



News Release

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Knight Frank Prime Central London Index – December 2008

Key highlights

- Prices for the best properties in prime central London fell a further 2.2% in December 2008
- On average, prime prices dropped by nearly 10% in the final quarter of 2008 and have fallen 18.4% from their March 2008 peak
- Properties costing £1m to £2.5m have been hit hardest and are 22% down from their peak
- Houses worth over £10m+ are down only 8.1% from their August 2008 peak. However, they are now falling in line with the rest of the market
- The total number of £1m+ sales in the whole London market was down 49% in 2008 compared with 2007

Liam Bailey, head of residential research, Knight Frank, commented:

"Prices continued their ongoing downward slide during the final month of 2008. Prices for the best properties in the capital are now almost 20% below their peak in early 2008. Our view that the market will see a 30% peak-to-trough fall in value looks likely to be borne out.

"The market worst affected by the price falls is the £1m to £2.5m sector - the so called "entry-level" prime market - which has seen prices fall by 22% from the peak. This segment of the market - favoured by city workers and other salaried professionals - is the one that appears to have been hit most by actual job losses and fears of further job cuts in 2009.

"There is little respite from the bad news across any of the central London markets - flats and houses have been hit as much as each other and prices have fallen from Canary Wharf across to Chelsea. The only bright spot appears to be that the rate of price decline is beginning to slow - with the 2.2% fall in December the smallest drop since September 2008.

"Despite the slowing rate of price falls, it is too early to say that the market is turning a corner. The number of new properties coming to the market in December was slightly higher (1%) than the same month a year earlier, however the number of properties sold was down by 44% over the same period.



"Our estimate is that the total number of £1m+ sales in the whole London market was down 49% in 2008 compared with 2007 - with only 2,746 taking place in 2008 (compared with a record 5,386 in 2007).

"Looking forward into 2009, the market's fortunes will be driven by economic conditions - especially those in the City. We are still holding to our forecast of a 30% peak-to-trough price adjustment - suggesting that by the spring we will be fast closing in on the low point of the market in terms of pricing. In terms of sales volumes, 2009 is likely to be as weak as 2008 -with £1m+ sales at or below 3,000 in Greater London - well below the level we have got used to in recent years."

Knight Frank, Prime Central London Index, December 2008

	KF Prime Central London Index	12 month% change	six month% change	three month% change	monthly % change
Dec-07	4,711.2	28.6%	8.9%	1.4%	1.0%
Jan-08	4,764.4	26.2%	6.0%	2.3%	1.1%
Feb-08	4,792.4	23.8%	4.4%	2.8%	0.6%
Mar-08	4,796.6	20.4%	3.3%	1.8%	0.1%
Apr-08	4,739.7	15.8%	1.8%	-0.5%	-1.2%
May-08	4,660.2	11.2%	-0.1%	-2.8%	-1.7%
Jun-08	4,577.3	5.8%	-2.8%	-4.6%	-1.8%
Jul-08	4,491.4	-0.1%	-5.7%	-5.2%	-1.9%
Aug-08	4,414.5	-3.8%	-7.9%	-5.3%	-1.7%
Sep-08	4,321.3	-7.0%	-9.9%	-5.6%	-2.1%
Oct-08	4,152.6	-10.8%	-12.4%	-7.5%	-3.9%
Nov-08	4,003.2	-14.1%	-14.1%	-9.3%	-3.6%
Dec-08	3,914.6	-16.9%	-14.5%	-9.4%	-2.2%

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Notes to Editors

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Knight Frank area definitions

Prime central London is taken to include: Mayfair, Marylebone, St John's Wood, Regent's Park, Kensington, Notting Hill, Chelsea, Knightsbridge, Belgravia and the South Bank (from Westminster Bridge to Tower Bridge/Shad Thames)

Prime London is taken to include all the above plus: Canary Wharf, Hampstead, Fulham, Richmond, Wandsworth, Wapping and Wimbledon.