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Living Tops Investing For London Home Buys

By Irina Filatova

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Russian buyers continue to rank first among foreigners spending on high-end housing in London, giving the market a significant boost in the last few years, a consulting company said Monday.

Property shoppers from Russia spend an average of £6.2 million ($9.7 million) on elite property in London, followed by buyers from the Middle East who usually invest about £4 million, according to IntermarkSavills, an international company focusing on high-end property.

The trend has remained unchanged over the last five years, it said in e-mailed comments.

London has traditionally been among the most attractive locations for Russians, who accounted for 8 percent of all sales of existing high-end housing in the city last year, up from 4 percent in 2010, the company said.

Among major customers are business visitors who need a permanent place to stay during frequent trips and those who buy housing for their children studying in London, said Alexander Shatalov, a managing partner at IntermarkSavills.

Buying property to subsequently rent it out is also practiced.

"London is still a priority location for investors. ... As a result, prices for premium-class property in central London constantly grow," Shatalov said.

The demand from Russians helped boost prices for high-end property in London by 11.4 percent last year, according to Penny Lane Realty.

"It's not a secret that Russians buy the most expensive houses in London, probably more often than Middle East sheiks and American multimillionaires," said Alexander Ziminsky, head of Penny Lane Realty's high-end property sales department.

Russians buy expensive property in the British capital not only to get investment returns from rental revenue but to demonstrate their status as well.

"A residence neighboring those of the British queen and representatives of the world business elite is an indication of success for the wealthiest Russians, just like real estate on Ulitsa Ostozhenka or near the Kremlin in Moscow," Ziminsky said in a statement.

But he warned that buying elite real estate in London could result in additional costs, since foreigners in Britain are often offered properties that require significant reconstruction and are subject to high taxes.

"It's possible to purchase eight to 10 apartments of high liquidity in elite newly built houses in Moscow that will allow the buyers not only to keep but to increase their capital in the future," Ziminsky said.

Buying high-end property in London is unlikely to bring high returns, as the maintenance costs alone might reach 20,000 euros ($26,200) a year, said Igor Indriksons, a real estate investment manager and founder of industry portal Indriksons.ru.

As a result, the share of Russians considering London's high-end segment for investment declined last year, while moving to Britain for permanent residence became the primary driver for buyers of elite housing, he said.

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