

RESIDENTIAL RESEARCH



MAYFAIR AND ST JAMES'

LONDON MARKET FOCUS 2016

REGAINING ITS STATUS AS
LONDON'S LEADING ADDRESS

PRICE PERFORMANCE AND
MARKET ANALYSIS

THE EPICENTRE OF
LUXURY LONDON

MAYFAIR: REGAINING PRIME POSITION

Mayfair's global cachet, strong development pipeline and scope for price growth means it is well-positioned as the prime central London property market overcomes a period of short-term uncertainty, says Tom Bill

Mayfair has outperformed other prime central London property markets against the backdrop of cooling demand over the last year.

The primary cause of the slowdown in demand was a rise in stamp duty for properties worth more than £1.1 million, which has curbed transaction levels and dampened price growth. The result was a 19.5% decline in prime central London sales volumes in the first half of 2015 compared to 2014.

However, transactions in Mayfair only fell -0.9% over the same period, which was less than a decline of -27% in Knightsbridge, -37% in Chelsea and -6% in Marylebone and Kensington.

There are several reasons for this relatively

stronger performance, including the global cachet of the Mayfair name, the high-quality of the area's development pipeline and the fact price growth has recently started to catch up with London's other 'golden postcodes'.

Indeed, price growth in Mayfair has outperformed most other prime central London districts over the last year. An increase of 3% in the year to December compares to 1% growth across the whole of prime central London, while prices were -0.2% down in Belgravia and there were declines of -6.1% in Knightsbridge and -2.7% in Chelsea.

A further indicator of how demand has held up is that the number of viewings of Mayfair property increased 15.4% in the six months to November 2015 compared with a fall of -8% across the whole of prime central London.

Scope for growth

The first reason for Mayfair's outperformance is its scope for price growth versus other established prime central London markets.

Mayfair has been the strongest performing prime central London market in the 40 years since the Knight Frank prime central London index was established in 1976. A house bought in Mayfair for £137,600 in June 1976 was worth £10 million in December 2015.

However, as figure 2 shows, that outperformance has eased since the financial crisis. Prices grew 58% between the last low point in March 2009 and December 2015, which is less than 76% in Kensington, 71% in Knightsbridge and 62% in Chelsea.

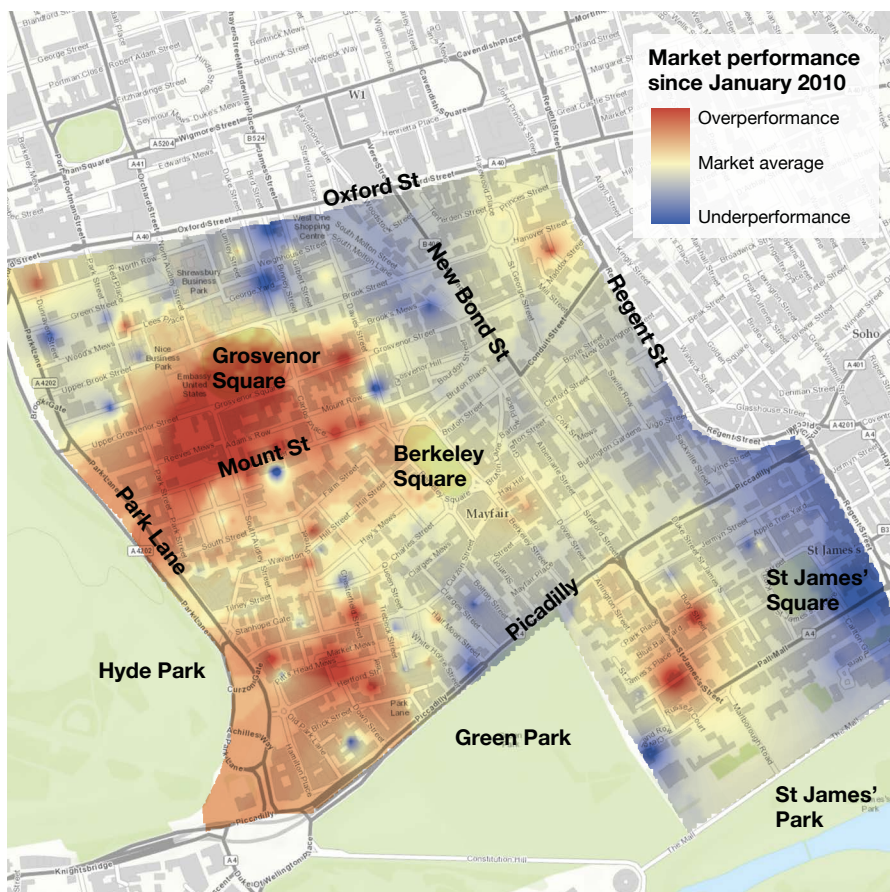
This has provided potential for growth that, combined with a premium development pipeline, means Mayfair is accelerating faster than its central London neighbours.

