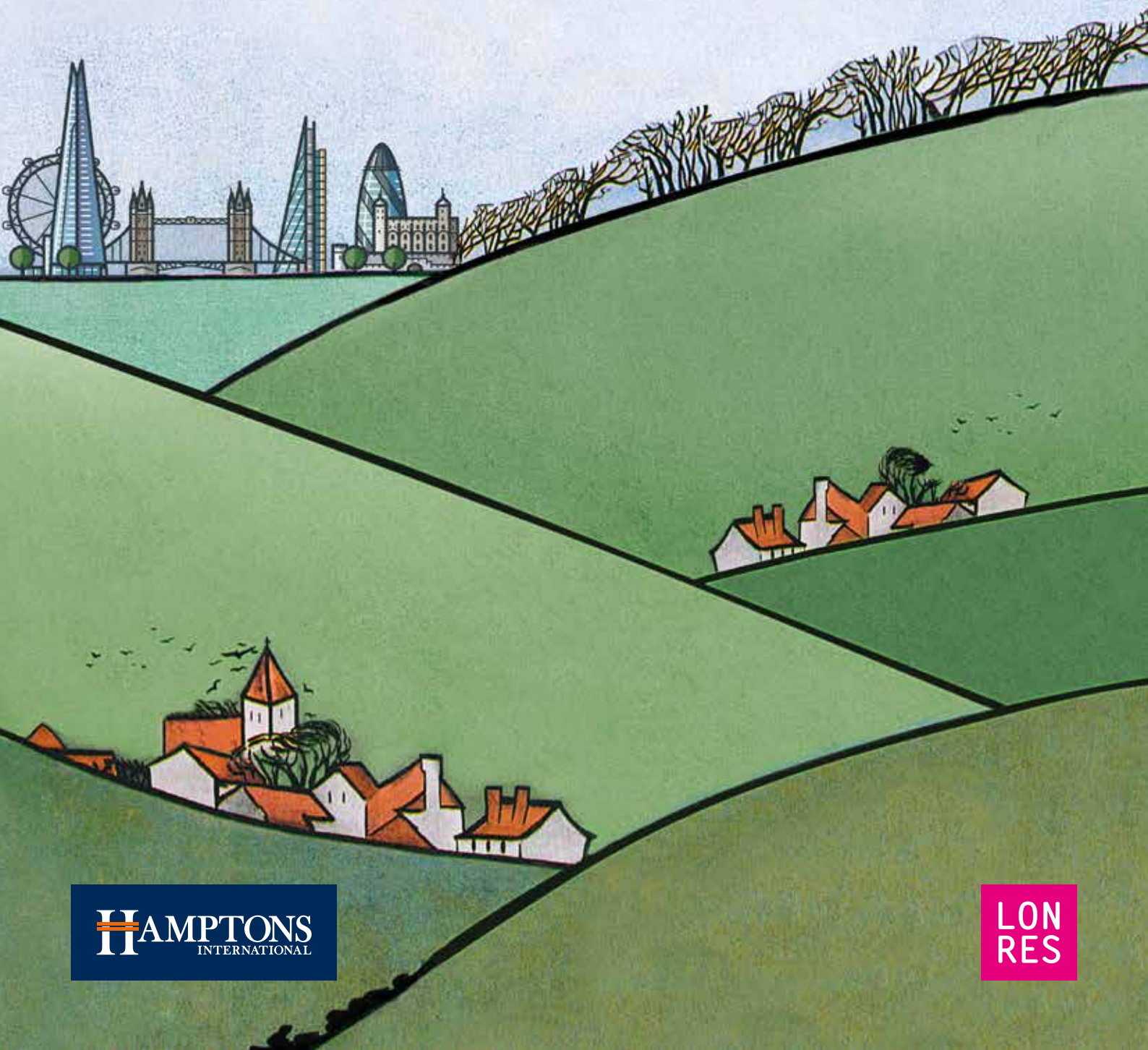


Prime moves

New analysis of the
country's prime
markets by LonRes
and Hamptons
International



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**LON
RES**



Prime Moves 2017: Disclaimer

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This report was published in January 2018 using data to 2017.

Prime housing markets often grab the headlines. The focus tends to be on how much these homes cost or new price records being broken. Much less insight is available on how these exclusive housing markets work – particularly the people that buy and live in these homes and how these markets are linked across the country.

