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Off-market, offshore and with higher offers - what Black Brick's business says about the market

Part of the value that we offer our clients at Black Brick is the inside track on the trends influencing London's prime residential markets, with a view to spotting opportunities and avoiding pitfalls. While we collect market intelligence from a range of sources, patterns within our own business also provide important insights. We thought it would be informative to share some of the highlights of our latest review, which compared our business in the first six months of this year with the same period in 2018.

For this half, the number of transactions on which we've advised has risen by 50%, worth a total of £42.9 million, up from £39.3 million in 2018, when a very large purchase boosted the overall figure. We have bought properties in 10 postcodes, 80% of which were period and 20% new build.

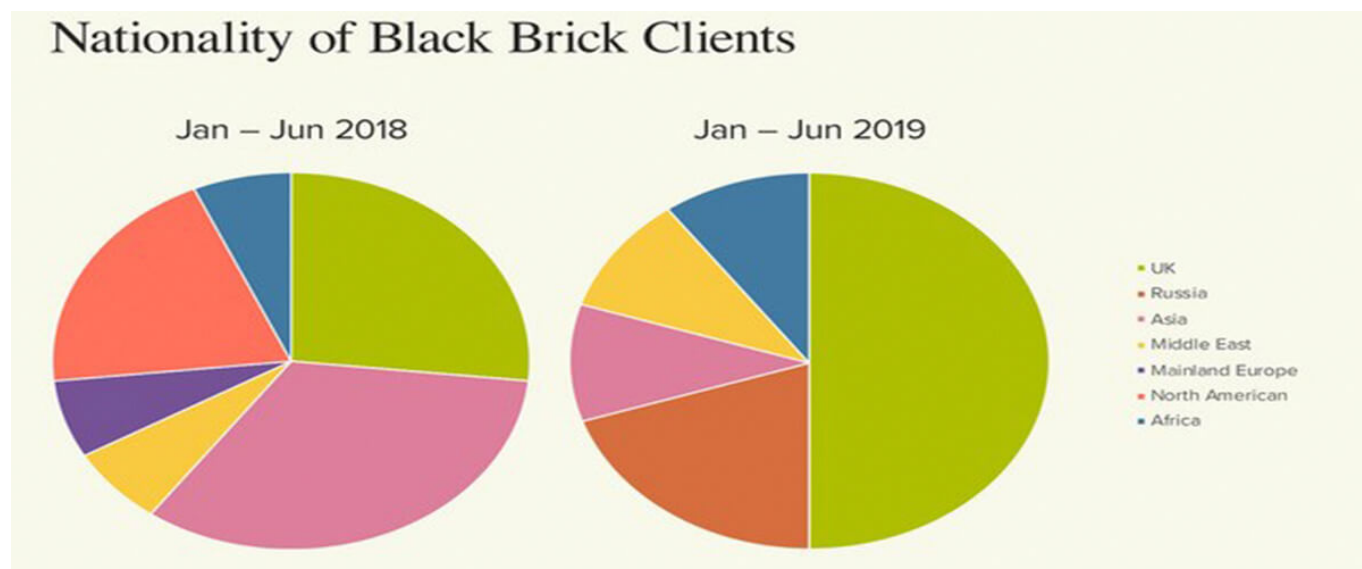
A number of themes emerged from our analysis:

The continuing popularity of going off-market - We have commented before on the attractiveness to some buyers of the off-market route to a sale. In the first six months of last year, almost a third of the properties bought by our clients had never been advertised on a property website but were instead offered directly to potentially interested clients. This year, that figure has ticked up slightly to a third.

"Given the slow market in recent years, some vendors have preferred not to widely advertise their property - including any potential price reductions they might have been forced to offer," says Caspar Harvard-Walls, Black Brick Partner. "While this

strategy can certainly make sense for vendors, it does mean that unrepresented buyers, i.e. those not working with a buyer's agent, are missing out on a big part of the market. Our data consistently shows that 30% of the transactions we are sourcing are not being advertised - that is a huge part of the market that buyers without help are missing out on. It remains to be seen whether this trend continues as the market picks up, but there will always be sellers who for various reasons, including confidentiality, choose to sell off market."

