THE BUYER'S EYE
LONDON - SUMMER 2013

- A STORY OF CAUTIOUS OPTIMISM -

The start of the year remained quiet in London. However, since March activity levels have increased dramatically, with agents reporting a rise in both new buyer enquiries and instructions. The latest survey from the Royal Institute of Chartered Surveyors (RICS) shows an increase in new-buyer enquiries nationally, coupled with a rise in new instructions in April.

Price growth in the London housing market continues to outpace the rest of the UK. In the last twelve months prices increased by 9.6% across Greater London, compared with just 0.9% growth nationally.

The relaxation of mortgage lending (helped by the Government's Funding for Lending initiative), increased both numbers of products available at lower rates, and at higher loan-to-value ratios, helping to encourage buyers back into the market. According to the Council of Mortgage Lenders (CML), lending to first-time buyers rose by 20% in March 2013, with the number of loans to home movers up 11% on the previous month.

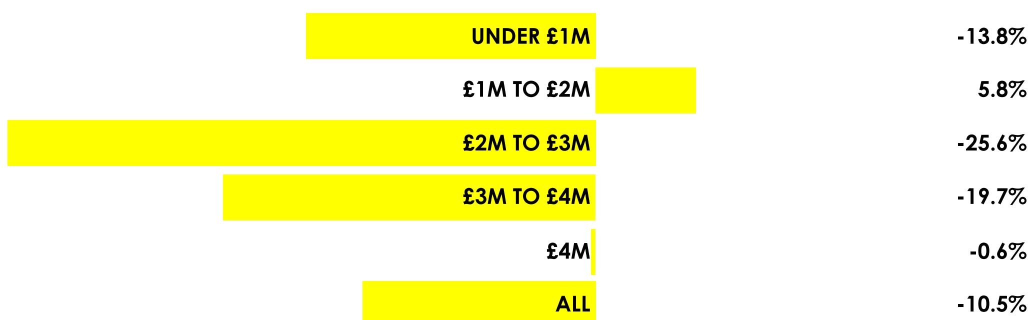
The development market has also seen an upturn in activity. The number of new homes registered in the UK during the first quarter of this year has reached almost 32,000, the highest first quarter figure since 2008 and 22% higher than 2012, when 226,000 new homes were registered in Q1. London has seen the most significant rise in new development activity, up 61% in the first quarter of 2013 compared to Q1 last year.

Whilst both 'Help to Buy' and 'Funding For Lending' are now beginning to bear fruit at the lower end of the London market, changes to the cost of buying homes at the upper echelons of the market have impacted transaction numbers in prime postcodes. Sales of properties between £2 million and £3 million were down 26% in the 12 months following the introduction of the 7% stamp duty levy (for homes over £2 million).

Conversely, sales between £1 million and £2 million rose by 6% over the same period as buyers have been looking at opportunities below the £2 million mark, or are choosing to remain in their current property and extend.

Neither the coalition nor the opposition have been able to find a way to 'cost effectively value' UK property to calculate either a 'Mansion Tax' or undertake a council tax revaluation. After the coalition scrapped plans for a 'Mansion Tax' at the end of last year, Labour had called for its reinstatement before the next election. However, proposals were rejected in a commons debate in March, with the opposition having failed to commit to whether a 'Mansion Tax' will be included in their next election manifesto. It's still a question of 'watch this space.'

- CHANGE IN PRIME LONDON TRANSACTION VOLUMES 12 MONTHS PRIOR TO 7% SDLT vs 12 MONTHS POST 7% SDLT -



SOURCE: LONRES

- ON YOUR DOORSTEP: GAINS TO BE HAD LOOKING NORTH + EAST -

Price growth in prime London boroughs has been well documented. The combination of low stock levels and strong demand both from home and abroad has meant prices in prime boroughs such as Kensington & Chelsea are now 34% higher than they were five years ago.

However, to the North and East of the City, prices have also seen significant uplift, as buyers look for homes within easy reach of central London but without the West London price tag. Whilst in the run up to the Olympics press attention was focused on the Olympic Zone surrounding the Stadium at Stratford, other areas of North and East London have proved more lucrative investments.

