JLL

NEW AMBITIONS?

Will international developers raise the bar in London's residential development market?

UK Research, March 2014
Central London Development
jll.co.uk/residential

RESIDENTIAL

OUR VIEW

NEW AMBITIONS?

International developers are buying London sites but will they set new challenges and ask more probing questions of our residential development industry? And how will we respond?

New life

The Central London development market has burst into life over the past 6-12 months, and in a multitude of ways. Sales of new apartments have reached post-crisis highs, unit starts have ballooned and annual price growth has been pushed into double digits.

Although the number of sales in 2013, at 12,000 units, marked a 63% rise from 2012, and price growth surged to 12.1% pa, the stand-out statistic of 2013 is that housing stats soared by 97% from 6,800 units in 2012 to 13,500 units last year.

But, the most crucial characteristic of this market resurgence is that it is balanced.

Adding depth

In the sales market, the already strong contingent of foreign buyers has been joined by an eager and ever growing camp of UK-based owner-occupiers and investors. The added depth of demand is a positive evolution as it reduces the reliance on overseas buyers and means that the market is more sustainable.

The resurgent development market is also proving more broad-based. The current crop of housing starts

JLL RESIDENTIAL RESEARCH
NEIL CHEGWIDDEN

is undoubtedly UK-developer driven but international developers are grabbing a larger share of medium-term delivery. The likes of Greenland and Lohda could spark a new beginning.

These well-funded developers could certainly deliver more homes more quickly and help alleviate London's housing supply crisis. But the more interesting question is whether they will, with their vast experience in other global cities, challenge and transform the type of residential development typical of London today.

Asking questions

Will they be passive followers of past developments? Or will they ask more questions of planners, demand new thinking from architects and challenge the Mayor and London borough chiefs? Will we see demands to build higher? Will there be greater opulence not only in internal specifications and facilities but in design and architecture? Will the one-upmanship and extravagance of a Dubai or a Singapore transfer to London?

> "Will we see London's status in the global property market enhanced with new ambitious buildings and designs combining with historic tradition and political stability to cement London as the undisputed global destination to live and invest?"

Whatever happens we could be in for the most exciting and defining change to London's property market for centuries.

This is our New Residential Thinking.
Join the discussion on twitter @NeilChegwidden / @Adam_Challis / @JLLUKResi

IN THIS ISSUE

WHO WILL BUILD LONDON?

The need to build more homes in London is widely accepted. How to achieve this has been a much more challenging question, with successive Government efforts seemingly stymied by a lack of ability, or will, from the industry. But could global development companies provide this answer?

More homes – how?

The post-recession development industry is a shadow of its former self and is significantly different as a direct result of the crisis. This lost capacity – and lost competition – has made the likelihood of London coming anywhere near its targets for new build construction ever more elusive.

In fairness, the industry had an active 2013, registering 26,000 units with the National House-Building Council (NHBC) for future development in London. That said, only 15,000 units were completed last year while the Greater London Authority (GLA) suggests demand will be closer to 42,000 pa over the next decade, with some estimates even higher.

To bridge the divide will require more than planning efficiencies and increased availability of development land from the public sector; two key planks of the GLA's current strategy. To see supply increases of the magnitude required, around three times current levels, we need a truly transformative change. Luckily, there appears to be one on the horizon.

JLL HEAD OF RESIDENTIAL RESEARCH
ADAM CHALLIS

Welcome / 欢迎 / Salam Sejathera

JLL is very proud to be working with the Greenland Group of China in its first acquisitions of London development land. Far from a one-off, we are confident this is the start of a new phase in London's development industry. Greenland follows several other international entrants. Qatari Diar and Hutchison Whampoa have been participants for a number of years but more recently Oxley from Singapore, Knight Dragon of Hong Kong and SP Setia of Malaysia have entered the fray.

20%

of units in the Central London planning pipeline have international involvement

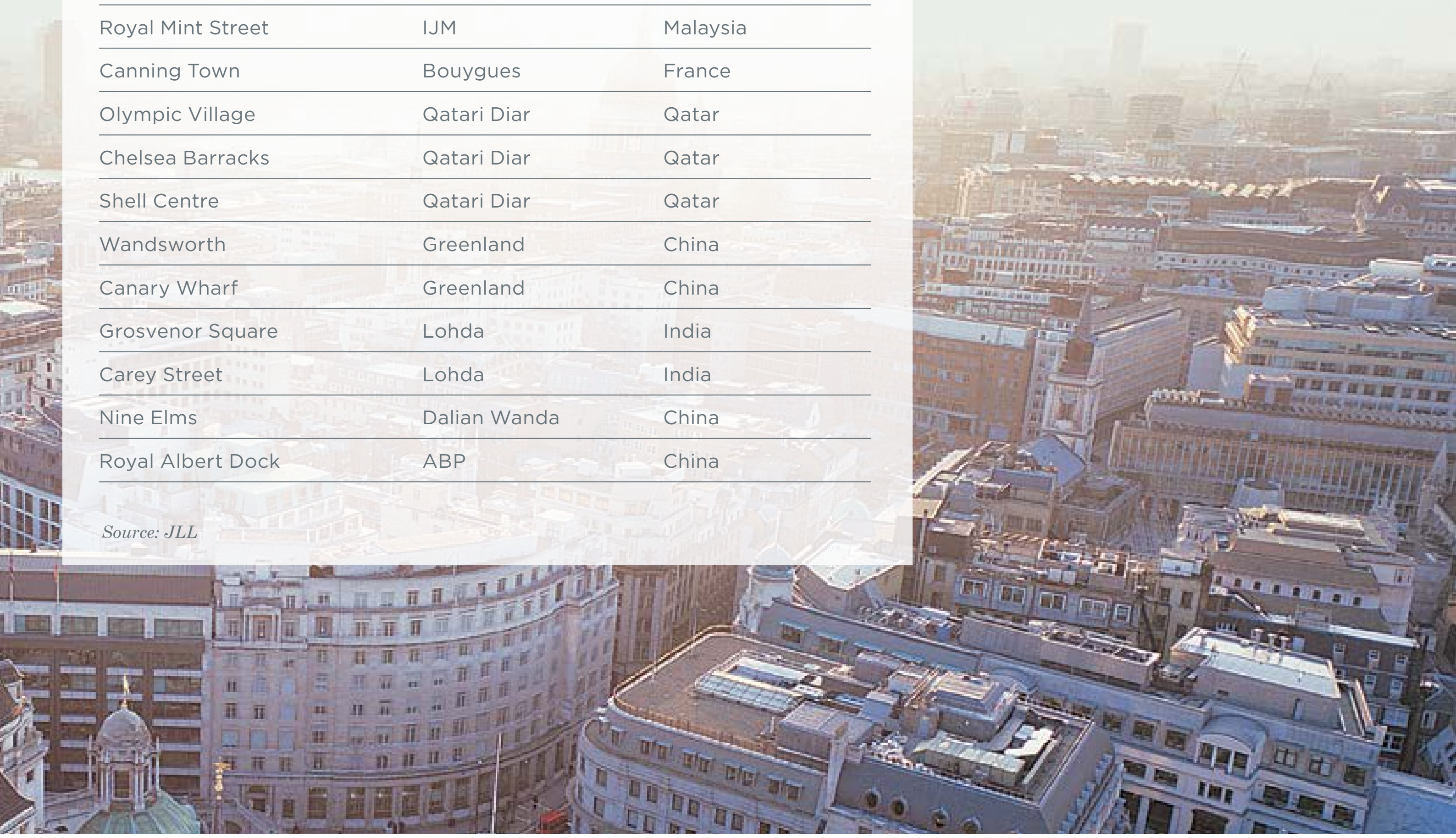
With Lohda of India also actively seeking sites, international developers are making big statements of intent by taking on some of London's largest and most high-profile development opportunities. International residential developers control just 9 of the largest 50 development sites with planning in Central London, but these add up to 28,000 new homes. This already adds up to around 20% of the total planning pipeline in Central London and we expect this to grow significantly over the next few years.

