Spotlight
Earl’s Court and Barons Court
2015
A growing market, Earl’s Court is well positioned to become part of the established prime markets in close proximity to central London. It has the housing stock to become a more established prime location and the catalyst for change is likely to be regeneration and new investment into the area.

The existing housing stock in both Earl’s Court and Barons Court consists of garden squares, roads of Victorian red brick mansion flats and large four and five storey white stucco fronted terrace houses. This is similar to the neighbouring prime markets of Chelsea and Kensington.

Property prices
Earl’s Court currently sits between the two higher value prime housing markets of Fulham to the south and prime central London to the east. The value gap between Earl’s Court and prime Central London is substantial. In the ward of Earl’s Court, as illustrated on Map 1, the average sale price in 2014 was £1,020,000, significantly cheaper than Abingdon to the north and Redcliffe to the south which had average sale values of £1,700,000 and £1,650,000 respectively.

In the ward of North End, to the west of Earl’s Court, values are even lower with an average sale price of £640,000. This is despite much of the housing stock mirroring the properties in prime central London, indicating potential for significant uplift.

The rental values around Earl’s Court vary significantly depending on property type and location but also offer good value. At just under £2,300, the median monthly rent in Earl’s Court (SW5) is higher than the London average at £1,300 but lower than the typical rents paid in the borough of Kensington and Chelsea with a median monthly rent of £2,600 according to Rightmove.

Changes ahead
Change is already underway in the area. Earl’s Court is attracting an increased amount of investment and many of the hotels are now being restored back to their residential use. The biggest change will be the redevelopment around the former Earls Court exhibition centre, a development of 77 acres (see Development page). Construction has already begun on the first phase but the entire Masterplan is a long term project.

A regeneration site of this scale is genuinely unique in central London. As development continues and connectivity is...
improved, particularly from east to west over the railway line, we believe the latent value of the housing stock in locations surrounding the development will be progressively unlocked by rising demand from increasingly affluent buyers and tenants.

Over time Earl’s Court will continue to establish itself as a prime destination and will bridge the gap between more expensive neighbouring locations.

### TABLE 1
What would the same property sell/rent for on five featured roads? 1st floor flat, 700 sq ft, 2 beds & 2 baths

<table>
<thead>
<tr>
<th>Location</th>
<th>Postcode</th>
<th>Value</th>
<th>Rent (per week)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bramham Gardens</td>
<td>SW5</td>
<td>£1.3m - £1.6m</td>
<td>£625 - £675</td>
</tr>
<tr>
<td>Earls Court Square</td>
<td>SW5</td>
<td>£1.2m - £1.4m</td>
<td>£600 - £650</td>
</tr>
<tr>
<td>Philbeach Gardens</td>
<td>SW5</td>
<td>£950k - £1.2m</td>
<td>£575 - £625</td>
</tr>
<tr>
<td>Anselm Road</td>
<td>SW6</td>
<td>£775k - £900k</td>
<td>£425 - £475</td>
</tr>
<tr>
<td>Comeragh Road</td>
<td>W14</td>
<td>£650k - £800k</td>
<td>£375 - £425</td>
</tr>
</tbody>
</table>

Source: Savills Research

### MAP 1
The Earl’s Court housing market in 2014*

A look at where the sales happened and at what value

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Source: Land Registry  *12 months to Nov 2014
Investment

WHERE WILL THE DEMAND COME FROM?

The number of international buyers in Earl’s Court is set to increase as the redevelopment takes place

Demand for property in the Earl’s Court area currently comes from a number of sources. Industry already plays an important part reflecting the fact that Earl’s Court provides good transport links to a number of key employment hubs, particularly the West End.

The largest employment industry for people living in Earl’s Court is the Financial and Insurance sector followed by the Professional, Scientific and Tech sector accounting for 20.0% and 16.4% of the employees respectively, according to the 2011 Census. The dominance of these sectors is not dissimilar to Kensington and Chelsea, indicating Earl’s Court has capacity to draw demand from these higher value markets.

The trigger for this is the fact that Earl’s Court itself is set to become more of a destination. The new redevelopment of the area will include offices and work spaces to support around 10,000 new jobs as well as providing a new high street with independent shops. This is likely to attract more people to both work and live in the area.

