



London

City Overview and
Residential Buyer Guide

2018 Edition



London Market Overview

It may be in the midst of Brexit negotiations, but London's status as a key global hub is unwavering. The capital is continuously evolving and expanding, counting almost 20 million tourists annually and nine million residents. So what is it about the city that continues to attract people from all over the world?

The simple answer is this: people like London. It's not hard to see why; there's a lot to like (besides, perhaps, the infamous rainy weather). Whether you're a slick city banker, an overseas student, a young family, a retired couple, or any other individual, you're welcome here. As well as creating an open environment where all are encouraged to be themselves, this rich diversity has also prompted an array of distinct neighbourhoods to spring up, each one telling its story through architecture, ambience and a tempting array of bars, eateries and shops.

Such retail and leisure offerings are often well worth exploring, too. London attracts some of the

world's top talent across virtually every discipline; Michelin-starred chefs, couture fashion designers and boundary-breaking artists are among those practicing their trade in the city. And then there's the shopping. From luxury boutiques to grand department stores and street markets that bombard the senses, there's almost nothing that can't be bought here.

London is also home to a number of league-topping schools – both fee-paying and state – with many so competitive that children are registered for places from birth. And there's no need to leave the city once those much sought after A-levels have been achieved; University College London, Imperial College London and London School of Economics & Political Science are just some of the world's leading universities based here.

From a business perspective, there are two key drivers behind London's ongoing popularity: location and time zone. With seven airports all within easy reach, London's connectivity makes it a gateway to every corner of the

globe, and with a time zone that sits conveniently between the United States and the Far East, its well positioned as a global financial centre.

Regardless of background and aspirations, London has a place for everyone. At the top end of the market, the golden postcodes of Mayfair, Belgravia and Knightsbridge continue to draw in people from all over the world, but people's search parameters are widening as regeneration and development projects spring up in areas such as the South Bank, Earl's Court and east London. Equally, once avoided areas such as Shoreditch and Brixton have undergone transformations to become playgrounds for those seeking less polished alternatives to the well-heeled neighbourhoods of Chelsea and its kin.

But high standards aren't limited to the upper end of the market. As demands grow, so too do property standards – whether you're looking at a one-bed apartment in Barking, or a super-prime townhouse in Fitzrovia.

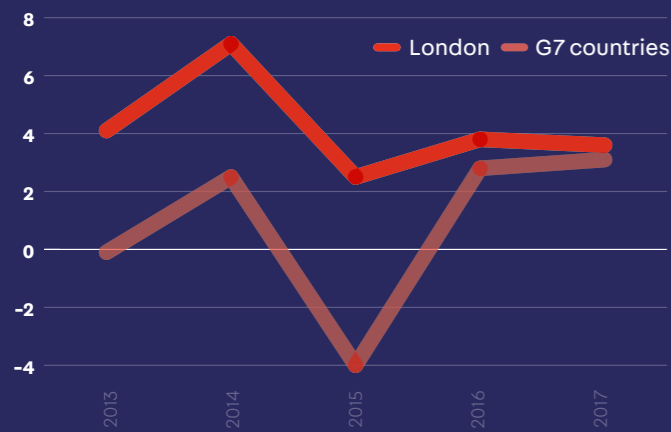
Key Facts

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Below we highlight some of the key economic trends including GDP growth and the number of households in London over the past five years.

GDP Growth

Nominal gdp growth for London and G7 countries, annual percentage change



Source: Knight Frank Research, Macrobond, IMF, Oxford Economics

London's economy has seen steady growth, with an average annual GDP growth rate of **4.2%** over the past five years. This is faster than G7 economies which had average growth of **0.9%** over the same time period.

Unemployment Rate

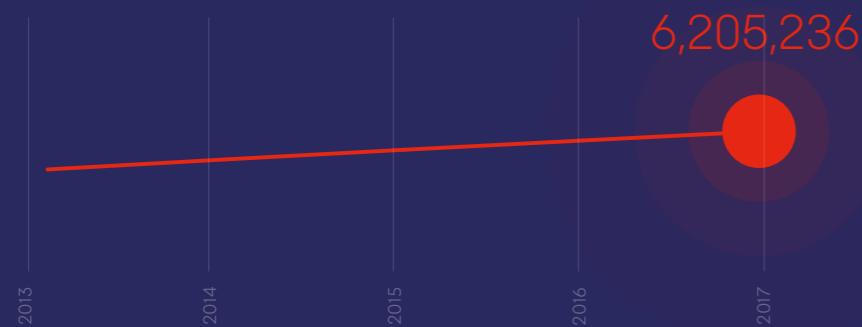
The unemployment rate for the UK, February 2018



Demand Rising

Number of households in London

The number of households in the London area has grown by **6%** over the past five years.



