IN FOCUS

Prime central London's property market

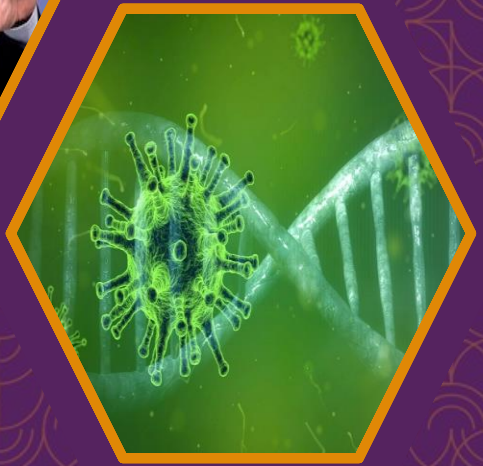
Property, prices and predictions

10 NOVEMBER 2020

The Research Perspective

Where do we stand currently?

Tough times for the Prime Central London Market since 2014



A lack of urgency post covid

Falls in stocks and commodities erodes global wealth

Shut-down of amenities removes the incentive to be in central London

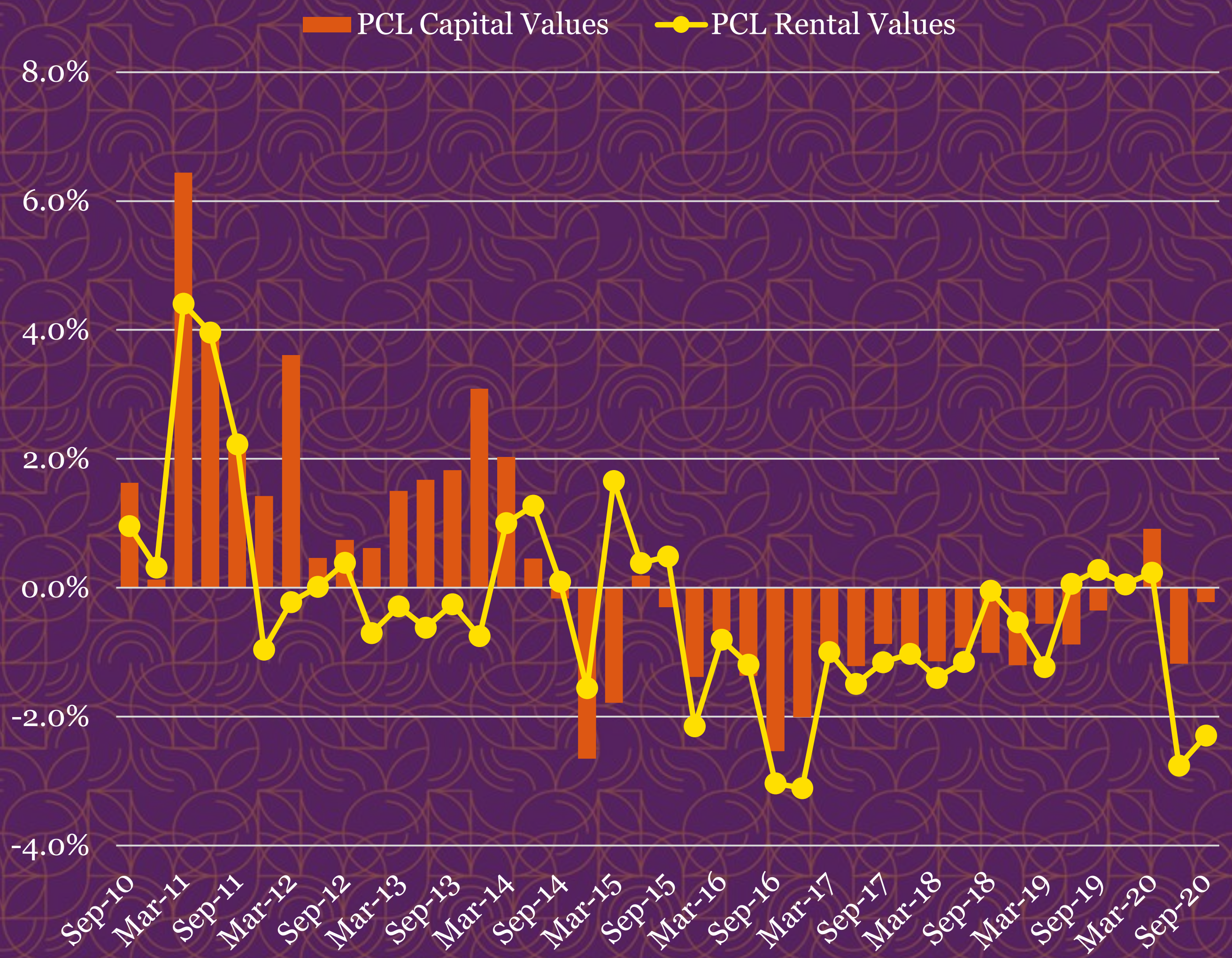
Weaker global economy curtails new wealth generation

