

LONDON

MARKET REVIEW

SUMMER 2013



GARRINGTON

LOCALLY

LONDON

London has hit a heatwave and the UK property market's thermometer is also on the rise. Momentum is gathering nationally but the Capital is still outperforming the rest of the country.

The government's Funding for Lending Scheme seems to be having a positive impact. The most recent gross mortgage lending figures were 17% higher than a year ago (CML) and all of the national house price indices are showing positive growth. A key national house price index has just posted its highest annual growth rate since September 2010.

In the capital, new charges and taxes on properties priced over £2 million are dividing the market. Between Q2 2012 and Q2 2013, there was a 3.6% rise in prices (per square foot) below the £2 million threshold, but an 8.4% fall in the £2 million - £3 million market.

However, overall price growth in London has continued to be faster than the rest of the country at 6%. Although international buyers are still prevalent, there has been increased domestic demand too.

"FOLLOWING AN IMPROVEMENT IN BOTH BUYER APPETITE AND MARKET CONDITIONS IN THE FIRST HALF OF THE YEAR, THE OUTLOOK FOR THE HOUSING MARKET IN THE SECOND HALF OF 2013 IS INCREASINGLY POSITIVE."

JONATHAN HOPPER, MANAGING DIRECTOR

LONDON

£461,000

Average price paid for properties so far in 2013

11.1%

Change in average sales price so far in 2013 compared to same period of 2012

45%

Increase in sales over £3m so far in 2013 compared to same period of 2012

Hampstead has been highlighted here, as it is our chosen area for this issue's Focus page (see page 4).
Source: Lonres and Land Registry

HAMPSTEAD

£1.8m

Average price paid for properties so far in 2013

18.7%

Change in average sales price so far in 2013 compared to same period of 2012

150%

Increase in sales over £3m so far in 2013 compared to same period of 2012

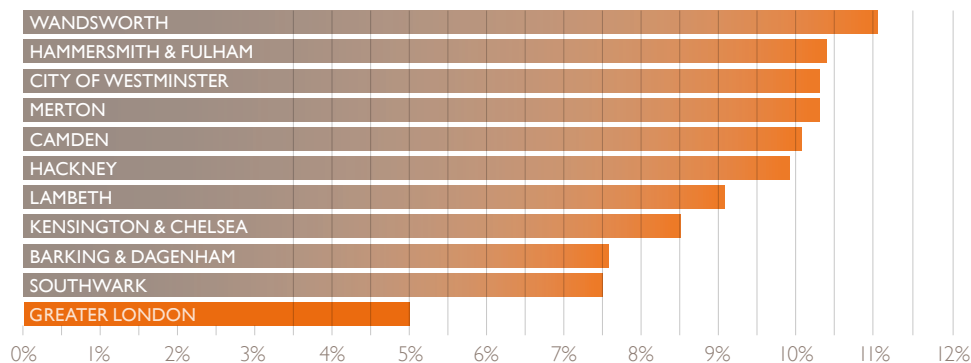
THE RETURN OF 'SECOND-TIER' LOCATIONS

While 2012 was characterised by robust price growth in prime central areas of the Capital, this year sees 'non-prime' areas step into the limelight. With increased confidence recorded among buyers and vendors in the market putting further pressure on property values in prime areas of the Capital, Londoners are back on the move.

The latest data from the Land Registry has clearly highlighted the impact that demand for areas outside central London is having

on values. During 2012, the most expensive parts of central London, particularly Kensington and Chelsea, were leading the pack with annual house price growth reaching 18.3% in August. Growth in Kensington and Chelsea has now slowed to 8.5%. For the first time since 2005, the boroughs of Wandsworth, Camden, Westminster, Hackney, Hammersmith and Fulham, Lambeth and Merton are all registering higher annual growth in average values than Kensington and Chelsea.

Price growth in fastest growing London Boroughs



Source: Land Registry, annual price growth to May 2013

ANALYSIS CITY OF WESTMINSTER VERSUS BOROUGH OF CAMDEN

According to figures produced by the Land Registry for May 2013, prices in both Camden and Westminster are rising, on average, at a similar annual rate (10.1% and 10.3% respectively).

Since February 2012, Westminster has seen annual price growth of more than 10%. Camden, however, has only seen this level of growth since the beginning of the year. While Camden has moved up four places to fifth in the rankings of London boroughs in terms of annual growth since September 2012, Westminster has actually fallen by two places to third.

"BUYERS WHO WIDEN THEIR SEARCH BEYOND CORE PRIME LONDON ARE OPTIMISING VALUE FOR MONEY AS WELL AS SEEING STRONG CAPITAL APPRECIATION."

