

Rents fall but performance varies across the capital

Despite a further fall in rents across prime central London, market activity remains buoyant compared to one year ago. Liam Bailey examines the figures in more detail.

Results for August 2013

Prime central London rents fell by **0.2% in August**

On an annual basis rents are down by **2.5%**

Property viewings in prime central London are **11.9% higher** so far this year compared to 2012

Rents in **Marylebone and Kensington** have risen so far this year, up by 2.2% and 0.9% respectively

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Prime central London rents continued on their downward trajectory in August with a fall of 0.2%. So far this year rents have fallen by 1%.

In spite of the ongoing decline in rents, activity levels in London's luxury rental market suggest that demand for rental property remains high. The number of viewings conducted in prime central London so far this year is up by 11.9% compared to the same period in 2012. Additionally, the number of new applicants is up by 9% over the same time.

Despite this rising interest, the prime rental market in London remains closely tied to conditions in the business and financial sector employment markets and the ongoing weakness in the Eurozone economy, both of which have contributed to falling rents.

Sub-£1,500 per week rents for example, a section of the market which has traditionally been supported by affluent City workers, have fallen by 1.3% over the year to date and are 3% lower than they were a year ago. Above £1,500 per week, rents are 0.9% lower over the year to date and 2.6% lower on an annual basis.

However, confidence in London as a business centre remains high, with expansion in the [technology, media and telecoms](#)

sectors in particular driving demand for corporate lettings. News that investment banks including [Nomura](#), [Citigroup](#) and [Bank of America](#) have started hiring dealmakers and traders in Europe is a further source of good news.

We are seeing regional differences in terms of rental performance across London. Rents in Mayfair, St John's Wood and Notting Hill have experienced the largest declines so far this year, down by 4.7%, 3.1% and 2.4% respectively. However, these large falls mask more muted declines – and even increases – across other prime central London districts.

Rents in the City are unchanged in 2013 to date and rents in Belgravia, Chelsea and Knightsbridge have fallen just 0.4% over the same period.

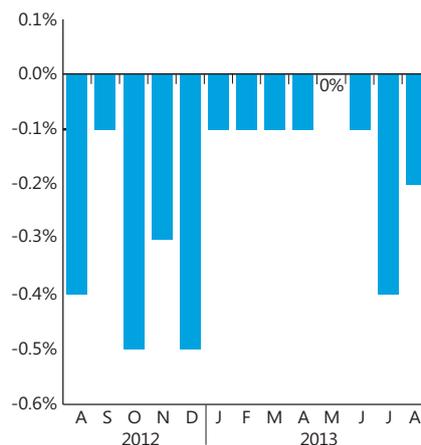
In Marylebone and Kensington rents have defied the wider market trend and have risen by 2.2% and 0.9% respectively over the year to date.

Although rents continue to fall, they are still almost 22% higher than they were during the market trough in the second half of 2009. Given the promising economic indicators emerging from key markets around the world, we believe the outlook for rental growth is positive.

Figure 1

Monthly growth

Prime central London average residential rental change

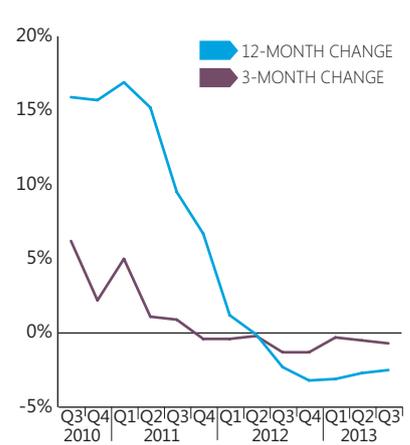


Source: Knight Frank Residential Research

Figure 2

Annual and quarterly growth

Prime central London average residential rental change



Source: Knight Frank Residential Research



LIAM BAILEY
Global Head of Residential Research

"Expansion in the technology, media and telecoms sector is driving demand for corporate lettings."

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DATA DIGEST

The Knight Frank Prime Central London Rental Index, established in 1995 is the most comprehensive index covering the prime central London residential marketplace. The index is based on a repeat valuation methodology that tracks rental values of prime central London residential property. 'Prime central London' is defined in the index as covering: Belgravia, Chelsea, The City & Fringe, Hyde Park, Kensington, Knightsbridge, Marylebone, Mayfair, Notting Hill, Hyde Park, South Kensington and St John's Wood. 'Prime London' comprises all areas in prime central London, and in addition Canary Wharf, Fulham, Hampstead, Richmond, Wandsworth, Wapping and Wimbledon.

Knight Frank Prime Central London Rental Index

	KF Prime Central London Index	12-month change %	6-month change %	3-month change %	Monthly change %
Feb-12	177.3	n.a.	-0.3%	-0.4%	-0.2%
Mar-12	177.3	1.2%	-0.8%	-0.4%	-0.1%
Apr-12	177.3	0.9%	-0.7%	-0.2%	0.1%
May-12	176.9	0.2%	-0.7%	-0.3%	-0.3%
Jun-12	176.9	-0.1%	-0.6%	-0.2%	0.0%
Jul-12	175.6	-1.1%	-1.2%	-1.0%	-0.8%
Aug-12	174.9	-1.7%	-1.4%	-1.1%	-0.4%
Sep-12	174.6	-2.3%	-1.5%	-1.3%	-0.1%
Oct-12	173.8	-2.7%	-2.0%	-1.0%	-0.5%
Nov-12	173.2	-2.8%	-2.1%	-1.0%	-0.3%
Dec-12	172.3	-3.2%	-2.6%	-1.3%	-0.5%
Jan-13	172.1	-3.1%	-2.0%	-0.9%	-0.1%
Feb-13	171.9	-3.1%	-1.7%	-0.7%	-0.1%
Mar-13	171.8	-3.1%	-1.6%	-0.3%	-0.1%
Apr-13	171.7	-3.2%	-1.2%	-0.2%	-0.1%
May-13	171.7	-2.9%	-0.8%	-0.1%	0.0%
Jun-13	171.6	-3.0%	-0.4%	-0.1%	-0.1%
Jul-13	170.8	-2.7%	-0.7%	-0.5%	-0.4%
Aug-13	170.5	-2.5%	-0.8%	-0.7%	-0.2%

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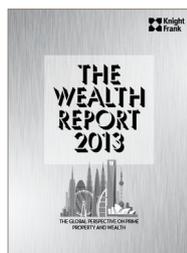
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