

AUGUST 2019

The prime London sales indices are based on repeat valuations of second-hand stock and do not include new-build property, although units from completed developments are included over time.

PRIME CENTRAL LONDON

Prime central London index | **5,555.9**

Annual change | **-4.4%**

Quarterly change | **-0.5%**

Monthly change | **-0.1%**

PRIME OUTER LONDON

Prime outer London index | **266.6**

Annual change | **-3.8%**

Quarterly change | **-0.6%**

Monthly change | **-0.3%**

Figure 1 The number of new prospective buyers registering with Knight Frank rose 29% in prime central London in the year to July 2019. Meanwhile, the number of new listings above £1 million declined by 25% over the same period. This imbalance has contributed to a moderation in annual price declines.

Figure 2 Average prices declined 4.4% in the year to August 2019 in PCL, the most modest fall recorded so far in 2019. Meanwhile, annual decreases in the volume of sales in PCL also moderated as buyers responded to price adjustments and the Brexit deadline extension.

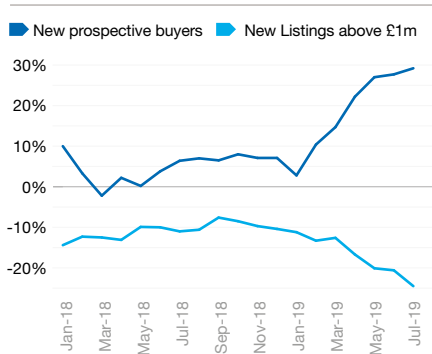
Figure 3 Annual price declines have been most modest above £10m in PCL and £5m in POL. Demand in higher-value markets has been supported by the fact price growth was weaker in the run-up to the previous market peak in August 2015, as well as the more global nature of demand.

Figure 4 The effective discount on prime central London property for buyers denominated in a range of overseas currencies was more than 25% in August compared to the period before the EU referendum. The discount has widened in recent weeks as political uncertainty rises in the UK.

