

## Maskells Market Commentary Q1 2018

### COMMENTARY:

Uptick in Activity in £3-5m market and enquiry for higher value properties beginning

However Remittance Tax, SDLT and Brexit remain a turn-off.

Maskells achieving 98.17% of asking price in spite of fall off in transaction volumes due to new marketing avenues.

For Lettings, over-supply of stock from 2016 is beginning to fall off and rental values up in March 2018.

New tenants slowing as companies wait to see effect of Brexit on staffing and international relocations.

It's been a busy quarter for the firm across both Sales and Lettings, with a very mild but nevertheless renewed sense of optimism. From each department:

### SALES

Q1 18 saw activity in our core market of £700,000 to £3,000,000, mostly in flats. We have however seen, at the back end of the quarter, an uptick in interest (and we have sold) in the £3m to £5m house market in Chelsea & Knightsbridge but also Notting Hill. We are also taking enquiry in the £7m+ house market and even in the £15m+ market. London is still seen, at this level, as THE place to live. Compared to Q1 2017, our enquiry levels are up 10% and our exchanged sales broadly the same. Buyers remain evenly split between domestic and international however the international buyers overall and on average tend to be spending slightly less. Reasons given are, in this order, remittance tax, stamp duty and Brexit.

In terms of sold prices, we have achieved 98.17% of asking price over the course of the last quarter which shows that our buyers and sellers are more closely aligned now than they have been over the past 4 years BUT we must remember that of the properties which have sold, the Vendors have been realistic in their pricing and it has taken time. Lonres data for our market however shows a decline in annual achieved pricing of 3.7% and a drop in transaction volume of 33.9%. We appear, at least for the time being, to be bucking this trend.

Our decision to remove ourselves from On The Market and list our Vendor's properties with Zoopla and Rightmove has paid off – in fact we are getting broadly 50% of our enquiry from Zoopla which other agents in our area will be missing, as they choose to remain with On The Market and Rightmove only (when we were On The Market the enquiry received was broadly 90/10 in favour of Rightmove). Our membership to LuxuryRealEstate.com (an invitation-only global network of 370 agents with more £1m listings than Knight Frank and Savills combined) has yielded good international enquiry and our dedicated digital marketing associate has helped us to directly target relevant domestic & international buyers to great effect. We have further sales which have been agreed which we are taking to exchange now and will update you on those in our next mail-out. Generally the market is broadly more positive than Q1 2017 as well as the last quarter.

**Our advice for Applicants:** Value exists in the market, particularly with prices now down across the board by 15%. If you find something you love, make an offer – it may be accepted or it may start a conversation which allows you to secure what you want. Nothing ventured, nothing gained if you pardon the cliché.

**Our advice for Vendors:** Pricing is key and we can help you make the right decision. Have your solicitors ready with the relevant searches, as far as is practical, completed but most importantly, sales in this market take time – don't despair!

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## Lettings:

The average rental value increased 0.3% in March 2018, the first month of growth since October 2015, against a fall in January and February of 1.5%. The increase in March was as a result of a modest tightening of supply. Overall the supply of new stock to the Market is down 5% in Q1 2018 vs Q1 2017 but it took a couple of months for the reduction of stock to affect pricing. We also note that the average offer agreed on the Maskells Lettings Portfolio is only 2.8% under the asking price for Q1 18 vs 3.9% in Q1 2017.

Looking back over the last couple of years, 2016 saw an average fall in rental income achieved by almost 10%, 2017 was more modest 4.5%. The supply has shored up post a large increase in 2016 (from properties not sold) but the demand is beginning to slow down. This is largely due to city firms remaining uncertain as to their staffing levels (or relocation requirements) due to Brexit and whilst this continues, we expect demand at the middle to upper middle sections of the rental market (£1,250 - £2,500 per week) to remain muted. The lower end of our market (£450-£1,250 per week) has performed well and this is large part the overseas student market that continues to strengthen.

Looking forward, political uncertainty surrounding Brexit, and particularly for us, the question of access for the UK's financial services sector to the EU market will continue to reduce demand in the rental market. The latest draft of the EU's negotiating guidelines refers to market access for financial services based on "reviewed and improved equivalence rules". What exactly that means is probably anybody's guess, but it is a softening of their previous position/public statements.

**What the beleaguered Landlord would love to see:** The best case for our landlords is that our financial services continue to be passported into Europe. This will ensure a supply of tenants, however the government need to step up the pace of their discussions with the EU as city firms are making contingency plans and once in place, it will be hard for them to reverse their decision – for example new leases on offices having been signed or new banking licenses obtained under newly formed and capitalised companies.

**Maskells' advice from the coal face:** Approach any tenant interest with an open mind and a willingness to negotiate. Try to lock in good tenants for as long a term as possible to ride out market fluctuations. Work with your agent to ensure your property doesn't become available in the quietest months of the year. If you are seeking to refurbish a rental property, we can advise on what the market is looking for to help you secure the highest rent in the shortest amount of time.