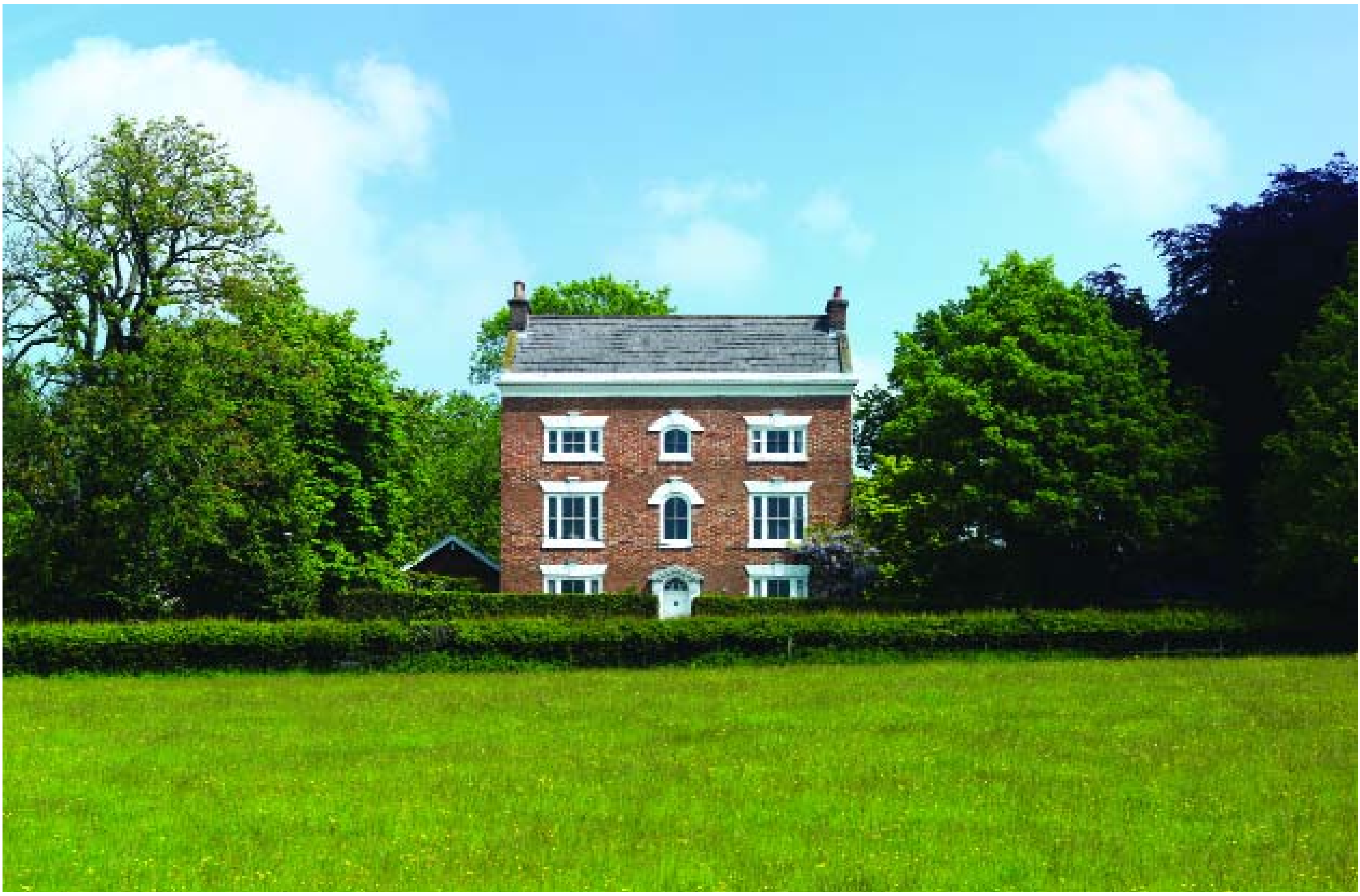
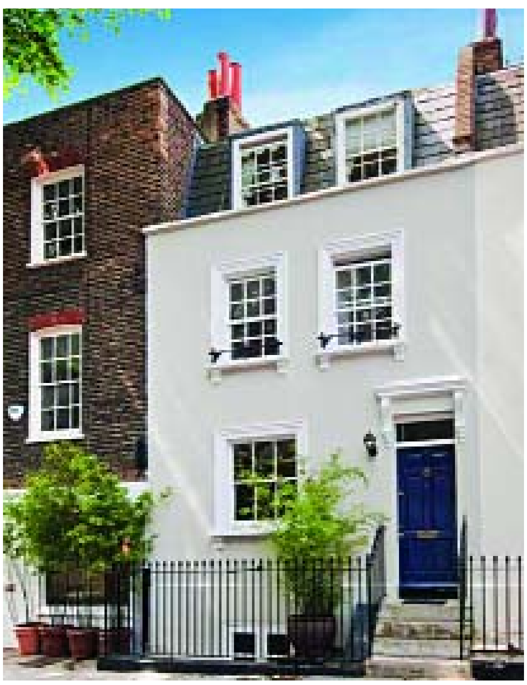
Number 27; 2011

