

LONDON MARKET REVIEW

AUTUMN 2014



GARRINGTON

LOCALLY

LONDON

As we move into autumn, reports of 'house price bubbles' have eased, as there is evidence that house price rises have cooled. Although the growth in average values remains historically high, the rate of growth is slowing. Annual growth in sales values per square foot slowed to 12.1% in Q3 2014, down from 17.9% in Q2 2014*.

Uncertainty about the looming election and the threat of potential changes to property taxes and interest rates is undoubtedly having an impact on market conditions and, in particular, the volume of transactions. Prime central London sales data shows that in the nine months to September 2014, transactions were down 18.8% on the equivalent period in 2013*.

Having some of the heat taken out of the housing market should encourage more sustainable conditions going forward. With London still in strong demand as a city to live and work in, there are some interesting buying opportunities.

* Source: Lonres

PRIME CENTRAL LONDON

£1,696

Average price per square foot Q3 2014

12.1%

Growth in average price paid per square foot
Q3 2014 compared with Q3 2013

£924 per week

Average rental value for a property let
in Q3 2014

ST JOHN'S WOOD

£1,441

Average price per square foot Q3 2014

9.1%

Growth in average price paid per square foot
Q3 2014 compared with Q3 2013

£837 per week

Average rental value for a property let
in Q3 2014

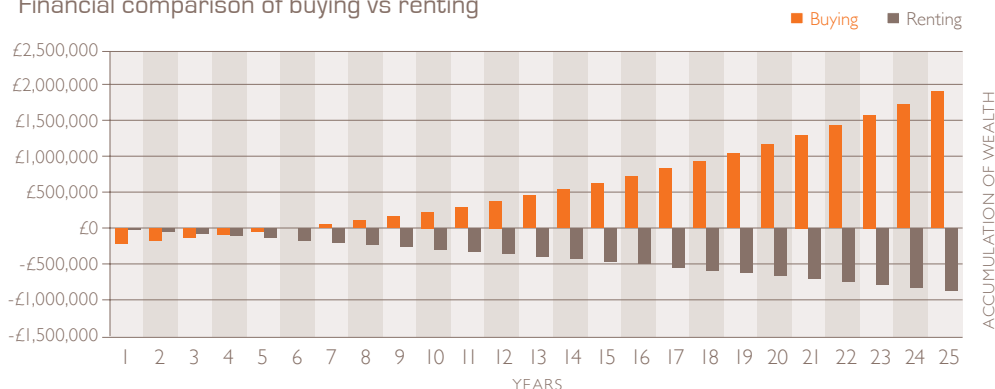
St John's Wood has been highlighted here, as it is our chosen area for this issue's Focus page (see page 4).
Source: Lonres N.B. Prime central London includes the postcode districts of SW1, SW3, SW7, SW10 and W1.

BUYING VERSUS RENTING

The decision about whether to rent or buy can be affected by the immediate costs associated with acquisition. Although during times of market volatility renting can seem more financially viable, our analysis demonstrates that taking a longer-term view points unequivocally towards the benefits of being a London home owner rather than a tenant.

Taking a £1 million pound property as an example, over the course of a 25 year mortgage those taking the decision to buy could be over £1.8 million better off based on our illustration. After seven years the initial capital expenditure will have been more than offset against capital growth and an ever-reducing level of debt as the mortgage is paid off. In contrast, renting would result in total expenditure of £874,000, with no asset at the end of the term.

Financial comparison of buying vs renting



Source: Garrington

Disclaimer: This analysis assumes a 20% deposit on a £1 million property, with acquisition costs of £1,799 along with £40,000 stamp duty and an interest rate of 2.39%. Capital growth is estimated at 5% per annum, with annual rental inflation being 2%. All of the above analysis is purely for illustration purposes only and should not form the basis of any decision to buy or rent a property.

