



July 2018

28th August 2018

PRIME CENTRAL LONDON

PRICES CLIMB, BUT SALES FALL AGAIN THIS QUARTER

- Average prices in July (excluding new build) in Prime Central London (PCL) now stand at £1,965,774.
- This is 12.5% higher than a year ago and a 14.0% increase from the previous quarter.
- Annual transactions fall 8.3% to 3,831, levels not seen since the Global Financial Crisis (GFC).
- These falls have been seen across PCL, with new build transactions falling 25.3% across the year.
- New build prices, however, reach another record high of £3,413,324, which is in excess of 90% premium over existing stock.**

PCL Headlines: Jul 2018

Average Price*(Excl. New Build)	£1,965,774
Monthly % Change	11.6
Quarterly % Change	14.0
Annual % Change	2.6

*based on three monthly rolling data each month

Quarterly Volume of Sales (All)	873
Quarterly % Change	-6.7
Annual Volume of Sales	3,831
Annual % Change	-8.3

PCL Monthly Changes (excl. new build)

	<i>Avg Price*</i>	<i>Monthly Change %</i>	<i>Quarterly Change %</i>	<i>New Build** £ Premium %</i>
Jul-17	£1,748,114	-8.5	-7.0	7.5
Aug-17	£1,634,734	-6.5	-15.4	19.6
Sep-17	£1,651,326	1.0	-13.6	41.1
Oct-17	£1,669,725	1.1	-4.5	49.8
Nov-17	£1,715,019	2.7	4.9	93.9
Dec-17	£1,791,847	4.5	8.5	90.5
Jan-18	£1,951,671	8.9	16.9	n/a
Feb-18	£1,981,902	1.5	15.6	n/a
Mar-18	£1,883,343	-5.0	5.1	n/a
Apr-18	£1,724,919	-8.4	-11.6	n/a
May-18	£1,737,769	0.7	-12.3	n/a
Jun-18	£1,761,695	1.4	-6.5	n/a
Jul-18	£1,965,774	11.6	14.0	n/a

*Based on three monthly rolling data each month. ** Six-month lag to register majority of new build completions in Land Registry (LR) Price Paid Data

PCL Annual Changes

	<i>Average Annual Price (ex. new build)</i>	<i>% Change vs previous year</i>	<i>Annual Volume (all)</i>	<i>% Change vs previous year</i>
2007	£829,684	19.3	9,191	-13.7
2008	£931,105	12.2	4,530	-50.7
2009	£868,655	-6.7	5,013	10.7
2010	£1,013,037	16.6	6,058	20.8
2011	£1,082,379	6.8	5,791	-4.4
2012	£1,261,702	16.6	5,557	-4.0
2013	£1,431,704	13.5	6,287	13.1
2014	£1,645,951	15.0	6,226	-1.0
2015	£1,545,119	-6.1	5,032	-19.2
2016	£1,648,528	6.7	4,575	-9.1
2017	£1,773,282	7.6	4,198	-8.2
2018	£1,825,559	2.9	3,831	-8.3

To Date

Naomi Heaton, CEO of LCP, comments:

Prices in Prime Central London (PCL) now stand at £1,965,774 a rise of 11.6% this month, bringing annual price growth into positive territory at 2.6%.

However, this does not fully represent the position seen on the ground. Whilst there is very little financial distress in the market, those selling now tend to be doing so because they have to, typically as a result of life changes like death, divorce or marriage. This is leading to price reductions as the vendors have to accept what buyers are prepared to offer. However, higher value properties were most impacted by the recent changes in tax legislation and prices here have fallen further, faster. As a result, the discounts at this end of the market are proving more compelling, driving a higher proportion of transactions to go through which are above the average property price. This creates a statistical increase in *average* value, despite *real* values of the underlying assets falling.

Transactions have been continually falling since the flurry of activity at the start of the year and now stand at 873. This is a drop of 6.7% for the month, making it the sixth successive fall. On an annual basis, transactions have fallen by 8.3% to levels last seen during the GFC.

