

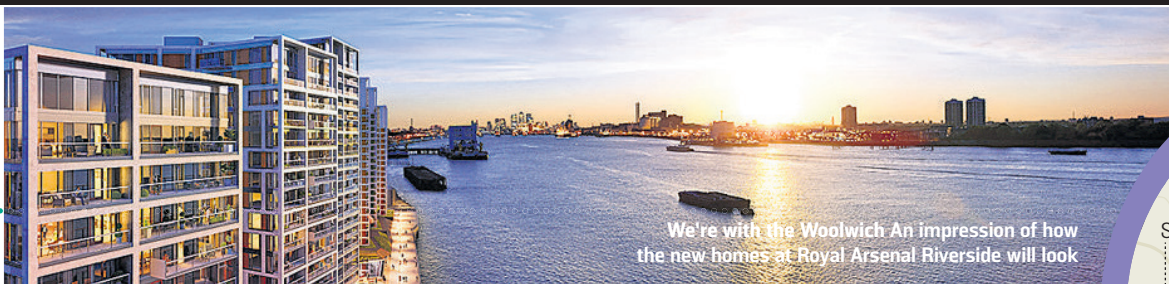


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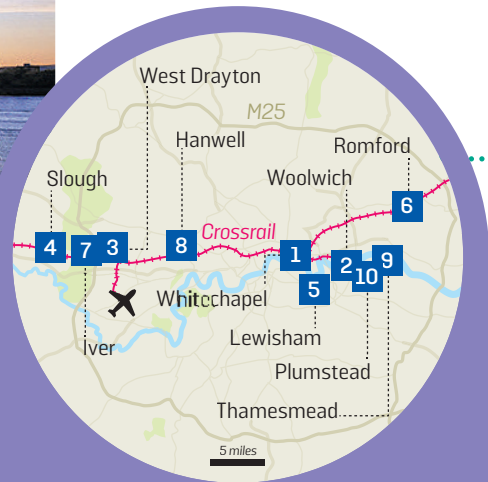
# THE SUNDAY TIMES

August 2 2015

HOME



We're with the Woolwich An impression of how the new homes at Royal Arsenal Riverside will look



## On track for a profit

**W**hen it comes to investing, Natalie Brendish, 27, is not the adventurous type. “I don’t want to make a mistake.” Yet in December she put most of her eggs in one basket: a one-bedroom buy-to-let flat in Whitechapel, east London, where a high-speed Crossrail station will open in 2018. Bought for £335,000, it let within two days at £1,452 a month — a healthy 5.2% annual yield — despite being above a bank on a busy road. Now she’s buying a second one. “I don’t think the London market is going to slow down. It’s always going to be a place people want to live.”

London property has long been seen as a safe haven for investors. But as George Osborne targets landlords by tightening tax breaks and possibly giving the Bank of England new powers to limit the number and size of buy-to-let mortgages, investors should balance future house-price growth with a stable rental income.



£167,000

### THAMESMEAD

Reduced from £180,000, this tenanted one-bedroom flat on the fourth floor of a modern block (no lift) in the development hotspot of Thamesmead lets at £750 a month, for a gross yield of 5.4%. **020 8290 9911, buy2let.com**



£515,000

### WHITECHAPEL

On the ninth floor of Skyline Plaza, with 24-hour concierge and close to Tube, DLR and rail stations, this two-bedroom flat has great views and use of a roof terrace. It would let for £1,990 a month, yielding 4.6%. **020 7236 8398, hamptons.co.uk**

But where to look? Follow the developers: many are leaving the city centre for the suburbs, convinced that there will be stronger demand from Londoners priced out of zone 1. In the year to June, the number of new homes started in outer London rose almost 60%; in the centre, it fell 43%, says the property services group JLL.

Stricter rules governing buy-to-let mean it is more important than ever to pick the right place to invest — and Crossrail is key. **Martina Lees finds 10 hotspots**

Finding the right income/growth balance is a daily quest for Robert Weaver, who sources homes for the crowdfunding investment platform Property Partner (propertypartner.co). Since its launch in January, it has funded 23 London buy-to-let purchases worth more than £6m by selling shares to 3,000 people, some of whom invested as little as £50. Weaver previously oversaw property investment at Royal Bank of Scotland, and looks for property that “will sell in any market, to any buyer”.

