

## AVERAGE SALE PRICE RISES AS VENDORS COOL EXPECTATIONS

**More realistic asking prices ahead of next May's general election are boosting the flow of deals at the top end of the prime central London sales market, says Tom Bill**

### AUGUST 2014

Average spend rises 27% **from £3.7 million to £4.7 million** in the three months to August

**Number of sales above £5 million rises 17%** compared to 2013

Annual growth slows to 7.7% after a monthly rise of 0.3% in August

Quarterly growth of **1.4% is the lowest since January 2013**

**Italians have been the largest group of overseas buyers in 2014**, accounting for 6% of sales



**TOM BILL**

Head of London Residential Research

"Though fears over the future of the euro zone have receded, a faltering economic recovery in the region has seen the re-emergence of safe-haven inflows into London."

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The average sale price in prime central London between June and August 2014 was £4.7 million, up from £3.7 million in the preceding three-month period.

The 27% increase underlines how a growing group of vendors are adjusting to the fact demand is cooling, the result of uncertainty surrounding a future interest rate rise and the outcome of next May's general election.

As asking prices have become more realistic, more sales have been achieved in higher price brackets. It is particularly true for property recently put on the market, where vendors are typically more attuned to current supply and demand dynamics. Some sellers are also motivated by a desire to act before the election.

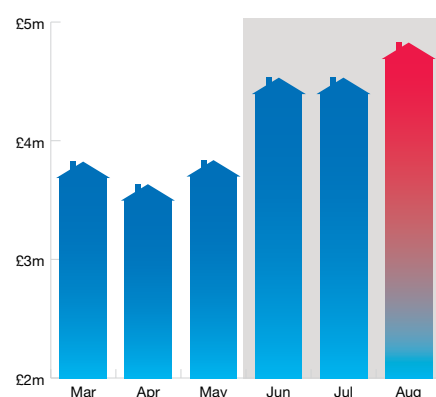
The result was a 17% increase in the number of sales above £5 million between January and August compared to the same period in 2013. That compared to a 7% rise across all price brackets.

This process of self-correction in the sales market, which comes against the background of slowing growth in prime central London, demonstrates the resilience of demand.

FIGURE 1

#### Average sale price rises in prime central London

Six months to August 2014 (£ million)



Source: Knight Frank Residential Research

Annual growth was 7.7% in August after a monthly increase of 0.3%, which matched the rise in July. Monthly growth has not been as low for two consecutive months since a period four years ago in 2010 when concerns were intensifying over the euro zone sovereign debt crisis.

The increase over the three months to August was 1.4%, which is the lowest since January 2013. It suggests growth of 4.3% recorded in the six months to June is unlikely to be replicated in the second half of the year.

Though fears over the future of the euro zone have receded, a faltering economic recovery in the region has seen the re-emergence of safe-haven inflows into London property.

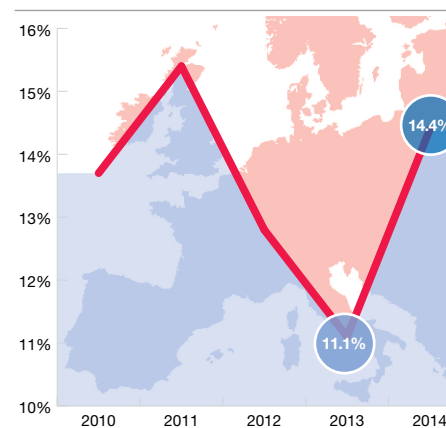
Italians were the biggest group of overseas buyers between January and August, accounting for 6%, followed by French (4.1%) and Russians buyers (3.8%).

Italy's economy has experienced a triple-dip recession and Italian buyers have historically been active in London, a relationship potentially bolstered by Fiat's decision to move its headquarters from Turin to London earlier this year.

FIGURE 2

#### The return of the euro zone buyer

Percentage of euro zone buyers in prime central London

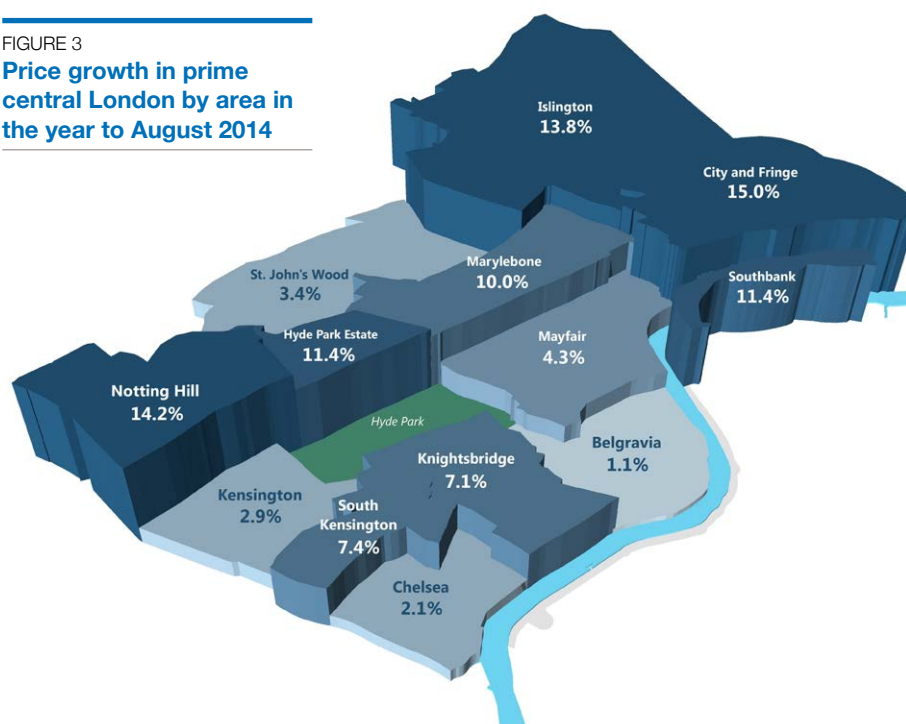


Source: Knight Frank Residential Research

## PRIME CENTRAL LONDON SALES INDEX

FIGURE 3

**Price growth in prime central London by area in the year to August 2014**



## 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-13	5,868.4	7.2%	3.7%	1.5%	0.6%
Sep-13	5,908.3	7.2%	3.5%	1.7%	0.7%
Oct-13	5,955.5	7.2%	3.6%	2.0%	0.8%
Nov-13	5,969.0	7.0%	3.2%	1.7%	0.2%
Dec-13	6,017.9	7.7%	3.6%	1.9%	0.8%
Jan-14	6,043.6	7.8%	3.6%	1.5%	0.4%
Feb-14	6,083.4	7.5%	3.7%	1.9%	0.7%
Mar-14	6,135.1	7.5%	3.8%	1.9%	0.8%
Apr-14	6,182.4	7.5%	3.8%	2.3%	0.8%
May-14	6,231.2	7.8%	4.4%	2.4%	0.8%
Jun-14	6,278.7	8.1%	4.3%	2.3%	0.8%
Jul-14	6,297.3	7.9%	4.2%	1.9%	0.3%
Aug-14	6,318.9	7.7%	3.9%	1.4%	0.3%

Source: Knight Frank Residential Research

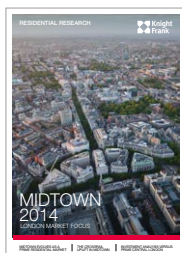
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