

Annual price growth in prime central London slows

Despite another month of price rises for prime central London residential property, there are indications that price rises for the capital's best homes are slowing. Liam Bailey analyses the market in more detail.

Results for October 2013

Prices in prime central London **increased by 0.6% in October**

The annual change in prime central London residential property prices is 6.8%, **but annual price growth is slowing...**

..in the 12 months to October 2012 annual price growth was 10.1%

Sales of sub-£2m properties **are 7.6% higher in 2013 to date compared to 2012...**

...this increase in sub-£2m sales has had an impact on stock levels for properties in this price bracket

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LIAM BAILEY
Global Head of Residential Research

"In spite of new record prices we are seeing a moderation in price growth across prime central London following very strong performance over recent years."

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Prime central London residential property prices increased by 0.6% in October and have increased by 6.2% over the first ten months of 2013.

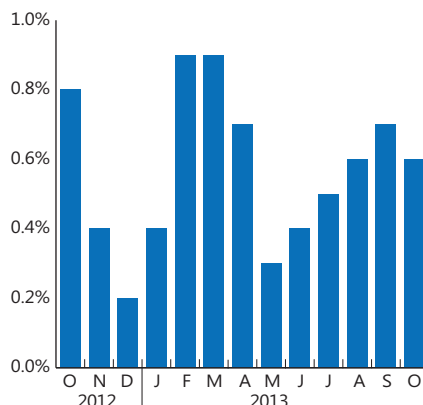
October's monthly increase means that London's best homes have increased in value month-on-month for three consecutive years.

However, in spite of new record prices we are seeing a moderation in price growth across prime central London following very strong performance over recent years.

Annual growth, which currently stands at 6.8%, compares to 10.1% in the 12 months to October 2012 and 12.5% in the year to end October 2011. There are signs that buyers in certain prime central London markets are becoming more resistant to ongoing price growth.

While the general trend was for prices to increase, in two of the markets tracked by our index average prices fell on a monthly basis. In Hyde Park, prime property values declined by 0.3%, while along the South Bank the monthly fall in values was 1.4%. In Belgravia, Chelsea, Kensington and St John's Wood, prices ended the month unchanged from September.

FIGURE 1
Monthly growth
Prime central London average residential price change



Source: Knight Frank Residential Research

The biggest increases in property prices in October came from City Fringe, Islington and Marylebone at 3.5%, 1.7% and 1.5% respectively.

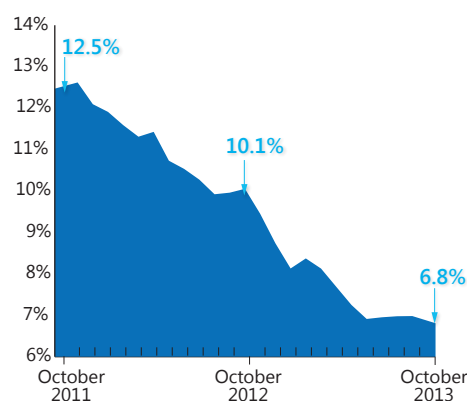
The number of new applicants registering their interest in buying a home is 34.4% higher so far in 2013 compared to the same period of 2012. The number of property viewings is also higher over the same period, by almost 15%.

Much of this increase in demand is targeted at the sub-£2m market. Sales of sub-£2m properties are 7.6% higher in 2013 to date compared to the same period in 2012, while prices of sub-£2m homes have risen by 9.1% over the first 10 months of 2013.

Comparatively, prices for homes valued between £5m and £10m and £10m+ have increased by 3.8% and 2% in 2013 to date.

The higher stamp duty charge for £2m+ properties, introduced at last year's Budget, remains a key driver behind stronger growth in the sub-£2m market, but the higher level of transactions at this level means stock levels for sub-£2m properties have fallen and are 21.6% lower in October 2013 than in the same month of 2012.

FIGURE 2
Annual growth slows
Annual growth in PCL property prices Oct 2011-Oct 2013



Source: Knight Frank Residential Research

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
Oct-11	5,047.2	12.5%	5.4%	2.2%	0.7%
Nov-11	5,095.2	12.6%	4.9%	2.3%	1.0%
Dec-11	5,138.3	12.1%	4.8%	2.5%	0.8%
Jan-12	5,185.5	11.9%	5.0%	2.7%	0.9%
Feb-12	5,222.0	11.6%	4.9%	2.5%	0.7%
Mar-12	5,278.9	11.3%	5.3%	2.7%	1.1%
Apr-12	5,338.2	11.4%	5.8%	2.9%	1.1%
May-12	5,378.1	10.7%	5.6%	3.0%	0.7%
Jun-12	5,419.1	10.5%	5.5%	2.7%	0.8%
Jul-12	5,444.2	10.3%	5.0%	2.0%	0.5%
Aug-12	5,473.0	9.9%	4.8%	1.8%	0.5%
Sep-12	5,510.0	10.0%	4.4%	1.7%	0.7%
Oct-12	5,554.6	10.1%	4.1%	2.0%	0.8%
Nov-12	5,576.7	9.4%	3.7%	1.9%	0.4%
Dec-12	5,587.2	8.7%	3.1%	1.4%	0.2%
Jan-13	5,607.1	8.1%	3.0%	0.9%	0.4%
Feb-13	5,659.2	8.4%	3.4%	1.5%	0.9%
Mar-13	5,707.9	8.1%	3.6%	2.2%	0.9%
Apr-13	5,748.6	7.7%	3.5%	2.5%	0.7%
May-13	5,768.0	7.2%	3.4%	1.9%	0.3%
Jun-13	5,793.6	6.9%	3.7%	1.5%	0.4%
Jul-13	5,822.7	7.0%	3.8%	1.3%	0.5%
Aug-13	5,854.8	7.0%	3.5%	1.5%	0.6%
Sep-13	5,894.6	7.0%	3.3%	1.7%	0.7%
Oct-13	5,932.7	6.8%	3.2%	1.9%	0.6%

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