

savills

Spotlight Kensington and Holland Park

2016



Market overview

LUXURY LOCATIONS

Kensington and Holland Park play host to some of the capital's most prestigious homes

At the heart of the Royal Borough of Kensington and Chelsea lies Kensington and Holland Park, home to some of the capital's most prestigious addresses. The area is well known for its fine architecture and many notable attractions and institutions, such as Kensington Palace, the Victoria and Albert Museum and Imperial College.

Kensington

William 3rd purchased Nottingham House, a Jacobean mansion in the village of Kensington as a rural alternative to Whitehall Palace in 1689. However, Kensington didn't begin its transformation from agricultural land into the luxury London district we know it as today until the mid 19th century.

Following the 1851 Great Exhibition in Hyde Park, the South Kensington museums were built under the direction of Prince

Albert. These museums triggered wider development of residential properties as landowners made the most of the new roads, and in 1868 Gloucester Road and South Kensington underground stations were opened.

Today, Kensington is an extremely affluent area and is home to Kensington Palace Gardens, well known as one of the most expensive and exclusive roads in the world, its mansions a combination of private homes and foreign embassies.

Holland Park

Before the end of the 19th century, much of Holland Park and the surrounding area belonged to Holland House until the owners began to sell off parts of the land for residential development. However, the area was regarded as less than desirable and it was a struggle to persuade people to live as far

west and within close proximity to potteries and brickworks.

These days, this trend has certainly reversed and the area attracts some of Britain's most successful entrepreneurs and artists.

Holland Park is one of the principal draws to the area itself. It stretches to 54 acres of diverse parkland and includes a semi-wild area of woodland, a Japanese garden, a cricket pitch and tennis courts.

The type of housing most notable to Kensington and Holland Park are the large Victorian stucco houses and terraces which often surround garden squares. The Phillimore Estate roads are a good example of such properties. Elsewhere, larger homes have now mostly been converted into maisonettes or flats which appeal to the large proportion (41%) of private rented households in the area.

Property prices

In Kensington and Holland Park, the average sale price in 2015 was £2.4m, 25% higher than the average for the borough of



Large Victorian stucco houses are found in both locations

Kensington and Chelsea at £1.9m and nearly four and a half times more expensive than the London average. Unsurprisingly, houses are significantly more expensive than flats, with an average sale price of £5.4m and £1.8m respectively.

In the prime markets of Kensington and Holland Park the average price per square foot is just over £2,000, slightly higher than the prime central London average, although this can vary significantly. One of the key aspects that determines the price is the size of the property. Unlike most locations,

in prime central London there is a clear premium for size, and Kensington and Holland Park are no exception. Analysis shows that properties under 1,000 square feet have an average price of £1,580 per square foot compared to £2,650 per square foot for properties over 5,000 square feet.

Price growth in Kensington and Holland Park has been very strong over the past 10 years, with prices doubling over the period. However, the rate of price growth has slowed recently and small falls have been recorded following the reform

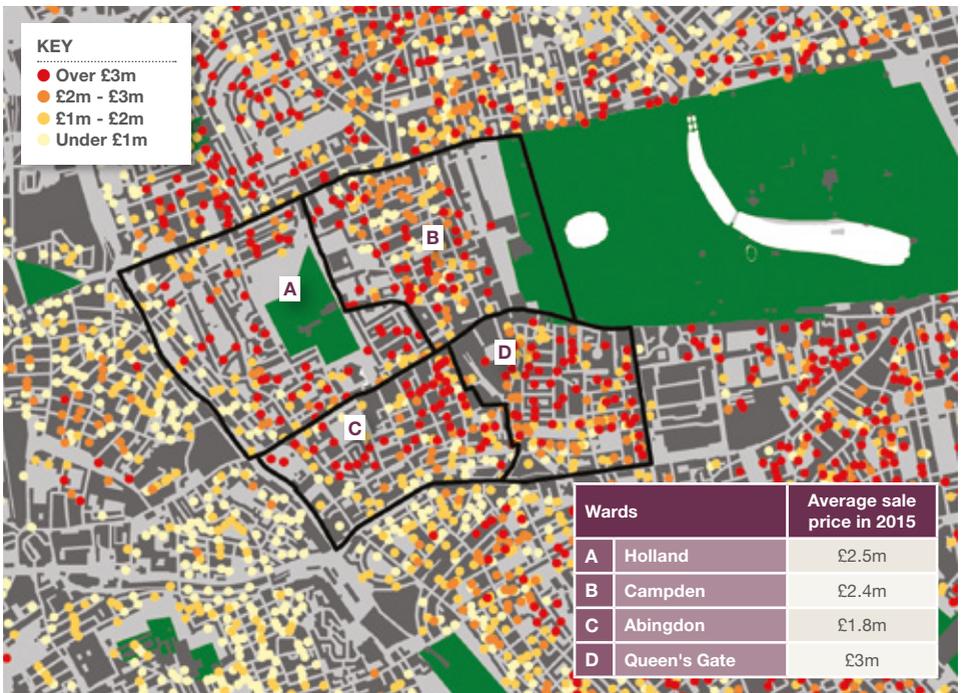
of stamp duty in December 2014, uncertainty surrounding the General Election and most recently the introduction of an additional 3% stamp duty for “Additional Homes”.

Rental market

Across Kensington and Holland Park the average monthly rent is £2,700 according to Rightmove. This ranges from just under £2,000 per month for a 1 bed property to over £11,000 per month for a 5+ bed home.

