

Financial Research: Thematic Report

Residential Market in London

The Client

A UK-based investment fund investing in the residential sector. The client was actively looking to acquire development sites to redevelop and re-position underperforming property assets.

The Background

The client was in discussions with a number of property owners to acquire their holdings. The client's view was that residential property in London was overvalued and a correction in prices was in the offing given existing market conditions. In this regard, Alchemy was given a mandate to prepare a high impact report that supported the client's hypothesis.

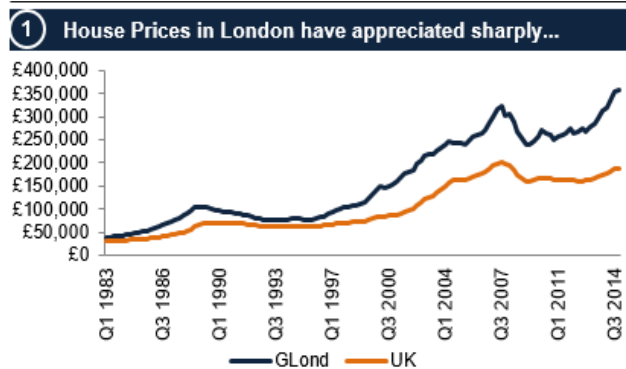
Alchemy Approach and Solution

Alchemy identified the various parameters that impacted the residential market in London. It collated long run time series data of house prices, ratios such as House Price to Earnings, Mortgage Payment to Earnings to indicate the stressed levels of affordability. Forward interest rates, GDP forecasts, exchange rate movements and anticipated legislative measures such as Mansion Tax etc. were also considered while building up the bearish case for the client.

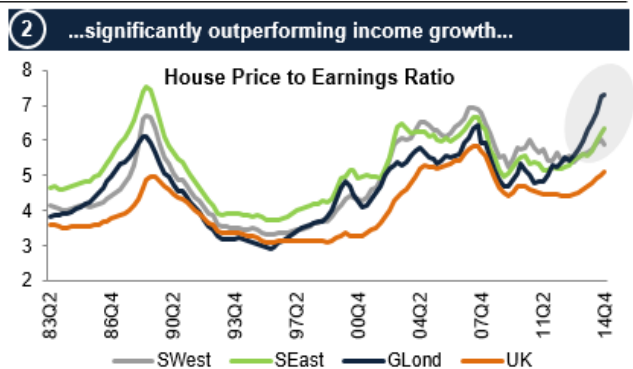
Benefits

The client used our report as a basis to convince potential owners to consider a sale. All stakeholders appreciated the quality of evidence provided to build the hypothesis and had consensus view that the housing market in London was overheated and due for a price correction.

Illustrations



House prices in Greater London are 10% above their pre-recession peak whereas average UK house prices are still 6% below their 2007 peak



While the economy of London expanded by 20% between 2009 and 2013, house prices have appreciated by 49% from their 2009 trough. House price to earnings ratio in London is at an all-time high