

Lateral Living Defines London's Luxe

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There's a new trend in **London**, and it's all about **lateral living**.

It seems to have started in early 2005 when the Chelsea School of Art relocated next to Tate Britain to consolidate all its colleges on a single campus. The vacated building, which had previously housed the Royal Army Medical College, was acquired by financial trader Julian Simmonds. Aided by developers Nick and Christopher Candy, the property was transformed into **16 luxurious single-floor flats**. When **one of the flats sold for £27,000,000** (approximately \$53,000,000 dollars US), the race was on.

The new lateral development at **One Hyde Park**, one of the most desirable addresses in the space-starved city, is the location of the record-breaking **£100 million pound luxury penthouse flat**, another project of the Candy and Candy management team. The buyer, Sheikh Hamad, foreign minister for the Gulf State of Qatar, is a primary financial backer of the development.

Although the project is still about two years from completion, investors are snatching up the 20,000 square-foot flats and penthouses—all single floor residences—for about £84,000 pounds each, or roughly **£4,200 pounds per square foot** (about \$8,500 dollars US). Those with prime views overlooking the park's north side are said to be going for about £5,000 pounds per square foot.

Nick Candy, one half of the brother development team, attributes the lateral trend to convenience, saying ultra-high net worth individuals want large residences in the most sought-after addresses in London “without living on several floors. The super-rich don't want to go up and down stairs all day.”

Known for its high-end projects, the Candy and Candy team has developed six huge, lateral apartments in stately neighborhoods such as **Chesham Place** and **Belgravia**—the location of many embassies and former homes of legendary composers **Mozart** and **Chopin**. Other developers have followed suit.

Already known as the most expensive real estate market in the world, *the price for luxury residences in central London has increased 20% in 2007 alone*, compared to 0.05% for the rest of the London housing market. According to London-based international property advisor Savills, quoted in *The Times*, there

is an annual 50% price inflation for trophy properties valued at £5 million pounds or more, prompting some to warn of a market correction. Savills reports that most of the purchasers of the tony digs in Kensington, Knightsbridge, and Chelsea are international property agents.

And despite the already steep price for luxury real estate, lateral residences seem to command an extra 15 to 20% more than vertical ones.

In the highly desirable **Knightsbridge** area, demand is so strong that *luxury, lateral flats are selling for 30% to 40% more than vertical ones in nearby neighborhoods*. The world-famous Harrod's department store is in Knightsbridge; **Oscar Wilde** used to shop there. So did author **A.A. Milne**, who purchased a stuffed bear for his son at Harrod's, which later served as inspiration for *Winnie-the-Pooh*. **Princess Diana** grew up in the neighborhood, as did **James Bond** creator Ian Fleming. Actor Hugh Grant lives there, as do fashion designers **Tom Ford**, formerly of **Gucci**, and **Valentino**.

Other factors contributing to the price escalation and lateral trend in London's über areas may be the government's restrictions against building vertically, the limited amount of real estate in the historic neighborhoods, the increasing wealth of the super-wealthy, and the influx of foreign money into a market which offers substantial tax advantages to investors.

Savill's Justin Sumner states that "the one thing international and national buyers have in common is their desire to live on as few floors as possible."

The just-released 2007 Merrill Lynch CapGemini **World Wealth Report** confirms that luxury real estate is becoming an increasingly global phenomenon, and wealthy investors are investing a substantially larger portion of their portfolios in real estate.

If you haven't seen this lateral trend in your own market yet, be on the lookout, especially in those highly desirable urban areas. And while the old adage is that "all real estate is local," start thinking of your **local luxury market** as one with **multinational locations**.

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