

YOUhome

PROPERTY GURUS

PROPERTY TIMES

W11 Q2 2022 ISSUE



Welcome to the Q2 2022 edition of the YOUhome Property Times, an expert view on local property trends in W11. In this edition we look at new recent events and how they have affected the market, laying out the key influences and drivers in the Notting Hill residential property market currently and ongoing.

Brought to you by YOUhome Property Gurus.

Q1 TO Q2 WHAT'S CHANGED?...A LOT

What are the influencing factors? Reader warning – these are not minor tweaking matters:

- **The war** - Russia invading Ukraine, uncertainty of the effects have caused some owners, if they are able, to pause bringing their properties on to the market which has brought about low stock levels;
- Global energy and supplies are tightening, inflation/household costs are spiralling, interest rates are rising but modestly;
- The Bank of England predicts 8% inflation in the coming months, BUT the market is predicting that the Bank of England base rate will only be 2% by February 2023, possibly 2.3% by the end of 2023. So is everything a short-term spike?
- The pandemic is receding in the West with a release from restrictions – BUT others are not, global supplies are affected.

In summary - price increases have been driven by a lack of supply – demand has remained strong despite the pandemic and other shocks and possibly in large part because of massive government monetary intervention supporting financial markets and industry and large amounts of low-cost leverage (financing) available.

THE DETAIL

Uncertainty is constraining supply and demand is solid.

Flight to quality continues.

- We are seeing a continuation of the trend for growth in average (median) price of property purchased in Notting Hill (pink block graph) and the number of the transactions falling (black line) here in Fig 1.
- Q1 W11 number of exchanges down – the significance of exchanges over completions, exchanges mark a sale at a specific date, completions happen at a pre-agreed later date, usually within 4 to 8 weeks. To highlight the falling transaction rate trend set out above, we have seen 52 exchanges take place in W11 in Q1 (compared with 103 the previous quarter and 73 in Q1 of 2021) (all property types, source Lonres).
- Stock levels remain low due to owner-uncertainty and best in class property on (and off) the market are competed for and snapped up (Fig 2) (source Lonres).

Fig 1. YOUhome and Land Registry Data by Quarter – London W11

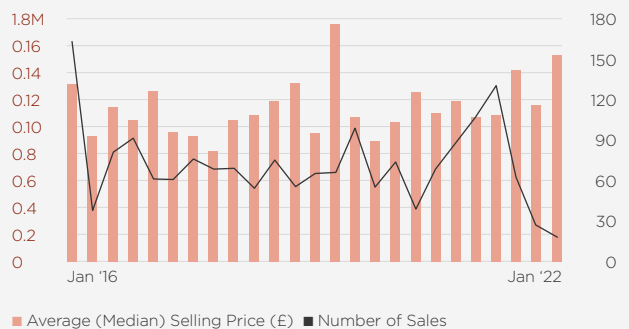


Fig 2a. Number of W11 Houses Available for Sale - Jan '18 to Jan '22

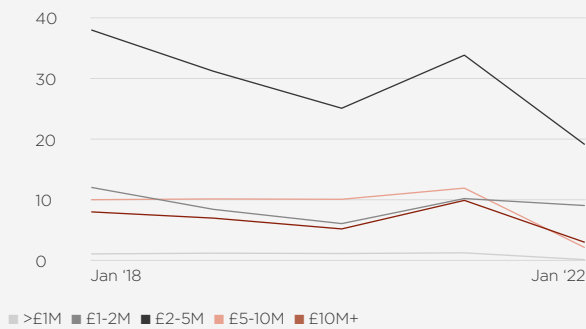
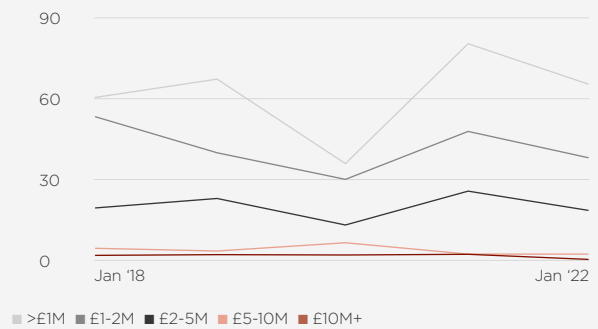


Fig 2b. Number of W11 Flats Available for Sale - Jan '18 to Jan '22



THE CURRENT MARKET DRIVER IN NOTTING HILL

The market continues to be driven by locals, some internationals living locally and buying for more or less space – an example – YOUhome were instructed to sell a 3,720sf house at Hillsleigh Rd.

