

LONDON MARKET REVIEW

AUTUMN 2015



GARRINGTON

LOCALLY

LONDON

Market conditions have become increasingly polarised across London boroughs over the last quarter. Activity has been hardest hit in prime central London, with transaction levels in the third quarter of this year 14% below those recorded in the same quarter of 2014.*

There is an entirely different story to report in other price sectors of London, namely amongst property on the market for less than £1.5 million. In certain areas demand is accelerating faster than the supply of property to the market and we are beginning to experience sealed bid scenarios once more. Some new development schemes are even commanding queues of buyers; where prime central has lost appeal other areas of London have picked up.

Across the London market as a whole, average prices are still rising – up 8% from January to September 2015. Latest data from the Royal Institute of Chartered Surveyors shows an improvement in London new buyer enquiries in September, rising from +11% in August to +29% (representing the net balance of estate agents reporting an increase in new buyer enquiries versus those reporting a decline).

*Source: LonRes

“Current market conditions pose both opportunities and threats for London property purchasers.”

NICHOLAS FINN

A CAPITAL INVESTMENT: WHERE NEXT?

Where investors may have previously looked to well known, prime central London postcodes to buy property over the years, there is now evidence that those who invested in the areas surrounding the prime markets have seen a greater return.

Analysis of price growth in all 33 London boroughs over the last five years shows that the biggest value uplifts have been in Southwark, with prices up 73%, and Hackney, with prices up 72% (to end August 2015). This compares to the average across London of 48% over the same period.

Emerging from the financial crisis, it was the prime central London property market that forged ahead in value terms. More recently, however, price growth here has been subdued and in some instances values have actually fallen. Slower growth rates can be attributed to the rise in stamp duty levied on high-end properties, a stronger pound against certain currencies, and changes to taxation for

non-domiciles. Investors are increasingly turning to lower value investments, particularly in areas where regeneration or infrastructure improvements may also benefit price growth.

As shown in the table below, the top three performing boroughs have current average selling prices under £650,000, well below London's two most expensive areas where average prices are now over £1 million. Kensington & Chelsea experienced 49% price growth over the past five years and currently has an average selling price of £1,252,000. Westminster saw a 56% increase in prices, with a current average selling price of £1,003,000.

Recent data** reports that across Kensington & Chelsea and Westminster average £ per square foot property values rose by 1.7% from August to September and despite a challenging year due to stamp duty reform and changing exchange rates, prime London may appeal to the long term investor once more.

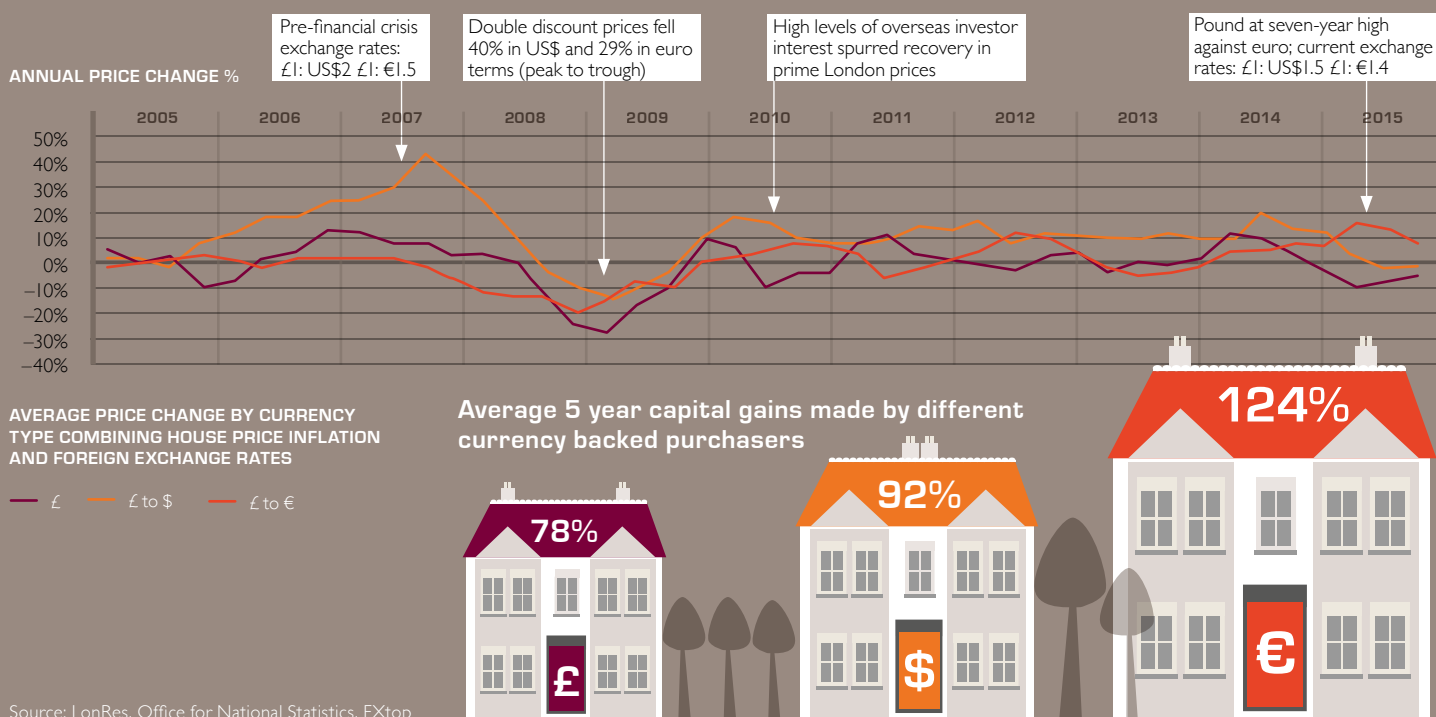
RANK	BOROUGH	FIVE-YEAR GROWTH TO AUGUST 2015	CURRENT AVERAGE PRICE	TOP-PERFORMING POSTCODE WITHIN BOROUGH*
1	Southwark	73%	£621,000	SE5: Denmark Hill & Camberwell
2	Hackney	72%	£647,000	E5: Upper & Lower Clapton, Stoke Newington
3	Lambeth	70%	£568,000	SW9: Stockwell, parts of Brixton, Oval & Clapham
4	Hammersmith & Fulham	67%	£805,000	W14: West Kensington & Olympia
5	Islington	66%	£706,000	N5: Highbury & Highbury Fields
	LONDON AVERAGE	48%	£493,000	

