



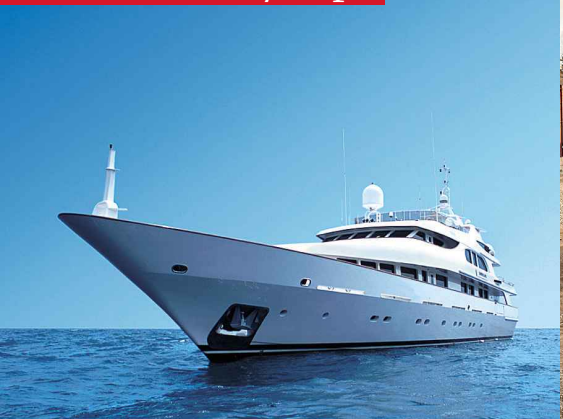
Christian and Nick Candy at their head office, Millbank, 2008



Sold out: Chelsea Barracks



For sale: Candyscape



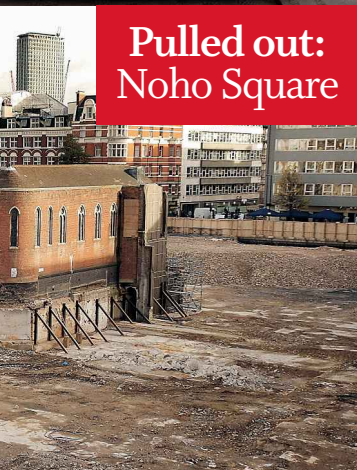
Sweet & sour

Life has been sweet during boom time for London's glitziest property developers, the Candy brothers. A year ago, they had three headline-grabbing projects on the go in the capital. Now they're no longer involved in Noho Square, they've been bought out of Chelsea Barracks and half of the flats at One Hyde Park are still for sale. It's crunch time for those Candys, says **Mark Hollingsworth**

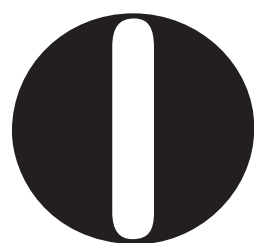
For sale: One Hyde Park



A proposed interior at One Hyde Park



Pulled out: Noho Square



In the surface, a luxury Candy & Candy apartment looks dynamic, exciting and amazing, if rather surreal. As you walk in, an electronic system recognises your favourite music as you hum it, locates the song in the CD collection and starts to play it. Step into the kitchen and there is a fur fridge that prolongs the longevity of your coat collection. The dining table can be turned into a gaming table or roulette wheel. There is marble everywhere and the bespoke furniture is the best and most expensive wenge and leather. And, as you descend underground, the swimming pool can become a dancefloor at the touch of a button. Throughout the property, there are bullet- and bomb-proof CCTV cameras, a fingerprint entry system that can remember 100 fingerprints, and laser-beam alarm systems.

Welcome to the virtual, remote-controlled world of Nick and Christian Candy, the most trumpeted interior designers and property developers in London. Their decadent look became the number one option for newly rich oligarchs and sheikhs with cash to burn. From modest middle-class origins, in less than ten years they have become a lifestyle brand – a combination of Sir Terence Conran and Donald Trump. At turbo-charged speed they have propelled themselves into a series of property projects worth an estimated £9 billion. By exploiting the indulgences of foreign billionaires who have, until now, regarded London as a tax haven, they are transforming many of the city's landmarks into elite luxury apartments.

Nick Candy, 35, and his brother Christian, 34, have made fortunes by catering to the insatiable appetites of the new foreign super-rich: elaborate security systems, gadgets and an elitest lifestyle service of private jets, yachts and chauffeurs. In essence, it is a very expensive, refined alternative

to hotel living in the 21st century. 'If we sold everything now, we would be sitting on hundreds of millions,' boasted Nick Candy earlier this year. 'But we're long-term players.'

Vast swathes of Chelsea and Knightsbridge are now dominated by Candy & Candy schemes, many of them structured by their offshore companies, backed by a troubled Icelandic bank and financed by a controversial Arab sheikh. But beneath the glamorous flashy surface not everything glistens as brightly as their bespoke crystal. For all is not well in Candyland.

This time last year, the Candys had three headline projects in addition to One Hyde Park: Chelsea Barracks; Noho Square in Fitzrovia and 9900 Wilshire in Beverly Hills, Los Angeles. Now they

are project managers, not owners, of Chelsea Barracks; they are no longer involved in Noho Square on the site of the old Middlesex Hospital; and nearly 50 per cent of the flats in One Hyde Park remain unsold. The Candys say that of the flats sold, 33 per cent have gone to Russians and 25 per cent to the Middle East.

