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James Pickford, IBP Feature writer of the year

Dandy London – 15th August 2015

James Pickford's evocative journey through the streets of St James's in Mayfair was a highly original idea, connecting the area's (still visible) Dandy past with the imminent return of the "new aristocracy" as the Crown Estate's £500m regeneration programme converts offices back into upmarket residential. The cover feature of FT House & Home, his richly told tale was brought to life online with a video which captured both the history and changing character of the area, plus a photographic slideshow of the district's clubs, outfitters, interiors and personalities - many of which had barely changed since their Edwardian heyday. Taken as a whole, this feature demonstrates James' versatility as a journalist, and his ability to craft a story to fit a multi-media brief. Featured across all of FT.com's international geographies, he successfully brought the story of SW1 to the attention of a wider international audience.

Link to Video: http://www.ft.com/cms/s/2/ab4ebb88-3b86-11e5-8613-07d16aad2152.html#slide0

A good harvest from working the value of farmland – 25th July 2015

James used a plotline from The Archers to probe the story of the soaring cost of farmland - though the investment performance of this alternative asset class is far from fiction.

In this FT Money cover feature, James grabbed the reader's attention with the revelation that the price of farmland had risen faster than Mayfair properties, trebling in value over the past decade. He explored the "macro" factors driving the boom – showing his ability to grasp complex economic themes and explain them effortlessly to a personal finance audience hungry for information. He not only made great use of data (both in print and online) to tell the story, but also retained the human interest by interviewing a (real life) farmer as a case study. James presented the FT Money podcast leading on the same theme, and showed aplomb in his live interview of Knight Frank's rural expert Tom Rainham.

http://www.ft.com/cms/s/0/0a836578-de98-11e4-8a01-00144feab7de.html#axzz3jdJaXEdh

Doubts over tide of pension cash set to lift buy-to let sales – 11th April 2015

James wrote this detailed analysis to burst the ballooning hyperbole in the non-financial press that April's pensions freedoms would trigger a buy-to-let boom. His FT Money cover feature – published at a time when the Daily Mail was giving away a buy-to-let property as a competition prize – drew deeply on a variety of credible research sources. By combining house price data and pension projections, James was able to graphically "map" the near impossibility for pensioners to obtain a buy-to-let property in the South East (which featured in both print and online versions of his feature). He provided investor readers with superb analysis of the tax disadvantages, market risks and costs that could eat into their returns, using the FT's weekly podcast to hammer home these points. And his scepticism was prescient following the chancellor's buy-to-let bombshell in the July budget.

Link to podcast: http://podcast.ft.com/p/2636

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Meyer & Mortimer tailors — Johan Hallberg-Campbell

View of St James's Street towards St James's Palace — Jack W Taylor

Asprey, founded in 1781 — Johan Hallberg-Campbell

Razors at Truefitt & Hill barbers — Johan Hallberg-Campbell

Oliver Cross, a cutter at Meyer & Mortimer — Johan Hallberg-Campbell

Above and right: Berry Bros & Rudd wine merchants, based in St James's since 1698 — Johan Hallberg-Campbell

Left and second left: Lock & Co, hatters in St James's since the 17th century — Johan Hallberg-Campbell

Dandy London

Residential is returning to St James's where 'Beau' Brummell once swashed and buckled. By *James Pickford*

St James's has been one of London's grandest areas since Charles II gave permission to his aristocratic mates to build around the royal palace of St James's in the 17th century. By the following century it had become a centre of fashion as well as high society: George "Beau" Brummell and other Regency dandies were buying boxes of snuff from the bow-windowed premises of Fribourg & Treyer, while their skin-tight pantaloons and tailored silk waistcoats came from shops in nearby Piccadilly and Pall Mall.

Today St James's is re-emerging as a residential area, and while it may not have as many shops selling pantaloons and waistcoats, it has a surprising number of shops and clubs unchanged since the time that the dandies swashed and buckled their way around town.

After being bombed during the second world war, St James's, bordered on the west by Green Park and on the east by Haymarket, was redeveloped to create a large number of offices, a trend which is finally being reversed.

A swath of new apartments and houses is being created by the Crown Estate, which owns half the freehold of St James's by value. Its decade-long £500m regeneration plan, which began in 2011, will combine new commercial buildings and improvements to public spaces with an extra 260,000 sq ft of residential accommodation, double the current amount.

The incoming residents of these high-end properties may be surprised to learn that in many places this corner of the capital retains remarkable links to its 18th-century heritage.

A stroll up St James's Street, the gently inclining road that runs north from St James's Palace to Piccadilly reveals historic shops, gentlemen's clubs and companies such as Berry Bros & Rudd, the wine merchant which has occupied its site since 1698.