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), property data analysts LonRes and leading estate agents Hamptons International have come together to better understand the dynamics of the prime markets and the things that drive them.

This is the first research collaboration between LonRes and Hamptons International. Hamptons International, as part of the Countrywide Group, brings unique and unrivalled data on buyers and sellers across the whole of Great Britain. And LonRes brings access to the most comprehensive real-time data and in-depth knowledge of the housing market in prime areas of the capital.

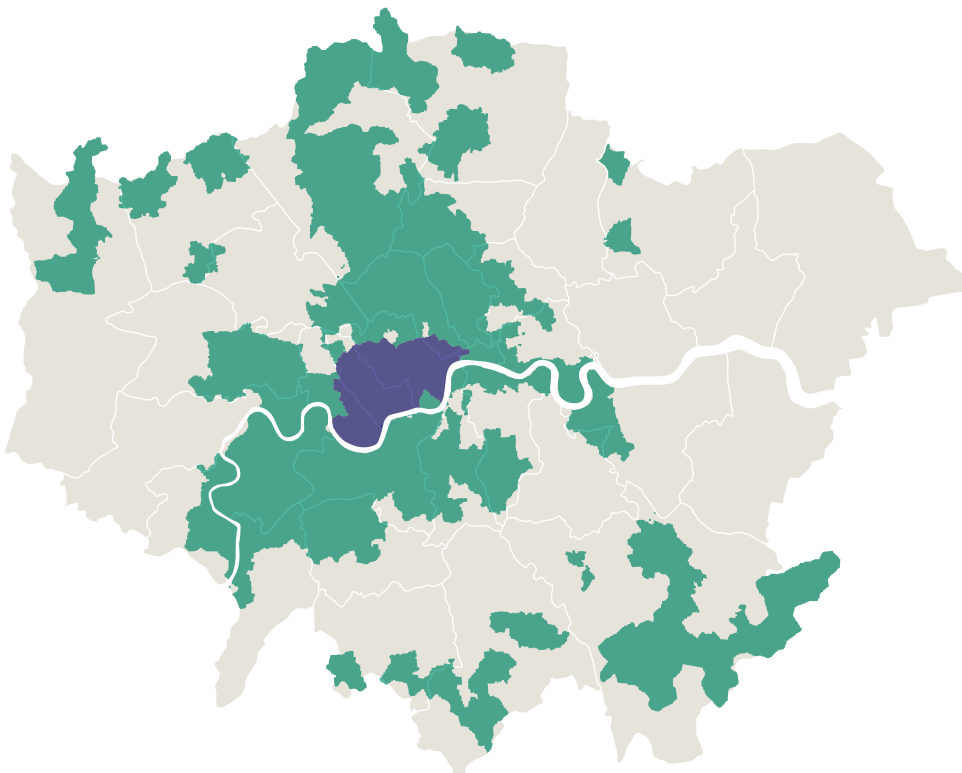


Defining Prime

What prime markets are and where they are located can be subjective. We have defined prime markets across all parts of the country according to a set of objective measures.*

We identify the prime city, country, town and suburbs across Great Britain. And in London, we separate prime central London from other prime areas of the capital.

