RESIDENTIAL RESEARCH

PRIME CENTRAL LONDON SALES INDEX

Results for March 2014

Prices rose by 0.8% in March, while the annual increase remained at 7.5%

Prices have risen 68% in the five years since the post-Lehman Brothers low in March 2009

£1 million-plus sales in London account for 22% of stamp duty revenue in England and Wales…

… but less than 2% of all transactions

A recent decline in online searches for prime London property from Russia reversed in February

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TOM BILL

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"Knight Frank web traffic data suggests no marked difference between the Crimea situation and other recent periods of political instability around the world"

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The politics of prime central London

Prime central London prices have risen by more than two-thirds since their post-Lehman Brothers low-point. Recent events underline how politics as much as economics have impacted values, says Tom Bill.

It is five years this month since the prime central London index hit its financial crisis low point in March 2009, as the world digested the implications of the collapse of Lehman Brothers.

Prices have since risen 68% as London property gained a reputation as a safe investment. It is politics as much as economics that has impacted growth, a fact underlined by recent domestic and international events.

On a domestic level, a series of tax changes has contributed to slower price growth in some core prime central London markets. Chancellor George Osborne extended taxes on property bought through a company vehicle in this month's UK Budget, a change we don't expect to have a significant impact on the market.

Prices rose by 0.8% in March although there has been an ongoing slowdown in the annual growth rate to 7.5% from 8.1% in March 2013 and 11.3% two years ago.

Against the background of a debate that will intensify as next year's general election approaches, it is worth noting government data obtained by Knight Frank that shows the contribution of prime London sales to overall stamp duty revenues in England and Wales.

London sales over £1 million accounted for 22% of the £4.7 billion total in the 2012/13 tax year, while sales over £2 million made a 15% contribution. Transaction volumes in both price brackets represent less than 2% and 1% of the total, respectively.

Recent events on the Crimean peninsula have underlined how uncertainty abroad has the potential to affect sentiment in the prime central London market.

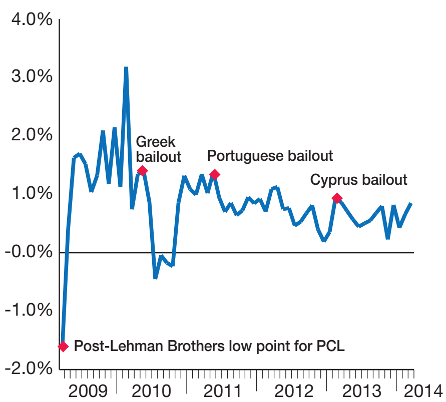
Travel restrictions on Russian individuals are currently targeted at a narrow group linked to the government, which suggests a limited impact on what is a wider well-established group of buyers in London.

Knight Frank web traffic data suggests no marked difference between the Crimea situation and other recent periods of political instability around the world, which can lead to an increased interest in London property.

Russians viewing prime central London property online fell by an average 25% in the 11 months to January 2014 versus the same month in 2013 while there was a 2% year-on-year rise in February that reversed the decline as political tension grew. Meanwhile, there was an average 121% increase in web traffic from Ukraine over the whole 12-month period. While it shows demand is resilient, it is too early to predict how a changeable political situation will affect transaction levels.

FIGURE 1

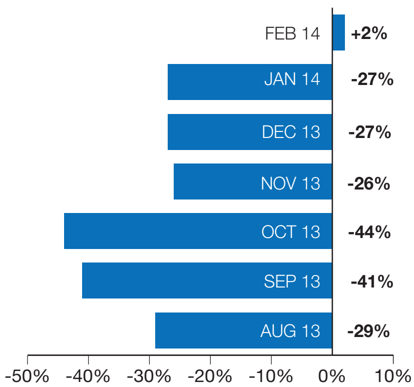
Monthly growth in prime central London residential prices



Source: Knight Frank Residential Research

FIGURE 2

Russian web traffic viewing prime central London homes, year on year decline/rise



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

Rank	KF Prime Central London Index	12-month % change	6-month % change	3-month % change	Monthly % change
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	5,781.3	7.5%	3.7%	2.2%	0.6%
Jun-13	5,807.1	7.2%	3.9%	1.7%	0.4%
Jul-13	5,836.2	7.2%	4.1%	1.5%	0.5%
Aug-13	5,868.4	7.2%	3.7%	1.5%	0.6%
Sep-13	5,908.3	7.2%	3.5%	1.7%	0.7%
Oct-13	5,955.5	7.2%	3.6%	2.0%	0.8%
Nov-13	5,969.0	7.0%	3.2%	1.7%	0.2%
Dec-13	6,017.9	7.7%	3.6%	1.9%	0.8%
Jan-14	6,043.6	7.8%	3.6%	1.5%	0.4%
Feb-14	6,083.4	7.5%	3.7%	1.9%	0.7%
Mar-14	6,135.1	7.5%	3.8%	1.9%	0.8%

Source: Knight Frank Residential Research

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