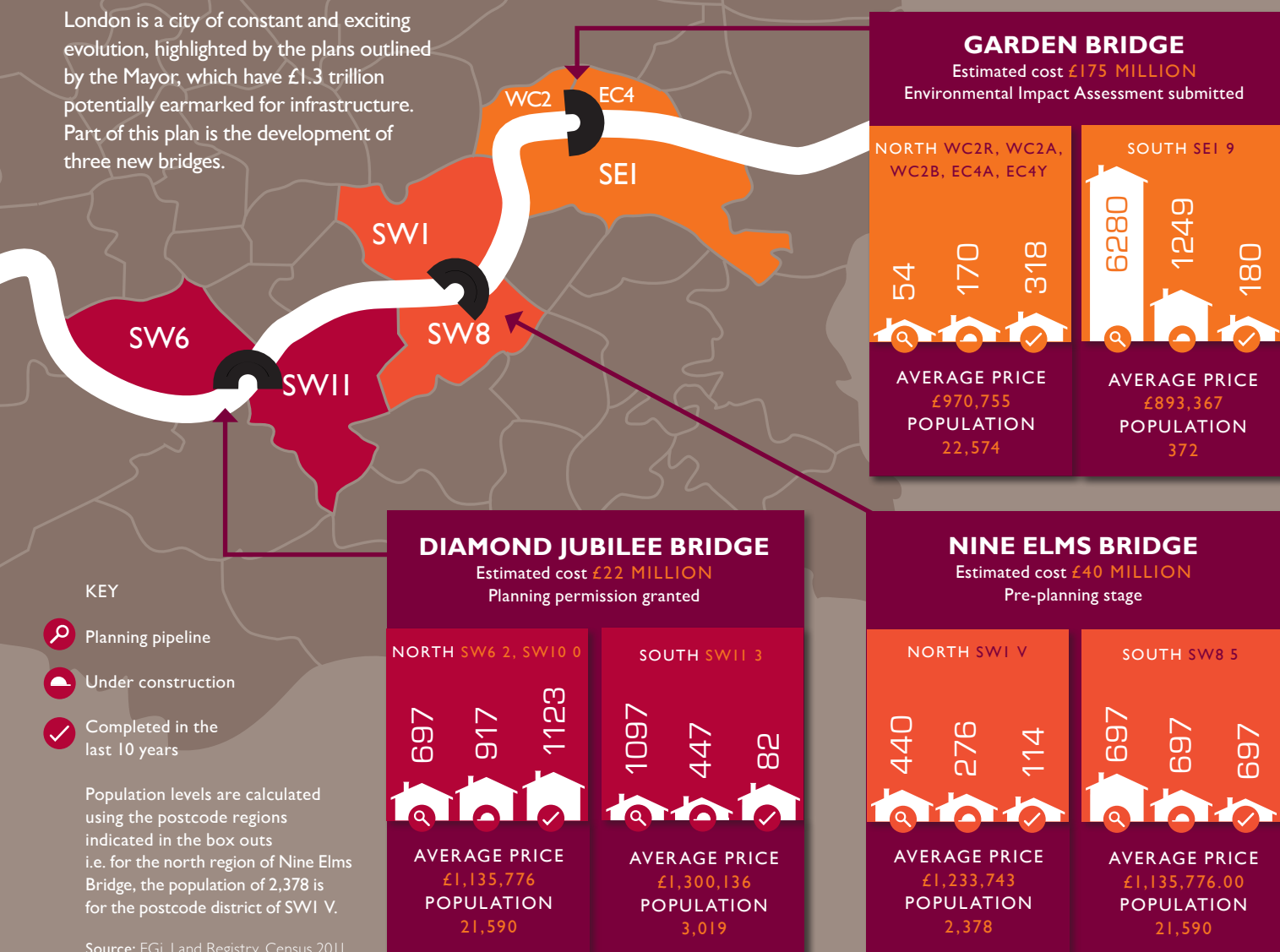
"WITH THE COOLING OF THE MARKET AND LEVELLING OF PRICES, THERE IS AN APPEALING ENVIRONMENT CREATED FOR THOSE DECISIVE BUYERS LOOKING TO MAKE A SOUND PROPERTY INVESTMENT."