Greenland is active in 24 provinces in China and 65 cities worldwide. It is one of the largest residential developers in the world and offers a level of construction expertise that Londoners should welcome with open arms. The Capital's lost delivery capacity, and huge volume of undersupply, represents a big opportunity.

INTERNATIONAL EXAMPLES

DEVELOPMENT	COMPANY	NATIONALITY
Greenwich Peninsula	Knight Dragon	Hong Kong
Battersea Power Station	SP Setia	Malaysia
Convoys Wharf	Hutchison Whampoa	Hong Kong
Lots Road Power Station	Hutchison Whampoa	Hong Kong
Royal Wharf	Oxley	Singapore
Elephant & Castle	Lend Lease	Australia
Royal Mint Street	IJM	Malaysia
Canning Town	Bouygues	France
Olympic Village	Qatari Diar	Qatar
Chelsea Barracks	Qatari Diar	Qatar
Shell Centre	Qatari Diar	Qatar
Wandsworth	Greenland	China
Canary Wharf	Greenland	China
Grosvenor Square	Lohda	India
Carey Street	Lohda	India
Nine Elms	Dalian Wanda	China
Royal Albert Dock	ABP	China

Source: JLL



"London's lost capacity, and huge volume of undersupply, represents a big opportunity."

In fact, one of the challenges that international developers face when looking at expanding into London and the UK is the lack of available development scale. Our planning system is necessarily more onerous and our average development sites typically much smaller.

New entry routes

We are confident of the likely expansion in development supply from international developers in London. But, we also wouldn't be surprised to see one or two corporate acquisitions of existing London developers as well.

London has a number of medium to large developers that rely on external, more expensive capital. These much larger, self-funded international developers could get hold of an instant source of development land through a takeover, while driving efficiencies that their size facilitates. This would also provide the necessary scale in the UK that would make diversification into new markets worthwhile.

Any takers?

INTERVIEW

GREENLAND IN LONDON

China's Greenland Group has dipped its toes into the London property market. We speak with Greenland's Wenhao Qian to find out their plans and ambitions.

GENERAL MANAGER
GREENLAND UK
WENHAO QIAN

绿地集团
GREENLAND GROUP

What is Greenland's current construction pipeline in the UK?

The Greenland Group has entered the UK only recently. The first project is located in Wandsworth Town. In the three-phase masterplan, a large integrated residential community will be built including high-rise apartments, affordable housing and commercial facilities.

The Greenland Group is also working on another project with ultra-high-rise apartments at Canary Wharf. Upon completion it will become the tallest luxury apartment building in the UK. Both projects are mainly residential.

What are the main reasons behind Greenland's interest in residential development in London?

There are two aspects that impel the Greenland Group to invest in London's residential market. One is that the Greenland Group has expanded rapidly, accumulating a lot of experience in complex development and has explored several successful development models. With such great success in China, the Greenland Group has decided to enter the global market in order to open up broader development space for the Group's future.

The other aspect is that London is the financial centre of the world, it is an international city, mature in economic terms, open and accessible and is the most diverse city in Europe. London is also very central in the British economic resurgence. Therefore, London is a milestone on the road of global market development for the Greenland Group.

What are the capabilities that you believe Greenland can bring to London?

Up to and including 2013, the Greenland Group is the first and only Chinese enterprise majored

"The Greenland Group can bring a new vitality into the next round of urban construction while fully respecting existing urban development and the history of London."

in real estate that is listed in the Fortune Global 500. It ranked 359 in 2013.

Greenland is involved in real estate projects all over China. We have taken the lead in the development of ultra-high-rise buildings, large urban-integrated communities, high-speed rail station business districts and industrial parks. Greenland has worked on the construction of 17 ultra-high-rise city landmark developments, four of which are among the world's top ten tallest buildings.

In the past two decades, the Greenland Group has accumulated rich experience in complex development and explored a series of successful development models while rapidly expanding. Greenland has also successfully entered overseas markets such as St. Petersburg in Russia, Jeju Island in Korea, Sydney in Australia, as well as Los Angeles and New York in the States. Our successful experience and sol strength are fundamental qualities we can bring to Greenland's future success in London.

What are the important principles for Greenland when developing in London?

London is a metropolis combined with traditional and modern elements. We believe the Greenland Group can bring a new vitality into the next round of urban construction while fully respecting existing urban development and the history of London.

What do you see as the main challenges for a Chinese developer in the UK?

Chinese developers have accumulated successful experiences while enhancing their development capabilities and financial strength. These have become the most important guarantees for success in the UK.

On the other hand, there are huge differences between the UK and China in terms of local economic development, urbanisation, consumer culture, consumer habits and the laws and regulations governing development. If this is not clearly recognised, the successful experiences of the past could blind Chinese developers if the research of new markets is ignored. Nevertheless, China's real estate market is not isolated from the global market and there are numerous UK and international firms in China. I believe the Greenland Group, assisted by good cooperative relations with these enterprises, will quickly get to know and adapt to the UK market to achieve success.

Do you see opportunities for Greenland to further expand in London and the UK?

As one of the best investment environments in the world, the UK enjoys a reputation for its stable political environment, transparent legal system and well established infrastructure. The Greenland Group attaches great importance to its development in the UK and will actively seek opportunities to further expand its business in London and the UK.

Are you looking at other international markets for expansion globally?