> **Changing St James's**
> To watch James Pickford's video about the historic London district, go to **ft.com/stjames**

Wealthy and aristocratic families flocked to the area at that time to be close to the royal court and the Berrys were on hand to sell them tea, coffee, wine and groceries. It became fashionable for customers passing through the shop — Brummell, Lord Byron, and William Pitt the Younger among them — to get themselves weighed on Berry's agricultural scales and have the results recorded in copperplate handwriting on the shop's ledgers, which it retains to this day. Brummell weighed in at 12st 4lb aged 20 in 1798, while Lord Byron — first weighed on January 4 1806 at the age of 17 "in boots but no hat", was 13st 12lb. A more cumbersome and recent client was the Aga Khan III, who dropped almost half a stone to 16st 7¼ in 1931 "after influenza".

In Brummell's time, wine was not regarded as a high-end item, says chairman Simon Berry: however expensive it was, the bottle was always worth more. "You bought wine by the cask, and if you were very rich you had a servant whose job it was to put the cask wine into bottles. He was called the bottler, which is where the word butler comes from."

Despite the abiding air of continuity in St James's, Berry points to aspects that have been transformed since he joined the family business in 1977. Then, he says, there was just one wine bar in the area and food options were limited to sandwich bars or club dining rooms — not known for their culinary excellence. " Now you can't move without stubbing your toe on a new restaurant," he says. More are to come: under the Crown Estate's plans, another eight are due to open.

A portrait of 'Beau' Brummell by Robert Dighton, 1805 — Bonhams

A little further up the street stands the old, much-repaired doorway of Lock & Co Hatters, which has been providing headgear to St James's customers since the 17th century. As I arrive, a handful of well-dressed younger customers are examining classic top hats as worn at weddings and Ascot, where men must still wear black or grey morning dress to gain access to the royal enclosure.

An extraordinary contraption made in 1852 is still used for fittings. Resembling an instrument of medieval torture, the brass "conformateur" is placed over the head, causing pins and levers around its rim to mark a card with precise measurements of the lumps and bumps on a customer's head. Past victims have included Queen Elizabeth, for the refitting of

Continued on page 9

WILTON CRESCENT, BELGRAVIA, SW1X

An exceptional Grade II listed period home with two 2 bedroom mews cottages and 3 garages. Decorated by renowned interior designer, Robert Kime, with a selection of especially commissioned features. Comprising 3 reception rooms, study, kitchen, laundry room, cellar, 5 en suite bedrooms, balcony, roof terrace, covered terrace/balcony and landscaped terrace garden with water features. EPC Rating E,F,F.

Tenure: **Freehold** Price: **£32,000,000**

ONSLOW CRESCENT, KENSINGTON, SW7

This lateral apartment, furnished in a very sophisticated style, is situated on the 2nd floor of a well maintained purpose built block with lift and 24 hour porter. Comprising of a grand drawing room with dining area, kitchen, 4 bedrooms, 2 bathrooms (1 en suite) and cloakroom. Parking is available by separate negotiation. Long leasehold. EPC Rating C.

Tenure: **Leasehold** Price: **£5,490,000**

PORTMAN SQUARE, MARYLEBONE, W1H

A 6/7 bedroom lateral penthouse on the 7th floor of a prestigious mansion block in Marylebone. Featuring a drawing room with views towards Portman Square, dining room, kitchen, master bedroom suite, 5 further bedrooms (3 en suites) and staff bedroom. Team of 24 hour porters. Lift, communal areas, two entrance halls and garage. EPC Rating E.

Tenure: **Leasehold** Price: **£12,500,000**

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Dandy London

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the coronation crown in 1953, and Emperor Akihito of Japan.

A similar level of individual assessment is available at bootmakers John Lobb. Here, visitors are faced with glass cases containing exquisitely rendered footwear fashions from previous eras — including the first prototype of the Wellington boot — while craftsmen wearing thick leather aprons cut and stitch leather into bespoke shapes using a bewildering array of hand tools.

Combining the role of shopfront, workshop and head office, the business is now run by the fifth generation of the Lobb family. The founder, Cornish bootmaker John Lobb, set up the company in 1849 after cutting his teeth in the far harsher environment of an Australian gold rush, where he abandoned panning for gold to sell boots to prospectors, including one model featuring a hidden heel compartment for gold nuggets.

A historic source of its custom has been the gentlemen's clubs that pepper the area. In Regency times these were often riotous places. From the "Beau" window of White's, which still looks out on to St James's Street, Brummell and other dandies stood in view of passers-by, laying down the law on matters of dress, taste, manners and politics.