Source: Land Registry (data to end August 2015)

*Postcode districts with sufficient transaction data to analyse, based on part or whole of postcode district within the borough. Data based on six months to end July 2015 versus same period five years ago.

**Source: LonRes

LONDON RESIDENTIAL PRICES: the influence of exchange rates



A STRONGER POUND: the winners and losers

As market conditions have changed in London, attention has focussed on the effect of stamp duty reforms, and this has overshadowed the influence of foreign exchange rates and their relative impact on the London market in 2015.

Prime central London residential property is a global asset class, attracting wealthy investors seeking the security of bricks and mortar in a world-class city with a prestigious address.

In the aftermath of the credit crisis, international buyers swooped on London property and have been one of the most active groups of buyers over recent years. During this time, overseas investors and returning expatriates were attracted by a double discount of falling property prices and a weaker pound, plus a relatively secure haven for their capital. For US dollar investors, the discount amounted to 40% from peak to trough (a 16% drop in prices combined with exchange rate fluctuations); for European investors the discount was 29%.*

The recent strengthening of sterling against the euro now makes it more expensive for euro-domiciled investors to buy London residences, especially given the high property prices. However, euro investors who already own London real estate have seen significant performance gains from the appreciation of the pound. Since the market trough in 2009, the 78% property price increase for sterling buyers has been boosted to 124% for euro investors from exchange rate advantages alone.

Currency fluctuations are not the only consideration for international investors. Many are looking for a secure, long-term haven for their capital regardless of exchange rates – perhaps their home economy is weak or geopolitics unstable. The strong capital growth of the prime London residential market, at 10%+ per year over the last ten years, remains a key attraction despite recent currency volatility.

Against the dollar, the pound has not regained its highpoint before the financial crisis, when £1 was worth \$2. This means dollar-based investors have not seen the same dramatic boost to their investment's performance as those who invested with euros; however they have seen impressive growth of 92% since the property market's lowest point in 2009. It does also make it a less expensive time for US dollar denominated investors to buy into the London property market. The diverging patterns of the pound against these two key currencies remind us that London is a global city benefiting from an established and varied investor base.

While the strength of the pound may be deterring some buyers at the present time, others continue to take comfort from the fact that over the long term, an investment in London property has a proven track record of yielding an excellent return for international buyers.

* Prime London residential prices: 2007 peak to 2009 trough

MEET THE LONDON TEAM



Jonathan Hopper

Nicholas Finn

Amy Marshall

Nick Dawson

Mellony Morgan

James Rawes

Mandy Bissell

Hilda Herterich

Lisa Burton

Wadih Canaan

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

Disclaimer: This report is for general information purposes only. While every effort has been made to ensure its accuracy, Garrington Property Finders Ltd accepts no liability for any loss or damage, of whatsoever nature, arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without prior written permission.

© Garrington Research 2015

Garrington
53 Davies Street
London
W1K 5JH

Tel +44 (0)20 7099 2773
Fax +44 (0)20 7099 2779
info@garrington.co.uk
www.garringtonlondon.co.uk