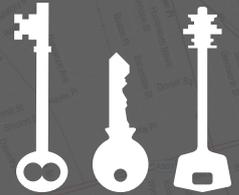
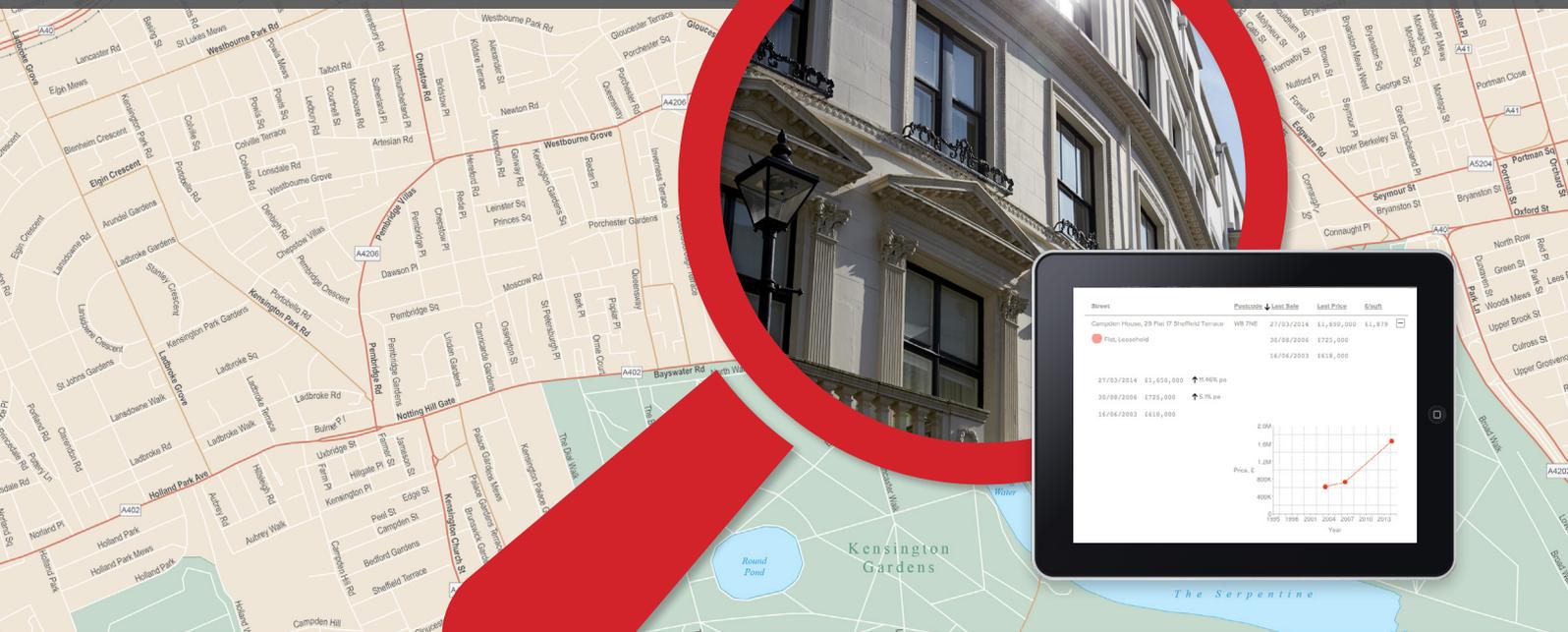


YOU*IQ*

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Q4 2014 Outlook



WEST PRIME CENTRAL LONDON RESIDENTIAL REVIEW

INSIDE THIS ISSUE



Q4 market

Adrian Black assesses the impact of softening property spend and highlights likely winning and losing residential property categories.

P2



Are you being tricked?

Jeremy Priestley FRICS FARLA questions the manipulative tricks used by estate agents today.

P3



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Adrian gives an insightful account of the west prime central London property market.

