



ALLENWARGENT
LONDON · SYDNEY

- THE BUYER'S EYE -
LONDON - AUTUMN 2013 -

- MARKET CONFIDENCE CONTINUES AS FORECASTS REVISED -

Sentiment towards both the housing market and economy has distinctly improved, with recent figures pointing to a more positive outlook than many expected at the start of the year. On the economic front, the Bank of England has now upgraded their forecasts in 2013 from 1.2% to 1.4% and the 2014 forecast from 1.7% to 2.5%.

Although the statistics on the national housing market have improved, London continues to outperform. Across Greater London average values have increased by 6.3% in the last 12 months while inner London boroughs such as Camden, Lambeth and Wandsworth have all seen double digit price growth in the year to July 2013.

News on the mortgage markets suggests an increased appetite for lending, with a rise in the number of products available and volume of new loans being issued. According to the Council of Mortgage Lenders (CML), lending rose to £16.7 billion in July, 29% higher than in July 2012. To reassure borrowers, the new Governor of the Bank of England has stated that the current historic low 0.5% base rate will remain in place until unemployment falls to 7%.

In Q2 2013 London saw the highest level of first time buyers lending since the peak in 2007. Between April and June 11,200 house purchase loans were issued to first time buyers, a 38% rise on the same period in 2012 and 19% higher than the number issued in the first three months of 2013.

However, the increase in demand for homes in London has not been matched by a sufficient upturn in new stock reaching the market. Properties listed for sale across the Capital have fallen 28% compared with August 2013 according to figures from property portal home.co.uk. With stock more scarce, the average time a property remains on the market unsold has fallen by 9% in the past 12 months, from 85 days to 77 days.

With a rise in buyer appetite across the UK, forecasters have had to revise their view on the fortunes of the housing market this year.

Forecasts for price growth in 2013 were suggesting price growth would remain below inflation at the end of 2012, with little or no growth anticipated until well into 2014. However, views on the state of the UK housing market have changed considerably over the course of 2013. Forecasters now expect growth of up to 5% in 2013, compared with the most optimistic forecasts of 2% at the start of the year.

- NATIONAL HOUSE PRICE FORECASTS – 2013 -

	Original 2013 forecast	Revised 2013 forecast
CEBR*	0.8%	1.4%
Knight Frank	-1.0%	3.0%
RICS**	2.0%	4.0%
Rightmove	2.0%	4.0%
Savills	0.5%	5.0%

SOURCE: DATALOFT
 *CENTRE FOR ECONOMICS AND BUSINESS RESEARCH
 **ROYAL INSTITUTION OF CHARTERED SURVEYORS

- STUDENTS DRIVING THE MARKET -

Demand from students studying in London, both from home and abroad, continues to contribute to rental uptake across the City, with areas both surrounding the university buildings and those within easily commutable distance benefitting from student tenants. There are currently over 100,000 students from outside the EU studying in the Capital who are thought to contribute in excess of £1.5 billion to the London economy.

Despite a drop in applicant numbers for UK universities in the current academic year (down 6.7% following the introduction of increased tuition fees), UCAS are reporting applicant numbers have risen 2.7% for 2013/14 academic year.

Overseas student demand has also risen sharply. The number of applicants from the Far East has risen by almost 9%, with a 10% increase in Chinese student applicants and a 19% increase in applications from India.

Even within the highest value postcodes, students are now competing with professionals for properties. One Mayfair agent suggests 35% of its tenants so far this year in Mayfair have been wealthy overseas students.

Within inner London the private rented sector now comprises 30% of total housing stock, compared with 18% nationally and 22% in outer London. Westminster and Kensington & Chelsea have the highest proportion of privately rented properties, at 40% and 36%

respectively. However, the majority of privately rented properties in these boroughs are let to single occupants, cohabiting couple and families, with shared houses located outside of core prime postcodes.