Travel restrictions focusses overseas buying on off-plan investment

Attention shifts to the amenity offering of prime country property

The discretionary nature of demand means fewer needs based buyers responding to lifestyle drivers

Rents and capital values over that period



Since March
-1.4% Capital Values
-5.0% Rental Values

Since 2014 peak
-20.9% Capital Values
-20.6% Rental Values

Annual
-0.5% Capital Values
-4.7% Rental Values

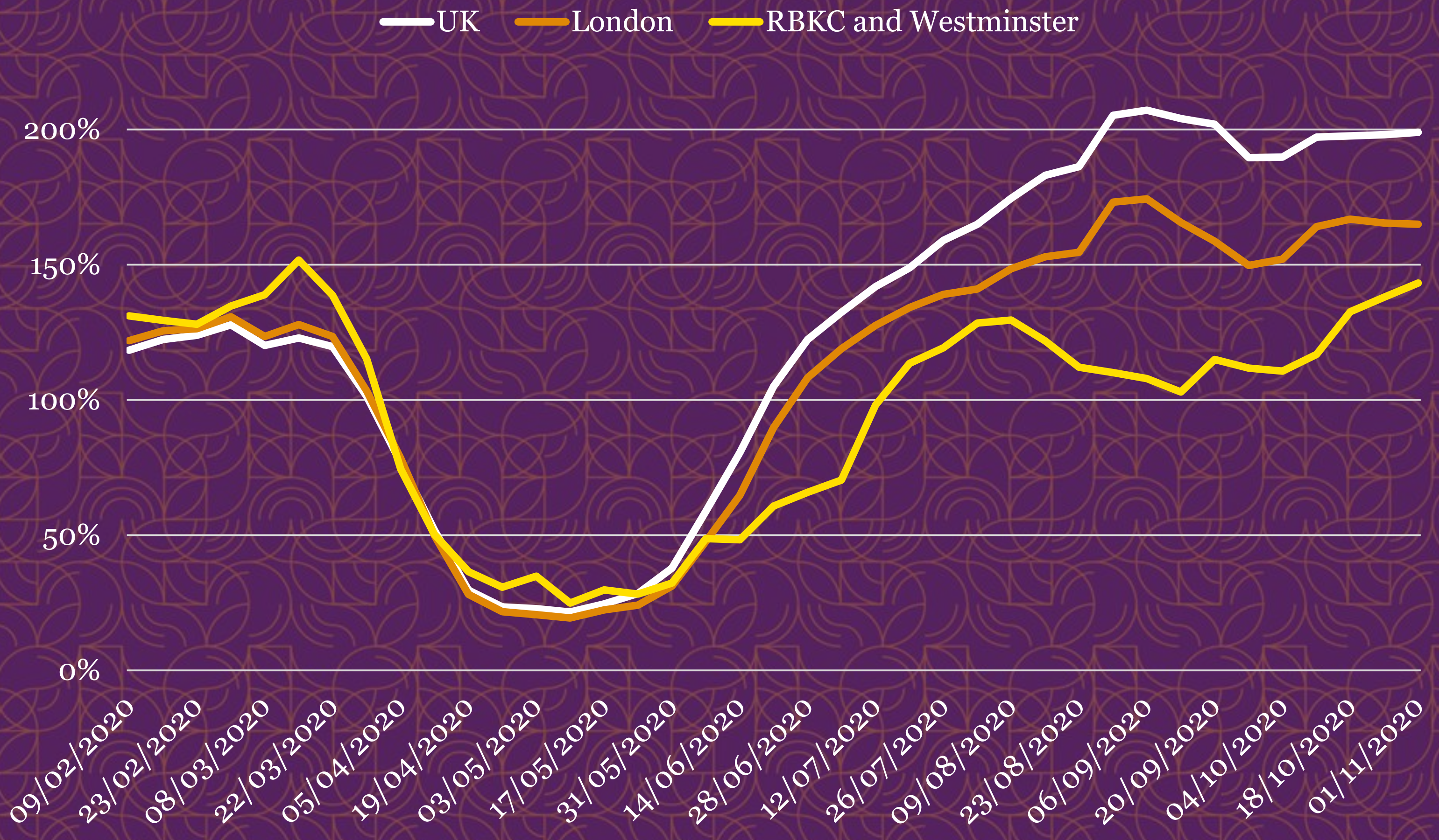
Source: Savills