NICHOLAS FINN, EXECUTIVE DIRECTOR

BRIDGING THE GAP

HOW THREE NEW BRIDGES CAN GALVANISE THEIR NORTH AND SOUTH BANKS

London is a city of constant and exciting evolution, highlighted by the plans outlined by the Mayor, which have £1.3 trillion potentially earmarked for infrastructure. Part of this plan is the development of three new bridges.



DIAMOND JUBILEE BRIDGE

Of the three bridges, this is the furthest through the planning process and, relatively, the cheapest to implement due to the existing railway crossing. Joining Imperial Wharf in the north with Battersea in the south, it will ease congestion at Clapham Junction and create new transport options for local residents.

Improved transport links will offer immediate benefits to existing developments north of the bridge such as Chelsea Creek, Lots Road Power Station and Chelsea Island, as well as Imperial Wharf, which has already seen average asking prices of over £1,500 per square foot. To the south, schemes such as Linden Homes proposed site on York Road, the Lend Lease development Cobalt Place and the soon to be completed Sesame Apartments all stand to gain from this new bridge.

NINE ELMS BRIDGE

Wandsworth Council will launch a competition later this year to design a crossing from Pimlico to Nine Elms that could be used by over 18,000 pedestrians and cyclists a day. Anticipated to cost £40 million, there is a clear need for improved transport infrastructure in the area, with its huge planning pipeline.

Over 6,000 units are proposed in the area close to the bridge, with Nine Elms and Battersea as a whole set to provide over 18,000 new homes. The area between Vauxhall and Battersea is already seeing considerable development, with Berkeley's Riverlight scheme (averaging £1,360 per square foot) and Ballymore's Embassy Gardens (averaging £1,090 per square foot). The US Embassy is expected to relocate there in 2017.

GARDEN BRIDGE

The proposals for the Garden Bridge are considerably grander, as is the cost, at an estimated £175 million. The bridge will be freestanding, with a span that widens as it crosses, partly as a transport solution but also as a tourist attraction. The crossing will be from Temple tube station to the north to the ITV studio on the South Bank. Building may start as early as next year and the bridge could be operational by 2017 if finance can be secured.

As things stand, there are two main residential schemes to the north that could benefit. 190 Strand, being undertaken by St Edward Homes (Berkeley Group), is a 200 unit scheme on the Strand, with average £per square foot values of £2,550. A neighbouring site also has consent for 147 apartments, with demolition recently underway.

LONDON

RENTAL

MARKET

To the south, the bridge may bring forward plans for a 48 storey residential tower on Doon Street, accommodating 329 private flats, which has had consent for some time. Commercial occupiers in the capital will also benefit from the bridge. ITV is looking to consolidate staff at their riverside site, with a bridge potentially opening up the location to employees from further afield. The wider cultural appeal of the South Bank will also be opened to a larger audience.

Whilst the development of grand projects such as the Garden Bridge are far more likely to attract interest in the national press (not least as a result of celebrity endorsements), the projects are driven by a clear need for improved transport in areas of considerable recent and/or future development, which are more likely to positively impact on future capital values.

EXCHANGE RATES

Although a number of high profile new developments outside central London are attracting overseas buyers, it is still the core prime boroughs that attract the highest concentration of international wealth. In the year to August 2014, properties sold in Kensington & Chelsea and Westminster accounted for 34% of all homes sold to overseas buyers in London. However, the proportion of sales to overseas buyers has dipped slightly this year, falling to 19.7% of total sales in the prime boroughs in the year to August 2014, compared with an average of 21% between 2010 and 2013.

