



London bubble

UK-based property journalist *Ruth Sullivan* looks at why London is always so popular with wealthy property buyers and investors, and how does the bubble never burst – despite recent challenges?

London is coming to life again as cafés and restaurants spring up outdoors on pedestrianised streets, shops open their doors and people start to head back to the office. The city's famous parks, which have been a green escape during Covid-19 and lockdowns, are full of picnickers and fitness fiends, wildlife and flowers.

Above: Mayfair is an upmarket area of Westminster, teeming with luxury stores, restaurants and hotels Right: A classic old apartment house in Islington, North London

Other signs of confidence are emerging too, as property sales and lettings pick up, indicating the capital's enduring appeal. Property prices in prime central London, an area favoured by many wealthy global buyers and investors, grew by 0.3 per cent in the year to May, the first rise in five years, according to Knight Frank. In prime outer London the price rise was 3.1 per cent. Areas such as Richmond, Dulwich and Wandsworth to the south, and Belsize Park, in North-West London saw annual price growth above 6 per cent as demand for space and greenery continues

to be strong, particularly among families. The lifestyle shift to dividing time between out-of-town homes and the capital that emerged during the pandemic, continues too. Wimbledon, with its village charm and houses with gardens, was the strongest of all London markets, experiencing price growth of 9.4 per cent in the year to May. "Purchasing property shows confidence that the economy is picking up amid hopes for government boosts," says Liam Bailey, global head of research at Knight Frank.

London ranks among the top three cities in Europe for real



estate investment, together with Berlin and Paris, in the 2021 Emerging Trends in Real Estate Global Outlook by PwC and Urban Land Institute. Real estate keeps attracting capital and the inherent attraction of property income appears stronger now than in pre-Covid times, the report states. ➤



So, what is London's enduring appeal? "London's success is its business and financial centre, nice shopping, good schools and it has a unique position as a fintech hub. It has everything central and draws in wealthy buyers," says Bailey.

While London has lost some of its financial services to other European cities, it still ranks among the top players and wealth management services remain robust. On the pandemic front, it has been less hard hit than other global cities such as New York and Los Angeles and has benefitted from a speedy vaccination rollout this year, boosting confidence.

UBS expects 2021 to be a year of renewal and the big urban

centres to remain economic hubs and to continue to attract people. The UK government boosted property growth and employment in the March budget through extending the stamp duty holiday to 30 June 2021 for property buyers and the furlough schemes to retain jobs.

Buyers with an eye to property price growth will be looking keenly at Savills' five-year house price forecasts to 2025. Its Prime UK Residential spring/summer 2021 report indicates a 21.6 per cent house price growth for prime central London, followed by 18.1 per cent for all prime London and a tad less at 17.6 per cent for the suburbs. Savills expects prices

to rise in the second half of 2021 and to end the year with 3 per cent gains, followed by a strong 7 per cent bounce in 2022. "Prime central London offers a real buying opportunity," says Frances Clacy, Savills residential research analyst.

"Activity has already picked up more quickly than expected, with more £5m-plus sales last year than since 2016. It tells us that buyers believe in the future of London as a global city and supports our expectation that values will recover quickly as the city reopens for business and international travel resumes."

Buying to let is also increasing as stronger demand is helping to reverse rental value declines that occurred in prime London property markets during the height of the pandemic in the UK.

The number of new prospective tenants in the months to May was 76 per cent higher than the first three months of 2020, while the number of properties that were rented in areas surrounding the financial districts of Canary Wharf and the City have risen by over

20 per cent, according to Tom Bill, head of UK residential research at Knight Frank. Estate agents say there is pent-up demand for property, with numbers of registered applicants on the rise. They expect to see a return of international buyers and investors, such as those from Hong Kong and Singapore, who have always made London their number one choice of property.

The capital's garden squares with large, well-maintained residents-only gardens, continue to be a draw. Good value areas with garden squares include Bayswater and Marylebone, and family houses still represent value in Chelsea and Kensington.

For more information on the London property market, visit [knightfrank.com/london-report](https://www.knightfrank.com/london-report) and for those travelling to London, go to [visitlondon.com](https://www.visitlondon.com) ■

Top left: High-end property on Hampstead Heath Above: The famous pastel-coloured houses of Primrose Hill Left: One of the most affluent streets in the UK, Eaton Place in Belgravia