



RIVERSIDE MARKET INSIGHT 2017

SALES MARKET ANALYSIS

This report provides an assessment of the riverside residential re-sales market in central London, focussing on the stretch of the River Thames between Wandsworth Bridge in the west and Southwark Bridge in the east.

This is a market which has seen rapid change, with a range of new developments added in recent years including those in Battersea, Nine Elms and along the South Bank.

To help navigate this market, we have divided the river into four sections, as illustrated in figure 1, and assessed the performance of 20 developments, as shown on the map overleaf.

Our map shows average pricing and rental values based on data from Land Registry, LonRes and our own market information.

The map underlines the premiums achieved for Riverside schemes compared to the surrounding area.

“New developments are playing an increasingly prominent role in the riverside market” said Matthew Smith, Knight Frank’s head of Riverside sales. “Developments with facilities like gyms, swimming pools, security

FIGURE 2
Price growth (rebased to 100 at January 2010)

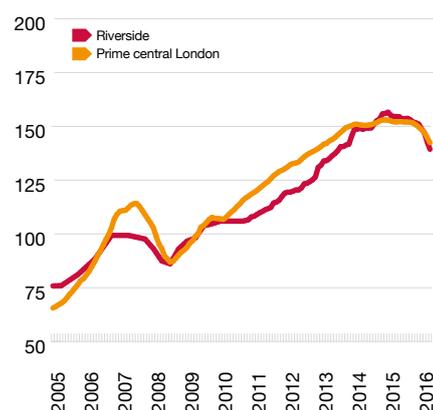
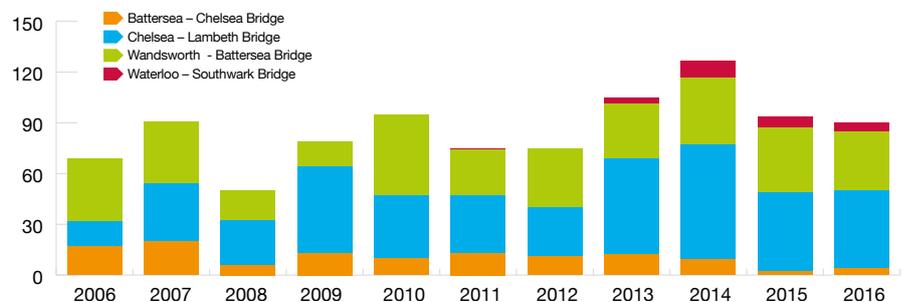


FIGURE 1
Sales volumes



Source: Knight Frank Research / LonRes

and parking have added an additional lifestyle option for residents looking to live in central London.

“Riverside is becoming more popular with local buyers and the area’s developments appeal to downsizers who want a change from Chelsea and Knightsbridge. In five years people will be visiting areas like Nine Elms as well as living there, much like the South Bank today.”

In similar fashion to the rest of prime central London, activity has become more subdued in the last two years, as buyers and sellers digest two stamp duty hikes since December 2014.

However, demand is strengthening as asking prices increasingly reflect higher transaction costs. There was a 96% year-on-year increase in viewings in Riverside in the last three months of 2016 and a 37% rise in the registration of new prospective buyers.

“We are agreeing deals as a result of pent-up demand and overdue asking price reductions of 10% or more,” said Matthew. “Although the gap between buyers and sellers has not closed in all cases, there are increasing examples of very good value along the River Thames right now.”

The pick-up in activity has been across all price bands, although higher taxes for landlords have

curbed demand to some degree in lower price brackets.

However, demand in Riverside is supported by a broad base of purchasers, including downsizers, buyers looking for a London pied a terre, students and young professional couples.

FIGURE 3
Riverside in numbers

-9.6%
Price growth in the year to February 2017

96%
Year-on-year increase in the number of viewings in the last three months of 2016