In a similar pattern to the sales market, in the prime rental market the annual rent

FIGURE 1 **The Kensington and Holland Park housing market in 2014/2015**
A look at where the sales happened and at what value



per square foot often depends on the size of property. Across Kensington and Holland Park, the average annual rent is £57 per square foot, increasing to £78 per square foot for properties over 5,000 square foot. Another key factor influencing rent is the condition of the property, with those in a poor condition averaging just £45 per square foot.

Rental values for prime properties in the area have been relatively stable since they recovered from the credit crunch in 2010 because supply and demand remain well-balanced.

Demand

As with many other prime central London districts, international buyers and tenants are an important source of demand for prime property in Kensington and Holland Park. In 2014/15 40% of purchasers and 72% of tenants were from overseas, with those from Western Europe being the most dominant.

Given the high property prices, it is unsurprising that the majority of buyers already living in the UK were moving from within the local area. Those purchasing their main residence accounted for 56% of purchasers in 2014/15, with the remaining 44% buying a second home or investment.

Commuting to the key employment hubs is quick and convenient from Kensington and Holland Park. As such, demand in the prime rental market is driven by those renting for employment relocation, who accounted for 64% of tenants over the past two years. ■



Holland Park comprises 54 acres of diverse parkland

FIGURE 2 **What would the same property sell or rent for on our featured roads?**

TERRACED HOUSE OF APPROX. 2,000-3,000 SQ FT			
Location	Postcode	Sale Price	Rental Value*
Pembroke Square	W8	£4.25m - £5.75m	£2,100 - £2,500
Sheffield Terrace	W8	£5.25m - £5.5m	£3,500 - £4,500
Scarsdale Villa	W8	£5.35m - £7m	£2,500 - £3,500
Douro Place	W8	£5m - £7m	£4,000+

THREE BEDROOM APARTMENT OF CIRCA 2,000 SQ FT			
Location	Postcode	Sale Price	Rental Value*
Kensington Court	W8	£4.1m - £4.6m	£2,500 - £3,000
Campden Hill Court	W8	£3.8m - £4.3m	£1,500 - £2,300
Wynnstay Gardens	W8	£3.6m - £4m	£1,500 - £2,100
Iverna Court	W8	£3.5m - £3.85m	£2,000 - £2,400

Source: Savills Research

*per week

Development

HIGH QUALITY LUXURY SCHEMES

Residential development in Kensington and Holland Park currently comprises a number of small luxury schemes

In Kensington and Holland Park new development is a rarity, consisting of small luxury developments rather than large scale development found further west, such as Berkeley's 375 Kensington High Street and Capco's regeneration scheme at Earl's Court to the south.

This is partly because there is limited land available and it is relatively difficult to get planning in the Royal Borough of Kensington and Chelsea (RBKC); the challenge for developers is to engage the local community and concentrate on creating genuinely excellent schemes.

The recently completed Holland Green, a 62-unit

scheme by Chelsfield, has set the precedent for high quality luxury schemes in the area. There are a handful of schemes which have recently obtained planning permission in early 2016; Allen House (AHL Bidco Sarl, 44 units), Duke's Lodge (Project Dukes Ltd, 24 units), and The Odeon (Minerva, 63 units). Grainger's scheme on Young Street and Native Land/ Grosvenor's Holland Park School are under construction and likely to be the next to complete.

Purchasers in these locations are drawn by the proximity to green spaces and accessibility into central areas. RBKC is the only borough to introduce

a basement policy which restricts subterranean developments to a single storey and bans it on listed buildings, pushing buyers towards new build product which can cater for demand for spas, swimming pools and private cinemas. ■



Only a handful of schemes have recently obtained planning permission



Holland Green, a recently completed scheme

Outlook

THE WIDER CONTEXT

Both locations are well-placed to draw on any increased demand for sales and rental market

The prime London housing market has faced a number of challenges over recent years as a result of a changing political and fiscal environment.

The reform of stamp duty announced in the 2014 Autumn Statement has had a bigger impact on the prime London market than many forecast. However, where the tax burden has increased the adjustment to prices has been relatively rational and in line with the additional stamp duty increase. Following this, the announcement in the 2015 Autumn Statement of increased stamp duty payable for buyers of “Additional Homes” has caused further small price falls in the market.

Property prices in Kensington and Holland Park are forecast, in line with prime central London, to remain broadly flat through 2016 and most of 2017 due to the increased tax burden and the political uncertainty stemming from the May mayoral election and EU referendum in June.

However, we expect there to be a gradual return to trend rates of price growth over the medium term supported by the fundamentals of wealth generation.

The rental market

The economy and employment opportunities are key drivers of the prime rental market in London. With both factors

forecast to continue improving over the next five years, the attractiveness of London will continue to strengthen for those looking to relocate. Kensington and Holland Park are well placed to draw on this demand as they are already popular locations for those moving for employment reasons.

The rental market in London is very dependent on the balance between the supply and demand of properties. Where there are high levels of new build stock coming to the rental market simultaneously, rental values are being put under pressure.

Within Kensington and Holland Park new developments are on a small scale. However, there are larger schemes coming forward in the fringes of the area, most notably in West Kensington and Earl’s Court. This means that tenants will have more choice between new build properties and the second hand offering, so landlords will need to maintain their properties to a high standard to remain competitive. ■

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