

Spotlight The World in London

2013

Capital appreciation

How London's status
as a world city is reflected
through its residential buyers



Spotlight World in London



Demand for property from overseas buyers in London is strong, but what impact does overseas equity have on the capital's housing markets?

London is the fastest-growing city in Europe and is expected to grow by one million people in the next decade. It is also an extremely cosmopolitan city so a large proportion of people buying homes in the capital are international. The signs are that the importance of overseas buyers in prime markets has increased in the last decade or so but not above levels seen previously, in the 1980s and 90s for example. So what we are seeing currently is nothing new – although it probably covers a wider area of newly-prime London than it has before.

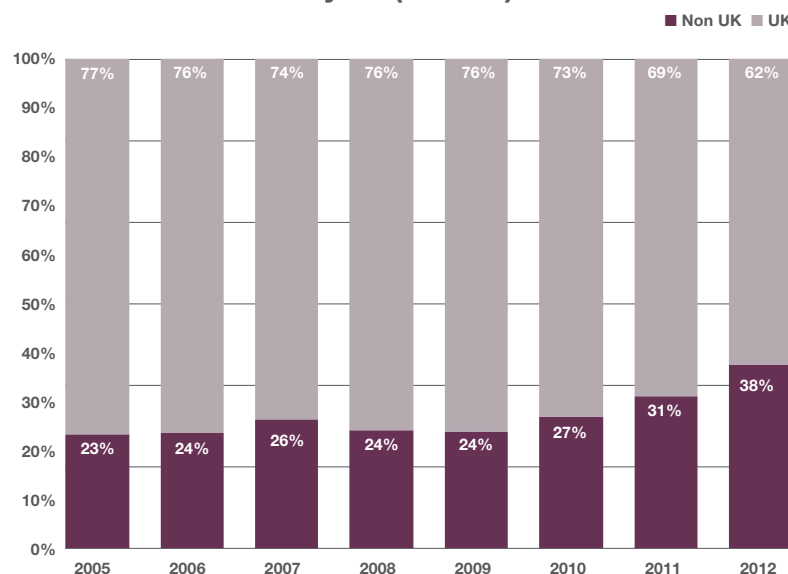
This recent growth in international purchasers is partly because the absolute numbers of UK buyers declined in the wake of economic

recession, falling real incomes and scarcer finance, making overseas purchasers a higher proportion of the whole market.

It also seems to be linked with the increasing number of overseas arrivals in London over this time. London has gained even more stature as a global city and increasing numbers of overseas buyers are coming to live, work, study and set up businesses in the capital.

Most importantly though, the overall proportion of overseas buyers is still closely linked to the growing numbers of foreign-born residents in London generally. It is simply reflective of the growth seen across the board. 35% of all Londoners, not just those buying prime property, were born overseas. House purchase by international buyers has more to do with residency than anything else. ➔

GRAPH 1
Trends in overseas buyers (resales)



Source: Savills Research

Foreword

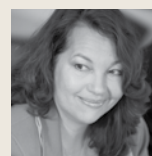
The truth behind the headlines

Every buyer in prime London could be described as 'international'. London is a premier global city and quite possibly the most cosmopolitan of all world cities. This means that even UK-born housing market participants are operating in a global market.

London remains a very attractive location in which to invest, participate, learn, live and visit. The majority of home buyers live and work in London or have business interests in the UK. It is hardly surprising that they have been beating a path to its prime housing markets since the 1970s. As long ago as 1990, 38% of prime London buyers were from overseas. This is the same figure as seen in 2012-13.

London's internationalisation and population growth applies to all classes in central and outer London but overseas investment and second home buying particularly affects prime markets, central areas and new homes. These markets are highly visible and widely commented on as well as showing the highest house price growth early in the property cycle. This has prompted many press reports to suggest that London's housing markets are being overrun by the globe's super-rich.

This report refutes the claim. We suggest that international sales of newly built properties, in advance of completion, helped to finance 3,000 new affordable homes that may otherwise not have been built and added a further 3,000 much-needed homes to the market-rented sector. It is London's status as a global city and its strong economic performance, plus under-supplied housing markets, that have driven price growth. London's continued strength is linked to its position in the world market place. ■



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→ London's development

The neighbourhoods that were deserted in the post-war era have now been repopulated – by Londoners of all types. The prime area has grown over the years but the extent of other neighbourhoods has grown too as gentrification, intensification and regeneration has created new places. Some of this regeneration has been made possible by international and local buyers reserving units in advance

OVERSEAS DEMAND

The very high-profile overseas buyers are getting in the press seems to be linked to the particular circumstances of certain high-profile new build schemes which, although small in terms of numbers of units, attract a lot of attention. Because many new build schemes are actively marketed overseas, many show very high proportions of overseas buyers.

Why do developers sell overseas?

Many developers believe that the propensity for presales is higher. But increasing numbers of prime UK buyers are buying in advance of completion too. Presales provide forward funding and the certainty for schemes to proceed. Overseas equity is an important source of funding for London's new build development and regeneration. Overseas demand can be counter-cyclical (Asian economies have not suffered as much as the UK economy) so sales are possible when the UK market is down. Weak sterling has made London property look cheap by international standards so premium values can be achieved in some cases.

of completion "off plan" and effectively forward-funding development. This report examines the impact of these buyers and sets them in context of the whole market, including 'second-hand' stock, referred to here as 'resales'.

Residents

The majority of so-called international buyers in the prime London market are buying their main residence. Over 93% of prime resale buyers work or have business in the UK.

