ADIB UK

ADIB مصرف أبوظبي الإسلامي

PRIME CENTRAL LONDON REAL ESTATE MARKET OVERVIEW

March 2018

The Asset may be repossessed if you do not keep up repayments on your financing

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-consumer buy to let financing only*)
- Commercial Real Estate Investment Properties (Offices, Hotel Apartments, Retail and Warehousing/Logistics)

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.

* *Property must not be occupied by the financee or their relatives and must be entered into predominately for the purposes of the business.*

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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.*

ADIB UK REAL ESTATE FINANCING

The Asset may be repossessed if you do not keep up repayments on your financing

WHAT DO WE FINANCE?

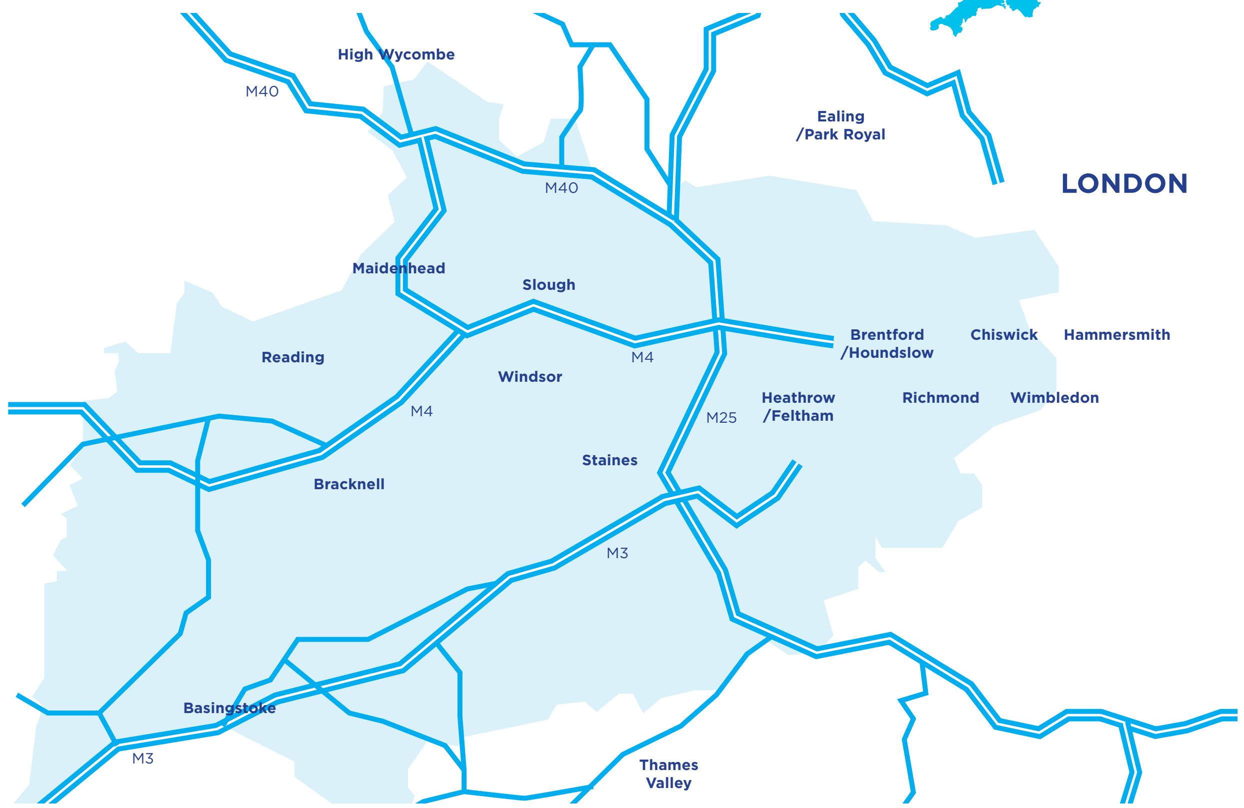
COMMERCIAL "INVESTMENT" PROPERTIES

Financing customers acquiring or owning "investment" properties / portfolios.

