

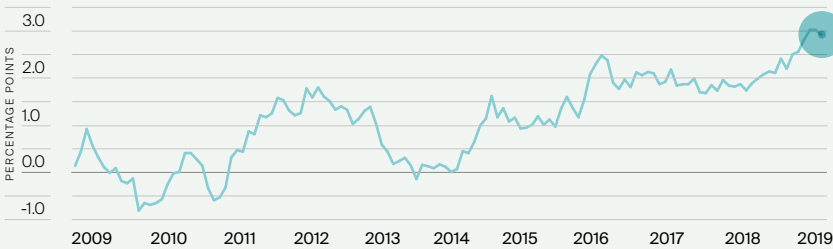
# Prime London Lettings Index

November 2019

	<b>PRIME CENTRAL LONDON</b>	PRIME CENTRAL LONDON INDEX <b>165.7</b>	ANNUAL CHANGE <b>0.4%</b>	QUARTERLY CHANGE <b>0.3%</b>	MONTHLY CHANGE <b>0.1%</b>
	<b>PRIME OUTER LONDON</b>	PRIME OUTER LONDON INDEX <b>171.4</b>	ANNUAL CHANGE <b>0.1%</b>	QUARTERLY CHANGE <b>0.0%</b>	MONTHLY CHANGE <b>0.0%</b>

## 1 Prime central London yields become more attractive

Spread versus 10-year UK government bonds

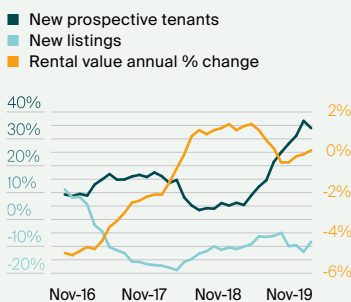


Source: Knight Frank Research

**Figure 1** — The difference between the gross yield in prime central London and the so-called risk-free yield on a ten-year government bond has climbed to its highest levels in ten years. This spread, which shows the relative appeal of holding prime central London property, has grown as rental values strengthen and prices decline, although at a more moderate rate.

## 2 Demand drives rental value growth

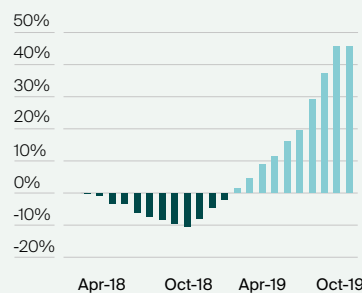
Listings and prospective tenants annualised % change, PCL



Source: Knight Frank Research

## 3 Steep rise in tenancies agreed

Sub £1,000/week, annualised % change, PCL and POL, per office basis



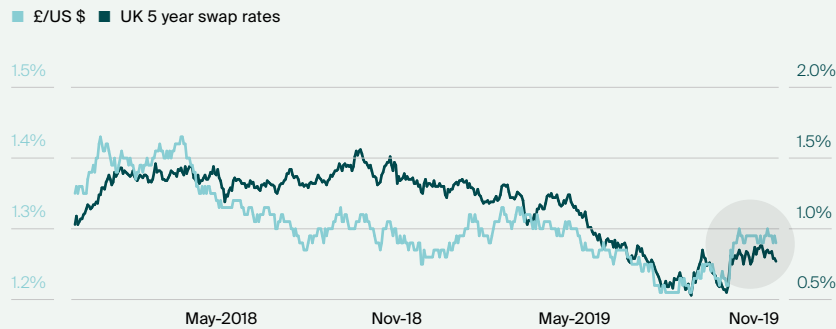
Source: Knight Frank Research

**Figure 2** — Rental values in prime central London have begun to rise in recent months. This has primarily been caused by strengthening demand, with the number of new prospective tenants increasing 34% in the year to October. Meanwhile, lower levels of supply have also put upwards pressure on rental values.

**Figure 3** — Meanwhile, the number of tenancies agreed has continued to strengthen markedly, as some buyers switch to the lettings market in response to the political uncertainty, a trend that has been more notable below £1,000 per week. In this price bracket, there were 46% more tenancies agreed in the year to October 2019 compared to the previous 12-month period.

## MACRO DATA

### 4 The window of opportunity appears to be closing



**Figure 4** — The discount for overseas buyers has narrowed in recent months as the pound strengthened in response to the Tory government reaching a withdrawal agreement with the EU. The five-year swap rate has also climbed, suggesting the trend for ultra-low mortgage rates may be bottoming out. Should political uncertainty recede further in coming weeks, both indicators may climb further.

#### 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	0.9%	0.4%	-0.3%	-0.4%	0.0%	0.2%	0.1%	0.1%
3 MONTHS	1.6%	1.2%	0.0%	-0.1%	-0.2%	0.1%	0.3%	0.3%
6 MONTHS	2.7%	1.8%	0.5%	0.3%	-0.2%	0.4%	0.8%	0.8%
1 YEAR	3.9%	2.7%	0.1%	-1.1%	-2.1%	-0.2%	0.7%	-0.2%
YTD	3.8%	2.9%	0.4%	-0.3%	-1.7%	0.2%	1.1%	0.1%

#### 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%	0.1%	-0.1%	-0.1%	0.0%	-0.1%	0.0%	-0.1%
3 MONTHS	0.2%	0.2%	0.1%	-0.8%	0.1%	0.1%	0.3%	-0.4%
6 MONTHS	0.8%	0.4%	0.0%	-0.6%	-0.2%	0.3%	0.5%	-0.2%
1 YEAR	1.4%	-0.3%	0.0%	-0.9%	-1.1%	0.9%	0.4%	-0.2%
YTD	1.5%	0.0%	0.4%	-0.4%	-0.5%	1.3%	0.6%	0.3%

### Please get in touch with us

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

[Clientservices@knightfrank.com](mailto:Clientservices@knightfrank.com)

+44 20 3869 4758



**Tom Bill**

Head of London Residential Research

+44 20 7861 1492

[tom.bill@knightfrank.com](mailto:tom.bill@knightfrank.com)

**Knight Frank Research Reports are available at [knightfrank.com/research](http://knightfrank.com/research)**



Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs. Important Notice: © Knight Frank LLP 2018 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 not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. 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.