Insights and predictions for the Prime Central London property market

With a general election on the horizon and the economic outlook continuing its unpredictable pattern, there is plenty to consider regarding the Prime Central London (PCL) property market.

To examine all things PCL, I sat down with four members of the Butterfield Mortgages team to share what we believe will be some of the most important topics that will determine the coming months in the PCL market.

But first, I will share my thoughts on a subject that is likely to play a major role in the PCL market's short-term prospects: interest rates.

The outlook for interest rates and its impact on the PCL market

With the recent news that inflation has fallen closer to the Bank of England's 2% target, mortgage and property experts predict that a base rate cut could come sooner rather than later.

If this turns out to be true – and provided that inflation continues to fall – investors may decide that it's time for them to return to the market, boosting demand for PCL properties in the latter half of 2024 and into 2025.

However, there will be an air of caution as the cuts to interest rates, and therefore the cost of borrowing, will not materialise at the same pace as they rose. Even if the predictions of three 0.25% cuts to the base rate by the end of the year are true, we will still be in a high-interest-rate environment.

As such, it is vital that we continue to collaborate with brokers and clients and ensure that they receive personalised support that allows them to navigate the changeable market in the coming months.

What effect will the general election have on the PCL sector?

Following Rishi Sunak's announcement that a general election will take place on July 4 this year, I spoke to our Senior Business Development Manager (BDM), Stephen Murrell, to get his valuable insight into this matter.

Stephen started by suggesting that the PCL market is already prepared for a change of government at the next election, saying, "In many respects, the PCL market has already accepted the result of the election to be a foregone conclusion, given the significant lead Labour currently has in the polls."

For this reason, he stated that he didn't believe the election would generate significant changes in the market, especially because the PCL sector tends to operate separately from the wider UK property landscape.

As a result, Stephen contended that factors outside the UK may have a greater influence than the outcomes of July's vote. He said, "...in the months leading up to and following a general election, global factors have a much more significant influence than domestic politics."

However, Stephen believes that the upcoming election should settle any lingering worries that have plagued the last few years, saying, "after the turbulence of recent years, the election should at least bring about a greater degree of certainty, and the market will likely respond well to a new government with a strong mandate from the electorate coming to power."

When we discussed what lenders could provide, Stephen was clear that "as much flexibility and certainty as possible in the coming months" will be crucial in helping brokers and clients deal with the questions raised by an upcoming election.

What impact will removing the non-dom tax status have on the PCL market?

Following my discussion with Stephen, I sat down with our Business Development Director, David Gwyther, to discuss another government policy decision that could impact the PCL market in the coming months.

The imminent alterations to the non-dom tax status have garnered much attention and headlines in recent months, and nowhere is this topic more pertinent than the PCL market.

David explained why this could be a significant change: "With such a large proportion of investors with PCL property hailing from overseas, the impending changes to the non-dom tax status have naturally sparked a significant amount of discussion."

However, he believes that the impact might not be as profound as many predict, telling me, "Alongside its track record for capital appreciation, London's appeal as a cultural, historical and financial hub is unlikely to wane significantly as a result of the end of the non-dom tax regime. Consequently, we are not expecting to see a drastic shift in investor behaviour in the foreseeable future."

David was clear, however, that the changes will need to be tackled with "careful thought and planning" and that, as lenders, we must "understand the importance of providing tailored financial solutions that adapt to evolving market conditions."

By doing so, we can help investors capitalise on opportunities in the PCL market in the years ahead.

Which PCL neighbourhoods will emerge as hotspots?

Moving to other opportunities, I spoke to James Ray, another of our BDMs, about where he thinks the next property hotspot could emerge in the PCL market.

James highlighted areas in central London that were not traditionally considered "prime" locations, such as Kings Cross, Clapham, and Islington, which have experienced significant growth, turning them into new hotspots in recent years.

In contrast, James argued that "the traditional jewels in the PCL crown, such as Mayfair, Belgravia and Knightsbridge, have seen a slight deflation in prices."

Nevertheless, James was steadfast in his belief that no matter the current PCL property market outlook, the charm of traditionally prime London locations will keep it at the top of investors' lists. He stated, "Ultimately, we should never dismiss the enduring appeal of prime London locations, and I think we could see a resurgence in the coming months across the historic PCL postcodes."

Will we see a shift from a buyer's to a seller's market?

Lastly, I sat down with Wendy Scott, another member of our team, to find out why she believes we may see a shift begin to occur in the PCL market.

Wendy suggested that a 'seller's market' might return due to a more competitive landscape, favourable exchange rates, potential future interest rate reductions, and pent-up demand from those who have been waiting to buy.

Wendy thinks this is partly down to the fact that "buyer commitment is improving, and that the forthcoming general election isn't a significant factor in the minds of buyers."

As such, Wendy is confident that the financial outlook means the housing market may bounce back, stating, "In conjunction with improving economic indicators and a market which has been lethargic over recent years, this seems to bode well for a more active housing market once again."

Final thoughts

After speaking to the team, it's clear that the following months and years in the PCL property market will be fast-paced and will require lenders to tailor their offerings to ensure investors can move with speed.

Here at Butterfield Mortgages, we are committed to collaborating with brokers and clients to ensure each buyer receives a bespoke offering tailored to their financial situation and aligned with their needs and goals. This approach allows us to deliver a service that meet the unique needs of each and every client, and presents brokers and their clients with the opportunity to make the most of the predicted boosts to the economic and property environments.

If investors, brokers, and lenders are proactive and remain agile, they can undoubtedly find value in the resilient and highly sought-after prime Central London property market in the coming months and years.

For more information about how Butterfield Mortgages can assist your clients in the months ahead, please reach out to the team via our website: https://www.butterfieldgroup.com/en-gb