

# Market Insight

February/March 2018



London On The Move

## Focus

### Prime London on the move

With Londoners moving from prime areas now buying outside the capital in record numbers (2,005 households left the capital in the last 12 months), we have joined forces with property data analysts LonRes to better understand the dynamics of the prime markets and the things that drive them.

#### Staying in London

Londoners like to stay in their city – especially in the prime parts, but the proportion of Londoners leaving the capital is on the up. In 2017, 58% of Londoners chose to stay in the city, down from a peak of 67% in 2013. That was when price growth in London was outstripping the rest of the country by a wide margin and expectations of future growth were still strong. So it made sense for Londoners to continue benefitting from price rises by staying in the capital.

In 2014 the gap between prices in London and elsewhere peaked. Since then this gap has narrowed and London sellers have taken the opportunity to cash in on previous gains. Last year, with slower price growth in London's prime postcodes and weaker expectations about future price growth, more moved away. The proportion of sellers staying in London has now fallen to 58%.

Yet there is still loyalty to the capital, especially in the more expensive neighbourhoods. Those selling up in high value prime central London were among the least likely to leave London. In 2017 63% of those selling in prime central London, chose to stay in the

capital. Of those staying in London, 78% bought another home in a prime area.

#### Leaving London

Of the 42% of sellers leaving prime areas of London for a home elsewhere in the UK, relocation to the home counties remained the most popular choice. The commuter hotspots of South East England have consistently claimed the top spot, allowing buyers to maintain strong connections with London. Almost half (48%) of those leaving prime London chose to relocate to somewhere in the South East.

Those leaving prime London for another prime location outside the city were most likely to spend more. Forty percent of sellers in prime London moving to another prime location spent more as they traded up on size, compared with just 18% moving to a non-prime location.

Meanwhile those moving from non-prime areas of London tend to head to the East of England. Thirty-eight percent of non-prime London movers went East, compared with 23% of prime London movers. Price is a significant factor in this decision. Those moving from London in 2017 paid on average 30% less for a new home in the East of England than one in the South East.

Buyers who didn't end up in the three most popular regions (South East, South West and East of England) tended to head for the Midlands or the North West of England. Excluding moves to the

## “Forty percent of sellers in prime London moving to another prime location spent more as they traded up on size”

South East, South West and East of England, 25% of buyers moved to the West Midlands and 19% to the East Midlands. Unsurprisingly a higher proportion of buyers relocated to the North West (24%) where economic conditions and distance from the capital are more favourable than the North East (4%).

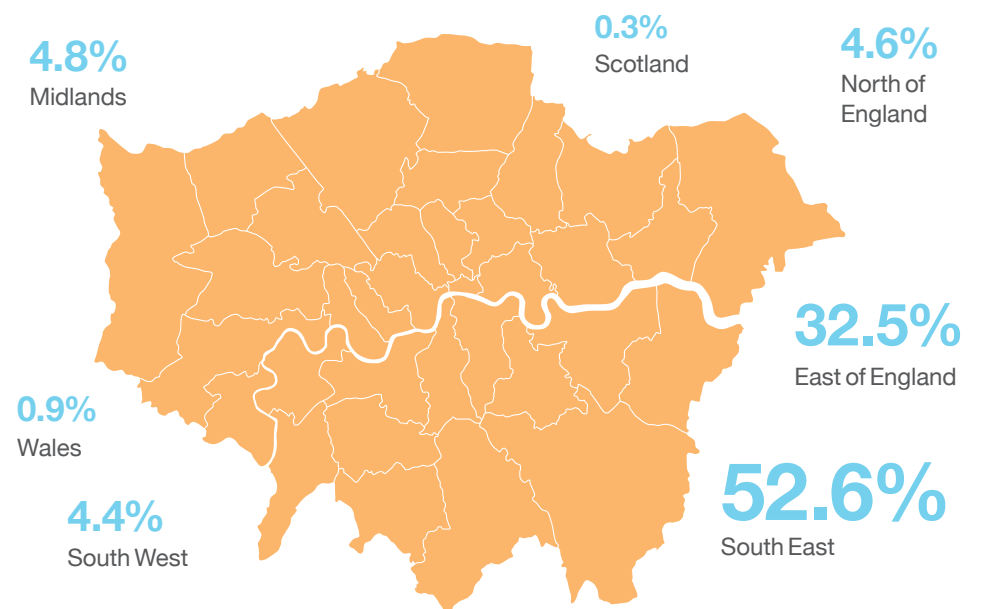
#### Moving into London

But it is not all one way traffic. Demand from existing residents and higher London prices means

that just 12% of London buyers came from outside the city – with a combined total of 85% from the South East (32.5%) and East (52.6%) of England.

The bigger budgets required limit incomers to the wealthier groups from other parts of the country. Almost half (42%) of those moving to London from outside this year came from a prime area, up from 28% in 2010.

