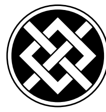

HARINGTONS

THE INDEPENDENT PROPERTY BUYING SERVICE

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by SAUL EMPSON

Now you see them, now you don't...

A popular device among novelists is to take the hero of the story down a tortuous road and then dribble misfortune after misfortune on his head, until the reader really begins to wonder "whatever next"?

Over the last 20 years, it feels as if we have staggered from Dot-com-bomb, Russian debt crisis, 9/11, Afghanistan, Gulf War (Iraq), Credit-Crunch/Lehman Bros collapse, Arab spring, mansion tax (postponed), hikes in stamp duty, Scottish devolution, the Middle Eastern refugee crisis and finally to the coming referendum on EU 'Brexit'. A cynic might say that all we now need to complete the picture is a plague of frogs. And yet, maybe the reality is that today's world is merely a fulfilment of Chairman Mao's prophecy in the wake of the Chinese revolution, where he foresaw a constant state of revolution, rather than a new normality.

During that aforementioned 20-year period, market sentiment for prime central London property has wobbled and waved up and down like Donald Trump's hairpiece, but the overall trend has been upwards. However, although we haven't seen much deviation from what has been true since 1900, which has been that every 10 years prime central London property prices double, the reality year-on-year has been far bumpier; a sine-wave, as opposed to a straight line.

Whilst the demand for 'normal' £800,000 - £2.5m family houses in London has remained strong, 2015 was a boring year for the prime central London house market, as the Estate Agents drawers gradually filled with stocks of over-priced, unsold, middle market £6-15m London houses and buyers looked at their feet, whistled to themselves, and declined to pay the increased prices being asked. This stand-off was exacerbated by the 2014 hike in SDLT (stamp duty land tax) imposed by George Osborne, and the impact of the scheduled extra 3% in the instance of second homes is, as yet, unknown. Something had to give and finally, with a modicum of humility amongst vendors and lots of choice, a change is in the air.

By way of a tiny example, over the last three weeks eight houses in Kensington priced between £10m and £15m, less than 300 yards apart, have all traded; not for peak of the market (summer 2014 prices) but for within 5-15% of what one would have expected. The only common factors between these houses were that they are all in prime (rather than secondary or flawed) locations, and all initially came to the market asking too much money. The houses in secondary and tertiary locations remain unsold, and are unlikely to sell until either the return of another 'boom' or their owners are prepared to seriously slash and burn their price tags.

Most of the buyers out there at the moment are either indigenous Brits, or long-term London residents from around the world, who know exactly what they are looking at and are not prepared to buy over-priced or unlovely property.

This goes quite a long way towards laying to rest the old 'canard' that London is the land of froth and excess, fuelled solely by foreigners who will pay silly prices for almost anything, and are buying homes that they will rarely use.

Like many of us who have lived here all our lives, the bulk of these buyers are here for the long haul and thanks to George Osborne's successive hikes in stamp duty, transaction costs are running at levels that frankly preclude short-term, whimsical purchases.

By contrast, if there were one area of the market that gives cause for concern, it is the 'buy-to-let towns' that have sprung up on the south bank of the Thames, from Nine Elms going east, that have been largely snapped up off-plan by investors in the Far and Middle East, who have never seen them – and might never set foot in them. The reality underlying the glossy brochures featuring the London 'Dolce Vita' is likely to be more akin to the bleak, windswept dystopia that is Paddington Basin and with turmoil in the Chinese stockmarket prompting investors to hit reverse gear on any investments that can be exited, it's difficult to see how a looming glut of property in unenviable locations can be avoided. Tales of developers quietly handing back holding deposits in order to avoid a rash of public completion failures triggering a stampede, are all too real.

But it is as well not to confuse the sub-prime with super-prime, where supply is limited and there is precious little prospect of more being built, as the market dynamics will always be different; I said back in October 2015 – when the supply was plentiful and expectations had been measured by experience, "Take a picture, this won't last long" – and nor has it.

Before Christmas, for example, there were four houses for sale on Notting Hill's Lansdowne Crescent – now there are none. My main hope for 2016 is that vendors will have learnt from the experience of 2015 – the market out there is robust, just so long as sellers don't get greedy.

But human nature is what it is, so the bargains of this year are very likely to be the houses from last year, and trying to sort the wheat from the chaff is not going to be a task for an amateur.

MARKET COMMENT