



Savills World Research
UK Residential

Spotlight **Waterfront London**

LONDON'S RESIDENTIAL RIVERSIDE PROPERTY MARKET Q4 2013



Foreword A VIBRANT RIVERSIDE

Welcome to the Waterfront Spotlight

The top 10 cities in the world for global real estate¹ in terms of both where to live and invest are all located either on the banks of a major river, on the harbour front or by the ocean. The water has invariably proved a catalyst for commercial success.

London is one of these premier world cities and the strategic position of the River Thames, flowing through the heart of the capital, has seen it at the centre of London's industrial, political and cultural history. As the commercial importance of the river has waned, it is waterfront living and leisure that have come to define the modern Thames. Inherently the waterfront offers a sense of space, light and relaxation.

A river transformed

For many areas of London, redevelopment of the waterfront

has been comprehensive, with great swathes of the river transformed to offer contemporary accommodation, lifestyle services and exceptional views. Period properties have thrived as a clean and culturally vibrant riverfront has emerged.

This spotlight seeks to understand the premium that waterfront living in London commands and the extent to which waterfront properties achieve higher prices than their landlocked counterparts. It also recognises the value and potential offered by different areas of the river.

There really is something for everyone along the Thames waterfront and we have discovered that there is no one type of waterfront buyer or tenant. People have been attracted to the waterfront from all walks and stages of life. ■



IN NUMBERS

up to **35.4%**

The premium for waterfront living in the capital

13.1%

The average premium across the capital

18-20%

The premium for direct views of the water compared to the street behind

55.5%

The proportion of second hand buyers from the UK

64.1%

The proportion of second hand buyers buying their main home

55.1%

The proportion of waterfront tenants who have relocated for employment

20.3%

The proportion of waterfront tenants who have relocated for lifestyle reasons

54.7%

The proportion of waterfront tenants from the UK

The Waterfront Premium ROOMS WITH A VIEW

Our analysis shows premiums of up to 35.4% are commanded by waterfront flats in the capital

We have mapped the Thames between Teddington Lock and the Royal Docks and pinpointed every flat² that sold within 100m of the river in 2012 and those that sold in the surrounding area, up to 1km away. We found that there was a clear price premium for proximity to the river of an average 13.1% across London, although substantial variation occurred between different areas, as illustrated in Table 1.

Geographical variation

To the south west, between Teddington and Wandsworth Bridge, flats within 100m of the river commanded a 19.4% premium over those in the surrounding area. The Thames has been an important factor in

the development of the south west London wealth corridor. Areas such as Barnes, Chiswick and Putney have become increasingly gentrified in the last 10-15 years. In the past five years, prime property prices in Chiswick have increased by 46.2%, whilst values in Barnes and Putney have increased by 42.4% and 52.6% respectively.

Between Wandsworth Bridge and the London Eye, central waterfront flats on the north bank of the river commanded a 16.3% premium. This slightly lower level premium is largely due to the proximity of super and ultra prime flats in prime central London (PCL). Average prices on the river suggest there is still some value to be had; for instance in the area around

Pimlico the average price of a flat is £630,000, compared to £1.84m in Knightsbridge. In contrast, to the south of the river in central London, the premium for a central waterfront flat is 35.4%, the highest of all areas in London as a result of ongoing regeneration of the riverfront.

To the east, flats within 100m of the river commanded an average 29.1% premium. Period conversion and redevelopment have allowed once industrial locations to embrace their architectural roots and the proximity of the river to become new prime areas. Initially restricted to the areas surrounding Canary Wharf, gentrification has now spread to areas such as Wapping and Surrey Quays.

Unique characteristics

In addition to substantial variation across the capital, less quantifiable attributes, such as river views, private jetties and access to a pier, enable properties to command higher but more variable premiums. A property with direct river views can cost 18-20% more than a similar property without river views, perhaps only a street away.