Last year the brothers and the Icelandic bank Kaupthing, which was forced into Icelandic

government receivership in October, paid £250 million for an eight-acre site at 9900 Wilshire in Beverly Hills, the most luxurious residential development in the world. The scheme plans to create 232 condominiums as well as sculpture gardens, valet parking, exclusive shops and bars. They recruited Pritzker Prize-winning architect Richard Meier, internationally acclaimed landscape architects the Olin Partnership, and Richard Caring, owner of Scott's, Annabel's and The Ivy, as partners.

But this autumn the global financial crisis impacted on the brothers. Kaupthing, which held a 40 per cent stake in the Los Angeles development and a 60 per cent stake in their Noho Square project in Fitzrovia, faced closure.

Step into
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Hayes Davidson. Getty Images. Camera Press

On 5 October 2008, as Iceland faced national bankruptcy, Kaupthing said it may not want to pay its share of the loan because of 'market conditions'. This was just seven working days before a \$350 million loan was due for repayment to Credit Suisse. Four days later, Kaupthing asked the government to take control of the company. Later that day Nick Candy claimed that the crisis had been averted: 'We actually came out of this pretty well – we are stronger today than we were six months ago. We did not need anyone else to help us.'

In fact the effective nationalisation of the bank led to a dispute over the Noho Square/Middlesex Hospital and the Los Angeles development. The dispute was only resolved when the Candys agreed to swap their interest in Noho Square for Kaupthing's stake in the 9900 Wilshire project. The Noho Square development is currently on ice. 'It's a great transaction,' claimed the ever-buoyant Christian Candy, 'They get Noho, we get 90 per cent control of Beverly Hills with our partner Richard Caring... Our losses on Noho were about £5 million.'

Last year the brothers also bought the 12.8-acre Chelsea Barracks site with grandiose plans to transform it into a 'world-class' housing estate. Backed by the Qatari ruling family, the Candys paid £950 million – four times the Ministry of Defence's asking price. The purchase was the biggest single property deal in British history and surprised experts who felt the Candys had overpaid. 'Maybe we did overpay,' admitted Nick Candy, 'but it looks cheap because of the value that we have achieved through planning and other issues.'

Since then property prices have plummeted and the planning stages proved tougher to clear than expected. Dozens of objectors wrote to Westminster Council to complain about the plans for the barracks, which have already been demolished. The Duke of Westminster called the designs 'monotonous' and 'out of context'. More recently, the banker James Hambro of JO Hambro Capital Management criticised the development because it does not include enough affordable housing. And the Earl of Stockton, grandson of former prime minister Harold Macmillan, described the plan for 638 homes as an 'abomination' and 'an insult to the memories' of the soldiers who had been housed at the barracks.

Sheikh Hamad, the Prime Minister of Qatar, was shaken by the opposition to the project, and last month Candy & Candy sold off their equity stake in the Chelsea Barracks development to their Qatari partners.

Today, the Candy brothers' relentless rise has slowed down. While their most recent accounts show profits, their major residential developments have shown vulnerability, especially in the light of the credit crunch. Only last week they withdrew their bid for the American Embassy site at

Grosvenor Square, but the Duke of Westminster, himself now backed by the Qataris, is still in the running. 'We bite our lip a lot,' said a senior partner in a blue-chip London property firm. 'It's easy to throw huge prices up in the air in an overheated market when you're operating through offshore companies. The bottom line is that most of the Candy brothers' potential is very much in the future.'

The success of the brothers has been fast and furious. Nick Candy was born in January 1973, in Wimbledon, and his brother Christian followed 18 months later. They were brought up in the comfortable, commuter-belt Surrey town of



Christian Candy, Emily Crompton, Yael Torn-Hibler and Nick Candy at their Royal Parks Foundation party in Hyde Park, 2008

Last month the Candys sold off their stake in Chelsea Barracks

Banstead. Their father, Anthony Candy, managed an art studio and a media production company that created storyboards and photographs for advertising agencies. Their mother, Patricia Economou, a Cypriot and aspiring actress, went to stage school and then became a drama teacher. Her sons inherited their Mediterranean looks from her.

The brothers spent much of their youth hanging around photo shoots run by their father. They attended a private school in nearby Epsom, where Nick Candy excelled at rugby but was impatient to leave. After university, Nick worked briefly for the J Walter Thompson advertising agency as an accountant while Christian was a back-room trader at investment bank Merrill Lynch. But both were frustrated entrepreneurs.

