

Prime central London: a tale of two cities in 2013

Prices in prime central London ended the year 7.5% higher, but growth was far from even. While there was double-digit growth in some areas, the market was more subdued in the core markets from Mayfair to Chelsea, says Tom Bill.

Results for December 2013

Prime central London prices ended the year **7.5% higher**

Strong end to 2013 with **0.8% rise in December**

Prime central London outperformed gold, which **fell by a quarter from January to mid-December**

Double-digit rises outside the core markets

Stock levels in sub-£2 million bracket down **37% year-on-year**

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Prices of London's best homes ended the year 7.5% higher, having climbed 0.8% in December.

It was a positive end to the year. The monthly rise was the highest since March and ended a ten-month slowing in the rate of annual growth, which had fallen to 6.9% in November.

Reviewing the year-end position reveals investors would certainly have had more cause for celebration if they'd bought prime central London property rather than the safe-haven asset of gold at the start of 2013.

By the middle of December, gold prices had fallen by about a quarter since the start of 2013 as investors ventured back to the stock market and the U.S. Federal Reserve began dropping hints it may wind down its economic stimulus programme.

But December was also the month Chancellor George Osborne announced that overseas buyers will pay capital gains tax on residential property from 2015.

On its own the move is unlikely to put much of a dent in the prime central London market as tax is not the overriding concern for overseas buyers in London. But it is indicative of wider regulatory uncertainty, including the succession

of recent tax changes, which has unsettled some buyers and tempered growth.

The 2013 annual rate of increase was lower than the 8.7% recorded last year and the rise of 12.1% in 2011 and we are forecasting a further slowing to 4% next year.

In particular, growth slowed in established markets like Mayfair, Knightsbridge and Chelsea and a division between prime central London's traditional heartland and the rest of the prime London market became clearer.

Prices in Chelsea rose 2.7% while growth was 5.8% in Mayfair and 6.7% in Knightsbridge, meaning all three areas ended the year by underperforming the wider prime central London average for the first time in ten years.

Meanwhile, there was double digit price growth in areas like City & Fringe (15.7%), Islington (11.8%) and Marylebone (12.3%).

Such rises, which by mid-December exceeded that of the FTSE100 index, were helped by stock levels in the sub-£2million category that were 37% lower than at the same point in 2012. Low mortgage rates means owners can afford to play a game of wait-and-see rather than sell while new buyer registrations rose by a third.

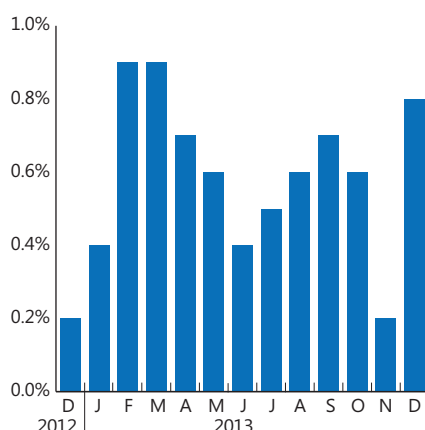


TOM BILL
Associate, Residential Research

"A division between prime central London's traditional heartland and the rest of the prime London market became clearer."

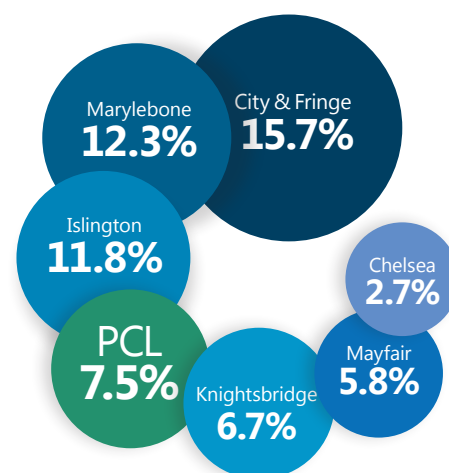
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FIGURE 1
Monthly price change
Prime central London average residential price change



Source: Knight Frank Residential Research

FIGURE 2
Annual growth by market



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
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	5,781.3	7.5%	3.7%	2.2%	0.6%
Jun-13	5,807.1	7.2%	3.9%	1.7%	0.4%
Jul-13	5,836.2	7.2%	4.1%	1.5%	0.5%
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	5,946.5	7.1%	3.4%	1.9%	0.6%
Nov-13	5,960.1	6.9%	3.1%	1.6%	0.2%
Dec-13	6,008.8	7.5%	3.5%	1.7%	0.8%

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Notes to Editors

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