



June 2018 Report

30th July 2018

PRIME CENTRAL LONDON

PRICES AND SALES FALL AGAIN THIS QUARTER

- Average prices in June (excluding new build) in Prime Central London (PCL) now stand at £1,754,317.
- This is 8.2% lower than a year ago (June 2017) and a 6.9% drop from the previous quarter.
- Annual transactions fall 8.5% to levels last seen during the Global Financial Crisis (GFC).
- These falls have been seen across PCL, with new build transactions falling 17.3% across the year.
- New build prices, however, reach a record high of £3,209,089, an almost 90% premium over existing stock.**

PCL Headlines: June 2018

Average Price*(Excl. New Build)	£1,754,317
Monthly % Change	2.7
Quarterly % Change	-6.9

*based on three monthly rolling data each month

Quarterly Volume of Sales (All)	807
Quarterly % Change	-16.5
Annual Volume of Sales	3,760
Annual % Change	-8.5

PCL Monthly Changes (excl. new build)

	<i>Avg Price*</i>	<i>Monthly Change %</i>	<i>Quarterly Change %</i>	<i>New Build** £ Premium %</i>
Jun-17	£1,911,303	-1.1	11.0	-4.6
Jul-17	£1,747,907	-8.5	-7.0	7.5
Aug-17	£1,635,738	-6.4	-15.3	19.6
Sep-17	£1,652,336	1.0	-13.5	41.0
Oct-17	£1,670,704	1.1	-4.4	49.5
Nov-17	£1,709,215	2.3	4.5	87.8
Dec-17	£1,788,320	4.6	8.2	n/a
Jan-18	£1,951,921	9.1	16.8	n/a
Feb-18	£1,973,140	1.1	15.4	n/a
Mar-18	£1,883,424	-4.5	5.3	n/a
Apr-18	£1,737,328	-7.8	-11.0	n/a
May-18	£1,708,184	-1.7	-13.4	n/a
Jun-18	£1,754,317	2.7	-6.9	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

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	£829,724	19.3	9,190	-13.6
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	£1,261,888	16.6	5,555	-4.1
2013	£1,431,704	13.5	6,287	13.2
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	£1,772,794	7.5	4,196	-8.3
2018	£1,785,115	0.7	3,760	-8.5

to Date

Naomi Heaton, CEO of LCP, comments:

Prices in Prime Central London (PCL) in June now stand at £1,754,317, a fall of 8.2% compared with this time last year. They are currently no higher than they were almost four years ago, in a market that has enjoyed annual average growth of 9.9% since 1996.

In December 2014, Graduated Stamp Duty was introduced increasing the top rate for more expensive properties from 5% to 12%. Since then there have been two general elections, a referendum and six further tax changes to the residential sector. This combination has led to a significant readjustment in prices.

It has also led to transactions falling to the same level as seen in the Global Financial Crisis (GFC) and which now stand at 3,760. This is as few as 72 a week and has significant ramifications.

Countrywide (the UK's largest estate agent) issued a profit warning in June for their first-half earnings, leading to an almost 30% fall in share price. Listed house builders are also seeing falling share prices amongst concerns of a chaotic Brexit and an increase in property down-valuations.

Whilst there was an increase in the proportion of higher value transactions in the first part of 2018, this surge appears to have dissipated. This has been reflected in the average price falling by 11.1% from a high of £1,973,140 in February.

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)

For media and other enquiries, please contact James Harbach on james@londoncentralportfolio.com or Naomi Heaton CEO on naomi@londoncentralportfolio.com or at +44 (0) 207 723 1733, www.londoncentralportfolio.com

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



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NEW BUILD:

PCL New Build Headlines: November 2017

Average Price*	£3,209,089
Quarterly % Change	64.1
Annual % Change	7.0

*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	148
Proportion of Total Sales	15.0
Annual Volume of Sales	702
Annual % Change	-17.3

The new build premium currently stands at a staggering 87.8%, up from 49.5% in October. This jump in premium is largely due to completions on flats in Holland Park Villas and the Chiltern Place development. There were ten sales in these developments in November commanding prices in excess of £10,000,000, compared with only three others achieving such prices over the course of 2017.

