YOU IQ

you home

MAKING THE PROPERTY INDUSTRY MORE TRANSPARENT

INSIDE THIS ISSUE Q2 2015

Sell from 0.8% + VAT

Let from 4% + VAT

How landlords and tenants with properties within 2 miles of our Notting Hill office could save almost £100m per year.

I often wonder why the residential property market is so opaque and also why so few people, firms or the Government try to tackle the issue. There is a strong argument that the property market structure is heavily influenced by the self-interest of existing participants. We are sure much more could be done by the Government and the Competition and Markets Authority to drive change – not to mention the accelerating impact utilising technology will have.

That said, we must all be thankful for progressive changes when they do happen. At long last the law requires letting agents to publish the fees they charge, both in their office and, much more conveniently, on their website.

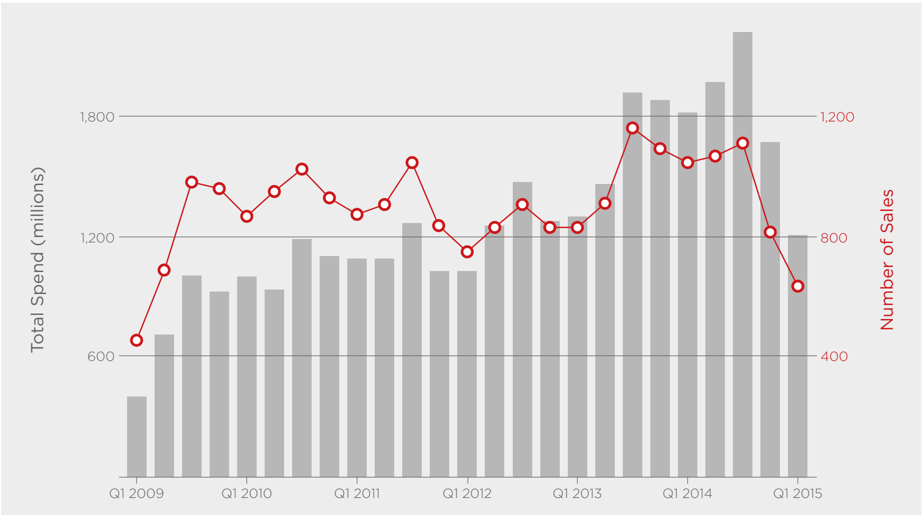
Other estate agents' published letting fees range from around 13% to around 15% for finding a tenant and about 20% per annum for finding a tenant and property management. So, incredibly, a letting agent receives around the same income for letting and managing 5 properties than a landlord does for owning 1.

On top of the eye-watering fee levels is that all the fees of the well-known agents are basically the same. Same service, same fee. Well thankfully we offer broadly the same service (I'd hope better in parts) and charge from just 4.8% (incl. VAT) plus £149 listing fee for a tenant-find service and 9.6% (incl. VAT) for tenant-find and property management. Also, many agents mark-up contractor costs and charge introductory commissions for work on landlords' managed properties. This seems to me an immoral conflict of interest – but something other agents appear to have come to terms with. We simply think this is wrong and we don't do it.

Given (i) tenants rent according to budgets, (ii) they usually make fast decisions and (iii) there is a large pool of properties available to let; hopefully more tenants and landlords will realise that it's much better to do business with us.

We have removed about 10% per annum of the "friction" cost. In broad terms tenants currently pay about £1bn a year in rents in west prime central London ("our areas") – see map on pages 4 and 5. **So, we offer a potential saving of around £100m a year to landlords and tenants combined in this area.** It's helpful that we can support this statement now that other agents are publishing their letting and property management fees.

It would be great if the law also required agents to publish their sales fees. Ours are from 0.8% + VAT - my guess is that other agents fees are from between 1.25% + VAT to 3% + VAT – but it's hard to get a straight answer – we don't have to wonder why for long.



Sales Market Expectations

In summary, we expect prices to stabilise and the number of transactions to increase.

