

BELGRAVIA MARKET INSIGHT 2016

Demand is strengthening in Belgravia as buyers recognise the area once again represents good value, as Stuart Bailey tells Tom Bill

Belgravia's white stucco-fronted terraces and grand squares make it the archetypal prime central London residential address.

Over the centuries, its origins as a prime residential neighbourhood have remained more intact than the adjacent districts of Mayfair and Knightsbridge.

Demand for Belgravia property derives from the area's tranquillity as well as its proximity to the world-famous restaurants, hotels and shops in these two neighbouring areas.

However, a recent increase in activity underlines how demand is shifting between neighbourhoods as higher rates of stamp duty mean the overriding concern for buyers has become value-for-money.

After a two-year period of subdued trading by historical standards, demand in Belgravia is growing. The first reason is that the price differential between Belgravia and other areas of prime central London has narrowed. Secondly, vendors increasingly accept that asking prices need to reflect more subdued levels of demand.

"Belgravia became a less popular area, but finding value is now the key driver," said Stuart Bailey, head of Knight Frank's Belgravia office.

"You may not think you can buy a freehold townhouse off Eaton Square for less than £2,000 per square foot but you can," said Stuart. This trend for better value is particularly marked for houses, which accounted for 75% of Knight Frank sales in Belgravia in the first half of 2016.

The average price of £2,161 per square foot in the Belgravia postal areas of SW1X and SW1W in the first half of 2016 compared to an equivalent figure of £1,594 in Marylebone and £2,422 in Mayfair, according to LonRes.

Price growth began to cool in Belgravia in mid-2014, following an exceptionally strong run sparked by demand for property in safe-haven markets after the financial crisis.

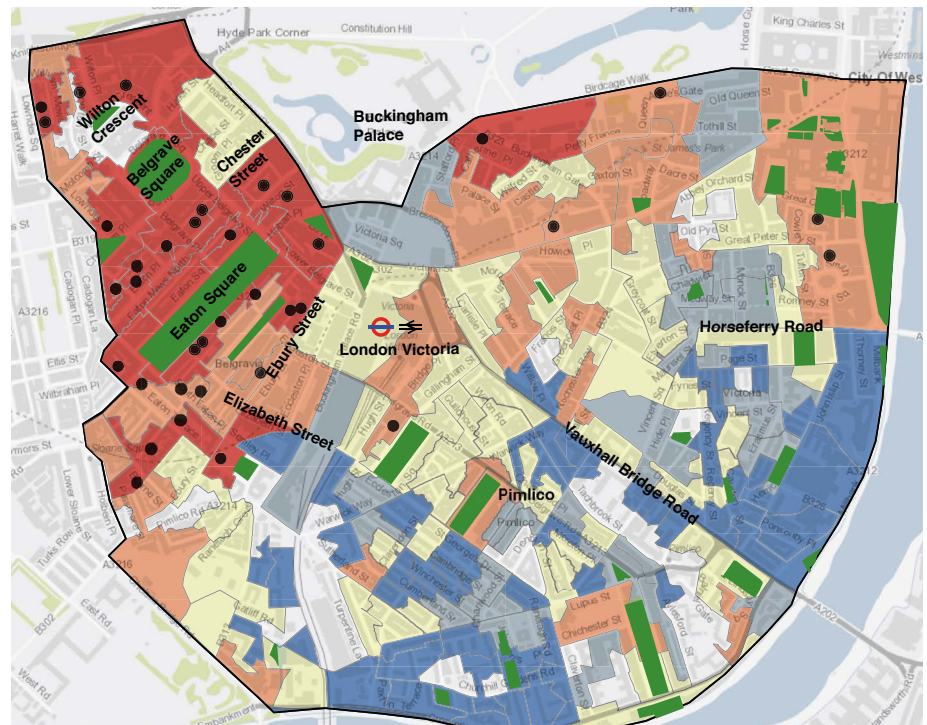
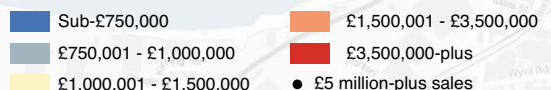


FIGURE 1

Property prices in Belgravia and surrounding area

Average sale price, 12 months to April 2016



Source: Land Registry / LonRes

FIGURE 2 Belgravia fact sheet

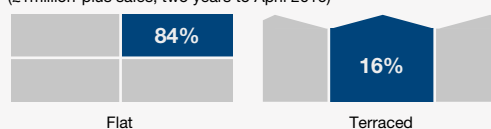
- 0.8% Annual growth in July 2016
- 19.6% Price growth in the five years to July 2016
- 77% Rise in new prospective buyers, three months to July 2016 versus same period in 2015
- £2,161 Average price per square foot in the six months of 2016 in SW1W and SW1X

Blue Plaques

Wolfgang Amadeus Mozart Composer
Stanley Baldwin Politician

PROPERTY TYPE

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

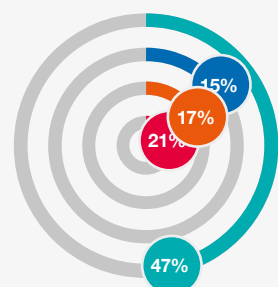


Source: Knight Frank Research

Population: 47,345

AGE OF HOUSING STOCK

Pre-1900 1900-1939
1945-1972 1973-present



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This slowdown was accelerated by two stamp duty rises in 18 months, which meant price-sensitive buyers became less narrowly focussed on the golden postcodes of Belgravia, Mayfair and Knightsbridge, boosting growth in areas including Marylebone and W2.