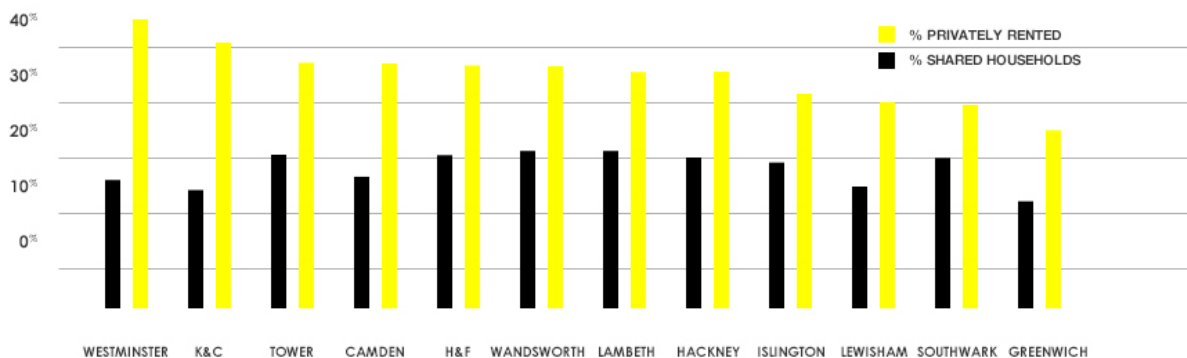
Inner London also has a significantly higher proportion of households not occupied by families or cohabiting couple. These households, which include shared student properties and house shares account for 14% of households in inner London (compared with 8% in outer London).

Whilst the rise in student tenants in prime postcodes makes headlines they still form a small proportion of total student tenants across the Capital. Students not living in halls often choose shared properties close to their university campus, competing with young professionals, in themselves a significant source of demand for property in London.

The boroughs with the highest proportion of these types of (shared) households include Hammersmith & Fulham, Lambeth, Tower Hamlets and Wandsworth, all with over 16% of households falling into this category.

Locations which are popular with student and professional sharers have seen price growth, over the past 12 months, which exceeds the Greater London average of 6.3%. Out of the top eight inner London boroughs (by % of shared households) seven have outperformed both the London average and the annual growth figures for the prime boroughs of Kensington & Chelsea and Westminster.

HIGH PROPORTION OF PRIVATE RENTED PROPERTIES IN INNER LONDON BOROUGHS COMPRISE SHARED HOUSEHOLDS



SOURCE: 2011 CENSUS

AVERAGE PRICES AND PRICE GROWTH IN INNER LONDON BOROUGHS WITH % OF SHARED HOUSEHOLDS

	% shared households	Av. property price	Annual price growth
Tower Hamlets	16.9%	£372.057	3.20%
Wandsworth	16.3%	£456.528	10.30%
Lambeth	16.3%	£403.103	11.40%
H&F	16.1%	£624.178	9.50%
Hackney	15.1%	£453.334	9.50%
Southwark	14.7%	£421.806	8.70%
Islington	14.0%	£531.496	8.80%
Camden	13.4%	£674.828	11.30%

SOURCE: : LAND REGISTRY JULY 2013

- LONDON PROPERTY – AN INFLATION HEDGE? -

The London property market is still viewed by investors as a viable alternative to more traditional asset classes such as gold and the stock market. In times of financial uncertainty a tangible and income producing asset such as residential property is an increasingly attractive proposition for investors, either as the majority share of their invested assets, or part of a wider and more diverse investment portfolio.

A core investment objective for many is to hedge against inflation and with current bank savings rates often less than the rate inflation, the attraction of property as an investment class is increasing. Whereas in the past those with Sterling to invest in property would seek overseas property, uncertain European

markets and the weak Pound have meant domestic investors are looking closer to home. Couple with increasing overseas investors, attentions are increasingly focussed on UK real estate as an attractive investment product.

Investor interest in UK property has increased significantly this year. The latest data from the Council of Mortgage Lenders (CML) shows 40,000 mortgages were advanced to buy-to-let investors in the second quarter of 2013, worth £5.1 billion. Both the number of loans and the value of lending were the highest since the third quarter of 2008.

The value of loans advanced in the second quarter was 21% higher by value than in the preceding three

months and 31% higher than the same three month period in 2012. Buy-to-let mortgages now account for 13% of outstanding lending in the UK and are now worth almost £169 billion.