Prime London



Prime central London
Rest of prime London

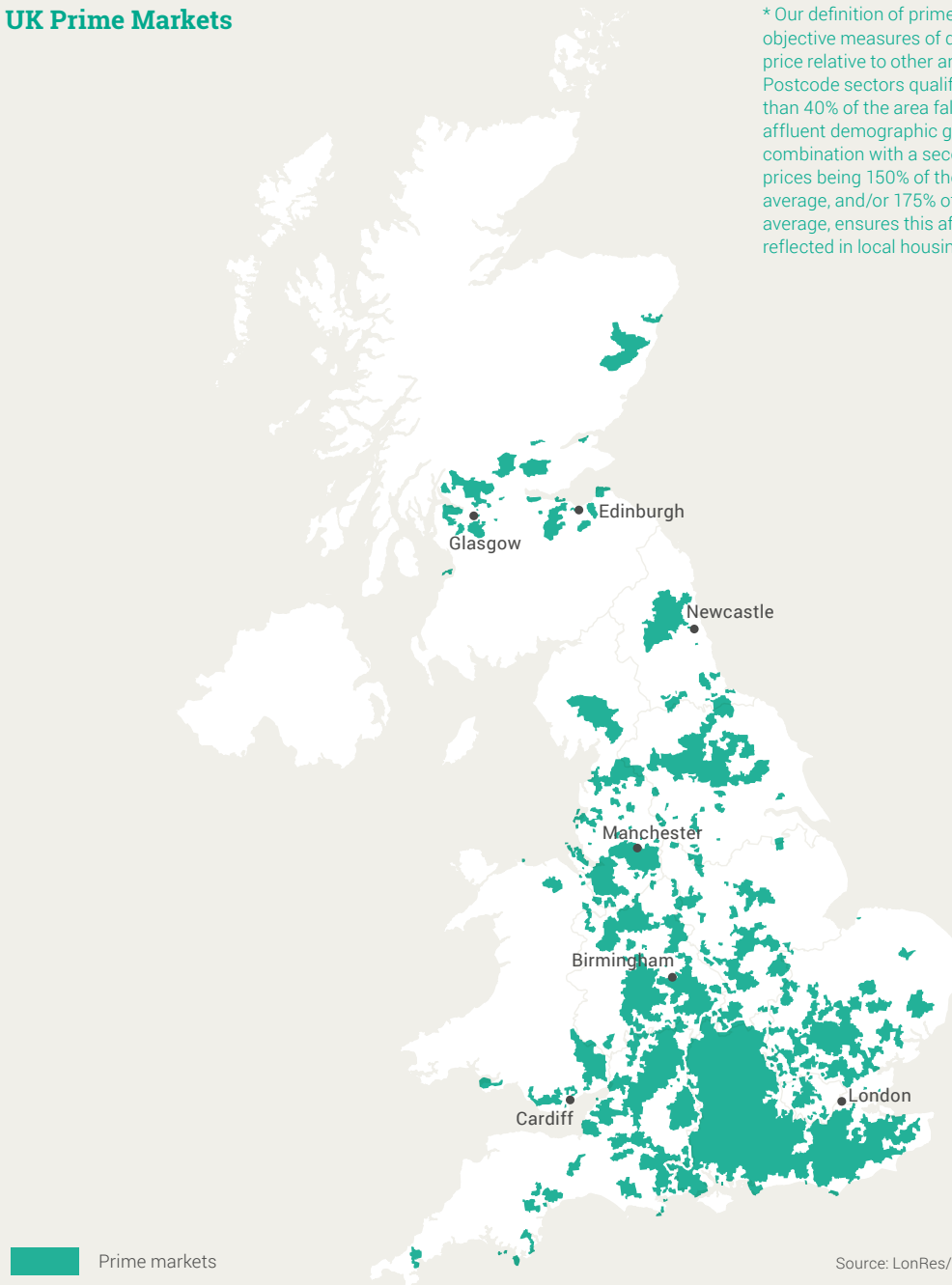
The life of prime

The concept of prime central London is a relatively recent one. There have always been pockets of London that have attracted the wealthy but historically these were evenly spread across North, West and central London. Towards the end of the 20th century however, as the city grew, they became more concentrated to become the prime central London we recognise today.

Much of the 20th century wasn't kind to today's prime parts of the capital, central or otherwise. The 1930's depression hit wealth hard and many central London mansions that had struggled to make way for smaller homes or businesses. It took until the 1970s for the tide to turn, as small office floorplates fell out of fashion and houses that had become offices were turned back into homes.

Source: LonRes/Hamptons International

UK Prime Markets



* Our definition of prime is based on objective measures of demographics and price relative to other areas in the country. Postcode sectors qualify as prime if more than 40% of the area falls within the 11 most affluent demographic groups. This, in combination with a second test of local prices being 150% of the local authority average, and/or 175% of the regional average, ensures this affluence is also reflected in local housing markets.

Over the last 20 years the most prestigious parts of London have become home to growing accumulations of wealth. That wealth has gradually spilled over from a few exclusive streets in the centre into whole neighbourhoods. Notting Hill, Islington and parts of Fulham were undesirable places in the 1970s but are now some of the most sought-after areas.

During the last couple of decades, the prime areas of central London have doubled in size, growing from 10 to 20 square miles. And despite what has been a tough couple of years for the prime London market, there are few signs to suggest its structural growth is slowing. In similar fashion to almost every other world city, the appetite for luxury central living among the wealthy is growing.

