

Gold bar entry requirement to prime London property halves

Results for March 2013

Prime central London residential prices increased by 0.9% in March and by 2.2% in the first quarter of 2013

Over the past 12 months, price growth in prime central London has totalled 8.1%, gold has fallen 2.3% in value over the same time

The biggest price rises during March were seen in City Fringe (1.8%), Islington (1.5%) and Mayfair (1.1%)

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“In the past year prime property in London has appreciated in price by 8.1%. Over the same period the value of gold has fallen by 2.3%.”



Liam Bailey, Global Head of Residential Research

London’s prime property market continues to be an attractive destination for overseas investors looking for a safe haven to protect against global economic uncertainty. Liam Bailey assesses just how well the sector has fared compared to an alternative safe haven.

Many in the investment world would balk at applying the term to anything other than gold, but the behaviour of the central London property market since early 2009 has shared some pretty compelling similarities to a safe haven. As the Eurozone crisis worsened, so prices in the wider UK housing market began to weaken as consumer confidence was undermined. But in central London demand and prices moved steadily higher.

Gold has comfortably outperformed prime central London property in the last decade, with prime central London residential prices having risen in value 124% in the 10 years to Q1 2013 against gold’s staggering 379% growth.

A similar pattern can be seen in the wake of the financial crisis, in the five years to Q1 2013, prime central London homes increased in value by 19%, while gold – boosted by an increase in demand in the years following the financial crisis and its safe haven tag – climbed in value by 125%.

However, shorten the timeframe and a different outcome is apparent. If you had purchased a property in prime central London 12 months ago, it would have appreciated by an average

of 8.1%. Over the same timeframe the value of gold has fallen by 2.3%.

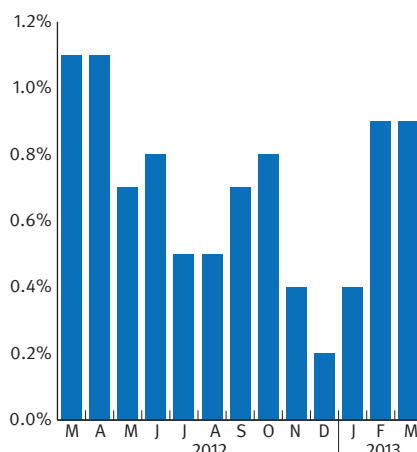
Furthermore, since 2003 the price of prime residential property in London has plunged in gold terms. In 2003 it would have taken you 4,122 ounces of gold to buy a £2m property in SW1. In 2013 it would set you back just 1,893 ounces (figure 2).

To put this into context 1,893 ounces is just under five of the standard gold bars held as gold reserves by central banks. In 2002 you would have needed more than 10 bars for the same purchase.

News that prime central London property rose again in value by 0.9% in March should serve to increase its appeal among those looking for a secure asset in which to place their money. The biggest gains over the course of the month were seen in City Fringe (1.8%), Islington (1.5%) and Mayfair (1.1%).

Prices have now risen by 2.2% in the first quarter of 2013, with the biggest rises coming from the lower price ranges. Homes worth between £1m and £2.5m have increased in value by 3.4% so far this year, while prices of homes worth up to £1m are up 2.2%.

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



Source: Knight Frank Residential Research

Figure 2
How many ounces of gold needed to buy a super-prime London house?



Source: Knight Frank, Bank of England

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
Mar-11	4,742.5	8.6%	5.5%	3.5%	1.3%
Apr-11	4,790.8	8.2%	6.8%	3.4%	1.0%
May-11	4,856.9	8.2%	7.4%	3.8%	1.4%
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%

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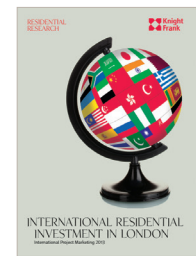
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