

Prime central London price growth powered by sub-£2m market

Prime central London property prices rose again in June and are almost 60% higher than the market trough in 2009. However, as Liam Bailey explains, price growth is varied across price bands.

Results for June 2013

Prime central London residential prices increased by 0.4% in June and by 3.7% in 2013 to date

Over the past 12 months, price growth in prime central London has totalled 6.9%

The strongest price growth has been seen in the sub-£1m price bracket, where prices are up by 6.6% in 2013 to date

The biggest price rises during June were seen in Marylebone (1.8%) and the South Bank (1.4%)

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"Property prices in the sub-£1m market have increased by 6.6% over the year to date and by 12.1% over the last 12 months, above the PCL average of 6.9%."



Liam Bailey, Global Head of Residential Research

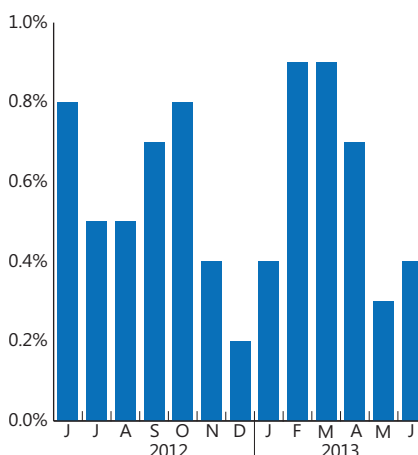
Average prices of prime central London homes increased by 0.4% in June and have risen by 3.7% in the first six months of the year. Prices for luxury homes in the capital are now 58.6% higher than the market low in March 2009.

However, a more detailed examination of the data shows that there are wide variations in terms of price performance depending on the value of a property. While prices have risen across all price brackets in 2013, at the lower end of the market sub-£1m properties have seen an increase of 6.6% over the year to date. Annual price growth for sub-£1m properties stands at 12.1%, well above the PCL average of 6.9%.

In the £1m-£2.5m price bracket properties have increased in value by 5.4% in 2013 and by 8.5% over the last 12 months. Price growth for properties in the higher price brackets has been more muted in comparison. As figure 2 shows, £10m+ homes have risen 1.5% over the year to date and are 4.5% higher annually, although activity levels remain healthy.

The higher stamp duty charge for £2m+ properties, introduced at last year's Budget, remains a key driver behind stronger growth from the lower price brackets.

Figure 1
Monthly price change
Prime central London average residential price change



Source: Knight Frank Residential Research

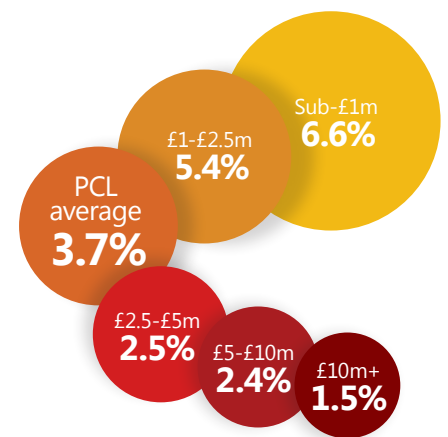
The health of this sector is also beginning to encourage vendors to bring properties onto the market. Stock levels for sub-£2m homes in prime central London are 25% higher year-on-year.

Over the first half of 2013, prices for homes in all of the markets tracked by our index have risen. However, unsurprisingly, given the variations in performance of the different price brackets, there have also been significant differences between areas.

In the City Fringe, where the average property has a value under £1m, prices are 7.8% higher over the year to date. In Knightsbridge, where the average price for a property is above £2m, price growth has been more muted.

In June, the biggest price increases were in Marylebone and the South Bank, up by 1.8% and 1.4% respectively. Average property prices also increased in Notting Hill, by 0.8% and in South Kensington and Islington, by 0.6%. In Belgravia and Knightsbridge prices were static, while in Mayfair the average cost of a prime home fell by 0.2% over the course of the month.

Figure 2
Price change
Prime central London price growth, January to June 2013



Source: Knight Frank Residential Research

Data digest

The **Knight Frank Prime Central London Index**, established in 1976, is the longest running and most comprehensive index covering the prime central London residential marketplace. The index is based on a repeat valuation methodology that tracks capital values of prime central London residential property. 'Prime central London' is defined in the index as covering: Belgravia, Chelsea, Hyde Park, Islington, Kensington, Knightsbridge, Marylebone, Mayfair, Notting Hill, Regent's Park, St John's Wood, Riverside* the City and the City Fringe. 'Prime London' comprises all areas in prime central London, as well as Canary Wharf, Fulham, Hampstead, Richmond, Wandsworth, Wapping and Wimbledon.

* Riverside covers the Thames riverfront from Battersea Bridge in the west running east to include London's South Bank. The City Fringe encompasses the half-mile fringe surrounding most of the City including Clerkenwell and Farringdon in the west and Shoreditch and Whitechapel in the east.

Knight Frank Prime Central London Index

	KF Prime Central London Index	12-month % change	6-month % change	3-month % change	Monthly % change
Jun-11	4,902.7	8.3%	7.0%	3.4%	0.9%
Jul-11	4,937.0	9.6%	6.5%	3.1%	0.7%
Aug-11	4,979.1	10.5%	6.4%	2.5%	0.9%
Sep-11	5,010.9	11.4%	5.7%	2.2%	0.6%
Oct-11	5,047.2	12.5%	5.4%	2.2%	0.7%
Nov-11	5,095.2	12.6%	4.9%	2.3%	1.0%
Dec-11	5,138.3	12.1%	4.8%	2.5%	0.8%
Jan-12	5,185.5	11.9%	5.0%	2.7%	0.9%
Feb-12	5,222.0	11.6%	4.9%	2.5%	0.7%
Mar-12	5,278.9	11.3%	5.3%	2.7%	1.1%
Apr-12	5,338.2	11.4%	5.8%	2.9%	1.1%
May-12	5,378.1	10.7%	5.6%	3.0%	0.7%
Jun-12	5,419.1	10.5%	5.5%	2.7%	0.8%
Jul-12	5,444.2	10.3%	5.0%	2.0%	0.5%
Aug-12	5,473.0	9.9%	4.8%	1.8%	0.5%
Sep-12	5,510.0	10.0%	4.4%	1.7%	0.7%
Oct-12	5,554.6	10.1%	4.1%	2.0%	0.8%
Nov-12	5,576.7	9.4%	3.7%	1.9%	0.4%
Dec-12	5,587.2	8.7%	3.1%	1.4%	0.2%
Jan-13	5,607.1	8.1%	3.0%	0.9%	0.4%
Feb-13	5,659.2	8.4%	3.4%	1.5%	0.9%
Mar-13	5,707.9	8.1%	3.6%	2.2%	0.9%
Apr-13	5,748.6	7.7%	3.5%	2.5%	0.7%
May-13	5,768.0	7.2%	3.4%	1.9%	0.3%
Jun-13	5,793.6	6.9%	3.7%	1.5%	0.4%

Residential Research

Liam Bailey
Global Head of Residential Research
+44 20 7861 5133
liam.bailey@knightfrank.com

Press Office

Daisy Ziegler
+44 20 7861 1031
daisy.ziegler@knightfrank.com

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