



# News Release

Date: 18 December 2009

## **London's luxury residential sector ends the year on a high**

**Knight Frank Prime Central London Index, December 2009**

### **Key headlines**

- **Prices rose 2.1% during December, prices have now risen by 13.8% since March**
- **Prices are still 13.4% below their March 2008 peak level**
- **The 'Bonus Tax' appears to have had limited impact on the market – with a record 22 sales agreed in the seven days following the Pre-Budget report in four Knight Frank central London offices.**
- **The locations seeing the strongest growth are: Chelsea, Kensington and Knightsbridge with 3% growth over the last month**

**Liam Bailey, head of residential research, Knight Frank, commented:** "The top-end of the London residential market saw a remarkable revival during 2009. With a strong 2.1% growth in December, prices have now risen 13.8% in the nine months since March, meaning prices are only 13.4% below the level they reached in March 2008.

"In recent months the more expensive £5m-£10m and £10m+ price brackets have caught up with the price growth which initially began in the sub-£2.5m segment in the Spring. During December, the strongest market was the £5m-£10m sector with 2.6% growth.

"The prime London market has been the strongest property sector in the UK this year, benefitting from substantial inward investment from overseas buyers looking to take advantage of the weak pound and lower overall prices. The number of buyers increased by 25% in the whole of 2009 compared to 2008. Led by interest from Russia, Europe (especially Italy) and the Middle East.

"In more recent months the revival of the City economy has brought more traditional buyers from the banks, hedge funds and private equity houses back into the market. Locations such as Kensington, Notting Hill and Chelsea, the traditional stomping ground of financiers, have seen growth of 3% in the last month as this market comes back to life.

"The Chancellor's 'bonus tax', contained in the Pre-Budget Report, had the impact of hitting some junior bankers – we saw several £800,000 to £1m sales fall apart in the days immediately afterwards.



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However, it does not seem to have affected more senior bank staff. In the seven days following the pre-budget report, four of Knight Frank's central London offices (Mayfair, Belgravia, Knightsbridge, Kensington) recorded an extraordinary flurry of activity. They saw contracts exchanged on 22 deals, with aggregate sales prices of over £60m, terms were agreed on a further £45m worth of sales.

"In summary the year is ending on a high note. With demand from new buyers almost 25% higher than a year ago, and supply around 18% lower over the same period - investors and occupiers are competing hard to uncover the best properties, and limited supply is leading to competitive bidding. The short term outlook looks positive, longer term market performance rather depends on the outcome of the election and next year's emergency budget."

## Knight Frank Prime Central London Index results - December 2009

	KF Prime Central London Index	12 month % change	6 month % change	3 monthly % change	monthly % change
Jan-08	4,764.4	26.2%	6.0%	2.3%	1.1%
Feb-08	4,792.4	23.8%	4.4%	2.8%	0.6%
Mar-08	4,796.6	20.4%	3.3%	1.8%	0.1%
Apr-08	4,739.7	15.8%	1.8%	-0.5%	-1.2%
May-08	4,660.2	11.2%	-0.1%	-2.8%	-1.7%
Jun-08	4,577.3	5.8%	-2.8%	-4.6%	-1.8%
Jul-08	4,491.4	-0.1%	-5.7%	-5.2%	-1.9%
Aug-08	4,414.5	-3.8%	-7.9%	-5.3%	-1.7%
Sep-08	4,321.3	-7.0%	-9.9%	-5.6%	-2.1%
Oct-08	4,152.6	-10.8%	-12.4%	-7.5%	-3.9%
Nov-08	4,003.2	-14.1%	-14.1%	-9.3%	-3.6%
Dec-08	3,914.6	-16.9%	-14.5%	-9.4%	-2.2%
Jan-09	3,769.5	-20.9%	-16.1%	-9.2%	-3.7%
Feb-09	3,713.3	-22.52%	-15.9%	-7.2%	-1.5%
Mar-09	3,652.2	-23.86%	-15.5%	-6.7%	-1.6%
Apr-09	3,666.3	-22.65%	-11.7%	-2.7%	0.4%
May-09	3,725.9	-20.05%	-6.9%	0.3%	1.6%
Jun-09	3,789.0	-17.22%	-3.2%	3.7%	1.7%
Jul-09	3,846.5	-14.36%	2.0%	4.9%	1.5%
Aug-09	3,886.3	-11.96%	4.7%	4.3%	1.0%
Sep-09	3,937.7	-8.88%	7.8%	3.9%	1.3%
Oct-09	4,020.0	-3.19%	9.6%	4.5%	2.1%
Nov-09	4,067.2	1.60%	9.2%	4.7%	1.2%
Dec-09	4,154.6	6.13%	9.6%	5.5%	2.1%

Source: Knight Frank Residential Research

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**Notes to Editors**

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**Knight Frank area definitions**

Prime central London is taken to include: Mayfair, St John's Wood, Regent's Park, Kensington, Notting Hill, Chelsea, Knightsbridge, Belgravia and the South Bank (from Westminster Bridge to Tower Bridge/Shad Thames)

Prime London is taken to include all the above plus: Canary Wharf, Hampstead, Richmond, Wandsworth, Wapping and Wimbledon.

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