Post Brexit

The London Property market and outlook for UK residential investment

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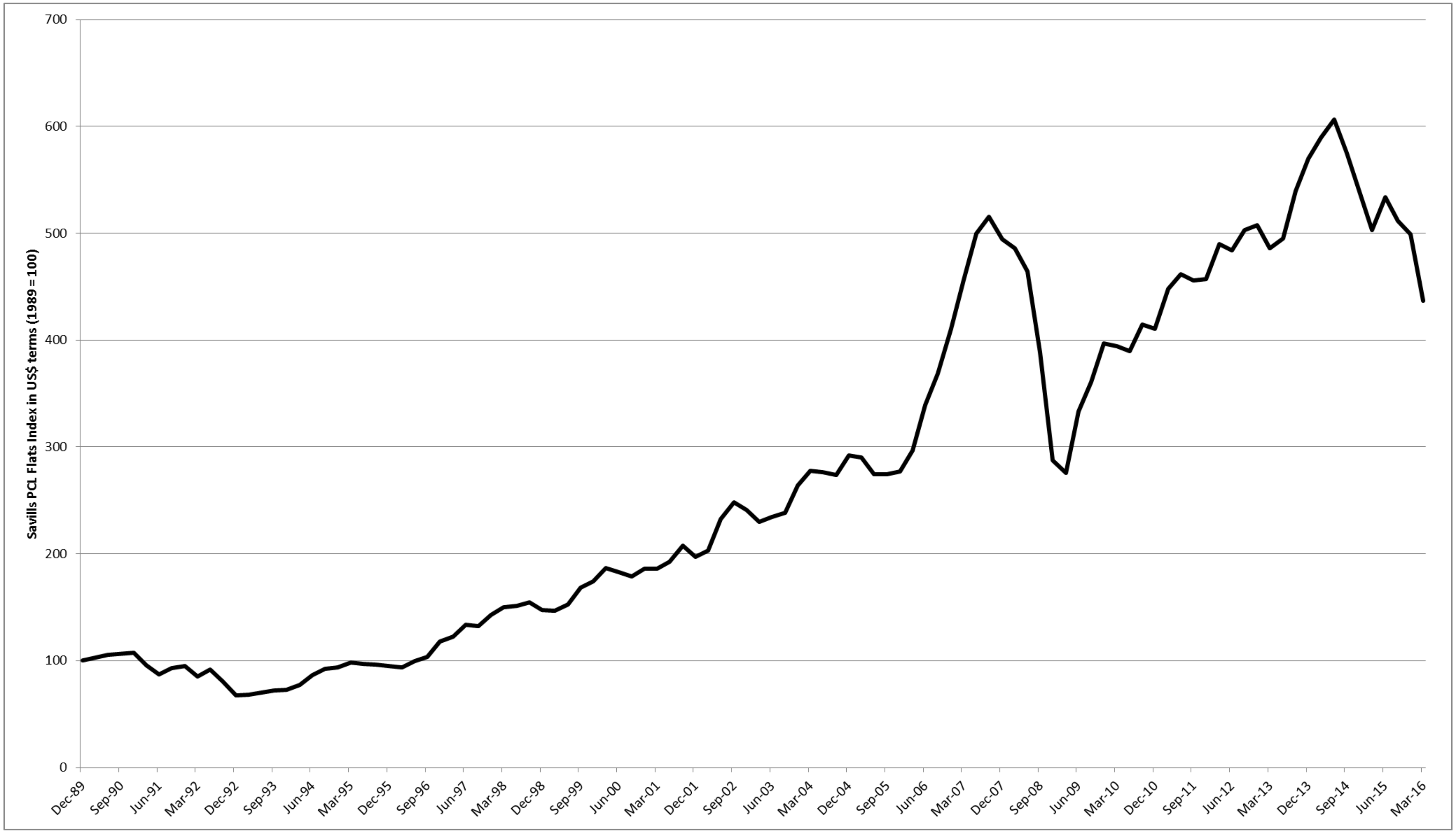
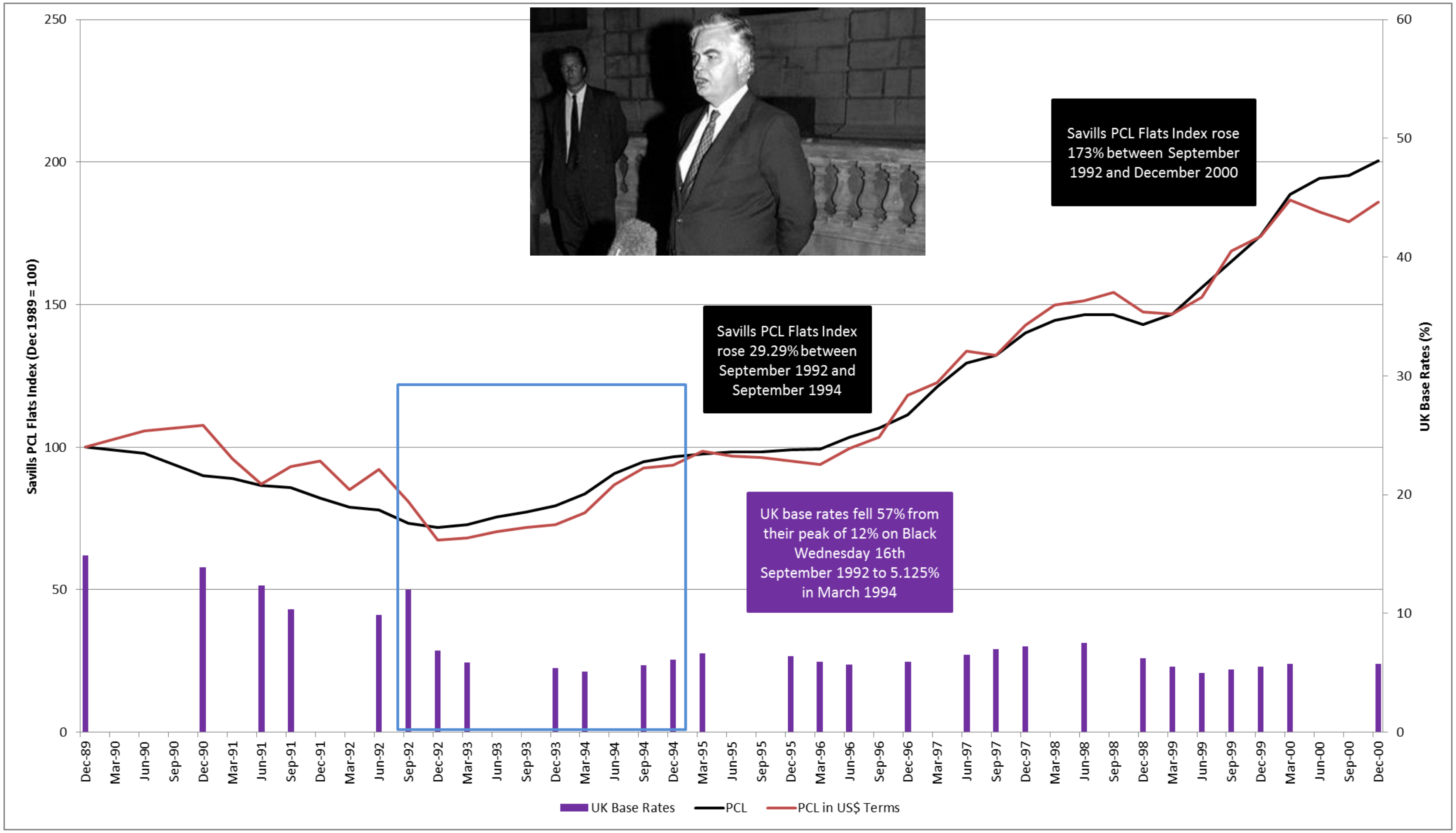
The Prime Central London residential market – we are in <u>charted</u> territory

