



LONDON RESIDENTIAL INVESTMENT

A DEFINITIVE GUIDE TO RESIDENTIAL DEVELOPMENT IN THE CAPITAL



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INTRODUCTION

Quite simply, there has never been a better time to invest in London's residential property market. With a number of sites still ripe for development, significant investment in regeneration projects, and a rapidly growing population, the capital provides innumerable opportunities.

The intention of this guide - whether you are a first time investor or looking to add to an existing portfolio - is to provide you with valuable insight as to why London is the place to invest, information on upcoming regeneration schemes tipping the market in your favour, and specific areas of London offering clear opportunities.

In providing these details, we hope to enable you to make an informed decision as to which projects will offer the best return on your investment.



WHY LONDON?

Aside from maintaining its long-standing status as one of the world's most desirable cities in which to live, work, and do business, London offers phenomenal opportunities in respect of residential property investment, presenting the ideal market conditions:

- Unprecedented demand from a growing population.
- Multi-million pound investment in significant transport projects and regeneration schemes across the capital.
- The gentrification of areas previously overlooked for development, completely changing the sociodemographic make up in certain parts, and, therefore, the buying power.
- Large plots of underdeveloped land, including brownfield sites.
- A thriving arts and entertainment scene, attracting buyers to the city.





A sizeable imbalance between supply and demand for property has pressed the Mayor of London into making firm commitments on housing, including the release of brownfield sites and government land. And, despite the developed nature of mature sites, such as Canary Wharf, there still remains a significant amount of underdeveloped land throughout London, particularly to the East. Alongside this demand, the ongoing investment in London's transport network, and the regeneration of certain boroughs, has caused a surge in demand and purchase prices in particular areas.

Huge transport infrastructure projects such as Crossrail, the expansion of the Northern Line, and the forthcoming HS2, have added significant value to properties in surrounding areas, creating investment 'hot spots'. Similarly, regeneration schemes in areas such as Hammersmith, Whitechapel, and Greenwich have allowed them to outperform the rest of the London market, pushing up both rent and purchase prices.

WITH OVER 4,500 PUBS AND BARS, AND 32,000 MUSIC PERFORMANCES TAKING PLACE EVERY YEAR, LONDON ALSO REMAINS ONE OF THE MOST DESIRABLE PLACES FOR YOUNG PROFESSIONALS TO LIVE AND WORK.



Further consideration should also be given to the gentrification of areas across London, with changing demographics increasing desirability in some parts; driving up prices.

With London's population currently at 8.5 million people, and set to pass **10 million BY 2030** there is a very real and immediate need for further residential development.



TRANSPORT & REGENERATION PROJECTS

Despite the economic downturn in recent years, investment in London's infrastructure has shown no sign of slowing. Expenditure on transport projects has seen access to certain areas increase, and has reduced travel times around London, creating desirable property 'hot spots'.

By the end of 2018, Crossrail - a £14.8bn high-speed rail line linking East and West London - will be open, with over 40 stations, including 10 new stations at Paddington, Bond Street, Tottenham Court Road, Farringdon, Liverpool Street, Whitechapel, Canary Wharf, Custom House, Woolwich, and Abbey Wood.

This line will interconnect with London Underground, London Overground, National Rail, and the DLR, increasing London's rail capacity by 10%. With transport links acting as a key factor in relation to property prices, all areas along the route are set to outperform the market.

£14.8bn HIGH SPEED RAIL LINKING EAST & WEST LONDON

In addition to Crossrail, the Northern Line (London Underground) will benefit from new stations at Battersea and Nine Elms, in West London, significantly improving access to both places. Victoria Station, also to the west, is currently undergoing reconstruction, with over £2bn worth of development taking place in the surrounding area.

The final details of High Speed 2 (HS2) - linking London with major cities such as Birmingham, Sheffield, Leeds, and Manchester - are still being considered, with major stations due to be built at Euston and Nine Elms. In conjunction with continued expenditure on the transport network, regeneration schemes are underway, or due to start, across the whole of the city, with surrounding areas offering excellent capital growth and income yields.

In East London, the legacy of the London 2012 Olympics still lingers, with thousands of new

homes still under construction, or in the pipeline, around the Olympic Park. Staying in the east of the capital, the Whitechapel Vision Masterplan will guide new development in the area, delivering over 3,500 new homes by 2025, and 5,000 new jobs.



Moving across to West London, £150m has been set aside for the regeneration of the town centre in Hammersmith, including new retail and restaurant spaces, a new town square, a cinema, and new homes. Again, to the west, The Earl's Court Project will see 7,500 new homes built, spread across several villages, with plenty of green space.

