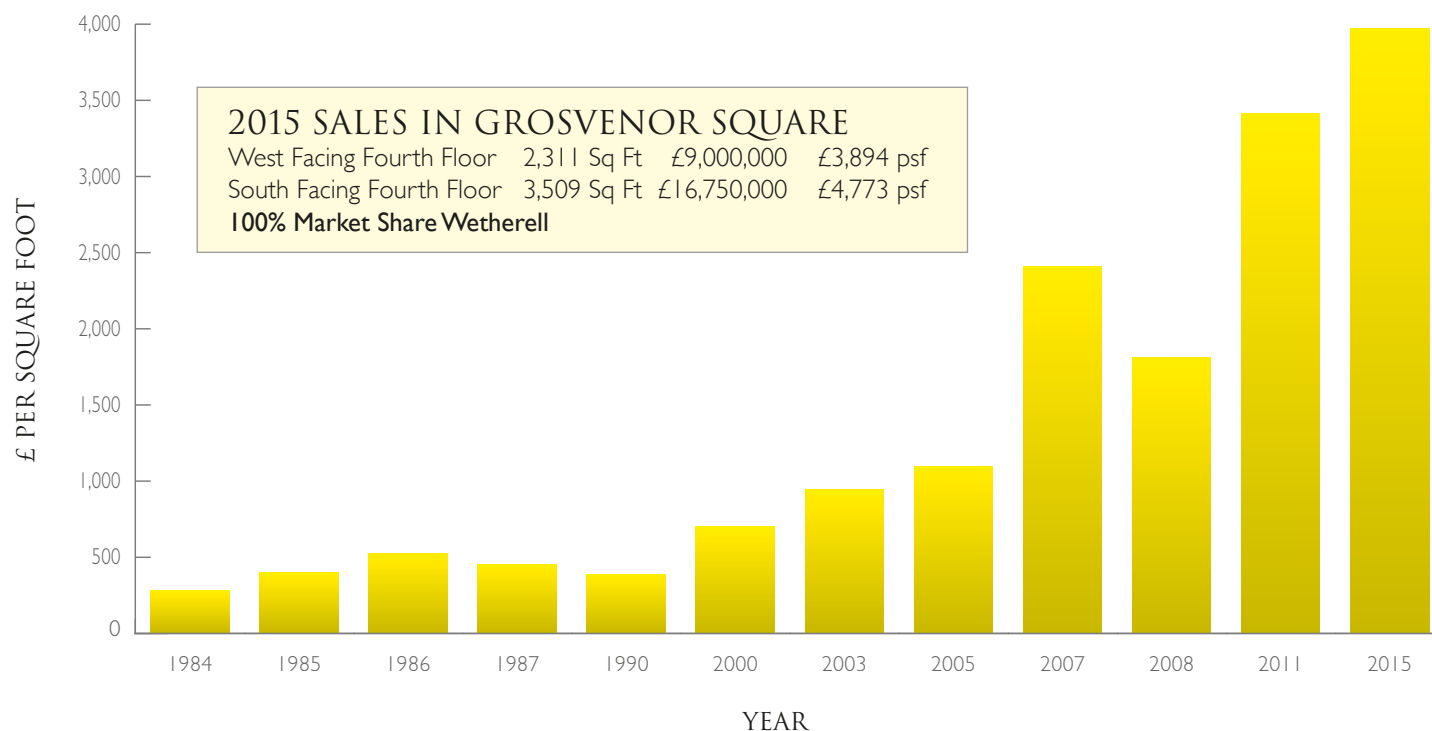




WETHERELL MAYFAIR RESIDENTIAL MARKET UPDATE

END OF YEAR REPORT - 2015

FREEHOLD £ PER SQUARE FOOT VALUES FOR A 2/3
BEDROOM PRE-OWNED APARTMENT IN GROSVENOR SQUARE



The £psf Value based on real sales evidence with actual lease length values adjusted to Freehold Values

