

## What lies ahead for London Residential?

### Webinar Q&A

#### *Are we coming out of lockdown and into recession?*

Jennet Siebrits, Head of Residential Research, CBRE: We are expecting the worst of the economic downturn to happen in Q2 and the economy will improve as lockdown is relaxed. Estate agents were opened in the first phase of relaxations and initial reports have been very optimistic, with around 60% of stalled sales now progressing.

#### *What is your view for luxury residential demand and prices in central London? How do you see that recovering in the near future?*

Jennet Siebrits, Head of Residential Research, CBRE: I am confident this market will rebound swiftly given the flight to quality during uncertain times.

#### *What is the rental yield in Chelsea Creek completed units?*

Dan Eamer, Lettings Manager, CBRE: These are estimated at 2% to 3%.

#### *Why would you expect tenancy demand to remain strong?*

Dan Eamer, Lettings Manager, CBRE: Lettings remain consistent. Applicants will continue to rent until they feel there is more certainty in the sales market. London is still attracting the international market, due to safety, universities and jobs. Although there has been a slowdown in lettings due to government restrictions on movement, as they are being eased, we are back to business as usual.

#### *How will the Section 21 removal affect the rental market?*

Dan Eamer, Lettings Manager, CBRE: More landlords will be looking to more reputable agencies that can provide the higher calibre of tenant with better covenants. CBRE has an excellent record of attracting the best tenants and a very low % of rental arrears.

***What is the update with Crossrail and what effect will this have on property prices in West London, Southall/Hayes?***

Jennet Siebrits, Head of Residential Research, CBRE: During its construction we have found that the price of properties near to Crossrail stations have grown faster than the surrounding areas. This is because investors have bought in the area anticipating the improvement in demand once Crossrail is operational. This price growth has slowed as we have got closer to the opening date. However, there will be a further uplift in prices in the period after it opens, as demand for properties increase with renters and owners wanting to move close to the station to benefit from reduced travel times.

***Do you anticipate a net decrease in prices this year?***

Jennet Siebrits, Head of Residential Research, CBRE: There may be some price reductions in poor-quality second-hand stock or distressed sales. However, we are less likely to see price reductions in good quality new build stock. Especially as we are expecting construction to fall this year. The resulting demand and supply imbalance will put pressure on prices. Overall, we expect to see price growth to return in 2021.

***What do you think will happen in the next 6 - 12 months in terms of financing? Will it be harder to get approvals?***

Toby Johncox, Head of Mortgage Sales, Enness Global Mortgages: I think there will be a change in buyers' mentality following the lockdown (as mentioned in the webinar there will be a greater demand for outside space etc), clients will also be putting more thought in to the purchase, meaning it will be critical for clients to build a strong team around them when buying a property (Estate Agent, Tax Advisor, Mortgage Broker, Lawyer) in order to make sure that they are buying the best possible property, holding that property the most efficient way and that the purchase is financed using a mortgage that is most suitable for their requirements.

Banks appetite for lending in the UK is still strong and several lenders that pulled their products at the start of lock down have come back to the market.

Over the past few years it has become more and more difficult for UK residents and international clients to secure lending with heightened KYC (Know your Client) and AML (Anti Money Laundering) requirements.

I don't believe it will get any easier post COVID-19 and therefore it is critical that all clients employ a Mortgage Advisor to help them secure the best product and navigate the complicated and convoluted applications processes.

### ***What is the mortgage interest rate currently and how much equity is required for Chelsea Creek?***

Toby Johncox, Head of Mortgage Sales, Enness Global Mortgages: Typically, the maximum LTV for international clients is 75% (though there are a couple of banks that offer a higher LTV) – each case has its own merits and in order to discuss mortgage interest rates we would need to have a deeper discussion with the client.

