

London's lifestyle zones

Residential
market update

Spring 2017



Kinleigh Folkard & Hayward

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Housing choices in the capital range from penthouse to cottage, regency villa to basement flat. Diversity is a by-word for London. This research examines market conditions in KFH's four distinct lifestyle zones: Luxury Living; City Living; Urban Villages and Suburban London.

Liveable, loveable London

Time and time again London tops city rankings – whether as a leading financial centre¹, for technological innovation², global influence³, culture⁴ or academic excellence⁵ and it attracts people from all over the world to make it their home. Small wonder then, that the price of housing is high.

The price premium for the Luxury London zone sets it apart from the rest of the Capital. The average price of a home sold here in Q1 2017 was five times Suburban London and double City Living. The gap suggests potential for long term growth in surrounding areas and some, such as Clerkenwell, London Bridge and Islington, have continued to experience price growth in the last year.

A market on the turn

Across London, annual price growth has slowed to 5% and at the top end of the market, prices are dipping under the weight of high stamp duty, particularly new build properties. Calls for stamp duty to be reduced, in order to unleash pent-up demand, are getting louder. However, evidence of an 8.7% fall in revenue to the Exchequer from sales in prime central London might prove the most persuasive argument.

There are some early indications that the triggering of Article 50 may bring renewed decisiveness to the market, although a June election could be a temporary distraction. Demand is rising, especially across Luxury Living and City Living zones, as a combination of lower average prices and the weak pound have attracted interest from buyers and investors. Thanks to the currency fluctuations since the EU referendum, for those seeking to purchase in Euros, properties are now 10% cheaper, while for dollar buyers the discount is 13%, saving a purchaser over \$200,000 on a £1 million purchase.

First time buyers stepping in

City Living has a strong appeal for young professionals establishing themselves in London and First Time Buyers (FTBs) make up around 40% of all house-hunters in these markets, rising to over 55% in Canada Water and Bayswater. In the Urban Villages zone, where 38% of sales are to FTBs, it is Streatham, Peckham and East Dulwich that draw the majority. The typical buyer in Suburban London is far more likely to be an established owner with a property to sell and in Beckenham 60% of all buyers fit that description.

£634,891

Average sales price
Q1 2017, all London

5%

Annual change in sales price, all London

-\$211,000

Saving in \$ on a £1 million property

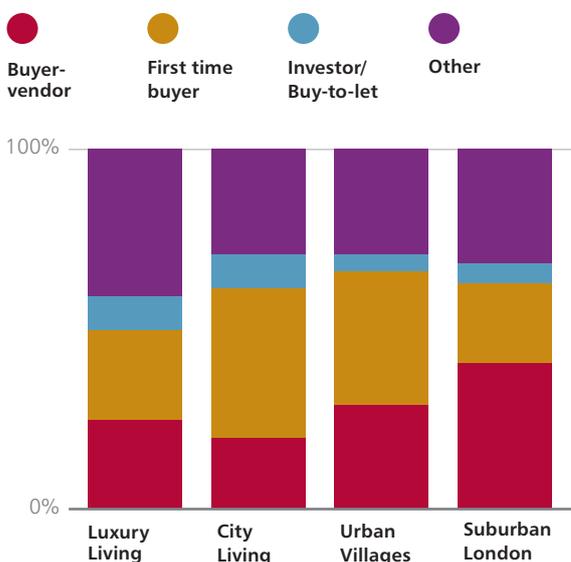
Source: **dataloft**/Bank of England, 25.04.17 versus 23.06.16, includes SDLT and assumes purchase as a second home

-8.7%

Fall in PCL stamp duty receipts since 2014

Source: **dataloft**/Land Registry. Assuming 40% of sales incurred 3% second homes surcharge after April 2016.