NICHOLAS FINN, LONDON DIRECTOR

DELVING DEEPER

Between 2007 and 2012, the total workforce in Camden rose by 18.7%, compared to 5.8% in Westminster and 6.1% in Greater London as a whole. Strong employment figures look set to continue with growth areas such as the creative industry becoming more prolific.

Roughly a third of Camden's creative-type industries are located in Bloomsbury (21,000 jobs). It is perhaps little wonder, therefore, that residential prices in Bloomsbury have been rising strongly as investors see the opportunities that lie ahead. Bloomsbury has seen the average price paid per square foot rise by 16.6% in Q2 2013 compared to the same period of 2012. Although prices are rising strongly, the average price paid per square foot in Bloomsbury in 2013 is still 18% below nearby Fitzrovia.

Within Westminster there are also many micro-markets and, apart from the core area of Knightsbridge and Belgravia where strong international demand continues to push up prices, the best performing locations are in areas once considered less desirable. The strongest annual house price growth in the

The Borough of Camden's most prime areas include Primrose Hill, Hampstead and Belsize Park. These areas have increased in popularity in recent years and the resultant price rises have helped enhance price growth rates throughout the borough. With the average price paid so far in 2013 being 19% less than in the City of Westminster, it has become even more appealing, particularly to domestic buyers.

It is clear that as buyers remain cost sensitive, less traditionally prime areas such as Camden, which offer more value for money, are seeing robust growth levels. Other factors are expected to contribute to future growth in Camden, raising its investment opportunity prospects. A research report commissioned by the London Borough of Camden highlights that the south of the borough is of national significance for Creative and Cultural Industries (CCIs), generating 15% of annual gross turnover of Inner London's CCIs.

borough is currently seen in Marylebone where the average price paid per square foot in Q2 2013 was 15.6% higher than in Q2 2012. Average prices per square foot in Marylebone are over a third cheaper (36%) than in nearby Mayfair. Pimlico also provides a more affordable option for purchasers. With significant improvements to the retail and commercial offering in the area and easy access to the City and West End, it has increased in popularity. Prices here are currently rising by some 10.8% annually.

Top three performing local areas

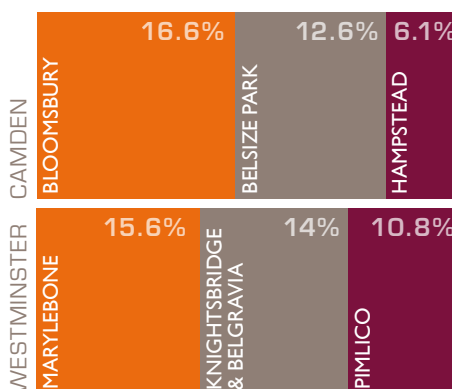
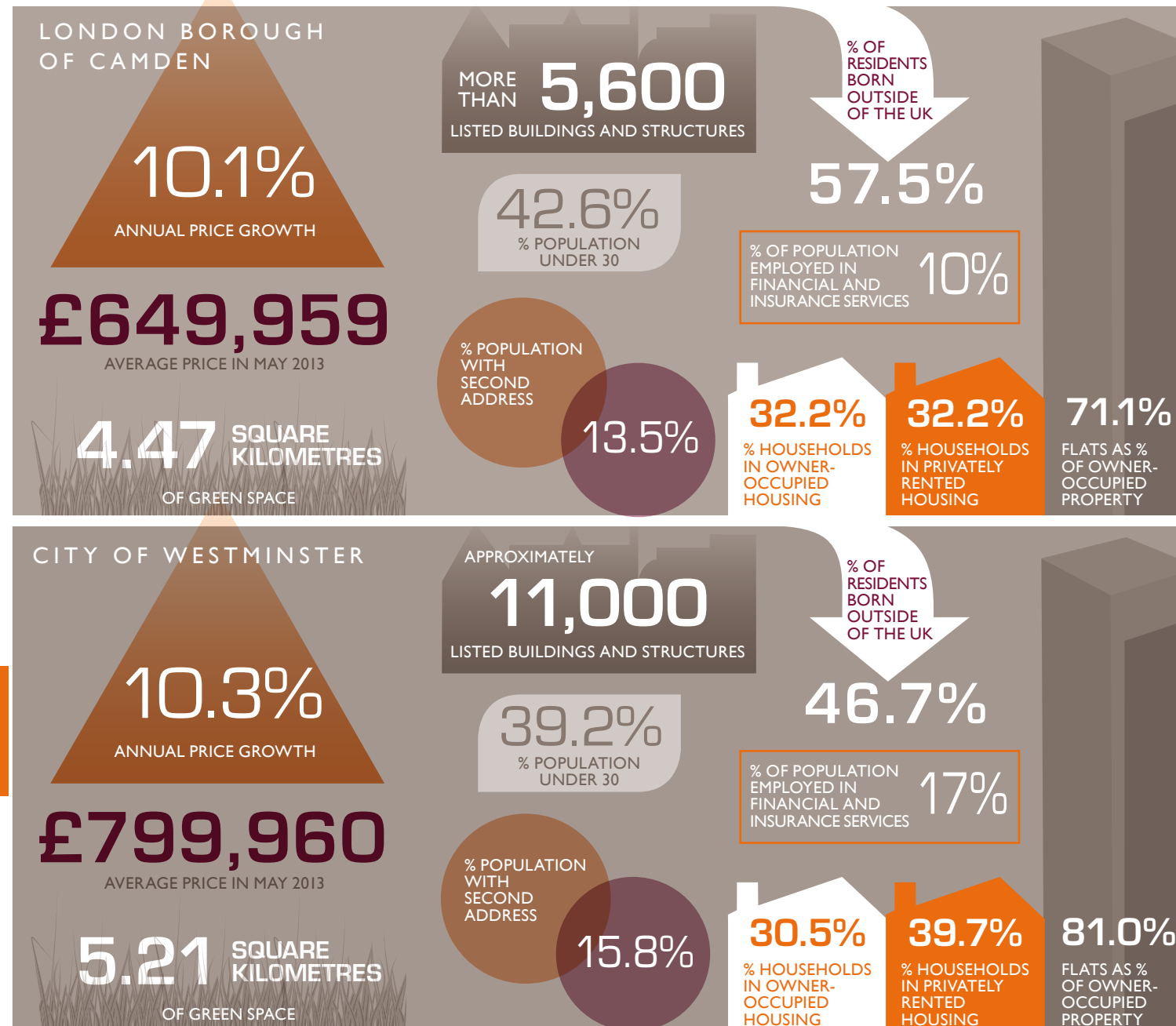


