MASKELLS

Agents in Prime Central London since 1965

Maskells End Of Summer Update

COMMENTARY:

A quiet Summer with Brexit not helping

We have been off the property "air-waves" this summer, as frankly, there has been little news that we can focus to help us navigate our market. Brexit seems to be going nowhere fast, with u-turns and apparent concessions on everything from Fishing Rights, to limited ECJ Oversight. And, as of this morning, a stronger stance on immigration. So which is it? Hard or Soft? This uncertainty is not helping the property sales market (nor many other markets and industries). This is completely irresponsible from those in power, whatever the reason or excuse. The economy must come first, not re-election.

Activity around certain price points is developing

Whilst we continue to transact, the price range where we are seeing the most activity remains below the £3m mark. This is due to 1) SDLT (nothing new here) but also 2) there are just more buyers in this price range – why? Buyers are just a touch more nervous about price corrections and if they are borrowing, they have a further concern as to what those costs might be in a few years, particularly in light of the removal of the TFS (Term Funding Scheme from the Bank of England) – the definitive fountain of cheap money (we are writing a piece on this for publication later this month).

But the there is a disconnect between prices asked and achieved with a high level of withdrawals

There also seems to be a dis-connect with prices advertised and prices achieved. We have seen a number of transactions in the market where there is a small discount to the original asking price (expected) but *other Agents* have seen a large number of properties withdrawn from the sales market (Lonres reporting an 82% increase YOY of withdrawals in houses and 68% increase for flats for sale in Greater London **and** some larger discounts that have caused us to raise an eyebrow – some in excess of 10%, which is unexpected as many of the asking prices have already been "corrected".

BUT summer not a good indication of what the Market is doing. Just too many people on holiday!

Nevertheless, the summer is never a good indication of what the Market is doing so we wait with some anticipation as to what the next 3-4 months will bring. The usual advice remains – best in class, best priced and best presented properties will be the first to sell. If you are considering selling, it is almost expected by buyers that a property will be well presented: Clean, tidy, uncluttered. This makes living in it a bit more difficult but if you were buying, you would naturally gravitate towards the better presented home.

We expect Sales up to £3m to be active, £3-5m, achievable but watch out for buyers over £5m, now seeking to rent.

For Properties up to £3m there is an active market. For properties over £3m, there are still buyers out there but again, it really is best in class that sells. At over £5m, we have a problem. Yes, **the best will always sell** but certainly the international buyers are now considering the rental market:

CNTD/…

The maths behind the rental preference is clear.

A £7m home will cost £753,000 in Stamp duty. If one were to invest £7,753,000 at say 4% yield (with no regards to remittance tax in our analysis), assuming you are an additional rate tax payer, you would net £170,000 in interest. A £7m property may rent for £3,500 a week or £182,000 a year. With no maintenance costs (borne by the landlord) and a flat market for the short term (we see no property price growth for the next 18-24 months) renting in this scenario is a £1,000 a month cost. (net investment income vs rent) This makes a lot of sense to applicants during these difficult Brexit times. Consequently, we have seen the market for rentals over £3,000 a week take off over the summer.

We have also seen a slow-down in the Central London to Country move. There have been 2 reasons for this – firstly the fear of never being able to buy in London again (for us Londoners – this is terrifying!) and secondly, with so much stock available in the commuter belt, buyers are apprehensive as to whether prices will continue to stagnate or start to fall. "Wait and see" remains the form here..

There is no doubt that Stamp Duty has led to people to consider their move more carefully but at the same time one could argue that some Vendors may still have an over-optimistic view of what property prices have done: the House Price Index may well show double digit increases, but this is based on sales achieved. Just because 5 houses sold within a certain price range, does not mean the other 25 similar properties on the market within 20 miles will also achieve the same price – there just are simply not enough buyers out there. The key here is to listen to your agent – they know what is going on and if you force them to list at a higher price than they advise, they will do it but your property will not sell and may become stale.

So to recap our thoughts: If you are selling up to £3m, make sure your property looks its best. There are buyers. If you are selling £3-5m sales are difficult but not impossible – again best in class will sell first. If you are selling over £5m, you may well be lucky (and many are), but consider the rental market to cover your costs – a break clause in a rental contract would allow you to sell the property and if a buyer absolutely wants it, they may be persuaded to wait a few months between exchange and completion if the right (price) incentive was available.

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Times are challenging but that's when an agency with seasoned professionals, such as Maskells, comes into its own. How do we know? We have just won the British Property Awards 2017 Gold award for being the best estate agent based in Knightsbridge…(although we cover a much larger area!)

We could only have achieved this with your help and support. On behalf of your team at Maskells,
Thank you very much.

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