White's, and Brooks's opposite, were the venues for huge and sometimes catastrophic wagers between members, who bet on everything from the turn of a card to the outcome of a Napoleonic battle. Brummell biographer Ian Kelly refers to him winning £26,000 in one sitting (£1.6m in today's money) during one of his all-too-brief winning spells, before crushing debts forced him into exile in Calais.

CGI of St James's Market — The Crown Estate

The clubs remain a mainstay for the masculine businesses that colonised the area. Adjacent to the Carlton Club on the western side of St James's Street is Truefitt & Hill, founded in 1805. Glass cases at the front of the shop bristle with badger brushes and cut-throat razors.

Senior master barber Dennis Hornsby describes one popular customer who used to emerge from his club after generous refreshment. Champagne coupe in hand, he would make his way down the street, stopping to catch his breath on the steps of the chemists DR Harris (est. 1790) until, with a beaming smile, he would fling open the door of Truefitt & Hill to greet the staff and customers. "We don't get the characters now," Hornsby says with an air of regret.

Other survivors from Regency times include cheese shop Paxton & Whitfield, grocers Fortnum & Mason, Hatchards bookshop and, the biggest of the lot, Christie's, the auction house founded in 1766. Jermyn Street remains a hub for tailors and shirtmakers, which in Regency years redefined male fashion under Brummell's tutelage, adhering to his still-recognised colour rules that gentlemen should wear only three shades: white, black and dark blue.

In property terms, St James's has suffered by comparison with Mayfair, as its northerly neighbour hosts more residential stock, smarter hotels and restaurants, cafés, casinos and nightclubs. St James's may have the quintessential gentlemen's clubs but Mayfair offers ritzier lures such as Annabel's, Harry's Bar, Aspinalls and Crockfords.

"St James's has always been quite sleepy compared to Mayfair. It's never had the lifestyle offering that Mayfair has had," says Charles Lloyd, head of the Mayfair office of agent Savills.

The regeneration plan may change that. The shifting economics of development have made it feasible to purchase former offices or embassies and rejuvenate them as private homes. "There's a very strong demand from Middle East and Indian communities that has driven the market for these apartments," says David Adams, managing director of high-end estate agency John Taylor.

A mainstay of the Crown Estate's plan is St James's Market, its biggest single development, which will convert two unremarkable buildings between Regent Street and Haymarket into offices, restaurants and shops around a new public square. Promising to "bring the area back into line with historic St James's", the developers have revived the name of a 17th-century hay and straw market on the site, which used to be densely surrounded by inns and shops demolished when the architect John Nash developed Regent Street.

John Lobb bootmakers — Johan Hallberg-Campbell

Nicholaus Moustakas, a shoemaker at Lobb
Johan Hallberg-Campbell

As part of the planning agreement for the market, the Crown Estate is building homes at three other sites in St James's. They will range from one-bedroom flats to large family apartments and houses and will be priced between £2,000 and £5,000 per sq ft. One example is Cleveland Place, close to St James's Palace, which is being converted from offices into five three-bedroom apartments and one four-bedroom apartment. The other residential developments are at Russell Court and on Bury Street.

Anthea Harries, St James's portfolio manager at the Crown Estate, says the market scheme is an attempt to connect its eastern and western assets, which are at present bisected by Regent Street St James's. "The development is about creating an eclectic mix of retail in fashion, lifestyle and sports," she says. He may not have recognised the words, but it is a combination whose sentiments might have appealed to Brummell.

James Pickford is deputy editor of FT Money

Four-bedroom penthouse in a new-build on St James's Street, £9.75m

Roof terrace of four-bedroom penthouse in St James's Street

St James's hot property

St James's Street, £9.75m
What A four-bedroom penthouse in a new-build on St James's Street. The 3,234 sq ft property has four bathrooms, a spiral staircase, eye-catching oval windows and a roof terrace offering views of the London Eye.
Who Sotheby's International Realty, sothebysrealty.co.uk, tel: +44 20 3714 0750

Bank Chambers, Jermyn Street, £2.35m
What A three-bedroom, split-level apartment with 1,362 sq ft of living space on Jermyn Street, the home of British tailoring since the 17th century. The building has a lift and porter service.
Who Foxtons, foxtons.co.uk, tel: +44 20 7973 2000

Arlington Street, £17.5m
What A 4,002 sq ft flat in a Grade II-listed building. On the corner of Arlington Street and Piccadilly, the property faces The Ritz hotel and has Green Park on its doorstep. It has two reception rooms, three en-suite bedrooms and a fourth bedroom or studio.
Who Foxtons, foxtons.co.uk, tel: +44 20 7973 2000

