

PENT-UP DEMAND GROWS IN PRIME CENTRAL LONDON AS ELECTION COUNTDOWN BEGINS

Vendors are lining up post-election sales in the expectation that political uncertainty will ease, says Tom Bill

APRIL 2015

Prices grew 0.3% in April as uncertainty surrounding the general election outcome continued

Annual growth was 2.8%, the lowest rate in more than five years

Vendors line up post-election sales irrespective of outcome

Viewings fall 14% in the year to March 2015

Annual growth has been slowing for three years, indicating some political risk is priced in

Prices in prime central London rose by 0.3% in April, as a mood of uncertainty continued ahead of the general election in May.

Despite the modest increase, prices have been broadly flat in recent months and annual growth dipped to 2.8% in April. It is the lowest rate since November 2009, a period when the market had begun to rebound following the collapse of Lehman Brothers the previous year.

After an exceptionally strong run of growth that saw prime central London property cement its global reputation as a safe investment, political uncertainty has now replaced economic uncertainty.

During an election campaign where the opinion polls remain deadlocked and a clear-cut outcome is not immediately guaranteed, some sellers are waiting for more clarity before acting, which has led to pent-up demand.

Irrespective of the outcome, a growing number of vendors are lining up properties for sale once the election is over, which suggests there will be a bounce in transaction levels.

Demand remains robust, primarily on the back of a strengthening UK economy but also from overseas buyers who view London as an attractive place to live given the shifting nature of geo-political uncertainty around the world.

Less than a week from the general election, this tight supply and strong demand has in some instances led to a stand-off between buyers and sellers in the expectation that more stock will appear after the election. As a result, viewings were 14% lower in the year to March 2015 than the previous year.

While there is less political uncertainty in lower price brackets and price growth broadly remains stronger below £2 million, there remains strong appetite for higher-value property. Some deals have been done as sellers have adjusted asking prices down to reflect the fact growth has cooled across the various price bands, as figure 2 shows.

It is also worth noting that annual price growth in prime central London has been slowing for three years, which means that some degree of political uncertainty is already priced in.



TOM BILL
Head of London Residential Research

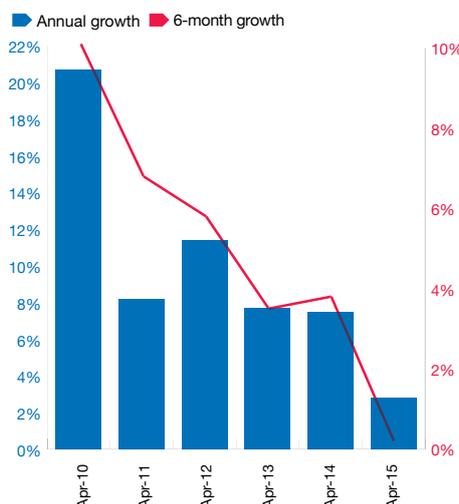
“Irrespective of the outcome, a growing number of sellers are lining up properties for sale once the election is over”

