SUPER PRIME LONDON INSIGHT

AUTUMN | 2016

Leading indicators of activity point to an improvement in demand in the super prime market, as Tim Wright, Richard Cutt and Daniel Daggers tell Tom Bill

There are tentative signs of recovery in London's super prime (£10 million-plus) residential property market after a series of tax changes have slowed activity.

Leading indicators of demand are rising as vendors are increasingly prepared to adjust asking prices to reflect an increased tax burden on purchasers.

While the result of the EU referendum has added a degree of longer-term political uncertainty, in the short-term it has served as a catalyst for overdue price reductions. Demand has been further boosted by a favourable currency movement, which has made London property more than 15% cheaper for buyers denominated in US dollars.

The number of new prospective buyers above £10 million in the 14 weeks following the EU referendum increased 18.8% year-on-year, while the number of viewings rose by half.

"Buyers initially took stock following the referendum but there has been a notable uptick in activity in recent weeks," said Tim Wright. "More realistic asking prices and a favourable currency movement mean many buyers have benefited from a twin boost."

However, in what can be slower-moving and more discretionary market than the rest of prime central London, sales volumes remain lower than 2015. The number of transactions above £10 million between January and September declined -17.8% to 83 from 101 in the same period in 2015. The total value of transactions fell -18% over the same period.

"There is still a portion of the market that remains circumspect about the short-term prospects for pricing, which has been amplified by the political uncertainty surrounding Brexit," said Richard Cutt. "However, the reality on the ground is that demand is strengthening and the risk is that you miss the moment when the market starts to bottom out."

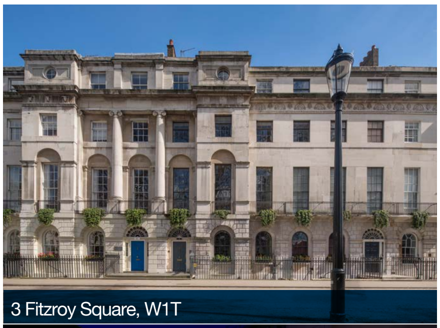
In a sign that demand for high-value London property remains resilient, the number of transactions above £30 million increased to 14 from 10 year-on-year between January and September 2016, while the total value of transactions in that price-bracket rose by 28%.

"What this underlines is how there has been no diminution of London's standing as a place to live for many of the world's wealthiest families since the referendum" said Tim.

Kensington retained the largest share of super-prime market sales over the period, with 19% of transactions in 2016. Alongside Belgravia and Knightsbridge, it is an area where demand is strengthening as a result of price reductions that make it look better value, combined with growing demand for well-established prime central London neighbourhoods against a more uncertain backdrop.

"Buyers have a higher appetite for risk when the market is buoyant" said Daniel Daggers. "When activity is more constrained, the focus intensifies for best-in-class properties in the best locations."

However, as a result of higher levels of stamp duty, there is also growing interest in large un-modernised houses to avoid higher upfront tax costs. "People are prepared to do more work than they were in the past," said Richard. "The saving on stamp duty can represent a large chunk of any build costs."



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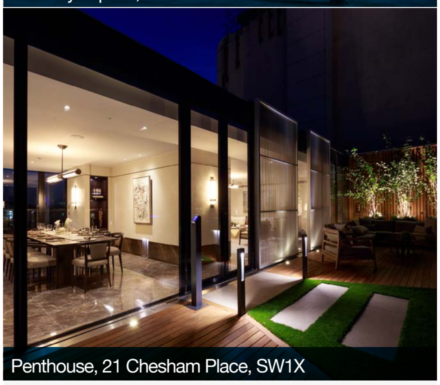

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London Super Prime Team

The London Super Prime Team draws upon Knight Frank's network of London, national and global offices to provide ultra-high-net-worth buyers with a bespoke and confidential service. Their focus on building excellent long-term relationships provides buyers with continued and direct access to Knight Frank's full range of services.

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FIGURE 1
Super prime map of London

