

## SALES MARKET

Sales activity across prime central London rose 12% year on year during Quarter 3, with volumes to date in 2019 up 4.6% on 2018. LonRes report a 15% increase in mid-market sales (£1 million to £5 million), and a 12% increase in those under £1 million. Year-on-year sales volumes for prime market property (+£5 million) remain broadly stable. Uncertainty will remain until Brexit is resolved, however the ratio of new prospective buyers to new listings climbed to 11.4% during August, its highest level in over ten years, according to Knight Frank. Up 16%, the level of viewings over this summer were at their highest summer level in five years. Buyers are primed ready to transact and the decline in new listings has moderated.

Despite additional interest in the market, property prices in the capital continue to feel the pressure. Across the capital average property prices are 1.4% lower than a year ago (UKHPI). In prime central London

Knight Frank report prices are 3.9% lower than a year ago, with outer London having seen a 3.5% fall. Prices across prime central London are now over 12% lower than at the peak of the market (LonRes).

Although the London market remains subdued, latest data indicates that the capital continues to stand its ground on the global stage. London retains its status as the number one city in the world for education and maintained its global second place in the latest Z/Yen Global Financial Centres Index, behind only New York. No other European city ranks in the top ten. The city also remains a destination of choice for Ultra High Net Worth Individuals. Ranked 5th in global terms, Wealth-X report that London's UHNW population has increased 5.4% over the past year. This is the highest growth of the top ten cities and propels London above Paris in the rankings.

## FISCAL POLICY

On November 6th Sajid Javid is set to deliver his first budget as Chancellor. Stamp duty, Help to Buy and changes to add stimulus to housing and construction are the current hot property topics.

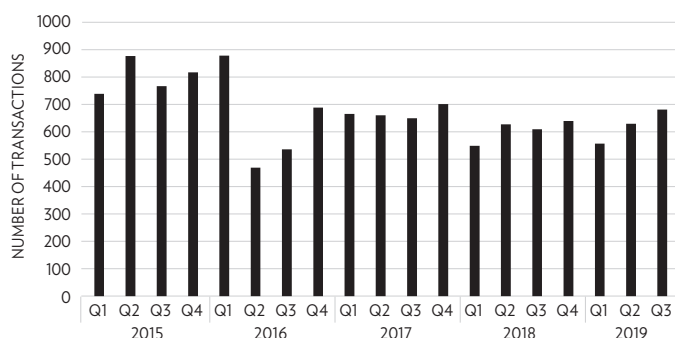
HMRC report London's residential SDLT receipts fell by 10.5%, the equivalent of £380 million in 2018/19 compared to the year previously. There were just 300 fewer property sales over £2 million, however the loss to the treasury equated to £105 million. While over one quarter (27%) of all transactions across the capital were subject to the Higher Rate for Additional Dwellings tax, there has been a reduction in cash buyer activity. To date in 2019 just 19% of sales have been cash purchases, compared to 27% at the height of the market (Land Registry).

## ECONOMIC BACKDROP

The UK economy is expected to avoid recession in the third quarter, the economy posting better than expected growth of 0.3% in the three months to the end of August, according to the latest figures by the ONS, although uncertainty around Brexit continues to affect business investment and consumer confidence. The Bank of England has

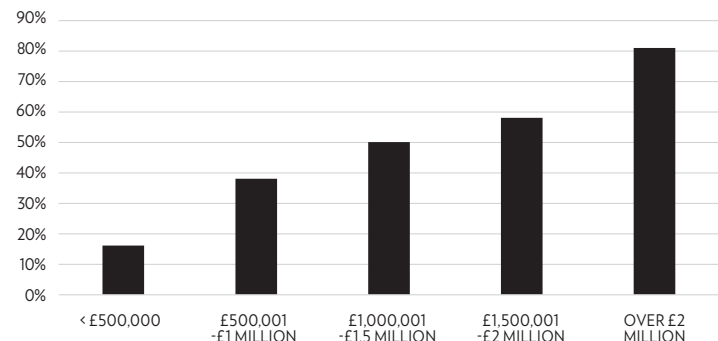
maintained the interest base rate at 0.75% but has warned rates may go 'either way' in the event of a no-deal Brexit. 96% of all mortgages issued during the summer were fixed-rate according to the LMS/CEBR, with close to half (48%) being five-year fixed rate mortgages, up significantly on two years ago.

