MARYLEBONE MARKET INSIGHT 2016

Marylebone's evolution continues but realistic pricing remains fundamental, as Christian Lock-Necrews tells Tom Bill

Marylebone has matured as a prime central London residential address in the last decade.

It follows major investment from the Howard de Walden and Portman Estates, which jointly control nearly 200 acres of Marylebone and the surrounding areas.

Higher quality shops, hotels, restaurants, offices and public spaces mean Marylebone is no longer an overlooked prime residential neighbourhood and has joined the ranks of Mayfair to the south and St John's Wood to the north.

However, this regeneration process means price growth patterns have been out of step with longer-established prime central London neighbourhoods in recent years.

Marylebone was still an evolving market as the financial crisis hit and didn't see the same magnitude of price growth as other areas, a trend driven by London's safe-haven status. While annual growth exceeded 20% in markets like Knightsbridge and Kensington in 2010, it peaked at 12.6% in Marylebone.

Stronger performance came two years later as Marylebone began to provide comparatively better value. Annual growth of 16.4% in June 2012 was the highest in prime central London.

"There has been a great regeneration story in Marylebone in recent years, including the attention received by the Chiltern Firehouse," said Christian Lock-Necrews, Knight Frank's Marylebone office head.

A high-quality new-build residential pipeline also emerged, which cemented the area's reputation and tapped into a trend for

FIGURE 1
Property prices in Marylebone and surrounding areas
Average sale price, 12 months to April 2016

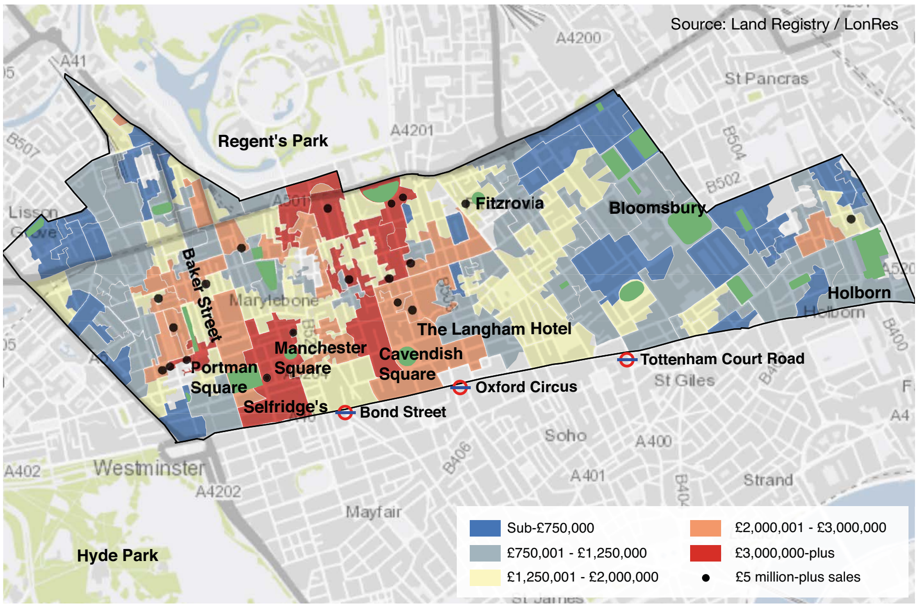
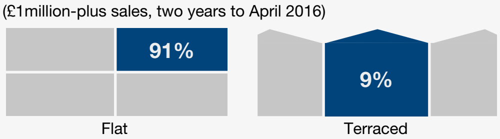


FIGURE 2 **Marylebone fact sheet**

-0.5%	Price growth in the year to July 2016
73.1%	Price growth between the last low-point in March 2009 and July 2016
£1,594	Average price per square foot in Marylebone in the first six months of 2016
2.8	Number of active buyers per available property in July 2016

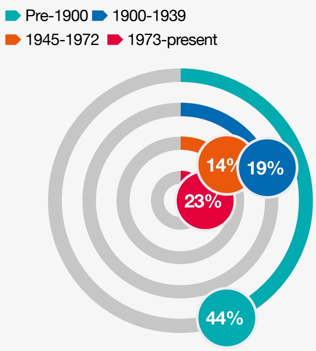
Blue Plaques
William Gladstone Former Prime Minister
Charles Dickens Novelist

PROPERTY TYPE
(£1million-plus sales, two years to April 2016)



Population: 43,001

AGE OF HOUSING STOCK



Source: Knight Frank Research

demand to become more focussed on the quality of developments and their amenities rather than specific postcodes

The result was that Marylebone closed the pricing gap with other prime central London markets.

