

## JUNE 2019

The prime London sales indices are based on repeat valuations of second-hand stock and do not include new-build property, although units from completed developments are included over time.

### PRIME CENTRAL LONDON

Prime central London index | **5,571.2**

Annual change | **-4.9%**

Quarterly change | **-0.7%**

Monthly change | **-0.3%**

### PRIME OUTER LONDON

Prime outer London index | **267.8**

Annual change | **-4.1%**

Quarterly change | **-0.2%**

Monthly change | **-0.2%**

**Figure 1** Between March 2009 and the last market peak in August 2015, average price growth above £10m in PCL was half of that recorded for properties worth less than £2m. As prices adjust to political uncertainty and tax changes, this relative difference in performance has helped underpin demand in higher price brackets.

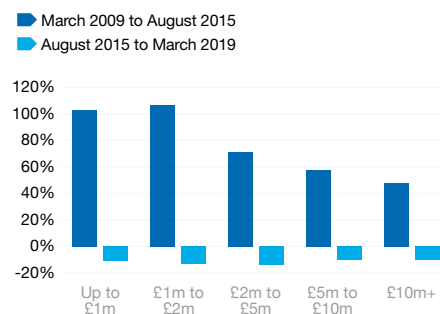
**Figure 2** The number of transactions above £10m fell 3.6% in PCL in the year to May compared to the previous 12 months. This compared to a decline of 11.5% between £1m and £2m, underlining the relatively stronger performance of the higher-value market.

**Figure 3** Average prices above £10m declined 2.5% in the year to June and it has been 46 months since prices last peaked in this price bracket. The decrease was 4.8% between £1m and £2m and it has been 39 months since the last peak, highlighting the longer adjustment period for higher-value properties.

**Figure 4** Supply is shrinking in all price brackets as some vendors hesitate due to political uncertainty. Meanwhile the number of new prospective buyers rose by 21% in the year to May, showing how active vendors currently benefit from an imbalance between supply and demand.

FIGURE 1

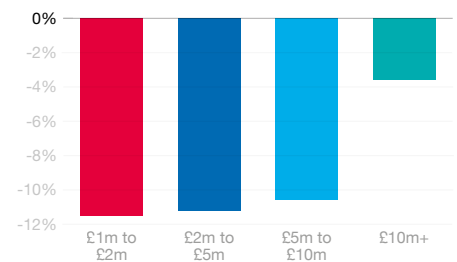
**Lower pricing volatility in higher price brackets**  
Average price change by price bracket



Source: Knight Frank Research

FIGURE 2

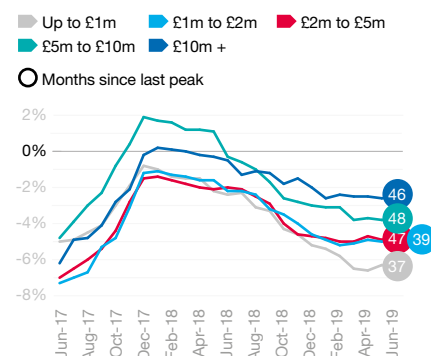
**Sales volumes decline by less above £10 million**  
Year to May 2019 vs year to May 2018, % change



Source: Knight Frank Research / LonRes

FIGURE 3

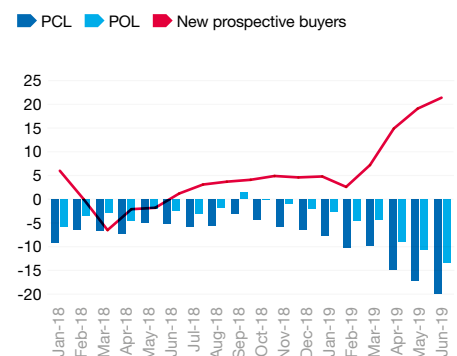
**Price declines lower in higher price brackets**  
Average annual % change by price bracket



Source: Knight Frank Research

FIGURE 4

**Stock declines as demand rises**  
Annualised % change



Source: Knight Frank Research / Rightmove

ECONOMIC DATA

**Figure 5** Five-year swap rates, which are used by lenders to acquire fixed-price mortgage funding, have fallen in recent months. This is a response to a more benign global interest rate backdrop, with the US Federal Reserve signalling it may cut rates this year. Lower rates will underpin mortgage market liquidity and housing demand.

