

Understanding residential property in:

Islington Clerkenwell West End



"Buyer demand has been very healthy throughout the first quarter and as a result we are achieving strong prices on behalf of our vendors. The outlook for the lettings market is also good with values supported by constrained supply."

Ian Fraser
Islington



The first quarter of 2011 was certainly interesting, with headline grabbing events unfolding across the globe. As unrest and uncertainty prevailed in many countries, London's attraction for wealth only grew, with the central property market a key beneficiary. Within our report we discuss this in more detail, plus the following points:

- Not only is London standing out internationally, its economic resilience is also noteworthy from a UK perspective.
- London's residential market has become even further polarised over the first months of 2011. Housing in Islington has seen an increase in prices of 337% since 1995, massively outperforming the rest of the United Kingdom.
- In Islington we have seen a healthy increase in applicants in the first three months of the year.
- Compared to the previous twelve months, average £ per square foot values achieved by the Islington office have risen by 11% in the past twelve month period.
- Rental values remain very strong in Islington with supply constraints exacerbated by a higher level of renewals.
- More stock is needed across the market, both for sales and lettings. With a strong and committed applicant base we have occupiers ready to enter the market at the right price.

With increasing international political turbulence, London has become even more prominent as a safe haven for overseas wealth. While this has boosted demand for property, supply remains extremely restricted.

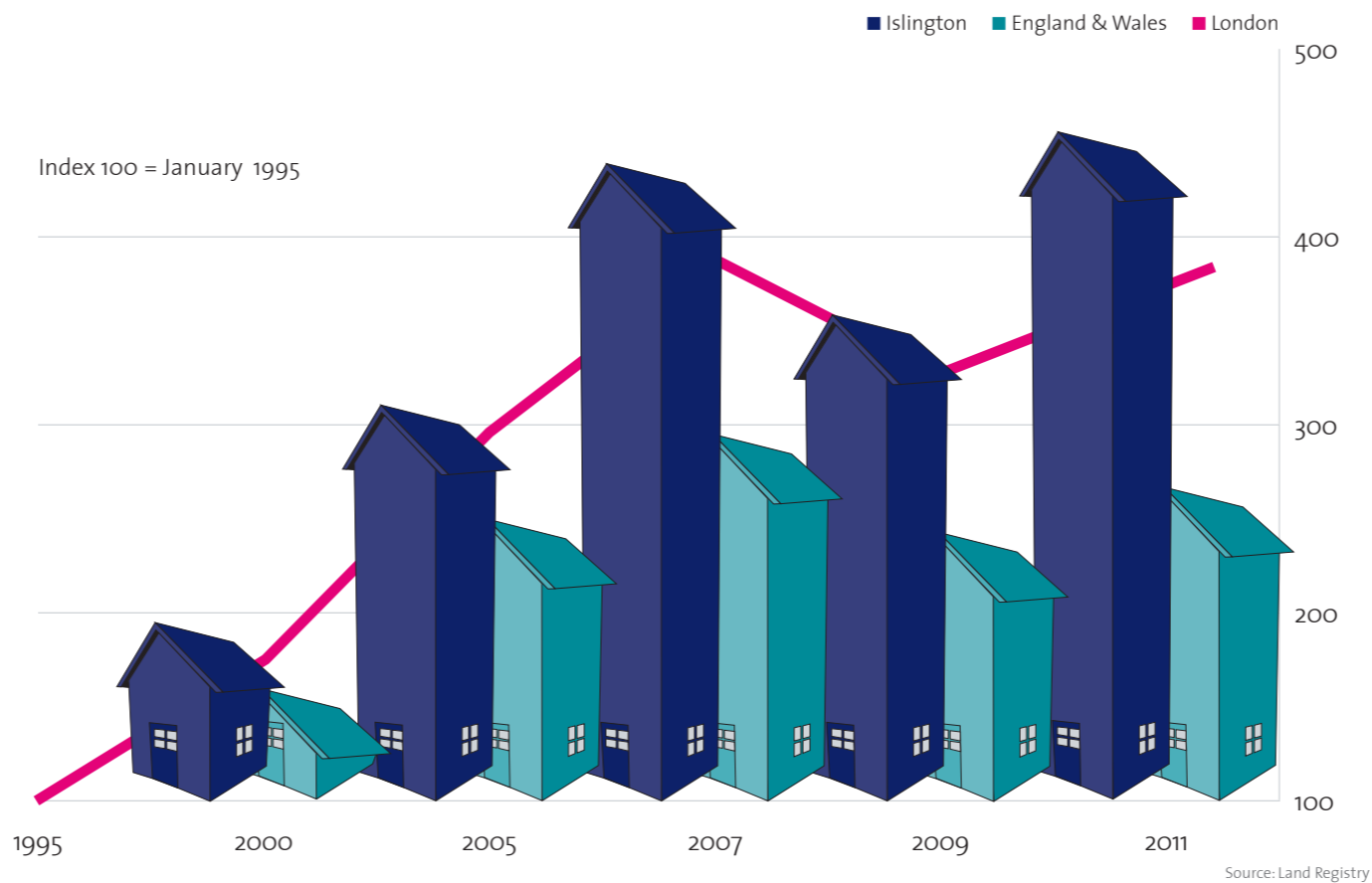
The first quarter of 2011 has certainly underlined London's attraction from an international perspective. High levels of demand for prime property has led to buyers often being prepared to pay a premium to secure the right property.

