ADIB UK

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PRIME CENTRAL LONDON REAL ESTATE MARKET OVERVIEW

March 2017

FOREWORD

ADIB (UK) Limited ("ADIB UK") was established in 2012 and is located in the heart of the most prestigious area of London at One Hyde Park, Knightsbridge.

Real Estate Financing

We provide sharia compliant real estate financing solutions via Islamic structured financing products to support our clients in the acquisition or refinancing of real estate in the UK.[1]

We have a UK real estate team who work with our clients to create a banking package tailored to their specific needs covering the following sectors:-

- Residential (Non-Resident Home Purchase or Buy to Let Investment)
- Commercial Real Estate Investment Properties (Offices, Hotel Apartments and Warehousing/Logistics)
- Development Financing (new build, and refurbishment / conversion)

We can, via our network of professional advisors, provide access to real estate investment opportunities, expert due diligence advice and post acquisition asset management.

This information paper does not constitute legal or financial advice and customers must consult with their own solicitors and other professional advisors. This paper has been designed to provide ADIB Group clients with a summary overview of the London real estate market (covering the Prime Central London residential and office sectors). Information contained herein is believed by ADIB UK to be accurate and from trustworthy sources but ADIB UK accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in this paper.

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[1] ADIB UK does not provide real estate financing which is regulated in the UK under the Financial Services and Markets Act 2000.

MACRO TRENDS

UK ECONOMIC FORECASTS

INDICATOR	2017	2018	2019	2020	2021
GDP Growth	1.20%	1.50%	1.70%	2.30%	2.40%
Bank Base Rate	0.10%	0.10%	0.50%	1.00%	1.50%
Exchange Rate (£/$)	$1.25	$1.27	$1.30	$1.34	$1.38
Earnings Growth (% PA)	2.50%	3.00%	3.40%	4.00%	4.30%

Source: Oxford Economics

2016 BREXIT INFLUENCE

- UK economic growth has demonstrated resilience and performed better than expected after the Brexit vote, driven by buoyant consumer spending . In 2016, the UK economy grew by 2%, albeit slower than the previous two years, which showed growth of 2.2% and 3.1% respectively.
- The main reason for the slowdown has been a decline in business investment, driven in particular by uncertainty about the UK's future trading relationships with the EU in the longer term.
- The Bank of England ("BoE") recently upgraded its growth forecasts for the next three years as policymakers acknowledged the UK's economic performance had been "markedly stronger" than its predictions following the Brexit vote. The BoE expects the UK economy will grow by 2% this year, up from 1.4% in November.
- Consumer spending growth is projected to hold up, but will still slow from previous strong rates, dropping to around 2% in 2017. This reflects the impact of a weaker pound in pushing up import prices and squeezing the real spending power of households, as inflation rises to well above its 2% target rate by the end of 2017.

PRIME CENTRAL LONDON RESIDENTIAL

CENTRAL LONDON RESIDENTIAL MARKET OVERVIEW

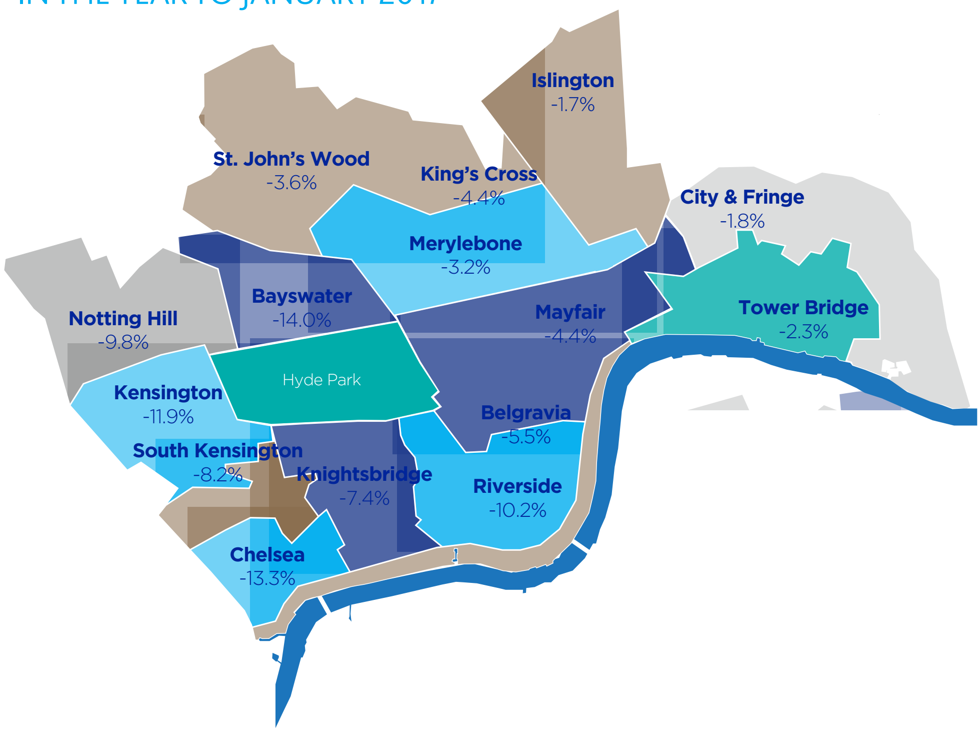
- Prior to the decision to leave the EU, the prime housing markets of London were already facing a number of challenges. Historical price growth had left them looking expensive. Successive increases in stamp duty had substantially added to transaction costs. The tax environment for overseas buyers was fast becoming less hospitable and buyers had become a lot more cautious.
- Consequently the vote to leave the EU came at a difficult time. Caution has thus fed into an already underlying lack of urgency among buyers. In the UK capital it has meant prices have continued to adjust. For overseas buyers the temptation of a currency play on the back of a fall in the value of the pound, has been offset by the changed tax environment.
- The five year outlook is almost wholly dependent on the terms of the exit from the EU. Article 50 of the Lisbon Treaty will be invoked before the end of March 2017, implying the UK could leave the EU before the end of Q1 2019.
- Going forward, sentiment in the London real estate market will ebb and flow as negotiations proceed and the impact on the economy and prospects for wealth generation become more clear.
- During this period it is difficult to see any sustained upward pressure on prices across the prime markets. Nor is there likely to be sustained downward pressure on prices, not least because of the prospect of ultra-low interest rates. Throughout this period of convalescence it is expected that demand will be strongest for property which is best in class.
- Going forward for London, much depends on the extent to which the UK capital retains its status as a global financial centre and world city. The loss of some jobs to other European cities is inevitable, though it is expected this to be limited. The UK Government will undoubtedly seek to protect the status of the City of London. Additionally, a lack of viable alternatives will work in London's favour.
- This indicates the prime markets of London will return to growth as the uncertainty clears. It may not be the kind of double-digit growth previously seen when markets have bounced back in the past, given the changed tax environment. Instead, it is expected to be more in line with the long-term average.