INTRODUCTION

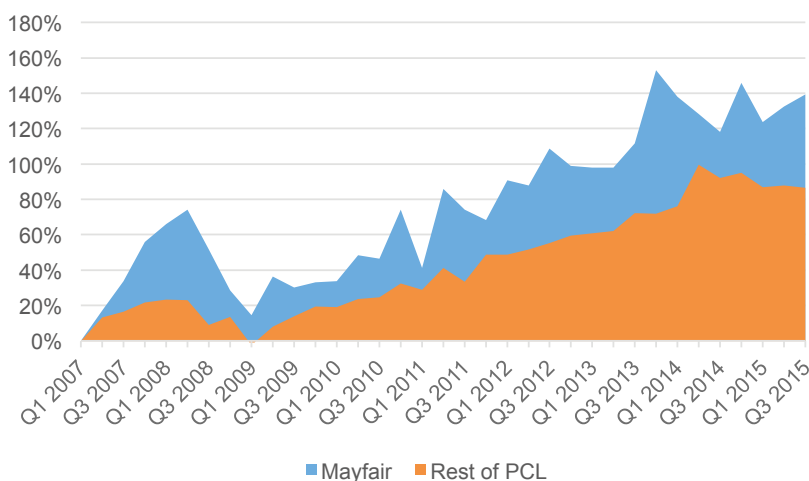
The Wetherell Market Update details the Mayfair residential property market (defined as W1J, K & S). To put Mayfair in the context of the wider prime central London market we have compared the Mayfair catchment with the rest of PCL (to include SW1A, SW10, SW3 & SW7).



NO-ONE KNOWS MAYFAIR BETTER THAN WETHERELL

ACHIEVED PRICES

ACHIEVED PRICES PER SQUARE FOOT FOR FLATS SOLD IN MAYFAIR HAVE RISEN SIGNIFICANTLY SINCE THE START OF 2007. VALUES ACHIEVED PER SQUARE FOOT ARE NOW 139% HIGHER THAN IN Q1 2007. THE REST OF PRIME CENTRAL LONDON INCREASED BY 87% OVER THE SAME PERIOD.



ACHIEVED PRICES – GROWTH SINCE Q1 2007 - FLATS

Source: LonRes – data compares year to Q3 2015 with year to Q3 2014 and year to Q3 2013

Average prices achieved per square foot across Mayfair this year were, on average, 35% higher than the average for properties sold in the rest of prime central London. The premium per square foot for Mayfair properties has increased, up from 25% three years ago and 8% a decade ago.

PRICES PER SQUARE FOOT AND MAYFAIR PREMIUM

	Achieved £ per square foot		Mayfair premium
	Mayfair	Rest of PCL	
2012	£1,890	£1,508	25.4%
2013	£2,074	£1,621	27.9%
2014	£2,249	£1,821	23.5%
2015 YTD	£2,383	£1,764	35.1%

Source: LonRes - Full year figures 2012 – 2014, 2015 includes all properties sold or with contracts exchanged to 23rd November 2015

Mayfair is rapidly regaining its crown as the most prestigious London neighbourhood. The conversion of Mayfair mansions back to their intended use as homes for the wealthy, alongside significant, (in Mayfair terms) levels of new development activity have meant prices have risen significantly in recent years.

Mayfair commands higher average values per square foot than all other prime London areas, with the exception of Knightsbridge (SW1X). Average prices per square foot for homes sold in Mayfair in 2015 were just 1% lower than in SW1X, compared with a discount of 10% three years ago.

PREMIUM PER SQUARE FOOT FOR MAYFAIR COMPARED WITH OTHER PRIME CENTRAL LONDON POSTCODES

	2010	2011	2012	2013	2014	2015 YTD
SW10	50%	56%	72%	72%	66%	77%
SW1A	22%	4%	-25%	7%	19%	12%
SW1W	10%	16%	20%	27%	25%	36%
SW1X	-4%	-9%	-10%	-6%	-7%	-1%
SW3	16%	19%	24%	23%	20%	30%
SW7	16%	17%	25%	26%	20%	34%

Source: LonRes – please note SW1A has a small sample therefore figures are more erratic
Full year figures 2010 – 2014, 2015 includes all properties sold or with contracts exchanged to 23rd November 2015



TRANSACTIONS



TOP HOUSE

MOUNT STREET MANSION

This year saw Wetherell involved in the majority of transactions at the top end of the market with our No.1 sale being a townhouse in Mount Street with a rare double basement with swimming pool plus a patio garden and a roof terrace and was sold freehold on an asking price of £48M.

