



February 2018

PRIME CENTRAL LONDON

PRICES STABILISE IN PRIME CENTRAL LONDON BUT VOLUMES AT LOWEST LEVEL ON RECORD

- Following a period of considerable volatility, prices appeared to be stabilising at the end of 2017. The last four months have recorded marginal positive price increases with growth in Q4 standing at 2.4%.
- Transactions remain significantly down, falling 9.5% across the year. This represents the lowest ever number of annual sales on record and a 34% drop since 2013.
- The new build sector continues to show subdued activity. Annual transactions for the year fell 13.4% and there was a 5% quarterly fall in prices.

PCL Residential Headlines: Dec 2017

Average Price	£1,761,210
Monthly % Change	0.9
Quarterly % Change	2.4

*based on 3 monthly rolling data each month

Quarterly Volume of Sales	953
Quarterly % Change	-7.6
Annual Volume of Sales	4,183
Rolling Annual % Change	-9.5

Naomi Heaton, CEO of LCP, comments:

Prime Central London (PCL) has experienced unprecedented pressures over the last few years with the introduction of new taxes targeted at the residential sector and London in particular. On top of this, an unsettled political backdrop and the slow progress on Brexit negotiations has further dented sentiment, resulting in a picture of price volatility and falling transactions.

Nevertheless, there were signs towards the end of 2017 that prices were stabilising with four consecutive months of marginal price growth, culminating in Q4 growth of 2.4%. This contrasts with Greater London and England & Wales which continue to see price falls.

These signs of recovery may be a consequence of a much needed year devoid of tax changes and the fact that previous tax hikes have now been factored into market pricing. The opportunity offered by a softer market and the recent strengthening of sterling may have begun to galvanise investors into action, with the prospect of future

price stabilisation in 2018.

Transactions, however, remain at an exceptionally low level, down 9.5% over the previous year and 53% less than in 2007, just prior to the Global Financial Crisis (GFC).

Only 4,183 sales took place over the year as potential vendors held out for more favourable market conditions. Given the low stock levels, it is likely that when sentiment returns there will be a bounce-back in prices, as seen in 2009/10.

PCL Residential Monthly Changes

	Average Price (3-month rolling average)	Monthly % Change	Quarterly % Change	Change vs Previous Annual Quarter
Dec-15	£1,635,817			
Jan-16	£1,694,674	3.6	8.7	-0.1
Feb-16	£1,631,645	-3.7	0.0	-0.8
Mar-16	£1,690,103	3.6	3.3	7.2
Apr-16	£1,737,831	2.8	2.5	18.4
May-16	£1,753,948	0.9	7.5	15.2
Jun-16	£1,643,039	-6.3	-2.8	7.9
Jul-16	£1,583,225	-3.6	-8.9	-2.2
Aug-16	£1,611,758	1.8	-8.1	3.0
Sep-16	£1,701,810	5.6	3.6	2.6
Oct-16	£1,748,252	2.7	10.4	12.1
Nov-16	£1,736,617	-0.7	7.7	6.4
Dec-16	£1,844,044	6.2	8.4	12.7
Jan-17	£1,852,421	0.5	6.0	9.3
Feb-17	£1,872,847	1.1	7.8	14.8
Mar-17	£1,768,762	-5.6	-4.1	4.7
Apr-17	£1,890,918	6.9	2.1	8.8
May-17	£1,944,071	2.8	3.8	10.8
Jun-17	£1,912,390	-1.6	8.1	16.4
Jul-17	£1,776,017	-7.1	-6.1	12.2
Aug-17	£1,667,991	-6.1	-14.2	3.5
Sep-17	£1,719,485	3.1	-10.1	1.0
Oct-17	£1,724,551	0.3	-2.9	-1.4
Nov-17	£1,746,254	1.3	4.7	0.6
Dec-17	£1,761,210	0.9	2.4	-4.5

