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The cream rises again

emand for superprime homes – including some of the world's most expensive new flats – is increasing, writes Daniel Thom

Nick Candy gazes down a 90ft, marble-floored corridor hung with original Matisse artwork that opens on to a panoramic view of London's Hyde Park showing the first signs of spring. "Is it what you expected?" he asks, turning round with a grin.

This is the first time that an apartment at the £800m One Hyde Park development – replete with rare marbles and woods, top-of-the-range gadgets and triple-glazed electric windows – has been viewed by anyone without proof of a bank deposit of several million pounds.

Candy, one of the two brothers behind the 100 Knightsbridge scheme, on which they act as development managers, is proud of the work, which he describes as unique in luxury design. Nerves occasionally surface, however. "There is a long way to go before we're finished," he says as he leads the tour of the showhome he hopes will be the catalyst to sell a further £1bn of apartments.

On Monday the developer, a company co-owned by Christian Candy and Sheikh Hamad Bin Jassim Bin Jabr Al-Thani of Qatar, will restart the marketing of One Hyde Park, which ceased after demand for luxury homes slowed in the wake of the credit crunch. Confidence has returned to the sector following last year's unexpectedly strong bounce in values of so-called "super prime" homes in many of the key locations for the wealthy across the world.

Nick Candy, perhaps naturally for the brother known for his marketing skills, is again bullish about selling the remainder of the Rogers, Stirk Harbour and Partners-designed scheme, which has already generated more than £765m through the sale of 40 flats. There is a viewing schedule of prospective buyers longer than three weeks

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for the scheme, billed as the world's most expensive residential development, and he predicts that the next £200m worth of sales will be made this summer. "We made £30m last week," he points out in reference to rumours that a flat had already sold prior to the official launch date, suggesting this as a taste of things to come.

The sale is one of a number in recent weeks that point to a return to the boom days of the luxury homes market in London, with £200m worth of properties sold in just a handful of deals. Lucian Cook, director of residential research at estate agency Savills, says sales of London properties valued at more than £20m have in the first three months of this year already exceeded the full-year of sales recorded in 2009.

Candy feels that this shows the strength of the potential appetite among buyers for his product. Music drifts from the walls as he bounds over to a marble counter in the apartment, running his hand over the seamless corner. "Feel that. You just can't find that anywhere else. This level of quality has never been done across such a scale. No one has ever spent this much before," he says.

"You can't get the quality in a multi-unit development anywhere else in the world, from Hong Kong to Shanghai to Los Angeles. This certainly doesn't exist in London with these phenomenal views," he says.

For an average of £25m for a four-bedroom flat, buyers can expect a high degree of luxury – and at such prices sceptics might say that the homes are an expensive discretionary spend during a time that people are still unwilling to be seen to be too flash. One Hyde Park has emerged from the recession unscathed, however. No buyer has tried to default on their 40 per cent deposit and the next payment, of 10 per cent, will be demanded this month, with the remainder due in October when the 2,200 construction workers finish the scheme on schedule.

With 46 flats to be sold at a total target of £1bn, there will be few better bellwethers for the fortunes of the super rich. The world's wealthy would appear to have enjoyed a good recession – if judged on the sharper return of prices for property than in the mainstream market. Prices fell sharply but relatively briefly during 2008. The subsequent bounce has been helped by low interest rates, not least by making bank deposits look unattractive for cash-rich buyers, including City of London bankers looking for investment opportunities for renewed bonus payments.

"By last April the combined impact of ultra-low interest rates, government stimulus and rising confidence from buyers – about their own and the economy's prospects – served to push London prices higher, with 20 per cent growth in the 12 months to the end of March," says Liam Bailey of estate agency Knight Frank.

The surge in prices has been felt from China to the south of France, however. In Shanghai and Beijing prices rose more than 50 per cent last year and remain robust, according to Knight Frank.

The cities that saw the steepest falls in 2008 – Hong Kong, Singapore and London – emerged among last year's strongest markets. There were reports of one flat sold in Hong Kong for HK$439m (£37m) at the end of last year and others being brought to the market for record prices for their areas.

