PROPERTY

Property buyers take advantage of 'Brexit discount'

International investors make the most of the weak pound to secure knock-down prices

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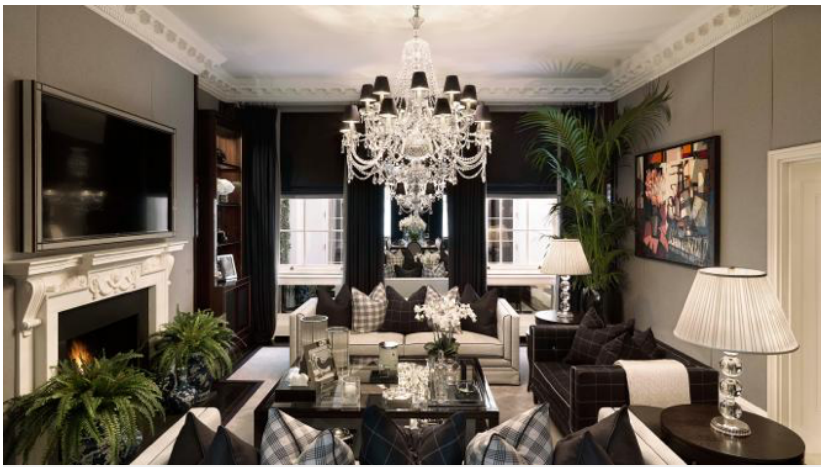

Stanhope Gate, near Park Lane, London, sold for almost £40 million late last year

International investors are taking advantage

of the cheap pound and the sluggish London property market to embark on a spending spree of new-build investment flats and mansions, which are being discounted by as much as 30 per cent.

A surge of investors from Israel, Switzerland, China, Canada, Bahrain, Oman, India, Pakistan and Turkey has poured into London in recent weeks to buy properties from desperate developers trying to offload their stock in the property market slowdown.

One leading investor, whose company has already bought £300 million of property in the UK, funded by one of his country's richest men, told *Times* Money it would accelerate its spending in the event of a chaotic Brexit, which would cause the pound to plunge farther and make flats even cheaper.

Last month the Israeli newspaper *Haaretz* reported that the London-based Israeli multibillionaire developer Yakir Gabay spent £500 million in cash on 1,200 discounted mid-range apartments in London over the past six months to let through his company Grand City Properties.

The rush to the bottom comes as house prices in London ended the year lower than they started for the first time since the global

financial crisis of 2008 and as developers started panicking at being unable to shift high-end stock.

Hometrack, the analytics group, said last month that sold property prices in London had dipped by 0.1 per cent over the past 12 months and predicted a 2 per cent fall for this year as buyers and sellers sit on their hands.

Thea Carroll, a consultant at the Buying Solution, a property buying agency, says: "Some developers who run their financial year-ends from January to December are considering discounts of up to 30 per cent this month to alleviate poor 2018 balance sheets. With sterling at a 20-month low, international buyers are having a bonanza."

Gary Hersham, the founder of Beauchamp Estates, a luxury estate agency, says: "There are a few very discreet, under-the-radar

southeast Asians, who are buying an awful lot of stock at the moment. They are looking for a bargain, but also bear in mind that Britain remains a safe haven to store money."

Jo Eccles, the managing director of the buying agency SP property group, says that she has seen a similar influx. "We are acting for a Middle Eastern royal family member who is keen to make the most of London discounts and exchange-rate savings," she says. "She will be looking to amass at least 20 properties this year."

Molior London, which monitors housing developments, found that 40 per cent of London new-build sales (2,008 properties) in the second quarter of 2018 were going to bulk buyers. However, this number has grown significantly in recent months as the market has softened and the prospect of Brexit-related chaos has deepened.

Developers of luxury flats in the Nine Elms area, near Battersea, southwest London, where there is a large surplus of stock, are offering some of the biggest discounts.

Jonathan Mount, the director of Sterling Private Office, a property advisory company, says the greatest influx is from the Middle East and China. "It is a perfect storm of

opportunity. Developers are feeling exposed because they are holding too much stock, and development finance is extremely expensive combined with weak currency and depressed sentiment. In the event of a no-deal scenario, we absolutely believe there will be a run on the market."

Foreign investors are also being lured into bulk buying properties by the prospect of saving stamp duty. Although buy-to-let landlords have faced an additional tax charge of 3 per cent since April 2016, a little-known loophole means that anyone buying six or more properties in one transaction has their purchases classified as "non-residential" for stamp duty purposes. This means lower rates apply.

Agents say the number of people buying mansions is also steadily rising. HMRC figures show a big increase in the number of homes sold for more than £10 million since the Brexit vote, with 300 residential properties worth more than this sold in 2017 — an increase of 100 from 2016. One luxury property expert says that in the last six weeks of 2018, he knew of half a dozen deals exchanging for more than £30 million in Mayfair, Belgravia, and Knightsbridge in central London.

Among these was a 12-bedroom mansion in

Belgrave Square that sold for close to £60 million and a mansion at Stanhope Gate which sold for almost £40 million.

How to bag a bargain

• Look for discounts of 30 per cent on new-build flats in London — particularly those built by larger developers.

• Wait until the spring for a “no-deal” scenario to get even better deals.

• If you’re not buying a new-build expect a smaller discount. Make an offer 15 per cent below asking price if you want to be taken seriously.

• Take a look at where the market has potential — not just where it’s flatlining. Islington and Hampstead (north London) are good bets. Kensington in west London also retains its appeal. A house there just sold for £7.7 million, which is 33 per cent less than the original owner bought it for in 2008 at £11.5 million.