Less activity than in other prime markets but activity nonetheless

Sales agreed of £1m+ housing in 4 weeks to 1st November 2020

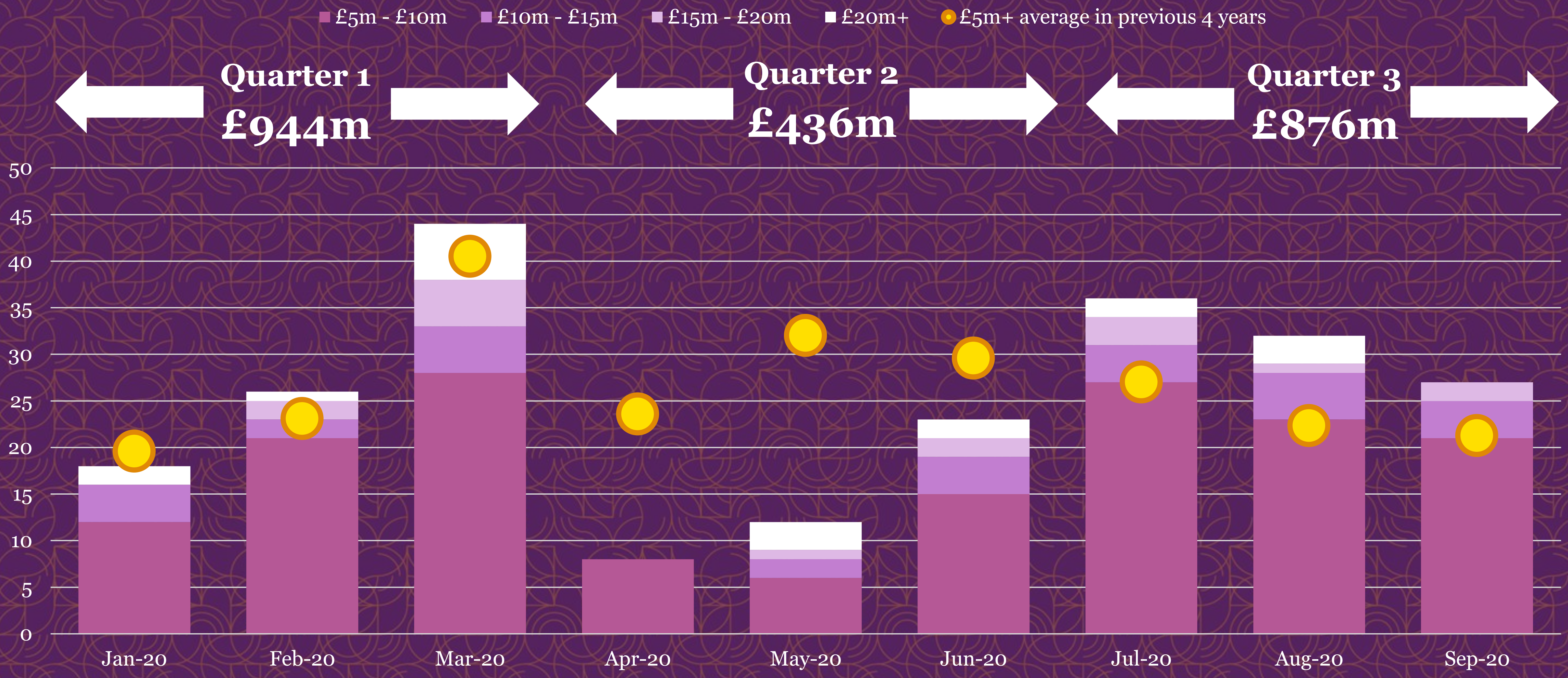
	Sales	v 2019
All UK	3,906	+99%
All London	1,515	+65%
RBKC	163	+38%
Westminster	135	+50%
Elmbridge	112	+149%
South Oxon	60	+329%

Rolling 4-week average of sales agreed of £1m+ property v same week in 2019



Source: Twenty CI

With robust spend over £5m in Q3 this year



Source: Savills

When will conditions be right for a recovery?