Performance of PCL in US$ terms – December 1989 to today



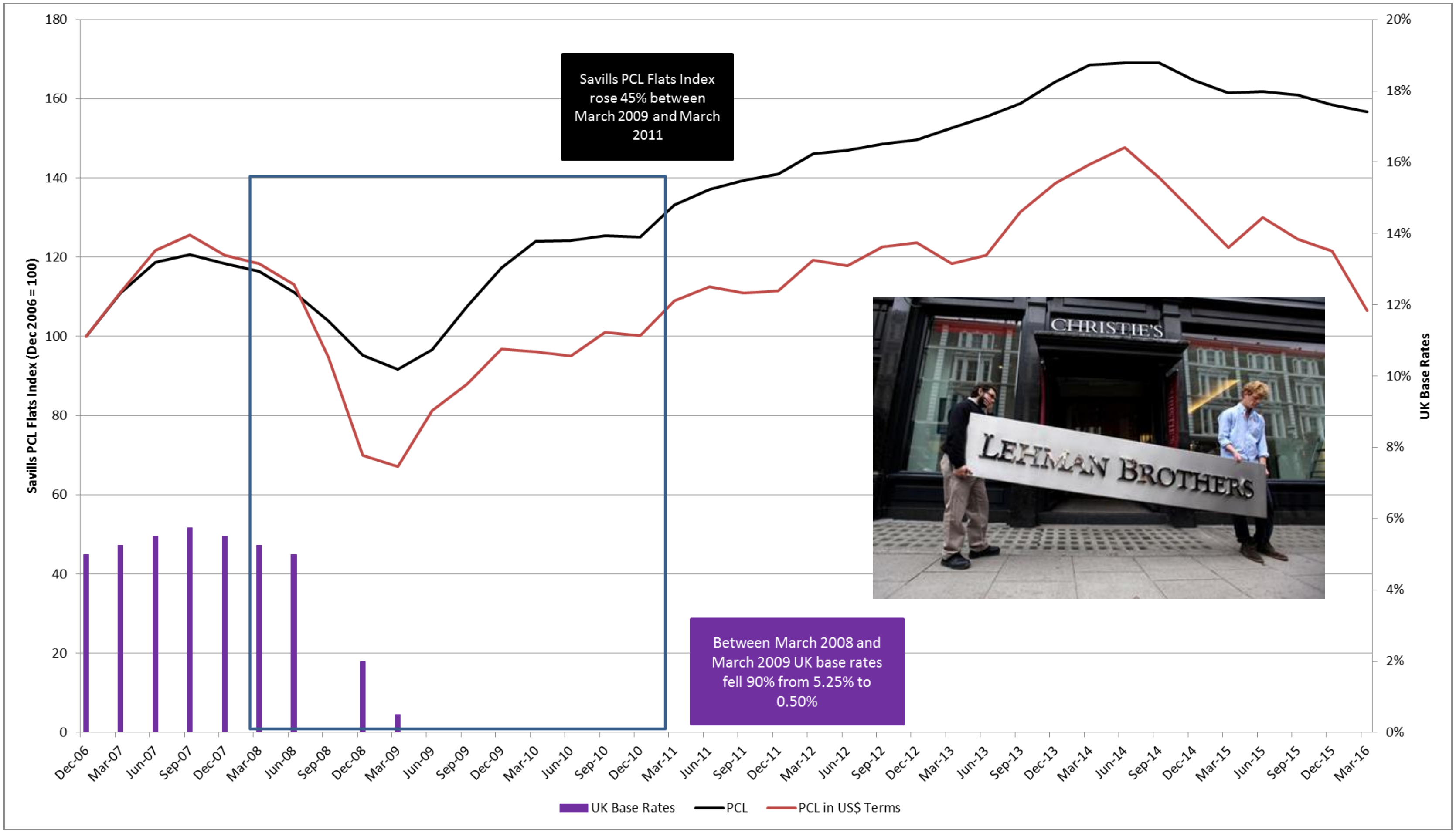
Source: Savills, Bank of England

Previous UK financial/political crisis: Monetary easing and price action - Black Wednesday 16th September 1992 – What happened?



Source: Savills, Bank of England

Previous UK financial/political crisis: Monetary easing and price action - The global financial crisis (2008/2009) – What happened?