UK Market Review

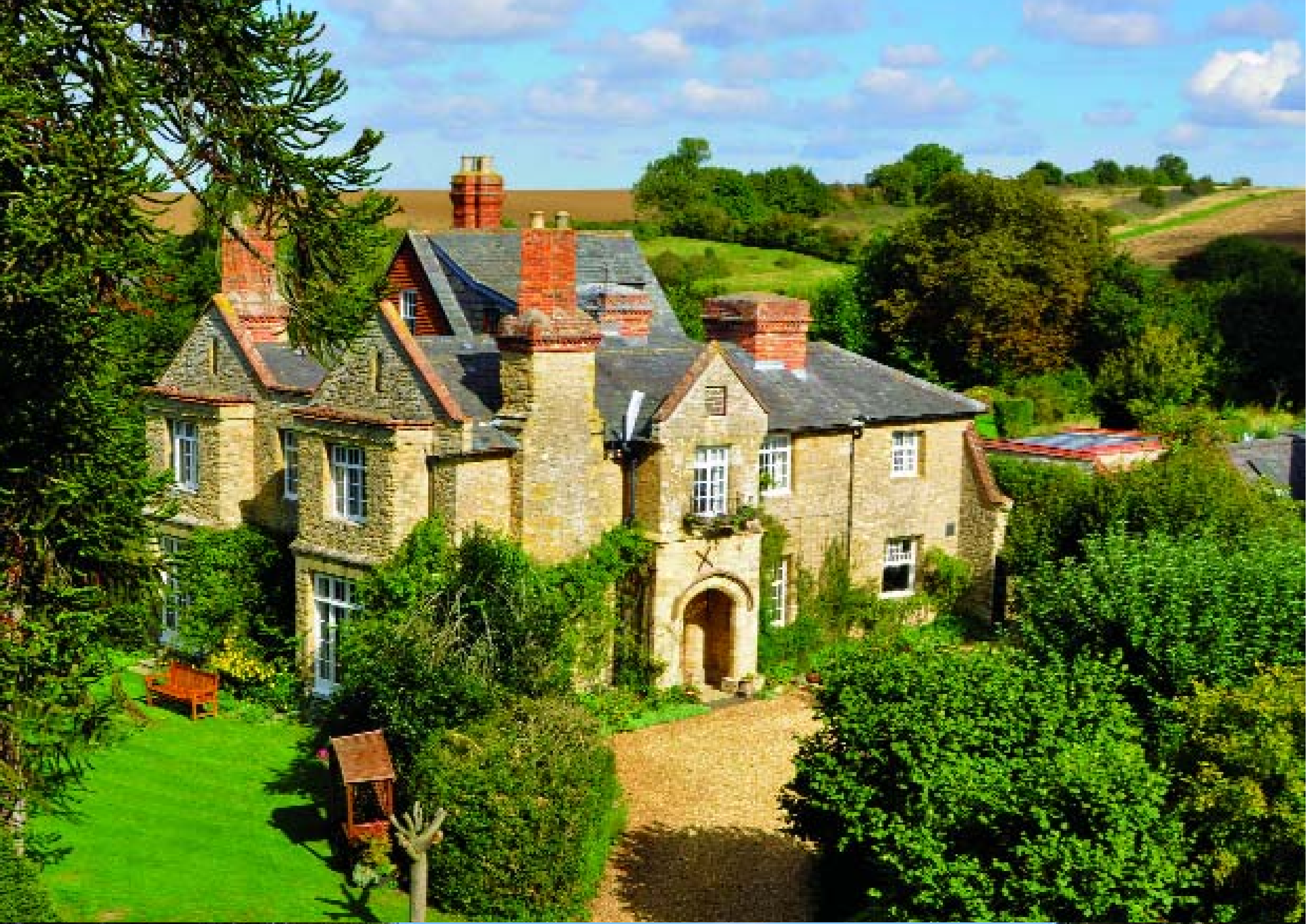


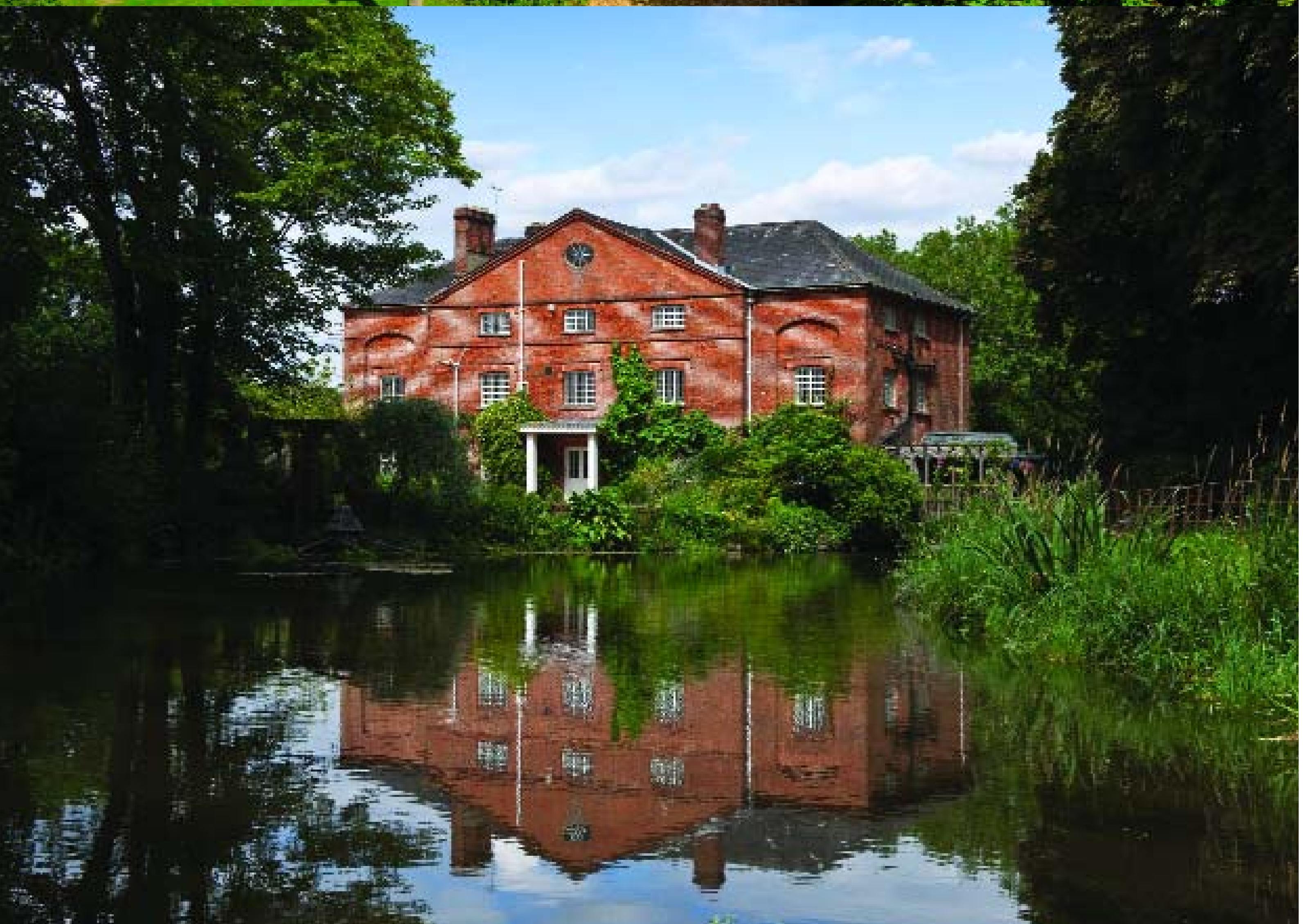


London, Country & Coastal property

reports and commentary

Jackson-Stops & Staff





Residential Sales
Residential Lettings
Land & Farms
Property Management
Professional Services

COUNTRY MARKET COMMENT

Front cover
Main: Cheshire, £1.5 million guide
Inset: Kinnerton Street, London SW1, £2.56 million guide

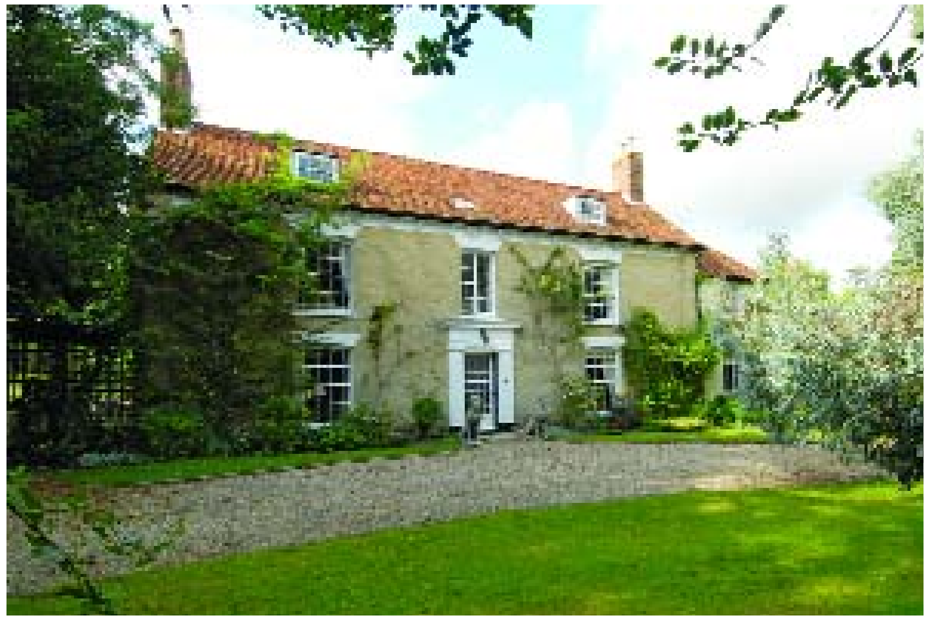
Above: Exeter, £1.25 million guide

Steady progress along a challenging path

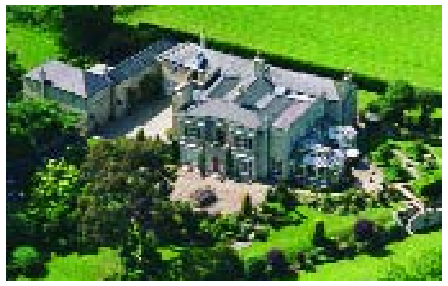
The year to date has been markedly better than many had expected – though expectations, were, it must be said, low. Amid justified talk of growth in the number and confidence of prospective buyers, competitive bidding for special properties and firmer prices, lie a few hard facts. These are that overall activity levels remain comparatively low, that there is little pressure on prices in either direction and that securing finance on attractive terms is not getting any easier. Thus whilst "picture perfect" houses, sensibly priced, are indeed selling well, for everything else our greatest challenge as agents remains getting the marketing right to the point at which we can generate competition amongst buyers who feel that, in most instances, time at least is on their side.

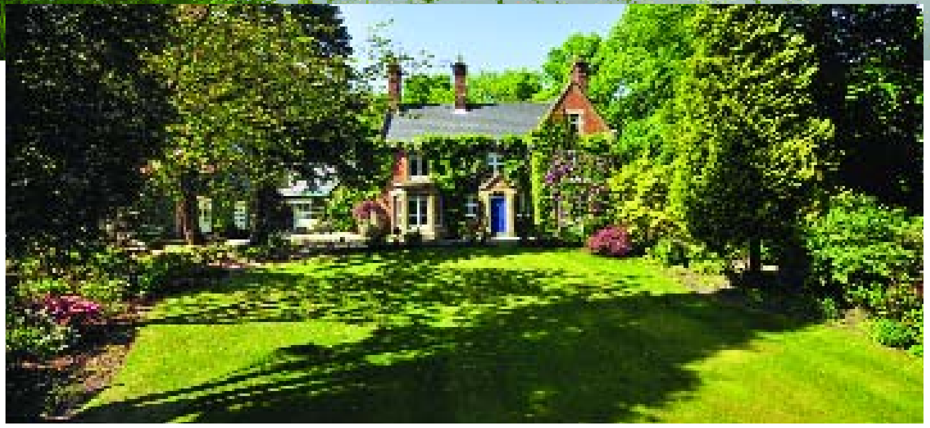
There are, of course, regional variations to this picture. Areas with a more internationally-linked economy are faring better. These include most obviously greater London and pockets of the North West, but also parts of Cambridgeshire and the M4 corridor. New homes, too, are doing well, as house builders (and their customers) at last start to benefit from the much lower development land prices of around 18 months ago. Our Exeter office, for example, which quite recently opened its Land & New Homes department, has enjoyed remarkably strong sales during the year to date, including an impressive number of off-plan sales. This is encouraging: for many months 'post-Lehman Brothers' such transactions all but ceased.

