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PROPERTY EXPERTS

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PROPERTY TIMES
NOTTING HILL
Q4 2023 ISSUE

Welcome to the Q4 2023 edition of YOUhome's Notting Hill Property Times, an expert view on local property trends. In this edition we look at 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 Experts - expert, personal property advisors.

What happened in Q2 and Q3 2023

Q1 and Q2 2023 saw a focus by the government to provide stability after political and financial turmoil, all while the war in Ukraine continued and failures in the banking sector impacted, the effects of which were more widespread than previously understood. Uncertainty pervaded and the Notting Hill property market saw lower volumes of property coming on to the market.

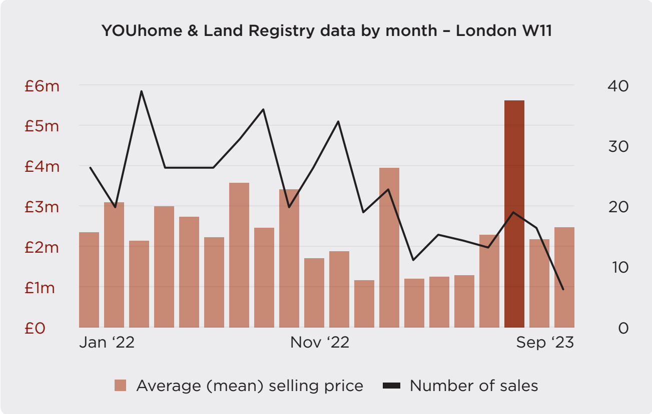
Where we are now and what we face for the immediate and medium term – Inflation reducing, a pause in interest rate hikes and the market works on… and how housing provision might be helped…

Last quarter's edition saw us focus on inflation, the reasons for its return and its effects on the UK economy and the property market specifically…the consequent interest rate increases have seen inflation begin and now continue to fall from the peak of 11.8% in January to 5.9% in August 2023.

The Bank of England has held base rates at 5.25%, still a high since 2008 and whilst markets expect a steady dwindling, uncertainty remains as demand-led or core inflation is proving sticky, remaining at 6.9%. The BoE will need to keep rates higher for longer. The markets have largely calmed, however the Tory party's reputation for economic competence has been shattered.

Through this the central London property market has continued to operate, insulated by the fact that broadly 2/3rds of transactions in the first half of the year were cash purchases, an increase from just over half of transactions over the same time in 2022. Summer traditionally is a period of low transaction volumes however we've seen that buyers watch the market and act from wherever they are…and engage when they see something they like.

The market is fragmented and as such is difficult for the public to keep track of - Uncertainty has meant fewer people have sought to sell their property and brought about lower volumes of stock in Notting Hill. As discussed in earlier editions, the market is fragmented with high quality, often larger properties being discretely marketed off the portals "off market". Sales across the board are continuing and while the number of transactions is falling over the year, the average selling price in this small data sample is skewed, particularly in June 2023, by the completion of sales we reported on earlier in the year.



The three largest transactions completing in June are 38 Clarendon Road selling for £35m, 57 Clarendon Road for £30m and 16 Lansdowne Road sold for £17.75m, none reaching the "open" market.

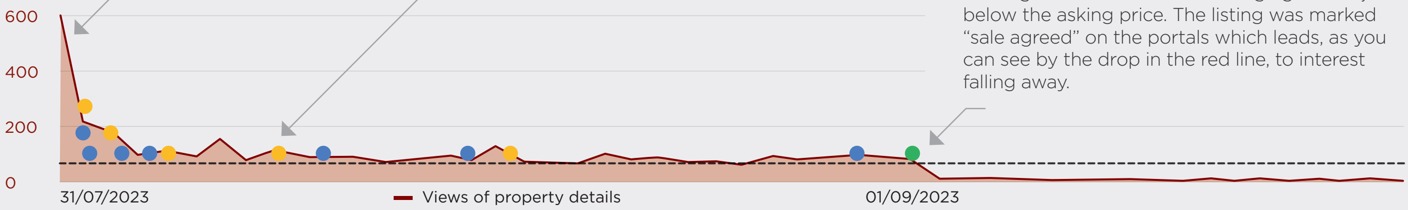
An example of the market functioning well…even in August