New developments can command a premium for height, with the most extreme differences in value achieved on higher floors. The specific tailoring and high specification offered by some prime new developments can also see a premium for scale, measured in terms of an increase, rather than a decrease in price per square foot, especially where the acquisition of an entire floor offers panoramic views. ■

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“Average prices on the river suggest there is still some value to be had compared to prime central London” Savills Research
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TABLE 1
Waterfront property across the capital

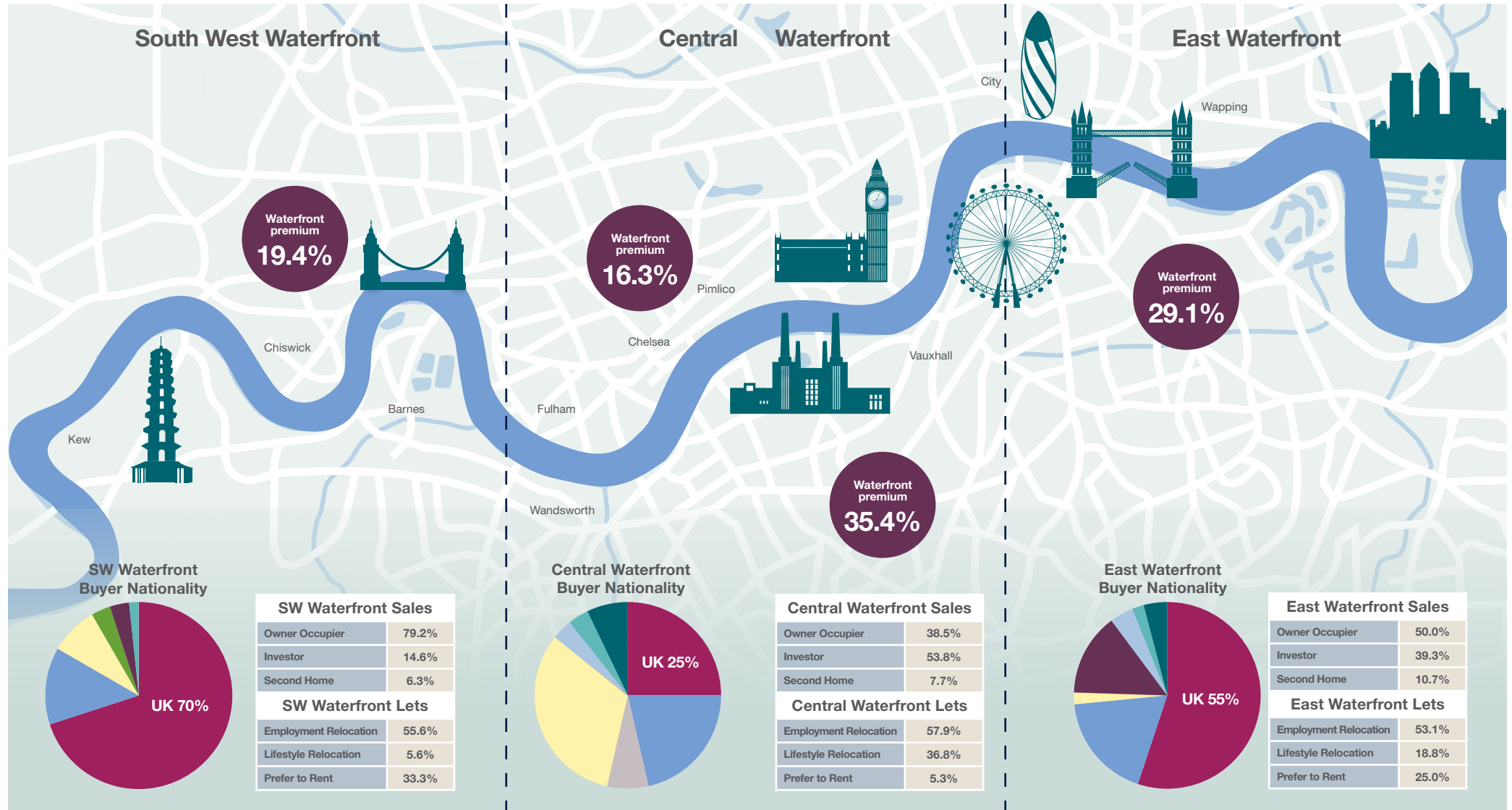
	South West	Central North Bank	Central South Bank	East
Average Premium	19.4%	16.3%	35.4%	29.1%
Average Waterfront Flat	£495,000	£960,000	£575,000	£475,000
Average Flat within 1km	£415,000	£825,000	£425,000	£365,000

Source: HM Land Registry, Savills Research

Riverside Profile

WATERFRONT LONDON

The premium and second hand buyer profile for each area of the river in 2012 and H1 2013



KEY: BUYER NATIONALITY

- UK
- Western Europe including Nordic countries
- Pacific Asia
- Eastern Europe and the CIS
- Africa
- China
- North America and the Middle East
- Latin America
- North America
- South Asian sub-continent

Area Analysis

WIDE APPEAL OF LONDON'S WATERFRONT

78%³ of waterfront buyers in 2013 so far bought in areas they hadn't previously considered

The properties on offer along the 27-mile stretch of river between Teddington Lock and the Royal Docks are extremely variable. This gives each area a distinctive and varying character.