Source: Knight Frank Research, Macrobond, Oxford Economics

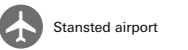
Inflation Rate

The inflation rate for the UK, March 2018

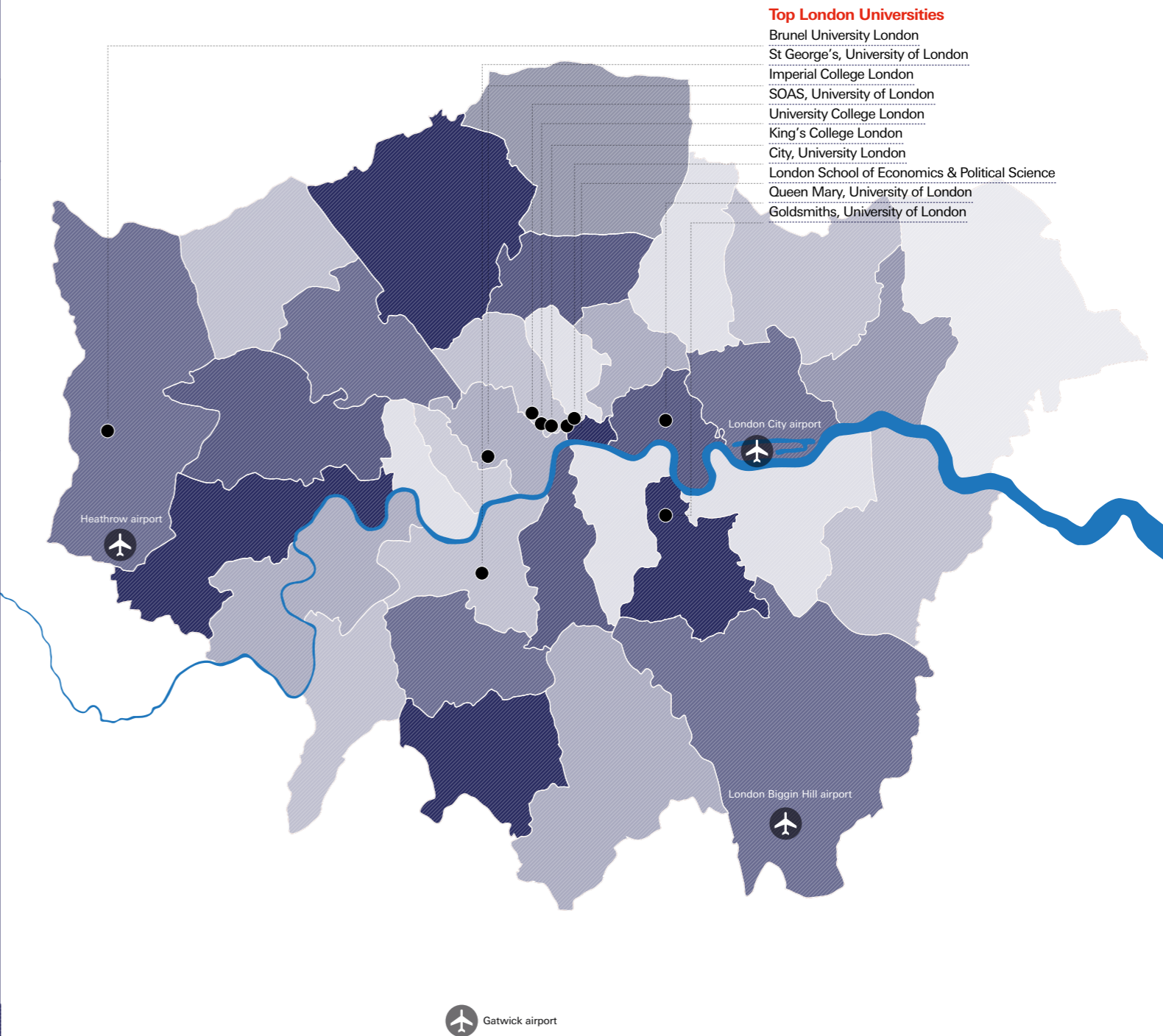


London in Context

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Here we display a map of London showing where the major airports and top universities are situated.



