LONDON
MARKET REVIEW

SPRING 2013

GARRINGTON

LOCALLY

LONDON

The UK's coldest start to spring since John F Kennedy was President has failed to dampen a gently building optimism about the property market.

While the economic backdrop remains challenging, targeted help from Britain's policymakers and reports that activity is increasing are underpinning confidence. The Government's Funding For Lending Scheme, which has been extended and is aimed at boosting credit availability, has yet to translate into significantly increased mortgage lending, but there is evidence that this is starting to change. The Chancellor also put housing at the centre of his Budget in March, with sweeping measures to increase mortgage lending and kick-start the market.

In terms of values London remains well ahead of the national picture. Prices in the capital are growing at an annual rate of 6.3%*, compared with national growth of just 1%. Locations at the top end of the London market remain the best performers.

*Source: Land Registry

"THE VARIOUS PULL & PUSH FACTORS STRETCHING PRIME LONDON ARE RESULTING IN THE UNCOVERING OF HIDDEN VALUE, PARTICULARLY SOUTH OF THE RIVER."

NICHOLAS FINN, LONDON DIRECTOR

LONDON	WIMBLEDON
6.3% growth in average house prices in the last 12 months	**£778,706** average price of houses sold in Wimbledon in the last 12 months
34% of properties sold in prime central London in 2013 have achieved £2 million or more	**30%** of properties in Wimbledon are privately rented
18% increase in number of overseas residents in Kensington and Chelsea since 2001	**500,000** number of spectators who watch the Grand Slam at Wimbledon each year

Wimbledon has been highlighted here, as it is our chosen area for this issue's Focus page (see page 4).
Source: Land Registry, HBF, 2001 and 2011 Census and Lonres.

DEMAND FROM HOME AND ABROAD

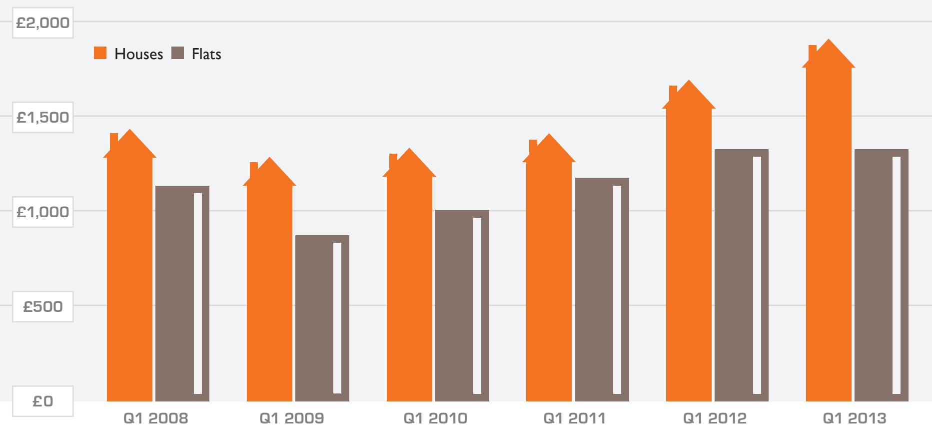
In the first quarter of 2013, sales volumes and values were supported by both international and domestic demand.

Renewed market interest is beginning to translate into higher transaction levels in some price brackets. Over the first three months of the year, transactions in inner parts of London were slightly lower compared with the same period a year earlier. However, the number of properties sold between £500,000 and £2 million increased by 9%.

Prices across central London also continued to rise, with an 8.2% increase in average £ per square foot paid in the first quarter compared with a year earlier. Houses increased by 14.3% in value, reflecting the restricted supply.

Meanwhile, sales between £2 million and £5 million were down by 13%. This is unsurprising given the increased stamp duty and the additional costs associated with property ownership by companies for properties above the £2 million threshold.

AVERAGE PRICE PAID PER SQUARE FOOT IN CENTRAL LONDON



Source: Lonres

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ANALYSIS

A WEAK POUND PAYS

London's status as a cultural mecca, a leading financial centre, a place with political stability and a young and growing population are well known. Yet it is the recent weakness of sterling that has created a fresh reason for the London property market to attract foreign buyers.