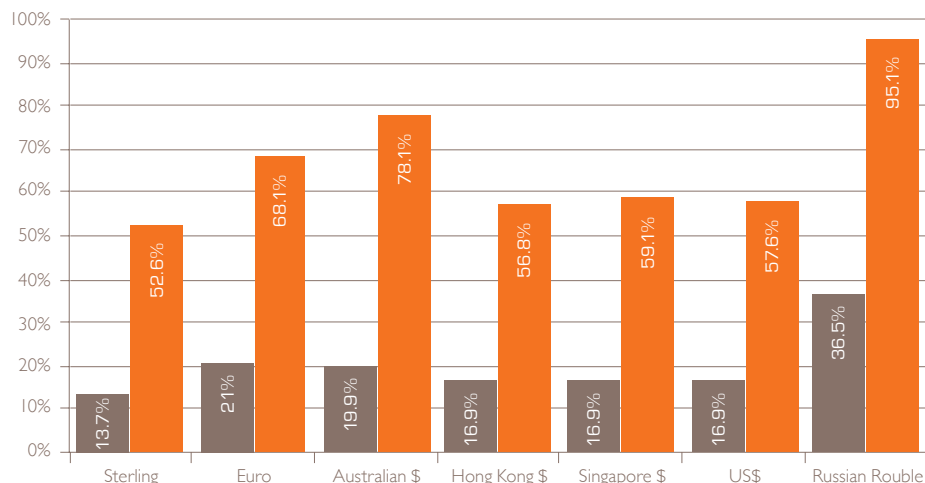
As the UK economy continues to recover, Sterling has rallied. While the blended returns on investing in London property remain attractive for many investors, buyers from overseas are finding they have to dig deeper to acquire properties within the Capital.

Sterling buyers are now paying, on average, 13.7% more per square foot for homes in

prime central London than they were a year ago. However, for those buying with other currencies price rises have been more significant.

Until recently, a strong Australian dollar had encouraged investment in London. However, over the last 12 months it has fallen against the pound, and property values achieved in prime central London are now 20% higher in Australian dollars than they were a year ago. Similarly, buyers from mainland Europe are finding prices (in Euros) are now 21% higher than in September 2013, and purchasers with US dollars (and those with dollar pegged currencies from Hong Kong and Singapore) are now paying 17% more. However, it is Russians that continue to see the highest rise in London prices, with the equivalent cost of a home in prime central London bought in Roubles having risen 37% over the last 12 months and 95% in the last three years.

Annual growth in prime central London prices by currency ■ PCL 1 year ■ PCL 3 year

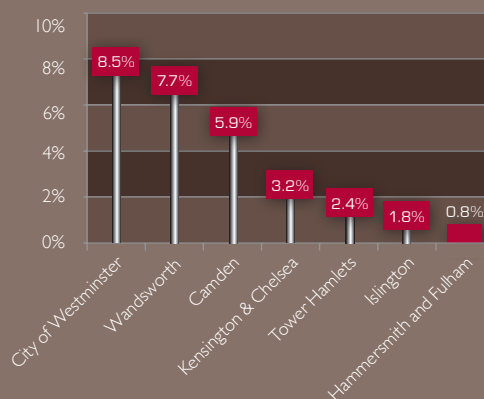


Source: Bank of England / Lonres (£ per square foot)

While activity in the prime central London sales market has slowed as over the last quarter, the rental market is seeing a resurgence in demand. Boosted by encouraging economic news and more secure job prospects, along with the seasonal rise in students seeking accommodation, the number of properties let in the third quarter rose by 45% compared with Q2 2014. Despite the rise in demand, rental price growth has remained fairly static over the quarter. That said, average rents in Q3 2014 were 8.4% higher than in Q3 2013. Flats have seen the strongest growth, rising by 10.1% over the course of the year.

Looking at borough level for selected inner London boroughs, the strongest growth over the past 12 months has been in the City of Westminster, which has seen average rental value increases of 8.5%. St John's Wood, which is the topic of our focus, falls within this borough. The slowest growth has been in Hammersmith and Fulham, where rents have risen by just 0.8%.

