



Savills World Research
UK Residential

Spotlight **London's Waterfront**

2016



Market overview

WATERFRONT LIVING

Living on the Thames appeals to people from all walks and stages of life

The Thames runs right through the heart of London and has historically been at the centre of the capital's economic success. As the commercial importance of the river has waned, it is waterfront living and leisure that have come to define the modern Thames.

The residential property on offer along the river varies significantly. In the east, new schemes are interwoven with repurposed and renovated industrial buildings.

In central London most period properties were built set back from the embankment allowing new development schemes to be built right on the water's edge on both the north and south banks.

This differs from the south west waterfront where there is a high proportion of period stock, and a high number of properties fronting the river are large

houses with gardens stretching to the water's edge.

Premium living

All over the world people will pay a premium for living next to water and London is no exception. Analysis of the 27 mile stretch of river between Teddington Lock and the Royal Docks shows an average premium of 13.5% is commanded by second hand waterfront flats within 100m of the river compared to those that sold in the surrounding area, up to 1km away. Although it should be noted that there is significant variation across the different areas.

The central London riverside stretch, between Wandsworth Bridge and the London Eye, is both the most expensive stretch of waterfront and also has the highest premium as a result of ongoing regeneration. The average waterfront premium in

2015 for a second hand flat was 26.5% to the north of the river and 36.3% to the south.

The two stretches of river to the east and west of the central area command a similar but slightly lower premium, albeit average values are somewhat lower. In the south west, between Teddington and Wandsworth Bridge, flats within 100m of the river had an average premium of 21.8%. In the east the premium was slightly lower at 17.1%.

While these figures give average premiums for proximity to the waterfront, there are a number of other factors that can have a significant impact on price. River views, private jetties, luxury facilities, penthouses and large outside space all enable properties to command higher but more variable premiums that can be very location specific.

New development

Although the analysis of the river premium excludes new build properties for consistency, development and regeneration has had a significant impact on the appeal of riverside living and will continue to do so.

Along this 27 mile stretch between Richmond and Canary Wharf, there are an estimated 270 schemes within 1km of the Thames that are expected to deliver units to market over the next five years in order to meet demand for this lifestyle.

The vast majority of developments are concentrated in the central and east areas with the south west stretch of river accounting for just 11% of schemes.



Across the central stretch of river the development activity is concentrated at the higher price points, with 98% of schemes expected to achieve over £1,000 per square foot. These high specification schemes have helped push the boundaries of London's prime markets into new locations.

The eastern stretch of the Thames has changed considerably over the past 25 years as development activity led to significant regeneration and gentrification and this looks set to continue.

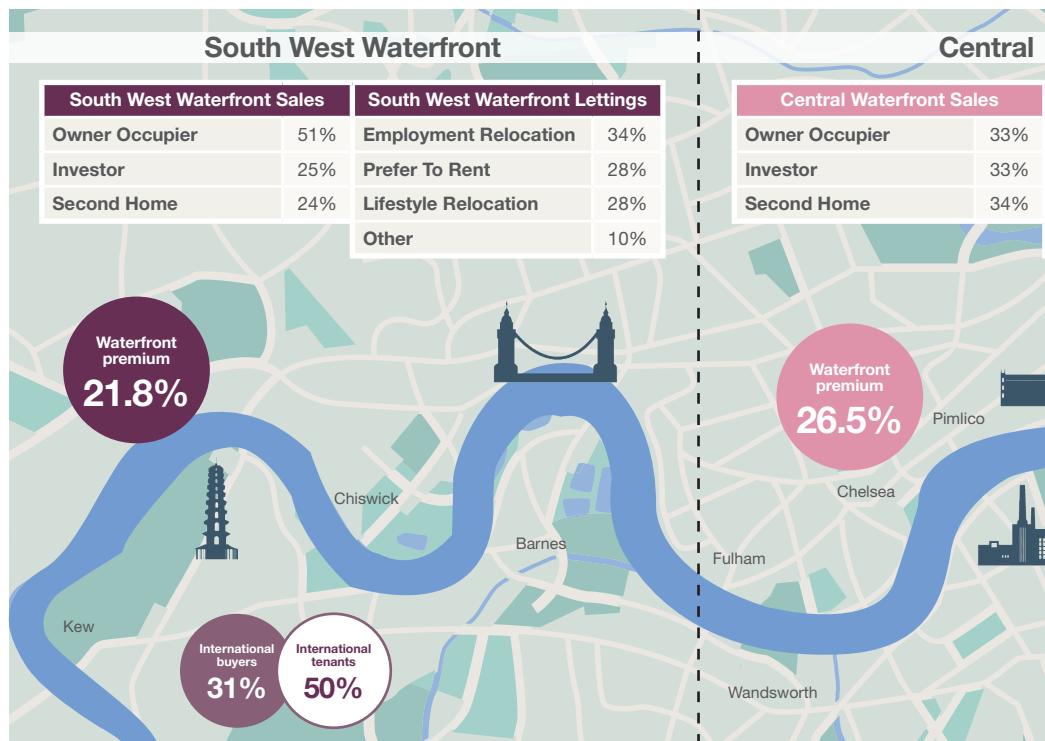
Over the next five years there are a similar number of schemes being developed in

the central waterfront stretch but on average they are larger and the price points are significantly



FIGURE 1

The premium and second hand buyer profile for each area of the river in 2014



lower with just one third of schemes expected to achieve over £1,000 per square foot.

