

RESIDENTIAL RESEARCH



INTERNATIONAL BUYERS IN LONDON

OCTOBER 2013

THE FIRST DETAILED ESTIMATE OF INTERNATIONAL PURCHASE ACTIVITY IN GREATER LONDON'S
NEW BUILD HOUSING MARKET

KEY FINDINGS

Over the 12 months to June 2013, **49% of all £1m+ sales in prime central London** went to foreign buyers by nationality...

...however only **28% of buyers** were non-resident in the UK

Over the two years to June 2013 **51% of new-build purchases** in the prime central London market were by UK residents...

...across the remainder of inner London **the portion was 80%...**

...and across outer London **93% of sales** were to UK residents

Our estimate is that over the past two years **85% to 90% of all new-build purchases** in Greater London have been to UK residents



LIAM BAILEY
Global Head of Residential Research

"...the vast majority of overseas demand for new-build property in London is focussed on central London postcodes..."

UNDERSTANDING INTERNATIONAL DEMAND

International buyers have long formed an important part of the prime central London residential market, especially the new-build sector. As confidence in the wider London residential market begins to rise, Liam Bailey assesses the reach of international demand across the capital.

The first problem we encounter when assessing international demand in London is in defining a "foreign buyer". Most analysis to date has concentrated on the nationality of purchasers. But this may be a misleading definition in a city as diverse and globally connected as London, where, for example, 38% of inner London residents were classified as foreign born in the 2011 census.

Is a French banker who has lived and worked in London for five years a "foreign" buyer when he decides to stop renting and buy his first home? Or a software engineer from India who has been living and working in the Shoreditch tech cluster for two years?

Rather than looking at nationality as a way of assessing foreign demand for London property, it is more accurate to consider a buyer's residence. In figure 1 we illustrate how over the 12 months to June 2013, 49% of all £1m+ sales in prime central London went to foreign buyers by nationality, but only 28% of buyers were not resident in the UK. This latter group are largely composed of investors, looking to earn an income return by letting their properties to Londoners.

Once we begin to consider residence, we can understand more clearly where investment flows are originating. In figure 2 we provide an analysis by world region, split by non-UK nationals and non-UK residents.

Our analysis confirms that Europe, the Middle East and Russia are leading the field on both measures – as a source of buyer nationalities and as key hubs for non-resident purchasers.

Demand for new-build...

Assessing the new-build market in isolation reveals some differences compared to the

whole market. Figure 3 confirms that in the two years to June 2013, 69% of prime central London new-build purchases were to foreign buyers by nationality, but only 49% by residence.

The higher share of international demand for new-build property on both measures, compared to the wider market, relates to the attractiveness of new-build property for investors who prize the convenience and lower maintenance offered by new-build property, making it especially attractive for buyers looking to let their properties.

This strong international demand for central London property has been widely noted over recent years. What we wanted to understand, was whether there were limits to international demand as one moves away from the central London postcodes.

...outside central London

To understand the scale of international purchases across Greater London we assessed a sample of 3,500 property titles for new-build property purchased in the 24 months to June 2013. We selected developments in all 33 Greater London boroughs, with sales prices ranging from £200,000 to £5,000,000.

We considered the residence of ownership based on the proprietor record in each title from the Land Registry. Where we encountered so called "non-natural" owners (companies or trusts etc) we took a view that with the exception of registered social landlords, or other obviously UK based entities, these records represented international purchasers. The results are illustrated in figure 4.

FIGURE 1 Prime central London buyers, whole of market
Prime sales split by nationality and residence, 12 months to June 2013

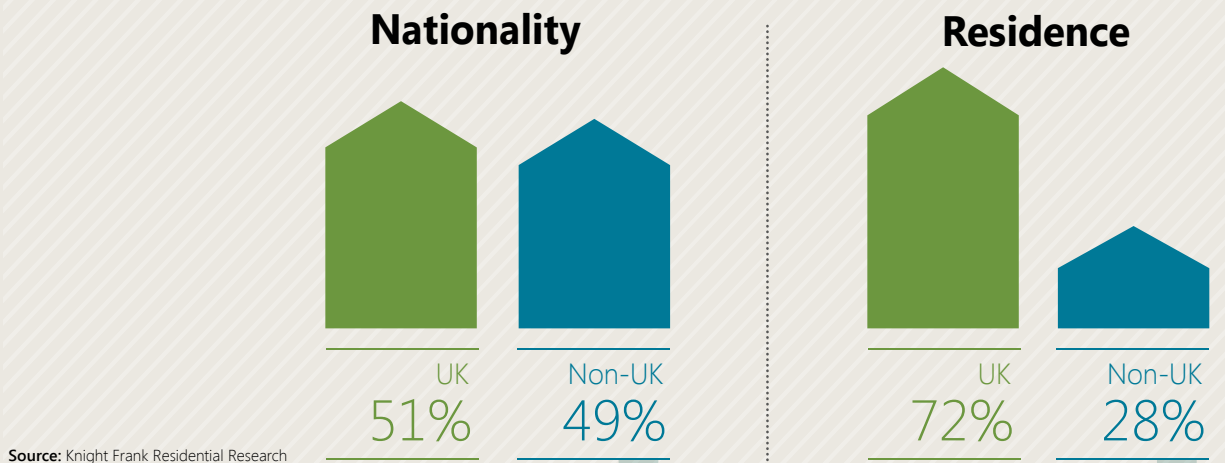


FIGURE 2 Where are the buyers from?
Prime sales split by world region of buyer, 12 months to June 2013