Sectors covered:	Residential (multi-unit investment properties), hotel apartments, retail, offices, warehouses/logistics centers.
Max financing:	£25 million
Geography:	Greater London & Western Corridor (including the commercial markets of Slough, Heathrow, Staines, Windsor, Maidenhead, Bracknell & Reading) plus top 6 regional cities of Birmingham, Bristol, Edinburgh, Glasgow, Leeds & Manchester.
Max ETV:	65%
Max tenure:	5 years (profit only) or 10 years with amortization *(based on 20 year schedule & balloon on maturity)*

LONDON & TOP 6 REGIONAL CITIES

WESTERN CORRIDOR OUTSIDE CENTRAL LONDON



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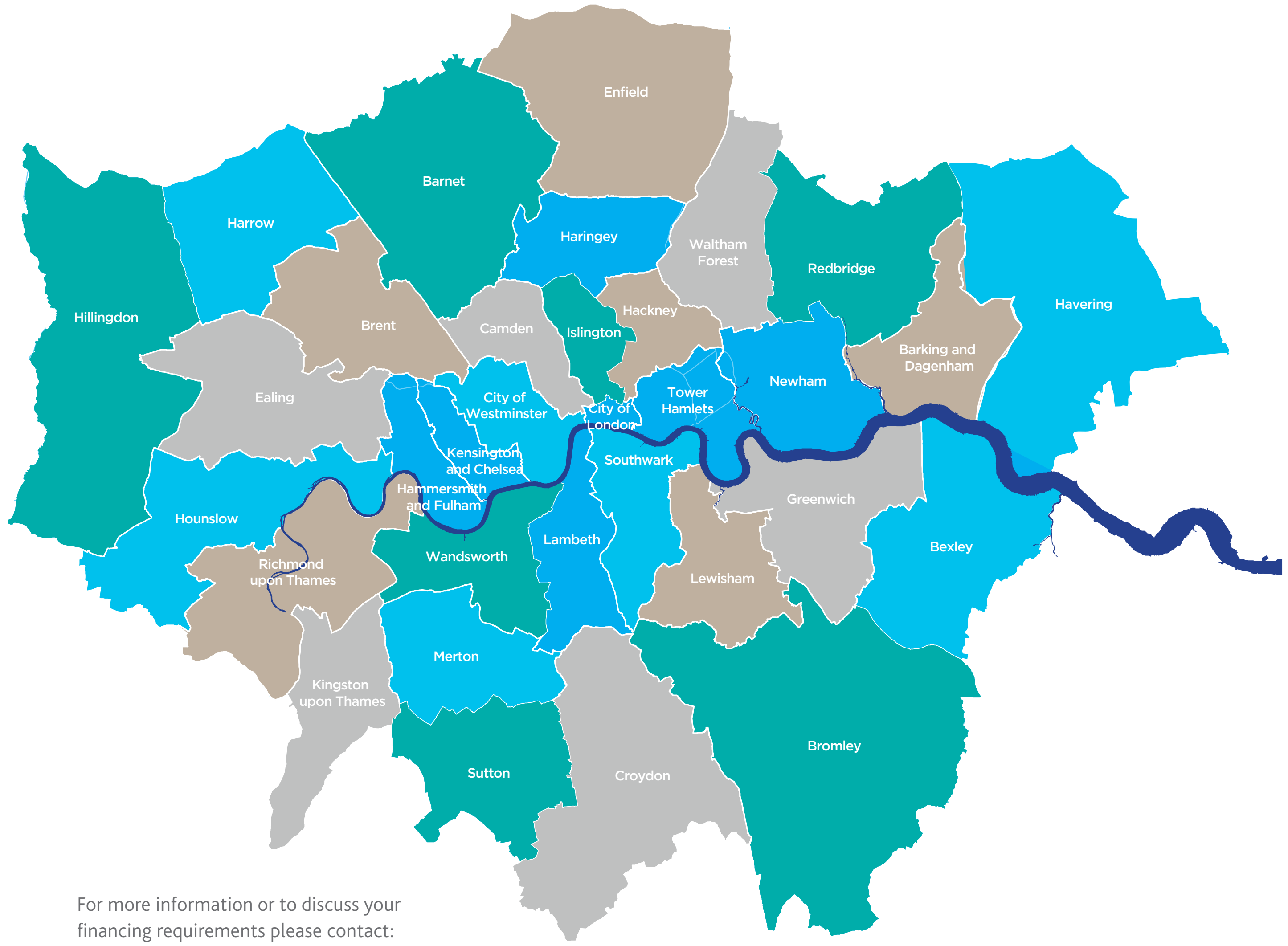
WHAT DO WE FINANCE?

RESIDENTIAL PROPERTIES

Financing customers typically acquiring or owning a single property for "buy to let" investment in London. Property must not be occupied by the financee or their relatives and must be entered into predominently for the purposes of the business.

Min financing:	£1 million
Max financing:	£7 million
Geography:	London (inside M25)
Max ETV:	60%
Max tenure:	5 years (profit only) or 10 years with amortization *(based on 20 year schedule & balloon on maturity)*



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MACRO TRENDS

UK ECONOMIC FORECASTS

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

Source: Oxford Economics

SOME KEY REAL ESTATE IMPACTS OF BREXIT

ECONOMY:

Brexit uncertainty will continue to dampen confidence and growth, and currency-induced inflation has not yet fully dissipated, slowing consumer spending. But the weak pound has attracted international real estate investors and tourists to the UK and boosted domestic exports, increasing demand for the offices, prime retail, industrials and hotels sectors.

