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Price growth accelerates to 10 month high on back of European demand

Knight Frank Prime Central London Index, April 2011 results:

- Prices for prime London property rose 1.3% in March 2011, contributing to annual growth of 8.6%
- Prices have risen 30% since their recent post-credit crunch low in March 2009
- Prices are now just 1% lower than the peak level reached in March 2008
- Foreign – particularly European – buyers are powering the prime central London market, accounting for half the market in terms of sales
- Eurozone buyers account for over a quarter of total spending in prime central London during Q1 2011

Liam Bailey, head of Knight Frank Residential Research, comments: “Earlier in the year we noted that a record number of nationalities were purchasing in the prime central London market; 61 over the 12 months to the end of February 2011. This foreign demand continues to underpin price growth in the market. In total, foreign buyers accounted for 49% of transactions in prime central London during the first quarter of 2011, up from 45% during Q1 of 2010.

“It is, however, the makeup of the foreign demand that is of most interest at the moment. Whereas in Q1 2010 we saw a significant number of Greek buyers, following the downgrading of the Greek credit rating at the end of 2009 and subsequent debt crisis, we are now seeing the first Portuguese buyers enter the market.

“Perhaps more tellingly, Italian buyers have become a real force in the market in early 2011. In terms of total spending they stand only behind UK and French buyers, and currently account for 10% of all spending in the market. Once again it seems that prime London residential property is being treated as a safe haven for foreign capital – attracting wealthy buyers from countries closest to the current Euro debt crisis.

“In addition to spending by those from the most heavily indebted and fiscally troubled countries in the Eurozone, we are seeing a general flight of capital from Eurozone countries into London. Over Q1 last



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year, French, Italian and German buyers accounted for just 5% of total spending in prime central London, this year they account for 25%.

“Looking ahead, we expect European buyers to continue to invest capital in prime London property; providing safety and relative security from the risks inherent in Eurozone countries. Combined with increasing demand from Asia, particularly Chinese buyers, we forecast continued price rises over 2011 in the prime London market.”

Table 1: Knight Frank Prime Central London Index

	KF Prime Central London Index	12 month % change	6 month % change	three monthly % change	monthly % change
Mar-09	3,652.20	-23.9%	-15.5%	-6.7%	-1.6%
Apr-09	3,666.30	-22.7%	-11.7%	-2.7%	0.4%
May-09	3,725.90	-20.1%	-6.9%	0.3%	1.6%
Jun-09	3,789.00	-17.2%	-3.2%	3.7%	1.7%
Jul-09	3,846.50	-14.4%	2.0%	4.9%	1.5%
Aug-09	3,886.30	-12.0%	4.7%	4.3%	1.0%
Sep-09	3,937.70	-8.9%	7.8%	3.9%	1.3%
Oct-09	4,020.00	-3.2%	9.6%	4.5%	2.1%
Nov-09	4,067.20	1.6%	9.2%	4.7%	1.2%
Dec-09	4,154.60	6.1%	9.6%	5.5%	2.1%
Jan-10	4,201.20	11.5%	9.2%	4.5%	1.1%
Feb-10	4,334.80	16.7%	11.5%	6.6%	3.2%
Mar-10	4,367.00	19.6%	10.9%	5.1%	0.7%
Apr-10	4,425.70	20.7%	10.1%	5.3%	1.3%
May-10	4,487.70	20.5%	10.3%	3.5%	1.4%
Jun-10	4,526.40	19.5%	9.0%	3.7%	0.9%
Jul-10	4,506.00	17.2%	7.3%	1.8%	-0.5%
Aug-10	4,503.90	15.9%	3.9%	0.4%	-0.1%
Sep-10	4,496.10	14.2%	3.0%	-0.7%	-0.2%
Oct-10	4,485.70	11.6%	1.4%	-0.4%	-0.2%
Nov-10	4,524.30	11.2%	0.8%	0.5%	0.9%
Dec-10	4,583.90	10.3%	1.3%	2.0%	1.3%
Jan-11	4,633.70	10.3%	2.8%	3.3%	1.1%
Feb-11	4,679.70	8.0%	3.9%	3.4%	1.0%
Mar-11	4,742.50	8.6%	5.5%	3.5%	1.3%

Source: Knight Frank Residential Research

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