SALE PRICES

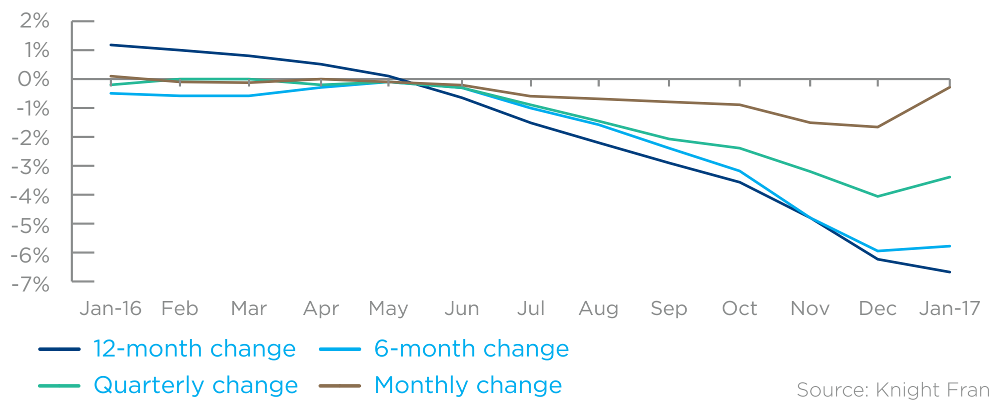
- According to leading London agents average values in prime central London edged down by a further 0.3% in January 2017, the most modest monthly decline since July last year, taking the annual change to -6.7%.
- The market remains highly localized, with price changes ranging from 0% in the more affordable City and East markets to –13.5% in Chelsea, demonstrating the impact on the prime sector of the market.
- By contrast, in outer prime London, where the average value is just below £2 million, prices fell -2.3% over the fourth quarter of 2016 and are now -4.6% down from their peak in September 2015. Interest rates staying lower for longer, preserving affordability for those with a mortgage, has meant the outer prime London markets have held up more strongly against increased transaction costs than the prime central London market, which peaked over a year earlier in June 2014.
- Signs of stability returned to the prime central London sales market in the final quarter of 2016, with leading London agents reporting this clear trend continuing in the first two months of 2017.
- The primary driver for this trend is the fact vendors are increasingly reflecting higher transaction costs in their asking prices, which is narrowing the gap with buyer expectations.

PRIME CENTRAL LONDON RESIDENTIAL

PRICE GROWTH IN PRIME CENTRAL LONDON BY AREA IN THE YEAR TO JANUARY 2017



PRICE GROWTH IN PRIME CENTRAL LONDON



Source: Knight Frank

SALES VOLUMES

- Price adjustments, coupled with the currency play for international buyers has triggered greater buyer commitment with prime London agents reporting sales volumes having picked up notably in the last quarter of 2016.
- Knight Frank reported more transactions in Q4 2016 than in the same period in either 2015 or 2014. In addition, the number of new prospective buyers was 14% higher year-on-year in the last quarter of 2016 and the number of offers made was 13% up year-on-year in the final quarter of 2016.
- Buyers denominated in overseas currencies are likely to continue to benefit from a broadly favorable exchange rate and transaction volumes may also be supported as unrealistic expectations of an abrupt Brexit-induced price correction recede.

A BUYERS MARKET

A WINDOW OF OPPORTUNITY?

- Given the prevailing market conditions the pendulum has swung in favor of buyers, particularly those looking to acquire within new developments across prime central London. There is real choice across a range of 'golden postcode' schemes - something that rarely happens. See Residential Investment Opportunities on pages 20 & 21.

- In some cases there are units within these schemes that are often sold before highly qualified purchasers even get to explore them.

- There are now some excellent developments available, where there is completed stock that purchasers can explore and experience the exact layout that suits their needs (as opposed to buying off-plan).

- A combination of weak sterling, developers willing to negotiate and with a good selection of projects on offer now is an interesting time to buy super-prime stock, explaining the upswing in transaction volumes being reported by agents.

- As the opportunity mentioned starts to be fully realized across the Super Prime market, this luxury finished product will be transacted and as supply diminishes levels of negotiation cease and prices could begin to rise once more. Such change in favour towards the seller, can happen extremely swiftly in this highly sought after market.