London Residential Districts

A brief description of the residential districts in London.

1 Hampstead

Home to London's largest ancient parkland, this area offers breath-taking London views, traditional pubs, cobbled streets and luxury hotels.

2 Queen's Park

One of North West London's most fashionable areas, Queen's Park offers two busy high streets, outstanding schools and, of course, an expansive green park.

3 St. John's Wood

This leafy West London enclave attracts families, professionals and international buyers thanks to its close-knit community, tempting mix of bars, boutiques and restaurants, and excellent transport links.

4 Belsize Park

Situated between Primrose Hill and Camden Town, many of the buildings here are rich in heritage and beautiful in appearance, set on tree-lined streets complete with wide pavements.

5 Islington

Lined with independent boutiques, coffee shops and wine bars, Islington's high street has something for everyone. Its theatres and music venues make it a lively place to while away an evening.

6 Notting Hill

Famous for the eponymous film and its annual summer carnival, this area brims with activity and is home to the world's largest antiques market on Portobello Road.

7 Hyde Park

One of London's eight royal parks, this green space counts boating, tennis, cycling, jogging and horse-riding as just some of the many pastimes spent there.

8 Marylebone

Tucked away from the noise and business of Oxford Street, this area's elegant Georgian streets includes the famous Chiltern Firehouse as well as charming pubs, shops and eateries.

9 King's Cross

Best known as a major rail hub, the regeneration of this area has seen the construction of new canal and park-side apartments alongside a tempting retail and leisure offering.

10 Kensington

Upmarket elegance can be found in this West London neighbourhood, from its stucco-fronted white terraces to the stylish boutiques and antique stores on the main high street.

11 Mayfair

Famed for its golden postcodes, Mayfair is one of London's most affluent areas and presents an array of members' clubs, luxury hotels and impressive private residences.

12 Riverside

With properties that boast some of the best views in London, the Riverside area has undergone an exciting transformation in recent years, including the game-changing regeneration of Nine Elms.

13 Chiswick

Away from the city's hustle and bustle, the leafy green areas of Chiswick offer a sense of security and serenity. Its high street includes a mix of chain and independent stores.

14 Fulham

One of London's most expensive postcodes, the Victorian and Edwardian homes of Fulham are incredibly popular, particularly with affluent families and young people.

15 South Kensington

Home to the Natural History Museum, the V&A and the Royal Albert Hall, this cultural hub also offers enchanting cafes and green squares.

25 Battersea

With an £8 billion redevelopment project underway, including two new tube stations and 20,000 new homes, property prices here are unlikely to stay static for long.

26 Clapham

Very well-connected thanks to its major train station and three tube stations, this area is a hive of activity, populated with people of virtually all ages and backgrounds.

27 Tower Bridge

Home to the iconic eponymous landmark, commercial offices, and leisure and retail offerings, this lively area is one of London's most popular tourist attractions.