Chart shows growth in average price per square foot paid between Q2 2012 and Q2 2013.

Source: Lonsres

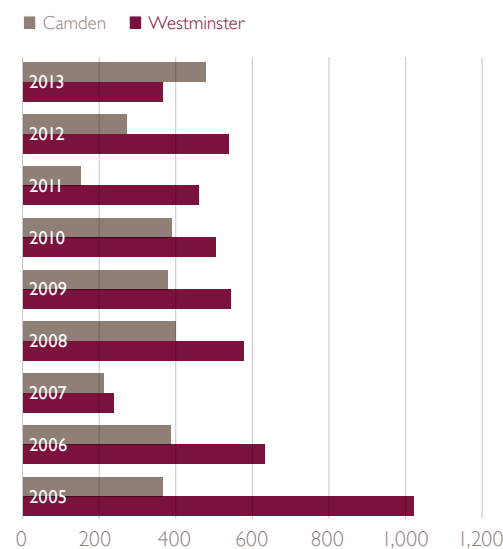


DEVELOPMENT MARKET

In the five years up to the end of 2012, Camden saw 1,563 new private residential units built across the Borough. In the Borough of Westminster over the same period, 64% more units were built (2,557). In 2013, however, Camden looks set to overtake Westminster in terms of units completed.

This is partly due to the development of King's Cross Central, a 134 hectare site, largely in Camden (although parts fall into Islington). The planning permission for this site includes up to 2,000 residential properties on 20 new streets with the creation of a new postcode, N1C. As a focus for employment, supporting 35,000 new jobs, this is bound to influence the desirability of the area as a place to live and work with above average house price growth likely.

Private Units Completed by Borough



Source: EGI (2013 includes expected completions to year end)

IN-DEPTH LOOK AT MICRO MARKETS



LONDON RENTAL MARKET

Increasingly positive economic forecasts for the Capital are good news for the rental market, as newcomers are attracted to the city from elsewhere in the UK and overseas.

For example, the latest UKTI figures show the number of Brazilian companies (such as energy firm Petrobras and IT start-up Pandorga) investing in the UK has risen 30% in three years. They are attracted by quick set-up times, the lack of bureaucracy and the broad connectivity to global markets that London offers. Today, 46% of UK financial service companies that are worth more than £100 million, are also owned by foreign companies. Growth is also coming from non-traditional industries, such as media, information and technology. Already, jobs in these sectors account for as much as 8.5% of all employment in Camden for example.

Currently, improvements in the economic environment have yet to be felt in the mainstream London rental market, where an over-supply of properties is putting downward pressure on average rental values. Even rents for prime central London flats have fallen slightly (-0.8%) between Q1 and Q2 2013.

Continued demand for larger properties has, however, led to rent increases for houses (2.2%), particularly at the very top of the market where low availability contributes to price appreciation.

Tenants looking to obtain better value for money are driving rents upwards in locations outside the core prime area. For example, Camden has seen rental values rise by 5.3% for flats and 7.1% for houses (Q2 compared to Q1 2013*).