This has led to average prices for new build reaching a record high of £3,209,089. However, transactions have seen a fall of 17.3% on an annual basis, to just 702.

PCL Price and Volume Changes since Sep 2014





June 2018 Report

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GREATER LONDON

ANNUAL PRICES INCREASE BY JUST 0.5%

- Average prices in June (excluding new build) in Greater London now stand at £628,807.
- Annual prices have only seen an increase of 0.6%.
- Annual transactions fell by a further 8.0% and remain just above the level seen during the GFC.
- These falls have been seen across Greater London with new build transactions falling 12.6% over the year.
- New build prices reach a record high of £755,553, representing a 26.4% premium over existing stock.**

London Headlines: June 2018

Average Price*(Excl. New Build)	£628,807
Monthly % Change	3.0
Quarterly % Change	3.8

*based on three monthly rolling data each month

Quarterly Volume of Sales (All)	18,757
Quarterly % Change	-8.1
Annual Volume of Sales	87,080
Annual % Change	-8.0

Greater London Monthly Changes (excl. new build)

	Avg Price*	Monthly Change %	Quarterly Change %	New Build** £ Premium %
Jun-17	£624,626	0.7	4.6	8.0
Jul-17	£615,368	-1.5	0.8	7.0
Aug-17	£617,297	0.3	-0.5	3.9
Sep-17	£616,819	-0.1	-1.2	5.5
Oct-17	£609,230	-1.2	-1.0	11.6
Nov-17	£597,977	-1.8	-3.1	26.4
Dec-17	£593,286	-0.8	-3.8	n/a
Jan-18	£607,047	2.3	-0.4	n/a
Feb-18	£607,872	0.1	1.7	n/a
Mar-18	£605,703	-0.4	2.1	n/a
Apr-18	£598,871	-1.1	-1.3	n/a
May-18	£610,432	1.9	0.4	n/a
Jun-18	£628,807	3.0	3.8	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	£353,787	12.5	167,455	-3.4
2008	£365,337	3.3	82,258	-50.9
2009	£366,523	0.3	77,241	-6.1
2010	£413,104	12.7	92,690	20.0
2011	£425,909	3.1	90,715	-2.1
2012	£443,898	4.2	95,567	5.3
2013	£477,083	7.5	111,183	16.3
2014	£521,739	9.4	118,831	6.9
2015	£539,764	3.5	113,031	-4.9
2016	£573,890	6.3	102,879	-9.0
2017	£608,157	6.0	93,485	-9.1
2018 to Date	£611,219	0.5	87,080	-8.0

Naomi Heaton, CEO of LCP, comments:

Whilst there has been a rally in average prices in Greater London over the last quarter, with a record high of £628,807 achieved in June, annual prices have seen growth of just 0.5%.

While these statistics do not reflect the discount from original asking price to sale price, a disconnect between seller and buyer expectations can be observed. This is undoubtedly a contributing factor to the sluggish level of transactions. Current annual sales have fallen 8% and now stand at 87,080, just above the levels last seen during the GFC.

With current residential tax policies and the lack of a defined plan for a post-Brexit UK contributing to economic uncertainty, it appears that only those who have to move are doing so. Falling prices will only exacerbate this as sellers are not motivated to move if they see the value of their home decline.

Soft prices and a general trend towards down-valuing properties could also have a concerning impact on the government's Help to Buy Scheme, which has enabled buyers to take a 95% loan. Existing owners may now find they are in negative equity when it comes to re-mortgaging their homes, with serious repercussions.

