

## Everything in moderation for prime central London

**Prime central London price growth is slower than the UK mainstream market for the first time since 2009. It underlines how pricing has calmed, particularly at the top, argues Tom Bill.**

### Results for February 2014

**Growth of 0.7% in February** means 40 consecutive months of price rises

**Annual growth of 7.5%** in February

**Most consistent growth** over a 12-month period in more than a decade

**Growth has slowed to 3.4%** in the £10 million-plus price bracket

**Stock levels 21% lower** than this time last year

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House prices in prime central London rose for the 40th consecutive month in February.

It is the longest run of growth since Knight Frank began producing the index on a monthly basis in 2004. Over the last 12 months, the annual growth rate has also become the most stable in over a decade.

The period of uninterrupted growth began in November 2010, the same month the European Union agreed an 85 billion euro bailout for Ireland after it experienced one of Europe's biggest property crashes following the financial crisis.

By the time Ireland left the bailout programme in December 2012, prime central London prices were still rising. Annual growth, however, had fallen to single digits, signalling a measured slowdown was underway rather than anything as dramatic as the Irish experience.

Growth continued to slow in 2013 as the market digested a series of tax changes and more buyers sought value-for-money beyond the traditional core of prime central London.

Growth has held steady between 7% and 8.4% over the last year, possibly the most consistent 12-month period since the mid-1990s, before monthly data was available.

It's a far cry from 2009, the year following the collapse of Lehman Brothers, when an annual decline of -23.9% in March turned into 6.1% growth by December as the market's appeal as a safe haven investment grew swiftly.

Further evidence of increasing restraint in prime central London is that growth rates are lower for more expensive properties (see figure 1). Annual growth ranges from 12.8% in the sub-£2million price bracket to 3.4% for £10million-plus homes. The figure was 6.1% for £10million-plus homes last February and 10.7% a year prior to that.

Monthly growth was 0.7% in February and 7.5% on an annual basis, which is below 9.4% for the mainstream market. It may surprise some given the widespread debate about a price bubble in prime London. The last time it happened was after Lehman Brothers collapsed in 2008/09 and before that, in 2005.

Though growth is falling, stock levels that are 21% lower than this time last year should keep upwards pressure on prices in the short-term (see figure 2). The causes for the shortage include the fact many vendors are declining to sell in the belief they are in a fast-rising market which, in prime central London, is less true than it once was.

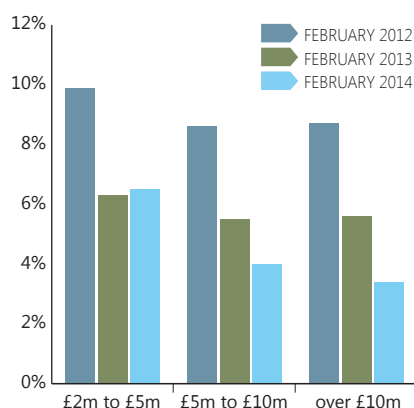


**TOM BILL**  
Associate, Residential Research

*"Growth has remained between 7% and 8.4% over the last year, possibly the most consistent 12-month period since the mid-1990s."*

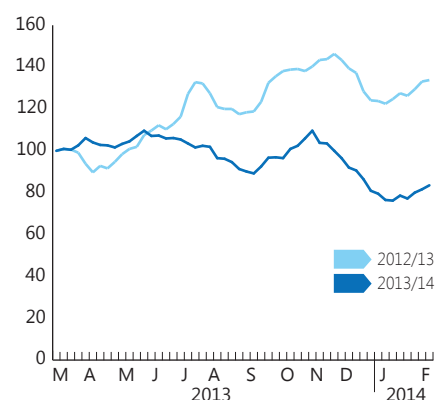
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FIGURE 1  
**Annual growth by price bracket**



Source: Knight Frank Residential Research

FIGURE 2  
**Stock levels are 21% down on February 2013 (rebased)**



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

Rank	KF Prime Central London Index	12-month % change	6-month % change	3-month % change	Monthly % change
Feb-12	5222.0	11.6%	4.9%	2.5%	0.7%
Mar-12	5278.9	11.3%	5.3%	2.7%	1.1%
Apr-12	5338.2	11.4%	5.8%	2.9%	1.1%
May-12	5378.1	10.7%	5.6%	3.0%	0.7%
Jun-12	5419.1	10.5%	5.5%	2.7%	0.8%
Jul-12	5444.2	10.3%	5.0%	2.0%	0.5%
Aug-12	5473.0	9.9%	4.8%	1.8%	0.5%
Sep-12	5510.0	10.0%	4.4%	1.7%	0.7%
Oct-12	5554.6	10.1%	4.1%	2.0%	0.8%
Nov-12	5576.7	9.4%	3.7%	1.9%	0.4%
Dec-12	5587.2	8.7%	3.1%	1.4%	0.2%
Jan-13	5607.1	8.1%	3.0%	0.9%	0.4%
Feb-13	5659.2	8.4%	3.4%	1.5%	0.9%
Mar-13	5707.9	8.1%	3.6%	2.2%	0.9%
Apr-13	5748.6	7.7%	3.5%	2.5%	0.7%
May-13	5781.3	7.5%	3.7%	2.2%	0.6%
Jun-13	5807.1	7.2%	3.9%	1.7%	0.4%
Jul-13	5836.2	7.2%	4.1%	1.5%	0.5%
Aug-13	5868.4	7.2%	3.7%	1.5%	0.6%
Sep-13	5908.3	7.2%	3.5%	1.7%	0.7%
Oct-13	5955.5	7.2%	3.6%	2.0%	0.8%
Nov-13	5969.0	7.0%	3.2%	1.7%	0.2%
Dec-13	6017.9	7.7%	3.6%	1.9%	0.8%
Jan-14	6043.6	7.8%	3.6%	1.5%	0.4%
Feb-14	6083.4	7.5%	3.7%	1.9%	0.7%

Source: Knight Frank Residential Research

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