

Understanding residential property in:

Clerkenwell West End Islington



"Properties are selling over and above the peak reached five years ago and expectations have certainly improved over the last couple of years."

Ralph Shand
Clerkenwell



- 2011 has seen prime markets in London continue to outperform the rest of the UK and there is no reason to suggest that this trend will not continue.
- Rightmove recently highlighted that 70% of UK property marketed so far in 2011 is still on the market. In prime London, where equity rich buyers prevail, the story is very different. In Clerkenwell we are taking around eight weeks to agree a sale.
- According to the Land Registry, average

values in Clerkenwell are now 31% higher than the low reached after the 2008 financial crisis. An increase in buyers coupled with an 11% fall in supply, suggests that strength in the Clerkenwell market will continue into the Autumn.

- The rental market remains strong. A recent report forecast that in London, 60% of people will rent by 2025. In Clerkenwell we are seeing strong demand and properties are being let within three weeks.

The second half of 2011 started with renewed economic crises as fears rose of another recession in Europe and the US and stock markets saw record levels of volatility. As investors look to safeguard their holdings, the question now is whether the enthusiasm for prime London property will continue.

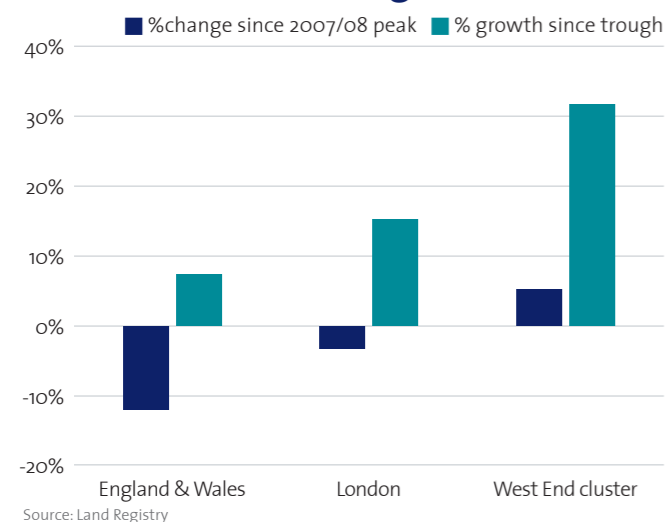
With London as a notable exception, recent months have seen little movement in average residential property values recorded, with prices drifting down modestly.

According to the Land Registry, London remains the only region in England to have recorded growth (0.8%) over the past year and, within that, prime areas have significantly outperformed.

Since the trough of the market, average values across Clerkenwell have increased by 30.6%, compared to 6.1% nationally. Current average sales values in the area are now some 5.4% higher than the previous peak whilst across England and Wales average prices remain 12% below peak.

Wealthy international buyers have looked to prime central London as a safe haven for investment as economic conditions deteriorated elsewhere. The 2011 World Wealth Report stated that, globally, the population of HNWIs* grew by 8.3% in 2010 to 10.9m with their collective financial wealth increasing by 9.7% to reach US\$42.7 trillion.