The removal of non-dom status and the introduction of a 'mansion tax' would have created a surge in residential property supply. The buying motives of the wealthy are usually rooted in safety, tax avoidance and education (for their children). Abolition of non-dom status would have removed a tax avoidance opportunity for many and therefore a reason for living here. Mansion tax is simply an asset tax and would have increased the cost of ownership of higher-end homes to a level that many would not wish to suffer.

So, some culprits that may have caused instability have been removed, at least for the next 5 years.

Fig. 1 shows that spend on residential property in Q1 2015 was still 3 times that spent in Q1 2009. Financial shocks hurt more than political uncertainty, or perhaps Quantitative Easing is feeding through to asset price inflation more than is widely appreciated.

The average selling price in our areas has decreased from £1,908,876 in 2014 to £1,857,172 in 2015 to date. Averaging can be dangerous (so please use www.youeye.co.uk for like-for-like % changes). Also, the money supporting development and refurbishment feeds through to the sale price – it is impractical to remove the effect but we should note that a flat market is probably a slightly declining market if refurbishment and development price benefits are removed.

The election result is clearly beneficial and supportive to west prime central London property values and we expect more activity. We don't however expect much in the way of price increases as we feel demand and supply are roughly balanced but at the margin the market equation has turned slightly in favour of vendors.

Fig 1 (Left) YOUhome and Land Registry Data by quarter, for all our areas.

Our Areas:

Artesian Village
Bayswater
Belgravia
Chelsea
Earl's Court
Gloucester Road
Golborne
Hillgate Village
Holland Park
Hyde Park Estate
Kensington
Knightsbridge
Ladbroke
North Kensington
Notting Dale
Paddington
Paddington Central
Pembridge
Pimlico
Portobello
Queen's Gate
South Kensington
The Boltons
Westbourne Grove
Westbourne Park
Westbournia

Cadogan Gardens, Knightsbridge, SW3
£4,400,000

" We get results...even when the property market was finely balanced in the build-up to the general election. We conducted over 50 viewings and received more than 10 offers, creating healthy competitive tension. Our client is delighted and also saved over £50,000 in fees. "

Jerry Epton, MRICS
Head of Sales

Cambridge Place, Kensington, W8
£8,500,000

Lancaster Gate, Bayswater, W2
£1,750,000

St. George's Drive, Pimlico, SW1
£780,000

Successfully sell your property from **0.8% + VAT + £250 listing fee**

" If you're looking for an estate agent I can highly recommend these guys. Great, friendly and professional service. A real pleasure to do business with - hopefully people like this will shake the industry up for the better. " - Mr. Jeremy Hartley

Our map of west prime central London market performance provides a snapshot analysis of market conditions.