HOUSE PRICE GROWTH FORECASTS (% PA) IN PRIME CENTRAL LONDON

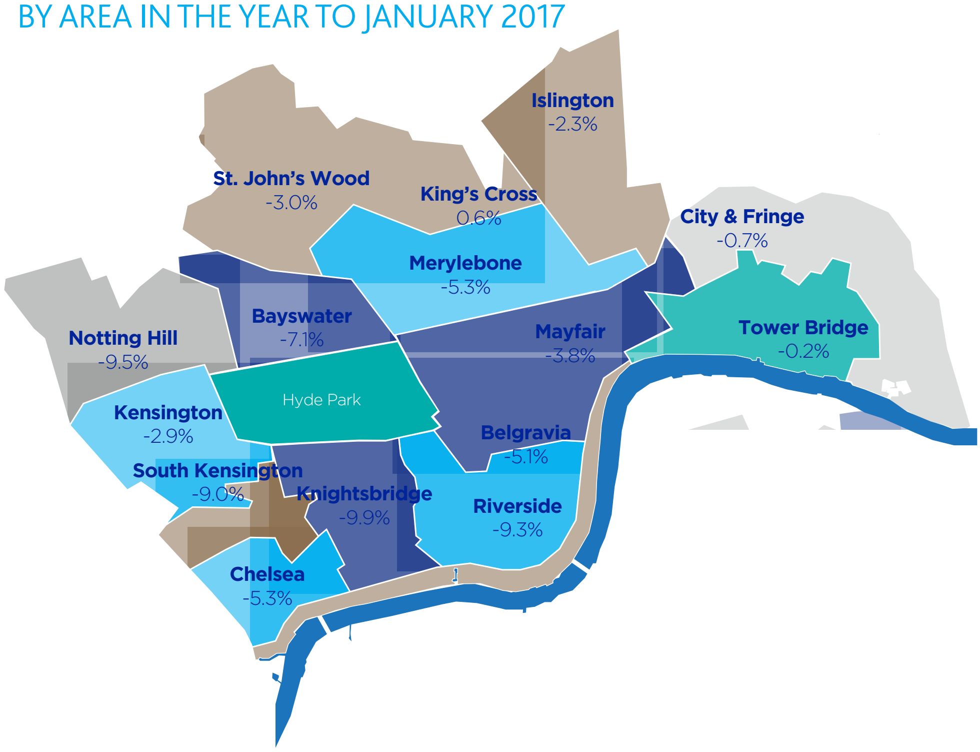
	KNIGHT FRANK (PCL EAST)	KNIGHT FRANK (PCL WEST)	JLL	SAVILLS	CBRE
2017	1.00%	0.00%	0.00%	0.00%	0.50%
2018	3.50%	1.00%	1.00%	0.00%	1.50%
2019	3.00%	1.50%	3.00%	8.00%	2.50%
2020	3.50%	3.00%	5.50%	5.00%	4.00%
2021	4.00%	3.00%	5.00%	6.50%	4.00%
2017-2021	15.90%	8.80%	15.20%	21.0%	13.10%

PRIME CENTRAL LONDON RESIDENTIAL

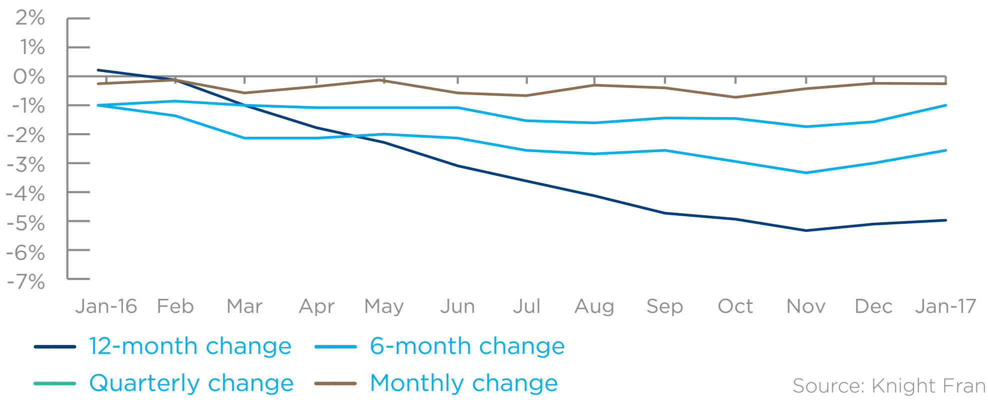
RENTS

- Rents have fallen as increasing levels of new stock have come to the market. However, this supply of new stock is now starting to slow, suggesting that rental declines are also set to moderate.
- Prime rents in central London slipped by 0.2% in January, the smallest monthly decline since last summer, taking the annual decline in rents to 5%.
- While there was a 12% year-on-year rise in new rental properties in the final quarter of 2016, that figure was lower than the increase of 30% recorded over the first nine months of the year. Accordingly, an annual rental value decline of 5% in January was marginally stronger than that seen in the previous two months, as seen in the chart below.

