

PRIME PRICE GROWTH EASES IN Q1

Activity levels were strong across all markets in the first quarter of the year as investors and those buying a second property sought to beat the April 1st stamp duty deadline. Yet while mainstream prices rose, prime prices eased again in Q1, with the localised nature of the market becoming even more entrenched.

Key facts April 2016

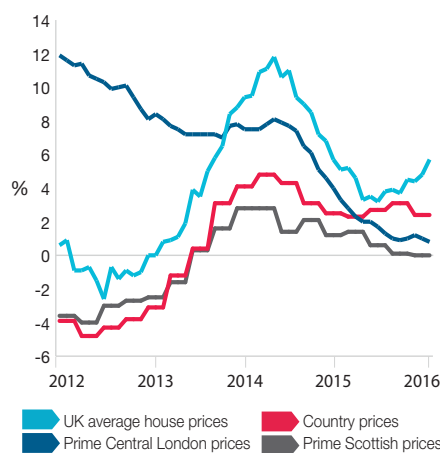
UK house prices rose by 0.8% in March, taking annual growth to 5.7%

Prime central London prices were unchanged on the month, have risen by 0.8% over the last 12 months

Prime central London rents fell by 1% on the year in March, however tenancies agreed rose by 12%

Prime Country house prices in England & Wales are up 2.4% year-on-year, while **prime Scottish house prices** were flat on an annual basis

Annual house price change



Source: Knight Frank Research / Nationwide

which characterises the whole UK market is unlikely to be altered whatever the outcome, although the market could be affected by any second-round effects from any slowdown in the UK economy.

Before the EU Referendum, the English Mayoral Election and the Scottish General Election will take place on May 5th. Knight Frank has prepared documents on all the main parties' housing policies for both the [Scottish Election](#) and the [London Mayoral Election](#) – these are available on [our blog](#).

Prime market update

Prices in [prime central London](#) remained unchanged in March and are broadly flat on the year, up by 0.8%. However, this headline figure masks noteworthy variations within this relatively small market, as the map below shows. While prices in Knightsbridge are down 6.8% on the year, values in the City of London and its eastern fringe are up by 8.1%. As a result of this multi-speed prime central London (PCL) market, Knight Frank has, for the first time, split its forecasts for the area, into East PCL and West PCL. [Our forecasts](#) are available in the research library at [knightfrank.com](#).

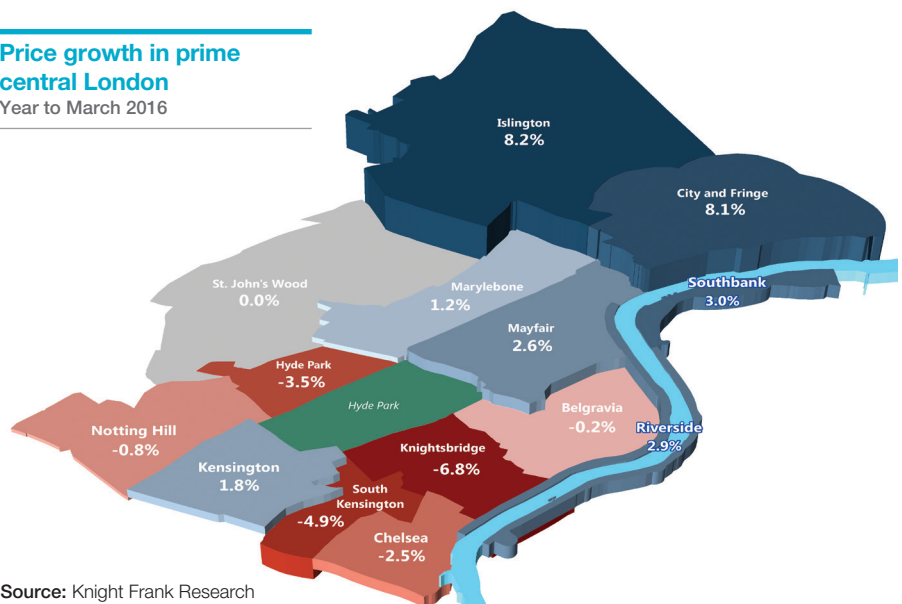
There is a similar localised pattern in prime outer London, as the map shows.