In 1998, aged 25 and 24, the brothers embarked on their property portfolio while driving around West London in a Peugeot 106. They bought a one-bedroom flat on Redcliffe Square, Earls Court, which they renovated themselves with a £6,000 loan from their grandmother. Despite no prior experience in property, they found a niche in buying up flats in fashionable prestigious areas, transforming them with gadgets, extravagant and innovative interiors and hi-tech security and then selling them at £2,000 per square foot. 'They were like a couple of hornets, buzzing around at break-neck speed,' a prominent estate agent told ES. 'They looked like two 16-year-olds and barely out of short trousers.'

The Candys realised that the newly enriched Russian oligarchs were their ticket to fame and fortune. Their method was to buy flats in prestigious London addresses, such as Eaton Place, Lowndes Square, Belgrave Place and Chelsea Square, and transform them at high speed into a 21st-century world of hi-tech gadgets, wallpaper made of hand-painted silk, rare marble, ebony veneers and Venetian glassware. The properties, which seemed in questionable taste to the West but dazzled new money, were then featured in lavishly photographed brochures, bound in the finest Morocco leather and sold at a premium. Their first coup was to sell a lower-ground suite on Belgrave Square, in an old embassy building, to Boris Berezovsky, the controversial Russian oligarch, for £4.15 million in April 2001. Berezovsky had fled to London from Moscow after being charged with multiple offences of fraud and embezzlement. After moving into a country estate at Wentworth Park, Surrey, he bought the Belgravia apartment for his favourite daughter, Katya. He is wanted by the Russian government to face money-laundering charges.

By 2002 there was an aura about the brothers and wealthy Russians wanted to buy a 'Candy & Candy' flat. The mixture of opulence and gadgetry was perfectly targeted at this market. One of them, a three-bedroom penthouse apartment in Berkeley Square, was occupied by Christian Candy. This added kudos was the reason why Andrei Melnichenko, a Russian banker and now a billionaire, bought the property for £2.95 million in June 2002, for his young Russian girlfriend.

At the dawn of the millennium, the Candy brothers became serial networkers and groupies of the internationally wealthy, not just the Russians. 'Nobody knows the habits and the lifestyles of the super-rich like we do,' Nick Candy bragged. 'We deal with royal families from every country in the Middle East, with entrepreneurs, oligarchs and celebrities.' Their clients kept taking the expensive candy and their favourite were the gadgets. They included a 360-degree revolving mirror. At first glance it resembles an ordinary full-length bedroom mirror. But it is, in fact, a personalised video screen with a time-delay function, so that the

Alan Davidson



Left: a Candy development, 21 Chesham Place, designed by Foster + Partners. Below: a 40ft pool at 21 Chesham Place



and then slam the telephone down when we say a cushion costs £2,000,' said Nick Candy. 'We only operate at the very top end of the market. Our management fee for a project is around £250,000.'

One client is Bernie Ecclestone, the billionaire Formula One boss, who paid £6.8 million in Chelsea in June 2006. The property features a self-playing piano that tinkles in the living room while a 4ft plasma-screen entertainment system is hidden behind a moveable wall panel. The master bedroom has two bathrooms and there are expensive silk throws everywhere.

Like their clients, the brothers are remarkably secretive. Their employees are under strict instructions not to talk about any aspect of the business and are governed by unusually wide-ranging confidentiality clauses. Nick is the bullish, smooth, fast-talking salesman who used to wear leather jackets and was once mistaken for a motorbike courier. Christian is taciturn, introverted, but with a dry sense of humour. He handles the finances. Typically, they complement each other and are inseparable. Now they wear sharp bespoke suits with black covert coats and velvet lapels, tailored by Spencer Hart.

Both unmarried, they have girlfriends. Christian

is dating socialite Emily Crompton, a blonde studying for a degree in criminal psychology at the Open University in the hope of becoming a prison governor and a former girlfriend of Tom Parker Bowles. Nick is with trainee solicitor Yael Torn-Hibler.

The brothers work in a swanky new office in Millbank, and holiday together – usually in Portofino, St Tropez and Ibiza. Even when they are on different continents, they speak incessantly on the phone – sometimes 25 times a day. Nick Candy's third-floor apartment in Knightsbridge has sweeping views of the Brompton Oratory and Victoria and Albert Museum, and the interior reeks of luxury: the silver-grey bedroom carpet is woven with silk; the walls and wardrobe doors are covered in Bruno Triplet cocoa linen; and there is a paisley-embossed leather panel above the bed especially made by Alma. Everything is custom-made and is a far cry from his previous abode, a pokey first-floor flat in Eaton Place, Belgravia.

