

## Landlords find signs for optimism, despite rental falls

**A further decline in average prime central London rents in February shouldn't over-shadow positive signs for landlords, especially future demand signals, argues Liam Bailey.**

### Results for February 2013

**Rents fell by 0.1% in February** the same decline as January

Over the past three months **prime central London rents are down 0.7%**

**Applicant numbers are up 17.5% in the three months to February 2013**

**Rents rose by 0.4% and 0.9%** respectively in Belgravia and Kensington

For the latest news, views and analysis on the world of prime property, visit [Global Briefing](#) or [@kfglobalbrief](#)

Follow Liam at [@LiamBaileyResi](#)

An increase in rents of 0.4% in Belgravia and 0.9% in Kensington were not enough to prevent average rents in prime central London continuing their decline in February, down 0.1%. This latest decline means rents are now 3.1% lower over a 12 month period and 3.8% below their September 2011 peak.

There is no doubt that the city's prime rental market has been affected by the economic conditions caused in part by the Eurozone crisis and ongoing uncertainty in the financial sector jobs market. While the latest monthly decline means that rents in the capital have fallen for eight consecutive months, we do see reasons for landlords to be positive.

There has been a noticeable upturn in the lettings market in terms of volume, with 14% more tenancies agreed in 2013 so far compared to the same period in 2012. February also saw improvements in both new applicant and viewing volumes.

New applicant numbers were up 17.5% in the three months to February 2013 compared to the same period a year earlier. Applicant viewings were up 10% over that same time.

The most resilient part of the market remains the lower price ranges, with average rents in the £500 to £1,500 per week bracket remaining flat in February, compared to a decline of 0.2% in the £1,500+ per week bracket.

St John's Wood was hit with a 1.6% decline in rents in February. Rents in St John's Wood now stand at the same level as when the area was first added to the prime central London rental index, back in September 2001.

Our view is that rental growth will be positive in 2013 as a whole, with an improving outlook for employment and increasing business sentiment in London, especially in the technology and media sectors, providing a boost to the market.

Figure 1  
**Monthly growth**  
Prime central London average residential rental change

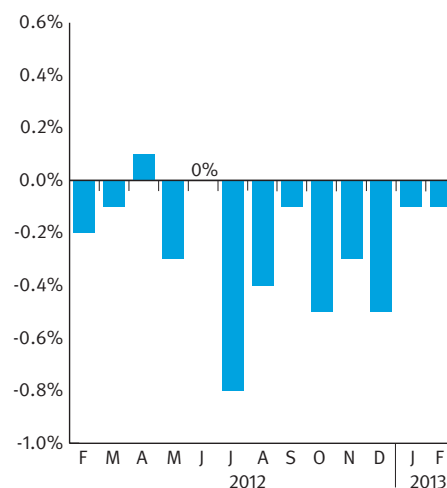
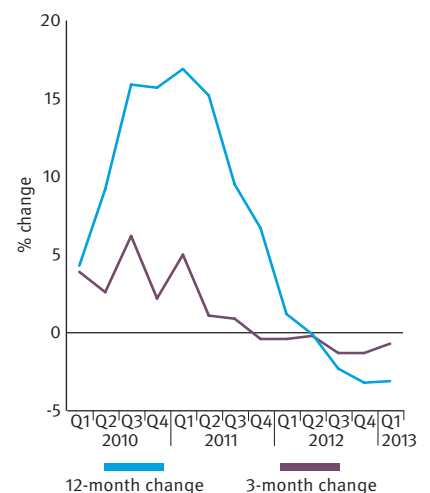


Figure 2  
**Annual and quarterly growth**  
Prime central London average residential rental change



“There has been an upturn in the lettings market in terms of volume, with 14% more tenancies agreed in 2013 so far compared to 2012.”



Liam Bailey, Global Head of Residential Research

# RESIDENTIAL RESEARCH PRIME CENTRAL LONDON RENTAL INDEX



## 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 of London, 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 %
Index quarterly to the end of Q1 2011	Q3 2009	140.9	-17.8%	-1.8%	0.1%	n.a.
	Q4 2009	144.2	-7.0%	2.4%	2.3%	n.a.
	Q1 2010	149.8	4.3%	6.3%	3.9%	n.a.
	Q2 2010	153.7	9.2%	6.6%	2.6%	n.a.
	Q3 2010	163.2	15.9%	9.0%	6.2%	n.a.
	Q4 2010	166.8	15.7%	8.5%	2.2%	n.a.
	Q1 2011	175.1	16.9%	7.3%	5.0%	n.a.
Index monthly from December 2011	Dec-11	178.0	6.7%	0.5%	-0.4%	-0.1%
	Jan-12	177.7	n.a.	0.1%	-0.5%	-0.2%
	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%	

### Residential Research

**Liam Bailey**  
Global Head of Residential Research  
+44 20 7861 5133  
liam.bailey@knightfrank.com

### Press Office

**Daisy Ziegler**  
+44 20 7861 1031  
daisy.ziegler@knightfrank.com

### Recent market-leading research publications



[The Wealth Report 2012](#)



[UK Housing Market Forecast 2012](#)



[London Review Spring 2013](#)



[Prime Central London Sales Index Feb 2013](#)

Knight Frank Research Reports are available at [www.KnightFrank.com/Research](http://www.KnightFrank.com/Research)

#### Notes to Editors

Knight Frank LLP is the leading independent global property consultancy. Headquartered in London, Knight Frank and its New York-based global partner, Newmark Knight Frank, operate from 244 offices, in 43 countries, across six continents. More than 7,067 professionals handle in excess of US\$817 billion (£498 billion) annually, advising clients ranging from individual owners and buyers to major developers, investors and corporate tenants. For further information about the Company, please visit [www.knightfrank.com](http://www.knightfrank.com).

© Knight Frank LLP 2013 - This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is allowed with proper reference to Knight Frank LLP Residential Research. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.