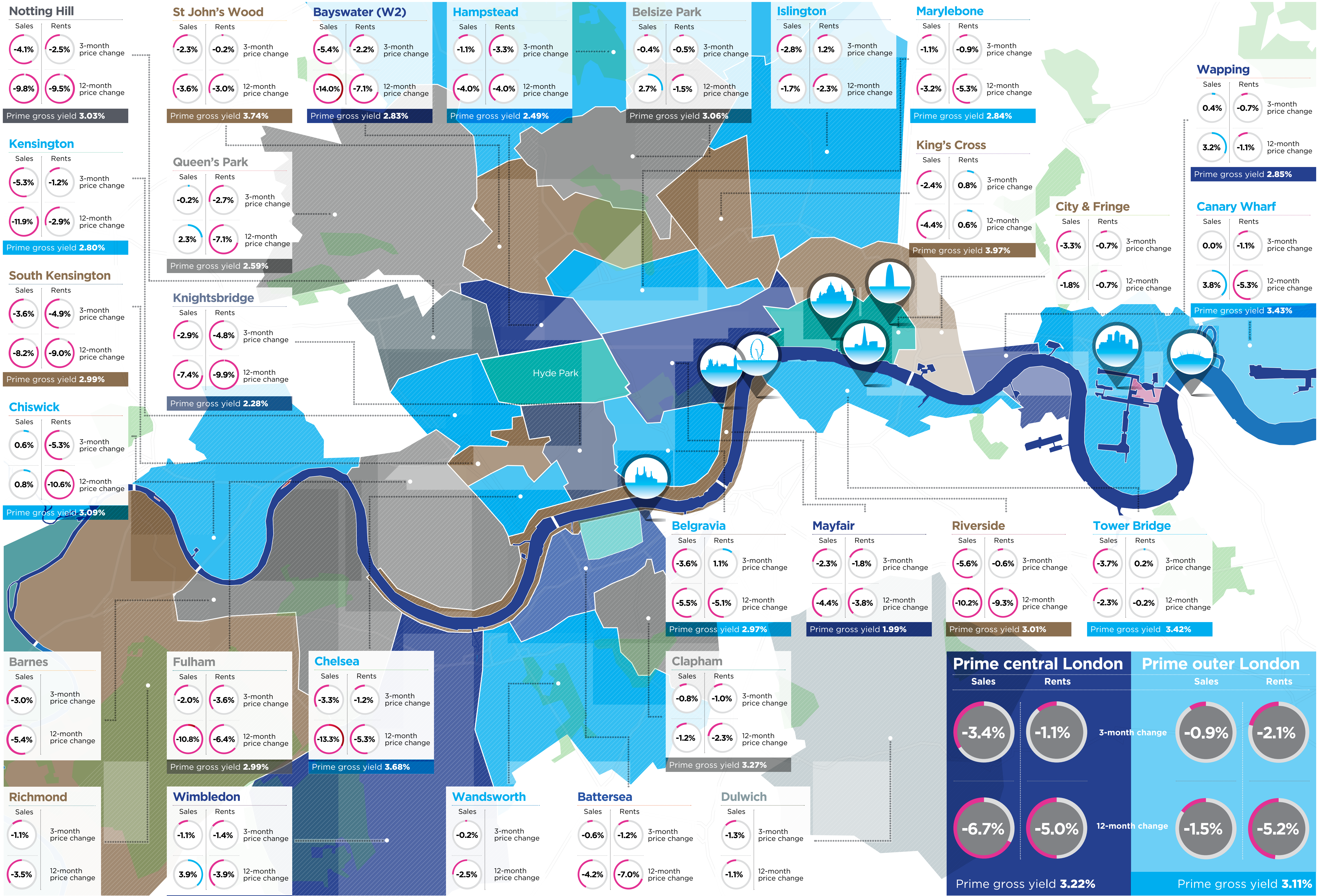
RENTAL VALUE GROWTH IN PRIME CENTRAL LONDON BY AREA IN THE YEAR TO JANUARY 2017



RENTAL VALUE GROWTH IN PRIME CENTRAL LONDON



Source: Knight Frank



Notting Hill
	Sales	Rents
3-month price change	-4.1%	-2.5%
12-month price change	-9.8%	-9.5%

Prime gross yield **3.03%**

St John's Wood
	Sales	Rents
3-month price change	-2.3%	-0.2%
12-month price change	-3.6%	-3.0%

Prime gross yield **3.74%**

Bayswater (W2)
	Sales	Rents
3-month price change	-5.4%	-2.2%
12-month price change	-14.0%	-7.1%

Prime gross yield **2.83%**

Hampstead
	Sales	Rents
3-month price change	-1.1%	-3.3%
12-month price change	-4.0%	-4.0%

Prime gross yield **2.49%**

Belsize Park
	Sales	Rents
3-month price change	-0.4%	-0.5%
12-month price change	2.7%	-1.5%

Prime gross yield **3.06%**

Islington
	Sales	Rents
3-month price change	-2.8%	1.2%
12-month price change	-1.7%	-2.3%

Marylebone
	Sales	Rents
3-month price change	-1.1%	-0.9%
12-month price change	-3.2%	-5.3%

Prime gross yield **2.84%**

Wapping
	Sales	Rents
3-month price change	0.4%	-0.7%
12-month price change	3.2%	-1.1%

Prime gross yield **2.85%**

Kensington
	Sales	Rents
3-month price change	-5.3%	-1.2%
12-month price change	-11.9%	-2.9%

Prime gross yield **2.80%**

Queen's Park
	Sales	Rents
3-month price change	-0.2%	-2.7%
12-month price change	2.3%	-7.1%

Prime gross yield **2.59%**

King's Cross
	Sales	Rents
3-month price change	-2.4%	0.8%
12-month price change	-4.4%	0.6%

Prime gross yield **3.97%**

City & Fringe
	Sales	Rents
3-month price change	-3.3%	-0.7%
12-month price change	-1.8%	-0.7%

Canary Wharf
	Sales	Rents
3-month price change	0.0%	-1.1%
12-month price change	3.8%	-5.3%

Prime gross yield **3.43%**

South Kensington
	Sales	Rents
3-month price change	-3.6%	-4.9%
12-month price change	-8.2%	-9.0%

Prime gross yield **2.99%**

Knightsbridge
	Sales	Rents
3-month price change	-2.9%	-4.8%
12-month price change	-7.4%	-9.9%

Prime gross yield **2.28%**

Chiswick
	Sales	Rents
3-month price change	0.6%	-5.3%
12-month price change	0.8%	-10.6%

Prime gross yield **3.09%**

Belgravia
	Sales	Rents
3-month price change	-3.6%	1.1%
12-month price change	-5.5%	-5.1%

Prime gross yield **2.97%**

Mayfair
	Sales	Rents
3-month price change	-2.3%	-1.8%
12-month price change	-4.4%	-3.8%

Prime gross yield **1.99%**

Riverside
	Sales	Rents
3-month price change	-5.6%	-0.6%
12-month price change	-10.2%	-9.3%

Prime gross yield **3.01%**

Tower Bridge
	Sales	Rents
3-month price change	-3.7%	0.2%
12-month price change	-2.3%	-0.2%

Prime gross yield **3.42%**

Barnes
	Sales
3-month price change	-3.0%
12-month price change	-5.4%

Fulham
	Sales	Rents
3-month price change	-2.0%	-3.6%
12-month price change	-10.8%	-6.4%

Prime gross yield **2.99%**

Chelsea
	Sales	Rents
3-month price change	-3.3%	-1.2%
12-month price change	-13.3%	-5.3%

Prime gross yield **3.68%**

Clapham
	Sales	Rents
3-month price change	-0.8%	-1.0%
12-month price change	-1.2%	-2.3%

Prime gross yield **3.27%**

Richmond
	Sales
3-month price change	-1.1%
12-month price change	-3.5%

Wimbledon
	Sales	Rents
3-month price change	-1.1%	-1.4%
12-month price change	3.9%	-3.9%

Prime gross yield **3.99%**

Wandsworth
	Sales
3-month price change	-0.2%
12-month price change	-2.5%

Battersea
	Sales	Rents
3-month price change	-0.6%	-1.2%
12-month price change	-4.2%	-7.0%

Dulwich
	Sales
3-month price change	-1.3%
12-month price change	-1.1%

Prime central London
	Sales	Rents
3-month change	-3.4%	-1.1%
12-month change	-6.7%	-5.0%

