pulse

Jones Lang LaSalle

Real value in a changing world

Jones Lang LaSalle London Prime New Homes Price Index , Q1 2008

Contact:

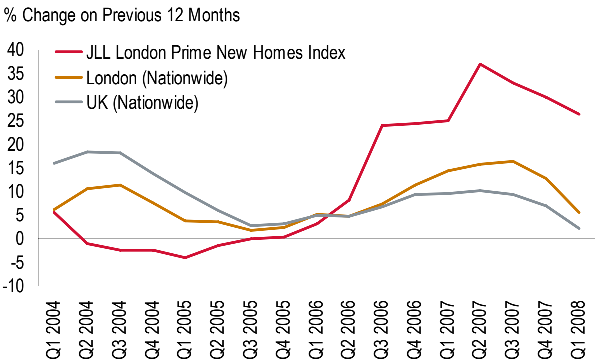
Neil Chegwidden
Director & Head of Residential Research
Tel.: +44 (0)20 3147 1499
neil.chegwidden@eu.jll.com

Prices static in Q1 2008 as credit crunch bites

The credit crisis has led to a steady fall in house prices across the UK over the past six months but, as we report here, the prime new homes market in London is proving to be notably more resilient, although certainly not immune.

Our London Prime New Homes Index reports that prices have remained static during the first quarter of 2008. This follows a small 2% fall in Q4 2007. The annual rate of growth is now 26.5% but we expect this to drop quite markedly as the very strong quarterly increases of 13-14% in Q2 and Q3 last year drop out of the annual calculations. A static quarter of prices in Q2 2008 will leave annual growth at a much reduced 11%. The average quality-adjusted price for a prime new home in London remained at around £11,550 per sq m (£1,073 per sq ft), down from its £11,780 peak at the end of Q3 2007.

In contrast the mainstream Greater London and UK markets, as measured by Nationwide indices, have seen prices fall during Q1 2008. Average prices fell by 2.3% in London and by 2.5% in the UK with annual price growth easing to 5.6% and 2.2% respectively.



Source: Jones Lang LaSalle; Nationwide

Incentives lower in prime central London

A further indication of the resilience of the prime central London market is that none of the schemes analysed in our index in Q1 2008 has needed to offer the kinds of incentives seen for less prime product and in other parts of the country.

The incentives seen elsewhere have been quite substantial and have included, full value part exchange, £500 a month towards a mortgage for two years, mortgage paid until January 2009, half a mortgage paid for two years, deposit paid, stamp duty paid and the opportunity to own 100% of a home for 75% of the price. In addition to these incentives buyers will also have been able to negotiate a reduction in the headline price.

In prime central London, whilst still being hit by the fall out from the credit crisis, the level of concessions has been significantly lower although at several schemes offers in the region of 3% below asking price have been accepted.

There are several reasons behind this greater resilience in prime central London. Firstly there are a greater proportion of international rather than domestic buyers. Secondly the personal wealth of these purchasers means that they are both less affected by the affordability constraints of the more typical UK buyer and are less likely to be negatively impacted by the higher rates and reduced availability of domestic mortgage finance. The restricted supply of high-end prime property in core central London markets is also a contributing factor.

Notes

The Jones Lang LaSalle London Prime New Residential Price Index is an independent index utilising a unique non-agent source of data. The Index is independently calculated by Professor Michael Ball of the University of Reading Business School utilising the unique dataset from EGi's London Residential Research and expertise from London Development Research Ltd. The Index is a unique quality adjusted index based on prices per square metre rather than house prices unadjusted for size. It focuses on new prime dwellings in Central London.

COPYRIGHT © JONES LANG LASALLE IP, INC. 2008. All rights reserved.