

## JULY 2019

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

### PRIME CENTRAL LONDON

Prime central London index | **5,562.5**

Annual change | **-4.8%**

Quarterly change | **-0.7%**

Monthly change | **-0.2%**

### PRIME OUTER LONDON

Prime outer London index | **267.5**

Annual change | **-3.7%**

Quarterly change | **-0.3%**

Monthly change | **-0.1%**

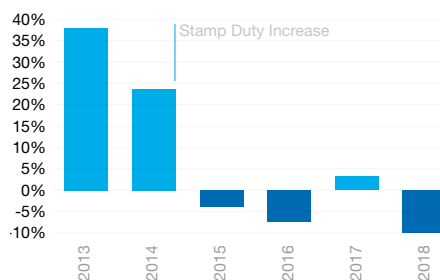
**Figure 1** Boris Johnson has raised the prospect of a stamp duty cut to stimulate economic activity. Any impact on property prices is difficult to assess given the lack of detail and the potentially distortive effect on supply and demand. However, higher stamp duty and political uncertainty have curbed activity above £1m over the last four years.

**Figure 2** The impact of higher stamp duty was initially more marked above £2m. However, prices have adjusted more quickly in higher price brackets, where trading volumes are typically lower, and the annual decline in volumes above £2m is now more modest than above £1 million.

**Figure 3** Despite this overall trend, transactions in Q2 2019 increased year-on-year. This was due to the relative strength of the higher-value market - the number of £10 million-plus transactions in Q2 was the highest in four years. Activity was also boosted by the postponing of the Brexit deadline from March to October.

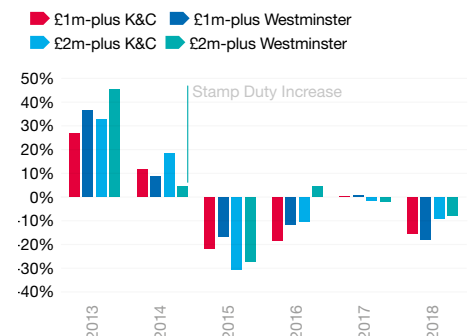
**Figure 4** The number of prospective buyers in London has risen strongly over the last year and their total spending power increased to £51.5 billion in Q2 2019. Demand has built after stamp duty-related price adjustments, though some hesitancy remains due to political uncertainty.

**FIGURE 1**  
£1 million-plus sales decline in London  
Year-on-year % change



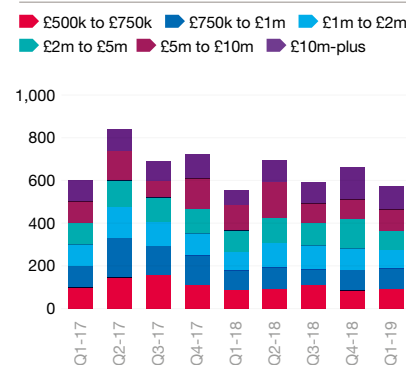
Source: Knight Frank Research

**FIGURE 2**  
High-value sales breakdown by borough  
Year-on-year % change



Source: Knight Frank Research

**FIGURE 3**  
Sales volumes pick up in Q2  
Quarterly transaction volumes by price band



Source: Knight Frank Research / LonRes

**FIGURE 4**  
Firepower surges in London  
PCL and POL, total budget of active applicants



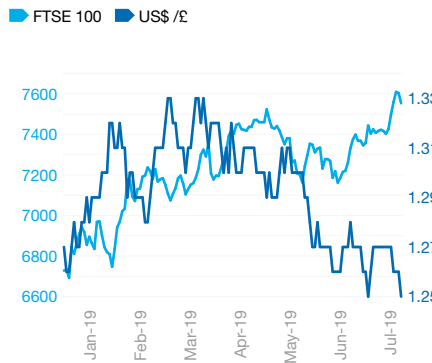
Source: Knight Frank Research

ECONOMIC DATA

**Figure 5** The pound has weakened against the US dollar in recent months due to the perceived risk of a no-deal Brexit under the new prime minister. The effective discount for US dollar-denominated buyers in PCL compared to before the vote to leave the EU in June 2016, was 24% at the start of July. The FTSE 100 responded by rising.

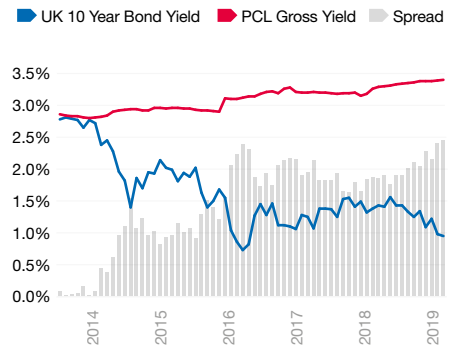
**Figure 6** Yields on prime central London property have widened in response to stronger rental values and declining prices. The difference between the PCL gross yield and the benchmark ten-year UK government bond was about 245 basis points in June, the widest it has been in more than 15 years.

FIGURE 5  
Stock markets rise on Sterling falls



Source: Knight Frank Research

FIGURE 6  
Best relative yield in PCL for 15 years



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  | 0.0%      | -0.1%      | -0.3%      | -0.3%       | -0.6%     | -0.1% | -0.3% |
| 3 months | -0.6%     | -0.7%      | -0.7%      | -1.0%       | -0.7%     | -0.7% | -0.7% |
| 6 months | -2.2%     | -1.4%      | -1.3%      | -1.8%       | -1.3%     | -1.6% | -1.6% |
| 1 year   | -6.1%     | -4.6%      | -4.8%      | -4.0%       | -3.0%     | -5.3% | -3.8% |
| YTD      | -2.7%     | -1.9%      | -1.8%      | -2.2%       | -2.0%     | -2.1% | -2.0% |

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  | -0.2%     | -0.1%     | -0.2%     | 0.0%      | 0.0%      | 0.1%     | -0.3% | 0.0%  |
| 3 months | -0.3%     | -0.2%     | -0.3%     | -0.3%     | 0.4%      | -0.8%    | -0.6% | -0.1% |
| 6 months | -1.1%     | -0.9%     | -0.8%     | -0.9%     | 0.0%      | -0.6%    | -1.5% | -0.5% |
| 1 year   | -3.7%     | -3.8%     | -4.6%     | -2.9%     | -6.0%     | -1.3%    | -4.7% | -2.9% |
| YTD      | -1.5%     | -1.2%     | -1.1%     | -1.1%     | -1.4%     | -0.7%    | -1.9% | -0.7% |

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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If you are looking to buy or sell or would just like some property advice, we would love to hear from you.



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