

LCP MARKET REVIEW

FEBRUARY 2022
PRIME CENTRAL LONDON

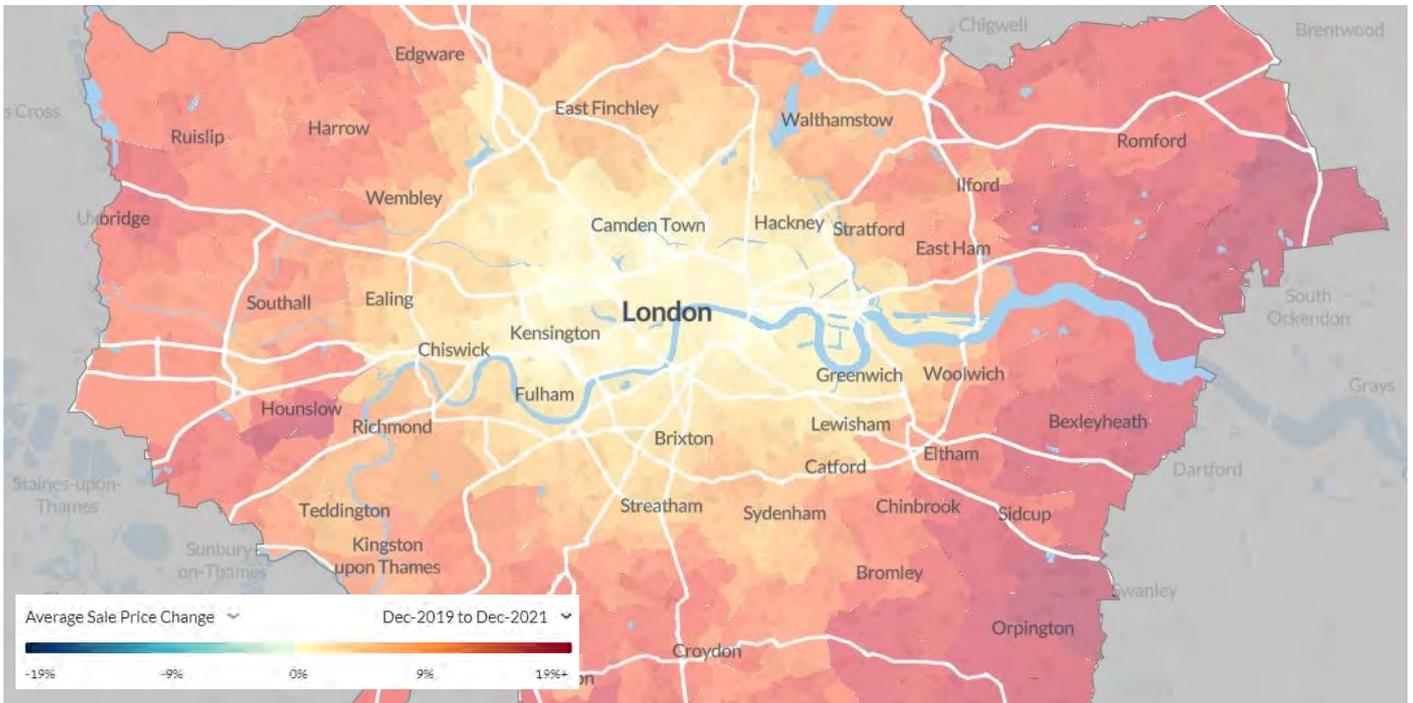


LONDON CENTRAL PORTFOLIO
REAL ESTATE INVESTMENT ADVISORY

This market review has been prepared by London Central Portfolio (LCP) using data provided by Bricks & Logic (B&L). B&L is a leading residential data provider with a proprietary model that uses AI and big data techniques to provide market leading price accuracy and insights that would not be available by utilising HM Land Registry information in isolation.

