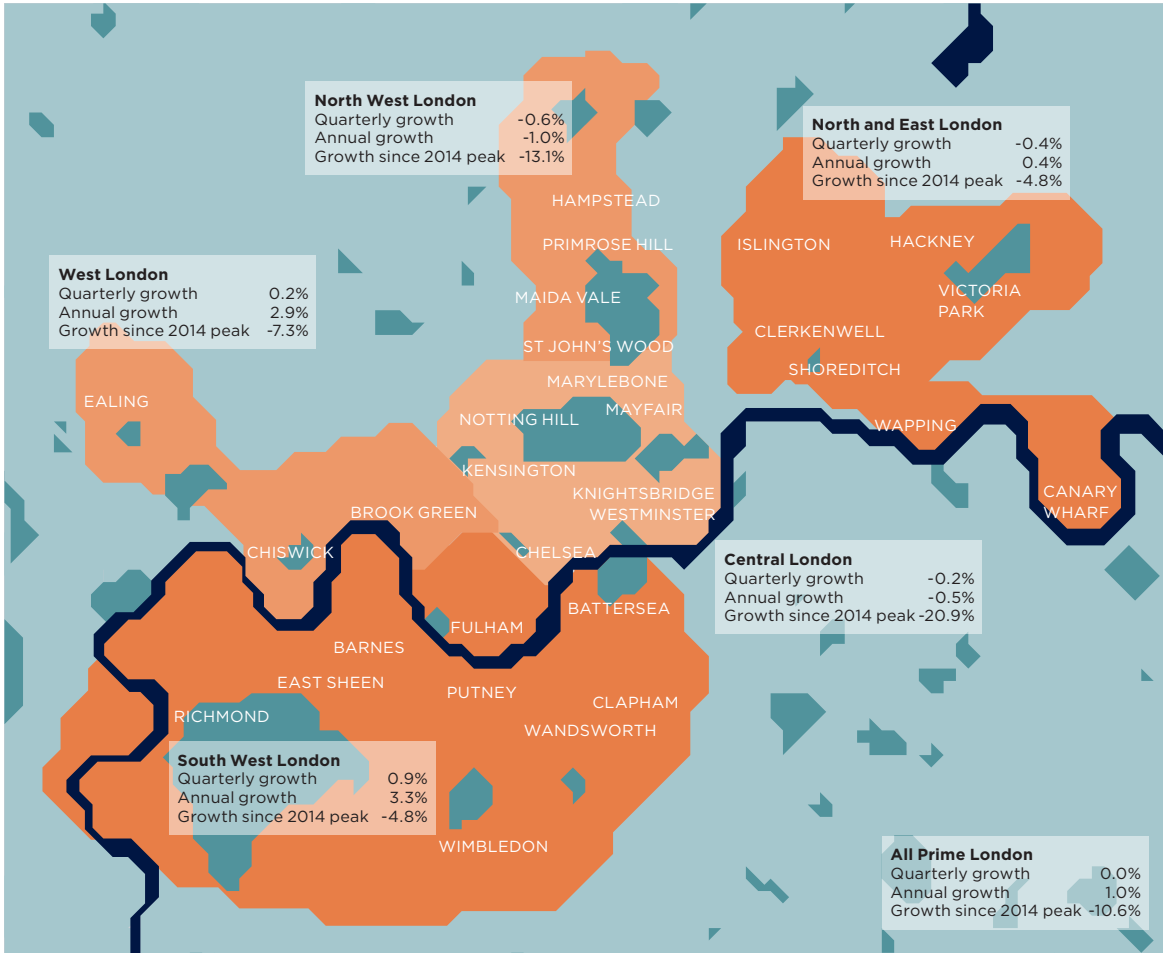


Prime London Residential



Note Price movements to September 2020 Source Savills Research

Balanced market masks the full picture

The prime markets of London have continued to defy gravity over the summer months, a period which is generally known to be much quieter.

The number of properties worth £1 million or more marked as sold subject to contract across the capital was 87% higher in the third quarter of 2020, compared to the same period last year.

But strong demand is being matched with supply. New for sale instructions in the three months to September were 77% higher than in Q3 2019.

Buyer and seller expectations on price also appear to be aligning. Half of our London agents reported that vendors' price expectations of the property they are selling had reduced, while 44% said buyers' budgets had decreased. Similarly, 35% and 29% of agents reported an increase in vendors' and buyers' expectations on pricing, respectively.

All of this suggests that there is a balanced market and, at a headline level, there has been little movement in prices. Indeed, across prime London as a whole, prices remained flat in the third quarter of 2020, leaving them 1.0% higher than a year ago.

But these overall figures do hide some disparity across the market that has been triggered by a recent shift in lifestyle trends. Across all five prime London regions, the value of houses held up more strongly than that of flats. The best performing markets over the past three months have been Victoria Park, Richmond and Putney, which are well known for having a strong family house market.

In central London, houses saw marginal growth of 0.1% in Q3 2020, compared with a fall of -0.4% for flats. This is despite a lack of demand from international buyers, currently

constrained by travel restrictions, that would usually be active in this market. Here, the availability of houses is much more scarce than across other parts of London and limited supply is likely to support prices going forward.