High-quality development pipeline

Mayfair has not always justified its status as the premier address on the London Monopoly board and its desirability as a residential district fell after the Second World War when businesses moved to Mayfair after their offices in the City had been destroyed.

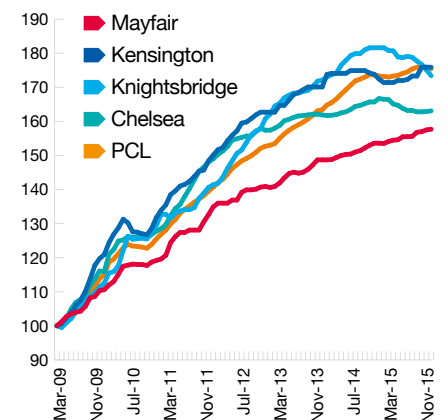
Families in particular began to favour other neighbourhoods like Belgravia and Knightsbridge, including the Middle Eastern buyers who began coming to London during the oil boom of the 1970s.

FIGURE 1
Where have prices grown fastest in Mayfair?
Price performance versus the Mayfair average



Source: Knight Frank Research

FIGURE 2
Scope for price growth in Mayfair
Price growth since last trough (rebased to 100)



Source: Knight Frank Research

In recent decades, as post-war temporary office permissions expired, properties have been converted back to residential use, however planning rules and space restrictions mean the current development pipeline is small, with minimal oversupply risk.

Mayfair has not had a residential pipeline with such an overwhelming focus on quality for several decades, which is also playing an important role as the area regains its status as London's premier address.

The quality of the new-build and newly-refurbished properties is symptomatic of how developers are addressing the increasingly stringent demands of buyers in prime central London.

Buyers, particularly in higher price brackets, are less loyal to particular areas of London and have become more product-driven. This is due to strong price growth in areas like Knightsbridge and Kensington after the financial crash as global buyers sought the safety of London property.

The result of this strong growth is that buyers are more discerning about what they buy but less narrowly-focused on the 'golden postcodes'. As a result, Mayfair is less able to trade on the cachet of its name alone and successful developers are combining the appeal of the area's name with the sort of exceptionally high-quality finish and services like 24-hour concierge, gym and business facilities that buyers now demand.

Global cachet

Led by large landowners the Grosvenor Estate and the Crown Estate, there have also been substantial improvements to public areas and a growing focus on luxury retail, which has underpinned residential prices.

Indeed, as the map in figure 5 shows, Mayfair is the indisputable luxury epicentre of London.

It has 29 Michelin starred restaurants, which is almost three times more than any other residential district in London. It also has 44 five-star hotels, four times more than any other area, and is home to world-famous names like The Dorchester, The Ritz and Claridge's. Its reputation for exclusivity also derives from the high number of private member's clubs, embassies, Royal residences and high-end shopping streets.

Evidence of the international nature of the Mayfair market is illustrated by the fact that since 2013, the Knight Frank lettings business

FIGURE 3
Where are Mayfair prices highest?

