Pay to play

Buy, buy, buy: British investors may be spooked by Brexit uncertainty and the weak pound, but overseas speculators are returning to prime central London. Here are some of the biggest deals being cut now

Weakness has never been a good thing in the property market. Until now. The paltry power of the pound — mainly against the dollar and euro — means there is a once-in-a-generation buying opportunity in prime central London. The analyst LonRes has calculated that overseas investors can save as much as 30% compared with the peak of the market two years ago, thanks not only to favourable exchange rates, but also to the general despondency in the post-stamp duty, post-referendum world of prime property.

Clever buyers who have been eyeing up the capital for some time are seeking to take advantage of the exchange rate — sterling is currently trading at £1.23 against the dollar and £1.12 against the euro — but not without first negotiating a substantial discount.

"We have gone from a period of near silence, following a brief flurry of activity immediately after the Brexit vote, to a steady flow of inquiries over the past few weeks, after the flash crash in sterling," says Naomi Heaton, chief executive of London Central Portfolio.

"This amounts to approximately an eightfold increase. It is clear that buyers are actively seeking to capitalise on the low value of sterling and the political instability elsewhere in the world." Two Bankside penthouses that had been languishing on the market for the past three years have recently sold — one for £12m and the other for £10.5m.

The possibility of making money on the currency alone, leaving aside the potential for capital appreciation, is a driver for buyers, according to Trevor Abrahmsohn, managing director of Glentree Estates. And Robert Bailey, founder of the high-end buying agency Robert Bailey Property, is finding that clients who've been sitting on the sidelines are ready to take the plunge.

"There is no doubt that the weakness of the pound is helping the market in the capital, along with falling prices," he says. "Clients believe that London will always be a pre-eminent city, regardless of Brexit. They look at it as a historic opportunity."

In the recent past, purchasers might have viewed a property and, two months later, still have found it available. "That's changing, because the market is starting to move," Bailey says. So just what deals are being done, and what is on offer?

In the no-deal dog days of the summer, the Land Registry found that sales of luxury homes had plummeted by as much as 86% compared with last year. Just five properties were recorded as selling for more than £10m in the three months to August, compared with 35 in the same period in 2015. Now there are rumours of a £48m deal in central London, a handful of properties being marketed for £50m or £60m, and a smattering of transactions north of £20m. There's even — gasp — chatter about gazumping. Prior to that, the record for the year was £37m.

It's an incredibly nuanced market at the moment, says Charlie Ellingworth, founder of the buying agency Property Vision. "For the big townhouses in Notting Hill, interest has cooled considerably. Suddenly, large lateral flats in Mayfair are becoming far more attractive to foreign investors." Tim Macpherson, head of London residential at Carter Jonas estate agency, confirms this: "Mayfair is seeing an onslaught of American buyers."

Their dollar now goes 30% further than it did at the peak of the market in 2014, thanks to exchange rates. "Lots of nationalities hold dollars in various accounts around the globe, or are able to transact in dollar-pegged currencies," Macpherson says. "This is creating another layer of international buyers in the Mayfair market, such as affluent Greek shipping families who snap up townhouses in the area, or Indian buyers who have multiple apartments on Grosvenor Square."

Flats at the Maple Building, in Kentish Town, this picture and below right, will be launched on Saturday. From £1.295m; themaplebuilding.com

Astell Street, Chelsea SW3; £7.75m; maskells.co.uk

He admits that the values achieved are typically 5%-10% lower than the asking price, which means buyers trading in currencies that are strong against sterling are getting a double discount. The surprise of the autumn so far was a new record price for a house in Barnes, southwest London. Carter Jonas sold it for £14m to a Middle Eastern family who were originally looking around Knightsbridge.

Similarly, the Chinese are seeing their yuan go 27% further, and though many may be choosing to spend it at Burberry and Bicester Village, rather than in Belgravia, a few buyers are venturing into the central London market. Amazon Property, a luxury residential developer with a £500m portfolio, reported a 45% uplift in sales and inquiries this month, much of it driven by overseas buyers looking to the capital. Last week, it sold two apartments — one priced at £2.8m, one at £3m — to Chinese buyers.

At the recent launch event for the Park Crescent, a conversion of one of the capital's royal crescents into 20 residences, with prices ranging from £3.95m to £17.95m, one in three of the potential buyers was a high-net-worth individual from China or wider Asia. Amazon Property has already had offers on a number of the luxury apartments from Chinese investors.

Richard Barber, director of residential at JLL estate agency, which is opening a new Chelsea office next year, has agreed more than £20m worth of business with foreign buyers taking advantage of the weak pound. He points out that "correctly priced property can attract multiple buyers, even in a weaker market" — including domestic purchasers. He cites a short-lease property in Chelsea that was reduced by £500,000 and attracted four bids.

Jonathan Hewlett, head of London sales for Savills estate agency, confirms greater visibility of buyers from Asia and the Middle East, as well as London-based purchasers who are paid in dollars. "There is still a strong belief in the long-term resilience of the capital and its housing market."

That said, he sounds a credible note of caution. "London has been in a bubble. It is still a needs-based market and is not as investor-driven as it was." Earlier in the month, Savills revised its forecast for prime central London, and the agency believes that further price adjustments in the order of 6%-7% will be required to secure sales. Values are now expected to close 2016 down 9% year on year, then stabilise in 2017 and 2018.

And, of course, there's always the possibility of further falls. So why buy now when there's a better deal to be had in the near future?