The property had been on the market ten months with three well-known agents. We joined two of these agents and kept the asking price the same. We had eleven viewings by eight new parties who had not seen the property before. We had a sale agreed to a cash buyer in three weeks, completing in March 2022. Of these eight applicants seven were internationals based in the UK from five different countries:



The international market is opening up...albeit slowly

Other countries remain restricted in movement however buying agents report a 40% increase in enquiries from international buyers over the last month, particularly from the US, Europe and Singapore and typically for a ready to move in/turnkey London base for themselves or for their children.

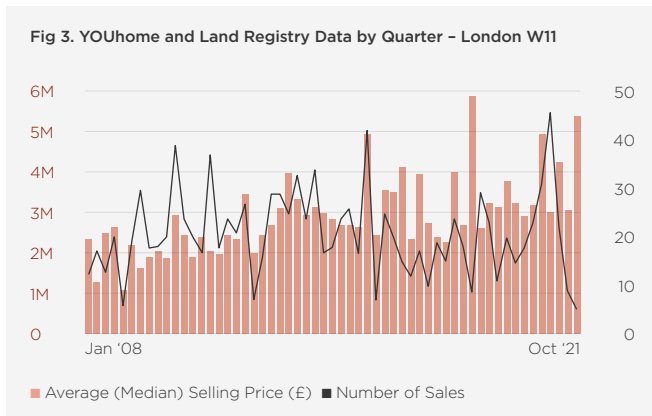
An eventual improvement in balance but this is a long way off

The arrival of the international market may bring some balance back to the market. Currently the locally-driven buyers continue to have outside space as a main purchase criterion. Outside space has traditionally been less important to international buyers, favouring criteria like lateral space/apartments, a porter/concierge, for example. This balancing out appears some time away, however.

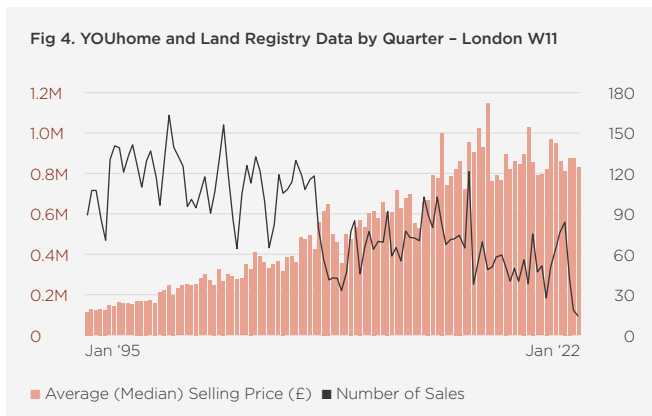
PROPERTY MARKET PERFORMANCE

The property market continues to operate well but with an air of caution. The buoyant house market seen in the last half of 2021 has dwindled. Best in class houses are being sought and bought largely off-market, achieving high prices due to competition and this, in turn, is happening due largely to scarcity.

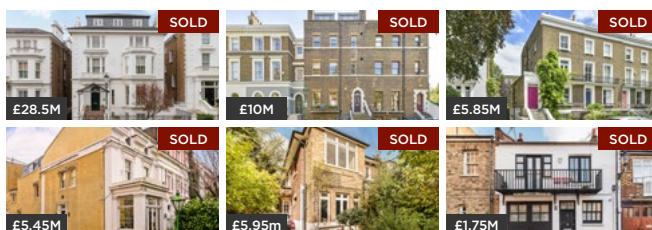
The majority of properties currently on the market are owned by people looking to change for more or less space and for these great care is needed in pricing prior to launch. However, where properties are sensibly priced this market is operating healthily in W11. The graph below (Fig 3) shows **house** transaction numbers (black line) falling but with high sales values being achieved (pink block, median).



The sale transaction numbers for **flats** (black line graph) are at a historic low as discussed earlier and we've shown this in Fig 4 below dating from 1995 - median sale values achieved (pink block graph) are holding, there is no competitive pressure to bring about local price growth in spite of W11 property sellers and buyers constantly reading reports of values surging nationwide...



...In central London the reality is that while demand is greater than supply, owners of all but the best in class properties need to be extremely careful pricing their property and in considering offers, median values are holding, not increasing.



