

INSIGHT



RISING MARYLEBONE

2014



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Christian Lock-Necreus,
Head of Marylebone Office



MARYLEBONE ENTERS LONDON'S SUPER-PRIME LEAGUE

Sales in the £10m-plus bracket in Marylebone have traditionally been scarce but three in the last six months of 2013 and an expanding pipeline of luxury developments show the area is moving up a gear.

Over the last 20 years, the Howard de Walden estate has transformed Marylebone from a district of charity shops into one of quirky upmarket boutiques and fine dining.

The 92-acre area south of Regent's Park is now entering a new era as its housing seals its place in London's premier league.

On the demand side of the equation, domestic and overseas buyers are increasingly seeking value-for-money beyond Mayfair, Belgravia and Knightsbridge, the traditional epicentre of prime central London, and many are crossing Oxford Street north into Marylebone.

Some have been pushed out by high prices as overseas money pours into the safety of London's best-known prime residential areas. Others are jumping, attracted by Marylebone's aura of unconventionality,

high-quality Regency and Georgian housing stock and a village-like feel centred on the independent retailers of Marylebone High Street.

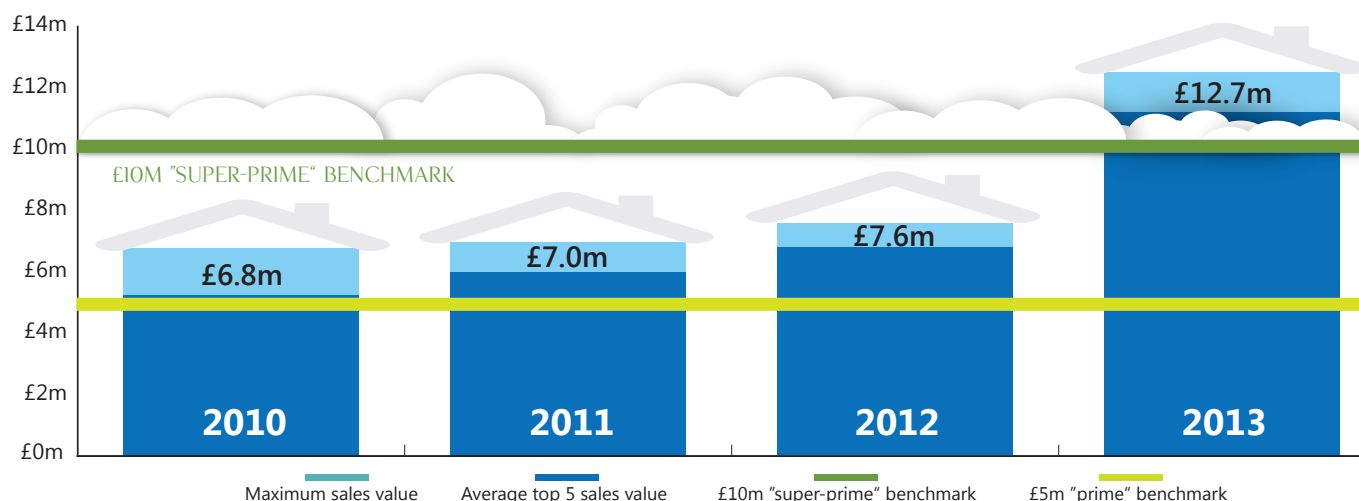
As developers meet this demand with a growing supply of homes in Marylebone that cater to the tastes of the super-rich, it confirms the district's place in London's £10 million-plus super-prime league, as figure 1 below shows.

After one or two off-market £10 million-plus sales since 2007, there were three open-market deals in the second half of 2013 and a fully-fledged super-prime development pipeline is taking shape at the start of 2014 due to a recent series of deals by developers.

They include schemes at the top of Portland Place and Park Crescent, Moxon Street car park, New Cavendish Street, and International House on Chiltern Street, which should

Figure 1
Prime to Super-prime
Top Marylebone sales

2013 was the year Marylebone property went super-prime with three £10 million-plus sales. Figures shown are top sales in each year



Source: Knight Frank

4,025

Square feet £5 million will buy in prime Marylebone

help bring a dozen or more homes in the £10m-plus price bracket to Marylebone.

It has pushed development activity to record highs. Marylebone has more than £1 billion of residential property in the development pipeline compared to a typical level of less than £100 million over the last decade.

The area has 2,266 private units in planning or under construction, which is four times higher than Knightsbridge, 40% more than Belgravia and 16% higher than Mayfair.