#### Where buyers moving into London come from



Source: Hamptons International/LonRes

# Economy

## Global recovery

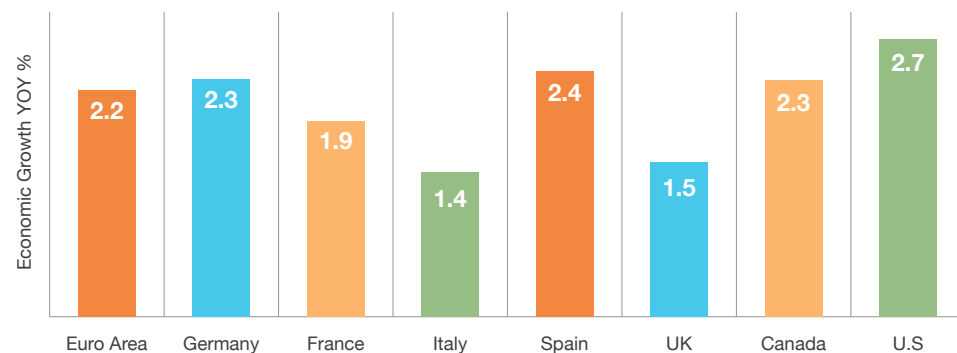
There is plenty of optimism surrounding the global economy. The Eurozone's surprise recovery in 2017 has created confidence for the year ahead, and even Mr Draghi, the President of the European Central Bank (ECB), signed off the year with a more optimistic outlook. In fact, the IMF think economic growth in the Eurozone will reach 2.2% this year, its best performance in a decade and in stark contrast to their forecast for growth in the UK of 1.5%. Meanwhile, the economies in France, Germany and Spain are starting to pick up pace.

Over the pond, The Federal Reserve increased the benchmark interest rate in the United States by 0.25% to a range between 1.25% and 1.5% in December, the third hike in a year. The US economy is also expected to put in a strong performance with growth forecast at 2.7% in 2018, partly thanks to Trump's tax cuts and also the expectation for unemployment to fall below 4%.

All the excitement overseas has contributed to the UK's FTSE 100 reaching a record in January. The FTSE 100 is the share index of the top 100 companies listed on the London Stock Exchange and is often seen as an indicator of prosperity and confidence in the UK economy. The FTSE 100 has partly been boosted by cheap money from the Bank of England which has helped inflate asset prices, but low interest rates have also pushed investors into riskier assets in the search of higher returns.

However, a lot of the companies in the FTSE 100 are big international companies who earn their money in foreign currencies, so the weak pound has helped boost their earnings further. Therefore, the index isn't necessarily the best indicator for the performance of the UK economy, but it helps. With global growth predicted to rise in 2018, driven by the Eurozone and emerging economies, it's likely we'll continue to see headlines about index records being set over the next year.

### Economic Growth Projections 2018



Source: IMF

# Sales

## London leavers moving further

As London's prime areas have spread London residents have moved further to find their next home. Back in 2010, 52% of Londoners stayed within five-miles of their old home. But in 2017, that proportion fell to 39%. In fact, the proportion of sellers moving more than 50 miles away from their old London home increased from 11% in 2010 to 20% today.

So where do they move to? Rather than escaping to the country, just over half (51%) of people leaving London bought a home in another town or suburb. But despite the price differences only around a quarter moved to another prime location.

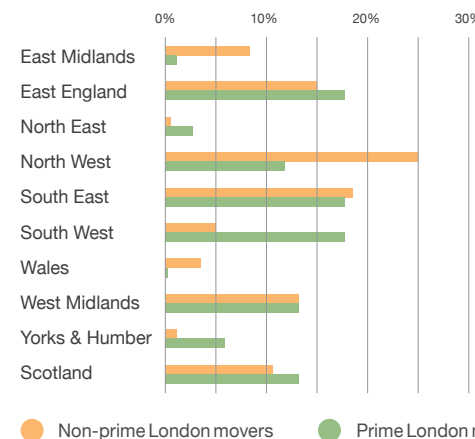
Commuter cities remain the most popular choice, with Brighton, St Albans and Bath together accounting for 37% of moves from prime London residents. In fact, the proportion of people moving

from prime areas of London to other cities has increased from 6% in 2010 to 14% in 2016.

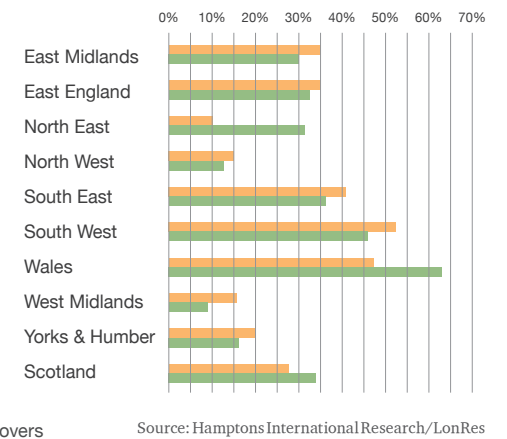
Those leaving London for the South West and Wales were most likely to move to a home in the country. Country purchases account for half of all moves to those areas. However, those swapping prime London for prime country on average sold their home for £1.2million – about twice as much as those buying in a prime town or suburb.

