



## How a £1m investment made £407 a day, every day, for three years

Prime central London property prices reached a new high in June, but with values almost 50% higher than they were in March 2009, the rate of price growth is beginning to slow. Liam Bailey examines the latest data.

### Results for June 2012

Prime central London property prices rose 0.8% in June 2012, contributing to annual growth of 10.5%

Prices have now risen 48.4% since their post-credit-crunch low in March 2009

Prices continue to post new record highs, and are now 13% above their previous peak of March 2008

Over the past three months price growth has been more robust in the lower price bands, sub-£1m (3.3%) and £1m-£2.5m (3.2%)

Over the past three years, the central London market has stood apart from the wider UK market, with surging prices and demand growth.

Our index confirms that £1m invested in central London property in March 2009 would now be worth approximately £1.48m. This growth equates to an average monthly appreciation of £12,400, or £407 daily.

The above calculation assumes the original purchase was made in sterling. With over 50% of prime central London purchases being made by overseas buyers, the impact of currency exchange rates is a relevant factor for investors. The headline of 48% price growth since March 2009 would, in effect, have been 70.3%, 62% and 62.1% respectively for a buyer converting funds from Euros, US dollars or Hong Kong dollars, as sterling strengthened over the intervening period.

Some market observers have questioned whether this strong price growth will continue. Over the past few years

international buyers have seen London property as a safe-haven investment in an increasingly volatile global economy.

Evidence of this is the fact that while European (non-UK) buyers averaged 10% of the £2m+ central London market between 2005 and 2010, the same figure for 2011 and 2012 to date is 20%. Greek buyers led the charge last year and 2012 has so far been led by Italian and French interest, with a growing number of Spanish and even German buyers.

While the safe-haven factor continues to support the market, we are beginning to see resistance from buyers to ongoing price increases, and the difference between asking and achieved prices is beginning to widen (the percentage of the asking price achieved fell from 96% in March to 92% in June).

In October last year we forecast 5% growth in prices for the whole of 2012. With 5.5% growth already, we do not expect to see a significant additional uplift during the remainder of 2012.

Figure 1  
**Monthly price change**  
Prime central London average residential price change

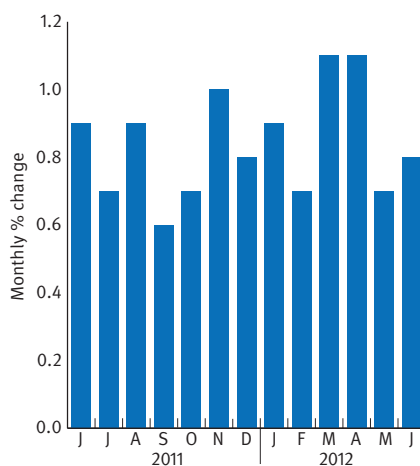
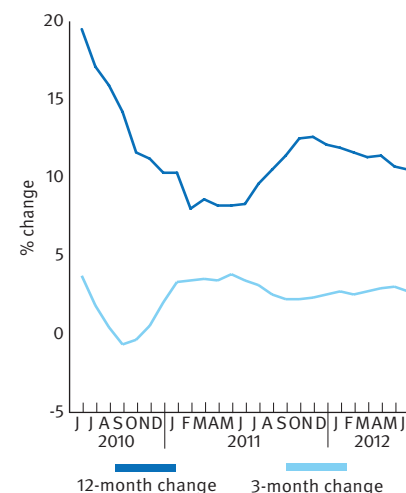


Figure 2  
**Annual and quarterly growth**  
Prime central London average residential price change



“We are beginning to see resistance from buyers to ongoing price increases.”



Liam Bailey, Head of Residential Research

Source: Knight Frank Residential Research

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# RESIDENTIAL RESEARCH PRIME CENTRAL LONDON INDEX

**Knight Frank**



## 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, 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.

## Key market metrics

Prime central London market activity, three months to June 2012 compared to same period last year

	All	Over £2m	Over £5m
<b>Demand</b>			
New applicants	12.3%	-2.2%	1.2%
Viewings	11.4%	12.1%	7.9%
<b>Supply</b>			
New instructions to sell	-1.2%	-3.0%	10.7%
Stock volume	19.0%	21.9%	28.2%
<b>Activity</b>			
Sales (subject to contract)	35.2%	5.3%	-4.1%
Exchanges	1.5%	-8.0%	14.3%
<b>Demand and supply balance</b>			
Ratio of new applicants/new instructions 2011	3.5	3.9	4.4
Ratio of new applicants/new instructions 2012	4.0	4.0	3.9

## Knight Frank Prime Central London Index

	KF Prime Central London Index	12-month % change	6-month % change	3-month % change	Monthly % change
Jun-10	4,526.4	19.5%	9.0%	3.7%	0.9%
Jul-10	4,506.0	17.1%	7.3%	1.8%	-0.5%
Aug-10	4,503.9	15.9%	3.9%	0.4%	0.0%
Sep-10	4,496.1	14.2%	3.0%	-0.7%	-0.2%
Oct-10	4,485.7	11.6%	1.4%	-0.4%	-0.2%
Nov-10	4,524.3	11.2%	0.8%	0.5%	0.9%
Dec-10	4,583.9	10.3%	1.3%	2.0%	1.3%
Jan-11	4,633.7	10.3%	2.8%	3.3%	1.1%
Feb-11	4,679.7	8.0%	3.9%	3.4%	1.0%
Mar-11	4,742.5	8.6%	5.5%	3.5%	1.3%
Apr-11	4,790.8	8.2%	6.8%	3.4%	1.0%
May-11	4,856.9	8.2%	7.4%	3.8%	1.4%
Jun-11	4,902.7	8.3%	7.0%	3.4%	0.9%
Jul-11	4,937.0	9.6%	6.5%	3.1%	0.7%
Aug-11	4,979.1	10.5%	6.4%	2.5%	0.9%
Sep-11	5,010.9	11.4%	5.7%	2.2%	0.6%
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%

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