

British property now looks cheap  
in our opinion as foreign buyers  
move in.



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The dramatic slide of sterling against the US Dollar and Euro currencies since 2007 has created great buying opportunities in the UK, with investors jetting in from Cairo, Singapore, Rome and New York to see what their money can now buy.

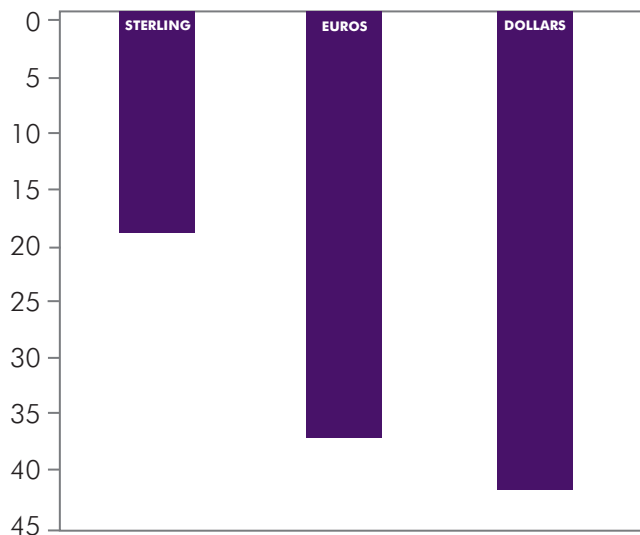
The weak pound is a great incentive to consider investing in a UK home as it is very tax efficient for wealthy individuals to base themselves in Britain. The stumbling block for a long time has been the price of UK property, but that has changed since the summer of 2007.

International buyers are finding that the combination of falling prices and improved exchange rates means that they can secure deals that cost them up to 40% less in their own currencies than they would have just eighteen months ago.

Estate agents are reporting that interest from international buyers is increasingly common this year and the UK property industry is now banking on international buyers to breathe new life into the top of the market. Experts expect the best value to be found in areas of the London market that have been hit hardest by City redundancies, including Kensington, Chelsea, Notting Hill and Holland Park and in the £1m - £2.5m price range, where mortgages have been increasingly hard to arrange this year. However, according to Paul Welch, of specialist broker largemortgageloans.com, it is more a matter of knowing where to look. "We're finding that, although the UK high street banks have backed away from large mortgages on high value properties, our relationships with the investment banks are still strong and international investors in UK property are still very welcome."

There is rising interest not only from the Middle East - with buyer numbers up 70 per cent from the end of 2007 to the end of 2008, according to estate agents, Knight Frank - but also from Europe, with the euro gaining 25 per cent against sterling over the last eighteen months; the US, with the dollar up 30 per cent; and Asia, with the Singapore Dollar up 30 per cent.

Fall in UK property prices from Aug 2007 to Feb 2009 (adjusted for currency fluctuations)



Source: Largemortgageloans.com

"People who stopped looking in 2007 because prices were ludicrous are returning," says Martin Bikhit at Kay & Co. "Even our toughest, pickiest clients are now seriously looking around because they recognise this is a limited window of opportunity. Two years ago only 20 per cent of our work came from international buyers; now I guess they account for 80 per cent."

Camilla Dell at property search agency Black Brick confirms the trend. "We're seeing a big increase in Middle Eastern, African and other dollar-linked buyers, who are now showing strong renewed interest in the London market as a great investment opportunity," she says.

Julian Sedgwick at Jones Lang LaSalle has identified South-East Asians as having "a clear competitive buying advantage" with "one particular high net worth family from Singapore already [allocating] just over £100m to invest in London prime residential and commercial property over the last 12 months."

## Case Study

An Egyptian businessman based in Cairo, is among the fortunate ones. Sammy Abd Kerim began looking for a London base in the summer of 2007 through estate agency Kay & Co and quickly found a perfect three-bedroom property on the third floor of a luxury block overlooking Hyde Park. "I come to [the city] four or five times a year so I felt it would be good to have a base where I could stay and bring my family," he explains.

He offered £2.1m for the flat, slightly below the asking price of £2.35m, but London's prime market was still at its peak at the time and the seller rejected his offer. "I walked away at the time and continued to look around," Abd Kerim says, "but in autumn last year the sellers reduced it to £2.1m and we picked up our discussion. Now I am expecting to pay £1.9m, which amounts to a reduction of almost 20 per cent on the original asking price." Crucially, since the Egyptian pound gained 26 per cent against sterling in 2008, he saved another £500,000.

He recognises that the flat's value could fall further but thinks now is the right time to buy. The market "may lose another 5 per cent but no more and prices will rise again in due course", he says. "I don't feel the need to wait longer. Even if the market falls another 10 per cent, I have saved a great deal of money on the currency exchange. In fact, I am thinking of using it to invest in a second flat to rent out, as a bonus."

Meanwhile, Andrew Langton at Aylesford International, has seen a significant growth in interest from Italians, because of the strength of the euro and coverage of London's suddenly affordable property in their national press. "Unlike some Europeans, Italians really like investing in real estate," he observes. "They consider it to be safer than the stock market."

Agent Charles McDowell of McDowell Properties says he's also working with "three or four" European clients who "now regard London as the place to be, since they can buy in effect at half price compared to 18 months ago" and with two Americans who "feel the same".

In the latter category is John Wilson, who is relocating from Los Angeles to run a finance company and now looking for a place to live in Chelsea and Kensington. "We are now more inclined to buy rather than rent but we are cautious on price," says his wife, Mary Lou. "We don't want to be caught out as we were in the 1980s in California, where values dropped by 60 per cent and took 10 years to recover."

Indeed, most international buyers are looking to purchase at a discounted price. But their interest is nonetheless good for British sellers who, once they have sold their property, will buy into the same depressed market. In the end, it may benefit British buyers as the volume of market transactions increases and spreads out from the capital, first to prime areas of Surrey and Berkshire and then beyond.



In conclusion, the decision to buy a second home in the UK is as much choice as it is about lifestyle. International jet-setters who see London as the cultural capital of the world would be interested in luxury property in the UK whatever the cost. However, informed investors with dollars or euros to spend know that sterling may rally at some point; that the current Bank Base Rate of 1% is well below the long term average of around 5%; and that there's probably never been a better time to buy.

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Changes in the exchange rate may increase the sterling equivalent of your debt.  
You may have to pay an early repayment charge to your existing lender if you remortgage.**

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