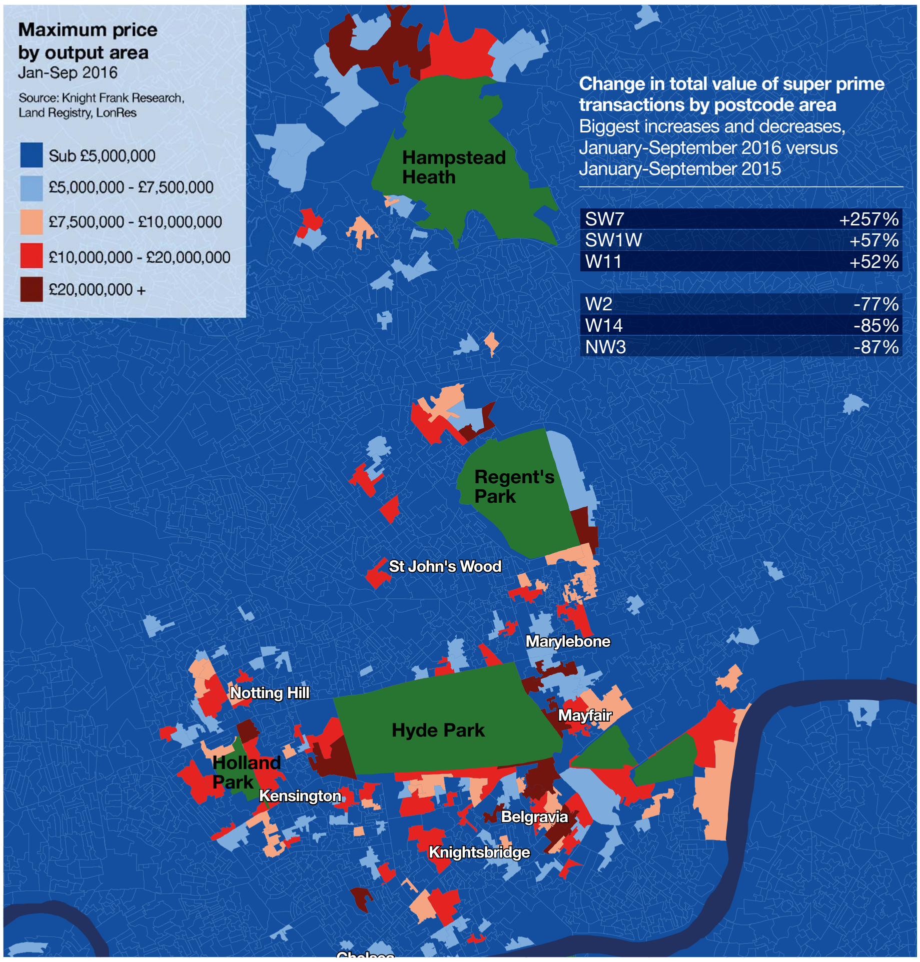
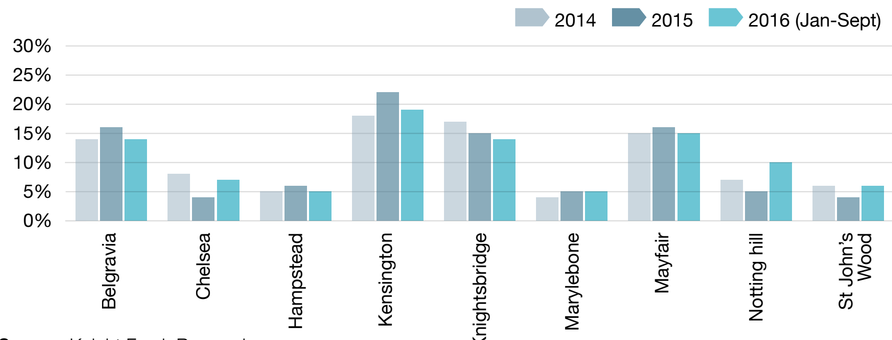


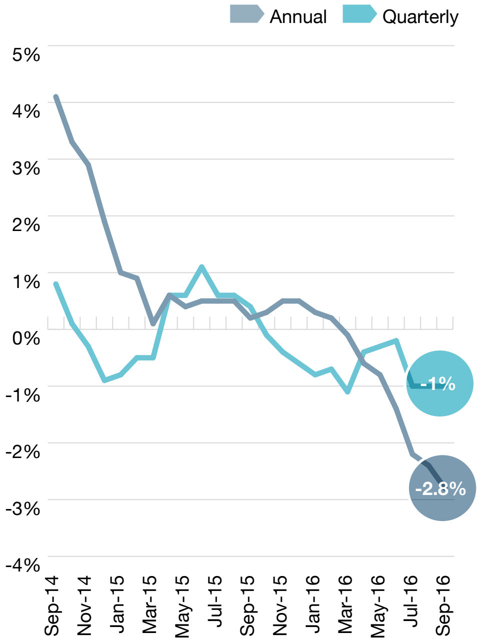
FIGURE 3
Super prime market share by area



Source: Knight Frank Research

FIGURE 2
Super prime price growth slows

£10 million-plus price growth



Source: Knight Frank Research

FIGURE 4
The super prime London market in numbers

28%

Year-on-year increase in the value of £30 million-plus sales between January and September 2016

19%

Percentage of £10 million-plus sales in Kensington between January and September 2016

18.8%

Year-on-year increase in the number of new prospective buyers registering in the 14 weeks following the EU referendum

49.7%

Year-on-year increase in the number of viewings in the 14 weeks following the EU referendum

Source: Knight Frank Research

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