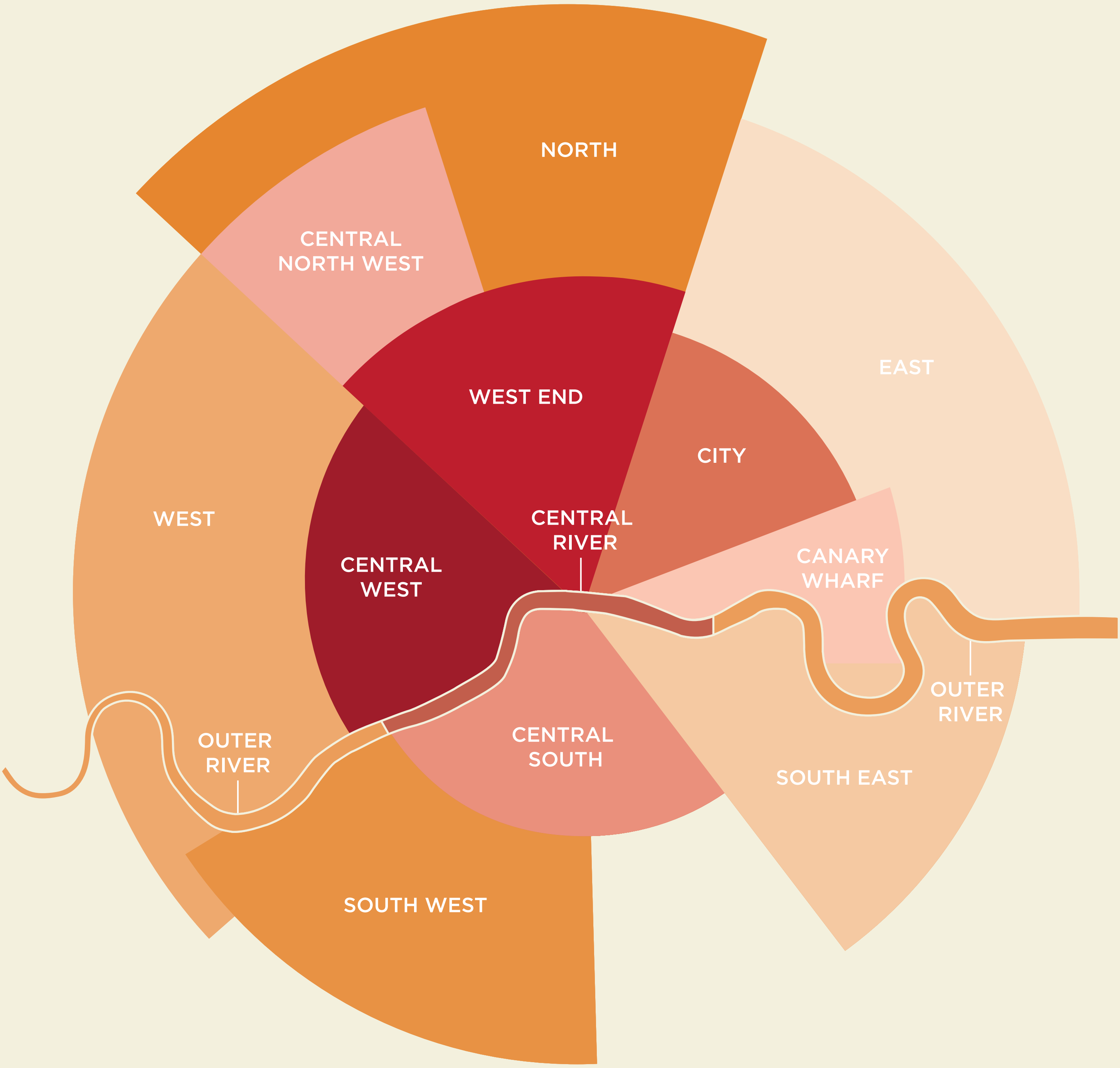
The trend of economic globalisation is irreversible. In addition to the development projects in the UK, Greenland is also undertaking urban integrated development projects in a number of countries such as the United States, Australia, South Korea and Thailand.

In 2014, Greenland Group's overseas operations will be driven by the need to "expand and enhance". On the one hand, while cultivating the high-quality market, Greenland will invest further in the countries and cities with promising prospects and where it is already stationed. On the other hand Greenland will endeavour to explore new potential markets, to form a more optimised and rational structure of overseas investment.

It is expected that new investments in 2014 will reach US$5-8 billion with the Greenland Group then becoming the company with the largest scale of overseas business in China's real estate industry.

JLL CENTRAL LONDON DEVELOPMENT RESEARCH

AREAS AND PRICE RANGES



Source: JLL

New benchmarks

Central London prices have increased significantly in recent years. And with price levels now back above pre-crisis levels, and having risen by over 12% in the past year, new benchmarks are being set right across Central London.

In many sub-markets average pricing is now north of £1,000 psf while in five of our areas top prices exceed £3,000 psf.

And with so many high profile and landmark schemes due over the next few years even higher benchmarks will undoubtedly be set.

JLL research parameters

JLL Central London residential development research covers the areas depicted in the map shown. Broadly speaking this covers Underground Zones 1 and 2. Within this area we define two main subgroups; Core and Outer Core. The various shades of red in the map show the Core areas, while the orange regions are Outer Core. The table below shows the range of typical values within each area.

In Core markets we track developments of 25 or more units and in Outer Core the threshold is 50 units.

CENTRAL LONDON NEW DEVELOPMENT SUB-MARKET PRICING (£PSF)

	MAXIMUM	AVERAGE	MINIMUM
CENTRAL WEST	£6,250	£1,750	£950
WEST END	£4,000	£1,650	£900
CENTRAL RIVER	£3,500	£1,500	£1,000
CITY	£3,000	£1,300	£850
CENTRAL SOUTH	£3,500	£1,250	£850
CENTRAL NORTH WEST	£2,600	£1,250	£800
CANARY WHARF	£1,100	£750	£600
OUTER RIVER	£1,050	£800	£550
NORTH	£1,250	£750	£550
SOUTH WEST	£1,200	£700	£550
WEST	£1,100	£675	£500
SOUTH EAST	£900	£650	£450
EAST	£850	£625	£450

CORE OUTER CORE

EMERGING MARKETS

The Central London sales market has burst into life over the past twelve months but this has also been a time when several of London's emerging markets have taken a step closer to maturity. They have stepped out from the shadows and out-gunned the Capital's more traditional and established areas.

Sales reach new high

2013 was by far the most active sales market since the credit crisis. The number of new unit sales in 2013 increased by a significant 63% compared with 2012 and was more than double the total in 2011.

254%

Two year increase in sales in Core markets

Of the 12,000 new unit sales in 2013, 4,800 were in Core markets. And it is these Core markets that have witnessed the strongest increase in sales – up 254% in two years, whereas Outer Core areas have seen a high but more modest 60% rise.

Developers have reported more vibrant trading conditions and a hotter sales market over the past year. In our half-yearly survey of developers, where we ask them to rate the temperature of the sales market on a scale of 1 to 10, the average score has now risen to 8.1 (very hot) up from 7.6 just six months ago and 7.1 a year earlier.

Demand has strengthened significantly during 2013. Whilst international demand has been buoyant, a cornerstone of the past twelve months has been the return of UK-based owner-occupiers and, significantly, investors following several years on the side-lines.

Signing up

Several developers signed up to the Home Builders Federation voluntary commitment to market schemes in the UK either before or at the same time as being marketed overseas. This will give UK-based buyers an earlier opportunity to buy but we know that they have already been far more active over the past year.

