

HYDE PARK AND BAYSWATER MARKET INSIGHT 2016

The strong potential of the property market to the north of Hyde Park means it is well-positioned to overcome a recent period of short-term uncertainty across prime central London, says Tom Bill

In the two years to December 2015 prices in the Hyde Park Estate and Bayswater area of London rose 9%, the highest growth recorded in the prime central London boroughs of Westminster and Kensington & Chelsea.

It reflects the fact buyers increasingly sought better value beyond areas like Mayfair, Belgravia and Knightsbridge due to exceptional price growth in the so-called 'golden postcodes' as London cemented its global status as a 'safe haven' after the financial crisis.

However, in the more recent 12-month period to December 2015, prices declined -1.8%, reflecting a wider slowdown that has taken place in prime central London.

The primary cause is a rise in stamp duty for properties worth more than £1.1 million, which resulted in a 20% decline in prime central London sales volumes in the first half of 2015 compared to 2014 as buyers became more price-sensitive.

Compounding that price sensitivity in this area of London is the fact recent growth had been so strong. As a result, prices began to catch up with residential markets in Kensington & Chelsea to the extent that some buyers are prepared to look again at these other districts.

It is an adjustment some vendors have taken time to absorb and means asking prices can reflect the strong performance of 2014 rather than the more subdued market conditions in prime central London since 2015.

However, underlying demand in the area remains strong and viewings in the three months to September 2015 increased 22% versus the same period in 2014, which compares to a -3.1% decline across the whole of prime central London.

Furthermore, while the price differential has narrowed it has not closed, leaving scope for moderate short-term growth.

FIGURE 1
Hyde Park and Bayswater house prices

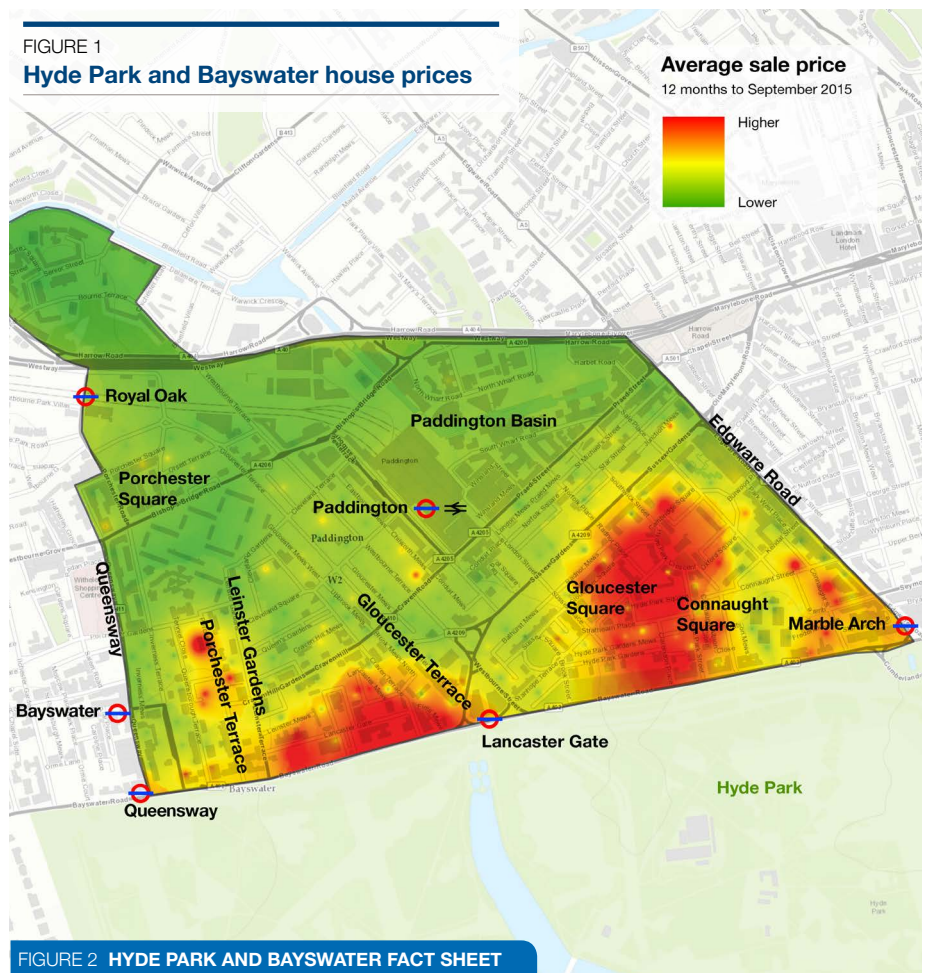
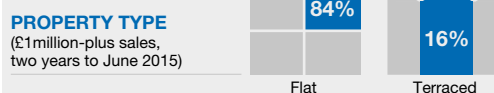