A key to their success is that they design the specification to suit the lifestyle of their opulent clients. To boost their big rich pedigree, the brothers bought a £11 million yacht, *Candyscape*, moored in Monte Carlo. It was bought second-hand and transformed into a floating luxury bachelor pad. Dominated by Art Deco and Louis Vuitton panelling, the yacht accommodates up to 12 guests. The trademark Candy toys are also included: a mahogany table that pivots to reveal a complete gaming table with a vintage roulette wheel, two 1200cc Yamaha jet skis and a 225hp Cirrus tender capable of 45 to 50 knots, alongside gear for skiing, diving and tubing. When not entertaining their clients, the brothers charter out *Candyscape* for £100,000 a week. Every year the brothers host a breakfast on the yacht for Hollywood celebrities during the Cannes

Film Festival. 'It's not as if you need to have a yacht, but then again we live in Monaco so for four or five months of the year we use it nonstop every day,' said Nick Candy. 'But a lot of my friends use it – it's a great way of escaping real life.'

The brothers are now looking for a buyer for *Candyscape*. At first their guide price was €15.5

**'Some people
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Nick Candy

vain can look at themselves from every conceivable angle.

The interior designers rarely missed an opportunity to exploit their network. In early 2003, Miladin Radjenovic, an aide to Russian oligarch Andrei Melnichenko, mentioned to Nick Candy that his boss was buying a yacht in the South of France and asked for his help with the design. Candy recommended that they hire Philippe Starck, the renowned French boat and product designer, and handed over his mobile phone number. Radjenovic called Starck, who declined to take up the offer.

Shortly afterwards, Radjenovic was shocked to receive a request from Nick Candy for \$1.2 million for his 'introductory services'. The Yugoslav national, now based in Cyprus, refused to pay. He replied that there was no contract or agreement, no payment was discussed and Candy was not needed to contact Starck whose telephone number was available on the internet.

However, documents seen by ES show that Candy hired Mark Taylor, a lawyer who has also represented Roman Abramovich, and threatened to sue over the non-payment of the \$1.2 million fee. Radjenovic replied that the law suit was 'completely baseless' and 'utterly fanciful'. Nick Candy denied the allegation: 'We did not supply a telephone number for \$1.2 million. However, we were requested to broker a relationship between certain parties and a payment was requested for this work.' The claim was withdrawn and the case did not proceed.

The brothers point out that they have always been open about their high fees and prices, which they argue are based on their exclusive and high-quality services. 'Some people ring us up having seen some fabrics we have sourced, ask how much

The Candys' clients



From left: Andrei Melnichenko; Bernie Ecclestone; Boris Berezovsky



The have-yachts, from left: on the deck of *Candyscape*; the Candys on *Candyscape* during the 2008 Grand Prix in Monte Carlo

million. But, in a sign of the financial times, they have dropped the price to €12.9 million. Meanwhile, they are awaiting the completion of a new £30 million yacht, *Candyscape II*, which they had recently fitted with a 100-inch plasma screen; it weighed so much they had to rebalance the boat.

Inevitably, they bought a private jet – a Bombardier Challenger 65 for £15 million – and have another aircraft and a Westland AW139 helicopter in the pipeline. They are also on a waiting list to buy a supersonic jet.

Their aspiration to join the celebrity jet set was transparent on 6 September 2007, when Nick Candy paid out £185,000 to sponsor a party by the Serpentine in Hyde Park to raise money for the Royal Parks Foundation. Among the guests were Sting, Zac Goldsmith and Eddie Jordan, the former Grand Prix team owner. Nick Candy revelled in the atmosphere of social acceptance for the Candy brand. Prizes included a week in the Maldives and a stay at the Goldsmith family villa in Spain. Ten days later a second party was held to promote the Royal Parks with the bizarre spectacle of Candy & Candy employees hauling 13 life-size model elephants into Hyde Park to raise awareness of the destruction of the elephants' natural habitat.

To complete their membership of the wealthy elite, the Candys are now tax exiles and based in an apartment at Le Park Palace on Impasse de la Fontaine in Monte Carlo, with a view across the port to the Grimaldi Palace. It used to belong to the late Edmond Safra, who burned to death in his dressing room during an arson attack. Like many of their clients, the brothers' business is in a complex offshore structure. Their companies are subsidiaries of Candy & Candy Holdings, a Guernsey entity which is in turn owned by Candy & Candy Group Ltd, incorporated in the British Virgin Islands. The brothers are the 'ultimate controlling parties', according to the accounts.