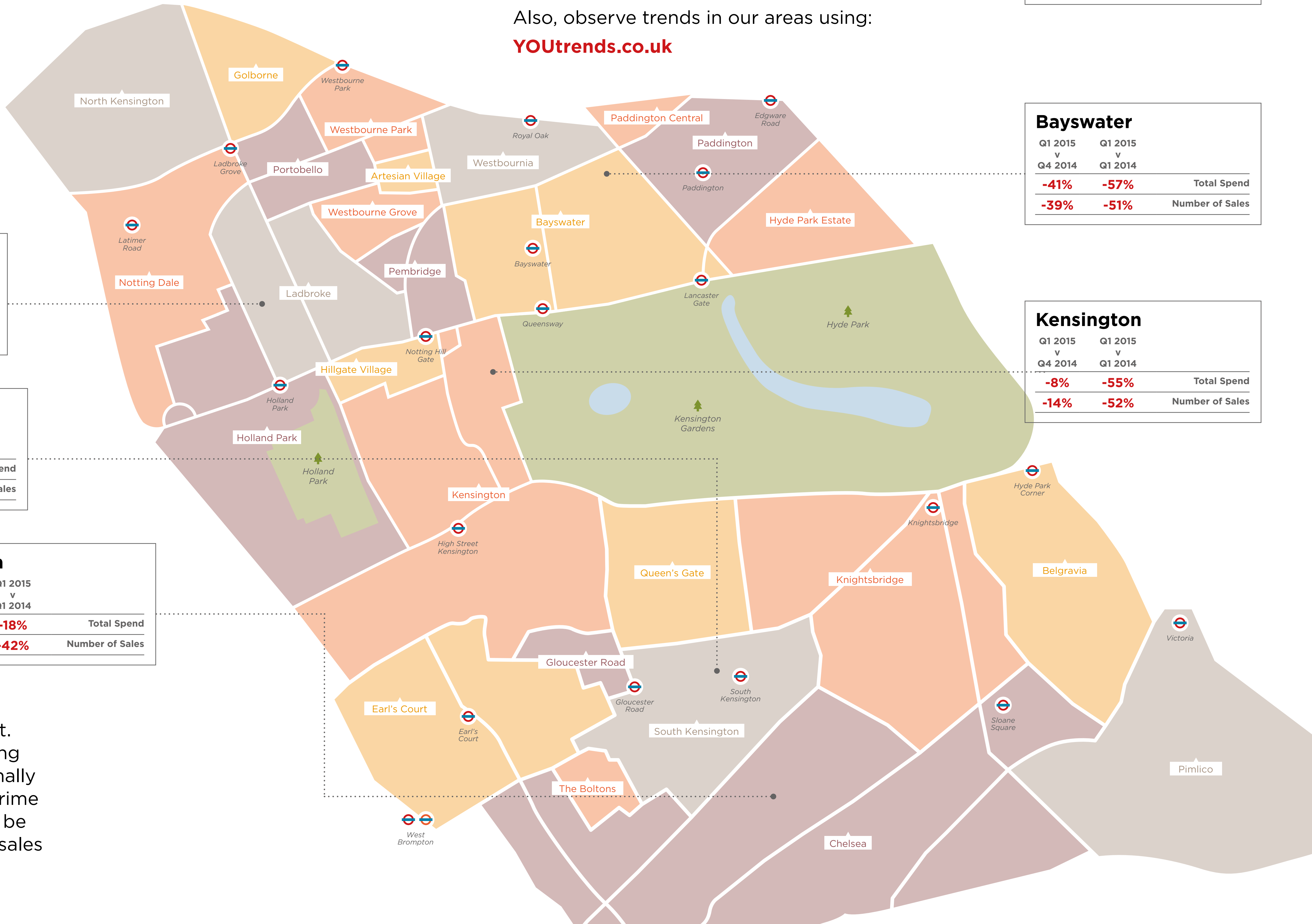
The figures found within each table represent the percentage increase or decrease in activity in Q1 2015 versus the listed timeframe.

Keep up to date with the latest property prices and £ per sq ft information with YOUeye; your property research tool:

YOUeye.co.uk

Also, observe trends in our areas using:

YOUtrends.co.uk



All YOUhome Areas

Q1 2015 v Q4 2014	Q1 2015 v Q1 2014	
-28%	-34%	Total Spend
-21%	-38%	Number of Sales

Bayswater

Q1 2015 v Q4 2014	Q1 2015 v Q1 2014	
-41%	-57%	Total Spend
-39%	-51%	Number of Sales

Kensington

Q1 2015 v Q4 2014	Q1 2015 v Q1 2014	
-8%	-55%	Total Spend
-14%	-52%	Number of Sales

Ladbroke

Q1 2015 v Q4 2014	Q1 2015 v Q1 2014	
+13%	-44%	Total Spend
+16%	-19%	Number of Sales

South Kensington

Q1 2015 v Q4 2014	Q1 2015 v Q1 2014	
+10%	+18%	Total Spend
-15%	+26%	Number of Sales

Chelsea

Q1 2015 v Q4 2014	Q1 2015 v Q1 2014	
-52%	-18%	Total Spend
-36%	-42%	Number of Sales

We report area snapshots for interest. As reported, we feel spend is returning to more normal levels after exceptionally high spend in 2013 and 2014. West prime central London estate agents should be budgeting for a 20% to 30% drop in sales revenue this year compared to 2014.

