YOU home

PROPERTY GURUS

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Welcome to the Q2 2023 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 - expert, personal property advisors.

WHAT HAPPENED IN Q4-2022 & Q1-2023

Q4 2022 saw severe political instability followed by financial turmoil in September's mini budget, a period of hiatus, fall throughs and price reductions;

Q1 2023 saw lenders returning, acceptance that close-to-zero borrowing costs are a thing of the past and further increases in renovation and building costs.

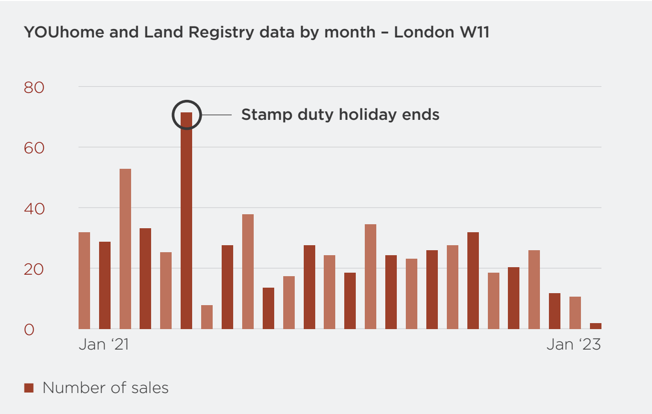
FROM POLITICALLY-INDUCED SHOCK TO BANKING TURMOIL

Uncertainty pervades, this time the source being higher interest rates and the banking sector; global markets were spooked by the failure of a technology specialist and a regional US lender, Silicon Valley Bank and Signature Bank respectively, this was followed by the emergency take-over of Credit Suisse by UBS.

Interest rate risks loom beyond banks too: over exposed sectors including institutions with rate-sensitive assets, where concern abides due to the complexity and multiplicity of products means that regulating and overseeing them is increasingly difficult...and accelerated by social media.

Nerves in financial markets and all who are affected by increasing interest rates are likely to be further tested as the battle to counter inflation continues. The UK consumer prices (inflation) index rise from 10.1% to 10.4% in February brought an increase in interest rates to 4.25% and the US saw their rate increase further from 4.75% to 5% in March....although some have hoped that the market turmoil itself may serve to tighten financial conditions without the need for further central bank action...this may or may not be wishful thinking on the part of Jay Powell (US Fed chairman), it is a fine balance, events that help tighten inflationary factors can cause the economy to tighten too much and become recessionary, forcing interest rate cuts...a delicate balance is required.

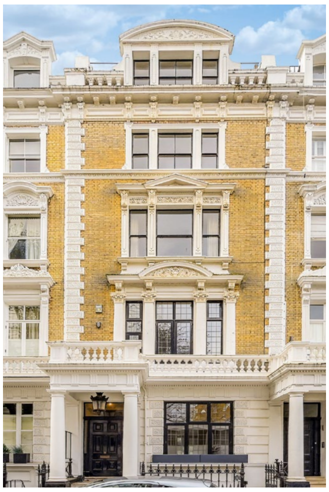
In the last months, the effect on prime central London and specifically the W11 residential property market has been that owners have been reluctant to bring properties to market, low stock levels are the norm currently along with low transaction levels. However, buyers have remained positive and committed, (albeit selective) and turning out to view and offer.



As mentioned earlier, the US and UK central banks recently raised interest rates only 0.25% with a possible further small rate increase priced in. The UK property market, particularly the W11 market which is less dependent on mortgages, appears thus far to be resilient to these higher costs. This has given UK homeowners hope that we may be reaching the end of a price trough. Compared to the US, a higher proportion of UK homeowners use fixed rate mortgages which protect holders from increased borrowing costs.

However, many of these fixed rate loans are fixed for relatively short periods. In the UK, for example, almost half of these fixed-rate loans are for no more than two years...more than two-fifths of mortgage holders, 1.36m of them, will move to new terms and higher costs this year. At the same time, cash reserves built up over lock down have been used up in these subsequent years. The effect in the UK has seen, across the country, a fall in house prices of 5%, there may be worse to come, with leading analysts like Capital Economics forecasting a 12% peak to trough drop in UK house prices.

For the time being in W11, the best results have come about when positive buyers' sentiment is met by a well-informed approach from sellers. The 6,000sf house below, just off Notting Hill Gate was sold in six weeks with fifteen viewings and three offerors, selling to a cash buyer moving from rental accommodation nearby moving for more space for their growing family, the main market driver.



With the UK housing market, including W11, weakening following the mini budget of September 2022 we have seen the discount to asking price act as a clear indicator of how pricing has changed relative to owners' expectations over recent months.