Financial hurdles and economic fears nevertheless continue to hold back



Opposite page, top: Bedfordshire, £1.3 million guide
Opposite page, below: Hampshire, £3.5 million guide
Left: Essex, £975,000 guide
Below: Devon, £2.25 million guide





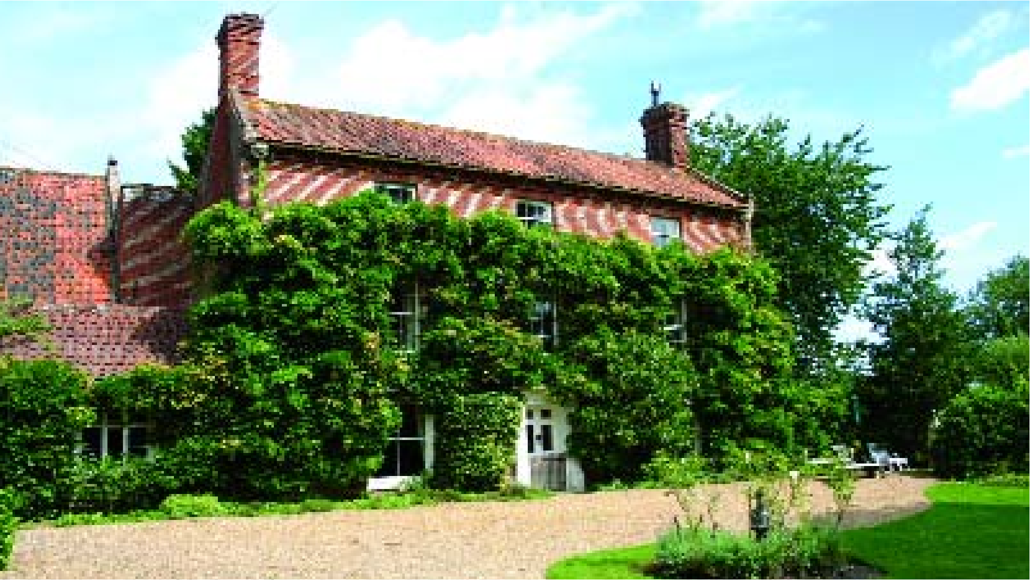
Top: Suffolk, £1.175 million guide
Above: Cornwall, £1.295 million guide
Left: Manchester, £2.95 million guide

prospective buyers and sellers alike. At the time of writing, those falling short of a 25% deposit face interest payments of two or even three times the best rates available. This doesn't affect just first time buyers. Historically, a big part of the mainstream market was those moving from their first home to a larger one. Typically younger families, they would have built up some capital, but not 25% of the house to which they aspire. For most in this position, trading up is not a realistic option.

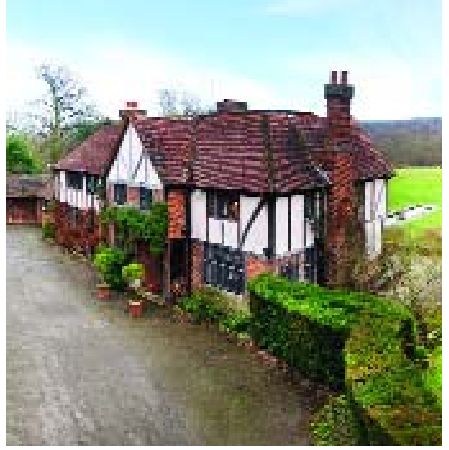
A little ironically, older people who might normally trade down and release some capital, feel similarly restricted, seeing few investment opportunities which offer both sufficient security and return to tempt them. So this is another relatively inactive group which, like the second time buyers, consists of people who would be both buyer and seller. Under such circumstances, the combination of low activity and equilibrium in prices is perhaps not surprising.

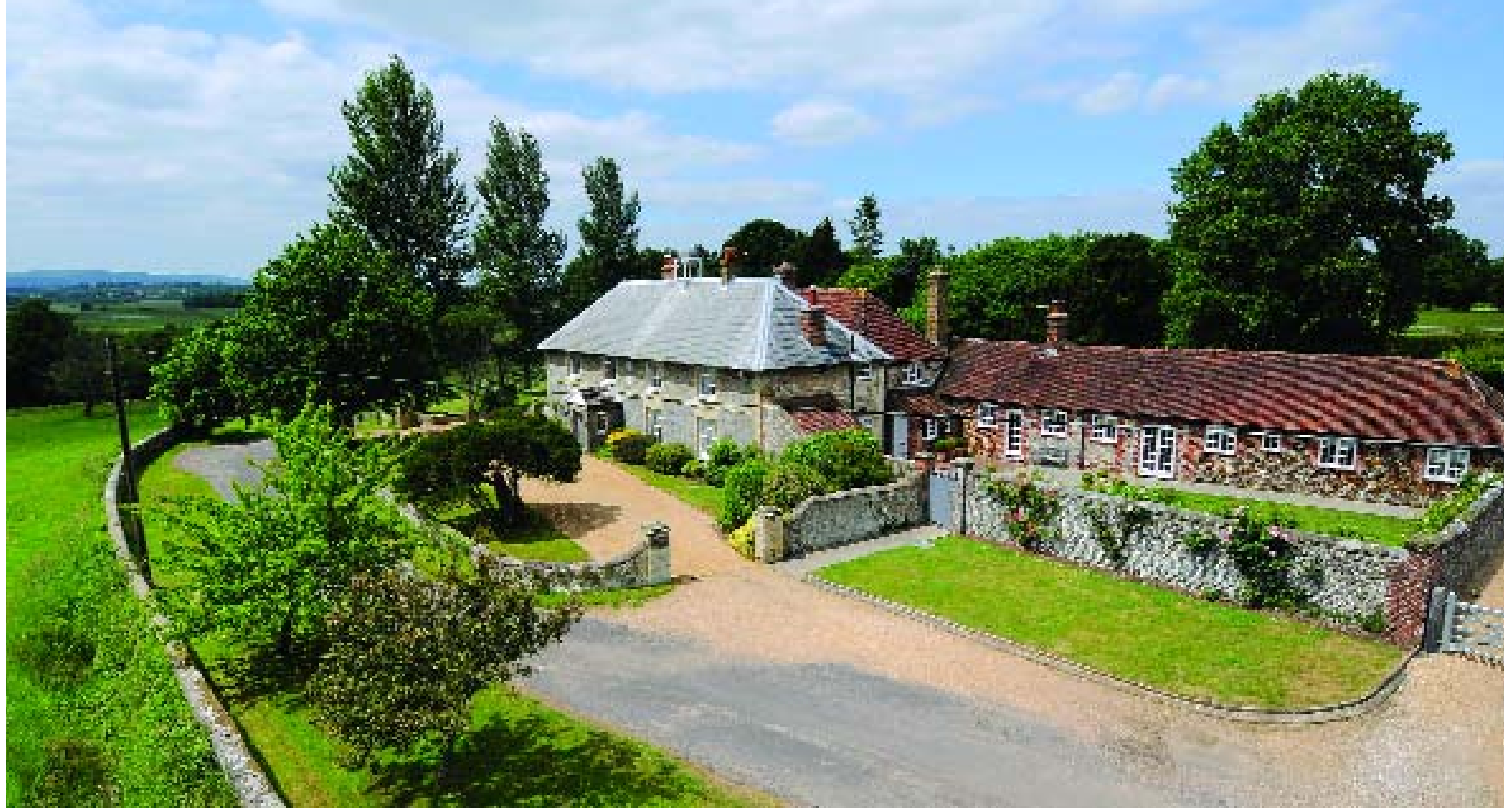
Seasonal and financial factors will, of course, change things. Earlier in the year, many of the more committed buyers were those looking over £1 million, keen to avoid the extra 1% stamp duty tax payable from 4th April (as much, it must be said, out of principle as of a wish to save money). At the time of writing, the prospect of modest interest rate rises is urging some to act whilst they can lock into a lower rate. And spring is bringing its usual boost to overall activity.

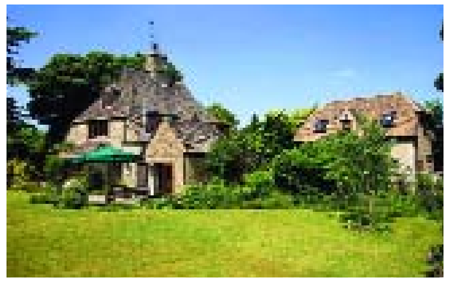
Looking ahead, reports from almost all of our 42 offices show a stronger first quarter than either of the previous two and sufficient 'green shoots' to give heart.