This month, the Bank of England increased interest rates to 0.75%, their highest level since March 2009. This move is

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Source - Land Registry - [Download formal LCPAca Residential Index methodology here](#)



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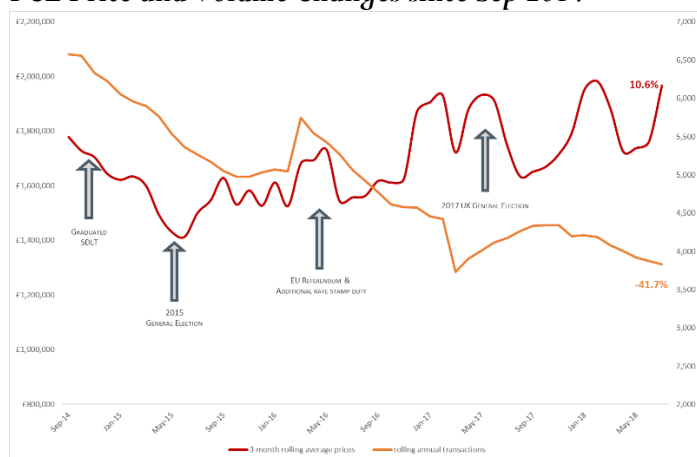
28th August 2018

unlikely to stimulate transactions and will, in all probability, have the opposite effect.

The residential sector is certainly in need of a 'shot in the arm'. However, it is very difficult to see what can be done to change the present trends prior to March 2019.

Note: given the distortion on pricing through the inclusion of new build sales, price data is based on existing stock only and new build data is considered separately

PCL Price and Volume Changes since Sep 2014



DECILES:

- Premium sector sees a quarterly fall of 8.9% to £2,750,067 as high-value sales still suffer.
- Mainstream sector (top 30%) sees a quarterly fall of 4.2% to £700,533.

Mainstream Market¹: Jun 2018

Average Price*	£700,533
Quarterly % Change	-4.2
% Change vs Previous Annual Quarter	-10.0

¹bottom 70% of sales *There is a 1-month time-lag to record decile data for existing property

Premium Sector²: Jun 2018

Average Price*	£2,750,067
Quarterly % Change	-8.9
% Change vs Previous Annual Quarter	-2.3

²top 30% of sales *There is a 1-month time-lag to record decile data for existing property

Higher value properties enjoyed a good start to the year, with activity picking up after a long period of buyers adopting a

'wait and see' attitude. Prices in the sector appear to have now adjusted to factor in the increased buying cost, which had previously reduced transaction levels to a trickle.

The mainstream sector (bottom 70% of sales) has fallen by 4.2% and the average now stands at £700,533, which is 10.0% lower than this time last year. Having held-up for longer than the premium sector initially, the mainstream sector is now correcting as well.

This is not an insignificant fall and it has brought interest in the market from counter-cyclical overseas investors. With the decline of sterling, this double discount is appealing, however Brexit uncertainty still seems to be making the buy-to-let investor nervous and a wholesale reversal of the prevailing negative sentiment appears some way off.

NEW BUILD:

PCL New Build Headlines: Dec 2017

Average Price*	£3,413,324
Quarterly % Change	46.5
Annual % Change	18.4

*based on three monthly rolling data each month. There is a six-month lag to record new build vs old stock completions in LR Price Paid Data

Quarterly Volume of Sales	194
Proportion of Total Sales	20.0
Annual Volume of Sales	653
Annual % Change	-25.3

The premium on new build properties is in excess of 90% for the second month running and the average price now stands at £3,413,324, a rise of 18.4% year on year. This is a record high for the new build sector in PCL, eclipsing last month's high water mark of £3,326,120.

These record prices have been helped by Holland Park Villas and other marquee developments coming to practical completion at the end of 2017.

Transaction levels are following suit with the rest of PCL and have seen a 25.3% drop year on year, to 653. This is the lowest level since the introduction of Additional Rate Stamp Duty (ARSD) in April 2016.

