

**YOU**home

PROPERTY GURUS

# PROPERTY TIMES

## W11 Q1 2022 ISSUE



Welcome to the Q1 2022 edition of the YOUhome Property Times, an expert view on local property trends in W11. In this edition we look at data since 1995, analyse data from the past year and make projections for the coming year, laying out the key influences and drivers in the residential property market in the past and in the coming years.

**At YOUhome it's personal.**

# PAST & PRESENT

## W11 TODAY

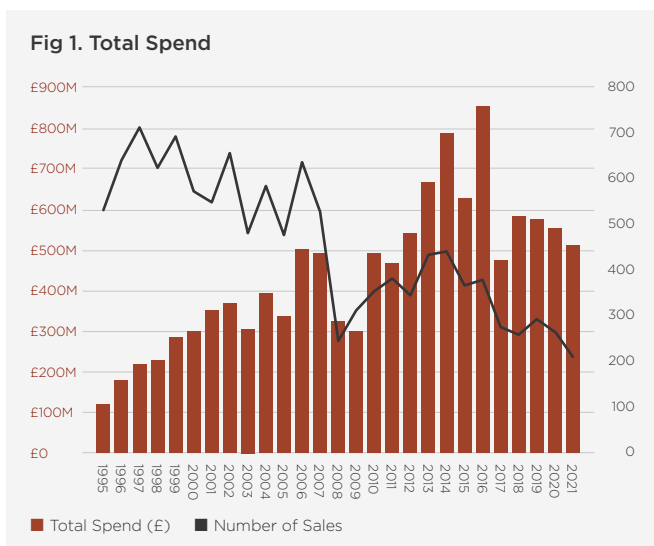
Setting out our thoughts in these times is like pinning the tail on a rapidly moving donkey. However, we have to draw the line and publish at some point.

As we go to press, Omicron, the recently-arrived Covid variant, is spreading rapidly, transmission is swift but effects on vaccinated and unvaccinated have yet to be clearly demonstrated in numbers. The reality is hitting home here in Notting Hill that while there are areas of low vaccination, this pandemic and variants thereof are likely to be a factor for at least the immediate and near future.

Over the last year, the impact in the property market has been for some vendors to pause where they can, and watch...and while these uncertain times continue this preference to pause is likely to continue for some and will slow and skew the hoped-for return to a more normal market and affect projections for the coming year.

## A QUICK LOOK BACK

Just to look at W11 over time, since 1995 when the Land Registry data collection service began, we've seen a steady reduction in the number of property sales in W11 (fig 1 - black line). This reflects the market being driven in recent years by people in the area already, seeking larger places or to downsize. This is, by nature, a narrower but more "natural" market, i.e. made up largely of local people looking for larger or smaller properties, rather than the larger and more complex market that included international buyers and investors that was more commonplace up until 2016, buying for reasons other than seeking a place to live.



This narrowing of the market over the past four years was down to a raft of government initiatives to dampen price increases, reduce tax incentives and increase transparency/combat money laundering and has led to a reduction in volume of spend (or amount spent on residential property) (fig 1 - block graph).

The Covid pandemic has served to heighten this. Largely, the only buyers in the market were local buyers trading up or down. Some have bought unseen from abroad but this is a very small minority.

## OTHER FACTORS INFLUENCING 2021 MARKET

A Stamp Duty saving initiative came to an end in June. This initiative had the effect of drawing forward sales of properties at or below the £2m level. Buyers were encouraged to buy by the savings on offer and owners considering selling brought their plans forward to market their property so as not to miss out on the spike in interest.

After June 2021 saw the end of the Stamp Duty "holiday", the market for properties below the £2 million bracket became quieter and this continued late into the year. There were 31% fewer sales at below £2 million this October compared with 2019 and 35% fewer than 2020.

## OUTPERFORMING THE PRECEDING YEARS

Even with a few quieter months, the sales market across prime London has outperformed the previous two years. The number of sales in the first 10 months of 2021 was 8% higher than the whole of 2019 and 23% up on 2020. Indeed, below £2 million the number of sales in 2021 was 25% higher than in 2020 with 16% more sales at £2 million plus. Achieved prices have risen across prime London over the past three months, with prices for flats up 2.8% on the same period a year ago and houses recording 7.0% annual growth. Overall, prices rose by 4.6%.

A buoyant sales market has meant levels of available stock have fallen compared with 2020, with the number of properties available for sale in October 12% down on the same point in 2020. This is likely to be down to a combination of some sellers being hesitant to bring their property to market (reduced levels of the most coveted stock) in these times and Notting Hill providing the ideal for prime central London buyers, i.e. outside space, central location, world class amenities (increased demand).

## PRESSURE FOR BEST-IN-CLASS

The lack of quality stock resulted in a pressure build-up experienced particularly keenly in the £6m to £12m Notting Hill house bracket in the late summer. Owners of best-in-class properties experienced offerors competing and driving prices to premium levels.