His formula? Look for new transport links, regeneration and gross yields above 4.5%. Like Brendish, he buys near Crossrail stations: “We’re seeing prices rise on a monthly basis.” Yet Weaver believes the full value has not yet been priced into the market: a City trader, for example, must wait three years for an 18-minute Crossrail commute from Ealing, west London, so is still buying in Chiswick, closer in. “The real value will come when the trains start rolling.”

In exclusive research for Home, JLL and Rightmove have crunched the numbers to find development hotspots within half a mile of Crossrail stations, with a vibrant feel and average gross yields of about 4.5% on two-bedroomhomes. “They tick all the boxes for renters, but also offer growth potential for landlords,” says Neil Chegwidan, research director at JLL. Here are Home’s top 10 buy-to-let areas in and around London for budgets under £500,000.

#### 1 WHITECHAPEL

4.6% Shares in a two-bedroom Whitechapel flat bought by Weaver for £435,000 sold out in 34 minutes on Property Partner. No wonder: this scruffy East End area could soon be another Shoreditch. More than 1,000 high-end new homes are being built and coffee shops are popping up. Young renters can walk to the City and Brick Lane’s clubs, and when Crossrail opens, Bond Street will be 10 minutes away. JLL ranks this as the top spot to benefit from Crossrail, predicting 54% price growth by 2020. According to Rightmove data, prices for two-bedroomflats average £508,101 and rents £1,933 a month, for gross returns of 4.6%.

#### 2 WOOLWICH 4.9%

One of only two Crossrail stops in southeast London, Woolwich will offer some of the capital’s biggest savings in journey times—Canary Wharf will be eight minutes away, down from 19. Extensive regeneration is underway: Berkeley is building 5,000 homes



Natalie Brendish bought a buy-to-let flat in Whitechapel

### The nearly new sale

What type of property should you invest in? Listen to the bankers: Robert Weaver, who oversaw investment at Royal Bank of Scotland and now sources homes for the crowdfunding platform Property Partner, prefers second-hand new-build flats. It is “hard to anticipate expenditure” with period

homes, he says, and, from 2018, new rules will force you to upgrade properties with poor energy-efficiency ratings. “Plus, tenants won’t pay extra rent for marble fireplaces. If it’s an investment, it’s an investment — it’s not your own home.” Brand-new flats, while solidly built and with good

energy ratings, sell at a premium for all that shininess. But buy them a few years on and “any glitches would have revealed themselves”. To limit service charges, Weaver targets blocks of 12–24 flats, with parking on site — but not underground, as that is expensive to maintain. He also likes small two- and three-bedroom houses. “You’re in control, not the freeholder.”

at Royal Arsenal Riverside, its £1.2bn redevelopment of a British armed forces munitions factory, and there is a new public square, library, civic offices and a large Tesco. Prices are relatively affordable now—two-bedroom homes average £342,989, with yields of 4.9%—but JLL expects a 52% uplift within five years.

#### 3 WEST DRAYTON 5.2%

Yes, this suburb at the junction of the M25 and M4 is near Heathrow, but that has its advantages: half of the airport’s 76,500 onsite employees rent nearby, as do people who work at the vast Stockley Business Park, which hosts Apple, GlaxoSmithKline and BP. The area is up to 40% cheaper than adjacent Uxbridge: the average two-bedroomhome in West Drayton costs £269,373 and yields 5.2%. From 2019, four

off-peak Crossrail trains an hour will almost halve the journey time to Bond Street to 23 minutes. Which is why JLL predicts prices in this “thriving town” to double by 2020.

#### 4 SLOUGH 5.8%

John Betjeman may have wanted it bombed, but Slough is getting a £1bn makeover, with 500 new homes, a curved library and a cool new bus station to replace the eyesore that appeared in Ricky Gervais’s *The Office*. The Berkshire town is also home to several company HQs, including Mars, O2 and Black & Decker. Trains to London Paddington take only 20 minutes, but with Crossrail you’ll be able to reach Canary Wharf in 45 minutes. All of which “should raise the appeal of Slough, but this may take time,” says Chegwidan, who predicts prices will rise 45% in

five years. Two-bedroomhomes now average £229,588 with 5.8% yields—the highest gross return among these 10 buy-to-let hotspots.

