

HAMPTONS INTERNATIONAL

INTERNATIONAL BUYERS... AND WHY NOW IS THE TIME TO CONSIDER UK PROPERTY INVESTMENT



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OPPORTUNITIES FOR INTERNATIONAL BUYERS

Report contents:

1. Discounts available on UK housing

- Annual fall reported on major housing indices

2. Effect of the devaluation of Sterling

- Euro vs Sterling
- US Dollar vs Sterling
- Indian Rupee vs Sterling

3. The cumulative effect and deep discount available to foreign currency investors

4. Changing patterns of international buyers/sellers in the UK

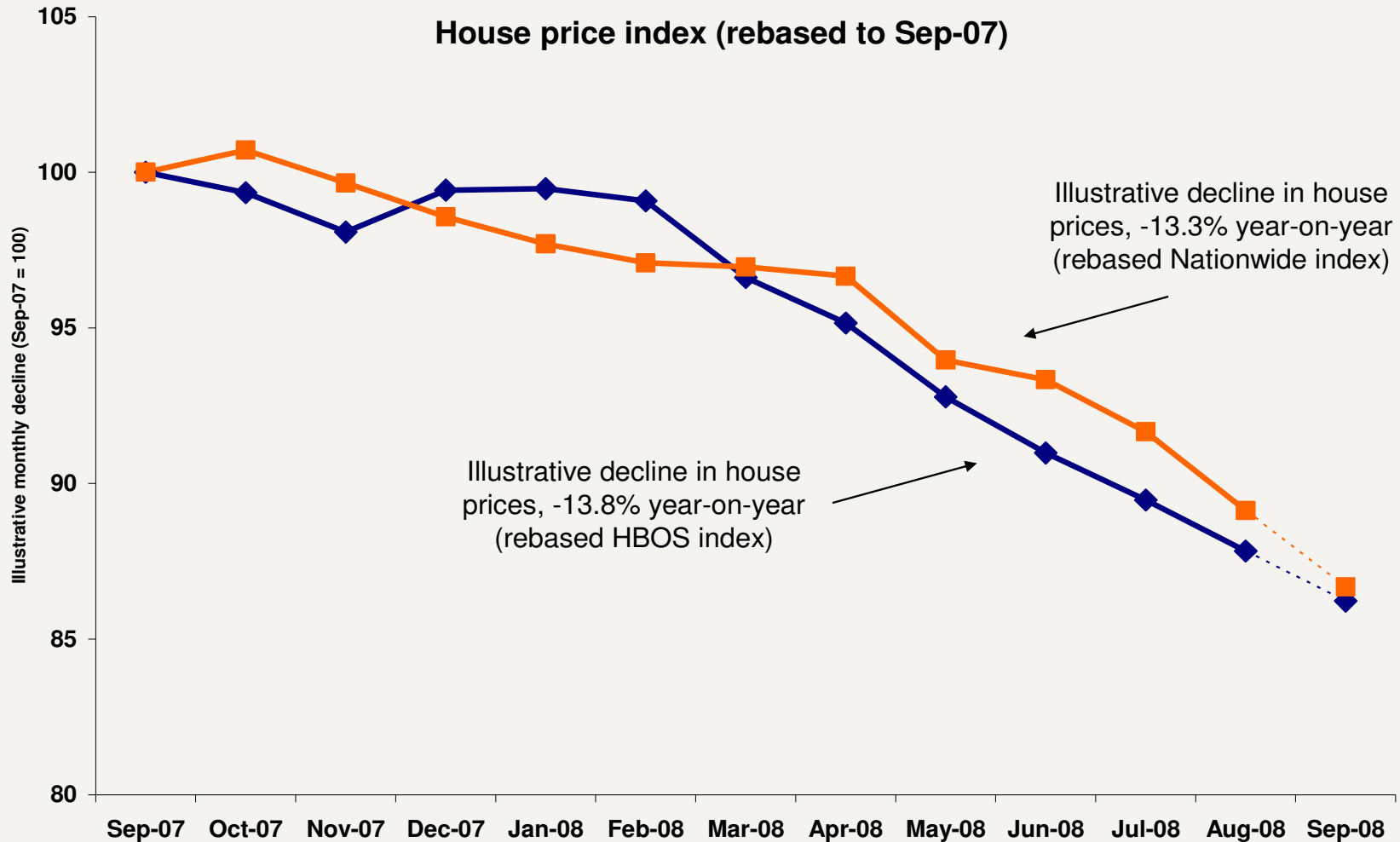
5. Reasons for the recovery of the UK market in the long-term

OPPORTUNITIES FOR INTERNATIONAL BUYERS

- With average house price discounts nearing 15% compared with last year the UK market currently offers great opportunities for investors who have access to funds in other major currencies.
- These opportunities are magnified by the effective discount given by the relative strength of these currencies against the pound. Which can amount to 17% gains YoY.
- Thirdly, the impact of developer discounts on new-build stock can add a further element with discounts down 15% in the last year (and over 30% cumulatively since the peak of the market).
- For example, a buyer with US dollars (or a currency pegged to the dollar) will find a current purchase in the UK market 35% cheaper than September 2007. For buyers with Euro denominated currency the picture is even more upbeat, with property available at a 39% discount to last year.

