The smart money is making a move in London, but will these early shoots bear fruit?

A US tycoon's recent ultra-prime splurge has helped boost sentiment in the capital, write Richard & Sophie Rogerson, but the key challenges remain for all buyers...

• By Richard Rogerson • 1st May 2019

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Editor's Choice

Since the New Year, Ken Griffin, the founder of Citadel, has been making headlines on both sides of the Atlantic. In the US he acquired the most expensive home ever at $238m (almost double the previous record) with a quadruple apartment 50 floors up on Central Park South. Meanwhile, in London he acquired a former MI6 19th Century Nash-designed house on Carlton Gardens for £95m and, so rumour has it, a penthouse in the new Peninsula Hotel for a similar figure.

In New York, the sale seems to have created a negative sentiment, at least amongst the media and state legislators, the latter having earlier this month introduced wide ranging reforms to New York's so-called 'mansion tax', making it progressive and increasing the surcharge from 1% to 3.9% for properties over $25m.

In London, it seems to have triggered a wave of positive optimism and interest in the market, much of it from the US (or from US denominated buyers). Almost all participants are noting a sudden and significant increase in enquiries from clients looking to acquire properties in London. In contrast to the Brexit headlines (journalists have run out of synonyms for 'chaos'), buyers seem to have renewed confidence in London's residential market.

It would be facile to suggest that Ken deserves the credit for the current market uptick as the buying clients are broad in their motivations, budgets and requirements.

Unsurprisingly, some are determined opportunists, focused on securing 'discounts' wherever they sense distress. For these buyers, achieving long term value will depend on acquiring good quality assets and understanding market value rather than fixating on notional discounts pitched against subjective asking prices. For other buyers, we sense it is a balanced blend of the arrival of a late Spring market, Brexit fatigue (life will go on!) and a sense that we may have reached the bottom of the market (or at least close enough) for prime central London.

> *Anecdotally, we know of one sales agency with £100m of transactions jammed between offer and exchange*

The key challenges remain for all buyers: there is very limited distress and, therefore, limited stock of any quality. Determining value is more complex than ever in a market devoid of comparables and navigating transactional hurdles has once again become a major feat. We suspect this means some of this interest may fail to transact. Anecdotally, we know of one sales agency with £100m of transactions jammed between offer and exchange.

The ‘smart’ money may well be making a move now but it is too early to tell if these early shoots will bear fruit or be snuffed out by the ramifications of our ongoing political charade.