

London's lifestyle zones

Residential
market update

Summer 2018



Kinleigh Folkard & Hayward

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London is home to a myriad of different housing markets across its Lifestyle Zones, each subject to its own pressures and influences, but the overall picture for the Capital has been one of continued market readjustment as we head towards the summer.

Readjustment continues

Throughout spring the housing markets across London's Lifestyle Zones have continued to readjust to the challenging market. Average sales prices across the capital fell by 0.7% in the year to March, with asking prices in many boroughs below levels seen a year ago. Across our Lifestyle Zones, stock levels remain stable, with the number of properties currently available for sale on par with Spring 2017. With greater parity between buyer and vendor expectations, the percentage of property sales falling through across our Lifestyle Zones is at its lowest level since 2014, a confidence boost to those in the market.

First-time buyers on the rise

The average first-time buyer across London has seen their stamp duty bill reduce by close to £5,000 following the Budget announcement in the autumn. With other incentives including Help to Buy, a lack of competition from buy-to-let investors, and help from the Bank of Mum and Dad, across our Lifestyle Zones we have seen increased interest from first-time buyers. Such buyers accounted for 43% of all new buyer registrants in the first quarter of 2018, up from 38% a year ago.

Many first-time buyers are keeping a close eye on the market, ready to offer on properties they like and feel offer value. Our analysis shows that in some areas, across the year to date, more than half the sales were agreed by first-time buyers. Poised to act, a third of these first-time buyers agreed the sale less than two weeks after registering; over a fifth were registered for just a week before a sale was agreed.

This activity may be fuelled by Help to Buy equity loans, which since their introduction in 2013 have benefitted close to one in every twenty first-time buyers across the capital, with the government lending purchasers up to 40% (to a maximum value of £240,000) of the cost of a newly built home in the capital.

Strength in numbers

Record high employment levels, heightened consumer confidence and falling inflation are all good news for the housing market. Wage growth outpaced inflation for the first time in over a year in March while interest rates were kept on hold in May. It may well be August before we see any rise. With the majority of mortgage purchasers opting for fixed rate deals (95% of all mortgages agreed to date in 2018), borrowers are less vulnerable to rate fluctuations, and at 2.15%, the average interest rate for a fixed rate mortgage remains historically low, down from 2.22% a year ago and 5.94% back in 2008.

-0.7%

Annual house price growth London

Source: UKHPI, May 2018 (relating to March 2018)

43%

of all new buyer registrants in Q1 2018 first-time buyers

Source: KFH

£360,127

Median price of a first-time buyer property in London

Source: **dataloft**/UK Finance Regulated Mortgage Survey

11,094

first-time buyers in London who have benefitted from a Help to Buy equity loan

Source: MHCLG, 2018 (loans between April 2013 – December 2017)

