Soho

A local market review
Soho snapshot

Synonymous with London’s thriving theatre district, bustling Soho is situated in central London within the prestigious borough of Westminster. Home to some of the world’s most famous restaurants, bars and private members’ clubs it has come a long way since its days as a less salubrious area. In recent years its residential market has flourished, attracting significant interest from discerning buyers looking for the external charm of period buildings, combined with the high specification interiors found in new build apartments. This surge in popularity has resulted in average property prices in Soho increasing by 84% since 2010.

Location

Situated in the heart of the West End, many of London’s tourist attractions like The British Museum, Somerset House and the National Gallery, together with restaurants like The Ivy and Hakkasan are within walking distance of Soho. In addition, the area is well served by a network of buses and underground stations including: Leicester Square, Covent Garden, Holborn, Charing Cross, Piccadilly Circus, Oxford Circus and Tottenham Court Road.

Tottenham Court Road station is currently undergoing a £1bn facelift, both below and above ground. This is the most significant transport investment in the West End for decades, and is required to accommodate the extra 70 million people that Crossrail will welcome to the area per year. In fact, our research suggests that the substantial increase in connectivity will increase residential values in the area by 2.9% per annum, over and above the average house price growth in London, in the period prior to its opening.

In addition, traffic congestion in the area is set to ease with the removal of the one-way traffic system that has historically hindered the area. These overall improvements in connectivity have already seen the area start to attract high profile office occupiers like Google, which has taken up space at Central St Giles and Facebook, which is now located on Rathbone Square.

It is estimated that the addition of Crossrail will significantly reduce travel times for commuters, from Soho to Canary Wharf to 12 minutes, Soho to Stratford to 13 minutes and Soho to Heathrow to under 30 minutes.

Retailers

Members clubs

Restaurants

Hotels

Theatres

Offices

*Michelin star
Local demographics and economic trends

The population of Westminster is currently estimated at 239,294, having increased by 32% from 181,286 in 2001. This is expected to reach 258,774 in 2021, a further increase of 8%. As a result of this population growth, the number of households in Westminster increased by 21% between 2001 and 2011 to 110,000, and this is expected to increase by a further 20% by 2021, bringing the total number to 132,000. This represents growth of approximately 2,200 households per year.

However, despite this marked demand, since 2009 only 3,259 new homes have been built across the borough resulting in a significant shortfall of housing. As a result, and typical of London overall, demand for homes is hugely outweighing supply and this is fuelling price growth.

This strong demand is reflected in the fact that, across Westminster, 63% of units currently being built have already been sold off plan.

Westminster is an affluent borough, with average earnings of £74,550 in comparison with the London average of £43,519. It has a high proportion, 10.3% in comparison with the national average of 3.5%, of residents defined as: ‘Alpha Territory’.

These people are defined as the most wealthy and influential people in Britain, often in positions of power in the private and public sectors; whether as owners of their own businesses, as bankers in the city, as senior managers in industry or as top lawyers, surgeons or civil servants as well as a small but influential group of celebrities in sport, the arts and entertainment.

More specifically, there are currently 3,054 people resident in Soho. Although this has doubled from 1,412 since 2001, it still only reflects 1.4% of the entire population of Westminster.

The transformation of Soho from a leisure destination to up-market residential area over the last few years has seen an influx of both young entrepreneurs looking for a central London apartment, and empty nesters looking to down size to a pied-à-terre.

Soho has a proportionately strong private rental sector, making up 57% of all residents in comparison with 41% across Westminster as a whole.
Housing market trends

In the post-recession recovery period London’s housing market has performed strongly, outperforming the wider UK market by a significant margin. Prices across the city are now 43% above their previous peak. Price growth over the last year now sits at 12%.

Activity in the new build market remains extremely strong and demand is high, with 67% of the 51,448 new build homes under construction already sold. This is the highest absorption rate of new build stock in recent years.

In addition, the government has recently announced more favourable terms for the Help to Buy scheme in London. To reflect the higher prices, first time buyers in London will have access to a 40% help to buy loan (compared with 20% currently). This loan is interest free for five years and offered on new build properties up to £600,000. This incentive is likely to stimulate the market by encouraging first time buyers. This increase in demand should have the roll-on effect of further boosting the development market.

House price growth across Westminster has been extremely strong over the past few years, rebounding almost immediately following the Global Financial Crisis and consistently outperforming wider London. In fact, since its deepest trough in 2009, prices in Westminster have increased 88% while those of London have increased 73%.

This brings average property prices in Westminster to £989,700 and those in London to £503,430, equating to Westminster yielding a premium of 98% over the capital as a whole.

Looking more specifically at Soho, average property prices currently sit at £1,554,054 – 57% higher than the Westminster average. Comparatively, those in nearby Covent Garden come in at £1,323,254 while averages in prime central London sit at £1,631,551.

In terms of growth, prices in Soho have increased by 84% from £843,664 since 2010. This is a significant outperformance over London as a whole. Prices grew by 33% on average, over the same timeframe, as well as those recorded for prime central London where growth over the same period was 65%. However, nearby Covent Garden, arguably an area a step ahead of Soho in its residential revival, performed even better – growing by 97% since 2010. This is understandable given that it is further ahead on this path, but we expect Soho to follow in Covent Garden’s footsteps over the coming years.

Much of the stock within Soho consists of office to residential conversions. These combine the preserved aesthetic charm of historic exteriors with the high specification interiors found in modern new builds. In fact, 30 such schemes began construction in the wider borough in 2015.

Traditionally, much of the stock in Soho has consisted of office to residential conversions, with 52% of stock over the past five years falling into this category. However, recently the local authority has placed limitations upon new applications and now an impending shortage looms. When coupled with the increase in demand and new buyers that the area has seen in recent years, this supply/demand imbalance can only boost Soho property prices further, taking them well into prime central London territory.

Increase in Soho prices since 2010

84%

Soho stock over the last five years that were office to residential conversions

52%

London’s new build market

![Graph showing London's new build market]
House Price Growth forecast

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Price comparison

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Average house price index (Base = Jan 2007)

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Sources  
CBRE, Land Registry, Molior, Rightmove

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