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## London Luxury-Home Prices Gain on Demand From Russian Buyers

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By Simon Packard

May 29 (Bloomberg) -- London luxury-home prices climbed in May for the seventh straight month as the pound's weakness attracted buyers from abroad, Knight Frank LLP said.

Houses and apartments costing more than 1 million pounds (\$1.4 million) gained 20 percent from a year earlier, the London-based property broker said in a statement today. Prices increased 1.4 percent during the month. They're still down 6.4 percent from the market's peak in March 2008.

"Overseas buyers view London as offering good value," Liam Bailey, Knight Frank's head of residential research, said in the statement. In dollar terms, values are 34 percent less than the peak.

A lack of homes offered for sale helped prices recover on a monthly basis from a low in March last year. The pound's decline sparked demand from wealthy overseas buyers for properties in neighborhoods such as Chelsea, Mayfair and Kensington, Knight Frank said.

The number of Russians seeking property through Knight Frank has more than doubled in the past two months, and they now account for almost 8 percent of all purchases of more than 2 million pounds, Bailey said.

Russians are targeting London after the ruble appreciated 10 percent against the pound in the last 12 months, said Elena Norton, who heads Knight Frank's sales team for Russia and the Commonwealth of Independent States.

### 'Safe' Investment

Growing interest in refurbishments and development opportunities that add longer-term value "proves Russian buyers consider London a safe and attractive investment," she said.

Properties worth more than 5 million pounds "have come back quite strongly on demand from Russian and Middle East buyers," said Robert Bailey, whose firm advises and acts for wealthy individuals buying London properties. The euro region's debt crisis fueled demand from buyers in those countries, particularly for homes worth less than 2 million pounds, he said.

For U.K. investors, "we are entering a period of uncertainty" as the government suggests it may lift taxes on capital gains from home sales and given prospects that the economy may slow, Bailey said.

The Conservative-Liberal Democrat coalition has indicated it may increase the capital gains tax, currently at 18 percent, to bring it in line with income tax for non-business investments. The top rate for income tax is 50 percent.

Chancellor of the Exchequer George Osborne is scheduled to present an emergency budget on June 22 that may include the change.

### 'Scaremongering'

"There's a lot of scaremongering and a lot of people are deeply worried," Robert Bailey said. His company, Robert Bailey Property, advised on three purchases, including a 7 million-pound home in Knightsbridge, during the past six weeks.

Knight Frank compiles its luxury-homes index from estimated values of properties in the Mayfair, St. John's Wood, Regent's Park, Kensington, Notting Hill, Chelsea, Knightsbridge, Belgravia and South Bank neighborhoods of London.

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