

RESIDENTIAL RESEARCH

SOUTH BANK OUTPERFORMS REST OF PRIME CENTRAL LONDON

Knight Frank



NEO Bankside and the South Bank reach a milestone

With 85% of apartments sold, the completion of NEO Bankside, the South Bank's first prime development, in Q3 2012, provides an excellent opportunity to assess the performance of the South Bank market place

Key findings

Prices for prime property in London's South Bank outperformed the wider prime central London market between Q1 2007 and Q2 2012

£1,000,000 invested in London's South Bank in Q1 2007 would be worth £1,435,000 in June 2012, compared to £1,360,000 if the investment had taken place in the wider prime central London market

Average annual growth over the five years to June 2012 stood at 7%, with total returns averaging 10%

Annual growth over the past three years has averaged 14%, with total returns averaging 16%

A total of 24 nationalities have bought at NEO Bankside since the scheme's launch in 2008

Around 60% of sales at NEO Bankside have been to non-UK purchasers, confirming the global appeal of this development, and also the wider South Bank marketplace

In October 2007 Knight Frank confirmed that London's South Bank was fast maturing as a luxury residential market location, and for the first time we included this area in the geographical definition of 'prime central London'.

Now, five years on, our decision to place the South Bank in the same basket as Mayfair, Belgravia, Notting Hill and Kensington appears more and more prescient.

We defined this market as London's first contemporary urban quarter, extending from County Hall and Westminster Bridge, and running east in a narrow zone towards Tower Bridge, encompassing Shad Thames and Butlers Wharf.

Regeneration in the area was led by cultural initiatives. A critical mass of projects built on the original Royal Festival Hall and National Theatre developments, and by 2007 included the rejuvenated Borough Market, the Globe Theatre and most significantly Tate Modern.

Prime residential developments followed over time, with NEO Bankside pushing record prices year on year since 2008.

One question we posed in our original research on the South Bank in 2007 was whether the key markets in the area, especially around Tate Modern, would compete head-on in price terms with the more traditional prime markets around

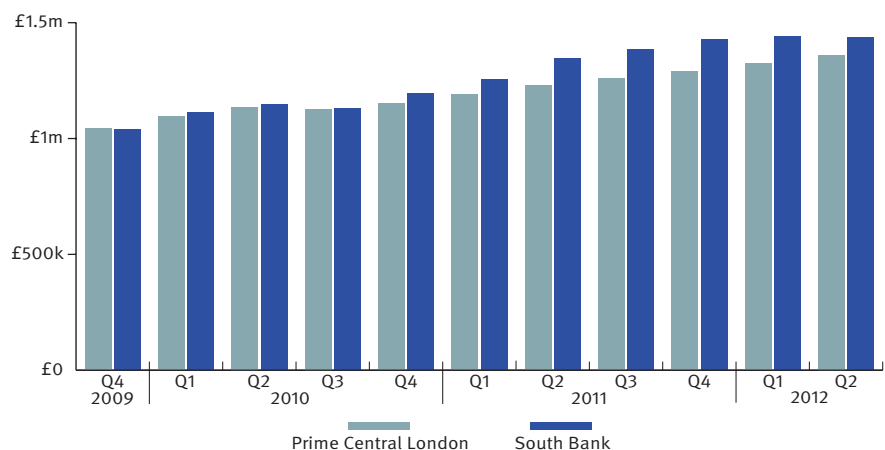
Hyde Park. We suspected that there would be an equalisation in pricing over time between the two areas – and so it has proved.

Figure 1 confirms that South Bank prices have followed a similar pattern to the wider prime central London market since 2007. However in the past three years a growing outperformance of the South Bank market has been discernible.

The appreciation in values is driven in part by underlying market movements. This is the first time people can live in a world-class building and be able to walk to work in the City via the Millennium Bridge. A further reason, and perhaps the most important one, is the fact that these new developments are providing a standard of accommodation that has simply not been provided in this area in the past – a standard that is increasingly being looked at enviously by developers scouring the more established prime markets to the west for similar opportunities.

NEO Bankside's performance has reflected the wider success of the South Bank market, although in several regards the development has led this outperformance. The development has seen very strong international demand, with 40% of units being sold to UK buyers, and the remainder going to 24 different nationalities. One and two-bedroom properties have attracted

Figure 1
What £1m invested in Q1 2007 would be worth now
Prime Central London and the South Bank compared



"...these new developments are providing a standard of accommodation that has simply not been provided in this area in the past"



Liam Bailey, Head of Residential Research

Source: Knight Frank Residential Research

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significant interest from investors, while larger two and three-bedroom apartments have been popular with owner-occupiers.

The scheme has seen new benchmark pricing for the South Bank, with maximum prices having hit well over £2,400/sq ft in 2011, and average prices standing at £1,260/sq ft over the past 18 months.

Investor returns in the South Bank have exceeded the wider prime central London market, with a 43.5% capital growth rate seen

since Q1 2007, compared to 36% for the wider prime central London market.

In addition, net rental returns have added to investor returns, resulting in total returns averaging 10% per annum since 2007, which takes account of the market dip in 2008 during the global financial crisis. The South Bank's performance since the market revival in 2009 has seen annual growth over the past three years averaging 14%, with total returns averaging 16%.

“SOUTH BANK PRICES HAVE FOLLOWED A SIMILAR PATTERN TO, BUT OUTPERFORMED, THE WIDER PRIME CENTRAL LONDON MARKET SINCE 2007.”

What £1m invested in Q1 2007 would be worth now Prime Central London and the South Bank compared

	Prime Central London (£)	South Bank (£)
2007 Q1	1,000,000	1,000,000
2007 Q2	1,085,388	1,069,298
2007 Q3	1,165,747	1,103,821
2007 Q4	1,182,484	1,067,958
2008 Q1	1,203,918	1,085,759
2008 Q2	1,148,875	1,094,899
2008 Q3	1,084,620	1,054,712
2008 Q4	982,534	1,019,135
2009 Q1	916,670	995,472
2009 Q2	951,019	£996,314
2009 Q3	988,337	1,003,122
2009 Q4	1,042,772	1,041,699
2010 Q1	1,096,099	1,113,929
2010 Q2	1,136,113	1,148,571
2010 Q3	1,128,503	1,131,111
2010 Q4	1,150,531	1,195,557
2011 Q1	1,190,346	1,254,107
2011 Q2	1,230,555	1,346,323
2011 Q3	1,257,713	1,386,667
2011 Q4	1,289,679	1,426,667
2012 Q1	1,324,971	1,443,333
2012 Q2	1,360,166	1,435,000

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