

Date: 7 December 2007

## **Further slowing in London, but super prime is resilient**

Annual growth in the 12 months to November stood at 30.6%, down from 34.1% in October and the high of 37.9% seen in August. Over the last three months prices in prime central London have increased by only 1.6%. During the summer, at the height of the central London boom, prices were rising by over 3% per month, with 3.9% recorded for July alone. Whilst price growth at this level was unsustainable and a moderation was overdue, to use a tautology the crunch hastened the slowdown.

The most notable change on the back of the crunch was the rapid turnaround in market sentiment. In early summer we were in the midst of the strongest market for nearly 30 years, now we have seen a sellers market replaced very quickly by a buyers market. The new market sentiment means that vendors have to compete much harder to achieve timely sales, and ambitious pricing has effectively ended across the prime and mainstream markets.

We have substantially revised our forecast for 2008 and believe that 3% is likely to be the level of growth recorded in the UK market. Our view is that prime London will see growth in line with the UK mainstream market, and therefore for the first time for two years will cease to lead the market. Actual growth is likely to be as low as 0% in large parts of the prime markets. Once again the more expensive properties will deliver the best rates of growth, with some properties rising by between 5% and 10%

### **The continuing strength of super prime**

There is sometimes a degree of disbelief that the top end of the market is continuing to perform so well. The reason why is best explained when we remind ourselves that very expensive properties are still transacted in low volumes. In reality even a small number of very wealthy buyers can support strong pricing in this market.

To illustrate the performance of the top end of the market, prices for £6 million+ properties rose by 3.0% in the three months to November, whereas prices for properties in the £1 to 2 million bracket managed only 0.3%. This not only illustrates the divergence in performance between prime and super prime property markets but also the resilience of the most expensive properties through the autumn market.

A growing range of international buyers are supporting the top end of the market. It is not a new phenomenon; we have seen the rise of Russian buyers amongst many others for several years. However demand from oil and commodity rich countries, Russia, Kazakhstan and the Middle East in particular, remains strong. Not only do record oil prices help some of these buyers bid prices higher, but the fact

that the crunch has left their home economies largely untouched adds an element of security to the London market.

There is a justifiable concern related to the willingness of wealthy foreign residents to stay in London. Firstly, a slower economy next year means that the remarkable growth in financial activity will come to an end – meaning there will be less of a draw for non-dom employees. Secondly, the recent tax changes announced in the pre-budget speech mean that the government are suddenly making life a little more difficult for the group who have done most to raise prices of top end property.

#### Knight Frank Prime Central London Index

	12 month % change	6 month % change	3 month % change	monthly % change
<b>Dec-06</b>	28.7%	14.0%	7.7%	2.7%
<b>Jan-07</b>	30.6%	14.5%	8.7%	3.0%
<b>Feb-07</b>	31.1%	16.3%	8.5%	2.6%
<b>Mar-07</b>	31.8%	17.1%	8.7%	2.9%
<b>Apr-07</b>	32.8%	17.8%	8.4%	2.7%
<b>May-07</b>	33.0%	17.5%	8.3%	2.4%
<b>Jun-07</b>	34.5%	18.0%	8.5%	3.1%
<b>Jul-07</b>	36.4%	19.1%	9.8%	3.9%
<b>Aug-07</b>	37.9%	18.5%	9.4%	2.1%
<b>Sep-07</b>	36.5%	16.6%	7.4%	1.2%
<b>Oct-07</b>	34.1%	13.8%	3.6%	0.3%
<b>Nov-07</b>	30.6%	11.2%	1.6%	0.1%

Source: Knight Frank

#### **For further information, please contact:**

Liam Bailey, Residential Research, Knight Frank, [liam.bailey@knightfrank.com](mailto:liam.bailey@knightfrank.com)

Tel; 07919 303 148

Davina Macdonald Lockhart, Press Manager, Knight Frank, [davina.macdonald.lockhart@knightfrank.com](mailto:davina.macdonald.lockhart@knightfrank.com)

Tel; 020 7861 1033

Ends

#### **Notes to Editors**

**Knight Frank LLP** is the leading independent global property consultancy. Headquartered in London, Knight Frank and its New York-based global partner Newmark Knight Frank operate from over 165 offices, in 36 countries, in six continents. For further information about the Company, please visit [www.knightfrank.com](http://www.knightfrank.com)