

In search of the missing millions

UK property | Prices in

London's prime market

are being slashed by up to

half – and further cuts may

be on the way. By *Hugo Cox*

When news broke that US hedge fund manager Ken Griffin paid £95m for a London mansion, it made headlines on both sides of the Atlantic. It was not the amount the billionaire founder of Citadel paid for the home that caught the attention of the media – he went on to make an even pricier purchase in New York several days later – but the price he did not pay.

The 20,000 sq ft home near Buckingham Palace, which was remodelled by property developer Mike Spink and backed by private equity group Evans Randall, had an initial asking price of £145m and had languished on the market for two years priced at £125m.

According to London buying agents, Griffin's cut-price purchase last week may be just the start, as fears grow over the health of the city's prime property market, spooking lenders and sparking an increase in heavily-discounted sales.

Falling prices and slowing sales of homes valued above £5m – transactions of such properties in 2018 were 36 per cent lower than in 2014, according to Savills – have led to banks and other lenders routinely revaluing homes downwards, agents say, and requesting more cash from developers who are already strapped. Many must now slash prices, accept low offers or face collapse.

"I have seen more repossessions of super-prime homes in central London in the last year than in the 10 years prior," says Roarie Scarisbrick of Prop-



Seven-bedroom townhouse in Westminster, £29.95m – a 17 per cent drop on its original asking price



3 Carlton Gardens sold for £95m but was first listed at £145m – Spink

'Bargain' buys

So where might bargain hunters with a spare £30m start their search? The day after the FT broke the story about Ken Griffin's purchase of 3 Carlton Gardens, £6.05m was cut from

per cent, of the home's original listing price last January. The developer, Firoka Group, knocked down the old home on the site and rebuilt the current one from scratch.

mark it down 10 or 20 per cent," says Scarisbrick.

A quarter of loans taken out at the market peak in 2014 have since faced a margin call thanks to the drop in prime home values, says Harris. "It depends on the asset: if the property is worth below £10m there is less urgency, but if you're lending on a £15m or £30m property, things will be different."

The typical loan duration is five years, he says, meaning many loans taken out at the peak will fall due this year.

Lenders are not high street banks. Even traditional private banks like Weatherbys or C Hoare & Co tend to prefer British landed wealth over the newly affluent from abroad, who have become the major acquirers in London's super-prime market, says Harris. Typically they will use large banks with a global presence, such as Kleinwort Hambros (part of Société Générale), UBS and Credit Suisse. These banks' international networks allow foreign buyers to

'I have seen more repossessions of London super-prime homes in the last year than in the 10 years prior'

use assets at home as collateral for a mortgage on a London purchase.

In March, Savills sold a home on Cresswell Place in Kensington for £25m. An agent, who wished to remain anonymous, says the home was first marketed at £42.5m in 2015 and the developer turned down an offer "in the thirties" soon after. After the receivers were appointed last February, they slashed the price to £20.95m.

Camilla Dell of prime London buying agent Black Brick recently acted for the buyer of Red Lion House, a six-bedroom converted pub in Mayfair, another repossession sale. When the bank made a further margin call to reflect the lower value in the falling market, the owner ran out of cash and defaulted, leaving the bank racing to sell the house. First marketed at £25m last year, the home

erty vision, a buying agent focused on prime central London.

Smaller, niche developers have been hit hardest, says Henry Pryor, another buying agent based in London. "A lot of the funders of these developments are offloading their positions, turning the screw on developers," he adds. "The hedge funders who thought that property was a doddle are getting out."

"It's worse for the single house developers, especially those who bought sites in 2013 and 2014 at the high point in the market," says Scarisbrick.

Jonathan Harris of Anderson Harris, which arranges mortgages for luxury homes, estimates that more than half of London properties bought for more than £5m include some type of mortgage.

With banks' appetites waning, these buyers are feeling the pressure. "It's no secret that the bank valuers are extremely cautious at the moment: when they come to revalue something there is a loan on they will



A six-bedroom house near Hampstead Heath is listed for sale at £11.95m, a cut of more than 26 per cent from its original asking price



What do you get for £95m?

Behind the Grade II-listed, John Nash-designed exterior, 3 Carlton Gardens has many of the features you might expect in any super-prime home: the pool, the staff quarters, the gym and the subterranean extension, all sprawled across nearly 20,000 square feet.

For that money, though, Ken Griffin does not get his own driveway, and must share one with the foreign secretary, whose official residence is next door.

