



BUY-TO-LET LONDON SEASONAL REVIEW



SUMMER REVIEW

Inside

London rental prices in detail
Mortgage trends
Returns
Arrears & voids

Press & Editor queries

editor@ludlowthompson.com





BUY-TO-LET LONDON SEASONAL REVIEW



Against the background of a hung parliament and the toing and froing of the Brexit negotiations what are the prospects for residential property investment in the capital?

Whilst the recent General Election may not have delivered the landslide the Prime Minister had played for, or one that many commentators had predicted, has the result significantly altered the landscape for the worse as far as London property investment is concerned? I'd argue not - In my view London remains a beacon of enterprising entrepreneurial spirit, a welcoming cultural hub with a critical mass of industry sectors, world class universities and public-sector agencies. As a result, bricks and mortar in the capital is likely to remain a popular asset, for these and other well-founded reasons. Indeed now might be a good time to enter the market or to consider expanding your buy-to-let portfolio. House price growth has cooled over the spring (to 3.5% in April) compared with the same time last year, but in the medium to long term is still expected to continue, with some predictions forecasting a 12% rise by early next decade.*

Let's drill down further - No matter who is running the country, housing supply and demand imbalances are likely to remain, thereby extending the timeline for "Generation Rent". London is seeing unprecedented population growth, with the number of people living in the capital expected to hit 9 million by 2020. History suggests that in the medium/long term this should translate into rental growth, particularly as the pace of housebuilding struggles to keep up a trend that is greater for the more affordable properties which are likely to appeal to first time buyers.**

CAPITAL EXPENDITURE BY TFL*

£ billion

RENEWALS / NEW CAPITAL INVESTMENT

*Excluding Crossrail

2017/18
£1.98
—
33% / 67%

2017/18
£2.08
—
35% / 65%

2017/18
£2.01
—
36% / 64%

2017/18
£2.35
—
33% / 67%

2017/18
£2.37
—
32% / 68%

But what of Brexit? One year on from the vote to leave the EU, and now with a Conservative minority government, one anticipates - as Janan Ganesh writes in the FT - a "minimal difference to the physics of an EU exit [but]. a world of difference to the chemistry"*** mainly due to the increasingly anticipated cross-party influence on negotiations.

Initial debate suggests that a form of reciprocal arrangement for UK citizens abroad as well as EU citizens in the UK is at the forefront for both sides. In any event it should be recognised that any trade deal, whether with Europe or further afield is likely to require access rights which, I must say, seems particularly pragmatic. Most industry sectors are currently suffering from skills shortage and are likely to continue to do so with 1,100,000 new jobs predicted for London by 2041 (GLA Economics).

Furthermore London is home to some of the world's leading universities and therefore, is likely to continue to attract the "brightest and the best" from around the world for some time to come. While demographic changes are driving London's rental demand, significant capital investment is improving transport links, with a consequential positive impact on rentals along these routes. Some £8.5 billion of infrastructure investment is targeted by 2022, including more Night Tube stations opening, extensions to the Overground network, DLR improvements, Crossrail, and cycle superhighways. Owning property near to one of these hubs is set to drive higher net rental yields, as tenants may be prepared to pay a premium and are also more likely to stay in a tenancy longer-term, minimising the risk of void periods.

