

Why 2016 could be a very British year for superprime Property

Although London is still the number one city for UHNWIs, it is British buyers who are now at the forefront of the superprime property market, says Joe Burns...



When we completed on the sale of the fifth apartment at Walpole Mayfair in 2012, many industry experts were surprised that three out of the five apartments had been bought by British buyers. At that time in the superprime market, purchases were very much internationally driven with big ticket properties being snapped up by Middle Eastern, Indian and Russian investors. Overseas buyers were drawn to London for its safe haven status and favourable tax conditions, and with this demand, superprime prices rose. British buyers were still present in the market, accounting for around 30% of super-prime purchases*, but they were not driving growth in the same way as foreign investors.

A few years on and the tide has changed. With a challenging global economic climate and recent tax changes in the UK, some international buyers have retreated with the Chinese and Russians leading this shift. Although London is still the number one city for UHNWIs, it's British buyers who are now at the forefront of the super-prime property market. This is reinforced by Knight

Frank's figures which show that to the 30th June last year, UK buyers rose to 37%, up from 34% in 2014. The increase has been mainly driven by the improved UK economy and foreign buyers becoming more cautious, and in some cases withdrawing from the property market.

Whilst London remains an attractive investment opportunity, what has caused the departure of international buyers is largely due to external factors. The last year to 18 months has been turbulent with falling oil prices, the collapse of the Russian rouble and the China slowdown all impacting foreign buyers. In addition, tax changes here for non-domicile individuals and the increase in stamp duty on properties over £2m has created caution. On top of all of this, the pound has been relatively strong until recently, making property more expensive for overseas investors. Despite all the changes in the market, relative to what is going on elsewhere in the world, the UK presents a stable economy and the golden postcodes of London are still the landing strip of the super wealthy, even with the concerns around Brexit.

Amidst the sea of global economic uncertainty, London appears as the port in the storm and a number of British wealthy investors are appreciating the capital's stability when compared with other markets they might be considering. So, reassured by the market, British buyers have gained renewed confidence and are very much back, helping to fill the void left by foreign buyers.

“2016 could be a very British year for super-prime property”

2016 could therefore be a very British year for super-prime property, depending on what happens mid-year with Brexit. Despite presenting a new anxiety for the UK property market, the decision to stay or leave the European Union may not greatly impact the super-prime sector. It is not the UK's EU status that draws the global wealthy. London is attractive to international buyers because of its economic and political stability, outstanding educational institutions, cosmopolitan lifestyle and world-class amenities. Fundamentally the allegiance the international wealthy have to the UK is largely financial so their concerns lie with changes to tax and their non-dom status, not whether Britain is part of the EU or not.

The biggest impact on international buyers will continue to be adverse global economic conditions, so for the short to medium term at least, we can anticipate that wealthy British investors will dominate. This will further be helped by the rise in UHNWIs in London, which is projected to grow 31% between 2015-2025, according to Knight Frank's 2016 Wealth Report. Whilst this is positive news for the super-prime sector, British buyers will not be able to completely fill the void if foreign investors continue to withdraw from the property market, we ultimately need a mix of both buyers if we are to see double digit growth again in the £10m+ sector.

At Oliver Burns, we have worked predominantly with British clients for more than a decade and this has given us some interesting insights. The homes we design are often their main residence, so there is a greater level of involvement from the client in the end result. They look for timeless designs that will endure trends, bespoke features and personalisation. When designing for

international clients, it is usually their second or third home so by that nature they tend to be less involved at each stage of the process. For overseas clients, cultural and lifestyle requirements are key drivers of the design alongside state-of-the-art technology and high-level security.

“They prefer central locations, with Mayfair to Covent Garden all proving popular”

When it comes to purchasing investment properties for their children or for rental purposes, British UHNWIs prefer a safe place to put their money, which is low risk. They are more comfortable with looking outside the golden postcodes than their international counterparts, yet they are still prepared to spend more on good quality schemes they know to be unique one offs, in locations they know will have very limited development, for example, in Mayfair and St James’s. They are still attracted to the collectors’ items – unique properties in the capital in sought after addresses. They prefer central locations, with Mayfair to Covent Garden all proving popular with Brits. This is why when our next project, the penthouse at Beau House (pictured below) goes onto the market later this year, we are anticipating a lot of British interest. Even if the buyer is not British, it will undoubtedly be an international buyer who truly appreciates the prestigious location and quintessential British design of Beau House and all that St James’s has to offer. It is these iconic areas of London, alongside world-class amenities, prestigious educational institutions and stunning properties that have ultimately attracted the international wealthy to the capital decade after decade.

Whilst the British may be leading the super-prime property market right now, London is predicted to hold onto its status as the world’s most important city for the next 10 years*, so the international wealthy will almost certainly be back.





** Data source Knight Frank
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