It will be very interesting to see how the market evolves over the next year or so. Demand has certainly accelerated and although the number of launches also rose last year, up 58% to 12,700 units, it is clear that this has been insufficient to match this burgeoning demand. These dynamics have pushed prices higher.

12.1%

Rise in prices during 2013

In the year to Q4 2013 prices across Central London rose by an average 12.1%, notably higher than the 3.2% seen in 2012. Prices rose by 3.0% in Q4 2013 following 5.0% in Q3.

Maturing markets

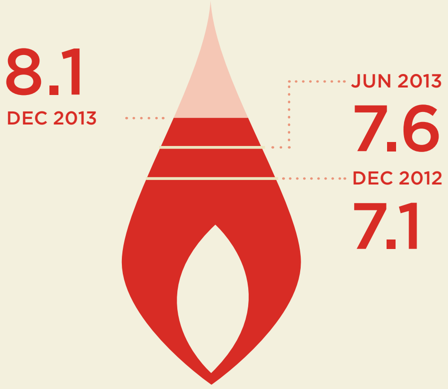
The East, the City, Central South, Central River and Canary Wharf were the star turns of 2013.

Each of these markets witnessed new unit sales in excess of 1,000 during 2013 – for the first time ever in some markets. They also benefited from the strongest price growth. And in both respects they out-paced many of the more established London residential markets. The graphic opposite shows how price growth over the past year was stronger in these markets when compared with the more traditional markets in the West, Central West and South West for example.

It is clear that these emerging markets have taken a step closer to maturity during 2013 and, significantly, we expect them to evolve further and to be amongst the top-performers in 2014 too.

DEVELOPERS RATE HEAT OF MARKET

Scale 1-10, 10 is white hot, 1 is very cold

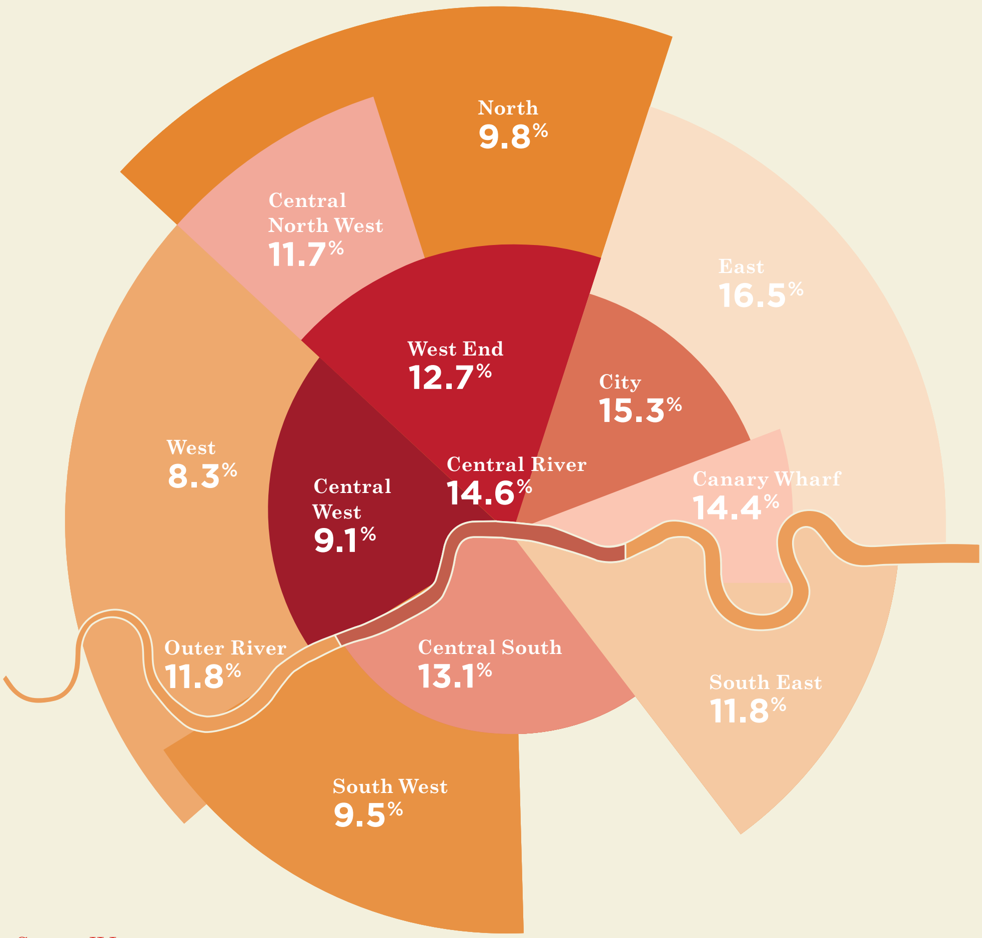


Source: JLL

UNITS SOLD – ALL CENTRAL LONDON

Source: JLL, Molior

PRICE GROWTH IN 2013



Source: JLL

GROUP SALES AND MARKETING DIRECTOR, TELFORD HOMES

DAVID CAMPBELL

2013 was an extraordinary year for the London new build market which saw unprecedented levels of demand from both domestic and international buyers. This was coupled with a limited supply, resulting in significant price increases across many areas of London, particularly in the East where regeneration continues to add desirability to previously less prime areas. Whereas hitherto the majority of demand was focused in Zone 1, the lack of affordability and supply has led to buyers looking in Zones 2 and 3 where there are higher rental yields and greater potential for capital growth.

> We see one of the preeminent areas for regeneration and growth continuing to be East London.

Telford Homes is developing in locations where prospective purchasers both want to live and can afford to live and that will continue as the Group further enhances its development pipeline. We see one of the preeminent areas for regeneration and growth continuing to be East London, where areas such as Stratford, Whitechapel, Dalston, Bow, Poplar and Canary Wharf all have huge levels of demand from both owner occupiers and investors looking for strong yields and capital growth opportunities.

BACK ON-SITE

Construction levels surge as developers respond to improved buyer confidence. But completions are meagre compared with need and we have concerns over the medium-term pipeline. We feel there is a long long way to go before enough housing is being built in London.

48%

Uplift in units under construction during 2013

Central London developers have responded quickly to the changing market. The number of unit starts has jumped by 97% during 2013 to 13,500 and by 175% since 2011.

Core markets up the ante

The number of units under construction rose to 20,700 from 14,000 a year earlier. Two years ago Core markets accounted for 25% of all Central London construction but this soared to 42% by the end of 2013. This is even more remarkable given the high volume of schemes in East and South East London in particular. The graphic opposite shows the most active sub-markets across Central London.

Developer enthusiasm up again

Developers are always enthusiastic but this has now reached new heights. In our half-yearly survey we ask how keen developers are to progress their schemes through planning and to get them on-site. They rate their level of eagerness from 1 to 10, where 10 represents “exceptionally keen”. The average score has risen from 8.0 a year ago to 9.0 out of 10 now.