Left: Norfolk, £1.15 million guide
Below: Surrey, £2.5 million guide



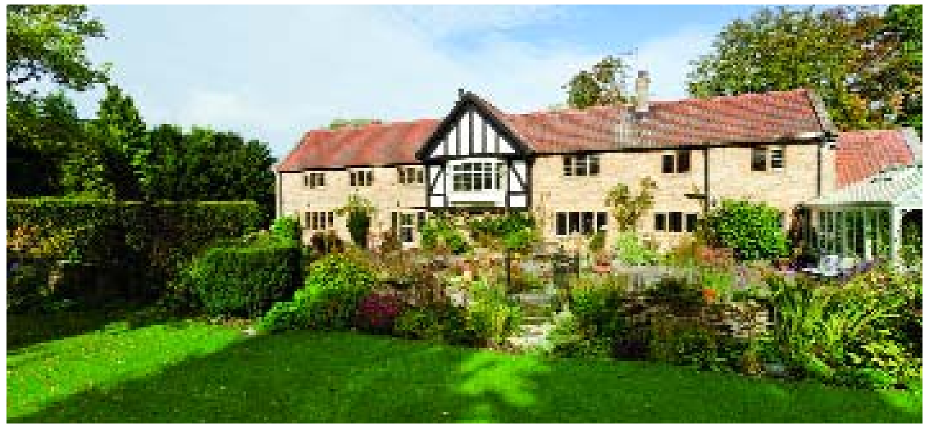


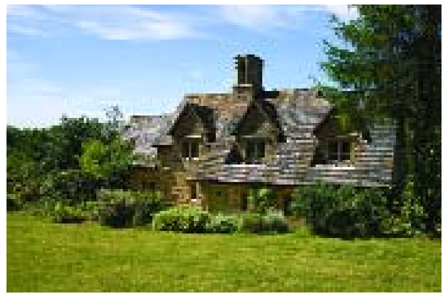


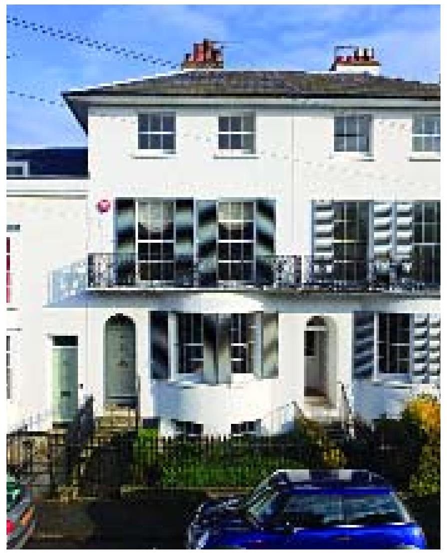
Right: North Yorkshire, £1.25 million guide
Our York office is now under new management and led by Jamie Adam, who has been with the firm for many years. Bryan Jaram remains actively involved as a consultant.

Top: West Sussex, £2.75 million guide
Above: Gloucestershire, £925,000 guide
Far right: Buckinghamshire, £1.8 million guide
Near right: Oxfordshire £995,000 guide
Below: Canterbury £650,000 guide
Below right: Dorset, £1.5 million guide

We expect to have our work cut out but, set against a background economy of very mixed fortunes, look forward to a market characterised by steady progress, not drama.







Above: Eccleston Square Mews SW1, £1.35 million guide

Below left: Queen Anne St W1, £5.5 million guide

Below: Lincoln Avenue SW19, £1.75 million guide

Permanent takeover?

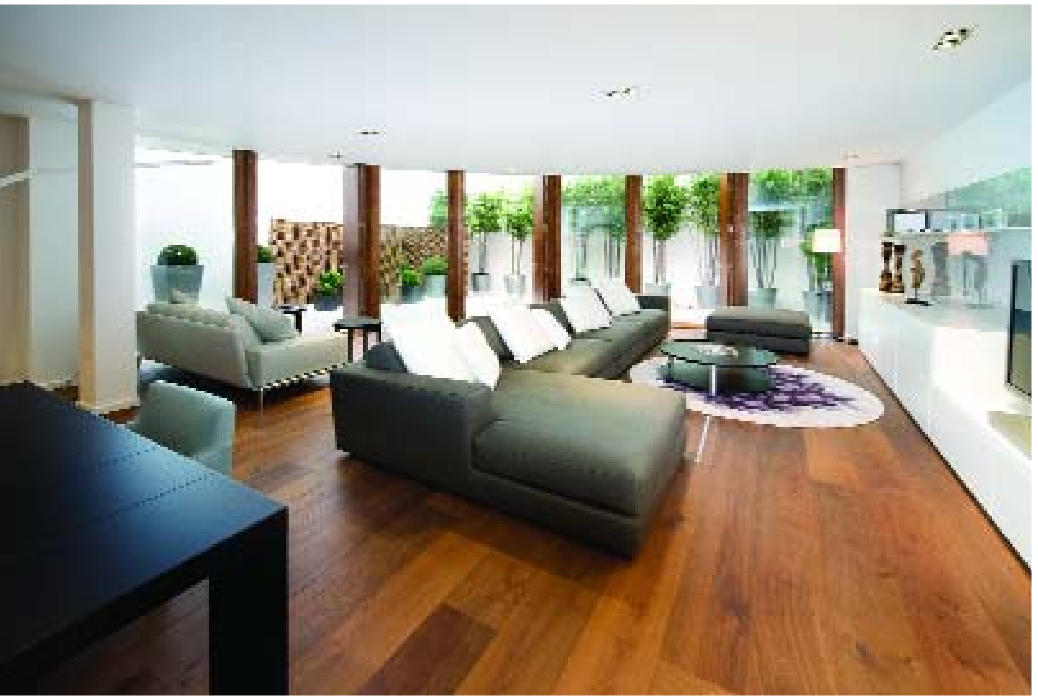
Overseas buyers and tenants continue to dominate central London demand. Where might it end?

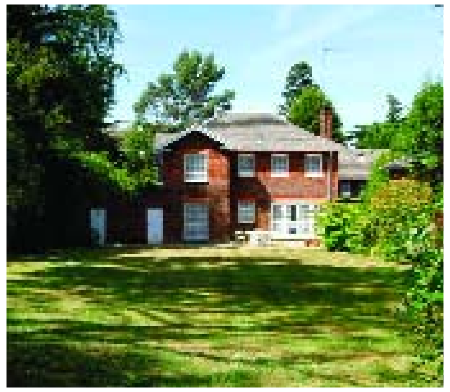
Ex-pats have long dominated demand in the London rental market, particularly in central areas, but the importance of overseas capital in the sales market has never been greater than in recent years. Furthermore, a strong characteristic of overseas buyers is the tendency to hold the same property for long periods. Might this eventually lead to a much slower central London market completely dominated by foreign ownership and occupancy?

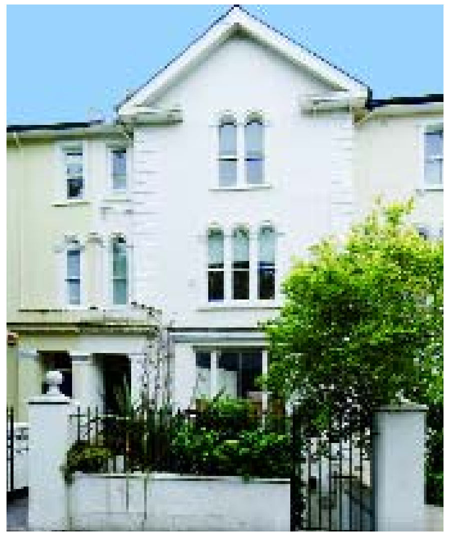
Though suffering from a constant shortage of stock, the London residential markets have enjoyed fair to strong levels of activity for over a year now, the main problem being satisfying demand. Rents continue to rise by at least RPI (i.e. 5% or even 6% this year) and capital values, despite strong resistance from many prospective buyers, are either holding or, in some categories, creeping slowly upward. We see no indication of a change to this pattern, the possible exception being that rents in some outer areas could rise faster, yields for family and luxury houses there being, in the main, significantly below the central London norm of around 4.5%. A £1.8 million house on St George's Hill, Weybridge, for example, which is close to important international schools and business parks, as well as central London, currently fetches around £5,000 pcm, or less than 3.5% pa.

We also see no change in the dominating influence of overseas cash, especially as turbulent world events prompt even more non-UK residents to seek a safe home for their money (and, just in case, a bolt-hole for themselves and their families, to boot). The tremendous competition for the Belgravia house pictured opposite, for example, demonstrates the readiness of buyers to pay handsomely for exceptional properties in the very best locations, even at over £2,000 per square foot. Without exception, the prospective buyers were from overseas.

