

London's lifestyle zones

Residential
market update

Spring 2018



Kinleigh Folkard & Hayward

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There is a growing sense of realism across the London market. While price readjustment characterised 2017, sense and stability are likely to be at the forefront of 2018.

Readjustment and realism

2017 proved a similar year to 2016, in terms of the volume of activity across London's Lifestyle Zones. However house price inflation has slowed significantly. Growth of sales prices across inner London was just 1.2% in the year to December (down from 4.2% a year previously), compared to 3.4% across outer boroughs (down from 6.8%). And in a signal that price inflation may well slow further, the average asking price of new property coming onto the market across the Capital during 2017 fell by 3.5% according to Rightmove. Price readjustment, thanks to the impact of stamp duty and Brexit uncertainty, was a key feature of the market place. On average, sales prices across Luxury London and City Living were reduced by 9% on the initial asking price, and in Suburban London, by 6.7%. This willingness to accept price reductions suggests a greater sense of realism has entered the market.

Smaller market but motivated buyers

Although activity levels remain subdued compared to long-term trends, sales activity has remained consistent across the Capital in recent months and buyer interest is on the rise. Across London's Lifestyle Zones 15.5% more new buyers registered in January 2018 compared to a year ago, while over 141 million visits were made by home-hunters to Rightmove in January 2018, its busiest month ever. The market place is undoubtedly smaller than it was, but while stock levels remain low, those buyers and vendors that are in the market place are motivated and committed and there are deals to be done. Across Luxury London and City Living Zones, the number of expected completions in January was up 2.6% on a year ago, while across suburban London, the figure is 3.4% higher, with viewings here up by 5.8%.

In it for the long term

The market for 2018 is anticipated to closely follow that of 2017, and while the pendulum of opinion changes almost daily on Brexit, negotiations will continue to affect market confidence. However, the Royal Institute of Chartered Surveyors report that sentiment amongst London's agents is showing tentative signs of improvement in terms of demand, pricing and sales expectations as we head towards the spring. While rising prices excite owners in the short term, they also cause anxiety for buyers. For anyone taking a long-term view on property ownership, owning a piece of real estate in one of the world's greatest cities, whether as a home or an investment, retains its fundamental appeal through short-term cycles.

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Number of viewings per new instruction, up from 18 last year

Source: **dataloft**/KFH (January 2018 versus January 2017)

83 days

Average time taken for a property to sell across Greater London, up from 73 days a year ago

Source: **dataloft**/Rightmove (February 2018)

0.6%

Consensus forecast for growth across the Capital in 2018

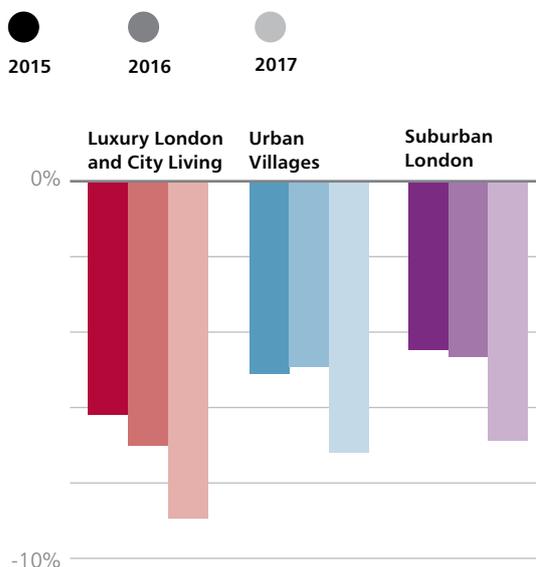
Various property forecasters

57.6%

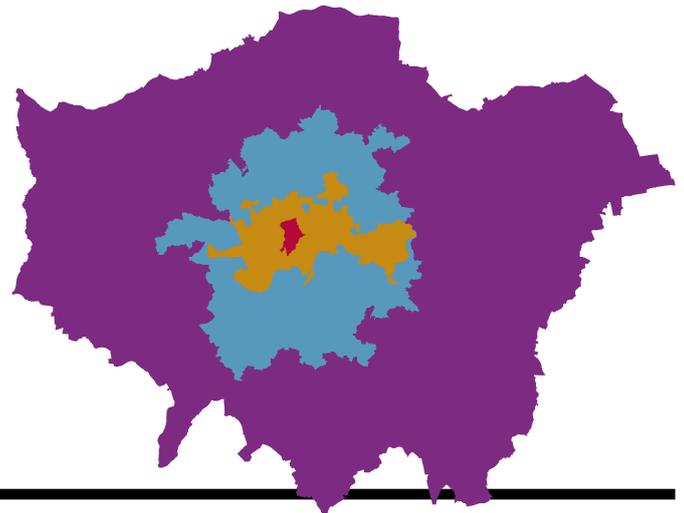
Percentage of properties sold across London for under £500,000 throughout 2017

