

Weak pound drives demand

£30 million-plus sales rise

Super-prime buyers get younger



Super-Prime Market Insight

Winter 2019

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SUPER PRIME MARKET INSIGHT

Political uncertainty weighs on transactions but demand rises, as Tom Bill explains

Buyers spent a total of £2.06 billion on super-prime (£10 million-plus) properties in London in the year to May 2019. This was marginally higher than a figure of £2.05 billion in the previous 12 months.

While this underlines the resilience of demand against an uncertain political backdrop, overall transaction volumes fell 13% to 104 from 120.

Political uncertainty has affected sentiment over the last five years, however, this has intensified as the

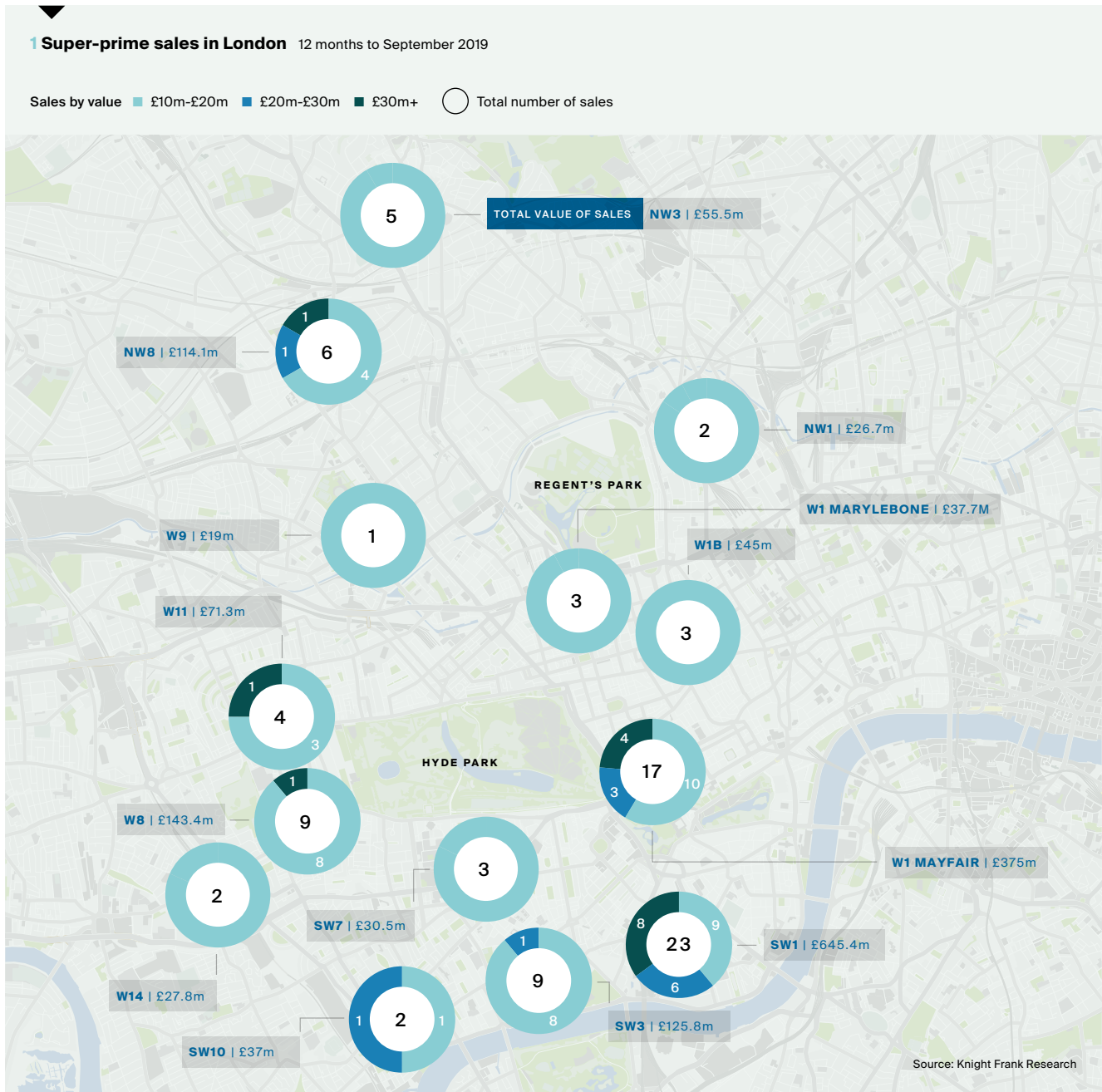
UK's intended departure from the European Union continues to be discussed, combined with the impact of wider global economic tensions.

