

SALES. MARKET.OVERVIEW.

The last three years have been a challenge for the prime London housing market. Following successive changes to taxation and increased political uncertainty the prime markets have led a slowdown which is now spreading into the wider housing market.

Despite this, London's prime markets have proven more resilient than many expected over the last 12 months. Little has changed in terms of achieved prices, down 0.9% in the third quarter compared with Q3 2016, but activity levels, which fell last year, have stabilised and in some areas are beginning to increase.

At this point a year ago, two thirds of agents surveyed expected fewer transactions in Q3 2017 than Q3 2016. While volumes are still low,

in a historic context, transactions across our three prime areas increased in the third quarter, up 6% in Q3 2017 compared with the same period a year ago.

In this market correctly pricing properties remains key in attracting buyers. Despite some vendors still failing to temper their expectations, the gap between vendor and buyer expectations is narrowing. Average discounts on initial asking prices have fallen across our three prime catchments, down from 9.1% a year ago to 8.5% in Q3 2017. The number of properties needing a reduction in asking prices has also dropped back. In Q1 2017 47% of properties sold had previously been reduced in price. This fell to 43% this quarter.

Who's buying?

The latest LonRes survey suggests demand from existing owner-occupiers has increased over the last 12 months. 34% of respondents seeing an increase compared with 15% seeing a fall.

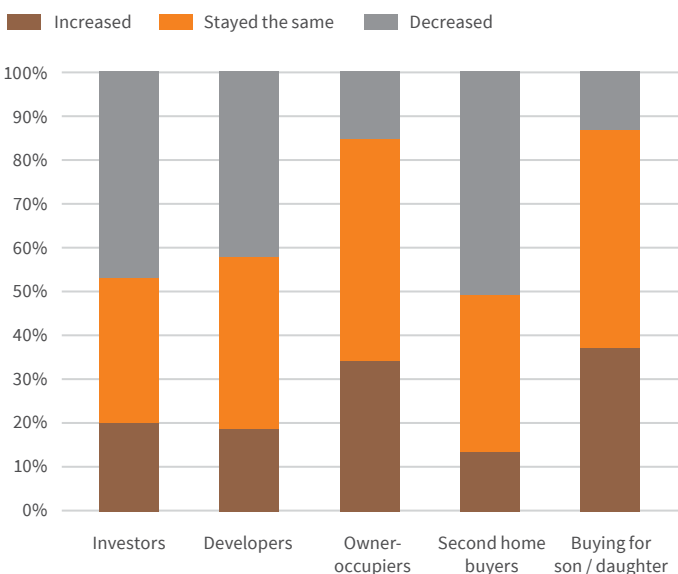
The introduction of the stamp duty surcharge seems to have curbed interest from those who would now pay the additional 3%. 49% of

survey respondents had seen a reduction in the number of investor and second homes buyers compared with the same point a year ago (16% saw a rise). That said, the market under £1 million, key to investors and second-home buyers in central London, has adapted to the additional 3% stamp duty surcharge, introduced in April last year. Prices, which for homes under £1 million peaked in Q1 2016 (pre-SDLT), are now 4% lower – meaning vendors have been quick to take into account the additional costs many now incur.

Looking ahead

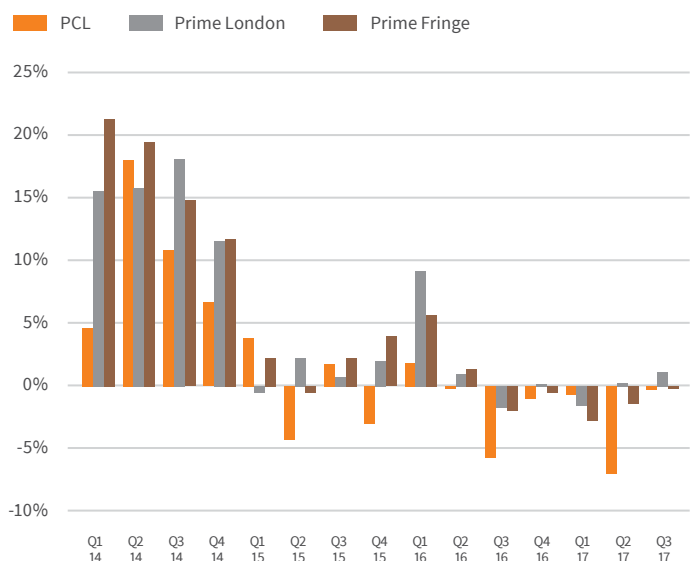
With little movement in prices and only a modest rise in transactions this quarter, it is no surprise that subscribers remain cautious about prospects for growth over the next 12 months. However, tracking agent expectations through our quarterly agent survey suggests many now doubt prices will fall significantly over the next year. This quarter, just 14% of respondents expected prices to fall by more than 5% over the next 12 months, down from 46% in Q2 2016. Indeed, this was the first quarterly survey since July 2015 when less than half of respondents expected a fall in prices over the following 12-month period.