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July 2018

28th August 2018

GREATER LONDON

ANNUAL TRANSACTIONS FALL BY 6.5%

- Average prices in July (excluding new build) in Greater London now stand at £636,560.
- Annual prices see an increase of 2.2%.
- Annual transactions fall by a further 6.5% and remain just above the level seen during the GFC.
- These falls have been seen across Greater London, with new build transactions dropping 12.1% over the year.
- New build prices reach another record high of £784,892, representing a 32.3% premium over existing stock.**

London Headlines: Jul 2018

Average Price*(Excl. New Build)	£636,560
Monthly % Change	3.3
Quarterly % Change	6.6
Annual % Change	2.2

*based on three monthly rolling data each month

Quarterly Volume of Sales (All)	21,710
Quarterly % Change	5.9
Annual Volume of Sales	88,189
Annual % Change	-6.5

Greater London Monthly Changes (excl. new build)

	Avg Price*	Monthly Change %	Quarterly Change %	New Build** £ Premium %
Jul-17	£615,255	-1.5	0.8	7.2
Aug-17	£617,173	0.3	-0.5	3.8
Sep-17	£616,778	-0.1	-1.2	5.3
Oct-17	£609,168	-1.2	-1.0	11.4
Nov-17	£598,019	-1.8	-3.1	23.6
Dec-17	£593,261	-0.8	-3.8	32.3
Jan-18	£606,064	2.2	-0.5	n/a
Feb-18	£607,817	0.3	1.6	n/a
Mar-18	£604,258	-0.6	1.9	n/a
Apr-18	£597,359	-1.1	-1.4	n/a
May-18	£604,433	1.2	-0.6	n/a
Jun-18	£616,171	1.9	2.0	n/a
Jul-18	£636,560	3.3	6.6	n/a

*Based on three monthly rolling data each month. ** Six-month lag to register majority of new build completions in Land Registry (LR) Price Paid Data

Greater London Annual Changes

	Average Annual Price (ex. new build)	% Change vs previous year	Annual Volume (all)	% Change vs previous year
2007	£353,788	12.5	167,456	-3.4
2008	£365,337	3.3	82,260	-50.9
2009	£366,523	0.3	77,243	-6.1
2010	£413,108	12.7	92,691	20.0
2011	£425,909	3.1	90,715	-2.1
2012	£443,916	4.2	95,571	5.4
2013	£477,080	7.5	111,184	16.3
2014	£521,733	9.4	118,837	6.9
2015	£539,762	3.5	113,038	-4.9
2016	£573,865	6.3	102,904	-9.0
2017	£608,071	6.0	93,457	-9.2
2018	£612,214	0.7	88,189	-6.5

To Date

Naomi Heaton, CEO of LCP, comments:

Prices in Greater London reached a record high in the month of July and now stand at £636,560, an increase of 3.3% in the month, but only a 2.2% increase over the year.

Whilst transactions have risen by 5.9% over the quarter, when compared to the previous year, they have fallen by 6.5%.

Greater London is primarily a domestic market, therefore the interest rate rise could have a greater impact on the level of transactions, as home ownership becomes even more expensive in a price sensitive market.

Despite the government's commitments to affordable housing for Londoners, average prices are continuing to rise. This, coupled with the increase in interest rates, means those looking to get on the housing ladder are likely to be pushed even further out.

Note: given the distortion on pricing through the inclusion of new build sales, price data is based on existing stock only and new build data is considered separately (see over)

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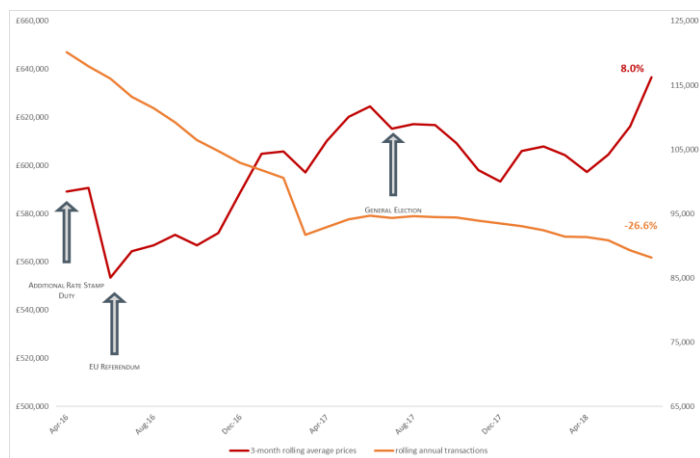
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July 2018

28th August 2018

Greater London Price & Volume Changes since Apr 2016



The mainstream sector has seen modest growth of 1.8% over the quarter and 1.3% over the year.