LABOUR MARKET:

Net migration may fall and firms may pause on hiring, reducing demand for office space; after 2021, new controls could produce particular shortages in construction, retail, healthcare and hospitality, raising occupier and developer costs.

TRADE ACCESS:

Trade can happen without any agreement in many areas but costs would rise; the most exposed are highly-regulated sectors which cannot trade at all without licenses. The impact on financial services may present particular risks for Central London. In the logistics sector, supply chains and warehousing may need to be reorganised.

REGULATION:

Although EU law will be imported into UK law at the point of exit, the UK Government is examining whether EU-derived planning and environment law could be adjusted after the UK has left the EU. In the short term, the need to get Brexit legislation through Parliament means there is little space for major real estate legislation (for example planning law or infrastructure projects).

Source: CBRE

MACRO TRENDS

- In 2018, UK GDP has been upgraded 10 bps to 1.5%, following which 2019 and 2020 remain unchanged on November's forecasts at 1.3%, but thereafter the Office for Budget Responsibility (OBR) is now more bearish on the medium-term outlook, reducing the outlook for UK GDP by 10 bps in both 2021 and 2022, to 1.4% and 1.5%, respectively.
- Debt is forecast to be falling as a share of GDP from 2018-19, potentially signaling a turning point in the nation's recovery from the financial crisis of a decade ago.
- Private consumption is projected to remain subdued as higher inflation, pushed up by the past depreciation of sterling, holds back household purchasing power. The OBR has said that inflation would fall back to the Bank of England target of 2% by the end of the year, meaning that incomes could start rising in real terms by the first three months of next year.
- The unemployment rate is at a record low, but with slower growth this is unlikely to persist.
- Exchange rate depreciation should support exports, while import growth is projected to fall owing to weaker private consumption.
- An agreement about a transition period linked to the EU exit after March 2019 is assumed and should support growth in 2018 and in 2019, reducing the extent to which uncertainty weighs on domestic spending. Prospects of maintaining the closest possible economic relationship between the United Kingdom and the European Union would further support economic growth.
- High consumer debt growth, coupled with stagnant household incomes, is a major financial stability risk. Household debt has been rising gradually, reaching 140% of household disposable income.

Source: OBR and OECD

PRIME CENTRAL LONDON RESIDENTIAL

CENTRAL LONDON RESIDENTIAL MARKET OVERVIEW

- In the aftermath of the financial crisis, demand for prime central London property increased significantly. With its safe haven appeal, prime central London attracted international investors looking for wealth preservation. As a result, transaction volumes increased steadily to reach an average of 447 per month in 2014.
- The market turned in December 2014, when a change in stamp duty rules meant a significant increase in the tax burden of high value residential purchases. Properties above £1m now faced higher levels of stamp duty, with the proportion payable increasing with value. Conversely, stamp duty was reduced on properties below £1m. This contributed to a 14% fall in prime central London transactions between 2014 and 2015. In comparison, Greater London transactions fell by just 4% over the same period.
- Another significant tax change hit the market in April 2016 when stamp duty on buy-to-let and second home properties increased by 3 percentage points. Sales rose sharply in March 2016 as investors rushed to complete their purchases ahead of the increase. Since then, activity in prime central London has fallen back further. In 2017, there were 320 transactions per month, which is down 11% on the previous year. It is also a 28% decline compared with the previous market peak 2014.
- The EU referendum in June 2016 brought uncertainty to the London property market, resulting in buyers taking a more cautious approach. On the flipside, the fall in the value of sterling attracted opportunistic international buyers to the market to take advantage of the currency play. Although the pound has regained strength since, it remains around 6% below pre-referendum value (against a basket of currencies). Therefore, the net effect of Brexit remains difficult to untangle. The latest data show 247 sales in October 2017, down 6% on the same month in 2016. This compares with a much bigger fall of 23% across Greater London over the same period.

Source: CBRE & LonRes

SALE PRICES

- According to the Savills Prime London Sales Index prices have continued to soften in the last quarter of 2017 having declined by 4% during the year. The index shows that between the market peak in September 2014 and December 2017 prices across central London flats have fallen by 18.4% and central London houses by 16.2%.
- According to the Knight Frank London Sales Index, (February 2018), average prices in central London fell by approximately 1% in the year to February.
- The agent points to the fact that this was the third consecutive month in which their index showed marginal annual adjustment, suggesting this provided evidence that pricing appears to have stabilised following a series of steeper declines over the last two years.
- It is apparent that after a succession of tax changes, market performance has become more nuanced and fragmented.
- For example, the number of transactions in prime central London between £1 million and £2 million fell 13% in the final quarter of 2017 while there was a 9% rise between £5 million and £10 million (according to LonRes data).
- This suggests higher transaction costs have now become more fully assimilated in higher price brackets after an initially steeper decline in sales volumes, leading to an improvement in sales activity.

