

Prime central London prices finish the year 8.7% higher

Just days after the Chancellor delivered his Autumn Statement in which he ruled out any new property taxes, the publication of the **draft Finance Bill 2013** provided us with some much needed clarity on tax changes first proposed in March this year. Liam Bailey assesses the potential impact on the market.

Results for December 2012

Prices in prime central London rose 0.2% in December

Annual growth is now 8.7%

Hyde Park and Knightsbridge see prices increase 0.8% month-on-month

Homes worth up to £1m have enjoyed price growth of 11.9% year-on-year

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Prime central London property prices rose by 0.2% in December, bringing annual price growth over the preceding 12 months to 8.7%.

Hyde Park, Knightsbridge and Islington led the way in terms of price growth over the month, recording rises of 0.8%, 0.8% and 0.7% respectively.

At the other end of the scale Notting Hill saw prime property values decline for the fourth straight month (-0.4%). Interestingly, for the first time since October 2010, Mayfair also reported a fall in prices, albeit a more modest drop at 0.3%.

The higher stamp duty rates for £2m+ property introduced in March this year have contributed to price growth in the £2m-£5m band underperforming the market average, while price growth in the sub-£2m band has flourished. The lower end of the market continues to provide the best news, with property values for homes worth up to £1m growing 0.8% on a monthly basis in December and up 11.9% year-on-year.

The publication of the draft Finance Bill 2013 has provided the market with some clarity on the tax

changes first proposed in March 2012. This, combined with Chancellor George Osborne's assertion that the coalition will not be introducing any new property taxes, is hoped should give the market a pre-Christmas boost.

While it remains too early to comment on the full effect of the announcements, the additional clarity will bring an end to the 'wait and see' attitude which has been adopted by a number of buyers in the last few months as a result of uncertainty over the scope of the proposed changes.

We do, however, expect to see a continuation of the fall in the number of new buyers purchasing prime London property through a company structure (figure 2) as has been witnessed since March 2012.

In 2013, our view remains that the London market will see an end to the strong price growth which has been witnessed in recent years and we forecast prices in prime central London will remain unchanged overall next year before more moderate price growth returns from 2014 onwards.

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

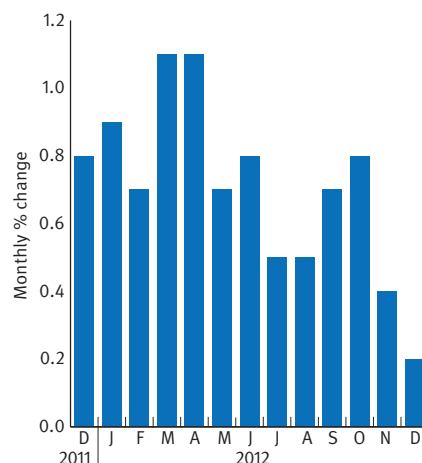
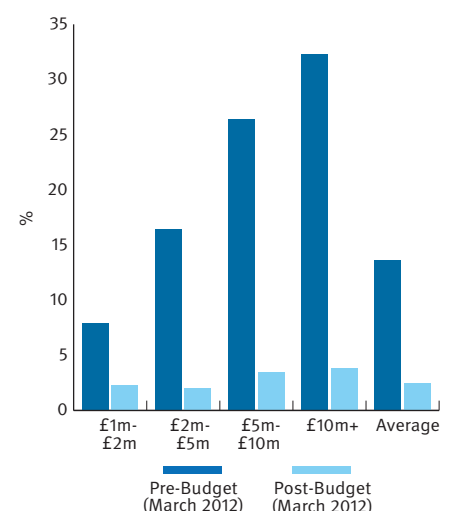


Figure 2
Proportion of £1m+ London properties bought through UK or offshore company structures



“The additional clarity will bring an end to the ‘wait and see’ attitude which has been adopted by a number of buyers in the last few months.”



Liam Bailey, Global 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
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%
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%

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