But for those moving further afield, it's not all about saving money, although it's definitely a factor. Only a third of sellers selling in prime areas of London spent more on a new home outside the capital. But how much they spent depends on where they moved to. Forty-seven per cent of Londoners moving to another town or suburb spent more, this contrasts with 13% of those moving to the country.

### London movers buying in another city in 2017



### London movers buying a country property in 2017



Source: Hamptons International Research/LonRes

# Lettings

Looking back at 2017

Rents rose faster in 2017 than in 2016 to reach £960 PCM. This is the first reported annual increase since 2014, with rental growth increasing by a third from 1.8% in 2016. Most of this rise comes from a pickup in London rents, following falls in 2016.

Rents increased across every region of Great Britain last year. In reversal of 2016, the South West and South East had the fourth and sixth fastest rates of rental growth in England, with average rents reaching £796 PCM and £1040 PCM respectively at the end of the year. Rental growth has been supported by a fall in the number of homes on the market, with the biggest drop in London.

Consequently, London went from having the slowest rate of rental growth in England in 2016 to the fastest at 3.2% in 2017, with the average rent at the end of the year averaging £1,706 PCM. The rise was a result of the changes to

stamp duty for second homeowners gradually working its way through the system, acting as a disincentive for prospective landlords. And this has hit the Capital more than other areas because homes tend to cost more. As a result, there were 5,400 fewer homes bought by a landlord in 2017 than in 2016 in London, resulting in 21% fewer homes available to rent.

Across Great Britain in 2017, the proportion of homes bought by landlords dropped to a nine year low of 12.5%. The drop in the number of landlord purchases has meant the number of homes available to rent has fallen at a time when affordability pressures are keeping some prospective buyers in the rental sector. In December 2017 there were 4% fewer homes to rent across Great Britain than in December 2016, which is increasing competition among tenants for rental homes. And this looks set to drive even faster rental growth in 2018.

Source: Countrywide Research

## Regions ranked by rental growth

	2014	2015	2016	2017
Fastest growth ↑	Greater London	East of England	East of England	Scotland
	East of England	South West	North West	Greater London
	South East	East Midlands	Yorkshire & Humber	West Midlands
	North East	Scotland	North East	Yorkshire & Humber
	South West	West Midlands	South East	South West
	Scotland	South East	East Midlands	East Midlands
	East Midlands	Greater London	South West	South East
	Wales	North West	Wales	North West
	West Midlands	Yorkshire & Humber	West Midlands	East of England
	North West	Wales	Scotland	Wales
Slowest growth ↓	Yorkshire & Humber	North East	Greater London	North East

# Stat of the Month

## Destination of London leavers

Destination	Prime London leavers 2017	Non-prime London leavers 2017
Scotland & Wales	3.0%	1.8%
Midlands	8.2%	10.4%
East England	22.8%	38.3%
North England	7.6%	7.8%
South East England	47.7%	37.0%
South West England	10.7%	4.7%

### Heading to Scotland and Wales

Moving from London postcode	% moving to Scotland & Wales
E	2.6%
N	0.9%
NW	0.0%
SE	4.3%
SW	1.6%
W	8.5%

### Heading to North England

Moving from London postcode	% moving to North England
E	10.8%
N	10.3%
NW	9.6%
SE	8.0%
SW	5.9%
W	10.6%

### Heading to the Midlands

Moving from London postcode	% moving to the Midlands
E	7.8%
N	11.3%
NW	13.2%
SE	7.4%
SW	4.7%
W	14.9%

### Heading to East England

Moving from London postcode	% moving to East England
E	51.5%
N	49.3%
NW	39.7%
SE	14.9%
SW	7.1%
W	17.0%

### Heading to South West England

Moving from London postcode	% moving to South West England
E	4.3%
N	7.0%
NW	8.8%
SE	9.0%
SW	13.8%
W	9.6%

### Heading to South East England

Moving from London postcode	% moving to South East England
E	22.9%
N	21.1%
NW	28.7%
SE	56.4%
SW	66.9%
W	39.4%

Source: Hamptons International Research/LonRes

Drawing on over 140 years of experience, Hamptons International is one of the premier international residential agents – with a network of more than 90 offices in the UK and key overseas markets.

We continue to expand to be one of the most valuable and innovative residential property groups in the world. Our name is synonymous with an unrivalled level of expertise and the finest properties. Our services include: Sales, Lettings, Residential Development, Valuation, Land and Professional Services, Property Management, Mortgage Finance, Corporate and Relocation Services and Interior Solutions.



**LONDON**

- Stanmore
- Muswell Hill
- Hampstead
- Islington
- St. John's Wood
- Hyde Park & Bayswater
- Notting Hill
- Mayfair
- City
- Canary Wharf
- Ealing
- Kensington
- Knightsbridge
- Tower Bridge
- Chiswick
- Chelsea
- Pimlico & Westminster
- Greenwich
- Fulham
- Battersea
- Blackheath
- Twickenham
- Barnes & Sheen
- Putney
- Clapham
- Richmond
- Earlsfield
- Balham
- Dulwich
- Teddington
- Kingston upon Thames
- Surbiton

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