Putting the downturn in context

savills

Late eighties / early nineties

In the preceding 5 years
+107% nominal price growth
+75% real price growth

3.75 years of falls

Prices fall by
-26% in nominal terms
-39% in real terms
-26% in US$ terms

Post credit crunch

In the preceding 5 years
+66% nominal price growth
+52% real price growth

1.50 years of falls

Prices fall by
-22% in nominal terms
-26% in real terms
-45% in US$ terms

Since Mid 2014

In the preceding 5 years
+71% nominal price growth
+54% real price growth

6.50 years of falls

Prices fall by
-21% in nominal terms
-27% in real terms
-39% in US$ terms

Source: Savills

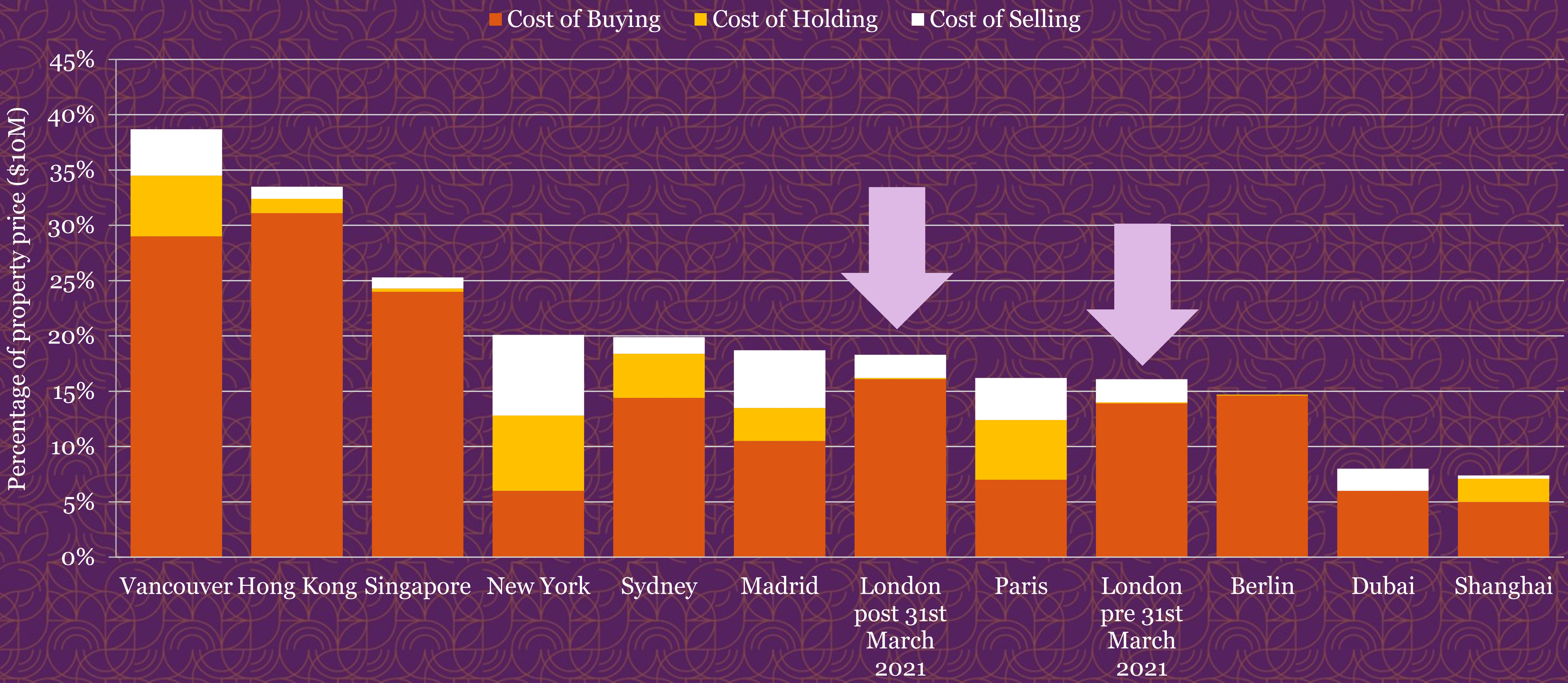
Competitive on a world stage

US$ per sq ft	June 2014
London	**5,631**
Hong Kong	5,557
Tokyo	3,300
New York	3,112
Sydney	2,764
Paris	2,747
Shanghai	2,485
San Francisco	1,988
Singapore	1,897
Los Angeles	1,692
Guangzhou	1,499
Shenzhen	1,138

