Black Brick

Finding perfect properties

Market Update

December 2013

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Capital Gains Tax (CGT) extended to non UK residents owning UK property

The recent announcement from UK chancellor George Osborne that Capital Gains Tax will be raised on the sale of properties by non-UK residents from April 2015 is unlikely to have a significant impact on the London property market in our view. It is, after all, a tax on gains – not an arbitrary tax on ownership. Moreover, the move has been widely discussed for some time and official confirmation removes uncertainty and gives clarity to potential buyers about potential tax liabilities. The change will have effect from April 2015 and will only apply to "future gains". It will be a major relief to non-residents that existing gains do not appear to be caught. It is not yet clear whether the new CGT charge will apply to all UK residential property owned by non-residents. Exempting development and let properties from the new CGT charge would significantly reduce its impact, as there is nothing to suggest that main residence relief will not be available where the property in question is (or has been elected to be) the owner's main residence. Nevertheless non-residents looking to invest in UK residential property will need to factor in the new CGT charge, and it's important for clients to take advice. We work with some of London's top tax advisors. Please contact us for details.

Improving UK economic background boosting all domestic property segments

According to the latest industry data, new prime Central London applicant registrations have soared 34.4% so far in 2013 compared to the same period last year. Property viewings, perhaps a more accurate guide to committed buyers, have risen 15% over the same period.

Growing confidence in the domestic economy and in employment prospects has seen a resurgence in central London property interest from UK buyers. Greater mortgage availability has also been a factor in supporting UK property buyers at all price levels.

UK job opportunities are at a five-year high, with more live vacancies on the recruitment agent Reed's company website than at any time since September 2008. Importantly, the improving employment backdrop also appears to be broad. For the first time since Reed began compiling data four years ago, all industry sectors and all UK regions are showing monthly and annual growth in the number of current job opportunities.

The broad-based Nationwide Building Society's monthly House Price Index posted a 0.6% rise in November for a twelfth consecutive monthly rise. The annual rate continued to accelerate too. In the twelve months to end-November the value of a typical UK home rose 6.5%, the strongest pace since July 2010.

Low corporate tax rates attracting overseas businesses and boosting demand for London homes

Meanwhile, international demand remains broad and deep. Our own roster of clients has been boosted in recent weeks by potential buyers from Hong Kong, the US, Lebanon, Cayman Islands, Nigeria, Croatia and Malaysia. Contrary to the scenario painted in the media, the bulk of these new clients are not stay-away buy-to-let investors, but owner-occupiers hunting for a new home. Budgets of our new clients range from below £1m to over £6m.

A key attraction for many wealthy overseas business people is the capital's diverse and vibrant commercial community and the UK's attractive corporate tax regime. According to international consultancy EY more than 60 multinational companies are looking to relocate global and regional headquarters to the UK over the next 18 months. Inevitably, the majority of these will be in London. EY says that the figure has jumped 50% over the past twelve months, underlining the growing momentum behind London's place at the top of the international business tree. EY also says over 5,000 new "high value jobs" will be created if all transactions were to complete.

The London economy continues to enjoy a fillip from fast growing tourism numbers. Tourist numbers to the capital rose 12.4% in the first half of 2013 compared to 2012. With a wide range of new hotel openings, major art exhibitions, high profile restaurant launches and theatre productions, visitor numbers are expected to continue to grow. News that London is to get a 24-hour Tube service at weekends in 2015 is also likely to boost the capital's economy.

Prime Central London property prices rise 0.2% in November

With a number of high profile developments and the unfreezing of capital markets further supporting development, supply in London is certainly rising. Mayor Boris Johnson recently announced plans to address a shortfall estimated at 42,000 homes a year as the London population expands from its current 8.3 million to an estimated 10 million by 2031 – the equivalent of an extra three boroughs.

But this supply, though welcome, is nowhere near enough. And with supply failing to keep pace with demand, prices have continued to rise, albeit at a slower pace than earlier in the year. In part this reflects regulatory uncertainty in the run up to the Autumn Budget statement, but buyers have also turned their attention away from core PCL to secondary London postcodes in search of value in recent weeks. According to Knight Frank prices in prime Central London rose 0.2% in November and 6.9% in the past twelve months.