Housing market Sales

Average Marylebone house and flat prices are currently about 40% lower than Mayfair and Knightsbridge, as shown in figure 2.

While this gap is narrowing, it is still wide enough to attract buyers looking for medium to long-term price growth in a central London market that Knight Frank expects to slow to 4% in 2014 and zero in 2015 before turning positive again.

Prices in Marylebone grew 8.5% in the six months to December 2013, faster than any other central London area tracked by Knight Frank.

Over 2013, prices rose 12.3% versus 5.8% in Mayfair, 6.7% in Knightsbridge and 7.5% across the whole of prime central London.

Two schemes completed this year have helped set a new benchmark for luxury in Marylebone: 7 Portland Place, developed by Galliard Homes, and 50 Hallam Street, developed by Amazon Properties, where prices range from £2,500 to £3,000 per sq ft. That compares to £4,000 to £5,000 per sq ft for the top end of Mayfair.

Furthermore, the southern chunk of Marylebone is located within a ten-minute walk of what will become a Crossrail station at Bond Street in 2018. Knight Frank expects additional capital value growth of 1% on top of any background price growth within the ten-minute range, according to the [Action Stations report](#).

The same impact is expected for areas of Bloomsbury and Fitzrovia further east after the opening of the Tottenham Court Road Crossrail station and there has been a significant increase in interest from developers and investors in these areas.

Figure 3 shows the population of Marylebone is less transient than Mayfair or Belgravia, with a higher percentage of housing used as the primary residence, underlining the area's stronger sense of community.

Figure 2
Bang for your buck: How much space £5 million buys



Source: Knight Frank

Rentals

In addition to the cultivation of high-end shops and restaurants, The Howard de Walden estate and Portman Estate, which includes part of Oxford Street, Baker Street and Marylebone Road, are active in the redevelopment and refurbishment of their residential stock.

It helps keep the level of private renters high at 53% versus 40% in the wider Westminster district. While a high number of renters can suggest a temporary population, 61% of residents have lived in Marylebone for over six years and 10% all their life, twice as high as in Mayfair or Knightsbridge.

Prime rents in Marylebone have bucked the downwards trend across the rest of central London in 2013 and it was the only central London district to show positive growth of 1.4%, partly thanks to the success of a Crown Estate development on Regent Street.

Office to residential

Development land and new build property is limited in Marylebone, which means it can be difficult to meet demand for more popular types of homes such as large lateral apartments and trophy homes assembled from blocks of flats.

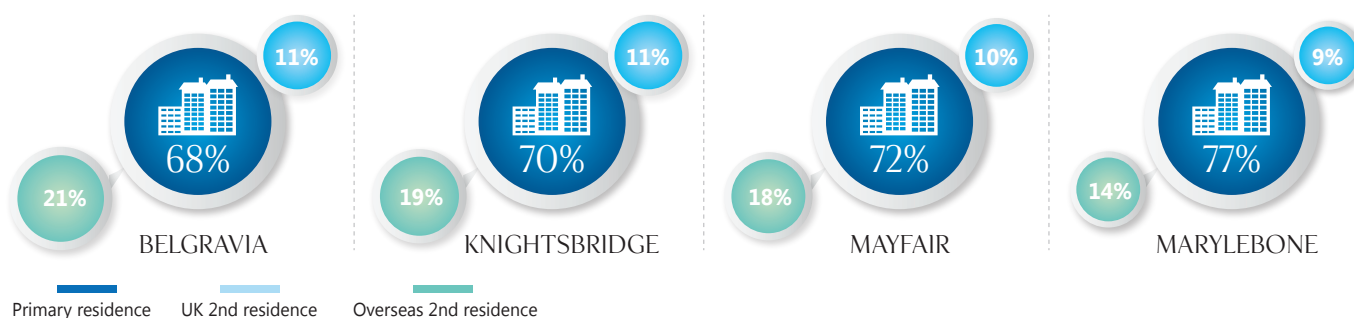
As a result, developers have converted many properties from office to residential, particularly in listed buildings and on more popular streets, a trend that includes the Hallam Street and Portland Place schemes.

As well as being home to Madame Tussauds and the Sherlock Holmes Museum, Marylebone has traditionally been an embassy heartland, with 19 diplomatic missions located in the district.

With cost-cutting high up the agenda of many governments, the residential conversion trend has extended to embassies as they move out to cheaper locations and are replaced with boutique residential schemes.

