

PRICES IN PRIME CENTRAL LONDON SOFTEN AS ELECTION COUNTDOWN BEGINS

Uncertainty over the outcome of the general election is rising alongside the political rhetoric surrounding property taxation, says Tom Bill

JANUARY 2015

Prices declined -0.1% in January, the third consecutive monthly fall

Annual growth eased to 4.6%, the lowest rate in five years

Uncertainty surrounding the general election has caused **some buyers and sellers to delay acting**

Annual growth was **7.6% in the £1 million to £2 million price band**

Hyde Park Estate, Islington and the City & Fringe recorded **growth in excess of 9%**

Prices declined marginally for the third consecutive month in January, as the UK general election approached and ambiguity continued to surround the prospect of further property taxation.

A decline of -0.1% meant annual growth eased to 4.6%, the lowest rate in more than five years.

The prime central London market is operating in an increasingly febrile political environment, where the debate surrounding the merits of a 'mansion tax' frequently takes centre-stage.

In addition to internal divisions within the Labour Party over the feasibility of the tax, further uncertainty surrounds its possible implementation because the likely outcome of the election will be coalition government.

With inconclusive polls and an unprecedented range of smaller parties competing for a share of power, the sort of uncertainty that historically dampens activity in the run-up to a general election has reached new heights in 2015.

Compounding the uncertainty in prime central London is a lack of detail surrounding any proposals beyond the fact the Labour Party

would set the tax at £3,000 per year for properties valued between £2 million and £3 million.

The result is that some buyers and sellers are delaying decisions until greater clarity emerges. This is compounding the traditional seasonal low in transaction volumes.

Monthly growth remains positive for properties below £2 million and annual growth was 7.6% for properties worth between £1 million and £2 million in January. The figure is down from 12% this time last year and transaction levels remain healthy, particularly where vendor expectations have moderated.

The strongest annual growth was away from the more established prime markets, with Hyde Park Estate, Islington and the City & Fringe all recording growth in excess of 9%. Prices fell 1.4% in Kensington after strong growth in recent years in what is more of a house market than a flat market compared to areas like Knightsbridge and Mayfair.



TOM BILL
Head of London Residential Research

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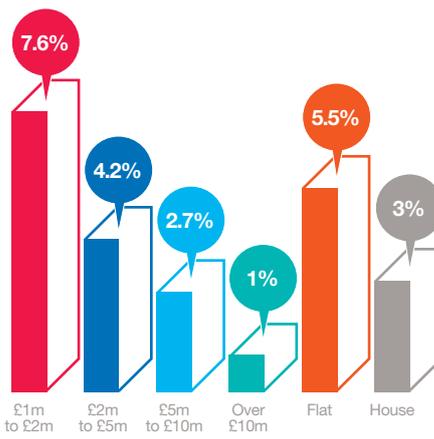
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FIGURE 1
The decline in annual growth



Source: Knight Frank Residential Research

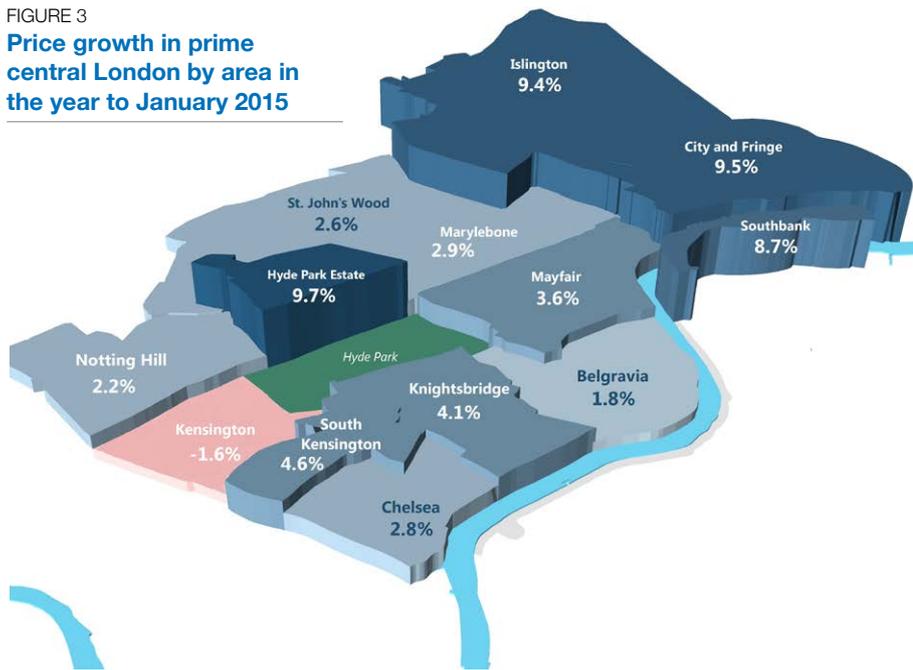
FIGURE 2
Annual price growth by price band and property type



Source: Knight Frank Residential Research

PRIME CENTRAL LONDON SALES INDEX

FIGURE 3
Price growth in prime central London by area in the year to January 2015



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, South Kensington, St John's Wood, Riverside* the City and the City Fringe. 'Prime London' comprises all areas in prime central London, as well as Barnes, Canary Wharf, Chiswick, Clapham, Fulham, Hampstead, Richmond, Wandsworth, Wapping and Wimbledon.

* Riverside in prime central London covers the Thames riverfront from Battersea Bridge in the west to Tower Bridge in the east, including 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 |
|--------|-------------------------------|-------------------|------------------|------------------|------------------|
| Jan-14 | 6,043.6 | 7.8% | 3.6% | 1.5% | 0.4% |
| Feb-14 | 6,083.4 | 7.5% | 3.7% | 1.9% | 0.7% |
| Mar-14 | 6,135.1 | 7.5% | 3.8% | 1.9% | 0.8% |
| Apr-14 | 6,182.4 | 7.5% | 3.8% | 2.3% | 0.8% |
| May-14 | 6,231.2 | 7.8% | 4.4% | 2.4% | 0.8% |
| Jun-14 | 6,278.7 | 8.1% | 4.3% | 2.3% | 0.8% |
| Jul-14 | 6,297.3 | 7.9% | 4.2% | 1.9% | 0.3% |
| Aug-14 | 6,318.9 | 7.7% | 3.9% | 1.4% | 0.3% |
| Sep-14 | 6,343.4 | 7.4% | 3.4% | 1.0% | 0.4% |
| Oct-14 | 6,343.4 | 6.5% | 2.6% | 0.7% | 0.0% |
| Nov-14 | 6,330.7 | 6.1% | 1.6% | 0.2% | -0.2% |
| Dec-14 | 6,323.7 | 5.1% | 0.7% | -0.3% | -0.1% |
| Jan-15 | 6,319.5 | 4.6% | 0.4% | -0.4% | -0.1% |

Source: Knight Frank Residential Research

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