

## MIXED FORTUNES IN PRIME OUTER LONDON AS GENERAL ELECTION APPROACHES

Stamp duty changes and uncertainty over the prospect of further property taxation after the general election has resulted in mixed fortunes in prime outer London, says Tom Bill

### January 2015

**Annual growth in the sales market eased to 7%** as the election approaches

**Growth was 9.1% between £1 million and £2 million** and 1.5% between £3 million and £4 million.

**Prices declined -0.1% in January** due to slower activity in higher price bands

Annual rental value growth of 0.07% was **the first rise since October 2012**

**Rental growth returned to Hampstead, rising 0.6% in January**, the highest figure in prime outer London



**TOM BILL**  
Head of London Residential Research

“Rental values have returned to annual growth in prime outer London for the first time in more than two years, buoyed by strong corporate demand and a degree of uncertainty in the sales market”

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Two statistics demonstrate the current state of the prime outer London residential property market.

The first is that annual growth for properties worth between £1 million and £2 million was 9.1% in the year to January 2015. The second is that the equivalent figure for properties value between £3 million and £4 million was lower at 1.5%.

Uncertainty surrounding the prospect of property taxation on homes worth more than £2 million after May’s general election explains the difference in performance.

Furthermore, stamp duty changes in December reduced transaction costs for sales below £937,500, which has driven activity in lower price brackets.

The result is that prices in more affordable markets like Battersea, Clapham, and Wapping are still growing on a monthly basis while they have softened marginally elsewhere.

Annual growth across prime outer London eased to 7%, which is down from the last peak of 12.1% in June 2014. Growth in east

London was 11.4% while the south-west index rose 5.4% and Hampstead in north London grew 4.1% in the last year.

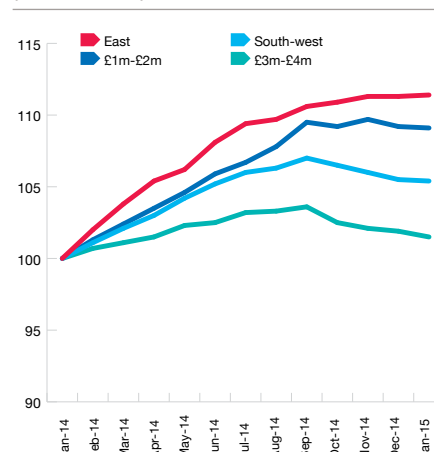
Overall, prices in prime outer London declined -0.1% in January as slower activity in higher price bands was balanced out by gains in lower price brackets. Activity was particularly strong where vendors set realistic asking prices.

Meanwhile, rental values have returned to annual growth for the first time in more than two years, buoyed by strong corporate demand and a degree of uncertainty in the sales market ahead of the election.

Rental values rose 0.12% in January, which took annual growth to 0.07%, the first annual increase since October 2012.

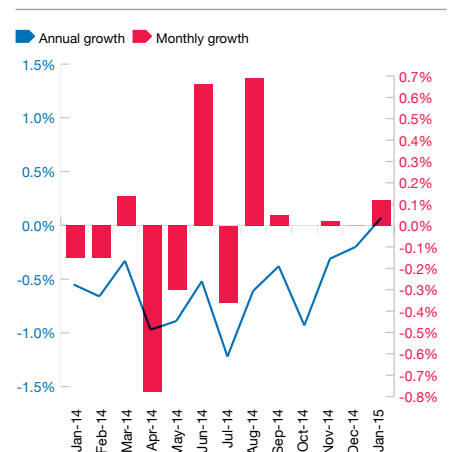
In similar fashion to the sales market, annual growth was stronger in more affordable markets like Clapham, Wapping and Canary Wharf. The east prime outer London index registered 3.6% growth while it was flat in south-west London over the last year. Meanwhile, monthly growth has returned to Hampstead, rising 0.6% in January, the highest increase in prime outer London.

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



Source: Knight Frank Residential Research

FIGURE 2  
**Rental value performance in prime outer London**



Source: Knight Frank Residential Research

## PRIME OUTER LONDON INDEX

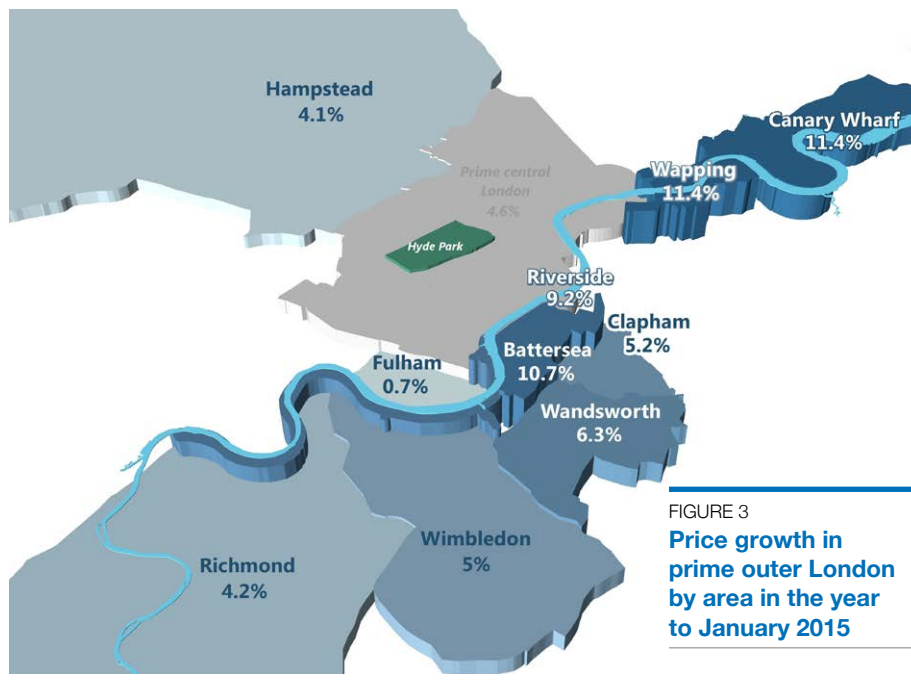


FIGURE 3  
Price growth in prime outer London by area in the year to January 2015

## 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
Aug-14	284.4	11.7%	5.3%	2.3%	0.5%
Sep-14	286.6	11.8%	5.0%	2.1%	0.8%
Oct-14	286.0	10.1%	3.8%	1.1%	-0.2%
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%

### Prime Outer London Rentals Index

	Index	12-month % change	6-month % change	3-month % change	Monthly % change
Aug-14	186.1	-0.61%	0.04%	0.99%	0.69%
Sep-14	186.2	-0.38%	-0.05%	0.37%	0.05%
Oct-14	186.2	-0.93%	0.73%	0.73%	-0.01%
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%

Source: Knight Frank Residential Research

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