Prime Central London currently seems immune to house price falls and has also bucked the national trend for low numbers of sales, see chart below.

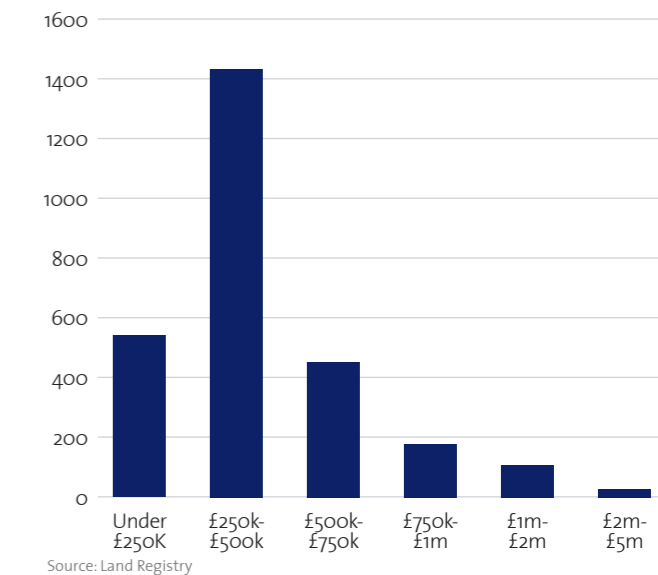
In addition to London's global prominence, its economy also stands out domestically. A recent report from the Confederation of British Industry showed that financial services firms grew strongly in the latest quarter, and a report from the London School of Economics concluded that London had come back stronger from the recession than any other region.

It is these unique features of the London market which have meant an overall increase in prices of 271% since 1995 and an even stronger growth of 337%

Long term outperformance of London property



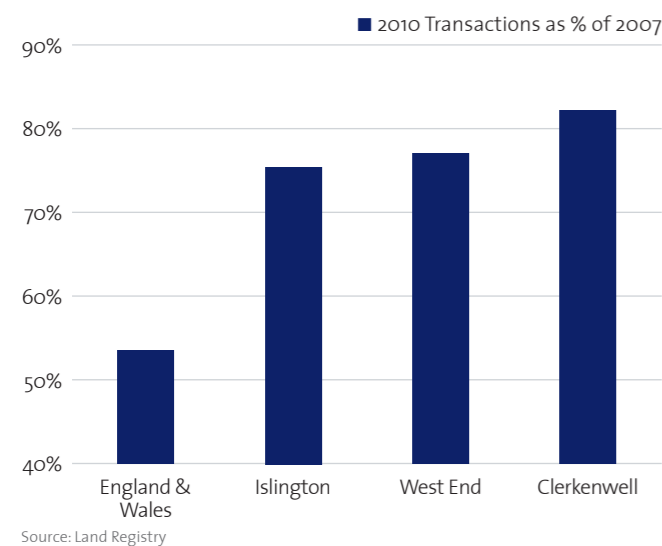
Profile of transactions in Islington over the last year



