

*Sales volumes poised
to increase*

*Annual price growth
returns to London's
super-prime market*

*Demand far exceeds
supply*



Super-Prime Market Insight

Spring/Summer 2021

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SUPER-PRIME MARKET INSIGHT

Transaction volumes in the super-prime market look set to increase as annual price growth returns

There are signs the super-prime (£10 million-plus) sales market in London is recovering after 12 months during which activity was curbed by the global pandemic.

Activity levels did not spring back in the same way as domestic-focused prime markets after the first national lockdown, primarily due to restrictions around international travel.

Although those restrictions remain in place, transaction levels and spending are rising as the UK's successful Covid-19 vaccination programme gathers pace and expectations grow that travel rules will be relaxed in coming months.

Transaction volumes

In the six months to the end of April, 45 super-prime deals totalling of £817.4 million took place, whole-market data shows, figures that will be revised upwards as more transactions are recorded on the Land Registry. In the preceding six-month period, there were a total of 43 transactions totalling £677.9 million.

"The market is poised for a strong year" said Paddy Dring, global head of prime sales at Knight Frank. "London has maintained its global appeal and coupled with a steady domestic demand, it means the second half of the year will be stronger than the first."

The quest for more space is still

influencing demand, among both domestic and overseas buyers. The highest percentage of super-prime exchanges in the 12 months to April took place in Kensington (18.6%), as figure 3 shows. The joint top locations in the previous 12 months were Knightsbridge and Mayfair (17.4%). Notting Hill has also grown in popularity, recording 10.5% of all super-prime deals over the last year, up from 5.4% in the previous 12-month period.

"There is still a shortage of stock, particularly in the house market" said Tom van Straubenzee, head of the Private Office at Knight Frank. "For example, the demand is so strong in

Notting Hill at the moment that some houses are fetching over £4,000 per square foot."

Changing shape of demand

The percentage of super-prime sales that were houses was also at its highest level in five years, as figure 1 shows. Almost three-quarters of transactions were houses compared to a split that was closer to 50/50 between apartments and houses in 2017. Despite the international travel restrictions, demand has continued to build from around the world for super-prime London property, as figure 7 shows.

The number of new prospective super-prime buyers was 150% higher in May 2021 than it was in January 2020. Meanwhile, over the same period, the number of new property listings in the price bracket fell by 25% as owners hesitated against the backdrop of the pandemic.

"The market will open up rapidly when international travel does," said Rupert des Forges, head of prime central London developments at Knight Frank. "We will have 18 months of pent-up demand among needs-driven buyers as London real estate takes up its historic role as a defensive asset class when the world is unsettled. I expect prices will rise and the next five years bring the sort of ▶

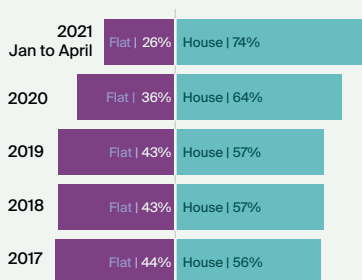


RORY PENN, HEAD OF PRIVATE OFFICE

"The super-prime market has performed well in exceptional circumstances over the last 12 months, which highlights the resilience of London's super-prime property market. I expect overseas demand to spring back quite quickly once travel restrictions are relaxed."

1 The race for space continues

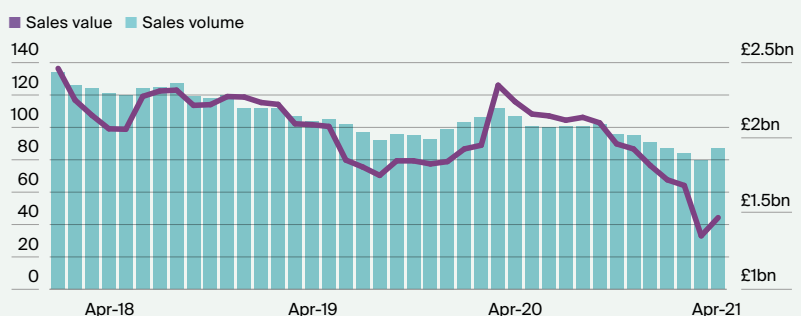
Sales of £10m-plus houses and flats, % split



Source: Knight Frank Research

2 Super-prime deal numbers and total spend on the rise

Super-prime sales volumes and values, whole market, annual rolling total



Source: Knight Frank Research

► steady price growth we had become accustomed to in London's super-prime market."

