

DATE READING TIME
27th July 2021 11mins

August 2021



A taste of the property market's annual kipper season

Traditionally August is one of the slowest and duller months in the property calendar – often nicknamed “kipper season” because it is just so flat.

But this month is shaping up as an interesting one.

London's universities are flourishing, and applications for places are up year-on-year despite the financial impact of Brexit on students from continental Europe. This means thousands of students will soon be urgently looking for somewhere to live in time for the start of the new term. This should boost the market, sales and rentals, around London's most prestigious institutions.

However Prime Central London is still hurting from the absence of overseas buyers and we are waiting to see whether British buyers, traditionally too busy sipping cocktails on loungers to be bothered with floor plans and interest rate calculators in the last month of the summer holidays, might step into the breach.

Certainly, London's two tier pandemic property market – houses flourishing, flats languishing – looks set to continue through the rest of the year at least. And in a very choosy market we are noticing that not all houses are equal.



Testing Times

This year's crop of sixth formers, not to mention their parents, have a nail-biting few days ahead. This year's A level results are announced on August 10th.

Successful candidates can look forward to a relatively normal freshers experience after two very disrupted years.

A place at a London University continues to be one of the most glittering academic prizes in the world. Imperial College London and University College London this year climbed to seventh and eight position in the prestigious QS World University Rankings.

This kudos has a marked impact on London's property market – both sales and lettings – as tens of thousands of students alight on the Capital from around the globe in need of a home.

Undergraduate application numbers to UK universities are strong this year. The number of applications from EU-based students are down – pre-Brexit they paid the same fees as British students, from this year on they must meet the higher fees paid by internationals. But the number of applications from domestic and other international students is up. Overall numbers are up 8.5%.

"This could have a knock on effect on the sales market," said Camilla Dell, managing partner of Black Brick.

"Really simply there are more billionaires in the US and in China than there are in Europe, so they have got more spending power to buy their children a place to live while they are in London, and getting home is not as easy as for European students, which means they will be spending more time in London."

In the rental market the return of students to London is great news for landlords with property across most of central London, notably King's Cross and Bloomsbury (London School of Economics), Regent's Park (London Business School), and South Kensington (Imperial College).



Star Chamber

Black Brick has been ranked in the prestigious Chambers High Net Worth 2021, which showcases the world's leading professional advisers to high-net-worth individuals and organisations.

Over the past eight years the firm has sourced more than £1bn-worth of property in London and the Home Counties, as well as offering investment advice, rental searches, and property management. It has also picked up numerous awards.

Feedback from clients and associates which earned Black Brick its place in Chambers included a property lawyer who commented: "They go the extra mile for clients, they are super professional ... [and they] ...have amazing bench strength."



Missing: International

Movie fans need to wait a few more months for the premiere of Mission: Impossible 7. It was due to be released this summer but has been delayed until early 2022 because filming had to be paused during the pandemic.

And estate agents also playing a waiting game, on standby for the return of London's international buyers who have similarly been on standby for most of the past 18 months.

The latest report from Savills finds that Prime Central London (PCL)'s property market remains in a "relatively subdued" state, ahead of the loosening of restrictions on foreign travel.

The situation is not disastrous by any means. In fact, price growth has finally reached positive territory for the first time since September 2014 – up 0.5% in the year to June.

But significant recovery will need the leg up traditionally provided by overseas buyers particularly when it comes to luxury flats and super prime houses, two property niches inextricably intertwined with high net worth individuals.

Although Dell has had already been fielding early enquiries from buyers who are keen to start property shopping in the UK again, she believes that the real influx will not start until enforced stays in quarantine hotels are a thing of the past.

“I think that there are a lot of people just waiting in the wings,” she said. “They will come over as soon as they don’t have to quarantine.”

On the flip side of this, a lot of British buyers will be holidaying at home this year, for fear of running afoul of the ever-changing advice for foreign travellers.

With time on their hands, it is these domestic buyers who may – just – keep August, the month which taxi drivers traditionally refer to as kipper season (because it is so flat), going.

Caspar Harvard-Walls, partner at Black Brick, believes that the decision to stay home and house hunt or travel and bask on the beach will largely depend on your working situation. “A lot of people are taking the opportunity to have a proper holiday before they have to go back to the office,” he said.

He and Dell are in full agreement about one thing though: “Immediately restrictions are lifted we will be very, very busy and I think the market will become very, very competitive,” he said.

For a more in depth analysis of the prospects for PCL listen to this podcast, featuring Camilla Dell and Rebecca Constable, private client director at the Kleinwort Hambros Group: <https://omny.fm/shows/the-wealth-chat/defying-gravity-the-future-of-london-s-prime-resid>



A tale of two cities

The pandemic has created a sharp divide between central and outer London, with prices flourishing on the outskirts of the city while floundering in the centre.