Figure 3

Second homes: Marylebone has a less transient population than other central London areas



Source: ONS, Westminster Council

Case studies: office to residential conversions

Building	7 PORTLAND PLACE	50 HALLAM STREET	PARK CRESCENT	19 BOLSOVER STREET
	Headquarters building that served as the Consulate and UK Government office for Montserrat	Former office building of The Royal Institute of Child Health and Pediatrics opposite Regent's Park	150,000 sq ft office space within the renowned John Nash designed crescent	31,400 sq ft of office space
Developer	Galliard Homes	Amazon Properties Plc	Amazon Properties Plc	Amazon Properties Plc
Scheme	7 units	3 lateral luxury apartments	Lateral luxury apartments	Luxury residential apartments
Delivery	2013	2013	2015	2015

Source: Knight Frank

12.3%

Price rise in Marylebone in 2013, versus 5.8% in Mayfair and 7.5% across prime central London.

Who lives in Marylebone?

Marylebone is increasingly popular with financial services workers thanks to its quick transport links to the City and Canary Wharf. City workers make up 24% of sales in the Knight Frank Marylebone office, joint top with Professionals (Figure 4).

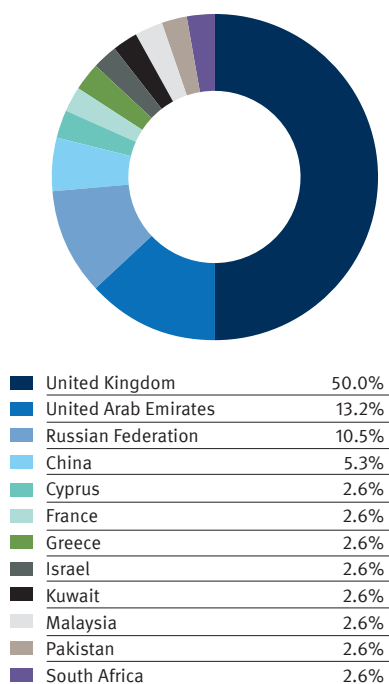
Such buyers want high specification flats and lateral living, while international buyers prefer apartment blocks with concierge services and underground parking.

The area is also growing in popularity among so-called 'empty-nesters', who are moving

from other parts of prime London. Once their children have left home many choose Marylebone to be closer to the theatres and restaurants of the West End.

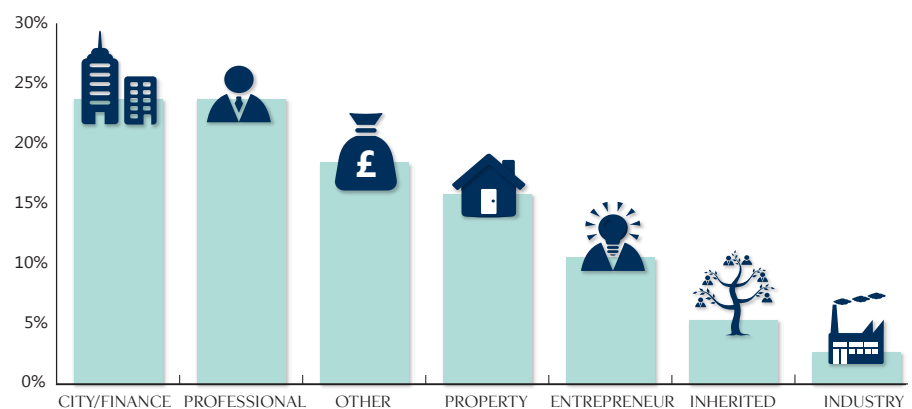
Twelve nationalities bought residential properties in Marylebone over the past year, half of which were domestic buyers, as shown in Figure 5. The fact the second and third-placed nationalities were the UAE and Russia demonstrates its appeal to traditional Mayfair and Knightsbridge buyers.

Figure 5
Marylebone buyer nationalities



Source: Knight Frank

Figure 4
Marylebone buyers source of wealth



Source: Knight Frank

CASE STUDIES:

The up-sizers

A family of three that had lived in Belgravia for ten years were looking for a larger apartment in the area but couldn't find anything they wanted of a sufficient size. They expanded their search and found a £7.5 million apartment near Regent's Park that cost about £2,400 per sq ft versus £3,500 or £4,000 in Belgravia. The 3,000 sq ft property was so in-demand due to its large size and high-quality finish that they got into a three-way bidding war with another family from Belgravia and a buyer from St John's Wood.

The down-sizers

A couple sold their family home in Hampstead after their children left home and bought a 3,000 sq ft penthouse in Portland Place to be closer to the restaurants, theatres and shops of the West End. They travel between several homes around the world and wanted the security of a block with a porter service. They liked the area so much they bought both of their children apartments nearby.



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