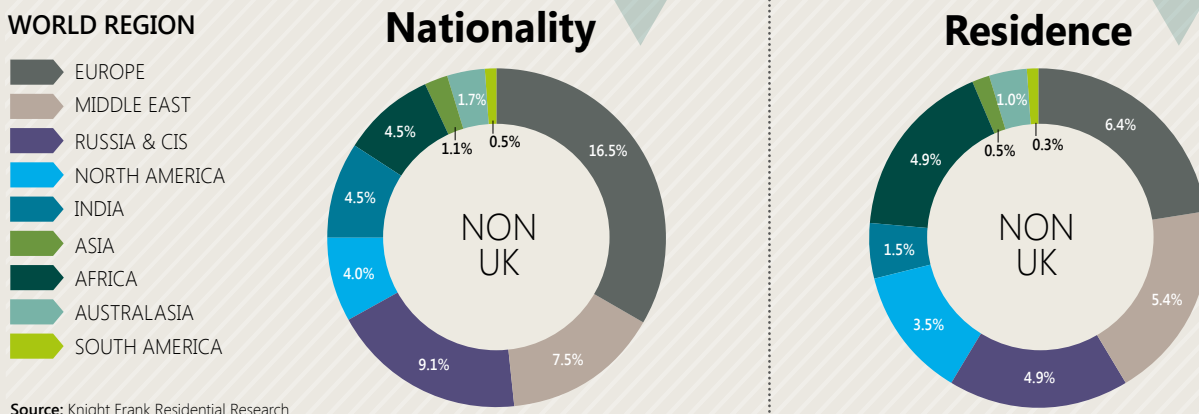


FIGURE 3 New-build buyers in prime central London
Sales split by nationality and residence, two years to June 2013

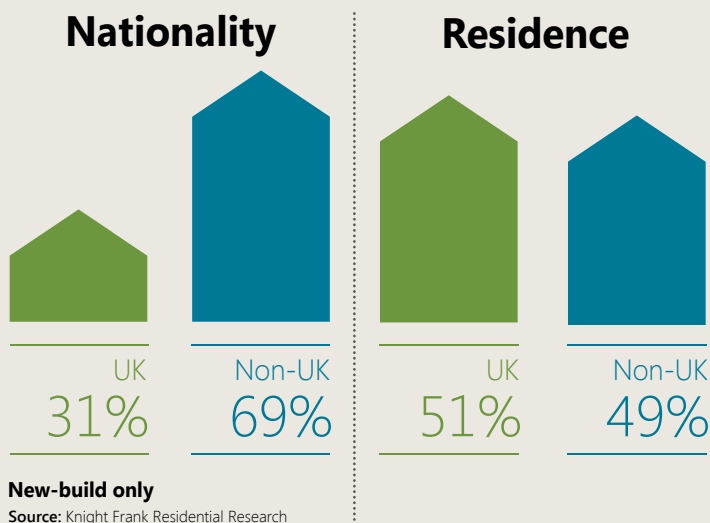
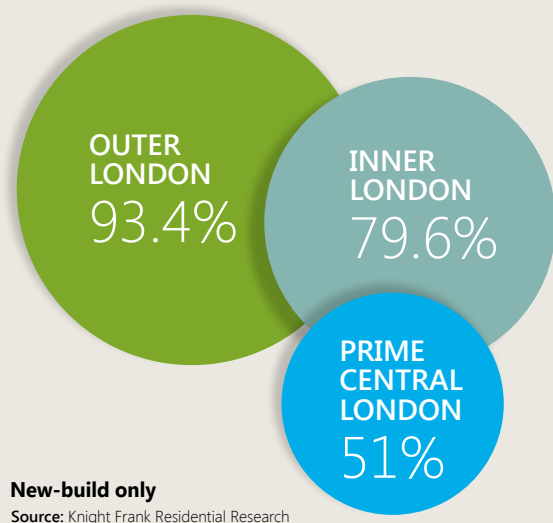


FIGURE 4 New-build buyers in Greater London
Sales to UK residents, two years to June 2013



As we note on page 2, our research reveals that 51% of new-build purchases in the relatively small prime central London market were to UK residents over the past two years. Across the remainder of inner London the portion rises to 80%.

When we widen our analysis and look at outer London, comprising the remaining 19 boroughs, we found that more than 93% of sales were to UK residents.

On a weighted basis the above ratios point to an average for Greater London of between 85% and 90% of new-build sales going to domestic buyers.

When we considered the two year period covered by our sample of new-build sales records – there was no indication of a shift towards higher non-resident purchases over that period.

While some developers have noted rising interest from overseas buyers in areas outside central London, these appear to be localised examples. Our research points to the fact that the majority of demand for new-build property in London from overseas remains focussed on the relatively small and concentrated market made up of the central London postcodes.

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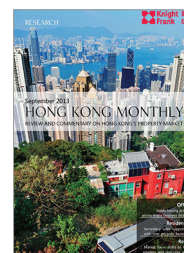
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RESEARCH

Liam Bailey

Global Head of Residential Research
+44 20 7861 5133
liam.bailey@knightfrank.com

PRESS OFFICE

John Williams

Head of PR
+44 20 7861 1738
john.williams@knightfrank.com

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