Hamptons International
Research Coverage

HAMPTONS INTERNATIONAL

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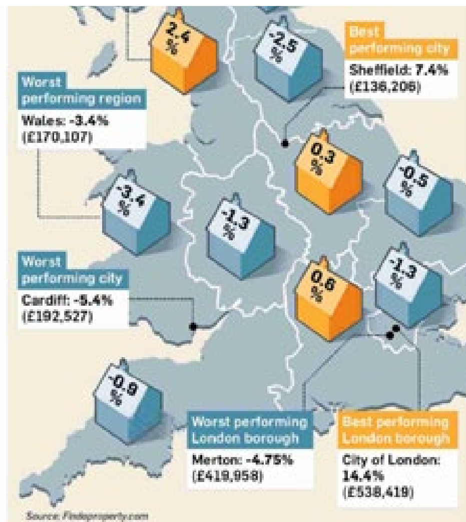
Each month we receive hundreds of enquiries as the direct result of our national and local editorial coverage for Hamptons properties and research in the media.

THE SUNDAY TIMES

Property – how low will it go?

House prices are expected to be flat next year but there will be ways to make a profit, says **Alexandra Goss**



THE INDEPENDENT

Social housing cuts set alarm bells ringing in rental sector

Government cuts to social housing will put even more pressure on the private rental market. **Kevin Rose** reports

'Already, rents are rising significantly. More pressure from tenants will push them higher'

Hamptons International Research provides regular commentary to the media on market and industry issues, while offering deeper insights through research publications and direct advice to industry clients

THE TIMES

How the other half lives

As the recovery gets off to a slow start, a lack of houses and sharp budget cuts highlight Britain's great divide, says **Paula Hawkins**

It may seem as though the North-South house price divide has existed since time immemorial, but it is less than 40 years old. Nationwide figures show that in 1974 house prices in the South and in the North were, on average, at about the same level. Not only is a return to those days out of the question, but also housing economists believe that disparity between prices in the South and the North will become even greater.

"As the UK emerges from the downturn, the divide between prices in the North and South is set to widen," says Adam Challis, the head of research at Hamptons International. He cites a number of factors, such as the persistent lack of housing supply and the likelihood of stronger jobs growth in the South.

The first signs of significant divergence between the North and the South began in the boom of the late 1980s and the gap has widened more over the past ten years. While property prices in the South were harder hit than those in the North by the post-2007 downturn, the South has recovered faster: in 13 of the past 16 quarters, price growth has been higher in the South than in the North.

The latest house price figures from the Land Registry show that prices in London rose 12.1 per cent in the year to August 2010, while prices in the North West rose by only 0.3 per cent; in the North East they fell by 1.4 per cent.

However, this is not solely a London v the rest story. Land Registry figures show that Brighton and Hove was the strongest-performing area in the country over 12 months, with prices rising by 17 per cent. In Bournemouth prices were up 11.4 per cent and in Bristol just over 10 per cent.

In Darlington, by contrast, prices fell by 3.2 per cent and in Middlesbrough they fell 1.1 per cent.

Challis, like most housing experts, believes that the price increases seen in the South over the past year are now over. He predicts that the UK market as a whole is entering a period of weakness. He forecasts that this will last at least until next summer. Once the economic recovery begins in earnest, however, he expects house-price growth in the South to start to outstrip the growth farther North once again.

"The engines of economic growth in the new business cycle will continue to be located in London and in the South East," Challis says.

According to statistics from Experian, the economic forecaster, London and the South East will gain 475,000 jobs in the five years to 2015. This represents 43 per cent of all new jobs forecast to be created in the UK.

"Although growth will be broad, the key industries will continue to be in the service sector and high-value manufacturing, including the finance and business services," Challis says. At the moment higher unemployment is constraining wage inflation, but as growth returns this will no longer be the case. "Employees will have greater leverage to ask for pay increases to counteract two to three years of flat or falling real incomes," Challis says.

However, the greater number of jobs will not be matched by a similar increase in housing supply. The previous Government set the target for new homes at 66,000 units a year: in 2009 only 42,970 new units were built. The number is expected to fall further this year.

Savage cuts to the Homes and Communities Agency budget, which has been slashed by £450 million, has led to a dramatic reduction in funding streams for affordable homes.

Challis argues that economic and employment growth, combined with the lack of new supply, will place greater pressure on housing prices in London and the surrounding commuter areas. Hamptons forecasts that house prices will rise by 3 per cent in the UK next year, with a 4 per cent increase in the South East and a 5 per cent increase in London.

Those who are living in the South will also find it easier to get mortgages because they tend to own a greater proportion of the equity in their homes than do households in the North. Recent research from Savills shows that in the South homeowners tend to hold at least 60 per cent of the equity in their homes compared with between 25 and 50 per cent in the North.

A stronger housing market, however, is not an unqualified good. In addition to making life much more difficult for first-time buyers, or at least for those who are without parents willing to lend them a hefty deposit, the "have versus have-not" geographical divide has other negative consequences.

"It weakens the flexibility of workers to chase new employment opportunities," Challis says. "This will have the potential to constrain economic growth."

CITY A.M.