Change in average rents across prime central London



Source: Lonres

“DESPITE A RISING ENTRY PRICE FOR SOME INTERNATIONAL BUYERS, LONDON HAS LOST NONE OF ITS GLOBAL APPEAL.”

JONATHAN HOPPER, MANAGING DIRECTOR

FOCUS ON ST JOHN'S WOOD

Located to the North West of Regents Park, St John's Wood has a long history. Its name dates back to its medieval owners, the Knights of the Order of St John of Jerusalem. It was in the 19th century that St John's Wood became popular because of the high volume of low-density 'villa' housing in the area; prior to this terraced housing was the norm in London.

The area is now home to a diverse population, with the last census revealing more than half the residents were born outside the UK, and the majority of these from outside the EU. Given the affluent nature of the area it is no surprise that residents are more likely to be in the higher professional bands. 25.2% of residents are employed as managers, directors or senior officials, more than double the London average of 11.6%.



"ST JOHN'S WOOD IS HOME TO SOME OF LONDON'S TOP ATTRACTIONS, INCLUDING LORD'S CRICKET GROUND, AND EQUALLY SOME OF THE FINEST REAL ESTATE THE CAPITAL HAS TO OFFER. WITH WIDE, LEAFY STREETS, THE HOUSES AND PORTERED BLOCKS APPEAL TO A VARIED MARKET."

NICK DAWSON, ASSOCIATE

MARKET OVERVIEW

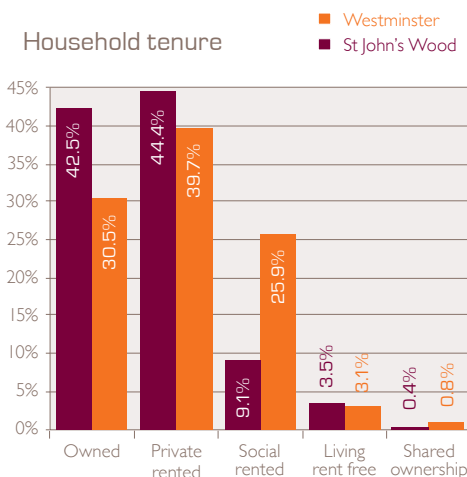
St John's Wood is highly desirable and appeals to a cross section of generations attracted to the 'village' feel and the local lifestyle on offer. For families, there is good local education provision, including The American School in London; for commuters the Jubilee line offers a direct link to central London, Canary Wharf and is only eight minutes from Bond Street; and for all generations there is Regent's Park, which offers a wide array of leisure activities. The market has successfully attracted both buyers and tenants in similar proportions, with 32.6% of households opting to buy, compared with to 33.7% privately renting.

For property buyers, flats remain a popular choice, accounting for almost three-quarters of total transactions each year. Flat sales remain resilient and the average sales price is now 1.49 million, up 32% on a year earlier. Houses are often sold discreetly and off market; high profile individuals are now choosing St John's Wood over other prime locations.

Within the local area, property values can vary significantly on a street-by-street basis. Abbey Road property offers relative good value for money; over the last year flats in this part of St John's Wood have sold at an average price of £1,144 per square foot. St John's Wood Park is also an attractive proposition for buyers, with the majority of transactions falling within the £1 to £2 million price band. For top end buyers, Avenue Road remains one of London's most exclusive addresses, with three houses each selling for in excess of £20 million this year. Buyers looking for new properties will be interested to learn Matterhorn Capital and Marcus Cooper Group recently began demolition at a development site near Lords, which has consent to provide 85 private apartments.

St John's Wood also has an established rental market. This year it has benefited from steady demand, with total lettings in the nine months to 2014 up 3% on the same period a year earlier. While rental performance has been subdued over recent years, average rents have begun to rise over the last year.

Household tenure



Source: Census

MEET THE LONDON TEAM



Jonathan Hopper



Nicholas Finn



Amy Simpson



Nick Dawson



Mellony Morgan



James Rawes



Mandy Bissell



Hilda Herterich



Lisa Burton

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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