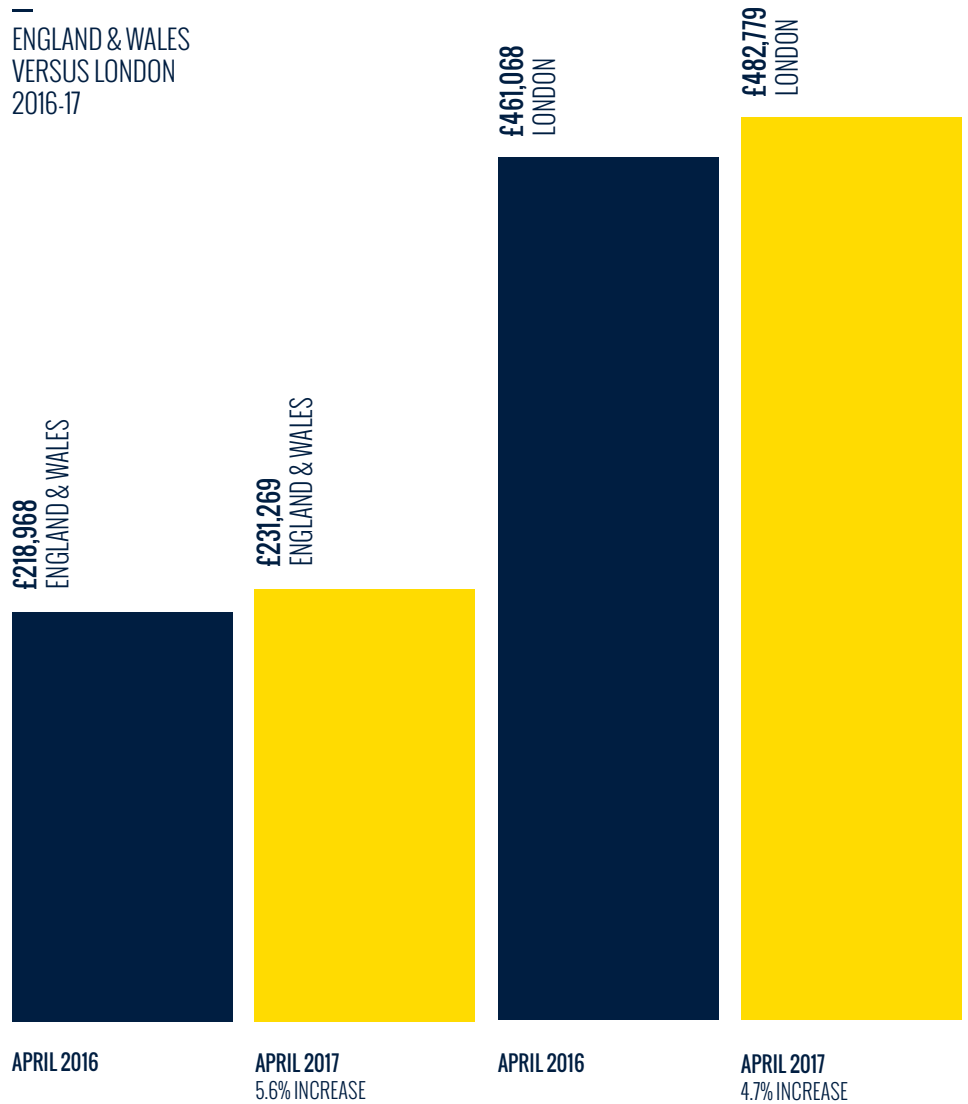
In summary then taking the above factors into account and with inner London BTL recording total returns of 8.3% last year, and with property outperforming other asset classes such as the stock market over the long-term, property's track record is good and the signs going forward for BTL are positive.

* Daily Mail November 4 2016 ** Financial Times April 7 2017 *** Financial Times June 19 2017



AVERAGE HOUSE PRICES

—
ENGLAND & WALES
VERSUS LONDON
2016-17



TENANT PROFILE

THE TOP FIVE EUROPEAN COUNTRIES WE RECEIVE RENTAL ENQUIRIES FROM

—
FRANCE 20%
ITALY 14%
IRELAND 14%
SPAIN 13%
GERMANY 12%

★ Key Trends for Q2 2017

The decision to call the snap election early in the quarter and the resulting political uncertainty of a hung parliament may have contributed to the slight drop in rents that we have seen over the quarter. But as we head into summer – and the traditional peak letting season – the market is traditionally buoyed by a new wave of prospective tenants coming to the capital, which may help boost rents.

With encouraging employment statistics suggesting a strong influx of recent graduates into the capital, there is wide scope for landlords to agree long-term tenancies with new renters, thereby securing rents and returns that should continue to outpace inflation.

★ House Prices

In **England and Wales**, the respective figures were **£231,269 in April 2017, up 5.6%** from April 2016 (£218,968). **Average London** house prices were **£482,779 in April 2017**, up 4.7% year on year from April 2016 (£461,068).

★ Voids

In **Q2 2017**, void periods for ludlowthompson managed properties **increased to an average 5 days**, down from 6 days in Q1 2017.

★ Capital Growth

The annual rate of capital growth in London was **4.7% in April 2017**.

Source Land Registry



LONDON'S AVERAGE MONTHLY RENTS

Q1 - Q2 2017

* High Yielding BTL Areas

NORTH WEST LONDON

Q2 £2,486 ▼ -2.87%
Q1 £2,560

Q2 £1,885 ▼ -0.79%*
Q1 £1,900*

NORTH LONDON

Q2 £1,769 ▲ 6.9%
Q1 £1,902

Q2 £1,635 ▼ -2.7%*
Q1 £1,681*

EAST LONDON

Q2 £1,657 ▲ 3.11%
Q1 £1,607

Q2 £1,657 ▲ 3.11%*
Q1 £1,607*

CITY

Q2 £3,406 ▲ 2.90%*
Q1 £3,310*

WESTEND

Q2 £2,990 ▼ -2.06%*
Q1 £3,053*

WEST LONDON

Q2 £2,827 ▲ 0.93%
Q1 £2,801

Q2 £1,841 ▲ 0.1%*
Q1 £1,839*

SOUTH WEST LONDON

Q2 £2,855 ▼ -0.13%
Q1 £2,859

Q2 £2,118 ▼ -6.33%*
Q1 £1,992*

SOUTH EAST LONDON

Q2 £1,522 ▲ 2.31%
Q1 £1,488

Q2 £1,490 ▲ 0.13%*
Q1 £1,488*

MONTHLY RENTS HIGH YIELDING BUY-TO-LET INVESTMENT AREAS

Q2 2017: £1,771
Q1 2017: £1,820

AVERAGE RENTS PRIME LONDON

PRIME LONDON: £2,622
SUPER PRIME AREAS: £4,544

AVERAGE RENTS LONDON-WIDE

DOWN 0.6%
Q2 2017: £2,140
Q1 2017: £2,152

These Q2 numbers reflect a slight decline from recent record highs experienced in parts of London in Q1 2017.