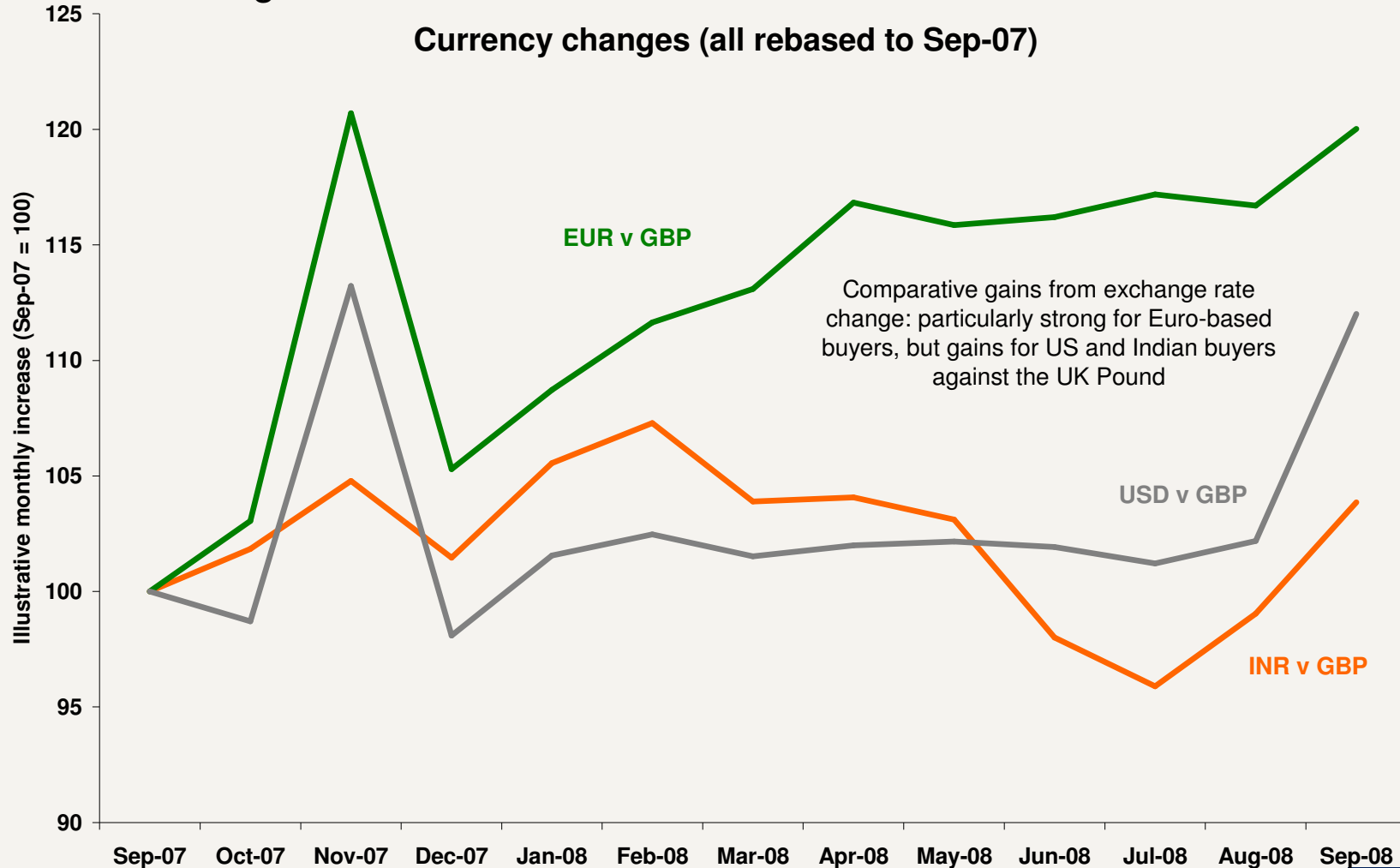
THE WIDELY REPORTED DECLINE IN UK CAPITAL VALUES

- Major UK mortgage providers paint a similar picture of declining capital values year-on-year



FAVOURABLE CLIMATE FOR FOREIGN CURRENCY INVESTORS

- The devaluation of Sterling has created an extremely favourable climate for foreign investors in the UK



THE MARKET NOW OFFERS SUBSTANTIAL Y_oY DISCOUNTS

- The discount available on Sep-07 house prices & currency changes are shown below

	Discount on House Price Index	Foreign Exchange Discount Rupees-Sterling	Foreign Exchange Discount Euro-Sterling	Foreign Exchange Discount USD-Sterling
Sep-07	-	-	-	-
Oct-07	1%	2%	3%	-1%
Nov-07	2%	5%	17%	12%
Dec-07	1%	1%	5%	-2%
Jan-08	1%	5%	8%	2%
Feb-08	1%	7%	10%	2%
Mar-08	3%	4%	12%	2%
Apr-08	5%	4%	14%	2%
May-08	7%	3%	14%	2%
Jun-08	9%	-2%	14%	2%
Jul-08	11%	-4%	15%	1%
Aug-08	12%	-1%	14%	2%
Sep-08	14%	4%	17%	11%

