YOUIQ

Making the property industry more transparent.

June Issue 2014

ANALYSING THE PRIME CENTRAL LONDON PROPERTY MARKET

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Adrian encourages focusing on the basics to get the best understanding of price growth.

Welcome to the first edition of 'YOUIQ'. Our aim is to support and deliver a more transparent and trustworthy residential real estate market by giving you the insightful, locally relevant and data-crammed information you should receive.

As a brief introduction my background spans finance, technology (including 10 years working at Goldman Sachs ending up as Head of Technology) as well as 25 years of London property renovation and development. My co-director Jeremy Priestley FRICS FARLA is a 40 year property veteran, ex Knight Frank and former UK Managing Director of Hamptons International.

We believe the current residential real estate model does not work. Technology and public data availability is rapidly changing. As such, many traditional methods of real estate business quite simply no longer apply. In addition, long standing agency businesses carry high and unnecessary cost overheads resulting in inefficient business delivery and high costs to the client.

At YOUhome we think differently. We look at property price and market activity trends in a multitude of ways. These include postcode, length of lease, distance to amenities, ceiling height, light perspective, layout and condition. We consider village atmosphere, lifestyle and culture while applying economic basics such as supply, demand, carry-cost and transaction expense. **Crucially, we believe in sharing property transaction information rather than keeping it to ourselves.**

Figure 1 (left) represents the London villages we currently focus on.

Figure 2 (below) shows the total spend on residential property in our focus areas as well as the number of transactions by year*. 2014 is a part year with data through March.

Looking at Figure 2 we can see that the total spend of £6.4bn in 2013 is only 20% greater than the total spend of £5.3bn in each of the years 2006 and 2007. In fact 2006, 2007 and 2013 are almost equivalent in inflation-adjusted terms. **So, why have prices nearly doubled over this period?** The simple answer is because people do not want or need to sell while prices keep rising and the carry cost is low.

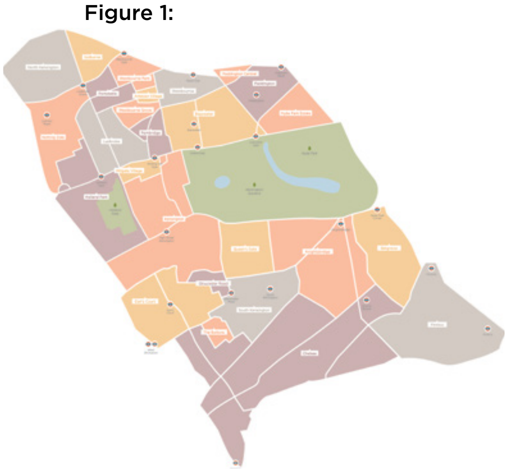
An environment of super low interest rates, strong rental demand (due to high property prices and transaction costs), high transaction taxes and relative safe haven status have combined to limit supply and fuelled an upwards price spiral.

This first issue of YOUIQ is intended to be a brief introduction to the resources we have available and offer links to highly relevant property market information.

We will be publishing YOUIQ quarterly and will be addressing key issues such as:

- Why are people really buying property in central London?
- Will Mansion Tax become a reality? If it does what will happen ?
- How can the government or the Mayor really increase supply of property (including property to let)?

Figure 1:



KEY FACTS

No.1

Total spend in 2014 is not materially higher than in 2006 or in 2007.

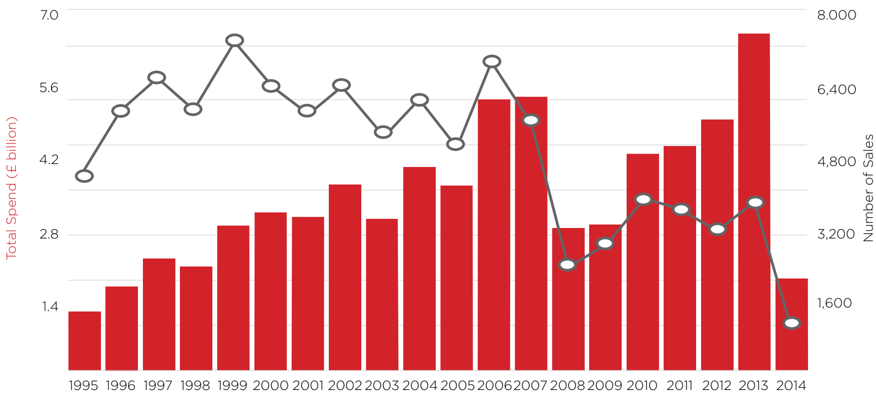
No.2

Presently there are no pressing reasons to sell.

