June Market Review

Prime Central London

London Central Portfolio
Real Estate Investment Advisory

This market review has been prepared by Prime Central London buying and investment agency, London Central Portfolio (LCP), in conjunction with Bricks & Logic (B&L). B&L is a respected 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.

For enquiries, contact Andrew Weir at andrew@londoncentralportfolio.com
+44 (0)20 7723 1733 Bricks & Logic data methodology

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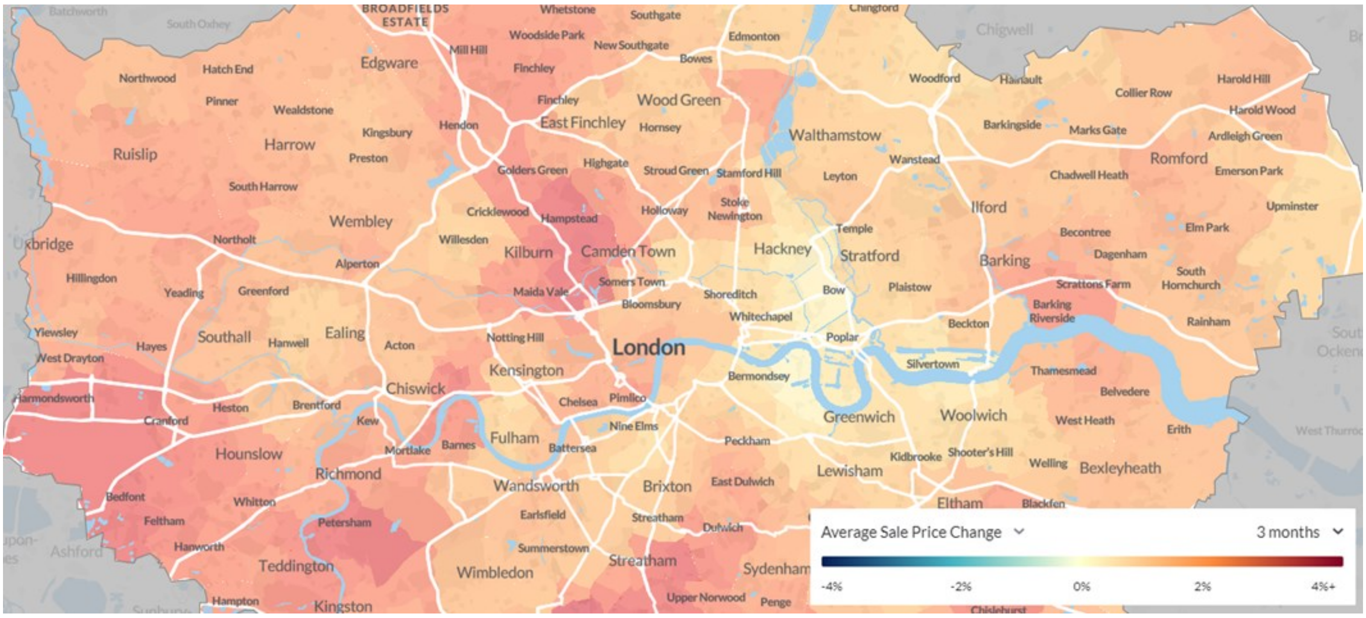
Heatmap 1: Relative price growth in all London boroughs over the past 3 months



Prime Central London

DOES DISTANCE MAKE THE HEART GROW FONDER?