QUICKEST EXCHANGE

40 VIEWINGS

14 OFFERS

5 DAY EXCHANGE

Tales of a quiet market pall into insignificance when the "right property" comes to market. Wetherell recently sold an amazing unmodernised 1 bedroom apartment with a reception room having 3 windows across and 15 foot ceiling heights.

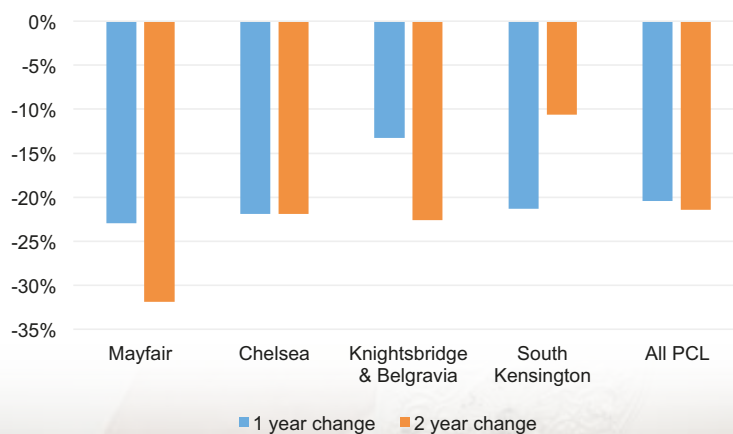
This was Wetherell's quickest exchange of the year, although we had been tracking the instruction for years and the rush of viewings took over two weeks to process.

Charles Street ►

THE IMPACT OF INCREASED TAXATION AND REGULATION ON THE UPPER END OF THE PRIME CENTRAL LONDON PROPERTY MARKET HAS IMPACTED UPON TRANSACTIONAL ACTIVITY IN MAYFAIR AND ITS NEIGHBOURING DISTRICTS.

All areas of prime central London saw the number of homes sold above £2 million fall compared with the same period a year earlier. In Mayfair there were **23% fewer homes sold in the year** to September 2015 compared with the previous year and 32% fewer than in the year to September 2013.

CHANGE IN TRANSACTION VOLUMES £2 MILLION OR MORE



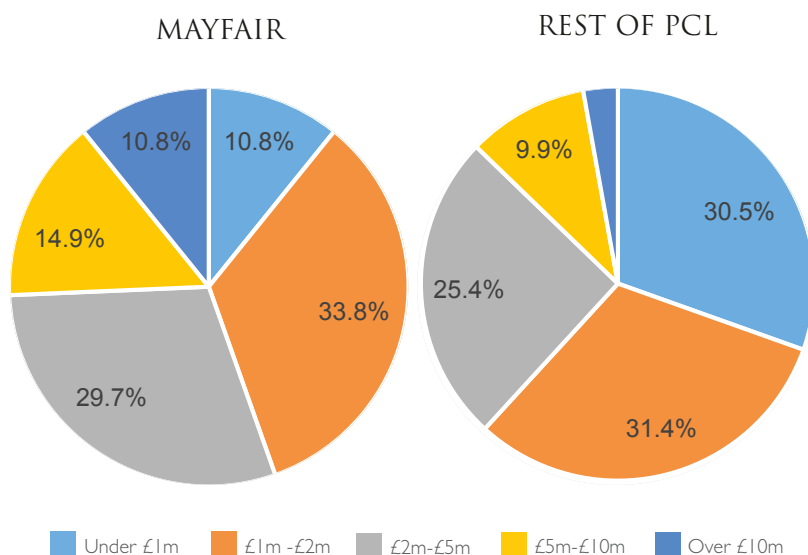
Source: LonRes – data compares year to Q3 2015 with year to Q3 2014 and year to Q3 2013



SALES BY PRICE BAND - ACHIEVED PRICE

26% OF PROPERTIES SOLD IN MAYFAIR SO FAR THIS YEAR ACHIEVED £5 MILLION OR MORE COMPARED WITH 13% ACROSS THE REST OF PRIME CENTRAL LONDON.

