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# Market in Minutes
# **Prime London Residential Markets**

January 2014


## SUMMARY

Led by the south west, London's prime markets record double digit price growth in 2013

- By the end of 2013 London's prime housing markets had recorded double digit annual price growth for the first time in over three years.
- The primarily domestic markets of prime south west London beat all other areas over the course of 2013, growing 14%.
- The price gap between prime housing within and outside of London is at its widest. There are clear signs of this driving an increased flow of housing wealth to the prime markets of the commuter zone, which we expect to gather further momentum in 2014.

TABLE 1

**Price movements in the prime London markets to Q4 2013**

| | Prime Central London | Prime North West London | Prime South West London | Prime North London | Prime East of City | All Prime London |
|---|---|---|---|---|---|---|
| Q on Q | 2.8% | 1.7% | 2.9% | 4.6% | 3.7% | 2.9% |
| Y on Y | 7.9% | 5.2% | 14.0% | 11.5 % | 9.5% | 11.4% |
| Since 2007 Peak | 33.8% | 22.1% | 31.9% | 29.0% | 18.9% | 30.6% |

Source: Savills Research

By the end of 2013 London's prime housing markets had recorded double digit annual price growth for the first time in over three years. Our prime London index rose by 2.9% in the final quarter of the year, taking annual growth to 11.4%.

## Domestic bliss

The markets of prime south west and north London beat all other areas, growing 14% and 11.5% respectively. Growth has been particularly driven by the strength of Fulham – the first stop for buyers moving out of prime central London – and the even more domestic Wandsworth, Clapham, Battersea triangle, given its appeal to young families competing for the traditional Victorian housing stock, close to good schools and the parks and commons.

An increasing number of affluent families are remaining in south west London, putting pressure on the limited pool of housing stock. As a result the simple mechanics of supply and demand have caused the total value of housing in the borough of Wandsworth to increase by £8bn over the course of the year – equivalent to the value growth seen in the borough of Kensington and Chelsea.

This also reflects the fact that prime central London has shown slightly more sober 7.9% annual growth. However there has been significant variation between sub markets.

Hitherto, the strongest markets have been the core central London locations, with values in the ultra-prime market furthest above their pre crunch peak. However, across 2013 annual price growth in the prime housing markets of Chelsea, Belgravia and Knightsbridge was below 6%, with values in the ultra prime segment rising just 2.1%.

TABLE 2

### Prime Markets: Five-year forecast values

| | 2014 | 2015 | 2016 | 2017 | 2018 | 5yrs to end 2018 |
|---|---|---|---|---|---|---|
| Central London | 3.0% | -1.0% | 8.0% | 6.5% | 5.0% | 23.1% |
| Other London | 6.0% | 0.0% | 6.0% | 5.0% | 4.0% | 22.7% |

Source: Savills Research Note: Assuming no further changes to the taxation of high value property

## Marylebone on the up

By contrast, Marylebone was the star performer, rising 17.4% annually, with domestic and international buyers attracted to its urban village lifestyle and relative value pricing compared to prime central London.

The markets of Notting Hill, Kensington and Holland Park, that to date have lagged the core central locations, also performed relatively strongly, with quarterly price growth above 4%, resulting in annual price growth of between 8% and 10%.

As a consequence, over the past year the value of housing in the boroughs of Westminster and Kensington and Chelsea was pushed up to over £200bn, 15% more valuable than the housing stock in Wales.

Sales of properties worth in excess of £5m also set new records in the year. Over 130 sales above £5m and over 40 sales over £10m in the last three months of the year resulted in annual sales of more than 500 and 160 respectively, as ultra wealthy overseas buyers continued to trade in the market despite less aggressive bidding.

Though not operating within these price brackets the East of City markets, that have lagged other prime London locations, also benefitted from displaced demand amongst younger households, with values rising 9.5% year on year. This was much higher than the 5.2% recorded in 2012, reflecting more widespread and sustained price growth across London's housing market in general.

## Looking forward

The price growth in London's housing markets in 2013 has been surprisingly strong. As a result the price gap between prime housing within and outside of London is at its widest. There are clear signs of this driving an increased flow of housing wealth to the prime markets of the commuter zone, which we expect to gather further momentum over 2014. That is likely to easing some of the pressure on the domestic prime housing markets of the capital.

There is also a general election looming in 2015. In the run up to this we expect the taxation of high value property to be put under further scrutiny despite the hugely disproportionate contribution which it makes to stamp duty receipts. That is likely to bring an element of caution to the market and constrain short term price growth.

## Savills Research team

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