



Eliza Leigh, head of Knight Frank's Knightsbridge office, discusses how the market has been performing, which properties are most in demand this year, and what it is that makes Knightsbridge stand out from London's other prime residential hotspots.



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“HAVING
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As the epicentre of prime central London, Knightsbridge continued to lead the market through the end of 2010 and into the first quarter of 2011. The recovery since mid 2009 has been robust, consistent and has seen prices exceed most market commentators' expectations. The Knightsbridge market is global – buyers and tenants come from all corners of the world, and their reasons for choosing the area remain the same. Knightsbridge residential property is considered to be gold standard; whether purchased as a defensive investment, a trophy asset, or for family requirements such as education. When you consider other factors such as the acute lack of supply and the weak pound providing further incentive for international buyers and tenants, prices and rents are likely to further increase this year.

What stands Knightsbridge apart from other prime areas in London?

Knightsbridge has always been regarded as a particularly chic part of west London. Dominated by elegant garden squares that sit to the west of Sloane Street and to the north of Brompton Road, the area's appeal has been consolidated over the last 20 years by the arrival of high-end shops, bars and restaurants, particularly on Sloane Street, anchored by world famous department stores, Harrods and Harvey Nichols.

What is there to see and do in Knightsbridge?

The area offers enormous cultural benefits, most notably the V&A and Natural History Museums. Residents are within walking distance of Kensington Gardens and Hyde Park – exceptionally well maintained open spaces which are there to be enjoyed by walkers, cyclists and families alike. The area has further benefited from the recent refurbishment of the Royal Court Theatre on Sloane Square and the establishment of the Cadogan Hall concert venue off Sloane Street. The restaurants,

bars and hotels here offer residents an exceptional range of gastronomic options, from pubs such as The Admiral Codrington in Mossop Street all the way up the scale to Dinner by Heston Blumenthal at The Mandarin Oriental. All international cuisines are represented, from the best Lebanese at Maroush in Beachamp Place to world class Japanese at Zuma in Lancelot Place.

What are the hotspots and most sought-after properties?

Many seek the classic streets and squares of elegant townhouses, typically in Thurloe Square, Alexander Square, Egerton Terrace, Egerton Crescent and Trevor Square. The flat market has changed beyond recognition – the last 10 years have seen the emergence of 'super prime' apartment buildings such as The Knightsbridge, 22 Trevor Square (the former Harrods depositions) and most recently One Hyde Park, a fusion of residential and hotel living catering for buyers who tend to be transient and where service is a priority. Apartments on the Kingston House Estate and 1-7 Princes Gate by Hyde Park and Lowndes Square also offer first-class portage and great lateral spaces.

Knight Frank Knightsbridge

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Rupert des Forges, head of Knight Frank's flat agency team in Knightsbridge, discusses the local sales market and what's in store for the remainder of 2011.

How has the sales market performed this year?

The first quarter of 2011 has seen supply become increasingly tight and prices achieved have met and even exceeded those achieved at the peak of the market in spring 2008. Sterling remains relatively weak and demand continues to grow. The stamp duty increase to 5% on transactions over £1m led to a surge in activity in the run up to the deadline of 6 April. Critically, London's reputation as the 'global capital' was reconfirmed post the financial crisis and once again the greatest beneficiary was Knightsbridge.

Who's buying in Knightsbridge?

The quick answer might be: who is not? With growing international demand stemming from countries with expanding economies, buyers are notably coming from Russia and the former CIS countries, the Far East – particularly Hong Kong and Singapore – and also from the more troubled euro zone economies such as Greece and Italy. Relatively new on the scene are Egyptian, Turkish and Scandinavian buyers.

What is the most interesting sale you and your team have been involved in?

We are fortunate in that we see some of the most elegant and exceptional properties in prime central London on a regular basis. We have however just sold what was once, in its hay day, a dance studio, reputedly boasting patrons such as Rudolf Nureyev and Margot Fontaine. In the 1960s it was once the home of Mary Quant. The apartment was refurbished to an exceptional standard by its owners and, needless to say, it achieved a premium price when sold.

What advice would you give a homeowner thinking of selling?

Price and presentation are key to a successful sale. When arranging viewings, the first impression is of paramount importance, so clean, de-cluttered, well-lit spaces are essential. Outside spaces, terraces and gardens should also look their best. The market is transparent, so setting the guide price at an

appealing level is likely to lead to competitive interest and potential price rises. Similarly, overpricing from the outset will stifle interest. Buyers have all the information they need at the click of a mouse – the web is a speedy filter. Finally, make sure your solicitors are on standby – they have all the relevant documents such as the relevant permissions to alter, local authority searches and title deeds.

“BUYERS HAVE ALL THE INFORMATION THEY NEED AT THE CLICK OF A MOUSE – THE WEB IS A SPEEDY FILTER.”

