

# PROPERTY TIMES CHELSEA SPRING 2018 ISSUE

Welcome to the first edition of the YOUhome Property Times, giving you an expert view on the latest local property trends in Chelsea and surrounding areas and the types of buyers active in that market today.

In this edition we outline historical data and trends in the local area. We also discuss the drivers of residential property values and consider how these drivers have changed and will likely continue to change in 2018 and beyond.

YOUhome's expert Property Gurus will also provide their unique experience and insight into the types of buyers active in the Chelsea area today.

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# CHELSEA IN REVIEW

We begin with the numbers. Property values in Chelsea have had a cracking run when compared to other mainstream investment opportunities. The average price of a residential property has increased from £259,000 in 1995 to £1,897,000 in 2017, an over sevenfold increase. As an example, over the same period the FTSE 100 stock market index has increased from 3000 in 1995 to over 7000 in 2017, just over a twofold increase. This is illustrated by **Fig 1**, comparing the average property price in Chelsea to the FTSE 100 from 1995 starting from the same base value. Property sales price increases accelerated in the period post-2002, driven by substantial increased spending in a low interest rate environment (as seen in **Fig 2** and **3**).

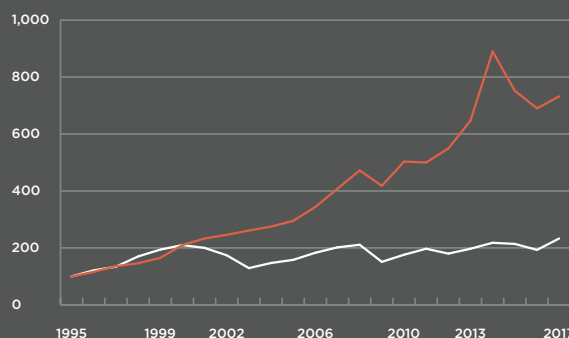
During this period there was an increase in both buy to let investment and rent to buy investment (the phenomenon of home owners keeping their current property and renting it out when they buy an additional property). This led to fewer homes offered for sale, reduced supply and increased price rise pressure.

In addition to the above, the market in 2005 to 2014 saw a rise in offshore companies buying property. In the early noughties almost all properties were bought by individuals but by 2014 about 20% of all money spent on property in West Prime Central London was by offshore companies (as seen in **Fig 4**).

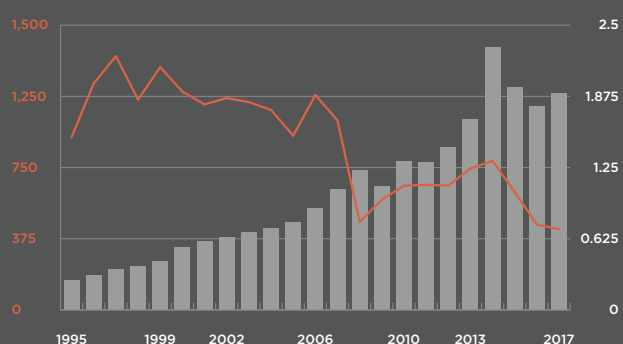
Perhaps this was a case of too much too soon?

As a consequence of rapidly increasing prices, some perceived over-generous tax and funding opportunities and a concern for damage to the London economy and affordability, the Government acted.

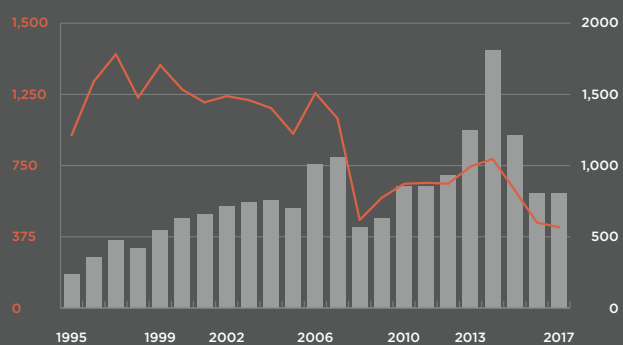
**Fig 1. Chelsea Mean Property Price** ■ FTSE 100  
(src: YOUhome, data rebased to 100 in 1995)



**Fig 2. Mean Selling Price in Chelsea** (Src: YOUhome, Land Registry)  
■ Number of Sales ■ Selling Price (£M)

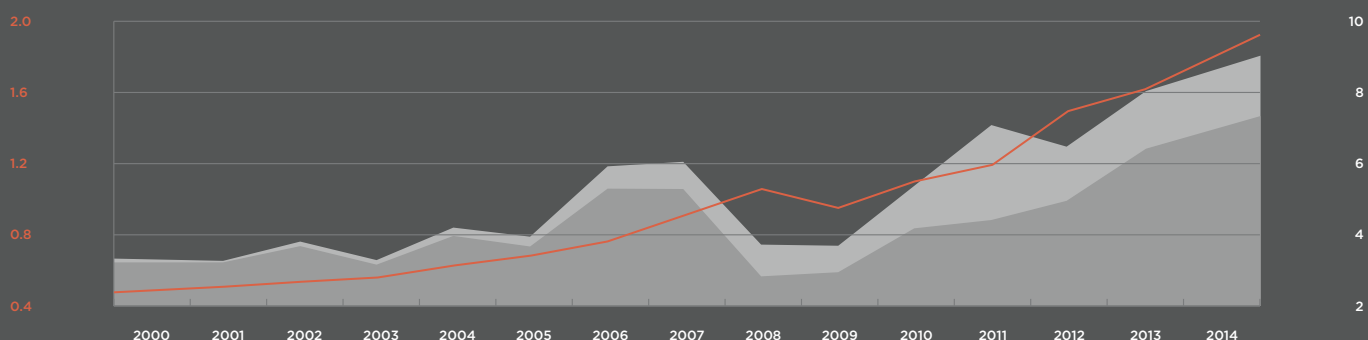


**Fig 3. Total Spend on Property in Chelsea** (Src: YOUhome, Land Registry)  
■ Number of Sales ■ Total Spend (£M)



**Fig 4. West Prime Central London Areas Residential Property Spend and Prices** (Src: YOUhome, Private Eye, Land Registry)

