

# FT Weekend

Middle East edition

SATURDAY 14 OCTOBER / SUNDAY 15 OCTOBER 2017



LIFE & ARTS

## Kate Muir on the dark heart of La La Land

**Martin Wolf**  
The future  
of the global  
economy  
COMMENT



## Inferno At least 31 killed as winds fuel 'catastrophic' California wildfires

A firefighter battles one of the wildfires that have swept across parts of northern California killing at least 31 people and devastating thousands of homes and businesses in the prime US wine-growing region.

Officials said the death toll, the highest in wildfires in the state's modern history, could rise as the fires continued to rage at their fiercest in the famed wine-growing counties Sonoma and Napa.

More than 20,000 people have been evacuated from the affected counties, where fires have scorched through 300 square miles and destroyed at least 3,500 homes and other buildings.

Ken Pimlott, director of the California department of forestry and fire protection, described the multiple blazes as "a serious, critical, catastrophic event". Some 8,000 firefighters are tackling the blazes, which have been fanned by strong northerly winds.



Joe C. Hong/AP Photo

**£35,000 a week**  
The world of  
super-prime  
renters  
HOUSE &  
HOME



**Lunch with the FT**  
Microsoft's chief  
Satya Nadella on  
empathy, cricket  
and Bill Gates's  
shadow

LIFE &  
ARTS



## Trump calls for fresh Iran sanctions

◆ Vow to scrap nuclear deal without changes ◆ Executive action on Revolutionary Guard



# House & Home

FTWeekend



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Chronicler of a country's future

AT HOME PAGE 2

**To buy in Dubai?**  
Decadent design and sky-high price tags

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**Georgian beauty**  
History lessons for the post-Brexit landscape

GARDENS PAGES 8 & 9



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## Prime numbers

Renting at the very top end of the housing market can make financial sense for those happy to part with £35,000 a week.

By *Melissa Lawford*

**A** tenancy at the four-bedroom penthouse on Carlos Place, west London, is not for the faint-hearted. A week's rent costs £35,000. It's an impressive place. The huge open-plan apartment is a stone's throw from Hyde Park. There's a lot of glass, a lot of chrome, contemporary furniture and recessed lighting – there's even a glass spiral staircase to a private rooftop garden. But at £35,000 a week? It's an astonishing price.

So why do London estate agents report that an increasing number of people think it makes financial sense?

Between January and May, registered interest in renting in the capital's "super prime" bracket (homes costing north of £5,000 per week) was up 62 per cent on the same period last year, according to Knight Frank. Between January and April, the number of agreed super-prime tenancies was up 27 per cent year-on-year, according to data from LonRes. And the higher the price bracket, the more enthusiastic renters seem to be getting: in the 12 months to March, the number of tenancies agreed with weekly rates above £10,000 rose 50 per cent year on year.

A "perfect storm" has thrown super-prime lettings into the spotlight, says Hannah McDougall, head of London let-

