

REAL ESTATE

And you thought Vancouver was pricey

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Bloomberg News

Measured in British pounds, London has overtaken New York City as the most expensive city in which to buy a luxury home as the U.S. dollar has weakened, a study by CB Richard Ellis Hamptons International showed.

Prices for prime residential real estate, such as London's Chelsea and Notting Hill districts, costing more than £1-million (\$1.9-million U.S.), averaged about £1,200 a square foot in the second quarter, the study showed. Equivalent space for Manhattan homes -- on Fifth, Park and Madison avenues near Central Park -- cost about £1,000.

The pound's 16-per-cent gain against the U.S. dollar over the past three years has amplified home price increases in London, where as many as 40 per cent of luxury home sales are to foreign buyers, said Jennet Siebrits, head of CBRE residential research. Rising sales and mortgage lending also suggest Britain's \$6.8-trillion (U.S.) housing market isn't yet having the slowdown the United States is experiencing.

"London is seen as a safe place at the moment, so what we're seeing is a lot of foreign money coming in," said Fionnuala Earley, group economist of Britain's third-largest mortgage lender, Nationwide Building Society.

Tensions in the Middle East also are bringing in Arab oil money, while Russian investors are also diversifying their assets, she added.

International comparisons matter for wealthy international investors. Lakshmi Mittal, the billionaire chairman of Mittal Steel Co., paid about £70-million in April, 2004, for a house near Kensington Palace in London, a world record.

After New York came Tokyo, with homes at £900 a square foot, Hong Kong at £700 and Singapore at £600, CBRE said in its semi-annual review of the global housing market.

London's top position stems from the rise in the pound. At the end of August, 2003, the pound traded at about \$1.58, whereas it's now at about \$1.90.

In Manhattan, home to the most expensive U.S. real estate, prices have held near record levels even as the number of sales dropped 15 per cent in the second quarter to a five-year low. The average price of a luxury Manhattan apartment, calculated from the top 10 per cent of all transactions, was \$5-million in the second quarter, down 3 per cent from a year earlier.