How do you think the market will fare?

The Knightsbridge office is extremely busy at present and the outlook is positive. London has consolidated its position as the city in which to own residential property, and this we do not see changing any time soon.

Why should people think about buying or selling now?

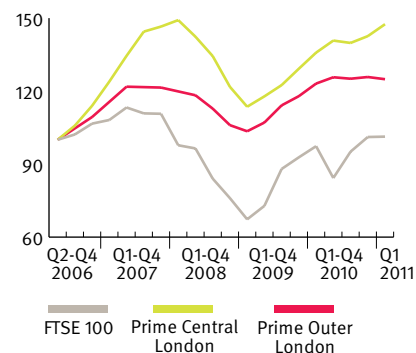
For a seller looking to move out of London or downsize, the market is at an all-time high and now is the time to achieve a great price. The prime residential market's resilience is clear – just two years after financial armageddon prices have resumed their highest levels. For buyers, if your purchase is for the medium to long-term, now is the best time to lock in.



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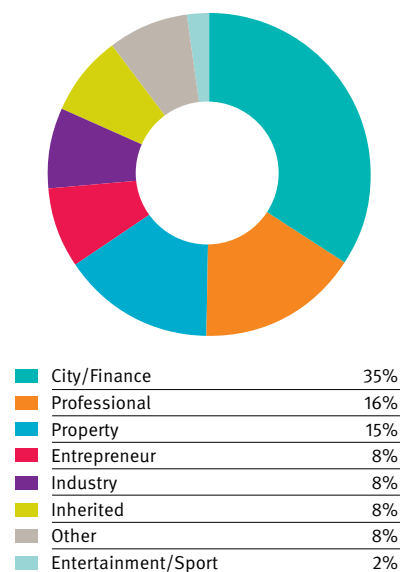
Prime London sales market at a glance

Figure 1
Market performance
Prime London property (sales, prices) vs FTSE 100, past 5 Years, indexed to 100



Knightsbridge buyers

Figure 2
Where does the money come from?
Buyers, past 12 months



SNAPSHOT SUMMER 2011

RESIDENTIAL RESEARCH

KNIGHTSBRIDGE SALES

Knight Frank



Charting the Knightsbridge sales market

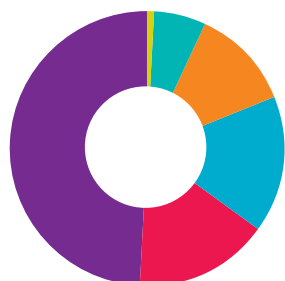


Figure 3
What do our applicants want to spend?
New applicants, past 12 months

under £750k	1%
£750k to £1.5m	6%
£1.5m to £2.5m	12%
£2.5m to £3.5m	16%
£3.5m to £5m	16%
over £5m	49%

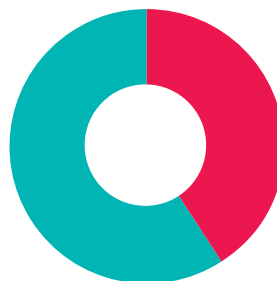


Figure 5
Where do our buyers come from?
Buyers, past 12 months

International	41%
London	59%



Figure 4
Sales by price band
Exchanges, past 12 months

under £750k	10%
£750k to £1.5m	9%
£1.5m to £2.5m	15%
£2.5m to £3.5m	15%
£3.5m to £5m	16%
over £5m	35%



Figure 6
What is coming to market?
New instructions, past 12 months

under £750k	8%
£750k to £1.5m	6%
£1.5m to £2.5m	18%
£2.5m to £3.5m	13%
£3.5m to £5m	17%
over £5m	38%

Knightsbridge properties and the Knight Frank team

FOR SALE

Family flat

WILBRAHAM PLACE

4

£4.75m



FOR SALE

Family house near the French Lycee

CRANLEY PLACE

7

£8.95m



FOR SALE

Penthouse apartment

CADOGAN GARDENS

4

£5.5m



SOLD

7,000 sq ft overlooking Hyde Park

THE KNIGHTSBRIDGE

7

£29.5m



FOR SALE

Knightsbridge house overlooking gardens

THURLOE SQUARE

7

£12m



SOLD

Third floor lateral flat

ENNISMORE GARDENS

3

£8.95m



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We talk to Juliet Hill, head of Knight Frank Knightsbridge lettings, to find out how the local rental market is performing and what she thinks might be in store over the next few months.

How has the Knightsbridge lettings market performed so far this year?

Rental prices are now just under, by approximately 3%, the March 2008 peak levels seen prior to the credit crunch. This can be explained, in part, by an ongoing shortage in the number of properties available to let. The volume of available rental properties is still low compared with the same period last year but there are signs that the number is slowly increasing. Even with a stream of new-build investment properties trickling into the market, this is only slowly countering the growing demand for rental properties. This has led to healthy competition, particularly with good quality properties advertised at an appealing asking rent.

