

RESIDENTIAL RESEARCH



# RICHMOND 2014

LONDON MARKET FOCUS

ECONOMIC PARALLELS WITH  
PRIME CENTRAL LONDON

THE SOUTH-WEST  
LONDON RIPPLE EFFECT

PRICE PREMIUM FOR  
PARK AND BEST VISTAS

## KEY FINDINGS

**Richmond prices rose 10.9% in the year to June 2014** versus 8.1% in prime central London

**A third of sales at Knight Frank's Richmond office in the six months to mid-June 2014 were for above £1,000 per square foot** compared to less than 10% in the preceding six months

**Richmond accounted for half of Knight Frank sales above £10 million** in prime outer London in the year to mid-June 2014

**The average sale price within 50 metres of Richmond Park's northern edge was £4.05 million** between January 2011 and March 2014 versus £1.35 million 50-300 metres away

**Rental values spike near Richmond Park** and for properties with the best views on Richmond Hill



**TOM BILL**  
Head of London Residential Research

*"Richmond's history and geography mean it combines the verdant English countryside with the grandeur and affluence of prime central London."*

## IN FULL FLOURISH

The parallels between Richmond and affluent central London neighbourhoods date back hundreds of years. Changes in London's prime residential market since the financial crisis have only strengthened the relationship.

### Corridor of affluence

Richmond Park is almost as large as London's seven other Royal Parks combined.

The 955-hectare conservation area in south-west London, on which deer have grazed for more than 375 years, represents 49% of the park space in the capital owned by The Crown, including Hyde Park and Regent's Park.

Richmond's expansive greenery and picturesque river views are the most obvious reasons property buyers target the affluent town of about 22,000 people eight miles from the centre of London.

But there is sound logic beneath its leafy charms and Richmond has close historic, social and economic parallels with central London that drive demand for prime residential property.

First, its royal history means Richmond's housing stock shares the same grand architecture as many traditional central London areas like Belgravia and Knightsbridge.

The area's status as a royal residence dates back more than 700 years and was cemented at the start of the 16th century when King Henry VII built Richmond Palace. He named it after his ancestral home in Yorkshire and the town that developed around the palace took the same name. The deer arrived in 1625, when Charles I moved his court there to escape the plague in central London.

The result is a predominance of stately Georgian-era architecture for which there is strong demand among buyers.

A series of prominent inhabitants underline the area's notable history. Richmond has the fifth highest number of blue plaques of London's 33 boroughs, a list headed by the central districts of Westminster, Camden and Kensington & Chelsea.

The plaques are located on buildings lived in by noteworthy figures, which in Richmond include the playwright Noel Coward, the artist Turner and the architect Sir Christopher Wren.

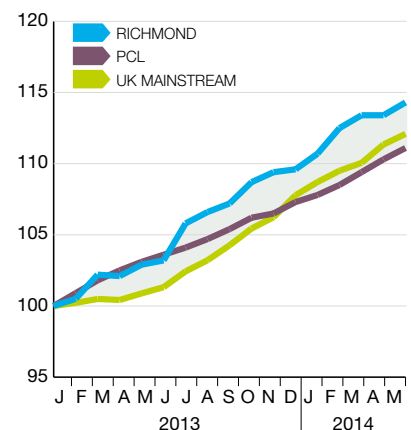
Wren's most famous creation, St Paul's Cathedral, can be seen from Richmond Park, a view that is London's longest so-called 'protected vista' under local planning rules. Furthermore, the view from Richmond Hill across the River Thames is the only vista in the country protected by an Act of Parliament.

In addition to its history and architecture, Richmond has strong socio-economic parallels with affluent central London areas.

As figure 5 shows, a series of indicators covering household income, education and employment demonstrate how a corridor of affluence runs through south-west London from Westminster, through Kensington & Chelsea and Fulham and into Richmond.

Richmond's history and geography mean it combines the verdant English countryside with the grandeur and affluence of prime central London.