Significant property wealth accumulated in prime London is spreading to nearby neighbourhoods, deep into the commuter belt and even beyond. Put simply, many Londoners are realising gains from their homes in the capital and buying elsewhere.

Highlights

Where Londoners move to and from sheds light on the impact of the London market on the rest of the country.



Londoners tend to stay in the capital when they move,

(particularly in prime markets) and more so when prices are rising faster in London relative to the rest of the country

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3**

Londoners moving out of the capital from prime areas **spend more on their next property**



Prime London ensures a **higher price**, but **not always faster price growth**

There are distinct routes out of London,

with those leaving **South West London three times more likely** to be heading to the **South East of England** than North Londoners

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2**

About half of Londoners selling up in prime areas of the capital **move to the commuter belts in the South East.**



Rather than escaping to the country the majority of



prime London leavers move to towns or suburbs,

but only a quarter of them move to prime areas in their new neighbourhood

12%

of buyers in London came from **outside the city** this year



40%

of Londoners leaving prime London **spent more to live in a prime location** outside of the city

A period of rapid price rises followed by a slowdown and changes in the tax regime have caused **expectations of future growth to adjust downwards**



The cachet of the best addresses in one of the world's most prestigious cities means

interest in London prime property endures over good and bad times



London's prime markets consistently **outperform other assets** over the long-term

Londoners are moving further

Stretching their influence and spending power

Moves within and into London

Moves within London still outnumber moves outside.

Staying in London

Londoners like to stay in their city – especially in the prime areas. Overall 58% of Londoners stay in the city, but in prime London 63% stay put and three quarters of them stay in a prime area. The proportion of sellers staying within London peaked in 2013 at 67%. 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. It made sense for Londoners to

continue to benefit from price rises by staying in the capital.

In 2014 the gap between prices in London and elsewhere peaked and as it has narrowed, London sellers have taken the opportunity to cash in on previous gains. This year, with slower price growth in London's prime postcodes and weaker expectations about future price growth, more are moving away. The proportion

of sellers staying in London has fallen to 58%.

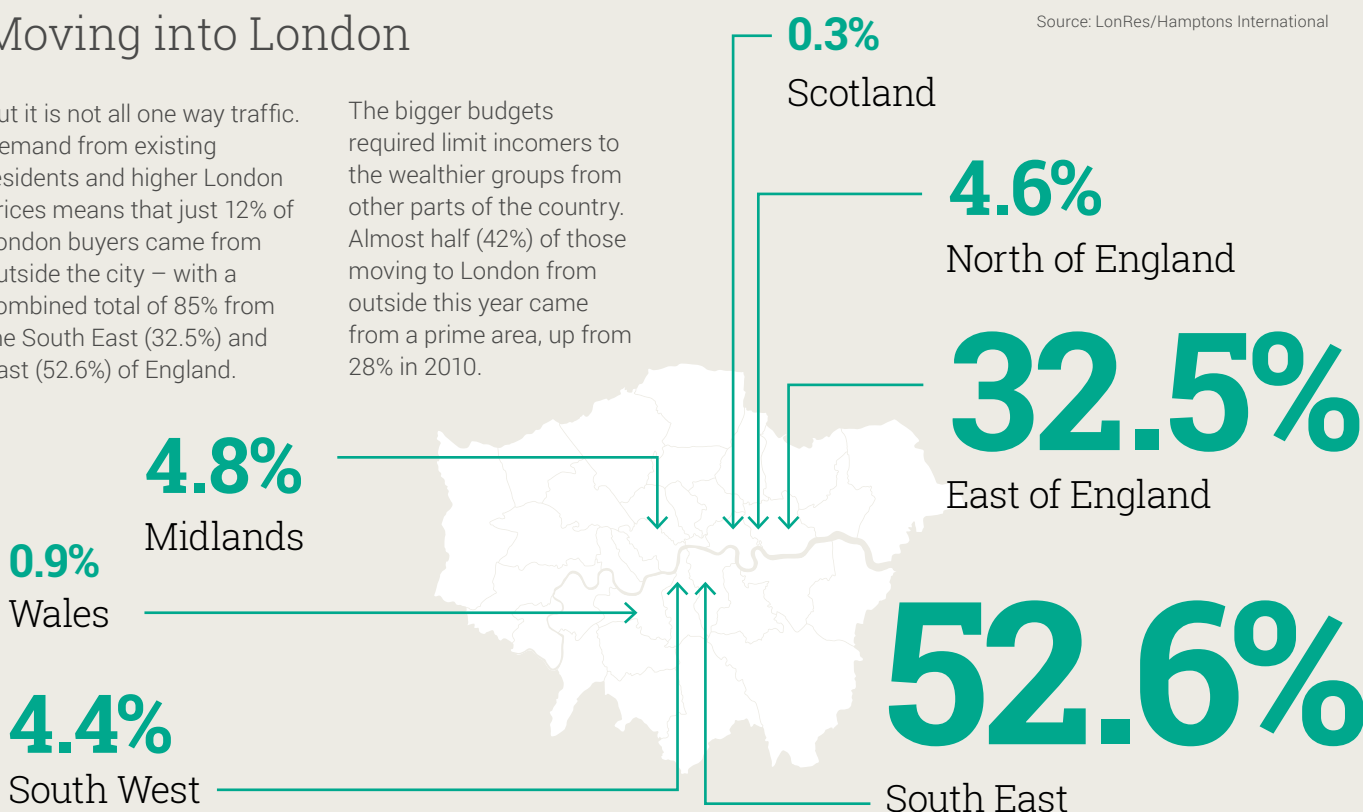
Yet there is still loyalty to London, especially in the more expensive neighbourhoods. Those selling up in high value prime central London were the least likely to leave London. This year 63% of those selling in prime central London, chose to stay in the capital. Of those staying in London 78% bought another home in a prime area.

