

Property investment firm uncovers London's neglected real estate opportunity

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London's architectural skyline appears to be in a constant state of transition. No sooner has one high rise opened its freshly lacquered doors than another crane has emerged to rival its magnitude, towering overhead while investors and house hunters alike vie for a postcode in the ever-coveted capital. But it's behind the glossy facades of the city's newest developments that the greatest real estate investments lies, Dominic Field, co-founder and chief executive officer of Temple Field Property told *privateclient*.

In what the London-centric residential investment agency terms as its 'Yield Plus London Opportunity', Mr Field and fellow co-founder and chief investment officer, Ben Temple, seek to highlight the investment potential of a typically overlooked and underestimated sub-sector of the London property market: ex-local authority.

Ex-local authority properties, according to the pair, provide a real estate investment for as little as 60 percent of the cost of comparable period and new build properties, yet with an average historic gross purchase yield of up to 1.3 percent more. Indeed, Temple Field are currently acquiring properties in excess of six percent gross yield; a figure which is expected to rise to 10 percent by 2020, as the rental market continues to snowball. Plus, with inherent value-added potential, minimal refurbishments can boost returns on these properties and create almost immediate rental income.

"The beauty of ex-local authority stock lies in the properties' larger floor plates, having often been built in the 1960s and 1970s, when space wasn't at such a premium in the capital," explained Mr Field. "Consequently a relatively modest refurbishment, able to incorporate an additional bedroom and bathroom, will considerably enhance the property's rental yield and capital value."

Temple Field's strategy, which is built on the duo's 50 years' combined real estate experience, is to buy affordable property in pockets of more expensive new and period build, targeting low-rise, higher quality units on low density local authority estates close to transport links in boroughs such as Wandsworth, Lambeth and Hammersmith & Fulham.

The firm typically buys lot sizes between £400,000-£600,000 on behalf of both domestic and international investors who are seeking to supplement their pension income, provide cheap accommodation for their children or simply provide an income from a nest egg. Temple Field aims to provide execution certainty for vendors by pre-screening clients

whilst simultaneously providing clients with investment advice and a refurbishment and letting service. The firm's two percent fee is regularly absorbed by reductions off the asking price achieved by the firm.

As a result, such purchases remain immune from the uncertainties surrounding a potential Mansion Tax. Indeed, according to Mr Field, the current political landscape has served to enhance the popularity of such investments. Stamp duty land tax (SDLT) reforms have meant that the tax threshold on lower value properties has been reduced, while changes to the pensions system mean that more people face the prospect of having surplus investible equity.

Similarly, the property market has cooled off by seven to 10 percent since its peak last summer and has led to a lull over the past few months, which in turn has created some "great deals", explained Mr Field. However, with "improving infrastructure, market demand and low mortgage rates", he doesn't expect this drought to continue past the election.

"The market is of course taking a breather right now, but the capital continues to enjoy heavy demand for housing given the very significant and increasing shortage of affordable property available to either purchase or rent. Rising rental and capital values have forced both tenants and buyers to consider other options, with fast-changing perceptions about ex-local authority housing attracting growing numbers of professional renters and purchasers.

Over the past 20 years, 235,000 of the capital's 410,000 ex-local authority units have transferred from public to private ownership. The firm believes that this improving tenant profile is removing the historical stigma attached to owning such properties and will, over time, narrow the price discount to new and period property. "We expect this trend to further accelerate as the capital and its economy continues to grow in size, and London becomes an even more attractive place for investment," Mr Field added.

Temple Field was founded in 2014 and provides investment acquisition services to private UK and international investors seeking residential property investments in Central and Greater London. Its real estate services include property search, acquisition and refurbishment. Since 2000, the firm's co-founder Ben Temple has acquired 66 ex-local authority properties at a cost of £13.5 million (inclusive of refurbishment costs). The portfolio is currently estimated to be worth £26 million and has paid out in excess of £8 million in gross rent during the period.

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