

## DEMAND FOR HIGHER-VALUE PROPERTIES EDGES UP IN PRIME OUTER LONDON

General election uncertainty causes sellers to delay though demand has risen for £2 million-plus properties since the start of the year, says Tom Bill

### April 2015

Prices grew by 0.3% in prime outer London in April

Annual growth slowed to 4.5% from 12.1% last April ahead of the general election

Demand for higher-value properties edges higher as sellers adjust asking prices

Annual rental value growth was 1.75%, the highest rate in three years

Viewings rose 26% in year to April 2015 while tenancies commenced rose 42%



**TOM BILL**  
Head of London Residential Research

“There has been a small pick-up in demand for properties worth more than £2 million since the start of the year”  
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Property prices in prime outer London increased by 0.3% in April, denoting muted growth ahead of the general election on 7 May.

Annual growth has slowed to 4.5% from 12.1% in April last year as a prolonged period of political uncertainty mounts surrounding the outcome.

The prospect of further property taxation has caused price growth in the £2 million-plus market to slow to a greater degree than in lower price brackets, as figure 1 shows.

However, in recent weeks there has been a limited reversal of this trend in some areas.

Many vendors of properties worth less than £2 million are hesitating before putting them on the market due to the election. The caution underlines how a wider sense of uncertainty about the election and its impact on house prices is altering the behaviour of a section of the market that would be unaffected by any proposed tax changes.

Others are simply waiting for the election to finish before acting and there are a number of properties that will go on the market on Monday 11 May, irrespective of the outcome.

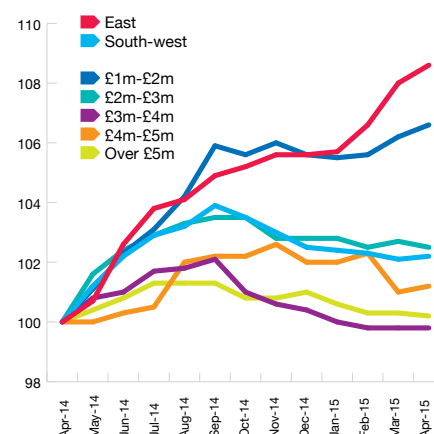
Meanwhile, there has been a small pick-up in demand for properties worth more than £2 million since the start of the year, particularly in south-west London. One driver is the fact vendors have moderated asking prices against the background of political uncertainty.

The lettings market continues to benefit from a transfer of demand from the sales market due to the election, as well as the underlying UK economic recovery and the fact companies are expanding in London.

Demand remains strong and the number of tenancies agreed and commenced in the year to March 2015 rose by 34% and 42%, respectively. Meanwhile, the number of new prospective tenants and viewings rose 30% and 26%.

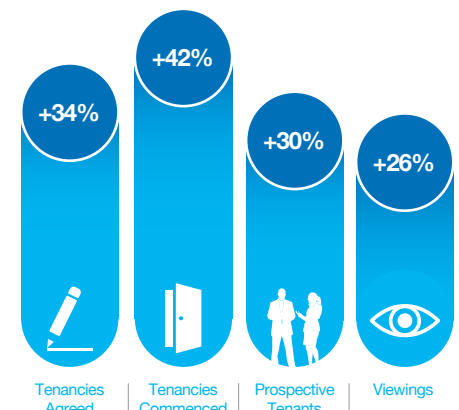
Rental values grew by 0.4% in April, taking annual growth 1.75%, the highest rate in three years. Gross rental yields were largely unchanged at 3.49%, close to their 12-month average.