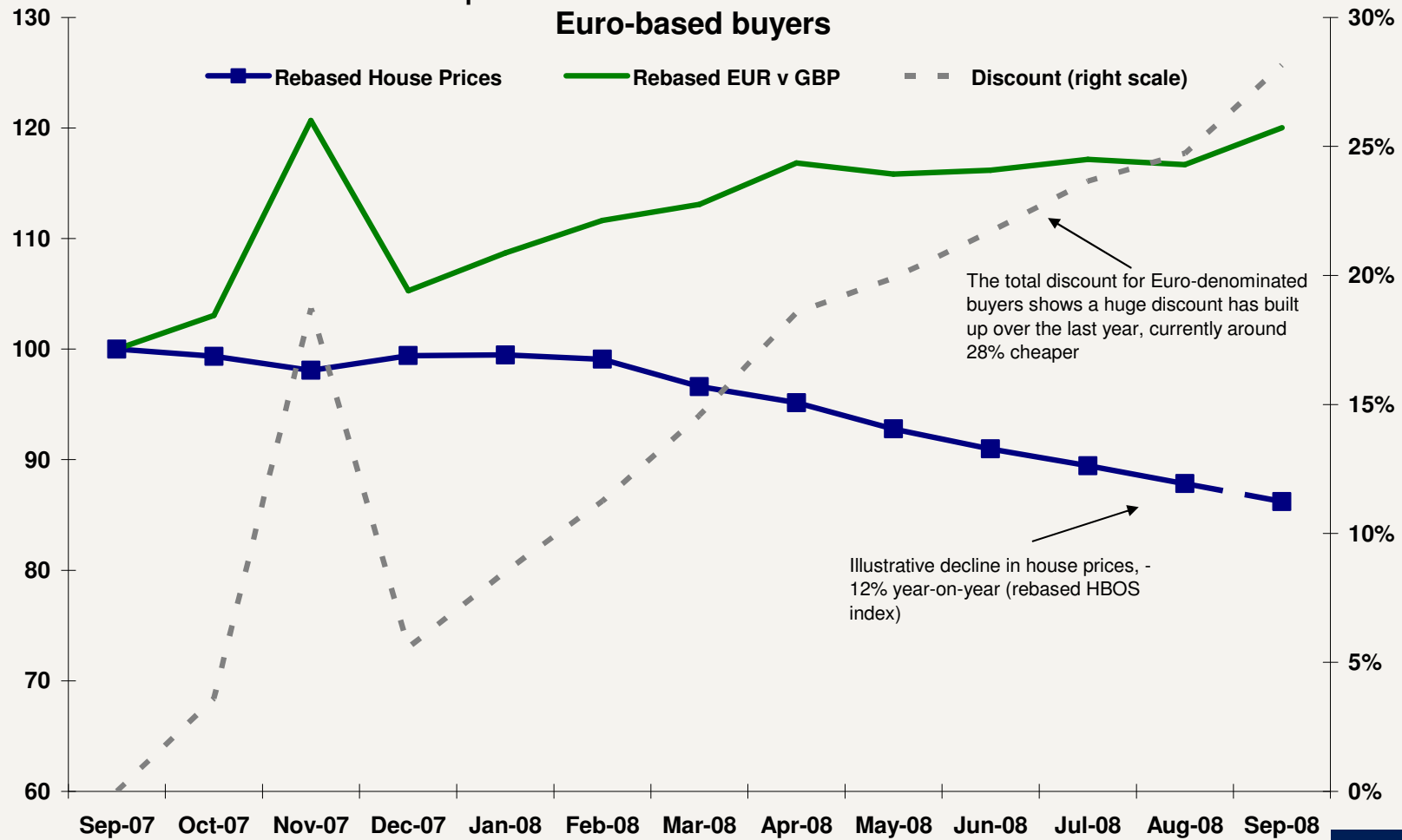
COMBINED DISCOUNT BASED ON PRICE & CURRENCY EFFECTS

- The discount available on Sep-07 house prices & currency changes are shown below

	Total Discount (INR currency + HPI)	Total Discount (EUR currency + HPI)	Total Discount (USD currency + HPI)
Sep-07	-	-	-
Oct-07	2%	4%	-1%
Nov-07	6%	19%	13%
Dec-07	2%	6%	-1%
Jan-08	6%	9%	2%
Feb-08	8%	11%	3%
Mar-08	7%	15%	5%
Apr-08	9%	19%	7%
May-08	10%	20%	9%
Jun-08	7%	22%	11%
Jul-08	7%	24%	12%
Aug-08	11%	25%	14%
Sep-08	17%	28%	23%

ILLUSTRATION OF THE DISCOUNT AVAILABLE

- The chart below shows the combined effect of falling house prices + positive exchange rate gains. Euro-based buyers can acquire property for 28% less than Sep-07



ADDITIONAL DEVELOPER DISCOUNTS

- When the discounts offered by developers under pressure to sell stock are factored in, UK new build property can be acquired for 35-40% less than this time last year, depending on the currency in which the purchase is funded.
- The developer discounts, which can stretch to as much as 30% of previously quoted pricing, will only exist while stock available and as developers are reducing their sites, this will reduce over time.
- In addition, the underlying rental yields for residential properties in the UK have improved due to the reductions in capital value. In the last quarter, initial yields in the region of 7.5% were achievable.
- Plus, the margin between rental yield and interest costs is likely to improve as interest rates reduce (expectation of base rates reaching 3.5% by Q2 2009)

