

News Release



No: 08pr129

Date: 18 February 2008

London residential development review confirms the capital's status as a global city is set to continue

- **London's super-prime market set to continue to outperform all other UK markets through 2008**
- **Around 60% of all central London property purchases over £4m now made by foreign nationals**
- **Housing demand from foreign super-rich anticipated to grow significantly in the next decade**
- **Eco-homes already a theme in London's super-prime market**

Ian Marris, partner, London residential development at Knight Frank says:

"This report confirms our view that despite the slowdown in the wider property market, London's super prime market looks set to lead the UK for at least the next 12 to 18 months. More specifically our findings reflect the fact that central London's position as a world-class property market looks set to continue, however we have seen some renaissance in the Geneva and Monaco markets which we attribute to a re-action to the government's initial response to the taxing of 'non doms'. On the basis that there is no adjustment to the current equilibrium we see London as the strongest residential market for 2008 and it will continue to be regarded as the home of choice to the international community."

Liam Bailey, head of residential research at Knight Frank comments:

"Despite the Bank of England's decision to hold interests rates earlier this month, the three rate rises in 2007, coupled with the turmoil felt in the financial markets served to cool the UK mainstream housing market at the end of last year. However the super-prime market, and to a lesser extent the prime market continue to outperform, especially in central London.

"This is because London remains a dominant centre for global wealth creation which is rising worldwide at a current rate of 9% a year. It is therefore our view that as long as the world's top investment banks, private equity firms and hedge firms regard London as their favoured market its super-prime market will continue to follow the upward trajectory, though not at the levels of growth witnessed in 2006 and 2007.

"This is important as the trends established by the super-prime market serve ultimately to influence the prime and main markets over time. This is being seen in the higher standards of design and superior branding techniques already evident in some of the luxury hotel and residential developments in central London. It is also

being felt in the interest wealthy buyers are placing in eco-development as they seek the exclusivity that comes with making their purchase an elite and cutting edge commodity.

“One property that illustrates this phenomenon is the Montevetro at Battersea Reach which we estimate has outperformed its immediate market by 26% since its completion in 2000.

“The law of supply and demand will also have an increasing impact in 2008 and beyond as the lack of properties available in locations targeted by wealthy purchasers comes into play. This is set to continue as we estimate there are currently around 1,140 super-prime units in central London’s development pipeline against in excess of 12,400 units in the prime market.

“However the regulatory and tax changes proposed in the government’s Pre-Budget report could have a significant impact on London’s competitiveness as wealthy foreign investors review the value offered by their property portfolios. The current reality is that only a minority are considering a sale before the changes come into effect in April 2008.”

“Finally, the impact of the overhaul of the Capital’s transport infrastructure and its alignment with the redevelopment of some of Europe’s largest brownfield projects can’t be underestimated. The priority will be to keep up the momentum for regeneration while still paying close attention to quality as developers drive towards creating the 35,000 new households thought to be needed a year.”

Ends

For further information, please contact:

Liam Bailey, Residential Research, Knight Frank

Email: liam.bailey@knightfrank.com

Tel: 020 7173 4966

Mob: 07919 303 148

Tania McNally, Press Manager, Knight Frank

Email: tania.mcnally@knightfrank.com

Tel: 020 7861 1068

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

