

LONDON MARKET REVIEW

SPRING 2015



GARRINGTON

LOCALLY

LONDON

The results of the General Election have been well received in the property market with activity increasing immediately in the wake of the announcement of a new majority government. Activity in the residential market of prime central London was constrained in the first quarter of 2015 as buying decisions were delayed by the General Election looming on the horizon. Transaction levels in the first three months of 2015 were 27% lower than the same quarter of 2014 and the lack of activity in the market, particularly in the upper price thresholds, affected achieved sales prices.

Indeed any fears were justified; both Labour and the Liberal Democrats threatened to take a heavy hand with non-domicile individuals and implement a 'mansion tax' as well as impose increased taxation on the income of high-earners. Given the tax and property related policies that a Conservative government is due to implement, the prime central London property market looks set to flourish once again.

PRIME CENTRAL LONDON

£1,620

Average price per square foot Q1 2015

£11.5%

Annual change in £psf

£897 per week

Average rental value for a property let in Q1 2015

CHISWICK

£829

Average price per square foot Q1 2015

16.4%

Annual change in £psf

£523 per week

Average rental value for a property let in Q1 2015

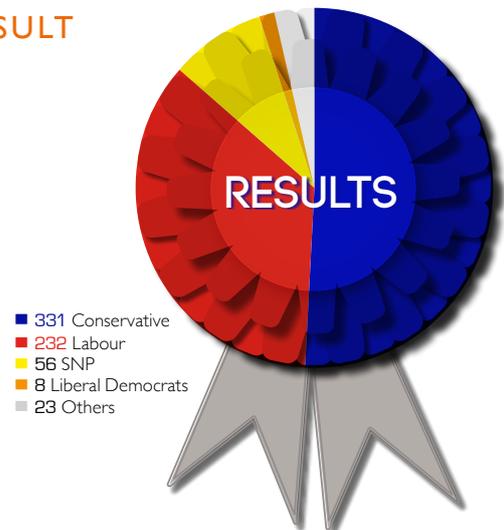
Chiswick has been highlighted here, as it is our chosen area for this issue's Focus page (see page 4).
Source: Lonres N.B. Prime central London includes the postcode districts of SW1, SW3, SW7, SW10 and W1.

CONCLUSIVE ELECTION RESULT

After months of uncertainty and one of the tightest election campaigns in history, it was finally revealed that David Cameron is back in Downing Street for another term in office with the benefit of a working Conservative majority in the House of Commons. This result will stimulate a surge of confidence in the prime central London residential market as fears of what might have been diminish.

The prime central London market has been effectively stranded ever since late last year. Many buyers put their plans on hold until the future was clearer and sellers were rightly reluctant to bring properties to an unsettled market. All that is history now and we expect significant demand to resurface very quickly as stock increases.

The new Conservative government promises 'more of the same' on policies for property in the UK with the extension of the Right-to-Buy scheme, the creation of a new fund to regenerate brownfield sites and further opportunities for first time buyers. The Conservatives will also implement a Help-to-Buy ISA providing further aid to first time



buyers. With additional policies due to be brought in, such as the increase in the inheritance tax threshold for married couples and civil partners to £1m, the positive ripple is set to be felt on a widespread scale.

With no threat to non-domicile individuals setting up home in the UK or hoping to invest, London residential property's role as a safe haven for international capital flows will be reinforced by the election results and should prosper from it.

"THE GENERAL ELECTION RESULT HAS ALREADY HAD A POSITIVE AFFECT WHICH WE EXPECT TO GATHER MOMENTUM THROUGHOUT THE REST OF THIS YEAR."

