

MIXED MESSAGES IN PRIME CENTRAL LONDON

Inconsistent data for the prime central London residential market suggests it is entering a new phase as a general election and rate rise approach, says Tom Bill

JULY 2014

Monthly growth was 0.3%, which has only been lower twice since January 2011, as annual growth slowed to 7.9%

New prospective buyers fell by 25% while viewings were down 10%

The number of **exchanges increased 3% in the first seven months of the year** versus 2013

The strongest growth was north of Hyde Park and in eastern areas

Double-digit annual growth was confined to the **sub-£2 million price bracket**



TOM BILL

Head of London Residential Research

“Political rhetoric is likely to rise after the summer lull and that is when the market is likely to enter pre-general election mode”

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Data for the prime central London residential market points in several different directions, suggesting some form of transition is underway.

Prices increased by 0.3% in July, which may signal price growth is slowing as the prospect of a general election and a rise in interest rates fuel short-term uncertainty.

Monthly growth has only been lower twice since January 2011 and four of Knight Frank's 13 prime central London offices reported flat prices in July. Annual growth slowed to 7.9% from 8.1% in June.

A growing mood of caution has certainly been apparent over the last three months. The number of new prospective buyers was down by a quarter versus July 2013 and the number of viewings fell 10%, resulting in fewer sealed bids and open days.

However, the mood of caution has not yet impacted volumes and the total number of exchanges between January and July was 3% higher than last year.

One of the principal reasons is that vendors have realised demand is cooling and have lowered asking prices. A rising number of

exchanges suggests underlying demand is currently strong.

It is particularly true in higher price brackets and there were more £10 million-plus deals in July than the same month in 2013.

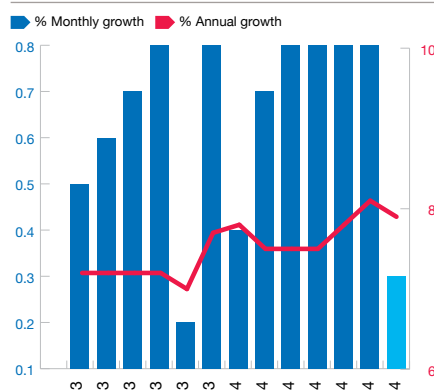
These mixed messages are a symptom of the political and economic backdrop. The guessing game as to whether the Bank of England will raise the base rate before or after Christmas is played after every fresh piece of economic data is announced.

The dampening effect on the prime central London residential market is due to uncertainty surrounding the end of a unique chapter in UK economic history more than the direct financial impact.

A mood of hesitation also surrounds the May 2015 general election and the possibility of tax changes affecting high-value residential property. Political rhetoric is likely to rise after the summer lull and that is when the market is likely to enter pre-general election mode, which will cool growth further.

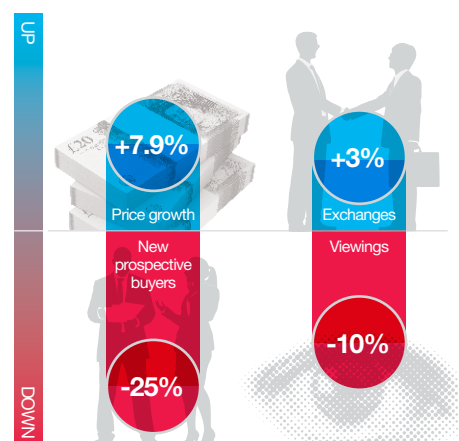
Annual growth remained in double-digits for the sub-£2 million market and was notably stronger in the area north of Hyde Park and further east, as figure 3 shows.

FIGURE 1
Annual and monthly growth in prime central London



Source: Knight Frank Residential Research

FIGURE 2
Ups and downs in prime central London

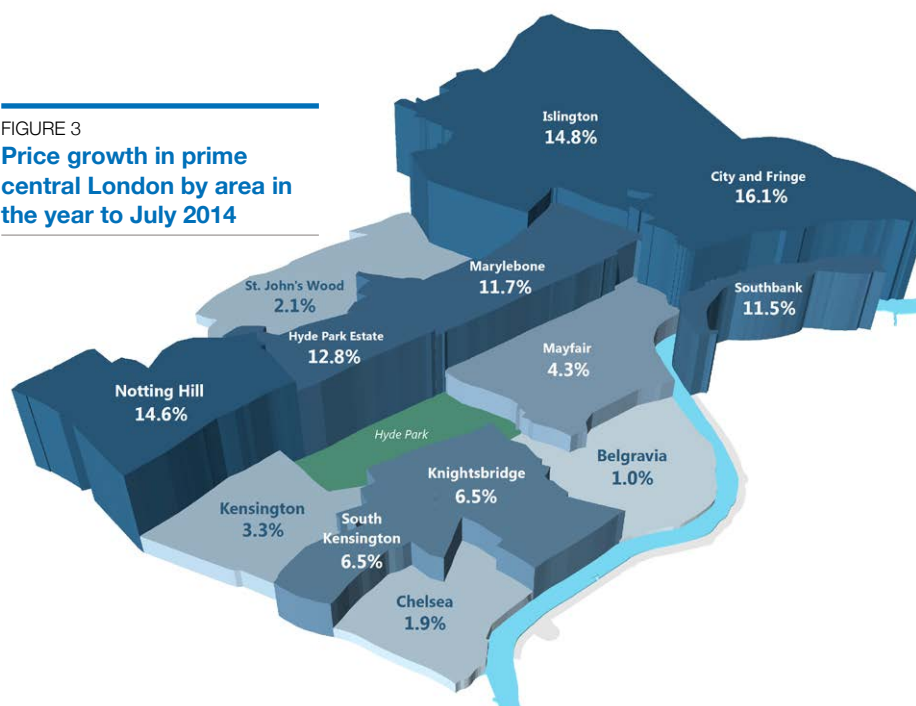


Source: Knight Frank Residential Research

PRIME CENTRAL LONDON SALES INDEX

FIGURE 3

Price growth in prime central London by area in the year to July 2014



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, Regent's Park, St John's Wood, Riverside* the City and the City Fringe. 'Prime London' comprises all areas in prime central London, as well as Canary Wharf, Fulham, Hampstead, Richmond, Wandsworth, Wapping and Wimbledon.

* Riverside covers the Thames riverfront from Battersea Bridge in the west running east to include 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
Jul-13	5,836.2	7.2%	4.1%	1.5%	0.5%
Aug-13	5,868.4	7.2%	3.7%	1.5%	0.6%
Sep-13	5,908.3	7.2%	3.5%	1.7%	0.7%
Oct-13	5,955.5	7.2%	3.6%	2.0%	0.8%
Nov-13	5,969.0	7.0%	3.2%	1.7%	0.2%
Dec-13	6,017.9	7.7%	3.6%	1.9%	0.8%
Jan-14	6,043.6	7.8%	3.6%	1.5%	0.4%
Feb-14	6,083.4	7.5%	3.7%	1.9%	0.7%
Mar-14	6,135.1	7.5%	3.8%	1.9%	0.8%
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%
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%
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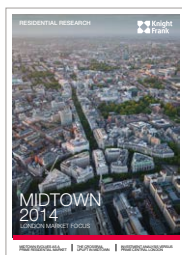
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