

RESIDENTIAL RESEARCH



CHELSEA RIVERSIDE

LONDON MARKET FOCUS 2015



CONNECTING CHELSEA AND
THE RIVER THAMES

CHANGING DEMAND IN PRIME
CENTRAL LONDON

CROSSRAIL 2 AND
CONNECTIVITY

LONDON'S NEW PRIME NEIGHBOURHOOD

The expansion of the prime London property market is leading to growth opportunities in new areas of the capital. One riverside district, on the fringe of prime central London, is especially well-placed to benefit

Changing demand

Growing demand for prime property in central London has for a long time encouraged buyers to explore new areas, in what were once considered to be fringe locations. One such market that has seen significant activity over the past five years is the 260-acre district located between the King's Road in Chelsea and the River Thames.

This area, referred to as Chelsea Riverside in this report, was until twenty years ago a largely overlooked former industrial area. Residential demand and price growth has been underpinned by the area's favourable position on the north bank of the Thames and on the edge of prime central London.

Its location has meant that this area forms a natural extension to the prime central London market as buyers weigh price, space and facilities. As a result, price growth has begun to outperform more centrally located markets.

Figure 1 confirms that over the past decade price growth in Chelsea Riverside has outperformed Chelsea itself, and even the wider prime central London market, by some margin.

This growth was enhanced after 2013 when the ripple-effect of price growth began to push out from central London, further south and west into Fulham and Wandsworth.

Strong position

There are several markets on the fringe of prime central London that are not seeing the same growth in demand experienced by Chelsea Riverside. The area has a number of advantages aiding growth.

Proximity to established high-end amenities is key. Figure 3 confirms the wider context with Chelsea Riverside neatly located between Chelsea, Fulham and other strong performing markets to the south of the river.

The area is within walking distance of the retail and restaurant offer on the King's Road, which is also the site of a proposed Crossrail 2 station. To the south, the Thames provides river views and opportunities for recreation, which will be enhanced following the development of key sites along the river frontage.

Chelsea Riverside in numbers

200% – Price growth in Chelsea Riverside since 2005

10 – number of minutes to walk to the King's Road

375 – length of riverside walk in Chelsea Creek development (metres)

15 – number of minutes from High Street Kensington

8.1 – acres of gardens in Chelsea Waterfront development

Place-making

Media attention has focussed on the transformation of Nine Elms on the south bank of the Thames due in part to the iconic nature of Battersea Power Station and the relocation of the American embassy. This focus has meant that the scale and impact of the development happening on the north bank has, to some extent, been overlooked.

The Chelsea Waterfront scheme, for example, has been described by London Mayor Boris Johnson as the largest development opportunity on the north bank of the Thames for over 100 years.

The wider district includes expanses of parkland, waterways and landscaped areas. The Chelsea Creek development includes five acres of open space, including navigable canals, a restored historic dock and wetland habitats. Meanwhile, 45% of Imperial Wharf is open space, including riverside moorings and a quarter-mile long riverside walk.

The lifestyle offer from the district is also improving. With a growing number of hotels, bars and restaurants joining the interior-design cluster surrounding Lots Road Auctions and the Chelsea Harbour Design Centre.

Infrastructure

Chelsea Harbour, which was built in the late 1980s, was the first major development in the district outlined in figure 2. Its focal point is The Belvedere's 200-foot tower, still one of the most iconic riverside developments in London.

There was little further development until Imperial Wharf was completed two decades later. The scheme had a major impact due to developer Berkeley Group's partial funding of a London overground train station, providing quick access to Kensington and Knightsbridge. The station is also one stop from Clapham Junction, one of London's busiest stations.

FIGURE 1

Chelsea Riverside outperforms other prime London markets

What a £750,000 investment 10 years ago would be worth in 2015



Source: Knight Frank Residential Research

FIGURE 2
Key residential schemes



Key Chelsea schemes

- 1 The Glebe
- 2 Chelsea Delivery Office
- 3 Chelsea Police Station
- 4 Draycott House
- 5 Chelsea Barracks

Key Chelsea Riverside schemes

1 Chelsea Waterfront	
Status	Under Construction
Private Units	441
Developer	Cheung Kong Property Holdings
2 Chelsea Island	
Status	Full Permission - Not Started
Private Units	86
Developer	Hadley Property Group
3 Imperial Road Gasholders Site	
Status	Pre-Planning
Private Units	TBC
Developer	St. William
4 Chelsea Creek	
Status	Under Construction
Private Units	700
Developer	St. George
5 Imperial Wharf	
Status	Complete and Sold
Private Units	1000+
Developer	St. George

Imperial Wharf also gives access, four stops north, to Willesden Junction, adjacent to the proposed interchange between Crossrail and the High Speed 2 link at Old Oak Common, which is likely to become one of the best-connected transport nodes in London.

As noted above, there are longer-term plans for a Crossrail 2 station on the King's Road, which will further improve connectivity. In addition to an increased river taxi service from Chelsea Harbour Pier, planning permission exists for a footbridge across the Thames between Battersea and Chelsea Harbour.

