

DISCOVER LONDON

Prime North West London

Demand is beginning to return post election

The sales market

In prime north west London, locations surrounding Hampstead Heath and stretching south to Marylebone Road, average values have behaved in line with the prime London average over recent months. Small growth of 1.4% between April and the end of June left house prices in this market down by an average of 0.8% year on year given the falls seen in the run up to the General Election.

Although average values have fallen marginally across all price bands on an annual basis, buyer caution has been most evident at the top end of this market. Properties valued over £5million saw larger annual price falls of 2.0%, impacting houses rather than flats and, consequently, Hampstead more than other areas.

The price falls largely resulted from stamp duty changes announced in the 2014 Autumn Statement and uncertainty surrounding a mansion tax in the run up to the general election. Since the election some of the pent up demand is beginning to flow back into the market. However, the new stamp duty rates are still keenly felt by buyers and this has restricted any significant increases in both prices and transaction numbers.

We now expect the prime London housing market to remain relatively subdued over the rest of 2015 as high levels of available stock built up during a long period of pre-election caution and it will take time for this to be absorbed.

Nonetheless, we are forecasting price growth to return to the market in 2016 and values to rise by 22.7% over the five years to the end of 2019. →

Sales	Quarterly	Annual	5-year
Under £2m	1.5%	-0.3%	29.5%
£2m - £3m	1.5%	-0.2%	28.8%
£3m - £5m	1.6%	-0.5%	26.0%
£5m +	1.0%	-2.0%	21.7%
Rents p.w	Quarterly	Annual	5-year
Under £1500	1.6%	1.1%	0.7%
£1500 - £3000	1.5%	0.6%	-6.1%
£3000+	0.3%	-5.3%	-10.0%

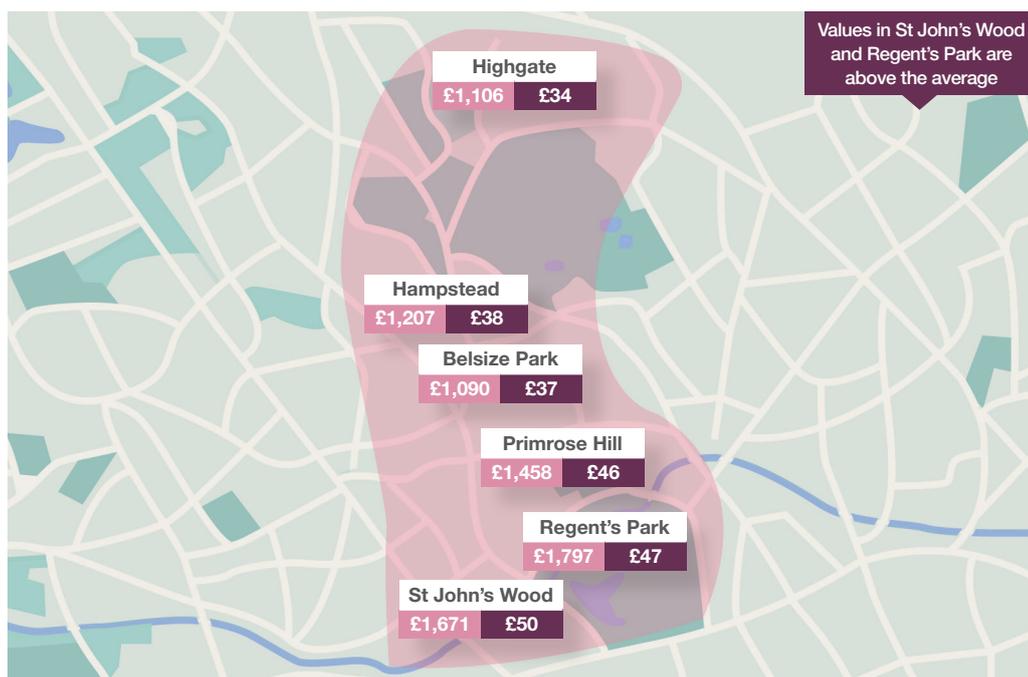
Source: Savills Research



1.4%
Average growth in
prime north west London
property values in Q2 2015

Capital and rental values £/sqft

■ Capital values £/sqft ■ Rental values £/sqft per annum



Capital values per square foot

£1,430

Rental values per square foot per annum

£44

Average yield

3.1%

Source: Savills Research

→ The rental market

In prime north west London, average rents have seen small falls over the past 12 months of 0.4%, despite seeing rents increase by 1.4% over the three months to the end of June. This compares to average rental increases of 0.5% across the wider prime London market. The strongest rental growth was recorded in the market below £1,500 per week as demand for the larger family properties usually peaks later, over the summer months.

International tenants are an important part of the prime north west rental market, accounting for 78% of tenants. Of these tenants, over half are from North America and are often in London due to employment relocation. This is in stark contrast to the sales market where North Americans account for less than 10% of all international purchasers.

We now expect the strengthening London economy and continued expansion of sectors such as technology and telecommunications will underpin demand for prime rental property over the medium term.

Value movements to Q2 2015	Capital values	Rental values
Quarterly	1.4%	1.4%
Annual	-0.8%	-0.4%
5-year	26.4%	-2.6%

Source: Savills Research

A potential risk to the sector is the level of new stock being brought to the market by overseas investors in certain locations on the fringes of prime London. This may lead to rents coming under pressure.

Across the prime London markets as a whole we expect rents to rise by 17% over the course of the next five years. ■

Prime London forecasts

	2015	2016	2017	2018	2019	5-year
Capital values	☁ -0.5%	☀ 7.0%	☀ 5.5%	☀ 4.5%	☀ 4.5%	22.7%
Rental values	☁ 2.5%	☁ 3.0%	☁ 3.5%	☁ 3.5%	☁ 3.5%	17.1%

Source: Savills Research

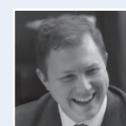
NB: These forecasts apply to average values in the second hand market. New build rental values may not move at the same rate



Sophie Chick
Residential Research
+44 (0) 20 7016 3786
schick@savills.com



Stephen Lindsay
Residential Sales
+44 (0) 20 3043 3602
slindsay@savills.com



Matt Hobbs
Residential Lettings
+44 (0) 20 3430 6616
mhobbs@savills.com

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