

Prime London residential

Central London

House prices in the highest-value central London locations fell by an average of 0.9% in the second quarter of 2018, leaving them 17.6% down on their 2014 peak. Year-on-year price falls now stand at 3.8%, a marginal improvement on the annual 4.2% falls recorded at the end of the first quarter.

Variation in performance

However, the average conceals huge variation in performance at an individual property level. For the top-performing 10% of prime central London properties by price growth, prices have held their own in the past year (+0.2%) and, at just 1.5% down, are all but back to peak 2014 values (see chart below).

By contrast, the weakest 10% of prime homes have lost almost one-third (-32%) of their value in the same period after falling 7.7% in the past 12 months.

It is hard to generalise about the factors behind this range. Some of it is down to the size of the property, some is down to condition and some is simply down to what is currently fashionable.

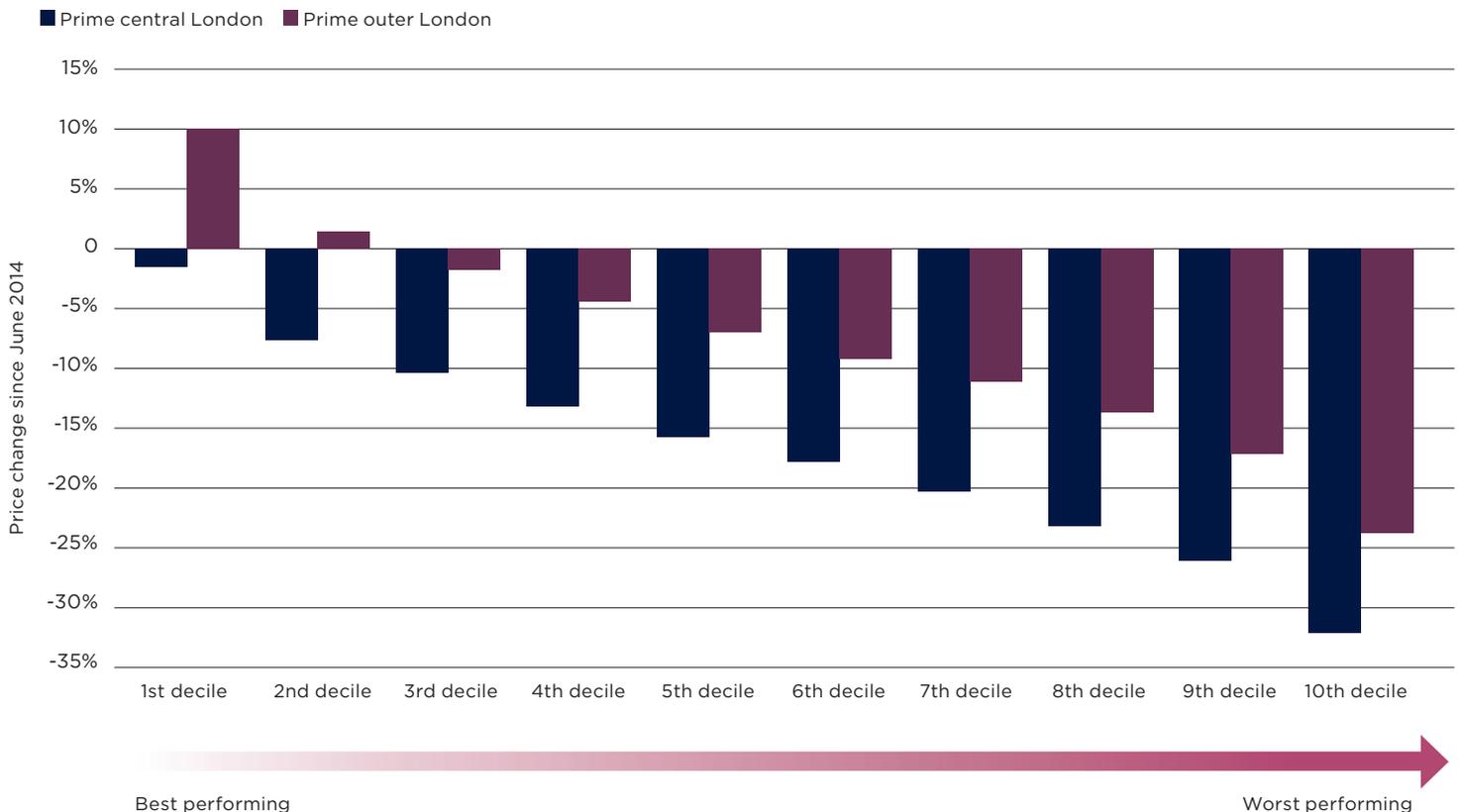
Location appears very much to be a secondary indicator of performance. The exception is Marylebone, which stands out as the most robust local market by a wide margin. However, while average values in this prime central London village have fallen by a net figure of just 6.6% since peak, they have fallen 2.6% in the past year – in what is still a price-sensitive market.

Pricing strategies

The uneven impact of the main market drivers – namely taxation, and political and economic uncertainty – means that pricing individual properties in order to encourage competitive bidding has become increasingly difficult. That requires sellers to have a flexible pricing strategy.

However, there is little to suggest that this situation is going to change over the next 12 months, even though there seems to be a more widely held view among potential buyers that pricing is at, or approaching, the bottom of the market.

Top performers Average prime London house prices registered a further small fall in Q2 of 2018, but there is now a significant difference between best and worst performing properties



Outer prime London

Across outer prime London, values have tracked prime central London over the recent past, falling 0.9% in the last quarter and 4.1% during the past year. But as prices generally stood up better than in more central locations in the immediate wake of the stamp duty changes of 2014, they are only 7.3% below their peak.

