



SUPER PRIME INSIGHT – LONDON

Summer 2013

JUNE 2013 UPDATE

The three months to June 2013 have been some of our best ever in terms of super-prime sales in London with 54% more deals done than during the same period in 2012. This is a result of the wave of optimism that has been sweeping the super-prime market since the turn of the year.

The spring and summer months are traditionally the busiest time of year for us as vendors bring their homes to market. This year higher stock levels have coincided with an increase in demand from prospective buyers keen for a slice of London's luxury residential property market.

There has been a 32% increase in the number of new applicants registering their interest in buying a £10m+ home in the first five months of 2013 compared to the same time last year.

The super-prime property market has bounced back strongly since the post-crisis low in March 2009. Prices of £10m+ homes have climbed by 42% since then, and are almost 18% higher than the previous market peak in August 2008.

This rapid rebound in property values has been underpinned by the continued demand for the very best homes from both international and domestic buyers. Since 2009, 33 different nationalities have purchased super-prime homes in central London. This increases to 71 when we include the whole prime market, highlighting the potential for this figure to increase in the future.

UK leading

There is a common misconception that the super-prime market is saturated with overseas buyers. But in fact nearly a third of all super-prime properties have been purchased by UK buyers since the start of 2012. Russian buyers, the next most active purchasers, had a market share of 21% over the same period, followed by Europeans who accounted for 15% of all £10m+ sales.

That's not to say we haven't seen an increased interest in London's very best homes from a diverse range of nationalities. Since the onset of the financial crisis, many of the world's

wealthy view the super-prime property market in London as a safe haven, appreciating its stability, as well as its ability to deliver capital growth, compared with other more volatile markets which have not weathered the crisis so successfully.

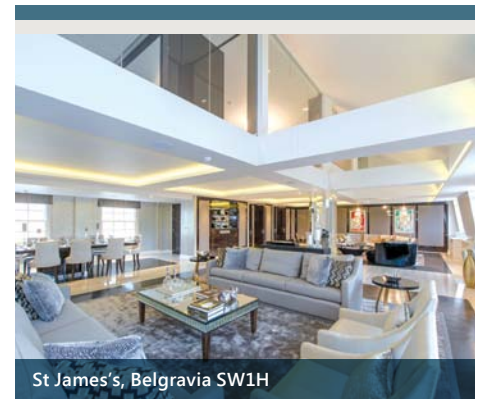
'Since the start of 2012, nearly a third of all super-prime properties have been purchased by UK buyers.'

The weakness of sterling has also played a part in making London property even more appealing to international buyers, who are able to take advantage of effective currency discounts when buying a home.

More recently, Indian as well as Middle Eastern buyers have displayed a renewed interest in super-prime homes.

Another interesting trend we have noticed is the beginning of a blurring of London's super-prime boundaries. The market has traditionally focused around a small cluster of central postcodes – including Knightsbridge, Mayfair and Belgravia – but as prices and competition for homes increase, buyers are seeing the untapped potential of homes in markets that adjoin these traditional areas, such as Marylebone and Hyde Park.

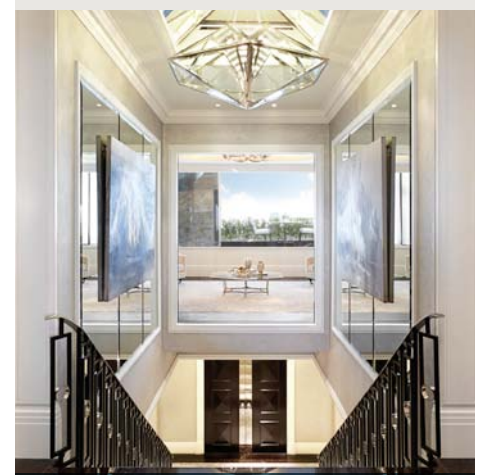
Amid the activity, buyers are still price sensitive. The importance of correct pricing cannot be overestimated and properties with over-ambitious price tags are unlikely to engage the interest of an increasingly savvy clientele operating in a very transparent market. We have seen some examples of stark differences between the prices vendors want to achieve and the price buyers are prepared to pay, but well priced homes continue to attract interest and occasionally result in competitive bidding.



St James's, Belgravia SW1H

Unrivalled experience

Tim Wright and Richard Cutt launched Knight Frank's Prime Residential Team, which focuses purely on the property requirements of high net worth individuals in the super-prime (£10m+) market. Tim and Richard, who are both equity partners at Knight Frank, have nearly 50 years combined experience in the prime central London market. They are based in Knight Frank's global headquarters at 55 Baker Street in London.



