The big sell-off

With rising residential values in London, embassies, tube stations and offices are coming onto the market, offering opportunities to create new luxury homes.

In the last six months some 20 embassies or diplomatic buildings have been sold or considered for sale, according to the Diplomatic Property: Conversion to Homes Survey. Should these properties be converted for residential use, it could create hundreds of luxury homes in some of London’s most famous and sought-after addresses. Expiring leases and booming residential values are some of the reasons these grand properties have come onto the market. They include buildings in Mayfair, Marylebone, Westminster, Kensington and Holland Park.

The survey, which was undertaken by estate agent Wetherell in association with Diplomat magazine, found that Kensington, and in particular Kensington Palace Gardens, was the main address for embassy building disposals, followed by Mayfair (focused on Grosvenor Square), and Marylebone (Portland Place) and Holland Park.

Peter Wetherell, Managing Director of Wetherell, comments: ‘Residential property values in central London have been extremely buoyant with values of £3,500 to £4,500 per sqft being achieved for the best new homes in Marylebone, Mayfair and Belgravia. In Mayfair alone, residential buildings are currently worth at least a third more than office buildings. The trend is also being driven by the expiry of historical leases on “peppercorn rents” within the Crown Estate and Grosvenor Estate portfolios,’ he adds, with some of the diplomatic missions therefore seeking new premises that will be more cost-effective to run.

The moves follow in the footsteps of the American Embassy, whose relocation from Mayfair to Nine Elms is at the forefront of the area’s regeneration. The Dutch Embassy will also be moving from Hyde Park Gate to Nine Elms, and other government headquarters are expected to follow suit.

It’s not only embassies and diplomatic buildings that are cashing in on the rising prices of residential property in prime central London. You could even make your home in a tube station. For sale by the Ministry of Defence, 206 Brompton Road is situated next to the Brompton Oratory, Brompton Square and just metres from Harrods, and includes parts of the former Brompton Road tube station plus a drill hall, mess, garages and offices.

Charities too are releasing capital from bricks and mortar. The Terrence Higgins Trust, for example, is reported to be selling Lighthouse West London in Ladbroke Grove, which has been used as a hospice and day centre.

Stamp out stamp duty?

Research from the Taxpayers’ Alliance – which has launched a new campaign, Stamp Out Stamp Duty – reveals that four out of every five homes sold in 2012 would be subject to stamp duty within five years and that 40% of homes sold will be subject to stamp duty of 3% or more, leaving buyers with a bill of at least £7,500.

Rental returns

Data from the Association of Residential Letting Agents (ARLA) shows that rental returns on houses in central London have fallen from 4% to 3.5% over the past six months. ARLA also reports that houses in North West England are currently delivering the highest rental returns in England. One reason for this difference in rental return rates could be the variation in capital values around the country – for example, the value of the average rental house in London is £1,251,000 compared to just £173,000 in the Midlands, according to ARLA’s figures.