Between the first quarter of 2009 and the first quarter of 2013, the average price per square foot paid for a central London property rose by 55%, while sterling strengthened by just 3.5%.

The cost of purchasing a 1,300 square foot property (the average size of all properties sold in central London) has risen by 41.8% since 2009. The equivalent price rise in Singapore dollars is just 19.7%; 22.1% in Thai baht; 22.9% in Malaysian ringgit; 27.9% in Chinese yuan; and 38.4% in Japanese yen.

There are reasons to believe a weaker pound will be supported in the coming months by the weak UK economic backdrop and a further loosening of monetary policy by the Bank of England. This could potentially provide more opportunities for overseas buyers. Current events in the crisis-ridden Eurozone have further underlined the safe haven status earned by London's property market.

Economic chaos in Cyprus and speculation that Portugal is heading for a fresh bailout are further reminders of why the capital remains attractive to foreign buyers.

Another growing trend is the popularity of young people being sent to the capital for an excellent education. Luxury accommodation for their children can be of paramount importance.

"A WEAK STERLING IS FURTHER ENHANCING THE APPEAL OF INVESTING IN LONDON, WITH FOREIGN INVESTORS BENEFITTING SIGNIFICANTLY FROM FAVOURABLE EXCHANGE RATES."

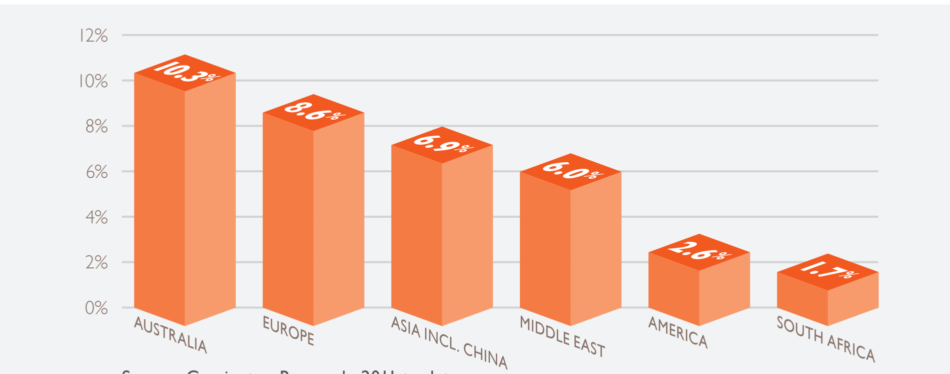
JONATHAN HOPPER, MANAGING DIRECTOR

INVESTMENT COMING UP FROM DOWN UNDER