OWNERS BE AWARE

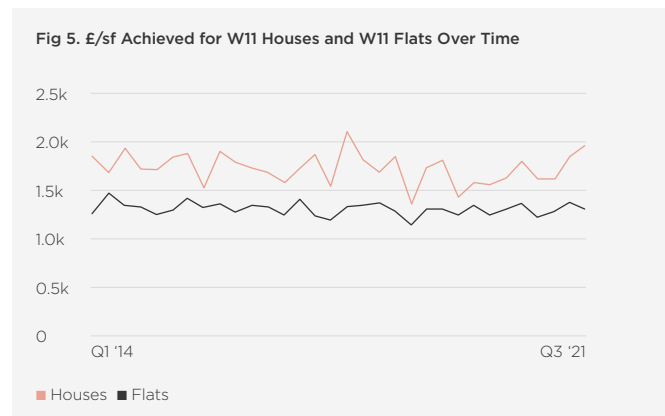
W11 buyers are savvy; they:

- Know the market and the value of their £;
- Are aware of influencing factors, are nervous about the future; and
- Will not buy at what they may deem a premium on expectation of growth in the future.

Added to which the bulk of these purchases are mortgage financed by providers who have an eye on the economy and who nationally are beginning to be more conservative.

CLASSES APART

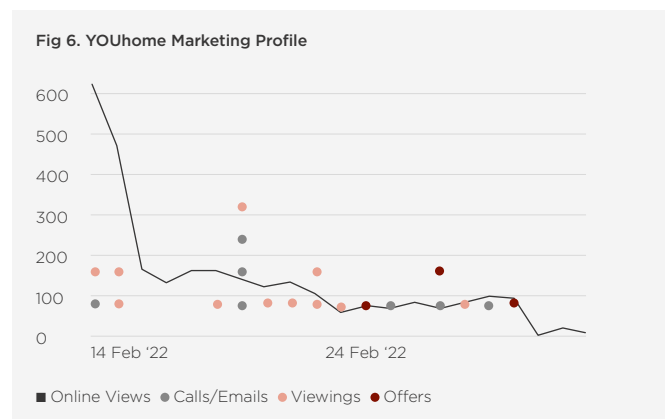
As a class, and while it may be obvious and simplistic, houses in W11 hold a greater attraction to buyers over flats as shown by distinct differences in values/sf achieved over time in Fig 5 below.



Of course, flats with characteristics of a house, outside space, communal garden access for example, or where they have very unusually attractive attributes like large lateral space with lift access, attract great interest and achieve levels closer (and sometimes higher than) values achieved by houses.

EXPERIENCES ON THE GROUND ARE HEARTENING

It is easy to feel gloom but there is a healthy market here in W11... carefully priced and promoted properties get very real, strong and effective engagement. Here below is YOUhome's marketing profile graph for a Notting Hill family house recently sold by YOUhome. On launch, we saw the usual pattern of high online views (the black line), followed by applicants calling/emailing (the grey dots), viewing (light red) and offering (dark red)...momentum was established and a sale agreed in three weeks.



THE VIEW FROM HERE - THERE ARE IMPORTANT POSITIVES:

NEGATIVES

The effects of the war are likely to start materially impacting the W11 market in the medium term. This includes demand from Russian buyers largely halting. The threat of further sanctions may lead to some attempting to sell their London property where possible.

Energy prices which are climbing (and likely to continue) are correlated to downturns in prime central London house prices.

In the longer term, changes to rules on anonymous ownership may make **London property less attractive to buyers more generally.**

Domestic economic tightening - Rising inflation and interest rates. Buyers in W11 are comparatively wealthy, a high proportion will use mortgage finance, whilst not immediately impacting W11 buyers, higher interest rates will not be positive for property values. We are seeing very little evidence of owners bringing their sale plans forward to avoid future increases in interest rates and costs of buying.



POSITIVES

The market is functioning well, when sellers bring their properties to the market and if they are carefully priced, properly presented and promoted they are selling.

International buyers will also help balance out the market.

A new government plan to protect leaseholders from building safety costs could also restore some confidence in the flat market.

For W11 property owners the small number of strong best in class prices being achieved will affect values all around and this is set to continue through this year, aided by the gradual return of international buyers.

Important to remember - Long term/enduring positives. W11 and the UK benefit from and attract because of:

- Western liberal democracy
- Rule of Law
- Education
- The National Health Service
- Position in the world (time zone-wise)
- Culturally rich
- Culturally diverse
- Most spoken language worldwide (Mandarin is no.2)

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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