New developments

As the area's infrastructure is improving, developers are increasing their focus on the area. Figure 2 confirms the key residential schemes in the pipeline.

These include Chelsea Waterfront, a mixed-used development, including residential, retail and restaurants master-planned by Sir Terry Farrell. Cheung Kong Property Holdings is developing the scheme on an 11.3-acre area around the landmark Lots

Road power station. This development will include 8.1 acres of gardens.

Lots Road was the world's largest power station when completed in 1904 and is the last of the three historic riverside power stations in central London to be developed, following Battersea and the conversion of Bankside into Tate Modern.

Other notable developments include Chelsea Creek, which is being developed by St George, and Chelsea Island, which Hadley Property Group is proposing to develop next to the Chelsea Design Centre.

Elsewhere, St William, a joint venture between Berkeley Group and the National Grid, plans to develop the gasholder site off Imperial Road, a significant future development because it will link Chelsea Creek, Chelsea Waterfront and Chelsea Island to the King's Road, closing the gap between Chelsea and the River Thames.

Strong price growth

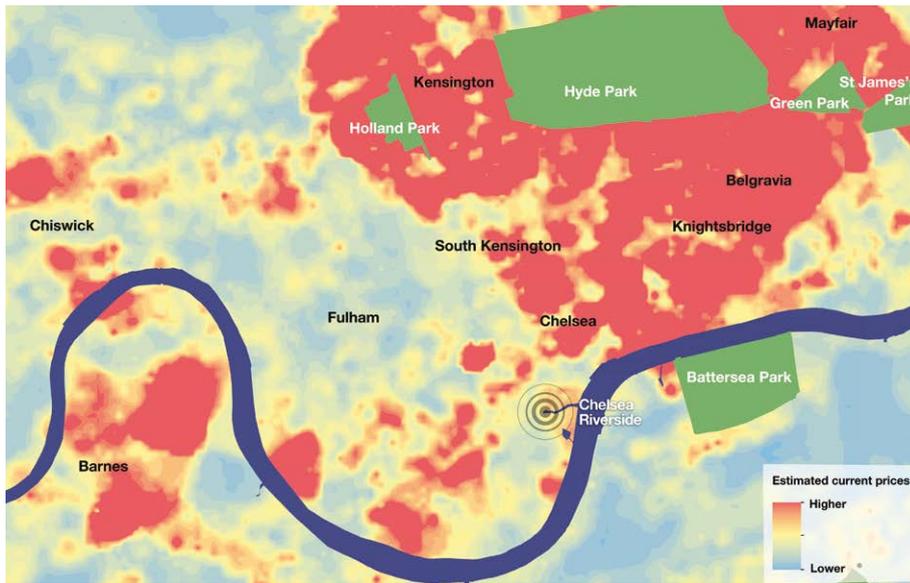
In 2005, new-build prices in Imperial Wharf typically ranged between £500 and £600 per square foot. An equivalent figure today in Chelsea Creek is between £1,500 and



FIGURE 3

Prime surroundings underpin future development

Estimated current property prices in central and south-west London



Source: Knight Frank Residential Research

£1,600 per square foot, a trebling in prices over the last decade.

Price growth has outperformed Chelsea, Kensington and the prime central London average, as figure 1 shows. This demonstrates how the area is moving closer to parity with its neighbours and a gap in the residential map of prime London is closing.

Despite this outperformance, prices per square foot remain lower than those further east, but on a par with developments taking place on the south bank of the river around Battersea Power Station.

Demand in the Chelsea and Riverside areas is underpinned by a broad range of buyers, with a stronger showing by UK nationals than areas in the core of prime London, and with very strong demand from Italian, Russian and French buyers in particular (figure 4).

Outlook

London's population is expected to grow by more than 100,000 every year for the next decade, a fact that is fuelling demand for property across the city. As Knight Frank's 2015 Wealth Report confirms, London and New York will continue to dominate as global city economies and investment destinations over the next decade.

These macro-trends will underpin the ongoing expansion of prime London. The concentration of developments in Chelsea Waterside is likely to ensure that the transformation of this part of London continues. The boundary between a once overlooked area of the city and its prime central London neighbour will fade.

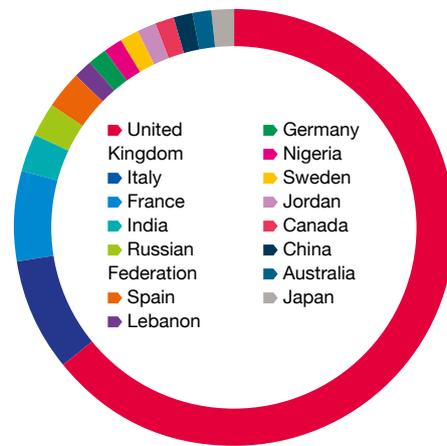
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FIGURE 4

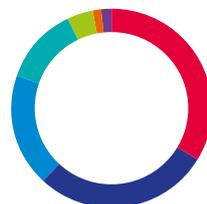
Chelsea and Riverside buyer profile

(two years to March 2015)

Nationality



Buyer age



Source of wealth



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