

*Covid-19 and London
super-prime*

*Demand for family
houses*

*International travel
restrictions*



Super-Prime Market Insight

Autumn 2020

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SUPER-PRIME MARKET INSIGHT

Despite the lockdown, more money has been spent on £10 million-plus properties this year than 2019. Tom Bill explains why.

The Covid-19 pandemic has impaired the ability rather than the desire of buyers to transact in the £10 million-plus (super-prime) market in the UK.

The year began strongly after a decisive general election result marked a turning point after several years of Brexit-related political volatility. There were 30 transactions above £10 million in the first three months of 2020 compared to 18 in 2019 and 22 in 2018.

“The key motivators of capital preservation, the UK education system and cheap debt are unchanged,” said Paddy Dring, global head of prime sales at Knight Frank. “The trend for more outdoor space has benefitted suburban and country markets but buyers are retaining a London investment for the long-term. Prices are robust with single-digit percentage discounts but no more.”

This demand for outdoor space meant houses have become more popular, as figure 1 shows. It also means activity has become more focussed on areas like Notting Hill, Belgravia and Hampstead (figure 5).

In the second quarter, there were 16 transactions, which was down from a figure of 29 in 2019 and reflected the impact of the market lockdown.

Despite the dip in the middle of the year, there were a total of 56 super-

prime deals in the first eight months of this year, compared to 57 last year. Furthermore, a total spend of £1.13 billion in the first eight months of 2020 was 16% higher than the figure of £977.5 million recorded last year. The ratio between asking prices and achieved prices has also narrowed in recent months, as figure 2 shows.

The final quarter of the year will be marked by uncertainty as the UK government seeks to contain the

pandemic. Brexit and the US elections will have an impact on currency movements but the relaxation of travel restrictions will be the key factor affecting transaction volumes.

Given the restrictions, which have had a more marked impact in markets like Mayfair and Knightsbridge, a higher proportion of super-prime exchanges have involved British buyers in 2020. In the first eight months of the year, the proportion was 40%, which is the highest such figure over the last decade.

“The trickle of international buyers that are in the UK are here for the schooling,” said Charles Penny from Knight Frank’s Private Office. “They are focussed, so there’s very little window shopping going on at the moment.”

Despite the tail off in international demand, Rupert des Forges, head of prime central London developments, says the £10 million-plus price bracket has been the strongest part of the new-build market since the property market re-opened in May.

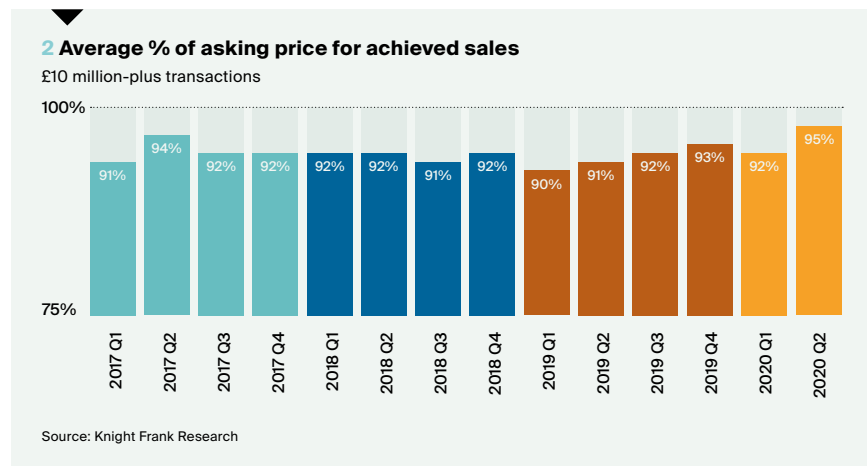
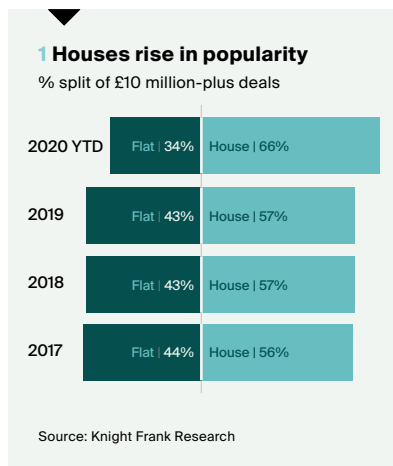
“We have transacted half a dozen super-prime deals since mid-May,” he said. “Debt is so cheap and there still appears to be a lot of cash in circulation due to QE. Some individuals have made money during these volatile times.”



