



Prime central London residential prices start 2012 on a high

Prices for prime central London residential property have risen more than 40% above the post-Lehman low reached in March 2009, confirms Liam Bailey, Knight Frank's Head of Residential Research.

Results for December 2011

Prime London property prices rose 0.8% in December 2011, contributing to annual growth of 12.1%

Prices have risen more than 40% since their recent post-credit-crunch low in March 2009

Prices are now at a record high, 7% higher than their previous peak in March 2008

The volume of new sales instructions has fallen by 6% over the past year, while the number of new applicants is higher by 10%

The number of exchanges and the volume of sales being agreed have risen by 31% and 43% respectively over the past year

The recent surge in growth means prices are now more than 7% higher than their March 2008 pre-Lehman peak.

Demand for prime London property in 2011, despite uncertainty resulting from the eurozone debt crisis and ongoing global economic uncertainty, outpaced supply and led to strong price performance.

Price growth continued through December with a 0.8% rise, taking total growth over the last 12 months to 12.1%.

Price growth over the past year has been particularly healthy in the £1m to £2.5m bracket, reflecting strong demand from European and Asian investors for investment properties. Prices in this bracket rose by 14.1% in the 12 months to December.

Areas that have seen particularly strong price growth over the course of the year include Chelsea (16.6%), Hyde Park (14%), Kensington (13.9%) and St John's Wood (13.3%).

Price performance is an important indicator of the health of the market, but it is also important to take note of activity levels.

Our analysis of market activity in the three-month period to December, compared to the

same period in 2010, paints a positive picture of demand and sales activity, confirming that the eurozone crisis, which appeared to reach something of a crescendo in the pre-Christmas period, had little impact on the prime London property market.

Sales volumes, represented by exchanges, were 31% higher than the previous year. The lead indicator of properties going under offer (sales subject to contract) points to an even healthier position, with a 43% improvement year-on-year.

On the demand side, new applicant registrations were higher by 10% over the year (-2% for the sub-£5m market and +67% for the £5m+ market).

Overall stock volumes were higher by 6% over the year, although this headline figure hides the fact that the sub-£5m bracket only saw a 1% rise in stock, compared to 18% for the £5m+ bracket.

Despite rising stock levels, the ratio of new applicant registrations to new instructions improved, from 3.5 in late 2010 to 4.3 last month.

As 2012 begins, our view is that the prime central London market will see slower but still positive price growth. As outlined in our [forecast](#) we expect to see 5% price growth in 2012.

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

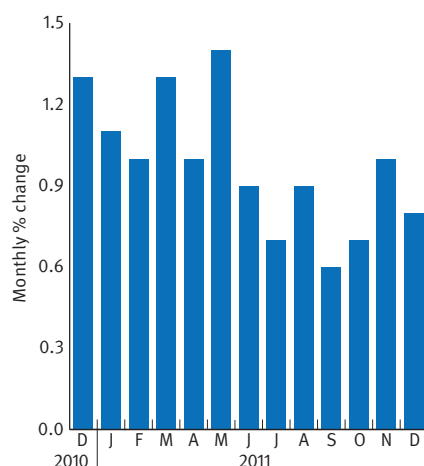
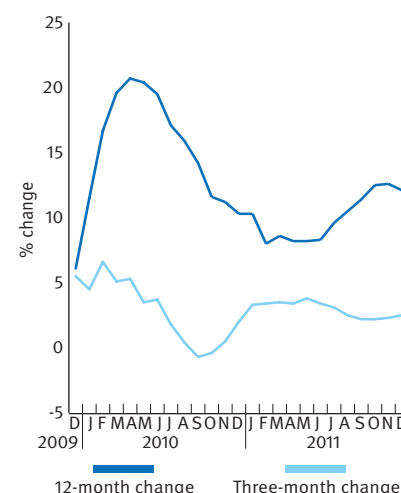


Figure 2
Annual and quarterly growth
Prime central London average residential price change



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, Riverside* and St John's Wood. 'Prime London' comprises all areas in prime central London, as well as Canary Wharf, Fulham, Hampstead, Richmond, Wandsworth, Wapping and Wimbledon.

Key market metrics

Prime central London market activity, three months to December 2011 compared to same period last year

	All	Under £5m	Over £5m
Demand			
New Applicants	10%	-2%	67%
Viewings	14%	2%	64%
Supply			
New instructions to sell	-6%	-8%	3%
Stock volume	6%	1%	18%
Activity			
Sales (subject to contract)	43%	39%	86%
Exchanges	31%	30%	32%
Demand and supply balance			
Ratio of new applicants/new instructions 2010	3.5	3.6	3.3
Ratio of new applicants/new instructions 2011	4.3	3.9	6.5

Knight Frank Prime Central London Index

	KF Prime Central London Index	12-month % change	6-month % change	3-month % change	Monthly % change
Dec-09	4,154.6	6.1%	9.6%	5.5%	2.1%
Jan-10	4,201.2	11.5%	9.2%	4.5%	1.1%
Feb-10	4,334.8	16.7%	11.5%	6.6%	3.2%
Mar-10	4,367.0	19.6%	10.9%	5.1%	0.7%
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%

* Riverside covers the Thames riverfront from Battersea Bridge in the west running east to encompass London's South Bank.

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