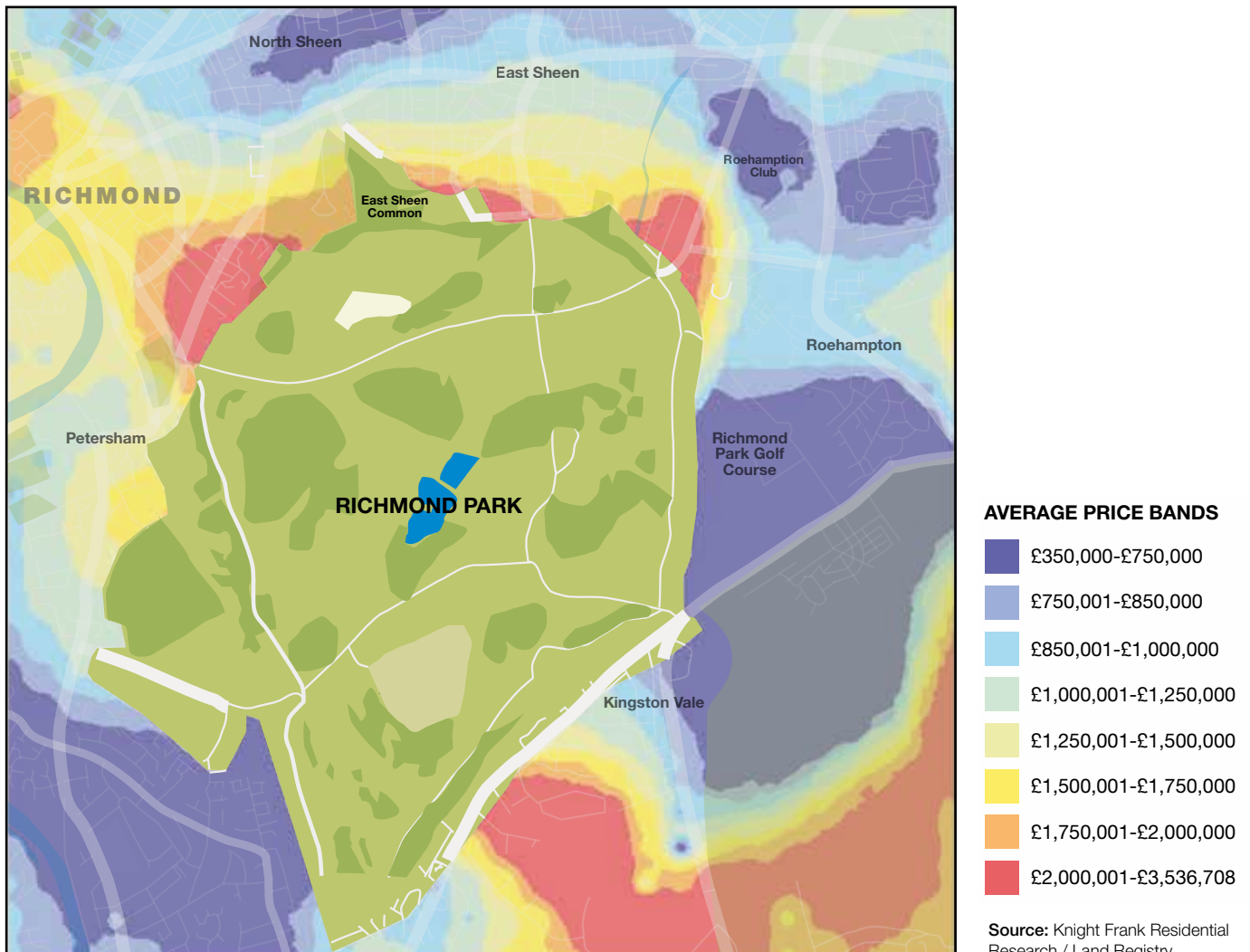
FIGURE 1  
**Richmond prices outperform prime central London (PCL) and UK**



Source: Knight Frank Residential Research / Nationwide



FIGURE 2 **The park premium**



## The sales market

Richmond has benefitted from a fundamental change in the prime London property market since the global financial crisis.

Prices in prime central London grew 53% between their post-Lehman Brothers low-point in March 2009 and the end of 2012 as turmoil in global financial markets drove international money to London seeking a safe investment.

The wave of capital was largely confined to the boroughs of Westminster and Kensington & Chelsea and Richmond prices grew 18% over the same period.

That changed at the start of 2013 when double-digit growth spread to prime outer London as the UK economic

outlook improved. It marked the return of the so-called ripple effect in house price growth, where increases emanate outwards from central London, as has happened in previous property cycles.

As a result, Richmond prices rose 10.9% in the year to June 2014 compared to 1.5% over the preceding 12 months.

This growth was higher than the increase of 8.1% in prime central London and, as figure 1 shows, Richmond prices have outperformed prime central London and the UK mainstream markets since the start of 2013.

Richmond has also benefitted from rising numbers of buyers seeking the sort of 3,000 square foot-plus homes with outdoor space have become increasingly difficult to find in central London.

