THE SUNDAY TIMES
16TH SEPTEMBER 2019

OVERSEAS

Will Asian buyers push up house prices in Brexit Britain?

No, it's not the latest Brexit blueprint — investors from the Asian city are snapping up prime property in London. They love British schools and they're big fans of Boris

Eastern premise: the Landmark Pinnacle, under construction in Canary Wharf, is popular with Asian buyers
DBOX FOR CPL LANDMARK PINNACLE

Sir James Dyson has sent Singapore's property market soaring to new heights. In July, the British inventor, who is investing £2bn of his personal fortune in an electric car plant in the Lion City, bought its most expensive apartment — a £43m, five-bedroom penthouse on the top three floors of the city's tallest tower.

Not content with that, he also snapped up a £26.5m villa opposite Singapore Botanic Gardens. Its signature feature is a swimming pool that meanders throughout the house. The Singaporean media hailed him as a hero: "Dyson swaps Brexit Britain for Singapore," The Straits Times trilled.

Now Singaporeans are about to return the favour. With the Brexit negotiations likely to come to a conclusion of sorts soon, crazy-rich Asian investors who have held back from the UK market in recent years, waiting to see what Britain's future relationship with the EU might be, are finally looking to spend again — and spend big.

Widya Lestaluhu, head of international residential at JLL Singapore, who tracks UK investment sentiment on a daily basis, says: “Clients are now texting me all the time, saying, ‘What can I invest in in the UK?’ Many have been waiting until we have some answers on Brexit, saving their bullets. As the latest deadline nears, they think the time has come to pull the trigger.”

Liam Bailey, global head of research at Knight Frank estate agency, agrees. “Money is waiting to be invested, and Singapore is among the most important sources,” he says.

It is the elevation of Boris Johnson to prime minister that has persuaded many investors to take the plunge — he is a far less divisive figure in Singapore than he is over here. The new PM visited the city when he was mayor of London and made a big impression. A photograph of him hangs on the wall of fame just down the hall from where I meet Lestaluhu at Raffles Hotel.

“Some people laugh about him, but when he was mayor, he was commercially minded — he really opened up a lot of opportunities for Asian investors in London,” Lestaluhu says. “Singaporeans bought properties in the new towers he approved, especially along the South Bank, from City Hall all the way to Nine Elms.” In 2011 and 2012, Singaporeans were the number-one overseas nationality investing in the UK by value, according to analysis by JLL.

Asian investors are also cheered by Johnson's decision to ramp up talk of a no-deal Brexit because it has led to a further devaluation of the pound, making homes in the UK even cheaper for overseas buyers. Sterling has depreciated by 15% against the Singapore dollar since the 2016 referendum. That, combined with prices falling in the upscale areas of London that appeal to Asian investors, makes buying a property almost 25% cheaper for them than it was in 2015.

"Families who 'need' a home in Britain that they know they'll hold on to for the medium to long term accept that now is a really good time to buy — good price, good currency," Lestaluhu says.

As well as falling property prices, cheaper private schooling is a key draw for Asian investors. Wealthy Singaporean parents have long prized a British education for their children, and the weaker pound makes tuition fees more affordable. For the first time in a decade, it is now cheaper for Singaporeans to send their children to school or college in Britain than it is to send them to Australia.

While such owner-occupiers have already re-entered the market, a second wave of buyers is expected later this year. "Pure investors hunting for great deals want to see whether the pound will go down even further come October 31 or later," Lestaluhu says, referring to the deadline by which Johnson insists we will leave the EU.

The Bank of England's stress tests show that sterling could fall by another 10% and house prices crash by 30% in the worst-case no-deal scenario. If that were to happen, "investors would pile in — it would be the chance of a lifetime", says Ed Lewis, head of UK residential development sales at Savills estate agency.

Marina Bay, Singapore: Sir James Dyson recently bought a £43m penthouse overlooking the water
GETTY

London remains attractive because of its traditional advantages — time zone, culture, schools, rule of law — which, mercifully, remain unaffected by recent political events. But it is also benefiting from turmoil in previously safe investment hubs.

