

Understanding residential property in:

West End Clerkenwell Islington



"Larger houses are attracting the most activity where mortgages are less prevalent. Overseas demand is driving the top end and also the new-build and nearly new market in the West End."

Adrian Philpott

West End



- 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.
- According to the Land Registry, average

values in the West End are now 31% higher than the low reached after the 2008 financial crisis. An imbalance in demand and supply in the West End will continue to support values.

- A recent report forecast that in London, 60% of people will rent by 2025. In the West End we continue to see a very strong rental market and further investment in our lettings team has also increased the number of overseas landlords and tenants.

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.

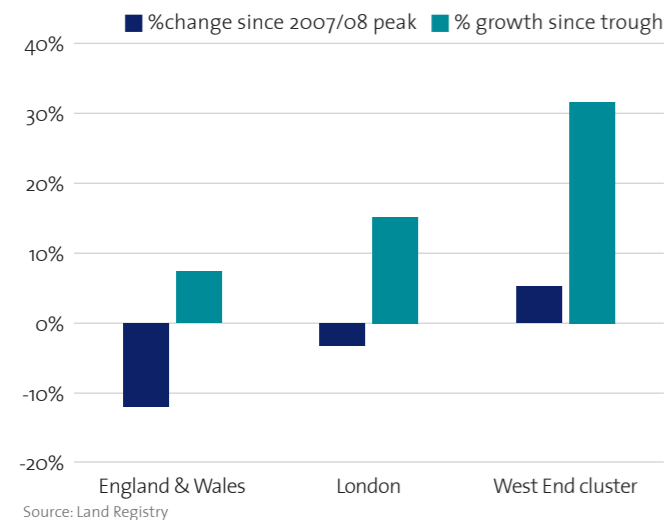
With London as a notable exception, recent months have seen little movement in average residential property values recorded, with prices drifting down modestly.

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 the West End have increased by 30.6%, compared to 6.1% nationally. Current average sales values in the West End are now some 5.4% higher than the previous peak while nationally average prices remain 12% lower.

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 reported 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.

The West End has outperformed both London and England & Wales



West End cluster includes catchments of West End, Clerkenwell and Islington Winkworth offices
*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	
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	
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	
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%

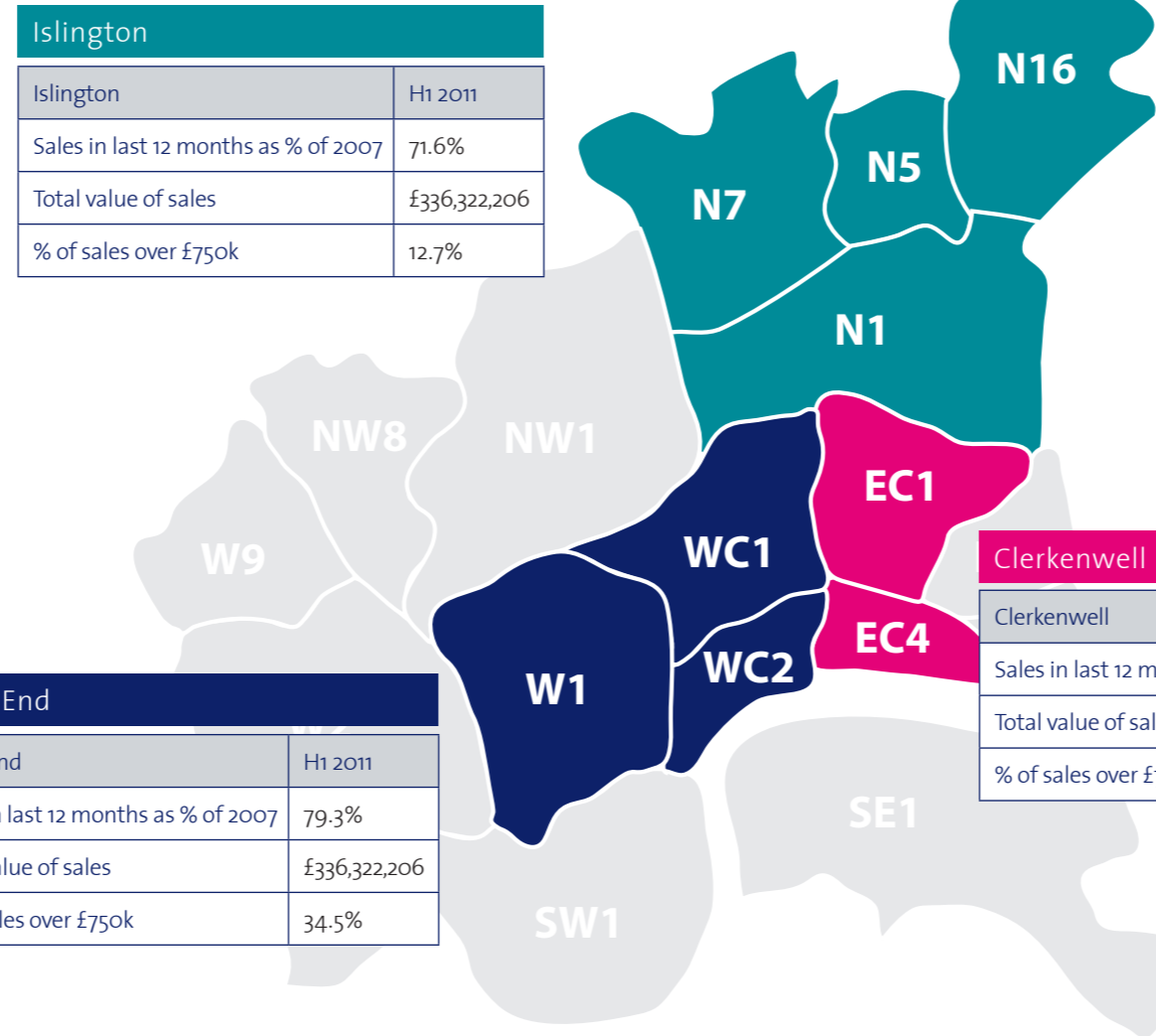
The increased spending power of the super-wealthy has also been reflected in the demand for luxury items such as art; Sotheby's recently reported record figures for the first half of 2011.

