

Estate agent warns over London 'rip-off'

Properties 'misrepresented' to Chinese investors

By ANDREW MOODY
CHINA DAILY

LONDON — James Moss leant over our table almost conspiratorially and said unsuspecting Chinese people were being "ripped off" in the London property market.

The chartered surveyor is managing director of Curzon Investment Property, which acts for those wanting to invest in central London residences.

The company, which is based just a few meters from the world famous Harrods department store in Knightsbridge, now has a number of clients from China looking to buy.

"People are being ripped off because they are paying for properties that aren't actually in the best locations and are not getting the rental income they were told they were going to get by estate agents," he said.

We had escaped the light summer rain to discuss the recent phenomenon of Chinese buyers becoming big players in the London housing market.

Over coffee at the Emporio Armani Caffè, a restaurant somewhat incongruously located in a clothes store, there are by chance some young Chinese shoppers perusing the designer wear. They had an air of affluence that made one speculate whether they would be buying more than a dress on their travels.

"We have always done well in places like Hong Kong with the expat market wanting to buy

property. What we have now is a much higher proportion of ethnic Chinese," he said.

He insisted, however, there were dangers for unsuspecting Chinese and other Asian buyers rushing into the London market.

He said some developers were flying over to the Far East to try to effectively dump properties they could not sell to UK buyers.

He said he knew of Chinese investors who bought flats in Lewisham, a relatively deprived area of southeast London, thinking they were in a prime location.

"Places like Lewisham certainly aren't prime. They are residential secondary and tertiary locations. There are mixed communities there. They are certainly not affluent. These sort of areas don't attract the corporate and professional tenants that the glossy brochures said the schemes were aimed at," he said.

Moss said a number of developers were being economical with the truth when it came to their marketing literature.

"I wouldn't say properties were being mis-sold but there is quite a lot of misrepresentation. There is certainly inflation of the numbers and embellishment as to how good these locations are when they are not very good at all," he said.

Moss said China's new rich have become attracted to the London property market because of the 30 percent fall in the value of sterling against the Chinese yuan over the past



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MANAGING DIRECTOR, CURZON INVESTMENT PROPERTY, LONDON

two years combined with falling property prices in the wake of the collapse of Lehman Brothers.

"London property became very expensive in 2007 and then suddenly became 50 percent cheaper in 2008 when you take into account both the exchange rate effect and the fall in prices. It is crazy but that is right," he said.

Chinese buyers, who had previously left the market to wealthy Russians and Indians, suddenly decided they wanted an apartment in London too.

"I think they have suddenly realized the yields (annual rental income over property value) of 3 to 5 percent in central London are better than they can obtain in Hong Kong, where they are typically between 1 and 2 percent," added Moss.

He said Chinese and other

Asian buyers are in a much better position than domestic UK buyers because their banks are cash rich and prepared to lend money whereas UK and other Western banks are refusing to lend, even to people with perfect credit histories.

"The banks here aren't lending, whereas Chinese buyers are not just getting the funds but better interest rates than can be obtained in the UK as well as higher loan-to-value mortgages. A lot of the mortgages we see now are from Hong Kong or come from offshore," he said.

Moss, who started the company, previously called Homeseach, in 1996 charges a 2 percent fee for his services if he successfully finds a client a property.

He said he has around six clients from Asia, including Hong Kong, which is where Chinese mainland investors tend to channel funds to buy property.

"They don't come through the mainland but through Hong Kong. Like other Asian investors from countries such as Malaysia and Thailand, they are looking for safe havens to put their money and London property essentially provides that," he said.

Moss said the Chinese property buying behavior is like that of most international property investors.

"They are either looking to rent the properties out or they are what I call an 'esoteric' investor. These are people who want to buy good quality properties and will use them as



James Moss, managing director of Curzon Investment Property

a London base for their family or children when they go to university. They will probably hold them in some family trust or offshore investment vehicle for 15 to 25 years," he said.

Moss said investing in London property had proved to be a good investment with property prices in central London growing by 9 percent a year since 1985, according to Land Registry data in the UK.

"If someone puts down a 30 percent deposit and borrows the remainder, paying a 3.5 percent interest rate, they have been able to achieve a

50 percent return on equity in five years and 100 percent over eight years," added Moss.

The surveyor added Chinese investors needed to be aware of the hype surrounding some schemes.

He recalled doing property presentations to potential investors in Hong Kong in the mid-1990s.

"During one of these I remember picking up a copy of the South China Morning Post in my hotel room and looking at the property pages. There was an advert for a scheme showing pictures of Bucking-

ham Palace and the Houses of Parliament. The properties were in fringe Maida Vale, however, which is nowhere near either. They were also terrible. The same sales tactics are being used now," he said.

Moss said the Chinese were not always looking for investment but were also being lured in by the lifestyle that London can offer.

"It is a very cosmopolitan city and the quality of what happens in London in terms of the culture and lifestyle is what appeals to people. London is on a bit of roll right now," he said.

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estate agents have met with resistance from Hong Kong property sellers.

"While we were there, there were people outside the hotel handing out leaflets presumably representing Hong Kong agents referring to the efforts of UK agents to sell property as FILTH (Failed in London Try Hong Kong)," he said.

Having a London property is now seen as the badge of the international rich, who have traditionally owned properties in such places as Switzerland, Monaco and New York.

Middle East buyers have been a feature of the London property market since the 1970s.

Before the recent influx of Chinese, the big buyers were the Russian oligarchs and Indian business tycoons.

Kennedy at Knight Frank said people from the Far East do not prevaricate when it comes to buying a property.

"Hong Kong people take about one hour to decide, people from Singapore about three hours and people from the UK, well, we could be waiting a long time to see whether they can get a mortgage," he said, laughing.

He said the market is not now just dominated by overseas Asians but people working in areas such as Canary Wharf, London's new business district to the east of the City of London.

"With its 50-storey skyscrapers overlooking the Thames, it has the feel of a mini-Hong Kong. Young Asian professionals who were previously renting have been buying a lot of property in this



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A stylish modern kitchen in The Lancasters.

area of London," he said.

Whether central London property, which has more than doubled in value over the past decade, will continue to be a good investment in future remains to be seen.

However, for many Chinese and other fabulously wealthy buyers this is no longer the

central question since a rise or fall in property values is unlikely to put too much of a dint in their wealth.

"To a growing number of property owners in prime London, the real answer appears to be 'who cares?'" said Liam Bailey, head of residential research at Knight Frank.

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