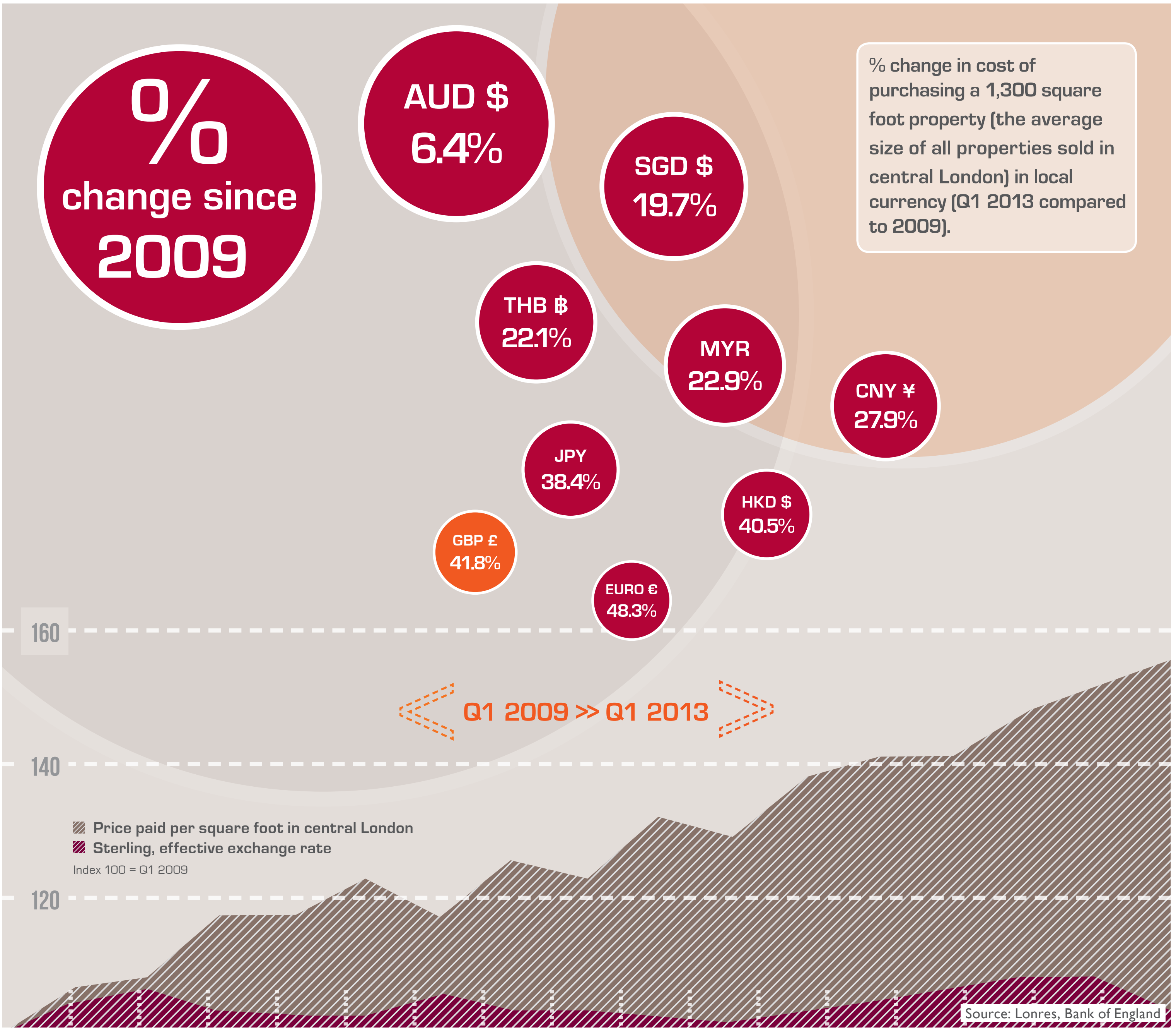
Australians comprised 12.6% of overseas residents settling in Kensington and Chelsea and Westminster in 2005/06, falling to just 5.9% in 2011/12. While recession, job insecurities and economic uncertainty compared to a booming economy back home has discouraged Australian buyers from living in London, the investment motive for Australians is increasingly compelling.

At current exchange rates a typical 1,300 square foot property in central London would now cost an Australian purchaser just under AUS$ 2.8 million. The more favourable exchange rate (falling from AUS$1.99 to one pound sterling in 2009 to AUS$1.49 to one pound sterling in Q1 2013) means that this is just 6.4% more than the AUS$ 2.6 million they would have paid in 2009, while UK purchasers would need to find an extra 42% capital.

NATIONALITY OF OVERSEAS ENQUIRIES (UK ENQUIRIES 64% OF TOTAL)



Source: Garrington Research, 2011 to date.



DEVELOPMENT MARKET

Ambitious plans to enhance south west London's position as a thriving commercial, leisure and retail centre are well underway.

At the heart of those plans is the Battersea Power Station development, which will be modelled on the urban villages of Manhattan. A major new diplomatic quarter is also emerging at Nine Elms, located between Waterloo and Battersea on the South Bank. The US Embassy has confirmed it will be relocating there, and the Chinese and Dutch embassies are expected to follow suit.