FIGURE 2 HYDE PARK AND BAYSWATER FACT SHEET

-1.8%: Price growth in the year to December 2015
4%: Rental value growth in the year to December 2015
£800 - £4,000: Price per square foot
Lancaster Gate to: Bond Street 3 minutes
Bank 13 minutes Canary Wharf 23 minutes

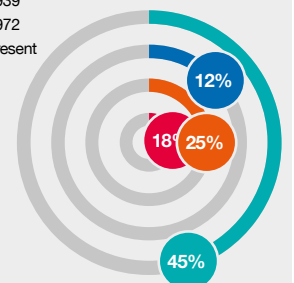
Blue Plaques
Robert Stephenson Engineer and railway pioneer
Giles Gilbert Scott Battersea Power Station architect and designer of the red London telephone box



Population: 26,333

AGE OF HOUSING STOCK

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



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This area of W2, which also includes Paddington and Queensway, hasn't historically seen the same level of demand as some of the world-famous property markets further south. The result is that residential prices grew by 27% less than other postcode areas adjoining Hyde Park in the ten years to June 2015.

Despite the more recent growth spurt, this historic under-performance means there is still strong longer-term potential for the residential market north of Hyde Park.

The area has a notable history and an abundance of grand Georgian stucco-fronted homes but also benefits from an exceptional mix of property type and age. Average prices are lower in the northern half of the district compared to further south, where values frequently exceed £5 million, as figure 1 shows.

However, stronger price growth has been more spread across the region in recent years, including the area around Paddington station, as figure 3 shows.

The area's centrality and high-quality schools attract a wide range of buyers and tenants, and cost-conscious companies typically prefer the value it provides versus other prime central London rental markets.

Furthermore, a high-quality development pipeline will also drive demand. Buyers are increasingly prepared to look outside the traditional markets for the best new properties and amenities, and the completion of The Lancasters development near Lancaster Gate in 2011 exemplified this trend and set a new benchmark for quality in the area.

Paddington station and the surrounding area is also undergoing a significant revival. This is accelerated by the arrival of a Crossrail station in 2018, which will place it 10 minutes from Liverpool Street station and 23 minutes from Heathrow airport.

Blue-chip companies including Marks and Spencer, Rio Tinto and AstraZeneca have relocated to the Paddington Basin area and the so-called 'Shard of west London' is planned as the centrepiece of its regeneration.

Similarly, the huge regeneration potential of Queensway is underlined by reports that a Far Eastern investor is planning a large-scale redevelopment of the area.

As the prime central London property market overcomes a recent period of short-term uncertainty, the comparative affordability of this area to the north of Hyde Park, combined with its wider regeneration story and high-quality development pipeline, form a sound basis for future price growth.

FIGURE 3
Where have prices grown fastest?

