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A new north-south divide for property investment?

Those who have observed the recent Young Group quarterly surveys will have notice two trends. The first is one of increasing optimism among investors. The second is that this positive sentiment has been stronger in London than elsewhere.

For example, in the second quarter poll released in June the company found that both in London and the rest of the country there was an increase in the number of investors thinking of buying property in the coming 12 months and growing optimism that prices would be at the same level or better, but in London these were stronger. Thus 52 per cent were looking at buying in London, compared with 30 per cent elsewhere, while 57 per cent were optimistic about prices in the capital, 15 per cent more than was the case for the rest of the UK.

Could it be that a north-south divide is re-emerging? The latest Rightmove index of housing asking prices might also suggest so, with these dropping 3.1 per cent on a year-on-year basis across the country, while simultaneously being up 2.1 per cent in London.

Yet investors making such an assumption would be wrong, according to Naomi Heaton, the chief executive of prime residential property specialists London Central Portfolio (LCP). She stated that the Land Registry data "clearly indicates" that no such divide is appearing.

"Indeed, the best performing areas are located in the north with price growth of 4.61 per cent and Yorkshire and Humberside with price growth of 3.74 per cent. While Greater London, showing a growth of 1.08 per cent, is the worst performer after Wales," she stated.

Ms Heaton went on to state that the higher price rises seen in the prime central London region have also been prone to "skew upwards", due to large cash purchases by second home seekers. Yet at the same time the monthly figures have revealed slight falls, something she said was down to this distorting factor and also the fact that the number of transactions is so low a small number of them can swing the overall figure.

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However, she said, overall "central London is outperforming the rest of the country and LCP has certainly seen a marked increase in buying activity over the last quarter".

All of which may suggest that for investors looking for new trends, it may be wise to take the latest figures with a pinch of salt. Over a longer period of time and when the number of transactions increase, a more accurate broad picture may emerge. But in the meantime, investors - whether looking in the north, the south or the midlands - may do best by studying closely the situation in the local vicinity where they are buying, rather than potentially misleading trends concerning larger geographical areas.