PRIME CENTRAL LONDON RESIDENTIAL

OUTLOOK

- The prime central London market has been subdued in recent years, (both in terms of transaction volumes and price growth), as buyers have struggled to come terms with higher levels of stamp duty. However, there are signs that the market might be bottoming out. According to the latest LonRes survey, only 6% of prime central London agents expect prices to fall by more than 5% in 2018. This is the lowest proportion since 2014.

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

	KNIGHT FRANK (PCL EAST)	KNIGHT FRANK (PCL WEST)	JLL	SAVILLS	CBRE
2018	0.50%	0.50%	-1.00%	0.00%	0.5%
2019	1.50%	1.50%	0.50%	2.00%	2.00%
2020	2.5%	3.50%	2.00%	8.00%	4.50%
2021	3.00%	3.00%	3.00%	5.50%	4.00%
2022	5.00%	3.50%	4.00%	3.50%	3.50%
5 Year Compound Growth	13.10%	12.60%	8.70%	20.30%	15.30%

PRIME CENTRAL LONDON RESIDENTIAL

RENTS

- According to the Knight Frank Prime Central London Lettings Index (February 2018), average rental values in prime central London fell by 2.1% in the year to February marking two years of annual rental declines.
- This compares however to a decline of -5.1% recorded in February last year suggesting that rental values are bottoming out.
- The prolonged nature of the adjustment in prime London rents is due to the high levels of supply introduced to the market in recent years, including during the period following the introduction of an additional 3% rate in stamp duty for landlords in April 2016.
- According to Knight Frank there was a 6.4% fall in the number of new lettings properties placed on the market in the year to January 2018 compared to the previous 12-month period. Conversely, over the same period, demand is rising. There was a 17.6% increase in the number of new prospective tenants looking for properties to rent.
- As new supply moderates and demand strengthens upward pressure on rental values is expected to come through.

Data as at January 2018

Area	Sales (3-month change)	Rents (3-month change)	Prime gross yield
Notting Hill	0.1%	-1.9%	2.74%
St John's Wood	0.2%	-1.1%	3.36%
Bayswater	-0.9%	-0.2%	2.93%
Hampstead	-3.4%	-1.2%	2.52%
Belsize Park	-2.6%	-1.5%	3.02%
Islington	0.0%	-1.6%	
Marylebone	0.0%	-3.2%	2.55%
Wapping	-0.2%	0.5%	2.88%
Kensington	0.0%	0.3%	2.67%
Queen's Park	-4.9%	-6.0%	2.60%
King's Cross	-1.5%	-0.6%	4.10%
City & Fringe	0.0%	0.6%	
Canary Wharf	-2.0%	0.2%	3.56%
South Kensington	-0.5%	-1.3%	2.74%
Knightsbridge	-1.5%	0.1%	2.34%
Chiswick	-0.5%	-2.9%	3.05%
Belgravia	0.4%	-0.5%	2.89%
Mayfair	0.5%	0.1%	2.09%
Victoria	-1.8%		
Riverside	-1.0%	-0.4%	2.95%
Tower Bridge	-3.1%	-0.1%	3.87%
Barnes	-1.3%		
Fulham	0.3%	-2.3%	2.72%
Chelsea	-0.8%	-0.9%	3.66%
Clapham	-1.1%	-1.1%	3.29%
Richmond	-0.4%		
Wimbledon	-0.3%	-0.2%	4.02%
Wandsworth	-1.1%		
Battersea	-5.5%	-1.7%	
Dulwich	-0.4%		

3-month change

	Sales	Rents
Prime central London	-0.5%	-0.7%
Prime outer London	-1.6%	-1.5%

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Source: Knight Frank

PRIME CENTRAL LONDON OFFICES

CENTRAL LONDON OFFICE MARKET OVERVIEW

THE OCCUPIER MARKET

- Take-up volumes have surprised on the upside since Brexit, with many commentators initially forecasting a steep fall in occupier demand. While take-up slowed either side of the Brexit vote, momentum quickly recovered. In this connection JLL has reported that City take-up finished 2017 ahead of the long term average while the West End recorded its strongest year in 10 years.

