

# An exchange rate opportunity for luxury assets?

These are turbulent times and the US dollar is strong against both euro and sterling. That could create opportunities for cash-rich US buyers.

But having the right foreign exchange strategy is essential for minimizing the currency risk and cost associated with high value acquisitions and divestments.

As the charts opposite illustrate, the dollar is unusually strong against the pound sterling and the euro.

Currently (end of October 2022) both currencies are sitting 15-20% weaker than 12 months ago. A £1,000,000 asset that would have cost a US buyer \$1,375,000 on 24th October 2021 would now cost just \$1,134,000 (as at 24th October 2022), a saving of \$241,000.

It's no surprise then that US artists, sportspeople, and other high-net -worth individuals are looking for opportunities in the UK and Eurozone. Bloomberg recently reported that American buyers are driving up demand for superyachts.<sup>1</sup>

Whether it's superyachts, real estate, artwork or other luxury assets, a 20% discount can be compelling.

But what should buyers, and their representatives, consider when exploring the transatlantic opportunity? Here are three things to bear in mind.

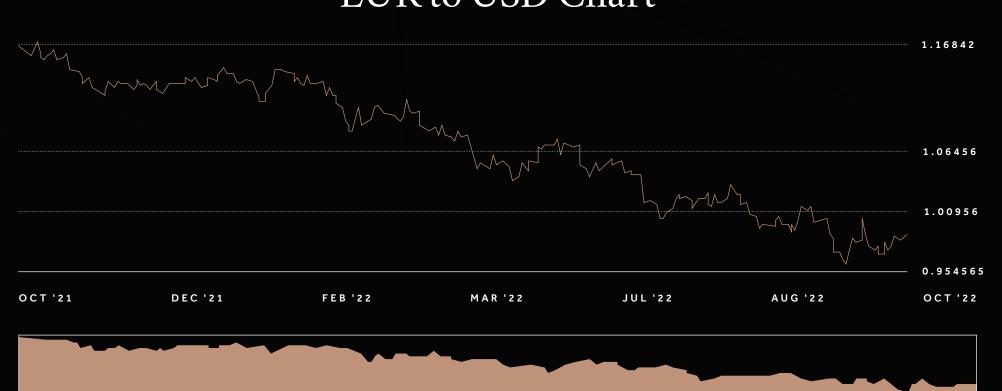
### GBP to USD Chart



**1 GBP = 1.13196 USD** Oct 25, 2022

#### EUR to USD Chart

EURO TO US DOLLAR



<sup>1</sup>Bloomberg UK (October 2022), <u>Superyacht Sales Soaring for the 0.1% While Inflation Ravages the Other 99.9%</u>

**1 EUR = 0.986669 USD** Oct 25, 2022



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## The economics are always in flux

The current weakness of European currencies is unusual. Will there soon be a return to "normal"?

For sterling in particular, there is already a sense that the situation has stabilized and will soon improve. As Centtrip's Head of Dealing <u>Julian Justice</u> says, "There is a feeling that we've turned a corner for sterling although we're still a way off what would be considered normal." The 15-20% discount may not last long. But, that's no reason to make rash decisions.

On both sides of the Atlantic, inflation is high and experts expect a recession. This may not affect a buyer's long-term investment decision, but it's an important consideration. How will recession affect the value of the asset? How will it affect the buyer's own cashflows and resources?

(2)

## The risk of a price slump

Recession, market sentiment, and sometimes fashion can affect the price of even luxury assets.

For example, real estate is a popular investment for US HNWls. But is now the time to buy?

The Economist expects a global house-price slump<sup>2</sup> driven by increasing interest rates. However, the effect may not be felt equally.

Angus Dixon is Director of Private Clients – Acquisitions at INHOUS, a service-led, independent, residential property consultancy that helps high-net-worth individuals buy, sell and let exceptional property.

He feels that prime and super-prime properties (those above £5 million and £10 million) are holding, and will continue to hold, their values well.

"There is always a strong, global interest in London," he says, "and there's always a premium paid for good quality stock in sought-after areas. If you buy well and in the right location, there will always be a demand for that property. Most of our buyers are cash buyers so recent interest rate hikes are irrelevant to them."

"Unfair FX charges and rates have been a bugbear of ours for a long time and Centtrip has delivered what the music industry really needs. We operate in a global marketplace and need to be able to switch between currencies and transfer our earnings without incurring ridiculous fees."

Tim Clark,
Director at ie:music (Robbie Williams)

# Surround yourself with experts

It always pays to work with experts in their fields
– solicitors, surveyors, property consultants,
yacht brokers, and, of course, currency experts.