SALES BY PRICE BAND - 2015 YTD



Source: Lonres – sold or contracts exchanged between 1st January and 23rd November 2015



GROSVENOR SQUARE £PSF VALUES OVER 30 YEARS

The sale of this apartment has allowed Wetherell to track values of similar apartments in the building over a 30 year period.

The graph on the front cover of this report shows the increase in £ per square foot values.

Due to different lease lengths all values have been adjusted to "Freehold Values" using an established index.

1984 - £280 P.S.F.

2015 - £3,970 P.S.F.

The 2015 sale at nearly £4,000 p.s.f. compares to a 1984 value of £280 psf and a 2000 value of £703 psf.



SOLD

◀ **Grosvenor Square - The One & Only - From £280 p.s.f to £4,000 p.s.f in 30 years**



THE EFFECT OF CHANGING SDLT RATES?

NO TRANSACTIONS BETWEEN £7.5-10M

Early 2015 changes to the SDLT (stamp duty land tax) with a 5% increase creating a top rate of 12% of purchase price or 15% for purchasing in the name of a company has most effected the sales of property between £7.5M and £10M in the Mayfair area. (The subsequent 3% hike for 2nd homes is too early to tell.)

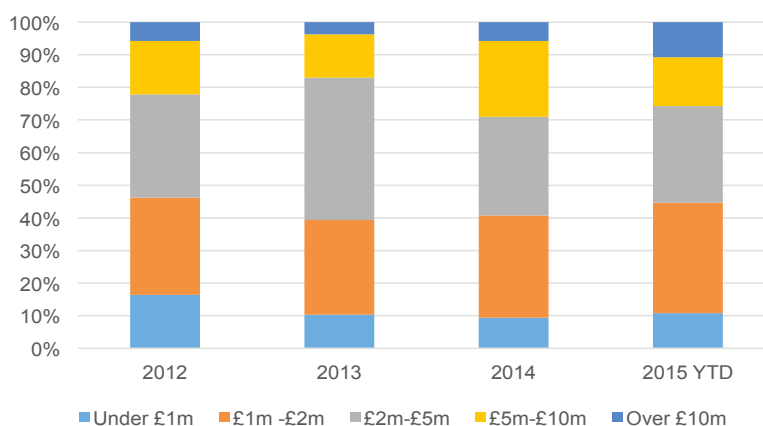
Wetherell have recently sold on behalf of Grosvenor a 2/3 bedroom apartment in Grosvenor Square at a figure of £9,000,000.

This is the first sale of an apartment in Mayfair between this price band for the entire year!

No other house or flat has been sold in this price category – transactional costs of approximately £1,000,000 have affected this price band.

Only One Mayfair Sale Between £7,500,000 and £10,000,000

SALES BY PRICE BAND – MAYFAIR

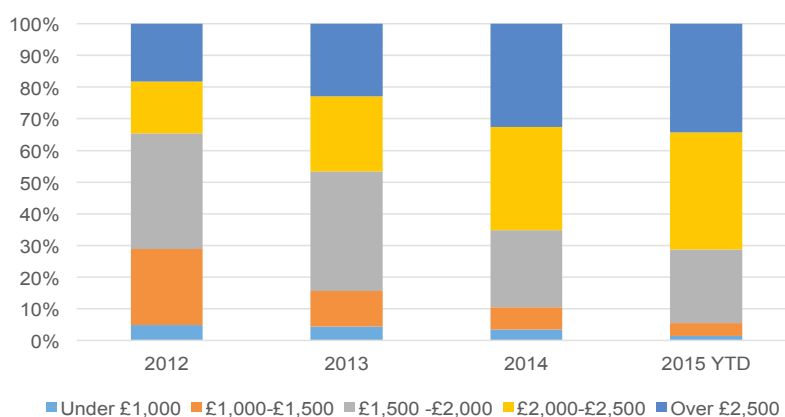


Source: LonRes – Full year figures 2012 – 2014, 2015 includes all properties sold or with contracts exchanged to 23rd November 2015

