

# Prime rents fall but activity levels rise

**Despite an increase in activity from tenants, average rents in prime central London have declined by 0.4% in the first half of the year, Liam Bailey looks at the figures.**

## Results for June 2013

**Prime central London rents fell by 0.1% in June**

**Rents have fallen by 0.4% over the first six months of 2013**, but only by 0.1% during Q2 2013

**St John's Wood was the only area where rents increased in June**, up by 0.3%

**Rents are 21.8% higher than their post-financial crisis low in Q2 2009**

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**"Prime rents are 21.8% higher than the trough of the market in the second quarter of 2009."**



**Liam Bailey**, Global Head of Residential Research

Rents in prime central London fell by 0.1% in June and are 0.4% lower than they were at the start of the year. The fall means rents for luxury homes in the city have been declining or static for the past 14 months.

Despite this recent decline, prime rents are still 21.8% higher than the trough of the market in the second quarter of 2009.

In June, average rents fell in five of the eleven markets covered by the index including in Belgravia, Kensington, Knightsbridge, Mayfair and Marylebone. Rents were unchanged in five other markets over the course of the month. St John's Wood was the only area where rents rose in June. Here, rents increased by 0.3%, marking the second consecutive month that rents in the area have increased.

While the general trend across prime central London so far this year has been for rents to fall or remain static, there have been pockets of outperformance over this time. In Kensington, for example, rents have increased by 2.4% in 2013 as a result of an increased demand for large family houses and a shortage of stock. Marylebone and

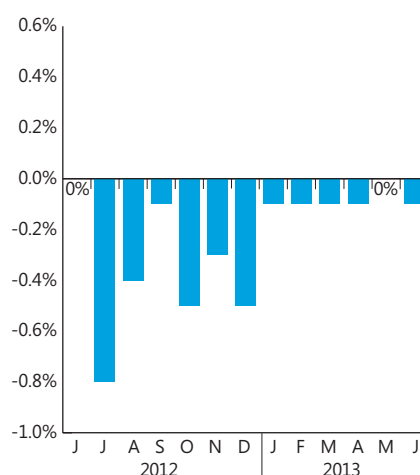
Belgravia have also reported rising rents so far this year, up by 1.7% and 0.1% respectively.

Activity levels in London's luxury rental market also suggest that a healthier picture is emerging across the market. The number of viewings conducted in prime central London in the first six months of the year is up by 15.5% compared to the same period in 2012. Additionally, the number of new applicants is up so far this year, by 8%.

Despite this rising interest, the prime rental market in London is closely tied to conditions in the business and financial services employment market and weakening job prospects here have played their part in creating the conditions for a fall in rents. This is most noticeable in the sub-£1,500 per week price bracket, as this sector has traditionally been supported by City workers.

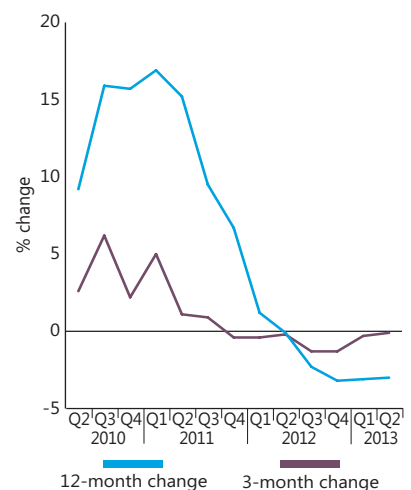
Sub-£1,500 per week rents have fallen by 1% in the first six months of 2013 and are 3.7% lower than they were a year ago. Above £1,500 per week, rents have been more resilient and have remained unchanged so far this year.

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

# 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 & 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.

	KF Prime Central London Index	12-month change %	6-month change %	3-month change %	Monthly change %
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%
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%

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