

Belgravia market bulletin

June 2019



£1,632

Average £psf achieved for Belgravia property sales

dataloft/LONRES
Q2 2018–Q1 2019

24%

Proportion of properties sold with a lease length of less than 50 years

dataloft/LONRES
Q2 2018–Q1 2019

£1,133

Average weekly Belgravia rental values

dataloft/LONRES
Q1 2019

+4.4%

Rise in the value of sterling against the Euro since the start of 2019

dataloft/BANK OF ENGLAND
EXCHANGE RATE AS OF 9 MAY 2019

Defying the market

The UK's Brexit extension may well have calmed the political mayhem; however, the prime central London housing market remains in a state of flux. For those looking to reside in London's prime residential districts, letting property offers a viable alternative in uncertain times.

Sales

Belgravia has defied the market at the start of 2019. While sales volumes across prime residential areas of London were 3.8% lower during the first quarter of 2019 compared to the year previously, Belgravia recorded its highest quarterly volume of sales since April–June 2015, as savvy purchasers sought to benefit from current pricing in the market.

Adjacent to Buckingham Palace and Hyde Park, and with a number of high-class developments on the horizon, there is significant interest in this iconic London neighbourhood. With average prices per square foot currently in the region of £1,630, Belgravia offers a good value proposition when compared to Mayfair and Knightsbridge where values hover around £2,000psf.

Lettings

For each property sold across Belgravia, new lets were agreed on eight properties during 2018, compared to a ratio of 1:5 in 2014 when the sales market was at its peak (see chart on right). A surge in prime (+£5,000 per week) lets has undoubtedly buoyed prices, average weekly rents 2.4% higher in the first quarter of 2019 compared to a year ago. Prime lets accounted for one in every 35 properties let in the twelve months to the end of March, double the preceding year.

For those looking to bide their time, renting in the current climate can make economic sense. A prospective purchaser can reside in a £5,000 per week prime rental property for 72 weeks, or 18 months, for the equivalent price of property taxation (SDLT and HRAD) on the purchase of a £3 million second home.

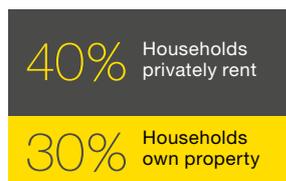
RATIO OF LETTINGS TO SALES INCREASES ACROSS PCL

● Sales ● Lettings 2014 ● Lettings 2018

Number of new lets for each sale has increased (2018 versus 2014)



BELGRAVIA'S LETTINGS MARKET



dataloft/LONRES (BASED ON DATA JANUARY – JULY)

Who rents in Belgravia?

A greater proportion of households privately rent in Belgravia than owner occupy, but what characteristics typify a renter in Belgravia?

Renters remain

The average age of a tenant in Belgravia is 36, although over the past year two in every five new tenants were aged 20–29. Unsurprisingly, over two-thirds are employed in the financial, banking or professional sectors (legal, accounting, architecture), a further one in ten in tech and IT services. Over one third of tenants have an annual income in excess of £100,000, spending on

average 31.4% of their gross income on rent. For many renters, once settled here, this is where they remain, over a quarter (28%) moving less than one mile to their new home. Over the past year 29% of tenants have moved from overseas, up from 23% a year previously, no doubt a result of hesitancy in the sales market, with nearly half opting for a tenancy period of 24 as opposed to 12 months.

TYPICAL RENTERS

versus renters in other prime areas



Belgravia
Other prime

36
35

43%
35%

31.4%
31.1%

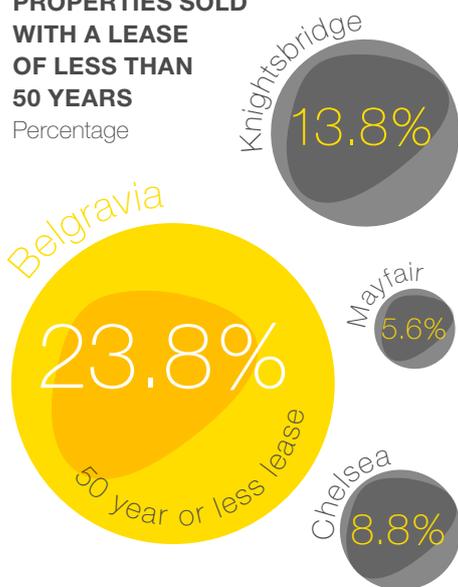
28%
31%

29%
24%

dataloft/DRMA, BASED ON NEW TENANCIES (Q2 2018–Q1 2019)

PROPERTIES SOLD WITH A LEASE OF LESS THAN 50 YEARS

Percentage



dataloft/LONRES (SALES Q2 2018–Q1 2019)

Short lease properties the answer in a challenging market?

For many, purchasing a leasehold property is a depreciating asset. However, for shrewd buyers in a challenging market such a purchase may well appeal.

Lower tax burden

At £974, the average price per square foot of property sold with a lease length of less than 50 years across Belgravia is 45% less expensive than those sold with a lease length of over 100 years (£1,766). Such properties therefore attract less of a tax burden in terms of stamp duty land tax, inheritance tax and capital gains tax at point of sale. Over the past year, nearly one in four properties sold in Belgravia had a lease length of less than 50 years. Across prime residential areas the figure was just one in thirteen. The intricacies involved with extending the lease, or leasehold enfranchisement, are undoubtedly complicated and we advise any prospective purchaser to contact us for specialist advice and guidance.

LONDON'S PRIME RESIDENTIAL MARKETS INCLUDES BELGRAVIA, KNIGHTSBRIDGE, CHELSEA, SOUTH KENSINGTON AND MAYFAIR. BELGRAVIA IS DEFINED AS: SW1W, SW1X 8, SW1X 9