



UK REAL ESTATE – IT'S NOT ALL DOOM AND GLOOM AS BREXIT DESCENDS

FEBRUARY 2019

The Land Registry has recently published its UK House Price Index for November 2018, which is the official house price index and measured by reference to completed sales rather than advertised prices.

In comparison to October, the report shows a "drop" in house prices of 0.1%, however, an annual overall price increase of 2.8% - taking the average property price in the UK to £230,630.

Unsurprisingly, property news across the UK is mixed. House prices in London are down by 0.7% but reporting stronger growth in the regions, with the West Midlands reporting "stellar" growth of 4.6%.

Many commentators and price indices have reported gloomy figures for prime central London, which despite a frothy start to 2018 saw a drop in both volume and average prices as political confusion reigned for the remainder of the year. However, Knight Frank see positive signs for the prime market and recommends that we look beneath the surface. Buyers spurred on by motivated sellers, the cheap pound and low interest rates have snapped up mansions, with sales of £15m+ houses surging by 40% in 2018 – statistics supported by US hedge fund boss, Ken Griffin, purchasing 3 Carlton Gardens for a widely rumoured (even if lower than marketed price) £95m.

Additionally, London's appeal remains undiminished. Forbes crowned the City as the best place to do business in 2018 and Cushman and Wakefield reported that London remains the world's most popular city for global real estate investment.

Despite challenges, rising rental growth, low interest rates, high employment levels and rising demand are causes for hope for positivity in 2019. Winkworth agree and expect the first quarter of 2019 to be more subdued but sees a more positive outlook for prime central London once the Brexit fog clears.

With the release of these figures and as Brexit descends, we catch up with our UK Real Estate Team who share their take-outs from 2018 and commentary for the year ahead.

Anna Douglass, Senior Associate

"We have seen an increased level of activity from our local and international clients looking to purchase residential property for buy to let investment in the regions due to the comparatively good yields and regeneration of Birmingham, Leeds and Manchester.

Subsequently, we have expanded our team with the appointment of Paige Williams as paralegal, assisting with our residential

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conveyancing practice".

Shelagh Mason, Consultant

"Brexit has had an undeniable impact on the market. Whilst some of our clients are exercising caution, others are taking the opportunity to invest, particularly if their home currency is linked to the Euro or Dollar. Our growing knowledge and experience base has been vital as their focus shifts from high end residential to PRS, logistics and other sectors."

Donald Millar, Senior Associate

"We have seen a sustained level of activity by local, UK based and international funders financing both new acquisitions and refinancing residential and commercial properties. We have also been engaged by new funders who are actively financing new residential developments in London and the surrounding regions, with increasing activity throughout 2018. Peer2peer funders have also been performing strongly, with the likes of Sancus in Jersey providing clients with both debt and an opportunity to invest indirectly in real estate. Additionally, RAW's entry into the market in 2018 has provided an exciting product for those looking to finance residential buy to let investments in England, Scotland and now Guernsey too.

At the end of last year, we also saw our clients venturing beyond their traditional residential property investments, with clients picking up hotels, warehouses and investing in the PRS/social housing sectors. Whilst trophy assets have enduring appeal for some of our clients, the key motivator remains in achieving a good yield from a strong tenant covenant. As a result, our clients have been looking to the regions to find the right investment.

With the trend towards "corporatising" family wealth and investors joining together to acquire higher priced assets, we have also seen an increase in the use Private Investment Funds and JPUTs as investment vehicles. From this we have developed a unique solution for clients looking to invest in UK Real Estate; working in conjunction with our clients a one firm solution providing both the offshore structuring advice and the transactional property work under one roof."

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