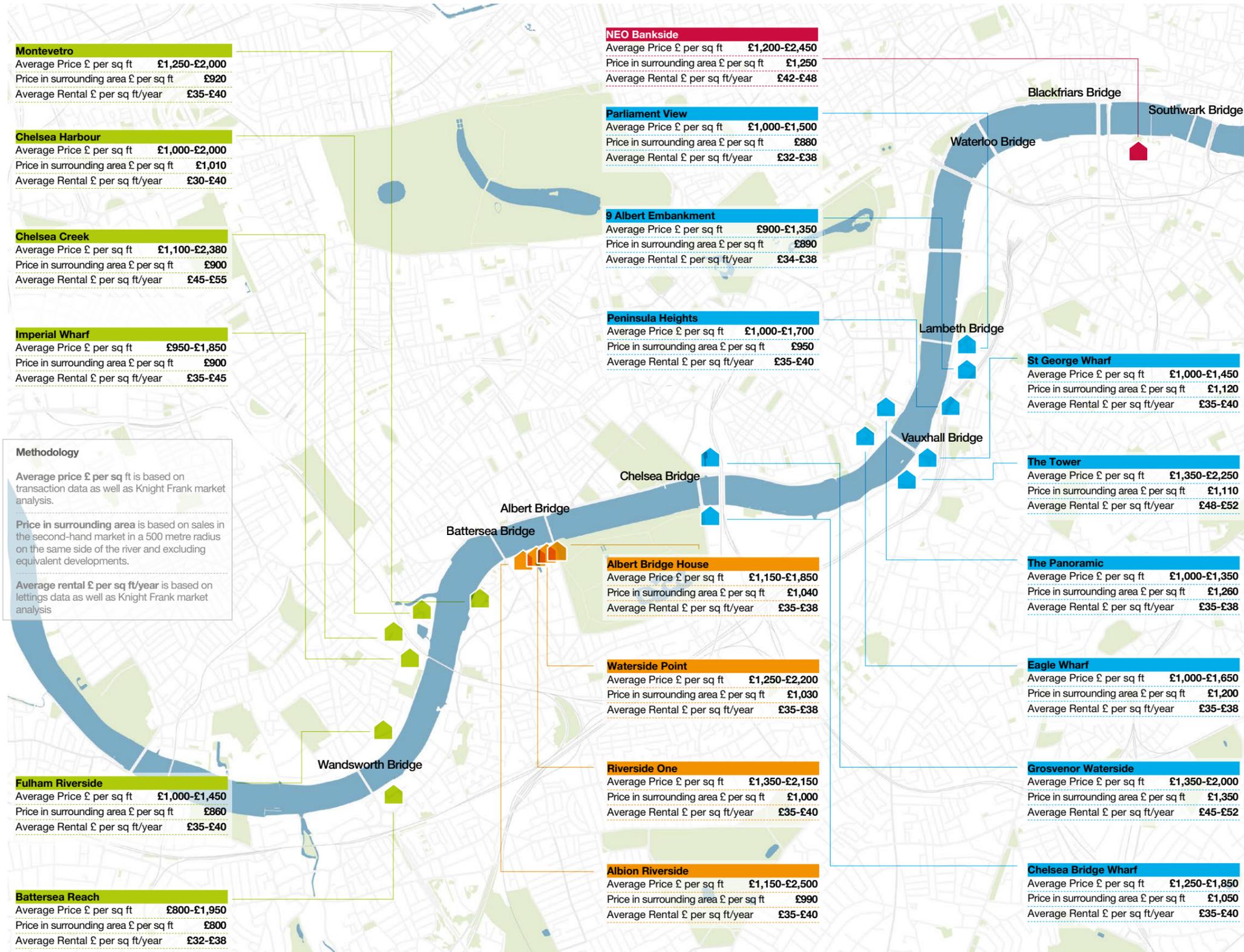
21%
Percentage of buyers in their 20s in Riverside in 2015-2016

-9.3%
Rental value growth in the year to February 2017

2.5% to 3.25%
Average gross prime yield in Riverside in February 2017

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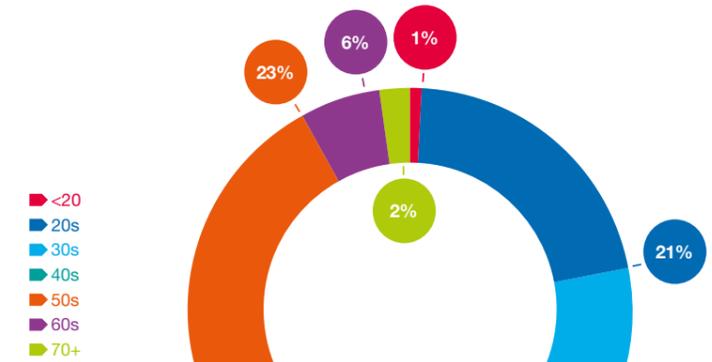
FIGURE 4 Analysis of Riverside developments Figures correct as at February 2017