Price performance versus Hyde Park and Bayswater average

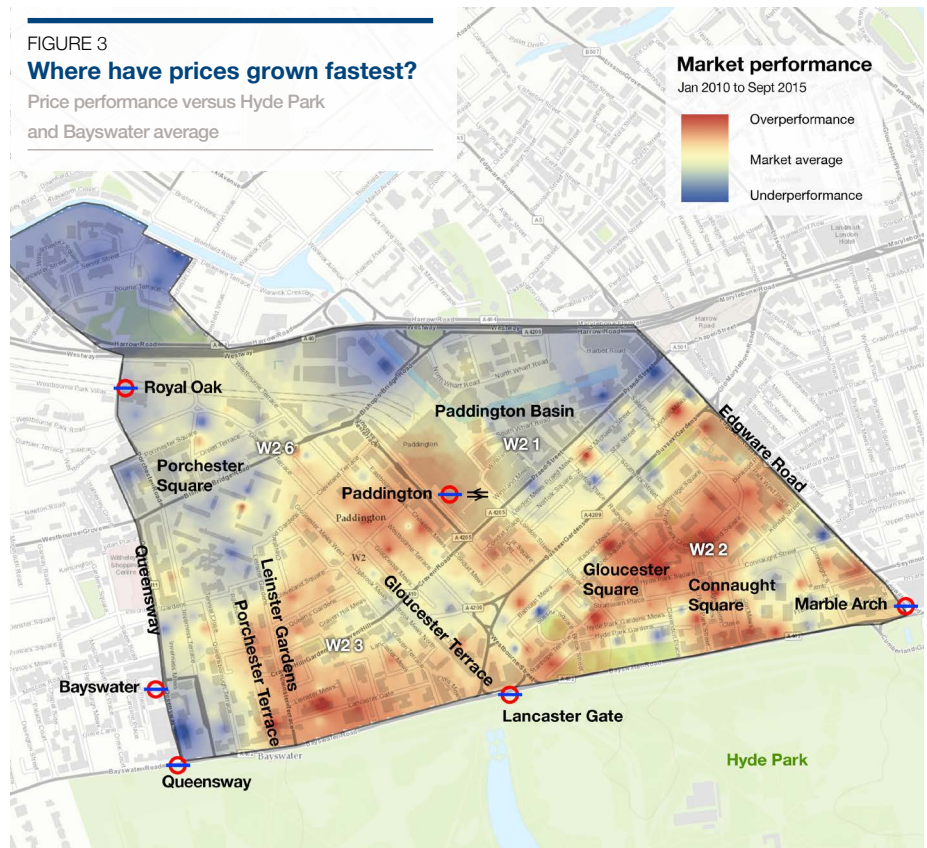
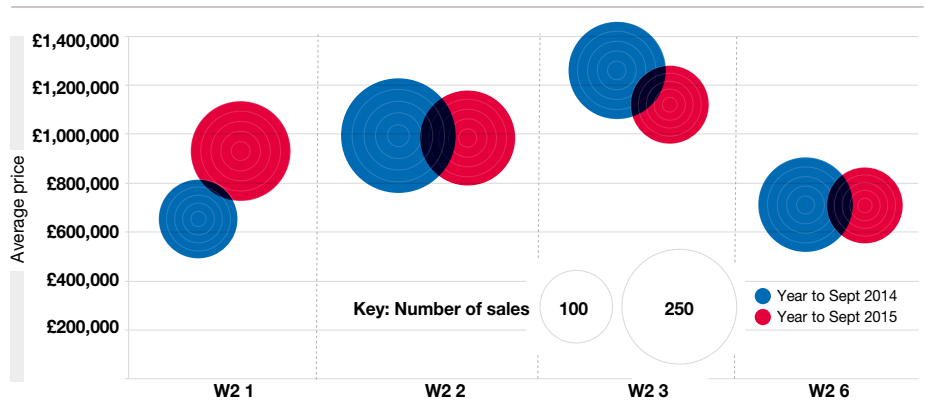


FIGURE 4
Average price and sales volumes in Hyde Park and Bayswater by neighbourhood



Source: Knight Frank Research

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