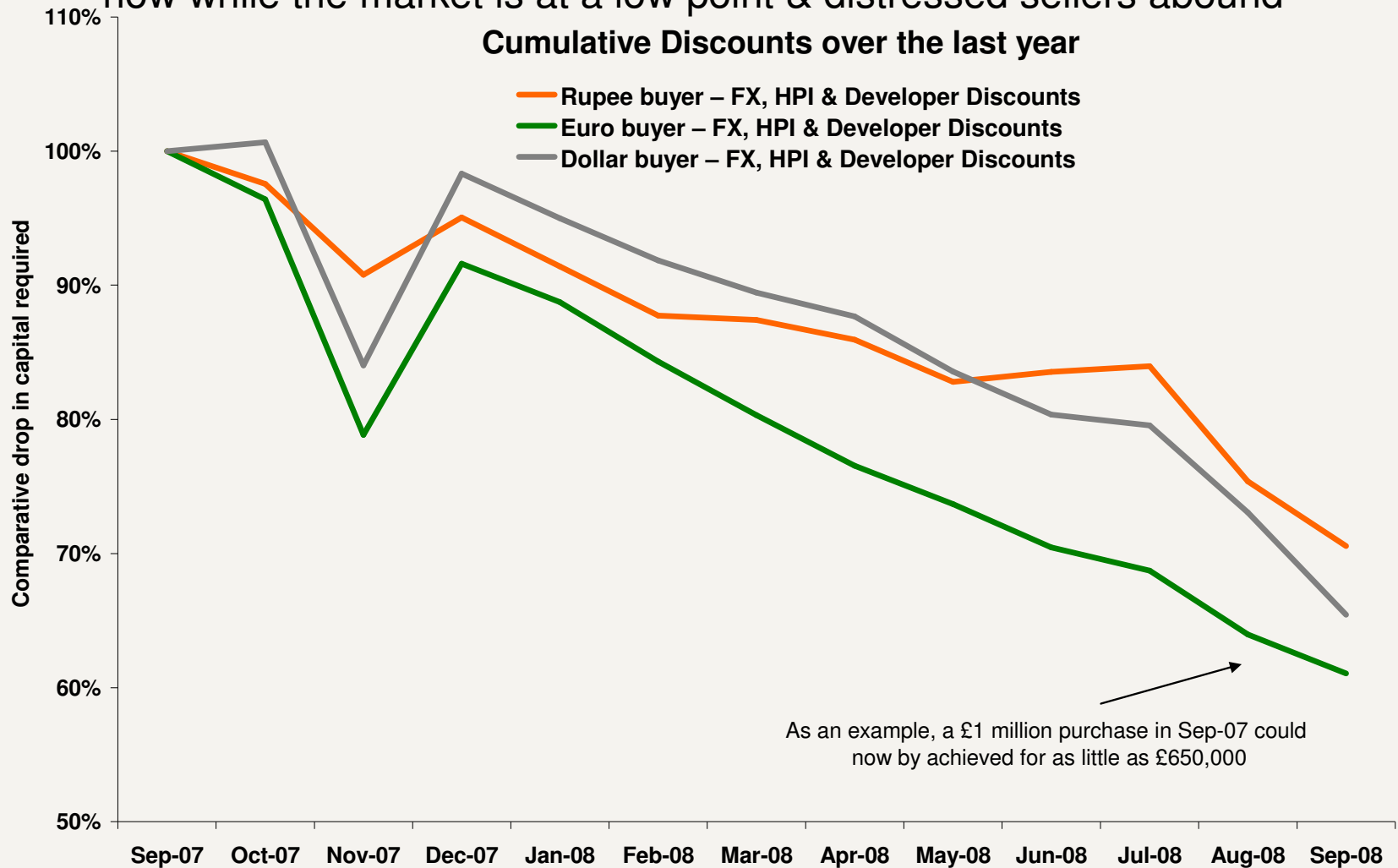
THE ADDED IMPACT OF DEVELOPER DISCOUNTS

- The combined effect of all three measures: exchange rate gains, falls in the house price index, and developer discounts equals large savings

	Incremental Developer Disc Available	Rupee buyer – FX, HPI & Developer Discounts	Euro buyer – FX, HPI & Developer Discounts	Dollar buyer – FX, HPI & Developer Discounts
Sep-07	-	-	-	-
Oct-07	0%	2%	4%	-1%
Nov-07	3%	9%	21%	16%
Dec-07	3%	5%	8%	2%
Jan-08	3%	9%	11%	5%
Feb-08	5%	12%	16%	8%
Mar-08	6%	13%	20%	11%
Apr-08	6%	14%	23%	12%
May-08	8%	17%	26%	16%
Jun-08	10%	16%	30%	20%
Jul-08	10%	16%	31%	20%
Aug-08	15%	25%	36%	27%
Sep-08	15%	29%	39%	35%

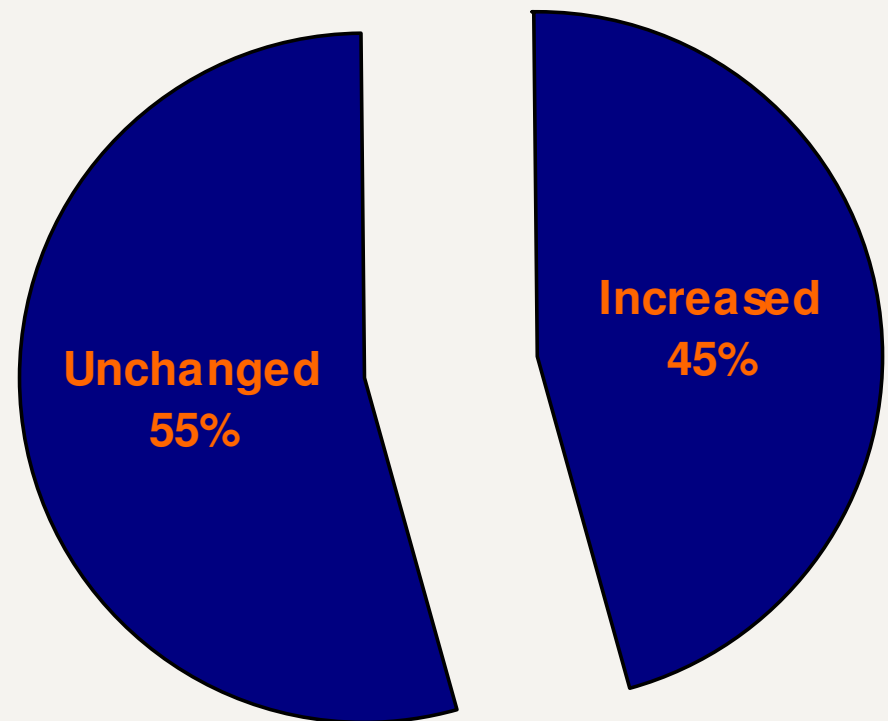
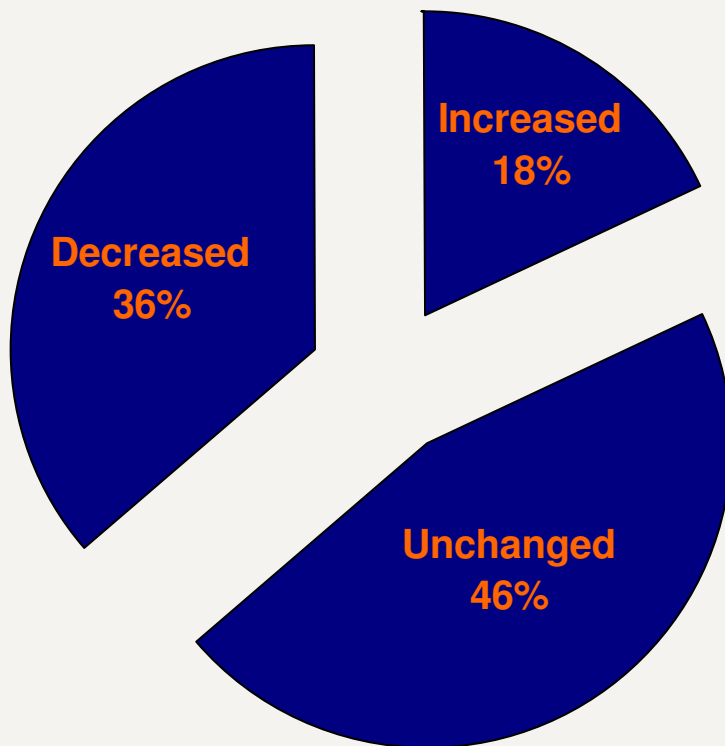
ILLUSTRATION OF THE TOTAL DISCOUNT AVAILABLE