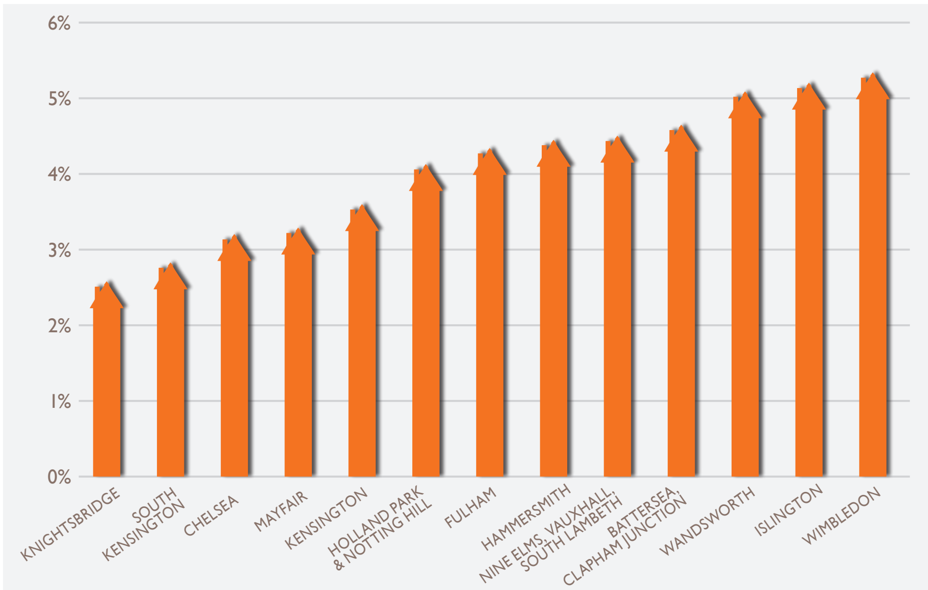
Alongside large scale commercial projects, there are plans for significant increases in residential development. New commercial development can only add to the attraction of both new and existing homes in prime areas of south west London, with the combination of excellent transport links, good schools and local amenities meaning levels of demand will remain high.

PRIVATE UNITS GRANTED PLANNING PERMISSION

	2003-2009	2010 TO DATE
WANDSWORTH	5,900	11,300
MERTON*	1,900	500

Source: LRR/EGi
* Wimbledon is part of the Royal Borough of Merton.

AVERAGE 2 BEDROOM FLAT GROSS YIELD



Source: Lonres

PROPERTY SPOTLIGHT

LONDON

RENTAL MARKET

While London's unwavering status as a safe haven is helping to drive property sales in the capital, the rental market is less resilient.

Following a slight dip in rental values in central London in 2012, prices achieved fell by 5.7% in the first quarter of 2013. House rental values fell by 8.9%, more sharply than the 4.3% drop in the average values of apartments.

The higher value tiers of the rental market saw the biggest drops, with weekly rents achieved above the £1,000 mark falling by 10.1% in the first three months of the year. In contrast, weekly rents achieved below £1,000 rose by 1.2%.

It is likely that reduced corporate budgets have continued to have an impact in the early months of 2013. A shrinking City bonus pool and the European Union's proposition that bankers' bonuses be capped are both relevant factors.

However, in recent weeks a number of the companies bringing their staff to London have been in the media and technology sectors*, and these industries are highlighted as particularly important to the capital.

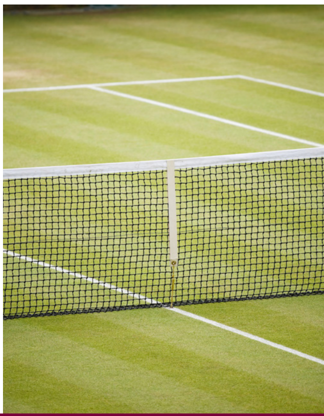
While corporate relocation budgets are not as generous as before the recession, reduced rental values, combined with a good choice of properties available, mean that families are able to find more value for money than before.

