



## Prime central London shrugs off stamp duty fears as prices rise 1.1%

**Both prices and applicant numbers rose in April, despite the Budget announcement in March to increase stamp duty to 7% for individuals and 15% for those purchasing as “non-natural persons”. Liam Bailey, Knight Frank’s Head of Residential Research, examines the figures.**

### Results for April 2012

Prices increased a further 1.1% in April

The number of new £2m+ applicants in April was 13% higher than in March, signalling prospective buyers were not deterred by the stamp duty rise announced in March

Sales subject to contract in the three months to April were up 50% on the same period last year

French web searches for prime central London property spiked in February following election candidate Francois Hollande’s proposal for a new wealth tax

Early indications suggest that the market is so far proving resilient to the recent stamp duty changes.

As was the case following last year’s stamp duty rise, there was a spike in the number of £2m+ exchanges in March, which explains the 18% fall in sales between March and April.

The number of sales this April was higher than April last year, but it should be noted that activity was relatively weak last April.

The picture from our purchaser activity indicators is also positive. Applicant volumes are not only stronger in April than they were in April 2011 but, reassuringly, they were also up 13% on March, signalling that prospective buyers have not been deterred by the stamp duty changes. Though the number of viewings was down 7% in April compared to March this year, the figure was up on April 2011.

Meanwhile, there has been much talk about wealthy French buyers turning to London, spooked by French election candidate Francois Hollande’s talk of wealth taxes. But is there any substance to the rumour?

In terms of exchanges the answer is: not yet. Knight Frank saw just one additional sale to a French national in the first four months of this year compared with the same period in 2011. But there is anecdotal evidence of increasing interest, both in terms of the number of walk-ins reported by our offices, and of prospective buyers searching online.

By looking at search activity on Knight Frank’s Global Property Search website, we see that the number of French web users viewing prime central London properties on the site began to increase as the eurozone crisis hit in May 2011. Although this activity began to tail off later in the year, there was a significant spike in February (68% year-on-year growth in property searches), which coincided neatly with Hollande’s proposal for a 75% tax on top earners.

Interestingly, the year-on-year change in visits for the three months to April shows that, while French searches in the sub-£1m sector have dropped off over the past year (down 14%), interest in the £5m+ bracket has surged (up 30%).

Figure 1  
**Monthly price change**  
Prime central London average residential price change

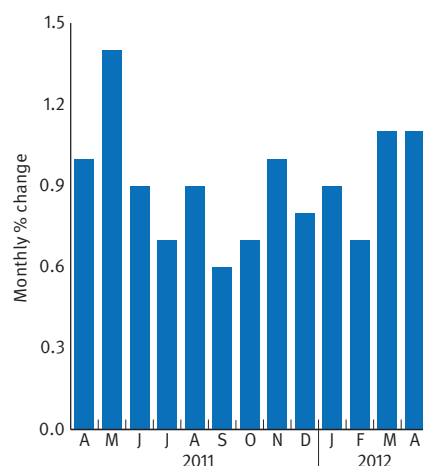
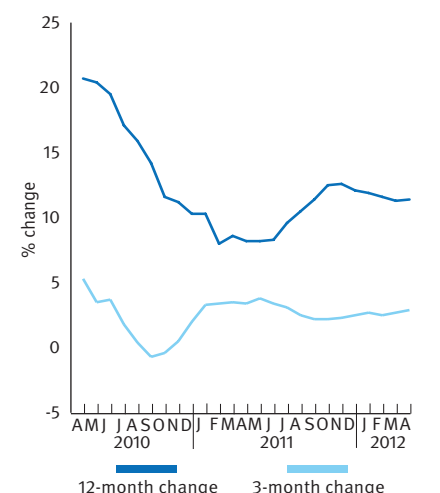


Figure 2  
**Annual and quarterly growth**  
Prime central London average residential price change



“While French searches in the sub-£1m sector have dropped off, interest in the £5m+ bracket has surged.”



Liam Bailey, Head of Residential Research

Source: Knight Frank Residential Research

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# RESIDENTIAL RESEARCH PRIME CENTRAL LONDON INDEX

**Knight Frank**



## 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, Kensington, Knightsbridge, Marylebone, Mayfair, Notting Hill, Regent's Park, St John's Wood, Riverside\* the City and the City Fringe. 'Prime London' comprises all areas in prime central London, as well as Canary Wharf, Fulham, Hampstead, Richmond, Wandsworth, Wapping and Wimbledon.

\* Riverside covers the Thames riverfront from Battersea Bridge in the west running east to include 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.

## Key market metrics

Prime central London market activity, three months to April 2012 compared to same period last year

	All	Under £5m	Over £5m	
<b>Demand</b>	New applicants	18%	18%	17%
	Viewings	12%	13%	12%
<b>Supply</b>	New instructions to sell	3%	7%	-8%
	Stock volume	35%	43%	25%
<b>Activity</b>	Sales (subject to contract)	50%	41%	88%
	Exchanges	17%	0%	96%
<b>Demand and supply balance</b>	Ratio of new applicants/new instructions 2011	3.3	3.3	3.5
	Ratio of new applicants/new instructions 2012	3.8	3.6	4.4

## Knight Frank Prime Central London Index

	KF Prime Central London Index	12-month % change	6-month % change	3-month % change	Monthly % change
Apr-10	4,425.7	20.7%	10.1%	5.3%	1.3%
May-10	4,487.7	20.4%	10.3%	3.5%	1.4%
Jun-10	4,526.4	19.5%	9.0%	3.7%	0.9%
Jul-10	4,506.0	17.1%	7.3%	1.8%	-0.5%
Aug-10	4,503.9	15.9%	3.9%	0.4%	0.0%
Sep-10	4,496.1	14.2%	3.0%	-0.7%	-0.2%
Oct-10	4,485.7	11.6%	1.4%	-0.4%	-0.2%
Nov-10	4,524.3	11.2%	0.8%	0.5%	0.9%
Dec-10	4,583.9	10.3%	1.3%	2.0%	1.3%
Jan-11	4,633.7	10.3%	2.8%	3.3%	1.1%
Feb-11	4,679.7	8.0%	3.9%	3.4%	1.0%
Mar-11	4,742.5	8.6%	5.5%	3.5%	1.3%
Apr-11	4,790.8	8.2%	6.8%	3.4%	1.0%
May-11	4,856.9	8.2%	7.4%	3.8%	1.4%
Jun-11	4,902.7	8.3%	7.0%	3.4%	0.9%
Jul-11	4,937.0	9.6%	6.5%	3.1%	0.7%
Aug-11	4,979.1	10.5%	6.4%	2.5%	0.9%
Sep-11	5,010.9	11.4%	5.7%	2.2%	0.6%
Oct-11	5,047.2	12.5%	5.4%	2.2%	0.7%
Nov-11	5,095.2	12.6%	4.9%	2.3%	1.0%
Dec-11	5,138.3	12.1%	4.8%	2.5%	0.8%
Jan-12	5,185.5	11.9%	5.0%	2.7%	0.9%
Feb-12	5,222.0	11.6%	4.9%	2.5%	0.7%
Mar-12	5,278.9	11.3%	5.3%	2.7%	1.1%
Apr-12	5,338.2	11.4%	5.8%	2.9%	1.1%

## Residential Research

**Liam Bailey**  
Head of Residential Research  
+44(0)20 7861 5133  
liam.bailey@knightfrank.com

## Press Office

**Daisy Ziegler**  
+44 (0)20 7861 1031  
daisy.ziegler@knightfrank.com

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