WEST END

- Despite the better than anticipated leasing activity in recent quarters, several large deliveries in the Victoria and St James's submarkets, a couple of significant move-outs (most notably by the U.S. Embassy) have caused the vacancy rate to rise.
- Demand is holding up best in submarkets that are popular with TMT firms and those set to benefit from a Crossrail station. Noho, Soho, and Paddington fall into these categories.
- The biggest deals in recent quarters were signed in the Noho submarket, where the arrival of new schemes and improvements to the eastern end of Oxford Street are helping to lure tenants.
- The West End has also been vulnerable to tenant defections to cheaper parts of London. For example, the Economist Group and McKinsey & Co have recently signed deals to leave St James's for Midtown. Several national embassies have departed from Mayfair, while Turner Broadcasting and Spotify are moving east from Soho. Demand is likely to remain weak in Westminster as the government continues to vacate space, while a cooling in financial services demand post-referendum could hinder Mayfair and St James's.
- Average asking rents in the West End range from just under £80 per sqft in Mayfair to less than £55 per sqft in Westminster. The highest rents have been achieved in the St James's submarket at £185 per sqft. However, the number of deals achieving over £100 per sqft or more has dropped in recent quarters, with anecdotal evidence of rising incentives for this type of space too.
- Rents are likely to continue to soften in both St James's and Mayfair, as tenant demand for the best space decreases following Brexit. The high vacancy rate in Victoria could also curtail rents there. Submarkets catering more to TMT demand may perform best, as well as those set to benefit from a Crossrail station from 2018.

THE CITY

- Although the leasing market has performed better than expected since the Brexit vote, leading to a revival in absorption in 2017, demand remains relatively subdued compared to the levels recorded a couple of years ago.
- The City's vacancy rate remains below the long-term average, but it has risen from Q3 2016's 14-year low amid a spate of new deliveries. This trend looks set to continue as more than six million sqft of office space was under construction in the City as of January 2018 with more in the pipeline. Consequently, supply is likely to outweigh demand in the coming years and the vacancy rate is expected to rise accordingly.
- Brexit does of course present a risk to demand in the City. Although the City has diversified its tenant base in recent years, financial services is still a big driver of demand, sitting at the heart of the City's occupier ecosystem.
- The City Core submarkets are home to 50% of all financial services firms occupying 10,000 sqft or more across Central London. Although warnings of more than 100,000 job losses in London's financial services sector appear exaggerated, several big banks have already announced plans to move staff to continental Europe, with more transfers likely if a hard Brexit becomes a reality and there are no special provisions for financial services.
- Average rents fell during the second half of 2017 for the first time in seven years, with incentives also increasing. The downward pattern could continue over the next few years in line with rising vacancies and uncertainty amongst financial services firms.

THE INVESTMENT MARKET

- According to research by JLL, Central London investment market turnover totaled £17.4 billion in 2017. This marks a major increase on the £12.9 billion traded in 2016 but is slightly below the records set between 2013 and 2015, when turnover exceeded £18 billion for three consecutive years. Strong capital inflows from China and Hong Kong continued in Q4, accounting for a third of quarterly turnover.
- It is clear that London is still regarded as the pre-eminent commercial investment market in the world and is considered to be the gold standard for investors looking for a safe haven for their capital.
- Prime yields stand at 3.5% in the West End and 4.25% in the City.

WEST END

- There has been increasing evidence of softening prices in the West End. For example, 2017's largest deal, Deka and WestInvest's £435 million purchase of Rathbone Square, reflected a 4.25% yield, 25 basis points higher than the property was under offer for before the vote. Average yields have decompressed most so far, with prime properties holding their value better, reflecting current investor preferences. Looking ahead, the West End is perhaps less susceptible to further price falls than the City, due to the amount of construction in the latter.

THE CITY

- Prime assets remain in high demand in the City. Investment volumes have soared in recent quarters, with spending in 2017 far outpacing that in 2016 and on a par with the 2015 record. Foreign investors, lured by the drop in sterling, a slight softening in prices, and long term faith in London, were overwhelmingly responsible for the upsurge.
- Indeed, more than 90% of the purchase volume came from overseas in 2017, with investors from China/Hong Kong leading the way. The standout deals were CC Land's £1.15 billion purchase of the Leadenhall Building in Q2 (a 3.5% yield) and LKK's £1.28 billion purchase of 20 Fenchurch Street in Q3 (a 3.4% yield), with the latter a record price for a single UK asset.
- More recently, Tenacity Group (another Hong Kong investor) acquired 70 Gracechurch Street for £271.4 million and Samsung SRA Asset Management bought 200 Aldersgate for £320 million (representing 34% and 60% uplifts on their 2013 purchase prices, respectively).
- Such robust levels of trading is likely to continue during 2018, with many owners seeking to capitalise on the seemingly unrelenting overseas appetite for the City's trophy buildings.
- However, beyond the prime headline deals trading has been fairly quiet. The number of deals per quarter in 2017 was around half the five-year quarterly average, reflecting more subdued trading at the lower end of the market. This partly reflects an aversion to risk in light of worsening fundamentals and concern over the impact of Brexit on both occupier demand and liquidity. The value add deals that were so prevalent a couple of years ago have largely dried up, with riskier assets proving a tougher sell in the current climate.