In North London, the Euston Area Plan will see the entire area rejuvenated, with new homes, offices, and schools being built.

There are several more regeneration schemes due to take place, with 1,000 homes being built in and around Dalston, 6,000 in Royal Docks, and 13,000 planned for Greenwich. The subsequent pages will outline all of this in greater detail.



More information can be found at the Crossrail website:

www.crossrail.co.uk



NORTH LONDON

EUSTON



The forthcoming Euston Area Plan will see the entire area surrounding the station rejuvenated, with new homes, office space, and schools all in the pipeline, attracting young families.

Euston Station itself is undergoing major redevelopment, and will be one of two major stops in London once the HS2 line is built. Combining all factors, a significant rise in the square foot value is predicted over the next three years. Consideration should also be given to investment opportunities in surrounding residential areas, such as Regent's Park, Somers Town, and Mornington Crescent.

KING'S CROSS



King's Cross is one of the largest and most exciting redevelopments in London, with potential for further growth. With six London Underground lines and direct links to many of the UK's key cities, it is one of the best-connected areas in the capital. Recent development has seen 1,900 new homes built, along with 20 new streets and 10 new public spaces. In addition to this, Google are due to open their new head office in the area, boosting employment and increasing the need for residential property. With the location, connections, canal-side setting, and employment opportunities all going in its favour, King's Cross will continue to offer opportunities.

CAMDEN



Camden is a vibrant, bustling area, close to King's Cross, known for its nightlife and several large markets, incredibly popular with tourists and residents alike.

It is due to undergo major redevelopment to turn it into the 'Borough Market Of North London', with new homes to be built in Camden Lock Village, a new school and nursery, and 100,000 square feet of office space. There is also the chance to capitalise on the overspill of regeneration from King's Cross, offering significant returns for the foreseeable future.

FINSBURY PARK



Situated on both the Victoria Line and the Northern Line, and a National Rail interchange, Finsbury Park is both well connected and highly sought after, having benefitted from £220m of investment.

New housing, a cinema complex, and new retail and restaurant spaces have attracted significant interest in the area, and a vibrant arts scene has led to Finsbury Park being considered a fashionable place to buy property.

TOTTENHAM HALE



Tottenham Hale has huge investment potential, with over 30 hectares available for development. It has been included in the Upper Lea Valley regeneration plans, with thousands of new homes in the pipeline. Transport infrastructure has been vastly improved, with £110m invested in new tube, rail, and bus stations, and changes to the local road network. All of this is in keeping with the wider £1bn regeneration of Tottenham as a whole.

HENDON



Hendon is part of one of the largest redevelopment projects in London, with £520m being spent over the next 14 years, to transform the area.

Over 2,000 new homes are due to be built, with improved open space, community centres, pedestrian bridges, and land set aside for new schools. The area is already popular with young families, and this looks set to continue, offering relatively low-risk investment opportunities.

SOUTH LONDON

GREENWICH



With over 13,000 new homes being constructed, or approved for construction, Greenwich is set to become the new area for young professionals and families in London. Furthermore, nearby Thamesmead and Plumstead are about to undergo one of the largest redevelopment plans in the country. Run by Peabody, and with support of The Mayor of London, the area will benefit from over £300m being spent on homes, schools, and open spaces. Greenwich also boasts unrivalled transport options, with access to the Jubilee Line, the DLR, the Emirates cable car, and the Thames Clipper river service.

WOOLWICH



Woolwich will be one of the main beneficiaries of the Crossrail project, with a new station due to open, linking it to Canary Wharf, Central London, and Heathrow Airport.

Demand from buyers will only be further increased by this connectivity and Woolwich's close proximity to the central business hub of East London. In line with this, there are currently 5,000 new homes under construction or in planning, making Woolwich an attractive proposition for those looking at residential development in the capital.

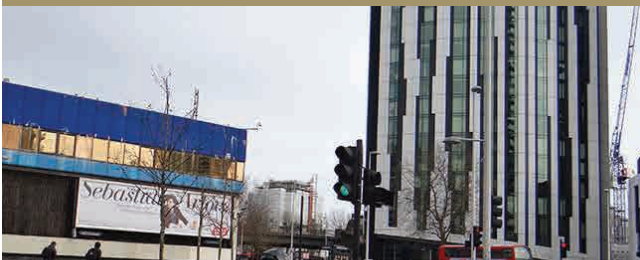
CROYDON



With Westfield having bought up most of the town centre, Croydon is about to be completely redeveloped, with £1bn set aside for a new shopping centre – including a full range of shops, a cinema, a bowling alley, and restaurants - and the surrounding area. The wider regeneration will include 600 new homes.

