

# inside/

*Kensington & Chelsea*

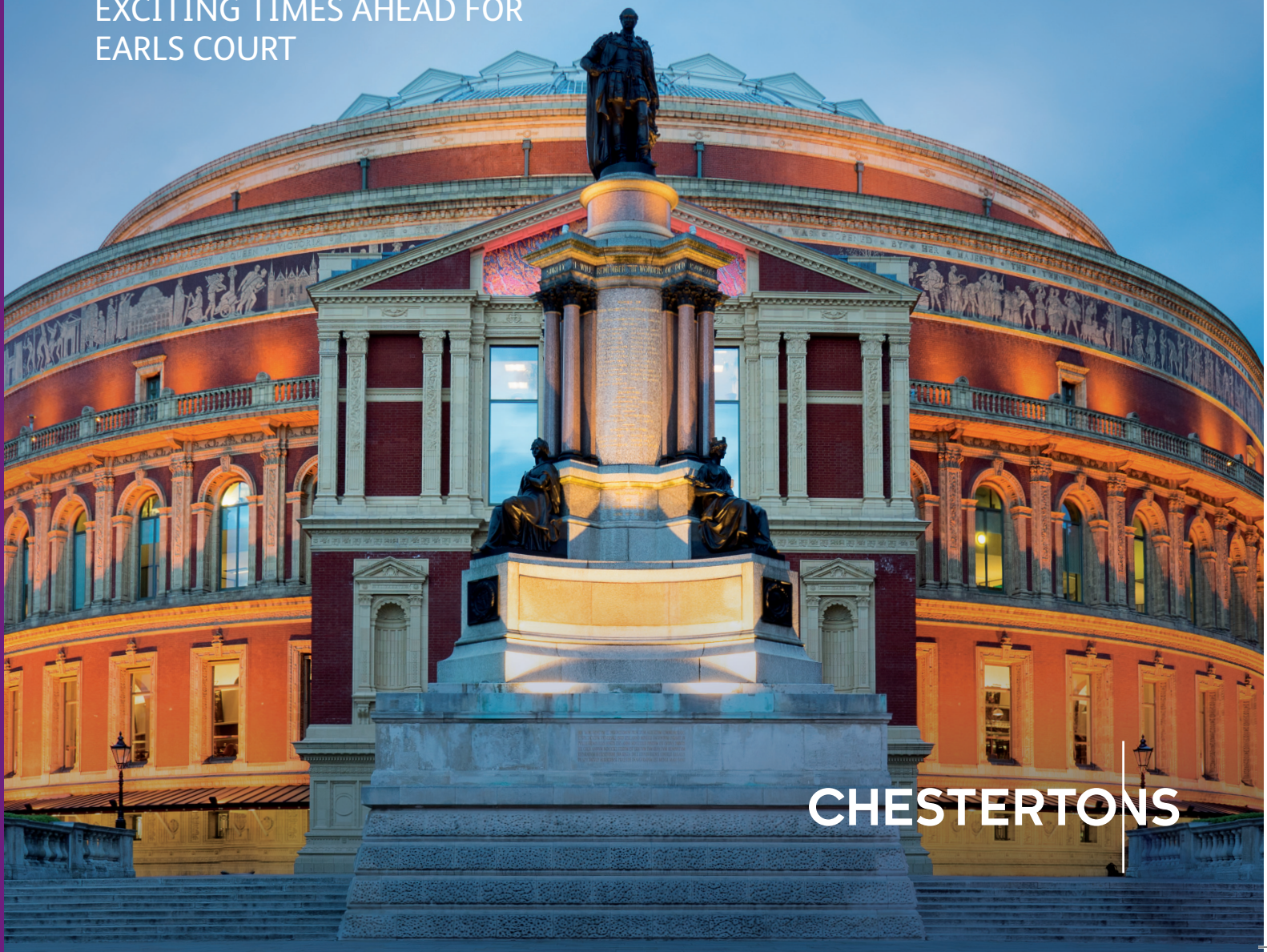
Review of the *Kensington & Chelsea* residential property market

