ALLEN WARGENT

LONDON · SYDNEY · BRISBANE

Sourcing Investment Properties in London & Manchester

THE BUYER'S EYE
LONDON 2018

- LONDON 2018 MARKET OUTLOOK -

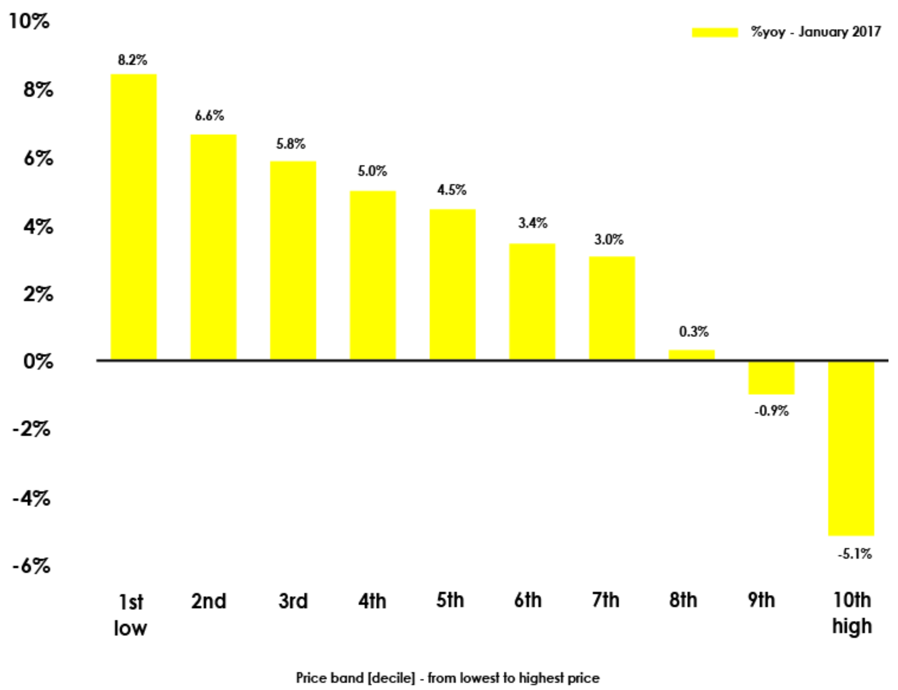
In 2017, the London property market remained gripped in a cautious mood as uncertainty around Brexit, inflation, and interest rates reduced transactional activity.

Stamp duty increases for individuals owning more than one property as well as tax deductibility changes also contributed to many investors watching from the sidelines.

Nonetheless, opportunity still exists. Much of the market noise and headlines have been centred upon the prime London boroughs such as Kensington & Chelsea, where some significant reductions in asking prices have been witnessed.

And yet some relatively strong price growth was seen in some of the lowest price deciles of the London market, particularly earlier in the year, partly driven by the distorting impact of the stamp duty bands.

- CURRENT ANNUAL GROWTH RATE BY PRICE BAND -



SOURCE: HOMETRACK

Rather than a slump for the prime central markets, it can very strongly be argued that this is a readjustment, following several years of growth out pacing the rest of London.

The weaker currency has acted as a buffer against more significant price declines.

Indeed, for many non-sterling domiciled investors, investing in London property remains attractive going into 2018, especially as the Pound stays weak around Brexit uncertainty.

Market investment fundamentals remain stable and consistent, with stock levels low, new supply remaining constrained, and rental market demand for the right product robust.

London boroughs that continue to offer value and connectivity, will continue to thrive amongst the first-time buyer and family buyer cohorts, with east and south-east London continuing to flourish and new infrastructure such as **Crossrail** and the London Bridge station redevelopment coming online.

What we are likely to see is strong ongoing demand for well-located and well-maintained properties that meet the rental criteria of young professionals and families.

However, for secondary properties or those that require a little more maintenance or attention, demand will likely be patchier.

For investors that can move quickly, this could present opportunities when negotiating prices.

While 2018 will remain another underpinned by caution, many London homebuyers and investors remain cash rich, and the fundamentals of London property remain strong.

Therefore, we will continue to see a diverse buyer market and continued activity from those looking to invest for the long term.

Post Brexit, many commentators believe the UK will return to its strengths as the uncertainty lifts.

Should the UK government also negotiate a favourable Brexit, it is likely demand will increase rapidly as investors seek to invest unallocated capital.

- SPECIAL BOROUGH REPORT – GREENWICH 2018 -

The London property market is constructed from many micro-markets.

Over the past decade many boroughs considered to be prime central London (over £1,000 per square foot) have seen prices grow, with a number of areas across zone 2 (TLF Travel Zones) well above this threshold.

Indeed, some individual pockets including Battersea and Camden have seen prices move above £2,000 per square foot in recent years.

With London also benefiting from significant **infrastructure investment**, including **Crossrail** and the **London Overground Network**, London is becoming more accessible.

And as the population seeks value, previously less desirable areas are now seeing a resurgence.

Across London, it is not uncommon to see a mix of new train stations and increasing housing construction activity, leading to more professional and families moving into these locations, with a markets change in local services and amenities.

Areas such as Stoke Newington, Hackney, and Streatham have seen this gentrification take place over the past few years, with demand for family houses in particular outstripping supply.