YOUhome listed a smart £2.25m apartment in late July. The property had been marketed with another well-known brand of agent for a year previously without success…we listed the property as sole agent at the same price as had been previously marketed…our clients can see exactly what is going on from the launch of the property onto the portals (Rightmove, Zoopla, we're on all of them) by looking at the secure platform we provide our clients with, known as our "Knowledge Hub" (bear with us as we love a graph here at YOUhome):

The Launch
The red line graph shows the number of people clicking onto our listing on the portal for the first time and our clients, the owners of the property know that the shape of this graph is the natural trajectory of the marketing…. On launch, the new property attracts most attention.

Active Interest
If, as with this property, the price is carefully pitched, well presented and promoted, engaged buyers get in touch for more information (the blue dots) and to book a viewing (the yellow dots).

Sale Agreed!
Using data drawn from recent YOUhome sales, our algorithm calculates and shows (the dotted black line) the level of new interest that successfully sold properties have achieved from new parties looking online. From the property's launch at the end of July and through August we had interest from engaged buyers and seven viewings which led to a sale being agreed at just below the asking price. The listing was marked "sale agreed" on the portals which leads, as you can see by the drop in the red line, to interest falling away.

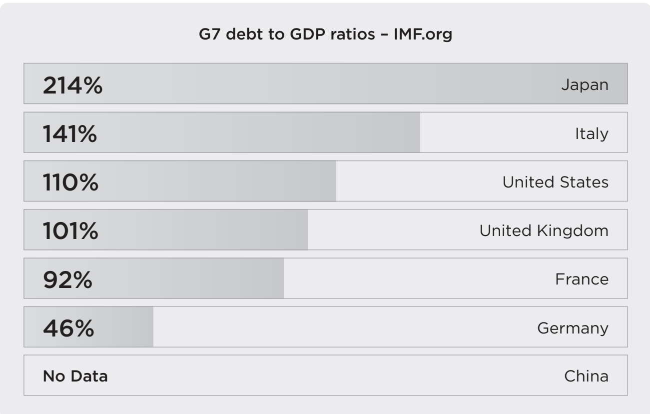


Do you know anyone selling their property who isn't seeing this level of information and success?
Please forward this to them and ask them to contact us. This works!

Faster financing - In this transaction, as well as others using mortgage finance, we are seeing the time taken to have finance terms agreed and offers made by mortgage providers to be much reduced (due to lower volumes of transactions and staffing currently maintained). In the examples above the buyer had their finance agreed in a matter of days, rather than 5-7 weeks. When carefully judged and launched with the right presentation and promotion we are seeing positive activity, not torrents but sufficient momentum to generate offers and close sales in good time and at sensible prices.

Precarious financial times ahead - while dwelling over knotty issues such as inflation in the UK it's important also to remind ourselves that leading nations' finances are looking precarious...for example, by 2025 the IMF forecasts that five of the world's seven largest economies, the "G7", will have net debt to gross domestic product ratios of greater than 100%. Whilst Japan's debt has been over 125% of its GDP since before 2010 and debt levels of this kind may be sustainable over periods of low interest rates, these days are long gone. As interest rates rise, so does the cost for each nation to service its debt. By 2030 it's anticipated that the US will spend 3.2% of its annual GDP and by 2050 this will pass 6% to service its debt. Comparing countries makes for sobering reading... Mexico's debt to GDP is 53.3%.

In the past, countries have managed to grow or save their way out of such debt holes. Nowadays countries' welfare states, defence spending, green investment ideas/requirements means demands for cash are greatly increased. Historically, it's been shown that favouring tax increases over spending cuts is far less effective at reducing debt. Experts say governments are going to have to live with high inherited debts. Countries may be saved by growth, perhaps from Artificial Intelligence or another technological break-through. In the meantime it appears we must hope that politicians work to make sure they don't make a bad situation worse. Given recent world events this is looking unlikely.



The London property market and a solution to the land supply question – there are constant demands on the government to help the property market. Ideas include increasing planning resource and helping downsizers to make a more fluid market, but some consider the real issue is with land supply and it may be, as we've written about in the past, that we need to look at the UK's greenbelts.