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.

Source: LonRes/Hamptons International



Leaving London

The most recent LonRes survey showed 86% of London agents had vendors looking to move outside the capital. Those selling in prime London were looking to trade up on space, but not necessarily planning to spend more on their new home.

Of the 42% of sellers leaving prime areas of London for a home elsewhere in the UK, relocation to the home counties remains the most popular choice. The commuter hotspots of South East England have consistently been the most popular areas, allowing buyers to maintain strong connections with London. Almost half (48%) of those leaving prime London chose to relocate to 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 this year paid on average 30% less for a new home in the East of England than one in the South East.

Buyers not heading to the three most popular regions (South

East, South West and East of England) relocated predominantly to the Midlands and North West of England. Excluding moves to the 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%).

Well-trodden paths?

Where London leavers move from often dictates where they go to outside the capital. Movers from South West London (SW postcodes) were most likely to be heading to a new home in the South East of England. Sixty-seven percent of sellers in SW postcodes who left London moved to the South East. For East Londoners (E postcodes) over half of leavers (52%) went to the East of England with just 23% moving to the South East. But South East Londoners were reluctant to cross the river.

67%

of sellers in SW postcodes moved to the South East

Just 15% of London leavers from SE postcodes chose the East of England, while over half (56%) preferred to buy in the South East. West Londoners (W postcodes) moved furthest – on average 56 miles, compared with 34 miles for those leaving SW postcodes.

How far are they going?

As London’s prime areas have spread, so London residents have moved further to find their next home. Back in 2010, 52% of Londoners stayed within a five-mile radius of their old home. This year, that proportion fell to 39%. And, over the same period, more Londoners made a longer distance move.

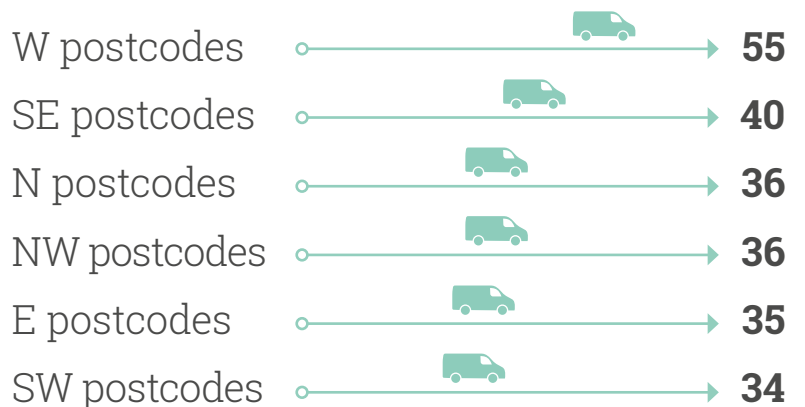
The proportion of sellers moving more than 50 miles away from their old home increased from 11% in 2010 to 20% today. Some of these changes are due to price, as buyers seek out more affordable areas, but some are also a symptom of the growth of prime areas.