With London enjoying such popularity both globally and domestically, the fundamentals of the Central London residential market remain good. As the strong demand from international buyers continues in certain parts of London, domestic buyers have gained confidence and are motivated to re-enter the market. This suggests we may expect a further period of stability for average values in areas such as Islington.

Highest value transaction of first 2 months was on Highbury New Park, N5 for £2.7m

Stronger recovery in transactions in our local area



in Islington, massively outperforming the rest of the country. Latest data confirms this trend continuing with annual growth in Islington standing at 9.4% compared to a fall in values of -1.7% nationally.

In other parts of the country growing unemployment, stretched finances and prospects of higher interest rates have taken their toll on confidence. Although national house price indices can often give different messages, they are all currently pointing towards a downward trend in the UK as a whole. The Halifax says prices dipped by -2.9% over the year to March 2011, while the Land Registry put the fall at -1.7% and Nationwide stated that prices were largely unchanged at 0.1%.

However, as spring arrived, measures announced in the Budget were seen as distinctly encouraging to property investors, as was Fitch's re-affirmation of the UK's triple-A rating.

In Islington we have seen activity levels increase over the first quarter of the year with March being particularly busy. Compared to the previous twelve

Strong demand has reduced average time to sell to 6.3 weeks over the past 3 months, previously 7.1 weeks

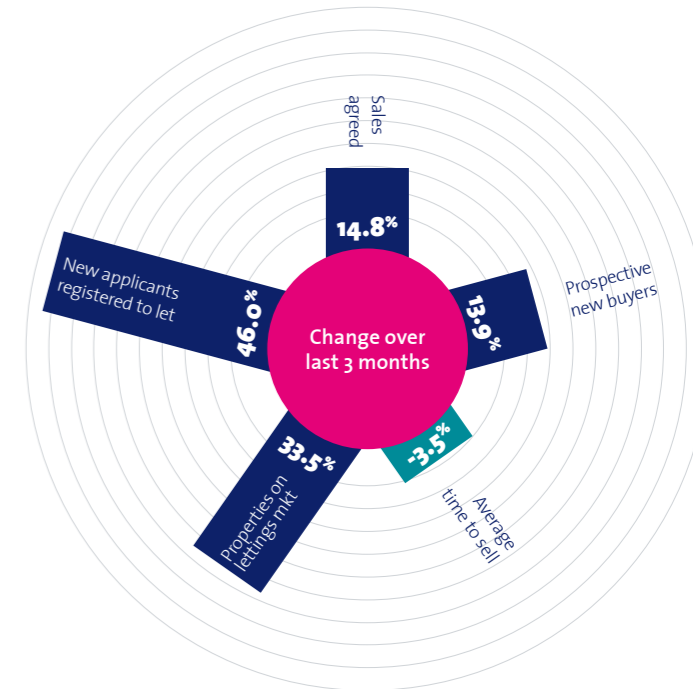
months, average £ per square foot values achieved by our office rose by 11% over the past twelve months. There was also a notable 26.5% increase in the average value of our transactions over the same period.

The number of applicants registering in the first quarter was higher than that seen at the same time last year, increasing by 14% over the first quarter. Buyers have maintained a degree of caution which can mean that sometimes an offer is made which does not meet the vendors' (often unrealistic) expectations. However stronger overall demand has meant that the average time to sell has shortened.

