



Intelligence

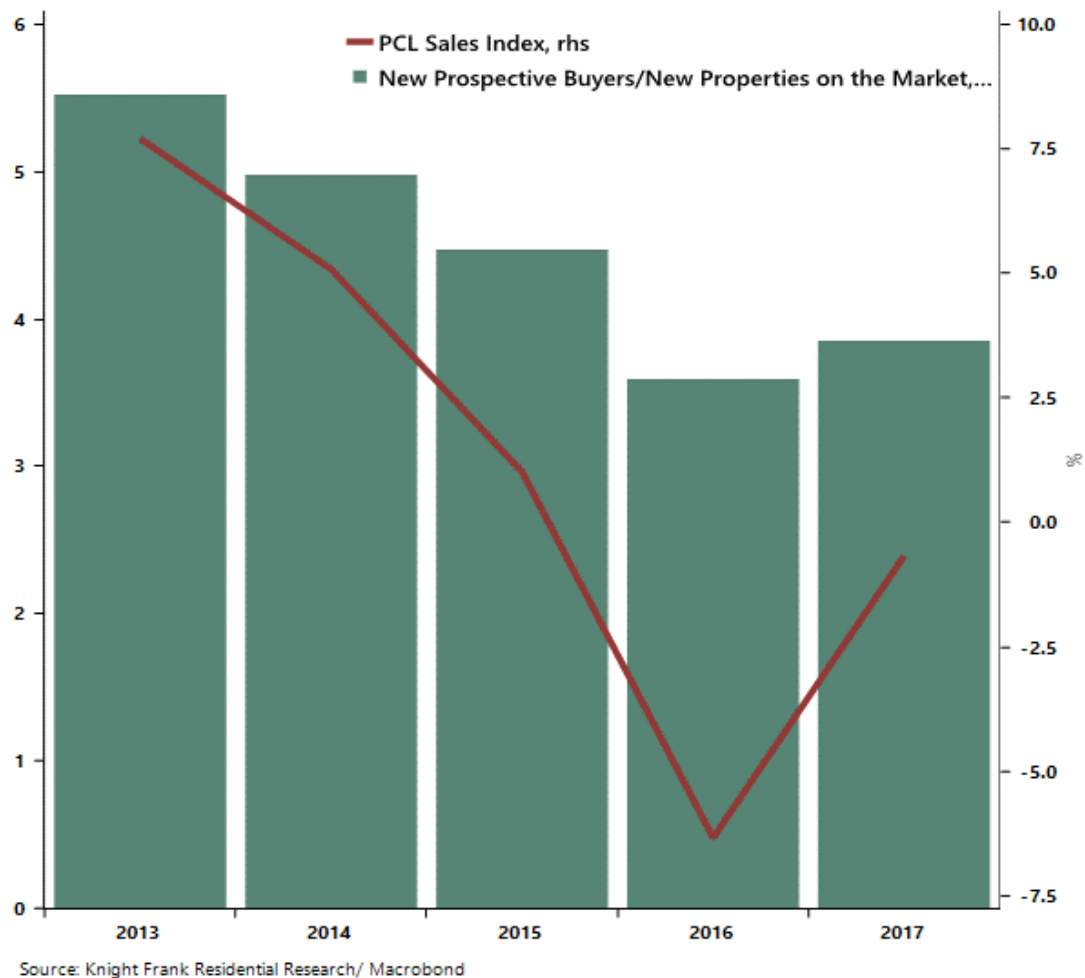
Index: 5,926.5
by Tom Bill February 08, 2018

Average prices in prime central London declined 0.7% in the year to January.

The relatively modest nature of the fall provided further evidence that the annual declines recorded over the last 20 months have bottomed out.

The decrease recorded in January was smaller than the figure of -6.7% registered in January 2017, suggesting that current pricing movements could be the prelude to a more stabilised market.

Indeed, an analysis of supply and demand indicators over the last five years indicates that 2017 marked a turning point for the prime central London property market, as the chart below shows.



A growing number of new prospective buyers relative to the number of new properties placed on the market typically denotes the potential for upwards pressure on pricing. After three successive declines, the ratio of new buyers to new properties rose in 2017 and price declines became more modest.

While the underlying trend is a stabilising market, there is little sense of uniformity across different price bands and geographies.

Higher rates of stamp duty had an earlier and more pronounced impact on the upper end of the market, which led to a quicker response in terms of asking price adjustments.

As a result, higher-value properties continue to perform (comparatively) more strongly than lower value properties across prime central London.

Average prices for homes valued at £10 million or more recorded a 0.2% rise in the year to January, the first increase recorded in this price bracket for almost two years. Meanwhile, average prices between £5 million and £10 million rose on an annual basis for the third consecutive month.

Underlining the relatively stronger performance of higher value properties, the largest rise in sales volumes by price band was 14.3% for properties valued between £5 million and £10 million.

There are certainly regional variances as markets adapt to the changed tax landscape in different ways.

For example, the total value of transactions in Chelsea in the last quarter of 2017 was the highest recorded in three years. This suggests vendors have adjusted asking prices more readily in a market where demand was initially weaker after stamp duty.

Average prices in Chelsea fell 1.9% in the year to January 2018, which compares to double-digit declines 12 months ago.

Elsewhere, positive annual growth has returned to markets where demand has been supported by factors that include the presence of premium new-build developments.

Average prices in Mayfair grew 0.8% in the year to January and an increase of 0.7% was recorded in Kensington. Meanwhile, average prices in Marylebone rose 5.5%, which was the largest increase recorded in prime central London. This demonstrates how pricing is heavily influenced by each neighbourhood's changing characteristics, including its new-build pipeline and public realm regeneration.

Overall, transaction levels are showing signs of stabilisation. The number of transactions rose 5% in prime central London in the last six months of 2017 compared to the same period in 2016, according to LonRes.

Our blog content is provided for interest only. It may be produced spontaneously, without the reviewing and editing often used for more formal publications. It may not be understood by a reader as it was intended. Any views expressed may be the personal view of the writer and do not necessarily reflect the view of Knight Frank LLP. It may include or be based upon information from a variety of external sources which have not been verified by us.

You read our content at your own risk and cannot rely on it in any way. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone for the content or for any opinion expressed and we will have no liability for any loss or damage resulting from any use of, reliance on or reference to the content.

© Knight Frank LLP 2016. Reproduction of our content in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and context 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 see our [\[terms and conditions\]](#) and [\[privacy policy\]](#) for more details.