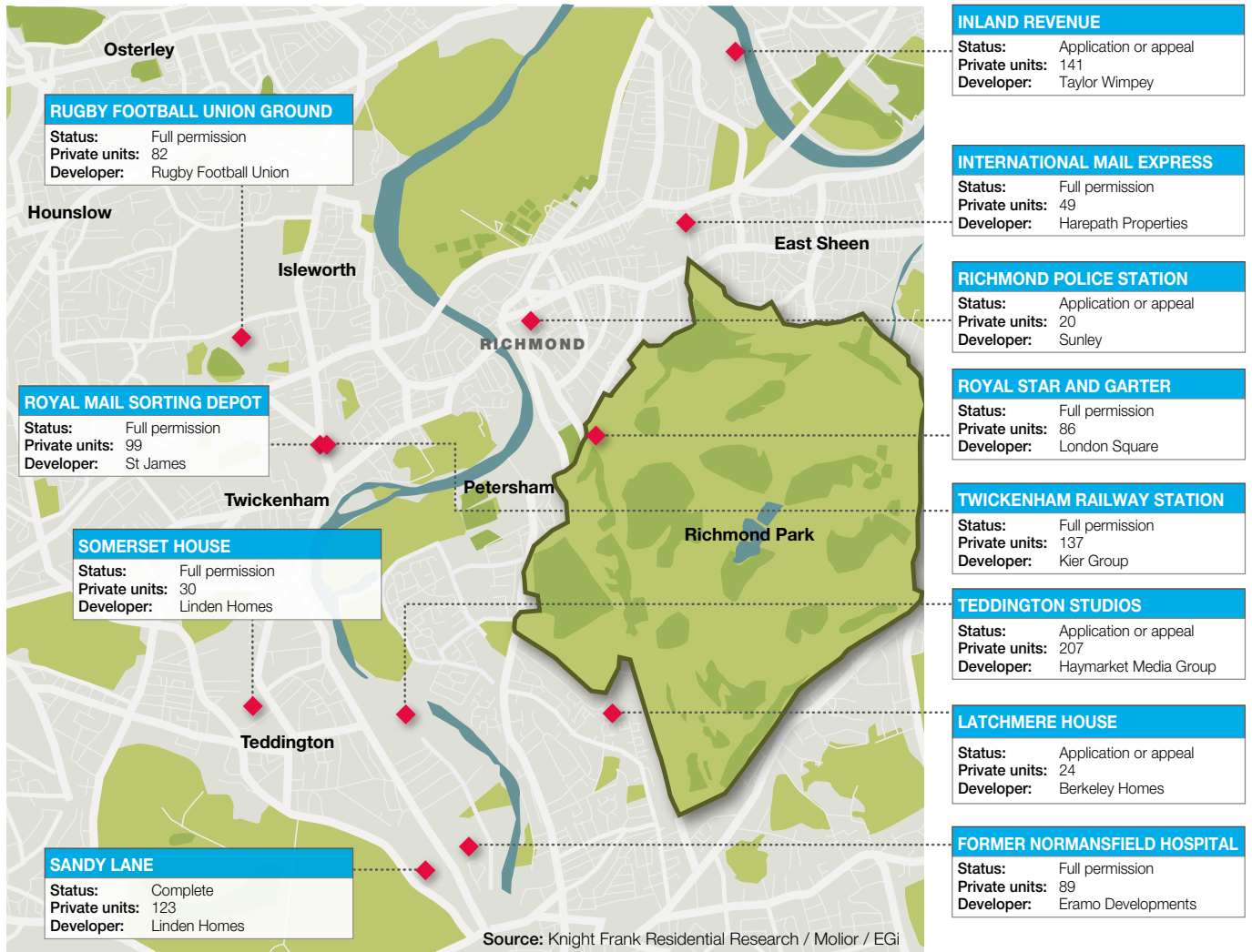
Demand has grown as buyers from areas including Notting Hill, Chelsea and Kensington look further south and west for more space, something Richmond has in more abundance than most parts of London.

Proof of this growing interest is that the number of new applicants registering at Knight Frank's Richmond office was 32% higher in the six months to May 2014 than the preceding six-month period.

The trend for buyers in London seeking more square feet for their money is particularly notable in higher price brackets due to strong growth in traditional markets like Knightsbridge and Belgravia.

