PROPERTY | INTERIORS | ARCHITECTURE | GARDENS

# House & Home

FTWeekend

3747

**Sit with us** The boldest benches to buy now — INTERIORS PAGE 8



# 2020: London's golden year?

Property | Since the UK election, excitement about a market surge has been palpable. But who will benefit – and who will lose? By *Nathan Brooker*

Simon Rowell is thrilled with his new purchase. Last week, he picked up the keys to a two-bedroom flat near Clapham Junction station in south-west London, which he intends to rent out for about £2,500 a month. "I'm one of the dying breed of private buy-to-let investors," he says.

Rowell, creative director for Bannenberg & Rowell, a superyacht-design company, predicts the London property market will pick up this year, so he has snapped up what he thinks will be a good investment before it is too late. The flat cost £700,000 — just £2,000

would have bought anyway, but are speeding through their purchase to beat an additional 3 per cent premium on foreign sales that was outlined in the Conservative manifesto.

"I suspect people will keep a close eye on when that policy is likely to be announced," he says. What will happen after it is brought in? "The [prime] market will probably tank and we'll go back to continued whinging about high rates of stamp duty and people wanting it cut to get the market moving again," he says.

**Outlook for first-time buyers: improving**

"First-time-buyer numbers have been fairly static in London for the past few years, and that's likely to continue," says Hudson. "The problem is that house prices are still far too expensive for all but the luckiest of the lucky."

Growing wages and falling prices have improved affordability, but not by enough. According to Nationwide, the average price for a first home in the capital was more than £401,000 at the end of 2019 — down from more than £419,000 at

more than its sale price in January 2017, when it was new. "That represents completely flat asset appreciation from the seller's point of view," he says. "I reckon that doesn't last very long in London."

Many property agents agree. Since the Conservative party won the general election in December, some have barely been able to contain their excitement at the prospect of a 2020 surge in prices and transactions in the UK capital.

"I went from despair to elation in a matter of hours when the results were announced," says Trevor Abrahmsohn of agents Glentree Estates, which specialises in homes for wealthy buyers. "This could be a golden year."

Agents are confident partly because the Conservative majority in parliament has released the Brexit logjam, but mostly because the Labour party, led by Jeremy Corbyn, did not win. Most agents were convinced that a Labour government would have targeted the UK's luxury property market, with wide-ranging reforms to taxation and changes to laws for landlords.

Now, UK house prices are expected to rise in 2020. Savills is predicting 1 per cent growth; Strutt & Parker says 4 per cent. Camilla Dell of buying agents Black Brick thinks these forecasts are too conservative. She says prices for London's best luxury homes could rise 10 per cent in 2020.

"The attitude of sellers has already changed," says Dell. "They have become much more confident and are likely to take a much firmer line on offers."

The optimists were buoyed last week when Cheung Chung-kiu, the Chinese property magnate, agreed to pay more than £200m for a mansion on Rutland Gate in Knightsbridge, a price that makes the property the most expensive sold in the UK. If agents' predictions are right, which category of buyers stands to benefit — and which stands to lose — from a London property market surge? The FT asked experts and buyers what could happen over the next 12 months.

**Outlook for prime and overseas buyers: positive in the short term**

Luxury estate agents have described the record-breaking Rutland Gate sale as evidence that London's prime property market is recovering — and holds its appeal — after years of falling prices and low sales figures.

"A big sale like that is emblematic of the turn in fortunes that we have seen in the market since the election," says Liam Bailey, global head of research at Knight Frank. He says the number of exchanges his agency dealt with in prime central London in December was the second-highest monthly total since April 2014, when the market was booming.

Marc von Grundherr, a director at Benham and Reeves, which specialises in selling London property to overseas investors, sets the scene: "After the election, we had people who I hadn't spoken to in a couple of years ringing up, saying: 'Marc, let's really look now — what can I buy?'" In the past four weeks, von Grundherr estimates that 200 of his clients called in to their offices worldwide, interested in buying London property.

Illustrations: Sarah McMenemy

Overseas buyers should find lower prices than in recent years — especially if they are US-dollar buyers. According to Savills, the average price in prime central London has fallen by about 21 per cent since its peak in 2014. Once the currency exchange is factored in, dollar buyers today reap a discount of 38 per cent compared with five years ago.

They may soon get even more than that. Data published this week show the UK economy contracted by more than expected in November, adding pressure on the Bank of England to lower interest rates. While worsening economic conditions may not be good news for domestic buyers, the prospect of a rate cut sent the pound below $1.30 on Monday — and the weakened pound has attracted overseas buyers in search of a bargain.

But while some agents assume the recent flurry of prime London sales is an indication of renewed confidence, Neal Hudson, an analyst, says the uptick could be short-lived. He thinks that many of these buyers are from overseas and the beginning of 2018, but still 8.8 times the average London salary.

The most unaffordable period for first-time buyers was the middle of 2016, when the average property was 10.2 times the average salary.

High prices have led many people to take advantage of the government's Help to Buy scheme, which offers buyers of newly built homes an equity loan of 40 per cent in London. The scheme, set up in 2013, has supported more than 210,000 sales in England, but from next year it will be restricted to first-time buyers before it ends in 2023.

Or, at least, that is the plan. Many property experts argue that it will be difficult for the government to wean the market off Help to Buy, and the scheme will either be extended or another will take its place. The Conservative manifesto said the government "will review new ways to support home ownership" after Help to Buy is withdrawn. It also mentions "encouraging" a market for long-term fixed-rate mortgages, which could help reduce the size of the deposit that first-timers need.

Rosie Smith, 34, who works for one of the Big Four accounting firms, has been looking for the right two-bedroom apartment in north London for several months. She has decided against using Help to Buy. "I very quickly decided not to do that when I realised how much more expensive the homes are," she says. In October, research from Really Moving, a price-comparison site for conveyancers and surveyors, calculated that first-time buyers using Help to Buy in London paid about 12 per cent more compared with those who bought new homes outside the scheme.

*Continued on page 2*