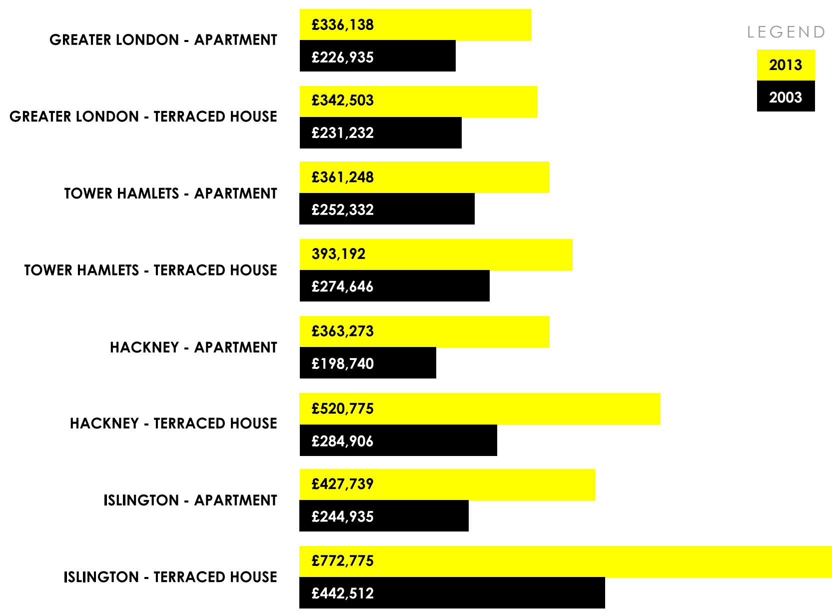
Both Hackney and Islington have seen strong demand from owner-occupiers and investors, prices having increased by 21% in the last three years, compared with just 6% in the Olympic Borough of Newham and 13% across Greater London.

For investors, this area also offers a combination of both capital appreciation and strong rental growth, with both the cost of purchase and rental yields more attractive than those in more prime locations. Rental demand in Islington and Hackney also remains buoyant. Over the last decade the number of privately rented households in Islington and Hackney increased by 82% and 120% respectively, higher than the London average of 75%.

Transport improvements also mean many areas to the North and East of the City are now more accessible by public transport. The extension of the London overground network has linked Highbury & Islington with new stations to the East, allowing improved connections to the City, Canary Wharf and the existing Tube network. The planned Crossrail extension will also provide further links, with stations at Whitechapel and Stratford linking in with the existing underground and overground network.

This growth is likely to continue for the foreseeable future as young professionals and families opt to lay down roots in the area instead of the traditional flight to the suburbs. A good stock of family houses, an increasingly vibrant social scene and improving transport network will continue to fuel demand.

- AVERAGE PROPERTY PRICE NORTH & EAST LONDON 2003 vs 2013 -



SOURCE: LAND REGISTRY

- AREAS TO CONSIDER -

ANGEL

SHOREDITCH

CANONBURY

DALSTON

STOKE NEWINGTON

HAGGERSTON

HACKNEY

HOLLOWAY

FINSBURY PARK

- LONDON PROPERTY AS AN ASSET CLASS -

Continued economic uncertainty, both at home and abroad is encouraging investment in more tangible asset classes. Whilst gold and prime property are often pitched against each other, they are different types of investment, meaning many will have both property and gold as part of their portfolio.

Over the past ten years residential property, particularly London homes have proved a lucrative investment, with the value of property in Kensington & Chelsea increasing by 128% and across greater London by 48%. As well as capital growth prospects, the use value of residential property should not be underestimated, with rental income or use as a second property adding to overall returns. Whilst gross yields in prime postcodes are lower than more affordable areas of London (typically between 3% and 4%) investors are happy to entertain lower rental yields in light of impressive returns from capital growth. However, in areas bordering core prime central London, investors who favour or indeed require higher yields (in the region of 5% gross) have witnessed impressive capital growth, particularly in areas such as Islington, Hackney highlighted above.

Whilst hit harder by the economic downturn, commercial property has seen a resurgence amongst investors. As with the residential market there is a distinct difference in both price growth and total returns from commercial property within London compared with the rest of the UK. According to the IPD commercial property values outside of London fell by 5.8% in 2012 compared with 5% growth in London.

In London, investment in commercial property remains buoyant, with both domestic and overseas investors and investment funds competing to secure retail and office buildings across the capital. Competition for prime assets in London has resulted in yield compression, with the IPD reporting yields of 4.3% for retail and office assets in 2012.

Like residential property, Gold has proved a lucrative investment. Whilst it cannot boast an income stream or use value like real estate, the returns from Gold are compelling.

In the last 15 years gold prices have increased by 427%, outperforming prime London at 307%. However, over the last 12 months Gold prices have dipped, with values 6% down compared with a 12% rise in the price of Kensington & Chelsea homes. This just shows that timing, awareness and allocation are vital to outperformance.

- PRICE CHANGES GOLD vs LONDON RESIDENTIAL PROPERTY -

SOURCE: LAND REGISTRY/LBMA

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LET'S TALK ABOUT YOUR NEXT MOVE, WE'D LOVE TO HEAR FROM YOU.

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