Changing geographies - One of the most striking statistics is the relative decline of UK buyers in favour of Asian and North American clients. In the first six months of 2018, half our clients were based in the UK; this year, that percentage has dropped to a quarter. Meanwhile, one-third are from Asia (up from 10% in 2018), and a fifth from North America (which was unrepresented last year).



"These buyers are typically buying in dollars, meaning that the UK is a particular bargain given currency movements over the last few years," says Camilla Dell, Managing Partner at Black Brick. "When you combine the fall in value on London property with the depreciation in sterling, US dollar buyers are seeing a near 38% reduction from what they would have paid for a property in June 2014. London also remains a haven for many of our clients: with renewed tensions in the Middle East, and protests rocking Hong Kong, London represents stability, the rule of law and - Brexit notwithstanding - long-term economic prosperity."

One nationality that is not represented this year among Black Brick's clients is Russia. "The cooling of relations between the UK and Russia has certainly shut down demand for London property from wealthy Russians," says Harvard-Walls. "You can't blame them: they've certainly been made to feel unwelcome by the UK authorities."

A firming market - This year Black Brick has secured lower reductions on the asking price, on average, than during the first six months of 2018. Perhaps counter-intuitively, this is a positive development, as it shows that vendors are becoming more realistic about their initial asking prices.

"Over the last couple of years, sellers have been reluctant to accept the extent of price falls, with high asking prices colliding head on with the reality of the market," says Dell. "This year, with price falls tailing off, the market is finding its level, and buyers and sellers are closer together than in the past."

There is growing evidence that London's prime property market may have bottomed out. The *Financial Times* recently reported a slew of indicators - from data firm LonRes, estate agents Savills and Knight Frank, and web portal Zoopla - showing prime prices holding steady and transaction volumes rising in the second quarter of 2019.

Interest on the rise - Perhaps the most encouraging statistic that has emerged is the number of new applicants we have added to our books in the last six months; we have just under twice as many clients seeking properties this year than in June 2018.

"For a growing number of people, 2019 is the year that they want to get on with their lives," says Dell. "People have been putting purchases on hold for a couple of years, and eventually it's time to say, 'let's get on with it'. We look forward to helping them find the right property as the market recovers."



Boris Johnson moves into Number 10

Boris Johnson has been elected leader of the Conservative Party, stepping into Theresa May's shoes to become Prime Minister of the United Kingdom. The favourite in the Tory party leadership race won 66% of the votes of party members to take the keys to Number 10 Downing Street.

Johnson's primary challenge is to deliver Brexit; he has pledged that the UK will leave the EU with or without a deal on 31 October. However, a majority of MPs opposes a no-deal Brexit, leading to speculation he may be forced to call an early election.

Aside from Brexit, Johnson's team has been working up proposals for domestic policy, including a [review of Stamp Duty](#). He has been reported as planning to abolish the tax on homes worth less than £500,000, and reversing Stamp Duty increases on more expensive properties. He is also said to be planning [reversing the Stamp Duty obligation from the buyer to the seller](#). That that would reduce the bill faced by those climbing up the property ladder, and exempt first time buyers entirely.

"A move to reverse the stamp duty increases put in place by George Osborne, when the top rate increased from 7% to 12%, would be very good news," says Dell, "particularly for the London market, which has been suffering from an onslaught of tax hikes on property since the end of 2014."

"We would welcome a review of current property taxation, particularly the 3% surcharge and proposed 1% additional charge on foreign buyers, which has had the effect of pouring glue into the market and resulting in a dramatic fall in the number of transactions happening on an annual basis," she says. "Furthermore, a move to cut stamp duty on homes below £500,000 would clearly benefit the first-time buyer market. In our opinion, this should only apply to first-time buyers and not investors."

"However," Dell warns that "the market needs to treat promises made by Boris Johnson with real caution."

RANKED IN Chambers HNW 2019 Black Brick

Chambers recognises Black Brick

Leading legal publisher has once again featured Black Brick as a recommended adviser in its annual [HNW Guide](#), the *Who's Who* of the world of private client advisory.

Unlike some awards and rankings, entries to Chambers' guides are based on independent research undertaken by the firm. Its entry for Black Brick quotes a property lawyer describing the firm a "very well regarded in the marketplace," continuing: "The people are tremendously well networked."