8 | News

Shaftesbury shops provide profit jump

▶ **PROPERTY**
By Marion Dakers

WEST END property company Shaftesbury posted double-digit growth in its asset value for the full-year yesterday, and said it expected strong demand for its shops, pubs and restaurants to continue.

Shaftesbury also said it was hunting for a new chief executive, after current boss Jonathan Lane announced his intention to retire in 2011 after 24 years with the firm. Lane will stay on as deputy chairman.

The company posted full-year pre-tax profit of £22.3m, up from £21.3m last year. Adjusted net asset value has risen 24 per cent on last year to £948.2m, or £4.14 per share.

Shaftesbury plans to pay a second-half dividend of 5.25p a share, taking the total for the year to 10.25p.

Chairman John Manser said the company made good progress in 2010, having let 81 per cent of commercial space at its St Martin's Courtyard scheme in Covent Garden.

He said the firm would continue to seek acquisitions, on top of properties worth £65.3m bought last year.

"We expect strong occupier demand for our properties to continue, and we are confident that we shall maintain our record of delivering out-performance in income, dividends and capital values."

Evolution Securities analyst John Cahill said in a note the results are marginally below his forecasts, adding that Lane's retirement "has been suspected for some time, and Lane will be a hard act to follow. The choice of successor – not an obvious one – will be pivotal for the future of this company."

Shares fell 1.4 per cent to 435p.

FAST FACTS | SHAFTESBURY

- Shaftesbury was set up in 1986 by Peter Levy as a vehicle to buy properties in Chinatown.
- It listed on the London market in 1987 and became a real estate investment trust in 2007, and now has properties worth over £863m.

GOOD VALUE FOR OVERSEAS BUYERS

Overseas buyers made over 70 per cent of central London housing deals in 2010

SUMMER 2010		SUMMER 2008	
Price of a two-bedroom apartment in the Lancasters (pictured): £2.4m		Price of the apartment: £2.4m	
Price in dollars: $3.73m	Price in yen: Y312.4m	Price in dollars at 2008 exchange rate: $4.76m	Price in yen at 2008 exchange rate: Y502.2m

US buyers getting more than 20 per cent relative discount to 2008

Japanese buyers getting more than 35 per cent relative discount to 2008

Sources: [illegible] and Hamptons International

Some more of our best bits

Estates Gazette

Smart money finds a home

Foreign buyers snap up UK residential as investment in continental property falls

EXCHANGE RATE ARBITRAGE

LONDON OFFERS ADVANTAGE

The smart money has found prime residential markets a safe bet in the downturn. It has been rewarded with price growth of 19% since May 2009, although a discount can still be had for buyers in foreign currencies. The dollar and dollar-pegged currencies, such as the dirham, Hong Kong dollar and Chinese renminbi, still enjoy prime prices that are 20% lower than at the peak of the market. The more recent devaluation of the euro has all but eliminated any currency arbitrage for continental buyers.

INDEX OF PRIME PRICES FROM PEAK VALUES BY CURRENCY

35.4% SAVING

20.8% SAVING

4.8% SAVING

0% SAVING

MIXED BAG

CENTRAL LONDON NATIONALITY BUYER PROFILE

The profile of buyers over the summer shows UK investors accounted for just 28% of deals compared with more than 40% prior to the market downturn. Motivations for all investors vary from pure investment demand to purchases on behalf of children studying in the UK and additions to personal property portfolios.

First Time Buyer Magazine

"WE EXPECT HOUSE PRICES ACROSS THE UK TO FALL BACK BY 4% IN 2011"

ADAM CHALLIS

Head of Research, Hamptons International

"The Nationwide monthly house price index reported a decrease of 0.3% in November, although the smoother three-month-over-three-month figure improved slightly to -1.3% from -1.5%. The UK residential market continued its malaise in November. In addition to general market uncertainty and difficulty accessing mortgage finance, households held back on purchasing decisions until the outcome of the October comprehensive spending review was known. Subsequently, the traditional end of year slowdown has continued to depress demand for new purchases.

London and the south of England have been more resilient in the face of economic challenges, which have fed through to better prospects for the regional housing markets. Although we expect house prices across the UK to fall back by 4% in 2011, the south of England should remain relatively steady, and London prices should grow modestly by around 3%."

FT

Highs and lows in housing

Early growth has given way to stagnation, writes Tanya Po

The UK housing market has been a tale of two halves in 2010, with growth in the first half of the year followed by a period of stagnation as concerns over the economic outlook grew.

The relatively strong run that the UK housing market had enjoyed from March 2009 ended in the early summer of this year. Prices in the mainstream market began to fall from around June, and a month later, in July, prices in prime central London began to fall back.

The general election in May and the Con-Lib coalition government's comprehensive spending review in October saw sentiment in the housing market plummet, with the traditional September "back-to-school" pick-up failing to materialise.

"Early growth, continuing from last year, gave way post-election to a period of uncertainty and stagnation through the middle of the year," says Adam Challis of Hamptons International. "This was the result of government plans to tackle the deficit at a time when the economic recovery remained far from assured."