Source: **dataloft**/Land Registry

Average asking price adjustment

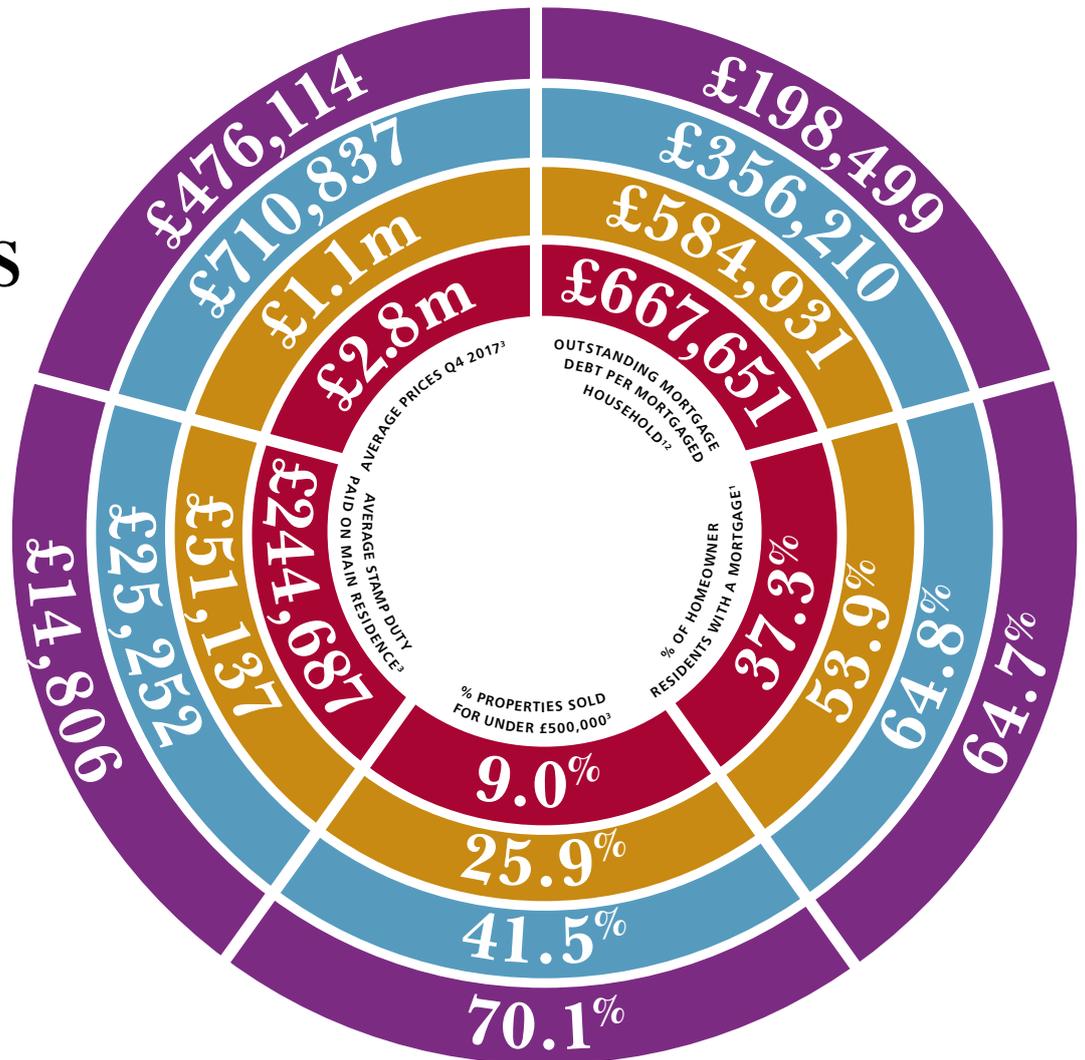


The first interest rate rise in a decade and the abolition of stamp duty for the majority of first-time buyers both made the headlines in 2017. With close to half of Londoners owning their own home¹, to what extent are our London's Lifestyle Zones affected by these changes?¹English Housing Survey 2016–2017 (2018)