Source: Savills, Bank of England

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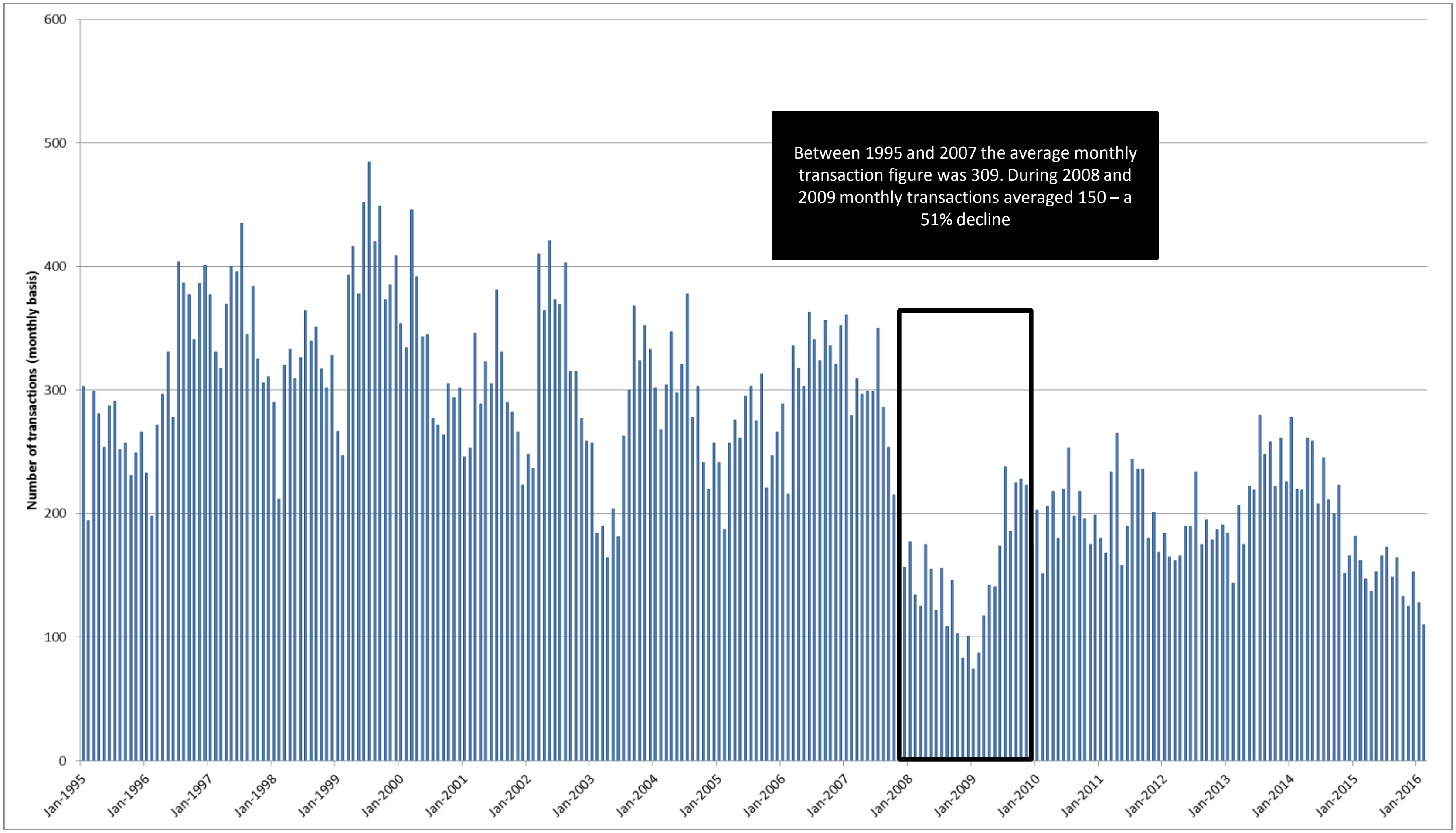
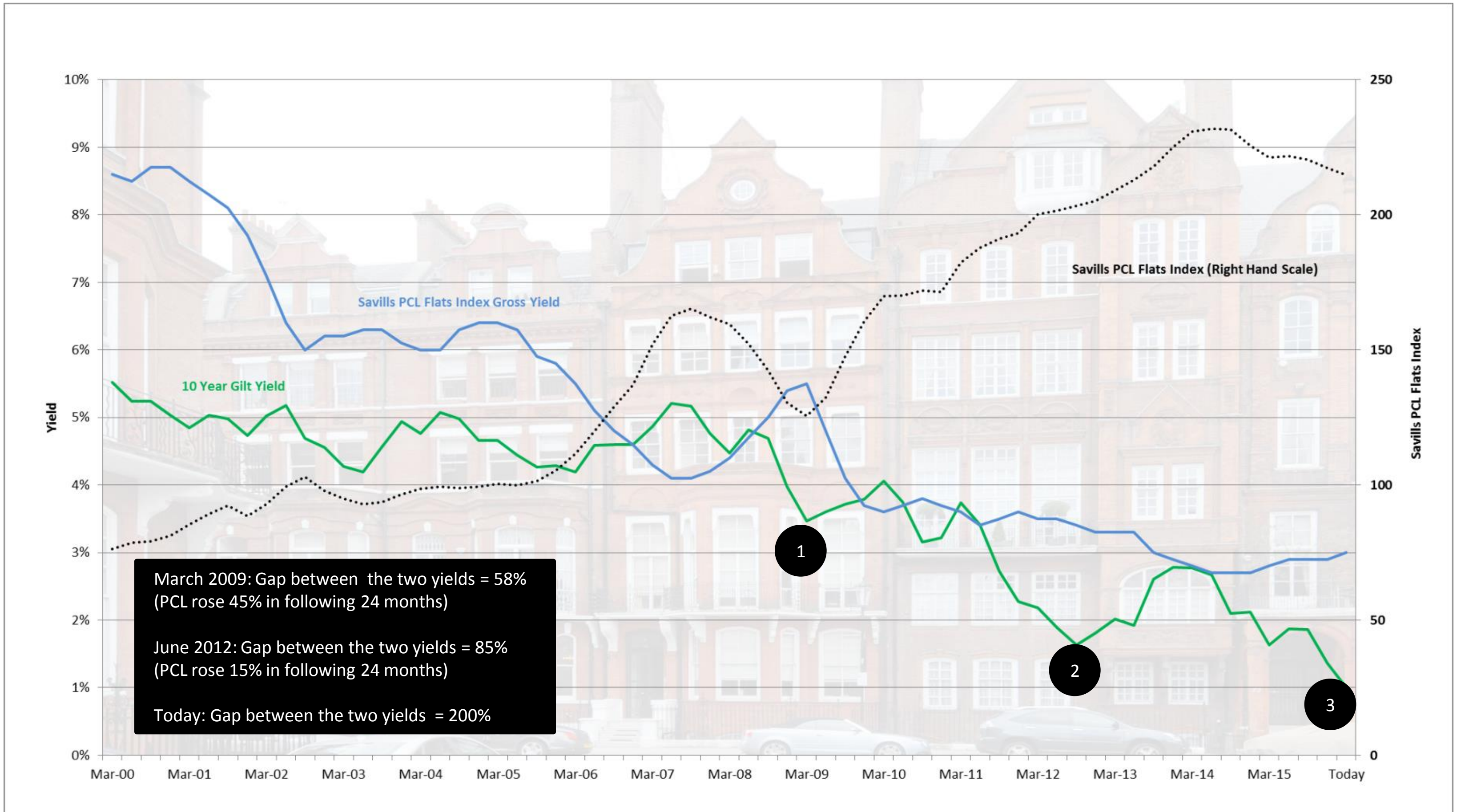
The percentage rise in PCL post a crisis is also dependent upon the supply of stock/transactions: Transactions in Kensington & Chelsea: 1995 - 2016



