

Buyer demand remains strong despite slowing price growth

Prime central London property prices continued to rise in August, but there are indications that buyers are becoming more resistant to continued price rises, especially at the top of the market. Liam Bailey examines the figures.

Results for August 2013

Prime central London residential prices increased by **0.6% month-on-month** and by **4.8% so far this year**

Over the past 12 months, **prime central London property prices are up by 7%**

Prime central London property prices are **over 60% higher than their market low in March 2009**

The biggest price rises in August were seen in **Marylebone (1.5%) and Notting Hill (1%)**

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"Annual price growth in Greater London is now outstripping prime central London"

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In August, property prices in London's best postcodes increased by 0.6%. The rise marks the 34th consecutive month that prices in the prime market have increased and takes the total rise so far this year to 4.8%. Prime central London property prices now stand over 60% higher than their market low in March 2009.

Marylebone and Notting Hill recorded the largest rises over the course of the month, up by 1.5% and 1% respectively. Islington, City Fringe and Hyde Park all reported price growth of 0.9% in August.

In spite of record prices, enquiry levels are still robust and interest among prospective buyers remains high across all markets. The number of new applicants is up by 33.9% over the year to date compared to the same period in 2012 and the number of property viewings conducted is up by 18.5%.

While the headline figures suggest healthy price growth across the market, we are experiencing varied price performance across prime central London. Price growth in Belgravia, St John's Wood, South Kensington and Chelsea for example was either unchanged or up by just 0.1% in August.

The indication is that buyers, especially those at the top end of the market, are becoming

more resistant to ongoing price growth.

Price rises in prime central London are primarily being driven by homes in the sub-£1m and £1m-£2.5m price bracket.

Homes in these price brackets increased by around 1% in August and are up by 8.7% and 7% respectively over the year to date. Comparatively, homes in the £5m-£10m and the £10m+ price brackets increased in value by 0% and 0.2% month-on-month and are up by 2.6% and 1.6% respectively so far in 2013.

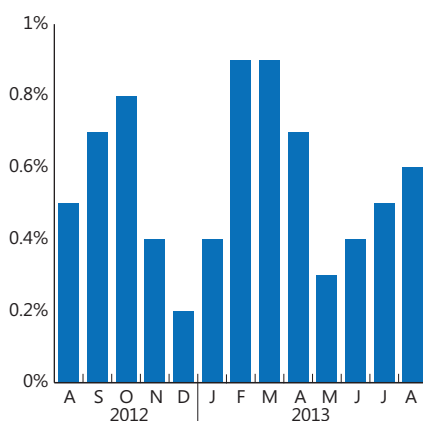
The strength at the lower end of the market was highlighted by the release of annual price growth figures from the Office for National Statistics (ONS) earlier this month which showed that annual price growth in Greater London is now outstripping prime central London. The figures show that property prices in Greater London have risen by 8.1% over the past 12 months. In comparison prime central London price growth is 7%.

The rise in prices across Greater London has been aided by London's continued economic recovery and, arguably, from the Government's Help to Buy scheme, which was launched at the end of Q1 this year and has boosted sentiment across the market.

Figure 1

Demand and supply

Prime central London average residential price change

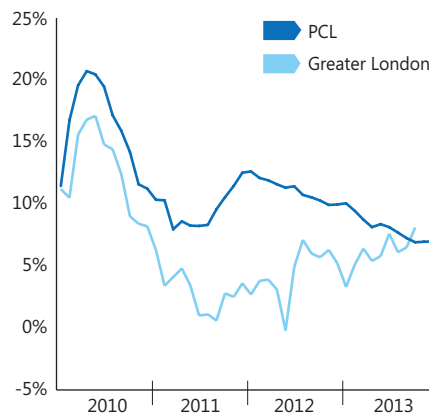


Source: Knight Frank Residential Research

Figure 2

Annual growth PCL v Greater London

PCL v Greater London Jan 2010 to date



Source: Knight Frank Residential Research

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, Islington, 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-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%
Sep-12	5,510.0	10.0%	4.4%	1.7%	0.7%
Oct-12	5,554.6	10.1%	4.1%	2.0%	0.8%
Nov-12	5,576.7	9.4%	3.7%	1.9%	0.4%
Dec-12	5,587.2	8.7%	3.1%	1.4%	0.2%
Jan-13	5,607.1	8.1%	3.0%	0.9%	0.4%
Feb-13	5,659.2	8.4%	3.4%	1.5%	0.9%
Mar-13	5,707.9	8.1%	3.6%	2.2%	0.9%
Apr-13	5,748.6	7.7%	3.5%	2.5%	0.7%
May-13	5,768.0	7.2%	3.4%	1.9%	0.3%
Jun-13	5,793.6	6.9%	3.7%	1.5%	0.4%
Jul-13	5,822.7	7.0%	3.8%	1.3%	0.5%
Aug-13	5,854.8	7.0%	3.5%	1.5%	0.6%

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