Medium-term concerns

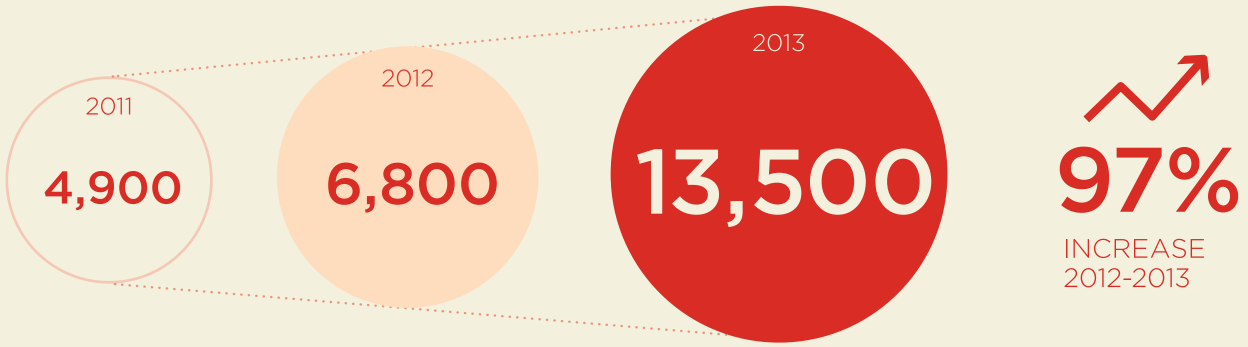
This enthusiasm is certainly being reflected in the number of new construction starts, but is not coming through in terms of applications and permissions.

Across Central London the number of units applied for is currently running at around 17,600 a year. But this was up at almost 40,000 units in 2011. It is a similar story with permissions - almost 27,000 in 2011 but just 17,700 last year.

So although there are 102,000 units in the planning pipeline the slowing tide of new applications and permissions should be of concern to policy makers both in terms of new delivery but also because of the implications for prices.

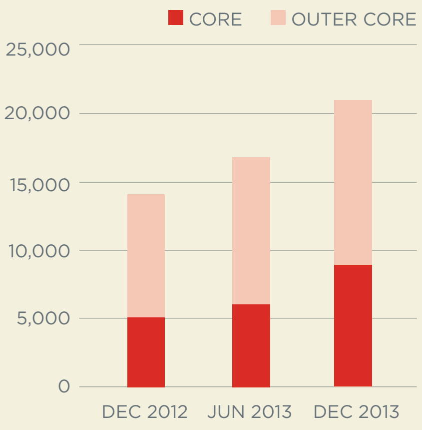
The key to medium-term housing delivery really lies in the progression of London’s many regeneration sites. But significant output from these depends upon the confidence housebuilders have in market prospects.