Buyers are increasingly prepared to look further afield for high-value property and in prime central London, 26% of £10

FIGURE 3 Residential development pipeline in the borough of Richmond

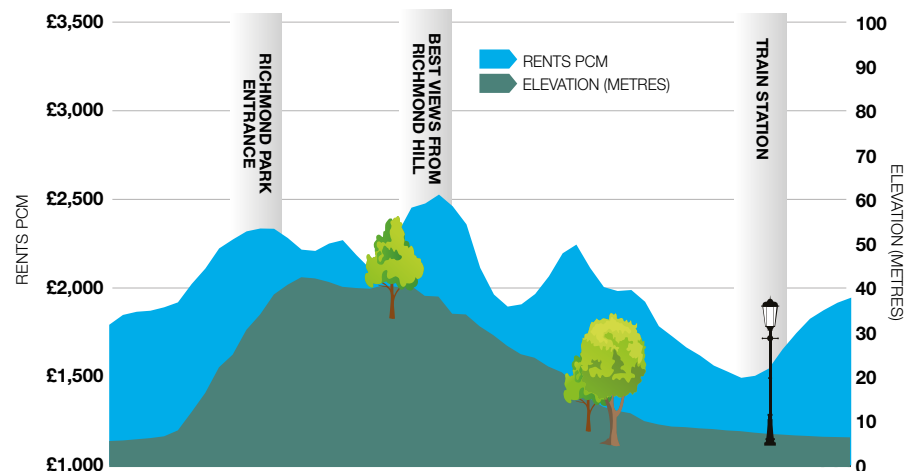


million-plus deals have been done in the so-called “golden postcodes” of Mayfair, Knightsbridge and Belgravia in 2014 compared to 51% last year.

Given its parallels with prime central London, Richmond is well-placed to benefit as demand for so-called super-prime property disperses away from the immediate south, east and west of Hyde Park. In fact the Knight Frank Richmond office accounted for half of the £10 million-plus sales in prime outer London in the 12 months to the middle of June 2014.

Prices have grown more quickly in Richmond than any other area of south-west London in the first half of 2014, Knight Frank sales data shows, and now regularly exceed £1,000 per square foot.

FIGURE 4 The Richmond Hill premium



Source: Knight Frank Residential Research / Vizzi Home

FIGURE 5 **Richmond versus other London boroughs**



Source: Knight Frank Residential Research / Greater London Authority / ONS

Of the total number of sales at Knight Frank's Richmond office, a third were for above £1,000 per square foot in the six months to mid-June 2014 compared to less than 10% in the previous six months.

A growing number of international buyers shows demand has broadened as well as deepened in Richmond. The percentage of UK-based web searches for Richmond homes has fallen from more than three-quarters in 2012 to a little over two-thirds in the year to May 2014, as figure 6 shows.

The second and third highest countries are the US and Germany, underlining the attraction of the area's international schools (see box on page 6).

As the map on page 4 shows, residential schemes in the London borough of Richmond's development pipeline tend to be on a smaller scale than prime central London.

Richmond has the second smallest pipeline in London after neighbouring Kingston, which reduces the risk of oversupply. Richmond town centre in particular has very limited scope for new-build residential property due to the scarcity of space and conservation rules.

Sale prices are notably higher in the immediate surroundings of Richmond Park, a trend that is particularly marked to the north-west and south-east, as the map on page 3 shows.

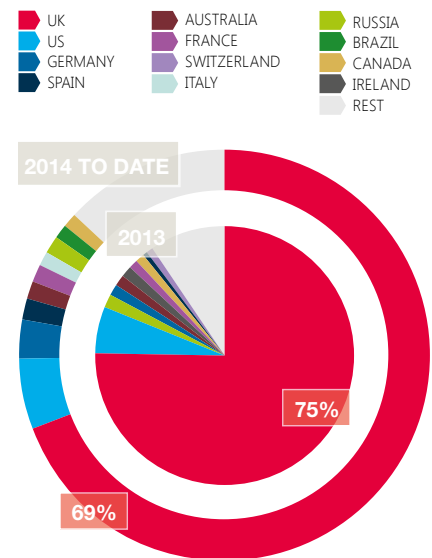
The average sale price within 50 metres of the northern half of the park was £4.05 million between January 2011 and March 2014. That compares to £1.35 million for properties located between 50 and 300 metres away.

There is a similar correlation between house prices and proximity to the park further south.

The higher prices to the north and west demonstrate the premium for the Richmond Hill area and its striking views, an effect that is underlined by the rental value data in figure 4.

