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For what it's worth

There's not a squawk from the Central London property markets as buyers pull out of the game

By Anne Spackman, Times Property Editor

LIKE Monty Python’s parrot, the Central London property market is dead. It is not just quiet or resting, it has ceased trading.

From Canary Wharf to Wandsworth, the only callers to estate agents are sellers adding to the heap of unsold stock or investors dropping their deposits. When a sale actually completes, the news travels like hot gossip on the property bush telegraph.

Although the market has generally been falling from the top down, the hardest-hit spots are not the most expensive. There is a tiny world of global players, too rich to be bothered by low interest rates or stock market crashes, who will still buy if they find the right property. The handful of agents whose stock in trade is the £10 million house do not live or die on high levels of turnover.

The real suffering is in cheaper areas such as Fulham. The roads of the Peterborough Estate, where terraced family houses were like gold dust, in terms of rarity and value, are now dotted with “For Sale” boards. It is the same story in much of Chelsea, Battersea and Wandsworth. One of London’s top mortgage brokers, Wayne Coleman — whose average loan last year was £900,000 — describes the scenario of today’s vulnerable borrower. He is typically a banker, earning a salary of about £90,000 a year, with a possible bonus worth four times as much. He has bought a house for just over £1 million with a 75 per cent loan. Last year he lost his bonus; this year he may lose his job as well. It is time to sell up and move out.

In the investor-dominated blocks along the Thames the market is as murky as the water. There are reports of investors in the Isle of Dogs preferring to lose their deposits than to pay the next instalment on their property. There are also reports of overseas investors — particularly from Hong Kong and Singapore — struggling to find a buyer or a tenant for their new riverside flats further west.

At Kew, in southwest London, one entire block of flats sold two years ago off-plan in South Africa is back for sale at its original price. Even in prime Kensington, plenty of the “For Sale” boards are on properties owned by investors trying — too late — to catch the top of the market.

Clever land buyers, such as the developer Tony Pidgley junior, are getting out their wallets as the asking price for building sites begins to tumble. Pidgley may have failed in his recent bid to buy the Berkeley group, but he still has a stash of cash for more day-to-day spending.

Estate agents in the worst affected parts of town are in total denial. They fear signs of discomfort will be interpreted as evidence of a widespread collapse in the market, rather than a temporary blip. Six months ago only the market above £1 million was struggling; that ceiling has fallen swiftly to £300,000 — which in Central London means a two-bedroom flat at best.

It would be comforting to blame the war. After all, the market ground to a halt after the Russian currency crisis in 1998, and again after September 11. But this time it seems to be more serious. Prices of expensive properties in Central London started to fall nine months ago, long before Iraq hit the world's radar screen.

Last year's record price rises in the mainstream UK property market were driven — and justified — by cheap mortgages and high employment. Both those factors remain in place, which is why lenders such as the Halifax do not foresee a widespread property crash. In outer London and the Home Counties, where the economy is less City-based, the market is not in dire straits. Prices have stopped rising, but neither sales nor confidence has fallen off a cliff.

But in Central London last year's price rises seem to be have been a peak too far. Wise heads, such as those at FPDSavills' research department, gave a warning that whatever London gained in the spring it would lose in the autumn. It has taken a little longer, but that seems to be where the market is now. Values are down by around 15-20 per cent in many parts of the capital. War in Iraq and fears of a bomb attack in London have undoubtedly contributed to the sharp slowdown in business. Once a measure of certainty has returned, activity levels are likely to pick up as people get on with their lives.

But it is difficult to see prices in Central London returning to previous levels. Values in Paddington had reached levels more appropriate to Holland Park or Belgravia. Now that buyers are judging each property on its merits, the old rules of location and quality apply. The £1,000 a square foot mark, dividing the very best London properties from the rest, is firmly back in place.

Anne Spackman was this week named Property Writer of the Year at the 2003 British Press Awards.

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So this is what you get for £3.6m

By Sean O'Neill, Anne Ashworth and Grainne Gilmore

TONY and Cherie Blair bought their new home more than a month ago but details of the transaction were kept quiet amid summer speculation about the Prime Minister's future.