Prime gross yield **3.22%**

Prime outer London
	Sales	Rents
3-month change	-0.9%	-2.1%
12-month change	-1.5%	-5.2%

Prime gross yield **3.11%**

PRIME CENTRAL LONDON OFFICES

CENTRAL LONDON OFFICE MARKET - KEY STATISTICS & 2017 OUTLOOK

	CITY	OUTLOOK	WEST END	OUTLOOK
Prime Headline Rent (psf)	£70	↓	£110	↓
Average Headline Grade A Rent (psf)	£62	↓	£80	↓
Vacancy Rate	6.0%	↑	4.0%	↑
Average Rent Free (Months)	24	↑	18	↑
Supply - Current Availability (Sqft)	7.1m	↑	4.7m	↑
Development Pipeline to 2020	14.7m	↓	7.7m	↓
% of Development Pipeline Pre-Let	31%	↑	22%	↑
Annual Take-Up in 2016 (Sqft)	5.8m	↓	4.0m	↓
Demand - Total Current Requirements (Sqft)	9.0m	↓	4.7m	↓
Prime Net Initial Yield	4.25%	↔	3.50%	↔
Investment Volumes (2016 - £ Billion)	7.4	↑	5.2	↑

Source: CBRE, Savills, JLL

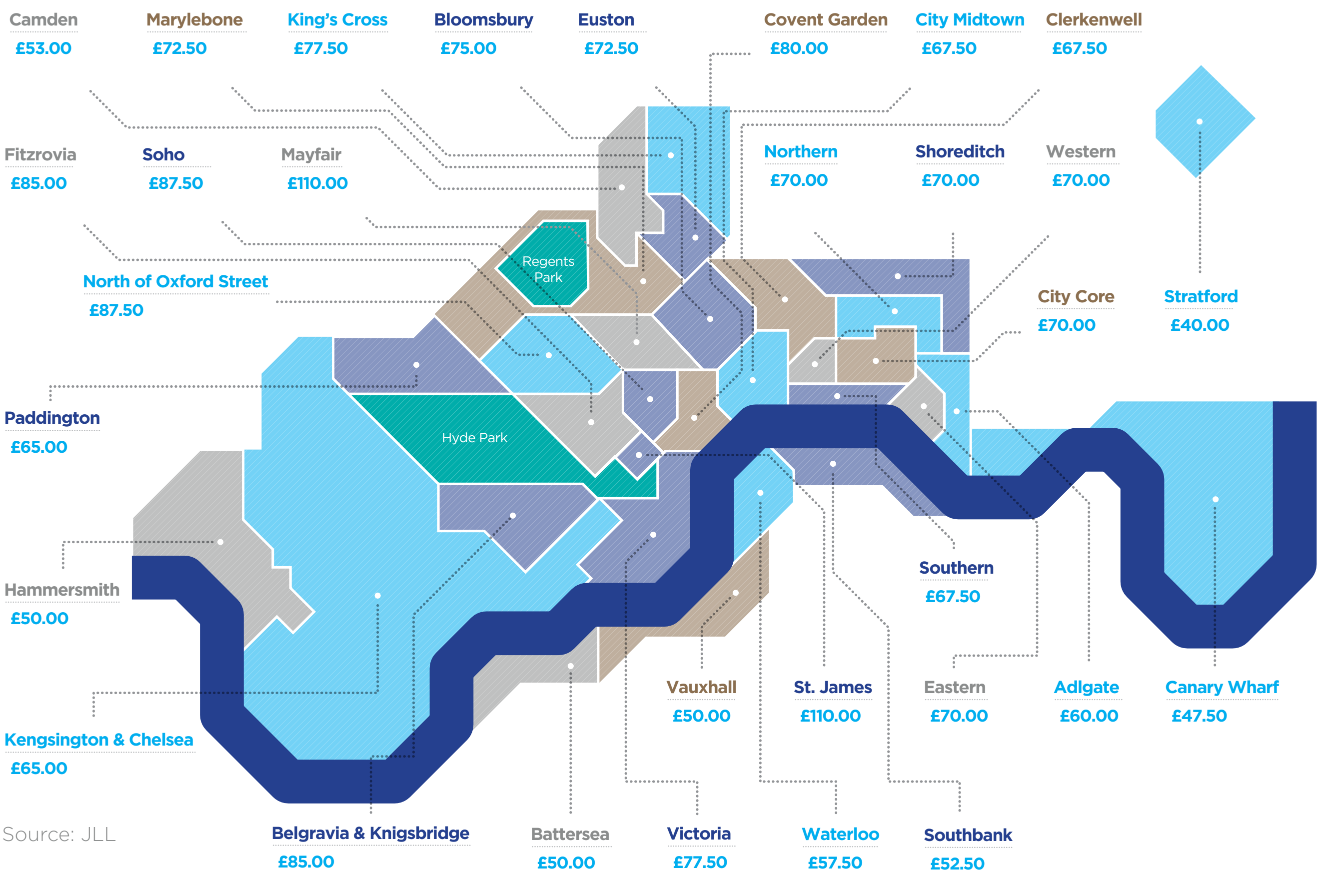
OCCUPIER MARKET KEY MESSAGES

- Brexit Impact: Financial Sector less active; Fewer mid-sized deals; More deal flexibility; Decline/delays in development activity.
- Vacancy rates are rising from historically low levels but remain low.
- Supply to rise in 2017 with upcoming speculative development completions.
- Second hand availability rising now standing at 60% of total available supply.
- Net effective prime rents forecast to fall by approximately 6% during 2017.
- A slow down in development activity over the next five years will help sustain relatively low vacancy rates and bring rental growth back from 2019.

INVESTMENT MARKET KEY MESSAGES

- Notable increase in "off-market" activity
- Flight to safety trend with strong demand for freehold properties in core markets
- Growing value divergence between prime and secondary stock
- Reduced liquidity compared to last 3 years but still above 10 year average
- Prevalence of private high net worth buyers from overseas with Asian buyers dominating
- Strong levels of equity targeting prime Central London assets means yields for prime stock expected to hold at current levels
- Growing demand for investments delivering secure income, with long-let offices and index linked warehouses increasingly popular which is expected to fuel capital value growth.