28 Wapping

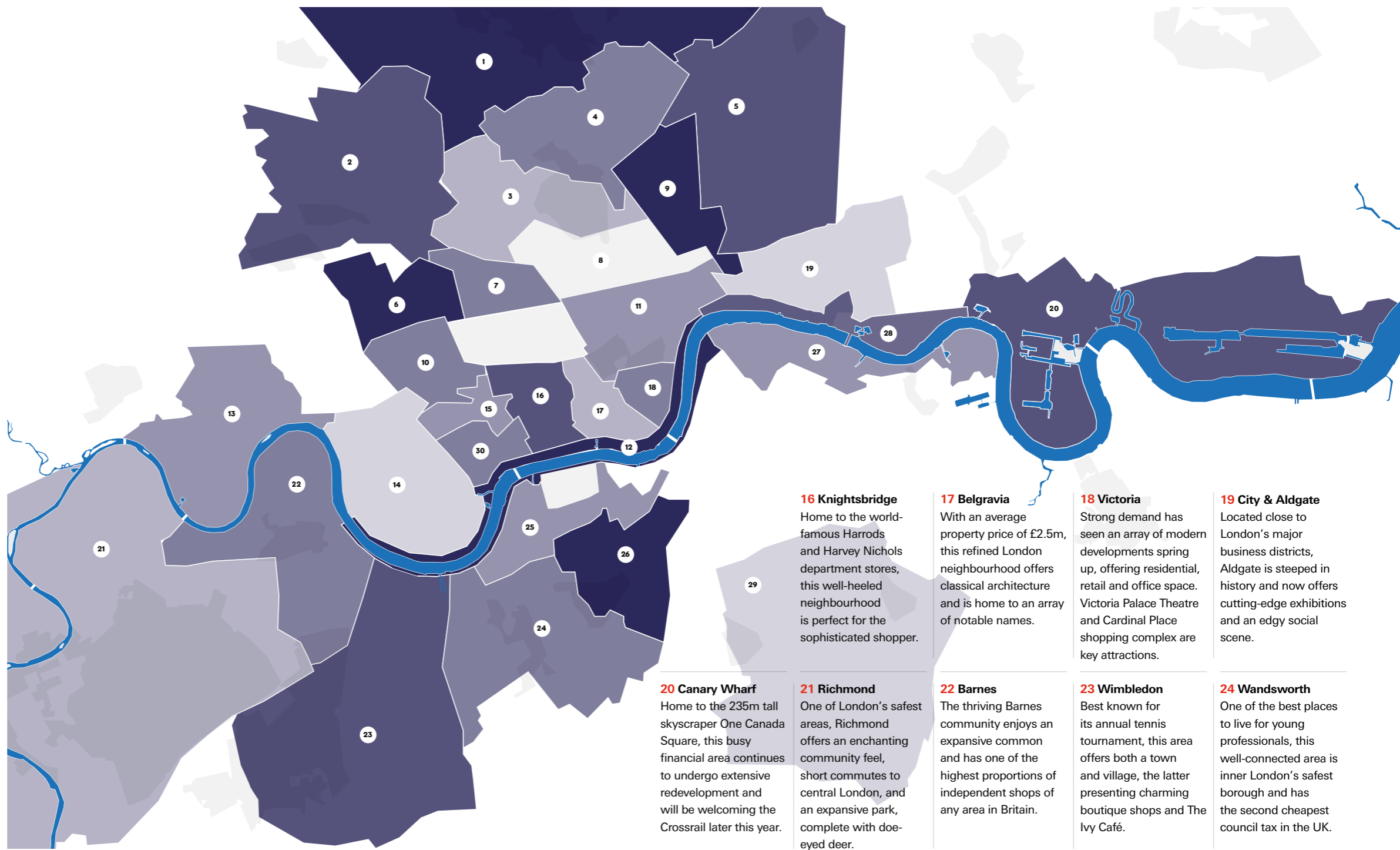
Set on the north bank of the Thames, many homes here are cool warehouse conversions or modern flats, although there is the rare occasion when a full house comes on the market.

29 Dulwich Village

With a setting akin to a traditional village, Dulwich Village features charming cottages and graceful Georgian houses, and has three top private schools all within walking distance.

30 Chelsea

Times have changed since Chelsea was the centre for alternative culture in the 1960s. Today, the exclusive area's King's Road offers luxury boutiques, exclusive nightspots and fine dining.



16 Knightsbridge

Home to the world-famous Harrods and Harvey Nichols department stores, this well-heeled neighbourhood is perfect for the sophisticated shopper.

17 Belgravia

With an average property price of £2.5m, this refined London neighbourhood offers classical architecture and is home to an array of notable names.

18 Victoria

Strong demand has seen an array of modern developments spring up, offering residential, retail and office space. Victoria Palace Theatre and Cardinal Place shopping complex are key attractions.

19 City & Aldgate

Located close to London's major business districts, Aldgate is steeped in history and now offers cutting-edge exhibitions and an edgy social scene.

20 Canary Wharf

Home to the 235m tall skyscraper One Canada Square, this busy financial area continues to undergo extensive redevelopment and will be welcoming the Crossrail later this year.

21 Richmond

One of London's safest areas, Richmond offers an enchanting community feel, short commutes to central London, and an expansive park, complete with doe-eyed deer.

