



Black Gold?

UNEARTHING
OPPORTUNITIES
IN LONDON'S
BUY-TO-LET
MARKET



Black Brick
Finding perfect properties

Why now?

A perfect storm may prove to be the perfect moment to invest in London's prime buy-to-let market. With today's unprecedented economic challenges come opportunities for the judicious investor to gain exposure to a high-quality income source at attractive valuations.

London prime residential property is at an unusual point in the cycle for the committed investor. Changes in working behaviours and social habits prompted by COVID-19, uncertainty over future government tax changes and the looming shadow of Brexit are conspiring to soften pricing in the short-term.

But London's economic resilience, historically loose monetary policy and sterling weakness combine to offer the prospect of compelling long-term returns. Late 2020 and early 2021 provide a window of opportunity to make generational investments in this market, designed to preserve and enhance diversified portfolios, and to deliver a steady stream of buy-to-let income.

Black Brick is perfectly positioned to advise, counsel, source and manage property investment portfolios for our clients.

BUY-TO-LET

The big picture

As we exit the initial stages of the COVID-19 economic crisis and take the first steps along a protracted road to recovery, macroeconomic trends are creating an intriguing backdrop for the London property market.

Under normal circumstances, a severe recession and the prospect of soaring unemployment would be a strong deterrent against property investment. But these are not normal circumstances – property markets have proved to be remarkably resilient globally in the crisis so far. Extraordinarily low central bank policy rates, with the prospect of further cuts in the UK, and rapid money creation (£300bn of QE announced this year in the UK so far) are helping to support pricing. Softer sterling is helping, too, with any further year-end Brexit strains only likely to accentuate this. Unprecedented policy interventions are helping to sustain asset prices in a way that is quite unusual, compared with prior recessions.

There is little doubt that historic and potential future tax changes have worried investors in this market, along with the uncertainty caused by the Brexit process. And fears of a 'mass exodus' from central London property prompted by COVID-19 are playing their role.

But London is unlikely to lose its crown as a major global financial centre. Moreover, it has shown great success in developing a thriving technology ecosystem, which is only likely to increase in importance in the 'new normal'. Both finance and technology have, luckily, shown strong resilience during the COVID-19 crisis. The hedge funds, investment banks, asset managers and tech giants of the city will require at least some degree of

office working in future, preserving the demand for residential property by their employees. The need for 'pied a terres' and rental demand from commuters splitting their time between town and country will be maintained. While still in the grip of the pandemic, the appeal of central London living may seem to have lost its shine – but this is only likely to be a short-term, rather than a permanent, phenomenon.

PROPERTY MARKETS
HAVE PROVED TO
BE REMARKABLY
RESILIENT GLOBALLY
IN THE CRISIS SO FAR.

Much like gold, property provides a long-term inflation hedge while also benefitting from policy-makers' attempt to stimulate economies and fight deflation.

In a world of near-zero interest rates, awash with liquidity – and with little prospect of a 'normal' interest rate cycle at all – buy-to-let residential property investment provides an attractive source of portfolio diversification, not least while public market investment portfolios are becoming increasingly concentrated in a few geographies and sectors.

London prices and sales expectations

The latest data available from the Royal Institute of Chartered Surveyors' widely-followed marked survey shows that both London price and sales expectations have rebounded sharply since this summer's lockdown (Fig 1), highlighting the resilience of property demand.