- The chart below shows the comparative ease of acquiring UK property now while the market is at a low point & distressed sellers abound



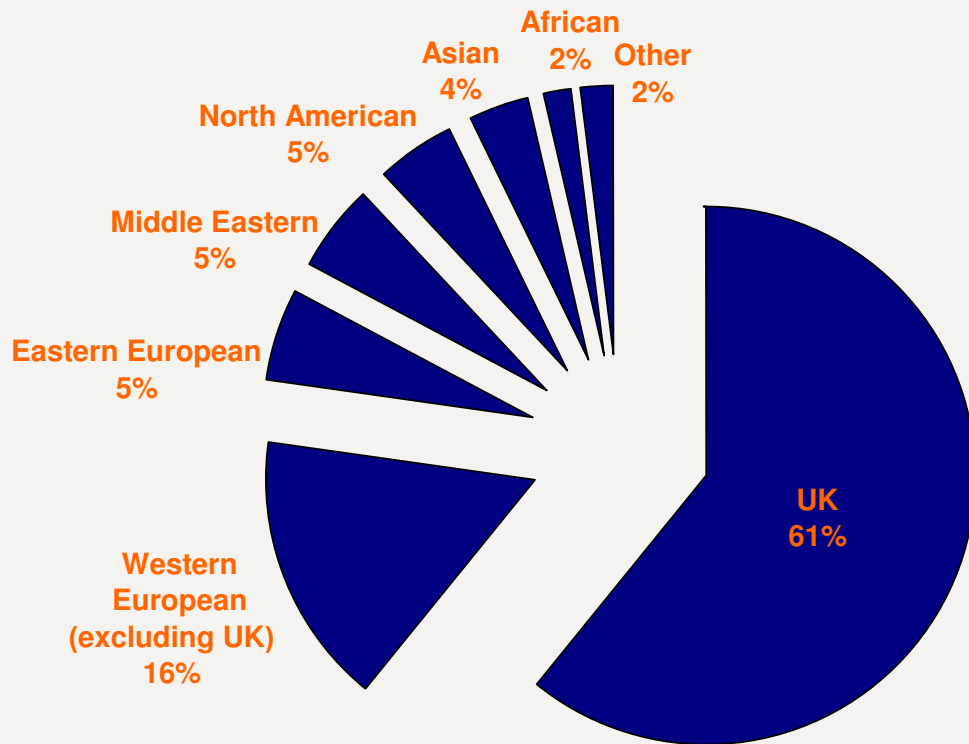
WHERE ARE CUSTOMERS COMING FROM...

- According to a recent survey of agents...
- How has the number of foreign **buyers** changed?
- How has the number of foreign **sellers** changed?

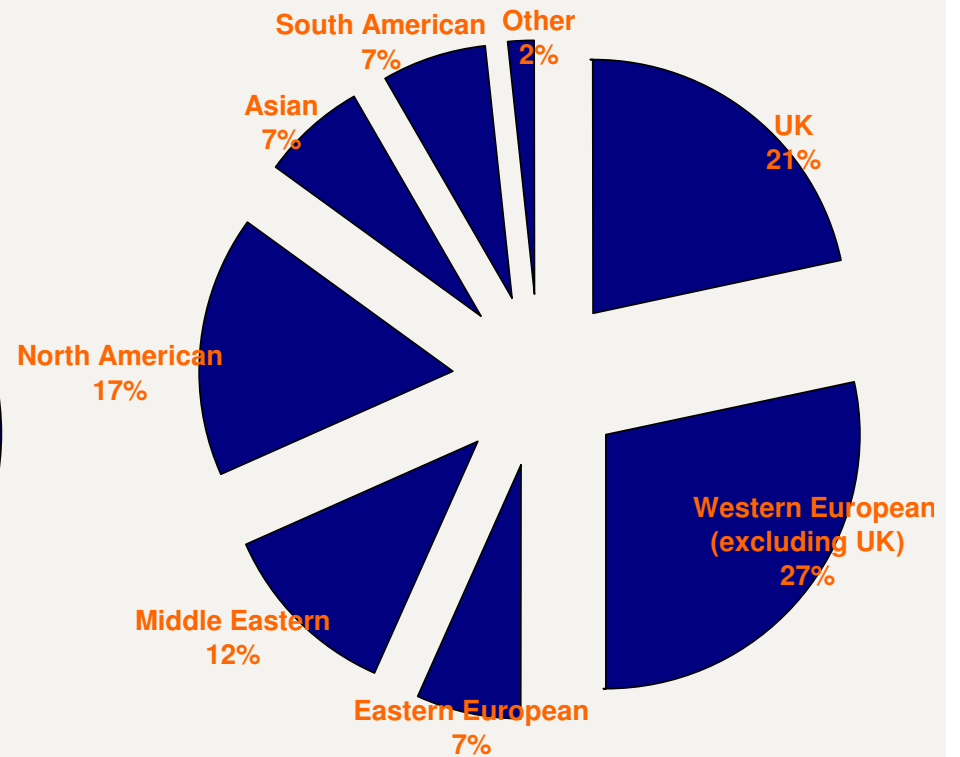


WHERE ARE CUSTOMERS COMING FROM...

