



Prices rise at the highest rate since May 2011

Budget speculation surrounding mansion and wealth taxes has failed to dampen demand for prime central London residential property, according to Liam Bailey, Head of Knight Frank's Residential Research department.

Results for March 2012

Prices increased by a further 1.1% in March

Prices have now risen by 11.3% over the past 12 months, and by 2.7% in Q1 2012

The volume of sales being agreed in the £5m+ bracket was up by 93% in Q1 2012 compared to the same period in 2011, and by 42% across prime central London

Supply is failing to keep pace, with new instructions higher by just 12%, and down by 11% in the £5m+ sector

New applicant volumes rose 26% in Q1 2012 compared to the same period in 2011

Property has taken centre stage in the run-up to the annual Budget, with a debate raging between political parties about a possible property tax on homes worth more than £2m.

But the rising level of speculation over a potential mansion tax and new wealth taxes has failed to dampen demand for central London's most desirable properties. The appetite for them has in fact grown.

Evidence from our activity indicators confirms this – new applicant volumes rose 26% in the three months to March this year, compared to the same period in 2011.

The number of sales (subject to contract) were up by 42% in Q1 2012 compared to 2011, while activity in the £5m+ bracket has been particularly buoyant, up 93% over the same period.

But supply has once again failed to keep pace, with new instructions up by just 12%.

The problem is even more pronounced in the £5m+ bracket, with new instructions down by 11%.

These positive indicators have contributed to prices rising in March by a further 1.1%, the highest rate since May 2011, when prices increased by 1.4%.

Prime central London property prices have been rising strongly for three years, on the back of foreign demand and London's status as a safe haven for investors.

The strongest rises in Q1 were seen in the £1m to £2.5m price band (+3.2%) and the sub-£1m band (+3.1%), while the £10m+ bracket saw the smallest rises (+1.5%).

Among the areas to see the fastest price growth were Marylebone (+7%), South Bank (+3.5%) and Knightsbridge (+3.4%).

Apartment prices have risen more than house prices (+3% and +2.5% respectively).

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

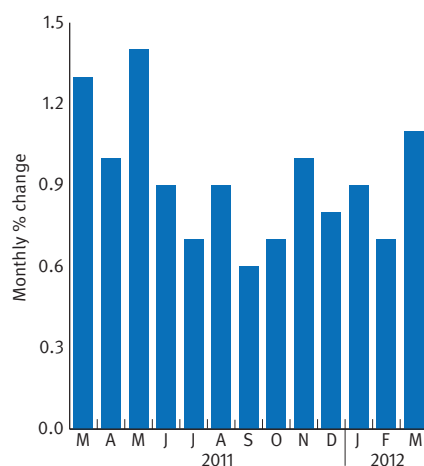
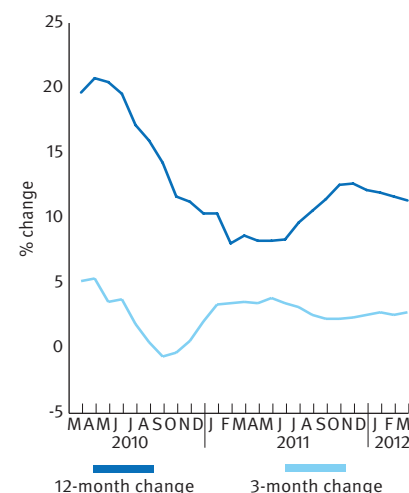


Figure 2
Annual and quarterly growth
Prime central London average residential price change



"Prime central London property prices have been rising strongly for three years."



Liam Bailey, Head of Residential Research

Source: Knight Frank Residential Research

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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 March 2012 compared to same period last year

	All	Under £5m	Over £5m
Demand			
New applicants	26%	24%	32%
Viewings	12%	20%	22%
Supply			
New instructions to sell	12%	27%	-11%
Stock volume	16%	12%	23%
Activity			
Sales (subject to contract)	42%	35%	93%
Exchanges	30%	19%	100%+
Demand and supply balance			
Ratio of new applicants/new instructions 2011	4.0	4.0	5.0
Ratio of new applicants/new instructions 2012	4.5	4.2	6.8

Knight Frank Prime Central London Index

	KF Prime Central London Index	12-month % change	6-month % change	3-month % change	Monthly % change
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%
Mar-12	5,278.9	11.3%	5.3%	2.7%	1.1%

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