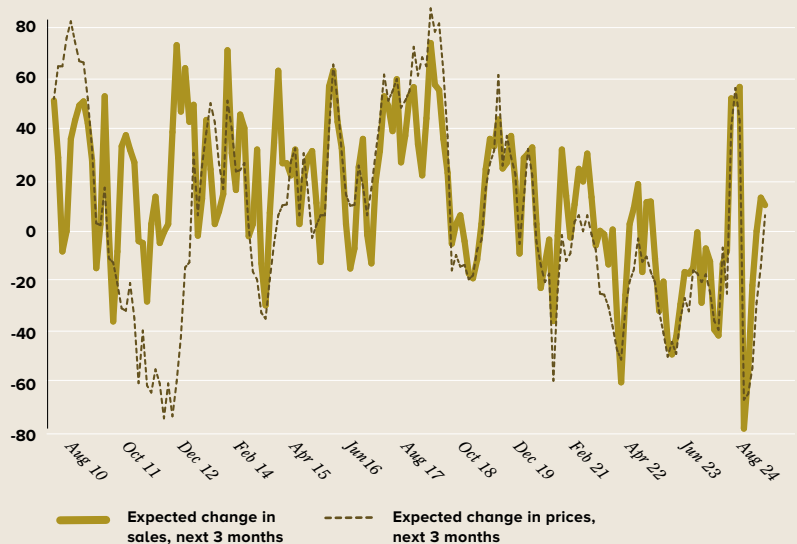


Fig. 1 / RICS SURVEY: LONDON PRICE AND SALES EXPECTATIONS

London rental market trends

Tenant Demand perked up in August but pricing expectations remain weak as the market is yet to clear. This will take some time as individuals reorganise their plans. But the slow return to work, the need for additional space for comfortable bouts of home working, and the increased appeal of walking to work, should help to support central London demand in the coming months.



Fig. 1 / RICS SURVEY: LONDON RENTAL MARKET TRENDS

BUY-TO-LET

How can Black Brick help?

Prime London property is a complex beast. Each postcode is its own microcosm and a high degree of expertise is required to identify true value opportunities. Access to the best deals requires specialist advice.

For example, annual price changes in central London ranged from -22.7% in W11 to +14.60% in W14 in the twelve months to May 2020*. Care must be taken with the shifting UK tax backdrop.

Black Brick will build up a thorough understanding of your investment objectives, provide advice on current market conditions, and preview suitable properties. We will organise property tours, negotiate prices on your behalf and liaise with solicitors. We have relationships with leading lenders, tax advisors and lawyers to ensure a seamless process. In the current environment, Black Brick's buying service comes into its own – we can attend property viewings on your behalf and provide a personalised portfolio of 'virtual' viewings to negate the need for travel or visiting multiple properties.

Beyond our advisory and transaction services, we have a dedicated Property Management Service to ensure the lettings process runs smoothly. We can organise any required maintenance or refurbishment. And we will keep you up-to-date with the performance of your investment via our bi-annual investment review.

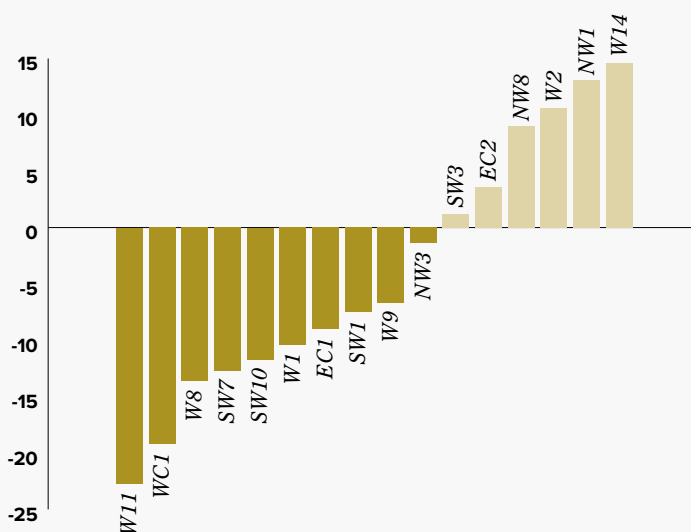


Fig. 1 / CENTRAL LONDON PROPERTY PRICES, YOY (BLOOMBERG)

BUY-TO-LET

Our track record

We have a strong record of sourcing portfolio and individual units for our clients at compelling discounts to asking price with attractive yields.



**Multiple units
in new build
developments**

**Freehold
buildings**

**Single unit
buy-to-let**

1

Multiple units in new build developments

Buying in bulk from developers is a strategy we like to use. Often we can achieve excellent discounts, and by purchasing 6 units, we are able to benefit from commercial rates of stamp duty.



Long & Waterson

SHOREDITCH / JUNE 2020

A boutique, high quality new build located in Shoreditch, consisting of just 119 units, and a location benefitting from London's thriving fintech and digital scene. We negotiated the purchase of 6 apartments in January 2020 for a combined purchase price of £4,750,000. We paused the transaction as London went into lockdown and, once conditions had improved, we successfully re-negotiated the purchase down to £4,075,000. We de-risked the purchase by removing one of the more expensive three-bedroom units and replacing it with a one-bedroom unit. We also managed to increase the overall discount to 20% from the original asking price and negotiated a one-year rental guarantee for our client.



PURCHASE PRICE
£4.075m



DISCOUNT TO ASKING
20%



£ PER SQ. FOOT
£1,000



EST. GROSS YIELD
5.5%



PURCHASE PRICE
£3.775m



DISCOUNT TO ASKING
17.75%



£ PER SQ. FOOT
£1,080



EST. GROSS YIELD
5%

Islington Square

ISLINGTON / JAN 2020

Islington Square was once formerly an Edwardian Royal Mail sorting office, retaining period charm and character combined with all the efficiencies of a new build.