PRIME HEADLINE RENTS (PER SQFT)



Source: JLL

COMMERCIAL SECTOR YIELD GUIDE

SECTOR	FEB-2016 (1 Yr Comparison)	AUG-2016	SEP-2016	OCT-2016	NOV-2016	DEC-2016	JAN-2017	FEB-2017
OFFICES								
City Prime	4.00%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%
West End Prime	3.25% - 3.50%	3.50% - 3.75%	3.50% - 3.75%	3.50% - 3.75%	3.50%	3.50%	3.50%	3.50%
Prime Assets in Major Regional City	4.75%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
WAREHOUSING/LOGISTICS								
Prime (20 Year Income with Fixed Uplifts)	4.25%	4.25%	4.25% - 4.50%	4.25% - 4.50%	4.25% - 4.50%	4.25% - 4.50%	4.25% - 4.50%	4.25% - 4.50%
Prime (15 Year Income)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Secondary (10 Year Income)	6.25%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
BONDS & RATES								
Libor 3 Month (03/02/17)	0.59%	0.50%	0.38%	0.38%	0.40%	0.38%	0.37%	0.35%
Base Rate (03/02/17)	0.50%	0.50%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
5 year Swap Rates	1.61%	0.92%	0.70%	0.80%	1.19%	1.44%	1.32%	1.42%

Source: Knight Frank

UK PROPERTY TAX ENVIRONMENT

A CHANGING PROPERTY TAX ENVIRONMENT

RESIDENTIAL PROPERTY HAS BEEN SUBJECT TO WIDE-RANGING TAX REFORM OVER RECENT YEARS.

The cumulative impact of recent tax changes has been to make transacting on prime (£1m+) property more expensive and has unsurprisingly led to a slowdown in sales activity. In central London a rising tax burden has also contributed to price falls in the past 18-months, although growing political uncertainty, following the outcome of the EU Referendum and the run-up to Brexit, has also helped to create more sober market conditions.

There is growing evidence however that price falls have helped to create new activity in the market. While transaction volumes in central London fell by around 35% year-on-year in the period immediately after the EU Referendum, by the final quarter of 2016 sales bounced back. In fact agents are reporting that the last three months of 2016 saw more transactions in central London than the same period of 2015. Lower pricing and a weaker pound appear to have galvanised UK and international buyers into taking action.

Despite this recent upturn there is no doubt that taxation has become a more significant issue. It adds a new dimension to investment planning and portfolio management and requires investors to think through all their costs in detail, and also the performance of their properties, to help raise investment returns.

Most owners of property, whether the property is held as trading stock or for investment, whether individuals or corporates or whether UK resident or non-UK resident all will be affected by at least some of the changes. Professional advice should be sought to fully understand the implications of the new rules and how these may impact you currently and in the future

If you have questions about changes to property taxes and policies and how they could affect you and your property assets we recommend that you contact a Tax Expert.

BDO's Private Client Tax Team have kindly provided their insight over the next two pages to help you navigate this complex changing environment.

TIMELINE OF TAX CHANGES

Inheritance Tax (IHT)

New rules are being brought in from April 2017 to charge IHT on UK residential property held in offshore structures. This is a major change for non-domiciliaries, making it more difficult to manage IHT exposure on UK residential property. In the past, a non-domiciled individual wishing to acquire UK property would typically hold the property via a non-resident company which in turn was held by a trust. The trust's asset was the shares of the non-resident company. This was 'excluded property' and effectively 'exported' the UK property so that it was sheltered from IHT.

From 6 April 2017, the definition of 'excluded property' will change so that the shares of an offshore company will not be 'excluded' to the extent that the company derives its value from UK residential property, and therefore the shares will be liable to UK IHT. Similar rules will apply where UK residential property is owned via offshore partnerships or other vehicles. The new rules will apply to all chargeable events (e.g. a death or a trust 10 year anniversary) after 5 April 2017.

There will be no exemption for commercially let properties and no incentive to encourage the removal of UK properties from offshore structures.

New rules also mean that debt financing used to acquire UK residential property, or assets used as security or guarantees for such financing, may also be treated as UK assets which are liable to IHT for the finance provider.

Financing and profit payment risk

A number of key tax considerations arise from financing the acquisition of UK property through debt. In particular, the tax deductibility of the profit payment and whether or not any tax might need to be withheld on payment of the profit.

Where the taxpayer is an individual within the charge to income tax, the basis for tax relief is being reformed from April 2017 so that instead of profit on loans being a tax deductible expense, it will instead give rise to a tax credit at the basic rate of tax. This will be phased in over four years, with the proportion of profit being treated as giving rise to a tax credit increasing by 25% each year. This will give rise to a significant additional tax burden for higher-rate taxpayers.

Non-Resident CGT (NRCGT)

Since 5 April 2015, non-resident individuals (including partners with a share of a partnership gain), trustees and personal representatives of a non-resident individual, specifically defined closely-held companies (normally, those held by five or fewer participators), and certain unit trusts, have been liable to pay CGT on gains realised on the disposal of UK residential property.

Broadly, this means UK buildings in use or being constructed or adapted for use as a dwelling, and rights or options to acquire an interest in such property. Unlike ATED-related CGT, there is no de minimise value, and commercially let property is caught.

CGT is charged on the rise in value between 6 April 2015 and the date of disposal, with indexation for companies, but no ATED-type reliefs. The vendor can elect to calculate the gain by straight-line apportionment since the purchase date, or for the entire gain since the purchase date to be taxed.

Private residence relief is available in limited circumstances. The filing obligations are strict: a NRCGT return must be filed for each disposal of a UK residential property, 30 days after conveyance of the property, even if the disposal is chargeable to ATED-related CGT or does not result in a NRCGT gain. Any tax due is payable 30 days after conveyance, unless the vendor files self-assessment returns, in which case tax can be paid on the normal self-assessment due date.

Further complexity appears when property is held within a non-UK resident trust as gains on disposal may be taxed in more than one way. The order of precedence for CGT on a gain on disposal of a UK residential property by a non-resident is:

1. ATED-related CGT
2. NRCGT
3. CGT under pre-2013 anti-avoidance legislation such as that which attributes gains to UK resident settlors and/or beneficiaries.