This lack of available stock at the top end has resulted in a slight outperformance of the highest value homes. In outer prime London, the value of property worth £2 million or more has increased by 0.5% in the three months to September and by 2.4% in the past year.

In central London, £10 million+ property has risen in value by 0.2% in the quarter compared to a fall of -0.5% for those worth less than £2 million.

The top end of the market continues to look good value after suffering the most over the past six years because of successive stamp duty changes and political uncertainty.

Market monitor

Key statistics for prime London



0.0%

Quarterly price movement across the prime London housing markets



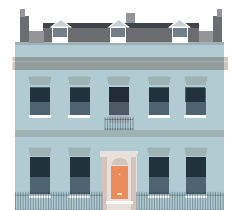
+1.0%

Average annual price movement across the prime London housing markets



+4.5%

Annual price movement for properties across outer prime London with a medium-sized garden



+87%

Increase in the number of £1m+ properties marked as sold subject to contract across London, Q3 2020 vs Q3 2019

Source Savills Research and Twenty2i

Gardens at a premium

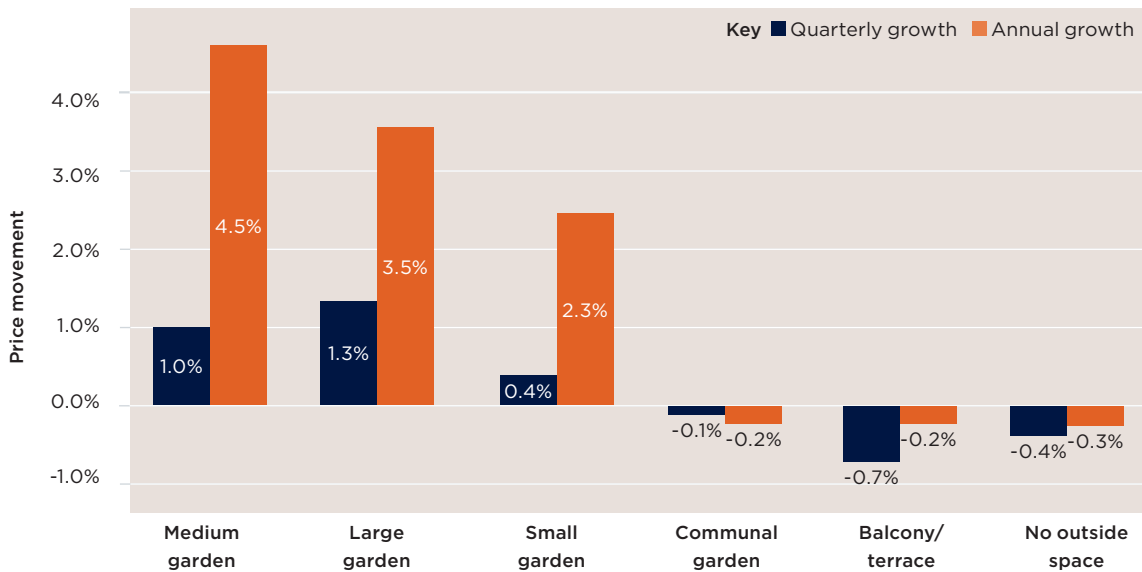
It has been widely reported that the experience of lockdown has triggered many to reassess their current home and, in particular, search for a property with a garden.

In our latest client and applicant survey conducted in August, 71% of respondents in London said the amount of garden or other outside space had become more important to them in their search for a new home. This increased desire for gardens

has now also translated into price growth. Whereas properties in outer prime London that have either a balcony, terrace, access to a communal garden or no outside space at all fell in value in the three months to September, prices increased for those with a small, medium or large garden.

This trend is also notable in central London where the value of properties with medium and large gardens have increased by 0.2% and 0.4%, respectively.

Demand for gardens is translating into price growth in outer prime London



OUTLOOK

Looking forward, buyers and sellers will not only need to continue to be pragmatic on pricing but also remain patient as mortgage lenders, conveyancers and surveyors are finding it difficult to keep up with the demands of the current market.

Economic uncertainty and another looming Brexit deadline will make it difficult for the current momentum to be sustained towards the back end of this year. But the ending of the stamp duty holiday on

31 March 2021, which coincides with the introduction of a surcharge for overseas buyers, could cause a flurry of activity in the first few months of next year.

The performance throughout the rest of next year will be very dependent on the extent to which the economy has recovered, where we stand with Covid-19 and the search for a vaccine.

The wider tax environment may act as a drag on future price growth as the economy and prospects for wealth generation

recover, particularly as the government is going to need a strong focus on tax revenues once the economic recovery has gained some momentum.

Easing of international travel restrictions will be particularly important for central London and other markets more reliant on overseas demand. When and how this will happen still remains to be seen but for now, the value on offer in these markets represents a compelling buying opportunity for those who take a longer term view.

Prime market forecasts

	2020	2021	2022	2023	2024	5-year compound growth
Prime central London	-0.5%	4.0%	7.0%	4.0%	2.0%	17.5%
Prime outer London	2.0%	2.0%	3.0%	4.0%	1.5%	13.1%

Note These forecasts apply to average prices in the second-hand market. New build values may not move at the same rate Source Savills Research

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