NICHOLAS FINN, EXECUTIVE DIRECTOR

INVESTMENT PROPERTY

CROSSRAIL STOPS FOR INVESTORS TO KEEP AN EYE ON

MAYFAIR	
AVERAGE PRICES	
£2,858,984	£12,547,059
FLAT	HOUSE
5 YEAR PRICE CHANGE	
75.8%	58.6%
FLATS	HOUSES
HOUSEHOLDS IN PRS	
31.1%	
YIELDS	
2.7%	
1 BED	
3.1%	
2 BED	
*	
3 BED	

EALING	
AVERAGE PRICES	
£408,856	£877,700
FLAT	HOUSE
5 YEAR PRICE CHANGE	
61.3%	65.8%
FLATS	HOUSES
HOUSEHOLDS IN PRS	
31.5%	
YIELDS	
3.7%	
1 BED	
3.8%	
2 BED	
3.8%	
3 BED	

WIMBLEDON	
AVERAGE PRICES	
£416,291	£1,063,029
FLAT	HOUSE
5 YEAR PRICE CHANGE	
57.5%	61.1%
FLATS	HOUSES
HOUSEHOLDS IN PRS	
31.1%	
YIELDS	
4.5%	
1 BED	
4.1%	
2 BED	
4.3%	
3 BED	

SHOREDITCH	
AVERAGE PRICES	
£443,676	£835,452
FLAT	HOUSE
5 YEAR PRICE CHANGE	
50.5%	106.3%
FLATS	HOUSES
HOUSEHOLDS IN PRS	
29.2%	
YIELDS	
3.4%	
1 BED	
3.4%	
2 BED	
4.6%	
3 BED	

WOOLWICH	
AVERAGE PRICES	
£241,032	£282,383
FLAT	HOUSE
5 YEAR PRICE CHANGE	
36.6%	42.1%
FLATS	HOUSES
HOUSEHOLDS IN PRS	
21.1%	
YIELDS	
6.0%	
1 BED	
5.4%	
2 BED	
5.5%	
3 BED	

CROSSRAIL 1 
 PROPOSED CROSSRAIL 2 

Source: Land Registry. Mayfair calculated using average £psf data from Lonres. Census – showing households renting from a private landlord or letting agent. Dataloft, using properties advertised to rent or sell on Zoopla (Mayfair analysis uses properties sold or let in 2014/2015 to date recorded on Lonres). PRS: Private Rental Sector * Sample size not large enough.

INVESTMENT OPPORTUNITIES ACROSS LONDON

Latest figures from the Council of Mortgage Lenders show that the level of buy-to-let lending across the country has risen by 16% in value terms compared to a year ago. In contrast, lending to home purchasers has fallen over the past 12 months. With low interest rates, volatility in the stock market and pension reforms underway, residential property has become an increasingly attractive investment choice for both private and institutional investors. Crossrail has already provided a boost to prices in Ealing, with values rising by 52% since the first half of 2008, before Crossrail received Royal Assent. This is higher than the 33% growth recorded in neighbouring Hounslow or Harrow. In particular properties within close proximity of the West Ealing station are being positively impacted by the Crossrail and likely to see impressive uplift. Ealing Broadway is already very well connected and boasts recent successful development schemes such as Dickin's Yard and The Apex.

Only four underground stops away from Ealing Broadway on the Central Line, the redevelopment of the former BBC Television Centre at White City is of note. It will provide 1,000 new homes along with over 500,000 square foot of offices, hotels and other leisure uses. Crossrail has undoubtedly boosted the development's appeal; halving commute times of future inhabitants. As well as purchasing property near to actual Crossrail stations, an easy connection can be as valuable.

The benefits of Crossrail have not yet been fully factored into property prices around stations in parts of East London and we anticipate that this could be an area of growth in the future. Around Woolwich, where journey times into Canary Wharf will be reduced to just eight minutes, yields are much more attractive to those looking for an instant income return and lower purchase prices suggest further room for capital growth.

Crossrail 2 is not yet guaranteed to progress to realisation, however, land along the proposed route was recently safeguarded from development. Savvy investors are already looking for opportunities in areas along the route where prices will be expected to outperform market averages in coming years.

Although stations or infrastructure locations are yet to be finalised, there are a number of potential hotspots along the preferred route to keep an eye on. In particular, in North East London, at Seven Sisters, flat prices average around £273,000 with average house prices around £447,000, suggesting room for growth. Meanwhile journey times from Dalston to Tottenham Court Road could reduce to just eight minutes (19 minutes quicker than today) which would provide a significant investment boost to the area. Further potential extensions to the route include the proposed regional line to the west of London running through Kingston and out as far as Twickenham.