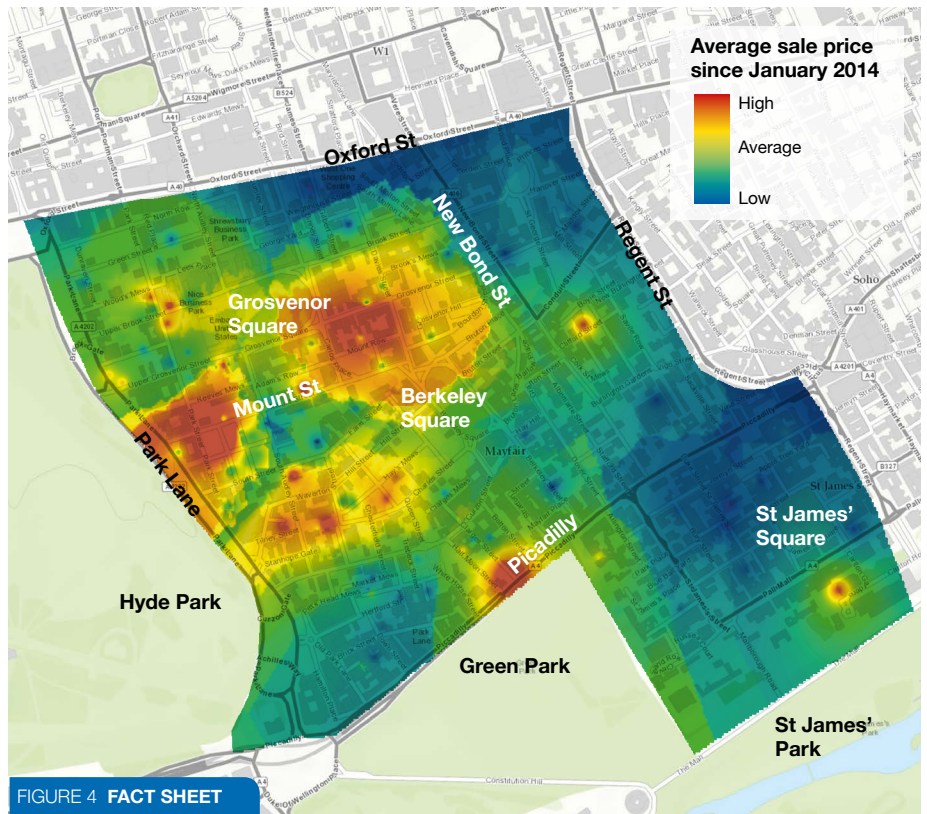


FIGURE 4 **FACT SHEET**

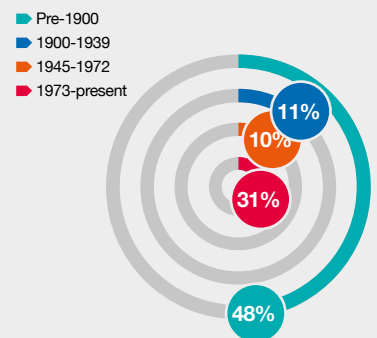
- 58%:** Price growth between March 2009 and December 2015
- 3%:** Price growth in the year to December 2015
- £10 million:** What £137,600 invested in Mayfair property in 1976 would now be worth
- 39:** Number of nationalities that have rented in Mayfair since 2013
- 44:** Number of five-star hotels in Mayfair

Blue Plaques

- George Frederick Handel** composer
- Jimi Hendrix** musician
- Lord Nelson** British naval commander
- Isaac Newton** physicist and mathematician
- Florence Nightingale** founder of modern nursing

Population: 15,467

AGE OF HOUSING STOCK



Source: Knight Frank Research

in Mayfair has agreed deals with tenants from 39 different nationalities.

Rental values range from £5,000 to £50,000 per week for the best properties and the strongest demand, like the sales market, is for large lateral flats with views over Hyde Park and Green Park. Tenants in the top price brackets include Middle Eastern royalty and internationally prominent media figures.

Mayfair is also popular with international students due to its vibrancy and close proximity