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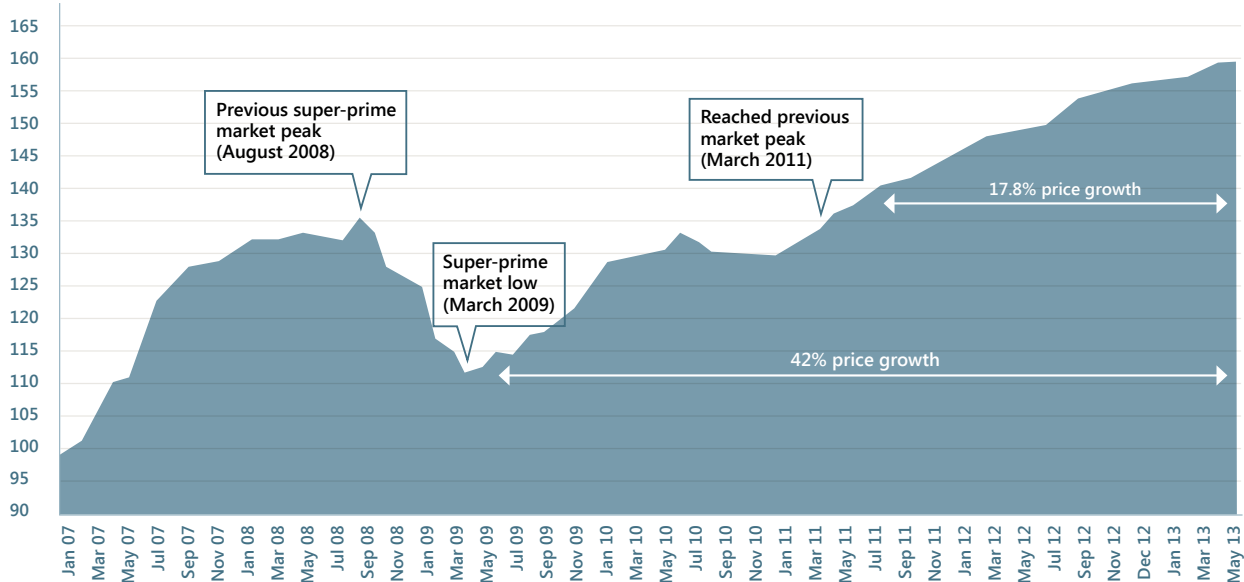
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SUPER-PRIME MARKET INTELLIGENCE

The following data has been collected by Knight Frank's Residential Research team over the course of 2012/2013 and relates directly to the super-prime London residential market. The charts are designed to provide an analysis of the current health of the sector, highlighting key trends and offering an informed view on the outlook for the market.

Knight Frank's Residential Research team produces market-leading reports and indices as well as bespoke research and consultancy projects for clients ranging from developers and investors to government organisations and funders across the globe. All reports and publications are available on our website as well as appearing on our dedicated property research blog, which features the latest news, views and analysis on the world of prime property. www.KnightFrankblog.com/global-briefing

SUPER-PRIME PRICE GROWTH



Prices in super-prime London have recovered swiftly since the market low in March 2009. Having surpassed their previous market peak in March 2011, prices of £10m+ houses have risen 42% over the past 4 years.

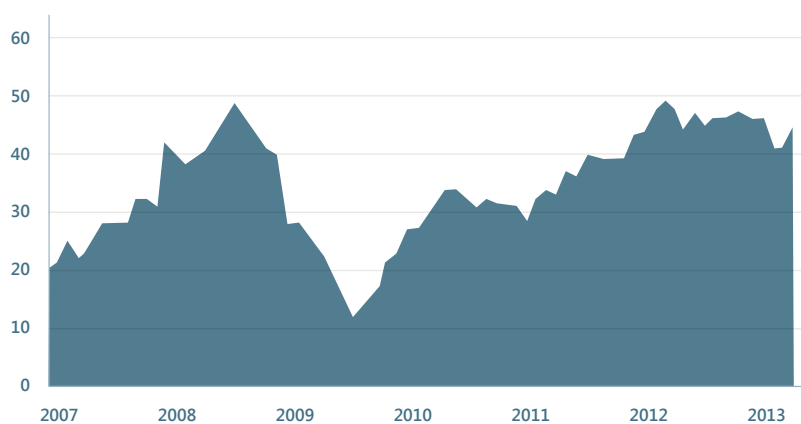
BUYER NATIONALITIES

London £10m+ sales market share
Jan 2012 to Apr 2013

United Kingdom	30%
Russia	21%
Europe	15%
Middle East	11%
Africa	7%
North America	5%
CIS	3%
India	3%
Australasia	2%
Asia	2%
South America	2%

SALES VOLUMES

Annual super-prime (£10m+) sales in prime central London



Sales of £10m+ homes fell in 2009 as the financial crisis took hold. However, transactions have since picked up and annual sales volumes are now at a similar level to those seen pre-crisis in 2008.

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All Sources: Knight Frank Residential Research