



FYNDERS

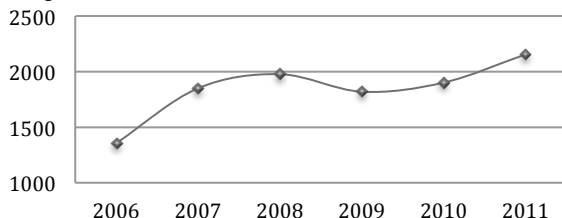
PRIME LONDON MARKET SUMMARY Summer 2011

- 8.5% growth year on year.
- Prime London prices have exceeded the previous all time record of 2008.
- Rental yields are rising again.
- Prime residential property is recognised as the best mid-long term strategic investment class.
- International buyers now dominating London property.
- Exchange rates are giving US\$ aligned buyers discounts.
- London has reclaimed its position as the premier global hub.

PRIME LONDON

2011 has proven to be another good year for prime London property. At this, the halfway point all the major indices have revised up their expectations for the year after achieved gains in June exceeded 8% year on year, putting paid to fears of another slow down. Despite a huge amount of uncertainty across the world, appetite for the most sought after properties remains undiminished.

Prices have now surpassed their previous record peak in 2008 by over 2% and in some cases significantly more. Prime residential gains of 34% since the trough of March 2009 are in part due to the dearth of properties coming to the market, which has been exacerbated by the delay in new developments and refurbished properties coming on line following the 2008 slow down which saw many developers left without funding.



Graph 1: Price per ft² (£) in SW1X.

RENTAL AND INVESTMENT

As sales values have soared, rental values have also increased, but not yet to the same degree. At 3.5%+, they are beginning to make investment sense as they offer similar or higher returns than most interest rates or bond returns. Factoring in the capital growth element, returns are now often above 10% per annum before considering uplifts generated by redevelopment or improvements.

INVESTMENT STRATEGY

Across the globe, major investors are again recognising the importance of prime residential property as the best strategic investment with which to ride out economic cycles. Many of our clients acknowledge that they look to invest 32% or more of their portfolios in residential property, a percentage second only to their primary business. With interest rates low, property in prime city locations is providing excellent returns in the medium to long term. A lack of space and opportunity to increase physical stock levels ensures demand is always higher than supply.

INTERNATIONAL INTEREST

2010-2011 has seen a 15-20% increase across the board in the number of international buyers in prime London. 50% of buyers in the £2-5m market are now from overseas, whilst the £5m+ band sees that figure increase to over 60%. This is a reassuring factor, as demand is no longer dependent on the whims of the local economy or even specific nationalities of owners or investors.

With Eurozone concerns over financial stability and austerity measures impacting on savings and investments we have seen an uptick of 25%, particularly made up of Greek and Italian buyers.

The political unrest surrounding the “Arab Spring” and its impact has seen a significant increase in investment from the Middle Eastern countries, 20% up on the year, with buyers looking to find a safe liquid medium term asset store.

“The previous price record for Cadogan Gardens was set at £2,000 psf in March 2010. In June of this year it was smashed at £2,600; a 30% jump in 15 months.”

EXCHANGE RATE GAINS

The current artificially weak state of the £ against the major global currencies following the policy of quantitative easing has meant that many of our buyers, particularly those linked to the US\$, have seen an effective 20% discount placed upon UK property compared to prices during their previous peak in 2008.

LONDON: THE “GLOBAL HUB”

Despite losing its position as the premier global city to New York last year, London holds sway as a close second and clear of the next contenders. It’s unique location as a bridge, both in terms of geography and time zones between America, Europe, the Middle and Far East has seen its importance remain strong. There is every indication that London will maintain this position for the next decade.

This enviable reputation as a global hub is reflected in the property market; where over 50% of buyers are international, representing 60 different nationalities over the past 12 months. It is London’s unmatched reputation as a stable political environment, a destination of educational excellence, and a diverse melting pot of cultures and languages with the infrastructure to match that cements its status as the only truly ‘Global’ capital.

THE FUTURE

Most recently we have seen that, like the Russians before them, the Chinese are arriving at first slowly, with an advance guard of the truly super-wealthy acquiring trophy assets, soon to be followed by the merely wealthy. When they begin to learn and understand the nuances of the London market, their enormous buying power has the potential to massively influence the prime London housing market.

When one considers that Chinas’ billionaires are multiplying at a rate of 150% per year, predictions that their influence could generate additional price increases of up to 15% are not unrealistic.

With all this considered, it would appear that now, more than ever, London property is a place for safe and smart money.