Fig.1 12 month rolling growth rate of PCL capital values

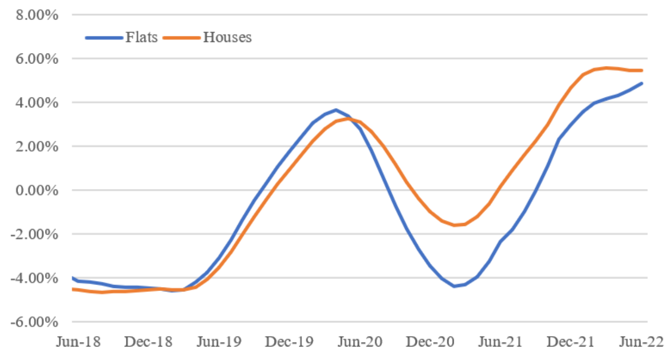
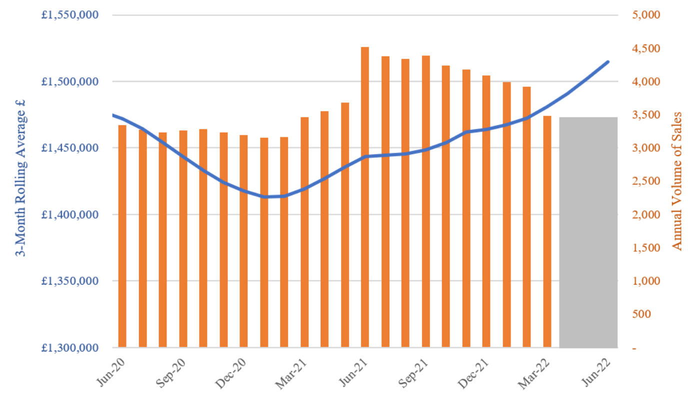


Fig. 2 PCL 3 month rolling average £ & Annual VoS from Jun-20 to Jun-22



Capital values in Prime Central London (PCL) have increased by 7.9% for houses and 6.9% for flats since the low point in the pandemic to June 2022 and have now exceeded the ‘Boris Bounce’ in early 2020, cut short by the pandemic, by 2.4%. Houses continue to outperform flats, but there are signs the gap between the two is continuing to narrow. See Fig 1. The return to the office, at least on a part time basis, acts as a strong catalyst for professionals seeking apartments close to their place of work. We are also beginning to witness the physical return of some overseas investors enjoying their first summer in London since 2019. This has resulted in continued price growth for flats despite the wave of interest rate rises over the past six months. With buoyant PCL rental values and rising yields, there is a strong incentive to consider the continued suppressed pricing of flats as an attractive investment opportunity.

The latest data on transactional volumes shows a continued drop in activity. See Fig 2. PCL is yet to see the full return of high net worth international buyers in numbers witnessed before the pandemic. This has meant the recovery in the PCL market has been much slower than expected with prices still 7% below their 2015 peak and lagging behind growth across wider London (see Heatmap 1) and the UK as a whole. This lack of investor appetite is leading prospective sellers to hold their property until the market improves.

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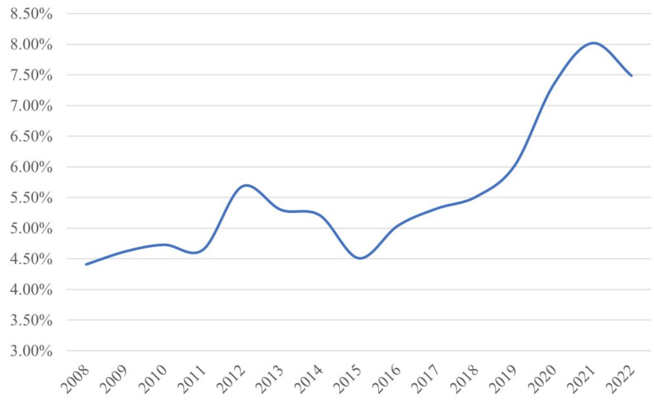
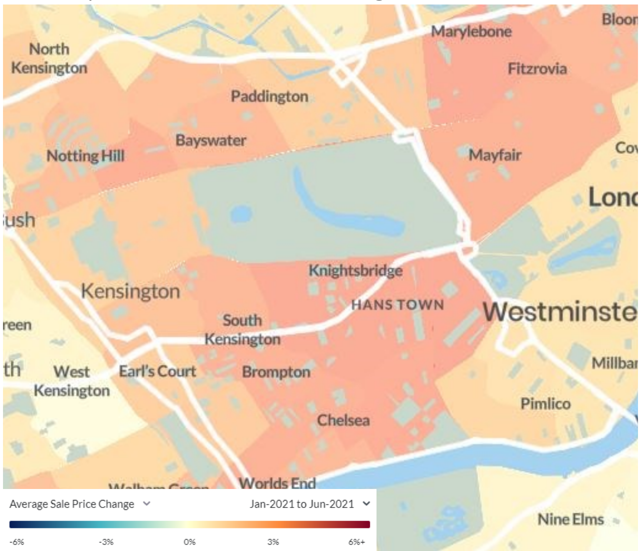
Fig. 3 London premium paid for flats with garden