It's impossible to cover all the bases yourself. That's why artists and sportspeople have business managers and it's why business managers choose experts in the areas they require.

Last year, over £30 billion worth of UK property transactions were off-market sales<sup>3</sup>. Only dedicated, on-the-ground, experts have the bandwidth and network to be aware of – and to create – those opportunities.

Similarly, in a volatile currency market

working with experts like
Centtrip can save significant
transaction costs, reduce FX risk
and avoid costly delays.

And, as Julian says, "A professional currency desk can advise you on important dates that may influence your decision-making, such as central bank reporting dates
These can introduce unwanted volatility. We want to give people the broadest view of what's happening in the market, to help them to make the best decision."







### A property perspective

INHOUS's Angus Dixon gave us his thoughts in this short interview.

#### How do you see the current UK property market for US buyers?

We are seeing great opportunity for USD buyers. For example, we are currently acting for a US fund that intends to invest up to £1billion in prime Central London assets. The higher the value of property you are seeking, the bigger the effective dollar saving.

#### What advice would you offer a US-based buyer?

If you are buying in the UK, you need to have a representative broker acting for you. The real estate industry is unregulated, and some agents are overvaluing property by up to 20%. We've seen unrepresented overseas buyers acquire properties that are extremely over-valued or in poor locations. If you get either wrong, you can potentially have paid millions over the real value or will struggle to resell the property due to location choice. Also, be aware that the process in the UK is very different – and much slower – than in the US. It can take 3, 4, even 5 months to close a transaction.



#### Is there a shortage of supply over demand for premium properties?

Yes, there is always a shortage of supply for premium properties, hence the high value they receive when they do go on the market. At this level, the majority of owners don't need to sell and are very happy to hold onto properties and hand them down to generations.

### What factors should potential buyers (or their representatives) consider?

Location, resale, and asking-price offers. There is always a cap on every property's value, so don't go beyond that level as you'll struggle when it comes to resale and may not get your money back. In the UK, stamp duty (a property purchase tax) is very high, so make sure you not only buy for your short-term needs but also factor in your likely situation in 10+ years. Try to make sure the property will also meet your long -term requirements.

Find out more at **inhous.com** 



# Working with currency experts

Many business managers, management organizations and family offices choose to work with a currency dealing desk as an extension of their finance teams.

This gives them access to market knowledge and expertise "on demand" as they plan and execute international transactions.

Whether budgeting a world tour, managing international royalty streams or executing a single asset-purchase transaction, engaging with a partner early in the process can help you save money and embed a currency strategy into your operational processes.

Professional currency dealers can also advise on policies such as regular international payment dates or target rates. For example, is a nice, round rate like 1.30 really in your best interests, or would a less psychologically appealing rate like 1.295 produce a better outcome?

"Building a partnership means that the currency desk becomes your dedicated point of contact," says Julian. "We become familiar with you and your clients' ongoing requirements and your appetite for risk which enables us to be a more proactive contributor to your currency and international transaction strategy.

#### Why choose Centtrip?

- Our market professionals have over a decade of experience
  - supporting clients in the fields of music, film, and entertainment, so we understand your unique challenges and requirements.
- **⊘** Dedicated service and support
  - We will work tirelessly with you to develop smart solutions that match your specific requirements, whether you are looking at a one-off asset purchase or a hedging strategy to mitigate risk on cashflows, instalments, or loan repayments.
- Access to market leading pricing
  - As an intermediary between the FX market and the banking network, we are in a strong position to negotiate the best possible rates for you.
- - We buy and sell large amounts of currency for clients across a variety of sectors, every day. This scale provides us with significant cost efficiencies which we can pass on to you.

### About Centtrip

Founded by experts in payments and foreign exchange, Centtrip has a deep understanding of currency markets.

We work with clients in music, entertainment, film & TV production, sports and the superyacht sector, meeting their foreign exchange requirements and providing insight on currency markets to help them make informed decisions.

Centtrip is built on long-term, trusted relationships. Taking the time to understand a client's business and helping them find the best solution for their unique situation is part of our service—not a time-based, additional charge.

It means, we're better placed to recommend the solution that's right for the situation, whether that's reducing currency risk in future cashflows, or helping manage international, multi-currency payments. Centtrip supports the payment needs of organizations with internationally mobile clients and crews.

The Centtrip platform puts a client's payments all in one place: multi-currency deposits, foreign exchange, international payments and prepaid, multi-currency cards.

Recently ranked as one of J.P.

Morgan's Top 200 Female-Powered

Businesses—and listed in the Sunday

Times Sage Tech Track 100 list of

Britain's fastest growing technology

companies—Centtrip is trusted by

demanding clients around the globe.

With Centtrip, you're *always* on the money.

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