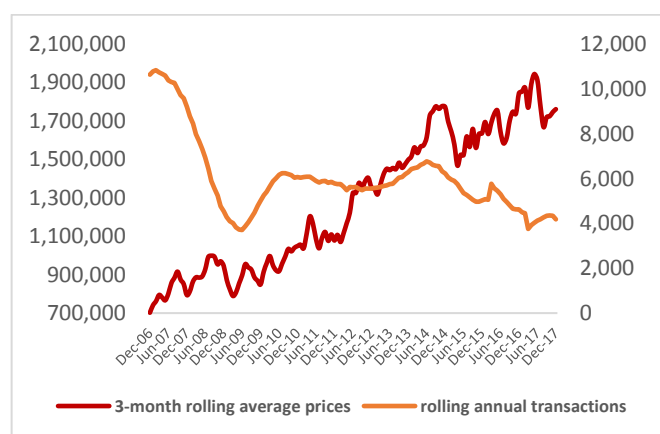


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PCL Residential Annual Changes

	Average Annual Price	% Change vs previous year	Annual Volume	% Change vs previous year
2007	£828,133	18.0	9192	-13.6
2008	£936,541	13.1	4536	-50.7
2009	£861,913	-8.0	5016	10.6
2010	£998,522	15.8	6062	20.9
2011	£1,088,268	9.0	5789	-4.5
2012	£1,287,242	18.3	5556	-4.0
2013	£1,449,426	12.6	6287	13.2
2014	£1,671,774	15.3	6225	-1.0
2015	£1,601,959	-4.2	5031	-19.2
2016	£1,699,514	6.1	4623	-8.1
2017	£1,789,501	5.3	4183	-9.5

PCL Price and Volume Changes since 2007



DECILES:

Mainstream Market¹: Sept 2017

Average Price	£819,704
Quarterly % Change	-13.8
% Change vs Previous Annual Quarter	-1.5

¹bottom 70% of sales

Premium Sector²: Sept 2017

Average Price	£3,515,938
Quarterly % Change	-5.9
% Change vs Previous Annual Quarter	-6.4

²top 30% of sales *There is a 3-month time-lag to record decile data

Since 2014, successive tax changes have fragmented the PCL market, impacting highly priced luxury property more significantly than the mainstream sector. It is therefore important to examine these sectors separately to get a more robust picture of price movements.

Whilst data is only available to Q3 2017, due to a time-lag in reporting, analysis of deciles demonstrates that both the mainstream market, representing the bottom 70% of sales by value, and the premium sector, representing the top 30% of sales by value, showed a weak performance.

The premium sector saw a 5.9% quarterly fall in prices and a 6.4% fall over the previous annual quarter. At just over £3.5m, average prices for this sector now stand 9% below the height of the market at the end of 2014.

Despite having been largely unaffected by tax changes impacting the top end of the market, negative sentiment now appears to be filtering through to the rest of market. The mainstream sector saw its largest quarterly price fall since records were published in 1995 at 13.8%. Nevertheless, the mainstream sector has generally held up better than the premium sector over the last few years, with prices at the same level as they were at the end of 2014.

NEW BUILD:

PCL New Build Headlines: June 2017

Average Price	£1,844,586
Quarterly % Change	-5.0
Rolling Annual % Change	0.9

*based on 3 monthly rolling data each month. There is a 6-month time-lag to record new build vs old stock completions

Quarterly Volume of Sales	171
Proportion of Total Sales	15.2
Annual Volume of Sales	698
Rolling Annual % Change	-13.4

Turning to the controversial new build market, which has been most impacted by a downturn in international buyer sentiment, the sector continues to be volatile.

Whilst a lag in registration of new build sales completions means reporting is 6 months delayed, quarterly growth to June was down 5% and annual transactions fell 13.4%.

As new build sales completions often represent historic transactions, this situation could worsen over the next 2-3 years as new schemes, which may have failed to sell out due to reduced investor interest, come to completion.



February 2018

GREATER LONDON

A SLUGGISH YEAR FOR GREATER LONDON, FOLLOWING A SUSTAINED PERIOD OF PRICE FALLS

- Greater London continues to see a slowing picture with six successive monthly price falls
- Average prices fell below £600,000 for the first time since 2016, following a 3.8% quarterly fall
- Transactions continue to decrease, down 7% over the quarter and almost 10% over the year
- Transactions are now 44% below 2007, prior to the Global Financial Crisis (GFC)
- The new build sector shows a more positive picture with a quarterly increase of 6.7% in prices and an annual increase of 6.0% in transactions

London Residential Headlines: Dec 2017

Average Price	£598,558
Monthly % Change	-1.3
Quarterly % Change	-3.8

**based on 3 monthly rolling data each month*

Quarterly Volume of Sales	23,200
Quarterly % Change	-7.0
Annual Volume of Sales	93,381
Rolling Annual % Change	-9.8

Naomi Heaton, CEO of LCP, comments:

Despite overall year-on-year growth of 5.8%, Greater London continued to see a worsening picture at the end of 2017 with average prices falling below £600,000 for the first time since 2016. For the last six months, there have been sustained monthly price falls with Q4 reflecting a 3.8% decline in prices, the biggest decrease since mid-2016.