● Luxury Living
 ● City Living
 ● Urban Villages
 ● Suburban London

Lifestyle zone indicators

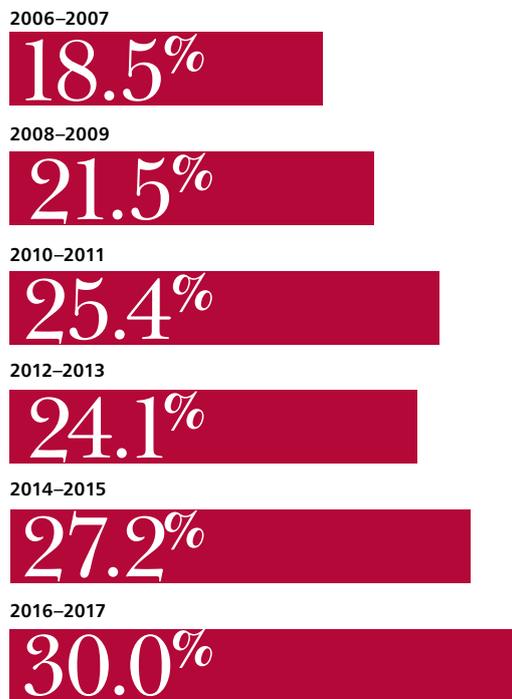


Source: dataloft
¹ Census (2011)
² UK Finance (2017)
³ Land Registry (2017)

Average prices	Average stamp duty paid on a main residence	Homeowners with a mortgage	Mortgage debt per household	Properties under £500,000
Price sensitivity was a key feature of 2017, with price reductions common place across London's lifestyle zones. Overall market £605,853	Purchasers across Luxury London and City Living pay over £50,000 more in stamp duty for their main residence than before the 2014 SDLT changes. In other Zones, purchasers pay less. Overall market £20,293	Across London over 60% of residents who own their own home do so with a mortgage. This figure falls to just 37% in Luxury London. Overall London 63.5%	The average mortgage debt per mortgaged household is highest in City Living areas, triple the debt of those in Suburban London. Overall London £301,492	Half of all sales across London in 2017 were below the £500,000 threshold required for first-time buyers to benefit from the government's stamp duty changes. Overall London 57.6%

Levels of private renting across London are at a record high, as stock levels subside and demand rises, we ask, has the tide turned for London's rental market as we head into 2018?

The proportion of households who privately rent across the Capital continues to rise



Source: dataloft/
English Housing Survey 2016-2017 (2018)

Pressure on values easing

Rental values across the Capital remained under pressure during the final months of 2017. Average rents rose by just 0.4% in the year to December, the lowest annual increase since the autumn of 2010¹. However, for the first time in nearly two years, asking rents across the Capital are on the rise, with Rightmove reporting a 1.2% rise in the final quarter year on year. While expectations of price growth over the next three months remain subdued, agents across the Capital are the most positive since June, according to the Royal Institute of Chartered Surveyors (RICS); shoots of encouragement as we head into 2018.

Demand rising

The number of new tenancies agreed across Luxury London, City Living and London's Urban Villages all saw an uptick in 2017 compared to 2016, while levels across Suburban London remained stable. Luxury London and City Living witnessed a 4.8% year-on-year rise in the number of tenancies agreed, as prospective purchasers chose to rent rather than buy, as the Capital's housing market continues under the shadow of Brexit.

Supply is tightening

The number of properties available to rent has fallen across all of London's Lifestyle Zones with the exception of Luxury London² where there has been a marginal rise in stock, probably due to 'accidental' landlords choosing to rent not sell. Buy-to-let lending remains subdued, with the volume of loans agreed for a buy-to-let house purchase 8% below the averages prior to March 2016³. While it is unlikely that there will be a significant exodus of landlords from the marketplace following the start of the phased changes to mortgage tax-relief in April, portfolio landlords will undoubtedly be keeping a close eye on their returns over the year ahead.

¹ONS, Index of Private Housing Rental Prices, 2018,
²based on two bed apartments,
³UK Finance

Average monthly rents

£4,534

Luxury Living

£3,119

City Living

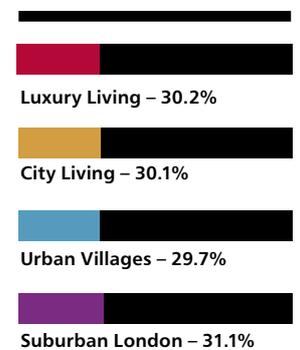
£2,123

Urban Villages

£1,462

Suburban London

% of gross monthly income spent



Source: Dataloft Rental Analytics based on new tenancies during 2017

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