PRIME CENTRAL LONDON OFFICES

KEY MARKET INDICATORS – WEST END

ANNUAL TRENDS	12 MONTH	HISTORICAL AVERAGE	FORECAST AVERAGE	PEAK	WHEN	TROUGH	WHEN
Vacancy Change (YOY)	-0.3%	5.5%	5.3%	8.8%	2003 Q2	3.3%	2016 Q2
Net Absorption SF	797 K	487,215	190,711	1,918,695	2005 Q3	(609,304)	2013 Q4
Deliveries SF	785 K	705,509	502,730	1,720,878	2017 Q2	147,893	2011 Q3
Rent Growth	-1.6%	4.2%	-0.5%	14.5%	2007 Q3	-10.7%	2009 Q3

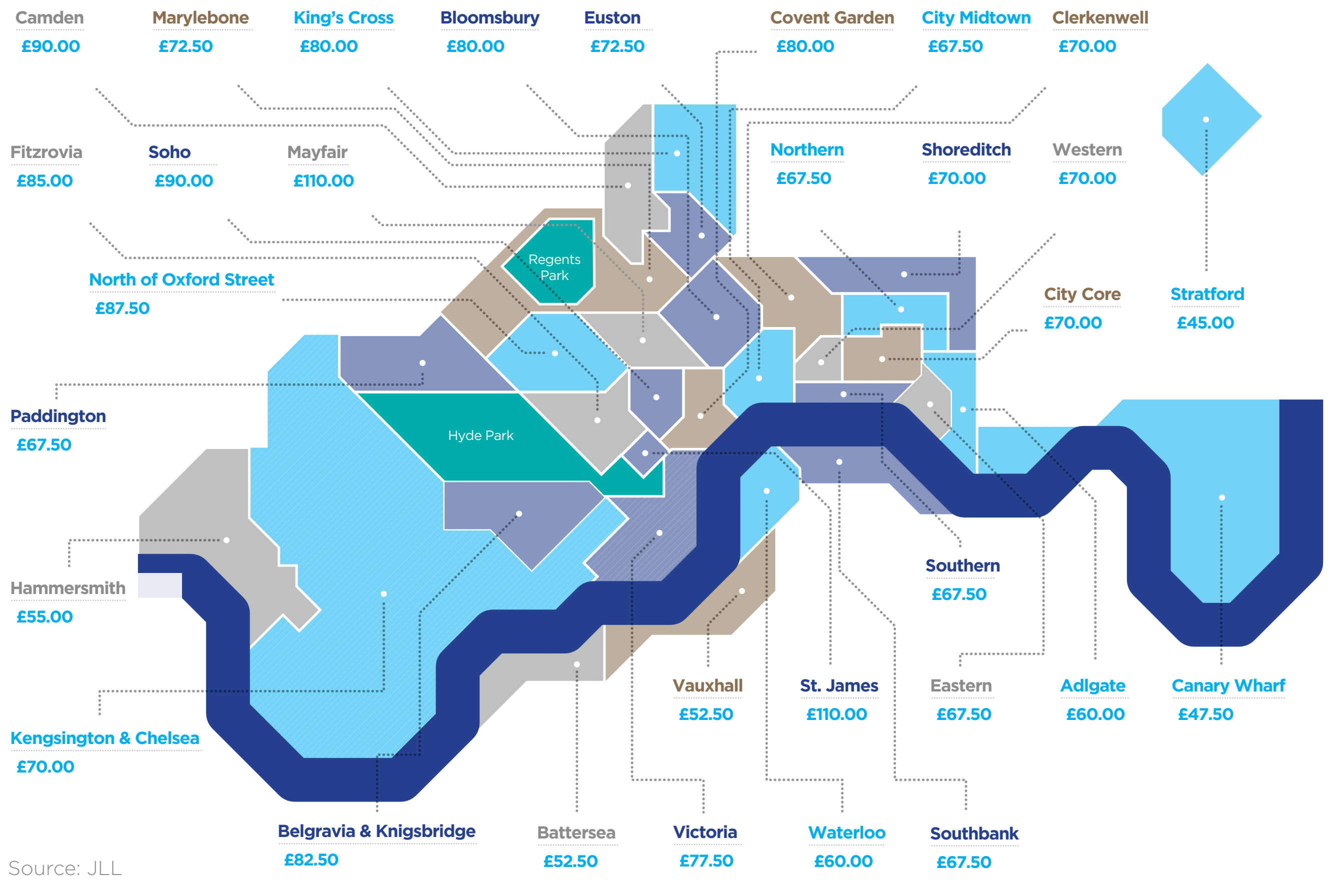
KEY MARKET INDICATORS – CITY

ANNUAL TRENDS	12 MONTH	HISTORICAL AVERAGE	FORECAST AVERAGE	PEAK	WHEN	TROUGH	WHEN
Vacancy Change (YOY)	-0.7%	9.9%	8.1%	14.4%	2004 Q3	6.5%	2016 Q3
Net Absorption SF	1.1 M	1,135,744	2,032,927	4,154,934	2010 Q4	(893,634)	2009 Q2
Deliveries SF	2.1 M	1,589,059	2,500,938	3,694,799	2013 Q4	132,496	2012 Q3
Rent Growth	-5.6%	3.7%	-1.7%	18.6%	2016 Q1	-8.6%	2009 Q3

Source: Costar

PRIME CENTRAL LONDON | REAL ESTATE MARKET OVERVIEW MARCH 2018

PRIME HEADLINE RENTS (PER SQFT)



Source: JLL

COMMERCIAL SECTOR YIELD GUIDE

Source: Knight Frank

SECTOR	MAR-2017	OCT-2017	NOV-2017	DEC-2017	JAN-2018	FEB-2018	MAR-2018	MARKET SENTIMENT
WAREHOUSE & INDUSTRIAL SPACE								
Prime Distribution/Warehouseing (20 year income)	4.25% - 4.50%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	POSITIVE
Prime Distribution/Warehouseing (15 year income)	5.00%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	POSITIVE
Secondary Distribution (10 year income)	6.50%	5.25%	5.25%	5.00%	5.00%	5.00%	5.00%	POSITIVE
OFFICES								
City Prime	4.25%	4.00% - 4.25%	4.00% - 4.25%	4.25% - 4.50%	4.00% - 4.25%	4.00% - 4.25%	4.00% - 4.25%	STABLE
West End Prime	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	POSITIVE
Major Regional Cities	5.00%	5.00%	5.00%	4.75%	4.75%	4.75%	4.75%	POSITIVE
BONDS & RATES								
Libor 3 Month (06/03/18)	0.35%	0.34%	0.52%	0.52%	0.52%	0.53%	0.58%	
Base Rate (06/03/18)	0.25%	0.25%	0.50%	0.50%	0.50%	0.50%	0.50%	
5 year Swap Rates	0.81%	1.09%	1.04%	1.12%	1.17%	1.31%	1.24%	

Based on rack rented properties and disregards bond type transactions
This yield guide is for indicative purposes only and was prepared on 06 March 2018

