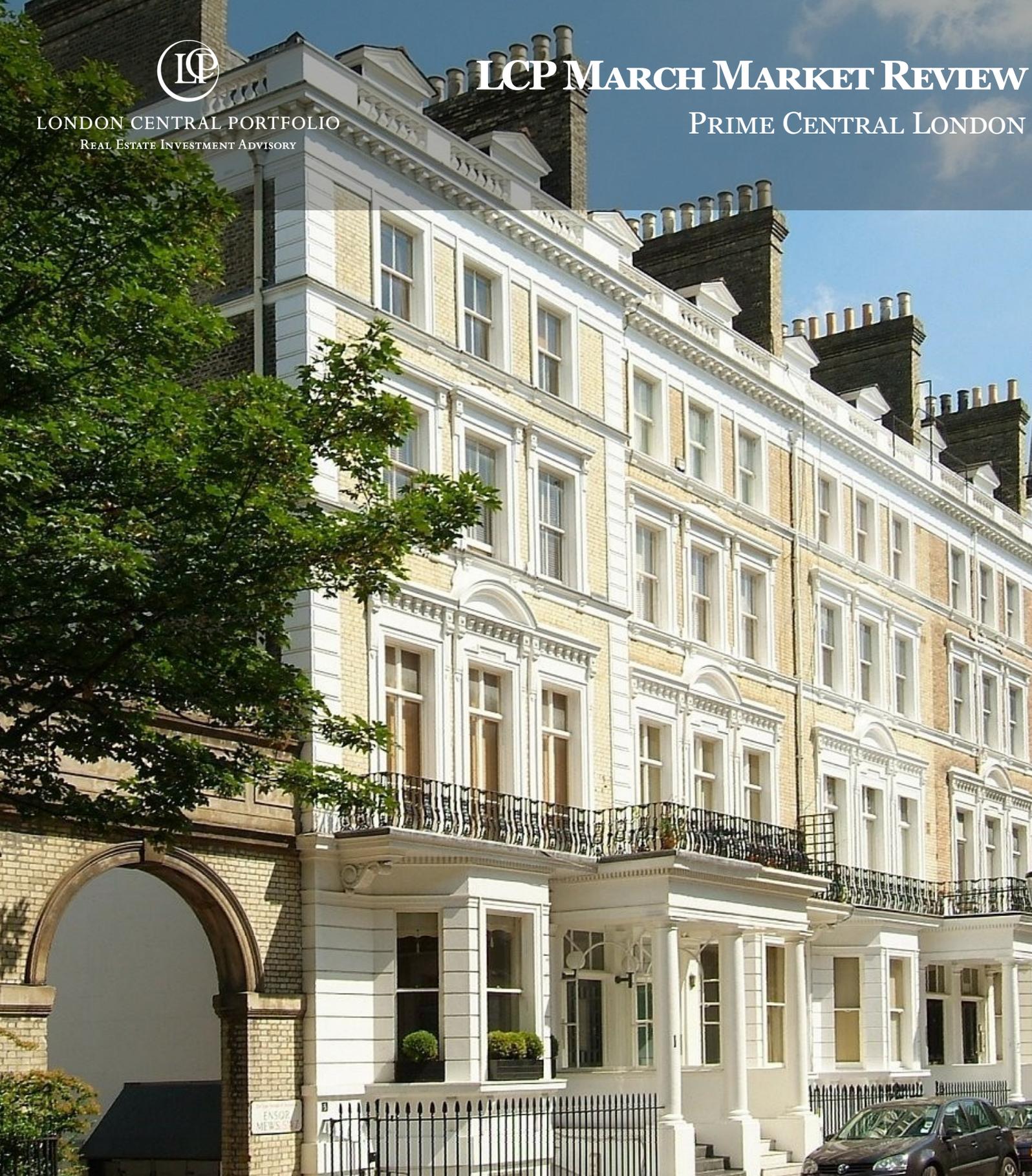




LONDON CENTRAL PORTFOLIO
REAL ESTATE INVESTMENT ADVISORY

LCP MARCH MARKET REVIEW

PRIME CENTRAL LONDON



This market review has been prepared by leading Prime Central London buying and investment agency, London Central Portfolio (LCP), in conjunction with 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 not available by utilising HM Land Registry information in isolation.

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Heatmap 1: Relative price growth in all London boroughs over the past 3 months



PRIME CENTRAL LONDON

IS THE TIDE STARTING TO TURN?

