

PRICE GROWTH EDGES LOWER IN PRIME CENTRAL LONDON AS ELECTION NEARS

Activity in prime central London remains subdued though there are some exceptions to the rule, says Tom Bill

MARCH 2015

Annual price growth slows to 3.3% as May's election gets closer

Monthly growth of 0.1% as prices remain broadly flat over last six months

Activity stronger in lower price brackets but there is pent-up demand in other parts of the market

Stronger activity in Knightsbridge due to high-quality new properties

Annual growth of 7% Islington as area affected less by recent tax changes

Annual house price growth in prime central London declined marginally to 3.3% in March as the UK general election drew nearer.

It was the lowest rate in more than five years and despite a 0.1% rise in March, prices have remained broadly flat over the last six months as uncertainty surrounding the outcome of the election on 7 May intensifies.

Activity is stronger in lower price brackets and where there is a more pressing need to act, though some parts of the market are trading water ahead of the vote.

One of the most unpredictable elections in decades has caused some buyers and sellers to postpone decisions until there is clarity around the outcome.

As electioneering got underway in March, the polls still indicate a hung parliament is the most likely outcome.

However, strong activity in some markets suggests there is a degree of pent-up demand that could be released after May.

The top three markets by sales volumes at the start of 2015 have been Knightsbridge, Islington

and St John's Wood.

Islington has benefitted from the fact property taxes such as stamp duty have affected lower-value properties to a lesser degree than higher-value areas and annual growth of 7% is the second-highest in prime central London after Hyde Park.

Sales in Knightsbridge have been strong due to a series of high-quality new-build and newly-refurbished properties that are ready for immediate occupation. Buyers in prime central London are increasingly focussed on the quality of the property's finish and facilities rather than its postcode, though in the case of Knightsbridge both have combined to produce a strong sales market at the start of 2015.

Meanwhile, St John's Wood is benefitting as more buyers seek better value and more space than markets further south in central London.

While the overall picture is subdued, what is happening in these three markets highlights some key trends that could contribute towards driving the market after the general election.



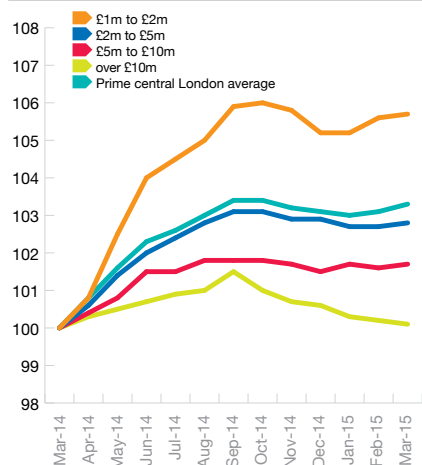
TOM BILL
Head of London Residential Research

"Strong activity in some markets suggests there is a degree of pent-up demand that could be released after May"

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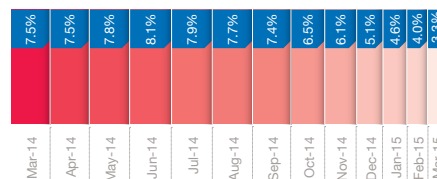
FIGURE 1
Price growth is stronger in lower price bands (Rebased to 100)



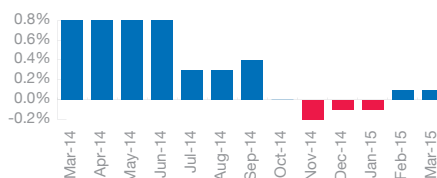
Source: Knight Frank Residential Research

FIGURE 2
Slowing growth

Annual Growth



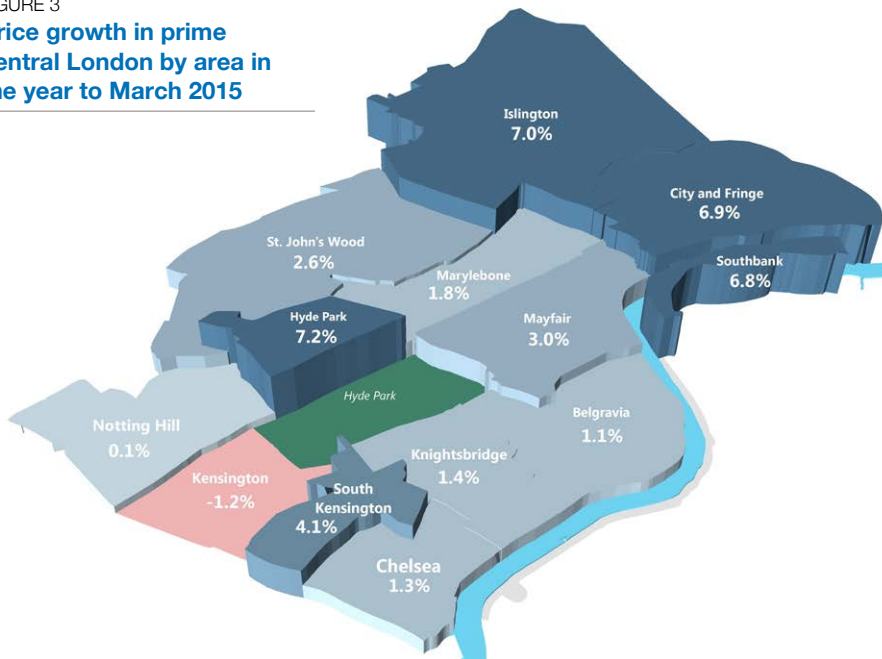
Monthly Growth



Source: Knight Frank Residential Research

PRIME CENTRAL LONDON SALES INDEX

FIGURE 3
Price growth in prime central London by area in the year to March 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
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%
Feb-15	6,328.1	4.0%	0.1%	0.0%	0.1%
Mar-15	6,335.2	3.3%	-0.1%	0.2%	0.1%

Source: Knight Frank Residential Research

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