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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 two years, 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. 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.

PRIME CENTRAL LONDON | REAL ESTATE MARKET OVERVIEW

MARCH 2018

TIMELINE OF TAX CHANGES

Inheritance Tax (IHT)

New rules were 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' has changed 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 was 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 were 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.

2015

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

2016

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

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 MANSION

Marylebone, London W1

The Mansion's exceptional specification and amenities ensure that it delivers a new benchmark for luxury living in Marylebone.

- A boutique development of 23 contemporary apartments.
- Apartments sizes ranging from 154 to 226 square metres.
- Dramatic double height travertine lobby.
- 25m swimming pool, state-of-the-art gym, sauna/steam room & treatment room.
- 24/7 concierge & valet parking.
- Resident's chauffeur driven Bentley.
- Brand partners including Fortnum & Mason, Bamford and Bentley.

PRICES FROM **£4,850,000** FOR 2 BED APARTMENTS

MAYFAIR PARK RESIDENCES

Mayfair, London W1

Mayfair Park Residences is a luxuriously appointed collection of residences with views over the iconic Hyde Park with Five-star amenities and in-houses services delivered by the adjoining Dorchester Collection London hotel, 45 Park Lane.

- 22 private apartments, 4 townhouses and a magnificent penthouse with rooftop pool with interiors from Parisian Designers, Jouin Manku.
- Residences ranging in size from 73 to 352 square metres.
- 10,000 sq. ft. Health Club, fully staffed & managed by Dorchester Collection.
- 20m swimming pool, state-of-the-art gym, sauna/steam room, hydrotherapy pool, treatment rooms and resident's lounge.
- Five-Star 24/7 concierge, security & surveillance, in-residence dining and valet parking provided by Dorchester Collection.
- Resident's chauffer driven Rolls Royce.
- Completion from Autumn 2019.