Above average capital growth in the most prime postcodes means that yields are very low in central areas. However, those looking for higher yields need not look far, with average gross yields of 5.3% achievable in Wimbledon as can be seen in the graph below.

Despite some challenges, many investors are still attracted by the long term capital growth potential in London, rather than income returns, which will continue to sustain a strong rental market.

*Garrington Relocation. Source of data: Lonres.

FOCUS ON WIMBLEDON



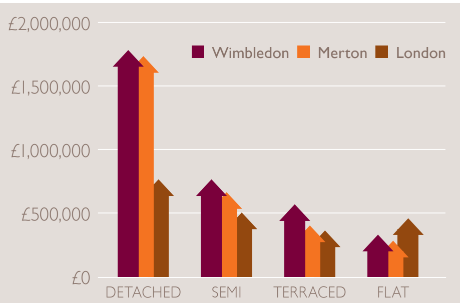
For many, Wimbledon is synonymous with tennis, being the home of the world's most celebrated grand slam. Each summer a myriad of tennis stars and spectators descend on the south west London suburb.

For the rest of the year, Wimbledon is home to over 128,000 residents, attracted by the leafy surroundings and transport links to both central London and the Home Counties.

Prices in Wimbledon have seen significant growth over the past decade. Values in the London Borough of Merton, where Wimbledon is located, increased by 52% over the last 10 years, outperforming growth in Greater London and nationally. The 7.9% rise over the last 12 months puts Merton in the top 8 London boroughs for annual price growth. Despite this, prices still remain 35% lower than in neighbouring Richmond.

The area boasts some of London's best parks and green spaces as well as an array of excellent state and fee-paying schools. For families relocating away from central London in order to gain more living and outside space, Wimbledon offers an ideal alternative to leaving the capital altogether. As a result, Garrington has found that Wimbledon is a popular destination for young families and professionals. People aged between 21 and 40 account for 40% of residents, which is above the average for London.

AVERAGE SALES PRICE IN SECOND HALF OF 2012



Source: Land Registry

"WIMBLEDON BRIDGES THE GAP BETWEEN TOWN AND COUNTRY; ENABLING RESIDENTS TO ENJOY THE BENEFITS OF ACCESS TO CENTRAL LONDON BUT ALSO 'VILLAGE' LIFE, WITH CONVENIENT, LOCAL SHOPPING, MORE VALUE FOR MONEY AND PLENTY OF GREENERY."

NICK DAWSON, ASSOCIATE

MARKET OVERVIEW

Whilst central London continues to see a rise in overseas residents, in the London Borough of Merton, British nationals account for 97% of the population, according to the 2011 census. The area has a high number of owner occupiers at 58%, with privately rented properties making up another 30% of total housing stock.

Those looking to relocate out of more central areas of the capital can gain more for their money in Wimbledon. Average £ per square foot values in Wimbledon are 25% lower than in the Borough of Hammersmith and Fulham and less than half those achieved in Notting Hill. Garrington has found that detached properties, which make up just 7% of homes in Wimbledon, are particularly sought after, with average prices exceeding £1.8 million in the past year.

The most expensive properties are to be found within Wimbledon Village. Benefiting from a sustained level of demand which keeps price performance strong and stable, the established Village is a micro-market in its own right. In the last year, 32% of properties sold in Wimbledon Village achieved in excess of £1 million, compared to 9.4% across the whole of Wimbledon.

Properties located within the Village commanded a significant premium over neighbouring areas. Prices for flats sold in the last 12 months averaged £548,000, with houses selling for average prices in excess of £1.75 million.

Outside of the Village, both Wimbledon Town and West Wimbledon offer a more affordable option for purchasers. In the last 12 months, Garrington has noticed that houses sold in West Wimbledon averaged £675,000, with flats averaging £270,000. In Wimbledon Town, prices were higher than West Wimbledon, at £824,000 for houses and £340,000 for flats but were, on average, 45% lower than prices achieved in Wimbledon Village over the same period.

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Garrington work on behalf of private and/or corporate clients who want to buy, rent or invest in property throughout the UK.

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