News Release

Date: 3 February 2010

Knight Frank Prime Central London Residential Index

Knight Frank Prime Central London Residential Index - January 2010 results

Headlines:

- **Prime central London prices rose 1.1% in January, the 10th consecutive month of price growth**
- **Last month's price growth was the slowest since August 2009 and is markedly lower than the 2.1% recorded in December 2009**
- **On an annual basis price growth is now running at 11.5%**
- **Prices are now 15% above the low point reached in March last year, but 12% below the market peak reached in March 2008**
- **The strongest price growth has been experienced at the top of the market - the £10m+ sector saw 1.5% growth in January, continuing the process of catch-up this sector is experiencing**

Liam Bailey, head of residential research, Knight Frank, commented: "In the space of little more than 12 months we have seen a shift from a near market meltdown to boom rates of price growth.

"Since 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 - have served to push prices higher, with 15% growth in the ten months to January this year.

"As we stand, at the beginning of the 2010 spring market, there still seems to be considerable life left in the recovery in pricing. While buyers are back in force, vendors are few and far between, creating a significant imbalance between supply and demand. Slim pickings are the fuel that has been driving this market bounce.

"We are seeing increased demand in pretty much every price bracket, particularly the £2m-£5m 'City' segment. In fact, our figures suggest that applicant volumes in January were 15% above their five-year average. On the flip side, most of our offices have stock levels 15% to 20% below normal for the time of year. Some have seen declines of 30% or more.

"Anecdotally, the real problem for agents has been in encouraging prospective vendors to commit to a meaningful relationship. There are lots of people playing the dating game, inviting agents into their lives to inspect their homes and provide indicative asking prices, but when it comes to commitment they are still wavering.

"There are several reasons for this delay. The election is cited by some reluctant vendors looking for reasons not to take the next step. For others, however, it has galvanised them into action with the belief that early 2010 is a good time to sell - a window of opportunity before the election campaign starts.

"The lack of stock in the market can create something of a vicious circle, with prospective vendors waiting until they can see a wide range of choice for their next move before committing to a sale of their own property.

"There is also a degree of nervousness regarding the likely impact on London's economy following the withdrawal of the government's multi-billion pound economic stimulus package. More importantly it is the ongoing machinations around bonus payments that has provided a reason to delay for vendors and also, to be fair, for a good number of purchasers.

"A growing concern for agents is heightened vendor expectations. Buoyed by heady talk of price increases, some vendors are beginning to request that asking prices are set at close to, and even above, peak levels again. With achieved prices rising and the average ratio between asking and achieved prices narrowing, there are some clear arguments in favour of a more ambitious stance. In reality, for anything other than perfect properties, this is a risky strategy as the market has not been truly tested by a well-stocked larder. If supply does rise it could serve to hold those ambitiously priced properties on the market.

"Predicting future market performance, as we discovered last year, is a hard task at the best of times, when the ground rules that the market operates within are subject to imminent review there is an additional reason for caution. The market has the ramifications of a potentially decade-defining general election to mull over, not to mention the great unknowns of life post- quantitative easing.

"Despite the uncertainties, sentiment in the market is, if anything, probably more positive now than it was even six months ago. There is a feeling that London has weathered the economic storm, although some jobs may have been lost to Geneva. Buyers, both domestic and foreign, are still more than willing to commit to purchases.

"The hope is that the election, and subsequent budget, will provide a degree of certainty regarding the regulation of the financial services sector and taxation - both of critical importance to the London market.

The prospects for continued price growth in central London, particularly at the mid to upper end look good. With thin stock levels and healthy demand there is room for further growth and we stand by our forecast for a conservative 3% increase in prime London prices in 2010."

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	KF Prime Central London Index	12 month % change	6 month % change	3 month % change	monthly % change
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%
Jan-09	3,769.5	-20.9%	-16.1%	-9.2%	-3.7%
Feb-09	3,713.3	-22.52%	-15.9%	-7.2%	-1.5%
Mar-09	3,652.2	-23.86%	-15.5%	-6.7%	-1.6%
Apr-09	3,666.3	-22.65%	-11.7%	-2.7%	0.4%
May-09	3,725.9	-20.05%	-6.9%	0.3%	1.6%
Jun-09	3,789.0	-17.22%	-3.2%	3.7%	1.7%
Jul-09	3,846.5	-14.36%	2.0%	4.9%	1.5%
Aug-09	3,886.3	-11.96%	4.7%	4.3%	1.0%
Sep-09	3,937.7	-8.88%	7.8%	3.9%	1.3%
Oct-09	4,020.0	-3.19%	9.6%	4.5%	2.1%
Nov-09	4,067.2	1.60%	9.2%	4.7%	1.2%
Dec-09	4,154.6	6.13%	9.6%	5.5%	2.1%
Jan-10	4,201.2	11.45%	9.2%	4.5%	1.1%

Source: Knight Frank Residential Research

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Notes to Editors
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Knight Frank area definitions
Prime central London is taken to include: Mayfair, 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, Richmond, Wandsworth, Wapping and Wimbledon.

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