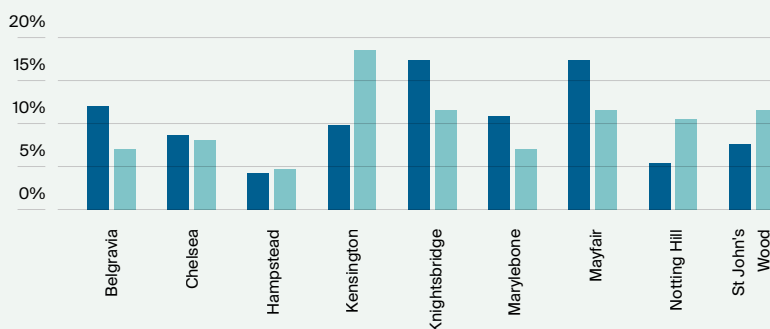
Annual price growth has now returned, as figure 5 shows. Average super-prime prices increased 0.6% in the year to May, which was the first rise in more than three years.

Overseas investors will also be aware that the currency discount is starting to narrow as the pound strengthens on the back of the UK's vaccine-fuelled economic recovery. The effective discount for a range of overseas currencies has diminished since the end of 2020, as figure 6 shows.

3 Where are super-prime deals taking place?

Existing homes and new-build, % of whole market

■ Year to April 2020 ■ Year to April 2021



Source: Knight Frank Research

4 Super-prime sales in key areas of London 12 months to April 2021

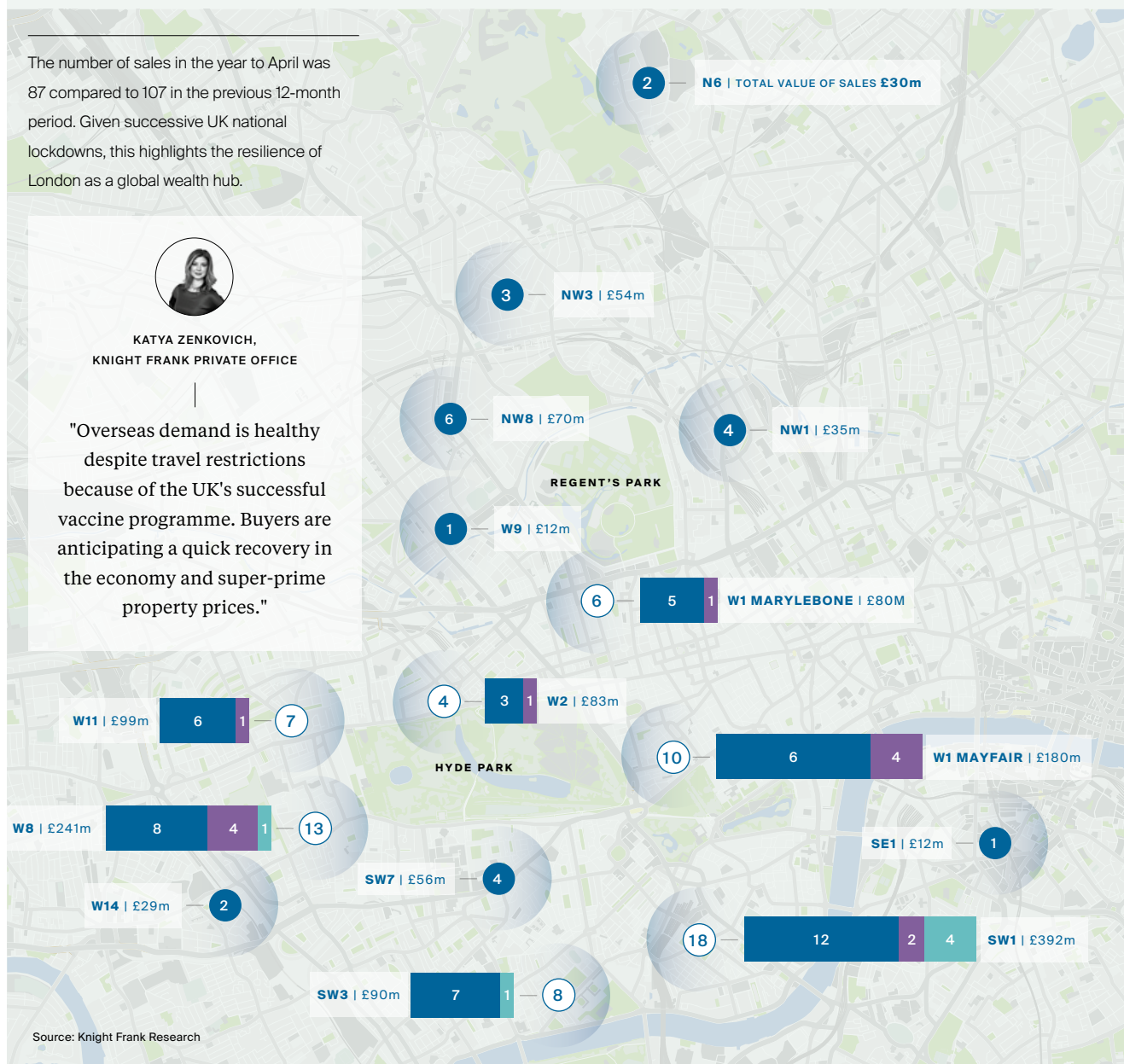
Number of sales by value ■ £10m-£20m ■ £20m-£30m ■ £30m+ ○ Total number of sales