The impact of such capital values does, of course, 'ripple out', almost literally in the case of owners with young children making the traditional – and still widely honoured – move to a larger property in the suburbs. This has helped to support a near or actual full recovery to 2007/08 peak prices everywhere from Richmond and Wimbledon to the Home Counties' countryside. Realizing this, some clients have asked if we might be witnessing some sort of 'last hurrah', with central London stock being left largely in the hands of overseas investors with little interest in selling – and none in moving to the suburbs or country. Our view is that this scenario might be developing to some extent, but that it will be far from permanent. National economies and international fortunes ebb and flow. When sterling recovers, the UK economy and buyers will, by definition, be in the ascendant. At the same time, the home economies and currencies of at least some of our overseas investors will be less rosy, making the lure of a large profit on their London investment, irresistible. Given that sterling is already significantly above the lows of, say, spring 2010, especially in relation to the US dollar, that day may not be as far off as it currently appears.







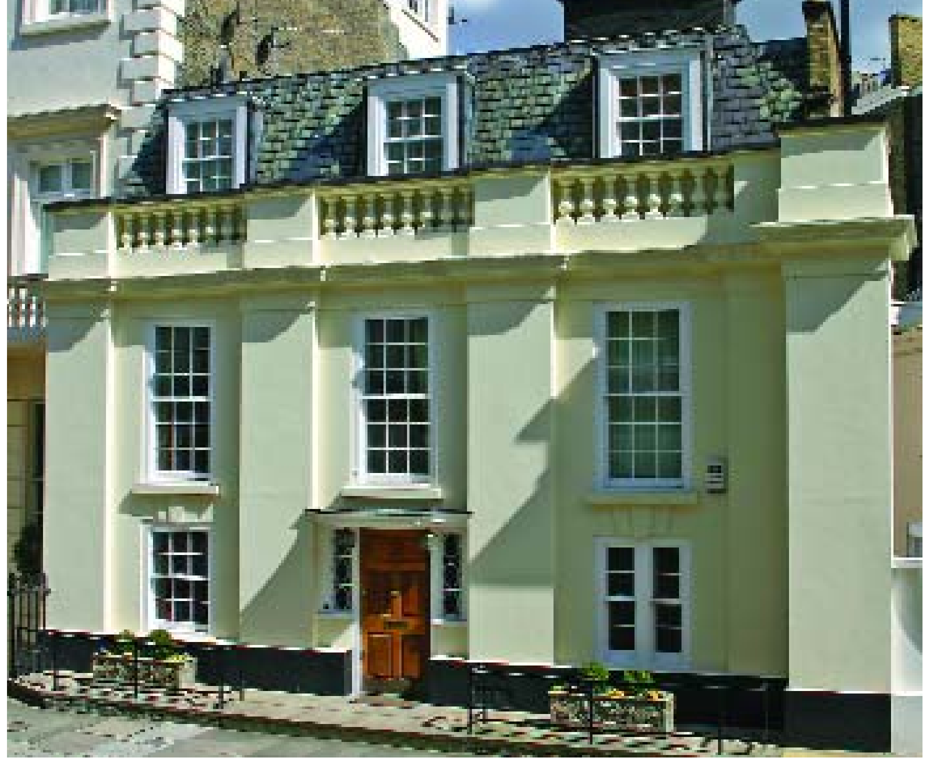
Above: Talbot Road W2, £3.1 million guide

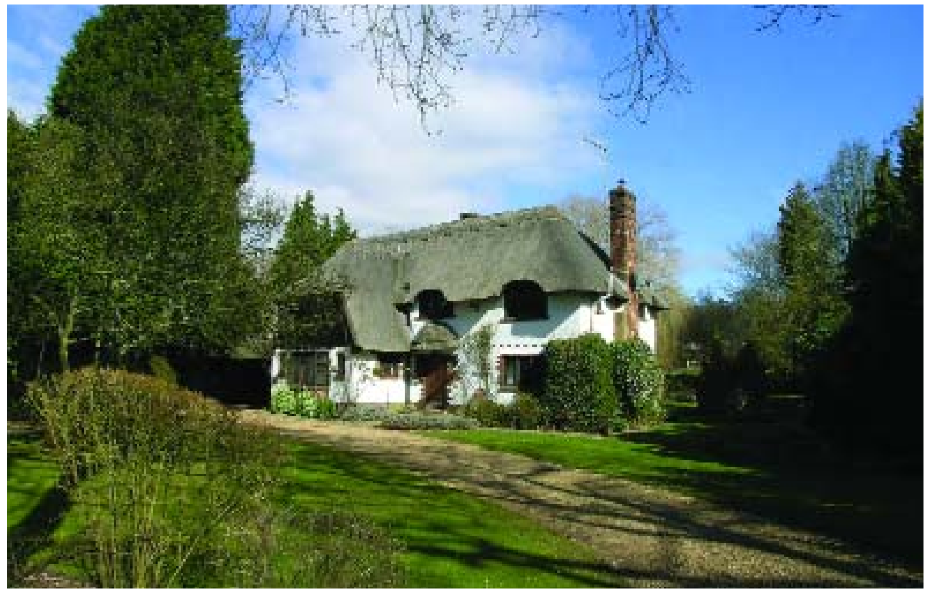
Above right: Chesham St SW1, £1.5million guide

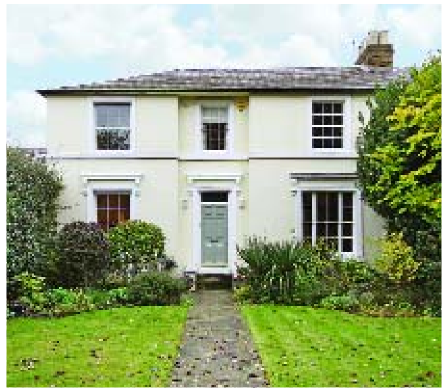
Right: East Horsley KT24, £4,750 pcm

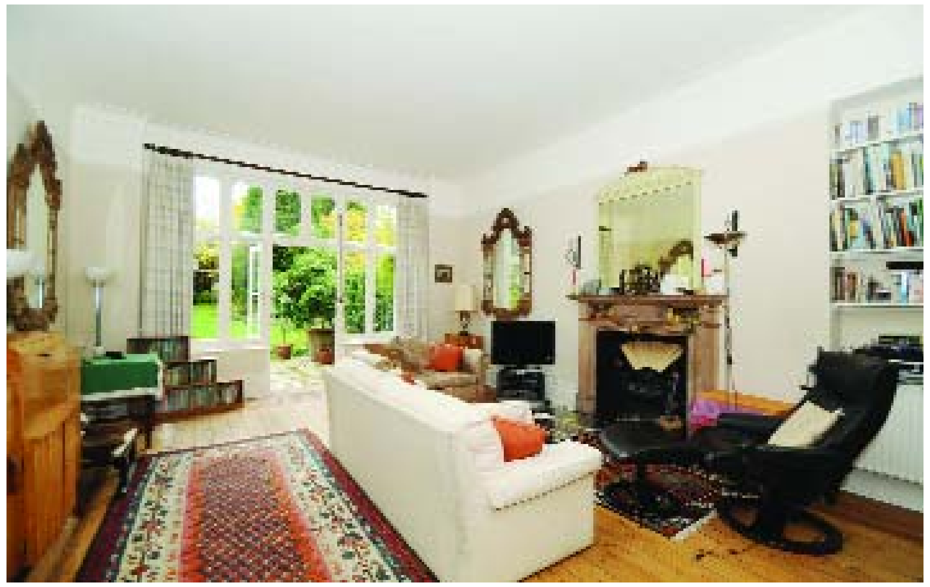
Bottom: Twickenham TW2, £1.3 million guide

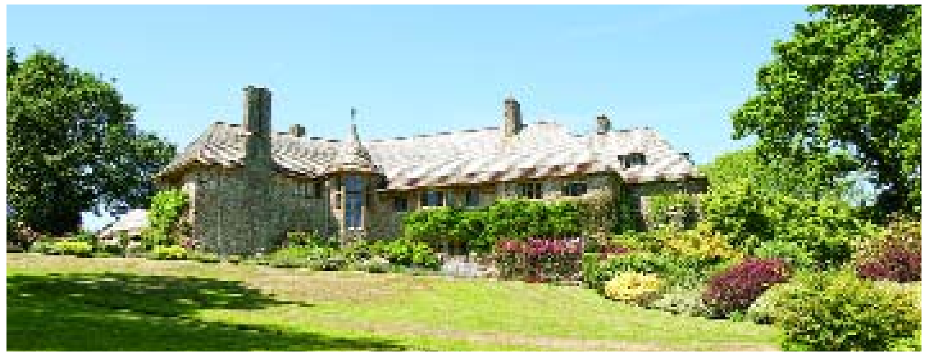
Bottom right: Sheen Gate Gdns SW14, £875,000 guide