However, the extremes are also marked in these outer London markets (see top performers chart). Top-performing properties have had price growth of 9.9% since 2014, despite falls of 8.9% in the past two years. However, the weakest slice of

this market is down 23.7%, a 33.6 percentage point gap between the top and bottom of the market.

Smaller properties prove more robust

In areas such as Fulham, Clapham, Chiswick and Islington, smaller, less expensive prime properties have more consistently performed better than the largest, most expensive homes. These markets are traditionally needs-based, with buying power dependent on wealth generation from high-value sectors of the London economy. Many buyers will also require borrowing, and therefore have an eye

on interest-rate indicators, with modest rate rises still being penciled in for the second half of 2018.

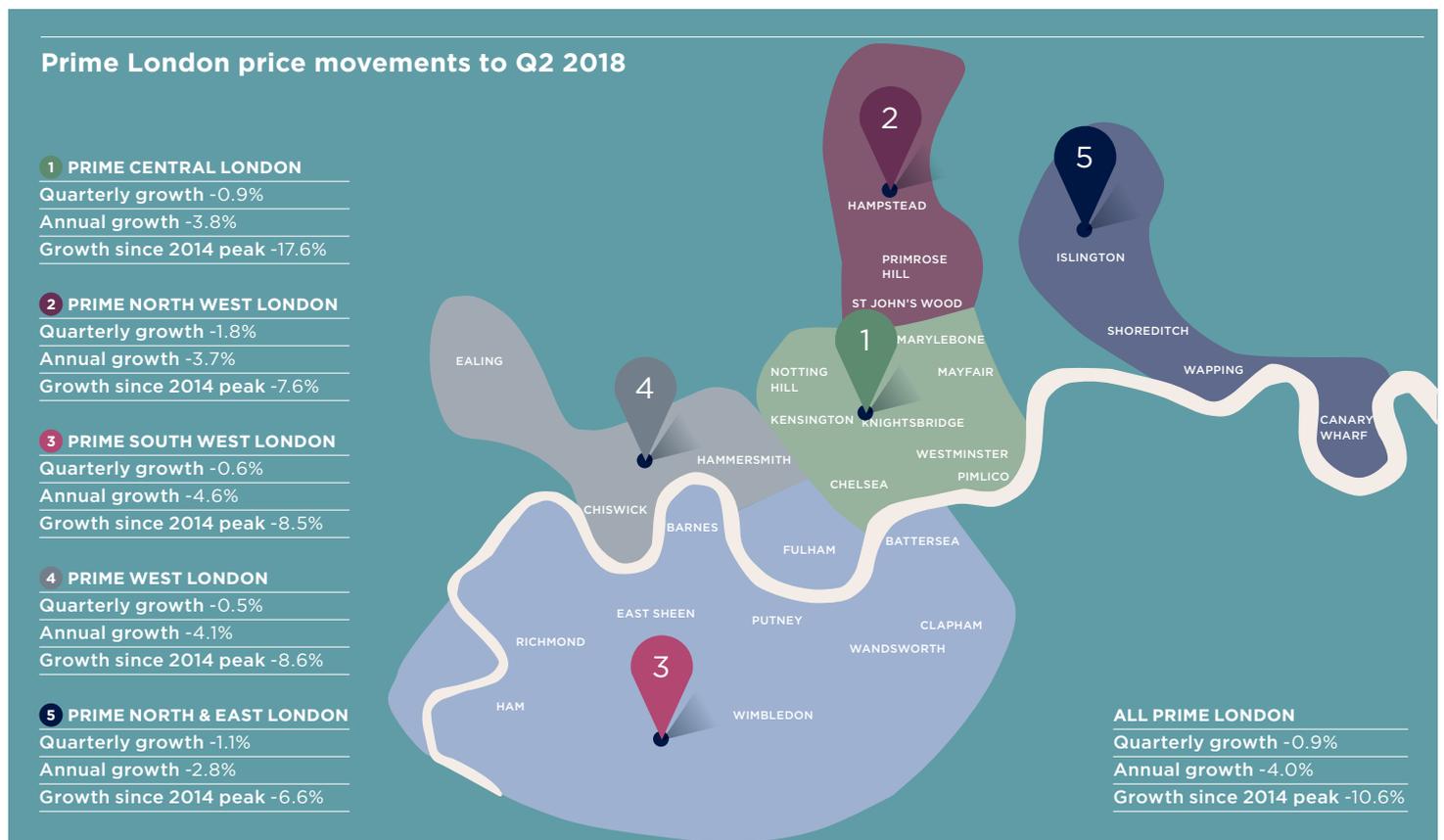
The need to demonstrate good value

This combination of factors means they will only commit when they believe they are getting value, especially given the weakness in the wider London mainstream market. Where this is the case, sales are being agreed. We expect a continuation of these market conditions until there is more political and economic certainty. By contrast, stamp duty seems to have been more widely factored into pricing.

Outer London price movement since June 2014 by size of dwelling (to June 2018)

Size in sq ft	0-999	1,000-1,999	2,000-2,999	3,000-3,999	4,000-4,999	5,000-6,000	>6,000
Average value	£640,000	£1,240,000	£2,291,000	£3,200,000	£4,429,000	£5,636,000	£8,370,000
Price movement since June 2014	-3.0%	-7.5%	-10.3%	-11.7%	-13.8%	-14.5%	-18.2%

Source Savills Research



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