■ Average Selling Price (£M) ■ Spend Registered by Individuals (£Bn) ■ Spend by Offshore Companies (£Bn)

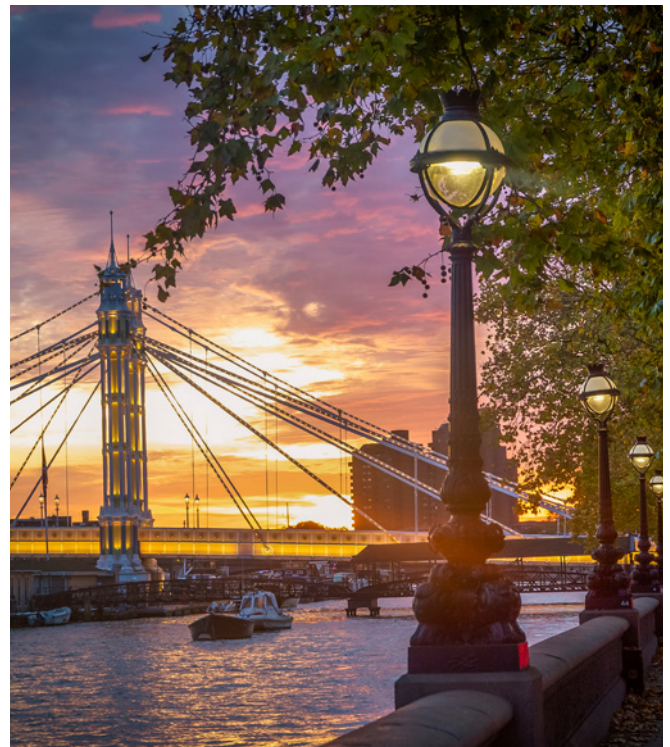


Measures included rapidly increasing property taxes and removing some opportunities for the more innovative funding mechanisms, particularly for non-doms and offshore companies, detailed below:

- ▶ **Increases in Stamp Duty, particularly on company purchases of property, high value properties and the purchase of multiple properties.**
- ▶ **A new tax - the Annual Tax on Enveloped Dwellings "ATED" again targeting company property purchases.**
- ▶ **Changes to Capital Gains Tax & liability.**
- ▶ **Changes to Inheritance Tax liability on properties held in companies.**
- ▶ **Changes to legislation making funding much more expensive including laws reducing buyers' abilities to guarantee onshore mortgages and loans using money held offshore, and changes to landlords' loans interest relief.**

Quite a package, and more to come, including a public register of the owners of offshore companies used to buy UK property. As a consequence of the above, the money supply buying property fell sharply in 2016 and 2017 (as seen in **Fig 3**). However, when comparing 2016 and 2017 property spend to the long-term average we can see future spend returning to similar and long-term comparable levels.

**YOUhome's market analysis is therefore that Chelsea has now returned to a normal property market and that recent years (2013, 2014 in particular and 2015) have been, let us say, not normal.**



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**Adrian Black**  
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## CHELESEA ANALYSIS & FORECAST 2018

There is no mistaking that it has become a lot more expensive to buy properties in Chelsea in recent years and some of the most generous tax and funding loopholes or opportunities, depending on your point of view, are now gradually being closed. We believe that the government would probably be happy to see at best no Prime Central London residential property price increases and would certainly like to see all homes that are built occupied for most of the time.

We have seen a shift in property buyers' motivation from one of investing in property for a substantial gain to one of investing in property for quality of life and an acceptance that the high costs of purchase

can be spread over their period of ownership and enjoyment. The main driver to buy a property is now as a home, and the incentive to keep other properties as investments is waning. So, what does the property market hold for 2018?

**We feel that prices have adjusted quickly in Chelsea to reflect the tax and legislation changes and we might have reached, or be close to a new market equilibrium between home sellers and buyers. We do not see any short-term stimulus that will increase the flow of money into property purchasers nor do we see many forced sellers. On balance we feel the best prices achieved on property this year will be achieved in the first half of the year and as always demand for best in class properties will continue to be strong.**

Our crystal ball does not forecast much beyond that, as much can change and happen - and probably will.

# OUR GURU'S BUYER INSIGHTS

The YOUhome Property Gurus team have a combined 100 years'+ experience selling homes in Chelsea and surrounding areas, and during their careers have sold thousands of Prime Central London properties, overcoming almost all types of issues that typically arise in a highly sophisticated and valuable property market.

A deep understanding of buyers, their wishes, wants and mind-set is critical to achieving the best sale on any home.



**Anita Sanford**  
Property Guru for SW3 & SW10



**Laurence Lai**  
London Sales Director

“ Chelsea is the epitome for buyers seeking family elegance. Following recent price adjustments demand has strengthened.

We are seeing less demand from bankers (probably until the post-brexite financial services landscape becomes clearer) but increased demand from lawyers and other professions, entrepreneurs and technology professionals in addition to strong demand from families buying for children. Many nationalities are represented with many buyers familiar with the local area.

A market returning to health and highly sought-after for those looking for old world charm.



## LONDON PROPERTY GURUS



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