In prime areas of the Capital there is evidence that investors are using cash reserves to purchase residential property. In Q2 2007, 30% of purchases in Kensington & Chelsea were bought without a mortgage, by Q2 2013 this had risen to 51%. Even outside prime central London, cash buyers have increased with Islington cash purchasers rising from 13% in Q2 2007 to 35% in Q2 2013.

Despite the relatively high rates of inflation (compared with the recent past) over the past five years London

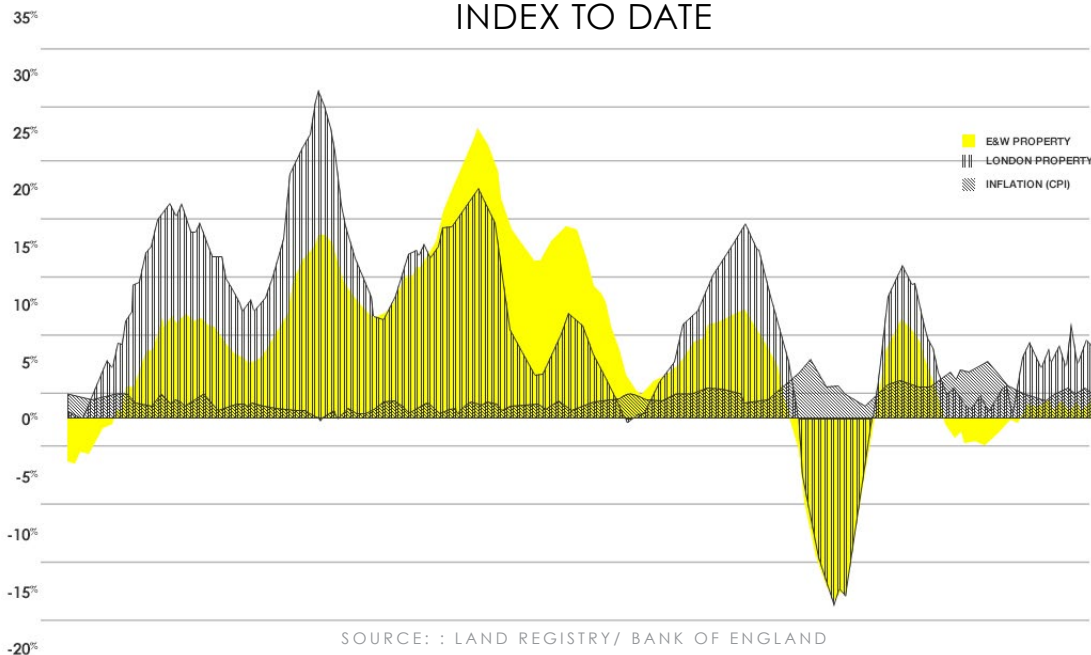
residential property continues to record growth rates over and above inflation, even when comparing prices at the top of the market in 2007/ 08 with current values. UK residential property has seen far less significant price appreciation over the past decade, with growth of 26.7% in the last ten years below inflation at 30.4%.

- CHANGE IN HOUSE PRICES AND THE CONSUMER PRICE INDEX -



SOURCE: : LAND REGISTRY/ BANK OF ENGLAND

- CHANGE IN HOUSE PRICES AND THE CONSUMER PRICE INDEX TO DATE



SOURCE: : LAND REGISTRY/ BANK OF ENGLAND

- ALLEN WARGENT HEADING DOWN UNDER -

We are pleased to announce that our Sydney office officially opens in October 2013. The growth of the business into Australia reinforces our commitment to providing a global

service in local markets. For more information contact Pete Wargent or Paddy Allen, or email sydney@allenwargent.com.

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AllenWargent are residential property buying advisors focusing on delivering a tailored approach to property search and purchase in London and Sydney. We offer an all encompassing property acquisition service managing the process from property search to completion on your behalf.

We fix all our fees as we believe this embodies our company value of transparency, ensuring our clients independence throughout the process. We are one of a small number of buying advisors to be professionally accredited by the Royal Institution of Chartered Surveyors.

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

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