In 2003 HM Revenue and Customs took a special interest and launched an investigation into the tax affairs of Candy & Candy Group Ltd and its subsidiaries. They focused on a claim for capital allowances. In response Nick Candy emphasised

that there was 'adequate provision' for any tax liability, but that the complexity of the inquiry and any potential settlement meant there could be 'no certainty'. One reason for the delay was a lawsuit in Jersey against a Candy company called Prospect Three Ltd, which owned seven flats in Mayfair and Belgravia. The claim has been settled out of court.

Nick Candy's public reaction to the tax inquiry was typically bullish. 'Everyone has one,' he said in October 2006. 'There are not many people in our industry who haven't had one. I'm not bothered. It will be resolved in the next few months.' In September 2007, the Inland Revenue concluded their investigation and Candy & Candy was cleared of any liability. 'All taxes were settled up,' stated their accounts. 'Any provisions for taxation that were not required have been reversed and taken to reserves.'

In August this year C&C Commercial Properties Ltd; Townplant Ltd; St Catherines Place Shopping Centre Ltd; Candy & Candy Development Ltd; 63/65 East Street Ltd; and 1 Pump Lane Hayes Ltd, all Candy companies, went into liquidation. However, the Candys say that this does not betray a financial malaise as they were all merely Special Purpose Vehicles – set up purely to buy and sell a

property. 'This was nothing more than corporate housekeeping,' said a source close to the brothers. 'It is standard practice for property businesses.' Steven Smith, director of Candy & Candy, comments: 'None of those companies has been active since 2004. Since then Candy & Candy has concentrated solely on interior design and development management and not property development.'

Today the Candys have moved on from working for Russian oligarchs. Now their primary backer is Sheikh Hamad bin Jassim bin Jaber Al-Thani, the controversial Prime Minister of the tiny natural gas-rich Arab state of Qatar and brother of the Emir. In 2002 he was investigated by the Jersey Financial Services Commission and police for accepting £7 million in secret commissions from arms company BAE Systems which were paid into his Jersey bank accounts.

The case was regarded as so sensitive that

Sheikh Hamad's lawyers successfully applied to keep the court hearings in secret session. After an appeal by the *Jersey Evening Post*, the judge unsealed the court documents. But the inquiry was then halted by the Jersey Attorney General under pressure from the British Foreign Office who were anxious to protect Sheikh Hamad from embarrassment. The Qatari Foreign Minister denied any wrongdoing but did make a payment of £6 million to the Jersey authorities 'to compensate them for any inconvenience'.

The Sheikh is the principal investor behind the brothers' most ambitious project yet: One Hyde Park, billed as the world's most expensive block of flats, which is being built opposite Harvey Nichols at the north end of Sloane Street. Formerly an ugly Fifties office block, the site is being transformed into 273 luxury apartments designed by the elegant architect Lord Rogers. The flats could cost £6,500 per square foot and are due to be completed in 2010. It is claimed that one of the four penthouses has been sold to the Sheikh for £82 million, but this has never been confirmed. The Candys claim that the average price for a property is over £20 million.

The full Candy treatment has also been applied to 21 Chesham Place, the site of the old telephone exchange in Belgravia. Six luxury apartments have been completed and sold.

In April 2008, Christian Candy bought two of them, using Guernsey companies with the Iceland bank Kaupthing as the lender. But later this year the remaining four were sold to various anonymous offshore companies registered in Guernsey, British Virgin Islands and Jersey. One was sold for £18.8 million, another for £17.5 million.

Despite recent setbacks, the brothers have survived the credit crunch fairly well. Last month the accounts for Candy & Candy Ltd, the interior design and property management company, reported a profit of £8 million and net assets of £12 million. And in an unusual move, their offshore investment vehicle, the Guernsey-based CPC Group, recently released accounts showing an annual profit of £133 million with net assets of £200 million. It was under no obligation to do so.

But their withdrawal from the Chelsea barracks and Noho Square developments show that the relentless rise of the Candy brothers is not inevitable. The global financial crisis means that the foreign super-rich are now less likely to pay the Candy premium and indulge in the luxury apartments that cater to their every whim, vanity and fantasy.

After all, Candyland is a very small place. It is a rarefied, cocooned existence inhabited by a tiny international über-rich elite with a particular taste for bling, who paid outrageously high prices. But now they no longer have the financial fire-power and so Nick and Christian Candy may have to reinvent themselves all over again. And who would bet against that? ■