RORY PENN, HEAD OF PRIVATE OFFICE

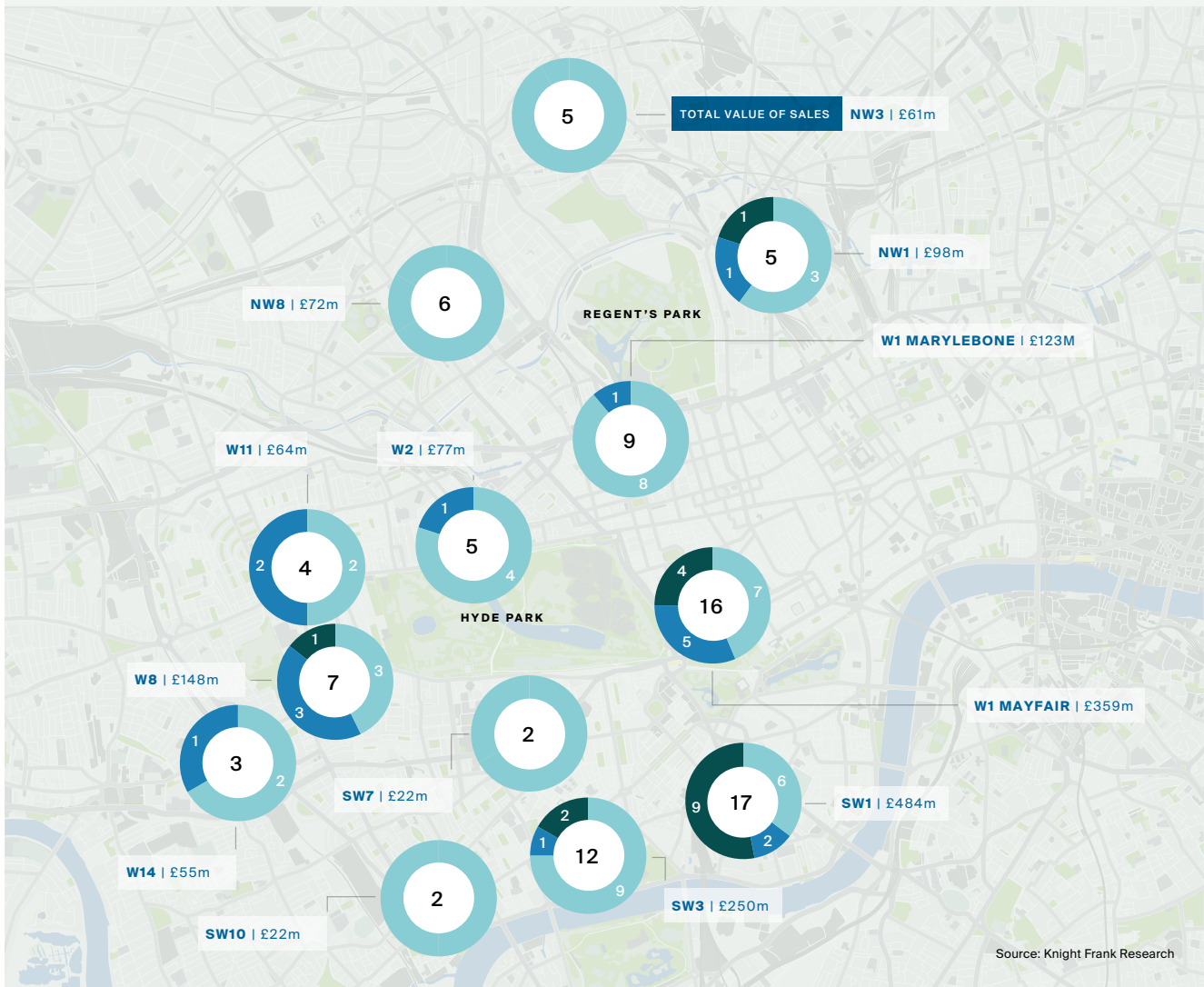
Low rates boost liquidity

“Large discounts are not available despite the pandemic. Vendors are resilient, debt is cheap and banks are not calling in loans. Prices, for now, don’t feel like they have much further to fall after the declines of recent years. It doesn’t appear that another 10% is about to come off overnight. The number of deals in 2020 compared to last year underlines the liquidity and resilience of the market.”



