Prime property

Capital & Counties cuts Earls Court land value by 14%

London property group reduces value of estate by £200m due to ‘weakened sentiment’ after Brexit vote

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Capital & Counties, the £2.5bn London property company, has slashed £200m off the value of its Earls Court estate in the latest sign of the declining value of central London residential development sites.

The 14 per cent writedown on Capital & Counties’ share of the 77-acre site — a joint venture with Transport for London — follows a similar cut to the valuation of land at Nine Elms (http://www.ft.com/fastft/2016/07/05/st-modwen-writes-down-value-of-london-nine-elms-project-as-prices-fall/) south of the Thames by the property company St Modwen.

St Modwen wrote down the value of its interest in the New Covent Garden Market site by 10 per cent, or £21m, this month.

Both sites are intended to be mainly residential developments, but appetite for newly built luxury homes has weakened (http://test.api.ft.com/content/0e154da8-2d8b-11e6-a18d-a96ab29e3c95) and many analysts expect prices to fall this year, especially after the UK’s vote to leave the EU.

Prime central London land prices dropped 1.8 per cent year on year in the first quarter of the year, according to the Knight Frank Residential Development Land Index.

Capital & Counties said on Tuesday the writedown of the Earls Court site, which gained 9 per cent in value during the preceding year, was the result of “the valuers’ assessment of the weakened sentiment in the central London residential market following the EU referendum”.

Its valuers, CBRE and JLL, have taken a “more cautious view of costs and growth in sales values for subsequent releases” of homes at Lillie Square, the group’s high-end residential development at Earls Court, while the figures were also affected by an increase in stamp duty in April, it said.

Lillie Square is being developed in tandem with Hong Kong’s Kwok family, who run Sun

Hung Kai Properties, the territory's largest property developer.

Capital & Counties said on Tuesday that it had swung to a loss of £109m in the six months to the end of June, from a profit of £431m a year earlier. Its net asset value per share fell to 344p, down 5 per cent from the end of December.

The London-listed group also owns £2.1bn of properties in Covent Garden, but is the target of short positions by hedge funds looking to gain from the luxury residential property (http://www.ft.com/topics/themes/Prime_property) downturn.

Shares in the group dropped 5.1 per cent in morning trading.

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Ian Hawksworth, chief executive, said home sales had picked up slightly since the referendum, with four pre-sales at Lillie Square in the week after the June 23 vote. Homes in the second phase of that project are selling for 4 per cent to 5 per cent more than in the first, he added.

The group is looking at increasing the density of homes on the remainder of the site, a contentious development that includes the demolition of the Earls Court Exhibition Centre (http://www.ft.com/cms/s/0/f696828a-8608-11e4-a105-00144feabdc0.html) and has faced strong local opposition.

The London mayor, Sadiq Khan, promised before he was elected in May that he would review the plan.

"It is currently set for 7,500 homes but we've suggested it could be a minimum of 10,000. This is the first step on the way of having a debate about what is the best overall use for the quantum of the development," said Mr Hawksworth.

Capital & Counties added that it had decided not to sell the Olympia exhibition centre after an attempt to dispose of the venue.