According to Knight Frank’s research team prime outer London – the leafy urban villages where prices are almost as high as in the centre of the city, for example St John’s Wood, Richmond, and Dulwich – has seen price growth of just over three per cent in the year to June.

In PCL, meanwhile, prices have fallen just over three per cent since March 2020.

“Prime outer London just has the classic combination of good schools, good transport, open space, thriving high streets, and good quality housing stock,” explained Harvard-Walls.

Property price data can, however, be a blunt instrument when trying to drill down into what is really going on out there.

That three per cent growth in prime outer London, for example, likely disguises a second two tier market: that of houses versus flats. “The price of houses in these areas has really gone through the roof,” said Dell. “I would think that you are looking at an excess of 10% in the last 12 months in places like St John’s Wood.

Ironically, pre-pandemic, flats had historically been more more expensive than houses per square foot. “We have long been telling clients this,” said Dell. “In Mayfair you might have paid up to £3,500 per sq ft for a really smart, renovated house, or up to £5,500 per sq ft for a luxury new apartment in a great building like 20, Grosvenor Square.”

That disparity means that there now is plenty of room for price growth in the house market, and precious little for flats.



There is such a thing as being too thin

It was Wallis Simpson, the first controversial American divorcee to capture the heart of a British royal, who liked to say that a woman could never be too rich or too thin.

In property, however, a little bit of stoutness wins out over the skinny Minnie’s any day.

Because while London’s tall, chic townhouses with a room on each level might be the height of elegance, they are also deeply inconvenient: popping down for a glass of water at night when your bedroom is on the 5th floor and the kitchen is in the basement loses its appeal very rapidly.

And so it is that buyers in search of the perfect house invariably need a deep, wide-built house. “There was a trend for more lateral space even before the pandemic,” said Dell. “That is why you saw large, lateral flats doing so well and attracting such large premiums.

“Now the premium property people want is a house, but one with a sense of space, and which is convenient to live in.”

This is yet another factor which has been conspiring against PCL during the pandemic – so many of its houses are tall, slender, and built on tiny footprints.

Meanwhile, out in the suburbs, plots are larger which means that not only are gardens more generous, but all the living space can be contained on just a couple of levels.



Is a property really worth what somebody else is prepared to pay for it?

As the Stamp Duty holiday enters its final few weeks, banks and building societies are competing to entice new customers by reducing interest rates to new lows.

This is good news for consumers, making borrowing incredibly cheap for buyers who can therefore afford to stretch themselves and bid hard to secure a home they really want.

“People are able to be really quite aggressive,” said Harvard-Walls.

However, before you go all out in a sealed bids auction, be aware that just because a lender has offered you a certain amount of money, doesn't mean they will automatically hand it over when your offer is accepted.

“Because the market is so strong at the moment, we are seeing quite a lot of down valuations,” said Dell. “We are hearing about buyers having to pay over the odds to secure a property and then its valuation comes in at a much lower level and they can't get the money they need.

“We heard about one case where a sale of a house on The Bishops Avenue, Hampstead, went under offer at £10m, but then the valuation came in at £8m.”

This scenario isn't a problem for those with plenty of extra equity to draw on, but for other buyers it can be simply devastating.

“When we are negotiating for a client we know the market, so we can tell them what we think the property is worth, and what we think the valuation is likely to be,” said Dell. “At least that means they aren't going to get a really nasty shock when they find out down the line for themselves.”



Acquisition of the month: Winchester Street, SW1V – £1,480,000

Our British clients live in the north of England but wanted a London base – ideally a three-bedroom apartment in Pimlico or Westminster area. They wanted to get the deal done by June so they could take advantage of the Stamp Duty holiday.

We found a newly – [redeveloped duplex](#) at the top of a Victorian terrace, which came with a lovely west-facing terrace. And, thanks to our negotiations, our clients agreed to buy it £115,000 below its original asking price (a 7% saving).

To speed the sale through we recommended a lawyer, surveyor, and mortgage broker and they were able to exchange contracts just two days before the Stamp Duty holiday deadline.

We took the time to really understand what our clients wanted – so much so that they fell in love with the first flat we showed them. Our contacts and negotiating skills meant they got a great flat, at a great price, at great speed.

+44 (0) 20 3141 9861 info@black-brick.com

© BLACK BRICK PROPERTY SOLUTIONS 2021 | 15 BRUTON PLACE, MAYFAIR, LONDON W1J 6LU