



Prime central London price growth slows

Prices for the best residential property in central London continue to grow, but the rate of growth has fallen since the start of the year, Liam Bailey explains

Results for August 2012

Prime central London property prices rose 0.5% in August, taking annual growth to 9.9%

Prices have now risen by 49.9% since the post credit-crunch low in March 2009

Prices are at a new record high and are 14% above their previous peak in March 2008

The 1.8% price growth in the three months to August represents the lowest three-month growth figure since November 2010

Price growth in the year to August was stronger for apartments (10.9%) than for houses (8.6%)

In our [July index report](#) we suggested that property prices in prime central London were likely to slow in the coming months. The 0.5% rise in prices in August was not a dramatic departure in market performance. However, together with the 0.5% rise during July, the rate of annual growth has declined from 12% at the beginning of this year to 9.9% now.

The rate of price growth may have slowed, but the 4.8% uplift over the past six months has occurred despite a number of potential setbacks. The most significant of these was the 40% rise in the top rate of stamp duty in March, with new and still undefined rules for an annual charge on £2m+ properties held in certain ownership structures and a possible widening of the capital gains tax net.

Moreover, while the Olympics were an undoubted success for London, they had the effect of keeping some prospective buyers away from the market during late July and August.

The strongest price growth over the past three months was seen in the £10m+ price bracket with an increase of 2.9%. The slowest growth, 1.4%, was seen in the £1m to £2.5m bracket, which could be explained

by uncertainty surrounding the new stamp duty rate.

Among the areas performing particularly well in terms of prices is Knightsbridge, which has seen 3.6% growth in the past three months and 15.8% in the past year – the highest rises of all areas covered by the index.

Other significant increases over the past three months were seen in Notting Hill (3.2%) and Belgravia (2.8%). This has been supported by continued demand from international buyers, notably those from Russia, India, France and Italy.

The critical issue for prime London property over the remainder of this year will be the willingness of international buyers to continue looking to place their equity in this market. How the Euro crisis pans out will also have a significant bearing. Over the past two years, every time the crisis has threatened to turn to catastrophe the response has been increased demand for London property.

Our view at the current time is that, while this demand will be unlikely to translate into rapid price growth over the next few months, it should help to maintain liquidity in the market.

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

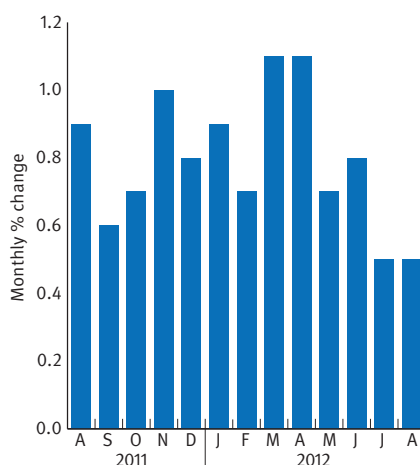
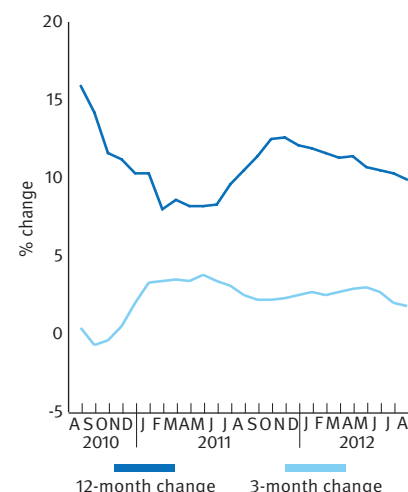


Figure 2
Annual and quarterly growth
Prime central London average residential price change



“The strongest price growth over the past three months was seen in the £10m+ price bracket with an increase of 2.9%.”



Liam Bailey, Head of Residential Research

Source: Knight Frank Residential Research

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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.

Knight Frank Prime Central London Index

	KF Prime Central London Index	12-month % change	6-month % change	3-month % change	Monthly % change
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%
May-12	5,378.1	10.7%	5.6%	3.0%	0.7%
Jun-12	5,419.1	10.5%	5.5%	2.7%	0.8%
Jul-12	5,444.2	10.3%	5.0%	2.0%	0.5%
Aug-12	5,473.0	9.9%	4.8%	1.8%	0.5%

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