Demand also became increasingly focused on high-quality new developments. However, unlike Mayfair and Knightsbridge, there was limited new-build activity among the Georgian squares and crescents of Belgravia.

As a consequence, while the number of £1 million-plus sales in prime central London declined -8% in the year to April 2016 compared to 2015, the fall was -23% in Belgravia. The decline was -28% in Belgravia for £5 million-plus properties compared to -11% in prime central London.

Over the same period, Belgravia's share of London's £10 million-plus market fell to 13.6% from 17.6%, while prices only grew 0.1% in the two years to July 2016 versus 4.4% in Mayfair. As a result of this two-year slowdown, Belgravia now represents better value for money.

The political and economic uncertainty surrounding the UK's decision to leave the European Union has brought stamp duty sensitivities into sharper focus and further limited the scope for ambitious asking prices, which will further strengthen activity.

Demand in Belgravia has also risen due to the weakness of Sterling since the Brexit vote. Buyers denominated in many overseas currencies benefit from a discount in excess of 10% compared to before the referendum.

In an indication of rising demand, the number of new prospective buyers in Belgravia in the 3 months to July 2016 rose 77% versus 2015. Meanwhile, the number of viewings increased 117% over the same period, a clear demonstration that Belgravia is back in vogue.

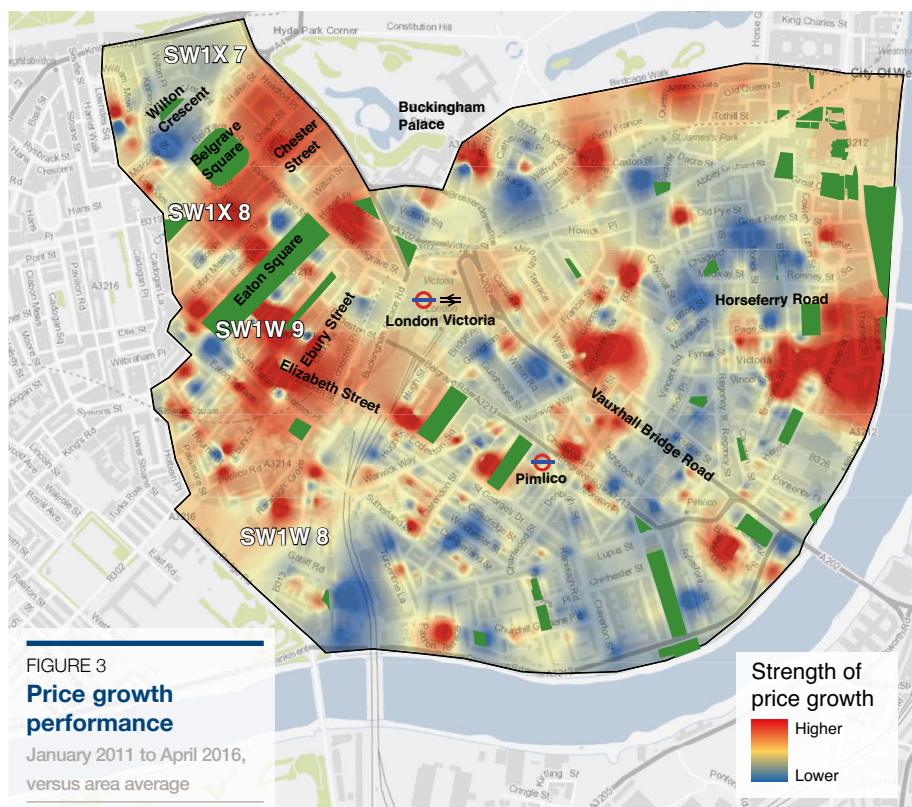
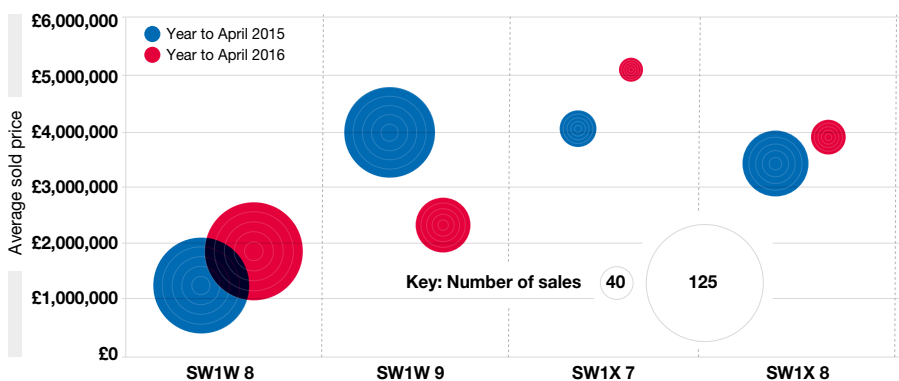


FIGURE 4
Average sold prices and sales volumes by neighbourhood

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



Source: Knight Frank Research

LONDON RESIDENTIAL



Stuart Bailey
Belgravia office head
+44 20 7881 7720
stuart.bailey@knightfrank.com



RESIDENTIAL RESEARCH
Tom Bill
Head of London Residential Research
+44 20 7861 1492
tom.bill@knightfrank.com

PRESS OFFICE
Harry Turner
+44 20 3861 6974
harry.turner@knightfrank.com

Jamie Obertelli
+44 20 7861 1104
jamie.obertelli@knightfrank.com



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