However, higher-value sales are increasing, as high net worth individuals target London and take advantage of the weak pound. There were 16 transactions above £30 million in the year to May 2019 compared to 11 over the previous 12 months.

Furthermore, pent-up demand

remains strong. The ratio of new prospective buyers to new sales listings above £10 million climbed to 6.5 in the third quarter of 2019, the highest figure since the final quarter of 2016 and the second highest figure since Q1 2014.

Meanwhile, the average age of super-prime buyers is falling as figure 5 shows. Some 73% of super-prime buyers were below 50 in the year to September 2019, which was up from less than half at the start of 2015.



2019/19 OUTLOOK - AGENT PERSPECTIVE

Knight Frank's agents in the super-prime market share their perspective on some of the key trends.



PADDY DRING, GLOBAL HEAD OF PRIME SALES

The market has re-priced

“The growing number of £30 million-plus transactions taking place is extremely encouraging. There is a growing realisation on the part of vendors that the market has re-priced. The currency advantage is still driving demand. There are some sizeable transactions underway and there is an equally sizeable pool of latent demand building up.”



DANIEL DAGGERS, PRIVATE OFFICE

Buyers are getting younger

“Super-prime buyers are getting younger because there are opportunities to make money in tech that are unrelated to your age. At the same time, mature wealthy individuals are increasingly passing on businesses and assets to the younger generations to enable them to travel and enjoy new experiences.”



RORY PENN, HEAD OF PRIVATE OFFICE

London in a global context

“Beyond Brexit, there are global trade and geopolitical tensions that mean other super-prime residential markets have slowed. While there are fewer discretionary buyers in London, well-priced and good-quality stock is getting strong interest and leaves me convinced that demand will accelerate once Brexit has been resolved.”



RUPERT DES FORGES, HEAD OF PRIME CENTRAL LONDON DEVELOPMENTS

New-build still in demand

“The super-prime new-build market feels relatively healthy at the moment. We have taken nine reservations since the start of September in new developments in Marylebone, Mayfair, Regent's Park and Kensington, which is high for this time of year. Buyers are attracted to the service and security that such schemes provide.”



VICTORIA GARRETT, HEAD OF RESIDENTIAL, ASIA PACIFIC

Asian demand is strong

“We have seen strong appetite for the London market from buyers in Asia. A combination of the currency discount, relative political stability and a world-class education system means London is the logical choice for many buyers at the super-prime level. When more clarity emerges around Brexit and there is more currency stability, much of the pent-up demand will be released.”



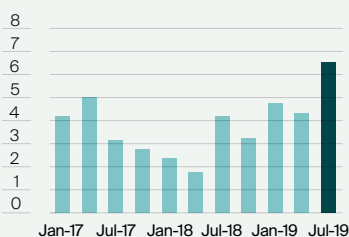
CHARLES PENNY, PRIVATE OFFICE

Currency is driving deals

“Dollar-denominated buyers believe now is the right moment to buy UK real estate to capitalise on the weak pound. Many are taking the view that whatever happens with Brexit, any weakening of the pound will be quick to recover. If enough buyers fast-track their decision making, and supply continues to fall in the best postcodes, we could see a shift towards a sellers' market”

