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## Property premier league

Five of the world's top agents take part in superprime's answer to fantasy football. By Ed Hammond



**Buyer Elena Yurgeneva, Knight Frank**  
**Where** Yakimanka, Moscow, Russia  
**Price** £2,535,030  
**Why** Expected 20 per cent price growth by the end of 2012



**Buyer Charles McDowell, Independent**  
**Where** Cadogan Gardens, London, England  
**Price** £2.15m  
**Why** Opportunity to lengthen lease expiry and sell



**Buyer Ronald Ennik, Christie's**  
**Where** Sandton, Johannesburg, SA  
**Price** £1,553,679  
**Why** High growth prospects fuelled by increasing international investment



**Buyer Elizabeth Stribling, Stribling & Associates**  
**Where** Chelsea, Manhattan, US  
**Price** £3m  
**Why** Best spot for a weekend home in the city



**Buyer Justin Marking, Savills**  
**Where** Dorset, England  
**Price** £2.8m  
**Why** UK country houses undervalued compared to London



It is likely that there will be few investments classes able to hold their heads high by the time the tide of financial crisis retreats. Gold. Oil. A handful of resilient currencies. Some food commodities, buoyed in value by the volatile weather that has seemed so apt a companion for the economic climate.

Thus far, though, high-end residential property has been the hands-down winner.

From the stuccoed canyons of Mayfair to the winding hilltop drives of Hong Kong and the doorman-butressed opulence of the Upper East Side, the top quartile of the world's housing stock has been the best investment of the lot. It is perhaps the only asset class to have provided a haven from the turmoil while continuing to generate the kind of returns upon which the boom was built.

Those lucky enough to have been holding prime property – the top 5 per cent of homes on the market by price – at the start of crisis are likely to have seen the value of their investment float steadily upwards.

Others have fled to bricks and mortar as a safe place to park their wealth. Whether Greek buyers escaping the storm engulfing the eurozone or wealthy Egyptians seeking a bolt-hole away from political turbulence, property has become the hottest destination on the flight to security.

This has driven up prices in the top tier at a faster rate than anywhere else in the market. The most coveted neighbourhoods have decoupled from the economic logic of their domestic context, be it London, Hong Kong or New York. The result has been residential pockets where values bear no relationship to the underlying gravities of the market, taking on instead the sort of arbitrary worth normally reserved for

precious stones and fine wines.

Top quality housing has become a panacea for a market which long ago stopped believing in such things. The world's stock markets, meanwhile, lurch about in an economic Hades, showing no signs of finding a compass. In the past five years, global prime property prices have risen 48 per cent, according to data from Knight Frank. Over the same period, the FTSE All World Equities Index has fallen 13.5 per cent.

In the spirit of trying to cash in, albeit theoretically, while the going is still good, the Financial Times has assembled its own fantasy property-buying five-a-side dream team.

We took five of the top agents from around the world and set them to work on a money-making task. Their brief was simple: choose any house or apartment with a value of up to £3m, anywhere in the world. Other than being a good investment, the chosen property should be one they would be happy to live in or at least that would provide some use for the duration of the investment.

Starting in London, Charles McDowell, an independent agent who has been buying and selling in the UK capital's better-heeled enclaves for the past two decades, opted for a 13-year leasehold apartment among the lofty red-brick grandeur of Kensington's Cadogan Gardens.

"A short lease on any of London's great estates – the Cadogan, Grosvenor or Wellcome estates – enables you to live in the size and quality of property one couldn't otherwise afford in a central location," says McDowell.

"You can pick up a short lease property at a big discount as international buyers won't touch it. You then spend money improving it and bargain hard with the estate to extend it to 90 years.

It might cost a couple of million to do it, but nine times out of 10 it is achievable and you can sell the property at a serious profit down the line. The only slight difficulty is that you need to be a cash buyer, as very few banks will lend against a short lease," he adds.

Outside the Asian trio of Hong Kong, Beijing and Shanghai, London's prime property has experienced the fastest rate of price inflation of any city during the past three years. In spite of stagnation in the UK housing market – fuelled by a lack of mortgage lending – values at the top have risen 31.3 per cent since 2008.

### Prime pockets have taken on the arbitrary worth normally reserved for precious stones and fine wines

Underscoring the UK's position as the pre-eminent prime property market, Savills, the international estate agency, decided the best money was on a country estate in the undulating corn fields of south-west England.

"I would buy in the West Country or Somerset where £1m equates to £2.5m or £3m in Hampshire," says Justin Marking, Savills' head of residential property. "The differentials between London and country are now at or approaching their maximum and I believe that this gap will narrow over the next five years. You could see capital growth of 15 per cent over the next five years." Marking would also lease a share of the land to a farmer, with the aim of using the rental yield

to pay the running costs of the house.

Christie's International Real Estate went the other way, staking their bet on the emerging residential prospect of Sandton, a northern suburb of Johannesburg, with the expectation that South Africa's most populous city is in the infancy of an international investment boom.

The global investment community has been waking up to South Africa over the past two decades. However, momentum is building in the country as the debt crisis afflicting Europe and the US pushes investors to seek alternative destinations for their capital.

"Sandton leads the revival of the top end of the market by attracting banks and businesses and gradually becoming the commercial hub and shopping basket of South Africa," says Ronald Ennik, head of Johannesburg-based Ennik Estates, an affiliate of Christie's. Ennik expects house price inflation of 12 to 15 per cent in the area during the next two years and says prime property across South Africa has been chronically under valued.

"The price ceiling on top-end homes on the best streets in South Africa's most exclusive areas – such as Sandhurst in Sandton and Clifton in Cape Town – is about R100,000 (£8,100) per square metre. A comparable home in London would cost at least six times more," he adds.

Knight Frank also favoured the idea of investing in a growth market, rather than buying into the established residential royalty of London, New York or Hong Kong, and chose Moscow as the destination for their £3m. The international estate agency went for a new-build apartment in the centre of the Russian capital.

"Moscow high-end property market has been showing a strong performance and the new-build sector has

seen an 18 per cent price growth over 2011, breaking its pre-crunch peak," says Elena Yurgeneva, Knight Frank's head of residential property in Russia. She adds that the market is "looking promising to gain up to another 20 per cent by the end of 2012."

The final £3m was given to Elizabeth Stribling, a veteran of the New York property market. Opting to stay on home turf, Stribling decided that a glass-walled high-rise apartment in Manhattan's Chelsea, with views over the recently finished High Line garden, was the best buying opportunity.

"A New York weekend residence such as this could be a romantic hideaway in a trendy neighbourhood as well as a terrific investment. The High Line is a beautiful urban park that was re-imagined on an old elevated train line in Manhattan's Chelsea district which completely rejuvenated the neighbourhood, now full of art galleries and trendy boutiques and restaurants," says Stribling.

So there it is: £15m carefully scattered across world's high-end property market, with the aim of making money on what has proved to be one of the safest investments of the downturn. The omission of Hong Kong is an interesting, but perhaps unsurprising, statement about how agents look to strike the delicate balance between risk and return. Prime property prices on the island state have soared a giddy 68 per cent during the past three years – the type of bubbling market which has heralded many a housing crash.

The FT will return to the five chosen properties in a year and assess the results of our fantasy buying spree and the continuing prospects for each home.

Ed Hammond is the FT's property correspondent