A poll for The Economist in a paper researching the greenbelts found only one quarter of adults in England called housing in their area affordable for people like them. Real house prices are up 80% in the past 20 years: the median price to income ratio has grown from five- to nine-times pay. Home ownership has fallen and 300,000 households in England are homeless or at risk of it. People appear to favour building more. England builds an average of 230,000 new homes a year, the official target is 300,000.

Key to this is land supply. Michael Gove, Secretary of State for Levelling Up, Housing and Communities favours building on brownfield (previously developed) land. However this would only provide for a fraction of the country's needs and much of this land is located away from where housing is most needed. Mr Gove also would prefer to see cities grow denser, building more homes into existing communities. However, whilst this is beneficial because it brings housing to where the infrastructure is and reduces commuting, it's difficult to do and is slow to effect; a lack of suitable sites means London builds only 35,000 of the 85,000 homes a year it needs to build. Not only this but often, because developers are working in dense areas within a city's limits, the homes that are built are not the ones that are needed; lots of flats are built but very few family-sized homes are provided.

One way to build more homes close to where there is infrastructure is to look carefully at other "available" land. A 10 miles wide band of land around London of clearly defined green belt was designated in the 1950s to "check the unrestricted sprawl of built-up areas". One effect of this was to help land prices in cities to rise (without it it's estimated that prices in the south east would be approximately one quarter lower). The green belts are popular and efforts to reform planning to ease building on them have been resisted. In fact, these greenbelts have doubled in size since the 1970s to cover over 12% of land in England (1.6m hectares). Dealings with the green belt are emotive, efforts to reform planning are seen as "developers' charters". It's interesting that the language in Labour's manifesto when discussing the housing problem talks about it being a supply issue rather than being down to "greedy developers" and foreign buyers.

Breaking the taboo - As with all such problems the issue is nuanced but key will be to end public misconceptions about land use in England. Many believe that large parts of the country are now developed when the reality is that 91% of its landmass is not built on at all; people also appear to believe that green belt land is pristine, biodiversity-rich and available for public use; the reality is that it is 65% farmland and only 7% of it is available for public recreation. Further, it's important to note that these restricted bands cause harm to countryside outside them. Builders restricted in finding sites within cities have to "jump" the green belts to develop commuter settlements beyond them. These developments tend to be low density (a less efficient use of space), without the infrastructure, schools and transport links, which crucially means they lead to more car use.

There are calls now for a better understanding and approach to these belts of land, particularly the belt around London; for a bolder approach, possibly releasing portions of "low grade" green belt land. Careful analysis of undeveloped land close to existing infrastructure, say 10% of the existing green belt could, it is estimated, bring forward 5 million new homes, working perhaps to protect one hectare of countryside for every hectare of land developed to make the idea more palatable.

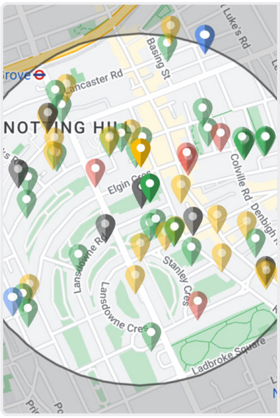
The View From Here - Beginning Of Q4 2023

POSITIVES

- The fragile stability from earlier this year continues 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 Notting Hill 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 Notting Hill and whilst this has its advantages in terms of speed and certainty, these buyers know the value of this. The market will be affected by the section of the market using finance.

NEGATIVES

- Domestic economic tightening – inflation and interest rates. Buyers in Notting Hill are comparatively wealthy, a high proportion will use mortgage finance, whilst not immediately impacting them, higher interest rates are not positive for property values. We are seeing people question bringing their property to market and whether to buy at this stage.
- Geopolitical uncertainty, sparring super-powers, the effects of the war in Ukraine, are likely to continue materially impacting the West – this will affect the Notting Hill market in the medium term.
- Renewed conflict and turmoil in the Middle East with widespread impacts potentially.
- Whilst energy prices are reducing, comparatively high energy prices are correlated to downturns in prime central London house prices.



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."

Find out more about us at **youhome.co.uk**

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