

London Property Market Comment

Monday 7 October, 2013

International interest continues to strengthen - Black Brick has seen the range of international buyers double, year on year

Domestic interest is reawakening - 30% of Black Brick's new clients are UK citizens

Bottom end of prime remains the best performing sector

Help to Buy likely to fuel competition in the sub £600,000 market and is likely to take hundreds of tenants out of the rental market

Camilla Dell, Managing Partner of Black Brick (www.black-brick.com), comments: "Sealed bids and fierce competition remain part and parcel of the market for the best homes in London as growing international and domestic demand continue to outstrip supply. From a global perspective, the recent volatility in emerging market asset classes has further reinforced the attractions of prime Central London (PCL) property as a safe-haven asset to the fast-growing global pool of high net worth individuals.

"Our own statistics paint what we believe is a very clear picture of the major trends regarding the current state of the PCL market. In the three months to end-September 2012, Black Brick completed on £32m of property for buyers from five different countries. In the same period this year, we have completed on properties with a combined value of £53m, a rise of just below 66% for both investors and owner occupiers from 10 separate countries - double the number of nationalities from 12 months ago. The overall message from both data points is, we believe, unequivocal: international interest in prime Central London is strengthening as international interest continues to widen.

"We have completed on a number of investment properties for clients at or below £1m in recent months. This segment of the market continues to enjoy the strongest price growth. Among these recent deals was a three bed, three bathroom apartment in a modern portered building we acquired for an overseas client as a buy-to-let investment for £675,000.

"Further afield, we recently completed our first acquisition of a Scottish estate. This very important Ayrshire property close to the West Coast of Scotland and with some 150 acres of accompanying land had been on the market for several years with major agencies without a single offer. We were able to match this unique property to an Asian buyer who had also been looking for the right estate in Scotland for some time. Scotland is not our usual market - nor do we expect it to be. However, we believe that high-end property is a personalised and not a commodity market, and that success is all about matching the right buyers with the right properties.

"Back in London we were recently appointed to manage the sale of a big lateral flat in Chesham Street in Belgravia. To protect his privacy, the owner did not want the apartment openly marketed and we were charged with finding a buyer privately. Contracts were exchanged in a matter of weeks for just over £11 million.

"In addition to these completed sales we have signed some 20 new clients in recent weeks heralding from countries including Nigeria, Saudi Arabia, Zambia, Turkey, Mauritius and Azerbaijan. Calls from prospective UK resident clients also gives further ammunition to the argument that domestic interest in PCL property is reawakening; 30% of our new clients over the past month have been UK citizens.

"Competition in the London market on property below £600,000 is likely to rise as a consequence of the second tranche of Help to Buy, which the government unexpectedly brought forward. In our view, the intervention into the market in this way may not be for the better. Undoubtedly, the market sub £600,000 is likely to rise and get quite competitive, particularly as the second phase isn't limited to just new build. The knock on effect is also likely to cause changes in the lower end of the rental market. Help to Buy will potentially take hundreds of tenants out of the market and could cause rents for properties valued up to £600,000 to fall. In central London, this is likely to be seen on one bed and studio flats.

"On the rental side of our business, all properties that we currently manage on behalf of clients are let. Yields on prime Central London residential property currently range from below 3.0% to 5.0%. Despite Help to Buy taking tenants out of the market, with the domestic economy picking up and even the much maligned banking sector showing signs of a return to health, we believe that demand for rental properties in the right areas will remain strong."

For further information on Black Brick, please visit: www.black-brick.com

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Editor's Notes

Black Brick is an independent property buying agency founded by Camilla Dell in January 2007, covering London and the Home Counties (Kent, Surrey and Sussex) and acting for buyers with budgets of £500,000-£50m+. Based in Mayfair, the company has grown to a 9-strong team, offering property acquisition, managed sales, rental search, property management and property concierge services. Since its inception, Black Brick has purchased over £400m worth of property. Black Brick's client base is diverse - 75% of its buyers are international, and include Middle Eastern, Asian, African, Indian, Russian and Europeans.

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