



News Release

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Eurozone crisis boosts central London housing market

Prime Central London Index, November 2010

Headlines

- Central London house prices rose in November by 0.9%, the first price rise since June 2010
- The price rise reverses almost all the price declines seen between July and October 2010
- Prices are now 23.7% higher than they were in March 2009 (the market low following the credit crunch), but still 5.7% below the peak hit in March 2008
- After a weak period in the summer the number of buyer registrations is rising strongly, with significant interest from European buyers – up 23% year-on-year in November in terms of new applicant volumes, with 40% growth over the same period from buyers from Italy and Spain.
- The strongest sector in terms of price growth is the £1m-£2.5m sector, with 2.3% growth over the last month
- In terms of sales performance the strongest sector is £10m+, which has seen sales volumes rise 500% since July and August, hitting in excess of more than 20 sales per month across the market in October and November 2010.

Liam Bailey, head of Residential Research at Knight Frank, commented: “One of the key factors which has helped prices begin to rise is that vendors are now accepting that the very ambitious asking prices (which were the norm until the early Autumn), are counter-productive. More realistic asking prices have allowed competitive bidding to take place in some instances and therefore have contributed to pushing prices higher.

“The other key issue which appears to have driven prices higher over the past month is the ongoing lack of stock. This is especially true in the SW1, SW3 and SW7 postcode areas, where stock volumes are lower by 32% compared to this time last year.

“The scarcity of sales stock is compounded by a tight rental market in central London, which is reducing alternative options for potential purchasers.



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“Anecdotal feedback from the market confirms that the “safe haven” role played by central London property is still being recognised by international purchasers.

“The view taken by many new entrants to the market – and the volume of new applicants from Europe looking to buy in central London has risen 23% year-on-year – is that London property is a strong defensive option as the events in the Eurozone continue to play out and while the pound is still trading at a discount to the Euro. Spanish and Italian interest is very strong – with a year-on-year growth in applicant interest up by 40% from these markets.

“Outside Europe there is still the demand from Asia-Pacific buyers, who have benefitted from 30% to 50% price growth in Hong Kong, Singapore and other key Asian centres over the past year, and are keen to take advantage of the weak pound and take money out of what have become arguable very hot markets in Asia.

“Despite recent price growth in central London, Eurozone and Dollar based buyers are still able to achieve an effective discount of 14% and 26% respectively due to currency movements on March 2008 prices in London.

“One sector which has underperformed against the wider PCL market in terms of pricing is the £10m+ sector. Prices in this bracket rose on average by only 0.3% in November, and are still down by 0.2% over the past six months. Despite this weaker performance in pricing, sales volumes have performed very well.

“After a dearth of £10m+ sales in summer – volumes were down 80% in July and August compared to the levels seen in 2009 and 2008, there was a sharp rise in activity in October and November, with volumes on a par with strong final quarter results in 2009 and over 20 £10m+ sales each month across the market.

“How can we explain this recovery in high-end sales? Confidence. An example is the Knight Frank Kensington and Notting Hill offices, which have jointly completed five sales over £10m in the last six weeks. While the sales were in the main to international buyers, all these buyers were already living in the UK and they were looking to upsize their accommodation. These were all buyers who had been considering buying for over a year, but only by October and November did they have the confidence to enter the market.”



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KF Prime Central London Index

	KF Prime Central London Index	12 month % change	6 month % change	Three monthly % change	Monthly % change
Nov-08	4,003.2	-14.1%	-14.1%	-9.3%	-3.6%
Dec-08	3,914.6	-16.9%	-14.5%	-9.4%	-2.2%
Jan-09	3,769.5	-20.9%	-16.1%	-9.2%	-3.7%
Feb-09	3,713.3	-22.52%	-15.9%	-7.2%	-1.5%
Mar-09	3,652.2	-23.86%	-15.5%	-6.7%	-1.6%
Apr-09	3,666.3	-22.65%	-11.7%	-2.7%	0.4%
May-09	3,725.9	-20.05%	-6.9%	0.3%	1.6%
Jun-09	3,789.0	-17.22%	-3.2%	3.7%	1.7%
Jul-09	3,846.5	-14.36%	2.0%	4.9%	1.5%
Aug-09	3,886.3	-11.96%	4.7%	4.3%	1.0%
Sep-09	3,937.7	-8.88%	7.8%	3.9%	1.3%
Oct-09	4,020.0	-3.19%	9.6%	4.5%	2.1%
Nov-09	4,067.2	1.60%	9.2%	4.7%	1.2%
Dec-09	4,154.6	6.13%	9.6%	5.5%	2.1%
Jan-10	4,201.2	11.45%	9.2%	4.5%	1.1%
Feb-10	4,334.8	16.74%	11.5%	6.6%	3.2%
Mar-10	4,367.0	19.57%	10.9%	5.1%	0.7%
Apr-10	4,425.7	20.71%	10.1%	5.3%	1.3%
May-10	4,487.7	20.45%	10.3%	3.5%	1.4%
Jun-10	4,526.4	19.46%	9.0%	3.7%	0.9%
Jul-10	4,506.0	17.15%	7.3%	1.8%	-0.5%
Aug-10	4,503.9	15.89%	3.9%	0.4%	0.0%
Sep-10	4,496.1	14.18%	3.0%	-0.7%	-0.2%
Oct-10	4,485.7	11.59%	1.4%	-0.4%	-0.2%
Nov-10	4,524.3	11.24%	0.8%	0.5%	0.9%

Source: Knight Frank Residential Research

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Notes to Editors



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