Political unrest in Hong Kong is at unprecedented levels, prompting many locals to join the Singaporean stampede to Britain. The trade war between China and the US is deterring Asians from investing in America. Political tensions in the Middle East, notably the threat of the US and Israel taking military action against Iran, make Dubai, Abu Dhabi and Doha less attractive. And despite President Macron's decision to slash France's wealth tax, riots on the streets of Paris have put many Asians off investing there.

Although house prices in London have been falling in many areas, Asian investors and analysts are bullish about the long-term prospects. JLL predicts that property prices in Greater London will rise by 17% over the next five years, with the highest capital growth in east London, notably around Whitechapel.

The Labour Party wants to increase property taxes for foreign buyers of UK homes, but few Singaporeans seem perturbed by that prospect. "I don't remember having a single conversation about Jeremy Corbyn," Lewis says. "Asian investors believe the long-term story. For them, our party politics is a bit of a sideshow."

The Far East investor boom will inevitably spark fears that developers will resume their practice of marketing developments in Asia before the UK, making it even more difficult for hard-pressed Londoners to buy their first home. After an outcry over the practice six years ago, developers voluntarily agreed to stop. And for now they seem to be behaving themselves.

Posing as an investor, I approached large selling agents in Singapore — JLL, Savills and Knight Frank — to see whether I would be able to steal a march on UK buyers by reserving homes before they had been marketed in Britain. I was rebuffed every time. Nor did I find a majority of Singaporean investors looking to leave homes empty, creating “ghost estates”, as many critics claim. Roughly half of the new investors were owner-occupiers.

London is still the focal point for most Asian investors in the UK. Prime areas such as Mayfair remain attractive, but, despite recent price falls, they are out of reach for all but the seriously rich. This has led buyers to look for deals further afield, “notably in areas with significant infrastructure changes, such as the HS2 rail project and Crossrail,” says Louisa Yap, manager of Knight Frank Singapore. This includes places such as Ealing, Acton, Hanwell, Hammersmith, Brentford and Canary Wharf. Investors are also buying into Woolwich, Kennington, Oval, Bow, Elephant & Castle, North Greenwich and White City.

Agents in Singapore single out several developments in the capital that are currently popular in Asia. Among them is Landmark Pinnacle, in Canary Wharf, set to be the tallest residential building in Europe, with an estimated average rental yield of 4%; the first units are due for completion next March. There’s also Royal Wharf, a 3,385-home riverside scheme by Ballymore and Oxley Holdings; and White City Living, St James’s new development in west London. Battersea Power Station is not on investors’ lists because, they say, prices are too high.

Yet interest is not confined to the capital. JLL reports that one in four Singaporean investors is now targeting Birmingham and Manchester, attracted by booming local economies and rising property values. Many are looking for cheaper homes to avoid paying the higher stamp-duty rates introduced in 2014 by George Osborne, the former chancellor, to cool the market.

"Those who don't really want to put too much money into a flat in London can easily invest £180,000 to £200,000 in a property in the Midlands or the north and still receive a decent yield — close to 5%," Lestaluhu says.

Among sought-after developments are the Bank, by Regal Property Group, in Birmingham, and Manchester New Square, by Urban&Civic. Overseas investors are keen on new-build flats because rental yields are generally healthy and they are easier to maintain than older properties.

Knowing the UK market isn't only vital for Lestaluhu's job: she also has skin in the game. She and her British partner own a flat in Stratford, east London, and they are looking to expand their portfolio. "You have to walk the talk," she laughs.

After two years of falling prices, she is optimistic about the future — thanks to Asian investors. "Well, that's the hope, which is why we're consistently bringing UK properties out to Singapore. We, as a company, still believe in the value of Britain. Britain is evergreen."

Millions of homeowners are hoping — praying — that she is right, no matter how Boris’s Brexit turns out.