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### **Prime Central London property prices rise 0.8% in March - average value of a home in London now more than double the UK average**

Five years on from the low in prime Central London property prices and the Knight Frank Prime Central London property Index stands some 68% higher than its March 2009 reading in sterling terms. According to Knight Frank, prices of PCL property rose 0.8% in March and ended the calendar first quarter 7.5% higher than a year earlier.

Meanwhile the latest figures on the wider UK residential property show the gap is widening between house prices in London and the rest of the UK, despite prices rising across every region in the UK in the first three months of the year. Record low mortgage rates, improved lending conditions and an emerging economic recovery in the UK are supporting the property market.

According to building society and leading mortgage provider Nationwide, prices in London rose 5.3% in Q1 compared to 2.6% across the UK and 18.2% over the past 12 months compared to an average 9.2% rise across all UK regions. The average house price in London is now more than double the average house price across the UK

### **Rising global geopolitical risks - PCL property well placed to benefit from safe-haven capital flows**

Geopolitical risks have taken centre stage in recent weeks, reinforcing once again the attractions of prime Central London property as a welcome safe-haven asset and wealth diversifier from the often unstable, occasionally volatile political backdrop to wealth creation in emerging markets.

Grabbing the majority of international headlines has been the stand-off between Russia and the rest of the world over the former's aggressive response to the unrest in the Ukraine. However, Kiev and the Crimean peninsula have been far from the only settings for political discord in recent weeks. In Turkey, the economic miracle has descended into political chaos. In Egypt, violence is now a part of daily life. Even in the Middle East there are rising tensions between the Arab states. Saudi Arabia, Bahrain and the United Arab Emirates recently withdrew their ambassadors from Qatar "to protect the security and stability of their nations" in an extremely rare public spat in the Gulf.

Longer-term we see political instability as doing nothing but bolstering the argument for diversifying emerging market wealth into potentially more secure developed world assets including PCL property. With major elections later this year in a host of emerging market countries, political instability is likely to continue to funnel capital from emerging markets into prime London property.

Short-term concerns about the enforced absence of Russian buyers on prices look overdone. At Black Brick a new Russian client in the process of selling his business and relocating to London has had to put the move on hold due to recent events. No doubt there will have been others similarly affected.

However, Russian investors were among the first to diversify their wealth and take advantage of low London prices in the aftermath of the financial crisis. Consequently, Russian money has not been a particularly significant force in PCL for a number of years as international demand has diversified. Russians account for under 5% of our own client base and, we suspect, a similar amount of market as a whole.

### **Extension of higher taxes for homes bought via corporate structures announced in March Budget. Threshold reduced from £2m to £500k**

Closer to home, politics have also dominated the local media in the wake of the UK Budget on March 19th. New measures impacting our client base were limited. Stamp Duty at 15%, an annual tax charge and capital gains tax on disposal are now applicable to all properties worth more than £500k bought through company structures, extended from the measures applicable to homes above £2m bought via corporate structures announced in the 2012 March Budget.

Importantly, properties bought through company structures for genuinely commercial reasons including for rental and development remain exempt from the 15% rates and the annual tax charge. We advise all clients to seek professional advice on tax matters if there is any uncertainty.

Camilla Dell, Black Brick Managing Partner, says "The Chancellor's original measures, announced in March 2012 and in force since April 2013, have had little impact on demand levels for PCL property. What they did do was bring deals that might have been structured using offshore companies back on shore. Given the cost of setting up and maintaining a company structure, very few investors were using offshore corporate structures to buy property at the lower end of prime Central London even before this latest tax hike. There is now a strong incentive for any owner holding property in a corporate envelope to let it out."

### **Supply shortage, broad and strong international demand still the main story in PCL property**

In the wake of some extremely productive visits to both the Middle East and Asia new client sign up at Black Brick remains strong - reflecting continued support from a broad international investor base for prime Central London property despite a strengthening pound. As highlighted in our last two newsletters, domestic buyers have also returned in force to the PCL market in recent months helped by continued low interest rates and an improving UK economy.

On the supply side the available pool of properties for sale remains extremely limited. While there is certainly an emerging and welcome pipeline of development projects across London this new supply is still significantly short of expected demand. Such simple but powerful market dynamics point to continued support for PCL property prices over the longer-term.

Through a wealth of industry contacts built up over many years and helped by a strong industry reputation, at Black Brick we have the added advantage of being the first port of call for many agents acting on behalf of 'soft' sellers - those who for a variety of reasons do not want to sell their home on the open market.

More recently we have also had great success in creating our own supply for clients with targeted mail drops and good old fashioned door knocking in specific areas. The prospect of attractions of a swift and discrete exchange with cash-rich buyers with minimal disruption is clearly attractive to potential vendors who otherwise may be wary of the traditional open market route.

### **Black Brick Property Acquisitions of the month**

Recent transactions for our client base include a two bedroom two bathroom first floor apartment with lift in a period building in Culford Gardens SW3, the heart of Chelsea, right next to Sloane Square. The property was on the market for £1.85m but we secured it for £1.725m for our premiership footballer client. The property is a long term rental investment. Click [here](#) to view this case study.

On the rental side, we also recently found and secured a long-term rental in Campden Hill Road in Kensington W8 for a French client relocating to London for the next few years. Click [here](#) to view this case study.

Elsewhere, we were delighted to secure an extremely rare family home in St John's Wood recently for a repeat Black Brick client. We had helped our client find an apartment in the same area in 2007 and with a growing family spending more time in the UK than had been the case previously, our client decided more space was required. Family houses for under £10 million are difficult to find in the St John's Wood area, where demand outstrips supply by a significant margin.

Through our contacts we identified a wonderful family home, with 8 bedrooms, garage and garden, measuring some 4000 sq feet. The property was located in Cavendish Avenue, arguably one of St John's Wood best addresses, and home to Beatles legend Sir Paul McCartney. Owned by a trust, the property was on the market at a competitive price which inevitably attracted additional interest and ended in the usual sealed bid process. We won the bid with a purchase price of £7.65m, equating to £1870 per sq foot, significantly less on a square foot basis than other similar houses have sold for on the street

historically. Click [here](#) to view this case study.



**We're ready when you are.**

We would be delighted to hear from you to discuss your own property requirements and how we may be able to assist you. Should you wish to arrange for a non obligatory consultation, please contact us:

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