

Buyers seek out cheaper 'trophy' homes

Property

Low demand for £10m-plus houses leads to big discounts, writes Tanya Powley

Wealthy buyers can now negotiate significant discounts on "trophy" homes – prime properties worth more than £10m – as demand from British house-hunters has fallen, according to buying agents.

Trophy homes were in high demand before the credit crunch but a lack of mortgage finance, unstable financial markets, and a pending emergency Budget have all contributed to a slowdown in parts of the prime market.

According to Robert Bailey, a London-based buying agent, properties priced above £10m now offer some of the best value in the market. "There are dozens of homes in this bracket that remain unsold despite a healthy market below this level," he says.

Bailey says UK buyers who would have considered buying a £10m-plus home a few years ago are now opting to buy with cash – and are therefore hunting for homes priced at half this amount. "Chief executive officers and other executives are reluctant to be seen to be splashing the cash – even if they can afford to do so – as it reflects badly as a whole," he says.

Bailey says that in a recent case, a property came on to the market at £12m but was subsequently reduced to £9m after no buyers were found.

This lack of activity contrasts with the £3m to £5m prime property market, where prices have returned to peak levels. Mark Lawson, partner of The Buying Solution, the buying consultancy arm of Knight Frank, says it is seeing competitive bidding for the best-in-class properties in this price band.

"In some cases, buyers are having to pay above guide price for the best houses," he says. "For example, in recent weeks, The Old Rectory at East Woodhay, Hampshire, sold for in excess of the £4.75m guide

price with three bidders."

Savills, the estate agency, says buyers can expect to pay full price in the £3m-£5m price band for the best-in-class properties: houses that are in absolutely the right position.

"Recent sales of best-in-class properties in garden squares have exceeded 2007-2008 levels, with competitive bidding," says Tom Lamb of Savills' Sloane Street office.

However, not all houses in this price range are proving easy to sell or hitting peak prices. Lamb says a house that is blighted in some way by a train line, bus route or busy traffic is very hard to sell.

"Buyers are reluctant to take the risk on the resale value, even at a knock-down price, and sellers should expect to reduce their expectations on price by a minimum of 10 per cent," he says.

Lawson says people buying above £10m are usually doing so as a "luxury purchase". Such buyers already own two or three properties and are in the market to buy for lifestyle reasons. As a result, they are generally not restricted by time and can afford to be cautious.

But while UK buyers may be biding their time and waiting for discounts, the overall situation is improving for sellers. Research from Savills shows that in the first five months of this year, sales of prime central London property worth in excess of £5m were 64 per cent up on the same period in 2009, with sales in the £10m-plus bracket already exceeding £700m this year.

Lucian Cook of Savills says international demand, which he estimates has accounted for 63 per cent of this market since 2006, continues to be strong.

Activity in the £20m-plus property market has also increased. The market was subdued during 2009 but in the first three months of this year sales have already exceeded the full-year sales recorded in 2009.

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