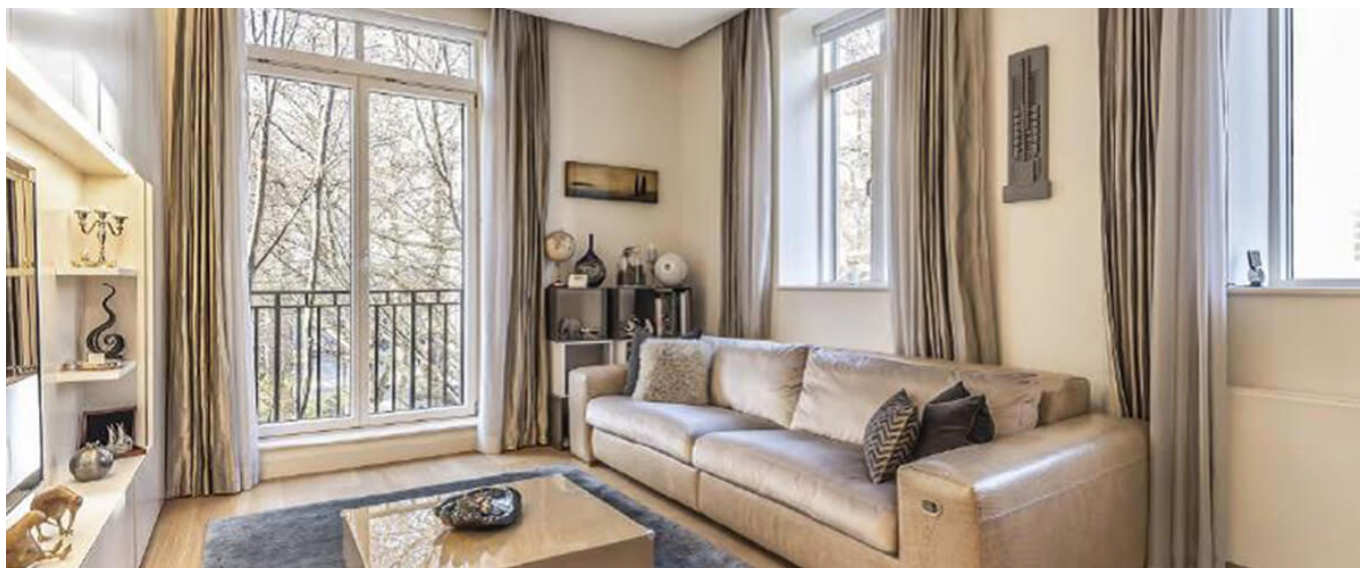
It also describes Dell as "an absolute force of nature," quoting another source adding "She is one of the greats of this world, she's absolutely brilliant, she's running a phenomenally good business." Harvard-Walls is also praised, as "the epitome of professionalism and diplomacy".



Acquisition of the month: Young Street, Kensington, W8 - £6,750,000

Our clients were seeking prime central London investment property for reasons of wealth preservation and diversification. Taking a mid- to long-term view, and seeking rental income as well as capital appreciation, they considered the current market as a good time to enter, given the fall in property values and depreciation of sterling, effectively giving them a 37% discount compared with buying in June 2014. They were initially open to new build, freehold blocks and individual units across a number of prime areas, with a goal to buy at least six apartments within their budget.

After educating our clients on different parts of London, and the various prices and rental yields possible, we eventually sourced this superb bulk discount purchase of [multiple one-bedroom units](#) in one of the best new-build boutique developments in Kensington. We negotiated hard to secure the units at a significant saving, resulting in a 3%+ projected gross yield. We will now help our client find suitable tenants and we will manage the portfolio of properties via our dedicated [Property Management Service](#).



Managed sale of the month: Westminster Green, Dean Ryle Street, SW1 - £1,150,000

Our clients were looking to sell a smartly converted [two-bedroom apartment in Westminster](#). Tough current market conditions have resulted in several properties in the same building being unsuccessfully marketed over the last 24 months, presenting a challenge to achieving a sale.

However, our Managed Sale Service is low-volume and high quality, giving us the focus and dedication to deliver in the toughest markets. After several months of viewings and negotiations with a number of prospects, we successfully identified the right buyer for the apartment. Once the sale was agreed, we adroitly managed the legal process to ensure that contracts were exchanged within just four weeks.”



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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