

London's billionaire playground is challenged by reality of war

The possible demise of "Londongrad" may be welcomed by some but the city's real-estate firms are less thrilled about a broader clampdown on secretive foreign capital



A property being sold by Russian billionaire Roman Abramovich in the Kensington district of London.

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JACK SIDBERS

From King Constantine II of Greece and Saudi Arabia's Sheikh Yamani to Russian billionaire Roman Abramovich, London's mansions and penthouses have been a preferred haven for superrich exiles and expats since at least the 1970s.

Wladimir Putin's invasion of Ukraine, and the subsequent targeting of Russia's overseas money, threatens to end the British capital's near 50-year run as the plutocrat's playground of choice.

While plenty will welcome the possible demise of "Londongrad", the city's real-estate firms are less thrilled about a broader clampdown on secretive foreign capital.

Boris Johnson's Conservative government, embarrassed into action by Putin's war, has finally published legislation to force the disclosure of who owns London's finest addresses.

For a luxury real-estate industry that's already had a lean few years, that isn't cause for celebration.

"We shouldn't rely on the attractions of London housing being sufficiently high that people will shrug it off no matter what we throw at them," says Trevor Abrahmsohn, a broker who worked on the 2008 sale of Witanhurst, the city's biggest private home, reportedly to billionaire Andrey Guryev.

Abramovich, like many other Russians with extensive British interests, hasn't even been added to the UK's sanctions list. But he's not dallying.



Stamford Bridge home of Chelsea Football Club has been put up for sale by Roman Abramovich. Picture: Tom Delatycki Images

He's put Chelsea Football Club up for sale, as well as his London residences, according to Labour Party lawmaker Chris Bryant. These include a 15-bedroom pad close to Kensington Palace and an opulent riverside flat in Chelsea.

Opportunistic London buyers are already sniffing around for Russian bargains, several agents say; people are offering 30% below market rates, says Gary Hershman, founder of Beauchamp Estates, though there's no evidence yet of anyone selling at those prices.

This temporary burst of activity among those hoping for a fire sale hasn't quelled the anxiety of property brokers who've made fortunes from overseas tycoons drawn to the UK's previous "ask no questions" regime.

Britain's politicians have long dragged their feet over addressing the opaque foreign ownership of residential property, a store of dubious wealth for decades.

Russia becoming a pariah means they must be seen to act, especially given the financial donations made by Russians to Johnson's party.

Anti-corruption campaigners aren't convinced that this change of heart is genuine, but the new law promises to create, eventually, a register of overseas owners that are currently hidden behind shell companies in tax havens.

London: Refuge of the wealthy

Abrahmsohn, founder of property broker Glentree International, dates London's emergence as the favoured refuge of the wealthy back to Constantine II, who snapped up a mansion overlooking Hampstead Heath after a Greek coup in 1967.

Then came the Middle East's petrodollars. Former Saudi oil minister Sheikh Ahmed Zaki Yamani bought his historic Surrey manor house in 1979 as the Iranian revolution sent crude prices soaring.

The Russians showed up in force from the '90s onward, after the Soviet Union's collapse and the ensuing privatisations that minted vast new fortunes.

Between 2010 and last August, there was a 1,200% rise in the number of UK properties whose owners' correspondence address is in Russia.

Even though Russians remain in large numbers, the avalanche of money has eased somewhat since Putin's 2014 annexation of Crimea and the ruble's ensuing collapse.

Asia buyers have come to the fore instead but haven't been enough to sustain momentum in London's top-tier housing over the past half a decade.

Since the annexation of Crimea Britain has tightened rules for residents whose tax domicile is outside the UK, imposed new taxes on company-owned homes, scrapped a visa programme designed to lure the rich, and tightened money-laundering checks on lawyers, estate agents and banks.

"London is no longer the laundromat of the world," Abrahmsohn says. "The regulation tail is wagging the dog, it's almost anti-business."

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We need to encourage foreign capital to this country. We want to be Singapore-on-Thames.

Anti-corruption campaigners couldn't agree less. They argue that Johnson's new measures don't go far enough to stop London being used to clean dubious wealth.

The wave of Russian money may have subsided in recent years, but Transparency International estimates that about £1.5bn (£1.8bn) of the city's property has been bought by Russians accused of corruption and with Kremlin links since 2016 alone.

The non-profits has identified several loopholes in the draft legislation for the overseas register, including an 18-month implementation period and letting some companies claim they have no beneficial owner.

Critics also say there's insufficient funding for Companies House, the UK register of businesses that will help enforce the new rules.

The government has proposed a £500 daily fine for any overseas property-owning firm that doesn't disclose its ultimate beneficiary.

That equates to £26,000 pounds a year, or 0.000178% of the £13.5bn (£17.6bn) net worth of sanctioned Russian billionaire Alisher Usmanov who bought Beechwood House in Highgate for £45m in 2008.

"It is just too easy for them to walk around this," says Richard Murphy, professor of accounting practice at Sheffield University.

"I want to know who are the accountants, the bankers, the lawyers, the financial advisors and the estate agents to these companies — put them on record and make them subject to fines as well."