London's first-time buyers – the facts

31

Average age

£66,111

Borrower(s) median income

£266,494

Median mortgage loan

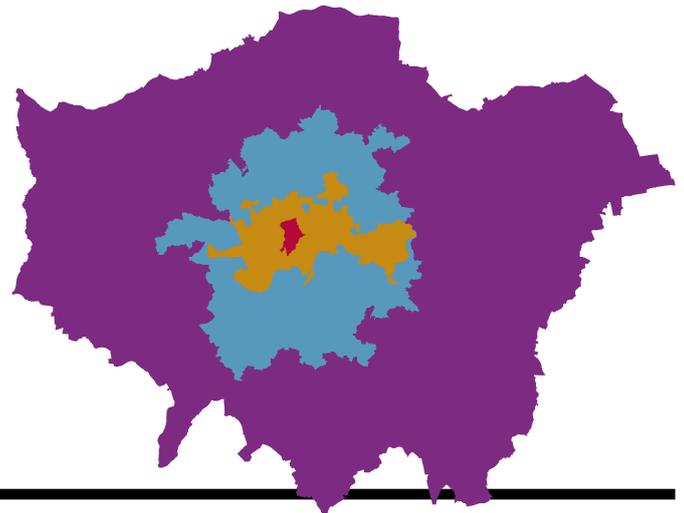
74%

Median mortgage advance

17.3%

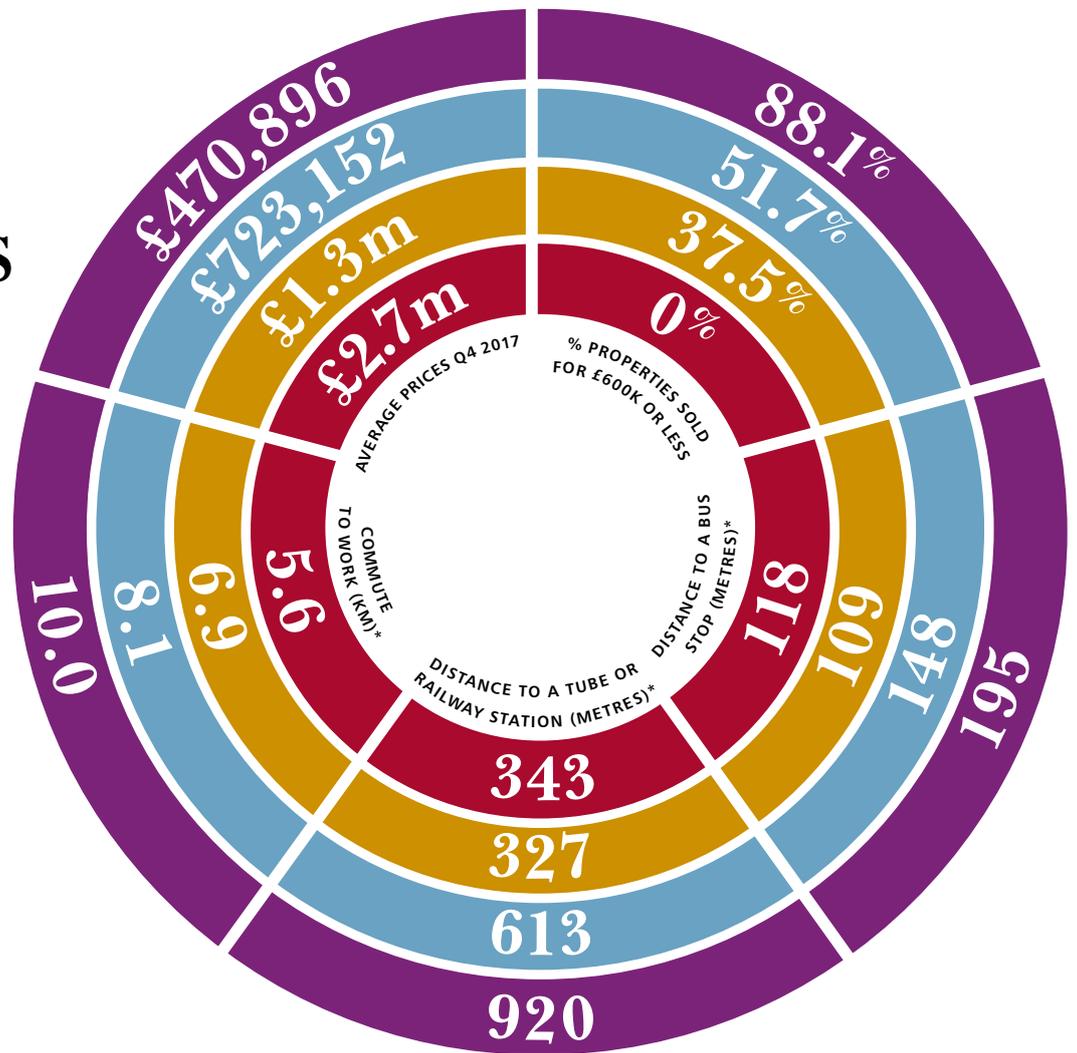
Capital and interest payments as a % of borrower(s) income

When looking for a property to purchase across London, commuting patterns and access to transport links are high on the agenda. How do these compare across London's Lifestyle Zones?



- Luxury Living
- City Living
- Urban Villages
- Suburban London

Lifestyle zone indicators



Source: dataloft, LonRes, Land Registry, Census, Ordnance Survey
* Average distance

Average prices

Price sensitivity remains across the Capital, and marginal price adjustment continues.