In the south west the proportion of period stock is high. The majority of properties fronting the river are large houses, built over a century and a half ago, with gardens stretching to the water's edge. In central London most period properties were built set back from the embankment and arranged in rows of terrace. New development schemes have been able to build right to the water's edge on both north and south banks, affording uninterrupted views of the Thames. To the east new schemes are interwoven with repurposed and renovated industrial buildings built straight up from the riverbank and surrounded by canals and dockyards.

Despite these distinctive characters the waterfront has a wide appeal, with 78% buying in areas they hadn't previously considered, although there are some identifiable trends in buyer and tenant types.

South West London

The south west waterfront market is more domestic than either the central or east London markets. 70% of buyers of second hand waterfront stock in 2012/H1 2013 were from the UK and 79.2% were owner occupiers. Domestic markets have performed strongly in the last year with price growth of 11.8% across south west London. Equity rich buyers who already live in London have been displaced out of PCL, relocating west in search of more space and seeing the value upsizing here can offer.

Interestingly however, the south west waterfront market is

slightly more international than the wider south west market where 74.2% of buyers in the same period were from the UK. Greater numbers of international buyers, in Fulham for example, have contributed to increased property prices.

The south west waterfront market also has a higher proportion of investors. In September 2013 the average gross yield across prime south west London was 3.4%, but gross yields of up to 4.2% can be achieved for prime waterfront. Demand for family housing in the south west rental market is strong and top-end corporate renters will pay a premium for waterfront living. 55.6% of south west waterfront tenants have relocated for employment. In the wider south west only 7.7% of tenants are employment relocators.

Central London Waterfront

The proportion of residential stock along the banks of the Thames in central London is lower than in the east or south west. The regeneration of areas such as Victoria and the development led growth around Nine Elms and South Bank (including Battersea Power Station, Riverwalk and the Shell Centre) will change this, and these emerging river submarkets will extend the boundaries of prime. The proportion of international buyers increases towards the centre of London. Emerging new developments in

particular, many of which have been marketed abroad have a high proportion of international buyers.

The largest group of buyers of second hand central London waterfront property in 2012/H1 2013 were investors, accounting for 53.8% of sales, in contrast to only 25.5% in wider PCL, partly a result of the higher yields that can be achieved on the river. Gross yields in PCL were an average 3.1% in September 2013, compared to up to 3.8% for central waterfront properties.

Despite cuts in the financial sector 57.9% of central waterfront tenants rent due to employment relocation. A further 36.8% are lifestyle relocators, demonstrating the strong appeal of the river and a large group who will pay premium rents for the right property. Only 10% of tenants in wider PCL have relocated for lifestyle reasons.

East London Waterfront

The waterfront market to the east of London is a complete mix of buyer and tenant types. Owner occupiers account for 50% of sales, drawn by the proximity of the City and Canary Wharf. Investors account for a further 39.3% of sales, drawn by strong average gross yields of 4.5% rising to up to 6% for the best waterfront developments. Tenants state a full variety of reasons for renting, from affordability to lifestyle choice.

The waterfront in east London has experienced significant gentrification compared to surrounding areas. However, on average, the waterfront in east London is the least expensive of the areas examined, making it a more affordable waterfront option for buyers and tenants alike. ■

AN ALTERNATIVE COMMUTE

The growing popularity of river boat services

As one of the most attractive ways to travel around the capital, the growing popularity of river boat services is testament to a growing preference for a more convenient and pleasurable commute. Between 2007 and 2012, passenger numbers per year rose from 5.3m to 6.6m, a 25% increase.

The Mayor and TfL unveiled plans in February 2013 to double the number of passenger journeys by 2020 following a £10m investment. TfL estimate 100,000 additional homes will be created close to the Thames by 2031, making it imperative that the river becomes an integrated part of the London transport network.