Clerkenwell has outperformed both London and England & Wales

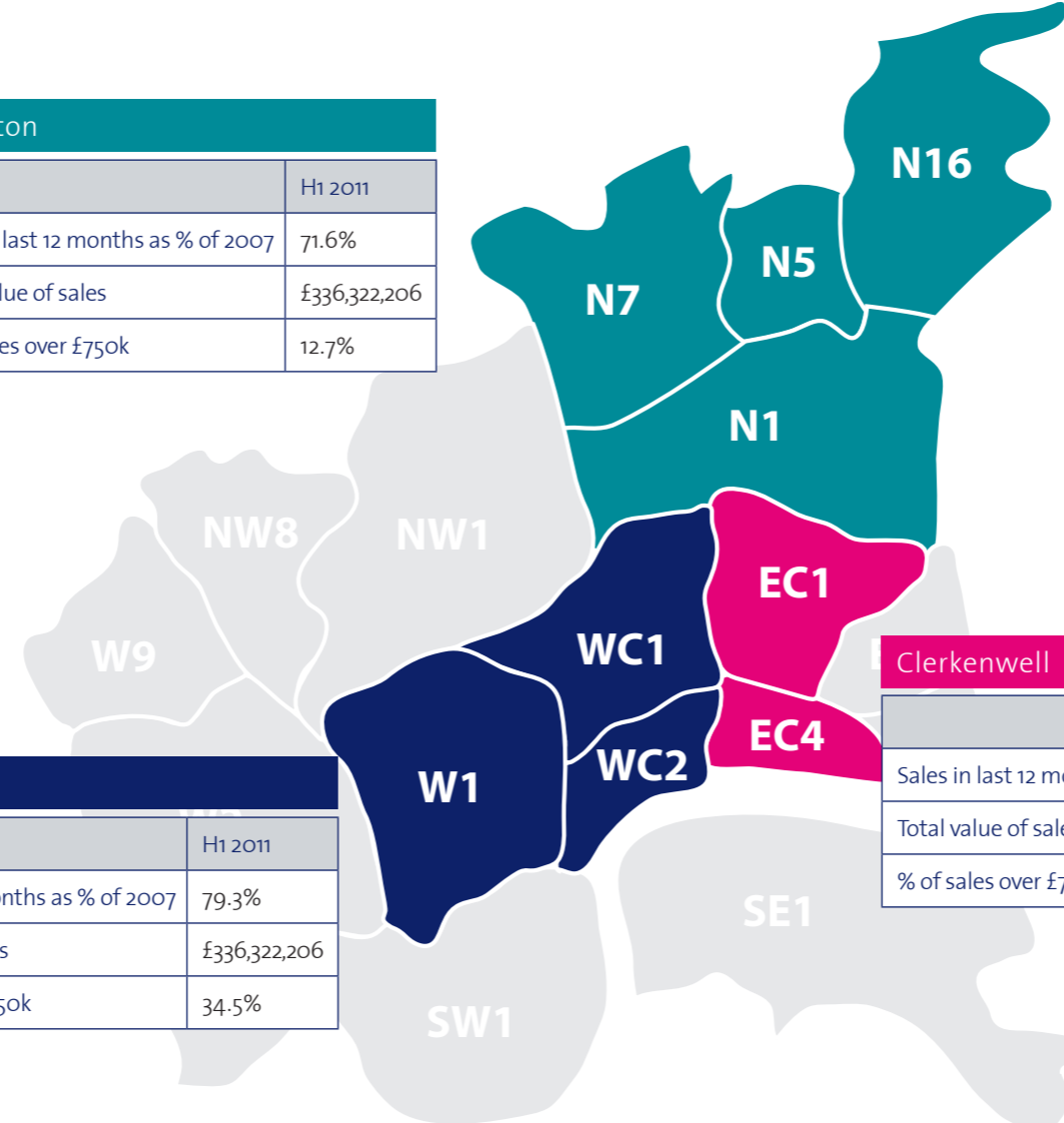


*West End cluster includes catchments of West End, Clerkenwell and Islington Winkworth
 *High Net Worth Individuals (HNWI) are defined (in the Merrill Lynch/Capgemini World Wealth Report) as those who hold at least US\$1m in financial assets

Islington	
	H1 2011
Sales in last 12 months as % of 2007	71.6%
Total value of sales	£336,322,206
% of sales over £750k	12.7%

West End	
	H1 2011
Sales in last 12 months as % of 2007	79.3%
Total value of sales	£336,322,206
% of sales over £750k	34.5%

Clerkenwell	
	H1 2011
Sales in last 12 months as % of 2007	70.5%
Total value of sales	£91,653,921
% of sales over £750k	12.2%



Source: Land Registry

The increased spending power of the super-wealthy has also been reflected in the demand for luxury items such as art; Sotheby's recently reported record figures for the first half of 2011.

Low stock levels have been a feature of the market for some time. In the past three months we have seen an 11% fall in the level of stock on the market as vendors refrain from selling mainly due to a limited choice of new properties.

Transaction levels remain subdued across the country. The volume of sales recorded in London over the last 12 months is 56% of 2007 levels, although, in central London, where strong international demand has boosted sales, transaction levels have improved. In the past 12 months, sales recorded in Clerkenwell were 70.5% of those of 2007.

In Clerkenwell we have noticed renewed confidence in the market as properties begin to sell above their

peak values and purchasers take a long-term view of the market. We have seen an increase in genuine, committed purchasers making good offers and in the last three months one-third of sales have been made at or over the full asking price. On average properties have achieved 98% of asking price and are taking around eight weeks to agree a sale.

