

LONDON CALLING



↑ Emile Fonderson, Managing Director, FE Samuels Property Services

DESPITE A SLOWING MARKET ELSEWHERE IN THE UK, HOUSE PRICES IN LONDON ARE STILL VERY MUCH ON THE RISE. **EMILE FONDERSON**, FROM LEADING PROPERTY SERVICES COMPANY FE SAMUELS, EXPLAINS WHY IT'S STILL TIME TO INVEST



The scaremongers are on the warpath. Ask the property pessimists and they will tell you that the UK housing market is on the point of serious decline. I personally think this is an exaggeration. Granted, in some areas the staggering house price rises we have seen in recent years are starting to decelerate. But not so in London. In many parts of the British capital all the evidence shows there are still huge profits to be made through canny property investment.

London's rampant economic growth is a major factor. Thanks to myriad financial companies based in the City and Canary Wharf, London is now by far the most important economic centre in Europe. This year over 3,000 financial workers in the City were expected to receive bonuses of at least £1 million each. It's inevitable that many of them will choose to invest that extra cash in the property market.

A WEALTH OF ADVANTAGES

Wealthy individuals from all over the world are flocking to the UK capital to capitalise on the strong economy: Asian and Chinese entrepreneurs, Russian oligarchs, western Europe's nouveaux riches; they're all relocating here to do business, and to buy homes, both in and around the capital.

Part of the reason the great and the good are coming to London, instead of to some of Europe's more beautiful capital cities, is thanks to the fairly low transaction costs associated with buying residential property in the UK. The recently introduced HIPS package and the government's infamous stamp

duty get a lot of bad press – while of course estate agents and solicitors are also quick to take their percentage of each property purchase. But when you compare what house-buyers in the UK have to pay in fees and taxes compared to buyers in other affluent countries, suddenly things don't look so gloomy.

GLOBAL COMPARISON

According to a report by the Global Property Guide, the UK has some of the lowest property transaction costs in Europe. While in Belgium, Italy and France, for example, buyers pay up to 17% of the property value in estate agent fees, registration costs, legal fees and transfer taxes, in Britain it is only just over 5%. In only three countries – Slovakia, Iceland and Denmark – are property transaction costs cheaper.

What about the basic economic premise of supply and demand? Despite all the construction you see on London's skyline, it's a basic fact that the supply of quality property in the most desired areas is massively outstripped by demand. There are various reasons for this: building regulations are very strict, the population is (gradually) rising, more people are migrating to Britain, there's very little available land, more and more people are choosing to live alone. But the main reason, I believe, is because the construction industry isn't building enough new homes. As a nation we are currently building fewer houses now than we were before the Second World War. Over the next five years this trend will worsen as much of the skilled construction workforce is diverted to Olympic Games projects.

This giant sporting event has been

fuelling house-price increases in the region. According to Halifax Estate Agents, at least three areas close to the Olympic site (Leytonstone, Hackney and Clapton) have already enjoyed price rises substantially above the national average.

PRICE INCREASES

It's an upward trend that has been recorded in each of the previous four Olympic host cities. In Barcelona, for example, in the five years leading up to the 1992 Olympics, house prices increased by 131%, compared to a general increase across Spain of just 83%. In Sydney, the suburb adjacent to the Olympic site (Homebush) saw house prices increase by 70% in the five years before the 2000 Games, as opposed to 50% across Sydney as a whole. Host cities Athens and Atlanta enjoyed similar growth.

PREDICTING GROWTH AREAS

For investors, the key of course lies in predicting exactly which areas of London will prove to be property hotspots in the future. It's by no means an easy task. But if you're planning on stealing a march on other property investors in London, here are a few pointers:

Are the tube, road and rail links soon to be upgraded? Are the local schools performing well on the school league tables? Is the area visually appealing? Are major employers looking to move there? Tick all those boxes and you could be onto a winner. **ie**

.....
Author: Emile Fonderson, Managing Director, FE Samuels Property Services. For more information visit www.fesamuelsproperties.co.uk

LONDON'S HOTSPOTS

IF YOU'RE PLANNING TO INVEST IN LONDON PROPERTY, HERE ARE TEN DISTRICTS WORTH KEEPING AN EYE ON;

Knightsbridge

For eons this smart residential and shopping area south of Hyde Park has attracted London's most affluent residents. There's no sign of that changing.

St. John's Wood

West of Regent's Park, this district has some wonderful town houses and very smart apartment blocks.

Woolwich Peninsula

The regeneration of the Millennium Dome and the area adjacent to it has suddenly put the focus on this previously neglected neighbourhood in east London.

Elephant and Castle

£1.5 billion is to be spent on this neighbourhood, once a no-go area in south London. The major facelift will inevitably affect house prices.

Battersea

Once work starts on the redevelopment of Battersea Power Station, house prices in this smart south London district are sure to rise.

The Olympic effect

Leytonstone, Hackney and Clapton are so far the highest-performing areas near the 2012 Olympic Games site. Others will surely follow.

Crossrail corridor

Provided the new cross-town rail link goes ahead, it could have a massive impact on homes along the route, especially in Hanwell, Ealing and Acton in the west, and in Stratford in the east.