- Buyers looking for a **home as a residence**



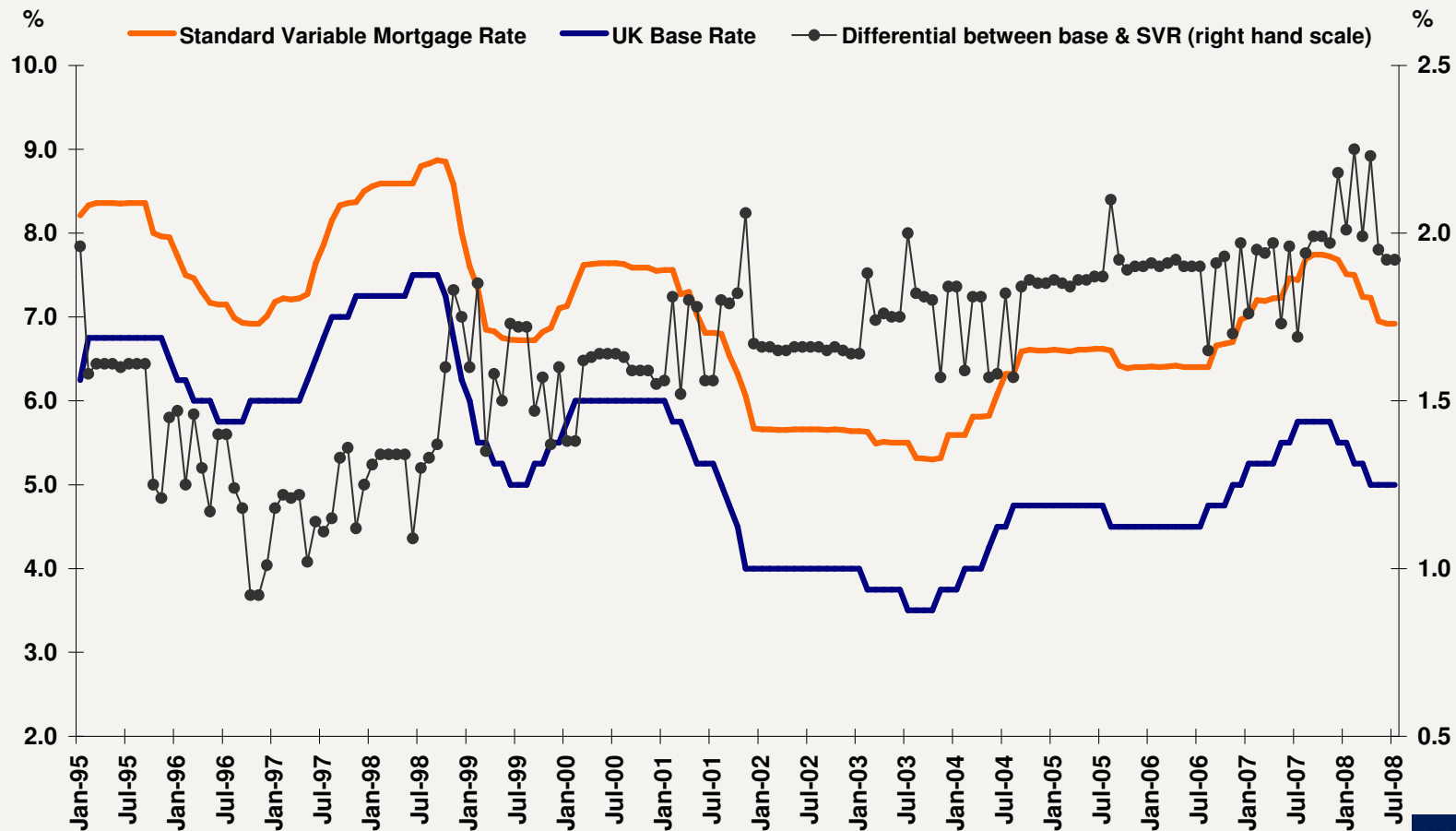
- Buyers looking for **investment property to let**



THE ROAD AHEAD... WHY THE MARKET WILL RECOVER

- Widespread consensus on recovery growing, lending will be the first step
- The gap between the base rate and SVR is still 17% higher than its long term average. However, positive signs show this gap is decreasing month on month.