Revaluation of gains

As shown above, UK properties may need to be valued at 5 April 2015 to calculate the NRCGT. Further valuations may be needed at 6 April 2017 for non-UK properties and other assets owned by non-domiciliaries who are long-term residents of the UK.

If a non-domiciled individual has already been resident in the UK in at least 15 tax years on 6 April 2017, he will be deemed UK-domiciled from that date for all taxes. Capital gains made on the disposal of offshore assets will then be liable to CGT. However, in some cases the pre-6 April 2017 proportion of the gain will not be taxable.

To achieve this, assets held personally outside the UK will be revalued for CGT purposes as if they were acquired on 6 April 2017, effectively exempting earlier gains. Assets held within overseas structures such as trusts or companies will not benefit from rebasing.

Annual Tax on Enveloped Dwellings (ATED)

Since April 2013, the 'annual tax on enveloped dwellings' has applied an annual tax charge on 'enveloped' UK residential properties held by non-natural persons, typically via a non-resident company (although a corporate partner in a partnership or LLP, or a collective investment vehicle such as a unit trust is also caught). ATED does not apply to properties held directly by individuals or trustees, or which are commercially let. There are other reliefs for employee – or partner – occupied properties, social housing, farmhouses, and dwellings open to the public.

Originally ATED applied only to properties valued at £2m or more on 1 April 2012. Property valuations for this purpose are due to be rebased on 1 April 2017. The threshold was reduced to £1m from April 2015 and to £500,000 from April 2016. The annual tax charge is £3,500 for a property worth between £500,000 and £1m, rising to £218,200 for a property valued at over £20m.

ATED-related CGT applies on disposal of a property subject to ATED where the disposal proceeds exceed £2m for disposals from 1 April 2013; £1m for disposals from 1 April 2015, and £500,000 for disposals from 1 April 2016. Disposals of properties by nonresidents valued at less than those limits will be subject to NRCGT (see below).

ATED-related CGT is charged on the rise in value from 1 April 2013 (or later acquisition date) to disposal, subject to time-apportionment for periods where ATED is either not chargeable, or a relief is available. Alternatively the charge may be based on the full gain, with relief for days when ATED does not apply. A tapering relief may be given where a property is disposed of for a consideration marginally over the chargeable level.

There is no indexation allowance for ATEDrelated CGT. An ATED-related CGT return must be filed and tax paid by the usual self-assessment filing deadline.

APRIL

- Non resident capital gains tax ("NRCGT") charge on residential property
- Diverted profits tax ("DPT")
- Annual tax on enveloped dwellings ("ATED") threshold reduced to £1m
- Corporation tax rate cut to 20%

DECEMBER

- First year ends of companies required to adopt new UK GAAP including recognition of fair value movements on hedging instrument

MARCH

- Companies in the Channel Islands and Isle of Man trading in UK land brought within the charge to UK tax
- Reform of stamp duty land tax ("SDLT") for commercial property

APRIL

- 3% SDLT surcharge on some residential property
- ATED threshold reduced to £500,000
- Wear and tear allowance abolished and replaced with relief for like-for-like replacement expenditure

JULY

- Transactions in land anti-avoid-ance rules for companies trading in UK land

2015

2016

Stamp Duty Land Tax (SDLT)

There have been two fundamental reforms to SDLT:

Firstly, the charge on commercial property has been reformed since 17 March 2016 such that tax is now charged on the amount of the purchase price falling within each rate band rather than at the rate for the band in which the total consideration falls. Although the tax rates are different, this reform has aligned the system for taxing purchases of commercial property with that which has existed for residential property for some time.

However, the adjustment of the rate bands to give effect to the reform has resulted in additional SDLT charges for acquisitions of commercial property at values above £1.05m.

Secondly, from April 2016 a premium of 3% applies to the SDLT rates chargeable on the acquisition of residential dwellings. In the case of companies, this applies to all such purchases. In the case of individuals, subject to certain exceptions, it applies only to the acquisition of a second (or subsequent) dwelling where more than one dwelling is owned at the end of the day of acquisition.

2017 – APRIL

- Election to rebase offshore assets to market value for non-domiciliaries acquiring a deemed UK domicile
- Abolition of business premises renovation allowance
- Corporation tax rate cut to 19%
- Rebasing of ATED valuations
- Restriction of corporate interest deductions under BEPS 4
- Restriction of 25% of interest deductions for individual landlords to the basic rate
- Inheritance tax ("IHT") family home allowance
- IHT charge on UK residential property owned by non-resident companies

2018 – APRIL

- Restriction of 50% of interest deductions for individual landlords to the basic rate
- Corporate non-resident landlords likely to be brought within the corporation tax regime

2019 – APRIL

- Restriction of 75% of interest deductions for individual landlords to the basic rate

2020 – APRIL

- Restriction of 100% of interest deductions for individual landlords to the basic rate
- Corporation tax rate cut to 17%

WHY THE WORLD LOVES LONDON

DEMOGRAPHICS

8.67m The most populous city in Europe

1.8m Renters, of which **70,000+** earn over £100,000 per annum

17% Higher average salary than the rest of the UK

291,652 Millionaires live in London

4,400 Multi-millionaires

First major city in the western world to have a Muslim mayor

100+ Languages spoken

80,000 Buddhists

1,000+ Churches

423 Mosques

38 Synagogues

57 Hindu temples

40 Largest concentration of higher education institutions in Europe

400,000 Student population, of which **110,000** are international students

69% of workforce has a tertiary education

ROBUST ECONOMY

Average GDP growth of *3.8%* per annum over the last *five years, faster than any other* major European city

London accounts for 13% of the UK's population, but 23% of its GDP

€78,000+ Average GDP per capita in 2015, nearly double that of Birmingham

Largest forex market in world **41%** of global turnover

50% of UK financial services GDP generated in London

6m Jobs by 2036

10% Average annual long term house price growth

3% Average job growth per year

32% of Britain's creative employment

CULTURE AND LIFESTYLE

241 Professional theatres

22m Theatre visits per year

200 Museums and galleries

520 Hotels

5,000 Hair salons

761 Gyms

9,224 Cafes and restaurants

66 Michelin star restaurants

London is the only city in the world to host the Summer Olympics three times

Six Premier League football teams

Arsenal, Chelsea, Crystal Palace, Tottenham, Watford, West Ham

3 of the top **10** most visited museums in the world are in London

4 World-heritage sites, more than any other in western Europe

One of the world's 'greenest' cities for its size

8 Large royal parks

40% Total open green space. More than NYC, Berlin, Paris and Amsterdam.