The number of international prime buyers is entirely in line with the nature of London as a whole. 35% of all Greater London residents were born overseas and, in some boroughs, this figure is over 50%. The fact that these proportions seem to have increased significantly in most boroughs over the last 10 years has brought the impact of immigration not just to the forefront of political debate but also to the forefront of housing market commentary. There is increasing interest about the consequent impacts that it is having on demand for housing and the ability for supply to keep pace.

The two boroughs with the highest proportion of foreign-born residents are Brent and Newham, which are boroughs with some of the highest levels of deprivation and a high proportion of social housing tenants – definitely not the exclusive haunts of the global super-wealthy. The third and fourth largest proportions of

overseas residents are to be found in boroughs at the other end of the social spectrum where not just London's but much of the UK's affluence and also a great deal of global affluence is concentrated.

But not all of London's most expensive or 'prime' residential markets are in the same situation as Westminster and Kensington & Chelsea. Prime markets are mainly found in the boroughs of Hammersmith & Fulham, Camden, Islington, Wandsworth and Richmond. Some of these have high proportions of international residents but others, such as Richmond, do not. London's most expensive housing is not therefore automatically associated with high numbers of foreign-born residents.

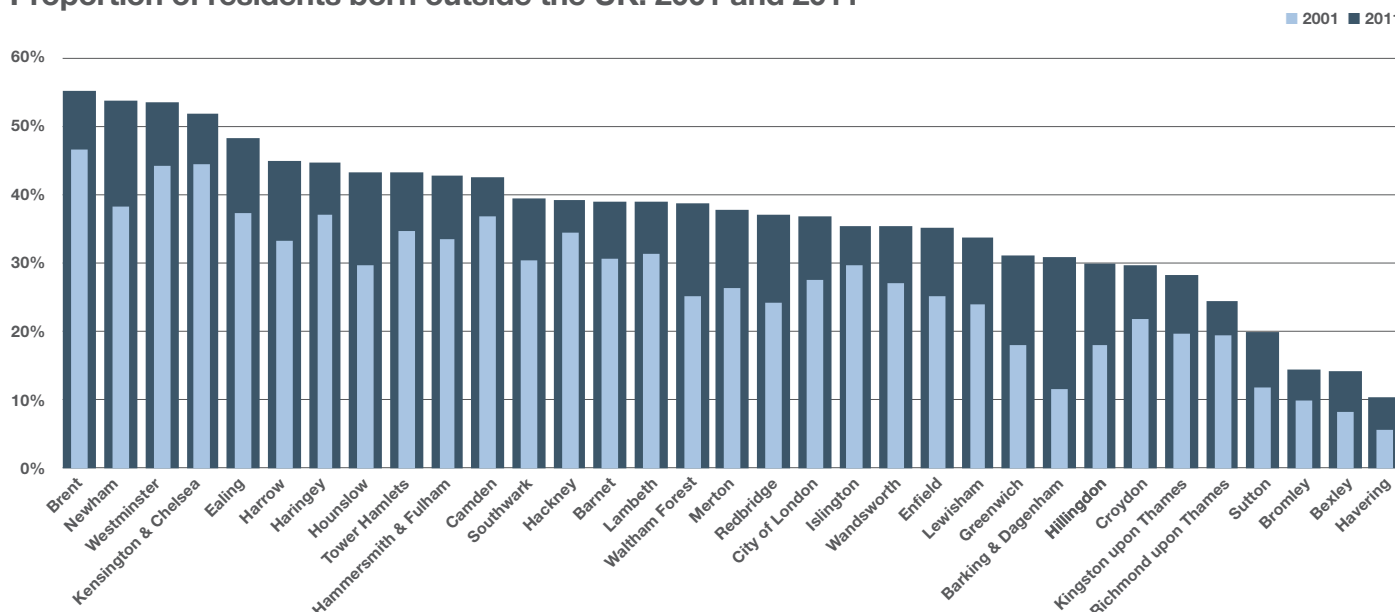
International buyers

Graph 3 puts all of the frequently-reported high percentages of overseas buyers in the prime London markets into perspective, showing how many sales there are to different types of buyer. The overwhelming majority (62%) of sales in prime markets are to people buying main residences. Of these residents, in line with London as a whole, one-third were foreign-born.

Only 750 of the 97,000 Greater London sales in 2012 were prime new build sales to international second home buyers. Occupation of these residences is expected to be lower than 100% but most will not be left

GRAPH 2

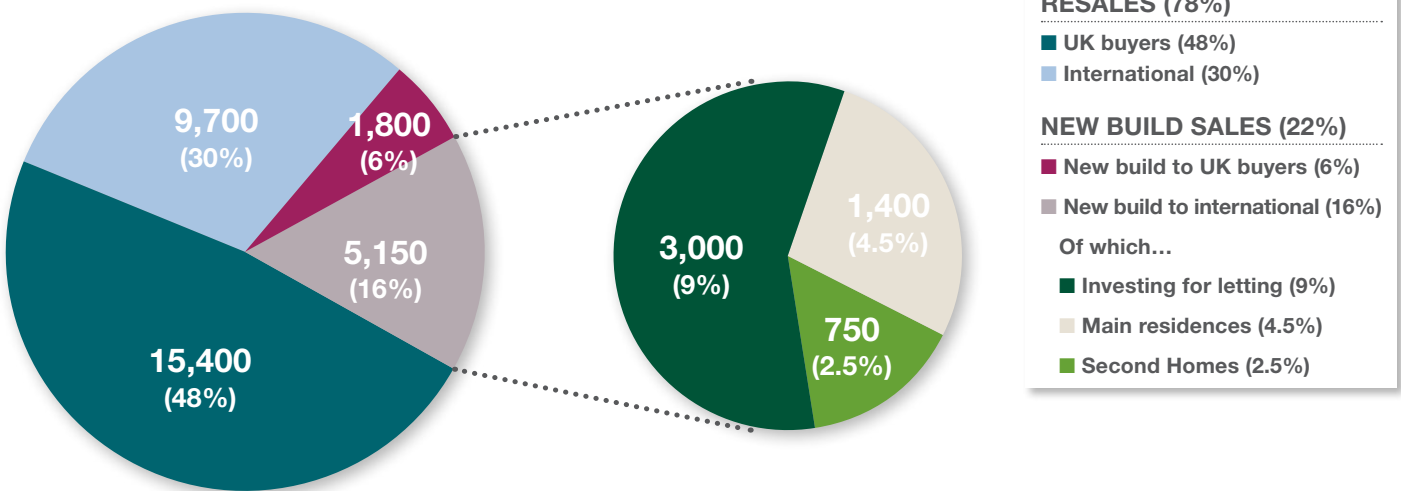
Proportion of residents born outside the UK: 2001 and 2011



