



Average prime central London properties rise in value by more than £1,200 a day

Prime central London residential prices are nearly 40% above their post-Lehman low of March 2009, and are now more than 6% higher than their March 2008 pre-Lehman peak. With the world facing the risk of a second credit crunch, Liam Bailey examines the stability of London's record prices.

Results for November 2011

Prime London property prices rose 1% in November 2011, contributing to annual growth of 12.6%

Prices have risen 39.5% since their post-credit-crunch low in March 2009

Prices are now at a record high, 6.2% above their previous peak in March 2008

The volume of new sales instructions has risen by 15% over the past year, while the number of new applicants is up by 12%

The number of exchanges and the volume of sales being agreed have risen by 17% and 25% respectively over the past year

Price growth in the prime central London market continued through November with a further 1% rise, the highest rate of growth since May this year. Price growth over the last 12 months has averaged 12.6%, with the strongest rise, 16.1%, recorded in the £2.5m to £5m bracket, and the lowest, sub-12%, recorded in both the sub-£1m and the £10m+ brackets.

This means that a £1m flat purchased in November 2010 will have increased in price by around £395 per day. Those fortunate to have bought a £5m property will have seen price growth equivalent to £2,205 per day.

Average prices for prime central London properties have hit £3.19m, meaning that a typical prime London property has risen in value by more than £1,202 per day over the past year.

It is instructive to note that this growth has taken place against the backdrop of ever-worsening global economic news and rising threats of a second credit crunch.

Our analysis of market activity in the three-month period to November, compared to the same period in 2010, confirms a positive picture of demand and sales activity, demonstrating that

the increasingly apocalyptic news headlines are not having a significant impact on the prime London market.

Sales volumes are running 17% higher than a year ago, although this is driven purely by the sub-£5m market, which is up 20%. Though the £5m+ market has been relatively flat, sales 'subject to contract' are up 28% year-on-year in this bracket.

On the demand side, new applicant registrations are up 12% over the year (6% for the sub-£5m market and 40% for the £5m+ market). This positive reading is more than matched by supply, where new instructions to sell are higher by 15% (10% sub-£5m and 44% over £5m).

Though stock levels are rising, the ratio of new applicant registrations to new instructions has slipped only very slightly, from 4.2 in late 2010 to 4.1 in November this year.

Despite growing global economic instability, our forecast for the prime central London market in 2012 is for positive price growth, but at a slower pace than we have seen over the past two years. We are expecting a rise of 5% across the whole of next year.

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

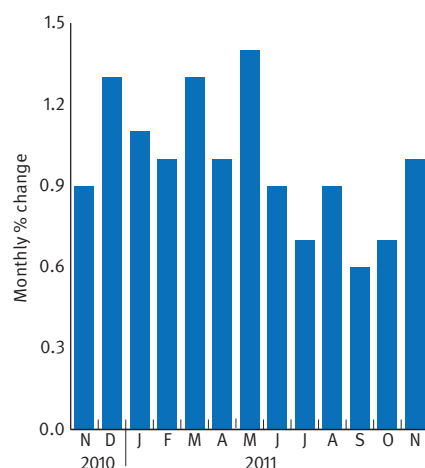
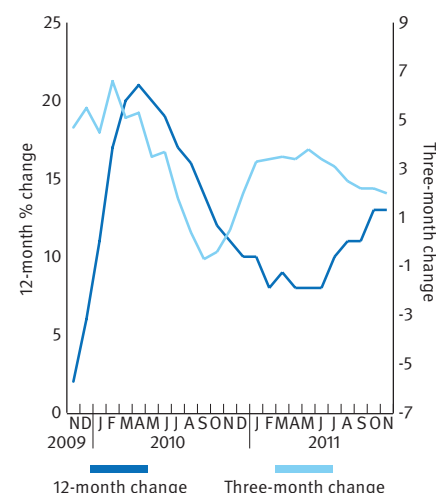


Figure 2
12-month and three-month price change
Prime central London average residential price change



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Source: Knight Frank Residential Research

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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, Riverside* and St John's Wood. 'Prime London' comprises all areas in prime central London, as well as Canary Wharf, Fulham, Hampstead, Richmond, Wandsworth, Wapping and Wimbledon.

Key market metrics

Prime central London market activity, three months to November 2011 compared to same period last year

	All	Under £5m	Over £5m
Demand			
New Applicants	12%	6%	40%
Viewings	9%	1%	43%
Supply			
New instructions to sell	15%	10%	44%
Stock volume	8%	5%	18%
Activity			
Sales (subject to contract)	25%	15%	28%
Exchanges	17%	20%	0%
Demand and supply balance			
Ratio of new applicants/new instructions 2010	4.2	4.1	4.7
Ratio of new applicants/new instructions 2011	4.1	3.9	4.6

Knight Frank Prime Central London Index

	KF Prime Central London Index	12-month % change	6-month % change	3-month % change	Monthly % change
Nov-09	4,067.2	1.6%	9.2%	4.7%	1.2%
Dec-09	4,154.6	6.1%	9.6%	5.5%	2.1%
Jan-10	4,201.2	11.5%	9.2%	4.5%	1.1%
Feb-10	4,334.8	16.7%	11.5%	6.6%	3.2%
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%

* Riverside covers the Thames riverfront from Battersea Bridge in the west running east to encompass London's South Bank.

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