In turn, buyers of this level of quality swiftly found that they needed to be able to buy in cash to be in the best position to secure their target over competition...bidders using finance, which whilst financially advantageous at current rates, found that competing cash offers and the speed and clarity provided were preferred by owners. And, of course, cash buyers can then refinance after buying to take advantage of low financing rates.

## PRIME CONTINUES TO ATTRACT

The Notting Hill prime house market continues to strengthen. The pandemic has further enhanced the attraction of properties with outside space, with a communal garden and great amenities that Notting Hill is becoming ever more popular for. Those looking for more space, looking to move from a house of 2,000sf to a house of 3,000sf and above, face limited options and stiff competition.

With desirable properties set to remain in short supply, buyers in the most powerful position to proceed will continue to be best placed to get the pick of the limited crop.

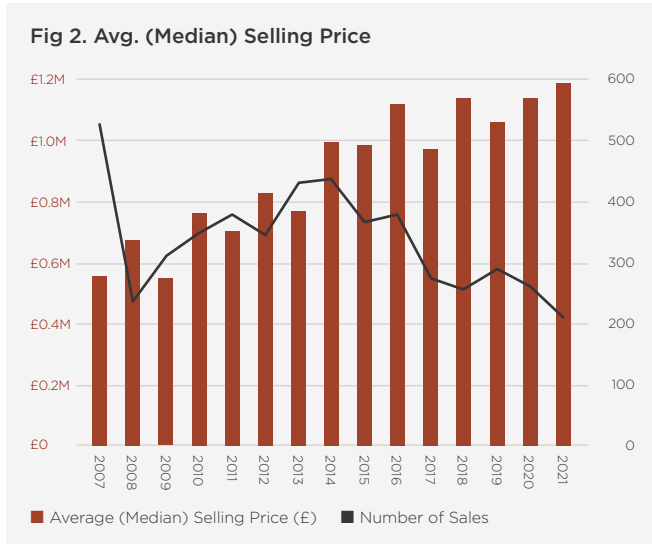
## ALL ELSE MUST BE PRICED SENSIBLY

Equally important is for owners to be clear and understand what they have. Premium pricing is for the cream of the crop in each category. All but the best-in-class remains highly price sensitive.

## TAKE AWAY STATS AND TRENDS

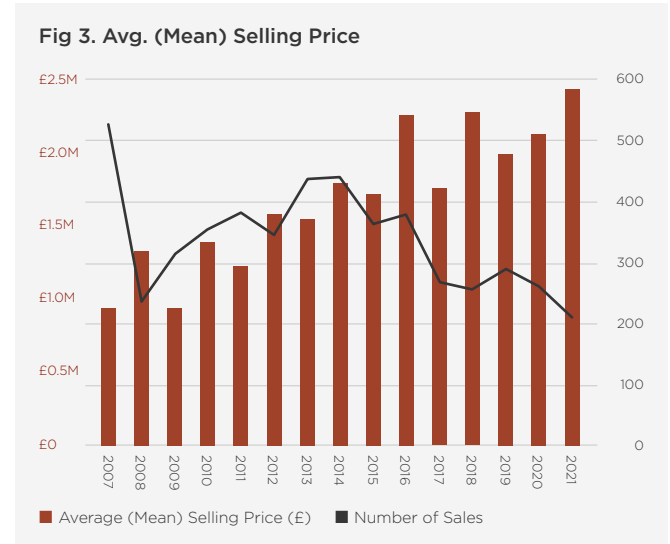
We've seen a steady growth of the average (median) price point of property purchased in Notting Hill, the number of transactions falling (black line) and the median in 2021 rising to £1.2m (fig 2).

And we can see from the graph (fig 3) that while there are fewer transactions taking place, of these, more people are buying more



expensive properties, driving the apparent average purchase in W11 to £2,435, 593 in 2021 (so far. The data for the year has yet to be completed).

This demonstrates a classic "flight to quality" by Notting Hill buyers, something we predicted back in late 2014.



# 2022 ONWARDS

## PROJECTIONS FOR 2022

- There is much talk of property value growth but the reality is, of course, nuanced.
- Omicron and other variants are likely to restrict international travel, curtail movements and social and economic activities in the first quarter of 2022.
- Economic activity and the effects of the pandemic, particularly the effects of the furlough scheme have yet to play out.
- Inflation increases have caused for calls to increase interest rates and these in recent past have been reflected in market sentiment, gilt yields etc. The Bank of England has now increased rates nominally. Borrowing costs have begun to creep up. Further base rate increases are anticipated later this year but are likely to be similarly modest. This rate uptick will reduce market activity and affect value growth but only to a small degree. It's unlikely to markedly affect activity in Notting Hill across all price brackets.