In the first half of 2016, the average price in the Marylebone postal areas of W1H, W1U, W1G and W1B was £1,594 per square foot, according to LonRes data. That was higher than £1,524 in Kensington and £1,383 in Chelsea.

While the gap has closed, buyers have become more price sensitive. Over the last two years, demand has slowed following a series of tax changes that included two stamp duty rises in 18 months. The uncertainties generated by the vote to leave the EU have brought this mood of price sensitivity into sharper relief.

"Strong price growth means buyers will increasingly look at other areas, particularly in the £1.5 million to £3.5 million price bracket that is driven by demand from young professionals," said Christian. "To some extent pricing in Marylebone needs to fall back into line."

Investor demand is more resilient below £1.5 million, and activity is comparatively strong in the house market above £8 million, where Marylebone remains good value versus longer established super-prime markets.

Indeed, the potential for growth is underlined by the fact that achieved prices for exceptional properties in excess of £5,000 per square foot match those in Knightsbridge and Belgravia.

The strength of the US dollar and other overseas currencies versus Sterling has boosted demand to some extent since the EU referendum but it remains relatively

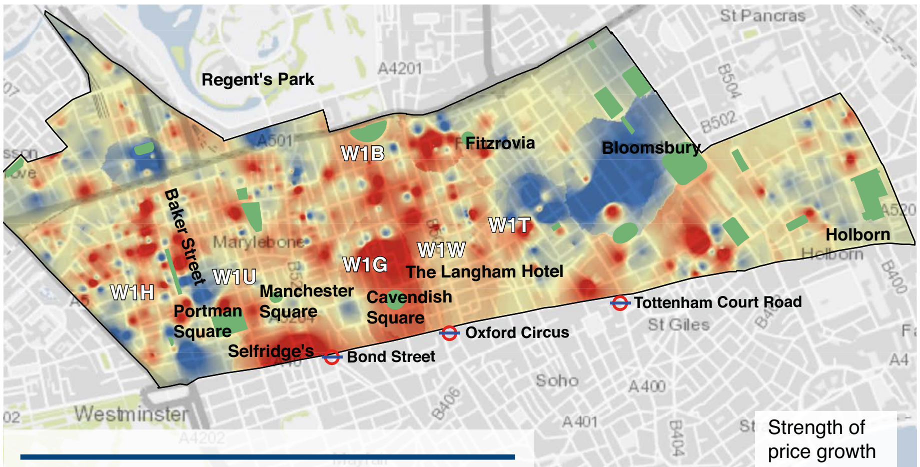
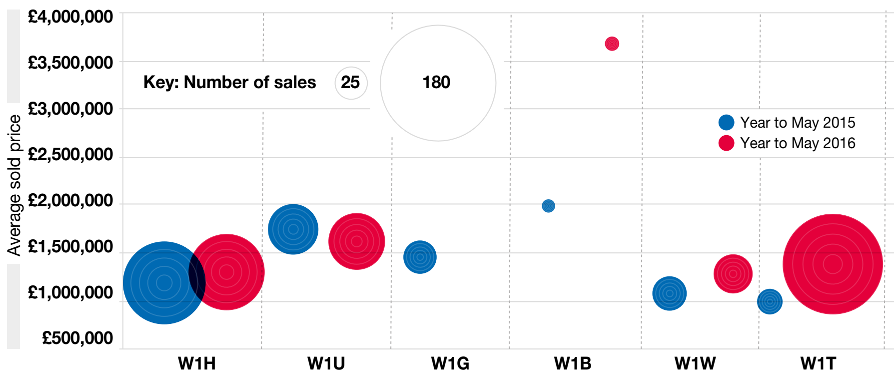


FIGURE 3
Price growth
January 2011 to April 2016, versus area average

FIGURE 4
Average sold price and sales volumes by neighbourhood

Note: Variations in average sold prices between different time periods are not necessarily indicative of price growth



Source: Knight Frank Research

subdued compared to previous years. The number of active buyers per available property was 2.8 in July 2016 compared to 5.5 one year ago and 10 two years ago.

The arrival of Crossrail in 2018, with stations at Paddington, Bond Street and Tottenham Court Road will further enhance the evolution of Marylebone. However, in the short-to-medium term, asking prices will need to adjust to the fact demand is likely to remain exceptionally price-sensitive. The primary concern of buyers remains good value, wherever they find it.

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