With greater reliance on the affluent domestic buyer than in PCL, where international investors play a key role, it appears that these buyers are propping up the wider London market.

NEW BUILD:

Greater London New Build Headlines: Dec 2017

Average Price*	£784,892
Quarterly % Change	20.9
Annual % Change	11.2

**based on three monthly rolling data each month. There is a six-month lag to record new build vs old stock completions in LR Price Paid Data*

Quarterly Volume of Sales	3,514
Proportion of Total Sales	15.3
Annual Volume of Sales	14,602
Annual % Change	-12.1

DECILES:

- The premium sector sees a 2.7% increase from Q1 2018, but a fall of 1.2% year on year.
- The mainstream market saw gains of 1.8% bringing prices to £388,845, an increase of 1.3% year on year.

Mainstream Market¹: Jun 2018

Average Price*	£388,845
Quarterly % Change	1.8
% Change vs Previous Annual Quarter	1.3

*¹bottom 70% of sales *There is a 1-month time-lag to record decile data for existing property*

Premium Sector²: Jun 2018

Average Price*	£1,142,912
Quarterly % Change	2.7
% Change vs Previous Annual Quarter	-1.2

*²top 30% of sales *There is a 1-month time-lag to record decile data for existing property*

The premium sector in Greater London has seen the largest increase across the capital of 2.7% from the previous quarter and now stands at £1,142,912, just below the record high of £1,157,376 in Q2 2017.

However, evidence suggests that, much like the PCL market, this is a product of a higher proportion of high value assets that are transacting, rather than real value growth at a property level.

New build properties in Greater London have hit a record high of £784,892, an increase of 6.2% in December and the fourth consecutive month of price rises. The premium on new build property stands at 32.3%, the highest in 15 years. However, this is a simple mean price and does not attempt to recognise any potential discount to the original asking price. It is likely that this represents higher value units trading at a significant discount, leading to a statistical increase in value whilst individual asset prices are declining.

Transactions remain stubbornly low at 14,602, a fall of 12.1% year on year.

The level of transactions across the capital continues to cause concern for house builders. Later phases of developments are being scaled back and new build starts were down 25.4% in 2017 according to LOREMA's Inner London figures.

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ENGLAND AND WALES

ANNUAL PRICES REMAIN STATIC WHILST TRANSACTIONS CONTINUE TO FALL

- Average prices in July (excluding new build) in England and Wales now stand at £293,897.
- This represents a quarterly increase of 3.9% with annual prices increasing by only 2.5%.
- Annual transactions fall by a further 2.0% to 876,628 and are at their lowest level since the introduction of Graduated SDLT (December 2014).
- New build prices remain close to a record high at £343,174 representing a 21.0% premium over existing stock.**

E&W Residential Headlines: Jul 2018

Average Price*(Excl. New Build)	£293,897
Monthly % Change	3.4
Quarterly % Change	3.9
Annual % Change	2.5

*based on three monthly rolling data each month

Quarterly Volume of Sales (All)	216,199
Quarterly % Change	9.9
Annual Volume of Sales	876,628
Annual % Change	-2.0

E&W Residential Monthly Changes

	Avg Price*	Monthly Change %	Quarterly Change %	New Build** £ Premium %
Jul-17	£286,764	0.7	1.9	18.7
Aug-17	£292,473	2.0	3.7	15.6
Sep-17	£294,391	0.7	3.4	16.5
Oct-17	£291,965	-0.8	1.8	16.9
Nov-17	£285,728	-2.1	-2.3	19.8
Dec-17	£283,607	-0.7	-3.7	21.0
Jan-18	£285,540	0.7	-2.2	n/a
Feb-18	£286,890	0.5	0.4	n/a
Mar-18	£286,376	-0.2	1.0	n/a
Apr-18	£282,755	-1.3	-1.0	n/a
May-18	£282,598	-0.1	-1.5	n/a
Jun-18	£284,259	0.6	-0.7	n/a
Jul-18	£293,897	3.4	3.9	n/a