Source: Census 2001 & 2011

GRAPH 3

Number of transactions in prime London, 2012



Source: Savills Research

empty. 'Lights out London' would seem to be a myth in all but a handful of locations.

Prime transactions

A significant proportion (22% of the total) buy property to let it out. These properties will be occupied – by tenants. Overseas buyers in prime London are more likely to be landlords than UK buyers, possibly because UK-born buy-to-let investors are buying at lower ticket prices, and higher yields, outside prime London.

NEW BUILD

New build sales in London accounted for just 22% of all prime sales in 2012-13 but, nonetheless, are a high-profile and closely-watched segment of the market.

Buyers in the new build market reflect developer's marketing strategies and what has been sold in different parts of the world. Hong Kong Chinese and Pacific Asian buyers feature heavily in this market, the result of sales at exhibitions in Hong Kong, Singapore and Kuala Lumpur.

For overseas buyers, new schemes offer a convenient, low maintenance investment, typically on long leases or freehold (leases are unfamiliar to many outside the UK). They can be easily managed from abroad and rental income covers costs.

Buyers from Hong Kong and China were the largest group in prime new London in 2012-13, accounting for 27% of the market by volume, although just 17% by value.

UK buyers are the biggest purchasers in prime London by value, accounting for 20.1% of the market, followed by the Eastern Europe and the CIS (19.7%) and Middle East & North Africa (19.4%).

Middle Eastern buyers and those from Eastern Europe and the CIS are the highest spenders in prime London, given that their new-build purchases are concentrated in the most expensive central areas. These buyers dominate the new build market in sales over £2,000psft, and £5 million.

UK buyers are an important group, and cannot be ignored in favour of overseas sales particularly when increasing numbers are now prepared to reserve in advance of completion.

As in all markets, new-build market buying habits echo those of the home markets as buyers prefer the type of

product that is most familiar, especially when they are new to the city.

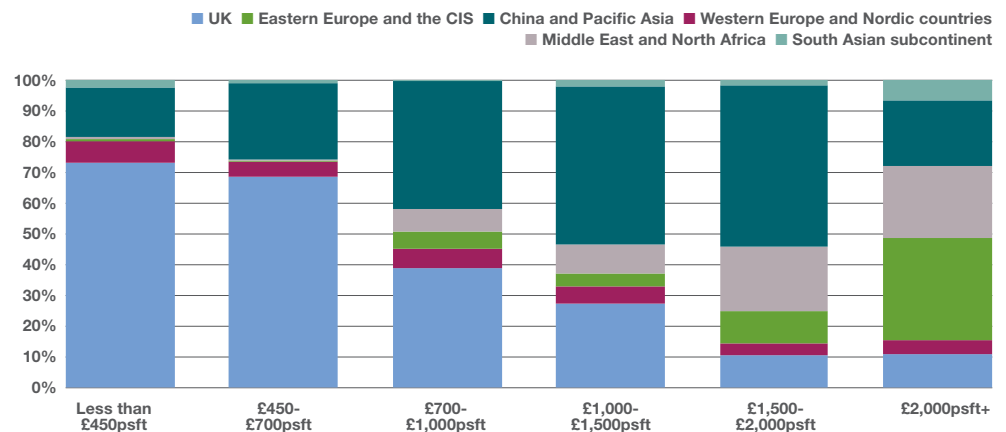
Chinese and Pacific Asian buyers favour high-rise, contemporary buildings in waterside locations. UK and Western European buyers are more likely to purchase a converted 'new' property than other global regions, and also favour low and mid-rise property.

Buyers from Eastern Europe and the CIS buy the largest units, in excess of 2,000 sq ft on average. UK, Chinese and Pacific Asian buyers purchase the smallest properties, averaging less than 900 sq ft.

The summaries of purchaser behaviour (see figures, overleaf) by global region give an indication of some of the characteristics of each group and put this behaviour into the context of home markets. ➔