#### 5 LEWISHAM 4.5%

Subject to one of the largest regeneration projects in south London, Lewisham, in zone 2, is also central. The £230m scheme is to connect the rail and DLR stations to the town centre—currently cut off by the A20—with a new park and shophlined walkways. Costa and H&M have opened, and 1,000 new homes have been completed in the past two years, says Johnny Morris, head of research at Hamptons International estate agents. “But there is good older new-build and period stock that gives landlords a good yield and benefit from capital uplift as the area changes.” The average price of a two-bedroomhome in SE13 is £322,000, with rental returns at 4.5%.

#### 6 ROMFORD 5.7%

One of the largest towns along Crossrail’s northeastern route, Romford has a vibrant centre that has seen significant homebuilding in the past decade. Yet there is “plenty of scope” for more, Chegwidan says, with vacant sites and older properties ripe for conversion. “However, this is far from guaranteed.”

JLL predicts 43% uplift by 2020, with the average two-bedroomhome in this “low-value area” now priced at £232,956. This means strong gross returns of 5.73%.

#### 7 IVER 4.8%

You might not have heard of Iver, a small village with a handful of shops between Slough and the M25, but you have probably seen it. Pinewood Studios is located here, and some of James Bond’s outdoor scenes in *Goldfinger* were filmed in nearby Black Park. A family favourite, with plenty of interwar semis and detached houses, especially around upmarket Richings Park, Iver will be only 26 minutes from Bond Street, down from 45, when Crossrail opens. Despite a shortage of development land, JLL forecasts five-year price growth of 48%. Two-bedroomproperties average £275,000, with 4.8% yields.

#### 8 HANWELL 4.2%

The next Crossrail stop after Ealing Broadway and West Ealing, where two-bedders now average £614,795 and £507,777 respectively, Hanwell is more affordable at £388,231, with 4.2% yields, according to Rightmove. Old Hanwell has an attractive

grid of Victorian terraces, and will benefit from quicker access to the train station when its southern entrance reopens with the arrival of Crossrail. Despite yummy-mummy cafes replacing kebab shops in the town centre on Uxbridge Road, the area has not yet seen huge Crossrail uplift in value, says Morris. “Hanwell is a solid bet for west London, with journey times to TottenhamCourt Road reduced from 35 to 17 minutes.” JLL estimates values will rise 46% in five years.

#### 9 THAMESMEAD 4.9%

Three-quarters of Thamesmead properties listed on Rightmove are sold or under offer. “That was unheard of a few years ago,” says Weaver, who has bought two two bedroom houses in this southeast London suburb for Property Partner. Just north of new Crossrail stations at Woolwich and Abbey Wood, this Thameside area is getting a £305m “garden suburb” by the developer Peabody. Hamptons puts the average two-bedroomprice in SE28 at £222,000 and yields at 4.9%.

#### 10 PLUMSTEAD 4.9%

One stop away from Woolwich and Abbey Wood Crossrail stations, Plumstead will also benefit from new bridges planned over the Thames at nearby Thamesmead and Belvedere, expected to open by 2025. Posh delis are in short supply, but Peabody is building 870 new homes by 2024. Prices for two bedrooms in SE18 have risen 9.1% in a year to an average of £225,000, according to Hamptons, with gross yields of 4.9%. A cottage facing the common, the prettiest area, would sell for £260,000, Weaver says. “Could I see this one double in a couple of years? Yes.”

### Beware red tape

The rules are changing for buy-to-let, as the chancellor tries to prevent a bubble.

■ Landlords who are in the higher income-tax brackets will only be able to claim relief on their mortgage interest at the 20% basic tax rate, instead of 40% or 45%, under budget changes to be phased in over the next four years.

■ From next April, landlords can no longer claim a flat 10% tax break for wear and tear, only actual costs of replacing furnishings.

■ Ministers are considering giving the Bank of England powers to tighten buy-to-let mortgage rules.

■ From October 1, landlords must fit a smoke detector on every floor of a rental property, as well as a carbon monoxide detector in rooms with a solid fuel appliance, such as a woodburner. Check that these work at the start of each tenancy, or face a £5,000 fine.