US$ per sq ft	June 2020
Hong Kong	8,129
Tokyo	3,986
London	**3,310**
New York	3,012
Sydney	2,799
Shanghai	2,657
Paris	2,623
Los Angeles	2,516
San Francisco	2,367
Shenzhen	2,125
Singapore	1,804
Guangzhou	1,779

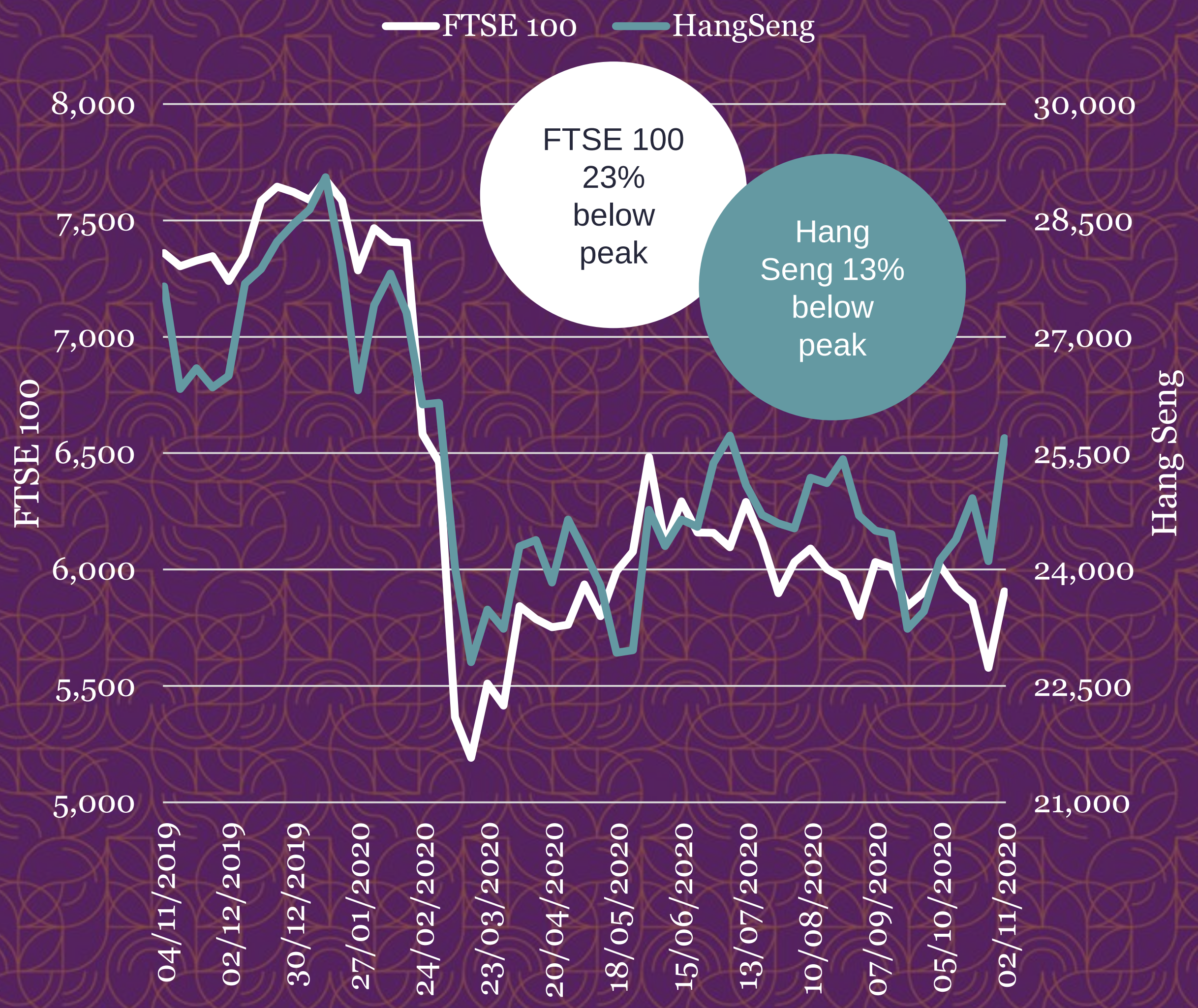
Source: Savills

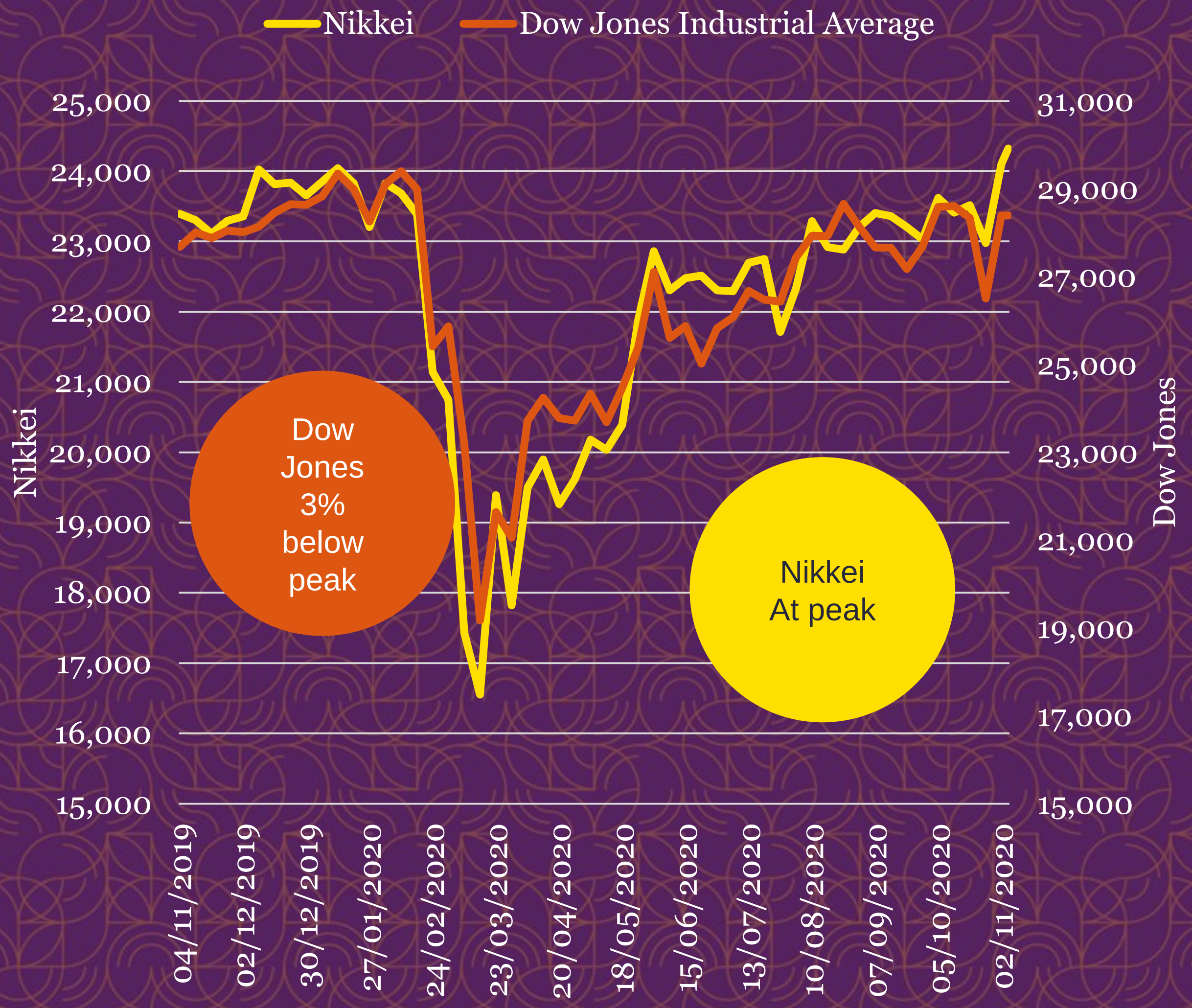
Not uncompetitive from a tax perspective (US$10m)