## PENT UP?

In the longer term and without wishing to have too many "ifs"... if a lockdown and severe curtailment are avoided over the winter months and if international travel can resume, it's likely there will be pent up demand. Sellers who have been waiting for a less restricted market are likely to bring their properties on to the market and we are likely to / we may well see a surge in activity in late spring 2022.

## THE PROPERTY MARKET WILL CONTINUE TO OPERATE

The property market operated through the last lockdown. The Government appears, not surprisingly, to be weighing the economy with the pandemic and appears reluctant legally to enforce another lockdown. Rather, they appear to be hoping that the public's instinct to limit activity will naturally slow Covid infection rates. In the absence of a lockdown, it is likely that the local property market will continue but in a similar way as it has recently; local buyers (many of whom are overseas passport holders/very international), limited stock, the majority of which will need to be carefully positioned and priced.

## INTERNATIONAL BUYERS' RETURN?

The pandemic and the move to work from home has heightened Notting Hill's appeal yet further. Houses and flats with gardens, outside space, access to communal gardens all with quality amenities, leading restaurants and schools on the doorstep have attracted not only local buyers but wealthy buyers seeking a UK base/additional home.

To date, buyers have largely been UK-based with travel restrictions limiting access by international buyers. Many employ the services of search agents who are seeing their mandates grow from early spring last year, particularly as lockdown restrictions wound down with the arrival of summer. If a London lockdown is avoided and pressures on hospitals are manageable and if international travel opens up it is likely we will see a surge in activity in the spring of 2022.

**Fig 4. Property Sales in Notting Hill**

ASKING PRICE	PROPERTY TYPE	BUYERS	REASON FOR PURCHASE
£950,000	Two bed duplex flat 847sf	Businessman (in fashion) with family out of town	Seeking a pied a terre in Notting Hill, a place he knows very well.
£1.35m	Mid terrace four bed two bath freehold house (1,446sf)	Late 20s European couple now based in the UK, both in finance/private equity	Renting smaller property in nearby garden square, first time purchase, seeking more space and outside space.
£2.75m	End of terrace four bed four bath house with garden and off-street parking (2,050sf)	French couple in finance now UK-based, with young twins	Formerly in a large lateral flat nearby seeking more space and outdoor space locally
£5.85m	End of terrace five bed, three bath house with garden and off street parking	Young English couple (creative industry) with young children	Live nearby, need more space and garden.
£10m	Mid terrace five bed three bath house (4,121sf) with garden and communal garden access.	English family with young children	Live nearby, need more space and garden.
£28.5m	Freehold detached eight bedroom park-side house 6,050sf with off-street parking and garden.	businessman (finance)	Seeking "forever" home.

**WHO'S BUYING IN AND AROUND NOTTING HILL?**

Of the 260 sales that took place last year, and 209 (and counting as the data is yet to be complete) in 2021...there are of course lots of different types of buyers and I don't want to be accused of positive bias...but here is a cross section of those who bought in the area (fig 4).

**PROPOSED CHANGES TO MORTGAGE LENDING**

**AFFORDABILITY CHANGES:**

- The Bank of England recently announced a change to lending rules that will serve to broaden the market, opening it up further to additional first-time buyers.
- Currently there is a requirement for lenders to ensure that borrowers can afford a rise in interest rates, an increase in borrowing costs, of 3%.
- Losing this affordability test is likely to open the market to about a further 50,000 buyers and to allow a raft of borrowers to afford to borrow larger sums.
- The Bank has built in other affordability tests and does not see this as a relaxation of lending standards.
- The effect in W11 is likely to be small but a broadening of the market of buyers will help.

**GREENER STREETS, AVOIDING ULEZ AND THE FURTHER BENEFITS OF OFF-STREET PARKING**

Notting Hill sits within the Ultra-Low Emissions Zone (ULEZ), the Government's clean air initiative which applies a toll to owners of vehicles that do not comply with emissions restrictions. Electric cars are exempt from the charge and RBKandC is working to do its bit by accelerating and increasing the number of charging points across the Borough with a range of fixed, rapid charging points (three currently), 104 Source London charging points (a subscription/membership service with bookable docking points); and the Borough is busy converting lamp posts to include charging points, with 425 lamp column chargers currently.

Not all lamp columns are suitable for lamp column chargers. RBKandC cannot install chargers in Kensington Vestry Heritage style columns or any other columns that are within 15 metres of other electrical equipment, on narrow pavements or which are not in reach of a parking bay.

It is an offence under the Highways Act 1980 to run cables from homes across a footway to charge electric vehicles. Owners with off-street parking are in the position of being able to charge their vehicles at their leisure...valuable as restrictions are likely to get tighter and numbers of vehicles greater.

Find your nearest charging point at [www.zap-map.com/live](http://www.zap-map.com/live)



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**MORE ABOUT JERRY** >

**YOUhome W11 Property Gurus:** Collectively 50 years of home selling experience, 60 years of local living, and over 1,000 local homes sold.



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