

PRICE GROWTH SPILLS INTO PRIME OUTER LONDON

Prime outer London prices have risen sharply as buyers seek better value beyond the central London postcodes but caution remains in higher price brackets, says Tom Bill.

Results for first quarter 2014

Prime outer London prices rose **11.5%** in the year to March

Ripple effect returns as buyers look for alternatives to Chelsea, South Kensington and City

Biggest annual increase was **16.3%** in **Wandsworth & Clapham**

Growth driven by the sub £2 million price bracket, where prices rose 13.1% in the year to March

More limited price growth for £5 million-plus homes, where the increase was 4.3% over the 12 months to March

Prices in prime outer London rose 11.5% in the year to March 2014, far exceeding growth in previous years.

The increase marked the return of the ripple effect in London, with price growth spreading outwards from the economic epicentre of central London as it did in previous UK housing cycles.

Prime central London property prices rose strongly between 2009 and 2012 as the area gained a reputation as a safe investment during the financial crisis. The wave of capital didn't reach far beyond Westminster and Kensington & Chelsea and annual growth in prime outer London stayed in the low single-digits as the global economic crisis played out.

The dam burst last year as signs of life returned to the UK economy, helped by historically low interest rates.

The biggest increase in the year to March was in Wandsworth & Clapham, where prices grew 16.3%. South-west London has benefitted from a growing group of buyers looking south of the River Thames

as they are priced out of the family house market north of the river.

The Knight Frank south-west prime outer London index, which also includes Battersea, Fulham, Wimbledon and Richmond, grew 11.2% over the year. Prices rose 12.5% in Fulham as European buyers sought more square feet for their money than in Chelsea or South Kensington, while there was a 10.9% increase in Richmond as predominantly UK buyers looked for more outside space.

Growth in East London was stronger, with Wapping and Canary Wharf rising 13% over the year. Here, the ripple effect meant buyers moved east from the City & Fringe where prices are rising rapidly due to a pipeline of prime new-build developments in the City Road area.

Flats in Canary Wharf are selling within weeks in a market also being driven by buy-to-let investors, who can get a rental yield of between 4% and 5%, a favourable return compared to other parts of prime London. Rents in Canary Wharf grew 2.6%

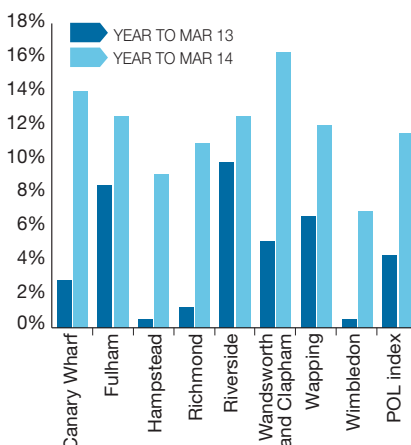


TOM BILL
Associate, Residential Research

"The dam burst last year as signs of life returned to the UK economy, helped by historically low interest rates."

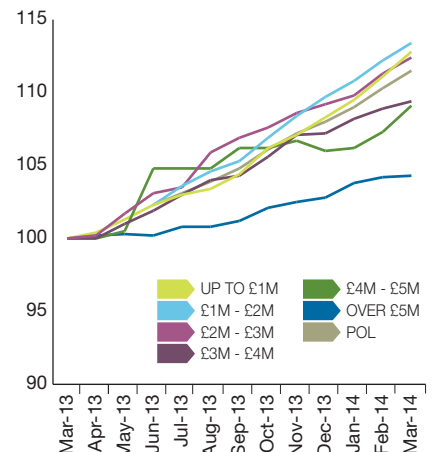
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FIGURE 1
Prime outer London price growth



Source: Knight Frank Residential Research

FIGURE 2
Growth by price bracket (rebased)



Source: Knight Frank Residential Research

PRIME OUTER LONDON INDEX

over the year and 1.6% in Wapping as corporate purse strings begin to loosen.

Growth across prime outer London was principally driven by the sub £2 million price bracket, where prices rose 13.1%.

However, homes worth more than £5 million grew by 4.3%, revealing a degree of caution in the market possibly linked to speculation around interest rate rises and a general election creeping onto the radar.

Knight Frank Prime Outer London Index

Sales Index

	KF Prime Outer London Index	12-month % change	6-month % change	3-month % change	Monthly % change
Mar-13	244.8	4.3%	2.3%	1.4%	0.7%
Apr-13	245.9	3.9%	2.6%	1.6%	0.4%
May-13	248.1	4.4%	3.2%	2.0%	0.9%
Jun-13	250.4	5.1%	3.7%	2.3%	0.9%
Jul-13	252.4	5.7%	4.3%	2.6%	0.8%
Aug-13	254.5	6.6%	4.6%	2.6%	0.8%
Sep-13	256.5	7.2%	4.8%	2.4%	0.8%
Oct-13	259.9	8.4%	5.7%	3.0%	1.3%
Nov-13	262.4	9.1%	5.7%	3.1%	1.0%
Dec-13	264.5	9.6%	5.6%	3.1%	0.8%
Jan-14	266.9	10.3%	5.8%	2.7%	0.9%
Feb-14	270.1	11.0%	6.1%	2.9%	1.2%
Mar-14	273.0	11.5%	6.4%	3.2%	1.1%

Rentals Index

	KF Prime Outer London Index	12-month % change	6-month % change	3-month % change	Monthly % change
Mar-13	186.9	-0.86%	-0.97%	-0.43%	-0.19%
Apr-13	186.7	-1.39%	-0.94%	-0.37%	-0.14%
May-13	186.0	-2.00%	-1.12%	-0.70%	-0.38%
Jun-13	186.5	-1.79%	-0.65%	-0.23%	0.29%
Jul-13	187.1	-1.32%	-0.12%	0.25%	0.34%
Aug-13	187.3	-0.86%	0.00%	0.71%	0.07%
Sep-13	186.9	-0.98%	0.00%	0.23%	-0.19%
Oct-13	187.9	-0.26%	0.69%	0.44%	0.55%
Nov-13	186.8	-0.67%	0.46%	-0.25%	-0.61%
Dec-13	186.6	-0.60%	0.06%	-0.17%	-0.11%
Jan-14	186.3	-0.55%	-0.43%	-0.87%	-0.15%
Feb-14	186.0	-0.66%	-0.66%	-0.41%	-0.15%
Mar-14	186.3	-0.33%	-0.33%	-0.16%	0.14%

Source: Knight Frank Residential Research

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: Battersea, Canary Wharf, 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.



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