Amongst other changes, the Oyster Card has now been introduced on the Thames Clipper. Three new piers are planned at Plantation Wharf, Battersea Power Station and Enderby Wharf, following the opening of piers at Imperial Wharf and St. Georges Wharf. Major improvement works have occurred at Tower Pier and Greenwich Pier.

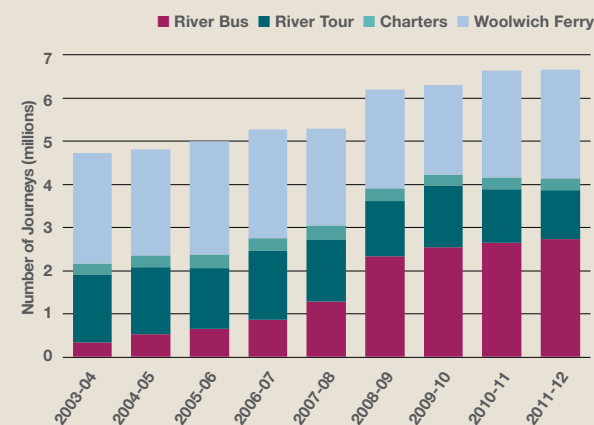
Changes such as these can significantly enhance the desirability of an area; the new Thames Clipper service from Riverside Quarter in Putney to Blackfriars, a 30-minute journey, has introduced a whole new group of city buyers to the area.

TABLE 2
Upcoming developments

Development	Developer	No. of units	Average £s per sq ft	Estimated completion
Riverwalk	Heron	113	£2,300	Dec 2015
South Bank Tower	CIT	191	£1,700 - £2,000	Dec 2015
Embassy Gardens	Ballymore	1,982	£950	Q1 2015
Kew Bridge	St George	308	£700 - £800	Summer 2015
Fulham Reach	St George	744	£1,100	TBC

Source: Savills Research

GRAPH 1
Increase in River Boat Journeys



Source: TfL

Outlook

DIVERSITY AND DESIRABILITY

Regeneration and development are catalysts for change in the profile of London's waterfront housing

The outlook for London over the next five years is very positive, with a slight dip expected in prime London in the run up to election year as the debate regarding the taxation of high value property comes to the fore.

Looking forward, regeneration and development will likely continue to be the catalysts for change in the profile of housing along the London waterfront, as regeneration comes to the likes of Battersea Power Station and

also Silvertown Quays.

In the next five years it is thought an additional 13,200 market units will be completed along the river between Putney Bridge and Tower Bridge, 9.4% of all inner London development. The vast majority of these units are going to be delivered into the prime (over £1,000/sq ft) and super prime (£2,000 sq ft) markets, often pushing the boundaries of London's prime markets into new locations.

Waterfront pipeline

A large pipeline can bring with it some uncertainty, and it takes time for new markets to mature. This is offset on the London waterfront by strong forward overseas sales at many developments; 71.5% of new build buyers were from overseas in 2012/H1 2013. There is also significant diversity in terms of pricing, with individual units in prime new developments ranging from £450/sq ft to £3,000/sq ft, despite an average £1,000/sq ft.

Improving infrastructure

Residential development, retail and commercial regeneration and infrastructure improvements will continue to increase the desirability and diversity of London's waterfront. Underground blackspots are already being targeted by TfL, including the extension of the Northern Line as part of wider regeneration plans for Vauxhall, Nine Elms and Battersea. Improved river boat services and continued extension of the Thames pedestrian path will create a more accessible and interconnected waterfront. ■

TABLE 3

London five-year forecasts

	2014	2015	2016	2017	2018	5-year total
Prime Central London	3.0%	-1.0%	8.0%	6.5%	5.0%	23.1%
Outer Central London	6.0%	0.0%	6.0%	5.0%	4.0%	22.7%
Mainstream London	8.5%	6.0%	4.0%	2.0%	2.0%	24.4%

Source: Savills Research

¹ Based on locations where international companies want to be based, have an active and growing worldwide market in real estate and sizeable non-domestic sales and lettings markets with growing interest in them from overseas investors and occupants. ² Given the geographical distribution of different types of stock only flats have been included in our analysis in order that the values used to calculate premiums are not distorted; flats accounted for 87.3% of sales within 100m, but only 68.0% within 1km of the river in 2012. ³ Properties bought through Savills from January 2013 to September 2013, between Putney and Vauxhall

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