GMV Review 2011

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Review 2011

Rental Market

Amidst economic uncertainty, the lettings market continued to flourish with strong gains across all four quarters of the year.

Summary

Review key points

- Lettings continues to remain the strongest property sector.
- Stock levels are depleting as renewal rates significantly increase.
- Demand will continue to outstrip supply as new housing stock is not expected until late 2013.
- Short term solutions for the lettings market remains in the hands of accidental landlords as BTL landlords see no real equity growth.

Demand

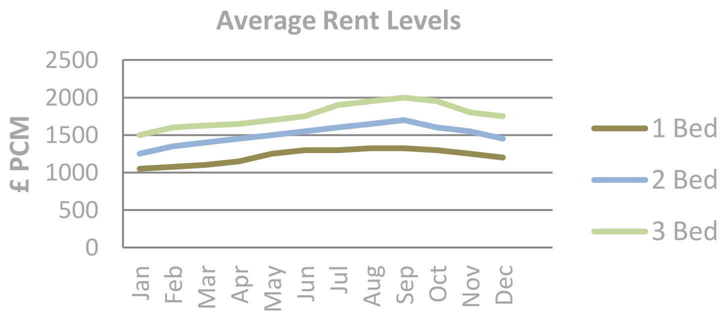
A significant contributor to the lettings market remains financial institutions and the business services sector. Whilst the economic outlook remains uncertain, Canary Wharf and the City of London markets have provided 78% of tenants with an overall increase in the number of agreed tenancies, 55% more than the previous year.

The levels of letting activity meant that landlords were able to secure rents at the asking price 99% of the time. Some realism is called for going forward as affordability of stock reflects upon constraints such as utilities, travel expenses and the rising cost of living.

Current Market

This year has seen agreed rent prices bounce back beyond the pre-recession highs of 2008. As the City continues to re-stock and add new job opportunities, demand in North Greenwich and Canary Wharf remains buoyant with a clear need to find more available apartments for corporate companies and tenants.

Overall rent prices peaked during September, with the two bedroom apartments performing well; achieving an 8.82% increase against 2010 with one bedroom apartments continuing to outperform the market at 16.98%, with rental prices softening slightly in the final months of 2011 but still at least 7.85% stronger than the previous year.



Source: 1st avenue research

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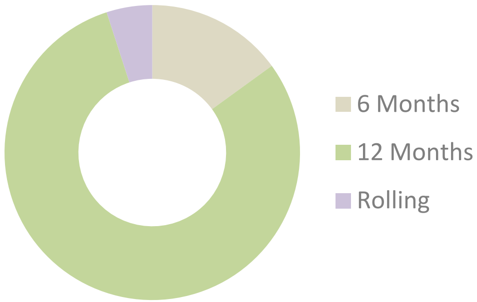
Tenancy renewals have significantly increased as economic uncertainty remains a concern amongst tenants.

Magda Olszanska, Management Team

Tenancy Renewal Length



Source: 1st avenue research

Rental outlook

The addition of City Peninsula to the Greenwich Peninsula added a further 221 habitable units in total with a significant portion investor owned.

Staggered completions across a 4 month period didn't upset the balance of supply and demand, in fact City Peninsula was able to meet the levels of demand with rents 12% higher on average than GMV, and bolstered rent pricing across the micro economic area as a whole.

Renewal retention rates improved as tenants have increasingly looked to secure a second term; uptake improved by 27% against 2010. Economic uncertainty within the UK and wider Europe remained a concern. This was coupled with difficulty in securing mortgage finance and a "wait and see" approach to purchasing.

Similarly, demand for family housing was fuelled by a good local school and other popular amenities such as access to medical support and an onsite pharmacy.

12 month agreed tenancies predominantly remained the favoured agreement, (in some cases with a break clause), increasing the average length of tenancy from 360 days post recession to 600 days moving into 2012.

Without new development on the Greenwich Peninsula, agreed rents are forecast to improve across the next 2 years. Government policy surrounding cranes in and around the Olympic zone has further curtailed building, putting an increasing strain on the London's burgeoning lettings market at large.

Coupled with flat house price growth over the last year, serial UK investors and BTL prospectors have not seen anticipated equity growth to build and improve their portfolios.

