

## PRICES DIP IN PRIME CENTRAL LONDON AS BUYERS SEEK VALUE

As political uncertainty intensifies ahead of next May's general election, demand has become more restrained and some buyers are betting on a pause in price growth, says Tom Bill

### NOVEMBER 2014

Prices fell **-0.2%** in November, which resulted in annual growth easing to 6.1%

Prices have risen **73%** in the five and a half years since the last low-point in March 2009

Notting Hill and South Kensington recorded **monthly declines of 2.3% and 1.2%** respectively

More buyers are adopting a wait-and-see approach on pricing but the **best properties are still selling quickly**

Prices were flat in Belgravia, Knightsbridge and Mayfair and **declined by less than 1% in Kensington, Islington and Marylebone**



**TOM BILL**  
Head of London Residential Research

"Prices have softened in prime central London due to the magnitude of the cumulative uncertainty rather than the quantifiable extent of the risks."

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Not only is the outcome of next May's general election uncertain, it is unclear whether the era of two-party politics in the UK is coming to an end.

Against this backdrop of heightened political uncertainty, with opinion polls indicating that a majority government is the least likely outcome after the election, demand in the prime central London residential market has become more restrained.

Prices fell -0.2% in November, which was the first drop since October 2010 and meant annual growth eased to 6.1%. Discounting a minor dip in the second half of 2010 due to concerns over the euro zone, November marked the end of a run of growth that lasted five and a half years, during which time prices rose 73%.

It is difficult to rank individual reasons for the decline in order of importance, but anecdotally they appear to include the looming UK general election, the proposals for a mansion tax and the impact of capital gains tax reform for non-residents.

The conclusion must be that prices have softened in prime central London due to the magnitude of the cumulative uncertainty

rather than the quantifiable extent of the risks.

However, short-term or domestic risks don't obscure London's wider appeal. Whatever happens in 2015, for example, London will retain a competitive advantage versus New York, where residents are taxed on their global income.

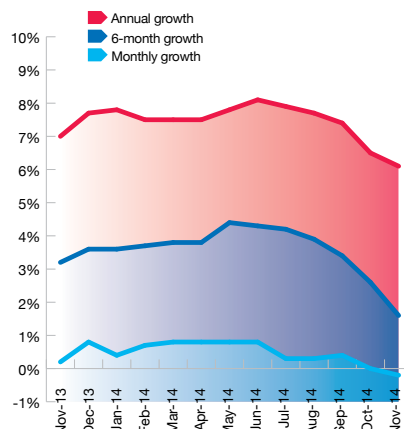
Neither should buyers overlook the long-term potential for price performance of prime central London property which, as figure two shows, has been exceptionally strong through past elections.

Price declines in November included a -2.3% fall in Notting Hill, due to weaker demand in the £5 million to £10 million price bracket, a family house market that is more reliant on domestic demand than other areas of central London.

Elsewhere, prices in South Kensington fell 1.2%. Though more buyers are adopting a wait-and-see approach to pricing, the most in-demand and well-priced properties are selling quickly.

There were declines of less than 1% in Kensington, Islington and Marylebone, while prices were flat in the three golden postcodes of Belgravia, Knightsbridge and Mayfair.

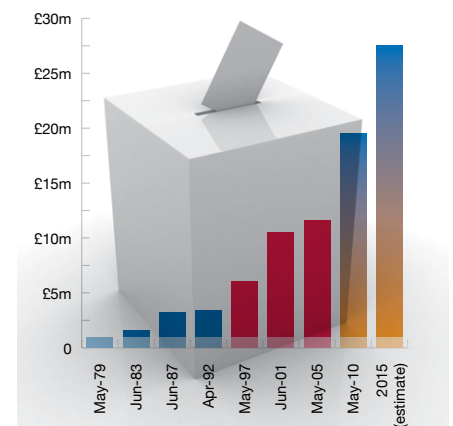
FIGURE 1  
**Growth eases in prime central London**



Source: Knight Frank Residential Research

FIGURE 2  
**House prices on general election day**

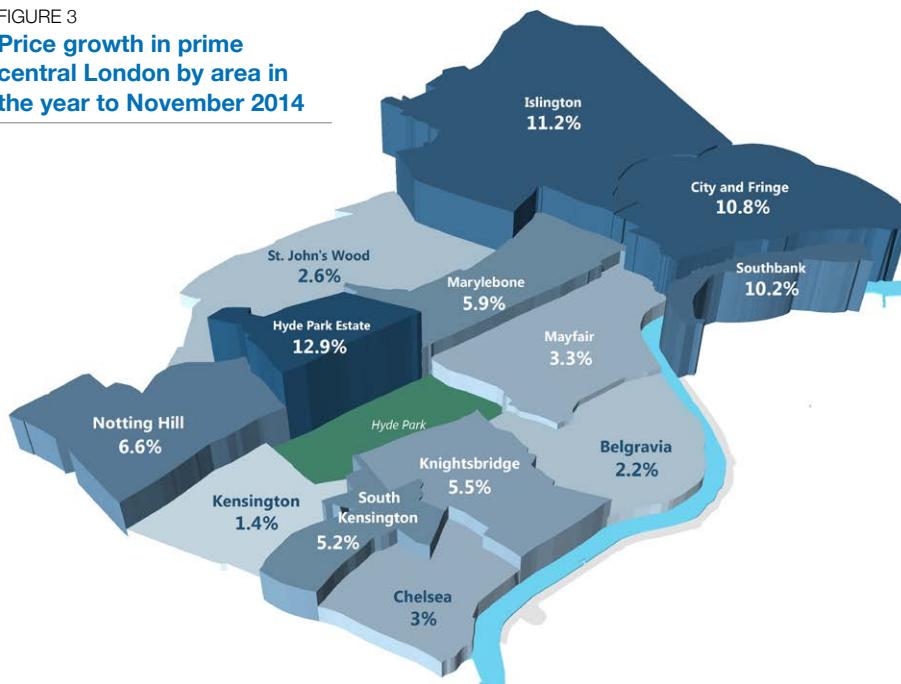
The rising value of a prime central London property worth £1 million in May 1979



Source: Knight Frank Residential Research

# PRIME CENTRAL LONDON SALES INDEX

FIGURE 3  
**Price growth in prime central London by area in the year to November 2014**



## 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, South Kensington, St John's Wood, Riverside\* the City and the City Fringe. 'Prime London' comprises all areas in prime central London, as well as Barnes, Canary Wharf, Chiswick, Clapham, Fulham, Hampstead, Richmond, Wandsworth, Wapping and Wimbledon.

\* Riverside in prime central London covers the Thames riverfront from Battersea Bridge in the west to Tower Bridge in the east, including 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
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%
Apr-14	6,182.4	7.5%	3.8%	2.3%	0.8%
May-14	6,231.2	7.8%	4.4%	2.4%	0.8%
Jun-14	6,278.7	8.1%	4.3%	2.3%	0.8%
Jul-14	6,297.3	7.9%	4.2%	1.9%	0.3%
Aug-14	6,318.9	7.7%	3.9%	1.4%	0.3%
Sep-14	6,343.4	7.4%	3.4%	1.0%	0.4%
Oct-14	6,343.4	6.5%	2.6%	0.7%	0.0%
Nov-14	6,330.7	6.1%	1.6%	0.2%	-0.2%

Source: Knight Frank Residential Research

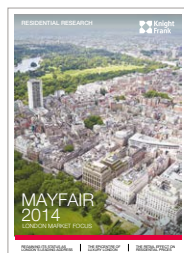
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