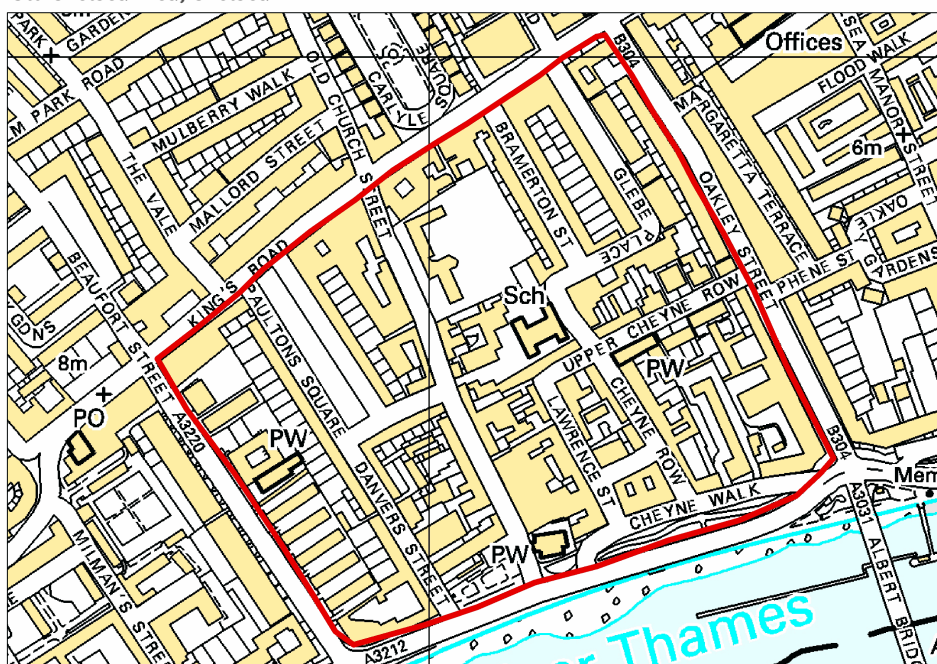




Old Chelsea overview

This area is where the village of Chelsea once lay and is generally recognised as the area between Oakley Street in the east, Beaufort Street in the west, King's Road in the north and the river to the south. Whilst the first recording of Chelsea as a settlement pre-dates the Domesday book, it was really established as a residential address by Thomas More and Henry VIII, who both had palaces there. Since then, the area has become synonymous with the arts as home to many artists, painters and poets. In the 1960's, King's Road was the centre of 'Swinging London' and this had now evolved in to one of the most fashionable shopping districts of London. The area continues to be widely regarded as one of the most popular and historic areas to live, particularly with buyers and tenants from the UK, old Europe and the US.

Old Chelsea Area, Chelsea



Sales market update

In comparison to the weakening UK market, 2010 was a good year for prices in Prime Central London. The driving factors behind this performance were strong demand, weak supply, a weak pound and a perception of the market as a 'safe haven' investment, especially for those affected by the Eurozone crisis.

Prices and activity had significantly begun to improve in mid-2009 but by May of last year this had begun to drop away. But price increases picked up again and on average they were 10.3% higher at the end of the year than they were in December 2009. It should be noted, however, that this is still 4.4% below the peak of 2008*

Since we have re-opened following the Christmas break, we have been inundated with enquiries from people looking to buy. Considering this logically it is hardly surprising - bonuses are likely to feature again this year, interest rate & stamp duty rises are looming on the horizon making it more expensive to purchase property, and many are simply fed up with looking and waiting for the huge increase in stock that has never happened.

It is thus our opinion in Chelsea that 2011 will most likely pick up from where 2010 left off, for Q1 at least. For sellers, now is an excellent window where there is significant demand and low supply and for buyers with high levels of equity, borrowing costs are still historically low.

Figure 1
Sales market activity, Chelsea
Last 3 months, year-on-year change

Sales	-23.1%	New applicants	+15.0%
New instructions	-8.3%	Viewings	+61.6%

Lettings market update

Rents in Old Chelsea rose a further 2.2% in the final quarter of 2010. This rise means that rents have risen by 16% in 2010 as a whole and by 19% since their low point reached in late-2009 when the market was suffering from significant over supply.

The main narrative in Old Chelsea rental market for the last 18 months has been thin supply meeting strong demand. The volume of available rental properties across the year was 20% lower than in 2009, and - even more strikingly - down by 36% compared to 2008. Set against this reduced supply was the fact that the volume of prospective tenants registering in Chelsea fell only marginally (by 1%) compared to 2009, but actually rose by 10% compared to 2008.

Why has the rental market in Old Chelsea seen such demand from tenants? Two reasons stand out. Firstly, employment conditions in central London are much healthier than they were in 2009. Morgan McKinley, the City recruiter, noted that the number of new positions advertised in the central London financial and business services sector rose by 9% in November 2010 compared to November 2009. Secondly, many prospective buyers are still locked out of owner-occupation and have to consider rental as the alternative.

With landlord investments delivering 3.5% yields, together with capital growth of 10.3% in 2010, the rental market remains an attractive proposition for Landlords.

Figure 2
Lettings Market activity, Chelsea
Last 3 months, year-on-year change

Managed tenancies	+70.0%	New applicants	+/-0%
New instructions	-20.0%	Rents achieved	+2.2%



Charting the market

Figure 3
Number of properties sold
Last 12 months, year-on-year change

Old Chelsea		-16.7%
Prime central London		-1.1%
Prime property prices		10.3%

Figure 4
Where do our buyers come from?
Sales, last 12 months

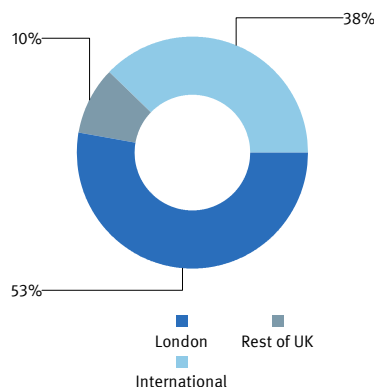
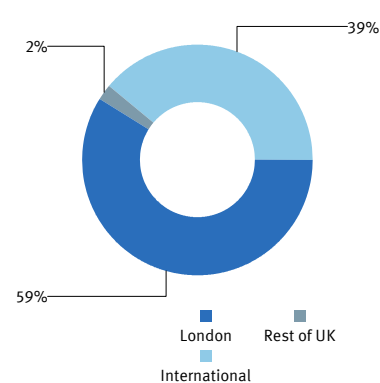


Figure 5
Where do our tenants come from?
Tenancies agreed, last 12 months



Your properties, our people

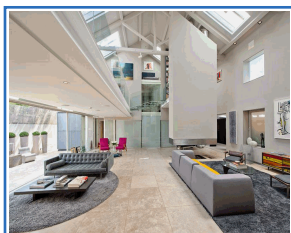
Rare studio house

LET

6 bedrooms

Asking rent: £10,000pw

Upper Cheyne Row, London SW3



Unmodernised house on garden square

FOR SALE

4 bedrooms

Guide price: £3,750,000

Paultons Square, London SW3



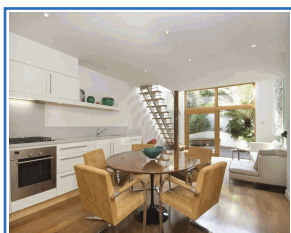
Former fire station house

LET

3 bedrooms

Asking rent: £2,500pw

Cheyne Row, London SW3



House with garden off King's Road

SOLD

4 bedrooms

Guide price: £4,950,000

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