As Q3 2014 draws to a close it is timely to present our view of what is happening in the property market today. We begin, as usual, with really useful total spend and number of sales data* in our areas. Please see this information below in Figure 1 presented quarterly since 2000. Figure 2 outlines our areas.

2013 was a big spending year across a small number of sales - hence the substantial price increases. Spending through the first half of 2014 has remained brisk but we are detecting a softening and expect that the annual spend in 2014 will be less than 2013. That said, we believe there will still be winners as well as some losers and we talk further about this below.

We are asked what will drive differentiation between properties - this is a long topic but the quick response is quality and potential tax changes and their impacts. We expect that a three-tier market will occur with a resounding preference towards what we term 'the quality characteristic'.

The best properties within their category will continue to be sought and sell well. The price of these properties will be supported as demand for quality always stays pretty constant and the supply of high quality property in any category is always small compared to the total property in that category. In other words a great property with all the right characteristics at any budget level is hard to find and will continue to sell well.

Properties that can be defined as 'average' within their category will experience an extended time lag between listing and sale. These properties may need modest price reductions to stimulate interest.

When buying properties we always compromise, we are just less willing to compromise in a softening market.

Compromised properties will begin to suffer and will need meaningful price reductions to attract interest.

The current market phase amplifies the need for accurate property pricing at the outset of marketing - particularly for less sought-after property types.

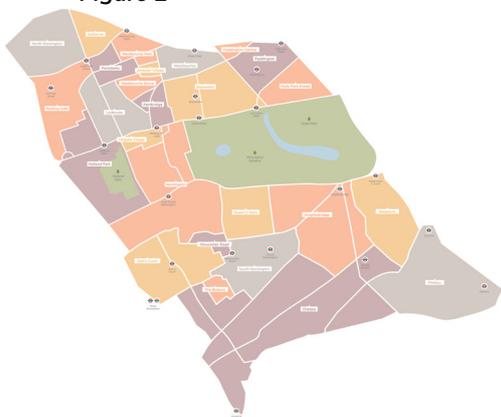
Let's go back to great properties which we all admire and love to understand what features make them great.

There are certain characteristics which enable properties to perform well, timelessly. Examples of such characteristics include: the most-used space being in the best part of the property; space throughout having a generous feel; well-proportioned rooms with high ceilings; serviced by good natural light internally; as well as privacy and seclusion. Being located in a great neighbourhood close to amenities and schools will also maintain or add to the value of a property. As the City continues to perform well any delay in purchasing these types of properties will only accumulate demand.

Townhouses in Kensington are a great example. We like the attractiveness of this category, most notably the £5m to £6m bracket. This bracket provides comfortable family living and floor space coupled with a much smaller exposure to the potential mansion tax compared to say a £10m or £15m family home .

In Kensington some highlight sales in the past year range from £2,100 to £3,800 per square foot. It might be a good time for the canny buyer to buy a quality mid-price-range townhouse.

Figure 2



KEY FACTS

No.1

Property spending is softening from record levels.

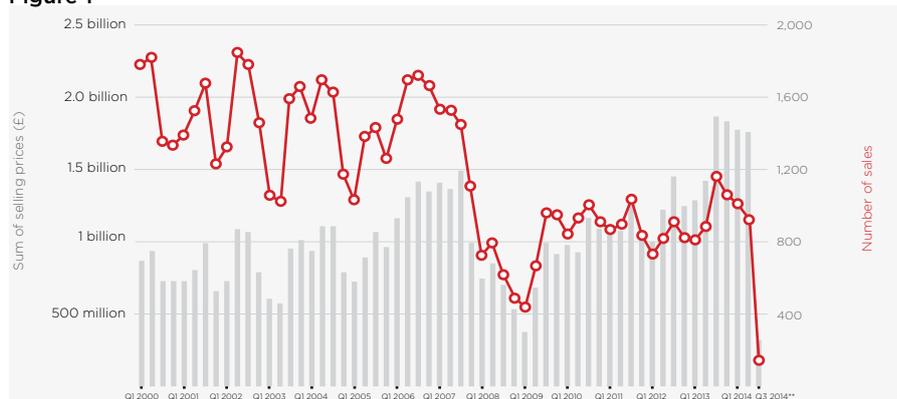
No.2

Category-leading properties will continue to sell well.