Low stock levels continue to be a key theme of the central London and West End market. In Q2 2011, new instructions across the area over £500k were down 12% on the same quarter of 2010.

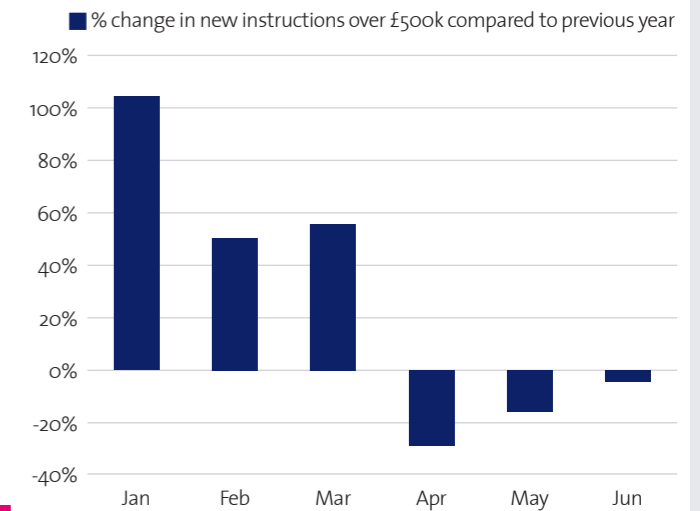
Transaction levels remain subdued across the country. The volume of sales recorded nationally over the past 12 months is still half of what it was during 2007 and in London as a whole transaction levels are 56% of 2007 levels. In central London, where strong international demand has boosted sales, transaction levels have improved to around 70% of those of 2007.

In the West End we have noticed a particular increase in activity in the middle/top end of our market and it is unsurprising to see that sales recorded between £1m-£3m in the past 12 months are actually 19% higher than during 2007.

Average sales prices are now 5.4% over 2008 peak values



Supply levels remain depressed



As the various economic crises unfolded in different parts of 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, particularly from European and, potentially, Chinese purchasers.

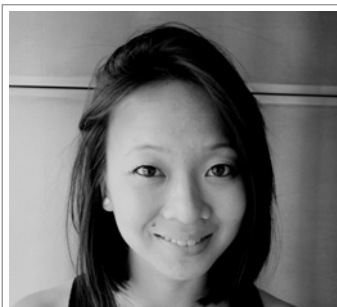
In 2011 our rental values have been agreed at an average of 95.8% of the marketed price.

Lettings

The West End lettings market has been very strong in 2011 with no sign of impact from the economic crises in Europe and the US. 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 especially low, although we have seen some increase in the level of instructions in the West End compared to this time last year and properties are 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 and Oxford Economics forecast that 60% of Londoners will live in rented accommodation by 2025

Winkworth West End further invests in servicing Asian and overseas buyers



The West End office welcomes a further addition to the team, Christine Wong, who specialises in servicing our Asian and overseas client base. Christine 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.

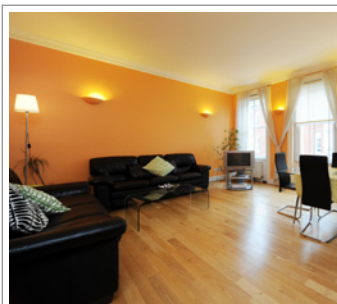
Some examples of sales in the last three months are shown below:



Bedford Court Mansions

Sold for over £1,000,000

A raised ground floor, two bedroom, two bathroom flat in an impressive and iconic portered mansion building with Share of Freehold. Sold to a buyer from the Far East.



Henrietta Street, Covent Garden

Sold for £950,000

A two bedroom, two bathroom apartment on the second floor of a well maintained late Victorian property purchased by an Eastern buyer who will use it as his London residence.

Economic and housing market factsheet

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

Source: Land Registry - average of house prices over the 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% (Aug)	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

Winkworth West End Management Team

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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