Supply and demand in the housing market - economic literacy amongst our politicians, both local and national, Tory as well as Labour and others, seems as remote as ever.

Recent overhaul of planning law and practice were supposed to provide a stimulus to the supply side of new housing, by acknowledging a presumption in favour of sustainable development. We need an additional 250,000 new homes every year just to stand still. In practice, we have achieved a rate of only just over 100,000. Why? Largely because – despite overhaul - the planning process is still so cumbersome and long-winded. Nimby's still want to have their day in court. Politicians then lay the blame for the lack of tangible progress at the door of developers; for hoarding their planning consents.

So, needing an additional spur to development, one local council has just responded by proposing an 8-fold increase in the cost of the Community Infrastructure Levy (from £150 to £1,300 per sq m). Consultation may well mitigate this but even the suggestion seems so crass that it beggars belief in the intellectual process which underlay such a proposal; a complete ignorance in the public sector of the need to recognise profit as a motivator.

Nationally, guided by their political philosophy, they tinker with the housing market, apparently without appreciating the practical implications - both parties have boosted demand in one respect, for example via the mortgage guarantee element of the Help to Buy scheme, and the Tories want to extend this Right to Buy. By contrast, little has been done to boost supply. So prices will likely again rise in due course to reflect that artificially-created demand.

Hey ho, here we go again. With the election now behind us, we can all feel better as our personal balance sheets look set to improve. But the landscape still contains the same long-term threat as Miliband et al continue to rail against the fat cats in whose exclusive interest the country is apparently being run. The battle may be over; but the war will continue.

Remember that one politician – an economic illiterate – even proposed to impose rent controls - again; 30+ years after we finally got rid of them, following their imposition during World War I and all the distorting impact to curtail supply they had for the intervening decades. Sure, there would have been some beneficiaries of this - the private renter, in the short term. But, in the medium and longer term, supply would have been diminished and the inevitable consequence of that that rents would have risen again. Which landlord would be incentivised to bring his property forward for marketing as a rental when faced with the restriction on his ability to secure a market rental income ? And while that policy emanated from a politician, who – thank God – is not our newly elected Prime Minister...do any of us have much more confidence in the Tories ? We seem still to lurch from insanity to lunacy in handling the housing market, whichever side of the political spectrum is in ostensible control.

They just can't stop themselves - penal rate stamp duty at one end of the spectrum; first time buyer holidays at the other: loosening of credit at the bottom end; artificial tightening at the top; continuing restriction on supply through the planning system. Just watch the implications as this all plays out. Happy days ahead? I wonder.

- Jeremy Priestley
Managing Director, FRICS, FARLA

" We seem to lurch from insanity to lunacy in handling the house market, whichever side of the political spectrum is in ostensible control. "

Our Areas:

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Belgravia
Chelsea
Earl's Court
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Golborne
Hillgate Village
Holland Park
Hyde Park Estate
Kensington
Knightsbridge
Ladbroke
North Kensington
Notting Dale
Paddington
Paddington Central
Pembridge
Pimlico
Portobello
Queen's Gate
South Kensington
The Boltons
Westbourne Grove
Westbourne Park
Westbournia

" We successfully let this stunning property after three of the largest high street agents marketed the house before we were instructed. Added to that, we have saved our client over £4,000 in annual fees. "

Will Thacker, MARLA
Lettings Manager

Holland Park Mews, Holland Park, W11
£900 per week

Ladbroke Gardens, Notting Hill, W11
£700 per week

Hunstmore House, Kensington, W8
£625 per week

Peninsula Apartments, Paddington, W2
£460 per week

Successfully let your property from **4% + VAT + £149 listing fee**

" After registering with YOUhome, I was given personal regular updates with honest opinions and recommendations. The property was let at market price with significant savings to myself as commissions were nearly half of the competition. I look forward to a long relationship with YOUhome. " - Mr. Martin Zuch

youhome

Estate agents charge a lot for their services. **We don't.**

Sell or Let your property successfully with our premium quality, low cost service. We have sold and let thousands of properties and we will be delighted to help you. Contact us today:

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