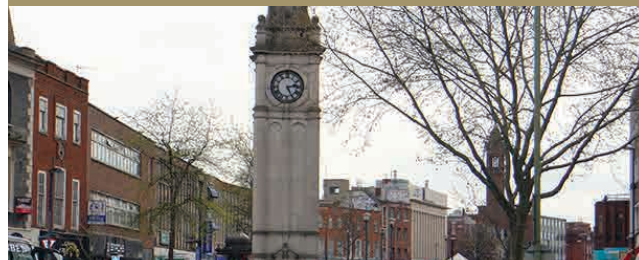
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ELEPHANT AND CASTLE



Elephant and Castle is due to undergo a £3bn regeneration makeover, including the creation of 5,000 homes, a pedestrianised town centre, a market square, 450,000 square feet of retail space, and five green spaces. Elephant and Castle also benefits from good transport links, being on both the Northern Line and the Bakerloo Line, on London Underground, only one stop from the capital's busiest rail interchange: Waterloo.

LEWISHAM



A £1bn regeneration scheme, across Lewisham, is set to deliver 2,400 new homes, with the area marked out as one of London's first Housing Zones. Housing Zone funding will accelerate delivery of the scheme, with the 30-acre Surrey Canal site due an additional 6,000 new homes and a new London Overground station. The New Bermondsey Project, within the area, will also deliver 2,000 new jobs, and London's largest indoor sports centre.

EAST LONDON

DALSTON



In recent years, Dalston has benefitted from the East London Line extension, joining London Overground and seeing Dalston Junction Station reopened.

Situated only two and a half miles north of the City of London, this redevelopment has made Dalston even more accessible, and increased property prices in the area. A growing arts scene has seen desirability of the area increase, and there are over 1,000 new homes being built, with many more in the pipeline. This is an area ripe for development.

SHOREDITCH



Shoreditch has undergone a remarkable transformation in the last 15 – 20 years, from 'run down' to being considered a desirable, fashionable area, with property highly sought after.

The area is a 'hot spot' for tech start-ups, marketing companies, and digital advertising agencies, with a growing need for residential property to match the influx of employees. It is projected that there will be another 13,000 households in and around Shoreditch within the next five years.

STRATFORD



Stratford has been the main beneficiary of the legacy of the 2012 London Olympics, with the regeneration of the Olympic Park and surrounding areas.

Thousands of new homes have been built, or are in the pipeline, bringing jobs with them. The area is also well served in terms of transport, with connections to the Jubilee Line (London Underground), the DLR, and National Rail services. The addition of a Crossrail connection will only increase access to the area, driving up prices.

WHITECHAPEL



The completion of the forthcoming Crossrail line will not only connect Whitechapel to both that and London Overground; it will also mean that the area has a direct link to Heathrow Airport. Aside from improved transport links, the entire area is due to be redeveloped, through the Whitechapel Vision Masterplan. This will enable the delivery of over 3,500 new homes, seven new public squares, and several open spaces. It will also generate 5,000 jobs, with many workers looking at property in the area.

ROYAL DOCKS



Royal Docks is undergoing significant redevelopment, with 6,000 new homes being built, or granted planning permission. In addition to this, both the Mayor of London and the Mayor of Newham have vowed to turn Royal Docks into 'London's next business district'; a centre of global trade, with thousands of jobs and new homes as a result. Given its location, many of these new homes look set to be built on desirable waterside sites, right by the River Thames.

CANNING TOWN



Canning Town is due to benefit from a £600m regeneration scheme, as part of a wider £3.7bn scheme across East London.

Over 1,100 new homes, a new town centre, and 160,000 square feet of retail, commercial, and leisure accommodation are due to be built, changing the face of the area. Situated on the north side of the River Thames, the area has excellent transport links with the Jubilee line, the DLR, and local bus routes.

WEST LONDON

EARL'S COURT



The Earl's Court Project will see 7,500 new homes built in the area, across four villages, with the addition of green spaces and a brand new high street. These new homes will be within walking distance of three London Underground stations – on the Piccadilly Line, District Line, and Circle Line – and one London Overground station. New office space is set to create around 10,000 jobs in the area, further increasing the need for residential property. The regeneration of Earl's Court is considered to be a long-term project, allowing for considerable growth over the next 15 years.