2014 Forecasts: why advice could be more important than ever in the coming year

We are often asked for our forecasts for the next twelve months around this time of year. Our view on forecasts is generally that they are interesting to discuss but (like the weather and stock market forecasts) they are as often inaccurate as they are accurate.

As one agency was honest enough to admit in its 2014 forecast document: "It is also worth noting that commentators and analysts have continually under-forecasted house price growth over the past 15-20 years. This was certainly true during the boom years of the late-1990s and early-to-mid-2000s, but it has also been the case during the bounce-back following the credit crisis. Whilst this is not a scientific reason to believe our "positive" forecasts, it does suggest that we still do not fully understand the strength of the forces behind the price growth we have been witnessing."

If it is possible to generalise about prime Central London property we believe that the sub-£2m frenzy will continue in 2014. We expect competition for properties priced below £1m to be particularly heated. However, our view is that Central London is not a heterogeneous market. Prices on a per square foot basis can deviate significantly from area to area, from street to street in the same area, and from house to house in the same street depending on a whole range of factors.

This is precisely why we believe it's so important to be guided by specialist advice. If you don't know the market in-depth as a buyer or are unaware of specific factors affecting particular areas and streets, then understanding what price represents good value becomes very difficult.
Set out in the table below are the forecasts of the major agencies for Central London house price growth in 2014. Please note that when we produced the same table last year Hamptons, Savills, Knight Frank and Jones Lang LaSalle all predicted zero price growth for 2013. Barring a sharp collapse in prices in December, the PCL market is set to deliver high single digit price growth for 2013 and at the time of writing has risen every month in the year-to-date.

2014 Forecasts for House Prices in Central London and the UK

	Central London	UK
Hamptons	6.0%	n/a
Savills	3.0%	6.5%
Knight Frank	4.0%	7.0%
Jones Lang LaSalle	8.0%	5.0%
Cluttons	4.0%	n/a
Strutt & Parker	3.5%	4.4%

Chesterton Humberts	10.1%	8.2%

As at 2/12/2013

Meanwhile we predict a fairly flat year for rents in central London in 2014. Help to Buy will inevitably take some renters out of the market and with more choice for tenants than ever before, the power is clearly with potential tenants. The top end of the rental market, properties priced at £1000 per week upwards, may see some pickup in demand. We are already seeing an increase in demand from our own client base, in particular from French clients looking to spend more time in the UK to escape the high tax environment back in France. Uncertainty surrounding a possible future mansion tax may also drive more owner occupiers looking to buy homes at the £2m plus level to rent before buying and adopt a “wait and see” approach, waiting for the outcome of the next general election in 2015.

Black Brick Acquisition of the Month

This month’s feature property transaction is a £1.775m two bedroom, two bathroom apartment in an excellent building in Thackeray House SW3, just yards from the King’s Road and close to Sloane Square. Despite competition we were able to secure the property for £75k under the asking price – not a material saving but still welcome in such a fiercely competitive environment. We will also be assisting our Russian investor client with the apartment’s renovation using our trusted network of preferred suppliers. We believe there is significant scope to add value to the property through refurbishment. We will also be managing the property for our client when it is ready for a tenant.

Black Brick extends service to below £0.5m to reflect strong client demand

Since we last wrote to you we have extended our coverage to include searches for properties valued below £0.5m. The decision came in the wake of large client demand – and no obvious reason for such an arbitrary cut-off. Competition is fiercest at the lower end of prime London property. Sealed bids are the norm in the sales process – and in such a fast moving market we believe our service makes just as much sense as it does to buyers at the very top end of prime London even if the driver for using a professional search agency is necessity rather than choice. Given the depth and breadth of our knowledge and experience, we believe that we can assist all clients in all price bands in their London property ambitions. Please contact us for more details.

Finally, may we take this opportunity to wish all of our clients Seasons Greetings and best wishes for a happy, healthy and prosperous New Year.

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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