FIGURE 1  
Price growth by area and price band  
(rebased to 100)



Source: Knight Frank Residential Research

FIGURE 2  
The lettings market surge continues  
(Year to March 2015 vs 2014)



Source: Knight Frank Residential Research

## PRIME OUTER LONDON INDEX

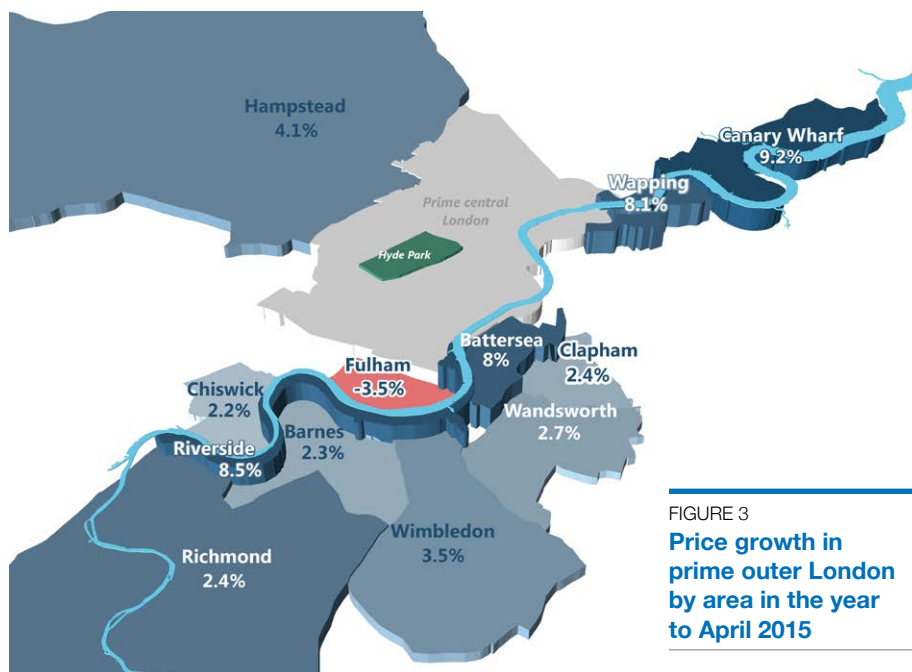


FIGURE 3  
Price growth in prime outer London by area in the year to April 2015

## DATA DIGEST

The Knight Frank Prime Outer London Index, established in 1997, is the longest running and most comprehensive index covering the prime outer London residential marketplace. The index is based on a repeat valuation methodology that tracks capital values of prime outer London residential property. 'Prime outer London' is defined in the index as covering: Barnes, Battersea, Canary Wharf, Chiswick, Clapham, Fulham, Hampstead, Richmond, Riverside\*, Wandsworth & Clapham, Wapping and Wimbledon.

'Prime London' comprises all areas in prime outer London, as well as Belgravia, Chelsea, City & Fringe, Hyde Park, Islington, Kensington, Knightsbridge, Marylebone, Mayfair, Notting Hill, South Bank, South Kensington and St John's Wood.

\*Riverside in prime outer London covers the Thames riverfront from Battersea Bridge in the east running west to Kew Bridge. In prime central London, it covers the Thames riverfront from Battersea Bridge in the west running east to Tower Bridge and includes South Bank.

### Prime Outer London Sales Index

	KF Prime Outer London Index	12-month % change	6-month % change	3-month % change	Monthly % change
Nov-14	286.1	9.0%	2.9%	0.6%	0.0%
Dec-14	285.7	8.0%	1.8%	-0.3%	-0.1%
Jan-15	285.5	7.0%	0.9%	-0.2%	-0.1%
Feb-15	286.0	5.9%	0.6%	0.0%	0.2%
Mar-15	286.8	5.1%	0.0%	0.4%	0.3%
Apr-15	287.4	4.3%	0.5%	0.7%	0.2%

### Prime Outer London Rentals Index

Nov-14	186.2	-0.31%	1.04%	0.06%	0.02%
Dec-14	186.2	-0.20%	0.38%	0.01%	0.00%
Jan-15	186.4	0.07%	0.86%	0.14%	0.12%
Feb-15	186.7	0.33%	0.29%	0.23%	0.11%
Mar-15	187.3	0.51%	0.57%	0.56%	0.33%
Apr-15	188.1	1.75%	1.02%	0.88%	0.44%

Source: Knight Frank Residential Research



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