Carlton Gardens, £12.5m
What A three-bedroom apartment with a private terrace. The 2,610 sq ft property features natural wood panelling, hand-painted silk wallpaper and Fior di Bosco marble and gold bathroom fittings.
Who Knight Frank, knightfrank.co.uk, tel: +44 20 8012 3476

Pall Mall, £5.9m
What A 1,672 sq ft apartment with three bedrooms and three bathrooms. The property is part of the Pall Mall Collection, a recently completed "luxury boutique scheme" set behind the traditional Regency-style stonework façade that dominates the area.
Who Knight Frank, knightfrank.co.uk, tel: +44 20 7861 5321

By Claudia Knowles

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FINANCIAL TIMES Saturday 25 July 2015

A good harvest from working the value of farmland

Prices for agricultural land have grown even faster than prime London property but buyers should beware the impact of location, soil quality and tenants' rights, says **James Pickford**

As the search intensifies for reliable sources of growth in a febrile global economy, investors might not expect to find a compelling answer in The Archers.

But this year the long-running BBC radio drama hit on one of the investment stories of the decade when David Archer, who had devoted his life to running Brookfield Farm, was offered a life-changing £7.5m by a local property developer to sell up — a startling advance on the £1.5m estimate placed on the farm in 2000.

The Ambridge plot may be a work of fiction but it reflects the real-life trajectory of agricultural property values and the spectacular recent gains made by investors in the asset class.

Farmland investment holds attractions not only for farmers but also for individual investors willing to let others do the spadework. Finding the right property, though, is seldom a simple matter — and traps lie in wait for novice buyers over issues such as location, productivity, tenancies and tax. FT Money looks at the pros and cons of putting your money into agricultural property.

Land values

Farmland was once an unexciting, albeit secure, asset. Its annual yields of between 1 and 2 per cent have changed little in the past two decades, and have tended to compare unfavourably with other income-producing assets. But from the mid-2000s, its value as a capital asset commenced a steep rise that has continued, though checked by the financial crisis, until today.

The price of farmland in England now stands at around £8,000 an acre — a far cry from the £1,000 per acre rates typically paid in the early 1990s. For farmland of the greatest interest to investors — arable land in England in blocks of 1,000 acres or more — the price is higher still, at £12,500 an acre.

The "investment farmland" figures come from a new index produced by Knight Frank, the estate agent, which shows the prices of such property rose by 14 per cent in the past year and 228 per cent — more than trebling in value — over the past decade. Farmland's gains over the decade outshone those of the FTSE 100 index and even prime London property.

'We have better global trade connections, an increasing population and land is a reducing commodity'
STEVE HUMPHRIS, COUNTRYSIDE SOLUTIONS

What has caused this hitherto unremarkable asset class to rocket skywards? The long-term factors include population growth, a finite supply of land and increasing global demand for meat, which requires more intensive use of land. But in the wake of the financial crisis, land was also seen as a stable and secure repository for capital at a time when the list of assets offering those qualities was shrinking fast.

Tom Raynham, head of agricultural investments for Knight Frank, says: "For some people it's simply sheltering their wealth, knowing it's not going to disappear overnight. It won't lose you money and when you come back to it in 10 years time it will have increased in capital value."

Farm factors

Yet there is great variation in the potential for capital growth. Wide differences in the prices paid for packages of land are masked by the average. Farmers are often willing to pay over the odds for contiguous holdings, reflecting the rural adage that the neighbour's farm "will only come up once in a lifetime".

Andrew Shirley, head of rural research for Knight Frank, says: "On one farm we are selling in southern England the interest we have received for two blocks of land either side of a country lane suggests the market can vary by as much as £4,000 per acre within a matter of metres."

Other factors that feed into the value equation are the location and distribution of land, soil quality, crop yields and tenants' rights. Even a hands-off investor should consider them in a purchase, since they may determine the attractiveness of a piece of farmland to a potential future buyer. "For a pure investor the location doesn't matter — but they want to know they're buying into a popular area so they'll have an easier process when they want to sell it," says Mr Raynham.

How is land quality judged? Grade 1 is the richest and most fertile soil, capable of growing nearly all crops and so prized that it is often held by the same families for generations. Grade 5 is the poorest, good for little more than rough grazing. In the middle is Grade 3, the most common type of land accounting for half the farmland in England and Wales and most investment-quality land. It is less versatile than the higher grades but can be highly productive for cereals, oilseed rape or potatoes.

Aspiring buyers should look closely at crop yields. These will shift from year to year according to weather, seed quality, farm management and other factors but rules of thumb can help decide whether a farm is a good investment. With wheat, for example, a yield of around 3.5 tonnes per acre is a healthy starting point.