Transactions were also down on a quarterly basis with a 7% decrease. This brings annual sales volumes to 93,381, 9.8% lower than the previous year and the lowest since 2012.

Greater London is principally a domestic market. Slowing sales volumes and prices reflect affordability issues and caps on mortgage lending which have hampered buyers' ability to trade up or get onto the housing ladder. Concerns about Brexit, rising inflation and interest rates have also impacted the 'feel good' factor which drives buyers' decisions.

London Residential Monthly Changes

	<i>Average Price (3-month rolling average)</i>	<i>Monthly % Change</i>	<i>Quarterly % Change</i>	<i>Change vs Previous Annual Quarter</i>
Dec-15	£554,697			
Jan-16	£566,218	2.1	1.6	8.8
Feb-16	£570,698	0.8	2.8	8.6
Mar-16	£602,347	5.5	8.6	15.2
Apr-16	£601,363	-0.2	6.2	14.9
May-16	£601,027	-0.1	5.3	14.3
Jun-16	£567,766	-5.5	-5.7	6.8
Jul-16	£568,568	0.1	-5.5	4.6
Aug-16	£568,509	0.0	-5.4	2.8
Sep-16	£571,963	0.6	0.7	1.5
Oct-16	£572,319	0.1	0.7	2.7
Nov-16	£578,686	1.1	1.8	4.2
Dec-16	£594,344	2.7	3.9	7.1
Jan-17	£607,981	2.3	6.2	7.4
Feb-17	£613,899	1.0	6.1	7.6
Mar-17	£605,400	-1.4	1.9	0.5
Apr-17	£618,667	2.2	1.8	2.9
May-17	£629,051	1.7	2.5	4.7
Jun-17	£633,896	0.8	4.7	11.6
Jul-17	£623,702	-1.6	0.8	9.7
Aug-17	£622,060	-0.3	-1.1	9.4
Sep-17	£622,057	0.0	-1.9	8.8
Oct-17	£616,545	-0.9	-1.1	7.7
Nov-17	£606,467	-1.6	-2.5	4.8
Dec-17	£598,558	-1.3	-3.8	0.7



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London Residential Annual Changes

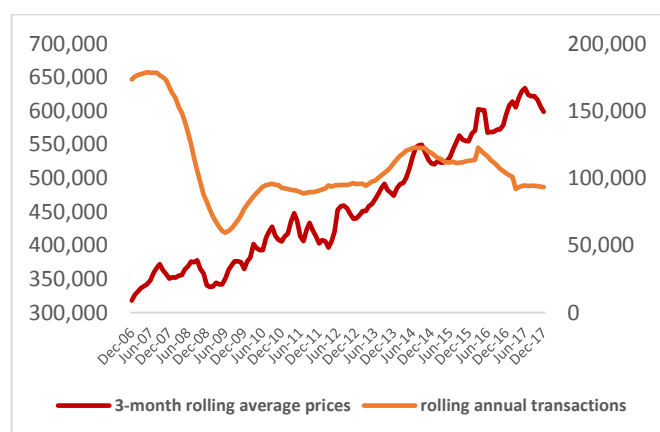
	<i>Average Annual Price</i>	<i>% Change vs previous year</i>	<i>Annual Volume</i>	<i>% Change vs previous year</i>
2007	£351,777	11.7	167575	-3.4
2008	£360,320	2.4	82354	-50.9
2009	£359,201	-0.3	77295	-6.1
2010	£406,972	13.3	92758	20.0
2011	£421,219	3.5	90760	-2.2
2012	£437,053	3.8	95580	5.3
2013	£471,512	7.9	111216	16.4
2014	£523,681	11.1	118819	6.8
2015	£543,288	3.7	113002	-4.9
2016	£581,473	7.0	103550	-8.4
2017	£615,265	5.8	93381	-9.8

Whilst data is only available to Q3 2017, due to a time-lag in reporting, analysis of deciles demonstrates that both the mainstream market, representing the bottom 70% of sales by value, and the premium sector, representing the top 30% of sales by value, showed a positive performance, compared with the previous annual quarter.