THE INVESTMENT APPEAL OF RESIDENTIAL PROPERTY

Investment in the residential market of London, and in particular prime central London, has proven very worthwhile over the last decade when compared with the average returns achieved from investing in the stock market. Over the past ten years, prime central London property (represented by the boroughs of Kensington & Chelsea and Westminster) has recorded growth in average capital values of around 150%. This compares to just under 40% growth in the FTSE 100 over the same period.

Property has also outperformed the stock market when comparing figures over the past five years and the past year. It is only when looking at the data on a very short term basis over the past three months does the stock market perform better than property in prime central London.

The outperformance of the residential sector over the stock market is not confined to the prime markets of central London.

N.B. Property growth in this section just refers to capital growth and does not include rental yields. Growth in the FTSE 100 refers to share price growth only and does not include dividend growth.

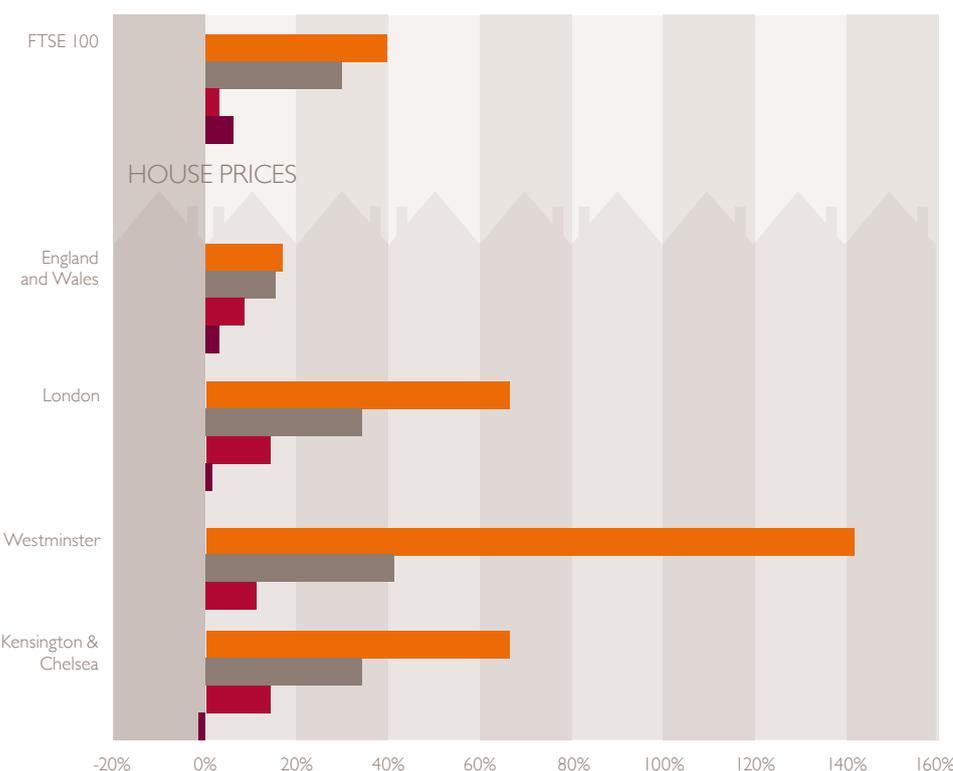
While not as strong as prime central London, the growth in Greater London average house prices has been higher than the FTSE 100 over the last year, five year and also ten year period. Over the past ten years, average house prices across Greater London have increased by 68.3%, which is 28.5% more than the growth in the FTSE 100 over the same period.

Not only has investment in property offered higher longer term returns when contrasted with investment in the stock market, but it has also proved to be less volatile. Over the past ten years, the level of monthly price changes for the FTSE 100 varied by some 21.5%. Meanwhile, in prime central London the range of monthly price changes was just 7%.

With less volatility and a successful track record of high levels of growth, residential property in London has proved to be an attractive asset class.

Stocks & Shares vs Bricks & Mortar: average growth figures

■ Last 10 years (since 2005) ■ Last 5 years (since 2010) ■ Past year ■ Past 3 months



Source: Land Registry/FTSE 100

LONDON RENTAL MARKET

With a slowdown in sales transactions, lettings agents had high hopes for the first quarter of the year and this seems to have been the case for prime central London. Data for Q1 2015 shows that properties let rose by 8.3%, whereas properties sold fell by 26.7%.