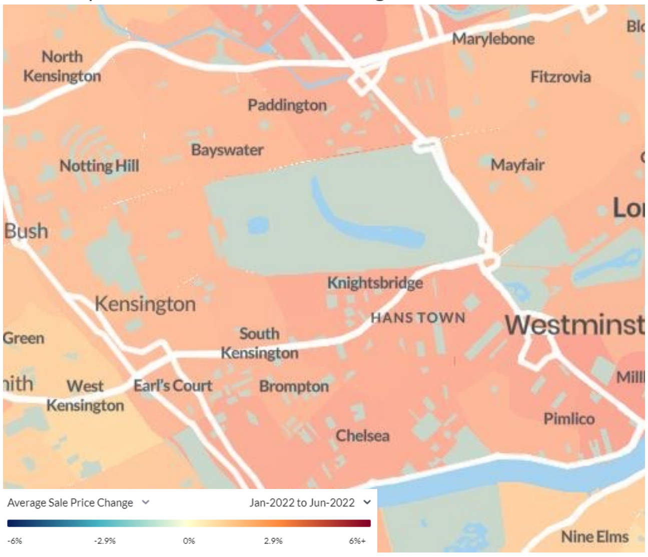


The hunt for outdoor space, which has been a key theme throughout the pandemic, remains desirable but possibly a less important factor for buyers as the need to be close to work and enjoy a more social lifestyle resumes. The average premium paid for flats with a garden during the pandemic rose to 8% over flats without outdoor space compared to the 10-year average pre-pandemic of circa 5%. The latest data shows a peak and subsequent fall in the premium paid as location re-emerges as a key determinant. See Fig 3.

Heatmap 2: PCL values 6-month change to Jun-21



Heatmap 3: PCL values 6-month change to Jun-22



The above heatmaps show a healthy rebalancing in the PCL market with a more even growth pattern across all the micro markets. Recovery continues with the return of some international demand, albeit a gradual process with many obstacles globally to the return of positive investor sentiment.

Andrew Weir, CEO of LCP, comments

There are encouraging signs emerging within the PCL sales market. PCL is less affected by rising interest rates than the domestic market as most leverage taken is discretionary, and at the moment the flats market appears unaffected. More relevant for this market is the need to be close to work, even if only on a part time basis and the desire to enjoy the benefits of living in a lively and diverse city as restaurants, shops, theatres and museums which has drawn back those that had opted for a more rural experience during the pandemic. This can be seen most clearly in the renewed interest in apartments, which have thus far continued to lag behind demand for houses. PCL continues to be seen as a desirable safe haven, tangible asset and as a hedge against inflation. When this is combined with a low Sterling exchange rate, the apartment market in PCL continues to offer attractive investment options. For prospective buyers these built-in attractions of the capital are often the same reasons that sellers can be reluctant to part company with an asset capable of inflating at speed when strong market conditions return. The market does however continue to be nuanced with investor sentiment generally suppressed due to global uncertainties with only the very best property attracting full value as price sensitivity continues to be a theme across all segments.

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