Those wishing to stay in a prime location have a greater choice of areas to choose from, even within the capital. For those moving further afield it is not all about saving money. Analysis of LonRes and Hamptons sales data shows a third of sellers in prime areas of London spent more on a new home outside the capital than the sale price of their existing home. But how much they spent depends on where they went to.

Of those moving from prime areas of London to the country, 13% spent more on their new home, compared to 47% of those moving to another town or suburb. Overall, forty percent spent more if they moved from prime London to another prime location outside the capital.



Average distance moved (miles) – all London leavers



Source: LonRes/Hamptons International

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 of England	22.8%	38.3%
North of England	7.6%	7.8%
South East England	47.7%	37.0%
South West England	10.7%	4.7%

Heading to Scotland & 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 the North of England

Moving from London postcode	% moving to the North of 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 the East of England

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

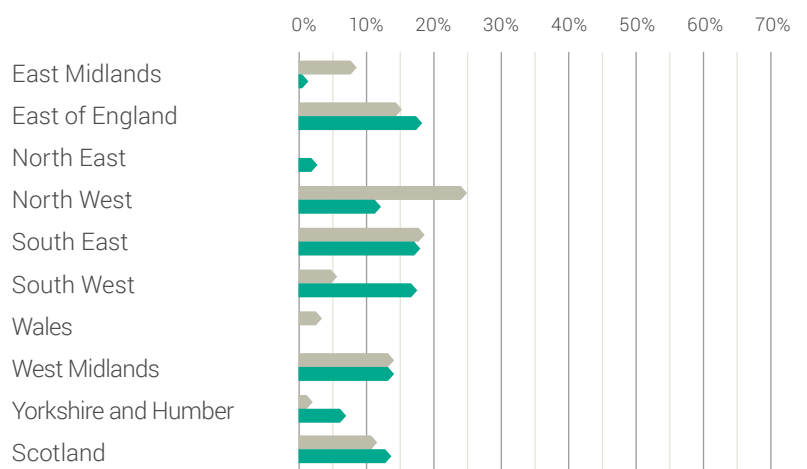
Where are they going?

Rather than escaping to the country, the majority of those leaving prime areas of London are heading to other suburbs, towns and cities.

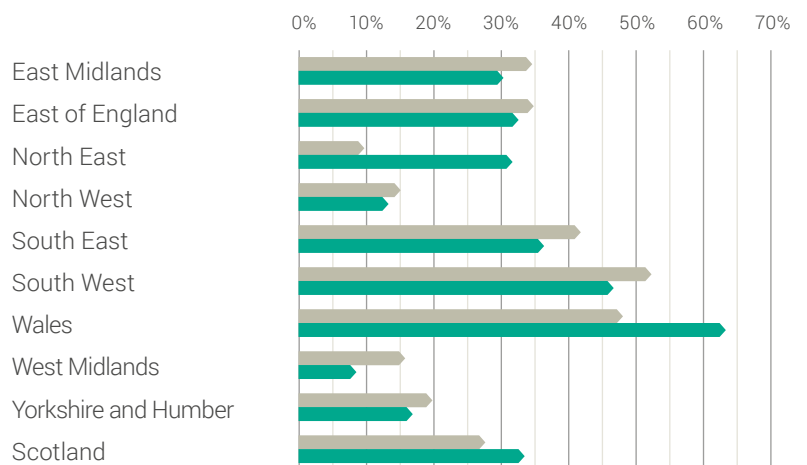
Just over half (51%) bought a home in a town or suburb, but despite price differences only about a quarter moved to a prime location.

The proportion moving from prime areas of London to buy in other cities has increased from 6% in 2010 to 14% in 2016, and account for 11% of moves so far. Commuter cities remain the most popular choice, with Brighton, St Albans and Bath together accounting for 37% of prime London residents moving to another city. Those leaving London for the South West of England and Wales were most likely to be moving to a country location. Country purchases account for half of all moves to Wales or the South West. Those leaving prime areas of London for prime country locations were selling more expensive London properties – on average £1.2 million, about twice as much as those buying in a prime town or suburb.

