



## Search for safety boosting prime London prices

**In light of ongoing price growth, Liam Bailey, Knight Frank's Head of Residential Research, assesses the performance of the prime central London market.**

### Results for October 2012

**Prices in prime central London rose 0.8% in October**

**Annual growth is now 10.1%**

**Prices are now 52% higher** than in March 2009

**Price growth in the year to October** was stronger for apartments (11.1%) than for houses (8.4%)

Price growth in the prime central London market continued through October with the Knight Frank Prime Central London Sales Index confirming a further 0.8% rise. Prices have been climbing now on a monthly basis since November 2010 and stand 52% above the post-financial crisis low of March 2009.

The eurozone crisis has continued to boost demand for prime central London property among international buyers, many of whom are driven by the search for a 'safe haven' for their assets.

As we noted in last month's results, this growth has taken place despite the impact of the March budget's 40% rise in stamp duty for £2m+ homes and the prospect of new rules for an annual charge on £2m+ properties held in certain ownership structures. We expect a number of prospective buyers to hold off on making decisions until further clarity regarding the rules is provided. This is expected to come in the Autumn Statement on 5 December.

Despite the Chancellor dismissing the idea of introducing a 'mansion tax' during the

Conservative Party conference, the talk of such a levy on £2m+ homes has created some further uncertainty.

Among the areas performing particularly well in terms of price appreciation is Marylebone, which has seen growth over the past year of 14.5% – the highest annual rise of all areas covered by the index.

Other significant increases over the past three months were seen in the City (3.5%), Islington (3.4%) and Belgravia (3.2%). This has been supported by continued demand from buyers for the very best stock.

Our analysis of market activity confirms that average prices have climbed 10.1% over the past year, with flats (11.1%) outperforming houses (8.4%) in terms of growth. Perhaps unsurprisingly, given the increase in stamp duty, homes in the sub-£2.5m price band have seen the strongest price growth both on a yearly and monthly basis.

Our start of the year forecast for 5% growth in prime central London prices in 2012, is likely to be exceeded – with prices likely to end the year higher by around 8%.

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

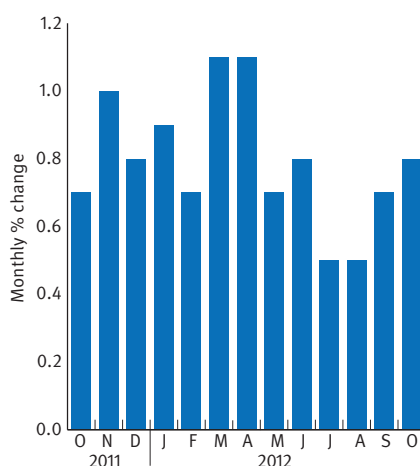
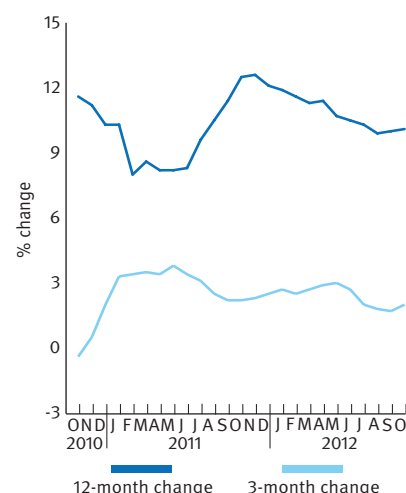


Figure 2  
**Annual and quarterly growth**  
Prime central London average residential price change



"Prices continue to grow despite the market uncertainty ahead of the Autumn statement on December 5th."



Liam Bailey, Head of Residential Research

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, 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
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%
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%

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