HAMMERSMITH



A £150m scheme is due to go ahead, with new homes, and regeneration of Hammersmith town centre, including new retail and restaurant spaces, a new town square, and a cinema. Within the borough of Hammersmith and Fulham, another 24,000 homes will be built at Old Oak Common. A Crossrail station and – provided plans are confirmed – a HS2 station are also due to be built in the area. Hammersmith has fantastic potential in terms of investment.

ACTON



A £600m regeneration scheme - a joint venture between Countryside and L&Q – will see Acton rejuvenated by one of the largest residential schemes in London. When complete, the scheme will deliver over 2,500 new homes, along with retail and community facilities, and extensive open spaces.

In addition to this, there are a further 1,000 properties under construction or with planning permission. Acton is another area to benefit from the Crossrail Line, which will significantly reduce travel times into Central London.

NINE ELMS



The Nine Elms area is about to undergo redevelopment to the tune of £2bn, with 20,000 new homes to be built, and new schools and parks. In addition to this, 115,000 square feet of commercial accommodation will be built, attracting new businesses and generating around 25,000 new jobs. A £1bn transport improvement package includes two new Northern Line stations, at Nine Elms and Battersea, with direct links to the City and North London.

BAYSWATER



Bayswater – just a short distance from Notting Hill – has benefitted hugely from a £1bn plan to turn Queensway into 'the Covent Garden of West London' by 2020.

This may account for the astonishing rise in purchase prices – 74% since 2010. New apartments are constantly being built, and many former hotels are being sold off for redevelopment. And, as with many other areas, Bayswater will be well served by Crossrail when it opens, with the new station within walking distance.

VICTORIA



Victoria has already seen regeneration and improvement over the last decade, and is now undergoing a further £2.2bn of redevelopment.

Centred around improvements to Victoria Station, 3m sq ft of retail, office, and residential space are all due to be built. Victoria has fantastic transport links, as an interchange for National Rail and 3 London Underground lines. Given its close proximity to areas such as Knightsbridge, Kensington, and Sloane Square.

WHY RESIDENTIAL?



RESIDENTIAL PROPERTY HAS DELIVERED FAR BETTER RETURNS

than the more traditional investment assets, such as stocks and commercial property.

9.6% ANNUAL RETURNS

Over the past 10 years, the performance of UK residential property has surpassed commercial property, with annual returns of 9.6%.

INCREASING DEMAND

and a housing supply shortage makes for low-risk investment.



HOUSE PRICES HAVE SOFTENED

in many local markets, meaning stock should be cheaper to obtain.

THE PRIVATE RENTED SECTOR

has grown from 10% to 17% of the housing market in a decade.



Significant household growth and a lack of access to mortgages should ensure

STRONG LONG-TERM DEMAND

ONE IN FIVE HOUSEHOLDS

are predicted to be private renters by 2020



The Government are encouraging local authorities to make their land available for

BUILD-TO-LET DEVELOPMENTS



Local authorities are interested in working with private investors, encouraging their own local authority pension funds to

INVEST IN RESIDENTIAL PROPERTY

THE 'BUILD NOW PAY LATER' SCHEME

gives builders access to public sector land, which they only pay for once the homes are built.

AUCTIONS

Property auctions represent a fantastic opportunity for developers and professional investors, whether experienced or new to the market. Buying at auction helps to avoid many of the delays involved when buying on the open market, allows for greater transparency between buyer and seller, and can result in significant savings on purchase price. Aside from the significant savings, auctions often present properties that are ideal for development; those in need of modernisation or renovation, or which have been repossessed.

Whether attending in person or bidding online, legal packs are available for all auction lots, including information on any surveys that may have been carried out. They are usually available to download a week before the auction, and can be viewed in the auction room itself. This ensures complete transparency, as mentioned, before bidding begins.

There is no fixed asking price, and, ultimately, it is the buyers who determine the price. There is also no chance of being 'gazumped': once the auctioneer's hammer falls, the property is yours. The seller cannot look to get a better offer from another buyer.

There are no hidden costs, and all buyers pay a deposit of 10% of the sale price, along with a £750 buyer's fee. Contracts are exchanged in the auction room, with completion usually 21 days later.



HOW TO UNDERTAKE A RESIDENTIAL PROPERTY DEVELOPMENT PROJECT (WITH PLANNING PERMISSION)

Ascertain budget

Verify your budget (your own money you would put into the project).

Choosing an area

Choose an area that is showing gradual growth over the past few years and also is set to have regeneration schemes.

Establish what type of project you want

Determine what type of project you would like to get involved in. The options include new build on brownfield land, conversion from an office dwelling to a residential dwelling or a refurbishment / modernisation. Note that for a new investor / developer a refurbishment would be a good starting point.