SALES BY PRICE BAND - ACHIEVED PRICE PER SQUARE FOOT

So far this year (as at 23rd November) 34% of properties sold in Mayfair achieved £2,500 per square foot or more, with 71% achieving £2,000 per square foot or higher. This compares with 10% of sales over £2,500 per square foot and 29% over £2,000 per square foot in the rest of PCL. The proportion of Mayfair sales achieving £2,000 per square foot or more has increased from 35% three years ago to 71% this year.

MAYFAIR SALES BY PRICE BAND - £ PER SQUARE FOOT



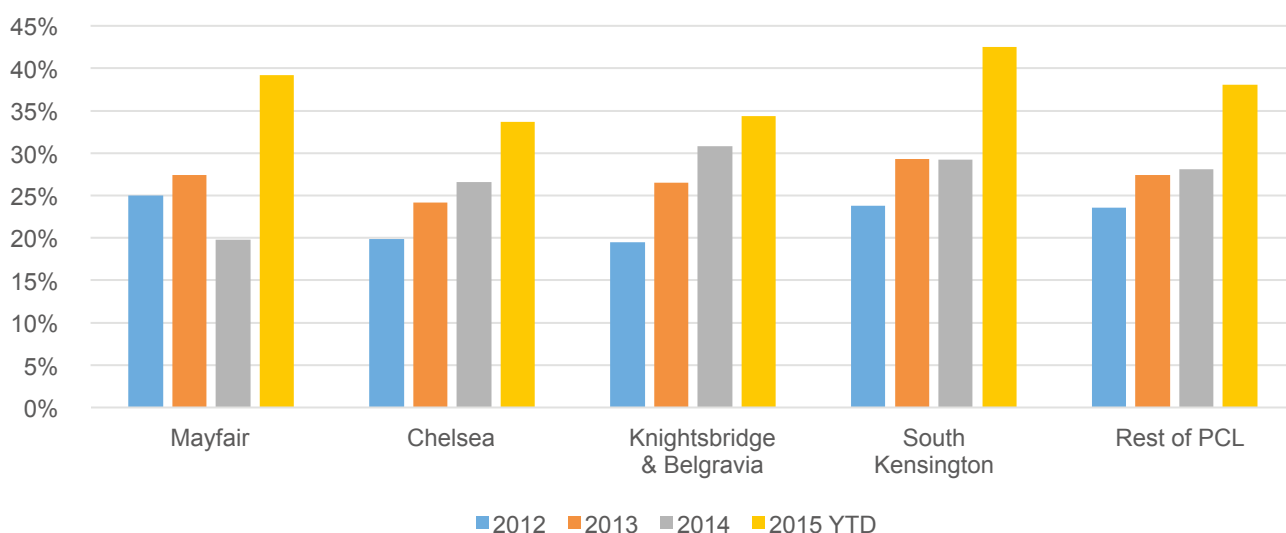
Source: LonRes – Full year figures 2012 – 2014, 2015 includes all properties sold or with contracts exchanged to 23rd November 2015

PRICE REDUCTIONS

THE PROPORTION OF PROPERTIES WHICH HAD THEIR ASKING PRICES REDUCED BEFORE SALE INCREASED THIS YEAR, EMPHASISING THE IMPORTANCE OF REALISTIC PRICING FROM THE OUTSET.

Of those properties sold in Mayfair so far this year, 39% had reduced their asking prices since they were first marketed. This compares with 20% in 2012 and 25% three years ago. Other areas of prime London have experienced a similar increase in price reductions, with 38% of properties across the rest of prime central London reduced in price before a sale was agreed.

PROPORTION OF PROPERTIES WHERE ASKING PRICES HAVE BEEN REDUCED BEFORE SALE.