However, there are indications that this may be changing. Whilst prices in the mainstream sector saw a 1.4% quarterly increase, the premium sector recorded a 4.4% quarterly fall in prices. This may well continue into Q4 when the market as a whole has seen successive monthly price falls.

The premium sector has seen a volatile performance generally as changes in taxation and Brexit uncertainty have impacted buyers, particularly international investors targeting Greater London's new builds. As a result, since 2014, it has seen price growth of just 11% compared with 30% in the mainstream sector.

London Price and Volume Changes since 2007



NEW BUILD:

GL New Build Headlines: June 2017

Average Price	£676,993
Quarterly % Change	6.7
Rolling Annual % Change	3.4

**based on 3 monthly rolling data each month. There is a 6-month time-lag to record new build vs old stock sales completions*

Quarterly Volume of Sales	3,960
Proportion of Total Sales	17.0
Annual Volume of Sales	16237
Rolling Annual % Change	6.0

DECILES:

Mainstream Market¹: Sept 2017

Average Price	£400,070
Quarterly % Change	1.4
% Change vs Previous Annual Quarter	6.9

¹bottom 70% of sales

Premium Sector²: Sept 2017

Average Price	£1,121,406
Quarterly % Change	-4.4
% Change vs Previous Annual Quarter	9.1

²top 30% of sales **There is a 3-month time-lag to record decile data*

Whilst there has been an influx of bad news regarding the vast Battersea – Nine Elms development, Greater London's new build sector showed a robust picture to June 2017. Prices increased 3.4% across the year and transactions increased 6.0%. Quarterly prices are now 8% higher than for older stock.

This stronger performance in the Greater London market may be due to the boost provided by the Government's Help to Buy scheme, aimed at the new build sector.

However, new build sales completions often represent historic transactions – potentially being agreed two years or more prior to their completion. It will, therefore, be interesting see whether this trend is reversed going forward when the anecdotal price falls, reported for developments South of the River, materialise.



February 2018

ENGLAND AND WALES

ENGLAND & WALES SEES BIGGEST QUARTERLY PRICE FALL SINCE GLOBAL FINANCIAL CRISIS (GFC)

- England and Wales recorded a third successive monthly price fall at -1.4% in December
- This has resulted in the largest quarterly price fall since February 2009 at -4.7%
- Transactions have fallen 2.3% across the year and are 29% down from the pre-GFC high.
- The new build sector saw annual growth of 7.0% bringing prices to £345,118
- New build transactions have fallen in line with the market at 2.2%
- The gulf between the average price of older stock and new stock reached nearly 30%

E&W Residential Headlines: Dec 2017

Average Price	£284,855
Monthly % Change	-1.4
Quarterly % Change	-4.7
Average Price without Greater London	£250,797

*based on 3 monthly rolling data each month

Quarterly Volume of Sales	236,899
Quarterly % Change	-3.8
Annual Volume of Sales	902,100
Rolling Annual % Change	-2.3

Naomi Heaton, CEO of LCP, comments:

Having neither benefited from the bounce in prices seen in London in 2013/14, nor suffered greatly from the tax changes impacting the capital, average price growth in England and Wales has been steady over the past few years.

However, the last three months of 2017 have seen successive price falls. As with Greater London, weaker sentiment and restrictions on borrowing have begun to impact buyers in England and Wales. Prices in Q4 fell 4.7% on a quarterly basis – the largest fall since the depths of the GFC in February 2009. Average annual growth, whilst still positive at 3.3%, is now at its lowest level since 2012.

Alongside the downturn in prices, quarterly sales volumes also fell 3.8% in England and Wales. This brings annual transactions to

902,100, a 2.3% decrease compared with the previous year and 29% down from the pre-GFC high.

With prices and transactions both beginning to fall, there is a serious need to address the affordability issues within the sector and support the building of more low-cost housing outside London.

According to LCP's analysis, just 12.6% of properties sold in England and Wales were new builds, far fewer than both Greater London (17%) and Prime Central London (15.2%).

