



NOVEMBER 2018

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 | **5,711.1**

Annual change | **-4.0%**

Quarterly change | **-1.7%**

Monthly change | **-0.5%**

PRIME OUTER LONDON

Prime outer London index | **272.5**

Annual change | **-4.8%**

Quarterly change | **-1.6%**

Monthly change | **-0.7%**

Figure 1 The number of new prospective buyers registering in prime central London rose 7% in the year to October versus the previous 12-month period. Meanwhile, there was a 12% decrease in the number of sales over the same period. As demand rises and sales volumes decline, pent-up demand is forming that may be released once political uncertainty recedes.

Figure 2 Meanwhile, the ratio of new prospective buyers per new listing reached 5.4 in October, the second highest figure in more than three and a half years. This also underlines how pent-up demand is building.

Figure 3 Despite the fact pricing in prime central London has been on a downwards trajectory since the summer due to Brexit-related uncertainty, the annual price decline for higher-value properties is more modest. Less liquid, higher-value markets have adjusted more readily to higher-transaction costs, which has underpinned demand.

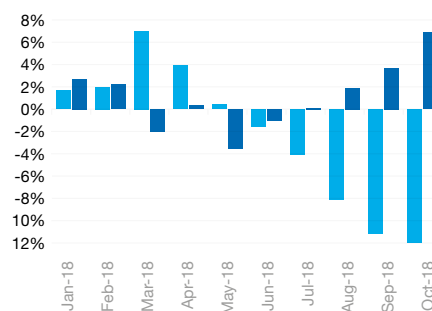
Figure 4 A similar trend took place in POL, which has led to more modest declines for higher-value properties. Prices for properties valued above £5 million declined 4% in the year to November compared to 6% between £2 million and £3 million.

FIGURE 1

Pent-up demand forms in prime central London

Annualised % change

■ PCL sales (LonRes)
■ New prospective buyers

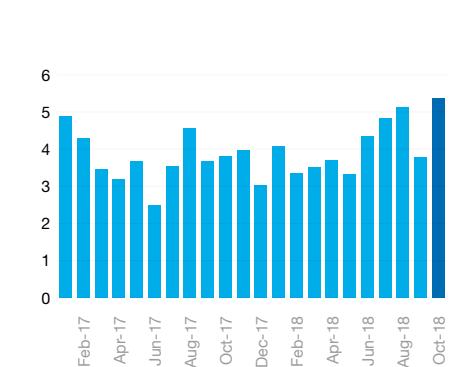


Source: Knight Frank Research / LonRes

FIGURE 2

Demand rises in relation to supply

New prospective buyers / new sales listings



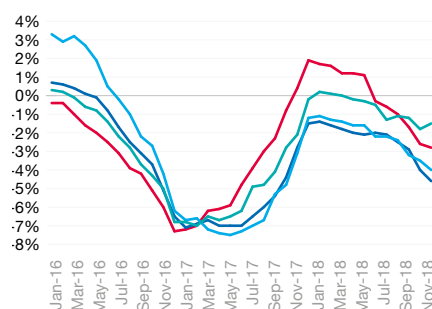
Source: Knight Frank Research

FIGURE 3

More modest falls for £10m+ properties in PCL

Annual % change by price band in PCL

■ £1m to £2m
■ £2m to £5m
■ £5m to £10m
■ Over £10m



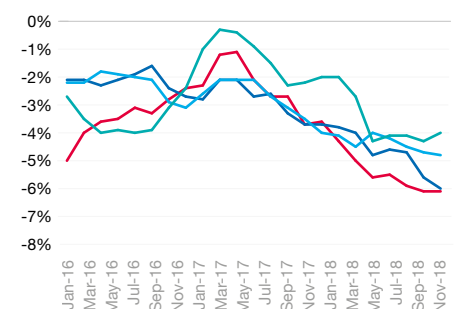
Source: Knight Frank Research

FIGURE 4

More modest falls for £5m+ properties in POL

Annual % change by price band in POL

■ £1m to £2m
■ £2m to £3m
■ £3m to £4m
■ Over £5m



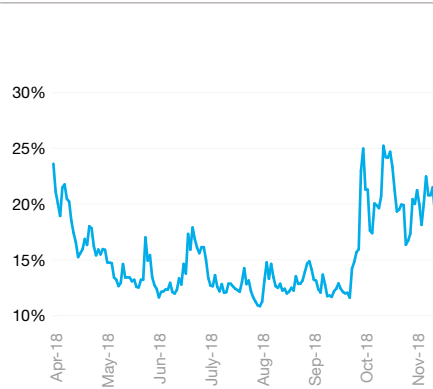
Source: Knight Frank Research

ECONOMIC DATA

Figure 5 A stock market sell-off in October was accompanied by a fall in bond prices. This relatively rare event, caused by concerns over global growth and the prospect of further US rate hikes, produced a spike in volatility. Real estate can benefit when volatility impacts bond and equity prices.

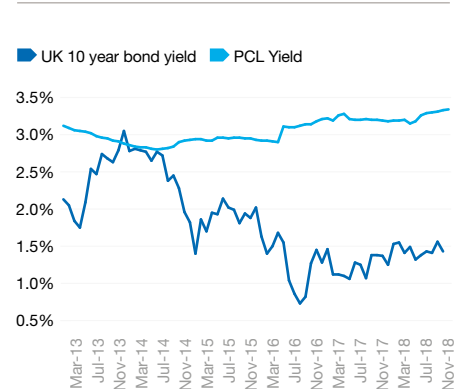
Figure 6 The yield on a 10-year government bond fell below 1.5% in November. Yields on the so-called risk-free rate have been kept in check by the Bank of England adopting a cautious approach to rate rises. Meanwhile, property returns have risen as a result of rental value growth, widening the spread between the two fixed income streams.

FIGURE 5
Volatility hits stock markets in Q4 2018



Source: S&P 500 Volatility Index

FIGURE 6
PCL yields higher than 10-year UK bonds



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	-0.5%	-0.5%	-0.8%	-0.2%	-0.1%	-0.5%	-0.4%
3 months	-1.8%	-1.6%	-2.3%	-1.3%	-0.3%	-2.0%	-1.1%
6 months	-3.4%	2.8%	-3.3%	-2.2%	-0.7%	-3.3%	-1.7%
1 year	-4.6%	4.0%	-4.6%	-2.8%	-1.5%	-4.8%	-2.2%
YTD	-4.5%	-3.8%	-4.4%	-2.8%	-1.5%	-4.6%	-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	-0.7%	-0.6%	-1.2%	-0.3%	0.0%	-0.1%	-0.7%	-0.6%
3 months	-1.5%	-1.5%	-2.6%	-1.4%	-2.4%	-0.5%	-1.9%	-1.4%
6 months	-2.5%	-2.7%	-4.2%	-2.6%	-3.5%	-1.6%	-3.3%	-2.4%
1 year	-4.4%	-4.8%	-6.0%	-6.1%	-5.6%	-4.0%	-5.7%	-4.4%
YTD	-3.9%	-4.4%	-5.3%	-5.0%	-5.3%	-3.3%	-5.1%	-3.8%

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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