NUMBER OF CONSTRUCTION STARTS – ALL CENTRAL LONDON



Source: JLL, Molior

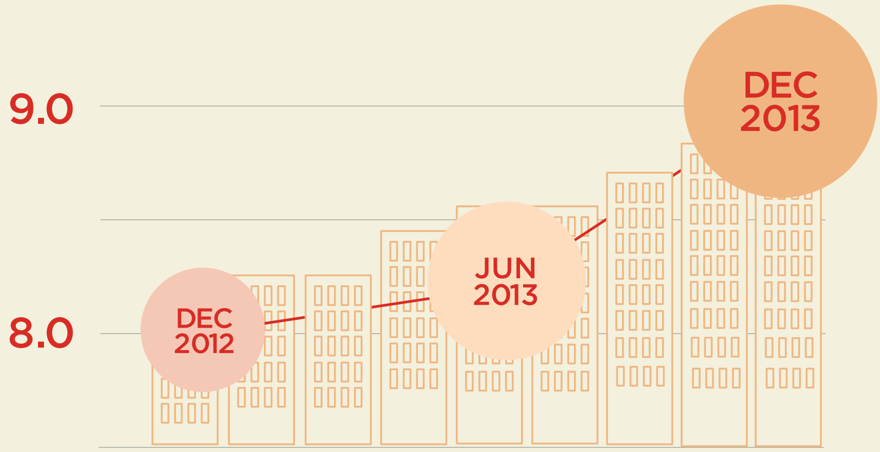
UNITS UNDER CONSTRUCTION – ALL CENTRAL LONDON



Source: JLL, Molior

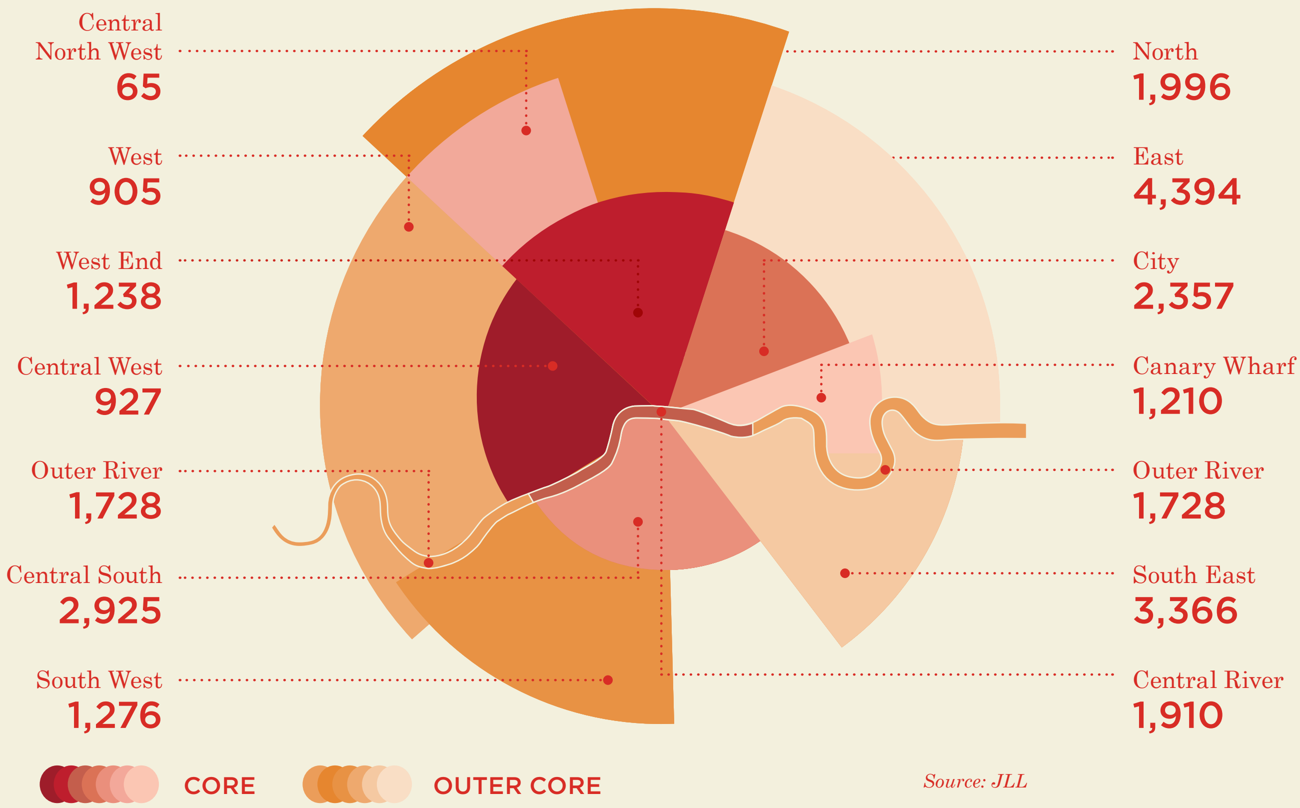
DEVELOPERS SAY THEY ARE EAGER TO GET ON SITE

Scale 1-10, 10 is exceptionally keen, 1 is not keen at all



Source: JLL

NUMBER OF UNITS UNDER CONSTRUCTION END-2013



Source: JLL


SCALI

NG UP

Helix, Essential Living

Canary Wharf

The Canary Wharf residential market is scaling up – in more ways than one. Firstly, development activity has accelerated over the past 18 months with four schemes getting underway while several others are on the drawing boards waiting for lift off. And secondly, the towers proposed are set to scale new heights as two of the UK's tallest residential buildings could start on site before the end of the year.

SALES MARKET
CANARY WHARF

The number of new residential unit sales in Canary Wharf has shot through the roof during 2013. In 2011 there were just over 200 sales, in 2012 almost 400, but in 2013 over 1,000 units flew out of the door. The 2013 figure is even more remarkable given that only 6 schemes have had units available.

CANARY WHARF PRICES PER SQUARE FOOT

£600
MINIMUM

£750
AVERAGE

£1,100
MAXIMUM

14.4%

Annual price growth in Canary Wharf during 2013

Sales go through the roof

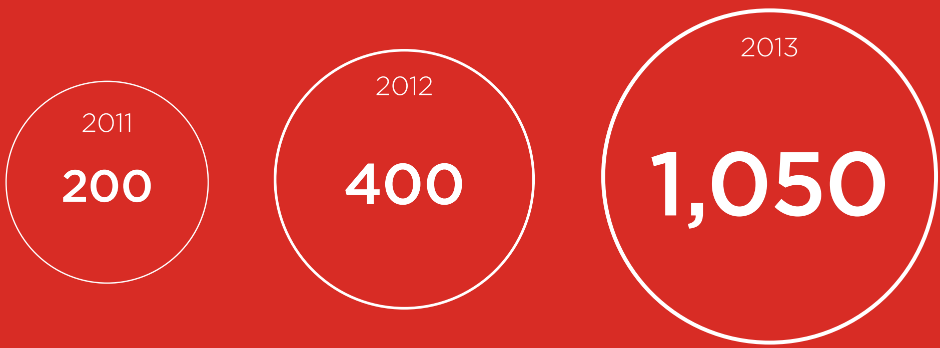
The biggest selling schemes last year were Baltimore Tower, where there were over 500 sales, and Lincoln Plaza, where there were circa 250 sales. There were also well over 100 purchases at both of Providence Tower and Horizons.

Such has been the success of these schemes there are now just 77 new units on the market in the whole of Canary Wharf.

The strong demand has forced average pricing in Canary Wharf up to around £750 psf but some of the best units at the new schemes are pushing towards £1,100 psf. Annual price growth has accelerated to 14.4% by the end of 2013, notably higher than the 12.1% Central London average.

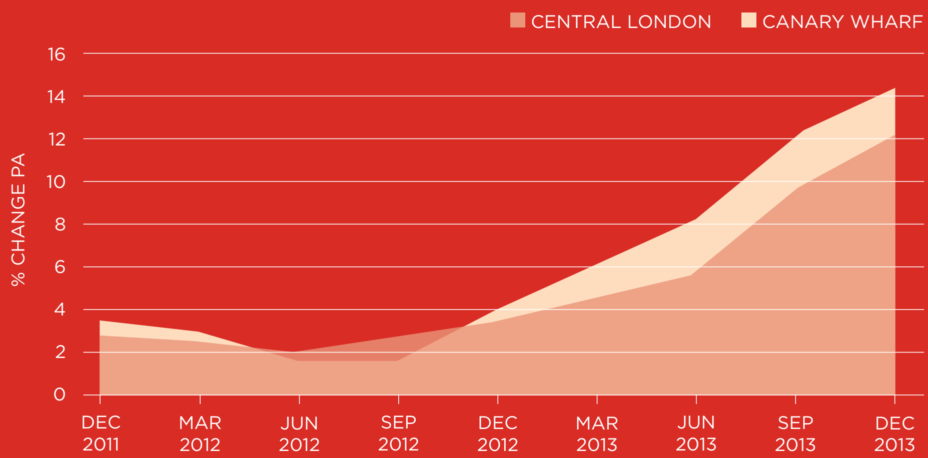
There is also a vibrant second-hand market as Tony Usher, head of the JLL Canary Wharf estate agency office explains – see opposite.

