LONDON PROPERTY *Times*

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youhome

PROPERTY EXPERTS

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What happened in Q3 and Q4 2023

Q3 and Q4 2023 saw the UK economy broadly continue to stabilise from the ructions suffered over a year ago, all in the shadow of growing geopolitical turmoil with the Middle East flaring to add to and draw attention from the entrenched Ukraine conflict.

For those with the stomach for it, the World Economic Forum in 2023 delivered a summary of risks facing the world, identifying a return of "older" risks – inflation, cost-of-living crises, trade wars, widespread social unrest, geopolitical confrontation and the threat of nuclear warfare. These are being amplified by newer global risks: unsustainable levels of debt (see Q4 2023 Property Times), an era of low growth, low global investment, de-globalization, the growing impacts of climate change and solutions in an ever-shrinking window for transition to a 1.5°C climate benchmark world. These all converge to shape a unique, uncertain and turbulent decade to come.

Added to this: Donald Trump is experiencing popularity in early US primaries that he didn't experience when he first bid for the presidency; and the UK's own election, likely to be called late this year with Labour's chance for government appearing to be "theirs to lose".

With all this, we at YOUhome feel it's important to look at the economy and remind ourselves of important aspects around which we might rally (in a constructive rather than bellicose/MAGA way). London has a history of resilience, key now to work together as a country to identify and build upon our strengths.

"Soft landing" for the UK economy – over the past year the UK economy's position has broadly improved and with it the residential property market which is liquid and functioning well (and we're not "just saying this" our sales experiences on the coalface confirm this, see later).

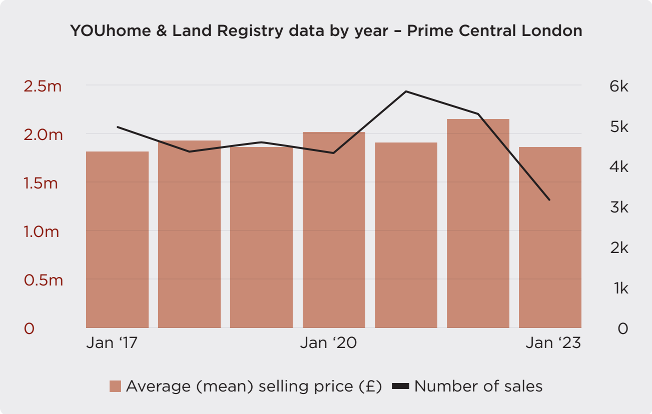
Economists appear quietly confident that the Bank of England is set to return to its 2% price growth target without a sharp recession. In spite of recent wobbles: retail data for the end of the year was disappointing, largely it seems due to people taking increasing advantage of Black Friday discounts; and a small reduction in economic output which if continued next month would indicate a technical recession, most analysts believe that inflation, currently at 4%, up from 3.9% in December but well below October 2022's 41 year high of 11.1%, will fall below 2% by the spring and remain at this level for the rest of the year.

This led the UK's Monetary Policy Committee to argue to keep rates on hold at 5.25% but with hope for a cut before July boosting sentiment.

This boost and the tick up due to disappointing retail data etc. is reflected in the UK Long Term Swap Rate which is often the basis for funding home purchases. The rate showed almost a 1% reduction from just below 5% in August last year, down to a recent low of just below 3.6% just before Christmas 2023 with a slight tick up to a current level just above 4%.

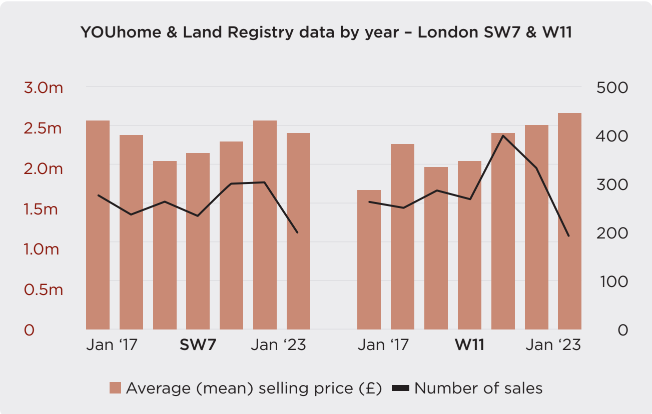
In spite of these recent wobbles, there is an upbeat air for the country's near-term prospects, businesses have easier access to funding and households are more able to refinance mortgages. The reality is that in spite of electioneering promises, the UK is facing tighter monetary policy.