GRAPH 4

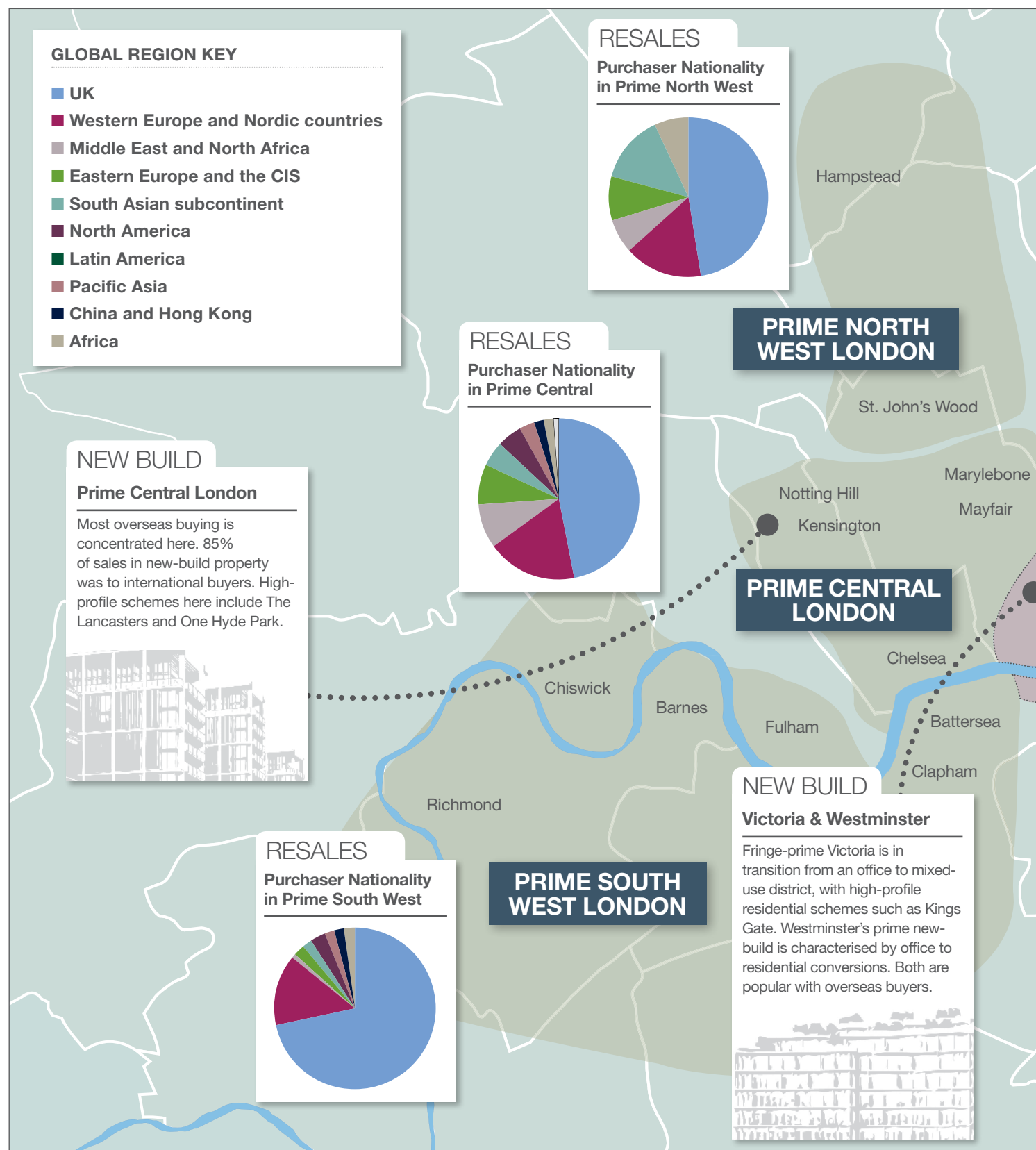
New build sales in prime London



Source: Savills Research

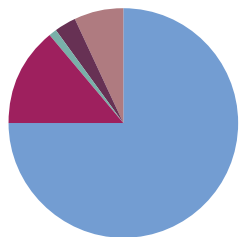
The World in London

AT A GLANCE



RESALES

Purchaser Nationality in Prime North



Islington

PRIME NORTH LONDON

NEW BUILD

Midtown & City

Developments such as Central St Giles and Central Square, demand underpinned by the city employees: 55% of purchasers are from the UK.

Wapping

Canary Wharf

PRIME EAST OF CITY

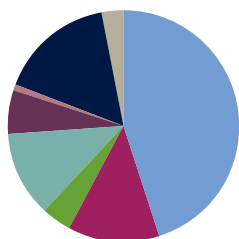
NEW BUILD

South Bank

An emerging prime area tapping into the cultural and leisure amenity of South Bank, attracting a diverse range of purchaser nationalities.

RESALES

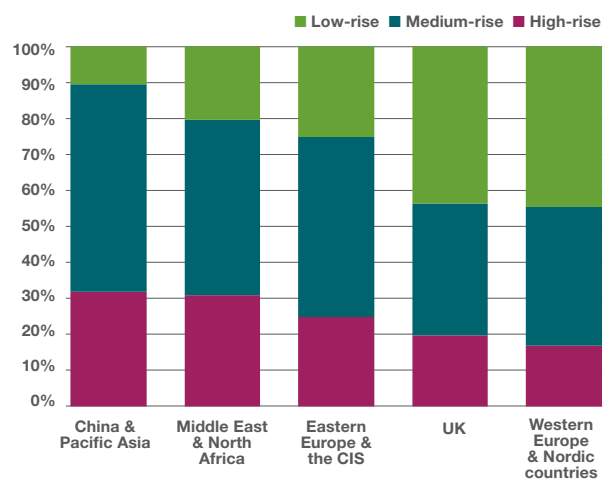
Purchaser Nationality in Prime East



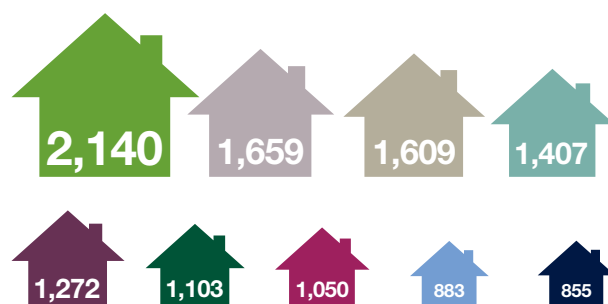
BUYING TRENDS IN NEW BUILD PRIME LONDON

Property and location characteristics by global region (in the last five years)