UNITS SOLD PER YEAR IN CANARY WHARF



Source: JLL, Molior

CANARY WHARF PRICE GROWTH STRONGER THAN CENTRAL LONDON



Source: JLL

CROSSRAIL - CANARY WHARF

Located at North Dock, West India Quay

Source: Crossrail

JLL CANARY WHARF ESTATE AGENCY OFFICE

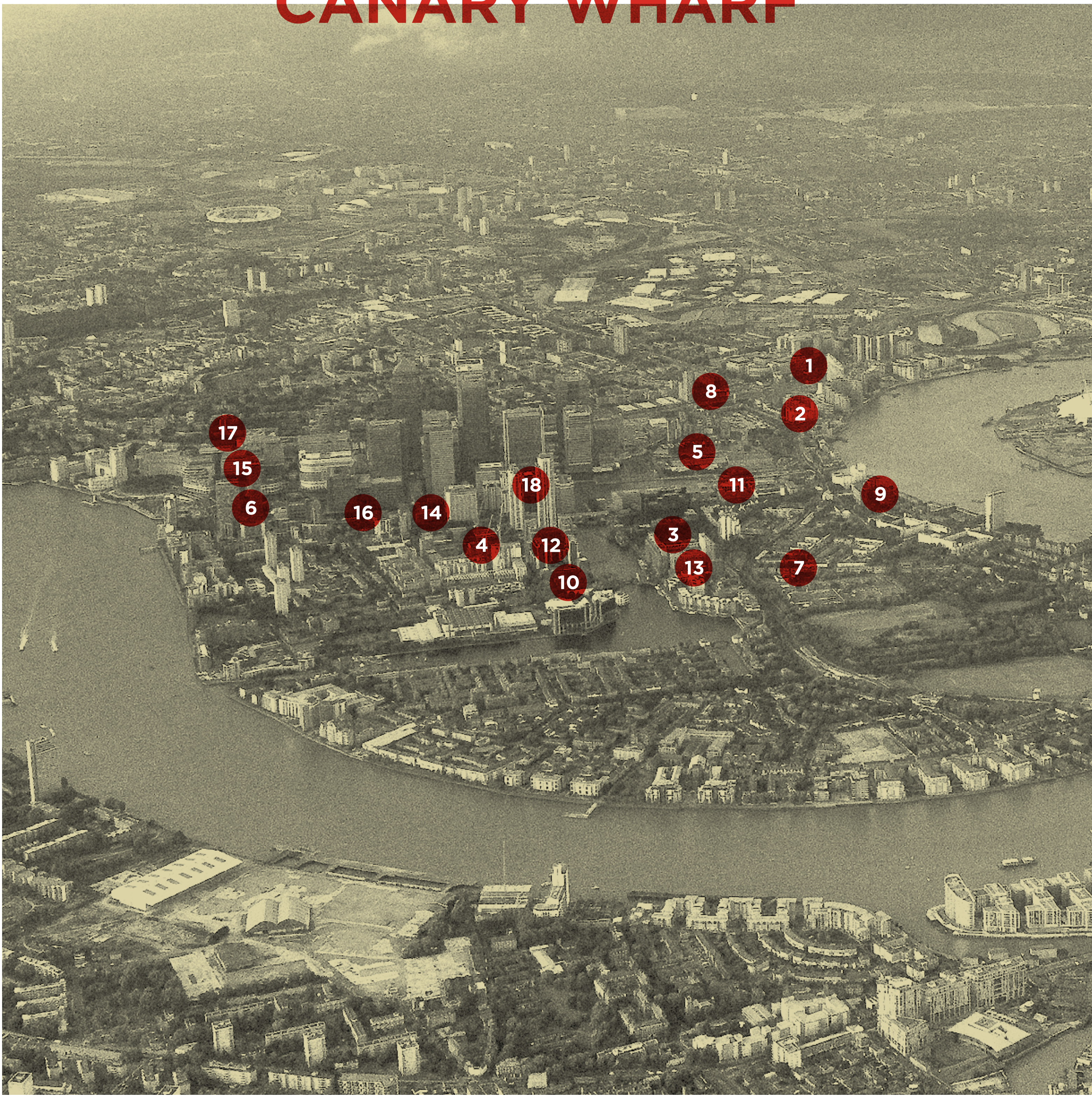
TONY USHER

Prices are soaring around The Wharf. The second-hand market is as active now as it's been since the credit crisis. At many developments prices are 15-20% higher than a year ago, which is staggering. It's not just the sales market that's motoring, the rentals market is at full pelt too. And this is encouraging investors – both overseas and domestic.

The dynamics of the Canary Wharf housing market have changed quite a bit over the past few years. Importantly it's no longer Wharf workers only. We have seen many people move here from West London or South London, attracted by the bright, new build product on offer as well as the lively leisure offerings and great connectivity. Canary Wharf itself has great shopping, restaurants, gyms etc but close by are Westfield Stratford and escape routes like City airport. People are happy to commute into the City and the West End from here. And it'll get even easier once Crossrail arrives. People love to buy and rent here. We're never short on demand.

It is great to see so many long-term investors. They are happy with returns and rarely see voids, which leads many to come back to buy more stock. Domestic investors are back in the market and taking advantage of the resurgence of Canary Wharf following several lacklustre years and with one eye on the boost from Crossrail.

DEVELOPMENTS
CANARY WHARF



This map is for illustrative purposes only. The development locations are approximate and may not identify specific buildings or sites precisely.

Our definition of Canary Wharf runs from Aspen Way to the north to Millwall Outer Dock to the south. Data correct as at end-2013.

1 PROVIDENCE TOWER
BALLYMORE

368 private units

Under construction - for sale

Fewer than 10 penthouses remain. These are being reworked. Completion due late 2015.

2 HORIZONS
TELFORD HOMES

131 private units

Under construction - for sale

Around 15 units remain unsold with 11 as yet unlaunched. An early 2017 completion date is expected.

3 BALTIMORE TOWER
GALLIARD HOMES

816 private units

Under construction - for sale

Less than 5 units remain unsold, the scheme is due for completion around the end of 2016.

4 LINCOLN PLAZA
GALLIARD HOMES

381 private units

Under construction - for sale

Around 60 units are unsold, completion due early-mid 2016.

5 WOOD WHARF
CANARY WHARF GROUP

1,185 private units

Permission granted

CWG bought the site in 2012 and is currently reworking a scheme to include more residential.

6 CITY PRIDE
CHALEGROVE PROPERTIES

752 private units

Permission granted

Permission was granted in late-2013 for a 75 storey tower.

7 ASDA - CROSSHARBOUR DISTRICT CENTRE
ASDA

592 private units

Permission granted

S106 details still being sorted, but scheme could get underway later this year if Asda secure a development partner.

8 HELIX
ESSENTIAL LIVING

345 private units

Permission granted

Iconic two tower scheme will be Canary Wharf's first full PRS scheme.

9 NEW UNION WHARF
EAST THAMES GROUP

157 private units

Permission granted

Replacement of existing estate with a mixed private-affordable scheme will start this year.

10 GLENGALL BRIDGE NORTH & SOUTH
ROWAN ASSET MANAGEMENT

146 private units

Permission granted

A larger scheme is likely before development commences.

11 DOLLAR BAY COURT
MOUNT ANVIL, ONE HOUSING

111 private units

Permission granted

Construction at this 31 storey scheme could begin later this year.

12 45 MILLHARBOUR
MICHAEL HUNT

88 private units

Permission granted

Just 88 private units are planned at this 7 and 14 storey mixed-use scheme.

13 TURNBERRY QUAY
BELLWAY

63 private units

Permission granted

Bellway gained consent in late-2013 for a 7 and 13 storey development.

14 ARROWHEAD QUAY
BALLYMORE

750 private units

Application stage

Two towers of 50 and 55 storeys are planned.

15 NEWFOUNDLAND
CANARY WHARF GROUP

493 private units

Application stage

An application was submitted in mid-2013 for 493 units on this site on the Estate itself.

16 30 MARSH WALL
30MW

354 private units

Application stage

Opinion being sought for a 57 storey tower with 354 private units.

17 THE HERTSMERE
GMV TEN

714 private units

Development pre-planning

Has consent for office and hotel scheme but being promoted for sale as a residential led scheme of 74 storeys.

18 SOUTH QUAY PLAZA
BERKELEY GROUP

Development pre-planning

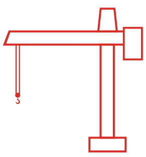
Berkeley will submit an application this year.

Source: JLL, Molior

DEVELOPMENT MARKET

CANARY WHARF

The Canary Wharf residential development market has reignited over the past 18 months. Following several years of inactivity there are now over 1,200 units under construction, around 360 of which have started during the second half of 2013.