This demand is also driven by 'Generation Y', who are shunning the traditional flight to the suburbs and opting to stay in the city even as they start families, finding themselves both asset and cash rich from the price increases in London over the past 10 years.

In terms of 'where next?', **south east London** is seeing a significant revival - we see increasing infrastructure investment, not only in public transport, but also road networks, and community space.

Areas such as Peckham, Deptford, and Lewisham have seen huge inward investment in the last 5 to 10 years, which have result in increased housing starts and inward population movement as buyers seek value and convenience across the capital.

With close proximity to the green areas of **Greenwich** and Blackheath as well as the River Thames, south east London is see as a robust location to invest in, where capital values have not yet reached the level seen in similar areas of south west London, such as Clapham, Wandsworth, and Wimbledon.

Focusing on Greenwich and its surrounds, the area is seeing **one of the largest pieces of urban regeneration in Europe** on the **Greenwich peninsula**, with over 15,000 new homes planned on a 300-acre site.

Building has already commenced with developments such as **Greenwich Millennium Village** now complete, and residents being connected to the West End of London in only 20 minutes, Canary Wharf in less than 5 minutes, and Westfield Stratford in 10 minutes, all via the Jubilee Tube line.

Since 2017 the Jubilee line has also been running 24 hours per day, 7 days per week, a first for London.

The peninsula itself is also home to the **O2 Arena**, one of the UK's largest entertainment complexes, hosting regular arena events and housing a huge complex of restaurants, bars, and cinemas.

Aside from the new Greenwich is also one of London's most historic boroughs, with the **Royal Observatory** providing spectacular, panoramic views across London, the Maritime Museum and Royal Naval College showcasing London's naval heritage. The recently refurbished Greenwich market and Cutty Sark ship attracts visitors from around the world.

This is in addition for some of the finest green space in Central London, right on your doorstep. In terms of property, **Greenwich Centre** is considered to be **prime real estate**, with its historic townhouses and cottages.

However, walking west out of Greenwich along the Trafalgar Road and parallel to the River Thames, you reach the areas **Maze Hill** and **Westcombe Park**, which lie on the northern elevation of Greenwich, and are packed with tree lined streets and low rise houses, many of which remain family homes and others of which have been converted into apartments.

Both areas are well served by the **SouthEastern railway**, reaching London Bridge in under 15 minutes, and also stopping at London Charing Cross since the end of summer 2016.

Train services will also be improving post summer 2018 when the London Bridge station refurbishment is completed, with regular services to the City and West End.

Both **Maze Hill** and **Westcombe Park** are within walking distance of the River Thames and Blackheath, providing residents with an escape from the hustle of city life. The area is well served with historic pubs, restaurants, and independent shops, whilst also being a short distance from larger supermarkets.

Over the last few years the gentrification has become clear, with shops along the **Trafalgar Road** converting from various takeaways to artisan cafes, vintage clothing stores, mobile phone shops, and even a boutique wine shop which holds regular tastings!

Schooling in the area is also well provided for, with a number of popular primary schools and high achieving secondary schools in the locality. A new doctor's surgery and leisure centre and complex opened in 2015, providing a new library and sports complex, including swimming pools.

This area is popular not only with young families but also professional couples looking to enjoy a more relaxed pace of life while remaining in the city. Young professionals also enjoy the benefit of a good work-life balance, with excellent transport links to the City.

Additionally, the proximity of the **Queen Elizabeth II hospital** makes Greenwich a popular location for medical and other public services workers.

These areas are **unquestionably growing in popularity**, and still provide value when compared to similar areas in south west and north London. With prices still below £1000 per square foot, Greenwich and surrounds provide attractive options for investors looking to attain a slice of the capital's ongoing growth.

- CASE STUDY: VICTORIAN TERRACE -

The Greenwich peninsula could see a dramatic redevelopment over the years ahead.

While the specific final plans for the huge chunk of land across the water from Canary Wharf are as yet unconfirmed, it seems likely that large, new apartment buildings will feature alongside new office space.

Buyers with the requisite budget often look towards housing stock that can't easily be replaced, such as the classic Victorian terrace.

In the quieter and more desirable streets, quality 3-bedroom terraces tend to be priced from around **£600,000 to £1 million**, and upwards of that for the premium grade homes with 4 or more bedrooms.

Vacancy rates for quality examples of this property type continue to track at very low levels, and the tight rental market is expected to endure due to the inherent scarcity.

A typical gross rental yield for this type of property might be in the region of 3.5pc.

Thus, a £700,000 home might be expected to rent for around £2,000pcm if it is well presented for the rental market.

AllenWargent expects homes in the most sought after primary school zones to outperform in terms of capital growth.

- PROPERTY INVESTMENT SELF-EVALUATION -

1 - Strongly disagree	2 - Disagree	3 - Neutral	4 - Agree	5 - Strongly agree

I am happy with my current investment portfolio.

1	2	3	4	5

I have a robust, long term plan for my investment portfolio.

1	2	3	4	5

I believe that I am maximising the returns on my income.

1	2	3	4	5

My investment plan is tax effective.

1	2	3	4	5

I am leveraging my time and income effectively.

1	2	3	4	5

If you scored 20 or under, please get in touch with us, and we may be able to help.

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