

APRIL 2018

This report analyses the performance of single-unit rental properties in the second-hand prime central London market between £250 and £5,000-plus per week. For an analysis of the build-to-rent market and the institutional private rented sector in London and the rest of the UK, please see our Private Rented Sector Update report <http://www.knightfrank.co.uk/research>

PRIME CENTRAL LONDON

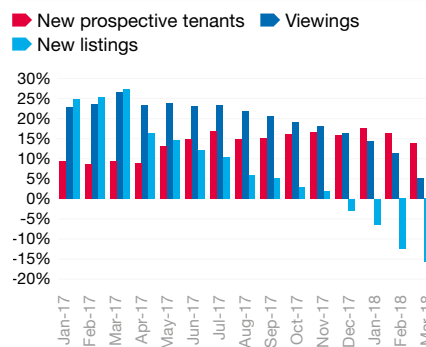
Prime central London index | **163.2**

Figure 1 While demand remains robust for rental properties, levels of new supply have declined as more certainty returns to the sales market and more landlords explore a sale due to recent tax changes, including changes to mortgage interest relief and wear and tear allowances.

Figure 2 Easing supply and robust demand has put upwards pressure on rental values, which means they are heading towards positive territory. The last time positive annual rental value growth was recorded was in January 2016.

Annual rental value change | **-0.8%**

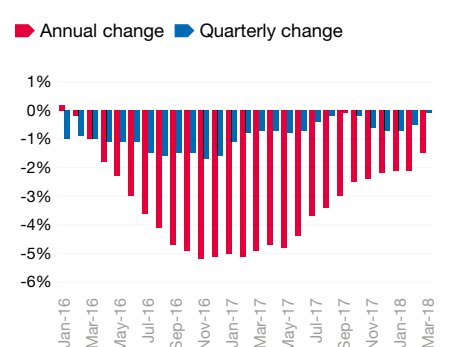
FIGURE 1
New rental property supply declines in PCL
 % change, annualised



Source: Knight Frank Research

Quarterly rental value change | **0.6%**

FIGURE 2
Rental value declines bottom out in PCL
 % movement in rental values



Source: Knight Frank Research

PRIME OUTER LONDON

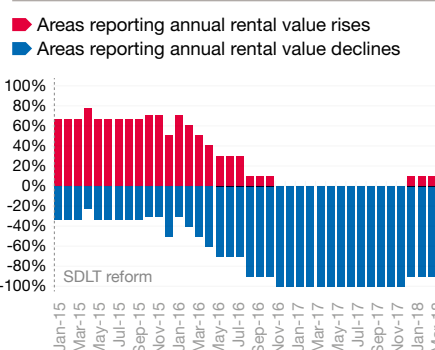
Prime outer London index | **170.6**

Figure 3 Some areas in prime outer London have experienced rental value growth in recent months following a period where all areas were reporting declines.

Figure 4 In similar fashion to prime central London, rental value growth has returned as levels of supply have begun to recede. The number of new listings in the year to March 2018 was 6% higher than the previous 12 months. The equivalent increase in March 2017 was 51% as more owners decided to list their property for rent in response to an uncertain sales market.

Annual rental value change | **-3.3%**

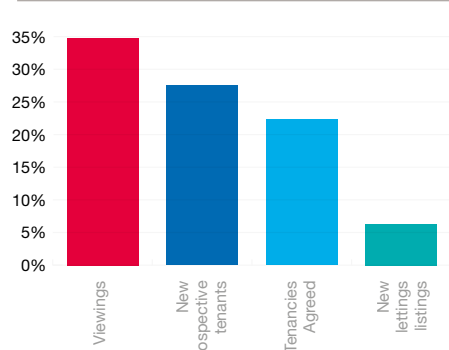
FIGURE 3
Rental value movements in POL
 Monthly % of Knight Frank offices reporting rise or fall



Source: Knight Frank Research

Quarterly rental value change | **-0.06%**

FIGURE 4
Supply and demand in prime outer London
 Year to March 2018 versus year to March 2017



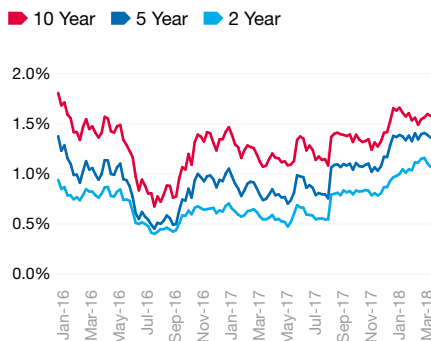
Source: Knight Frank Research

ECONOMIC DATA

Figure 5 Swap rates have moved upwards over the last six months as expectations of an interest rate rise mount. However, there has been a small dip in recent weeks as economic data, including a lower than expected rate of inflation, has reduced the likelihood of a rise in May.