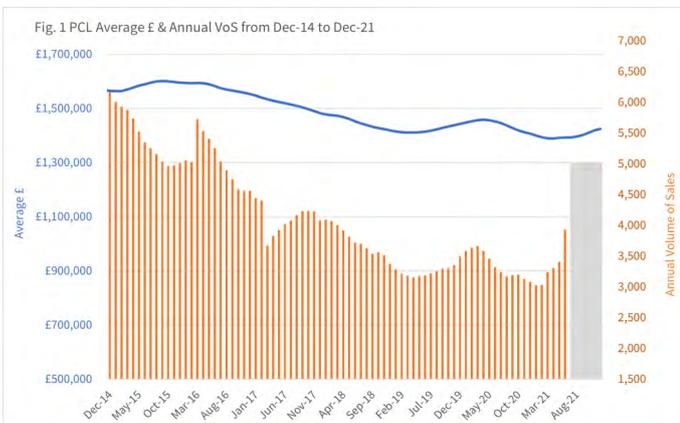
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+44 (0)20 7723 1733 www.londoncentralportfolio.com. [Bricks & Logic data methodology](#)

Heatmap 1: Relative price growth in all London boroughs Dec 2021 vs Dec 2019



PRIME CENTRAL LONDON

IS CENTRAL LONDON SET FOR GROWTH?



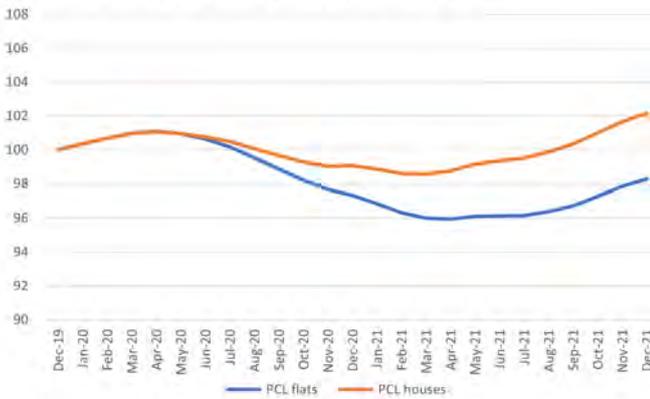
Properties in the outer suburbs of Greater London experienced significant price growth over the past 24 months. This was due to a change in buyer preferences caused by the pandemic and stamp duty savings made available at the same time, particularly significant for lower value properties. (See Heatmap 1 above detailing sales price changes from Dec-19 to Dec-21).

The ‘race for space’ was a key theme during the pandemic and the outer regions benefitted from increased demand from UK domestic purchasers. Central London did not experience the same price growth as proximity to places of work and the vibrancy of London became less relevant during a period of Government restrictions due to the outbreak of the pandemic. Most significantly, overseas buyers in Prime Central London (“PCL”) were, for the most part, absent.

Prices in PCL have followed a downward trend since the market peak in 2015. Bricks and Logic (“B&L”) data suggests that the average price of a property is now £1.42m, down 11.0% from £1.6m in September 2015. See Fig 1.

After a tumultuous period, capital values in PCL recovered in recent months to just below the level they were two years ago (-1.2%). See Fig 2. Transaction volumes increased in June 2021 as buyers rushed to capitalise on up to £15,000 in Stamp Duty Land Tax (SDLT) savings, which were available until the

Fig 3. Index of values, PCL flats v PCL houses, Dec-19 to Dec-21



end of June. HM Land Registry transactional data from July 2021 is not yet available, though it is likely volumes dropped during the month as sales are typically brought forward when tax changes are implemented.

The demand for space and stamp duty savings available that drove prices up in the UK regions and outer London did not filter through to the central areas of the capital at a comparable rate. During the first 12 months of the pandemic, prices in PCL dipped before recovering in the second half of

2021. Demand for larger properties however meant that prices for houses outperformed flats by 3.9% over the 24 month period. See Fig 3.

B&L data suggests that there was a ‘stepped’ increase in values for those properties that had a garden or outside space; this factor alone attracted a 7% premium in June 2020, compared to 5% before the pandemic.

ANDREW WEIR, CEO OF LCP, COMMENTS

The political uncertainties of recent years culminating in the fallout from Covid have caused prices in the central areas of London to cool. A nascent recovery is possibly being witnessed, with overall prices for the market over the December quarter increasing by 1.6%, although, not all market segments have behaved in unison. The fall from the 2015 market peak in PCL and the subsequent positive signs witnessed in recent months are perhaps best reflected in the heatmaps below.

One can only reliably call either the top or bottom of a market with the benefit of hindsight. However, the data suggests one can make a call within the central London flats market. Prices have reduced by 1.2% over the last two years and are still at least 11% below the 2015 peak. The significant recovery in the PCL lettings market, witnessed during Q4 2021, together with the easing of the Covid travel restrictions, could be a precursor of what lies ahead for the sales market in 2022.

Heatmap 2: PCL values from 2015 peak



Heatmap 3: PCL values 3-month change to Dec-21

