

Insights

The market for prime central London (PCL) properties has long been a magnet for investors and high net-worth individuals (HNWIs) from all over the world. Recent data indicates that over half (57%) of the property purchases made in the capital last year were by non-UK residents. Our latest factsheet explores the reasons behind this trend and offers insights into what the future may hold.

The international appeal of PCL property

There are many reasons why the international HNWI community is attracted to the idea of purchasing a PCL property, whether that is as a primary residency, pied-a-terre, second home or buy-to-let investment:



A global hub – London offers a compelling combination of quality schools, culture, green space, history and architecture, as well as being a centre for finance and commerce.



Ease of transactions – the UK has a transparent legal system and a relatively simple house-buying process when compared to other global property investment leaders.



Capital growth potential – between 1995 and 2023, the average sale price of a London property rose by more than 700%, increasing from £107,646 to £875,431.



Rental returns – average rents in London increased by 11% in the year to August 2023, with demand outstripping supply, particularly in the PCL space.

Butterfield Mortgages Limited
Sun Court, 66-67 Cornhill, London, EC3V 3NB
T +44 (0) 20 3871 6900 | F +44 (0) 20 3871 6901 | [butterfieldgroup.com](https://www.butterfieldgroup.com)

Will international investment in the PCL market rise in the year ahead?

Looking ahead to the coming 12 months, there are several factors that could contribute to an increase in investment levels from non-UK residents into the PCL market:



The performance of the pound, amid the economic turbulence of high inflation and rising interest rates, means favourable exchange rates are available to PCL buyers based outside the UK, making property purchases in the capital cheaper in relative terms.



Following the pandemic, we are still seeing a transition back to normality where international investment activity is concerned. Recent sizeable deals – including a flat near Green Park, which sold for £22 million to a buyer based in the Far East – are being held up as examples of international HNWIs returning to the PCL market in even higher numbers.



A general election is due to take place in the UK late next year, which may result in reforms to planning laws, stamp duty rates and buy-to-let regulation. We could see investment levels rise in the lead-up to the election from overseas buyers who are keen to enter the market ahead of any possible reforms.



International investors

“International investors have a longstanding love affair with the prime London property market, and it’s not hard to see why.

The capital boasts exceptional schools and universities, some of the world’s finest restaurants, museums, galleries and theatres, lovely parks and green spaces, and it remains a global centre for business. Not only that, but property and rental prices have historically performed very well. Simply put, London is seen as one of the best cities on Earth to live or visit, while PCL property is seen as a safe asset to invest in.

Much was made of how the pandemic may impact urban living, with some suggestions that London property would become less attractive to investors as a result. But the data from the past two years has disproved such predictions, with overseas buyers still highly active in the PCL space, and sales prices actually outperforming the UK average.

However, despite high demand and the UK’s transparent legal system, there are some challenges that non-UK residents may experience when purchasing PCL properties. These include difficulties in accessing prime mortgages, through to troubles in understanding the taxes and fees involved in transactions – most notably the additional stamp duty charges for non-UK buyers and those investing in second homes or buy-to-let properties.

At Butterfield Mortgages, we specialise in lending to PCL buyers, including those based outside of the UK. We understand the enduring appeal of prime London properties, and the various motivations a buyer might have for purchasing such an asset. Moreover, our bespoke service ensures we can guide brokers and borrowers through the entire process and deliver the prime mortgages they need to complete a purchase.

The outlook for international investment in the PCL market remains positive, and we look forward to supporting buyers so they can invest in London’s prime properties with confidence.”

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BML is a London-based prime property mortgage provider with a particular focus on UK and international high net worth individuals. For more information about our prime property mortgages, get in touch with a member of the team today.

E-mail ukmortgages@butterfieldgroup.com
Call +44 (0) 20 3871 6900