Where vendors present a farm and its land as separate lots, the sum may be greater than the parts. "If a property is lotted separately, I would often advise an investor to try and buy the whole thing. If you only bought the house you're immediately almost devaluing the land as it wouldn't have any farm buildings or property. You want to make sure you're buying something you can rent out," says Mr Raynham.

Novice investors may see all tenants as equal but there are huge differences in the rights they are accorded, depending on when their tenancy was granted, and this will have a big impact on value and income. Tenancies granted before 1984 are likely to carry statutory succession rights on death or retirement, meaning a close relative has the right to take it over. Such rights can last for two tenancies by succession — so three generations of a tenant's family will have the right to work the land.

If a farm comes with tenants who hold succession rights, its value may be half the value of an equivalent farm without them. This is because such tenants may have rights constraining rent reviews and the level of rents that can be charged. It also matters for tax reasons, a significant motivator for investors. For many farms with so-called "1986 Act tenants", APR can only be claimed at 50 per cent. In tenancies granted after 1995, which are known as Farm Business Tenancies, landlords can claim agricultural property relief at 100 per cent.

Boosting income

Wealthy investors may be primarily concerned with capital value and preserving their money, but farms offer opportunities to boost income beyond the revenue from crops or livestock. Cash flow on the latter is notoriously difficult to manage, since crops or livestock take 12-24 months to grow or mature before harvest or sale at market, leaving a long period between investment and a return that may itself be subject to unpredictable external factors such as global wheat prices. So farmers have tried for many years to supplement their income from alternative sources.

Farm shops are one option but bigger growth has come from renewable energy, after the government introduced a system of feed-in tariffs in 2010. Judy Pearson, a chartered surveyor at Berrys in Northamptonshire, says wind and solar are the most popular forms, since they reduce the costs of farming but can earn money for the property, even as the feed-in tariff rate has fallen. "Renewable energy is especially good for farms with high energy costs such as a dairy farm or a poultry unit with lights," she says.

Owners are looking again at income from farm buildings, after new planning rules were introduced in April last year easing the conversion of working farm buildings to residential use. Ms Pearson said many of her clients were making use of the new rules, either by renting out property, selling it or using it to accommodate more family members working on the farm. "It's a step change for values and investment because residential is the premium type of property. It's about sweating your assets," she said.

But individual investors face competition to buy good farms from a number of directions: foreign investors are showing more interest in UK farmland, particularly from northern European countries such as Germany and Denmark where land can be anything up to twice as expensive. Farmers themselves are also making use of low interest rates to buy land and banks are keen to lend to them, since the loan will be held against a physical asset unlikely to drop in value.

Big beasts

Institutional investors such as pension funds — which were big owners of farmland in the 1980s but shifted into commercial property in the 1990s — are also showing signs of a renewal in interest, when they can find packages of land large enough to make a significant investment. Last August the Wellcome Trust bought the Cooperative Group's farm operations, comprising 40,000 acres and 15 farms, for £249m. These it added to holdings in Hinxton in Cambridgeshire, Kings Langley in Hertfordshire and Alpraham in Cheshire.

For farmland investors, the boom of the past ten years begs the question: will the gains continue? After such dramatic rises, agricultural property experts are sceptical. Knight Frank says the investment farmland peak of £12,500 has flattened in the last three months and Mr Shirley is predicting steadier growth of around 5 per cent over the next year. But it is hard to find anyone willing to predict a crash in values in the long term.

Steve Humphris, rural property consultant at Countryside Solutions, says the root reasons for demand remain in place. He says: "We have better global trade connections, an increasing population and land is a reducing commodity — we lose around 10,000 acres a year out of 20m in England and Wales."

David Archer chose to reject the £7.5m offer for Brookfield after realising how important it was for him to preserve his family's connection with the land.

For now, the question is on hold: but it may not be long before the Ambridge scriptwriters once again put temptation in his way.

Field of expertise: a crop of oilseed — Getty

Change in capital values

Knight Frank Investment Farmland Index

Farmland performance

£12,500 Average price per acre of investment farmland (July 2015)

Key agricultural indicators

Output prices	Latest	12-month price change
Feedwheat	£112/tonne	-21%
Oilseed rape	£250/tonne	0%
Beef	347p/kg dw	3%
Lamb	412p/kg dw	-18%
Milk	24.6p/litre	-22%
Input prices		
Fertiliser	£289/tonne	-3%
Red diesel	54p/litre	-19%
Oil	£40/barrel	-36%

FT Money Show
Investors in farmland reap rich harvest. Plus: attractions and risks of angel investing
ft.com/moneyshow

What to look for

A house martin wheels overhead as Tom Raynham picks up a handful of earth and rubs it between his fingers. "If it stays together in clods it's got quite a bit of clay. If not, there's more sand in the soil," he says.