No.3

Prices up to £3,800 per square foot have recently been achieved in Kensington

Figure 1



*We use Land Registry data processed through our systems - the amount of data recorded at the Land Registry has shifted a little over the years as incentives to record transactions within corporate vehicles has reduced - we accept this but the trends are still clear.
**Q3 2014 until mid-July

Jeremy prompts you to be aware of the caveat emptor employed by estate agents today.

Sage advice for the buyer, trotted out regularly by apparently concerned and friendly consumer and quasi-legal NGO bodies. But look beneath the surface and there is a minefield awaiting the unwary.

I want to focus for a moment on an issue of transparency which is, I think, becoming increasingly important as more and more information about property becomes so readily available, especially for the more sophisticated consumer of that appetising but less than “oven-ready” meal of house buying. I am talking about £ per sq ft price comparability and the tricks other estate agents bring to bear in how they manipulate a purchaser’s thinking to achieve their desired result.

If you are thinking about buying a house, the usual mantra of location (proximity to facilities, whether that be travel, school, entertainment or friends) and number of bedrooms will have been pretty much dictated and predetermined before you began your search. These days, such matters are well served by Rightmove® and Primelocation®. However, it’s only once you need to start comparing the detail of one house on the shortlist against another that the nuances and the idiosyncrasies of each competitor start to become apparent. We all need to feel we are comparing apples with apples.

For example, floor area. Most, better agents will now provide a floor plan, colour-coded to distinguish types of room (bedrooms vs reception etc) with every property being marketed. Very often however, viewers are left in the dark about precise total floor area, sometimes with even dimensions of rooms lacking. The RICS, that pillar of respectability and wisdom about all matters property, does offer a standard to which “gross / net” internal floor area (each vary slightly different from the other) should be calculated. However, the document runs to 249 pages and I doubt whether many estate agents have ever bothered to read it! For net internal area, there are over 20 exclusions to be taken into consideration.

However, thanks to the sophists in Brussels, there is now another “yardstick” - that much heralded vanguard of the climate change tribes, the EPC certificate, now a mandatory

requirement for every property on the market for sale or let, includes floor area, supposedly measured to a consistent, uniform standard.

And yet, I am aware of identical apartments, one above the other in the same block, where the discrepancy (as well as - incidentally - in the EPC certification) is “material”, which I would accept as > 5%. However, let’s be kind and put that down to human error or acceptable “tolerance”.

Estate agents, however, are not above manipulating this to the advantage of the message they are trying to convey. On occasion, the use of a deliberately reduced statement of floor area, resulting in a higher £ per sq ft price comparator, may serve to improve the status of a property and so capture “more eyeballs” on the internet (which, converted to more viewings, gives rise to better reporting of their performance to their client, the vendor).

More usually, of course, an inflated floor area (for example, to include garage space, a factor excluded from RICS definition of net useable) depresses the apparent £ per sq ft. This can be considered hardly culpable, of course, because most agents are incapable of producing analysis on a £ per sq ft basis across the board and - except internally between themselves - seldom pronounce upon the issue. However, they do realise that savvy purchasers do in fact analyse their choices on this basis. Thus, they connive in an apparently unwitting, but actually deliberate, distortion of their message - to their and their clients’ advantage.

It requires a very carefully considered and studied analysis in order to get back to true comparison pricing between competing properties.

Well, at long last there is a solution, YOUhome has pioneered revolutionary software that will display all property sales in an area, including all historical sales. They are plotted at their real-world location. We also compare properties by their price-per-floor-area.

Due to the effects of the economic environment over the recent years understanding property information is now essential. To learn about property in your area visit www.youhome.co.uk/youeye



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“ Look beneath the surface and there is a minefield awaiting the unwary. ”

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