Issue 1

**LIMITED AVAILABILITY  
FUELS OFFERS**  
SALE PRICES SOAR AS BUYER  
COMPETITION GROWS

**RENTERS HAVE  
THEIR PICK**  
DRAMATIC INCREASE  
IN NUMBER OF  
PROPERTIES TO RENT

**REGENERATION  
TRIGGERS DEMAND**  
EXCITING TIMES AHEAD FOR  
EARLS COURT



**CHESTERTONS**

## /INTRODUCTION

The Royal Borough of Kensington & Chelsea is one of London's most desirable areas to live, characterised by a mix of charming mews houses, regal red-brick mansion blocks and stucco-fronted terraces which are some of the capital's most expensive.

The area is most popular with British and Europeans – especially French and Italian – drawn to the area by its array of high-end boutique shops, fabulous restaurants and world class cultural

venues such as the V&A, Royal Albert Hall and the Natural History Museum. With something for everyone, this area appeals to a wide variety of residents including professionals, students of the nearby Imperial College, long-term residents and families attracted by the mixture of good local independent, state and private schools including the famous French-speaking Lycée International.

## /SALES MARKET OVERVIEW

Property sales in Kensington & Chelsea have slowed this year with transactions in the first six months of 2016 20% lower than the same period last year<sup>1</sup>, Price growth has stabilised, with average sold prices for the year to June 2016 just 1% higher than the average for the same period in 2015. Nonetheless, average prices are now 66% above their pre-global recession peak in 2008.

One of the factors affecting the sales market in Kensington & Chelsea – and across the whole of London – is the recent change to the stamp duty system, which in April saw the introduction of a 3% surcharge for buyers of second homes and buy-to-let properties.

<sup>1</sup>According to Land Registry data

As well as putting some investors off buying completely, this has encouraged many buyers to seek price reductions to offset the increased tax they face having to pay.

Now that the UK has voted to exit the EU, although some buyers are waiting for the dust to settle, the majority of buyers that were looking before June are still active in the market, taking a long-term approach and making the most of record low mortgage interest rates. Following the recent reduction in mortgage rates after the Base Rate cut in August, London property is an even more attractive investment and the relative weakness of the pound is also tempting more overseas buyers back to the market.



“Despite a slowdown in the number of sales, average prices are now 66% above their pre-global recession peak in 2008.”

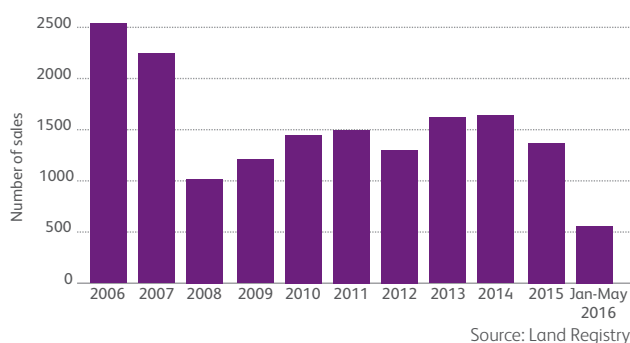
*Patricia Farley, Sales Director*

## /SALE PRICES

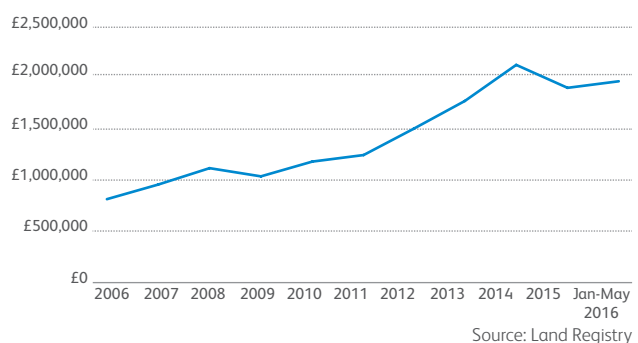
Property type	Average price range
One-bed apartment	£750,000 – £1m
Two-bed apartment	£1m – £2m
Three-bed apartment/house	£2m – £4m
Four-bed house	£4m – £5m
Five-bed house	£5m+