With no new stock expected until around December 2013 at the earliest, (building time per block averages around 365 days) the gap between supply and demand will continue to rise with rents topping out 10% above current levels by September 2013, and agreed rents remaining at 99% of the asking price as the private rental sector becomes more the tenure of choice over home ownership.

The de-valued Pound has proved increasingly attractive to overseas buyers looking to invest in London, making purchases around a third cheaper than if bought and paid for in GBP, cheered on by better yields against capital value and strong income assets with growth potential.

In summation; North Greenwich will remain an attractive long term investment opportunity to international purchasers over and above the traditional UK based investor in the coming years, and so continuing to provide vital rental stock to Canary Wharf and City companies. (Subject to the financial institutions and services markets staying buoyed and in good shape).

Increasingly, we are reliant on accidental landlords to meet continuing strong tenant demand.

Chris Redfern, Business Development

6.1%

Average yield achieved purchasing in today's market. Up half a percent year on year.

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Sales Market

Mortgage finance remains hard to come by with first time buyer deposits proving unattainable to many.

Demand

From the current vantage point, the strength of the GMV market remains pedestrian at best with sensible pricing a bylaw for going "under offer".

London itself appears to be untroubled by the latest European debt crisis, however London is a 100 microcosm market, with some areas performing better than others. North Greenwich sales performance across all agents certainly can't be considered heroic, but it has been steady and producing consistent results.

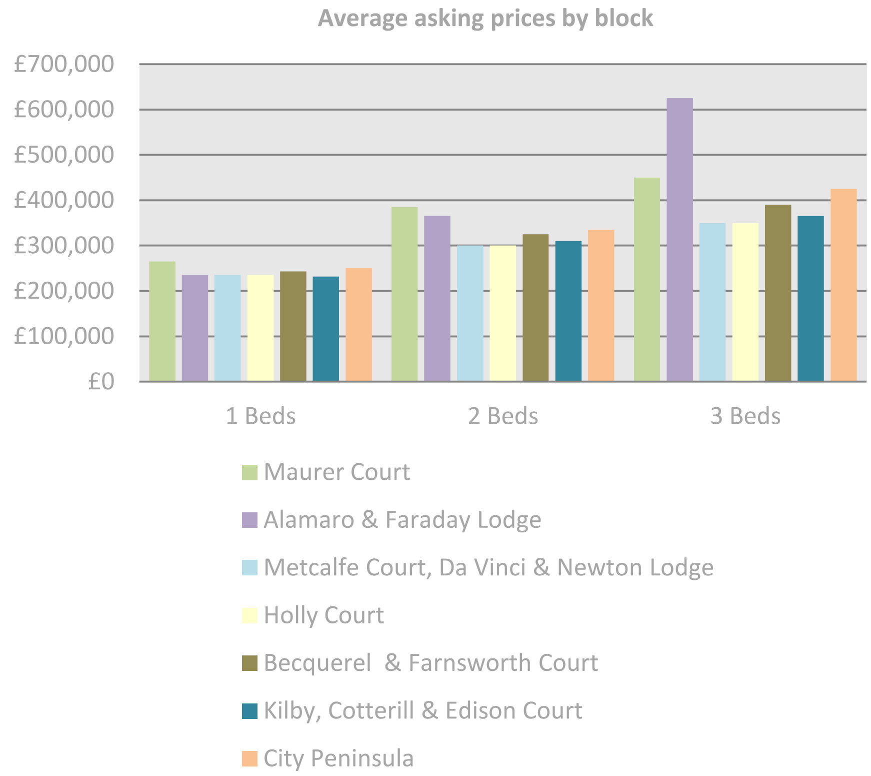
56%

Of all the property sold at GMV during 2011 was by 1st avenue

With lower than expected interest rates, our view is that prices will see nominal percentage increases during 2012 with Prime River Facing apartments in Maurer Court, Faraday Lodge and City Peninsula proving the most sought after real estate and delivering the best capital growth year on year.

The peninsulas proximity to Canary Wharfs designer Prime London price tag doesn't yet give it the rock star status it deserves, nor the international buyer appetite but it is on the cusp of providing strong capital growth with every new build development to rise from the ground.

One bedroom apartments remain the hot ticket across all blocks generally finding either a BTL investor or a couple. 6 weeks is the average time on the market. 2 and 3 bedroom apartments are likely 12 weeks on market and vendor willingness to be flexible on pricing.