*Based on three monthly rolling data each month. ** Six-month lag to register majority of new build completions in Land Registry (LR) Price Paid Data

E&W Residential Annual Changes

	Average Annual Price (ex. new build)	% Change vs previous year	Annual Volume (all)	% Change vs previous year
2007	£219,608	8.7	1,270,359	-4.0
2008	£217,757	-0.8	649,488	-48.9
2009	£212,932	-2.2	632,885	-2.6
2010	£238,019	11.8	662,242	4.6
2011	£233,961	-1.7	660,122	-0.3
2012	£237,772	1.6	676,938	2.5
2013	£245,325	3.2	790,913	16.8
2014	£257,845	5.1	919,766	16.3
2015	£267,320	3.7	916,440	-0.4
2016	£275,557	3.1	920,160	0.4
2017	£285,827	3.7	905,470	-1.6
2018	£288,632	1.0	876,628	-2.0

To Date

Naomi Heaton, CEO of LCP, comments:

Prices in England and Wales are just below historic highs and now stand at £293,897, an increase of 3.4% compared to last month. This however, is a modest rise of 2.5% on an annual basis.

Transactions in England and Wales have bucked the trend seen in London with a rise of 9.9% on the previous quarter. However, levels are still down 9.2% when compared to the same period last year.

There are very few causes for optimism in the domestic property market, where real terms, inflation adjusted, house prices are no higher than they were in 2007. Affordability remains heavily constrained in a post-Mortgage Market Review world, where wage growth struggles to out-pace inflation. Artificial stimulation of the market through Help to Buy and first time buyer incentives has supported the market but there is a general reticence amongst up and down-sizers to commit at this point. The continued lack of a defined exit plan from the European Union, combined with economic uncertainty and a number of punitive tax changes targeting the buy-to-let sector, have caused the market to stagnate.

Note: given the distortion on pricing through the inclusion of new build sales, price data is based on existing stock only and new build data is considered separately (see over)

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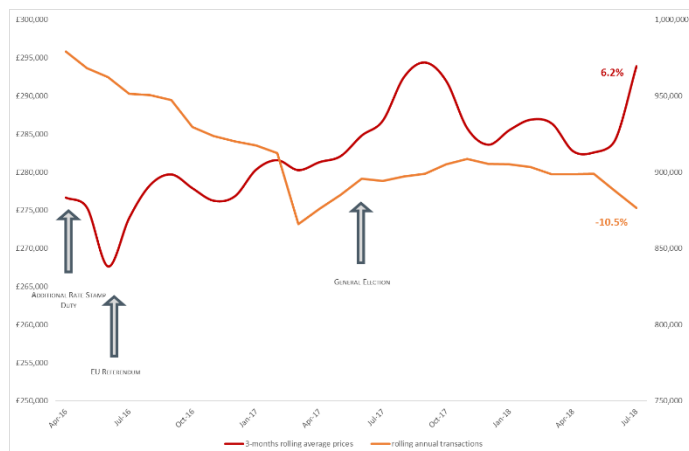
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July 2018

28th August 2018

E&W Price and Volume Changes since Apr 2016



NEW BUILD:

E&W New Build Headlines: Dec 2017

Average Price*	£343,174
Quarterly % Change	0.1
Annual % Change	5.1

**based on three monthly rolling data each month. There is a six-month lag to record new build vs old stock completions in LR Price Paid Data*

Quarterly Volume of Sales	30,105
Proportion of Total Sales	12.6
Annual Volume of Sales	105,454
Annual % Change	-1.5

Prices of new build properties in England and Wales increased by 0.1% and now stand at £343,174. On an annual basis this is an increase of 5.1%.

The new build premium for July is 21.0%, which is just below the highest level since the GFC. The proportion of new build sales stand at 12.6%, which again is just below the highest levels over the last decade.

New build transactions have all but stayed constant since the introduction of Additional Rate Stamp Duty (ARSD) in April 2016. Transactions now stand at 105,454, down 1.5% on an annual basis and 0.6% since the introduction of ARSD.