The central London property market continues to function well – there has been a resilience to the property market that we feel is important to point out. 2023 saw a reluctance for people to bring their property to market. Total transactions (the red line on the graph) across central London was markedly down compared to 2022 levels and on pre-pandemic (2017 to 2019) activity.



Across the whole of Prime Central London mean sales prices (the block graph) achieved in 2023 were down compared with 2022 and flat with 2017 to 2019 values achieved.

On a more local level, for example, South Kensington, transactions were again down on 2022 and pre pandemic levels, with mean sales values achieved below that of 2022 and down on 2017 levels.



Notting Hill's mean price achieved has, however, grown year on year since 2017.

But this comparatively small sample can easily be skewed by high value single data points such as these best in class house sales like 38 Clarendon Road W11 selling for £35m (£5,400psf) in June 2023, and 1 St John's Gardens W11 which sold for £28m in January last year.

Across the board, properties sold quickly if priced carefully and marketed properly. YOUhome was instructed to market a house in Chelsea, after attempts of another well known agent had failed. When priced and marketed carefully a sale was agreed in under four weeks as shown by YOUhome's marketing profile below.

In spite of world events, London's ability to progress and grow is worthy of a reminder:

London, a resilient world leader – since the second world war London's population shrank by 20%, then came a sharp influx of foreigners, the economy grew on the rich mix of financial deregulation, European integration and collapse of communism to the point that by 2012 and the Olympics, London genuinely felt like the world's capital. Financial crisis followed by Brexit then the pandemic has impacted the city and yet its character and make up means London is well set to absorb adversity and move on, compared to many other cities.

Consultants EY estimate the number of jobs relocated from the City abroad since Brexit as being 7,000, much lower than anticipated and it deems the City is large enough to cope and was already diverse with business beyond Europe, particularly with increased US investment (with an increase in American property buyers over recent years). Also, London's other specialist industries other than finance, service industries: law, media, education, consulting have not been as restricted by rules post-Brexit as other industries to the point that, according to think tank Resolution Foundation, London's exports of services have grown by 47% from 2016 to 2021.

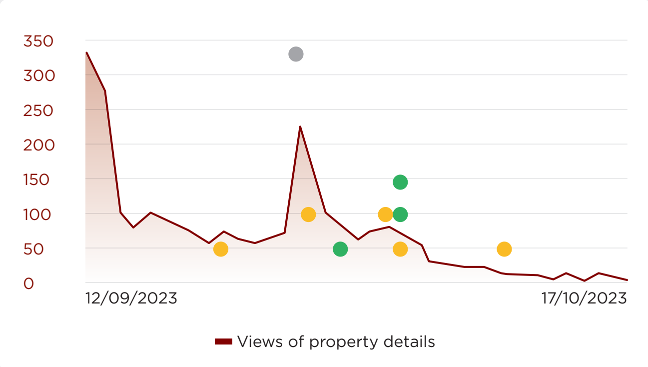
Global turmoil increases attractiveness of London as a safe haven.

The key drivers that make London attractive to investors and occupants alike, the time-zone, English language and the rule of law, underpinned by the presence of leading universities, highly skilled workers and access to capital...have helped London survive. London's status as a great source of education in the world continues to be a major reason for families relocating here.

The Economist points out the irony: only region that voted to stay in the EU has fared better and recovered far quicker than regions that wanted to leave.

But growth may be threatened by Londoners' reluctance to return to the office post-pandemic, visiting the office 2.3 days per week, 31st out of 32 world cities (only Canadians were more reluctant). London's divide from the rest of the country has continue. Disposable income per Londoner is 43% higher than in the country as a whole, they are younger, more left-wing and diverse. Ethnic minorities account for 46% of London's residents, double that of England and Wales, 40% of Londoners were born abroad. London's share of UK's foreign direct investment is 45% and is responsible for just under 25% of the country's GDP. In Q4 2023's issue we discussed aspects that directly inhibit London's development (planning and the Green Belt). Important now to consider the gap between London and the rest of the country, which, since 2016's referendum, has continued to grow.