The number of sales in the year to April was 87 compared to 107 in the previous 12-month period. Given successive UK national lockdowns, this highlights the resilience of London as a global wealth hub.



KATYA ZENKOVICH,
KNIGHT FRANK PRIVATE OFFICE

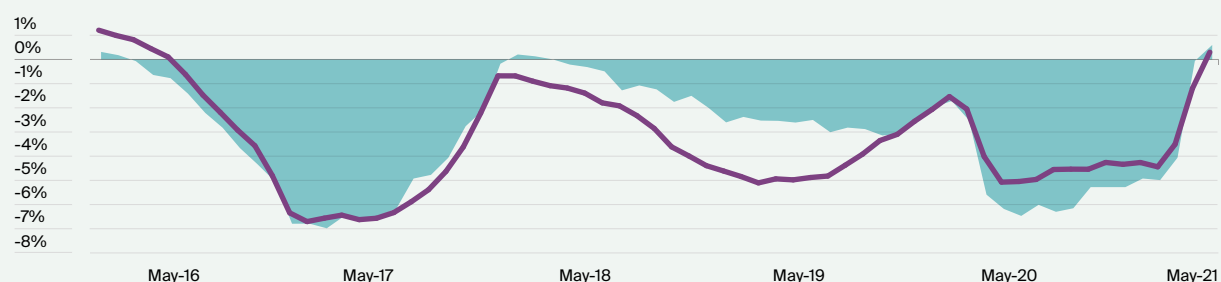
"Overseas demand is healthy despite travel restrictions because of the UK's successful vaccine programme. Buyers are anticipating a quick recovery in the economy and super-prime property prices."



Source: Knight Frank Research

5 Annual price growth returns to the super-prime London market

■ Average annual PCL price change ■ £10m-plus annual price change, PCL

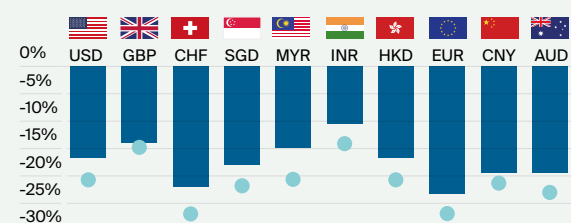


Source: Knight Frank Research

6 Currency discount narrows

% change since June 2016 (before EU referendum), currency and prices combined

■ Effective discount in May 2021 ■ Effective discount in December 2020

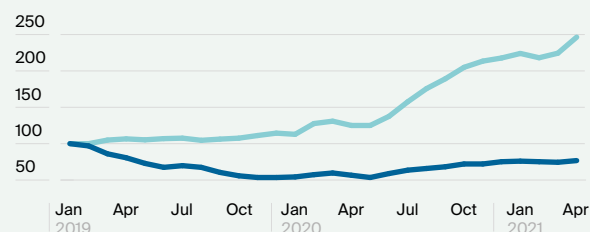


Source: Knight Frank Research

7 The supply/demand imbalance

New prospective buyers and instructions to sell, rebased to 100 at January 2019

■ Instructions to sell ■ New prospective buyers



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.



Tom Bill

Head of UK Residential Research
+44 20 7861 1492
tom.bill@knightfrank.com



Paddy Dring

Global Head of Prime Sales
+44 20 7861 1061
paddy.dring@knightfrank.com

Recently-sold super-prime properties



St John's Wood



Chelsea



Mayfair

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