Source: Land Registry

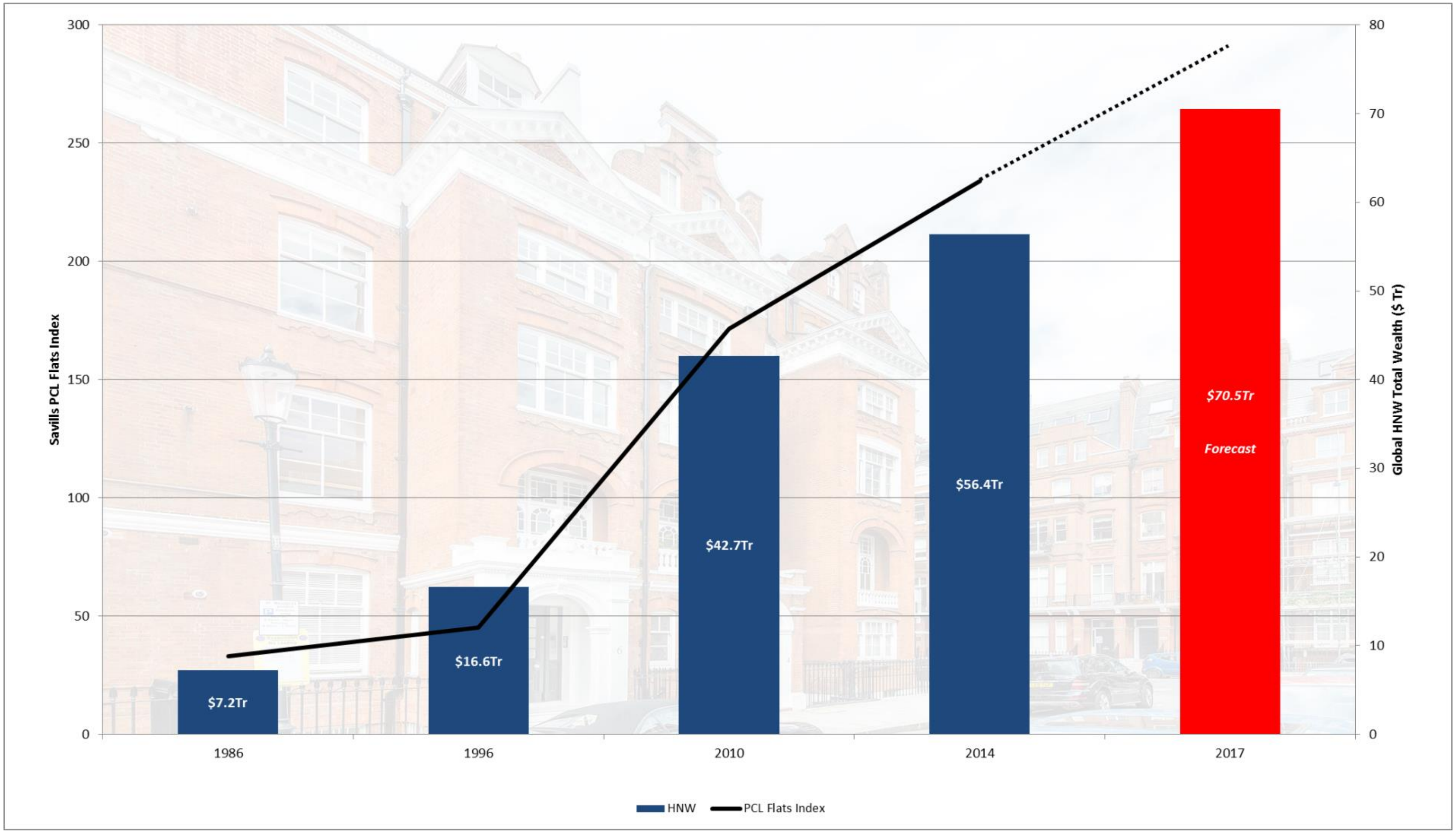
So what next for Prime Central London?

