



Sales volumes surge in prime central London

The sustainability of central London's housing market has been questioned continually since the current revival began in 2009. Rising sales volumes should provide some comfort according to Liam Bailey, Knight Frank's Head of Residential Research.

Results for February 2012

Average prices for prime central London property rose by 0.7% in February

Prices are now higher by 11.6% over the past 12 months

Prices have risen 43% from their post-Lehman collapse low-point in March 2009, and are 8.9% higher than their previous peak in March 2008

The volume of sales has risen 85% in the year to February

Another month and another rise in central London house prices.

With the odd blip, I have written pretty much the same story for nearly three years now.

The longer prime house prices continue to rise, the obvious question continues to emerge – will these rises eventually be replaced by falls?

To recap on the current position, prices are now 8.9% above their previous peak of March 2008, and they have risen at a rate almost double that seen in previous upturns. This has been a very strong upturn.

The rationale for the revival has been well rehearsed: weak pound, plus capital flight, plus rising global wealth, minus thin supply, equals rampant price inflation.

There is much truth in the above formula, and a careful examination of transactional market data confirms that the process seems

set to deliver further growth, at least in the short term.

Demand from new applicant registrations has risen by 15% over the past year, although the £5m+ segment saw a rise of 26%. Supply is higher, but is not keeping pace, up by only 10% over the same period, although supply growth is beginning to run ahead of demand growth in the £5m+ sector (up by 34% over the past year).

The most positive indicator is sales volumes. Even after an additional 11% rise in prices over the past year, strong purchaser demand has led to sales volumes (sold subject to contract) being higher by 85% over the year. This is feeding through to exchanges, which are up by 43% year-on-year.

We forecast last October that prime central London prices would rise by 5% in 2012. At the current time the evidence from the market appears to underpin this view.

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

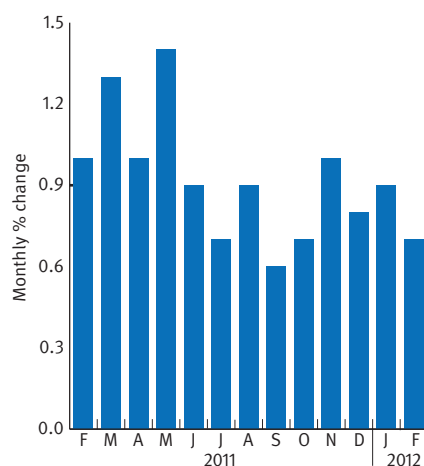
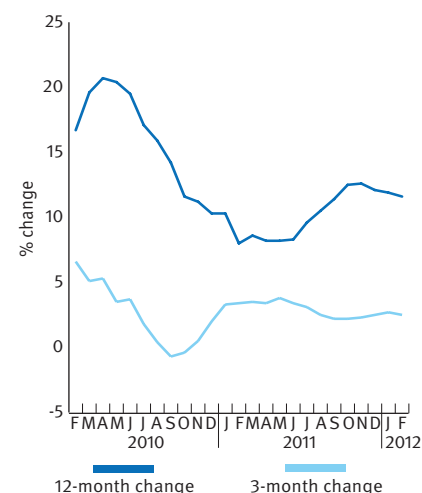


Figure 2
Annual and quarterly growth
Prime central London average residential price change



“Prices are now 8.9% above their previous peak of March 2008.”



Liam Bailey, Head of Residential Research

RESIDENTIAL RESEARCH PRIME CENTRAL LONDON INDEX

Knight Frank



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.

Key market metrics

Prime central London market activity, three months to February 2012 compared to same period last year

| | All | Under £5m | Over £5m |
|---|-----|-----------|----------|
| Demand | | | |
| New applicants | 15% | 12% | 26% |
| Viewings | 12% | 6% | 35% |
| Supply | | | |
| New instructions to sell | 10% | 6% | 34% |
| Stock volume | 8% | 3% | 21% |
| Activity | | | |
| Sales (subject to contract) | 85% | 78% | 100%+ |
| Exchanges | 43% | 37% | 79% |
| Demand and supply balance | | | |
| Ratio of new applicants/new instructions 2011 | 4.0 | 3.9 | 5.7 |
| Ratio of new applicants/new instructions 2012 | 4.3 | 4.1 | 5.9 |

Knight Frank Prime Central London Index

| | KF Prime Central London Index | 12-month % change | 6-month % change | 3-month % change | Monthly % change |
|--------|-------------------------------|-------------------|------------------|------------------|------------------|
| 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% |
| 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% |

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