



LCP MARKET REVIEW

LONDON CENTRAL PORTFOLIO
REAL ESTATE INVESTMENT ADVISORY

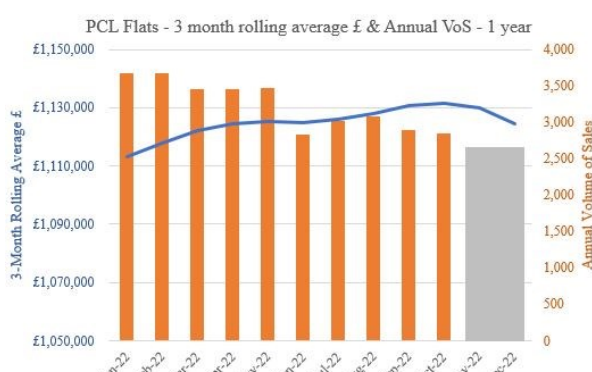
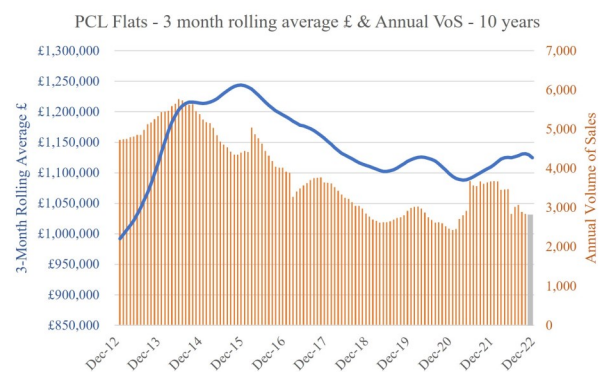
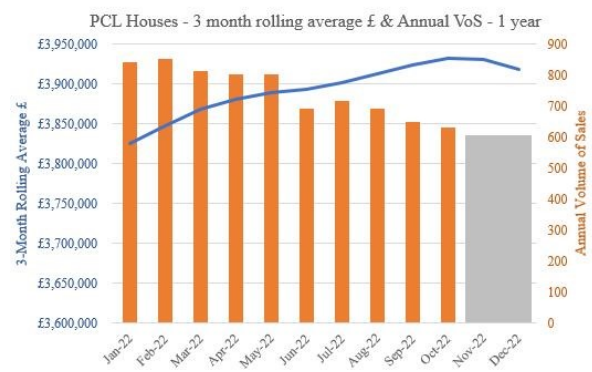
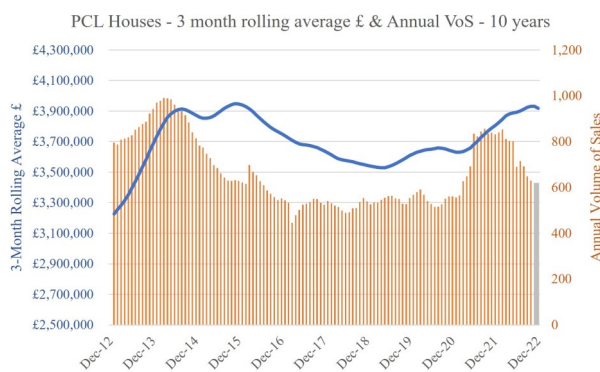
PRICE GROWTH & VOLUME OF SALES IN PRIME CENTRAL LONDON BY PROPERTY TYPE

HOUSES		MONTHLY CHANGE	QUARTERLY CHANGE	ANNUAL CHANGE
AVERAGE PRICE (TO DEC-22)	£3,917,691	-0.3%	-0.2%	2.9%
12-MONTH VOL. OF SALES (TO OCT-22)	630	-2.9%	-11.9%	-24.6%

FLATS		MONTHLY CHANGE	QUARTERLY CHANGE	ANNUAL CHANGE
AVERAGE PRICE (TO DEC-22)	£1,124,528	-0.5%	-0.5%	1.3%
12-MONTH VOL. OF SALES (TO OCT-22)	2,842	-1.8%	-5.9%	-21.3%

ANDREW WEIR, CEO OF LCP, COMMENTS ON PRIME CENTRAL LONDON

Despite economic and geopolitical challenges creating uncertainty amongst many home buyers, Prime Central London (PCL) house values showed growth in 2022 and continued to outperform flats. House values started to fall in Q4 in the aftermath of the Autumn mini-budget and rising interest rates affecting investor and buyer sentiment. The average cost of a house in PCL reached £3,917,691 which saw 2.9% growth in the year to December. This now stands at levels last achieved in PCL's 2015 peak prior to increases in property taxes, Brexit disruptions and Covid. It has taken 7 years for the market to recover. However at just 12 sales a week on average, 2022 saw a low volume market. This will have inevitably created pricing anomalies within a highly discretionary market.