Wide appeal

Living on the waterfront in London appeals to a wide number of buyers and tenants from all over the world. Along the Thames, 42% of buyers and 61% of tenants of prime property are from overseas.

In central London, traditionally an international market, there have been an increasing number of buyers coming from the UK, now accounting

for 58% of the prime market compared to 25% in 2012/13, as domestic buyers become more attracted to buying new developments.

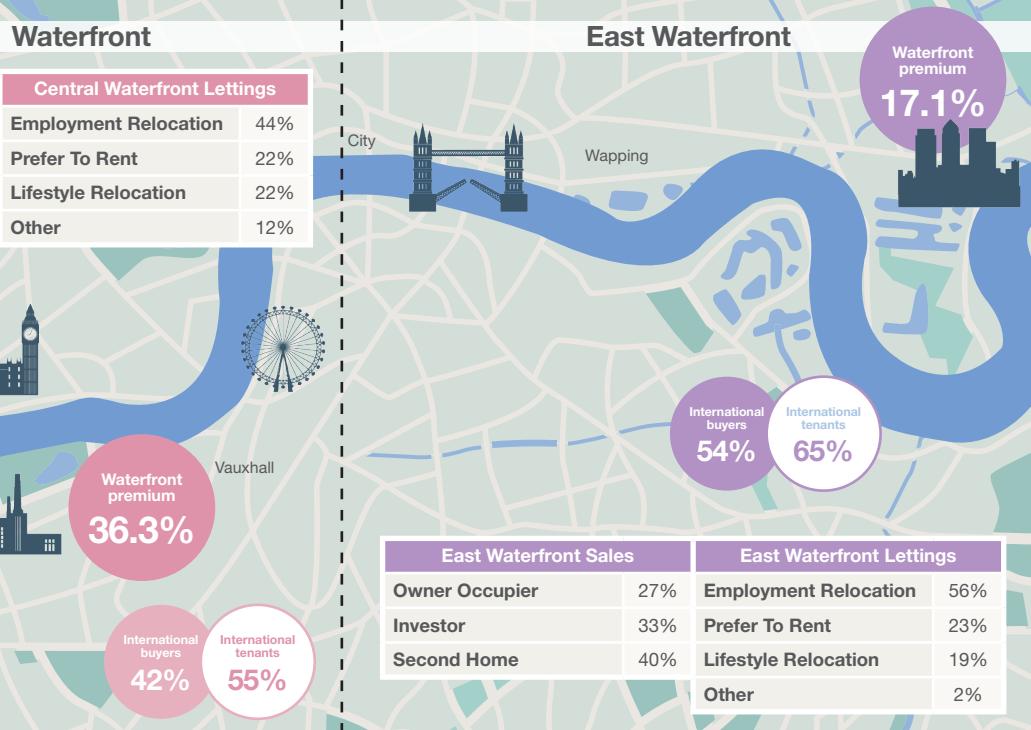
Reasons for buying on the waterfront varies significantly. In the prime market, an average of 38% of buyers are purchasing their main residence, taking advantage of the benefits of waterfront living.

Second home buyers account for 32% of the market with the Thames proving a popular location for secure and low maintenance pieds-à-terre.

Investors make up the final 30% of buyers as demand for rental property remains strong.

Just over half (51%) of waterfront tenants are renting due to employment relocation, increasing to 56% on the eastern stretch, due to its close proximity to the key employment areas of the City and Canary Wharf.

A further 20% are lifestyle relocators, evidence of the strong appeal of the river and a large tenant group ready to pay premium rents for the right property. ■