Economic and housing market overview

Two months out from the vote, the debate over the [EU Referendum](#) is gathering momentum. As we flagged in our latest [residential market forecasts and risk monitor](#), the uncertainty around the outcome of the vote will perhaps be more keenly felt in the prime London market. The fundamental demand and supply imbalance

Price growth in prime central London

Year to March 2016



Source: Knight Frank Research



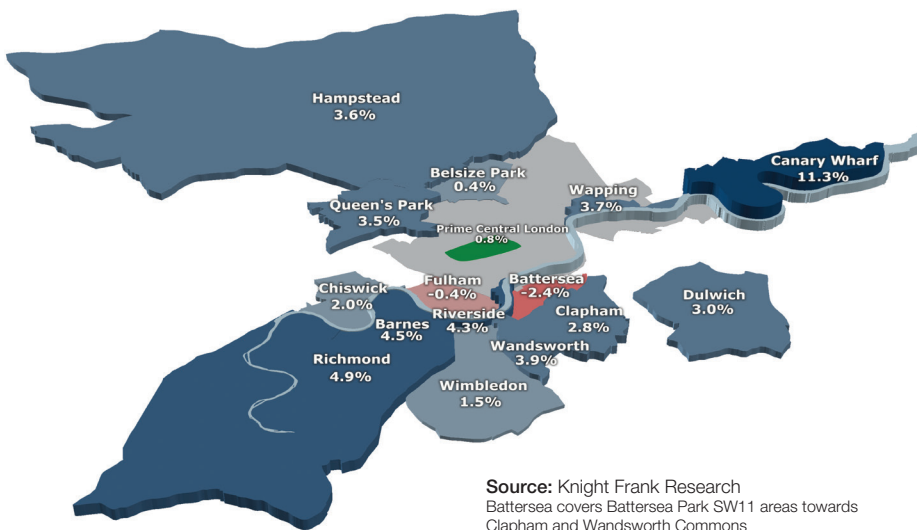
GRÁINNE GILMORE
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“Markets are becoming more polarised, with geographical location and price band key in determining price performance”.

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Prime Outer London Annual price growth to end Q1 2016



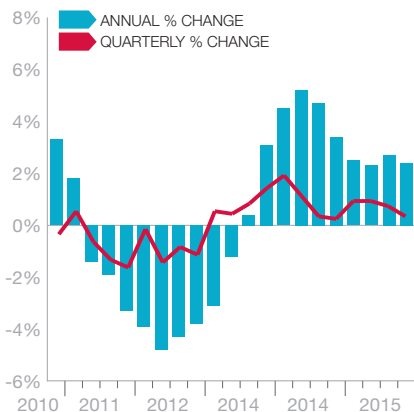
Source: Knight Frank Research
Battersea covers Battersea Park SW11 areas towards Clapham and Wandsworth Commons

Prices are also performing differently across price bands, with properties valued at less than £1m and at between £1m and £2m rising by 3.3% and 3.2% respectively over the last 12 months, compared to a 1% fall for properties priced at between £5m and £10m.

In the prime country market, prices rose by 0.3% in Q1 underpinned by a flurry of activity in the run up to the new stamp duty deadline on April 1st, especially in the sub-£1m price

Price change

Annual and quarterly change in prime country property values



Source: Knight Frank Research

band, where prices are up 4% year-on-year. However across the whole market, the increased price sensitivity of buyers has partly fed into the slowdown in annual price growth from a peak in 5.2% in 2014 to 2.4% at the end of Q1 this year.

Values in the prime Scottish market remain unchanged on the year. The introduction of the Land and Buildings Transaction Tax (LBTT) in April last year has weighed on market activity, although there has been a pick-up in sales in the first three months of the year ahead of the introduction of the additional 3% LBTT for additional purchases in April. This activity, like much of that over the last year to 18 months, has been concentrated in urban and commuter markets. This is reflected in a slightly higher 1% annual growth in prime Edinburgh prices.

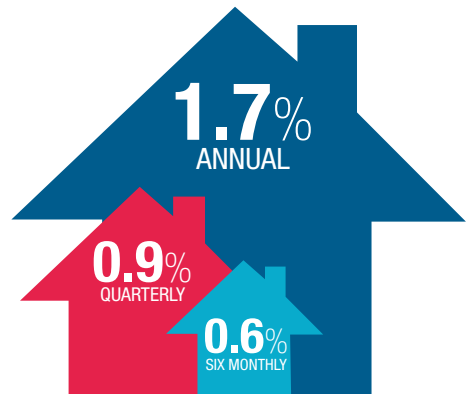
Rental market

Average UK rents rose by 2.6% in the year to the end of February 2016, while they rose by 3.8% in London. However prime central London rents fell by 1% over the same period. This central prime rental market is becoming more polarised, partly due to a movement of demand from some financial services tenants to the east, where rental

values are lower and the City financial district is closer. Knight Frank forecasts annual rental growth of 1% in western areas of prime central London and 2.5% in markets east of Mayfair and south of the River Thames in 2016.

Prime rents in the home counties are up 1.7% year-on-year.

Rental value growth in the Home Counties Q1 2016



Source: Knight Frank Research



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