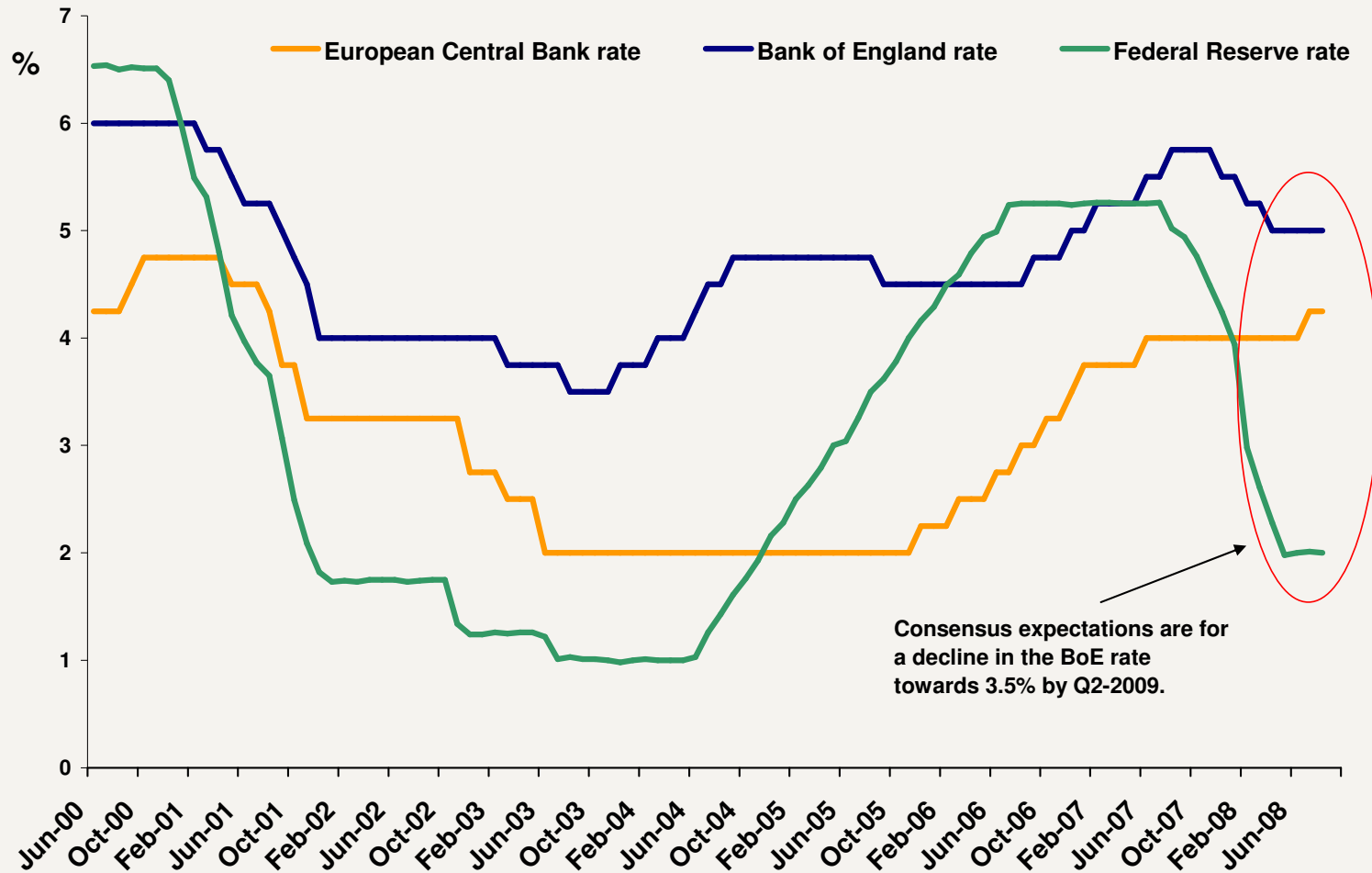
Base Rate, SVR & the differential



Source: BoE

WHY THE MARKET WILL RECOVER...

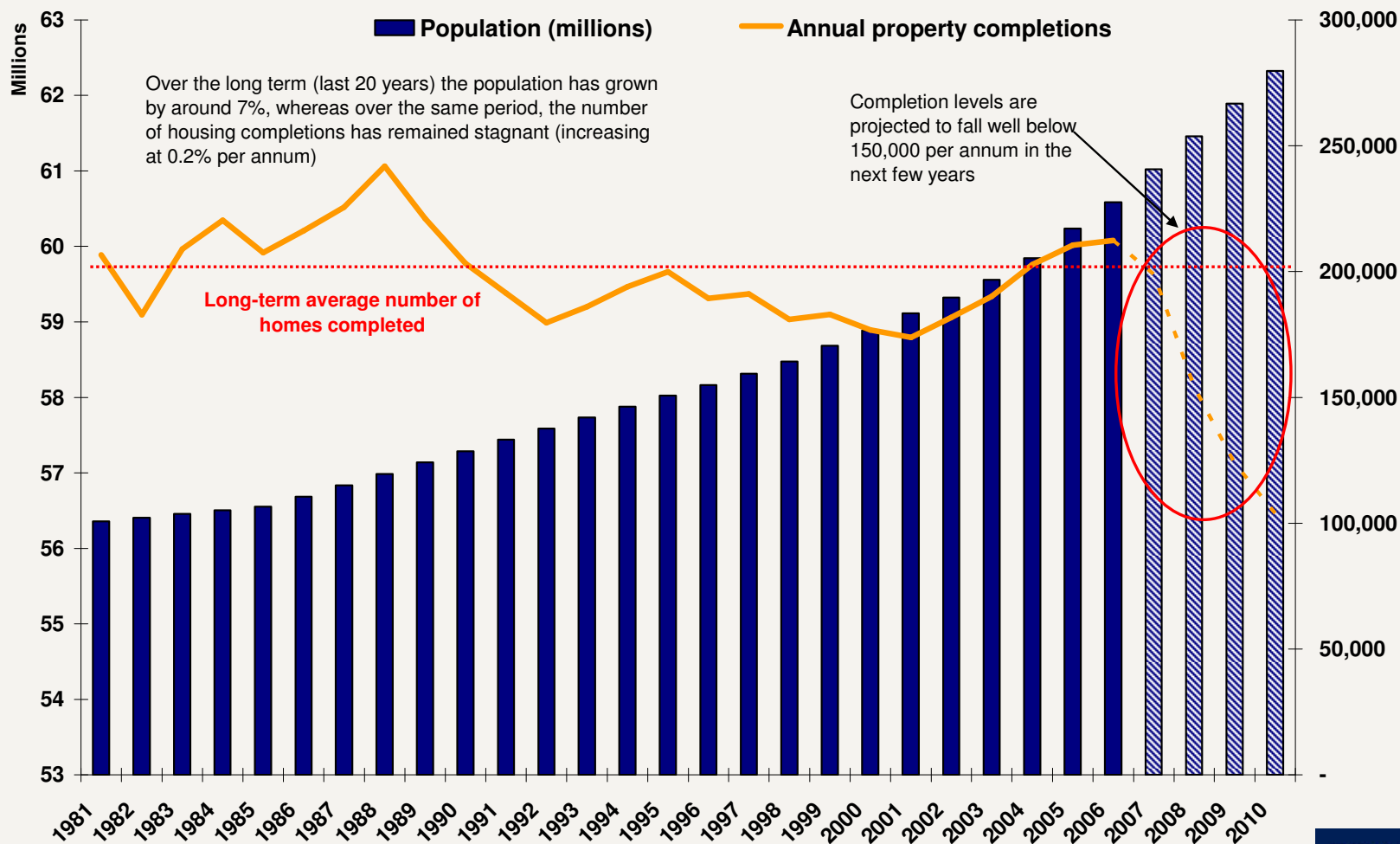
- Bank of England still has the scope to cut interest rates... if inflation can remain in check. Base rates falling will stimulate demand & improve the profit margin between interest cost and rental yield