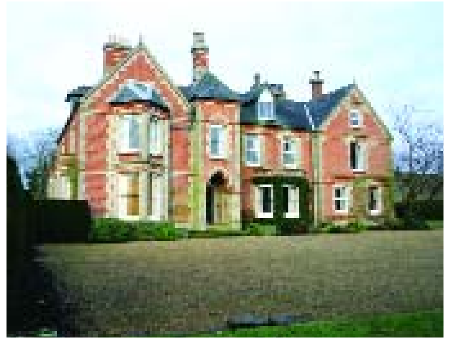












Above left: Dorset, £6,000 pcm
Above: Norfolk, £3,000 pcm
Below: Bedfordshire, £2,500 pcm

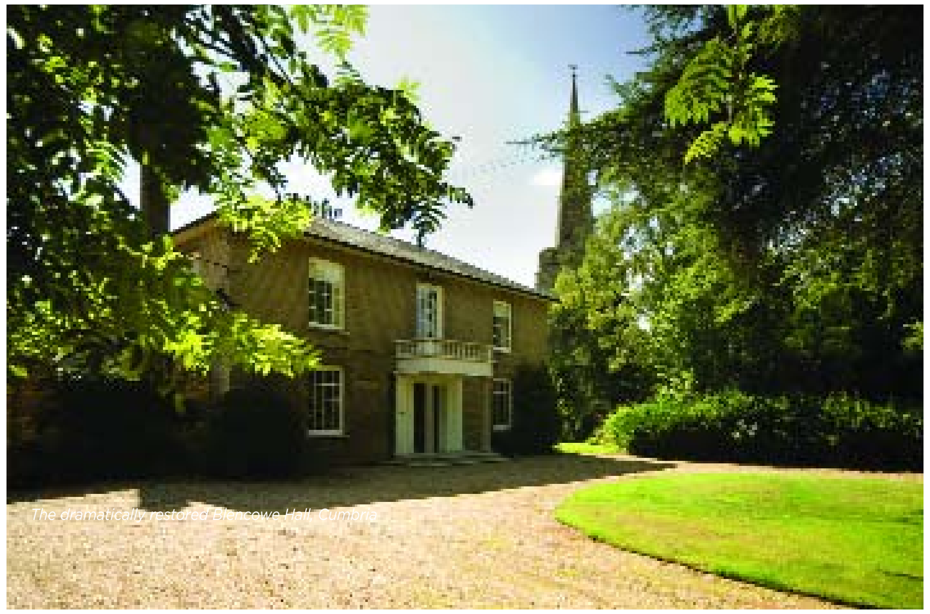
Rural values

Shifts in demand for agricultural land and country houses to rent

Amongst those of us who aspire to living in a quality country house, most still have the urge to 'put down roots' and so, traditionally, prefer to buy. This is still so, but the consequent low rents (relative to value), combined with recent mortgage restrictions and the growth of some regional employers has boosted activity significantly. As a result, having been almost non-existent for decades, a small but significant country house rental market has emerged in many regions. Alongside, the value of agricultural land, having hovered around £3,000 per acre for many years, has increased markedly over the last three or four years. Our Woburn office's recent sale of 75 acres at £6,000 per acre is typical.

These factors, along with fluctuating fortunes in the residential sales market, have created interesting times for our rural estate managers, whose roles include advising on long-term portfolio strategy. A common thread is that the rural economy is far from being the primary driver of value. The earning capacity of agricultural land, for example, has been enhanced by growing commodity prices, but only its 100% exemption from inheritance tax explains why buyers are happy to pay 40 times the annual rent from a contract famer. Similarly, most estate cottages are no longer rude abodes for old-style farmhands, but fully modernised homes for commuters. Beyond commuting distance from major employers, there is almost no demand for anything other than holiday lets.

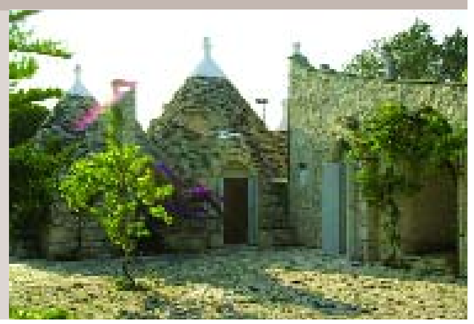
The recession's 'squeeze on the middle classes' has prompted some owners to sell and then rent, so releasing capital to pay for school fees, nursing home fees and clear debts. The claim is that this is a 'lifestyle and values choice' that will embrace renting forever and is doubtless sincerely meant. We can't help noticing though that, in almost every case, its practitioners appear to hold quite a lot back. Certainly enough to be sure that, when prices start rising sharply again, they will be able to buy a bijou cottage for when the children have flown the nest, in cash. Long term habits die hard.



International buyers look to their roots

Our International Office in London has seen a marked increase in the number of people interested in buying in the homeland of their ancestors, especially American Italians. It is a welcome and interesting expansion of the market, especially as it generates demand outside the traditional holiday regions. JSS International is now the UK's leading Italian specialist, with a local network extending throughout the country. Over 40% of its buyers are non-UK residents.

International Property Office 020 7828 7387



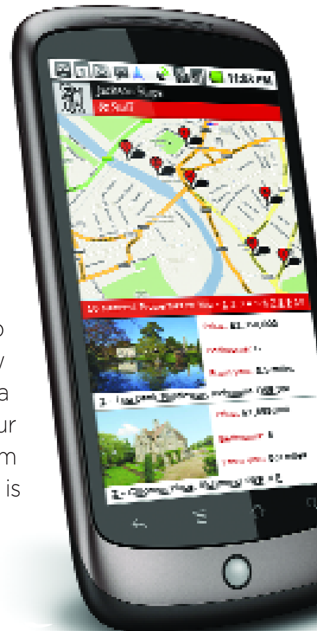
A traditional trullo villa in Puglia, the 'heel' of Italy.

Instant Virtual Visiting

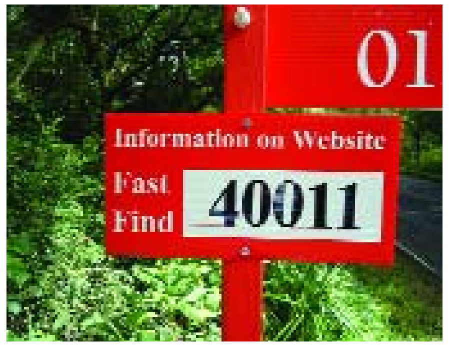
Impact of the growth of mobile internet access

UK sales of smartphones – mobile phones with advanced web browsing capabilities – now vastly outnumber those of less 'web-friendly' phones. As a result, access to the web via mobile devices is likely to exceed desktop access within two or three years. Amongst some groups – 16 to 24 year old Londoners, for example – it already has*. On the high street, this is starting to have a real impact, as consumers realise that, whilst deciding whether to buy an item they are looking at in a shop, or to visit the restaurant they are outside, they can quickly check reviews, pricing and alternatives. It is also changing the way in which we do business.

We first launched a mobile version of the JSS website nearly two years ago (a step most of our competitors have still yet to make). Since then, usage has grown dramatically, almost tripling in 2010, reflecting both the growth in mobile web browsing and how much our users like it: a huge proportion of our mobile traffic is from returning visitors. How is this changing things?



Much of it is about speed. People who happen to pass a property of interest are checking its details immediately, then calling us for an appointment – a phenomenon which is being boosted by our unique and expanding use of Fast Find numbers on *for sale* boards. New enquiries are coming from others who have gone to an area and checked our map (which centres on the phone's location) to see if anything is available nearby. We have to be right on the ball too, because, by the time they have called us, they will often have seen not only the property's details, but also its nearest competitors, local crime figures, school Ofsted rating, street view, aerial view and even its last selling price. And of course, finding their way to even the most remote house is no longer a problem: the phone will direct them.



Much of this tidal wave of information is helpful, but it can be highly misleading. An aerial view might show how close a house is to a motorway, but not the height of the hill between them or the direction of the prevailing winds. A search might reveal an earlier selling price, but not the value of either a subsequent extension or the lifting of a restrictive covenant. Most importantly of all, a great many of us start with one idea of what we want, only to realise over the course of physically walking around a good number of houses, what genuinely matters to us, what really feels like home. Virtual reality is a poor substitute for the real thing.

All of this puts the onus on us, as agents, to have an even deeper knowledge of our clients' properties and of each prospective buyer's needs – and to help them use technology, not be led by it.

For the latest versions of our mobile website and apps for both iPhones and Android mobiles, please go to jackson-stops.co.uk.

*Source: Ofcom, August 2010

JSS PRIVATE FINANCE

Time to fix or track

With inflation soaring, pressure is mounting on the Bank of England to raise interest rates sooner rather than later. Inflation is running at twice the government's two per cent target, and expected to edge higher still. Meanwhile, at their last meeting, three of the nine-strong Monetary Policy Committee voted in favour of a rate rise.