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

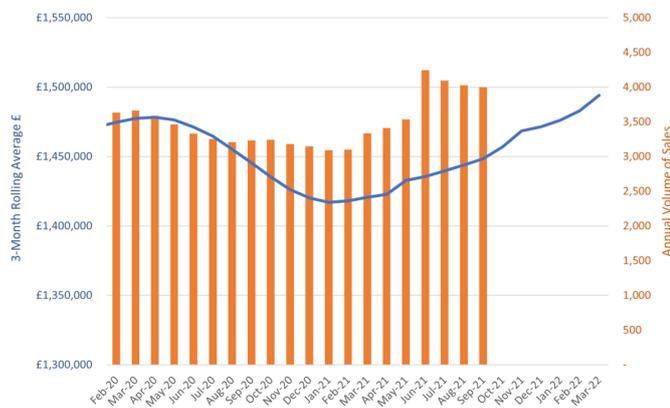


Fig. 2 Monthly % Change, PCL flats v houses, Apr-20 to Mar-22



The end of all covid restrictions in the UK in February resulted in professionals returning to the office and with that, a change in buyer preferences. The race for space was a key theme throughout the pandemic but buyers are now starting to move back into Prime Central London (PCL) to be within close proximity to work and the renewed vibrancy of the capital. Heatmap 1 indicates some promising albeit slight price growth over the past 3 months.

The data shows that the average price in PCL has now just surpassed levels witnessed in February 2020 by 1.3%. See Fig 1. PCL values within the last month have increased by a modest 0.7% as the effect of lifting travel restrictions and the return to the office begins to filter through to prime London neighbourhoods.

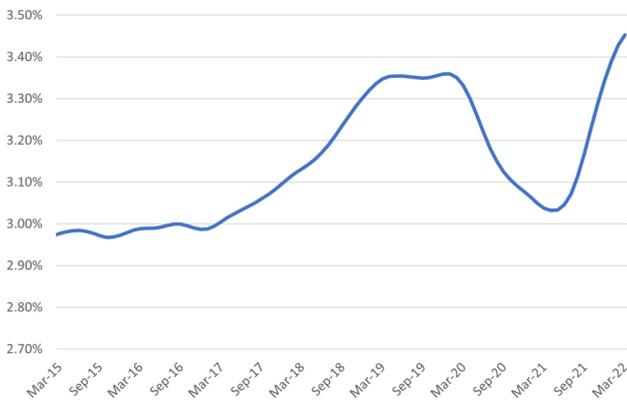
The price growth of flats in PCL, which had both fallen further and then lagged behind any recovery, has now at last just matched that of houses. This reflects a resurgence of interest in apartments within close proximity to the centre of London. See Fig 2. Professionals who need to be in the office a few days a week are now looking for pieds-à-terre that they can 'lock up and leave.' This represents an opportunity for investors to acquire small apartments as rental investments.

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Fig. 3 PCL rental yields, flats (% annual rental on capital values)



The pendulum has now firmly swung in favour of landlords. The rental market in PCL has had a strong start to the year and rental yields continue to increase, to a level not seen since June 2013. This is partly explained by the overall fall in the prices of flats since 2016. However, it is also a function of the lack of investment activity in the sector during the pandemic coupled with very strong rental demand now as students, young professionals and more senior level corporates return. This has all exacerbated conditions within the central London lettings market to create attractive rental yields.

ANDREW WEIR, CEO OF LCP, COMMENTS

As the last of the Government imposed Covid-19 restrictions were lifted in February, the PCL sales market has begun to benefit. There has been a gradual return of professionals to their central London offices alongside signs of a resurgence in international demand. This noticeable increase in demand and activity has begun to filter through to the apartment market in contrast to the recent preference amongst the UK domestic market for houses. This renewed and welcomed activity may well tempt previously reluctant sellers to market their property, having been deterred by an absence of the usual buyers for this part of London. The combination of PCL apartment pricing still having not recovered to 2016 levels with a very strong central London lettings market now, makes buy-to-let acquisitions an appealing option for shrewd investors. This is reinforced by many respected commentators predicting strong price growth over the next 3-5 years.

As we begin to see the tide change for the apartment market, we are yet to experience an overnight sea change in activity. Although improved, sentiment is still somewhat sporadic with certain areas leading the way, most specifically the central areas of Mayfair, Marylebone, Fitzrovia and Bloomsbury, as seen in Heatmap 2.

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