CONNECTIVITY

270 Underground stations

366 Railway stations

4.8m Passenger journeys on the tube per day

136km of new Crossrail track, due to open 2018

4% of workers commute on a bike

135m Passengers per year through London's six airports

Heathrow airport handles more *trans-Atlantic flights* than Paris and Frankfurt combined

Sources: GOAD ONS, Land Registry, HABIA, TFL, Census, Experian, HESA, CBRE, Wikipedia, WealthInsight.

RESIDENTIAL INVESTMENT OPPORTUNITIES

THE PARK CRESCENT

Regents Park, London W1

The only Royal Crescent with direct views of Regents Park and access to eight acres of private gardens.

- Magnificent 3 and 4 bedroom apartments refurbished to an exceptional standard by award winning developer Amazon Property.
- Dedicated concierge service and parking available (by separate negotiation).
- Close proximity to Marylebone, Mayfair and London's West End.
- Original features with high ceilings and abundance of natural light.
- Apartment sizes range from 225 to 383 square metres.
- Interior designed with bespoke furniture and ready for immediate occupation.

PRICES FROM **£6,750,000** FOR 3 & 4 BED LATERAL APARTMENTS

ONE KENSINGTON GARDENS

Kensington, London W8

Overlooking Hyde Park and opposite Kensington Palace Gardens within the Royal Borough of Kensington & Chelsea.

- Exquisite David Chipperfield designed, 1 - 5 bedroom residence with direct views across Hyde Park.
- Close proximity to Knightsbridge.
- Apartment sizes range from 125 to 531 square metres.
- Discreet, full service concierge and valet parking.
- 25 metre indoor pool, state of the art gymnasium, meeting rooms, luxury spa and parking available.
- Ready for occupation now.

PRICES FROM **£3,350,000** FOR 2 BED APARTMENTS

CENTRE POINT RESIDENCES

London WC1

An iconic development by Almacantar with truly unparalleled, panoramic views across London's skyline.

- Tallest residential tower in the West End with just 82 apartments over 34 floors
- Spacious 1 - 3 bedroom apartments with a unique 5 bedroom penthouse of 671 square metres
- Above ground amenities including a 30m swimming pool, gymnasium, treatment rooms, club lounge and a private screening room
- 24 hour concierge and security.
- Creating central London's newest pedestrian-only public square with high end retailers and restaurants.
- New Crossrail hub (28 minutes to Heathrow).
- Completions from Summer 2017.

PRICES FROM **£1,825,000** FOR 1 BED APARTMENTS
PRICES FROM **£3,100,000** FOR 2 BED APARTMENTS

BEAU HOUSE

102 Jermyn Street, St James's, London SW1

Bespoke development in the heart of St James's.

- Seven elegant 1 - 3 bedroom apartments.
- Exceptional 268 sq.m duplex penthouse with large, private roof terrace.
- Fitted out to the highest specification.
- Unique Jermyn Street location offering best of British tailoring.
- Desirable Mayfair shopping and entertainment on your doorstep.
- Concierge and Resident Lifestyle Packages.
- Ready for occupation now.

PRICES FROM **£3,850,000** FOR 2 BED APARTMENTS

OFFICE INVESTMENT OPPORTUNITIES

ONE QUEEN CAROLINE STREET

Hammersmith, W6

Area:	83,252 sq ft (7,734.3 sq m)
Built:	2016 (refurbishment)
Tenure:	Virtual Freehold
Tenant:	Multi-let
Rent per annum:	£4,699,200 per annum (£56.45 per sq ft)
Unexpired Term:	11.3 years to expiries (8.3 years to breaks)
Quoting Price:	**£80,000,000 (£961 per sq ft)**
Net Initial Yield:	5.50%

SCHOMBERG HOUSE

80-82 Pall Mall, London SW1

Area:	37,279 sq ft (3,463.6 sq m)
Built:	Grade II listed building rebuilt behind the façade in 1956
Tenure:	Long Leasehold (116 years unexpired)
Tenant:	Edexcel (Pearson) Multinational education and examination body
Rent per annum:	£2,540,321 per annum (£68.14 per sq ft)
Unexpired Term:	7 years to expiry (no breaks)
Quoting Price:	**£58,715,000 (£1,575 per sq ft)**
Net Initial Yield:	4.25%

WORLD BUSINESS CENTER 4

Heathrow Airport

Area:	88,900 sq ft (8,259 sq m)
Built:	Due to Complete October 2017
Tenure:	Freehold
Tenant:	Pre-let to Amadeus Services Limited with a guarantee from Amadeus IT Group SA Amadeus IT Group SA is the leading provider of advanced technology solutions for the global travel industry operating in 195 countries. The company employs 13,000 people worldwide and is listed on the Spanish Stock Exchange.
Rent per annum:	£2,446,958 per annum (£28.25 per sq.ft)
Unexpired Term:	15 years to expiry (no breaks)
Quoting Price:	**£45,621,000 (£479 per sq ft)**
Net Initial Yield:	5.00%

SIGMA HOUSE

Basildon, Essex

Area:	161,986 sq ft (15,480 sq m)
Built:	2010
Tenure:	Freehold
Tenant:	Selex ES Ltd Global aeronautics and defense company employing over 7,000 people
Rent per annum:	£1,975,000 per annum (£12.19 per sq ft)
Unexpired Term:	12.75 years to expiry (no breaks)
Quoting Price:	**£28,500,000 (£176 per sq ft)**
Net Initial Yield:	6.50%

The Complete Real Estate Solution

ADIB

UK Real Estate Financing

Coordinating with professional advisors on behalf of our clients, including:

Real Estate Advisory and Management	Legal Advice and Conveyancing	Tax Advice and Structuring
CBRE	CMS Law . Tax	BDO
Jones Lang LaSalle	DENTONS	Deloitte.
Knight Frank	SHAKESPEAREMARTINEAU	

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