**'With Brexit, executives are coming to London and choosing to rent rather than commit'**

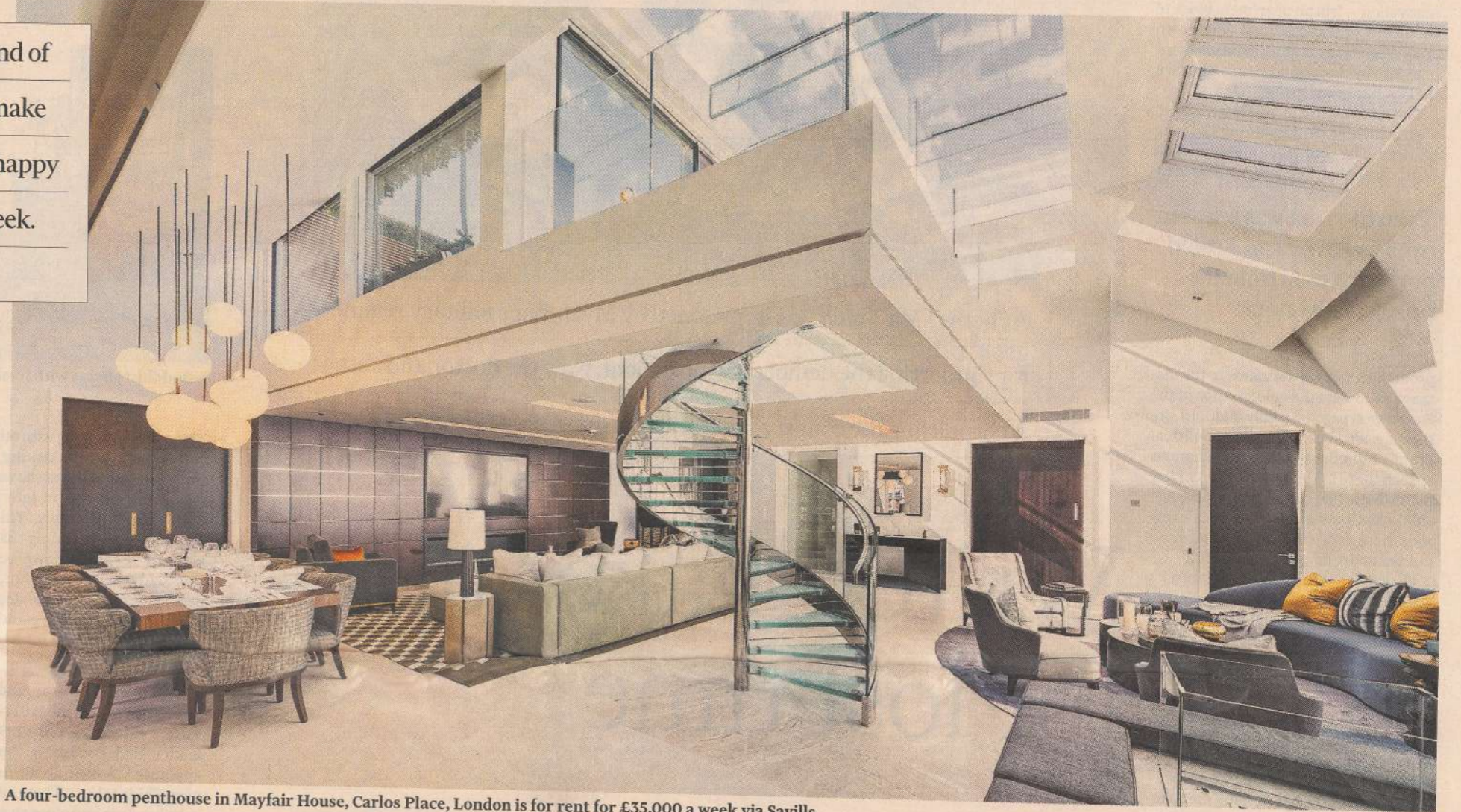
tings at Sotheby's International Realty.

In the first half of this year, sales of homes in London valued above £5m were around 40 per cent down on 2014, according to LonRes data compiled by Savills. The average value of a super-prime home – those priced above £8m – is 17 per cent less today than it was three years ago.

Renting super-prime is now – following stamp duty reform and a price downturn – "a sensible choice", says McDougall. Since the changes in 2014, the tax payable on purchasing a £15m home has increased by 63 per cent to a bill of more than £1.7m. If it's part of a portfolio, add the second-home surcharge of 3 per cent introduced in April 2016: the bill rises to about £2.2m. "You can divide the capital that you would pay for the stamp duty alone over a two to three-year rental period," says Izzy Birch Reynardson, head of super-prime lettings at Savills in Central London, "and then you haven't exposed yourself to any risk of a depreciating asset."

Indeed, £2.2m could buy you a stay of more than two years in a 10,000 sq ft, six-bedroom penthouse in Knightsbridge, which is on the market with Strutt & Parker for £20,000 per week. To put that in context, a week's stay in the Carlos suite at the Connaught Hotel costs £10,710.

London's super-prime renters are almost entirely international, says Henry Kruczko, head of development lettings at Strutt & Parker. "[Once] it was corporate relocations and Qatari princes," says McDougall. "Now it's younger but very successful couples, families and people looking at three to five-year stays who previously would have purchased."



A four-bedroom penthouse in Mayfair House, Carlos Place, London is for rent for £35,000 a week via Savills



The Mayfair House apartment has a private rooftop garden



Four-bedroom flat in Paris, €10,000 a month, via John Taylor



(Left and below left) St John's Wood Park, London, £15,950 per week, via Sotheby's International Realty



### RENTING GUIDE

What you can rent in London for ...

**£5,000/week** A four-bedroom apartment in a villa in Holland Park

**£20,000/week** A four-bedroom, 4,363 sq ft apartment in One Hyde Park with a 40ft reception area

**£35,000/week** An eight-bedroom house opposite Buckingham Palace with staff quarters and a pool

And in Paris ...

**€2,300/week** A four-bedroom apartment on the Left Bank with views of the Eiffel Tower

And in New York ...

**\$17,300/week** A three-bedroom penthouse in Midtown Manhattan with amazing views of the city skyline

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"It's a huge growth: eight or 10-fold."

