

16 October 2009

Let's Get Back to Business

This part of London is waking up after an exodus of banker buyers



By Susan Emmet

The property market in London's Docklands, an area that typifies "boom and bust" better than anywhere else in the country, is finally waking up several months after the rest of the capital. Buyers, who took fright after the collapse of Lehman Brothers last autumn, have been returning to snap up flats in prestigious new developments at a fraction of their original price.

Bargain hunters include first-time buyers, those seeking a pied à terre in London and foreign students studying at the Greenwich and Queen Mary universities. Most are buying property for themselves, helping to allay fears that the recession would turn Docklands into a graveyard of empty high-rise buildings.

Investors, who dominated the boom years, often buying several flats in slick new developments before they were built, are conspicuous by their absence. Instead, those who bought with the intention of selling at a profit before completion now make up the bulk of distressed sellers accepting offers well below the prices they had agreed. Many simply want to cut their losses, unable to complete the deal because their finances have gone sour or because they can no longer get a mortgage.

Cory Askew, associate director at the Canary Wharf office of Chesterton Humberts, said: "There has been a renaissance. Over the past four months we have gone from doom and gloom to genuinely doing a lot of business. The buyers who have been waiting for the bottom of the market are back and we have a new wave of Far Eastern buyers, mostly Chinese students. They have saved a lot of these new developments."

Among those showing signs of life is the Pan Peninsula development, one of the most daring and controversial projects on the Isle of Dogs. The futuristic scheme, derided as "credit crunch towers" during the worst of the recession, is proving popular with buyers who want to live only minutes from the offices at Canary Wharf. East Tower, which at 43 storeys is the taller of the two, was completed in the spring. As builders put the finishing touches to the West Tower, local estate agents are busy doing deals.

Askew recently sold a two-bedroom flat for £600,000, £130,000 less than the original investor had agreed to pay about 18 months ago. He is marketing another twobedroom home for £525,000, although it would have cost about £600,000 at the height of the market.

“About half of East Tower is lived in,” Askew says. “The big fear that all these new big towers would stand empty has failed to materialise.”

Max Wilkinson, a partner at the Canary Wharf offices of King Sturge, the agents handling sales for nearby Ability Place, previously known as The Icon, agrees. He has sold more than 70 flats in the past two months. “There are people and there is life in the block,” he says. Flats at Ability Place range from £199,000 for a studio, £260,000 for a one-bedroom and £325,000 for a two-bedroom home. The rise in sales comes as a relief to Ability Group, the developer, which was left with numerous unwanted flats after the collapse of Imagine Homes. The property investment company, run by Grant Bovey, the husband of the television presenter Anthea Turner, had bought the bulk of the flats before going into administration last year.

Neil Young, chief executive of Young Group, the property portfolio manager, said that all investors who had bought at Ability Place through his company had been able to let successfully, reaping about £275 a week from a one-bedroom flat. “We could have let more. Although there were many redundancies in Canary Wharf at the end of last year, there are still a lot of people working there and banks are recruiting again.”

Young is hoping for the same success with the Landmark development, a more upmarket scheme of 644 flats spread over two towers. The first 30-storey tower will be completed in the next few months, with the second 45-storey tower finished next year. “Investors are putting in their mortgage applications now,” Young said. “Increasing confidence does weigh on their decision to go through with the completion process.”

Optimists say that despite the downturn, the Docklands market is better placed than at any time since redevelopment began. The opening of shops, bars and the Jubilee line in 2000 has turned it into a residential neighbourhood in its own right.