No.3

Demand is moderate, supply is low.

Figure 2:



*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.

Jeremy prompts us to question the accepted status quo of the real estate industry.

During my reflective ponderings I often wonder if it is me being imprudent or the great property-owning British public who are missing a really valuable, money saving opportunity.

If all-up transaction costs to sell a property are to be properly transparent there needs to be a wider appreciation of just how much they have risen over the last 20 years, (outstripping inflation, even property inflation, by far).

As well as in response to fluctuations in supply and demand (especially evident in the rental domain) property sale prices, of course, rise in direct correlation to the availability of credit and credit as we know is fundamentally a government responsibility.

The transaction won and put to bed – and in the current market that in itself is no mean feat, the next issue is that the Treasury compounds the agony by applying Stamp Duty Land Tax (SDLT). This is based not just on a percentage of the transaction price but actually by the double whammy of a ratcheted percentage: the higher the transaction price, the higher the percentage levy. Even more culpably, it refuses to allow graduated introduction of those percentages; rather, there is a "cliff edge" philosophy. Once a threshold is reached, the whole transaction price is made subject to the increased percentage SDLT, not just the increment in excess of the threshold. It's not just **EXTORTION**; it's also a significant **DISTORTION** in the process.

Woe betide the poor property owner caught in the marzipan layer of a Stamp Duty threshold, particularly here in London where £1m+ (5% SDLT) and £2m+ (7% SDLT) apartments and some houses (i.e. those which would normally be priced at or just above the threshold) are hardly a rare occurrence.

This unfairness is then exacerbated by the percentage-based fee structure imposed by the traditional estate agent who has sought to capitalise on increasing property values. The argument being, which I must contest I do agree with, is that there is an incentive for them to perform in the interests of the vendor, their client, thereby. Though where I beg to differ is in the value of the property services provided should not also rise with the inflation of property values.

This certainly needs to change. Perhaps the easiest way to achieve a more equitable result is to no longer accept that the 2-3% agency fee is sustainable. Challenge the orthodoxy and you will see the argument spirals into **CONTORTION**.

The same is true in the rental sector. Why, fundamentally, should letting agency and management fees rise in line with rent inflation?

We're out to help bring about change in the transaction cost spiral and believe we are justified in advocating that for the following reasons:

Advances in technology (we're certainly in the vanguard of that) quite simply mean that costs have come down. There's no need for a shop front for agents to reach out to buyers these days: 90+% of buyers make their first move after visiting Rightmove, Primelocation or one of the agent websites and then just turn up, under their own steam, to view the property without ever going near the agent's lavishly fitted out (and expensively rented) street-front premises.

For much the same reason, there's no longer the strong need to advertise in the press - for most properties. Rightmove, Primelocation and agent websites do it for you - and deliver it personally and faster too – via mobile, tablet, computer - wherever you happen to be. This too represents a huge cost saving to agents (yes, of course) but also to owners (to whom agents typically tried to pass on those costs).

One simply has to question the exorbitant agency fees in place.

So, realistic fees and experience: real hard negotiating capability, based on years of hard-won experience across the property and the banking industry, from development to financial structuring to understanding the psychology of the counterpart – and being able and driven to beat them. For Sales and Lettings.

With YOUhome there is nothing to lose and a lot to gain from the comfort of knowing we will work in your direct interests and through experience we'll get you the best price for your asset.

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"Challenge the orthodoxy and you will see the argument spirals into CONTORTION."

SELLING YOUR HOME?

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"YOUhome sales blends deep property experience, market-leading in-house research and local relevance; living in the area brings a key understanding, we are successfully doing the job properly... and for less. Exciting times."

Jerry Epton MRICS
Head of Sales

LETTING YOUR PROPERTY?

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"We are an experienced, efficient lettings and property management team. It is our priority to find and vet the perfect tenant at the best price while being available, day to day, to keep a watchful eye on your asset."

Will Thacker
Lettings and Property Manager

YOUeye Property Search (£/sq.ft & £/sq.m)

Curious what houses and flats on your street have sold for? YOUeye is our online property research tool. It's free and simple to use. It shows in map or list format a record of all houses and flat sales in your local area since 1995. **www.youeye.co.uk**

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