Overall London
£620,405

% properties sold for £600k or less

Two-thirds of new build properties across London sold for £600,000 or less in the last year, the threshold for a Help to Buy loan.

Overall London
68.2%

Distance to tube or rail station*

Those living in Luxury London and City Living are less than half the distance away from a tube/railway station than those living in Suburban London.

Overall London
661 metres*

Distance to a bus stop*

Wherever you live in London, as the crow flies there will always be a bus stop within 200m.

Overall London
197 metres*

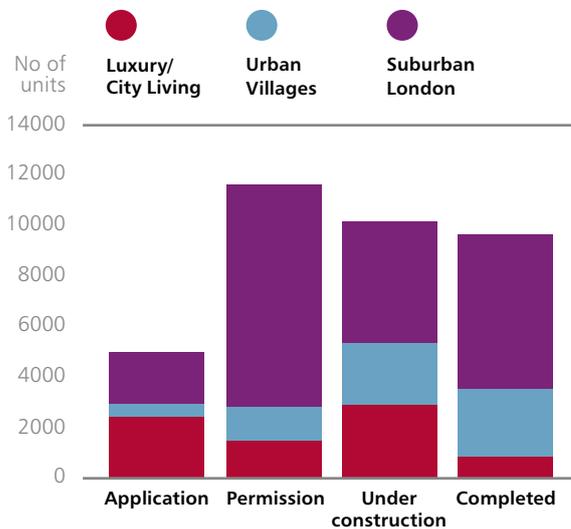
Commute to work*

On average Londoners commute 9km to work, those living in Luxury London commute just 5.6km.

Overall London
9km*

Many commentators believe growth in rental values will outstrip that of sales across the London market in 2018.

Build-to-rent pipeline – London's future?



Source: dataloft/EGi (data to end of February 2018)

¹ONS IPHRP (April 2018)

²RICS (Royal Institute of Chartered Surveyors), March Survey

³UK Finance – UK loans for BTL new house purchase down 6.9% Jan/Feb 2018 v Jan/Feb 2017

⁴PWC Regional tenure projections (2016)

⁵IPSOS MORI Survey of London's housing market (2016)

Tipping point

Rental values remain under pressure across London, rising by just 0.1% in the year to March, unchanged from February¹. However, for the first time since June 2016, more London surveyors expect prices to rise over the next three months than fall as demand begins to rise². Across all of London's Lifestyle Zones the majority of tenancies agreed are for apartments; however there were over 4% fewer properties on the market this April compared to last, and agent expectations for supply levels remain muted. If the supply/demand balance tips, the pressure on rental values will ease.

A changing letting landscape

A survey by RICS reveals more landlords are expected to leave the market than join over 2018. Buy-to-let loans for new home purchases continue on a downward trajectory in 2018³, after loans in 2017 were at their lowest since 2012. However, the proportion of London households living in private rented accommodation is anticipated to rise to just under 40% by 2025⁴. With over 50% of Londoners feeling more apartments are needed across the capital⁵, for the first time a detailed policy on institutional investment in private renting, build-to-rent, has been included in the draft London Plan.

Accelerating delivery

Close to 10,000 build-to-rent private rental units have been delivered across London's Lifestyle Zones since 2012, over 60% of which have been across Suburban London. An additional 4000 units are set to complete this year and next. The majority of schemes are large scale (+50 units), although land constraints within Luxury London means any provision here will be via small-scale development. Future provision targets City Living, and over 50% of units at application stage for developments are within this Zone. With 80 schemes currently at application or permission stage across London's Lifestyle Zones set to bring forth an additional 16,000 new PRS units, build-to-rent may well prove the golden ticket to accelerating housing delivery.

Average monthly rents

£4,686

Luxury Living

£2,875

City Living

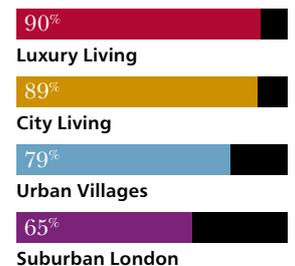
£2,218

Urban Villages

£1,483

Suburban London

Apartments dominate London's rental tenancies



Source: dataloft based on tenancies agreed (Q2 2017 to Q1 2018)

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