QUARTERLY UPTICK IN SALES ACROSS PRIME LONDON



Source: dataloft/LonRes

LONDON ACCOUNTS FOR OVER HALF OF ENGLAND'S SDLT FALL



Source: dataloft, HMRC (2018/2019), Proportion of England's residential SDLT intake attributable to London

# RENTAL MARKET

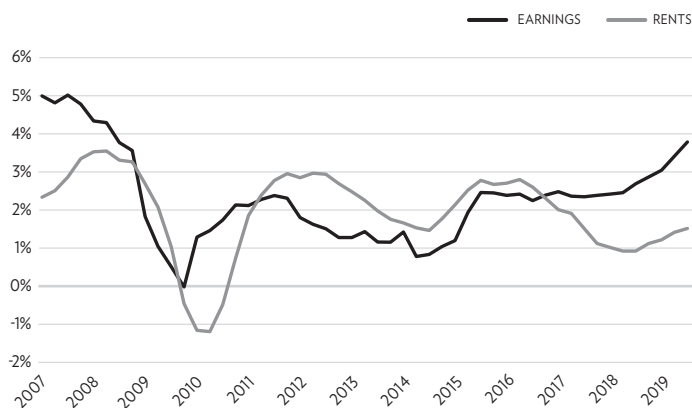
There has long been a symbiotic relationship between rental and wage growth. However, at 3.8% wage growth is considerably outpacing rental growth across both the UK and the capital at present. At 0.9%, the annual growth in rental values in London in the year to September has remained broadly static since May, a marked improvement on the -0.2% recorded in September 2018. Rental values in prime central London continue to edge upwards, up 0.5% quarter on quarter and just -0.1% lower than a year ago, according to Knight Frank. Sentiment among London surveyors for rental price

growth over the next three months remains positive and tenant demand remains steady.

To date in 2019 new instructions to the market in prime central London have fallen 7%, with 11% fewer properties listed during Quarter 3 compared to a year ago. While many have chosen to enter the rental market as 'accidental landlords', opting to rent not sell during the sales market downturn, many may well be considering their options due to the capital gains tax changes set to be introduced in 2020. Investors will wait with bated breath to see whether the budget imposes any further reforms to the buy-to-let sector.

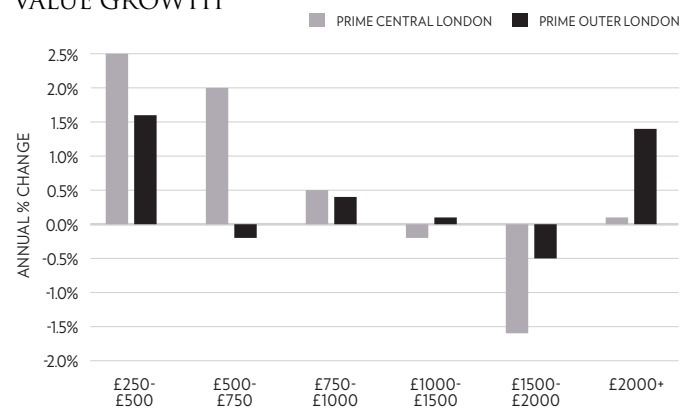
The situation is most acute at the lower end of the market, with listings for properties less than £500 per week down a fifth. Knight Frank report 2.5% annual growth in rental values for properties priced £250-£500 per week in prime central London, with annual growth of 1.6% across outer London. This points to a demand/supply imbalance in this market. Listings of, and tenancies agreed for prime properties (+£5,000 per week) remain stable, property remaining in demand and attracting interest from both domestic and overseas purchasers watching and waiting in the current climate.

## RENTS AND EARNINGS – WHERE NEXT?



Source: dataloft, ONS, Annual % change across England

## LOWER END PRICE BRACKET POST HIGHER VALUE GROWTH



Source: dataloft, Knight Frank

## GOLDEN VENN PERSPECTIVE

Increased interest in the PCL market has resulted in sales volume growth in Quarter 3. Softer prices, a weaker pound and an economic backdrop that has remained stoic throughout the Brexit process resulted in more buyers completing deals.

Buy-to-let investors, hit by recent tax changes, will be pleased to see rental values edging up on the last quarter, with sentiment and tenant demand remaining steady. There are indications that investors are positioning themselves to move once Brexit uncertainty diffuses.

The reduction in Treasury stamp duty receipts has given rise to hints and speculation of SDLT changes. We eagerly await the Autumn Budget for positive news for the property market.

Retaining its crown as the world's number one city for education, number two position in the Global Financial Centres Index and with an expanding High Net Worth population, London remains very much open for business.



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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