Organising finance

Ascertain your buying power (maximum you can borrow) by speaking with development finance brokers and specialist lenders. You must shop around to acquire the best value for money and lowest interest rates. Generally lenders are willing to lend up to 75 percent of the purchase price and 100 percent of the construction / development costs depending on whether the scheme has planning permission. Typically only 50 percent of the purchase price can be borrowed for land acquisitions.

Establish the type of loan you require. e.g. bridging loans are more suitable for short term lending and a proven track record as a developer isn't always required.

Feasibility and due diligence

Carry out due diligence in order to confirm whether the project meets your pre-determined financial objectives. Please note that every development project has unknowns and associated risks. An infinite amount can be spent on carrying out due diligence to uncover all unknowns. However we may not always have the time or the money to do so. Therefore, it is important to spend a sensible amount of time and money at feasibility stage. Your professional consultants will advise you as to what level of technical due diligence is appropriate for your project.

The following professional consultants can help you at feasibility stage:

- Quantity Surveyor - development costs & procurement strategy (buying the contractor's services);
- Architect – commenting on the design and planning conditions;
- Building Surveyor (carrying out a survey on a building and highlighting defects and their remedial works);
- Land Lawyers (to pick up any issues with rights of way, right of light, tree preservation orders, restrictive covenants and any party wall issues).

Acquisition

Acquire property once project demonstrates above 20 percent financial return. Ensure you have lawyers on board to pick up any hidden pitfalls or to check the legal pack if you are planning to purchase through auction. (Please note that auction purchases require a deposit to be provided on that day and then the sale to be completed in the following weeks).

Appointing professional consultants

Appoint professional consultants and agree their terms of appointment. Below is a generic list of the professional consultants involved in a residential development.

- Client Advisor
- Project Manager
- Architect
- Civil and Structural Engineer
- Building Services Engineer
- Cost Consultant
- Contracts administrator
- Health and Safety Adviser
- Access Consultant
- Acoustic Consultant
- Archaeologist
- Party Wall Surveyor(s)

Prepare Project Execution Plan and Construction Programme

A project programme should be developed to reiterate the timeframe of the project to the rest of the team.

The programme is generally broken down into 3 fundamental elements:

- Design
- Procurement
- Construction

A Project Execution Plan should be prepared in conjunction with the design team which should set out the strategy and procedures for the smooth running of the project. It is intended to provide appropriate information on how the project will be delivered / supervised.

Prepare the design

The design phase of the project starts once the project shows sufficient financial return and once the due diligence has been carried out. The designers prepare a concept design once approved the design evolves.

The design of the project can include (but not limited to):

- Cost Information
- Plans and Elevations
- Section details
- Project Strategies
- Final Project Brief
- Sustainability Strategy
- Maintenance and Operational Strategy
- Handover Strategy
- Risk Assessments
- Construction Strategy (including offsite fabrication)
- Health and Safety Strategy

Appoint Contractor

The contractor should be appointed by going through the tendering process. Depending on the procurement strategy, the design / specification should be sent to at least three contractors. Priced copies of the specification should be returned on a pre-determined date. Ideally all of the three contractors should return the specification on the same day. A tender report is prepared after analysing the priced specification which generally provides a recommendation with regards to which contractor the client should enter into a contract with.

Ensure all legalities are adhered to

Ensure all planning conditions are discharged, party wall Awards have been published. Building Control notifications have been submitted, an F10 has been submitted and a construction phase plan has been prepared.

Start the build / Administer Building Contract

Administer the Building Contract which should include regular site inspections and progress meetings. Manage the on-site construction process.

Practical completion

Conclude the Building Contract. The contractor should prepare to handover the site back to the client. The contract administrator issues a certificate of practical completion and then carries out a "snagging" exercise. (The process of checking a new building for minor faults that need to be rectified). The defect liability period typically begins at practical completion. This is the time period in which the contractor is contractually obligated to return to site to repair defects which have arisen in the contractor's work.

Sell or Let

You can either sell or let the property depending on your pre-determined financial objectives. Disposing the property can release profits immediately whereas letting it out can increase the capital growth of your asset(s) over time and create an income.

Disclaimer

The information in this e-book acts merely as a guide for investors and developers considering the London residential property market, and cannot be taken – in part, or as a whole – as direct advice on purchasing or investment strategies.

It is up to the individual investor, trust, or consortium to undertake due diligence, and seek professional advice on any future investments. Adamo Estates, and any affiliated consultants or employees, cannot be held liable for any decisions taken, or any developments undertaken, as a direct result of referring to the contents of this e-book.

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