International residents are an important source of demand for the prime housing market in London, accounting for around 38% of buyers across prime London. Locally, the French Lycée schools are a particular attraction, and as the redevelopment of Earl’s Court takes place, we expect to see a rise in the number of international buyers looking for property in the area.

Investors

Another important source of demand is from investment buyers. They are particularly attracted to this part of London as there is a mature private rented sector. According to the 2011 Census, 25.1% of households in London are in the private rented sector and in Earl’s Court the proportion is significantly higher at 41.6% of all households.

Demand for rental properties in the area comes from tenants in both the prime and mainstream markets. The prime rental market benefits from a strong employment market and the increasing number of international companies in London. Savills figures show that across prime London, 47% of tenants are renting due to employment relocation and 60% of tenants are from overseas. A revamped Earl’s Court is well placed to pick up on this and attract more affluent tenants.

In the mainstream market, rental demand is being driven by would be first-time buyers who have been priced out of the market and/or are unable to access mortgages as a result of tighter lending criteria.

STAMP DUTY

What do the new stamp duty changes mean?

The substantial reform of stamp duty announced in the 2014 Autumn Statement will mean savings for around three quarters of a million home buyers across England and Wales as all buyers up to £937,500 will benefit. By contrast, around 17,000 transactions above this value will bear an increased stamp duty tax burden.

At the top end of the market, we estimate around one third of total stamp duty revenues will come from property worth more than £2million, less than 0.5% of all transactions. This should put an end to any argument that these properties are under-taxed and further significantly undermines any case for a mansion tax.

41.6% of all households in Earl’s Court are in the private rented sector.
Ambitious regeneration scheme will introduce four new urban villages and a high street

The Masterplan of the 77-acre Earls Court development, which proposes the transformation of the area into four new urban villages and a high street, has been formally approved and the demolition and construction phases have started. The site is being developed by property company Capco (Capital & Counties Properties PLC), and includes 7,500 new homes, ranging from mansion blocks to family houses, loft-style flats and Affordable Housing.

The first phase is Lillie Square, a joint venture between Capco and KFI (the Kwok Family Interests). The development is transforming a car park on Seagrave Road into 808 homes. Construction began in 2014 and apartments are being sold off-plan with the first apartments set to be completed by the end of 2016.

Detailed proposals for the first phase of the Earls Court Masterplan were approved in April 2014 and will create the new districts of Earls Court Village and West Brompton Village. Additionally, planning was granted to change the use of the Empress State Building from office to residential. Further detailed planning applications for the other villages will be submitted in due course.

Infrastructure
As part of the Masterplan for Earls Court, a number of improvements will be made to the existing streets, new streets will be built and parts of the railway line decked over, significantly improving the connectivity of the area. There will be cycle paths and new cycle docking stations as well as improvements to the neighbouring Tube stations. The development will incorporate 27 acres of green space, including the Lost River Park.
The outlook for Earl’s Court needs to be considered in the context of the wider prime London market. With an election approaching and the taxation of high value property on the political agenda we expect values across prime London to plateau for the next few months. What happens after the election depends on who gets into power and specifically whether a full blown mansion tax is introduced, abandoned or substantially toned down.

We are forecasting prices will see small falls in prime central London and plateau across the rest of the prime London market in 2015. Overall, this means committed sellers will need to be realistic on prices but there is a buying opportunity for those who are prepared to take a long term view on the prime housing market.

In Earl’s Court, regeneration will result in an additional uplift in prices, although the impact won’t be felt immediately as it typically starts once the development begins to feel like a place. This offers an opportunity for buyers as the regeneration has only just started.

The rental market

Across prime London, the strengthening economy will underpin demand for prime rental property. We expect rents to rise by 17% on average over the next five years, unless a mansion tax were to be introduced and levied on the occupier of £2m+ homes.

In Earl’s Court, the number of private renters is already high and it is well placed to attract more investment from both traditional and institutional investors.

However, this might put rental values under pressure at times if high levels of new build stock enter the rental market. Over the long term, rental values in Earl’s Court are likely to see a similar uplift to the sales values on the back of the regeneration.

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