With moderate clay content, the soil on this 339-acre holding at Toppesfield in Essex is perfect for a combination of cereals or oilseed rape, the crop that is ripening as we inspect the field. "Cereals like heavier soil as it retains water for longer, whereas vegetables prefer to have dry feet," says Mr Raynham, head of agricultural investment at property agent Knight Frank, as he describes the decisionmaking process behind a farmland investment.

The owner of the land, who is marketing it through agent Brown & Co, is selling it with the 393-acre Hole Farm, located a few miles away near Finchingfield. Together the pair make a good size for investor-landlords: there should be enough land in a purchase to offset the costs of working it, and the larger the farm, the greater economies of scale it offers.

The Toppesfield land comes in four chunks, but they are close together, an important factor when buying. "Your cost of machinery, transport, fuel and maintenance all ratchets up the more travelling you have to do. It's subjective because it comes down to what a farmer is prepared to take on but 10-15 miles is probably as far as you'd want to go in travelling from one block to another," Mr Raynham says.

For buyers who intend to work the land themselves, a fragmented holding can be less attractive. But those buying for investment reasons might regard it more favourably since it offers a better opportunity to sell off lots individually in future. "If you've got one single block you don't want to go selling off parts because it eats away at that one block," says Mr Raynham.

Size is not a straightforward indicator of value: smaller farms with higher-grade soil may be more productive than larger holdings elsewhere in the country.

The east of England has some of the richest soil in the country: parts of Lincolnshire, Cambridgeshire, Norfolk, Suffolk and Essex. Farms in Lincolnshire and Cambridgeshire are particularly productive, since they are capable of supporting all kinds of crop including nutrient-hungry soft fruits, and therefore fetch a higher price.

But only if they reach the market. "Some of those farms are never sold — except for death, divorce or debt," says Mr Raynham.

COVER STORY

Wrong answer QE won't help the eurozone economy, but it will boost share prices PAGE 10

Doubts over tide of pension cash set to lift buy-to-let sales

Using your retirement savings to buy a home for rent could lead to a big tax bill, administrative headaches and a property-centric portfolio, industry experts tell **James Pickford**

The revolution has arrived. New rules came into force this week giving millions of pension savers the option to take pension pots as cash from the age of 55, ending the effective requirement to use their retirement savings to buy an annuity.

Opportunities for investing the cash range from managed investment funds to a conservatory, holidays and, in the memorable example of pensions minister Steve Webb, Lamborghini sports cars. But Britain's buy-to-let market has generated much speculation, with claims that a "wall of pension money" is primed to hit the sector.

In an era of low savings rates and volatile stock markets, many may find the lure of property hard to resist: in the past 20 years, it has provided a growing number of amateur landlords with a steady income plus a handsome capital gain on the back of soaring house prices. But before they take the plunge, anyone mulling the idea of putting their life savings into a rental property should ask themselves a host of questions about costs, administration, taxes and assumptions over economic conditions.

As retirees start to consider their options under the new rules, should we expect to see a new generation of "silver landlords"? And would their investments have a broader impact on house prices? FT Money spoke to property agents, buy-to-let specialists, pensions experts and mortgage brokers to assess the prospects of a pensions-led buy to let boom.

An uneven market

Some 29 per cent of people aged 55-64 are paying into a defined contribution pension — the type to which the reforms primarily apply — with a median pot worth £25,000, according to the Office for National Statistics. The figures equate to around £120bn in savings — half the £254bn spent on residential housing in 2013.

But while the potential impact on the market is theoretically large, there are reasons to think only a fraction of that total will work its way into housing. Research by property agent Savills found the distribution of pensions wealth was heavily skewed: after tax, only the top 7 per cent could afford an outright purchase of an average property, costing around £180,000 (see graphic).

> Buy-to-let returns are therefore comparable with those of more standard investment vehicles such as a portfolio of bonds and stocks

The wisdom of diversification is another factor: wealthier pension savers may already own one or more properties, giving them pause when considering further investments in the sector. "Some people may instead use their pension wealth to pay down any debt held against existing investment properties and so maximise their income," said Neal Hudson, Savills associate director and author of the research.

Savills mapped the geographic distribution of potential investment to show the percentage of pension holders able to buy an average property outright. Only the top 2 per cent could afford to use their pension to buy a home in the southeast — whereas more than 10 per cent could do so in areas of the north such as Liverpool.

Alan Higham: 'no great wall of money that we can see'

This implies a geographic mismatch between supply and demand: more of the country's pension wealth is concentrated in areas of least affordability, such as London and the southeast. Yet one solution — buying somewhere far from home — is not to be treated lightly.