There were still huge falls in some locations, perhaps unsurprisingly including Dubai, Spain and Ireland, and, broadly, the market for homes of more than £20m was also noticeably much quieter than for those between £10m-£20m, although both are characterised by fewer transactions.

Other established markets also fell during last year. Prices dropped 12.5 per cent in New York, for example, but there was a stronger second half of the year in New York, Boston and Washington, DC. The Hamptons luxury second home market remained resilient. The UK capital has, however, emerged as the focus for international prime house buyers. "London is holding its own against New York and other locations owing to the number of international buyers who can see the opportunity to buy at a currency discount," says Ed Lewis, head of residential development at Savills.

Candy agrees that Europe remains a core source of buyers but pointed to newer areas of demand in emerging markets:

Demand The opening of a showhome, top, at One Hyde Park, one of the world's most expensive developments, left, is one indicator of confidence returning to the prime property market

"The euro is playing a massive part as it is so strong against the pound. But there is a lot of interest among mainland Chinese, who are going to play more of a part in central London.

"The Middle East will be massive for us. We've got a few ruling families and now they can see the end product there will be more. There is also a lot of money being made over in Africa at the moment."

Price rises in Hong Kong and London have also been conditioned by scarcity of supply, with many development schemes having been put on hold during the market downturn. Lewis describes a "pitiful lack of prime central stock". This is gradually changing as developers look to exploit the return of demand, although many say that banks are still reluctant to lend on residential development, which could remain a huge constraint on supply.

Construction levels rose by more than a third in the second half of 2009 in the prime London markets, according to Knight Frank. In Kensington & Chelsea, for example, the number of new homes under construction rose from 557 in July 2009 to 799 by the end of December. There has also been a pick-up in "off-plan" sales as a result of the shortage of new homes in some area.

The rise in demand means developers are now able to finish projects, such as the Fitzrovia scheme on Bolsover Street in London, where the Manhattan Loft Corporation and Ridgeford Property Group are to begin a new phase of construction. The developers had put plans on hold during the downturn, with no sales agreed for almost 12 months. Now, with recent sales achieving the pricing levels established in 2008 at close to £1,200 per square foot, they are keen to finish the job. The six remaining of the 26 apartments available in the first phase have been sold in recent weeks and marketing is about to start on the second phase, with 12 apartments to be released to potential buyers this spring.

On the other side of Hyde Park to the Candy & Candy scheme is The Lancasters, a luxury redevelopment of a Grade II-listed terrace into 77 apartments. The scheme sold two blocks of apartments before marketing activity stopped in the recession but developers Northacre and Minerva are set to open a showflat this summer to kick off the official sales process again.

Agents say that since the beginning of the year there have been two deals already struck at the scheme at more than £2,600 per square feet as the developers have quietly started to look for buyers again ahead of the official launch.

There are also many smaller refurbishment projects at addresses such as Knightsbridge, South Kensington and Eaton Square. However, few are likely to match the opulence – or the prices – of One Hyde Park, with buyers able to choose Candy & Candy-designed flats complete with bespoke Bulthaup kitchens and Gaggenau appliances. The development's four buildings will be managed by the neighbouring Mandarin Oriental and owners can use touch screens to select from the hotel's restaurant or bar, with their order being delivered via an underground tunnel between the two sites. "There are 55 people being trained for One Hyde Park as we speak," Candy says.

The market remains robust for now. The prime London residential sector recorded a fourth consecutive quarter of price rises in the first three months of this year – 3 per cent – but the pace of growth had slowed for the first time, according to Savills.

There will be some uncertainty about the short-term growth in the wider market, agrees Bailey, particularly given the speed of recent increases in values. He points to the uncertain economic recovery and the potential for rising unemployment and interest rates as risks to house price growth but says that the rich have proved surprisingly resilient to such economic forces. Even so, renewed marketing activity at One Hyde Park will be a test to see just how much demand there is for such luxury.

Daniel Thomas is the FT's property correspondent

EXCLUSIVE
Inside One Hyde Park: more pictures at **www.ft.com/onehydepark**