Source: LonRes - Full year figures 2012 – 2014, 2015 includes all properties sold or with contracts exchanged to 23rd November 2015

ABOVE SCOTT'S

In 1985 Wetherell sold a large 1st floor lateral apartment of 2,320 sq.ft. directly above Scott's restaurant for £315,000 on a 51 year lease.

30 years later Wetherell have sold again but now only on a 21 year lease for £4,000,000.

Taking a 1985 lease of 51 years @ 81.2% of freehold value gives a freehold value at £387,931 (£167 p.s.f.)

Taking the 2015 lease of 21 years @ 59.3% of freehold value gives a freehold value of £6,745,363 (£2,907 p.s.f.)

Of course not only has Scott's gone through enormous changes over the last 30 years but Mount Street itself has changes from Antiques to Boutiques in under 10 years.



Mount Street - Unmodernised From £167 p.s.f to £3,000 p.s.f in 30 Years



ON THE MARKET

WETHERELL COMMERCIAL INVESTMENTS

As of the 1st September 2015 Westminster City Council will not permit the change of use of offices to residential use unless loss of commercial use is replaced elsewhere.

Fundamentally this is the end of the boom in offices to residential which has seen over 2 million square feet of offices converted to residential use in Mayfair.

However continued strength of the commercial market and the downward trend on yields has increased the demand for office investments.

As a consequence, Wetherell have transacted on four commercial deals with a value of approximately £100M that will probably never return to residential use.

All of them originally were built as residential and it is a shame that a policy effecting all of Westminster has such an effect on the Mayfair region.

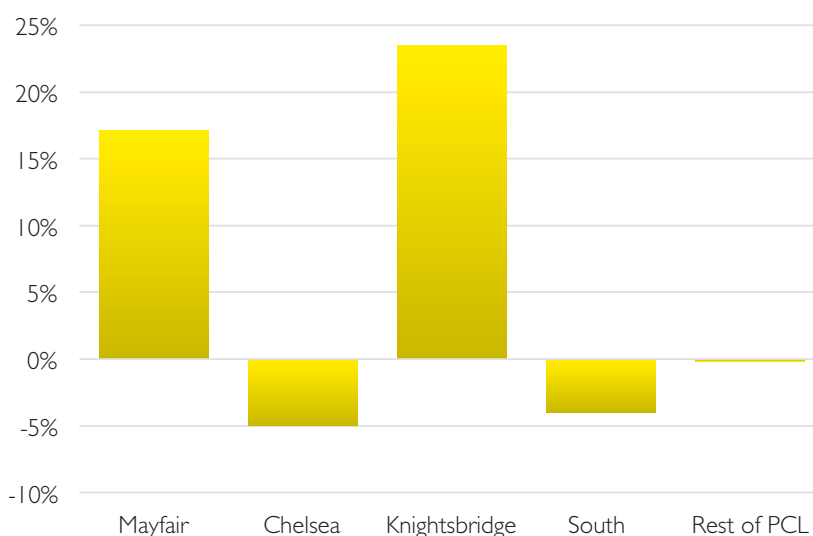


New Bond Street - Retail / Office / Residential Investment

THE NUMBER OF PROPERTIES REACHING THE MARKET IN MAYFAIR SO FAR THIS YEAR (1ST JANUARY – 23RD NOVEMBER) HAS FALLEN COMPARED WITH THE SAME PERIOD LAST YEAR, WITH STOCK LISTED FOR SALE DOWN BY 6%. ACROSS THE REST OF PRIME CENTRAL LONDON VOLUMES FELL MORE SIGNIFICANTLY OVER THE SAME PERIOD, WITH 20% FEWER PROPERTIES LISTED. (THIS DATA INCLUDES ALL PROPERTIES LISTED FOR SALE WHICH MAY HAVE SUBSEQUENTLY BEEN SOLD OR WITHDRAWN).