London Rents in detail

Above shows the average monthly rents for London, along with the average rents for high yielding buy-to-let areas



Gross Yields

For higher yielding London buy-to-let investment areas, the average yield was **4.6% in Q2 2017**, the same as 4.6% in Q1 2017 and down from 4.7% in Q2 2016.



Net Yields

Net yields in Q1 2017 were 3.6%. Our calculations show that total running costs for a buy-to-let investment have been running at an average of **22% of rental income** for the last three years.

- Repair and maintenance
- Letting fees
- Service charges
- Other one off cost payments.



Total Return Figure

Gross total return for high yielding London buy-to-let investment areas was **9.3%, up from 8.3% in Q1 2017**, and down from **18.2% in Q2 2016**. The net total return for London's high yielding buy-to-let areas was **8.3%, up from 8% in Q1 2017**, and down from **17.2% in Q2 2016**. LSL has average total return figures across England and Wales of **4.4% in May 2017**. This figure highlights the strong performance of London for residential investment.

Source LSL buy-to-let index.



Arrears

Core arrears for ludlowthompson managed properties were **1.13% in Q2 2017**, down from **1.36% in Q1 2017**, and up from 0.96% in Q2 2016. LSL arrears were 9.6% of all rent across England and Wales in May 2017.



Two bed apartment in Vauxhall

£580,000, renting for £17000 pcm and with a 3.5% yield

Available for sale via the Kennington/Oval office, call 020 7820 4141



Three bed house in Bow

£475,000, renting at £1950 pcm and with a 4.93% yield

Available for sale via the Bow office, call 020 8150 3325



Three bed period conversion apartment in Kennington

£800,000, renting at £3000 pcm 4.5% yield

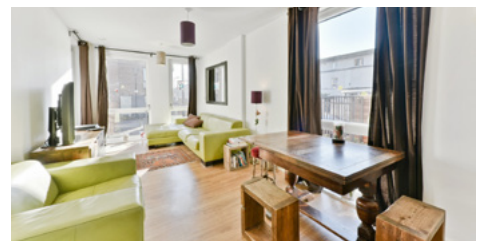
Available for sale via the Kennington/Oval office, call 020 7820 4141



One bed period conversion in Oval

£415,000, renting at £1300 pcm, with a 3.75% yield

Available for sale via the Kennington/Oval office, call 020 7820 4141



Two bed apartment in Finsbury Park

£510,000, renting at £1800 pcm, with a 4.2% yield

Available for sale via the Finsbury Park office, call 020 7704 5777

TOP 10 BTL OPS

OPPORTUNITIES FOR INVESTORS

See the gross yield and rental
for hundreds of properties
For Sale across London at
www.ludlowthompson.com/buytolet



CURRENT BTL MORTGAGE OFFERS

BUY-TO-LET PURCHASE WITH A MORTGAGE LOAN-TO-VALUE OF 75%

3 YEAR FIXED

2.39%
VIRGIN MONEY
£1995.00 WITH £500
CASH BACK INCENTIVE

5 YEAR FIXED

2.80%
LEEK UNITED BS
£995.00 FEE

REMORTGAGE WITH A LOAN-TO-VALUE OF 60%

2 YEAR FIXED

1.34%
PLATFORM HOME LOANS
£1999.00 WITH £500
CASH BACK INCENTIVE

3 YEAR FIXED

1.94%
LENDER - ACCORD
£950.00 WITH A £250
CASH BACK INCENTIVE

5 YEAR FIXED

2.19%
PLATFORM HOME LOANS
£1999.00 WITH A £500
CASH BACK INCENTIVE

For more information on buy-to-let opportunities or for a one to one meeting with the ludlowthompson team, please email contactus@ludlowthompson.com

For mortgage advice please contact your local ludlowthompson office to arrange a meeting with Chris Lockley at Jigsaw Mortgages