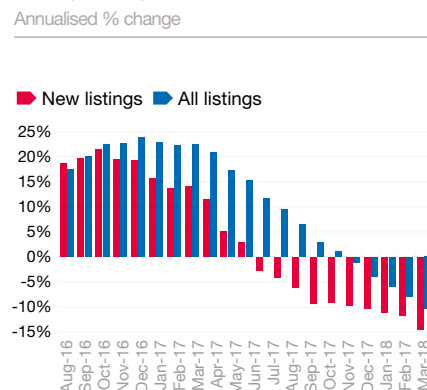
Figure 6 The number of rental properties coming to the market and the total stock of available rental properties has declined across Greater London as some landlords explore a sale following a series of recent tax changes.

FIGURE 5
Swap rates rise but May rate rise less likely



Source: Knight Frank Research

FIGURE 6
Lettings listings slow across Greater London



Source: Knight Frank Research / Rightmove

FIGURE 7
PRIME CENTRAL LONDON Price growth by price band, time period and property type

| | £250 - £500 pw | £500 - £750 pw | £750 - £1,000 pw | £1,000 - £1,500 pw | £1,500 - £2,000 pw | £2,000 + pw | Flat | House |
|----------|----------------|----------------|------------------|--------------------|--------------------|-------------|-------|-------|
| 1 month | 1.0% | 0.6% | 0.3% | 0.4% | 0.4% | 0.5% | 0.5% | 0.6% |
| 3 months | 1.3% | 0.6% | 0.0% | 0.2% | 1.4% | 0.5% | 0.6% | 0.4% |
| 6 months | 1.0% | 0.1% | -0.3% | -1.5% | 0.2% | -0.2% | 0.0% | -0.6% |
| 1 year | 0.3% | -0.3% | 0.2% | -3.1% | -1.0% | -0.9% | -0.7% | -1.1% |
| YTD | 1.3% | 0.2% | -0.1% | -0.2% | 1.3% | 0.4% | 0.4% | 0.2% |

FIGURE 8
PRIME OUTER LONDON Price growth by price band, time period and property type

| | £250 - £500 pw | £500 - £750 pw | £750 - £1,000 pw | £1,000 - £1,500 pw | £1,500 - £2,000 pw | £2,000 + pw | Flat | House |
|----------|----------------|----------------|------------------|--------------------|--------------------|-------------|-------|-------|
| 1 month | 0.0% | 0.2% | 0.4% | 1.1% | 0.5% | 1.1% | 0.2% | 0.8% |
| 3 months | 0.1% | 0.1% | -0.4% | 0.5% | 0.2% | -1.4% | 0.2% | -0.3% |
| 6 months | -0.4% | -0.5% | -2.3% | -3.3% | -1.2% | -3.3% | -0.6% | -2.7% |
| 1 year | -1.2% | -2.0% | -4.3% | -6.7% | -3.4% | -4.9% | -1.8% | -5.0% |
| YTD | 0.2% | 0.2% | -0.4% | -0.5% | -0.3% | -2.0% | 0.3% | -0.9% |

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: Aldgate & the City, Belgravia, Chelsea, Hyde Park, Islington, Kensington, Knightsbridge, Marylebone, Mayfair, Notting Hill, Riverside, South Kensington, St John's Wood, Tower Bridge and Victoria.

Prime Outer London comprises Barnes, Battersea, Belsize Park, Canary Wharf, Chiswick, Clapham, Dulwich, Fulham, Hampstead, Queen's Park, Richmond, Wandsworth, Wapping and Wimbledon.

RESIDENTIAL RESEARCH



Tom Bill
Head of London
Residential Research
+44 20 7861 1492
tom.bill@knightfrank.com

RESIDENTIAL LETTINGS



Tim Hyatt
Partner, Head of Lettings
+44 20 7861 5044
tim.hyatt@knightfrank.com

PRESS OFFICE

Harry Turner
+44 20 3861 6974
harry.turner@knightfrank.com



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