Source: 1st avenue research

Post – Credit crunch lows of March 2009 have been shrugged off in most corners of GMV as the volume of cautious buyers remains steady and improving.

Paul Endacott - Director

Research compiled and collated by:

Paul Endacott
Company Director

London Office

+ 44 (0)20 8293 8600
+ 44 (0) 7980 779 658
paul.endacott@1stavenue.co.uk

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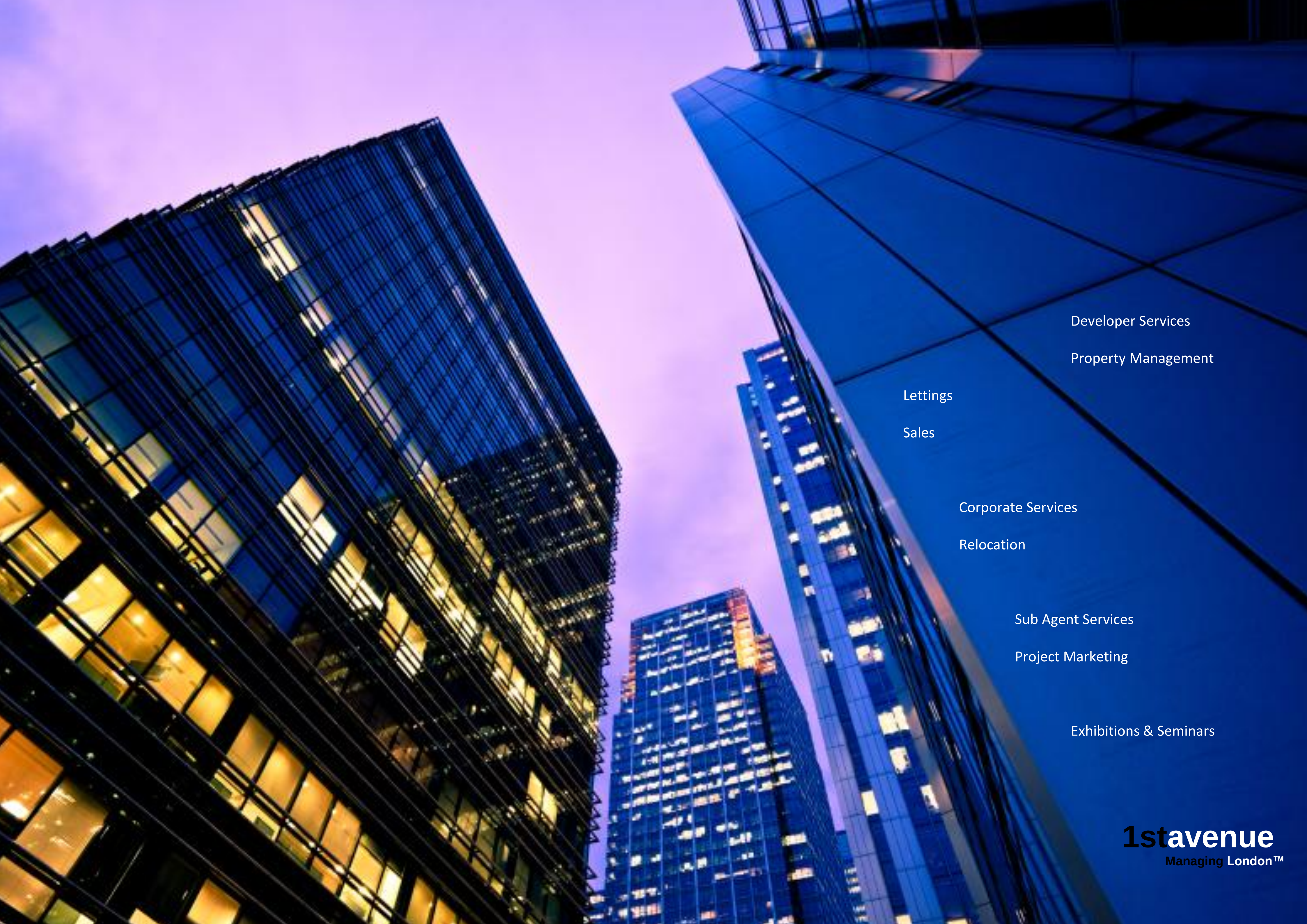

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