BUILDING HEIGHT



PROPERTY SIZE (AVERAGE OF AREA SQ FT)



Refer to Global Region Key, *China & Pacific Asia combined

WATERSIDE LOCATION

China & Pacific Asia



Middle East & North Africa



UK



Eastern Europe & the CIS



Western Europe & Nordic countries



0% 50% 100%

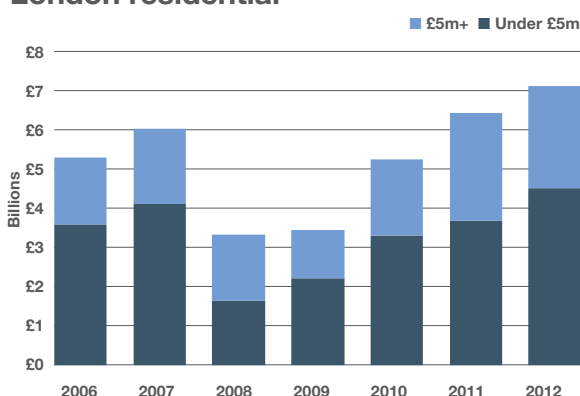
Source: Savills Research

Market dynamics

FLOWS OF MONEY

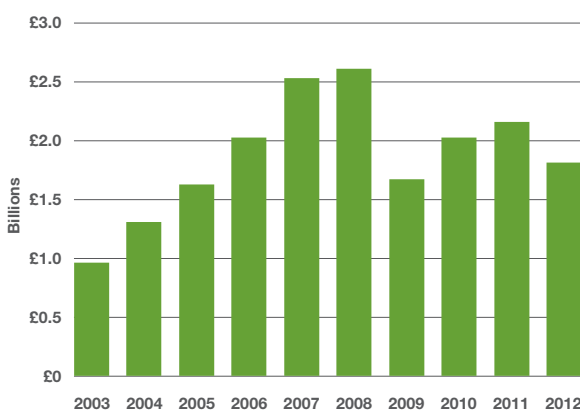
The influx of overseas wealth into the capital continues to be a key driver of London's economy

GRAPH 5
International equity into prime London residential



Source: Savills Research

GRAPH 6
Bonuses into prime London housing



Source: Savills Research using ONS and CEBR

The prime UK markets, and especially those in London, are not dependent on mortgage finance at the point of purchase. We describe them as being equity-driven rather than determined by debt levels and interest-rates. The amount of cash available for the purchase of prime homes in different locations has a profound affect on asset prices but these effects differ as the source and type of equity changes over time.

In London, there are three main sources of cash for the purchase of housing including, but not confined to:

- Bonuses paid to employees, particularly in the finance sector;
- Wealth from overseas;
- Housing equity built up by residents through previous housing purchases.

The propensity for wealthy individuals to put their cash into real estate depends on:

- The availability of money for housing;
- The opportunity cost of investing that money (e.g. returns available in other investments and elsewhere);
- Expectations of future returns (including the impact of currency fluctuations).

Graph 5 shows we estimate that approximately £37 billion has flowed into London property from overseas buyers since 2006. This has increased since 2010 as more foreigners have set up business or come to work in the UK/London; as more wealth has been generated in 'new world' economies and households have chosen to put money into safe overseas assets, their offspring's student housing, let property or their own residences overseas.

Overseas equity

This overseas equity has had a particularly strong impact on the development market in London as it is an important source of forward-finance for new schemes. Many homes, including affordable housing, would not have been built without it. Developers are increasingly taking schemes overseas long before completion because Asian buyers particularly

favour new apartment schemes and are willing to buy off-plan. Overseas reservations enable builders to obtain development loans on terms that make a development viable and buildable.

Because London is a major destination for global investment and wealth and because a large number of foreigners make the capital their home (35% of all London's residents were born overseas), we expect this influx of overseas wealth to continue. We anticipate that the level of overseas equity into prime London housing will average about £6 billion a year for the next five years or so.

Corporate bonuses

Another source of equity in the prime markets is that generated by those living and working in London. Bonuses generated in the financial services sector are a particularly important component of this. This is where the importance of overseas wealth to the London property market is once again apparent.

Much has been made of the decline of London's banking sector since 2007. While it is true that there are fewer jobs, fewer profits and much lower bonuses being made in the corporate banking sector headquartered in the City of London and Canary Wharf, this is not the whole picture.

While corporate banking has been struggling in the wake of the credit crisis, private wealth banking and investment, largely headquartered in the West End, has thrived. This has generated domestic wealth and driven the London financial sector in recent years.

The decision of ultra high net worth individuals to make London their home base in the European time zone has therefore been an important driver of London's economy and further drives wealth created by private banking, wealth and investment managers, family offices and the like.

Graph 6 shows our estimates of the financial sector bonuses which have found their way into the prime London housing market. We estimate that there was an equity injection of around £15 billion between 2006 and 2012 and anticipate that this will continue to average over £1.5 billion per annum over the next five years. (Some of this money will have been made by the 65% of all prime foreign second-hand buyers who live and work in London - so it overlaps with the foreign equity above). ■

Global regions

HOME MARKETS INFORM BUYERS

Our guide to global regions illustrates that many buyers are informed by what they know from home

The following sections illustrate the characteristics and size of markets made by different nationalities from the nine main global regions.

Taken region by region, they illustrate the size of different markets and the characteristics of each in terms of location and other preferences. We have often observed how buyers are informed in their purchases overseas by their experiences at home.

This is especially true of new buying groups who are less familiar

with the city or the UK and will therefore tend to stick with what they know.

London's housing stock is incredibly diverse, in contrast with many world cities, but overseas buyers will very often concentrate on newly built flats in new developments like those with which they are familiar at home.