John Heron, director of mortgages at buy-to-let lender Paragon, said experienced landlords tended to invest in property close to home because they were more familiar with local communities and property trends. "It's not necessarily the case but it's certainly less viable for a landlord to understand and manage property that's at some distance from where they live."

Tax and costs

Key to any buy-to-let decision is tax. Typically only 25 per cent of savings withdrawn from a pension pot will be tax-free: the rest will be taxed as income. For some, this could mean a big lump-sum withdrawal to fund a property purchase catapults them into a higher rate of income tax.

"Taking tax-free cash from the pension freedoms to pay down a mortgage makes some sense. Taking taxable money subject to marginal rates of up to 60 per cent tax to invest in property is simply madness," said Danny Cox, chartered financial planner at Hargreaves Lansdown.

There are other ways in which the taxman makes inroads into a buy-to-let calculation: rents are taxed as income; selling a second home will generate capital gains tax; and passing it on to heirs may attract inheritance tax.

Buying power of a nest egg

Pension wealth is unevenly spread

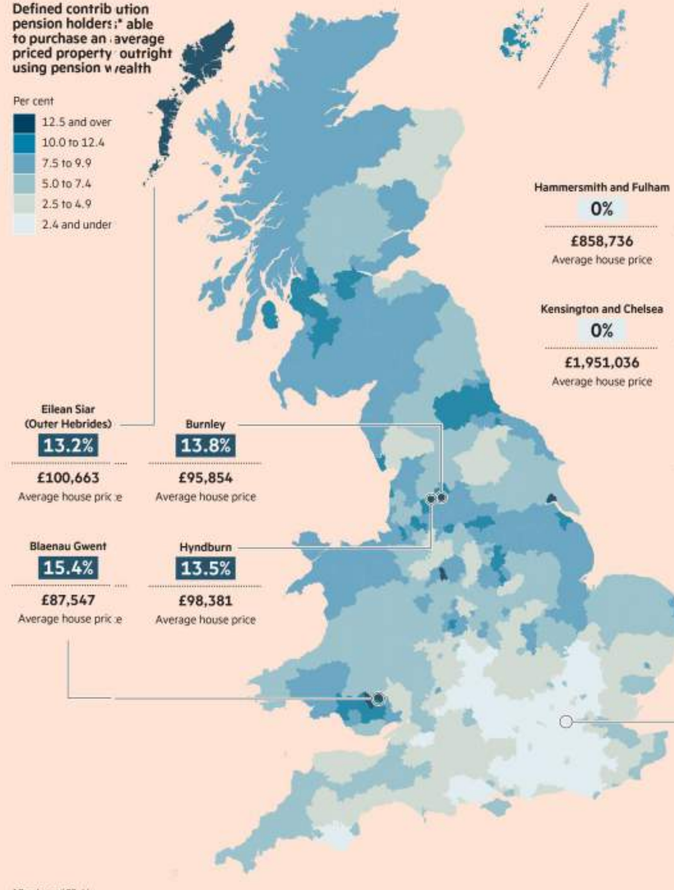
House prices are flattening off

ONS house price index

Buy-to-let lending is growing fast

Number of gross advances ('000)

Defined contribution pension holders:* able to purchase an average priced property outright using pension wealth



FT graphic Sources: Thomson Reuters Datastream; Council of Mortgage Lenders; Savills

* People aged 55-64

Estimates of these and other costs will be crucial to determining whether buy-to-let works, said Alan Higham, retirement director at Fidelity Worldwide Investments and someone with personal experience of the buy-to-let market.

Consider a retiree who decides to free up a £100,000 pension pot to buy a £150,000 property, with the rest funded by a mortgage.

Only £25,000 will typically be tax-free, leaving a total of perhaps £75,000 for a deposit after tax. Modest estimates of renovation costs, stamp duty of £500 and mortgage arrangement fees come to £7,000 in extra costs, reducing the pension cash available for investment and raising mortgage borrowing to, say, £82,000. That debt produces an annual interest charge of £2,900.

For many landlords, finding a tenant is another cost: around 6 per cent of the rent, reducing net income to £5,000. A typical one month void period every year — when no tenant is present in the property — reduces net income again. Maintenance costs might reasonably be expected to come to £1,000 a year. Agents' fees — should the owner choose to manage the property at arm's length — are around another £1,000.

After these costs and taxes are factored in, Mr Higham says, investors might be left with a net return of around 4 per cent. "It still stacks up as a reasonable investment but it's nowhere near as attractive as you might first think."

Buy-to-let returns are therefore comparable with those of standard investment vehicles such as a portfolio of bonds and stocks or a multi-asset income fund. But the advantage of the latter is they are diversified, liquid and free of the hassle of running a rented property. "Put it this way: Axa doesn't call you at 2am to say the taps are leaking," Mr Higham says.

