

## GENERAL ELECTION AND TECH WORKERS BOOST PRIME CENTRAL LONDON RENTAL MARKET

Short-term political uncertainty and a longer-term shift in the employment market are driving the rental recovery in prime central London, says Tom Bill.

### AUGUST 2014

A rise of 0.5% in August pushed the index to its **highest level since November 2012**

**Annual growth was 1.2%**, the highest rate in more than two years

**Rental yields increased for the second consecutive month to 2.82%**, the first time that has happened since the middle of 2011

**More buyers and sellers explore rental option** ahead of general election in May 2015

Telecoms, media and technology workers are the **third largest group of tenants**



**TOM BILL**  
Head of London Residential Research

"A growing number of buyers are adopting a wait-and-see approach regarding the next 12 months"

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The prime central London rental market continued its recovery in August, as uncertainty surrounding next May's general election turned more prospective buyers into tenants.

It is not happening to any significant degree but a growing number of buyers are adopting a wait-and-see approach regarding the next 12 months as growth slows in the sales market. For the same reason, sellers are increasingly exploring the possibility of becoming landlords in the short-term.

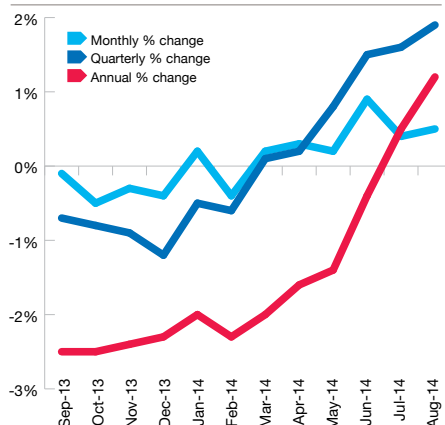
Price growth is slowing due to uncertainty surrounding the outcome of the general election and the possibility of tax changes in relation to high-value residential property. The likelihood of an interest rate rise before the election is adding to the mood of uncertainty.

By the end of a 12-month tenancy signed in August 2014, landlords and tenants will have a clearer outlook, three months after the general election and in a relatively normalised interest rate environment.

The trend contributed towards more milestones being passed in the prime central London rental market in August.

FIGURE 1  
**The rental market recovery**

How growth has turned positive over the last year



Source: Knight Frank Residential Research

Rental values rose for the sixth consecutive month, which was the longest run of growth in three years. A rise of 0.5% in August pushed the index to its highest level since November 2012 and meant annual growth was 1.2%, the highest rate in more than two years.

In addition, rental yields increased for the second consecutive month to 2.82%, the first time that has happened since the middle of 2011.

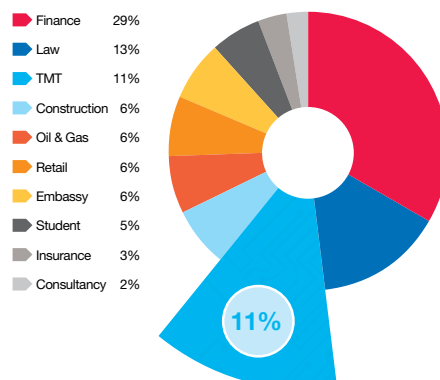
There is also a more fundamental change taking place in the London market that is likely to underpin rental values in future.

A lower degree of stability in the labour market since the financial crash and the emergence of London as Europe's dominant centre for technology businesses have created a more footloose workforce.

The percentage of telecoms, media and technology workers using Knight Frank Corporate Services in the year to April 2014 was 11%, ahead of oil & gas (6%) and retail (6%) and third only behind finance (29%) and law (13%).

FIGURE 2  
**The growing importance of tech workers**

Percentage of tenants via Knight Frank Corporate Services (year to April 2014)