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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NEW BUILD:

Greater London New Build Headlines: Nov 2017

Average Price*	£755,553
Quarterly % Change	17.8
Annual % Change	10.1

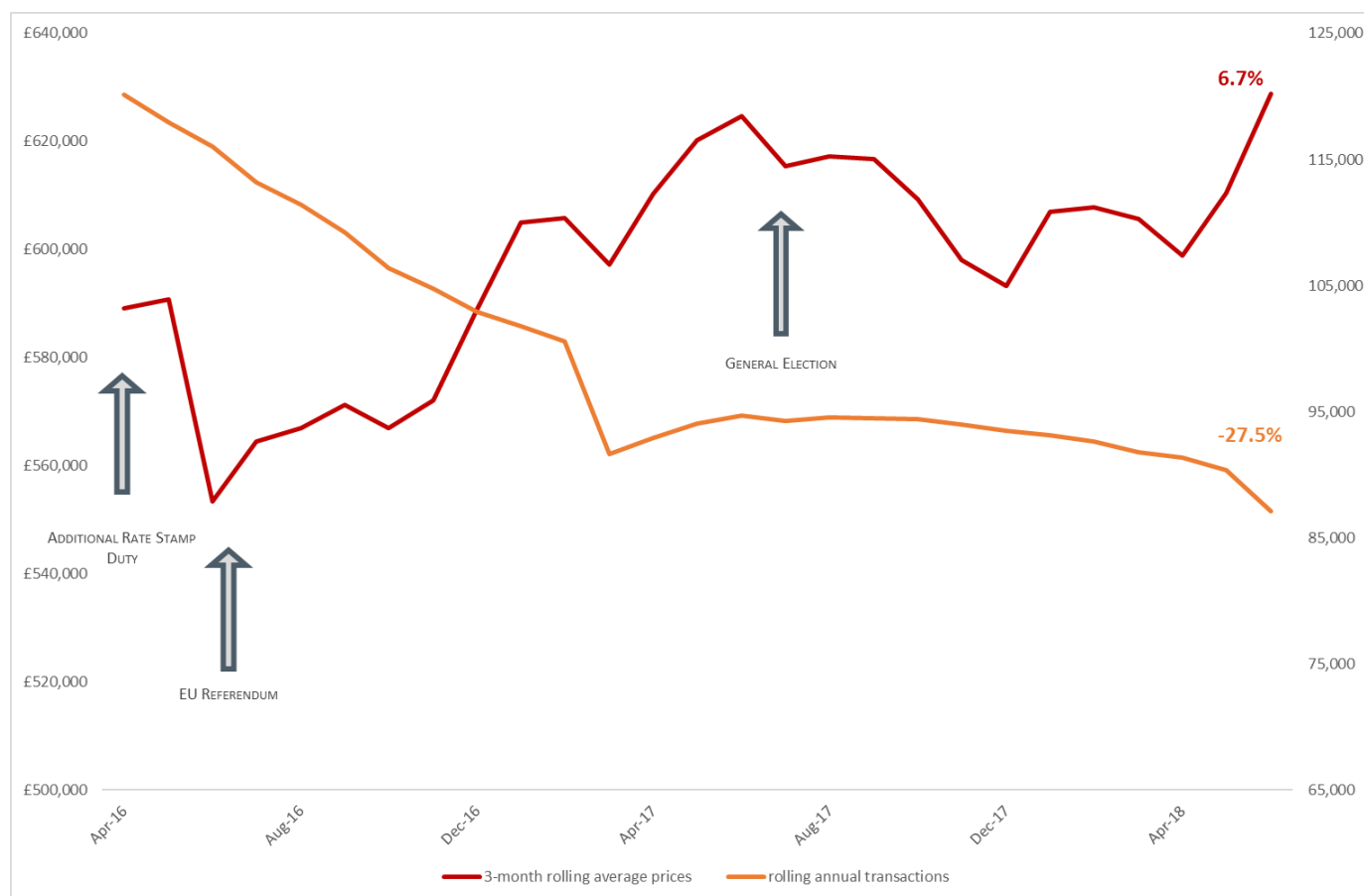
**based on three monthly rolling data each month. There is a six-month lag to record new build vs old stock completions in LR Price Paid Data*

Quarterly Volume of Sales	3,147
Proportion of Total Sales	13.5
Annual Volume of Sales	14,587
Annual % Change	-12.6

New build average prices reached a record high of £755,553 in the month of November, a quarterly increase of 17.8%. The high end Holland Park Villas and Chiltern Place developments, amongst others, will have played a strong part in this record figure.

The new build premium has hit the highest level since the GFC with new build being 26.4% more expensive than existing property. This premium will undoubtedly be contributing to the reduction in the volume of sales. Annual transactions have fallen by 12.6% over the year and now stand at 14,587, despite the government’s objective of achieving higher levels home ownership.