Robust rental value growth in non-prime locations

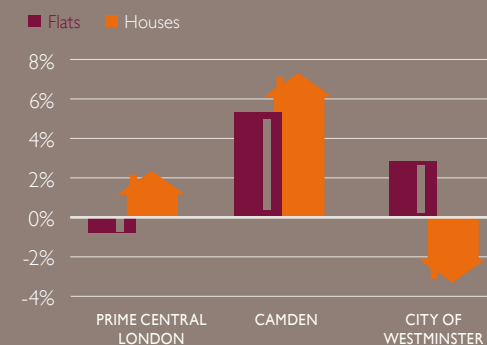


Chart shows % change in average rents achieved between Q1 2013 and Q2 2013.

Source: Lonsres

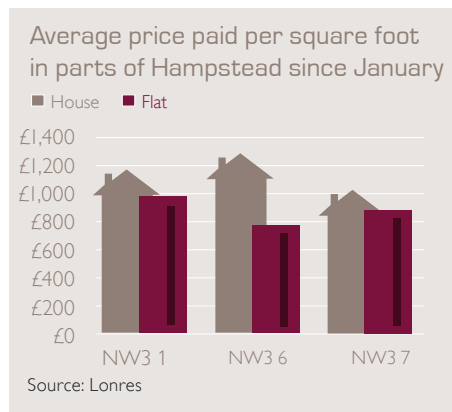
FOCUS ON HAMPSTEAD

Nestled beneath Hampstead Heath, Hampstead, in the Borough of Camden is a highly desirable neighbourhood that has long been synonymous with artists, writers and thinkers, attracted to its village atmosphere.

Hampstead High Street is a bustling shopping destination, with specialist family-run food and wine providers and independent fashion boutiques as well as high street brands.

In addition to its long established Jewish community, Garrington has found the area is becoming increasingly cosmopolitan with Middle Eastern, Indian, French and North American buyers.

Hampstead makes up 8% of the Borough of Camden's population, with just over 16,700 residents. It also boasts some of London's wealthiest home owners. Just under half (49%) of Hampstead's residents own their own homes, much higher than the average for Camden at 32%, and they are also slightly more likely to have a second home elsewhere.



"HAMPSTEAD IS THE PLACE IN THE COUNTRY, CLOSE TO THE CITY CENTRE. WITH VIEWS DIRECTLY OVER CENTRAL LONDON FROM THE TOP OF THE HEATH, THIS IDYLIC VILLAGE CONTINUES TO OFFER AN OUTSTANDING LEVEL OF LIVING, AS WELL AS A SELECTION OF EXCELLENT SCHOOLS, A TUBE STATION AND SUPERB SHOPPING AND EATING FACILITIES."

JAMES RAWES, ASSOCIATE

MARKET OVERVIEW

At £1,813,648, average property prices in Hampstead are currently 180% more expensive than the borough average and just 4% cheaper than neighbouring Primrose Hill. The area has also enjoyed a 6.1% rise in the average achieved price per square foot (£962) in the last year. On average, houses in this area generate a 30% price premium (on a square foot basis) compared to flats. So far in 2013, Hampstead houses have sold for an average of £3.24 million and flats for £979,000.

The area between the high street and the Heath in NW3 1 achieves some of the highest average prices, with flats at £980 per square foot. Most sought-after roads include Willow Road, Well Road and Well Walk where beautiful red brick homes are in easy distance of the Heath.

There is excellent choice in housing types and styles in the Hampstead area including, for example, purpose-built apartments to

the south of the high street and towards Belsize Park, along Fitzjohn's Avenue. There are hidden lanes and quiet out-of-the-way neighbourhoods, with beautifully-kept historic Edwardian villas, Victorian houses like those on Daleham Gardens and mews cottages on Daleham Mews.

Limited stock of houses in the NW3 6 area, including elegant Georgian homes on Church Row and Mount Vernon contributes to some of the highest prices being achieved in the area at £1,271 per square foot.

Around the south-west of the Heath in NW3 7, along Redington Road, Templewood Avenue, Oakhill and on Spaniards End, towards Highgate and The Bishop's Avenue, there are some of the area's most prestigious family homes with fantastic Heath views, appealing to the global wealthy. There are currently seven properties available in Hampstead for more than £10 million.

MEET THE LONDON TEAM



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Nicholas Finn



Amanda Collings



Nick Dawson



Mellony Morgan



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Amy Simpson

GARRINGTON WORK ON BEHALF OF PRIVATE AND/OR CORPORATE CLIENTS WHO WANT TO BUY, RENT OR INVEST IN PROPERTY BOTH IN LONDON AND THROUGHOUT THE UK.

The Property Search Consultancy

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