



SOANE
CAPITAL

From Russia with Love

According to figures released by estate agent Knight Frank last year, 55% of homes in the United Kingdom worth £5 million or more were sold to overseas buyers. Western European buyers per se accounted for roughly 10% of purchases, while 25% were bought by a buyer from Russia. Until now the only sector of the property market to have recovered from the 2007/8 recession has been prime central London, propped up by wealthy overseas buyers. However, the interest of wealthy buyers is now spreading beyond London and into the Home Counties, and in particular Surrey & Berkshire, which have seen average house price rises over the last year more than 300% of the average for England and Wales. Knight Frank suggests that Surrey frequently appeals to Russians as they are attracted by the highly prestigious and private country estates which include St George's Hill (SGH) in Weybridge, Crown Estate in Oxshott and Wentworth Estate in Virginia Water. Furthermore, due to excellent transport connections; central London is easily accessible within twenty five miles (forty kilometres). Reinforcing this, Savills indicate Russians to be the main driving force and out of 430 properties situated on SGH, more than 100 are Russian owned. In addition, 50% of the sales on the SGH estate in 2013, at an average price of £7 million, have been to Russian buyers.



So, what are the factors that entice wealthy Russian families to Surrey's private and prestigious estates? The head of the country department at Knight Frank suggests that the combination of the relative tax efficiency, the continuing slide of sterling, and a safer location to be based than central London and their home country makes the Home

Counties an attractive residential and investment destination. Strutt and Parker add to this, stating that Surrey boasts some of most highly rated and renowned private schools in the country and is therefore a natural ‘second step’ for overseas buyers with families and a central London home. Such factors have contributed to the arrival of many Russian celebrities whom include Roman Abramovich, Alisher Usmanov and Pyotr Aven.

For the extremely wealthy and privileged, security is also a fundamental and essential factor when purchasing a property that will house family. For Russian expats, a number of unsolved and unexplained deaths among their countryman in recent times, as well as the fear of being targeted by criminals has led to an increased level of security and protection. Several hundred CCTV cameras, manned and gated entrances and 24 hour patrolling security guards, means that SGH provides peace of mind and protection wealthy Russian families seek.



A spokesman on behalf of the local government authority; Elmbridge Council indicates ‘SGH residents possess their own estate security, which through high-tech cameras monitors traffic in and out, recording every car. Therefore, tracing people is absolutely no problem’. Property Vision, a buyer’s

advisory service, add weight to this suggesting that Russian’s are more concerned about security than other nationalities. Since taking on their Russian desk almost a decade ago, Russians account for 30% of their property deals.

Another powerful motivation behind wealthy Russian families purchasing properties located on Surrey’s highly prestigious estates is the opportunity to acquire a piece of



English history. For example, up until the late 1800's, the Crown Estate in Oxshott was land owned by the English Monarchy and used primarily for hunting. The prospect of owning a slice of once royal land is often a real attraction for aspirational Russian families. Celebrity can also have an impact upon purchasing decisions with SGH, boasting a number of past and present British A-list celebrities such as John Lennon, Ringo Starr, Sir Cliff Richard, Sir Elton John and Sir Tom Jones to name but a few.

On a lighter note, many of these estates boast country clubs and championship quality golf courses. Wentworth continues to host some of the world's finest PGA tournaments with residents often able to watch Tiger, Phil & Co from their terraces with a glass in hand! SGH offers one of the country's finest grass tennis court complexes second only to the hallowed lawns of the All England Club in Wimbledon, SW19. And lest we forget, we all enjoy living near those with similar outlooks and language...with 25% of SGH owned by Russians there is a ready-made community for new arrivals. The big question is will Russians continue to arrive and purchase properties situated on Surrey's prestigious housing estates thereby supporting prices and driving values higher in the years to come? Notwithstanding the British Chancellor's best efforts on 4 December 2013 to signal a potential tax increase to non UK resident owners of UK real estate, we conclude that the arrival of Russian and CIS individuals will continue as long as wealth creation in those countries continues apace and the attractions of the UK remain so sought after.

Moreover, the influx of other wealthy families from other emerging economies has only just begun and the sight of Chinese or Indian visitors is still relatively rare. Undoubtedly, the ability to join a western European society will prove a huge factor in attracting further buyers. Price is also critical here; it would not be unusual to spend over \$25m for a modest apartment in Hong Kong, a price which will still buy you a bespoke large mansion on a 2 acre secluded and sylvan plot in one of the finest post codes in the UK...And we mustn't forget that the continuing economic uncertainty in the Euro zone also creates demand from wealthy Greek, Spanish, Italian and French families seeking a



non-Eurozone asset. And even in those countries showing great economic potential, change can create social unrest as we saw in early December 2013 in Russian neighbour Ukraine, a nation once part of the Soviet Union. Will the Ukrainian elite continue to pack their designer suitcases and head to Surrey? The UK has a history of welcoming all nations to its shores via its liberal attitudes and rule of law. We see little evidence of change to this and the country will no doubt be all the richer in culture and deposit account because of this immigration over the next decade.