

# A Guide to Investing in Prime Central London Property

AYKROYD & CO

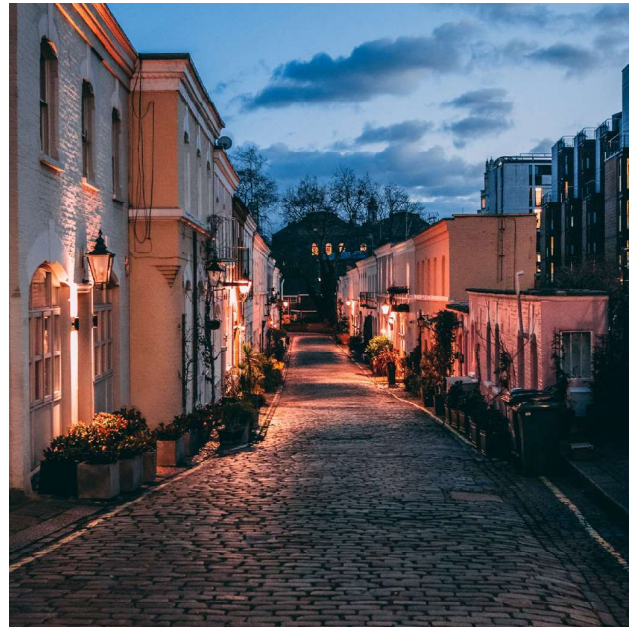
[www.aykroydco.com](http://www.aykroydco.com)

With so much global change it is more difficult than ever to reliably forecast the direction of markets, and the Prime Central London (PCL) residential property market is no exception. This is why Edward Towers of Aykroyd & Co, a UK buying agency that specialises in London residential property, has developed guidelines to help his clients futureproof their property investments.

“The PCL residential property market is extremely complex and competitive” says Edward. “Investing with much noise in the UK press naturally entails some risk, but it also offers the potential for significant rewards. Savvy investors can protect themselves against a changing market by seeking expert advice and following a few key rules.

## WHY PCL?

The market has changed dramatically over the last decade, since its peak in May 2014, with factors such as the Scottish Referendum, Brexit, the threat of a Labour government and finally Covid disrupting the market. The first three had a negative effect on values driving them down 15-20% in PCL whereas after an initial pause Covid was a driver upwards for house prices as families realised they needed more space. For the first time in years, the domestic market was leading the charge in PCL. We are now in a two-tier market where the best blue-chip country or town houses at any budget are still going for strong prices and yet the mainstream markets have cooled slightly (although still above pre covid levels) as the costs of living and higher mortgage interest bites and more properties come to the market.



London will always be a magnet for global investment. From an international perspective, London continues to offer some extraordinary advantages: excellent schools and medical care, a straightforward and trustworthy legal system, political stability, low crime rates, a central location and time zone and superb cultural offerings. It is a secure, open, cosmopolitan English-speaking city, and it still offers asset protection to investors from less stable environments around the world, which means property in London will continue to hold its value far into the future.

Edward says “In recent times, we have seen a huge uptick in buyers from Hong Kong, Brazil and South Africa who are seeking to diversify away from home due to political instability. The UK and London in particular is always their first choice and the recent weakness of the Pound has added to the attraction”.



## BUY BEST IN CLASS

“Whatever the market conditions, we always advise our clients to buy only best in class or blue-chip properties,” explains Edward. “These tend to be liquid even in a downwards market and still achieve strong values whilst appreciating at the highest rates in a rising market.”

Any sensible investment made in a blue-chip property should reap rewards as a result. Conversely, the danger in a secondary or tertiary property is one can over capitalise the property where perhaps a basement has been added to a house on a street where such things are not common, as a result the value becomes too high for the street, and you have to sell at a discount per square foot.

### So, what constitutes a best-in-class blue chip property?

There are best in class properties at all levels, they are not just in Prime Central London. Location is obviously key, as are elements that cannot easily be changed – such as ceiling height, garden aspect etc. Certain squares and roads – even certain sides of certain squares or roads – are especially coveted, as perhaps the gardens are bigger on one side or face the right way for maximum sunlight.

“There is an especially low supply of best-in-class properties. Stock levels are not going to change especially in the ultra-competitive family house market where buyers move for the long term and schools also have an impact on decision making” advises Edward.

Prime Central London’s residential property market is complex and competitive in the extreme. Although it may look at first glance that there are plenty of properties available, there is actually a very low supply of best-in-class properties, and for these there are often highly competitive bidding situations with multiple buyers and a fairly strong pound per square foot (psf) achieved. For example, the best houses on communal gardens in Notting Hill are now trading as high as £4,500 psf when pre Covid they were £3,000 psf.



## BUY AT THE BEST PRICE

In today’s climate, most sellers are quite motivated because if they weren’t motivated, they would not be selling in the first place. There is very little debt in PCL (a recent survey showed only circa 30% of owners had a mortgage which is the opposite to the rest of the UK). For this reason, negotiation plays a massive part in achieving the best possible price.



## BUY SMART

Expert structuring of transactions is another essential when it comes to navigating the London property market. Stamp Duty Land Tax (SDLT) has been steadily increasing since 2014 but London is still ranked only 9th in the world overall in terms of the cost of buying and holding property.

“We always recommend buying unmodernised properties where possible, as the lower purchase price obviously means a lower SDLT and the saving can be spent on your dream fitout” says Edward. “Although it must be said that since the war in Ukraine and in the aftermath of Brexit, build costs have increased up to 30% as both shortage of labour and materials take their toll.”

When purchasing flats, buyers should not overlook short and mid-term leases. This is because they will have the right to renew almost all leases either now or in 2 years’ time, and the SDLT could be significantly lower as they are two separate transactions at lower values than on the same flat with a long lease or share of freehold. It is essential to have professional advice on such a purchase, but the potential rewards can be huge as most of the market don’t understand them. Also, it is worth noting that investors in residential blocks of more than six properties will have the option of paying commercial rates of SDLT which is significantly less than residential.

Buying properties held in corporate structures can minimise or negate any SDLT outlay, however, there are other taxes to be aware of, and the legal and other professional fees involved in the acquisition are higher than for an average purchase therefore it only suits some buyers.



## BUY TO HOLD

Property should never be a short-term investment and in today’s climate it is wise to look at a minimum 5 year and ideally 10+ year hold period to mitigate the variances in the market and SDLT outlay. This means investors should only buy properties they are comfortable holding for a long time.

“If clients are buying for their personal use, we challenge them as to what exactly they need out of this house, both in the short and long term,” says Edward. “We often mediate and find common ground between couples. What is most important? Transport links, schools, amenities, gyms, airport, room for an expanding family, parking, lift, porter etc. You have to imagine your needs well into the future. This would avoid the need to move again and incur associated costs.”

An experienced buying agent will help investors find properties that are truly best in class and identify and meet an investor’s longer term requirements. More often than not they are able to use their vast network of contacts to arrange viewings of properties that are not available on the open market. They can also help an investor negotiate firmly given their thorough knowledge of the market to secure a sensible purchase price. For all of these reasons, it is worthwhile engaging with a buying agent when purchasing a property as an investment. After all most people seek professional advice when making more traditional equity & bond market investments and so why should they not take a similar approach for what is effectively a sizeable investment.

*Edward Towers is an experienced agent and a Chartered Surveyor practicing in London for nearly 20 years. He is able to use his analytical surveying skills to good effect with an emphasis on adding value through refurbishment, development, and short leases. His experience and strong connections in this highly competitive marketplace helps him source the right property, negotiate the best price for his clients, and closely monitor each transaction from start to finish.*

