



LONDON CENTRAL PORTFOLIO
REAL ESTATE INVESTMENT ADVISORY

LCP FEBRUARY MARKET REVIEW

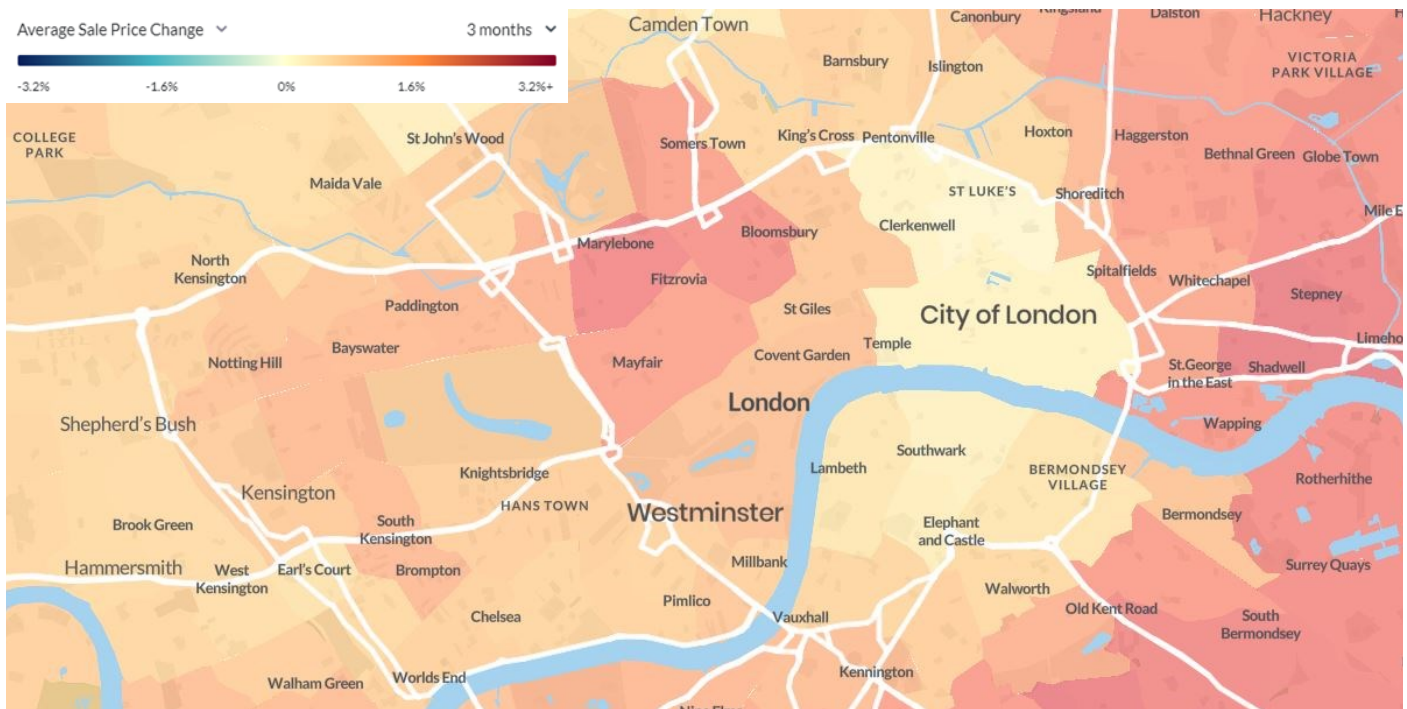
PRIME CENTRAL LONDON



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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Heatmap 1: Relative price growth in PCL over the past 3 months



PRIME CENTRAL LONDON

CONTINUED POSITIVE SIGNS

Fig. 1 PCL Average £ & Annual VoS from Feb-20 to Feb-22

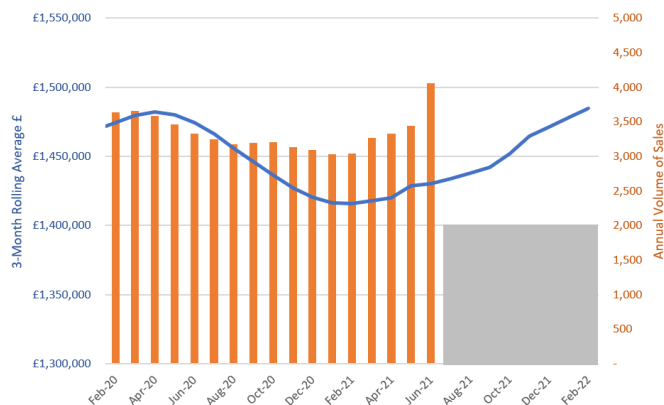
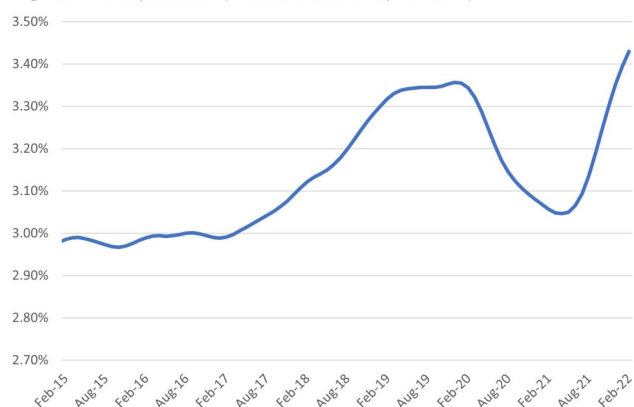