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

KINGWOOD

Hans Place, Knightsbridge W1

Kingwood is a new build boutique development in the heart of Knightsbridge, close to Harrods, just completed and launched in summer 2017.

- Arranged across four buildings, the scheme was carefully designed by Finchatton to create exceptional London residences that effortlessly balance timeless elegance with modern sophistication.
- All apartments have south facing views over the gardens of Hans Place.
- Extensive facilities within the building including a residents' concierge, large gym, cellar, and secure underground parking, as well as a full catering kitchen, storage rooms and chauffeur and housekeeping staff facilities.
- Staff flats and underground parking are available in the building by separate negotiation.
- Completed in mid-2017.

PRICES FROM **£19,000,000**

ONE BLACKFRIARS

Southbank, London SE1

The One Blackfriars development is located on the vibrant Southbank, standing at 170 metres and 50 storeys tall, the striking residential tower will redefine London's skyline, offering residents a truly luxurious lifestyle.

- Over 95% sold, last one, two, three and four bedroom apartments remaining
- Exceptional interior design
- Magnificent panoramic views over the central London skyline
- Outstanding first class facilities including a dedicated concierge service, valet parking, health club, swimming pool and gym, residents' wine cellar and 32nd floor executive lounge
- Landscaped public plaza with commercial and retail properties and a boutique hotel
- Completions from Summer 2018

PRICES FROM **£1,300,000** FOR 1 BED APARTMENTS

ADIB UK does not provide real estate financing which is regulated in the UK under the Financial Services and Markets Act 2000.
FINANCING IS SUBJECT TO STATUS. TERMS & CONDITIONS APPLY.


View from Penthouse

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 2018.

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.

SOLD

- Seven elegant 1 - 3 bedroom apartme[illegible]
- Exceptional 268 sq.m duplex p[illegible] large, private roof terrace.
- Fitted out to the hig[illegible]ion.
- Unique Jerm[illegible]ion offering best of British tailoring.
- Desir[illegible]opping and entertainment on your doorstep.
- Co[illegible]d Resident Lifestyle Packages.
- Ready for occupation now.

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

COMMERCIAL INVESTMENT OPPORTUNITIES

ONE YORK ROAD

Uxbridge

- 24,398 ft2
- Rent of £736,966 pa (£30.95 psf)
- Multi-let to London Square, TM Lewin and NFON UK
- WAULT of 8.1 years to expiry
- 7.4 years to breaks
- Built in 1987 and refurbished in 2014
- £2m refurbishment
- 75 car parking spaces (1:325 ft2)
- Freehold
- £10.6m/ 6.50% / £434 psf

58 CLARENDON ROAD

Watford

- 93,877 ft2
- Rent of £2,000,000 pa (£21.30 psf)
- Single Let to KPMG
- FRI lease expiring in September 2024 (no tenant breaks).
- Renal Uplift in Sept 2019 to £2,250,000 pa (£23.96 psf)
- Built in 1989
- 296 car park spaces (1:317 ft2)
- £31m / 6.04% / £330 psf

VOYAGER PLACE

Maidenhead

- 56,750 ft2
- Rent of £1,740,000 pa (£32.00 psf)
- Single let to FM Global
- 10-year lease commencing March 2018
- 285 car parking spaces (1:199 ft2)
- £7m refurbishment
- Vendor: Clearbell
- £29.6m / 5.50% / £521 psf

STONE CROSS

Brentwood

- 38,360 ft2
- Single-let to Sky
- 15 years to expiry
- Tenant break at year 10
- Originally built in 2002
- Cross Rail coming in to Brentwood
- 130 car parking spaces (1:295 ft2)
- Vendor: Boultbee Brooks
- £18.5m / 5.50% / £482 psf

FUTURE HOUSE

Staines

- 68,239 ft2
- Built in 2000
- Future Electronics, they have signed a new 10 year lease from Dec 2017 at £31.00 psf (approx. £2,115,409 per annum
- 73 parking spaces (1:250)
- Vendor: CIM
- £36m / 5.50% / £527 psf

CENTRICA

Manchester

- 92,009 ft2
- Rent of £1,260,000
- 7 years to expiry
- Refurbished in 2015
- Let to Centrica PLC
- 389 Car parking spaces (1:236 ft2)
- £17m / 5.8% / £184 psf

PINNACLE

Wimbledon

- 47,601 ft2
- Rent of £2,362,122 (£49.62 psf)
- Single-let to Kindred Plc
- Fully refurbished in 2016
- 15 years to expiry
- 9 years to break
- £44.25m / 5.0% / £929 psf

PRIME CENTRAL LONDON | REAL ESTATE MARKET OVERVIEW

MARCH 2018

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	Shakespeare Martineau	

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