The Blairs bought the five-storey house from Roger Bevan, an art collector and critic, who paid £950,000 for it ten years ago. Mr Bevan, 52, an Old Etonian and Turner Prize judge, did not know who his prospective buyers were, although the Blairs are understood to have viewed the property while he was absent.

Downing Street had always intended to make details of the purchase public when the transaction was filed with the Land Registry, but rumours began to circulate on Wednesday and this prompted officials to confirm them.

After the "Cheriegate" fiasco, surrounding the purchase of two flats in Bristol, the family was determined that the property deal would not be tarnished.

Their current next-door neighbour, the Chancellor, will take £144,000 in stamp duty from the sale of 29 Connaught Square, and the previous owner has made a £2.65 million profit, but the Blairs have saddled themselves with a supersized mortgage.

Brokers calculated that the Blairs are likely to have taken out a £2.6 million mortgage and put down a deposit of £1 million — drawn from savings and the estimated £240,000 profit from the sale of their Islington home. The monthly mortgage payments are likely to be more than £11,300. However, few doubt Mr Blair's ability to make serious money when he steps down.

His memoirs will easily command a multimillion-pound advance. Baroness Thatcher received a £3.5 million advance for two instalments of hers. The after-dinner speaking circuit also beckons, with Mr Blair likely to earn fees of $100,000 per engagement in the United States. John Major, his predecessor, is said to earn up to £25,000 per appearance in America.

Wayne Coleman, one of London's few bespoke mortgage brokers who deal in very large loans, said: "Income multiples go out the window, especially if you are bringing clients such as the Blairs to a bank. The focus will be on the borrowers' assets and their future income."

The Blairs' future wealth will not make them stand out in this corner of London known as the Hyde Park Estate. The square's residents include investment bankers and lawyers. The house next door is owned by Paul Oakenfold, the DJ whose hits include *Starry Eyed Surprise*.

Like the Blairs, Mr Oakenfold lets his house. A tenant has already been found for the Blairs' five-storey house, which has a self-contained basement flat and is expected to pay an annual rent of more than £150,000. The Blairs are unlikely to profit from the rental. Their two flats in Bristol, both let for about £1,200 a month each, may be sold to help to finance the purchase, but neither is currently on the market.

Mr Bevan and his wife Beverley had lived in Connaught Square since 1994 and carried out extensive renovations. A neighbour said:

"Roger and Beverley produced a truly beautiful interior; they've given a traditional house a quite modern feel."

Before the Bevans, the house had been home to Graham and Sandra Balfour-Lynn, who paid £180,000 for a short lease in 1991.

"When we moved into the property it was in a very bad state, run down and needed a lot of work," said Mrs Balfour-Lynn, 39, a yoga teacher. "It was a huge project but one I enjoyed. It has a lot of original features that we did a lot to keep up, particularly the cornices, railings, windows and fireplaces.

"My bedroom, which I imagine will become Mr and Mrs Blairs' bedroom, was on the second floor and had its own dressing area and a huge bathroom."

Mr Blair will not be the first distinguished former public servant to live at 29 Connaught Square; 100 years ago it was the home of Sir Erasmus Ommanney, a retired Admiral.

The square has not always been kind to fallen leaders. The body of Oliver Cromwell was exhumed in 1661 after the Restoration, and symbolically hanged from a gibbet at Tyburn. The gallows are believed to have been moved from their original site to a spot where 49 Connaught Square now stands.

The presence of the place of public execution delayed the area, then known as Tyburnia, being developed as a residential area. House-building began under the supervision of the Church Commissioners in the early 19th century.

Mr Hirst, 46, chairman of the local Conservative ward, said that he welcomed the extra security that would accompany Mr Blair’s arrival. Residents currently employ private security guards at weekends.

Those problems of inner-city living are, thankfully, offset by the annual summer garden party, when residents gather in the communal gardens to drink wine, listen to jazz and eat food from a local restaurant.