UK sets the pace for economic growth

- Investors look beyond London
- Sentiment & fundamentals align
- Obbard continues to set records

Growth Britain

As the IMF chokes on their words uttered barely a year previously and declare that the UK is set to be the strongest performing western economy in 2014, it comes as a welcome relief to talk about growth and optimism beyond the central London story.

Although London remains by far the most vibrant economic region within the UK, its contribution having risen to around 25% of GDP, we are at last seeing investors look beyond the capital and south East. The relatively robust GDP growth in 2013 (1.9%) and the projected growth figures for the year ahead, coupled with the most recent unemployment figures showing a fall at its sharpest rate since 1997, have precipitated a positive mood shift at the start of this year. This has translated in to a fairly significant change in the opinion polls, with Labour's lead falling from a fairly constant nine points over the past year or so to between two to three points (source YouGov & ComRes January polls). Labour's chancellor looked to counter this by reintroducing the 50% tax rate idea (introduced by Labour in 2010 and abolished by this Govt in April last year) only to be shouted down by many business leaders and backers of his own party. It is as well to remember that, up until recently, Mr Balls had been lauding the approach of M Hollande whose private life appears quite well organised in comparison to his country's finances.

The future is certainly looking a lot brighter as 2014 gets underway. Meanwhile the attention is already turning to the election in May 2015 and as long as things continue in a similar vein, we might find ourselves revisiting Bill Clinton's perceptive words when it comes to elections…it's the economy stupid.

The following are a selection of leading articles in various media in January which provide some context on both appetite and sentiment on the UK property market.

Supply remains well behind demand for UK residential

A recent report by Countrywide has revealed that there are nearly ten potential buyers for each property on the market, this compares with around 6.5 per property in November 2008. The lettings market has also remained strong, with an average of 10.4 prospective tenants per property. The Daily Telegraph reported that the Countrywide study suggests that the UK could face a shortfall of a million new homes by 2021 as developers continue to play catch up after the financial crisis. Countrywide found that new build developments in London and the South East are only at 68% of 2005 peak levels, while new starts in the East Midlands are at 36% of volumes built in 2005.

Home owners expect property values to rise

According to a YouGov poll, 51% of homeowners expect the value of their home to rise in 2014, compared to 34% in November 2012. The poll noted "Availability of higher loan-to-value mortgages, improving economic conditions, lower unemployment and schemes such as Help To Buy have given consumers reasons to feel confident”

London remains top choice for foreign real estate investors

Jones Lang LaSalle has reported that more than £16bn of overseas money flooded into the London commercial property market in 2013. London has been crowned the world’s best city for foreigners to invest in real estate, according to the annual survey by the Association of Foreign Investors in Real Estate (AFIRE). London is the only city not in the USA to make the top five, with New York, San Francisco, Houston and Los Angeles making up the rest of AFIRE's best places for foreign investment in 2013. London’s specific attractions were noted as being free of , restrictions with an attractive tax regime for foreign investors. JLL noted that London remains the most active global city, with deal volumes around 1½ times its nearest competitor New York, followed by Tokyo and Paris. JLL also reported that office lettings jumped to 10.8m sq ft for the year, ahead of 2012's total of 7.2m sq ft. Meanwhile over £7bn was spent by foreign investors on prime residential in the capital.

London fuelling regional commercial property market

The FT has noted how London's hot commercial property market is fuelling the regions. According to CBRE the largest buyers in the regions were UK-based institutions, which generated 39% of all deals. The second-largest group was overseas buyers, who were behind nearly a quarter of transactions. Of those investors, one-third were from Asia. A further 20% of buyers were from the Middle East. The remainder were split between the US, Germany and other European countries.

UK house prices jump 8.4% in 2013

The most recent Nationwide House Price Index shows UK house prices to rose by 8.4% in 2013, meaning the average home is now valued at £175,826, the highest since April 2008. The figures show an acceleration in the final quarter, moving up 2.9% in the three months to the end of December compared with the previous three months. The average price of a house in London is now £345,826, 14.9% up year-on-year. Prices were up 7% in Northern Ireland, 6.1% in Wales and 3.7% in Scotland. The slowest pace was found in the north of England, where growth was 1.9%.

Foreigners vital to London

New research from CBRE has revealed that foreign investors have planning consent to build nearly two years' supply of housing in London. CBRE said developers from China, Singapore, Malaysia and Qatar have permission to build 33,000 homes in the capital on their own, and they hold twice as many sites as those being developed by affordable-house builders such as housing associations. Last year 18,000 homes were built across London - just over a third of the number needed. Jennet Siebrits, head of residential research at CBRE, said foreign investors were taking on sites that domestic firms were unable to develop. "The traditional house builder doesn't have the clout or the capacity to take on these major sites - if foreign investors weren't taking them up, nobody else would," she adds.

And here is our own headline for the month;

Obbard sets another record price psf

Just before Christmas, Obbard appointed agents to sell a 1989 sq ft 3/4 bed flat acquired and developed for HK clients. Officially placed on the market in early December it exchanged contracts on the last day of January setting a new benchmark. A number of sales took place in 2013 within the block with prices psf achieved as follows;

£1,303psf, £1,411psf, £1481psf, £1,554psf, £1,627psf, £1,716psf, £1,808psf and our scheme at **£2,162psf**

Apart from demonstrating our abilities to add value, the above variance within just one apartment block also helps illustrate how simply assessing values by price per square foot (as so many do) can be misleading in a complex market such as this.

WISHING YOU ALL THE VERY BEST FOR THE YEAR OF THE HORSE– KUNG HEI FAT CHOI