

Prices rise, but buyers are becoming more value sensitive

Prices for London's best homes continue to rise and now stand 58% higher than the market low in March 2009. But as Liam Bailey confirms, there's growing evidence that buyers are less willing to commit to homes with over-ambitious price tags.

Results for May 2013

Prime central London residential prices increased by 0.3% in May and are up by 3.2% so far in 2013

Over the past 12 months, price growth in prime central London is 7.2%

The biggest price rises during April were in **City Fringe (2.6%), Notting Hill (1.2%) and Kensington (1%)**

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"While the headline figures show prices in prime central London continue to rise, there are early indications that buyers are becoming more sensitive to prices."



Liam Bailey, Global Head of Residential Research

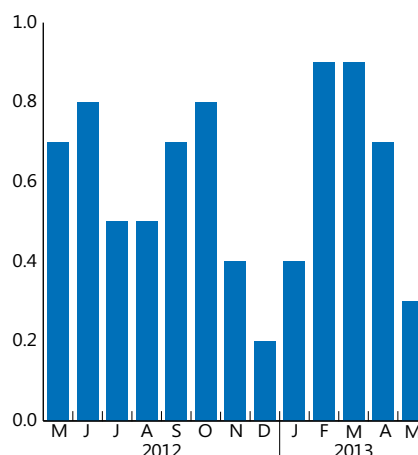
In May, property values in prime central London rose by 0.3% month-on-month. Prices have now climbed 3.2% so far this year and are 7.2% higher on an annual basis. Demand for the very best London homes remains strong, with the number of new applicants 40% higher between January and April compared to the same period in 2012.

This rising interest has translated into higher sales volumes across the wider prime London market, with a 17% rise in sales in the first four months of 2013 compared to the same period of 2012. This rise was concentrated in the lower price brackets, with a 28% rise in sales of homes with a value under £2m.

The super-prime (£10m+) sector saw an initial decline in year-on-year sales in January and February, overturned by a strong 57% annual rise in sales in March and April.

The strength of the sub-£2m sector provides one indication that buyers are becoming more price sensitive. In addition our index results showed modest price falls in Belgravia and Knightsbridge (0.2% and 0.3% respectively) in May, despite strong demand. There is a discernible shift in the market, with anecdotal feedback confirming that buyers are willing to agree to purchases, but only when prices are realistic.

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



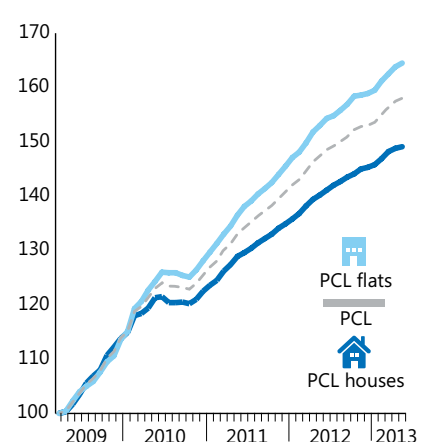
Source: Knight Frank Residential Research

City Fringe and Notting Hill reported the biggest rises compared to the previous month, with average prices 2.6% and 1.2% higher respectively.

The desire among buyers for lateral living has contributed to higher than average price growth for flats over the past few years and this trend has continued in 2013 (figure 2). The price of a luxury flat in prime central London is 3.5% higher than at the turn of the year. Price growth for houses, while still positive, has been more muted over the same period, rising by 2.6%.

International demand remains a key factor driving price growth and it is a trend we explored in more detail in the recent [London Residential Review](#). We are seeing a widening of demand for prime London property towards new nationalities. For example searches from Turkey on Knight Frank's global website for property in London rose by 23% in the first four months of 2013 compared to 2012. Turkish buyers' overall market share has risen from 0.6% of all PCL market to 1% over the same period. Over the past 12 months Knight Frank has sold prime London property to 71 nationalities.

Figure 2
Flat growth
Prime central London price growth, flats versus houses (indexed from March 2009)



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
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%
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%

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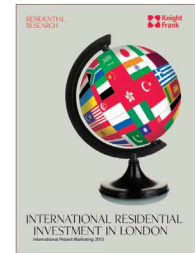
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