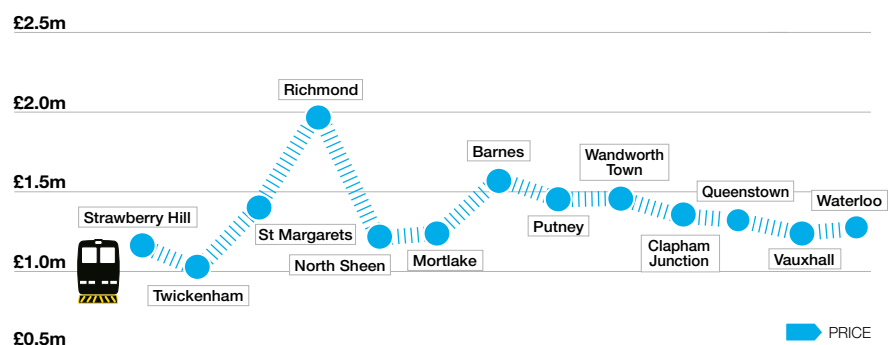
Developments include 207 private units at Teddington Studios, the redevelopment of a former police station and a Royal Mail sorting depot and the conversion of the Grade-II listed Star and Garter building near the entrance to Richmond Park.

FIGURE 6 **Web users looking at Richmond property by nationality**



Source: Knight Frank Residential Research

FIGURE 7 **Average asking price for a 4-bed house on the Richmond to Waterloo train line** 1km radius from the station



Source: Knight Frank Residential Research / Vizzi Home



Richmond is a 19-minute train journey to Waterloo station, which is a quicker commute than many areas the same distance from central London. It is a similar journey time by car to London Heathrow, one of the world's major international airports.

The relatively short commute explains how a premium is possible for Richmond houses compared to locations closer to central London, as figure 7 shows.

Based on June 2014 asking price data for four-bedroom houses within a kilometre of each train station, the average price in Richmond was £2 million compared to the next-highest figure of £1.58 million in Barnes, which is three stops closer to Waterloo.

## Rentals and investment

Prime rents in London are climbing steadily as the economy improves and demand from corporate tenants returns. Knight Frank's prime south-west London rental index rose 1.5% in the year to June compared to a -0.4% fall in prime central London, though the latter figure should turn positive this year as the recovery continues.

Growth in south-west London is largely confined to new or newly-refurbished

properties with a high-specification finish, which is where demand has historically been strongest in Richmond.

Corporate demand in Richmond comes from a range of sectors including finance, IT and oil and gas and local employers include BP and PayPal. Tenants are predominantly British but there is a broad range of other nationalities including Japanese, American, German and Dutch.

Corporate lettings are typically between £4,500 and £5,000 per month but can exceed £12,000 for larger properties.

In a similar way to the sales market, there is a premium in Richmond's lettings market for the town's two main selling points – the park and the view, as figure 4 shows.

The data is based on asking prices for two-bedroom flats in Richmond. It uses a route through the town centre that starts on Petersham Road and runs down Richmond Hill into the centre and ends on Kew Road.

Rental yields are typically between 3% and 4%, meaning the total return in the 12 months to June was about 14% to 15%, which exceeds the prime central London average of 11%.

## THE SCHOOL EFFECT



The strong reputation of Richmond's schools is pivotal for many buyers and tenants.

Primary schools in the borough of Richmond had the highest average score in London for academic achievement during the 2012/13 academic year, ahead of Kensington & Chelsea.

For secondary schools, five of the top 30 wards in London for average GCSE scores are located in Richmond, out of a total of more than 620 wards.

A German school in Petersham and the American International University next to Richmond Park are an added attraction for the growing number of international buyers in the areas (see figure 6).

Knight Frank research shows the average value of a home within a mile of one of the top performing schools in England is 30% higher than average values in the surrounding local authority, a figure that rose from 27% in 2012.

### RESIDENTIAL RESEARCH

#### Tom Bill

Head of London Residential Research  
+44 20 7861 1492  
[tom.bill@knightfrank.com](mailto:tom.bill@knightfrank.com)

### LONDON RESIDENTIAL

#### Rupert Dawes

Head of New Homes  
+44 20 7861 5445  
[rupert.dawes@knightfrank.com](mailto:rupert.dawes@knightfrank.com)

#### Alex Carr

London Residential Development  
+44 20 7861 5444  
[alex.carr@knightfrank.com](mailto:alex.carr@knightfrank.com)

#### Luke Ellwood

Head of Richmond Office  
+44 20 8939 2801  
[luke.ellwood@knightfrank.com](mailto:luke.ellwood@knightfrank.com)

#### Tim Hyatt

Head of Residential Lettings  
+44 20 7861 5044  
[tim.hyatt@knightfrank.com](mailto:tim.hyatt@knightfrank.com)

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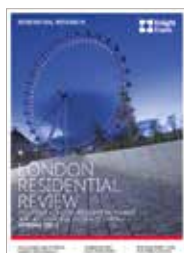
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