

Further growth forecast for prime central London in 2013

Property prices in prime central London continued to rise in July and now stand almost 60% above their financial crisis low in March 2009. Liam Bailey examines the latest trends, which point to total growth in 2013 of 6%.

Results for July 2013

Prime central London residential prices increased by 0.5% in July and by 4.2% so far in 2013

Over the past 12 months, price growth in prime central London has totalled 7%

The strongest price growth has been seen in the sub-£1m price bracket

The biggest price rises during June were seen in Islington (1.1%), Marylebone (1.1%) and the South Bank (1.5%)

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"We have raised our forecast for prime central London price growth for 2013 to 6%."



Liam Bailey, Global Head of Residential Research

Property prices in prime central London increased again in July, up by 0.5% month-on-month. So far in 2013, prices for the very best homes in London have increased by 4.2%.

In spite of new record prices, interest among prospective buyers remains high. Property viewings in prime central London over the year-to-date are up by 15% compared to the same period in 2012 and the number of new applicants is up by a similar level. Rising demand has translated into higher sales volumes, up by 8.2% year-on-year.

Key factors driving price growth and interest include the city's reputation as a safe haven for investment, and the value of the pound – something we explored in more detail in our recent [London Residential Review](#).

Last year, we forecast that prices would remain unchanged in 2013, marking an end to the strong run the market has seen since early 2009. Our rationale was that the increase in Stamp Duty would have an impact on the top end of the market and there would be resistance to price growth from domestic and international purchasers.

In the event we overstated the negative impact of the 5% to 7% Stamp Duty rise for £2m+ properties. The further weakening in sterling in the first half of the year helped to boost overseas interest and domestic

demand has been aided by London's economic recovery and, arguably, from the Government's Help to Buy scheme, which was launched at the end of Q1 this year.

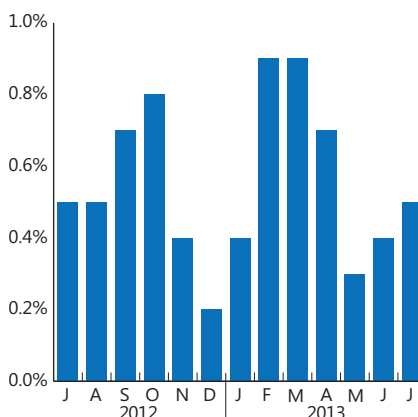
While Help to Buy, with its £600,000 valuation cap is a more significant factor in the wider mainstream market, rising housing market sentiment, as reported in our [House Price Sentiment Index](#), is infectious across markets and price brackets and is likely to act as a positive influence in terms of future pricing, even in London's prime market segments.

We have therefore raised our forecast for prime central London price growth for 2013 to 6%.

There remain differences in performance between locations and price bands across prime central London. In July, property in the sub-£1m bracket increased in value by 1%, while homes in the £1m-£2.5m price bracket climbed 0.6%. Comparatively, the price of 'super prime' £10m+ homes remained unchanged over the course of the month.

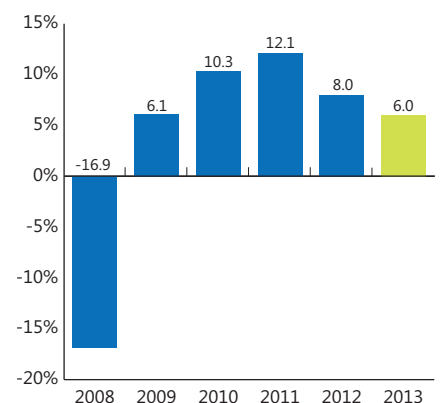
In Marylebone for example, where property values have climbed by 4.7% over the year-to-date, interest and activity in the sub-£3m market has been the primary driver of these price rises.

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



Source: Knight Frank Residential Research

Figure 2
Prime central London forecasts
Actual and forecast growth for prime central London property 2008-2013



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
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%
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	5,768.0	7.2%	3.4%	1.9%	0.3%
Jun-13	5,793.6	6.9%	3.7%	1.5%	0.4%
Jul-13	5,822.7	7.0%	3.8%	1.3%	0.5%

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