1,200

Units under construction

4,725

Units in the planning pipeline

A new beginning

The Canary Wharf residential market is ready for a new beginning. Both the commercial and residential markets have been largely dormant in recent years but they are now preparing for lift off as the London economy bursts back into life.

Development race is on

The four schemes underway are all quite sizeable with Lincoln Plaza, Providence Tower and Baltimore Tower all boasting in excess of 300 units while Horizons has 131 units.

The planning pipeline is also exciting. Two tall tower schemes, The Hertsmere and Landmark North, are likely to pass through planning this year with The Hertsmere being the tallest residential building in the UK once completed.

2014 will be noteworthy too for the progression of the Canary Wharf Group's next phase of development on the Estate. The group are expected to submit a new planning application to increase the residential element of Wood Wharf from around 1,200 units closer to 3,000 units.

Canary Wharf will also soon benefit from two "firsts". It will witness its first ever Private Rented Community (PRC) development when Essential Living launch their Helix scheme for rent in 2017 while Berkeley will also pioneer their first foray into Canary Wharf with their South Quay Plaza development.

But the race is now on for those schemes in the pipeline to get on-site to take advantage of the current strong off-plan market as well as to be ready for when the new Crossrail station opens in late 2018.

Canary Wharf's unique attributes and increasing connectivity will ensure it is at the forefront of London's towering communities.

Horizons, Telford Homes

JLL CITY & EAST LONDON RESIDENTIAL DEVELOPMENT
MAX WILKINSON

Canary Wharf has proven to be a particularly robust residential market over the last five years however it is only recently that it has emerged from a pure commercial district to a truly mixed-use environment with a real sense of vibrancy and community feel. Already benefiting from excellent communication links, the addition of Crossrail in 2018 will only enhance residential values further. These factors, amongst others, are making Canary Wharf a highly sought after place to live.

The outlook is bright, as over the next ten years the Canary Wharf skyline will be revolutionised by some of the most exciting and advanced developments that London has ever seen.

LOOKING FORWARD

We expect the ride to be a little bumpy for the Central London residential market over the next few years. The Government will be the main protagonist but there will be other influences too. Overall, however, the market will remain fundamentally strong, healthy and active.

Government knocks

In 2012 the UK Government brought in higher stamp duty rates for £2m+ properties along with greater taxation on company purchases. In late 2013 it announced that Capital Gains Tax (CGT) will be levied on overseas sellers of UK residential property from 2015. Rumours of a mansion tax as well as the uncertainty surrounding the General Election in 2015 are other political influences that are likely to impact on the Central London market.

The most pressing issue for Central London is the new CGT rule for foreign buyers. This is still in consultation, but is likely to affect all non-UK based investors irrespective of property value and will be levied only on gains from April 2015.

We asked several Central London developers how they thought recent Government intervention on stamp duty and CGT would affect the market. The results are shown in the graphics opposite but, broadly speaking, they did not anticipate any change in the number of schemes coming to market but thought there would be slightly fewer large units and more smaller units while the impact on prices was expected to be marginally detrimental.

The feedback we have to date is that, although unwelcome, the CGT rules will have minimal investment impact. There are a multitude of reasons why people buy residential in London and a tax on capital gain will only dent one benefit. Others cite that the UK is only coming into line with other countries and that the many plusses for London still hold firm.

Developer discontent

Developers also expressed their irritation at how new policies have been introduced. Just over half of developers said they would prefer the Government to introduce all proposed measures at once and then announce a moratorium on new policies for five years rather than leave the threat of new initiatives such as a mansion tax hanging over the market.

A significant 83% of developers said the Government should fully research and announce all the detail of new policies before launching rather than instigate a prolonged consultation phase which just creates uncertainty in the market.

Looking forward it will be interesting to see how the Government introduce new initiatives and whether they heed the advice of discontented housebuilders. We know that a mansion tax on £2m+ properties is a distinct possibility after the other potentially disruptive political influence, the General Election, in 2015.

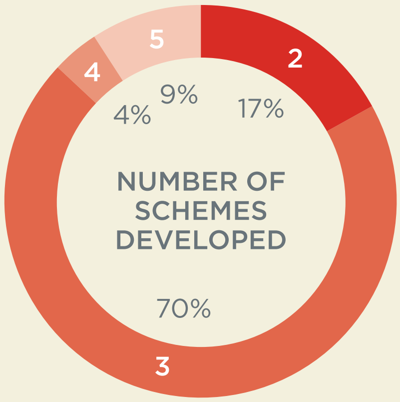
Thriving and resilient market predicted

Despite the political knocks, there are many reasons why we believe the Central London development market will thrive over the next 3-5 years.

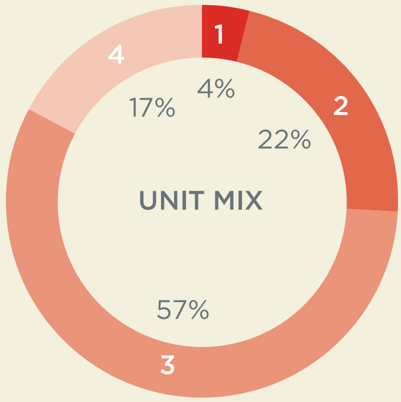
Undoubtedly the most important dynamic is a lack of supply. Whilst question marks will often linger about the sustainability and depth of demand, the undersupply dynamic will not die away.

So even if market conditions ease, as they will do at various times, we will still need developers to continue building and releasing product to feed this fundamental housing need.

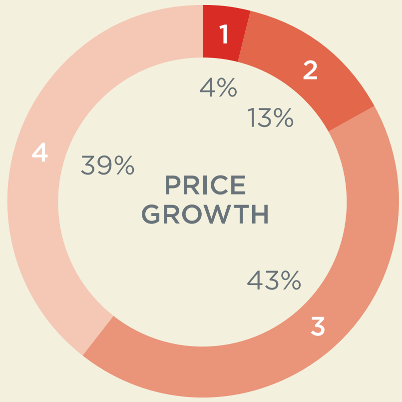
DEVELOPERS EXPECT IMPLICATIONS FROM GOVERNMENT POLICIES OVER NEXT FEW YEARS (% OF DEVELOPERS SURVEYED)



1 Far more (10%+ more)
2 A little more (up to 10% more)
3 Same
4 A little less (up to 10% fewer)
5 Far less (10% fewer)



1 Far more smaller units
2 Slightly more smaller units
3 No change
4 Slightly more larger units
5 More large units



1 Far stronger
2 A little stronger
3 Same
4 A little weaker
5 Far weaker

RESIDENTIAL PRICE GROWTH FORECASTS - ALL CENTRAL LONDON (%PA)

2014	2015	2016	2017	2018
8%	**8½%**	**8%**	**7%**	**5½%**

THE FINAL WORD

“We expect significant domestic and international demand in Central London to compete to buy the constrained, albeit increasing, new supply during the next few years. The road may be a little bumpy but the result will be strong upward pressure on prices and an even more active marketplace.”

—

Neil Chegwidden
JLL Residential Research

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