However, towards the end of the quarter, lettings agents were less optimistic about market conditions, with supply of rental properties up 38% in a year. The market is now more weighted towards tenants resulting in many rental prices being heavily negotiated.

Although average rental values have not risen over the last quarter in prime central London, they have increased by 7.4% over the past year. There is strong demand at the top end of the market (£2,000+ per week) which comes as little surprise with many previously opting not to commit to a purchase in light of the changes to stamp duty land tax and the uncertainties of the outcome of the General Election; in particular the changes to laws for non-domiciles and further tax on homes owned.

Changes to properties let by price band in prime central London



Source: Lonres (Q1 2015 compared to Q1 2014)

“DESPITE SOFTENING PRICES SEEN EARLIER IN THE YEAR, NOW COULD BE THE TIME FOR PROPERTY INVESTORS TO RETURN WITH CLARITY AND CONFIDENCE.”

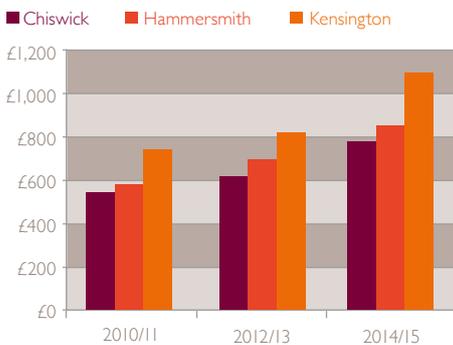
JONATHAN HOPPER, MANAGING DIRECTOR

FOCUS ON CHISWICK

Chiswick has a longstanding reputation for its excellent community and in particular its appeal to families. Famous for providing the climax of the Cambridge versus Oxford university boat race, there are excellent transport links in the area, including tube and overland connections to central London and Heathrow airport. Major international HQs close by include GSK and Sky with many multinationals choosing offices at the architectural award winning Chiswick Park.

One of the most desirable locations in the area is Bedford Park, described by Sir John Betjeman as "the most significant suburb built in the last century, probably in the western world". Further south, Grove Park offers mainline connections to central London and easy access to the river with the roads running off Chiswick High Road consistently popular. The area has considerable artistic heritage, with former residents including Van Gogh and William Hogarth. At the other end of the cultural spectrum Ant and Dec now call Chiswick home.

Average £ per square foot values



Source: Lonres



"CHISWICK BOASTS POCKETS OF QUIET, TREE-LINED RESIDENTIAL ROADS, A VIBRANT HIGH ROAD AND NUMEROUS GREEN SPACES, ADDED TO WHICH THE MULTIPLE TRANSPORT CONNECTIONS MAKE IT A VERY CONVENIENT LOCATION TO SET UP HOME."

HILDA HERTERICH, ASSOCIATE

MARKET OVERVIEW

Chiswick holds considerable appeal to families and young professionals alike. Properties are more affordable than neighbouring locations, with average £psf values currently 13% lower than Hammersmith and 39% below Kensington. Chiswick has also enjoyed the greatest capital growth of these three areas over the last 12 months, with prices rising by 16.4%, compared to 14.4% in Hammersmith and 15.2% in Kensington. Of further appeal to potential buyers is the additional space available. The average size of a property sold in Chiswick in the last five years is 1,285 square foot (sq ft), compared with 1,184 sq ft in Hammersmith and 1,152 sq ft in Kensington.

Land Registry figures show transaction volumes have fallen by 15.4% in the 12 months to January 2015.

The popularity of the area has led developers to take an active interest in potential sites, from smaller bespoke schemes such as The Crescent by Gunnersbury tube to larger scale developments such as Lend Lease's proposals for the Opus Collection. The scheme launched in April 2015, with prices ranging from £525,000 to £1.3 million.

Berkeley Homes will be launching Chiswick Gate later this year. This will provide 122 private homes close to Chiswick House, one of England's finest neo-Palladian villas completed in 1729, whose gardens were the inspiration for New York's Central Park. The scheme will include 43 houses, most of which are likely to appeal to owner-occupying families, often drawn by the high standard of both private and state education. All of the state primary schools in W4 were rated either "Good" or "Outstanding" by Ofsted.

MEET THE LONDON TEAM



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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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