FIGURE 1

The widening supply/demand imbalance

Annualised % change, PCL

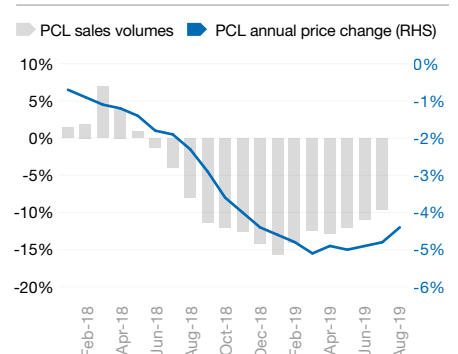


Source: Knight Frank Research

FIGURE 2

Price declines moderate in PCL

Annualised % change in sales volumes, PCL

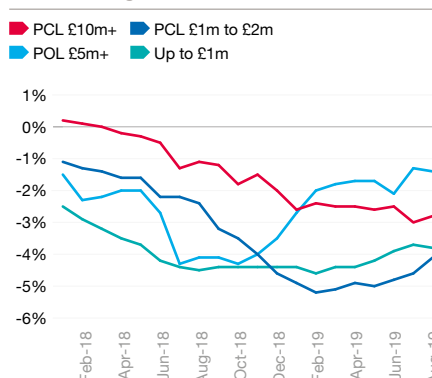


Source: Knight Frank Research

FIGURE 3

Higher value price declines more modest

Annual % change

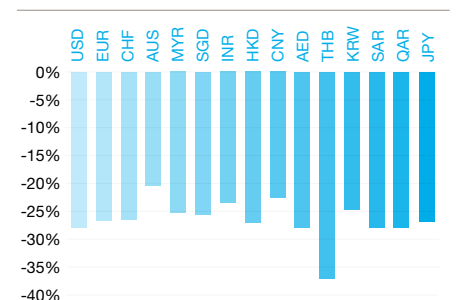


Source: Knight Frank Research / LonRes

FIGURE 4

The effective currency discount widens in PCL

Currency change and price change in PCL since 22 June 2016



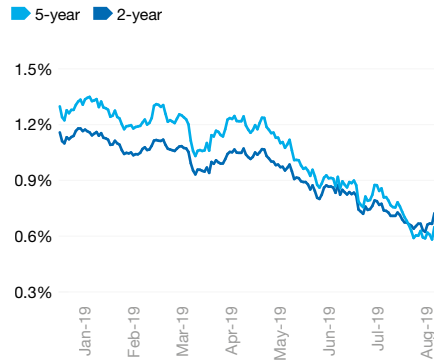
Source: Knight Frank Research

ECONOMIC DATA

Figure 5 As a result of political and economic uncertainty, UK five-year swap rates were cheaper than two-year swap rates in August for the first time in ten years. It means the average cost of a five-year fixed rate mortgage has dropped in recent weeks. There have been recent instances of yield curve inversions on government bonds, which has been a leading indicator for previous recessions.

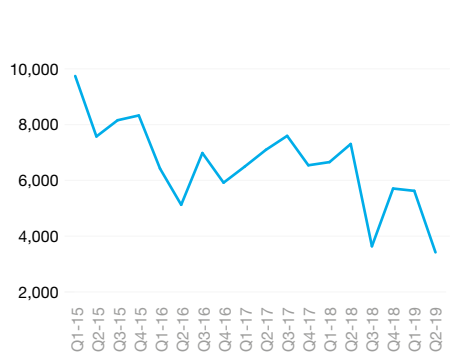
Figure 6 The number of construction starts in London dropped to its lowest level in seven years in Q2 2019, underlining how the supply of housing is likely to remain a key issue in the capital.

FIGURE 5
Five year fixed mortgages get cheaper
Five-year and two-year swap rates



Source: Knight Frank Finance

FIGURE 6
Future housing supply falling
Construction starts, London, schemes with 20+ units



Source: Knight Frank Research / Molior

FIGURE 7
PRIME CENTRAL LONDON Price growth by price band, time period and property type

	up to £1m	£1m to £2m	£2m to £5m	£5m to £10m	over £10m	Flat	House
1 month	-0.2%	0.0%	-0.2%	-0.3%	0.0%	-0.1%	-0.2%
3 months	-0.5%	-0.3%	-0.6%	-1.0%	-0.6%	-0.4%	-0.8%
6 months	-1.6%	-1.1%	-1.1%	-2.0%	-1.1%	-1.3%	-1.5%
1 year	-5.3%	-4.1%	-4.5%	-3.9%	-2.8%	-4.7%	-3.6%
YTD	-2.9%	-1.8%	-2.0%	-2.4%	-2.0%	-2.2%	-2.2%

FIGURE 8
PRIME OUTER LONDON Price growth by price band, time period and property type

	up to £1m	£1m - £2m	£2m - £3m	£3m - £4m	£4m - £5m	over £5m	Flat	House
1 month	-0.3%	-0.3%	-0.5%	0.0%	-0.9%	0.0%	-0.4%	-0.3%
3 months	-0.6%	-0.5%	-0.8%	-0.6%	-0.9%	-0.8%	-0.8%	-0.4%
6 months	-0.9%	-0.7%	-0.8%	-0.7%	-0.9%	-0.6%	-1.2%	-0.4%
1 year	-3.8%	-3.7%	-4.9%	-2.8%	-6.1%	-1.4%	-4.7%	-3.0%
YTD	-1.8%	-1.5%	-1.6%	-1.1%	-2.2%	-0.7%	-2.3%	-1.0%

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: Aldgate & the City, Belgravia, Chelsea, Hyde Park, Islington, Kensington, Knightsbridge, Marylebone, Mayfair, Notting Hill, Riverside, South Kensington, St John's Wood, Tower Bridge and Victoria.

Prime Outer London comprises Barnes, Battersea, Belsize Park, Canary Wharf, Chiswick, Clapham, Dulwich, Fulham, Hampstead, Queen's Park, Richmond, Wandsworth, Wapping and Wimbledon.

RESIDENTIAL RESEARCH



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