



Central London residential prices have risen more than 38% since March 2009

Prime central London prices have hit new record levels, rising nearly 40% since March 2009. Liam Bailey examines how this market has shrugged off global economic uncertainty and continues to post strong results.

Results for October 2011

- **Prime London property prices rose 0.7%** in October 2011, contributing to annual growth of 12.5%
- **Prices have risen 38.2%** since their recent post-credit-crunch low in March 2009
- **Prices are now at a record high,** 5.2% higher than their previous peak in March 2008
- **The volume of new sales instructions has fallen by 6%** over the past year, while the number of new applicants is down by 11%
- **While the number of exchanges is lower,** the volume of sales being agreed has risen by 12% over the past year

Price growth in the prime central London market continued through October with a further 0.7% rise. Prices have been rising strongly since April 2009, and are now more than 5% higher than their previous peak in March 2008.

As we noted in last month's results, the only impact from recent European and global financial and economic market turmoil has been to push more buyers into the central London market.

Our analysis of market activity in the three-month period to October, compared to the same period in 2011, confirms that sales being agreed are up by 12% over the past year.

Despite this strong showing from sales volumes, and ongoing positive movements in pricing, there are some indicators pointing to more subdued conditions in the market.

On the demand side, new buyer volumes have slipped by 11% over the past year, and viewings are down by 8%. This slowdown in demand-side figures is compensated by a 14% fall in the numbers of properties available over the same period, a trend which seems set to continue with new instruction volumes lower by 6%. But there does seem to be a noticeable trend towards a more cautious approach from buyers.

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, compared to strong double-digit growth this year.

We note in our recent [forecast report](#) that the London market has benefited from a weak pound and growth in global wealth portfolios, demand for international educational opportunities, and demand for 'safe haven' assets on the back of recent geo-political concerns.

The diversity of demand for prime London property has been a significant strength for the market, and a key factor behind our relatively positive outlook. Looking ahead there is a strong likelihood that geo-political issues will continue to push overseas buyers into London, especially at the top end of the market. The forthcoming Russian election in 2012 has already spurred increased activity from Russian buyers, and the ramifications of the Arab Spring are still not fully played out – buyers from this region are still looking to invest in London.

We believe the medium-term outlook for central London pricing is positive, with our forecast showing cumulative growth of 24% in the five years to 2016, supported by a recovering global economy and expanding wealth portfolios from 2013 and beyond.

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

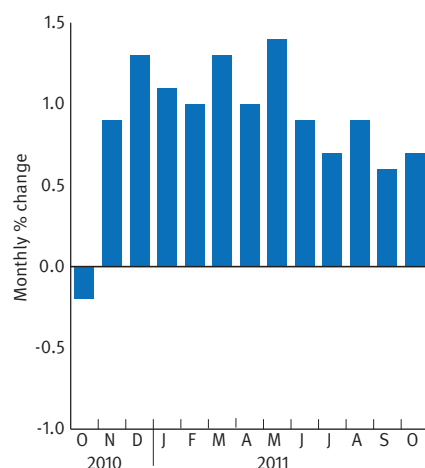
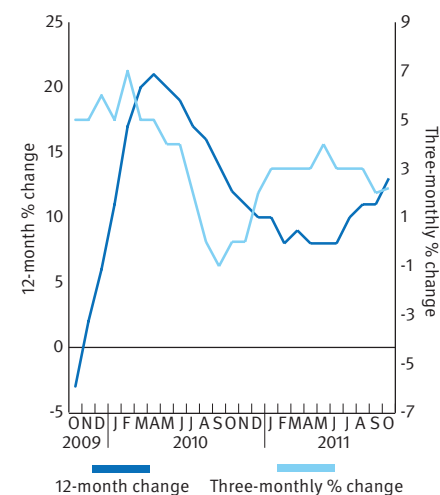


Figure 2
12-month and 3-month price change
Prime central London average residential price change



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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 September 2011 compared to same period last year

Demand		
New Applicants	-11%	▼
Viewings	-8%	▼
Supply		
New instructions to sell	-6%	▼
Stock volume	-14%	▼
Activity		
Sales (subject to contract)	12%	▲
Exchanges	-1%	▼
Average number of days to agree	9%	▲

Knight Frank Prime Central London Index

	KF Prime Central London Index	12-month % change	6-month % change	3-monthly % change	Monthly % change
Oct-09	4,020.0	-3.2%	9.6%	4.5%	2.1%
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%

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

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