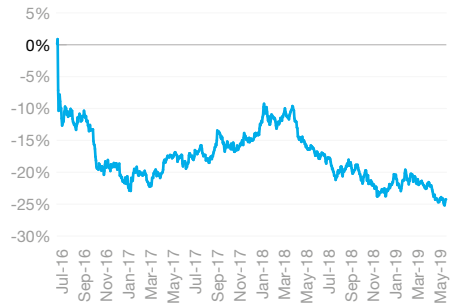
**Figure 6** The effective discount for US buyers in PCL, which combines currency and property price changes, reached 24.7% at the end of May, the highest figure since the EU referendum. Sterling has weakened in recent weeks in response to uncertainty generated by the Conservative Party leadership election.

**FIGURE 5**  
**Cost of mortgage fixing falls for lenders**  
 Five-year swap rate



Source: Knight Frank Research

**FIGURE 6**  
**Discount for US dollar buyers hits high**  
 Currency and price % change since EU referendum



Source: Knight Frank Research

**FIGURE 7**  
**PRIME CENTRAL LONDON Price growth by price band, time period and property type**

	up to £1m	£1m to £2m	£2m to £5m	£5m to £10m	over £10m	Flat	House
<b>1 month</b>	-0.4%	-0.3%	-0.1%	-0.5%	-0.1%	-0.3%	-0.3%
<b>3 months</b>	-0.9%	-0.7%	-0.4%	-0.9%	-0.4%	-0.7%	-0.7%
<b>6 months</b>	-2.7%	-1.8%	-1.5%	-1.9%	-1.5%	-2.0%	-1.8%
<b>1 year</b>	-6.4%	-4.8%	-4.7%	-3.8%	-2.5%	-5.5%	-3.5%
<b>YTD</b>	-2.7%	-1.8%	-1.5%	-1.9%	-1.5%	-2.0%	-1.8%

**FIGURE 8**  
**PRIME OUTER LONDON Price growth by price band, time period and property type**

	up to £1m	£1m - £2m	£2m - £3m	£3m - £4m	£4m - £5m	over £5m	Flat	House
<b>1 month</b>	-0.1%	-0.2%	-0.1%	-0.7%	0.0%	-0.9%	-0.2%	-0.2%
<b>3 months</b>	-0.1%	-0.2%	0.1%	-0.5%	0.0%	-0.7%	-0.4%	0.0%
<b>6 months</b>	-1.2%	-1.2%	-0.9%	-1.2%	-1.4%	-0.9%	-1.6%	-0.7%
<b>1 year</b>	-3.9%	-4.0%	-5.4%	-3.2%	-6.3%	-2.1%	-4.9%	-3.3%
<b>YTD</b>	-1.2%	-1.2%	-0.9%	-1.2%	-1.4%	-0.9%	-1.6%	-0.7%

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: Aldgate & the City, Belgravia, Chelsea, Hyde Park, Islington, Kensington, Knightsbridge, Marylebone, Mayfair, Notting Hill, Riverside, South Kensington, St John's Wood, Tower Bridge and Victoria.

**Prime Outer London** comprises Barnes, Battersea, Belsize Park, Canary Wharf, Chiswick, Clapham, Dulwich, Fulham, Hampstead, Queen's Park, Richmond, Wandsworth, Wapping and Wimbledon.

RESIDENTIAL RESEARCH



**Tom Bill**  
 Head of London Residential Research  
 +44 20 7861 1492  
 tom.bill@knightfrank.com



**Important Notice**  
 © Knight Frank LLP 2019 - This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.

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



**Tim Hyatt**  
 Head of London Residential  
 +44 20 7861 5044  
 tim.hyatt@knightfrank.com