22 Barnes

The thriving Barnes community enjoys an expansive common and has one of the highest proportions of independent shops of any area in Britain.

23 Wimbledon

Best known for its annual tennis tournament, this area offers both a town and village, the latter presenting charming boutique shops and The Ivy Café.

24 Wandsworth

One of the best places to live for young professionals, this well-connected area is inner London's safest borough and has the second cheapest council tax in the UK.

How to Buy*

An overview of the legal process involved when buying property in the United Kingdom.

Whilst there are three different types of property ownership, freehold, leasehold and commonhold, the steps required to purchase are similar. There are a few additional requirements for leasehold and commonhold properties. Below we outline the 13 steps involved with purchasing a property along with key information on money laundering regulations.

1. The buyer normally views the property through the estate agents and puts forward an offer.

2. The seller, through the estate agent, may counter the offer triggering negotiations. Once a price is agreed a Memorandum of Sale is prepared by the estate agents.

3. The buyer instructs a solicitor to act on his/her behalf to conclude the purchase of the property.

Money laundering regulations

The buyer's solicitor will need to satisfy the requirements of the money laundering regulations. This generally takes the form of verifying the buyer's identity and source of monies required to undertake the purchase.

4. The seller's solicitor prepares a sale pack and sends it to the buyer's solicitor.

5. The buyer's solicitor checks the title to the property and carries out the usual searches to provide essential information on the title, planning, environmental and other details relevant to the property and the area in which the property is located.

6. It is always advisable for a buyer to instruct a surveyor to inspect the property and provide a survey report on its condition. There are different types of surveys.

Once the buyer's solicitor is satisfied with the title to the property, he will liaise with the seller's solicitor to confirm approval of the contract. The buyer's solicitor arranges for the buyer to sign the contract and to provide the deposit, which is usually 10% of the agreed purchase price.

The buyer's solicitor checks that the buyer has secured insurance on the property. The risk usually passes to the buyer upon exchange of the contract.

Until a contract is exchanged, either party can withdraw from the sale. The seller can accept other offers but cannot issue a contract to another party without first advising the buyer that another contract is to be issued. This is usually referred to as a 'contract race'.

7. Once the contract has been exchanged, both the seller and the buyer are contractually bound. If either party fails to complete on the agreed completion date then that party will be in breach of contract.

If the buyer is at fault he/she will lose the deposit and there is a potential for a further claim by the seller.

8. If external financing is being secured to buy the property, it must be in place by the agreed completion date.

9. With some leasehold properties there may be a requirement by the landlord for the seller to provide details of the buyer and secure the landlord's consent. The buyer may be required to provide references. Sometimes non-UK nationals are required to provide a rent deposit to cover liabilities in the lease relating to ground rent and service charges.

10. With commonhold properties, the buyer's solicitor will have reviewed the commonhold documentation and there is usually a requirement within 14 days of completion for the buyer's solicitor to provide the secretary of the commonhold association with a notice of the transfer.

11. The purchase of a freehold property can proceed quickly. However, this is dependent upon the seller and also if financing is being secured on the lender's requirements.

12. If the buyer is acquiring a new lease, the process can sometimes be longer as the buyer's solicitor will have to approve the terms of the new lease.

13. If the buyer is acquiring a lease which already exists, this is referred to as an assignment of lease. This too can proceed swiftly but once again it is very much dependent on the seller's solicitor providing a comprehensive package of information.

Property Tax in the United Kingdom*

Stamp Duty Land Tax (SDLT)

SDLT is payable on all property transactions on which consideration exceeds £125,000 (£150,000 for commercial properties), except where one of a small number of specified tax reliefs applies. SDLT is payable within 30 days of completion. The rate of tax is dependent on the purchase price (see below for current rates and bands).

As a result of amendments in recent finance bills, buyers using corporate vehicles to buy residential properties costing in excess of £500,000 may be subject to a higher rate of SDLT at 15%, as well as the Annual Tax on Enveloped Dwellings (ATED). Broadly speaking these rates apply where the residential property is either left vacant, or is occupied by a connected person, such as a family member.

The following taxes are affected by the buyer's personal circumstances and should be discussed with a tax expert.

