

Rising demand for prime London rental property

Further evidence of strengthening demand for prime London rental property has been confirmed by a 10% rise in tenant registrations this year, Liam Bailey assesses the latest data.

Results for September 2013

Prime central London rents fell by 0.1% in September and are 1.2% lower over the year-to-date

In Q3 prime central London rents **fell by 0.7%**

Registrations by prospective tenants **rose 9.9% in the period January to September 2013** compared to the same time in 2012.

The volume of tenancies agreed rose by 16.1% over the same period

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Rents in prime central London fell by 0.7% during the third quarter of 2013, taking the decline in rents so far this year to 1.2%.

The fall in rents during September, at 0.1%, was the most modest since May 2013, and points to a moderation in the recent trend of rental falls.

We have noted in previous months the close relationship between conditions in the prime central London rental market and the health of the financial and business services sector.

According to Markit Economics *Report on Jobs*, compiled on behalf of the Recruitment & Employment Confederation and KPMG, the number of staff placed into permanent positions by London-based recruitment consultancies rose for the third straight month in August. As firms in London begin hiring and business expansion begins to spread, so too demand for rental accommodation rises.

The number of new applicants registering their interest in renting a home in prime central London was 9.9% higher between January and September 2013 compared to the same period in 2012; and the volume of property viewings by prospective tenants has risen by 11.9%.

As a result of this increase in market activity there has been a notable rise in the number of tenancies agreed so far this year. The number of tenancies agreed in prime central London is 16.1% higher over the year-to-date compared to the same period of 2012.

The majority of these deals have been for homes in the sub-£1,000 per week rental bracket, which has accounted for 70% of all new prime lets over the year-to-date. Flats in this price bracket are proving particularly popular with young professionals and couples, agents report.

Assessing rental movements by price band we can confirm that the £500-£1,500 per week price bracket saw a 0.3% decline in September compared to the previous month, and a decline of 1.6% over the year-to-date. In comparison properties in the £1,500+ per week bracket have fallen by 0.9% in 2013.

While the headline figure indicates that rents in prime central London are declining, performance is varied across markets. In Mayfair, Notting Hill and Hyde Park rents have declined by 5.2%, 2.4% and 1.9% over the year-to-date. Rents in the City and in Kensington, however, are unchanged in 2013 and in Marylebone rents have risen by 2.2% so far in 2013.



LIAM BAILEY
Global Head of Residential Research

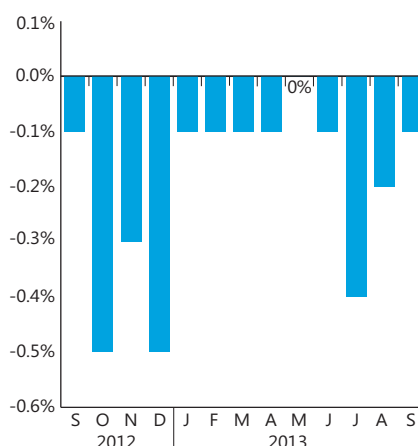
"The majority of new leases have been for sub-£1,000 per week properties, which have accounted for a significant proportion of all new deals over the year-to-date."

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Figure 1

Monthly growth

Prime central London average residential rental change

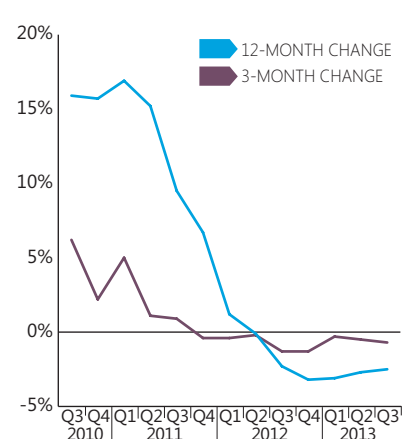


Source: Knight Frank Residential Research

Figure 2

Annual and quarterly growth

Prime central London average residential rental change



Source: Knight Frank Residential Research

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.

Knight Frank Prime Central London Rental Index

	KF Prime Central London Index	12-month change %	6-month change %	3-month change %	Monthly change %
Sep-11	178.7	9.5%	2.1%	0.9%	0.5%
Oct-11	178.5	n.a.	1.6%	0.6%	-0.1%
Nov-11	178.1	n.a.	0.9%	0.1%	-0.2%
Dec-11	178.0	6.7%	0.5%	-0.4%	-0.1%
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%
Jul-13	170.8	-2.7%	-0.7%	-0.5%	-0.4%
Aug-13	170.5	-2.5%	-0.8%	-0.7%	-0.2%
Sep-13	170.3	-2.5%	-0.9%	-0.7%	-0.1%

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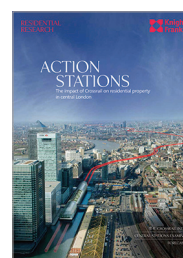
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