Source: Savills

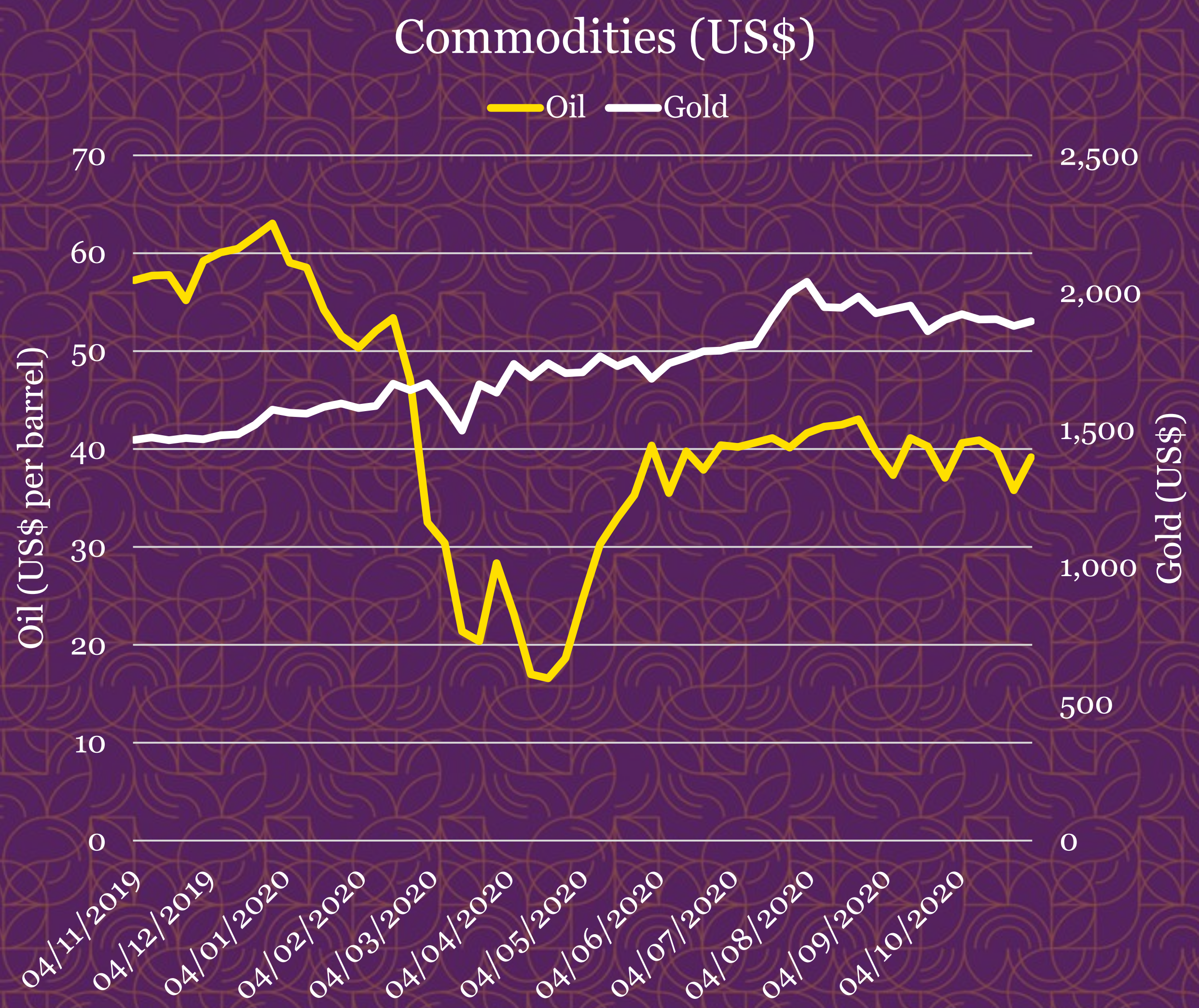
Wealth drivers #1





Source: Yahoo Finance

Wealth drivers #2



Private equity and venture capital raised globally

TMT

£336bn

in 2019

£343bn

to end Oct 2020

Life Sciences

£108bn

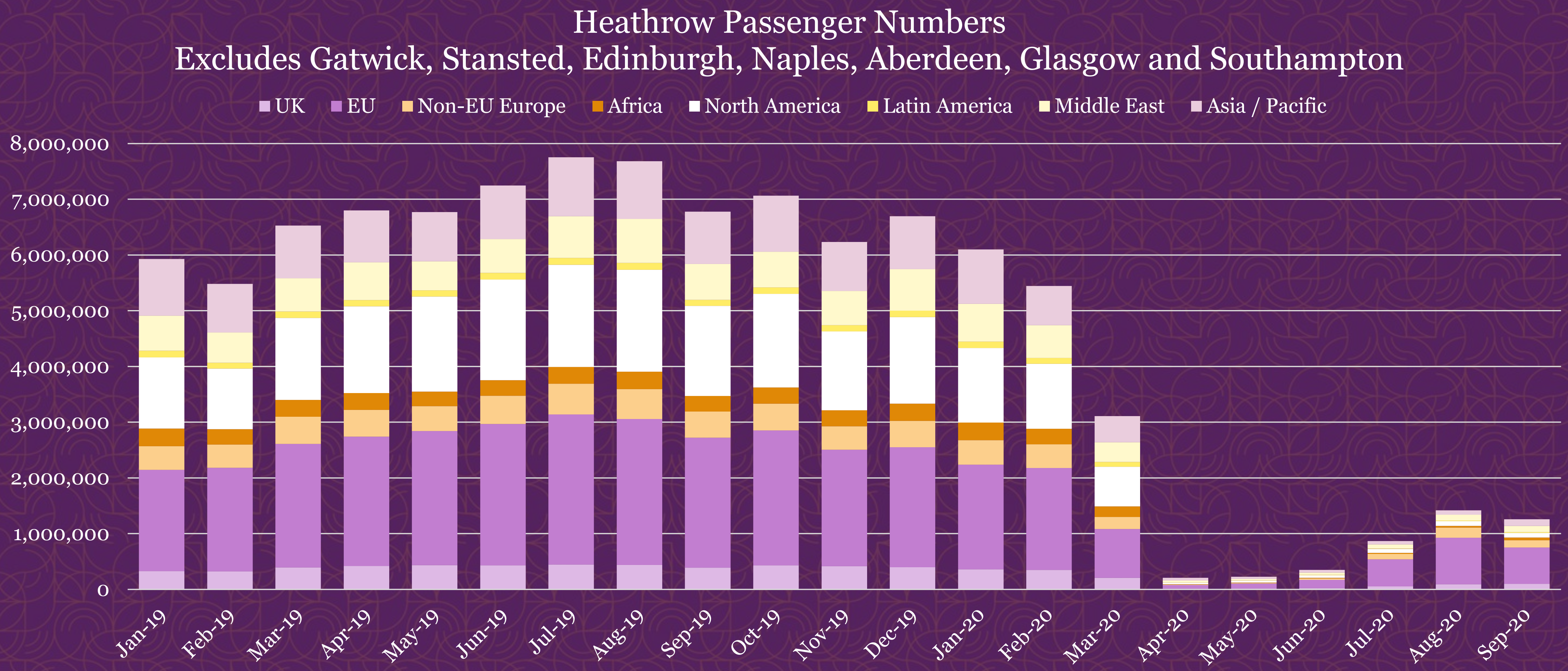
in 2019

£105bn

to end Oct 2020

Source: Yahoo Finance, Pitchbook

The absence of international travel in context



Source: Heathrow Airport Limited

The search for a vaccine (as at 27th of October)

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154
in pre clinical trials

21
Phase 1
Small-scale safety trials

12
Phase 2
Expanded safety trials

11
Phase 3
Wider testing and effectiveness assessed

Regulatory Review

Approval and Distribution

Source: World Health Organisation

What might that recovery look like?

How has the market recovered in the past?

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Late eighties / early nineties

During the downturn
prices **fall** by
-26% in nominal terms
-39% in real terms

In the next 5 years
prices **rise** by
+98% in nominal terms
+77% in real terms

Post credit crunch

During the downturn
prices **fall** by
-22% in nominal terms
-26% in real terms

In the next 5 years
prices **rise** by
+79% in nominal terms
+54% in real terms

Source: Savills

A different environment for a recovery

London has largely matured as a global city

It will face increased competition as a global "tech city"

It will face challenges to maintain its position as a global financial sector

The tax environment is less welcoming

Sources of wealth will come under greater scrutiny

Despite low costs of funds low income yields may temper investor demand

Prime Central London price forecasts

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-0.5%
2020

+4.0%
2021

+7.0%
2022

+4.0%
2023

+2.0%
2024

+17.5%
5 year

Source: Savills

Thank you