We successfully sourced this superb bulk discount purchase of multiple units in one of the best new builds to come to market in north central London in recent years. We managed to secure a significant 17.75% saving on the asking price. Black Brick will manage the letting of the apartments, providing a seamless service at minimal stress to the client.



PURCHASE PRICE
£6.750m



DISCOUNT TO ASKING
18%



£ PER SQ. FOOT
£2,094



EST. GROSS YIELD
3.5%

Young Street

KENSINGTON / JULY 2019

A superb bulk discount purchase of multiple one-bedroom units in one of the best new build boutique developments in Kensington. We were able to negotiate an 18% discount to the asking price – a record discount for this particular development. We will continue to assist our client in securing suitable tenants and managing the portfolio of properties via our dedicated Property Management Service.

2

Freehold buildings

For many of our clients, owning a freehold in London is the ultimate status symbol. From an investment perspective, freehold buildings also give greater control over how the building is managed and therefore costs. For many HNW families, freehold buildings also serve as excellent future proofing for the family with flats being given to children at a later stage in life.



Lion House

MAYFAIR / MAR 2019

We were the very first to be made aware of Lion House, a freehold block of 6 apartments, located directly behind our clients' existing property, Red Lion House. Our challenge was trying to secure the property at a sensible price and to avoid the block being launched onto the open market. Having recently acquired Red Lion House, we used this as a key advantage and managed to swiftly agree terms at £7 million, saving our client 6.6% from the asking price.



PURCHASE PRICE
£7m



DISCOUNT TO ASKING
6.6%



£ PER SQ. FOOT
£1,826



EST. GROSS YIELD
5.3%



We can attend property viewings on your behalf and provide a personalised portfolio of 'virtual' viewings to negate the need for travel or visiting multiple properties.

Our client had recently sold his business and was looking to invest £20 million in the prime Central London property market. We secured Westbourne Gardens for £8.4m, a freehold building with a lift and 8 self-contained newly refurbished flats, at a 6.6% discount to asking. We also delivered a 3-year rental agreement for £450,000 per annum, with no agency fees, resulting in a net yield of 5.3%. We further acquired Ossington Street, a 5-storey mixed use building in the heart of Notting Hill. The property was under offer with another buyer, but we managed to secure the property with an attended exchange for £3m.

Westbourne Gardens

BAYSWATER / APR 2011



PURCHASE PRICE
£8.4m



DISCOUNT TO ASKING
6.6%



£ PER SQ. FOOT
£1,000



EST. GROSS YIELD
5.3%



Ossington Street

NOTTING HILL / JUN 2010



PURCHASE PRICE
£3m



DISCOUNT TO ASKING
0%



£ PER SQ. FOOT
£721



EST. GROSS YIELD
5.6%

3

Single unit buy-to-let

Not every client has the means to purchase in bulk. Single buy-to-let purchases can provide excellent portfolio diversification and can also be passed on to children at a future date.



Montagu Square

MARYLEBONE / APR 2019

We successfully agreed the purchase of this immaculate three-bedroom apartment overlooking one of the finest garden squares in Marylebone. The apartment measures just over 1200 square feet, spans two buildings, with six windows directly overlooking the gardens, and is a 10-minute walk to Selfridges and Marylebone High Street. Due to the strength of our relationship with the selling agent, we were the first through the door to view the property and submitted an offer within the first week of the property coming to market. As well as saving our clients 8% from asking price, we will also be managing the property to ensure it is rented to the best possible tenant.



PURCHASE PRICE
£2.3m



DISCOUNT TO ASKING
8%



£ PER SQ. FOOT
£2,000



EST. GROSS YIELD
2.7%



ABOUT BLACK BRICK

We are an award-winning buying agent and property consultancy, founded in 2007 and with over £1bn of property sourced. We are a highly committed and dynamic team, with over 80 years of property market experience between us. Based in Mayfair, our unique and relentless approach to sourcing the best property investment opportunities has seen us successfully through the ups and downs of the London property cycle. From the heady days of 2007, through the Global Financial Crisis, the Eurozone sovereign crises, Brexit, political and policy uncertainty and now COVID-19, we have honed our expertise to secure the best deals for our clients in all environments.

We would be delighted to discuss your future property plans. Please contact us for a no obligation consultation.

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