

Prime central London price growth slows as city heads for two-speed market

Prices in prime central London rose 6.9% in the year to November, the slowest growth rate in almost four years. While growth accelerates in the UK, in prime central London moderation is back in vogue, argues Tom Bill.

Results for November 2013

Prices in prime central London **increased by 0.2% in November**

Annual growth falls to 6.9% in year to November

Slowest price growth for almost four years as regulatory uncertainty mounts

Zero growth in £10m+ price bracket

Stock levels fall by almost a third as vendors wait for further price rises

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London's best homes have risen in value for more than three years but uncertainty over regulation and future tax changes has curbed the rate of growth. The most recent example is a proposal to charge foreign buyers capital gains tax on UK homes, which the government could announce next month.

Monthly growth has been less than 1% for 18 months, the longest such period in more than eight years. Annual price growth was 6.9% in the year to November, which compares to 9.5% in the year to November 2012 and 12.6% in the previous year.

Slowing growth in London's most affluent postcodes is in stark contrast to the outer ring of London beyond prime central London, where government incentives and nascent economic bullishness are sparking growth to such an extent that fears of a price bubble are dominating newspaper headlines.

This split is underlined in Knight Frank's most recent forecasts. Growth in prime central London is expected to slow to 4% next year, hit zero in 2015 before turning positive again to produce cumulative growth of 20% in the four years to 2018.

Over the same period, prime outer London is expected to see positive growth every year, showing a cumulative rise of 23% between 2014 and 2018.

This role reversal between prime central London and the rest of London means sellers' expectations have to be increasingly realistic, particularly in the £10 million+ super-prime bracket, where prices were flat in November.

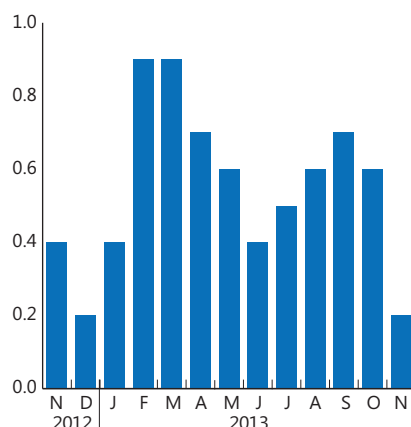
Prices in Mayfair, Belgravia and Kensington were unchanged in November, while they were down 0.1% in Chelsea.

The strongest growth was in the sub-£2m market, where prices have grown 11% this year, driven in part by the higher stamp duty charge for £2m+ properties introduced at last year's Budget.

With many would be vendors sitting on their hands in the belief they are in a fast-rising market, stock levels are lower by almost a third at the end of November versus the same period in 2012.

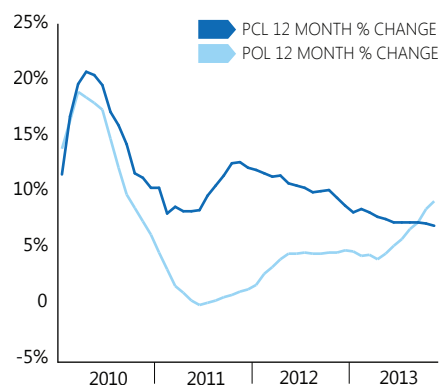
Demand nevertheless remains strong, with new applicants in the year to date up 29% compared to the previous year.

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



Source: Knight Frank Residential Research

FIGURE 2
Annual Growth PCL vs outer London
PCL vs prime outer London Jan 2010 to date



Source: Knight Frank Residential Research



TOM BILL
Associate, Residential Research

"Slowing growth in London's most affluent postcodes is in stark contrast to the outer ring of London."

Follow Tom at [@TomBill_KF](#)

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 |
|--------|-------------------------------|-------------------|------------------|------------------|------------------|
| 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 | 5,781.3 | 7.5% | 3.7% | 2.2% | 0.6% |
| Jun-13 | 5,807.1 | 7.2% | 3.9% | 1.7% | 0.4% |
| Jul-13 | 5,836.2 | 7.2% | 4.1% | 1.5% | 0.5% |
| Aug-13 | 5,868.4 | 7.2% | 3.7% | 1.5% | 0.6% |
| Sep-13 | 5,908.3 | 7.2% | 3.5% | 1.7% | 0.7% |
| Oct-13 | 5,946.5 | 7.1% | 3.4% | 1.9% | 0.6% |
| Nov-13 | 5,960.1 | 6.9% | 3.1% | 1.6% | 0.2% |

RESIDENTIAL RESEARCH

Liam Bailey

Global Head of Residential Research
+44 20 7861 5133
liam.bailey@knightfrank.com

Tom Bill

Associate, Residential Research
+44 20 7861 1492
tom.bill@knightfrank.com

PRESS OFFICE

Daisy Ziegler

+44 20 7861 1031
daisy.ziegler@knightfrank.com

Notes to Editors

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