In 2013, the home was bought by Mike Spink, developer and designer to the ultra-wealthy, for £65.5m, who completely remodelled it.

George Hammond

the price of a seven-bedroom townhouse on Cowley Street. The new price of £29.95m, through the agent Rokstone, represents a drop of 17 per cent.

The super-rich looking for something further out of town might consider the six-bedroom house on Canons Close, a cul-de-sac off Bishop's Avenue near Hampstead Heath, listed for sale at £11.95m with Glentree Estates. The price represents a cut of more than £4m, or 26

"The new price cuts out the negotiating room, not the value," says Trevor Abrahamson of Glentree Estates, sounding, perhaps, the desperate side of optimistic.

In Belgravia, an 11-bedroom townhouse in Wilton Crescent is for sale for £30m with Rokstone. This price follows a £6m cut made in November, just over a year after the home was put on the market.

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was sold in November for £15m: at £1,748 per sq ft this was a 20 per cent discount on the average Mayfair sale in 2018, according to LonRes.

While the total number of repossessions is still small, there is growing pressure on developers to reduce prices to avoid joining the pile, meaning further sharp price cuts are likely.

"Repossession is the nuclear option," says Scarisbrick, so lenders will typically go to great lengths to avoid it. As soon as the receiver is appointed, he says, it affects the perception of value in the whole market.

Mega mansions slash prices

Reduction in asking price for homes valued above £10m ○ <5% ● 5%-10% ● >10%-15% ● >15%



How to talk down a sale price

Buyers at the more modest end of the housing market can still bargain for a discount, writes *Hugo Cox*

Securing big discounts on property is not only for the super-rich looking to swoop on a troubled market. Although the sale of mega mansions is not directly comparable to normal housing transactions – the super-prime market is like the fine art market, fuelled more by hype than fundamentals, says Henry Pryor, a London-based buying agent – many of the same principles still apply.

"I have never come across a period where there has been a greater spread between initial prices, final asking prices and the prices that are paid," says

Roarie Scarisbrick of Property Vision, a central London buying agent.

For anyone looking to buy a home, the FT has asked buying agents for tips on how to talk down a sale price.

1. Be prepared

If you are able to show you can deliver the cash quickly, there is more chance of your offer being accepted. The biggest mistake buyers make is waiting until they have found their dream home to prepare their finances, says Scarisbrick.

"Before you start your search, you must have appointed a lawyer, taken the

tax advice, established how you will buy it, where the money will come from, who will provide the mortgage and how long it will take – meaning a blunt conversation with your bank or mortgage adviser," he says.

2. Research the seller

"In this market, like as not, the seller will have a problem – your job is to find out what it is," says Pryor. The agent – who is working for the seller, after all – may be reluctant to give it up, so be prepared to grill them. Favour closed over open questions, he says: don't ask why the owners are selling; ask whether they are getting divorced.

The devil is in the detail. After he has glanced in the hallway for red-top bills (a handy hint of straightened financial

circumstances), Pryor goes straight for the master bedroom. "Open the cupboards: are his clothes still hanging there, are there two toothbrushes in the bathroom?"

3. Keep your ear to the ground

The best value properties may never even come to market, with agents often handing them to favoured clients, so do your best to befriend them, and pester them with contact once you have.

Those agents not showing you a house may be a more useful source of information than those who are, says Pryor. "For every house on the market, there will be two agents who tried to get the business and failed," he says. Whether from sour

grapes or in good faith they could provide a vital insight: perhaps their offer was spurned because they priced the house too low (suggesting the current asking price is inflated).

The best source of sale leads, however, is the parents network, says Scarisbrick. If you are lucky enough to have a child at a local school – or know someone who does – leverage that. "There is no better place to gather the information you need than at the school gates."

4. What's missing?

The biggest bargains at London's top end can be found on homes that are in a great location but which are missing something, says Guy Har-

ington, who runs a £100m fund lending to developers and high net-worth buyers. A Mayfair house without a garden, he says, or a third-floor Kensington flat without a lift. Harrington has just secured for himself a walk-up second-floor flat in Kensington at a discount of 25 per cent.

5. Interrogate previous offers

If the agent says a previous offer was rejected, check how firm it was: was it in cash, was the finance in place; did the buyer have another home to sell first? Know which price information to ignore, too.

"When an agent starts talking to you about price per square foot, you know you have him on the run," says Pryor. These metrics are likely to be months out of date. Besides, how do you price the view from the kitchen window, or the fact that the home is close to your in-laws? "There are no absolute values: everyone is selling for a reason."

