

savills

Spotlight Richmond

2016



Market overview

A PERFECT COMBINATION

Richmond provides the ideal balance between town and country, making it a highly sought-after location

Richmond upon Thames is an affluent town in south-west London. As its name suggests, it occupies a prime spot on the south side of the Thames, some 10 miles away from the centre of the city.

It is a highly sought-after location for young professionals, families and even the famous to live. The market offers a wide range of homes, from smaller flats and cottages to large Georgian and Victorian terraces and detached family homes on Richmond Hill and around the park.

Richmond has strong royal connections and was named after Richmond Palace which was built by Henry VII in the 16th century. The palace was located on the banks of the Thames and survived until 1650 when it was sold and knocked down.

It wasn't until the 18th century that further development occurred, shaping the Richmond we know today. The building of Richmond Bridge between 1774 and 1777, making it the oldest surviving Thames bridge, the many Georgian terraces, such as those around Richmond Green, and the addition of the railway station in 1846, all helped Richmond become the well loved and connected town it is today.

One notable claim to fame is that Richmond Hill commands breathtaking aspects down to the river that are the only views in England to be protected by an Act of Parliament, the Richmond, Ham and Petersham Open Spaces Act passed in 1902.

Its location on the Thames and river promenade, Richmond Park, the largest of the capital's eight Royal Parks stretching to 2,500 acres and attractive

high street all add to the area's appeal. Yet for all this open space, it is only nine miles from London's West End and 19 minutes by train to Waterloo, making it very accessible to the centre of London.

Property prices

In 2015, the average sale price in Richmond was £1m, 32% higher than the average for the borough of Richmond upon Thames according to the Land Registry. Richmond's property prices achieve a premium over neighbouring locations and comparing the average sale price of terraced houses highlights this. In 2015, the average price paid for a terraced house in Richmond was £1.2m, compared to £941k in St Margarets, £765k in Strawberry Hill and Teddington, and £618k in Petersham and Ham.

Living in close proximity to one of Richmond's many green spaces comes at a price. Properties within 100m of green space command a premium of 12% compared to others in the area on a £ per square foot basis and if the property has a direct view of the park/green, the premium increases to 24%.



Richmond offers a wide variety of homes

Prime property values in Richmond have increased significantly over the past 10 years, rising by 105.4% on average. However, following such significant price rises, the rate of growth has slowed recently, with average values up only 2.3% over the 12 months to March 2016. This is due to pressures from the increased stamp duty tax burden and political uncertainty generated by the London mayoral election and EU referendum.

Rental market

Across the four areas highlighted on the map (Figure 1), rental

values range from around £1,300 per month for a one bed to over £4,300 for a property with five or more bedrooms, according to Rightmove. Similar to the sales market, rents achieved in Richmond command a premium to the wider area. This is most evident for larger properties, as rental values for a five bed property in Richmond are on average almost double rents paid in Teddington.

Although Richmond is an expensive option compared to nearby areas, it does offer a significant discount to prime central London. The average

£30 per square foot annual rent in Richmond is around half the prime central London rent.

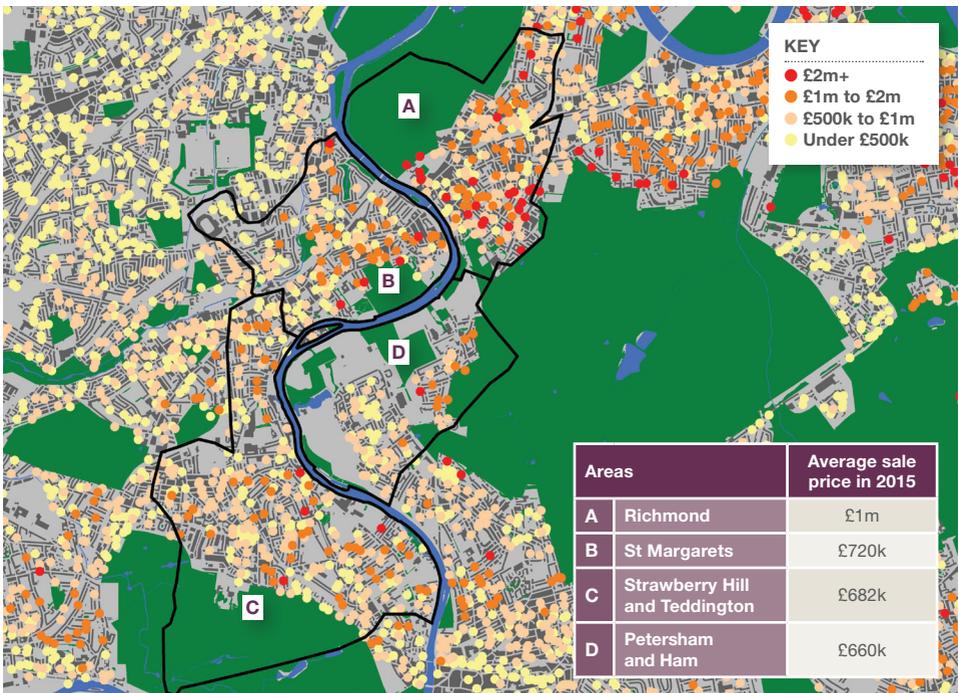
A good balance between supply and demand means that prime residential rental values have remained relatively flat over the past year. Over the past five years, prime Richmond rents have increased by 5.8%, outperforming the south west London average.