New buildings concentrate the competition all in the same place. Stockwell describes one client with an apartment in 30 Park Place in Tribeca, a newly completed hotel and residential tower. "When we went to list it, there

were 31 other apartments in the building for rent – two-thirds of them were super-prime." The client lowered the rent from \$19,500 to \$16,000 per month. "Maybe she loses money on a

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HACKETT LONDON

Though it has less of a relative market share, the corporate demand for super-prime rentals is still increasing, she says. Investment banks – that would once have offered relocation packages – have now turned to long-term renting, she says. "The financial sense, especially if they have shareholders to answer to, is in renting." Knightsbridge has the largest share of London super-prime lettings – 22 per cent – followed by Kensington at 18 per cent, according to Knight Frank data.

Even Brexit, and the fall of the pound against the dollar, is working in the super-prime rental market's favour, attracting increasing interest from the US, says McDougall. While major global cities such as New York, Paris and Hong Kong have active prime rental sectors, according to Yolande Barnes, head of Savills World Research, none has grown in recent months as much as London. "With Brexit, with increased uncertainty, executives are coming to London and choosing to rent rather than commit."

Across the Atlantic, demand for super-prime rents (property let for more than \$15,000 a month) is falling. Jeffrey Stockwell, real estate broker at Stribling, Savills' New York associate, attributes this to an influx of high-end rental apartments. "If I have a tenant looking in that range, I can now show them 50, 70 apartments, whereas before it would have been eight or 10," he says.



# Prime numbers

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monthly basis, but she had to get someone in there right away," says Stockwell. In half the cases of new lettings, he adds, owners now offer to pay the agency fees, traditionally paid by tenants, which come to 15 per cent.

Economic problems in Venezuela and the fall in the value of the Brazilian real — as well as President Donald Trump's protectionist rhetoric — have deterred potential renters from Latin America and the Middle East from considering the US, says Stockwell. He estimates the share of international super-prime renters in the US has fallen by a third in the

past 12 months. "Wealthy Arab buyers used to rent — they weren't so keen to own in the US after all of the restrictions after 9/11 — but now fewer of them are renting even. They're just not coming to the US," says Stockwell. In New York, the average price of super-prime rents has fallen 20 per cent in the past two years, he estimates.

Across London, rental prices are growing again after several months of decline, according to HomeLet. Demand seems to be growing too. Brexit is bringing in a new set of international renters, says David Adams, director of Humberts. These are people who were previously living elsewhere in Europe and are now concerned that their EU passports will no longer grant them access to Britain. Many Russians, he says, bought property in Malta for citizenship purposes with no intention of actually living there. "They wanted to come to London and live



151 East 58th Street, New York, \$75,000 per month, via Corcoran

as European citizens and take advantage of education and business in London," he says. "They're all concerned that now those European rights may no longer be valid, so they actually have to bite the bullet and get established here directly." And before they buy, they rent, he says.

There is also a new breed of renters

who are in temporary accommodation while they search for a site to develop. "They've worked out that if they build something for themselves it's the best sort of stamp duty avoidance," says Adams. "If you buy a development site, you can build a £30m home and maybe only pay stamp duty on £15m of that."

Like in New York, in London the supply of super-prime rentals has grown "massively", says McDougall — up about 40 per cent in a year, according to Kruczko. "We haven't seen anything like it since the crash in 2008, when so many people became accidental landlords," says McDougall, referring to property-owners who found themselves renting their homes out because they couldn't sell them — or at least, not for the price they wanted.

High expectations among renters extend even towards the more sober end of the market. At Dalston Works, a new development of build-to-rent apartments where rates for a one-bedroom property start at £1,800 per month, developer Guy Nixon refers to his renters as "guests". "They expect a hands-on service," he says.

While renters may be demanding, those in the super-prime bracket are not typically a rabble of decadent tear-

aways. In fact, agents say they have a reputation for being well-behaved. Landlords even feel comfortable renting their incredibly expensive homes to the very young. "We had a student who was about 20 paying £3,000 a week for a one-bedroom apartment in One Hyde Park," says Kruczko.

"Clients are receptive because they're used to living a certain way," adds Birch Reynardson, "and they're going home in the holidays."

Yet super-prime renters are not in the market to compromise. Agents note repainting the property and reconfiguring bathrooms are standard requests. Typically, owners are keen to accommodate. An eight-bedroom house in St John's Wood is on the market with Sotheby's International Realty for £15,950 per week. "The landlord wants us to advertise that he will install a swimming pool if the tenant wants," says McDougall.

THE HIDEAWAYS CLUB



Knight Frank