UK buyers

It is worth reiterating that the majority of London's prime buyers are UK nationals. These buyers will often have global business connections and interests and be operating in the

53.7% of all prime London sales



RESALES
48%

NEW BUILD
5.7%

Figures relate to prime resales and prime new-build sales combined

same way as international buyers in the global city.

The following profiles detail the features of home markets which may affect purchasing behaviour in the UK, as well as the vital statistics of the groups purchasing in London and their preferences. ■

WESTERN EUROPE & NORDIC COUNTRIES

Western Europeans are the largest group of foreigners buying in London. They form 13.6% of the market overall, and are most dominant in resales (12.4%) rather than new build (1.2%).

They are among those most likely to be buying a main residence and living and working in the capital. The large numbers of French in London, for example, has led to the claim that London is France's fifth largest city.

Fifteen per cent of European purchases are second homes, often 'pieds-à-terres' (for those with business in London during the week and family homes in mainland Europe).

Europeans seem to have the same buy-to-let propensities as UK buyers – 13% of properties bought

by Western Europeans will be let to tenants. Investors may recently have been encouraged in this by a desire to escape euro-denominated markets.

Europeans are a mature buying market in London and likely to be more familiar with the city and the properties in it than other foreign nationals. Many buyers are raising families in the city and favour prime, South West London, where they can put down roots.

European buyers are as adventurous as UK nationals in the locations and types of property they purchase although there are geographically clusters around specific international schools, such as the French around the lycées of Kensington and Fulham.

Home market trends

■ There have been a huge range of housing market experiences in Europe

13.6% of all prime London sales



RESALES
12.4%

NEW BUILD
1.2%

which vary significantly from country to country. Some have seen boom and bust while others have barely grown at all. There is therefore a wide range of different attitudes to property purchase and investment across the region.

■ Raising families in apartments is more commonplace on the continent than in Britain and purchaser behaviour in London reflects these home markets.

■ Real estate markets in European countries can be more opaque and bureaucratic to deal with than in the UK so this makes London one of the first ports of call for those seeking to diversify their investment portfolios. ■ →

HONG KONG & CHINA

Buyers in this group constitute a large proportion of prime London buyers at 7.4% but are almost entirely concentrated in the new build sector (5.8%). Only 1.6% of the whole market is in resales to buyers from Hong Kong and China.

There were initially two distinct groups investing in London, the established Hong Kong ultra high net worths, and the new wealthy mainland Chinese. As Chinese buying in London grows, this is broadening to include a whole range of Chinese mainlanders and more Hong Kong residents.

The main constraint on mainland Chinese buyers is a limit on the amount of money they can take out of the country and restrictions on overseas investment. So, most purchases are from Hong Kong, not

China. Many purchases are made in relation to education at British schools and universities and are for use by families and their children studying in the UK.

Many Chinese have a passion for real estate but are mainly familiar with new build flats so buyers dominate that market, and are now the largest single purchasing group in prime London new build by volume (27%)

Resales and period property is much less familiar. As the market matures, we expect this to change. Those Hong Kong buyers who have been familiar with London for a long period are as likely as locals to buy old houses.

Home market trends

■ Stratospheric price growth. Hong Kong has the most expensive residential property in the world and

7.4% of all prime London sales



RESALES
1.6%

NEW BUILD
5.8%

Shanghai has seen house price growth of over 250% since 2005. This growth is now slowing.

■ China has extraordinarily high rates of new building. Up to 25 million new homes have been completed each year in mainland China over the past decade. This means that newly built, usually high-rise, product is virtually the only one that the Chinese are familiar with (this having been the case in Hong Kong for some time).

■ There are increasing restrictions on property speculation and multiple ownerships in many key cities, so opportunities for investing at home are increasingly limited. ■

PACIFIC ASIA & AUSTRALASIA

A significant proportion of London's prime sales are to buyers from this region (6.4%), split 4% new build and 2.4% resales. 52% were buying a main residence but nearly half are investors (24%) and second home purchasers (24%).

The London markets favoured by Pacific Asian buyers are diverse and varied. Nationals from Singapore and Malaysia are well-established investors, willing to purchase property off-plan, well in advance of a scheme's completion. They were significant players in the recovery of the London market in 1992-93 and are targeted by UK developers in overseas exhibitions.

Investment motives range from storing newly made wealth, looking

for capital growth and, increasingly, the search for good income returns over a sustained period of time. The ability to find all of these in an 'old world' economy with a weak currency makes London look good value. Many purchase property for their student children, valuing a British education.

Some Pacific Asian groups show a far greater tendency to rent than to buy. Those from Australia, Japan, New Zealand and South Korea are more dominant in the rental markets, reflecting the fact that the majority of these occupiers are in London for employment, often temporarily with multinational corporations.

Home market trends

■ The region has seen its home markets boom, but has also experienced government cooling

6.4% of all prime London sales



RESALES
2.4%

NEW BUILD
4.0%

measures, such as stamp duty increases for multiple home and internationals buyers.

■ New build condominiums are a ubiquitous and standard housing product throughout Pacific Asia.

■ Capital growth has been very significant in many Pacific Asian countries, driven by strong economies and resultant wealth-creation.

■ Cities such as Singapore have seen huge price growth on back of a booming economy as well as a weight of Chinese money. Expectations of returns from other global real estate markets can be high. ■

MIDDLE EAST & NORTH AFRICA

People from the Middle East and North Africa purchase 5.4% of all prime property, divided equally between resales and new-build.