Greater London Price & Volume Changes since Apr 2016



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ENGLAND AND WALES

ANNUAL PRICES INCREASE BY JUST 0.8%

- Average prices in June (excluding new build) in England and Wales now stand at £287,558.
- This represents a quarterly increase of just 0.5% with annual prices increasing by only 0.8%.
- Annual transactions fall by a further 3.2% and are at their lowest level since the introduction of Graduated SDLT (December 2014).
- New build prices are close to a record high at £343,244 representing a 20.1% premium over existing stock.**

E&W Residential Headlines: June 2018

Average Price*(Excl. New Build)	£287,558
Monthly % Change	1.3
Quarterly % Change	0.5

*based on three monthly rolling data each month

Quarterly Volume of Sales (All)	187,150
Quarterly % Change	-3.7
Annual Volume of Sales	866,575
Annual % Change	-3.2

E&W Residential Monthly Changes

	Avg Price*	Monthly Change %	Quarterly Change %	New Build** £ Premium %
Jun-17	£284,815	1.0	1.6	20.6
Jul-17	£286,770	0.7	1.9	18.7
Aug-17	£292,473	2.0	3.7	15.6
Sep-17	£294,375	0.7	3.4	16.5
Oct-17	£291,981	-0.8	1.8	17.0
Nov-17	£285,759	-2.1	-2.3	20.1
Dec-17	£283,684	-0.7	-3.6	n/a
Jan-18	£285,720	0.7	-2.1	n/a
Feb-18	£286,833	0.4	0.4	n/a
Mar-18	£286,186	-0.2	0.9	n/a
Apr-18	£282,773	-1.2	-1.0	n/a
May-18	£283,932	0.4	-1.0	n/a
Jun-18	£287,558	1.3	0.5	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	1,270,341	-4.0
2008	£217,758	-0.8	649,473	-48.9
2009	£212,931	-2.2	632,871	-2.6
2010	£238,019	11.8	662,227	4.6
2011	£233,960	-1.7	660,116	-0.3
2012	£237,770	1.6	676,926	2.5
2013	£245,327	3.2	790,900	16.8
2014	£257,842	5.1	919,736	16.3
2015	£267,318	3.7	916,399	-0.4
2016	£275,557	3.1	920,022	0.4
2017	£285,854	3.7	906,284	-1.5
2018	£288,029	0.8	866,575	-3.2

to Date

Naomi Heaton, CEO of LCP, comments:

Whilst prices in England and Wales have picked up slightly in June by 1.3% to £287,558, on an annual basis prices have risen by just 0.8%. This very low level of growth is a common theme throughout PCL and Greater London as well.

Annual transactions also remain suppressed, falling a further 3.2%. They are at their lowest level since the introduction of Graduated SDLT.

This subdued activity is now starting to have a very tangible effect on the UK, both amongst house builders and estate agents. Currently, with the uncertainty created around Brexit, there does not appear to be anything significant on the horizon which will help buck this trend.

Whilst increasing affordability through falling prices may benefit first time buyers and second steppers, it tends to have the counter effect of suppressing sales activity.

The government is unlikely, and probably unable to, reverse the recent tax changes, given the political consequences. Therefore, it looks as though it will adopt a 'wait and see' attitude for the time being, although the economic consequences of falling transactions and a reduced tax take are beginning to hit home.

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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NEW BUILD:

E&W New Build Headlines: November 2017

Average Price*	£343,244
Quarterly % Change	1.5
Annual % Change	5.0

*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	26,288
Proportion of Total Sales	10.9
Annual Volume of Sales	105,985
Annual % Change	-0.6

Average new build prices are hovering just below record highs and now stand at £343,244. This represents an annual increase of 5.0%. The premium on new builds over existing stock is also still increasing, at 20.1% up from 17.0% last month.

Annual transactions at 105,985 remain almost static with a 0.6% decrease year on year. Despite all the government pledges on house building targets, they currently seem unable to stimulate the new build market.

E&W Price and Volume Changes since Apr 2016