% moving to another city – prime and non-prime London movers 2017



% buying a country property – prime and non-prime London movers 2017



Source: LonRes/Hamptons International

Market Performance and Outlook

The exclusive nature of property in prime areas of London is an obvious reason why price levels are higher than in other parts of the capital. But growth in prices has typically been stronger than the rest of London too. And, even within prime sectors of the market, it seems, the more exclusive the area, the more resilient prices are.

From the peak of the housing market 10 years ago, prices in prime central London grew 55% more than London as a whole. In the more exclusive super prime districts prices grew twice as fast as the overall London average. With London's price growth almost two and a half times faster than the average for England and Wales throughout the decade, this shows the enduring appeal of property in prime markets.

House prices in prime central London have risen by more than the rest of the capital since 2000 for a number of reasons. First, the available supply of property. In a small area, there is always a shortage of supply – especially for the most prestigious addresses – and that supports price growth. Second, and related to the first, is expectations about future price growth. That too has historically been strong in the prime areas of London.

Investors looking for returns are reassured that they will benefit from capital growth in property, more so than some other assets. Despite the tumultuous times, prime central London property has outperformed Prime other assets and even matched the

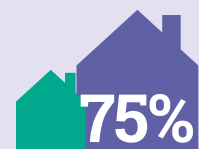
performance of gold throughout the uncertainty. But price growth in these parts of the capital can also be volatile – and more affected by global economic developments. London's prime market did not suffer so much from the credit crunch - buyers in this sector of the market were less reliant on finance. But London's prime property benefitted from the euro crisis when investment flows looking for a safe haven increased. In Q4 2012, the share of prime central London property sold to overseas buyers increased to 67% as investors sheltered from the Euro crisis. The proportion subsequently fell back, but in 2016, the outcome of the EU referendum caused sterling to drop sharply, making London property look cheap. The proportion of international buyers increased to 60% in Q3 2016 as a result.

Even though prime London property has outperformed other assets over time, price growth cannot accelerate forever. If it becomes detached from the underlying fundamentals of the economy, expectations of future growth will suffer and prices will adjust until they realign. Such rapid price growth in the noughties was unsustainable, investors'

Price growth 2007–2017



Prime central London



Prime



London



UK

expectations began to weaken from 2013 and the pace of price growth followed.

There are two reasons why this happens. First, as prices become detached from other housing markets the pool of potential buyers shrinks, meaning that those who wish to sell quickly will face price negotiations. Secondly, as prices in the most exclusive areas become unaffordable to all but the wealthiest, buyers look to adjacent areas where there is better value for money – and more opportunity of future price growth. This has benefitted both areas on the fringe of prime London and places further afield.

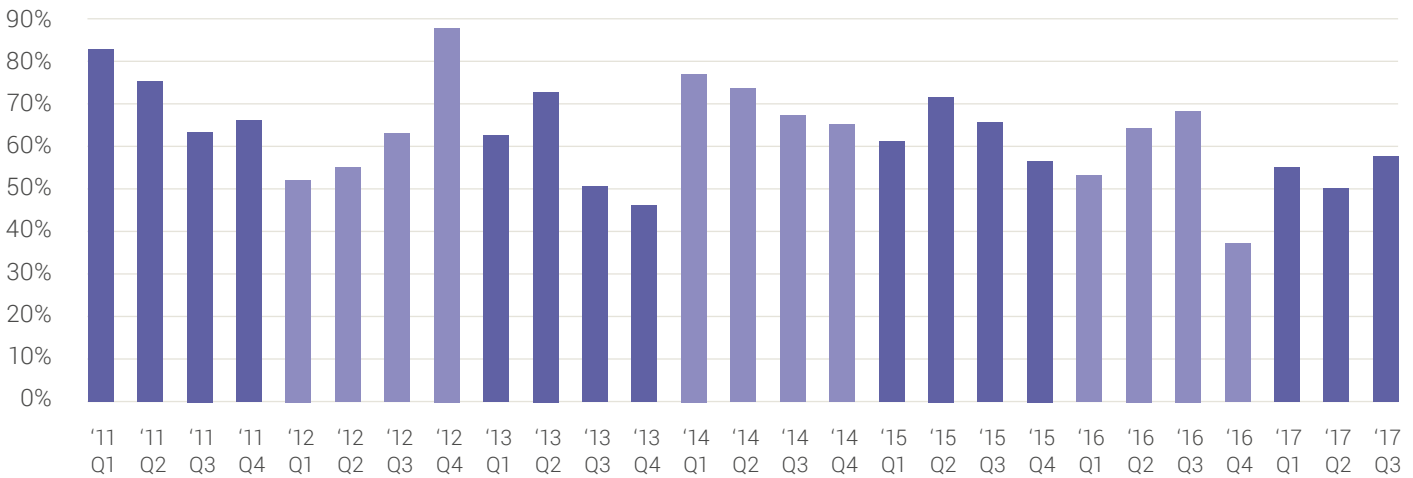
The raft of tax changes which hit the most expensive homes and company purchases hardest, changed the investment sums too. Additional costs of buying were factored into purchase price negotiations. On top of that, the new supply of luxury property coming on stream added to weakening expectations and price negotiation.