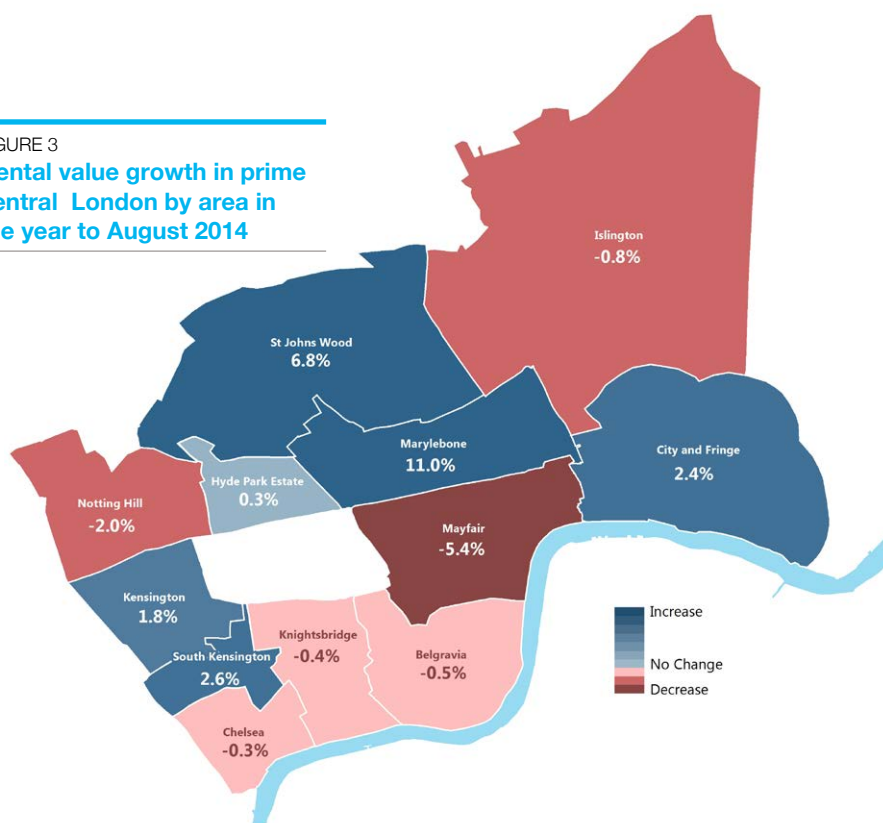


Source: Knight Frank Residential Research

## PRIME CENTRAL LONDON RENTAL INDEX

FIGURE 3

Rental value growth in prime central London by area in the year to August 2014



## DATA DIGEST

The Knight Frank Prime Central London Index, established in 1976, is the longest running and most comprehensive index covering the prime central London residential marketplace. The index is based on a repeat valuation methodology that tracks capital values of prime central London residential property. 'Prime central London' is defined in the index as covering: Belgravia, Chelsea, Hyde Park, Islington, Kensington, Knightsbridge, Marylebone, Mayfair, Notting Hill, Regent's Park, St John's Wood, Riverside\* the City and the City Fringe. 'Prime London' comprises all areas in prime central London, as well as Canary Wharf, Fulham, Hampstead, Richmond, Wandsworth, Wapping and Wimbledon.

\* Riverside covers the Thames riverfront from Battersea Bridge in the west running east to include London's South Bank. The City Fringe encompasses the half-mile fringe surrounding most of the City including Clerkenwell and Farringdon in the west and Shoreditch and Whitechapel in the east.

## Knight Frank Prime Central London Index

	KF Prime Central London Index	12-month % change	6-month % change	3-month % change	Monthly % change
Aug-13	170.5	-2.5%	-0.8%	-0.7%	-0.2%
Sep-13	170.3	-2.5%	-0.9%	-0.7%	-0.1%
Oct-13	169.4	-2.5%	-1.4%	-0.8%	-0.5%
Nov-13	168.9	-2.4%	-1.6%	-0.9%	-0.3%
Dec-13	168.3	-2.3%	-1.9%	-1.2%	-0.4%
Jan-14	168.6	-2.0%	-1.3%	-0.5%	0.2%
Feb-14	168.0	-2.3%	-1.5%	-0.6%	-0.4%
Mar-14	168.4	-2.0%	-1.1%	0.1%	0.2%
Apr-14	169.0	-1.6%	-0.2%	0.2%	0.3%
May-14	169.4	-1.4%	0.3%	0.8%	0.2%
Jun-14	170.9	-0.4%	1.6%	1.5%	0.9%
Jul-14	171.7	0.5%	1.8%	1.6%	0.4%
Aug-14	172.5	1.2%	2.7%	1.9%	0.5%

Source: Knight Frank Residential Research

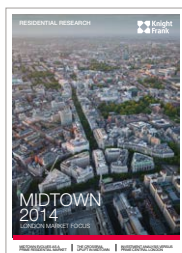
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