“ENSURING YOUR TENANT IS HAPPY FROM THE OUTSET IS A GOOD WAY TO ENCOURAGE THEM TO TREAT THE PROPERTY AS THEIR OWN AND REMAIN FOR THE LENGTH OF THEIR STAY IN LONDON.”

What's driving that demand?

Employment conditions in central London are much healthier than they were 12 to 18 months ago, with reports of job vacancies having risen by 27% over the past year. Our research shows that the number of new applicants we register has been running in line with this increase in 'City' job vacancies. Another driver is the rise in prospective purchasers locked out of owner-occupation. The parlous state of the

UK's mortgage market means equity-rich investors are pushing would-be buyers into the rental sector.

What advice would you give to someone thinking about letting their property?

In our market many tenants have moved from abroad and it is important to take this into consideration. Moving is stressful at the best of times, but more so when moving to a new country. Taking the time to ensure the property and garden are in shape and that all systems and appliances have been checked makes all the difference. Landlords should be readily available at the start of the tenancy to answer any questions and give helpful advice. If this is not possible they should instruct their agent to manage the property. Ensuring your tenant is happy from the outset is a good way to encourage them to treat the property as their own and remain for the length of their stay in London.

What do you expect to see in the coming summer months?

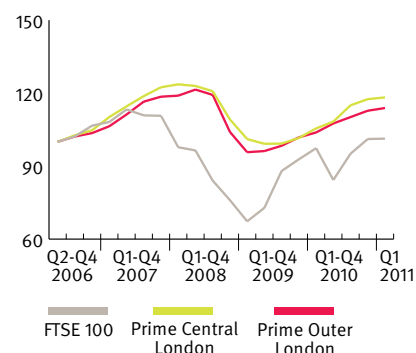
The summer lettings market is generally always busy with applicants at all levels of the market, but particularly with families relocating to London in time for the new school year in September. Last year 48% of our family houses were let between May and September. We found that an unusual number of these families were coming to London purely for educational purposes. With strong rental growth over the last year yields have begun to strengthen. In the majority of prime London a yield of 3.5% is still realistic.



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Prime London lettings market at a glance

Figure 1
Market performance
Prime London property (rental, prices) vs FTSE 100, past 5 Years, indexed to 100



Knightsbridge lettings

Figure 2
Market activity
Year-on-year change (three months to May 2011)

Tenancies	↑	14%
New applicants	↑	27%
New instructions	↑	28%
Viewings	↓	-3%
Prices	↑	7.3%



Charting the Knightsbridge lettings market



Figure 3
Tenancies by price band
Tenancies agreed, past 12 months

under £500pw	17%
£500pw to £750pw	26%
£750pw to £1,000pw	6%
£1,000pw to £1,500pw	12%
£1,500 to £2,500pw	16%
over £2,500pw	23%



Figure 4
Nationality of our tenants
Tenants, past 12 months

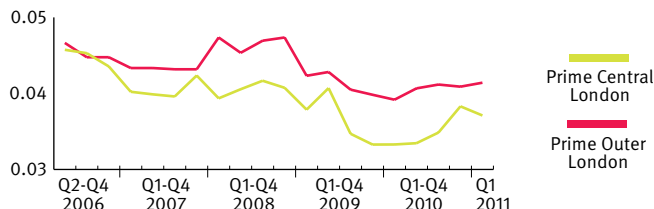
UK	26%
USA	16%
France	9%
Russia	8%
Turkey	4%
Other	37%



Figure 5
Source of our tenants
Tenants, past 12 months

Web	46%
Referral	22%
Corporate services	14%
Local	10%
Internal	6%
Magazine/newspaper	1%
Other	1%

Figure 6
Return on investment
Prime London residential gross yields, past 5 Years



Knightsbridge properties and the Knight Frank team

TO LET

Elegant furnished flat with own entrance

SLOANE GARDENS, SW1

2
£2,250pw



TO LET

Lovely house in quiet cobbled mews

CLABON MEWS, SW1

3
£2,350pw



TO LET

Stunning maisonette in popular garden square

LENNOX GARDENS, SW1

4
£6,750pw



LET

Town house in popular garden square

WELLINGTON SQUARE, SW3

5
£3,950pw



TO LET

Interior designed flat

CADOGAN SQUARE, SW1

2
£1,700pw



LET

Contemporary flat

PONT STREET, SW1

2
£1,100pw



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LEASEHOLD REFORM

Knight Frank leasehold reform department gives advice on all aspects of applications to extend leases or to buy the freehold of houses or blocks of flats.

Knight Frank