### ***Why is it the right time to buy?***

Jennet Siebrits, Head of Residential Research, CBRE: There is a lot of pessimistic news in the media currently which has led to negative speculation regarding the property market. However, since the agents have reopened demand has surged and this is likely to continue. For overseas buyers there is the added advantage of the positive currently play. Debt is also cheap. We are likely to see a pick up in the private rental sector, which is positive for investors.

### ***Mortgages - Buy to let? Unregulated or regulated for overseas?***

Toby Johncox, Head of Mortgage Sales, Enness Global Mortgages: Both Regulated (Owner Occupier) and Non-Regulated (Buy to Let) mortgages are available to international clients buying UK property.

### ***If COVID-19 and WFH has led to a requirement for increased outdoor space, what prompted both of these sites to provide 50% outdoor space when planned many years prior? Surely you can't improve on that?***

Amy Meyrick, Project Lead, CBRE: When it comes to large scale regeneration schemes it is important for the placemaking opportunity to have green open space. To Berkeley's credit they have always been at the top of the industry when supporting this. For example, with Grand Union the landscaper (Murdoch Whickham) are planning on planting adult trees which will mean that the scheme will be fully established as soon as people move in.

### ***If there is a fight for quality, is it sensible for investors to ensure that rental properties are interior designed and furnished with good quality products and good designers as opposed to buying cheap 'furniture packs'?***

Amy Meyrick, Project Lead, CBRE: It is important to recognise the calibre of tenant you are expecting to achieve in your rental property and ensure the furniture pack will mirror this. The CBRE Lettings team can help advise on what will be most suitable for your property.

***What areas of London will benefit from renters and home buyers looking for quality at a more affordable rate?***

Amy Meyrick, Project Lead, CBRE: The Zone 3 or 4 locations are the areas where you are more likely to see a more affordable price point. I would recommend buying your property by a developer that is well known for delivering a quality product. Regeneration schemes can offer this, as well as attractive capital growth and rental yields.

***We have had suggested to us that London, notwithstanding COVID-19 and Brexit, will remain an attractive investment location for residential real estate. In light of the world as it is right now, which part of the world do you think will represent the next wave of overseas investors?***

Alex Vincent Martelli, Head of International Marketing, CBRE: We see ongoing investment into the UK from multiple countries, but key markets remain Asia, UK and the Middle East.

***Is it true that people are getting 25% to 30% discount if they are buying now?***

Amy Meyrick, Project Lead, CBRE: As Jen mentioned in her presentation there are some “distressed” developers which may need to sell at a higher discount rate however we are seeing very few of these. As Alex mentioned we still had a high number of enquiries even during lockdown so there is still demand there. This means most developers are keeping to their standard discount rates.

***Do you expect any changes on real estate related taxes, particularly, for international buyers?***

Jennet Siebrits, Head of Residential Research, CBRE: No, we don't expect anything more than the additional stamp duty levy in April 2021.

***Regarding Chelsea Creek, the apartments are completed. How much time can the developer give the buyer to get the mortgage and complete the property? Especially for Far East buyers, as their funds are not easy to transfer out of their country.***

Ahmed Bishara, Senior Business Development Manager, Berkeley MEA & India: Since our current availability at Chelsea Creek is all complete, the standard terms are to exchange contracts on a 20% payment within 21 days from the date of reservation and then a subsequent completion 4 weeks thereafter whereby the 80% balance is payable. We are open to exploring a little flexibility on a case by case basis, however this would probably be weeks not too much longer. The best option for clients who have restrictions on transferring funds out of their home country would either be to seek a mortgage or

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look into an off-plan phase with more relaxed payment terms. We are expecting to launch our new phase at Chelsea Creek in September 2020.