Demand

Over three quarters of buyers in Richmond since 2014 are purchasing their main residence, according to our analysis, while

FIGURE 1
The housing market around Richmond in 2015

A look at where the sales happened and at what value



a small proportion are buying an investment or second home. Of those buying a main residence, 70% are upsizing from their current property.

These numbers emphasise Richmond's popularity with families. Living close to good schools is a top priority, with 64% of buyers having one or more children. The borough is home to 52 schools, with various highly regarded state and private schools being located in Richmond itself.

The majority of buyers move from within the borough of Richmond upon Thames with those from central London boroughs accounting for 6% of purchasers. International buyers, although not dominant in this part of prime London, are also an important source of demand. Since 2014, they have accounted for 23% of purchasers, with families from Western Europe the most prevalent.

In the rental market, just over 50% of tenants are from overseas. In a similar pattern to the sales market, the majority of tenants are moving within the borough, although there is a slightly higher proportion (11%) moving from central London. The majority of tenants (66%) are renting for employment relocation, a significantly higher proportion than the average across prime London, as commuting to the key employment hubs from Richmond is quick and convenient. ■

£1m

The average sale price of a property in Richmond in 2015



A prime spot on the south side of the Thames

FIGURE 2 **What would the same property sell or rent for on our featured roads?**

2 BED, 2 BATH APARTMENT OF 1000 SQ FT			
Street Name	Postcode	Sale Price	Rental Value*
Kings Road	TW10	£900k - £1.1m	£2,300 - £2,600
Riverdale Road	TW1	£800k - £1m	£2,000 - £2,100
The Green	TW9	£1m - £1.3m	£2,900 - £3,500
Richmond Hill	TW10	£950k - £1.3m	£2,500 - £3,000

4/5 BED PERIOD HOME OF 3000 SQ FT			
Street Name	Postcode	Sale Price	Rental Value*
Montague Road	TW10	£3m - £3.75m	£8,000 - £10,000
Sheen Road	TW9	£2.4m - £2.85m	£6,500 - £7,000
Lebanon Park	TW1	£2.6m - £2.9m	£4,500 - £5,500
Park Road	TW10	£3m - £3.75m	£8,000 - £10,000

Source: Savills Research

*per month

Development UNIQUE SITES

Unique developments in the Richmond area present opportunities for buyers seeking new homes

The development pipeline in Richmond itself is limited, with very few schemes under construction currently.

Development in the area is typified by small-scale, niche schemes such as the redevelopment of Richmond Brewery Stores, which was used as Britain's first poppy factory in the 1920s. Originally a bottling factory, the site on Petersham Road by boutique developer Banda will deliver 7 residential apartments with commercial units at ground floor level.

One of the area's larger developments currently under construction is London Square's

Grade II listed The Star and Garter site on Richmond Hill which will deliver 86 residential units.

There is more development activity in the areas surrounding Richmond, however overall the development pipeline in the borough of Richmond upon Thames is on a much smaller scale than other London boroughs.

In neighbouring Ham, Latchmere House has planning permission for 57 private units. Used as a hospital during World War One, an interrogation base during World War Two and most recently a young offenders' institute until 2011, the site on the edge of Richmond Park has been

in many news stories due to its interesting history.

Nearby, Teddington Riverside is a 4.5-acre site owned by City Developments and Dartmouth Capital Advisors, which has planning permission for 220 private residential units due to launch later this year. St James' Brewery Wharf in Twickenham has 110 homes due to complete by the end of 2016.

These developments are expected to appeal to a wide range of buyers and tenants who are attracted to the unique sites and properties on offer, further adding to the strong demand already seen in Richmond and surrounding areas. ■



Outlook

LASTING APPEAL

Richmond is well placed to attract a wide range of buyers and tenants in the future

It is important to assess the outlook for Richmond in the context of the wider prime London market.

The sales market

The Autumn Statement in 2014 marked a turning point for the prime London housing market. As a result of increases in stamp duty rates for higher value properties, coupled with increased mortgage regulation which limits the amount people can borrow against their earnings, the prime London housing market has seen price growth slow significantly.

Over the short term, the EU referendum in June is expected to result in values in prime London remaining broadly

flat through 2016 and most of 2017, as the market continues to adjust to the new political and regulatory backdrop.

However, over the medium term we expect a gradual return to trend rates of price growth. Richmond will continue to appeal to a wide range of buyers, whether locating from within the borough, from central London or overseas.

The rental market

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.

Richmond is well placed to draw on this demand as a large proportion of tenants currently move to the area for this reason.

In Richmond, we do not expect a high level of new build stock to come forward compared to other locations in London. This means that supply will remain relatively constrained and rents will therefore not be suppressed by a high number of properties being brought to the market simultaneously.

As such, we are forecasting steady rental growth of 13.1% across prime London over the next five years. ■

13.1%
Five-year rental
growth forecast
for prime London

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