How The Election Is Impacting The Central London Residential Development Market

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In latest residential research, JLL assesses the Central London residential development market and the impact of the general election on activity. The report also focuses on East London looking at the Olympic legacy and at the wealth of development that is transforming this vital engine of London's future.

Central London market update - Buyer demand has picked up during the early months of 2015. The market is still busy below £1m but has quietened between £1.5m and £5m as Stamp Duty changes and the possibility of a Mansion Tax take their toll. However, underlying demand is still strong and the fundamentals remain the same; an excess of demand over available supply, which continues to support the market.

Development activity continues to rise with 26,500 units now under construction – a 23% increase during the second half of last year and a 41% rise throughout the course of 2014. The majority of units underway are in Outer Core locations where there was a 34% increase in the second half of last year with Core markets seeing a more modest increment of 8%. The number of units starts during the second half of last year, at 8,700, was a 45% increase compared with the first half of 2014.

How the general election is impacting the housing market - The general election is now just around the corner but it has been impacting the Central London sales market since 2014. Labour's Mansion Tax proposal is affecting the market above £1.5m as people adopt a wait and see attitude.

Commenting on the impact of the general election and the wider issue of supply,**Neil Chegwidden – Director in the residential research team at JLL** says: "The general election does not seem to have deterred London's developers. The number of units underway has increased significantly over the past couple of years and the election is not halting this. It is also interesting to see that London's developers believe that the outcome of the general election is more important to their businesses than the Mayoral election next year. So it is good news that new supply is on the rise, but we continue to fall short of London's targets and it will be intriguing to see what impact a new government might have on this vital issue."

East London legacy and the development market - London won the right to host the 2012 Olympics in July 2005. As part of the bid various legacy promises were made. Ten years on from the successful bid, we look at what has been achieved and what is still planned.

Neil Chegwidden comments: "Boris Johnson should certainly be happy with progress. All eight of the Olympic Park venues, such as the stadium and velodrome, have had their long-term futures secured while the East Village already has its first residents. Construction is underway at Chobham Manor, one of five neighbourhoods within the Park. Westfield Stratford City, the shopping centre, is proving a phenomenal success, while the old Press and Broadcast Centres also have tenants secured."

But the East region has a wealth of development and regeneration potential that reaches far beyond the sphere of influence of the Olympic Park and the raised profile of the area is encouraging developers to bring schemes to the market. Construction levels have escalated in recent years. At the end of 2013 there were just 2,900 private residential units under construction, now there are 6,600, a 125% increase. A quarter of all new residential units under construction are in East London. These are led by the 6,800 units (all tenures) at Queen Elizabeth Park and the close to 6,500 units at Stratford City and accompanied by the circa 3,200 apartments at East Village. But not all the large sites are at Stratford.

The largest non-Olympics schemes underway are Royal Wharf and Silvertown Quays which will both deliver in excess of 3,000 units, while London Dock, the News International site in Wapping and City Island will provide more that 1,700 units each. And whilst a huge chunk of the East's delivery will come from the larger regeneration sites there remains a solid pipeline of smaller schemes. Together they make up a pipeline of 32,800 units.

The East London sales market was the most active sub-market in London in 2014 with over 5,000 units purchased accounting for 51% of all Outer core sales and 39% of purchases across Central London. Prices rose by 7.5% during 2014- notably higher than the 5.9% Central London average - and are predicted to continue along this trajectory in 2015.

Commenting on the East London market, **Max Wilkinson – Director in the City & East Development team** concludes: "East London has truly come of age and is accepted globally as a hotbed of investment for all types of property transactions. Regeneration and redevelopment are in full swing and some fantastic residential schemes are helping to transform and upgrade East London from Tottenham Hale down to the Royal Docks."

– Ends –

Notes to Editors:

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