

HK buyers regain appetite for London homes

Fulton Mak

London properties are back in favour with Hong Kong investors seeking to protect their wealth from negative returns in a zero interest rate environment at home, according to analysts.

"The period from September 2008 to March 2009 was probably the worst sales period for British properties that we have had in the last 14 years," said Darien Bradshaw, the regional director of Colliers International's Hong Kong office.

"But the last two months have been among the busiest on record. The market has completely changed."

Tina Ting, the head of British residential property at Savills Hong Kong, said investor interest in British properties had grown significantly over the last few months.

"Individual investors and developers are seeking opportunities in commercial and residential properties in Britain," she said, adding that sales volumes and values last month rose significantly from the beginning of the year.

A weaker pound, low interest

rates for savings deposits and mortgages, developer discounts and rental guarantees had attracted cash-rich investors looking for good returns to British properties, Ms Ting said.

Tim Murphy, the managing director of property investor and adviser IP Global, agreed. "The free fall of the pound has attracted massive interest in London's property market, particularly from US-dollar-based economies," he said.

The Hong Kong dollar, which is pegged to the US dollar, appreciated

30 per cent against the pound between the middle of last year and January this year.

During that period, home prices in Britain declined between 25 and 30 per cent, which meant a Hong Kong buyer could acquire a unit at half the price he might have paid a year ago, analysts said.

As borrowing costs were 2 to 3 per cent and rental yields 5 to 7 per cent, property had become an attractive asset class, said Mr Murphy.

Sales by IP Global are now reaching levels achieved in the same period last year, with more than 60 properties sold over the past month.

Mr Bradshaw said the weaker pound had attracted more first-time buyers, who now accounted for 90 per cent of transactions. Many were buying units for children studying in London, he added.

Developers are changing their marketing strategies to better seize emerging opportunities.

Amous Lee Tarn-siong, a director for international investment at property consultant Knight Frank, said foreign developers were avoiding the standard approach of holding exhibitions in five-star hotels at

weekends, preferring instead in-depth advertorials and VIP dinners to target high-net-worth buyers.

"Agents are now more selective, bringing to the city only the highest-quality projects for sale," he added.

Mr Murphy said although the economic recession in Britain was far from over, the undersupply of homes in central London combined with growing demand ensured that property in the city remained a good bet for long-term investment.

He said investors should focus on completed properties in prime locations, as greater discounts were usually available on finished projects and there was a risk developers would walk away from unfinished projects rather than cut prices if they faced financial problems.

Property consultant Nicholas Brooke, the chairman of Professional Property Services Group, recommended caution. While the number of enquiries and sales volumes had improved, there was little evidence of any measurable upward movement in values, he said.

"Patience will be key, as no material increase in home prices is likely in the short or medium term."

Investors enticed Weak pound, low rates and discounts drawing the cash-rich to Britain

British home prices declined between
mid-2008 and January by as much as

30%