Source: BoE, Federal Reserve, ECB (Sep 2008)

WHY THE MARKET WILL RECOVER...

- The discounts currently available will not be around for long
- Significant population growth is not being accommodated, with completions well below the targeted 3 million new homes by 2020

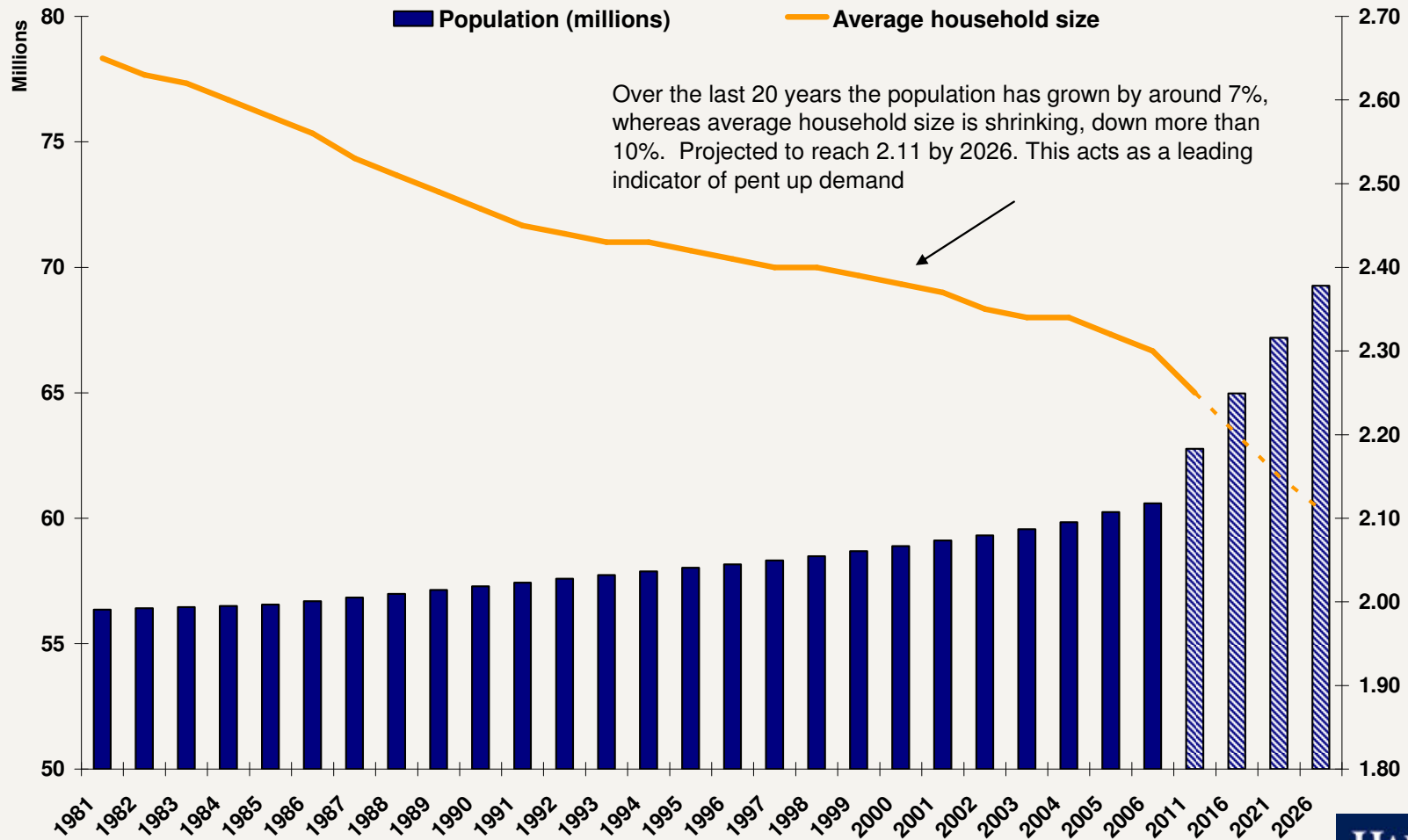


Source: DCLG, ONS, Hamptons International



WHY THE MARKET WILL RECOVER...

- Similarly the rate of population growth & particularly the rate of new household formation illustrates the continued need for residential property. Based on government figures, to adequately house the entire population at a ratio of 2.11 per home, around 32 million homes would be required by 2026 (an increase of 6 million from the current stock of 26 million homes)



Source: DCLG, ONS