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FIGURE 1

Price growth in April since the 2010 general election

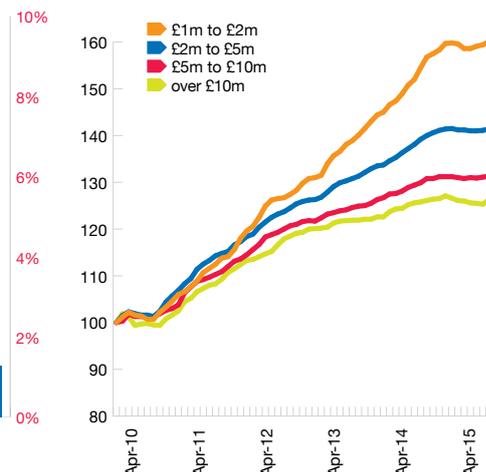


Source: Knight Frank Residential Research

FIGURE 2

Growth by price band since the 2010 general election

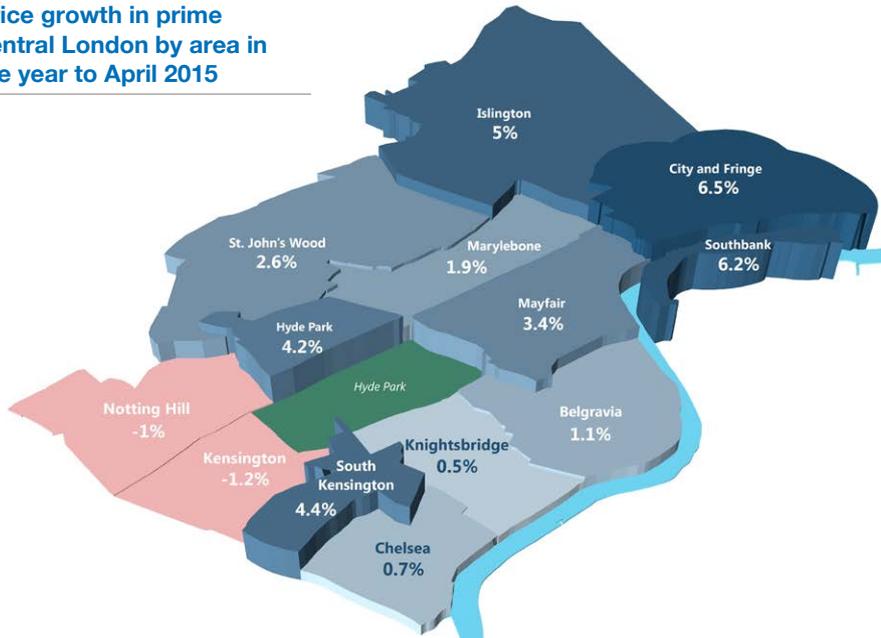
(rebased to 100)



Source: Knight Frank Residential Research

PRIME CENTRAL LONDON SALES INDEX

FIGURE 3
Price growth in prime central London by area in the year to April 2015



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: Belgravia, Chelsea, Hyde Park, Islington, Kensington, Knightsbridge, Marylebone, Mayfair, Notting Hill, South Kensington, St John's Wood, Riverside* the City and the City Fringe. 'Prime London' comprises all areas in prime central London, as well as Barnes, Canary Wharf, Chiswick, Clapham, Fulham, Hampstead, Richmond, Wandsworth, Wapping and Wimbledon.

* Riverside in prime central London covers the Thames riverfront from Battersea Bridge in the west to Tower Bridge in the east, including London's South Bank. The City Fringe encompasses the half-mile fringe surrounding most of the City including Clerkenwell and Farringdon in the west and Shoreditch and Whitechapel in the east.

Knight Frank Prime Central London Index

	KF Prime Central London Index	12-month % change	6-month % change	3-month % change	Monthly % change
Apr-14	6,182.4	7.5%	3.8%	2.3%	0.8%
May-14	6,231.2	7.8%	4.4%	2.4%	0.8%
Jun-14	6,278.7	8.1%	4.3%	2.3%	0.8%
Jul-14	6,297.3	7.9%	4.2%	1.9%	0.3%
Aug-14	6,318.9	7.7%	3.9%	1.4%	0.3%
Sep-14	6,343.4	7.4%	3.4%	1.0%	0.4%
Oct-14	6,343.4	6.5%	2.6%	0.7%	0.0%
Nov-14	6,330.7	6.1%	1.6%	0.2%	-0.2%
Dec-14	6,323.7	5.1%	0.7%	-0.3%	-0.1%
Jan-15	6,319.5	4.6%	0.4%	-0.4%	-0.1%
Feb-15	6,328.1	4.0%	0.1%	0.0%	0.1%
Mar-15	6,335.2	3.3%	-0.1%	0.2%	0.1%
Apr-15	6,356.9	2.8%	0.2%	0.6%	0.3%

Source: Knight Frank Residential Research

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