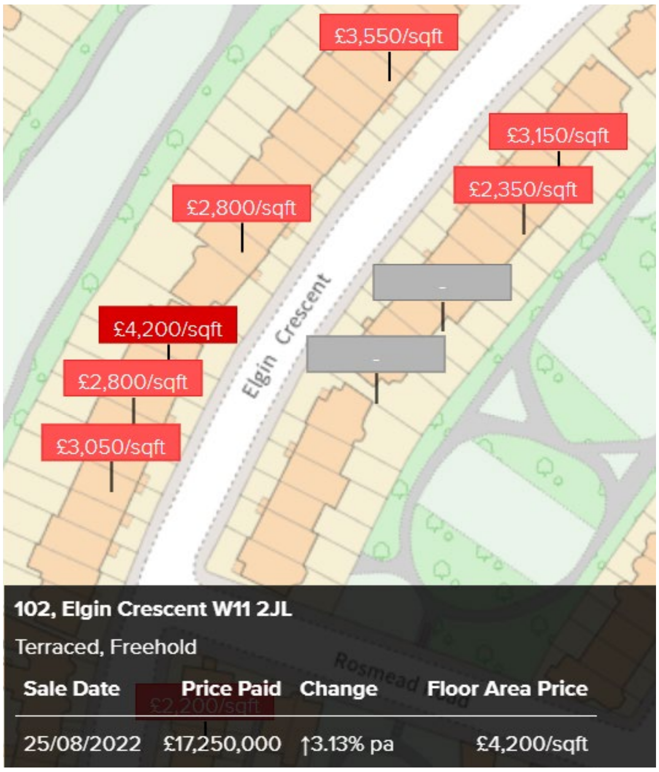
From a high in 2014/15 we saw the market weaken across prime central London causing the difference to grow between what buyers were prepared to pay compared to what owners expected to sell at. The greatest difference between the two since 2009's financial crisis occurred in February 2019 at a figure of -12.9%. The market then strengthened after the pandemic with a consequent narrowing of the discount to a low of -4.7% across central London in July 2022.

Since then, the discount has widened and in February stood at -8.4%, an indicator that sellers need to be more realistic about pricing to transact in this market.

The discount applies across the board albeit it is less for best in class homes.

W11 owners have witnessed a range of record prices achieved during and since the pandemic, significant rises above previous highs.

And it makes the important job for owners of understanding the market for their specific property very difficult, however it is something that becomes ever more vital; pitching a property at too high a price is less likely to attract offers, if a property is over priced now a timely adjustment is key in this market.



W11 is one of the most sought-after areas to live in central London... over the pandemic we saw properties marketed quietly and receiving competing bids, premium prices were achieved and for best in class properties, often continue to do so. See in the table to the right, the steady growth in £/sf achieved on a notable W11 road as an example, with houses leading directly onto communal gardens, Lansdowne Crescent. These are very sought after properties and care must be taken to analyse each property on its own merit to pitch its price correctly.

BEYOND THE PORTALS

How properties come to the market, off market or open, is as fragmented as it has ever been. The estate agency market is made up of the high street brands, the independents and a swathe of individuals. These individuals have often left a high street brand with a number of clients, they bring two or three properties to the market, often not on to the portals but on to the off market by broadcasting to the local agents and buying agents with the aim of attracting a buyer for their client's house. This is more common for properties above the £5m bracket and it means that buyers who have not instructed a buying agent will very likely not be aware of a proportion of properties currently available.