This group of buyers is distinctive in that only a minority (only 39%) are buying a main residence in London, 25% invest to become landlords. A high proportion of Middle Eastern buyers will be buying a second home, often for use during the summer months when London's climate actually becomes a big attraction. London is now so established as a summer destination for many Middle Easterners, business and social engagements can be conducted as seamlessly in the capital as at home.

Although second home purchases by Middle Easterners constitute less

than 3% of prime London's market transactions, many are concentrated in very localised areas, creating a disproportionate impact in areas around Hyde Park, such as Bayswater. More than any other overseas group, those from the Middle East purchase in the core PCL districts; some 67% of their buying activity is directed here.

For many, London offers freedom from the cultural conformity of home. This is reflected in the type of property favoured in London: modern and filled with the latest technology.

Home market trends

■ The Middle East market has rebounded in the wake of rising global oil prices, while political instability in parts of the region have only served to reinforce the appeal of London as a safe haven for wealth.

5.4% of all prime London sales



RESALES
2.8%
NEW BUILD
2.6%

■ Property markets in cities such as Dubai, which became over-supplied and over heated during the noughties, suffered dramatic price falls but there are now signs of recovery. This may serve to draw some investors who see recovery potential back to the region in coming years.

■ Dubai is now emerging as a safe haven in a volatile region and is likely to provide London's main competition among this buying group.

■ Domestic demand for real estate is growing in MENA, and burgeoning middle class investors and homeowners are fuelling new domestic residential markets. ■

EASTERN EUROPE & THE CIS

Russian buyers are the most high-profile and instantly recognised from this region, and tend to be associated with the image of 'foreigners buying up London'. The true picture is more complex than images of Oligarchs buying property trophies.

Overall, buyers from this geographical group constitute only 5.1% of all prime London buyers, roughly evenly split between new home and second-hand purchases. Nearly half are buying a main residence but the propensity to buy second (or third or fourth) homes is high in this population - as is the appetite for buying to let.

This group is also more likely to

be clustered in particular locations, being relatively recent arrivals in the London market and far less adventurous in terms of locational choice than some of their overseas or UK counterparts.

Address is paramount

Preferences are strongly for Knightsbridge and Belgravia (the kudos of the address is paramount). There are also clusters of Jewish Russians in North London.

In the same way that wealthy Muscovites have a city pied-à-terre and a larger property in the outer suburbs, Russians favour a central London property plus a home in the accessible countryside.

Counties like Surrey provide the very large properties with extensive grounds to provide the security that

5.1% of all prime London sales



RESALES
3.2%
NEW BUILD
1.9%

many of these buyers are used to in their own countries.

Trends in home market

■ The Eurozone crisis has impacted parts of Eastern Europe in much the same way as it has Western Europe so much of the rationale for the acquisition of sterling-denominated assets apply here too.

■ In some former CIS countries, property title is insecure and the real estate markets opaque, the Moscow market has shown high growth but is volatile. The UK is regarded as a safe, stable and secure haven within a few hours travel. ■



SOUTH ASIAN SUBCONTINENT

Three per cent of prime London buyers are from the South Asian subcontinent, mainly from India. Many hail from Mumbai, Delhi and Bangalore, otherwise from Pakistan rather than Bangladesh, which has far fewer prime London buyers.

Historic ties, cultural and family links mean there is a large diaspora from this nation in the UK and London sees a high proportion of those who choose to buy a home in the UK. 60% of prime London buyers from the South Asian subcontinent are buying a main residence, living and working in the capital. They are also keen to become landlords, with 23% buying property to let. For buyers from this region, London is also seen as a stop off on the way to

the US and Canada where there are Indian and other diasporas.

SASC buyers prefer resale property and will not be put off by London's eccentric (by world-city standards) period stock, seemingly favouring it above newly built apartments.

Home market trends

■ Rapid price growth has been observed in the home market in recent years. Average Mumbai prices have grown by over 150% since 2005, prompting fears that a house price bubble has developed but this seems to be typical behaviour of markets in fast growing cities which are becoming more global and increasingly wealthy.

■ There is a strong preference for real estate investment among

3.4% of all prime London sales



RESALES
3.1%
NEW BUILD
<0.5%

Indians so this is carried over into overseas markets, including Middle Eastern cities like Dubai, some North American cities and Singapore. In short, wherever there is a significant Indian diaspora.

■ House price to rent/income ratios have not become as excessive in India as, for example, China.

■ Fast growing economies and an expanding middle class is driving demand for high quality homes but there is a relatively eclectic mix of new building and refurbishment taking place, which means buyers do not automatically only identify with newly built, international product. ■

NORTH AMERICA

Despite a large US and Canadian diaspora living in London, just over 3% of prime London buyers are from North America.

Now, as in the past, North Americans dominate the corporate tenant sector rather than the purchasing cohort. US banks and financial institutions located in London have in the past offered generous rental allowances to their employees, in turn a significant driver of prime rentals.

However, as the large corporate packages of the past are phased out by increasingly cost-conscious employers, so the propensity for North Americans to rent in the prime markets is declining and there has been a small uptick in the number of purchasers.

Purchases are overwhelmingly made by people who live and work in London, rather than for investment.

For 84% of the North American purchasers in the capital, their London home is now their main residence. Americans favour traditional family homes in South West London (Fulham, Barnes, Wandsworth), period property in Notting Hill, and houses and flats in Hampstead.

The quality of schools are key, North Americans cluster around the American school in St John's Wood. Close cross-cultural ties mean many North Americans look to settle in London for the long-term and are both familiar and comfortable with the wide range of property types that London has to offer, in a variety of locations.

Home market trends

■ Many US markets have started to recover after suffering enormous price falls after 2007. Cities have differed greatly in their experiences but the most prominent and global ones have seen the most pronounced recovery.