Change in demand by buyer type – last 12 months



Source: LonRes agent survey Q3 2017

Annual change in achieved prices – £ per sqft



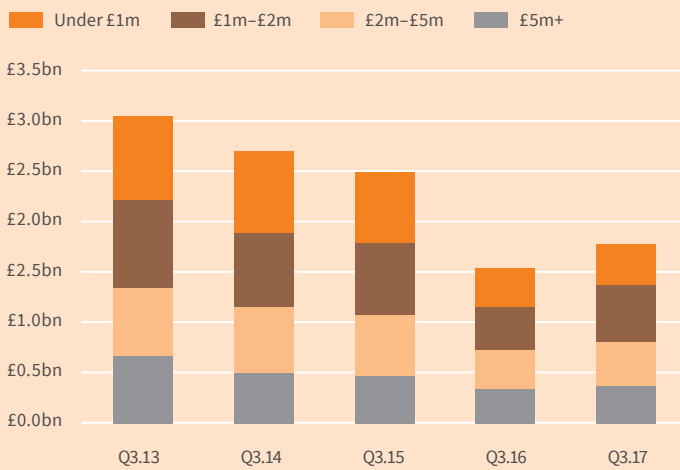
Source: LonRes

KEY STATISTICS IN SALES – Q3.2017



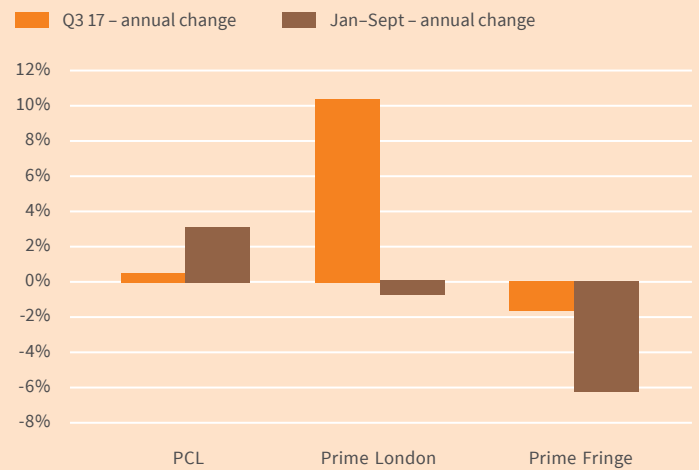
KEY MARKET TRENDS IN SALES

Total value of sales by area and price band



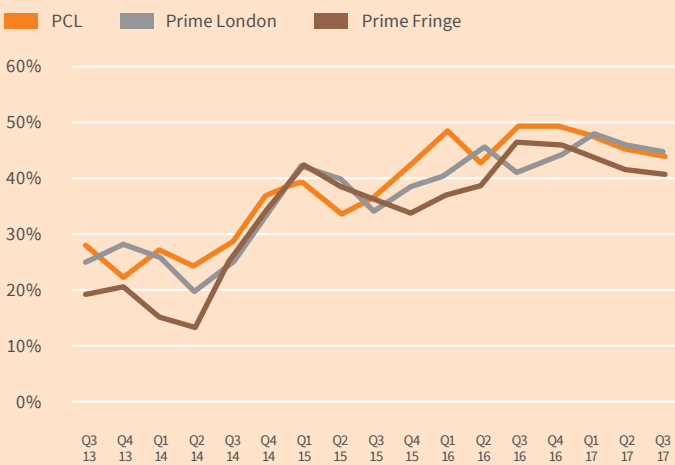
Source: LonRes

Annual change in transactions



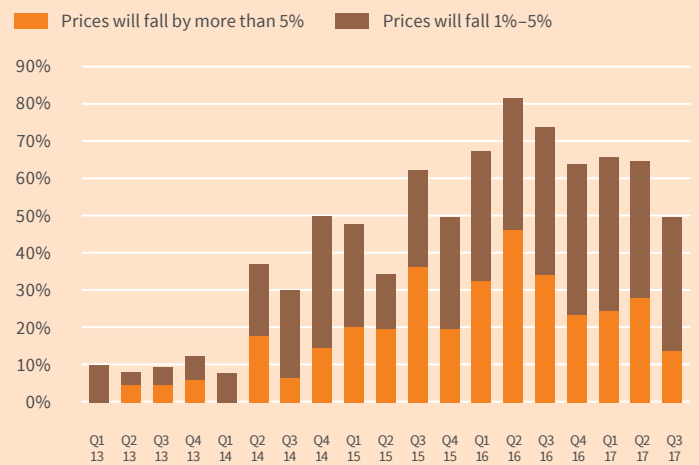
Source: LonRes

% of properties where the asking price was reduced before finding a buyer



Source: LonRes

Agent expectations on prices changes – next 12 months



Source: LonRes agent survey Q3 2017

Prime Central London includes properties within the following postcodes: SW1X, SW1W, SW1A, SW3, SW7, SW10, W1K, W1J, W8
 Prime London includes properties within: NW1, NW3, NW8, SW1P, SW1V, W1T, W1H, W1U, W1G, W1W, W2, W11, W14,
 Prime Fringe includes: SE1, SE11, SW4, SW5, SW6, SW11, W4, W6, W9, W10