

The UK capital's prime central property market remains a solid long-term bet despite Brexit

Still Feel at Home in London



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On the face of it, Brexit has done more to boost the appeal of London's prime property to foreign buyers than to harm it. By depressing the value of the pound, it has handed buyers from abroad a welcome currency boost. For dollar buyers, for example, a prime central London home is close to 20% cheaper today than it was on the eve of the Brexit vote last June.

Throughout prime central London, meanwhile, agents report that the referendum vote provided transaction volumes with a welcome shot in the arm. Volumes in prime central London in the week following the June Brexit vote were up 29% on the same week a month before.

Realty Dawns Post Brexit

Few in this segment sell because they must. Many were holding out for offers that looked increasingly unrealistic as stamp duty changes brought the top rate of tax as high as 15%. Brexit acted as a wake-up call of sorts.

Over the longer term, several other economic factors will come into play. The high concentration of foreign buyers at London's centre will be one important support for prices.

The rating agency Moody's estimates that nearly half of London sales of more than £1 million are to foreign nationals. Central London agents estimate that the proportion in the most

desirable spots — Mayfair, Belgravia, Kensington and others — is closer to 70%. Most of these buyers — 78%, according to a recent report — come from beyond Western Europe, and a good chunk of them from Asia, West Asia and Latin America.

Few in this group ever spent much time scratching their heads over what closer European integration would bring the British economy. They choose — and choose — London for its safe-haven credentials: political and economic stability, the secure legal system and an easy language in which to transact. Neither these benefits nor the appeals of London living — excellent private schools and universities and a world-leading cultural offering — are likely to be diminished by Britain's EU exit.

The resilience of central London's prime housing market to the wobbles of the British economy was demonstrated during the eurozone crisis. Mayfair provides an example. This prized central London spot has long been a favourite investment choice for the richest Asian (notably Indian) and West Asian (notably Saudi Arabian) buyers, who have helped the neighbourhood to a price premium of nearly a fifth over prime central London's average.

Between March 2009 and the end of 2012 — a period spanning the end of Britain's recession, the worst of the eurozone crisis and an unprecedented British government austerity programme — Mayfair prices gained 61%. If foreign buyers were worried what the health of the British economy would do to Mayfair apartment prices, they certainly weren't showing it.

Where London's prime market could falter following Brexit is through its exposure to Britain's capital's financial sector. If banks and asset managers have to leave London for an al-



I say, this is not Bethnal Green. Property prices here will always be propah!

ternative European capital in order to protect their access to the European single market, their rich property-owning employees will have to move with them, reducing demand from this group for smart central London homes.

But the City is unlikely to give up its lead in European finance without a fight. The British government has vowed to protect London's access to Europe's single market in financial services in the deal it strikes with Brussels.

Home Delivery

Besides, the formative dynamics working on high-end London home prices far predate the referendum result. The reform of stamp duty in December 2014, with the burden shifting to more expensive homes, triggered steady average price falls across prime central London. Last year's additional 3% tax on second homes has provided an additional brake.

Significantly for investors, though, some areas have bucked the trend. In the year to May 2016, the month before the referendum vote, even as stalwarts like Knightsbridge and Chelsea were falling, Mayfair and Islington were up. Since then, Mayfair has

fallen slower than the rest of prime central London.

Meanwhile, a number of central London locations not traditionally considered part of the top-flight prime set are emerging as desirable spots for investors. The new pretenders include Victoria, Pimlico and Southbank in the south, Paddington in the west, King's Cross in the north and Shoreditch in the east.

Both these trends hint at the growing fragmentation of central London's property market. Uniform price gains have given way to more varied, local price moves, creating pockets of opportunity for the discerning buyer. Economic uncertainty as Britain negotiates its exit from the EU is likely to further complicate this puzzle, making it still harder to pick the best performing areas.

Investors will need a more granular, thorough and professional approach to identify them. Broadly speaking, however — and Brexit or no — London's prime central market remains a solid long-term bet.

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While several economic factors will be at play, the high concentration of foreign buyers at London's centre will be one important support for the property prices