Active buyer demographics Q1 2017



¹ Z/Yen Global Financial Centres Index

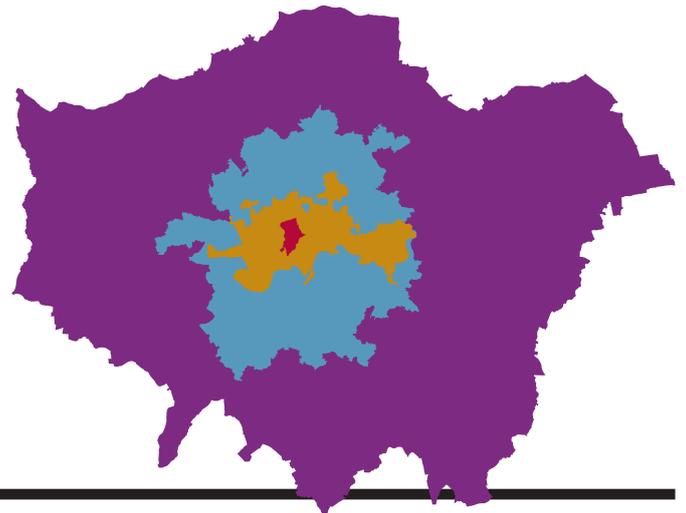
² Deloitte Connecting Global Fintech: Hub Review

³ AT Kearney Global Cities Index

⁴ PWC Empowering city brands

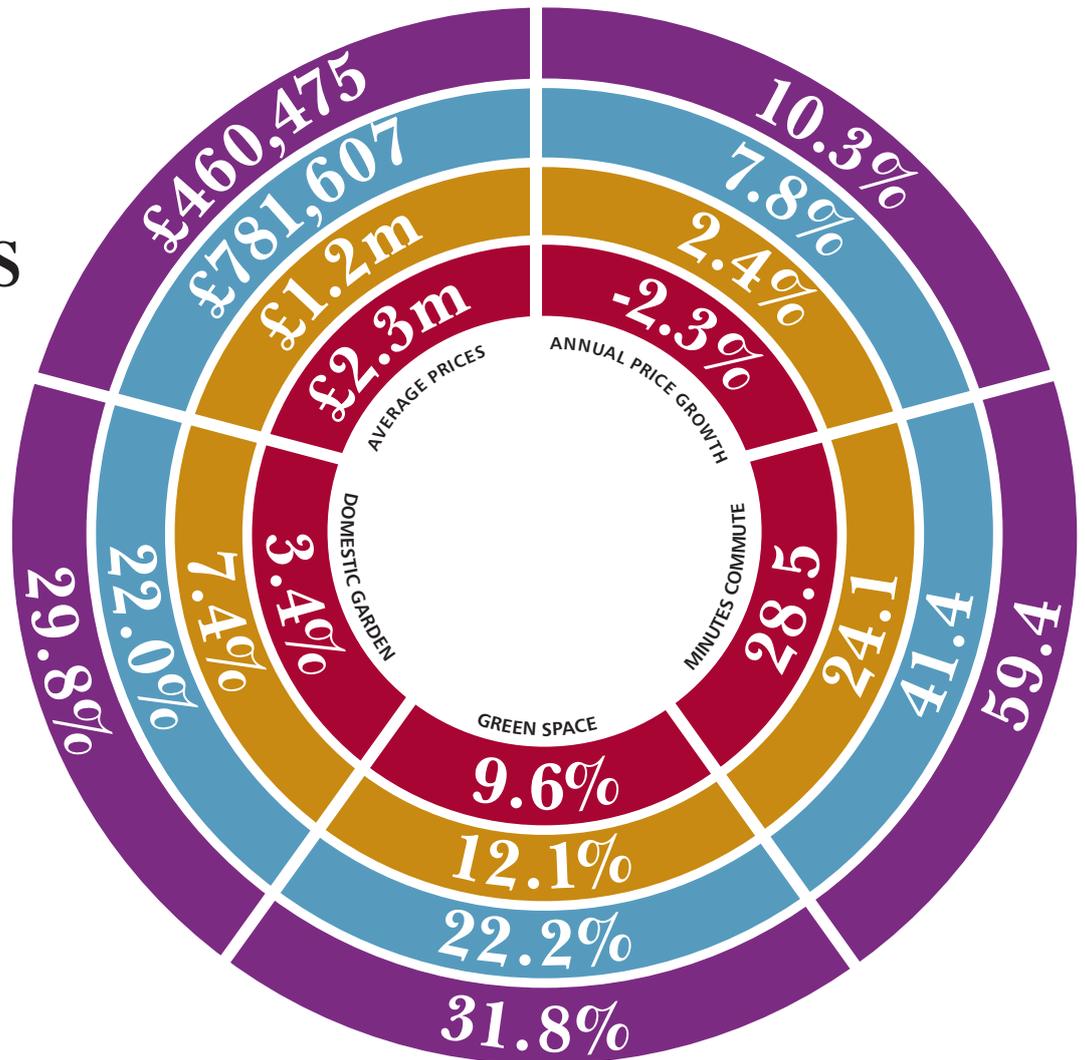
⁵ Times Higher Education World University Rankings

Investing in bricks and mortar is not just a financial decision but a lifestyle choice. Our London lifestyle zones are based on fine-grained, postcode level analysis of big data on demographics, economics, transport connectivity and housing markets.