The question buyers are asking is whether they should opt for a fixed-rate mortgage to protect themselves against inevitable rate rises. The problem is that while interest rates have not started edging upwards yet, money market rates – the rate lenders pay to borrow from each other – have already risen. Indeed, they are already factoring in between two and three quarter-point base rate rises this year.

This means that fixed-rate mortgages have become more expensive since the start of the year and continue to do so.

Those who have not yet secured a fixed-rate mortgage will find that they are rather more expensive than they were just a few weeks ago. Compare fixes with base-rate trackers and you will notice a big difference in price. Borrowers are increasingly wondering whether it is worth paying such a significant premium for the security of knowing what their monthly mortgage payments will be for a period of time.

Much depends on your circumstances. If you require peace of mind, are on a tight budget or simply want to know exactly how much your mortgage will be each month, then a fixed rate makes sense. However, if you don't need this security, a base-rate tracker will be rather cheaper – at least initially. Some trackers are so much cheaper than fixed rates that you could cope with several quarter-point increases in base rate before your payments would be higher than on the fixed rate.

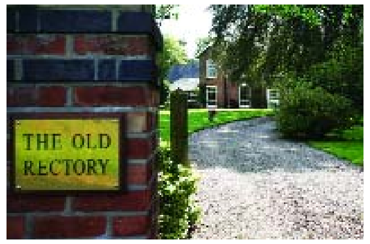
Jackson-Stops & Staff Private Finance specialises in providing sound mortgage advice and can be contacted on 0870 600 1650.

How to Read an Old Rectory

Jeremy Musson, author and broadcaster considers the beguiling secrets of the English Old Rectory

Jeremy Musson is a writer and broadcaster on the English country house, presenter of BBC 2's 'The Curious House Guest' and was Architectural Editor of Country Life magazine 1998-2008. He is the author of 'How To Read A Country House' (Ebury Press, 2005). His latest book, 'Up and Down Stairs: the history of the country house servant.' was published earlier last year.

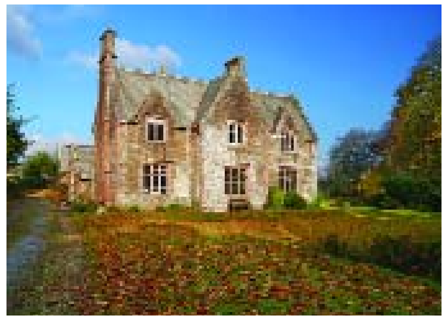
The Old Rectory is a resonant name for the English. The particular tradition of the Anglican Church which meant that clergy were often wealthy and married with families, meant that the rectory was usually one of the leading houses of the village. The rectory was often second only to the manor house and sometimes exceeded it in architectural interest. There are reasons both for this distinction and for the examples illustrated here falling loosely into two stylistic characters: neo-classical and Gothic.



The custom had grown up for many clergy to enjoy a country "living" whilst employing a curate to conduct services in the parish. After decades of debate about this, in 1803 the Prime Minister Spencer Perceval brought in a parliamentary act to ensure residence of the clergy in their appointed living. The Gilbert Acts in the 1770s had also made it possible for loans to be made for the rebuilding of clergy houses from the fund known as 'Queen Anne's Bounty'.

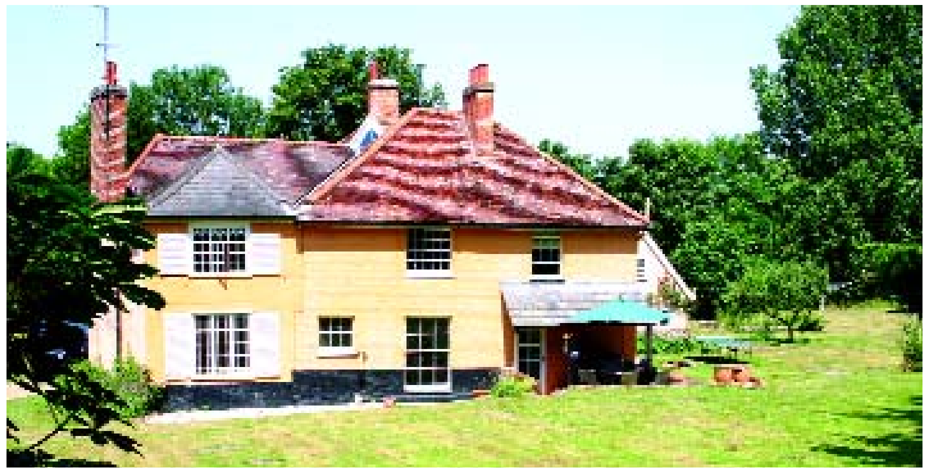
The dominant styles employed in late eighteenth and early nineteenth century domestic architecture were the ones that were thus used for so many rectories – neo-classical and Gothic. The wit and cleric Sydney Smith had to take up residence in his parish of Foston-le-Clay in Yorkshire for the first time after the 1803 Act and famously bemoaned that he was living twelve miles from the nearest lemon. Nonetheless he took up building a new rectory, in the neo-classical style, with great enthusiasm: *"I live trowel in hand. My soul is filled up with lath and plaster."* It was admired as *"the most comfortable"* in the county, he thought, and it still stands today.

Smith was not alone in his activity. Numerous rectories and vicarages were being built or extended all over England from this time, an activity which was also reflected in the life and novels of Jane Austen. She grew up in a rectory which her brother later pulled down and rebuilt more commodiously, in the neo-classical style, with spacious rooms and tall windows rising from the ground. The rebuilding of the rectory is a constant theme in her novels, from Mr Collins' improvements complimented by Lady Catherine de Burgh in *Pride and Prejudice*



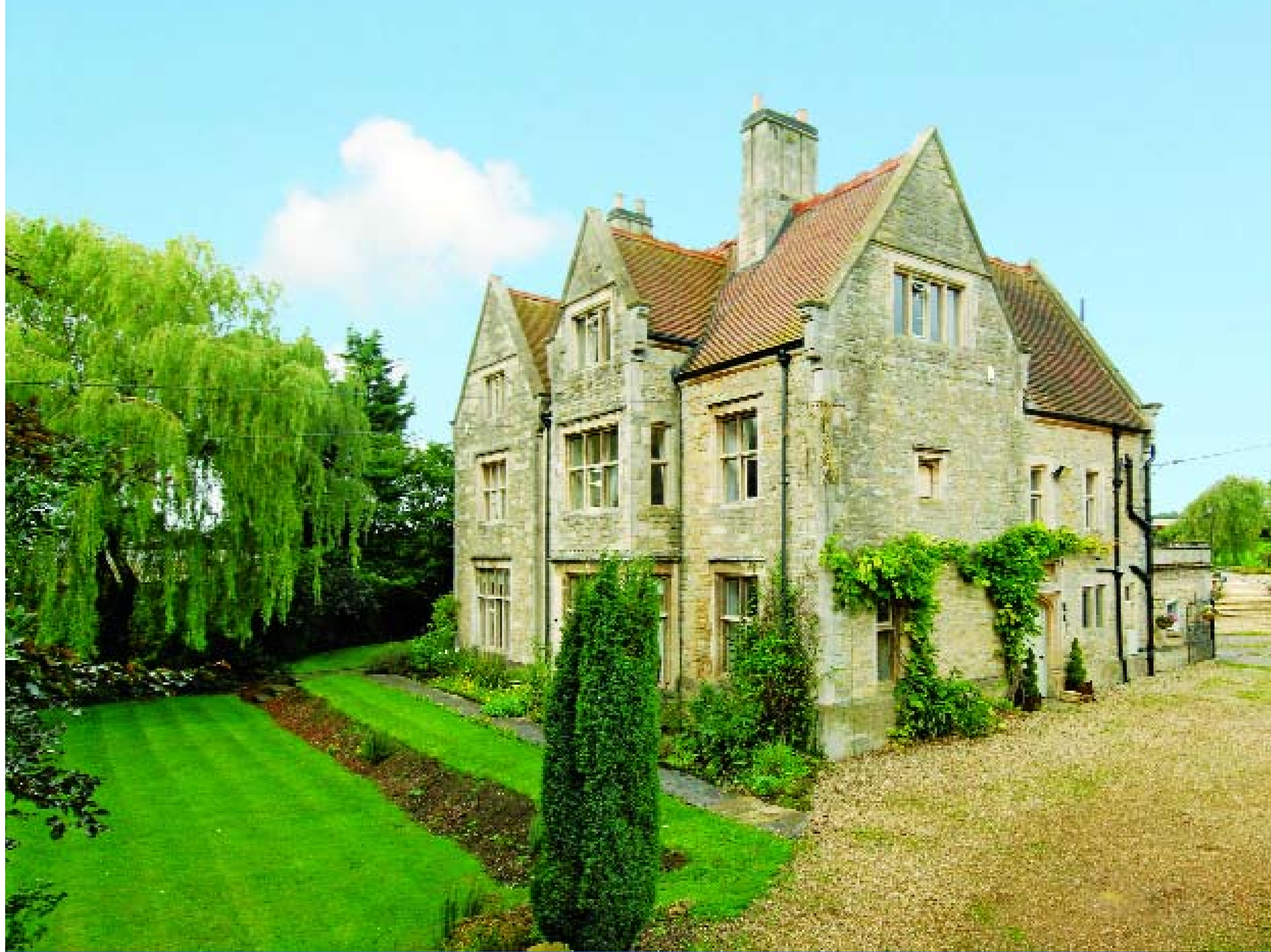
to the new rectory being built by Henry Tilney in *Northanger Abbey*. Catherine Moreland admires the rooms in the latter one by one, including the drawing room: *"a prettily shaped room, the windows reaching to the ground, and the view from them pleasant"*.

