



FEBRUARY 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 | **5,631.5**

Annual change | **-4.8%**

Quarterly change | **-1.4%**

Monthly change | **-0.4%**

PRIME OUTER LONDON

Prime outer London index | **268.7**

Annual change | **-4.8%**

Quarterly change | **-1.4%**

Monthly change | **-0.4%**

Figure 1 The number of prospective buyers registered in London continues to climb while the number of exchanges has declined due to uncertainty surrounding Brexit negotiations. This growing pent-up demand suggests activity levels will increase as political clarity returns.

Figure 2 As a result of this unfulfilled demand, the ratio of new prospective buyers versus new supply rose to an all-time high in January at 9.1, which compares to 5.9 in January 2018. It highlights the possibility that a current downwards trajectory in sales volumes in prime London markets may reverse in coming months.

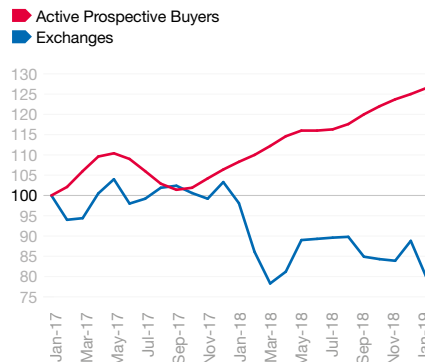
Figure 3 A number of sales in recent months above £30 million in London boosted the overall value of £10 million-plus transactions in December and January. Sales in this price bracket accounted for 75% of exchanges above £10 million by value in January. Reasons for this stronger performance include the favourable exchange rate, price reductions and buyers who are able to see beyond short-term political uncertainty and see the long-term appeal of living in London.

Figure 4 For the same reasons, prices above £10 million have declined at the most modest rate in recent months in prime central London.

FIGURE 1

Pent-up demand builds in prime central London

Rebased to 100 at January 2017

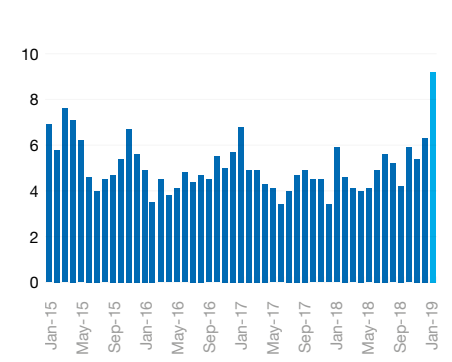


Source: Knight Frank Research / LonRes

FIGURE 2

New demand grows versus new supply

New prospective buyers / new listings, PCL and POL

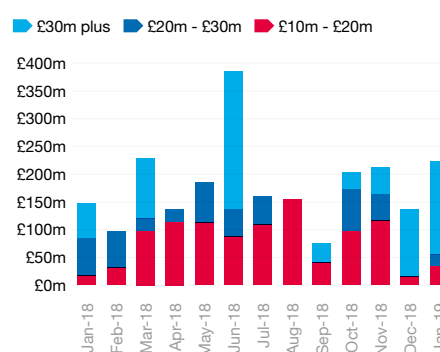


Source: Knight Frank Research

FIGURE 3

Robust activity in the highest price brackets

Value of £10 million+ sales by price band

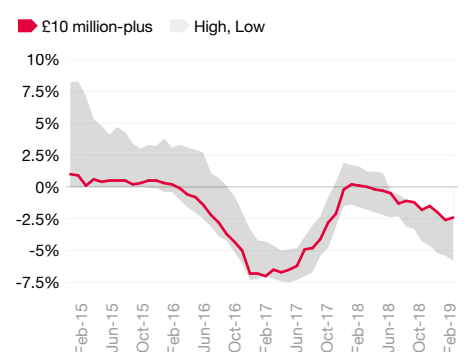


Source: Knight Frank Research

FIGURE 4

Price declines most modest above £10 million

Annual price movement in prime central London



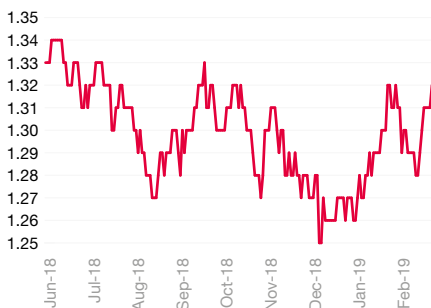
Source: Knight Frank Research

ECONOMIC DATA

Figure 5 Sterling has strengthened against the US dollar in recent weeks as unfolding political events mean the prospect of the UK leaving the European Union without a Brexit deal begins to fade. A disorderly exit has always represented the biggest risk for property markets.

Figure 6 Inflation in the UK fell to a two-year low of 1.8% in January as a government cap on household energy prices took effect. As a result, the Bank of England is under less pressure to raise interest rates, which will help underpin mortgage demand.

FIGURE 5
Sterling rises as a deal inches closer
\$/per £



Source: Knight Frank Research

FIGURE 6
Inflation cools along with prospect of rate rise
CPI, annual % change



Source: Knight Frank Research

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	-0.7%	-0.3%	-0.4%	-0.1%	-0.2%	-0.4%	-0.3%
3 months	-1.9%	-1.5%	-1.1%	-0.6%	-1.4%	-1.5%	-1.0%
6 months	-3.7%	-3.0%	-3.4%	-1.9%	-1.8%	-3.5%	-2.1%
1 year	-5.8%	-5.2%	-5.0%	-3.1%	-2.4%	-5.7%	-3.0%
YTD	-1.2%	-0.8%	-0.9%	-0.4%	-0.9%	-0.9%	-0.7%

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	-0.5%	-0.5%	-0.4%	-0.2%	0.0%	0.0%	-0.6%	-0.3%
3 months	-1.4%	-1.5%	-1.5%	-0.7%	-2.9%	-0.3%	-1.6%	-1.2%
6 months	-2.9%	-3.0%	-4.1%	-2.1%	-5.3%	-0.8%	-3.5%	-2.6%
1 year	-4.6%	-4.8%	-5.8%	-5.0%	-6.9%	-2.0%	-5.7%	-4.1%
YTD	-0.9%	-0.9%	-0.8%	-0.4%	-1.3%	-0.2%	-1.0%	-0.6%

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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