Buy-to-let believers might retort that all of the above is overcome by a single factor: UK house prices over the past two decades. Research published this week by peer-to-peer lender Landbay found buy-to-let beat all investment classes from 1996. Those buying with cash would have seen each £1,000 invested grow to £5,071 by the end of 2014, it said, a compound annual return of 9.4 per cent. Annualised returns on investment in a home bought with a 75 per cent mortgage were even higher, topping 16 per cent (although both these figures are before tax).

But extrapolating future house price gains from past performance is a risky game, particularly as recent data suggest a cooling in the market. Mr Hudson of Savills says the risks of relying on capital appreciation are also greater now in view of the likelihood of increased interest rates over the next few years.

"Betting your pension on house prices rising substantially is not the most sensible route to a secure retirement."

Commercial property as a buy-to-let alternative

Buy-to-let has been driving demand for UK mortgages, with a 14 per cent year-on-year rise in January to £2.5bn, while loans to first-time buyers, remortgaging and home movers declined.

But those considering buy-to-let should weigh the gains they expect to make against the risks of putting all their investment eggs in one basket. Interest rate rises, new property taxes and rent controls are just some factors that could cause difficulties.

Commercial property funds are one alternative for those who want exposure to property markets without the hassle of looking after a buy-to-let property. Yet relatively few retail investors are familiar with the asset class.

Simon Tuck, head of wealth planning at Weatherbys Private Bank, said: "In my experience the private investor does not often think of commercial property as an investment — to them, property investments tend to be residential. But when you go through the details investors can see the benefit of holding a small element in commercial property."

A commercial property — or a fund with an array of such holdings — can be held within a pension, unlike residential properties, allowing tax advantages to be retained. Most people will gain access to commercial property through managed funds because they are generally easier and cheaper to get in and out of than holding a physical property. But this is not always the case: investors were badly hit in 2008 as prices fell sharply during the financial crisis and some were unable to sell out of illiquid funds.

There are other ways to invest in the sector beyond funds: private client investment business Connection Capital, for instance, puts together syndicated pools of investors to buy commercial properties valued at between £3m and £30m across the UK. A recent sale of the O2 Academy in Birmingham, which it sold for £3.2m, brought a gain near 60 per cent.

Claire Madden, Connection Capital partner, said the sector was booming across the UK and pooled syndication offered attractive returns. But she cautioned: "Coming into commercial property via syndication is for sophisticated investors."

A wider impact?

Will retirement savers put sufficient money into the property market to affect house prices? Simon Gerrard, president of the National Association of Estate Agents, said the needs of buy-to-let investors are likely to stoke demand, pushing up prices.

"Properties for buy-to-let are hugely sought after, as this type of property is often the same kind as first-time buyers and those moving to the second step on the property ladder are looking at," he said.

Savills estimates 1 per cent of pension wealth held by 55-64 year olds could find its way into the housing market every year, equivalent to £6.4bn or 23 per cent of buy-to-let lending in 2014.

However, Mr Hudson believes the effects are likely to be muted. "These are not insignificant numbers and if all of it were to go into lower value markets you could definitely see localised upward pressure on prices. But across the country as a whole we're unlikely to see it have a significant impact on house prices."

Any large effects are liable to take time to show: not all pension providers are geared up to letting savers have their money; while some buyers may wish to take out money in tranches to avoid a higher tax rate.

Lending

The pension reforms may also stimulate changes in the mortgage market, brokers said, with the emergence of a cohort of older buyers of property. Ray Boulger, technical director at broker John Charcol, said increased demand among the over-55s could reduce ageism among lenders. He adds, though, that the buy-to-let market has traditionally been more open to older borrowers than standard residential mortgage lenders, which test affordability based on the owner's income rather than rental potential.

"There is no logic in having an age limit in the buy-to-let market. In many ways once you've retired and have more time you can probably manage your portfolio more easily than when you're working," he said.

Andrew Montlake, director at broker Coreco, suggests lenders could also expand the range of products that carry lower or no penalties for early redemption — appealing to borrowers who wanted to pay off the loan in tranches of pension money over four or five years. "If providers make available more products without redemption penalties then borrowers can have the choice of when to pay off the loan using their pension."

Buy-to-let remains a growing segment of the property market. But with small average pension pot sizes, concerns over taxation and diversification, and the potential for ruinous investment choices, brokers and pensions experts are sceptical of a buy-to-let bonanza fuelled by pensions.

A survey by Fidelity Worldwide Investment of 500 savers planning on retiring in this tax year found just 4 per cent were thinking of using their pension money to do buy-to-let. "There's no great wall of money we can see," concluded Mr Higham.