One bed flat in Highbury

£350,000, renting at £1400 pcm, with a 4.8% yield

Available for sale via the Finsbury Park office, call 020 7704 5777



Three bed apartment in Streatham

£430,000, renting at £2100 pcm with a 5.86% yield

Available for sale via the Wandsworth/Tooting office, call 020 8682 1234



One bed flat in Surrey Quays

£475,000, renting at £1700 pcm, with a 4.3% yield

Available for sale via the Canada Water office, call 020 7101 0235



Modern two bed flat in Tower Hill

£650,000, renting at £2275 pcm, giving 4.2% yield

Available for sale via the City/Docklands office, call 020 7480 0120



One bed flat in Shadwell

£360,000, renting at £1560 pcm, with a 5.2% yield

Available for sale via the City/Docklands office, call 020 7480 0120





ACTON

172 High Street, London W3 9NN
T 020 8752 9988

E actonlet@ludlowthompson.com

Coverage includes

Acton, South Acton, East Acton, Ealing, West Acton, North Acton, Gunnersbury, South Ealing, Chiswick, Ravenscourt Park, Ealing Common, West Ealing, Shepherds Bush, White City, Hammersmith.

BOW

634-636 Mile End Road, Bow, London E3 4PH

T. 020 8150 3325

E. bowlet@ludlowthompson.com

Coverage includes

Bow, Bromley By-Bow, Victoria Park, Docklands, Bethnal Green, Haggerston, Dalston, Hackney, Stratford, Manor Park, East Ham, and Forest Gate.

CANADA WATER

Unit 2 Montreal House, Surrey Quays Road, London SE16 7AQ

T 020 7101 0235

E canadawaterlet@ludlowthompson.com

Coverage includes

Bermondsey, Canada Water, Canary Wharf, Limehouse, Rotherhithe, Surrey Quays, Wapping.

CITY/DOCKLANDS

3-5 Dock Street, London E1 8JN

T 020 7480 0120

E docklet@ludlowthompson.com

Coverage includes

Tower Hill, City of London, Wapping, Isle of Dogs, Bow, Bethnal Green, Aldgate, Stepney, Brick Lane, Mile End.

DULWICH

81-83 Lordship Lane, London SE22 8EP
T 020 8299 8777

E dulwichlet@ludlowthompson.com

Coverage includes

Dulwich, Herne Hill, Forest Hill, Brockley, Peckham, Sydenham, Crystal Palace, West Norwood, New Cross, Nunhead, Tulse Hill.

FINSBURY PARK

6 Blackstock Road, London N4 2DL

T. 020 7704 5777

E. finsburylet@ludlowthompson.com

Coverage includes

Finsbury Park, Stoke Newington, Islington, Highbury, Crouch End, Tufnell Park, Holloway, Hampstead, Camden Town, Highgate, Hornsey, Muswell Hill, Tottenham

KENNINGTON/OVAL

10-12 Clapham Road, London SW9 0JG
T 020 7820 4141

E ovallet@ludlowthompson.com

Coverage includes:

Kennington/Oval, Stockwell, Clapham, Battersea, Brixton, Camberwell, London Bridge, Pimlico, Waterloo, Walworth.

KILBURN/WEST HAMPSTEAD

381 Kilburn High Road, London NW6 7QE
T 020 7604 5100

E kilburnlet@ludlowthompson.com

Coverage includes

Kilburn, Queens Park, Brondesbury, Maida Vale, St John's Wood, Marylebone, Cricklewood, Hendon/Harlesdon, Kensal Green, Kensal Rise, Bayswater, Notting Hill.

LEWISHAM

258 Lewisham High Street, London SE13 6JX

T 020 8613 9696

E lewishamlet@ludlowthompson.com

Coverage includes

Lewisham, Greenwich, Blackheath, New Cross, Hither Green, Lee, Deptford, Kidbrooke, Eltham, Ladywell, St. John's, Catford, Woolwich, Thamesmead, Plumstead.

WANDSWORTH/TOOTING

62 Tooting High Street, London SW17 0RN

T 020 8682 1234

E tootlet@ludlowthompson.com

Coverage includes

Wandsworth, Balham, Tooting Broadway, Tooting Bec, Colliers Wood, Streatham, Earlsfield.

WIMBLEDON

43-45 Wimbledon Hill Rd, London SW19 7NA

T 020 8405 5432

E wimblet@ludlowthompson.com

Coverage includes

Wimbledon Village/Town, Southfields, South Wimbledon, Raynes Park, Merton Park, Earlsfield, Putney, Fulham, West Kensington, Chelsea.

See Area Office location maps at:
www.ludlowthompson.com/contactus
ludlowthompson.com Limited is registered in England at Apex House, 4 Berkeley Business Park, Wainwright Road, Worcester, WR4 9FA
Registered Number: 6959011
VAT Number: 100106501.

Disclaimer

Investments can go up as well as down. This publication is not advice and nor can it take account of your own particular circumstances. Financial advice must always be sought from a professional financial adviser. Your home may be repossessed if you do not keep up repayments on your mortgage. The Financial Services Authority does not regulate some forms of mortgage.

