

# GCR

GLOBAL CITIZEN REALTY

MARKET INSIGHT



# LONDON

## HIGHLIGHTS

- Prime London is facing resistance to further price growth
- The fringes and outer boroughs are likely to overtake prime in terms of rate of growth this year
- New developers and developments are expanding prime London and changing the face of the city
- Domestic and international investors will continue to benefit from opportunities outside of prime London through 2014

## BACKGROUND

International investment in London is not new, but the today the city's real estate is coveted more so than any other around the world. In the nadir of the financial crisis wealthy foreigners rushed to invest in London real estate as a means of protecting their wealth. Today the motivation is wealth creation rather than protection, but the trend is the same; soaring prices fuelled by foreign demand.

Perhaps there is more logic to today's investment rationale. Whilst the English team may not have progressed far in the World Cup, it has been said that the UK government has easily won the World Cup of economic policy since the crisis. Today, the economy is the fastest growing in the Western World, GBP is creeping back towards the \$2 mark and the Bank of England is the first central bank in a major Western economy to hint at interest rate rises. Fuelled by growth and the prospect of improving tax takes, the Conservative government is planning huge investments into infrastructure that will both benefit London and seek to geographically balance the UK economy away from its overly London centric position.

All of these things support continued price growth across London. Even the prospect of rising interest rates is unlikely to dampen the cash rich demand the city currently faces. However, the boom cannot continue at the same pace for ever. According to Cushman and Wakefield, the London market was hot in 2013, but today it is on fire. Something will have to cool the flames and pull growth back to sustainable level before the flames consume the foundations and the city's property market follows the fate of its national football team.

## LONDON REAL ESTATE IN 2014

Continued price growth across London, particularly in prime areas, continues to grab the headlines, but perhaps the most significant trend is the relative boom in supply. Across the city 2013 housing starts were up 42% on the previous year, a massive 154% from the 2009 low and crucially 6% up from the 2007 peak.

A closer look shows how the outer boroughs are, for a change, driving rather than lagging this growth. The inner borrows were up 24% on the previous year whilst the outer boroughs reached just over 10,000 starts, a 66% increase. This means that both inner and outer London exceed their previous peaks in 2013.

This is good news for the city's residents who continue to suffer the effects of living in one of the world's most expensive cities. However, this supply "boom" is unlikely to play a significant part in cooling a market that really needs 50,000 new homes per year.

Up to now, the upward trend in sales and pricing has continued unabated with some boroughs outperforming others. In the city as a whole, sale of units under construction and completed reached 12,738 in 2013, up 44% on the previous year and the highest number post Lehman.

Overall, prices have continued to surge, but prime London still leads the surge. Prime London boroughs experienced average price rises of 17% on the previous year helping the inner borough average 24% whilst the outer boroughs increased just 11%. However, a comparison of percentage change between 2012-2013 and 2011-2012 suggests that price rises are radiating out from the core. Rates have increase in all sectors, but less so in the prime core. This would seem to support anecdotal evidence from agents that prime London demand is cooling and price pressure is easing off.

This ripple in prices comes as no surprise to many. Infrastructure improvements and gentrification of outer boroughs has made many parts of London unrecognisable and more desirable; especially when the price differences are considered. Average prime London prices now stand at £1,987 p/sqft and inner London as a whole at £1,043 p/sqft. Outer borough prices are just £481 p/sqft.

The headlines in 2014 will speak of the slowing demand for prime London property, but this belies the underlying reality of a diverse market experiencing much price growth; albeit in different parts of the city. In all likelihood 2014 will be the year in which outer borough price rises exceed those of the inner boroughs in percentage terms.

When you look at London's changing built environment you notice that prime London is expanding to encompass ever more of the city. Landmark towers lead gentrification as borough after borough climbs the ladder towards prime London. Crossrail will accelerate this process but investors are already ahead of the trend. Various areas have been tipped as the next hotspot; Bethnal Green, Tooting and Deptford to name a few. Already "fringe prime" areas, especially along the Thames have already drawn enormous attention from overseas investors. Volume developers from China like Dalian Wanda and Knight Dragon have very successful developments in Vauxhall and Greenwich respectively.

International investors may make up 80% of new buyers in the city, with the largest single group coming from China, but there remain arguments on both sides as to whether London's growth is sustainable or a foreign cash fuelled bubble. London is set to continue as the international financial centre of choice for the Global elite and whilst we may well see resistance to further price rises in prime areas, we can also expect to see strong growth in the fringes and outer boroughs through 2014.



GLOBAL CITIZEN REALTY

London  
U.K.

-

Valencia  
Spain

-

St. George's  
Grenada

Global Citizen Realty Ltd  
43-44 Hoxton Square  
London  
N1 6PB  
United Kingdom

[www.globalcitizenrealty.com](http://www.globalcitizenrealty.com)



+44 207 148 1557

© Copyright Global Citizen Realty Ltd 2014

Information contained in this brochure is for guidance purposes only and will not form part of any subsequent contract. Neither should it be relied upon in entering into any contract. The obligations and responsibilities of the parties will be determined exclusively by the terms of the contract that they sign. We recommend that before making any decisions based on the information provided you should seek independent legal and financial advice.