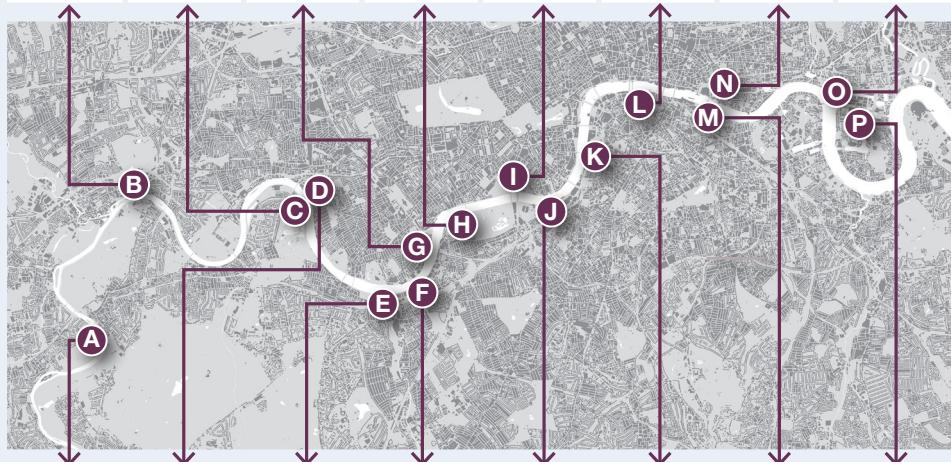
Development

WATERFRONT DEVELOPMENTS

How do the average sale and rental values compare on new build developments along the Thames?

KEY:				Sales				Lettings*			
1 bed 550 sq ft no view Sales	2 bed 900 sq ft partial view Sales	3 bed 1300 sq ft direct view Sales	1 bed 550 sq ft no view Lettings*	2 bed 900 sq ft partial view Lettings*	3 bed 1300 sq ft direct view Lettings*	1 bed 550 sq ft no view Sales	2 bed 900 sq ft partial view Sales	3 bed 1300 sq ft direct view Sales	1 bed 550 sq ft no view Lettings*	2 bed 900 sq ft partial view Lettings*	3 bed 1300 sq ft direct view Lettings*

B	C	G	H	I	L	N	O
KEW BRIDGE	HARRODS VILLAGE	IMPERIAL WHARF	ALBION RIVERSIDE	GROSVENOR WATERSIDE	NEO BANKSIDE	CITY QUAY	CANARY RIVERSIDE
£495,000	£465,000	£605,000	£660,000	£825,000	£750,000	£525,000	£500,000
£810,000	£810,000	£990,000	£1,200,000	£1,350,000	£1,350,000	£1,100,000	£750,000
£1,300,000	£1,450,000	£1,950,000	£2,650,000	£2,200,000	£2,450,000	£1,750,000	£1,250,000
£375	£400	£400	£550	£550	£550	£450	£440
£475	£625	£650	£925	£750	£750	£700	£650
£900	£1,250	£1,000	£1,500	£1,400	£1,400	£1,700	£850



A	D	E	F	J	K	M	P
RICHMOND BRIDGE	FULHAM REACH	RIVERSIDE QUARTER	BATTERSEA REACH	RIVERLIGHT	PARLIAMENT VIEW	BUTLERS WHARF	PAN PENINSULA
£525,000	£605,000	£550,000	£550,000	£660,000	£700,000	£525,000	£475,000
£900,000	£1,200,000	£900,000	£900,000	£1,100,000	£1,250,000	£990,000	£795,000
£1,600,000	£1,950,000	£1,500,000	£1,500,000	£1,950,000	£1,950,000	£1,850,000	£1,200,000
£350	£500	£400	£400	£450	£400	£450	£425
£500	£800	£550	£525	£650	£625	£650	£685
£1,000	£1,250	£1,150	£1,000	£1,900	£1,300	£1,250	£1,500

Outlook THE MARKET IN CONTEXT

The outlook for London's Waterfront needs to be considered in the context of the wider prime London market.

The sales market

A decisive election in May 2015 was expected to boost confidence in the prime London market, but it still remains relatively price sensitive, particularly at the top end. This reflects the increased transaction costs resulting from successive reforms to stamp duty, and in the more domestic markets, the ongoing impact of increased mortgage regulation. We expect this to lead to muted price growth in the short term as the market adjusts to a new fiscal and regulatory backdrop.

Along the Thames, regeneration and development will likely

continue to be the catalysts for change in the profile of housing along the London waterfront. However, a large pipeline can bring with it some uncertainty, and it takes time for new markets to mature. Currently, supply continues to be met by good demand for new build properties, demonstrated by consistent off-plan sales.

The future of London's waterfront

Over the next five years the London economy is forecast to continue strengthening, which will underpin demand for prime rental property over the medium term as more people move to London for employment opportunities. This will benefit the rental market along the Thames, as well as many tenants

choosing to live on the river for lifestyle reasons.

A potential risk to the sector is the high level of stock coming to the market from both new build properties bought by investors and accidental landlords who are delaying a sale of their property until the market adjusts fully to the new rates of stamp duty. This will be particularly evident in locations where a new residential district is being created, as the full rental value of an area is not realised until the development delivers a sense of place.

However, over the medium term, we believe that as the supply of rental properties increases, it will be met with demand resulting in an active prime London rental market. ■

“Regeneration will likely continue to be a catalyst for change”

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