



NOVEMBER 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 | **165.0**

Annual rental value change | **1.4%**

Quarterly rental value change | **-0.2%**

PRIME OUTER LONDON

Prime outer London index | **171.2**

Annual rental value change | **-0.69%**

Quarterly rental value change | **-0.18%**

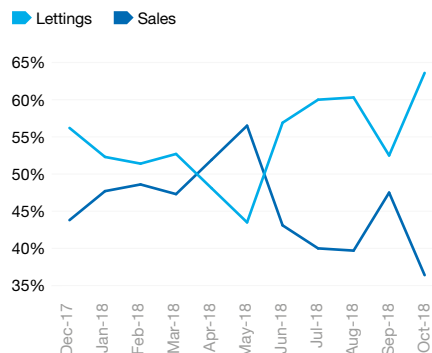
Figure 1 The proportion of properties listed for rent in prime London residential markets in October was at its highest level since January 2017. While some landlords listed their property for sale due to a series of tax changes, a number have returned to the lettings market after their price expectations were not met in the sales market.

Figure 2 As supply has risen, the ratio of new prospective tenants to new lettings listings declined to 4.7 in October. Despite the decline, new demand remains relatively high versus new supply by historic standards, which suggests that positive annual rental value growth will be sustained.

Figure 3 Annual rental value growth was 1.4% in November, which was the highest rate in more than three years. Meanwhile, rental value declines in prime outer London are moderating. Indeed, rental values in more than half of Knight Frank's POL offices rose on a quarterly basis in November.

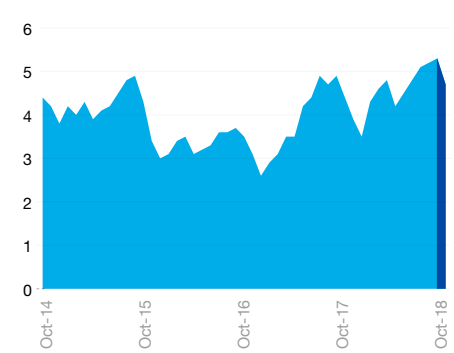
Figure 4 Annual rental value growth in PCL in November was stronger for properties rented at less than £1,000 per week than above that figure. As rental values strengthen, it reflects how corporate accommodation budgets have been curbed in recent years in response to economic and political uncertainty.

FIGURE 1
'Boomerang' landlords push up supply
 Percentage split of London listings in PCL and POL



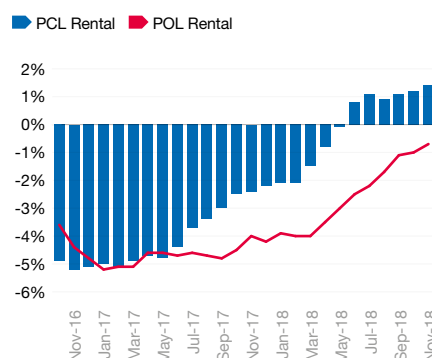
Source: Knight Frank Research

FIGURE 2
Demand remains strong versus supply
 Ratio of new prospective tenants / new lettings listings



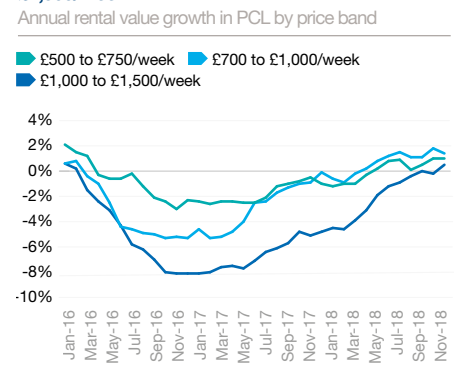
Source: Knight Frank Research

FIGURE 3
Annual rental value growth strengthens



Source: Knight Frank Research

FIGURE 4
Annual rental value growth stronger below £1,000/week



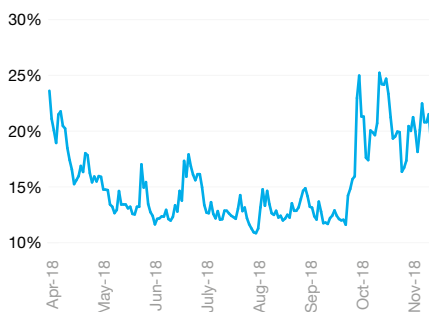
Source: Knight Frank Research

ECONOMIC DATA

Figure 5 A stock market sell-off in October was accompanied by a fall in bond prices. This relatively rare event, caused by concerns over global growth and the prospect of further US rate hikes, produced a spike in volatility. Real estate can benefit when volatility impacts bond and equity prices.

Figure 6 The yield on a 10-year government bond fell below 1.5% in November. Yields on the so-called risk-free rate have been kept in check by the Bank of England adopting a cautious approach to rate rises. Meanwhile, property returns have risen as a result of rental value growth, widening the spread between the two fixed income streams.

FIGURE 5
Volatility hits stock markets in Q4 2018



Source: S&P 500 Volatility Index

FIGURE 6
PCL yields higher than 10-year UK bonds



Source: Knight Frank Research

FIGURE 7
PRIME CENTRAL LONDON Rental value 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%	-0.1%	0.3%	-0.3%	-0.2%	-0.2%
3 months	0.4%	0.0%	0.3%	-0.3%	-0.4%	-1.1%	-0.1%	-0.5%
6 months	2.2%	0.1%	1.2%	0.5%	-0.2%	0.1%	0.8%	0.1%
1 year	3.9%	1.0%	1.4%	0.5%	1.2%	0.9%	1.8%	0.4%
YTD	3.9%	0.8%	1.6%	0.9%	1.5%	1.1%	1.9%	0.6%

FIGURE 8
PRIME OUTER LONDON Rental value 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	0.2%	0.0%	-0.2%	-0.3%	-0.3%	-0.5%	0.0%	-0.2%
3 months	0.5%	0.1%	-0.2%	-0.5%	-0.5%	-1.4%	0.1%	-0.5%
6 months	0.9%	0.5%	0.0%	-0.6%	-0.3%	-0.2%	0.5%	-0.1%
1 year	0.9%	0.3%	-1.6%	-1.7%	-0.4%	-3.4%	0.5%	-2.1%
YTD	1.3%	0.7%	-0.2%	-0.3%	-0.2%	-2.2%	1.0%	-1.0%

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



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If you are a landlord or a tenant and would like some help or information, we would love to hear from you



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