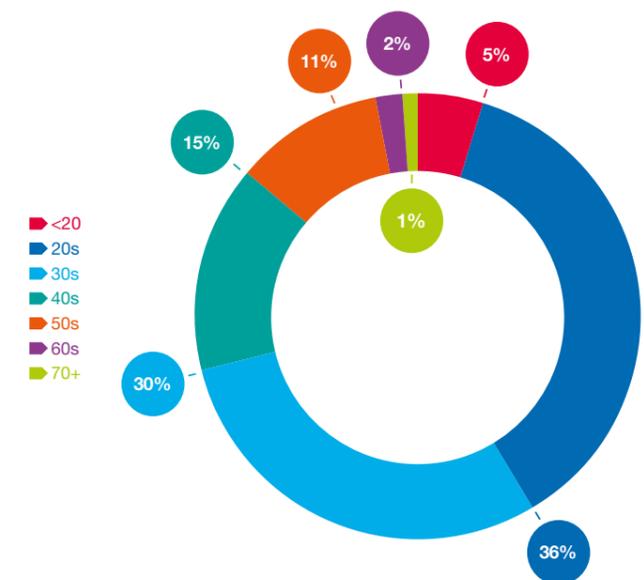
Source: Knight Frank Research

FIGURE 5 Age of buyers and tenants in Riverside Five years to December 2016

Buyers



Tenants



Source: Knight Frank Research

LETTINGS MARKET ANALYSIS

As with the sales market, we have split Riverside into four areas in order to analyse the performance of the lettings market along the River Thames.

As the map on the previous page illustrates, specification as well as location is influencing rental values along the river.

A slow sales market in 2016 contributed to rising stock levels last year, which led to a rental value decline of -9.3% in Riverside in the year to February 2017.

However, the balance is starting to tip back in favour of the landlord, said Giles Barrett, Knight Frank's head of Riverside lettings.

"Very high stock levels have started to come down and because there is less choice around, tenants have to be more decisive. At the same time, demand continues to strengthen, which is positive for landlords."

Quarterly rental value declines fell from a high of -4.8% in May to -0.6% in February this year in

a sign that rental value declines in Riverside are bottoming out.

In prime central London, while there was a 26% year-on-year increase in the number of new lettings properties on the market in the third quarter of 2016, the figure fell to 4.7% in the final quarter of the year, highlighting how new supply is starting to ease.

Demand has been more resilient below £1,000 per week, but is now strengthening above that level, said Giles, due to higher rates of stamp duty and uncertainty over the short-term outlook for price growth in the sales market. Following the rental value decline in 2016, Riverside properties have also become more affordable for tenants.

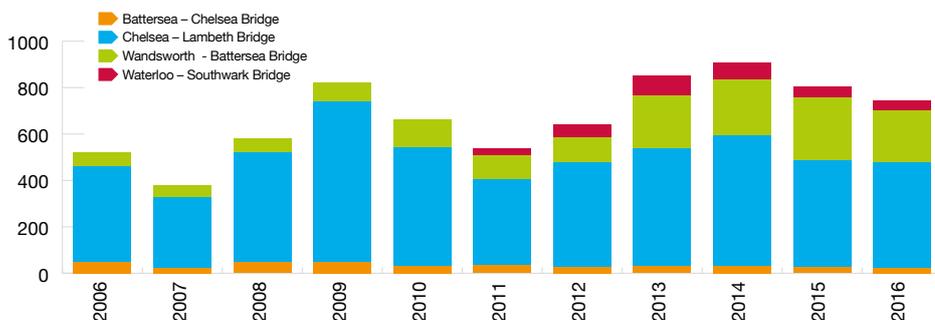
Riverside remains good value versus other areas of prime central London, says Giles. "You can rent in virtually every Riverside development for less than £1 per square foot per week. If you go to the so-called 'golden postcodes', you will pay double that for the

same or inferior specification. This relative saving appeals to a wide range of tenants from students to company executives."

"The appearance of high-quality schemes with facilities like business lounges, cinema rooms and spas, is pulling tenants in from other areas of London," said Giles. "The underlying trend in prime central London is that tenants are becoming more focussed on the product rather than the postcode."

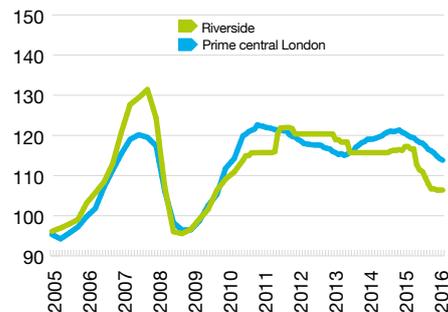
"The Chelsea Riverside area is performing strongly with some great new schemes, and it's a similar story on the South Bank, which has good access to the City and is increasingly popular," said Giles. "The raft of choice in the Nine Elms area means there can be good value as landlords need to be competitive on pricing. Meanwhile, other stretches like Albert Embankment and west of Battersea Bridge have become well-established."

FIGURE 6
Lettings volumes



Source: Knight Frank Research / LonRes

FIGURE 7
Rental value index
(rebased to 100 at January 2010)



Source: Knight Frank Research

LONDON RESIDENTIAL



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