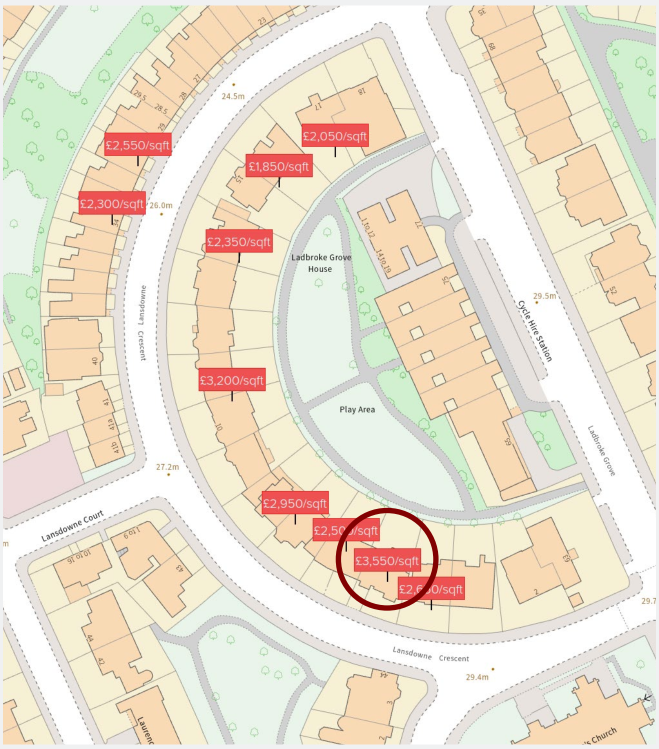
A PROJECT OR A TURN-KEY PROPERTY

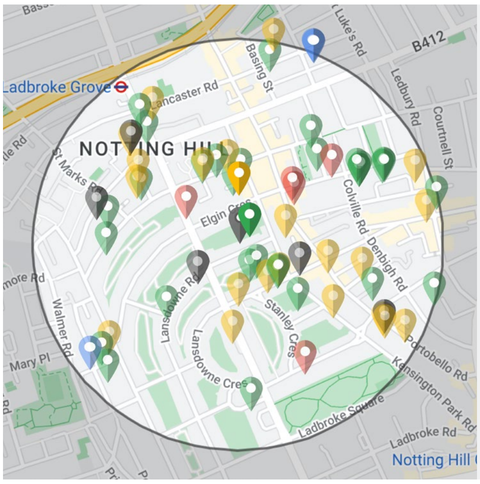
As ever, the picture of the market is nuanced...in amongst the positive sentiment we're seeing a marked reluctance from buyers to bid for properties that involve a major programme of works.

A number of properties that only recently would have attracted great attention and offers are languishing on the market. Buyers are concerned at the recent high cost of materials, the difficulty of finding a reliable, high quality builder, the cost of renting over the build project and the time taken...(and possibly the effects of a Labour government)...people buying appear not to want to wait, this may bring about opportunities for those with the appetite. And saying this, the latest sale completed below at 5 Lansdowne Crescent was achieved by a process of quietly marketing to a number of engaged buyers. The house was unmodernised, needed a lot of work and yet still attracted multiple bidders and, as a result sold £4m over asking for a high on the road of £3,500per square foot in September last year.

More recently, a completely refurbished house on the same road has just exchanged within two weeks of the house's launch. Appetite is there but owners must be aware of the market and where their property sits in it.

Property	Postcode	Sale	Price	£/sqft
5 Lansdowne Crescent Semi-Detached, Freehold	W11 2NH	20/07/22	£18,069,000	£3,550
33 Lansdowne Crescent Terraced, Freehold	W11 2NT	24/09/21	£8,600,000	£2,300
16 Lansdowne Crescent Semi-Detached, Freehold	W11 2NJ	12/03/21	£8,900,000	£1,850
17 Lansdowne Crescent Semi-Detached, Freehold	W11 2NJ	18/02/21	£8,500,000	£2,050
30 Lansdowne Crescent Terraced, Freehold	W11 2NT	01/04/20	£10,000,000	£2,050
11 Lansdowne Crescent Terraced, Freehold	W11 2NJ	01/09/17	£13,950,000	£3,200
8 Lansdowne Crescent Terraced, Freehold	W11 2NH	31/03/16	£14,500,000	£2,950
14 Lansdowne Crescent Semi-Detached, Freehold	W11 2NJ	29/03/16	£11,600,000	£2,350





MY PROPERTY MARKET

A New & Massively Helpful Property Market Data Resource Is Launched

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. Visit: **www.mypropertymarket.co.uk**

THE VIEW FROM HERE - BEGINNING OF Q2 2023

Positives:

A nervous, fragile stability exists with some measure of predictability meaning that the market is functioning. When sellers bring their property to the market and if it is properly presented and promoted and carefully priced / positioned in the market it will sell.

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.

There is a higher than average proportion of cash buyers in W11 and whilst this has its advantages in terms of speed and certainty, these buyers know the value of this and the market will be affected by the section of the market using finance.

Negatives:

Global instability, threat of recession, toppling banks, continued uncertainty, the UK's financial position, the resultant increase in loan prices, the increasing cost of living will all reduce the number of transactions taking place in W11 and across all of central London in the immediate term.

Geopolitical uncertainty, sparring super-powers, the effects of the war in Ukraine, are likely to continue materially impacting the West – this will affect the W11 market in the medium term.

Whilst energy prices are reducing, comparatively high energy prices are correlated to downturns in prime central London house prices.

Domestic economic tightening – 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 people question bringing their property to market and whether to buy at this stage.

At YOUhome it's expert and personal

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/we can be reached on either **07780 497188** or **0207 908 9282**.

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