E&W Residential Monthly Changes

	Average Price (3-month rolling average)	Monthly % Change	Quarterly % Change	Change vs Previous Annual Quarter
Dec-15	£275,177			
Jan-16	£277,760	0.9	-0.6	6.2
Feb-16	£277,866	0.0	0.2	5.9
Mar-16	£285,319	2.7	3.7	9.0
Apr-16	£282,512	-1.0	1.7	8.2
May-16	£281,449	-0.4	1.3	7.9
Jun-16	£275,688	-2.0	-3.4	3.9
Jul-16	£280,066	1.6	-0.9	3.4
Aug-16	£283,515	1.2	0.7	2.2
Sep-16	£284,114	0.2	3.1	1.0
Oct-16	£283,750	-0.1	1.3	1.6
Nov-16	£283,306	-0.2	-0.1	2.1
Dec-16	£284,454	0.4	0.1	3.4
Jan-17	£286,806	0.8	1.1	3.3
Feb-17	£288,204	0.5	1.7	3.7
Mar-17	£286,858	-0.5	0.8	0.5
Apr-17	£288,746	0.7	0.7	2.2
May-17	£290,127	0.5	0.7	3.1
Jun-17	£293,001	1.0	2.1	6.3
Jul-17	£293,716	0.2	1.7	4.9
Aug-17	£297,734	1.4	2.6	5.0
Sep-17	£298,930	0.4	2.0	5.2
Oct-17	£295,935	-1.0	0.8	4.3
Nov-17	£288,765	-2.4	-3.0	1.9
Dec-17	£284,855	-1.4	-4.7	0.1



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E&W Residential Annual Changes

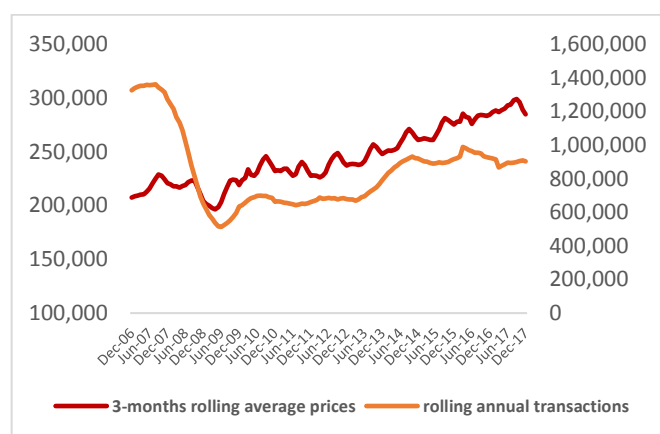
	Average Annual Price	% Change vs previous year	Annual Volume	% Change vs previous year
2007	£218,762	8.0	1271909	-4.0
2008	£215,948	-1.3	650801	-48.8
2009	£210,922	-2.3	633616	-2.6
2010	£235,760	11.8	662789	4.6
2011	£232,498	-1.4	660528	-0.3
2012	£237,667	2.2	676977	2.5
2013	£246,159	3.6	790915	16.8
2014	£260,106	5.7	919573	16.3
2015	£270,913	4.2	916085	-0.4
2016	£281,733	4.0	923606	0.8
2017	£290,990	3.3	902100	-2.3

Despite the largely negative picture for England and Wales as a whole, prices in the new build sector increased in 2017 by 7.0%, most probably due to the boost provided by the Help to Buy scheme.

However, with average prices for new builds now reaching £345,118, 27% higher than older stock, available new units are increasingly outside the reach of typical domestic buyers.

Overall only 102,645 new builds were sold in the year to June 2017. This represents just 12.6% of all sales and a third of the projected 300,000 which are needed each year. It comes despite a landmark year for building, with a celebrated 217,350 new units being completed in the 2016/17 financial year, the first time this Government target has been met since before the financial crisis.

E&W Price and Volume Changes since 2007



NEW BUILD:

E&W New Build Headlines: June 2017

Average Price	£345,118
Quarterly % Change	1.8
Rolling Annual % Change	7.0

*based on 3 monthly rolling data each month. There is a 6-month time-lag to record new build vs old stock sales completions

Quarterly Volume of Sales	27,826
Proportion of Total Sales	12.6
Annual Volume of Sales	102645
Rolling Annual % Change	-2.2