***There is a lot of press speculation about a flood of people exiting London following a claustrophobic lockdown situation. If we are likely to face more of these crises do you concur that outside of London will become a more attractive option especially as people are likely to be given more opportunity for WFH? Which areas outside of London do you see becoming the popular choices outside of typical commuter zones? Will that then impact on the prices of new London developments and their demand?***

Jennet Siebrits, Head of Residential Research, CBRE: Given fewer days in the office, employees will have more flexibility over where they live. However, this doesn't mean a mass exodus, as cities especially London remain our higher education, leisure, social and cultural epicentres. While WFH adoption will vary depending on life stage, established migration trends in and out of UK cities are likely to remain. Young professionals arriving for employment opportunities will continue to favour central locations. Families moving out in search of more space and schooling options – the 30-44 age cohort and their children – account for some 65% of net outward migration. While big changes are unlikely, this could rise going forward given recent developments and greater flexibility of working. Many factors influence the actual choice of location, but for London commuters there is a trade-off between property price, travel time and travel cost. Recent CBRE research found that that a ten-minute increase in travel time to London reduces the average property price by around £22,000, reflecting the premium for a short commute. However, an ability to WFH more may dissipate the need for a shorter commute. Being less geographically constrained enables a move to a cheaper location, further away from London, so a bigger house can be bought for the same budget.

***Which zones numbers are these two projects located in?***

Roshan Wial, Head of Middle East Desk London, CBRE: Chelsea Creek is in Zone 2 and Grand Union in Zone 3.

***With the lockdown restricting viewings, bank valuations and surveys, are transactions still being completed without issues and on time?***

Toby Johncox, Head of Mortgage Sales, Enness Global Mortgages: For a period, valuers were unable to complete viewings on properties, this ban has since been lifted and valuations are able to take place again – though understandably some clients are still unhappy for a valuer to visit their property.

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During the ban/lockdown lenders have been very flexible and commercially minded regarding valuations and we saw the following tactics being used: automated and desktop valuations, and the return of 'drive by' valuations.

Some independent firms will conduct physical valuations if circumstances are correct. Some lenders are using their own internal teams and experience to determine the value of a property. In one case, a lender agreed to use and rely on a previous valuation report.

In some cases, this caused some delays in the mortgage offer been issued, but overall with the understanding and patience of sellers and developers, transactions have been completing in a timely manner.

### ***Is the construction of your projects still ongoing or has everything been stopped? Would this also now mean a delay in completion dates of these projects?***

Ahmed Bishara, Senior Business Development Manager, Berkeley MEA & India: We have not stopped construction. We are progressing with construction on site, while keeping in line with government health and safety regulations as well as all social distancing and sanitization requirements. We are expecting to deliver on time, however the only minor delays I could foresee, if any, may be down the supply chain. For example, if there is a delay in material orders being imported from abroad, such as marble coming in from Spain, or electrical appliances from Germany.

### ***Can Middle Eastern investors get large mortgages? Do Middle Eastern buyers need a UK bank account to get a mortgage?***

Toby Johncox, Head of Mortgage Sales, Enness Global Mortgages: Yes, Middle Eastern investors can get large mortgages, although lender requirements, application processes and the mortgage products available will vary depending on your circumstances. Some banks may require you to have a UK bank account by the time the mortgage is in place, but your broker can guide you when it comes to setting this up. This isn't something to be concerned about. Not having one to begin with won't stop you from being able to secure a large mortgage.

### ***Re Grand Union, what is this area like? Do I need a car if I live here?***

Amy Meyrick, Project Lead, CBRE: The area around Grand Union is a residential area with existing houses no higher than 2 floors. This means that if you bought a property on the 3<sup>rd</sup> or 4<sup>th</sup> floor of Grand Union you will still have extensive views. Grand Union sits next to the North Circular road which means you have easy access into and out of London. For example, you can get to Heathrow in under 40 mins. You also have the very highly regarded Harrow School only 4 miles away. Having a car is down to personal preference as the public transport links are also very good (Oxford Circus in 26 mins via tube). Car parking spaces are £25,000 on a right to park basis.

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*This would be my first property in London. How do I go about renting it out?*

Dan Eamer, Lettings Manager, CBRE: CBRE can offer the full service and will take you through every step. Dependant on your motivations for renting we will be able to offer the full package of management so you can be assured your asset is in safe hands.