Residential sales in Kensington & Chelsea



Average sold prices in Kensington & Chelsea



## /SALES OUTLOOK

The largest regeneration project currently underway in the borough is in the Earls Court area, which is expected to deliver 7,500 new homes, phased over the next 20 years. Alongside this are some isolated refurbishments, which include South Kensington underground station and the Natural History Museum. Notwithstanding some local opposition to the plans, there is also a possibility that the area could benefit from the proposed Crossrail 2 line, for which construction is due to start in 2020. The future site for the station is still under consultation, however, the two main options are either the fire station on the Kings Road or Imperial Wharf over-ground station.

The short-term direction of the sales market is difficult to call: the combination of Brexit uncertainty, the cumulative impact of higher property taxes and affordability issues continue to subdue the Kensington & Chelsea market. Nonetheless, since the EU referendum, markets have stabilised and confidence has been rapidly returning, especially after the Bank of England's economic interventions. It remains to be seen whether prices and activity will bounce back in the traditionally busy autumn season, but Chestertons' branches in the borough have been reporting a positive September.

Long-term, we predict 10-15% price growth over the next five years in Kensington & Chelsea, driven by low interest rates, a relatively weak pound and the enduring desirability of the area.

## /LETTINGS MARKET OVERVIEW

Demand for rental property in Kensington & Chelsea has remained steady over the past year, but the number of properties on the market has significantly increased by 29%. This is partially due to a wave of new properties that came onto the market in the spring from landlords that had rushed to purchase investment properties before the 3% stamp duty surcharge came into force on 1st April. It has been augmented by frustrated

homeowners who rented their properties when they could not sell them at the price they wanted. With a greater choice of properties available for tenants to rent, rents have reduced 5-10% since the stamp duty changes. Nonetheless, for landlords willing to accept offers there is a wide choice of good tenants – especially corporate ones – who are willing to take long leases which will therefore reduce void periods.

## /RENTAL VALUES

Property type	Average weekly rent
One-bed apartment	£450 – £650
Two-bed apartment	£650 – £1,000
Three-bed apartment/house	£1,000 – £2,000
Four-bed house	£2,000 – £3,000
Five-bed house	£3,000+



“Property is still seen as one of the safest investments and the buy-to-let market shows few signs of slowing.”

*Lawrence Brown, Lettings Director*

## /LETTINGS OUTLOOK

The rental market in London continues to expand due to affordability levels and currently 35.8% of all households in Kensington & Chelsea are renting privately. House price growth continues to outstrip earnings growth, which is unlikely to change in the short to medium term and means that many aspiring buyers will be forced to rent for longer.

Despite landlords being hit with a raft of tax and legislation changes that will affect them financially and add to their

administrative workload, property is still seen as one of the safest investments and the buy-to-let market shows few signs of slowing. However, renters are still price-conscious and can choose from a reasonably wide selection of available properties, of which the most desirable are modern and contemporary apartments. Additionally, rental growth is being tempered by renters looking into neighbouring boroughs where rents are cheaper and floor areas larger. Landlords therefore need to be flexible in terms of their rental expectation.

## /OUR SERVICES

Chestertons provides a range of services to homeowners, landlords and investors. With more than 30 offices across London, Chestertons has one of the largest networks in the capital, as well as a strong international presence.

### Our services include

- **Sales:** We will manage the entire sales process, from giving an accurate and realistic valuation of the property, through to advising on the most effective marketing strategy and managing the legal process once an offer has been accepted.
- **Lettings:** Our highly qualified teams ensure we find the best quality tenants and achieve the best possible rents and terms, protecting landlords' investment and their tenants' well-being through our professional customer service and stringent compliance processes.
- **Property management:** We offer a full suite of services ranging from securing tenants and rent collection, through to full management of individual properties and portfolios.
- **Leasehold services:** We specialise in helping clients with the valuation and negotiation process involved in lease extensions, freehold purchases and collective enfranchisement.
- **Mortgage finance:** We specialise in arranging finance for properties at the mid to top end of the market through our partner Springtide Capital.

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