More stock is needed across the market, both for sales and lettings. With our dedicated applicant base we have occupiers ready to enter the market at the right price. With the potential for interest rates to rise later in the year, we may start to see some increases in supply with vendors once again offering their homes for sale. This could dilute the market slightly. However, while demand remains high the market has the potential to absorb some growth in stock before prices are affected.

One of the highest rental values achieved so far this year was for a 3 bed flat on York Way, N1 at £1,650 per week

Winkworth market indicators



Source: Winkworth
Data for the offices of Islington, Clerkenwell, West End

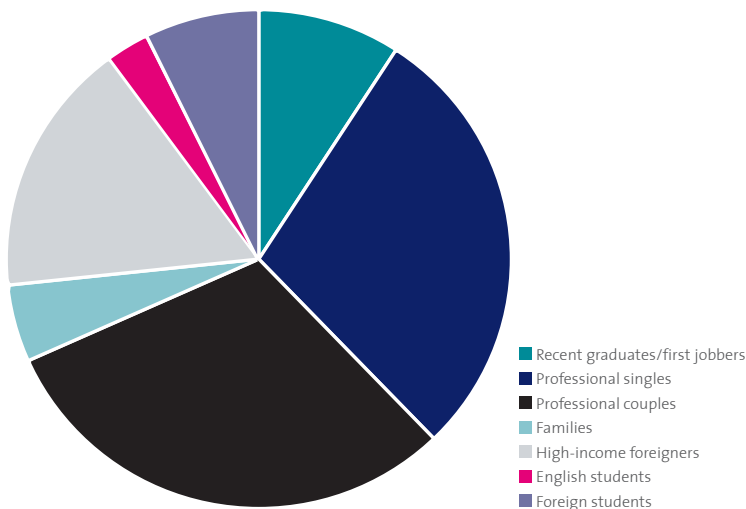
Average values in Islington have increased 337% since 1995

Lettings

The lettings market is performing well as a large proportion of buyers continue to default to renting due to the very low sales stock levels. The supply of rental properties is more constrained than ever before and is further exacerbated by a higher than normal level of renewals as tenants recognise that it may prove cheaper to stay put. The result of this high level of demand and tight supply is strong rental growth. In Islington, one and two bedroom apartments make up the majority (83%) of demand.

The outlook for the lettings market remains positive. The latest ARLA report states that demand for rental property will continue to outstrip supply for much of 2011 and into next year. The Budget's concession to the property investment market could also have an impact with new rules announced whereby investors will be charged stamp duty on the average, rather than the total, price of properties purchased in a portfolio.

Profile of tenants in Q1



Source: Winkworth
Data from the offices of Islington, Clerkenwell, West End

Economic and housing market factsheet

	House*	Apartment
Islington	£756,518	£359,319
Clerkenwell	£1,397,500	£579,791
West End	£3,368,750	£813,394

Source: Land Registry - average of house prices over last 3 months
*Weighted by house type and number of transactions

	Latest Data	2010 forecast	2011 forecast*
GDP	0.5% (Q4)	1.8%	2.1%
Inflation (CPI)	4.0% (Mar)	3.6%	2.1%
Bank Base rate	0.5% (Apr)	1%	2.1%
Av. earnings	2.2% (Apr)	2.6%	2.9%

Source: ONS, Bank of England, HM Treasury
*Average of independent forecasts

	Latest monthly data	Monthly Growth	Annual growth
Mtg approvals	46,967	-1.5%	0.1%
Transactions	72,000	-1.4%	-2.7%
Gross mtg lending	£11.35bn	-0.8%	-1.0%

Source: Bank of England, HMRC

About Winkworth

Winkworth is a leading franchisor of residential real estate agencies and is listed on the London Stock Exchange.

Established in Mayfair in 1835, Winkworth has a pre-eminent position in the mid to upper segments of the central London residential sales and lettings markets. In total, the company operates from over 80 offices in the UK, France and Portugal having doubled in size in recent years.



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