

BIZ INSIGHT

Seven reasons to invest in London property

PROPERTY IS an attractive investment if portfolio diversification is one's priority. In a highly volatile market, investor sentiment towards real estate investment continues to remain positive. Investing in real estate not only provides investors having streams of cash flow with much greater yield than common government bonds, but real estate investments also provide much lower volatility than stock markets.

Unlike the US and Asia Pacific, the property market in Europe still has a healthy outlook. London is still considered the top-ranked location for property investors. However, given the ever-increasing property prices in London in

the past 2-3 years, one may wonder if the city still offers viable investment opportunities.

Below are seven reasons why London property continues to be a promising investment.

The first reason is the longer leasehold. In contrast to Asia that typically has shorter lease terms, the average lease occupied by a single tenant in London is much longer.

Second, overseas investment continues to be an important driver of central London. During 2014-15, the central London offices alone attracted over 25 billion pounds of foreign investment.

Third, London is one of the most

established business hubs on the planet. It is recognised as one of the largest and most dynamic cities in the world. The diversity may offer investors exposure to leading players in various sectors, such as banking, insurance, media, technology, fashion and industrial. Thus, there is an endless commercial demand for London assets.

Fourth, the city has one of the most reliable infrastructures. Its underground system makes commuting in London unbeatably convenient. The system has been continuously improved as the city expands. Therefore, travelling to and from suburban areas is hardly a problem in this metropolis.

Fifth, the prospect for asset prices in London is favourable because of the low interest rates. Low interest rates allow real estate companies to keep their investment costs low, while allowing their mortgage capacity to expand. Companies' healthy financial position further means higher possibility for mergers and acquisitions. When interest rates favour real estate companies, asset prices are likely to rise.

Sixth, the weak pound is continuing to attract travellers into London. Growth in tourism will keep pushing further developments of retail and residential assets.

Lastly, tax benefits are still available

for non-UK residents. The UK government exempts non-UK residents from paying UK capital gains tax (CGT) associated with sales of property in London. Such regulation makes London property an even more attractive choice for investors living outside the UK.

Some are however, still sceptical about the possible negative impact of Brexit on London property, but we need to witness a lot more development on such an international issue before its impact on the London property market can be accurately predicted.

Aside from buying property directly, you can avoid having to pay a large sum of money by investing instead in Real

Estate Investment Trusts (REITs). It can offer upside gain similar to investing in stocks. Rent, on a separate chart, grows due to inflation and interest rates. Another advantage of the REITs is better liquidity. So, if you are an investor with high-risk tolerance, investing in a professionally managed mutual fund with a policy to invest in REITs and exposure in London and European Property is highly recommended.

Investment contains risk. Investors should thoroughly study prospectuses, product features, return conditions and risk before investing.

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