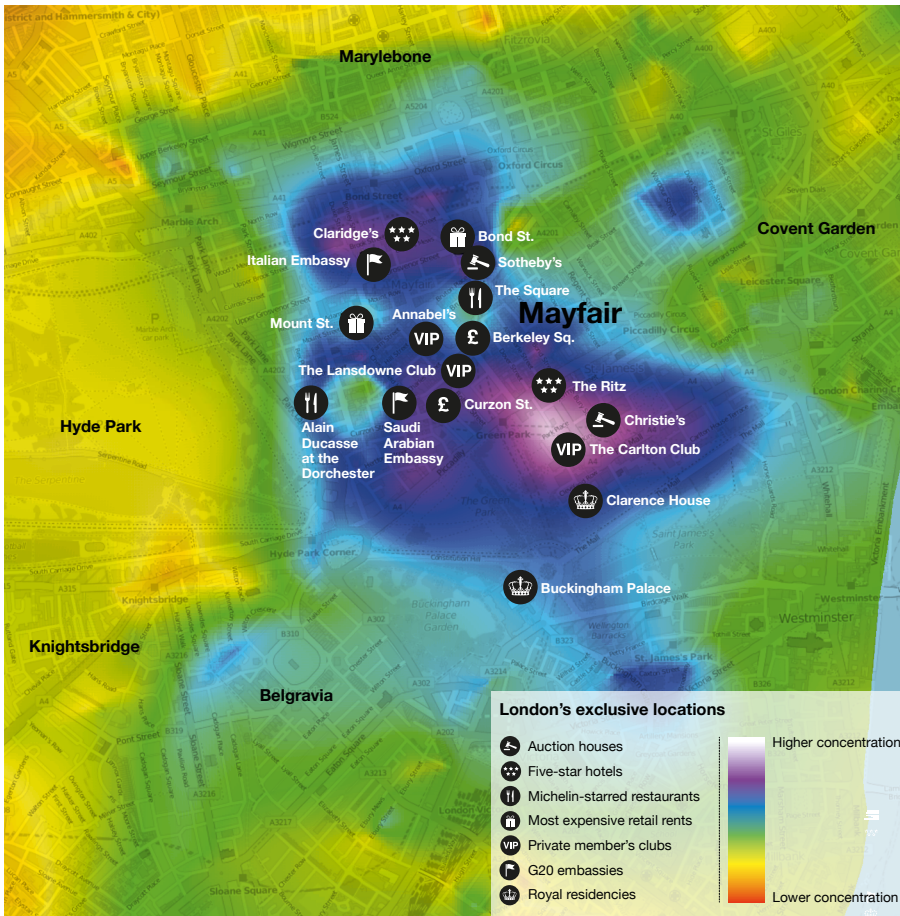
to many of London's leading universities including University College London and the School of Oriental and African Studies.

Mayfair, Knightsbridge and Belgravia form the trio of super-prime markets in prime central London. However, Mayfair's, global reputation for luxury, scope for price growth and premium development pipeline give it a particular cachet that will remain strong as the prime central London property market overcomes a period of more subdued demand.

FIGURE 5

Mayfair: The luxury epicentre of London

Concentration of exclusive and luxury venues in central London



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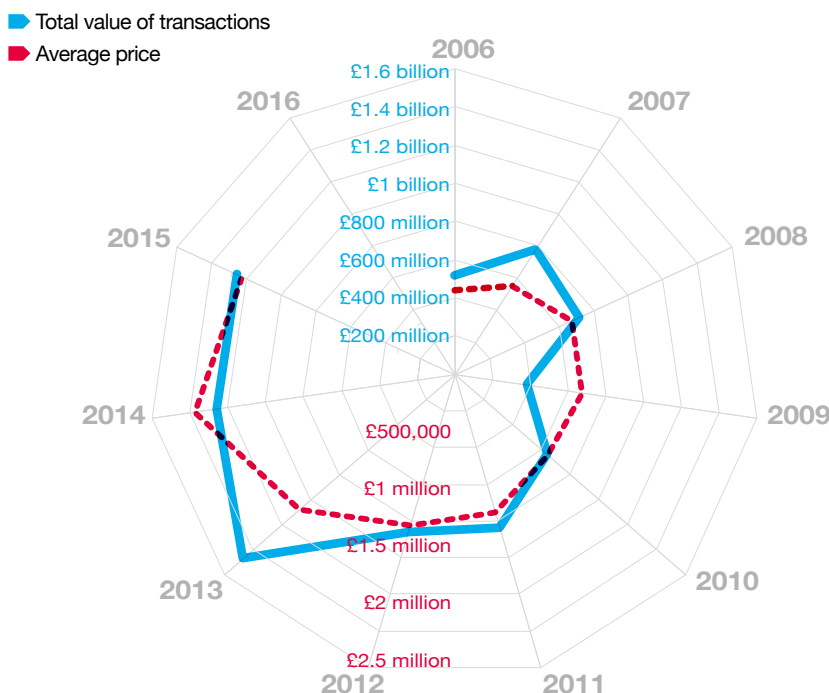
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FIGURE 6

Mayfair average sale price and transaction volumes since 2006



Source: Knight Frank Research

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