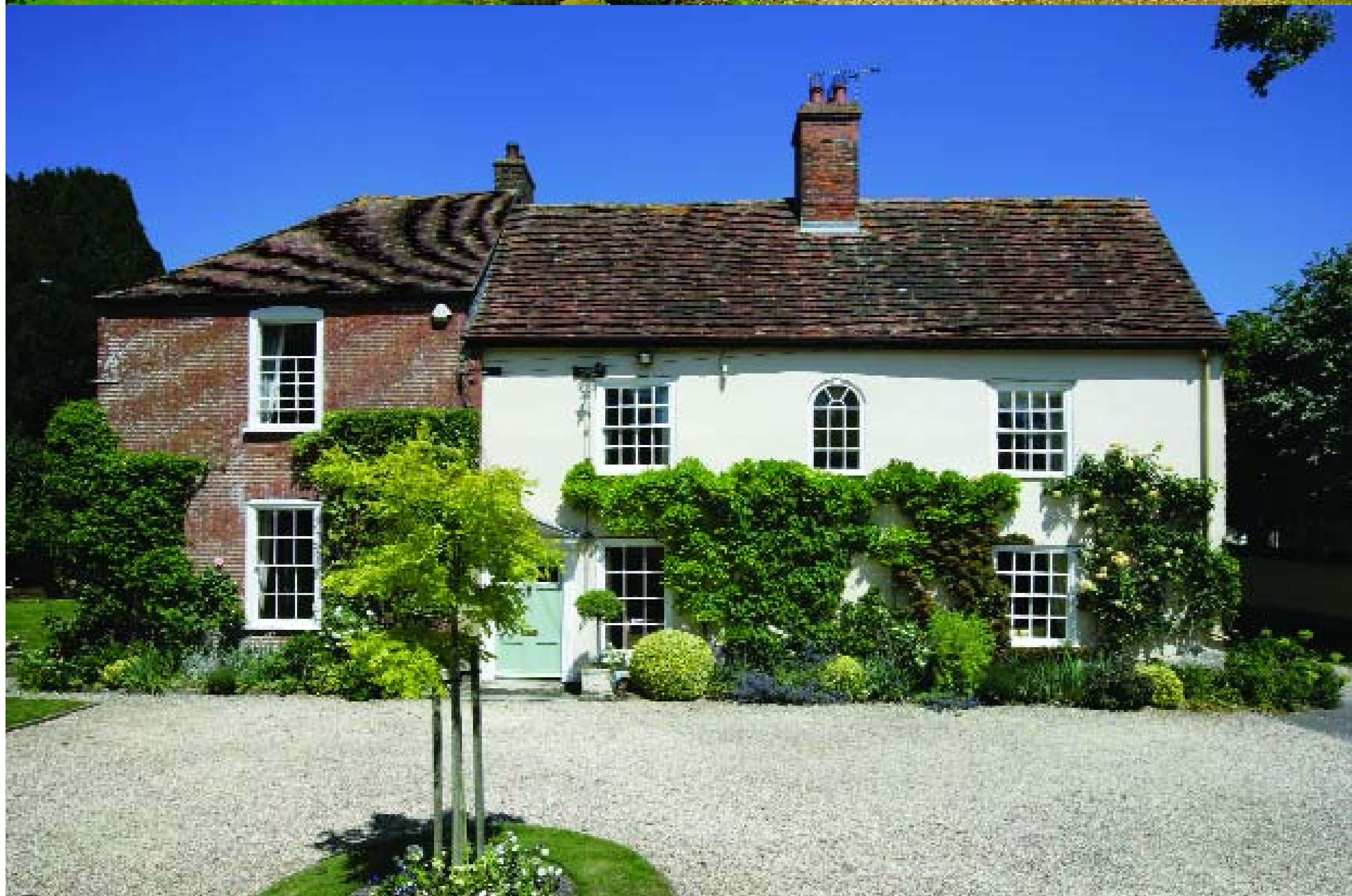
The Gothic Revival style had found an increasing currency from the late eighteenth century, as in the designs of architects such as Repton, Loudon and Blore, the picturesque possibilities of the style for the houses of the Anglican clergy became increasingly attractive. Rooms were still large and comfortable, but they could be arranged less formally in plan and the national and especially Christian credentials of the Gothic Revival style gained an increasing currency – championed by A.W.N. Pugin. In the later twentieth century when the Church of England sold off many of the larger rectories, they not surprisingly became immensely popular country homes, sited in the heart of villages rather than in remote locations, yet in ample private grounds, often with views of ancient parish churches.



Suggested reading:
Timothy Brittan-Caitlin, The English Parsonage in the Early Nineteenth Century, Spire Books (2008); Anthony Jennings, The Old Rectory: the story of the English Parsonage, Continuum Books (2009); also see www.rectorysociety.co.uk

Neo Classical
Opposite: Wiltshire, £1.25 million guide
Above centre: Cheshire, £1.695 million guide
Left: Suffolk, £925,000 guide
Gothic Revival
Above: Devon, £1.25 million guide
Above, opposite: Northamptonshire, £1.275 million guide





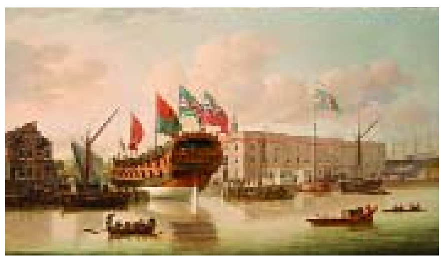
Origins of Empire

The Master Shipwright's House and Naval Offices, Deptford

Commenced in 1708, this house was the home and offices of the Master Shipwright of the King's Yard, the most prestigious of the Royal Naval Dockyards at Deptford, for over 150 years. Deptford's Master Shipwrights oversaw a staff of thousands, building ships at an astonishing rate, especially during periods of warfare. In 1710 and 1711, ten warships were built here and a further five rebuilt. Between 1708 and 1869, 202 ships were constructed, those of the King's Yard overseen by its Master Shipwright from this property looking over the Yard and downstream to Wren's superb Royal Naval Hospital at Greenwich, itself completed in 1712. This was a time at which Britain was seizing its opportunity to dominate the seas and thus the world. The King's Yard was at the very centre of an imperial machine.

Under the circumstances, it was perhaps justifiable that, when new Master Shipwright Joseph Allin was appointed in 1705, he complained that the Tudor house he inherited was unsuitable for his status. Plans for a grand house with riverside gardens and the Navy's first purpose-built offices, were approved.

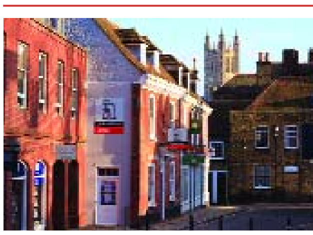
The new house will have been a familiar sight to Londoners, who attended launches in numbers of up to 20,000, according to The Times of 1810.



The painting above shows the launch of HMS St Albans in 1747, with the Master Shipwright's house on the left.

Allin's tenure encompassed the building of some of the Navy's most renowned warships and the peak of productivity referred to above. Less happily for him, when his house was discussed in Parliament, it was not in the admiring tones for which he must have hoped. Described, Hansard records, as *"the Shipwright's Palace"*, its final cost, £300 more than the generous budget of £525, generated accusations of extravagance and even corruption. Allin eventually left his post in 1715 and died five years later. His legacy is these buildings, which continued in their original role until 1869, were to become the only notable properties in the area to survive the bombings of WWII and which are now over 300 years old.

The Master Shipwright's House and Offices are currently being marketed by our London Country Houses Office. Excess £5 million.



A new office for Canterbury

Our success and coverage in the South East continues to go from strength to strength, most recently with the opening of a new office in Canterbury. Located in Castle Street, it is led by David Kincaid MRICS FAAV, who has an encyclopaedic knowledge of East Kent property, built up over more than 25 years within the area.

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