Knight Frank

News Release

Date: 28 November 2009

Prime central London residential property prices rise as City demand picks up before bonus round

Knight Frank Prime Central London Index, November 2009 results

Headlines

- Prices rose by 1.2% during November, prices have now risen by 11.4% since March
- Prices are still 15.2% below their March 2008 peak level
- Price growth has been led by the very top end of the market, £10m+ properties saw growth of 1.9% during November - the strongest result for all price brackets
- The weakest market was the sub-£1m market which saw only 0.5% growth
- The locations seeing the strongest growth are Chelsea, Kensington and Knightsbridge

Liam Bailey, head of residential research, Knight Frank, commented: "It is becoming clearer that it is the very top-end of the market that is leading price growth. Anecdotal evidence from across our offices suggests that City money is becoming more apparent as we get closer to the end of year bonus season; and with the upper end of the market benefitting most, it is clear that demand from senior management is driving the market.

"The change in fortunes of the top-end of the market has been dramatic. Whereas prices in the overall prime central London market stopped falling in March, they only stopped falling in the £10m+ price bracket in May, and even then growth has been anaemic at best in this sector until recently.

"There has been a definite shift in the performance of the top-end of the market in recent months. Since the wider market started rising in the spring, the main prime London index has risen by 11.4%, but the £10m+ sector has only risen by 6.6%, and most of this has occurred in the last two months (nearly 4%).

"This rise in prices at the top-end of the market has been reflected by significant new activity in the £20m and £30m sector; deals at this level were taking place on a monthly basis prior to September - since then they have been almost weekly events.

"Our view is that there is clearly an element of catch-up taking place and the £10m+ sector is following the rise experienced lower down the market over the summer. However there is a clear indication that bonus expectations (£6bn in total this year, up 50% from £4bn last year) are being felt in the market.

"With stock levels still 25% below trend at the current time – and new buyer registrations up by 30% on last year – the pressure on prices in the short term at least is likely to be upwards."

	KF Prime Central London Index	12 month % change	6 month % change	3 month % change	monthly % change
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%**

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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