Prices in prime London have adjusted. Price growth began to weaken after the changes to stamp duty in 2014 and then fell as sentiment dropped back due to lower expectations of future price growth.

Looking ahead there are a number of risks and opportunities for prime property. Leaving the European Union brings uncertainties about the UK's economic performance and the impact on property values, but also the effect of changes in the currency on the value of overseas investments. Yet the exclusivity of the best addresses in London, and its place as one of the world's most prestigious cities is still a big draw. That helps prime property to hold its value better in tough times and to increase more in better times. And that is a big attraction for investors.

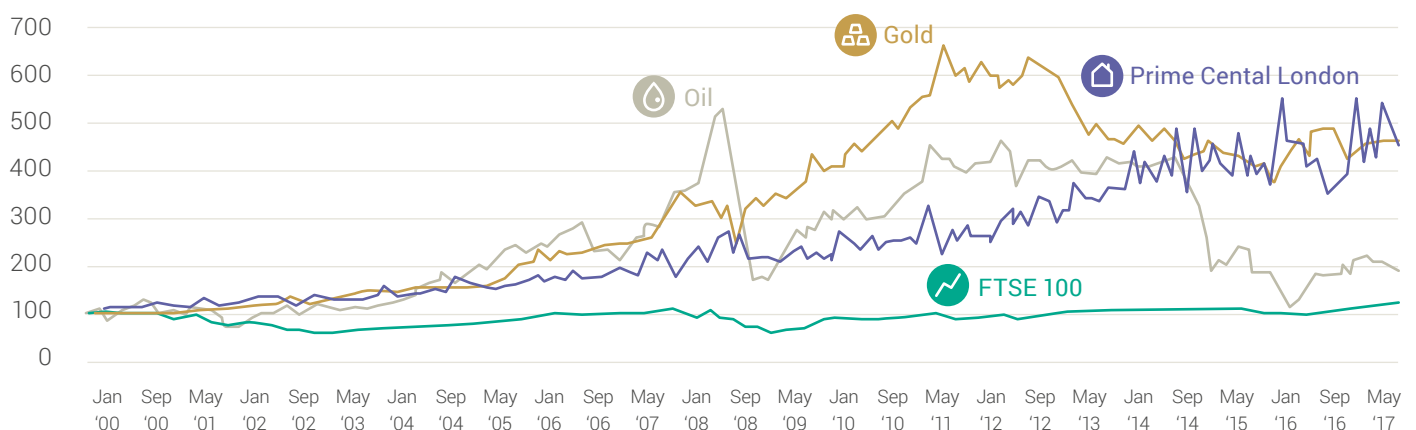
% of international buyers in prime central London (proportion of sales)

Source: LonRes/Hamptons International



Prime London and other assets (Index Jan 2000=100)

Source: Hamptons International Research



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Hamptons International

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.

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

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LonRes

An independent, privately-owned company, LonRes was established in 2000 as a subscription-based data platform. Today over 6,000 residential property professionals working across prime London subscribe to what is widely regarded as the definitive database on the prime London sales and lettings market.

LonRes tracks the prime London sales and lettings markets in real-time, taking in sold and let prices and price movements – including price adjustments – and time on the market. LonRes has an unrivalled sales archive which dates back to 1986 and a lettings database dating back to 2004. This year, LonRes launched a new service, ResCountry, that enables established agents in rural locations to connect to the leading agents and their vendors in the London market.

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