Income Tax

If the property is bought as an investment property, income tax is chargeable on rental income regardless of the residence or domicile position. Tax is collected through the submission of UK Tax Returns and, if non-resident, tax deducted at source by a UK letting agent.

Capital Gains Tax

UK Capital Gains Tax ('CGT') is charged on the gain on the sale of the property (or on the market value of the property if it is given away) over its original cost (or value at acquisition by gift). Most selling expenses and building improvement costs can be taken into account to reduce the taxable gain. CGT is payable on or by 31 January following the end of the tax year of Exchange of Contracts for the sale or completion of a gift of the property.

Non-residents owning a UK property prior to 5 April 2015 may be able to rebase the acquisition cost of the property, for CGT purposes, to its April 2015 market value.

Tax years 2013 to 2017

The following Capital Gains Tax rates apply:

- 18% and 28% tax rates for individuals (the tax rate you use depends on the total amount of your taxable income)
- 28% for trustees or for personal representatives of someone who has died
- 28% for Capital Gains Tax on Annual Tax on Enveloped Dwellings - the Annual Exempt Amount is not applicable

2016 to 2017 Non-resident Capital Gains Tax on the disposal of UK residential property

The following Capital Gains Tax rates apply:

- 18% and 28% for individuals (the tax rate you use depends on the total amount of your taxable income)
- 28% for trustees or for personal representatives of someone who has died who is non-resident
- 19% for companies (from 1 April 2017)

Inheritance Tax

Inheritance Tax is a form of death duty so without tax planning in advance you could leave your beneficiaries with unnecessary tax bills. The excess value of an estate on death above the threshold (currently £325,000 or a maximum of £650,000 in the case of married couples/ civil partners) is generally taxed at 40% unless it is left to a spouse/ civil partner or to a UK Charity.

A further threshold is available specifically in relation to an individual's main residence which stands at £125,000 in 2018/19 (or £250,000 for married couples) and increases each tax year to its maximum of £175,000 in 2020/21.

Wills

UK domiciled individuals should have a will to dispose of their property. It is often best for non-UK domiciled individuals to have UK wills to dispose of UK real estate – specialist advice should be sought to ensure that your assets pass in accordance with your wishes.

SDLT and ATED – rates applicable

Stamp Duty Land Tax (SDLT)

Higher rates of Stamp Duty Land Tax (SDLT) have applied to purchases of additional residential properties, such as second homes and buy to let properties, since 1st April 2016. The rate payable on additional residential properties are 3% above the SDLT rates. The rates for a primary home purchase and rates for an additional property purchase are shown below.

Purchase price	SDLT rates for primary home purchase	SDLT rates for an additional property purchase
£0 - £125k	0%	3%
£125k - £250k	2%	5%
£250k - £925k	5%	8%
£925k - £1.5m	10%	13%

There are different rules if you're buying your first home.

You get relief that means you pay less or no tax if:

- You complete your purchase on or after 22 November 2017
- The purchase price is £500,000 or less
- You, and anyone else you're buying with, are first-time buyers
If these apply you pay 0% SDLT on the first £300,000 and 5% on the portion from £300,001 to £500,000.

Annual Tax on Enveloped Dwellings (ATED)

ATED is an annual tax payable mainly by companies that own UK residential property valued at more than £500,000. The rates for 2018/19 are as follows:

Property value	Annual charge
More than £500,000 but not more than £1 million	£3,500
More than £1 million but not more than £2 million	£7,250
More than £2 million but not more than £5 million	£24,250
More than £5 million but not more than £10 million	£56,550
More than £10 million but not more than £20 million	£113,400
More than £20 million	£226,950

*This section provides general information issued from public available source. It is not intended to provide any form of tax or legal advice. You should not rely on this for such advice. Neither The Hongkong and Shanghai Banking Corporation Limited ("HSBC") nor Knight Frank LLP provides tax advice. You are advised to seek independent legal and tax advice.

Residential dwellings costing more than £500,000 purchased through a corporate body are charged 15%. Reliefs are available from the 15% rate where the property is held via a company for commercial reasons, such as for a property rental, or property development business for example. Note: Non-residents may be subject to Capital Gains Tax on the gains they make from disposing of residential properties. Please ensure you seek advice from your local accountants/tax advisors as every purchaser's circumstances are different.

Source: www.gov.uk/stamp-duty-land-tax-rates

Next Steps

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