continue to remain concerned about the wider economy.

PRIME LONDON PROPERTY MARKETS TO Q2 2019



Source: Savills

STOCK DECLINES AS DEMAND RISES



Source: Knight Frank Research / Rightmove

RENTAL MARKET

Rental values have strengthened across the capital in recent months. Annual growth in rental values in London reached 0.9% in June, according to the official ONS IPHRP, representing the seventh consecutive month of positive price growth, May and June witnessing the strongest levels of annual growth since September 2017. Across prime central London rental values have risen 0.2% quarter on quarter according to Knight Frank, although remain slightly lower than a year ago (-0.5%). The Royal Institute of Chartered Surveyors indicate that sentiment among London surveyors for rental price growth over the next three months is at its

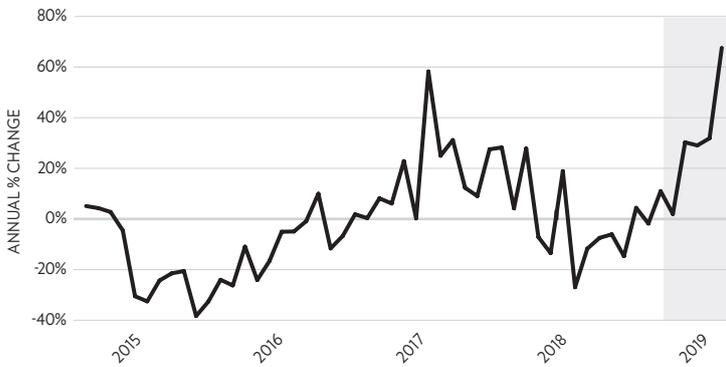
highest in over three years, as levels of new rental instructions remain subdued.

Knight Frank report the number of new prospective tenants registering in prime central and prime outer London rose by two-thirds in May, compared to the same month a year ago, with viewing figures rising by 20%. The introduction of the Tenant Fee ban on 1st June has undoubtedly impacted demand across the lower price brackets, while the ongoing political and Brexit manoeuvrings continue to push potential high-value purchasers towards the rental market until uncertainty abates. Data from LonRes and Knight Frank indicates

that the super-prime market (+£5,000 per week) has recorded its strongest ever start to the year, with properties let across a suite of prime London's exclusive postcodes.

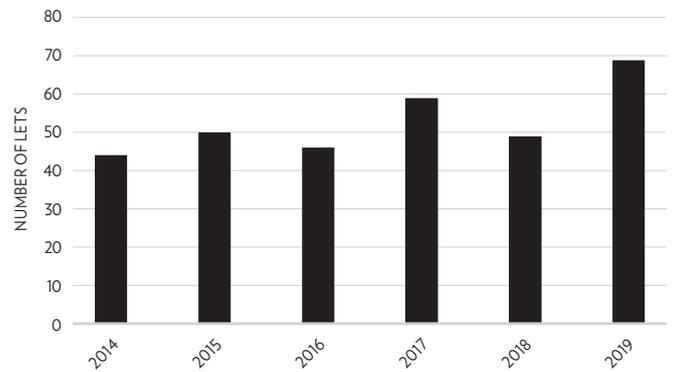
With demand rising and rental values on the increase, it is perhaps no surprise that a vast majority (72%) of buy-to-let investors still believe the sector offers the best, and least volatile, long-term investment. A survey by Benham & Reeves indicates that over half of those with buy-to-let investments in London plan to keep their portfolio for the next five years, a fifth stating that despite the uncertainty they may well expand over the next year.

NEW TENANT NUMBERS SPIKE IN 2019
YEAR-ON-YEAR % CHANGE, PCL AND POL



Source: Knight Frank Research

SUPER PRIME LETTINGS AT RECORD HIGH YEAR



Source: data loft, LonRes, lets £5,000+ per week across prime London, January - June

GOLDEN VENN PERSPECTIVE

Although political uncertainty has weighed heavily on the prime central London market, a rise in prospective buyers coupled with the lack of supply has underpinned market prices in recent months.

Buyers at the lower end of the market are benefitting from mortgage market liquidity due to falls in the five year swap rate, while overseas buyers continue to enjoy favourable exchange rates. Indeed, a post-referendum sterling low in relation to the dollar means the effective discount for overseas buyers purchasing in PCL has been pushed higher.

At Golden Venn, we have seen an increase in market activity over the past two months and believe that the combination of London's enduring appeal, reduced supply and a weak pound mean that buyers are poised to return as the uncertainty around Brexit subsides.



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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