Government actions were not the only problem. Liam Bailey of Knight Frank, the upmarket estate agency, says that while the market appeared in relative good health up to the summer of this year, there were in fact fundamental problems affecting the market under the surface.

The main issue was the constrained availability of mortgage finance.

According to the Council of Mortgage Lenders, the contraction in UK mortgage lending since 2007 has been the most severe on record.

In both 2008 and 2009, fewer than 520,000 loans for house purchases were granted - lower than in any year since 1974. In the preceding decade, the number fof loans for house purchases averaged almost 1.2m a year - so the fall has been in excess of 50 per cent. The CML said it expects no rise in lending for house purchases in 2010.

Earlier this year, the trade body revised its forecast for gross lending this year down from an original forecast of £150bn to £137bn, compared with £143bn in 2009. "The mortgage market in 2010 has been very similar in size and shape to 2009," says Melanie Bien of Private Finance, the mortgage broker. "The self-employed who can't prove their income have been unable to get funding, as have those with a problematic credit history."

While lenders did ease their criteria slightly in 2010, with more mortgages available at higher loan-to-values, mortgage brokers say the best rates are still only available to those with large deposits of between 25 to 40 per cent.

As a result, there has been a growing divide in the UK between those with equity and those without. This has caused the average age of a first-time buyer, with no financial assistance from their parents, to rise to 37 in 2010, according to the CML.

Not all parts of the housing market have fared badly this year. Top quality "best in class" properties in certain areas of prime central London have achieved in excess of 2007 prices - the peak of the market.

The prime central London market has been largely buoyed by demand from overseas buyers, looking to take advantage of weak sterling. Foreign buyers made up over 60 per cent of prime central London buyers in 2010, according to Savills.

In contrast, domestic buyers have become more cautious. "Unless the property is "perfect" in terms of location, price and condition, it is not selling, even those in prime locations," says Simon Barnes, a London buying agent. He says if houses are overpriced they are sticking, with buyers preferring to wait for the ideal property rather than compromising.

Property Week

Residential

Investment | Regeneration | Management

Private-rented sector casts shadow over commercial

Well, hello, sunshine!

That dream holiday home is still in reach, but look long and hard before you take the plunge, says Mark Hughes-Morgan

ONLY the best will do — that's the word as far as overseas property is concerned in 2011. So says estate agent Hamptons International in its latest overseas buyers forecast, anticipating another decidedly mixed year.

Of course, if you have a few million to spare, there will be no shortage of pricey places in which to invest your money.

Chesterton Humberts has two immediate recommendations: the 12 Blues Resort & Spa in the Maldives, where 40 villas (starting at just under £1.3 million) are available on a 50-year leasehold title, with the resort hotel due to be ready by next year; and Mauritius Villas Valriche, which offers golf as well as all the top-end resort extras.

Simon Rubinsohn, chief economist for the Royal Institution of Chartered Surveyors (RICS), is cautious about the prospects for this year.

'There's uncertainty about debt, competitiveness, credit ratings and the euro,' he says.

Statistics on world property performance are far from reliable in his view.

He questions whether official figures reflect how bad the situation is. He estimates Greece is 25 to 30 per cent off peak prices.

There are, however, a few success stories. Switzerland is thriving thanks to people attracted by its low tax regime competing for scarce stock.

'Scandinavia has done well, but the British do not buy there much,' says Rubinsohn.

Property in holiday destinations looks most vulnerable, with values more likely to increase in big cities such as Paris and Berlin.

'For the most part, buyers are going to stick with what they know — nice, safe, secure markets such as the Alps, the Cote d'Azur, and the best-known areas of Italy such as Tuscany,' says Andrew Hawkins, of Chesterton Humberts International.

'Where people used to be fixated on capital uplift, the main criteria now is stability, and an exit strategy is much more important,' says James Price, of Knight Frank International.

Charles Weston Baker, head of Savills International, agrees. 'We have seen a return to the old favourites, Barbados and Antigua, and particularly high-quality golf resorts such as Quinta do Lago in the Algarve, which we expect to continue.'

A recent villa sale at Quinta do Lago at £3 million was 'at 2008-2009 levels. The good stuff is still where it was'.

With the euro weakening slightly against sterling, it has helped encourage British buyers to look around, and with the pressure on the euro in 2011, it will keep people interested.

One surprise success for Savills has been the ski property market in Austria.

'It's becoming better value compared to France,' says Weston Baker. A development of individual chalets and apartments in a traditional village setting in Wagrain is a good example (from £174,000 for two-bedroom apartments).

But as Weston Baker says: 'We have never had such a banking-focused crisis before — it will be two to three years before we recover.'

THE MOST interesting pick of Hamptons' forecast is Turkey, defined as 'an emerging market with investment potential'.

Although the reputation for property in the country took a knocking early on — prices were low, but quality was often poor — 'the days of building rubbish and selling it have gone,' according to Julian Walker, of Turkey specialists Spot Blue.

'The country has one of the fastest growing economies in the world. Tourist figures and

Haven: Despite the economic downturn, there are still British people buying luxury holiday homes abroad

Hamptons International Research commentary appears in national and regional press, as well as industry trade publications and overseas periodicals.

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