

DISCOVER LONDON

Prime South West London

Annual price growth has been strongest in the market under £1million

The sales market

Prime south west London, the large leafy district running south from Fulham to Wimbledon and stretching west from Clapham to Ham, saw price growth marginally outperform the prime London average in the second quarter of 2015 with values rising 2.0% and 1.6% respectively. This leaves annual growth at 0.8% compared to the small falls seen in other prime London markets.

The strongest growth across all the prime south west London submarkets was recorded for properties below £1 million, where buyers benefited modestly from the stamp duty reform announced in the Autumn Statement of December 2014. However, price growth was just 2.1% as the mortgage market review continues to restrict the amount people can borrow.

At the top end of the market, buyer caution has been most evident, with properties valued over £2million seeing small price falls of 0.7% over the past year. This has particularly affected some of the higher value markets such as Fulham and Battersea, where values of property worth over £1.5million fell by 2.5% and 3.5% respectively over the past year.

Price falls were largely a result of the stamp duty changes and the uncertainty surrounding a mansion tax in the run up to the general election. Since the election some of the deferred demand is beginning to flow back into the market, although the new stamp duty rates are still keenly felt by buyers.

This has restricted any significant boost to prices and transaction numbers and we expect this to continue over the rest of 2015. 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 £750k	1.4%	2.3%	30.4%
£750k - £1m	1.2%	1.8%	44.6%
£1m - £2m	2.3%	0.6%	36.7%
£2m+	2.3%	-0.7%	23.0%
Rents p.w	Quarterly	Annual	5-year
Under £750	0.6%	3.0%	16.8%
£750 - £1500	-0.7%	0.7%	7.2%
£1500+	-0.6%	0.6%	-9.3%

Source: Savills Research

2.0%
Average growth in
prime south 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

£873

Rental values per square foot per annum

£28

Average yield

3.3%

Source: Savills Research

→ The rental market

In prime south west London, average rents have increased by 1.7% over the past 12 months, despite seeing very small falls of 0.1% over the three months to the end of June. This compares to a more subdued annual increase of just 0.5% across all prime London.

The area attracts a wide range of tenants. Corporate relocators, both from the UK and overseas, account for 42% of tenants, and the higher value markets of Richmond and Battersea are particularly popular. Additionally, many affluent families are becoming more flexible in their location preferences and increasingly attracted to south west London where the average rent per sq ft is £28 per year, less than half of that in prime central London.

In the first half of 2015, 17% of tenants moved from either the borough of Kensington and Chelsea or City of Westminster, compared to 13% of tenants in 2014. This is particularly evident in Fulham which, despite being the most expensive south west London rental market, is 42% cheaper than neighbouring Chelsea.

Value movements to Q2 2015	Capital values	Rental values
Quarterly	2.0%	-0.1%
Annual	0.8%	1.7%
5-year	38.2%	9.5%

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, which may lead to rents coming under pressure. Nonetheless, 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



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