An important rally-cry for the country? - A think tank, Resolution Foundation, has identified ways in which the UK has stagnated compared to other countries and goes on to argue there is urgent cause for the country to take stock and rally. It believes that by identifying these and effecting change, the country as a whole will markedly improve. Aspects that have led to stagnation the Foundation believes include: The country's real wage grew by 33% from 1970 to 2007 and then flatlined; Income inequality in the UK is higher than any other large European country; Almost one third of UK's young are out of education by the age of 18 (one in five in France and Germany); Since 2005 UK companies have invested 20% less than those in the US, France and Germany; Income per person in the country's richest borough, Kensington and Chelsea (£52,500) is over four times that of the poorest, Nottingham (£11,700) in 2019; and six in ten people think the country is heading in the wrong direction (one in ten think it's on the right track). To help turn the UK's stagnation around, the Foundation's suggestions include: Britain builds on its strengths as the world's second[1]largest services exporter (1st is the US) while protecting its high value manufacturing base; the country's second cities (Birmingham, Manchester, Leeds etc.) must be helped to thrive; public investment, infrastructure etc. must increase; UK companies must be encouraged to invest long term.



YOUhome's Marketing Profile

YOUhome's unique clarity and information for the client during the marketing campaign helps us sell over 80% of properties we're instructed to market.

After a period of monitoring the market as priced by the earlier agent we advised a reduction in price (the grey dot) which brought a healthy activity of views online (the red line), viewings (yellow dots) and offers (green) and the sale was agreed.

The View From Here - Beginning of 2024

POSITIVES

There is a continuing measure of predictability that helps reduce uncertainty. This helps the property market to function and for people to plan. When sellers bring their property to the market and if it is properly prepared, presented and promoted and carefully priced/positioned in the market it will sell.

For Central London property owners the small number of strong, best in class prices being achieved will affect values all around and this is set to continue. Important not to be overly influenced by outliers, however.

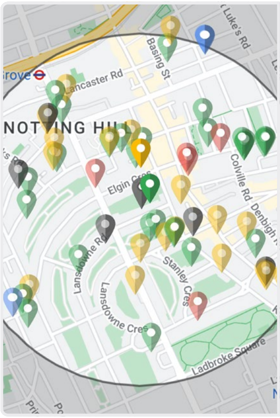
There is a higher-than-average proportion of cash buyers in Central London/ Notting Hill and whilst this has its advantages in terms of speed and certainty, these buyers know the value of this and the market will continue to be affected by the section of the market using finance and of course they can keep their money on deposit or in UK Gilts earning 5% per annum interest as came available in the latter part of 2023.

Geopolitical and political turmoil throughout the world leads to overseas buyers (particularly US based) seeking to relocate.

NEGATIVES

Domestic economic tightness - While buyers in Central London are comparatively wealthy, a high proportion will use mortgage finance and mortgage refinancing is continuing, albeit in a more manageable and liquid market than early 2023.

Geopolitical uncertainty, sparring super-powers, growing turmoil in the Middle East, the effects of the war in Ukraine, are likely to continue materially impacting the West – this will affect the property market in the immediate and medium terms.



A massively helpful property market data resource is available through YOUhome. It has always been key but now more than ever it is vital for owners to know where their property sits in the market. The portals, Rightmove, Zoopla etc. are for property buyers. We have developed a way for property owners regularly to assess the value of their property by drawing together and processing information on properties sold, on the market and exchanged, with many filters to enable drill-down and build the most relevant comparable market picture. This resource is free to air with property exchange information additionally available to YOUhome clients.

You can find out more about this great resource by visiting our website: **www.youhome.co.uk**

MY PROPERTY MARKET by YOUhome PROPERTY EXPERTS

YOUhome - Unique local market insight, expert advice and personal service

Jerry Epton (MRICS), Notting Hill Property Expert:

"This local property update, expert commentary and access to leading specialist advice is just part of the excellent agency service we provide. We have collectively lived in Notting Hill for over 50 years, raised families locally and, combined, have sold over a thousand properties. Please do contact us with any questions you may have. I can be reached directly on 07780 497188."

Jerry Epton (MRICS), W11 Property Expert
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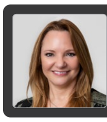

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