3.3% of all prime London sales



RESALES
3.0%
NEW BUILD
<0.5%

■ Our measure of a selection of New York properties show that they are nearly back to their former peak prices having fallen by over 25% previously.

■ Other cities, like Los Angeles, San Francisco and Miami fell by far more but are now back in vogue with both homeowners and investors who see a recovery play and low stock levels.

■ The strong Canadian economy meant that real estate markets have been much stronger than their counterparts to the south. Some Canadian investors have made recovery plays in some US cities and are the single biggest group of overseas buyers in the US. ■

AFRICA

Africa constitutes a tiny proportion of London's prime residential market overall. Just 1.7% of transactions are to this group, concentrated almost entirely in the resale market, barring some high-profile trophy purchases in prestige new build by oil-wealthy Nigerians.

Commonwealth ties

Some African countries, such as South Africa, have strong commonwealth ties which is why a high proportion of the few Africans who do buy in London will be living and working there.

The legacy of colonialism is a legal and business system and language that is familiar to many across the world and may contribute to some of the attractiveness of buying in London.

Africa is also in a broadly similar timezone as the UK, which helps with keeping up with friends, family and business interests at home. London is the natural choice for overseas investment, given cultural ties, easy access, education and business opportunities, a global hub.

Home market trends

■ The vast continent of Africa has many diverse and differently-performing economies and consequently many different property markets. Many of which are immature or confined to a westernised product in major cities.

■ Some of the faster-emerging and resource-rich countries like Nigeria are seeing growing amounts of private wealth and an emerging international investment class.

1.7% of all prime London sales



RESALES

1.5%

NEW BUILD

<0.5%

■ Markets can be volatile with insecure title and political unrest of a sometimes extreme nature. Corruption, lack of regulation and a lack of transparency also add to these problems so buyers are attracted to overseas safe havens.

■ Meanwhile, emerging middle classes, in common with much of the 'new world' are creating demand for new, higher quality domestic housing markets but, without an effective mortgage system, the majority of residents in cities like Lagos, for example are forced into the rented sector where rents and deposits are extremely high. ■

LATIN AMERICA

Latin America is the one global region that is not significantly represented among London's real estate buyers at just 0.1%.

This is partly because residential real estate ownership has not been commonplace in the home countries of many of these buyers until recently.

Domestic owner occupation is now growing in Latin America and mortgage lending is becoming more sophisticated – so it seems likely South American citizens could turn their attentions to overseas markets as well.

Trading links

When South Americans buy real estate, it is typically in other South American countries. The proximity, familiarity and historical trading links with the US mean Miami, LA and New York tend to be a second

port of call for Latin American investment activity.

Few buyers cross the Atlantic to Europe but those that do favour Portugal, Spain given common language and, sometimes, London.

Home market trends

■ House prices have risen very substantially in recent years in most Central and South American countries but not to the same stratospheric heights as in parts of Asia.

■ House prices as a multiple of incomes or rents are still lower than in many other global regions.

■ The combination of a rapidly growing middle class and increasing availability of credit seems to point to further house price growth but rates of growth are now slower than they were and there is little sign of a domestic market bubble.

<0.5% of all prime London sales



RESALES

<0.5%

NEW BUILD

<0.5%

■ The types of homes favoured by Latin Americans vary significantly. Security (upper floor condos or gated developments) is most favoured by those used to the crime levels of certain Central and South American cities.

■ London's housing product and wider characteristics of density, layout and greenery can seem very foreign and unfamiliar for many Latin Americans. Most of their international investment is therefore much more likely to remain directed toward North American cities such as Miami. ■ →

Conclusion and outlook

Overseas wealth continues to play a considerable role in shaping the city

'The World in London' postulates that recent years have seen a significant influx of wealth from overseas - as is to be expected in a global city. This global city status has impacted value growth in the prime London housing markets and enabled them to grow much faster than the rest of the UK. Though not nearly as fast as some 'new world' cities like Hong Kong and Shanghai, for example.

This activity is nothing new for London and it is what has led to the re-population of the city over the years as well as being a source of finance for new development.

The neighbourhoods that were deserted in the post-war era are now being repopulated - by Londoners of all types. The prime area has grown but the extent of other residential neighbourhoods has grown too as

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 "Far from being 'buy to leave' investors, most overseas buyers in London live and work in the UK" Yolande Barnes, Savills Research

gentrification, intensification, change of use and regeneration has meant that new neighbourhoods have been created.

Some of this new development and regeneration has only been possible in recent years because international buyers, many of them from Asia, have effectively funded new schemes by buying units off-plan, in advance of completion.

It is probable that fewer new schemes, including affordable housing would have been built without this activity from overseas buyers.

Far from being 'buy to leave' investors, most international buyers in London live and work in the UK and contribute to the London economy. A large proportion of the remainder are landlords who let property to London's tenants. Even the small proportion buying second homes will often be contributing to London's economy, and the growing private finance sector, by using London as a business base in the EMEA time zone.

Overall, the world's contribution to London's real estate is significant, just as it is to London's economy as a whole. ■

Please contact us for further information

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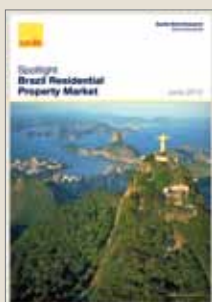
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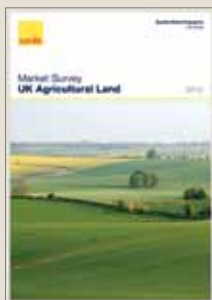
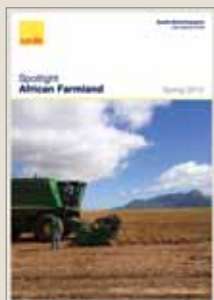


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