● Luxury Living
 ● City Living
 ● Urban Villages
 ● Suburban London

Lifestyle zone indicators



Source: dataloft/Land Registry/LonRes, KFH Local Market Data
 1 % change Q1 2017 v Q1 2016
 2 based on travel by public transport to Bank station
 3 % of land area of each zone

Average prices

The price premium for Luxury London is close to four times the London market average.

Overall market
£634,891

Annual price growth¹

Average prices paid continued to drift upwards over the last year in all areas except Luxury Living.

Overall market
+5%

Minutes commute²

The commute for those living in Luxury London and City living is less than half the time of those living in Suburban London.

Overall London
44.4 minutes

Green space³

London is one of the greenest cities in the world: just under one quarter of its total land area is green open space.

Overall London
23.5%

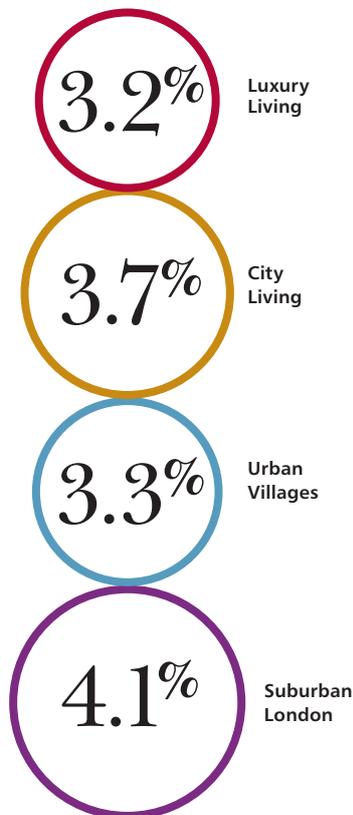
Domestic garden³

Domestic gardens occupy over a fifth of London's Urban Villages and Suburban London, compared to just 3.4% in Luxury Living.

Overall London 21.0%

The London rental market is highly seasonal. While central areas have a marked peak in new lettings in the autumn, the leafier family markets have their busiest periods in spring and early summer.

Gross yields



Source: dataloft/ publically available rental prices on 2 bedroom properties.

The London Season

The Autumn peak in central London is set by the influx of students starting the new academic year and the annual graduate intake into the job market. It is then perpetuated by the prevalence of 12 month tenancies, which means that this seasonal pattern is repeated throughout the rental system. In suburban London, family needs are also strong drivers, with school application deadlines and summer breaks influencing activity levels.

Rise of the renters

A quarter of all London households now live in the private rental market and it has been rising steadily for two decades. As the average age for first time buyers has risen, the number of renters has expanded. The government is keen to encourage the expansion of a professional institutional rental sector and that will help to cement renting as an acceptable alternative to home ownership.

Stable rents

Rental values were relatively stable in London last year, according to ONS data, with an average increase of 1.2%. According to our calculations, the average rent in the Luxury Living zone rose by 2.2% in Q1 2017 and by 3.3% in City Living. There was very little movement in either Urban Villages (-0.4%) or Suburban London (+0.6%).

Yields remain attractive

The investment yields available on residential property in London have declined in the past few years, as capital values rose steeply while rents moved upwards at a much gentler pace. As a broad rule, yields get higher with distance from the centre and it is still possible to earn a gross yield of over 4% in Suburban London, compared to 3.2% in Luxury Living.

Average monthly rents

£4,916

Luxury Living

£3,320

City Living

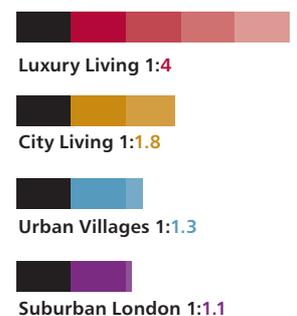
£2,091

Urban Villages

£1,478

Suburban London

Ratio of sales property to rental property



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