



Market Commentary November 2010
London Prime Residential Property Outlook

It has been an interesting year to date in the prime London market. We have seen increases in prices over the first half the year, and now reports are coming out that suggest prices might have weakened over the last 5 months. Knight Frank's Prime London Property Index, which came out earlier this month, said prices have fallen by 1% over the last 3 months.

We note our own observations of prices weakening, with price reductions on properties becoming more prevalent, and certainly where deals are being done, we feel that prices have come down. However at the same time we have also seen vendors holding out for prices that are not reflective of what else is selling in the market. They will seize on market anomalies and base their asking price on that, and with estate agents struggling with supply, they will take on the instruction anyway.

Therefore not only is there a shortage of supply, but a proportion of that supply is at asking prices that buyers are not prepared to pay. Interestingly the restriction in supply is not pushing up prices as buyers are prepared to wait. The recent price falls however we put down to seasonal price fluctuations resulting from decreased demand over the (comparatively sunny) summer months.

As we go into December and January, we feel that buyers will be well placed to take advantage of vendors hoping to sell before and straight after Christmas. These months are traditionally the best times to buy as there are fewer buyers around and people are keen to wrap up deals.

There are a few predictions for next year. Knight Frank believes prices will fall 1%, whilst Marsh and Parsons have forecast a 5% growth. Again this year we feel that prices will show seasonal fluctuations. We believe prices will fall in December and January, and then stay rather even (if not slightly up) over the Easter period, before falling back again during the summer. This will be coupled with more volatility in the market caused by some vendors prepared to do a quick deal, at a lower price. Therefore buyers might find a few good deals over the course of the year if they keep their eyes open.

By Oliver Hooper, Director at Huntly Hooper - residential property buying advice.
0203 178 7071