Taking a snapshot of availability as at 23rd November shows the number of properties on the market in Mayfair has increased by 17% compared with the same date a year earlier and by 16% compared with the same date three years ago. Whereas overall volumes of stock on the market across the rest of prime central London have remained at the same level as they were a year ago, both Chelsea and South Kensington have seen volumes fall, while Knightsbridge and Belgravia experienced an increase of 23%.

ANNUAL CHANGE IN AVAILABLE PROPERTIES



Source: LonRes – available as at 23rd November (2015 compared with 2014)

MAYFAIR RENTS

MAYFAIR NOW ACHIEVES THE HIGHEST RENTAL VALUE PER SQUARE FOOT OF ANY PRIME LONDON NEIGHBOURHOOD.

Properties let so far this year achieving £66 per square foot per annum, a 12% premium over the next most expensive area (Knightsbridge & Belgravia). Even looking at just SW1X still shows Mayfair as the highest value rental area.

AVERAGE RENTAL VALUE ACHIEVED – PER SQUARE FOOT

	2012	2013	2014	2015YTD
Mayfair	£59.20	£59.09	£65.65	£66.22
Chelsea	£51.98	£51.73	£53.07	£53.85
Knightsbridge & Belgravia	£56.57	£56.18	£57.20	£59.16
South Kensington	£52.25	£50.45	£52.23	£54.47
Rest of PCL	£52.02	£51.02	£52.23	£53.81

Source: LonRes – annual rental value per square foot

AVERAGE RENTAL VALUES ACHIEVED PER WEEK – TWO BEDROOM FLATS

	2012	2013	2014	2015YTD
Mayfair	£1,278	£1,257	£1,370	£1,284
Chelsea	£811	£770	£815	£814
Knightsbridge & Belgravia	£1,068	£1,034	£1,087	£1,188
South Kensington	£872	£818	£832	£856
Rest of PCL	£844	£813	£846	£882

Source: LonRes - Both tables show full year figures 2012 – 2014, 2015 includes all properties let to 23rd November 2015

RATES PAYABLE v COUNCIL TAX

CASE STUDY: A 2/3 BEDROOM APARTMENT SOLD IN 1984 FOR £540,000 AND RECENTLY SOLD FOR £9,000,000.

GROSVENOR SQUARE - YEARLY LOCAL OUTGOINGS
1984 - £8,660 p.a. (adjusted)
2015 - £1,345 p.a.

In 1984 the local taxes were levied on the basis of "Rateable Value" and payable at a multiple of that rateable value.

The 1984 Rateable Value of the Grosvenor Square flat was £2,347 and payable at a rate of £1.286 in the £ equating to rates payable of £3,018 p.a.

Applying the Retail Price Index to this equates to a present day value of £8,660 for the equivalent rates payable compared to today's Council Tax levy from Westminster City Council of £1,345 p.a.

WETHERELL FORECAST 2016 MAYFAIR RESIDENTIAL MARKET

In one of our recent reports we reminded our clients that "the property does not change, it is just the perception of value that changes". Mayfair is "within a whisker" of regaining the crown as London's No.1 residential area.

For property owners the drivers for sale or renting remain the same but for those looking for Mayfair property in 2016 it will be a "best and the rest" year. With only the best in class being successful; correct pricing will be ever more important with finely tuned marketing prices finding a buyer/tenant in a faster time frame than going down the price reduction route.

New developments "off plan" and "off market" sales will continue to be attractive to owner occupiers and investors as Mayfair enters a supply side dynamic where we can offer what the market has been seeking in the area for so long – new residential developments.

It could be argued that our Chancellor George Osborne should be applauded for his belief that the PCL market was overheating and his subsequent Budget actions with substantial increases in SDLT.

Volumes of sales of £2M+ properties have dropped dramatically and will eventually result in diminished income to the Exchequer. 2016 will see the start of campaigning for the reduction in SDLT rates to improve the sales volume in PCL and South East.

Overall the outlook for Mayfair residential property in 2016 is positive but it should not be forgotten that a value next Spring 2016 incorporates an up to 8% stamp duty levy since Spring of 2015.

The residential market in Mayfair is currently seeing its most exciting decade for nearly a century.



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