2 Demand builds vs supply

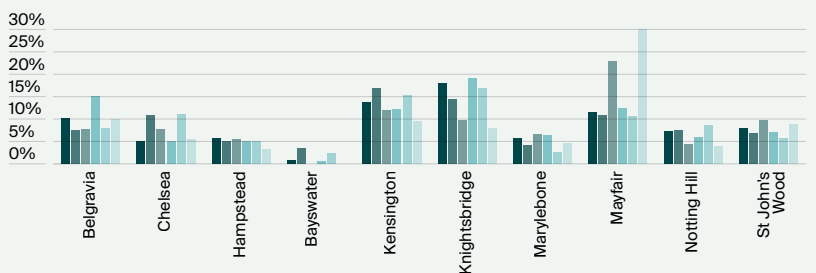
Ratio of new prospective super-prime buyers / new listings above £10 million



Source: Knight Frank Research

3 Where are super-prime deals happening?

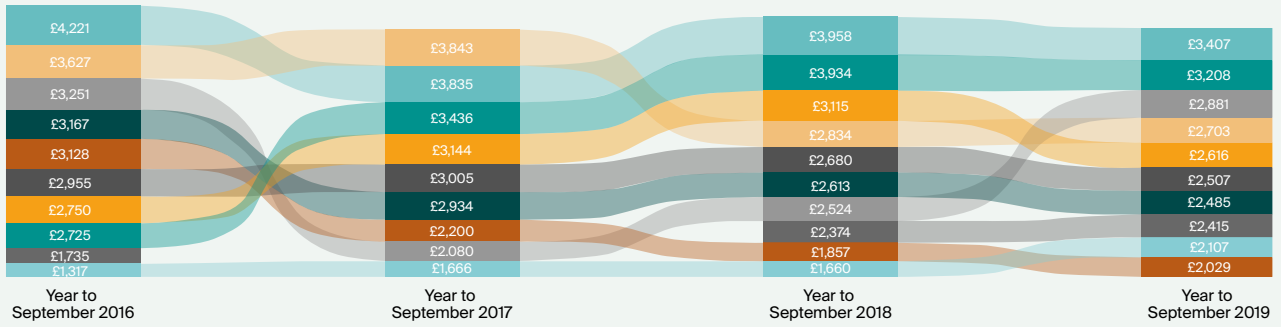
Existing homes and new-build properties, % of whole market



Source: Knight Frank Research

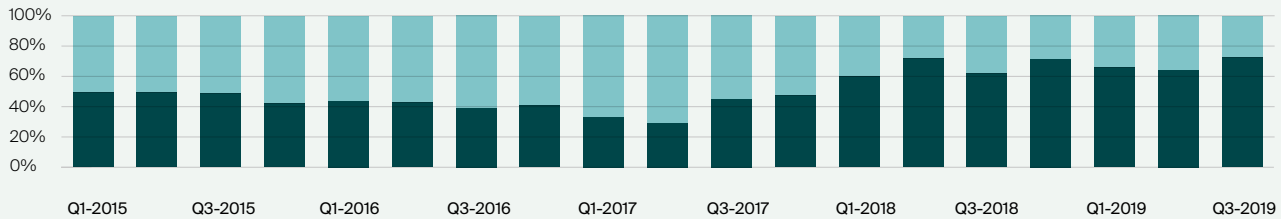
4 Median £PSF in the London super-prime market Existing homes and new-build properties

■ Mayfair ■ Knightsbridge ■ Marylebone ■ Kensington ■ St John's Wood ■ Chelsea
■ Notting Hill ■ Belgravia ■ Bayswater ■ Hampstead



Source: Knight Frank Research

5 Buyers are getting younger % of super-prime buyers by age



Source: Knight Frank Research

Please get in touch with us

If you are looking to buy, sell or would just like some property advice, we would love to hear from you.



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