Fig 2. PCL rental yields, flats (% annual rental on capital values)



The Prime Central London (PCL) residential market has continued to witness positive signs over the past three months, despite the uncertainties caused by the Omicron variant and some investors not yet travelling to London. Bricks and Logic (B&L) data suggests that average prices in the area have increased by 1.7%. See Fig 1. HM Land Registry are still yet to release transactional data from July 2021 in any usable form. Values in February 2022 have now surpassed levels seen 2 years' ago, albeit by a modest 0.6%.

Marylebone, a traditionally attractive area for overseas purchasers, has been the 'hotspot' in recent months, with sales prices increasing by 1.9% in the February quarter. Marylebone has also had success in the lettings market with tenants wanting a short commute, close proximity to the Royal Parks and a lively high street. See Heatmap 1.

Residential property in PCL is an asset class defined by its capital growth potential; historically rental yields have simply complimented overall returns for most buyers or covered financing costs. However, the unique combination of 7 years' of price suppression coupled with a rental market rapidly recovering in recent months from the impact of Covid has meant that yields have spiked. The average annual rental return for a flat in PCL was 3.4% in February 2022. LCP is currently targeting an overall yield of 4.0%+, given its buying expertise and stringent financial criteria.

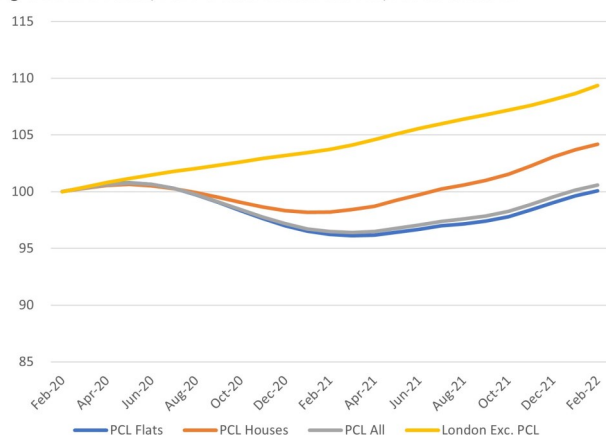
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Fig. 3 Index of values, PCL v Greater London exc. PCL, Feb-20 to Feb-22



The greater London market (excluding PCL) has outperformed the central areas of the capital over the past 24 months, with prices increasing by 9.4% since February 2020. For PCL, values in February 2022 have only increased 0.6% compared with 2 years' ago. This average, however, camouflages an increasing disparity between the performance of houses and apartments. Houses saw an increase in capital values of 4.2%, attracting home-buyers looking for outside space. Apartments saw capital values increase by only 0.1% over the same period. PCL has a significantly higher proportion of flats (87.5%) than houses (12.5%), which has driven the overall average

performance closer to these types of properties. The unique make-up of stock within areas of London is typically overlooked by market commentators. This has been particularly relevant in recent years as relatively small numbers of high value house transactions skew reported average prices to paint an overall picture that lacks a nuanced interpretation.

ANDREW WEIR, CEO OF LCP, COMMENTS

As the PCL market begins to pick up momentum there is still a degree of discrepancy between the performance of houses and flats, pointing towards the investment opportunities within the flats sector. We have seen evidence of buyers seeking to acquire small apartments within prime addresses as many professionals return to the capital. Inevitably, the gradual lifting of international travel restrictions and the full return of overseas investors will almost certainly see the performance gap between houses and apartments draw closer together once again. The lack of stock remains a drag on a PCL market recovery, however we expect to see stock levels increase this spring as owners observe more ready, willing and able purchasers. Our only note of caution is that it is not yet possible to fully ascertain what recent events within Ukraine will have on investor sentiment. The traditional 'safe-haven' status of central London property and the attraction of a tangible asset, may entice greater demand during a period of instability, or investors could retrench as other investments take a hit. However, in recent years, the typical investors in PCL have been from Asia, rather than from the European markets and therefore maybe less impacted by current events.

Heatmap 2: Relative price growth in London boroughs over the past 3 months