3 Super-prime sales in key areas of London 12 months to August 2020

Sales by value ■ £10m-£20m ■ £20m-£30m ■ £30m+ ○ Total number of sales



2020/21 OUTLOOK - AGENT PERSPECTIVE

Knight Frank's agents in the super-prime market share their perspective on some of the key trends.



TOM VAN STRAUBENZEE, HEAD OF PRIVATE OFFICE

London still looks appealing

"Demand for London property has risen as the two comparable global financial centres of Hong Kong and New York have experienced relatively higher levels of political volatility recently. The UK's education and legal system looks very attractive on a global basis. However, buyers have found that some sellers are more motivated than others and that's where more deals are happening."



CAROLINE FOORD, HEAD OF NOTTING HILL OFFICE

Upsizers look at Notting Hill

"There is a good showcase of stock, both on and off market in Notting Hill. We have been extremely busy and a recurring theme is a requirement for dedicated outside space. Buyers are predominantly UK-based and tend to be already living in prime central London and wanting to upsize. For the right property they are willing to pay top dollar."



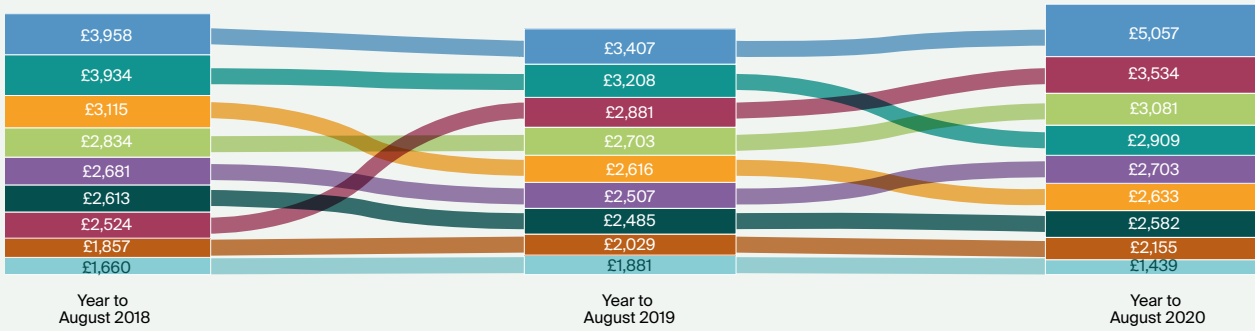
ALASDAIR PRITCHARD, PRIVATE OFFICE

Lack of supply at very top

"For those looking to spend upwards of £50 million, there is a lack of supply of the very best-in-class penthouses and properties. Others have decided they want more room and some are trading up for more lateral space. Education remains a crucial driver of demand and Covid 19 means families have brought forward plans to educate their children in the UK."

4 Median £PSF in the London super-prime market Existing homes and new-build properties

■ Mayfair ■ Marylebone ■ Knightsbridge ■ Belgravia ■ Chelsea ■ Notting Hill ■ Kensington ■ St John's Wood ■ Hampstead

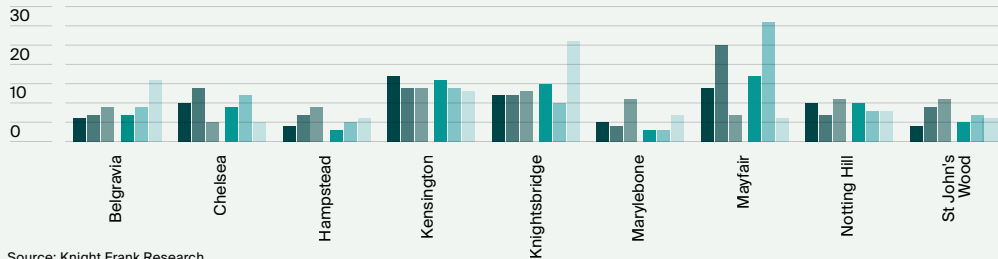


Source: Knight Frank Research

5 Where are super-prime deals taking place? Existing homes and new-build, % of whole market

Volume of sales
 ■ January to August 2018
 ■ January to August 2019
 ■ January to August 2020

Value of sales
 ■ January to August 2018
 ■ January to August 2019
 ■ January to August 2020



Source: Knight Frank Research

Please get in touch with us

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



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