10 Year Gilt Yields v’s Savills PCL Gilt Yields



Sourse: Savills, UK DMO

There is a correlation between the growth in global wealth and the performance of PCL



Source: Capgemini, RBC, Savills

Key investment ideas for new capital

New Capital – We will target stock that is affordable for the family market

We will be careful to target assets that allow for price growth, **NOT** outstripping affordability

Target Family house

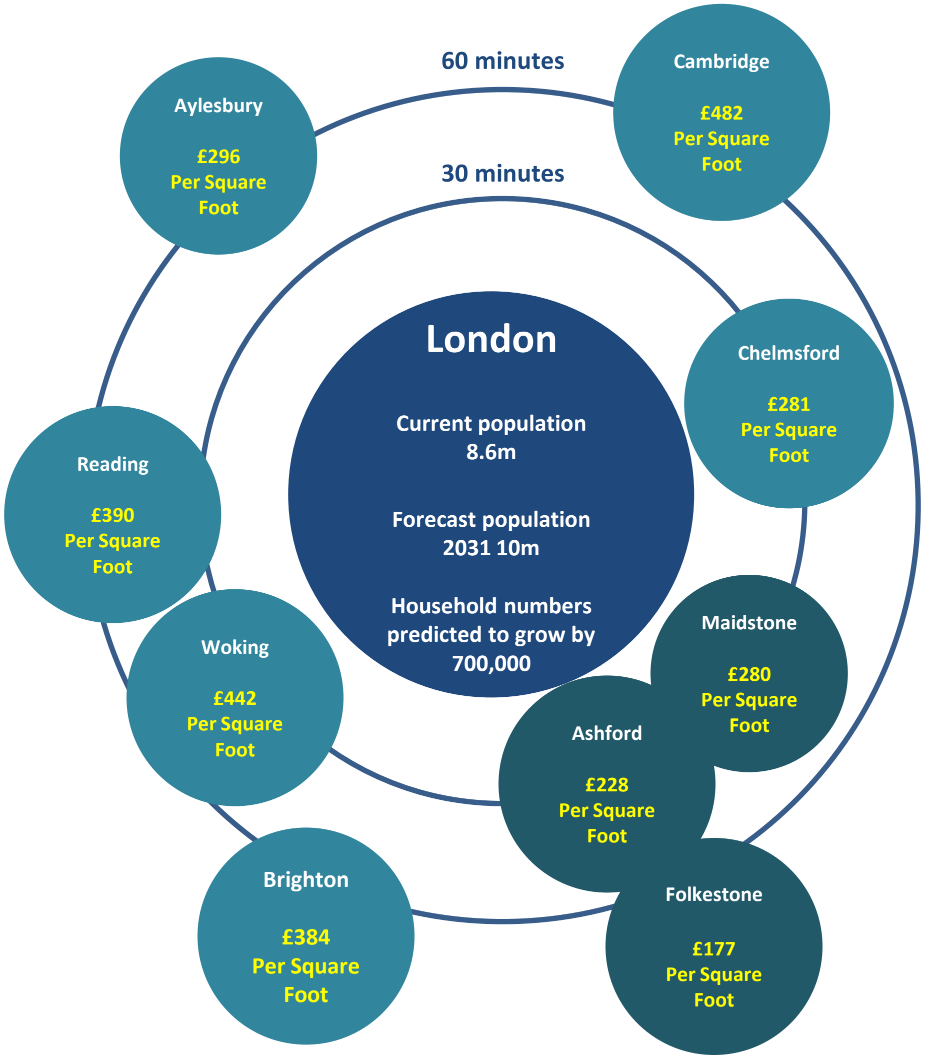
2015 Mean wage Inner London: £53,354; Mean wage Ashford: £31,236; Combined income = £84,590 X 4.5 = £380,655 + Deposit of £22,345

New capital – London commuter stock (strong demographic case)

- London's population has grown from 6.6m people in 1981 to 8.6m today – forecasters predict the number to grow to 11m by 2050.
- High job creation in the region (1 in 4 jobs in the UK are in the South East) has led to a severe supply/demand imbalance for housing.
- London needs to build 40,000 homes a year for the next 20 years – but housing completions have averaged less than 20,000 units since 2000.
- Price growth is starting to "ripple" out of the centre.

With this macro analysis in place:

- D&GAM has targeted stock in locations with excellent new commuter links to Central London.
- For example, Ashford has benefited from a new rail line that has cut the journey time to London to 34 minutes.
- Prices in Ashford (£228 Per Square Foot) are substantially lower than commuter towns of a similar distance from London (see chart opposite)



Closing thoughts

- History and monetary conditions suggest bullish case for London real estate assets
- Prime Central London residential property set for a recovery
- Affordable housing in London commuter areas

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