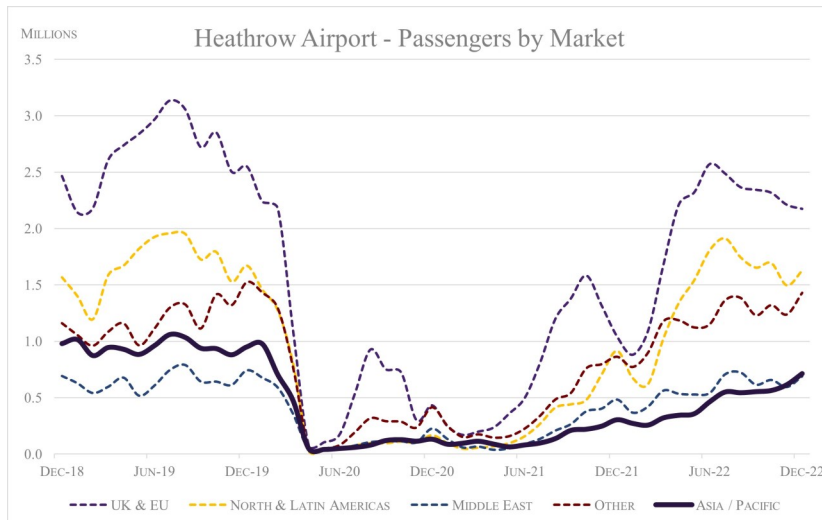


The apartment market saw limited growth in 2022 with only 1.3% price growth in the year to December. The average price of flats reached £1,124,528, values not seen since August 2018 and now 9.6% below their 2015 peak. The rolling 12-month transaction volumes to October 2022 reached 2,842, less than 56 sales a week on average. The apartment market has lagged behind that of the house market as the return of overseas investors, although improved, has been slower than home buyers. Heightened tenant demand within the rental sector pushing up rental yields, coupled with suppressed prices may give a significant boost to the sales market in 2023 at a time when London is expected to see the arrival of more international buyers, especially as China is only just now opening up to travel.



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Heathrow traffic from the EU, Americas and the Middle East have largely reached pre-pandemic levels. However, we are yet to see the full return of passengers from Asia/Pacific due to overseas travel restrictions throughout 2022. The reduced number of Asia/Pacific buyers has been an important factor leading to a more subdued recovery within the apartment market. Air travel from this region was beginning to rise in the second half of 2022 and we expect to see a further recovery in 2023, which should have a positive impact on the PCL property market.

PRICE GROWTH IN KEY PRIME CENTRAL LONDON VILLAGES BY PROPERTY TYPE

KEY VILLAGES	HOUSES			FLATS		
	AVERAGE PRICE	% CHANGE (12 MONTH)	% CHANGE (2015 PEAK)	AVERAGE PRICE	% CHANGE (12 MONTH)	% CHANGE (2015 PEAK)
Mayfair	£7,329,138	▲ 0.8%	▼ -6.5%	£3,589,693	▲ 0.5%	▼ -13.7%
Belgravia	£5,406,019	▲ 1.0%	▼ -4.8%	£2,963,122	▲ 0.5%	▼ -11.5%
Kensington	£5,055,826	▲ 0.9%	▼ -3.8%	£1,644,533	▲ 0.4%	▼ -10.2%
Knightsbridge	£4,960,045	▲ 1.0%	▼ -5.5%	£2,961,016	▲ 0.5%	▼ -11.4%
Chelsea	£4,606,749	▲ 1.6%	▼ -5.5%	£1,400,131	▲ 0.5%	▼ -11.8%
Notting hill & Holland park	£4,411,272	▲ 1.1%	▼ -1.2%	£867,080	▲ 0.2%	▼ -8.8%
South Kensington	£4,226,476	▲ 1.4%	▼ -4.8%	£1,758,868	▲ 0.4%	▼ -12.2%
St James & Westminster	£3,348,321	▲ 2.1%	▼ -4.1%	£1,017,372	▲ 0.4%	▼ -11.9%
Bayswater	£3,318,674	▲ 2.4%	■ 0.0%	£894,793	▲ 0.6%	▼ -8.7%
Marylebone	£3,074,611	▲ 2.4%	▼ -5.5%	£1,560,714	▲ 0.8%	▼ -13.6%
Pimlico	£2,288,861	▲ 2.6%	▼ -4.1%	£678,410	▲ 0.4%	▼ -12.1%
Average price (12-mths to Dec 22)	£3,917,691	▲ 2.9%	▼ -0.8%	£1,124,528	▲ 1.3%	▼ -9.6%
Transaction vol (12-mths to Oct 22)	630	▼ -24.6%	▲ 0.3%	2,842	▼ -21.3%	▼ -35.4%

Over the last 12 months, house and flat values increased in all key PCL villages. Houses in Pimlico saw the largest rise at 2.6%, followed by Bayswater and Marylebone at 2.4%. Apartments in Marylebone saw the largest increase at 0.8%, followed by Bayswater at 0.6%. Bayswater was the only village that saw house values reach levels seen in the 2015 peak. Mayfair house and apartment values remain the furthest below PCL's 2015 peak at 6.5% and 13.7% respectively. The low 12-month transaction volumes to October 2022 suggest a stagnant market in the wake of the continuous economic and political crises.

It has been widely forecast that PCL will perform better than the outer London market in 2023. PCL is less affected by issues affecting the domestic UK economy such as the rise in interest rates. As we begin to see the full return of buyers from Asia Pacific, typical PCL investors, we expect to see non-Sterling denominated buyers take advantage of both historically low pricing and advantageous exchange rates. This in turn will help drive up transactions. We continue to witness buyers investing in central and convenient, 'blue chip' established residential areas.