RESIDENTIAL RESEARCH
PRIME LONDON LETTINGS INDEX

Knight Frank

JUNE 2018

This report analyses the performance of single-unit rental properties in the second-hand prime central and prime outer London markets between £250 and £5,000+/ 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 http://www.knightfrank.co.uk/research

PRIME CENTRAL LONDON

Prime central London index | **165.2**

Annual rental value change | **0.8%**

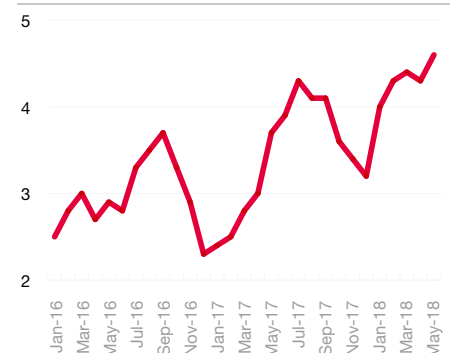Quarterly rental value change | **1.7%**

Figure 1 Annual rental value growth has turned positive in prime central London for the first time since January 2016. Rental values have strengthened as supply levels have fallen, which has happened as more landlords have listed their properties for sale following recent tax changes in the lettings sector and as sales pricing appears to bottom out.

Figure 2 As supply has declined, the relative strength of demand has also risen. The ratio between the number of new prospective tenants and the number of new lettings listings rose to 4.6 in May, which was the highest figure in more than ten years.

FIGURE 1
Annual rental value growth positive once again
Annual rental value growth in prime central London
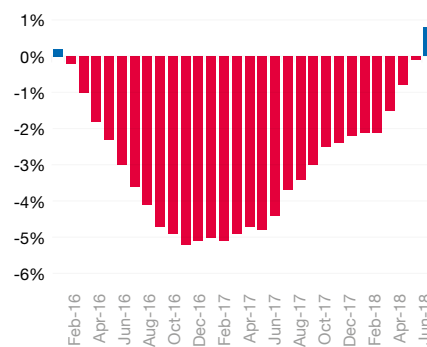
Source: Knight Frank Research

FIGURE 2
Tenant demand strengthens relative to supply
Ratio of new prospective tenants to new listings, three-month rolling average

Source: Knight Frank Research
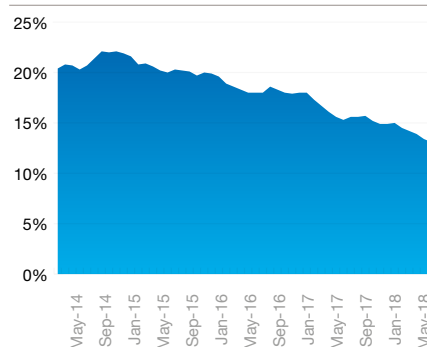
PRIME OUTER LONDON

Prime outer London index | **172.0**

Annual rental value change | **-2.09%**

Quarterly rental value change | **1.27%**

Figure 3 The proportion of landlords who are registering as new prospective buyers has fallen over the last four years in prime central and outer London. Following a series of recent tax changes, they accounted for 13% of new prospective buyers in May 2018 compared to 20% in May 2014.

Figure 4 The number of properties listed for rent in prime outer London in the year to May 2018 was 14% lower than the previous 12-month period. More property owners are trying to sell their property following tax changes that have affected landlords, which is putting upwards pressure on rental values.

FIGURE 3
The number of landlord buyers declines
Landlords as % of new prospective buyers in prime London

Source: Knight Frank Research

FIGURE 4
Rental listings fall in prime outer London
Number of £500+/week listings, annualised % change
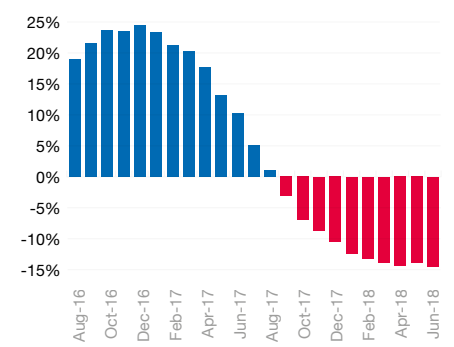
Source: Knight Frank Research / Rightmove

PRIME LONDON LETTINGS INDEX

ECONOMIC DATA

Figure 5 A quarter of respondents to a Bank of England survey said they had "no idea" as to the likely direction of interest rates over the following 12 months, the highest figure since the survey began in 1999. Mixed economic data had increased uncertainty but most economists expect a rise this year.

Figure 6 Although the flow of economic data has been mixed since the start of the year, the composite Purchasing Managers Index showed economic activity picking up in May. The index rose to 54.5 from 53.2 in April, with a figure over 50 suggesting growth.

FIGURE 5
People puzzle over interest rates
Record number of pepole unsure over rate direction
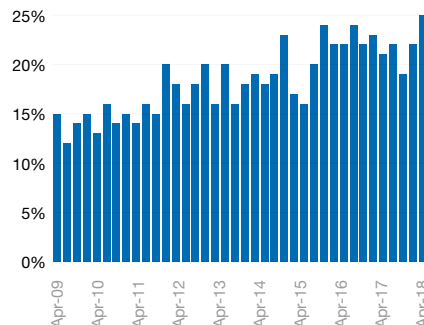
Source: Knight Frank Research

FIGURE 6
Business sentiment picks up in May

► PMI Output Index
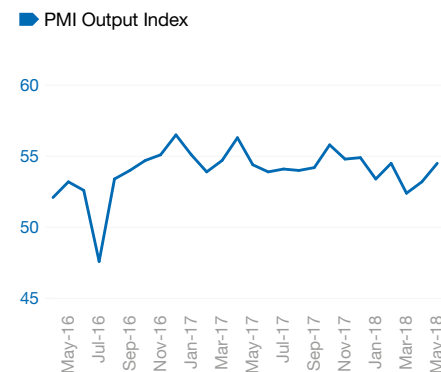
Source: Knight Frank Research

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	1.2%	0.3%	0.6%	0.6%	0.4%	1.1%	0.8%	0.6%
3 months	2.4%	1.4%	1.4%	1.6%	1.2%	2.2%	1.8%	1.4%
6 months	2.8%	1.0%	1.0%	1.0%	2.1%	2.0%	1.8%	1.1%
1 year	1.9%	0.8%	1.2%	-1.2%	0.6%	1.4%	1.0%	0.4%
YTD	2.8%	1.0%	1.0%	1.0%	2.1%	2.0%	1.8%	1.1%

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	0.1%	0.3%	0.3%	0.4%	0.5%	1.0%	0.2%	0.5%
3 months	0.4%	0.8%	0.9%	2.5%	1.6%	2.6%	0.9%	1.8%
6 months	0.6%	0.8%	0.1%	0.9%	0.8%	-0.5%	0.9%	0.1%
1 year	-0.5%	-1.1%	-2.8%	-5.3%	-2.0%	-2.8%	-0.8%	-3.7%
YTD	0.6%	0.8%	0.1%	0.9%	0.8%	-0.5%	0.9%	0.1%

DATA DIGEST

The Knight Frank Prime Central London 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 the rental 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.

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