The economic environment across the UK remains subdued. The Bank of England noted in its August Inflation Report that the Eurozone represents a key source of potential vulnerability for the future.

The National Housing Federation recently highlighted that there could be a housing market crisis due to a chronic under-supply of new homes.

They forecast that average house prices in England will rise by 21.3% over the next five years. Low interest rates also support the market, not only by keeping mortgage costs down but by encouraging investment.

As the Autumn months begin, it will be interesting to see whether wealth from all parts of the globe continues to flow into prime London property.

Winkworth market indicators

- In the three months to August the number of properties available to buy was 11% lower than in the previous three months.
- However, the number of prospective purchasers has risen by 14% in the past three months suggesting that the mismatch between demand and supply looks set to continue into the Autumn.
- Chinese and Indian buyers have been the most prevalent overseas purchasers in the past three months.
- Properties exchanged by the Clerkenwell office so far in 2011 have achieved a 9.4% increase in £psf values compared to the same period in 2010.

As the various economic crises unfolded around the world, Chancellor Osborne emphasised the "safe haven" status of the UK at a time of 'sovereign debt turmoil'.

We believe that the security of investment offered by Central London will continue to attract demand for prime residential property from both overseas and domestic buyers who recognise the long-term investment opportunities.

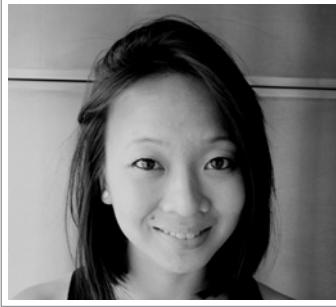
Lettings

The lettings market in Clerkenwell has been very strong so far in 2011. In summary:

- London is currently experiencing high levels of competition for properties from those who can't or don't want to buy as well as increased corporate and international demand
- In contrast, supply levels are low although we have seen some increase in the number of new instructions in Clerkenwell compared to this time last year. Nonetheless, properties are still being let within three weeks of instruction
- The investment motive for property has been strong; there were 32,000 buy-to-let loans taken out in the UK in Q2 11, the highest number since Q4 08
- With property prices remaining high, demand for rental properties is expected to increase. Oxford Economics forecast that 60% of Londoners will live in rented accommodation by 2025

Average sales prices are now 5.4% over 2008 peak values

Winkworth further invests in servicing Asian and overseas buyers



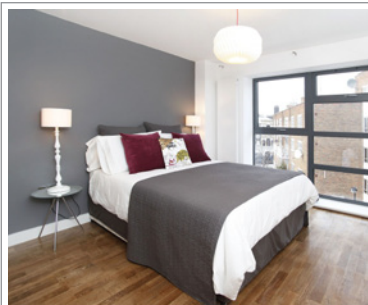
The Clerkenwell office welcomes a further addition to the team, Christine Wong, who specialises in servicing our Asian and overseas client base. Christine has previously worked as a legal consultant for a Hong Kong company based in London. She is multi-lingual, speaking both Mandarin and Cantonese, and has a Masters degree in Law.

Some examples of sales in the last three months are shown below:



Saffron Heights, Clerkenwell Sold

A new build two bedroom, two bathroom duplex apartment with two decked terraces purchased by an overseas buyer.



Margery Street, Clerkenwell Sold

Situated in a new luxury development, this second floor, one bedroom apartment was sold to a buyer from Greece.

Economic and housing market factsheet

	House	Apartment
Clerkenwell	£895,333	£491,903
West End	£1,285,167	£620,789
Islington	£747,875	£333,972

Source: Land Registry - average of house prices over last 3 months

	Latest Data	2011 forecast	2012 forecast*
GDP	0.5% (Q1)	1.3%	2.0%
Inflation (CPI)	4.4% (Jul)	4.5%	2.2%
Bank Base rate	0.5% (Jul)	0.6%	1.2%
Av. earnings	2.1% (Jun)	2.6%	3.0%

Source: ONS, Bank of England, HM Treasury

*Average of independent forecasts

	Latest monthly data	Monthly Growth	Annual growth
Mortgage approvals	48,421	4.3%	0.3%
Transactions	73,000	7.4%	-2.7%
Gross mtg lending	£11.2bn	-0.6%	-3.0%

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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