

HOME COUNTIES RENTS RISE AS BUSINESS CONFIDENCE GROWS

The improving economic and business environment in London and the Home Counties contributed to a rise in rents in the first quarter of 2014, boosted by demand from corporate tenants. Oliver Knight examines the latest data.

Results for Q1 2014

Rents for prime homes in the Home Counties increased by 0.7% over the first three months of 2014

Despite the rise, **rents remain 4.3% lower on an annual basis**

Demand remains strong, with 38% more applicants in Q1 2014 compared to the same period last year

Sub-£3k per month lets **accounted for 45% of the total number of tenancies agreed in Q1 2014**

Prime rents across the Home Counties rose by 0.7% in Q1 2014, driven by an increase in demand for rental accommodation in the area.

However, the rise did little to reverse the annual decline in rents, which have fallen by 4.3% compared to one year previously.

It comes against the background of an improving economic picture in the UK, which is starting to boost corporate lettings activity in the area. Demand from staff relocating to work in London, especially in the financial services sector or for one of the blue chip companies based in the Thames Valley, has historically formed a large part of the market.

According to the latest CBI/KPMG London Business Survey, which is completed by chief executives and business leaders from the city, London firms' optimism about the economy has soared to its highest level since the end of 2010. More than half of London firms (56%) said they are continuing to increase their headcount.

Demand for accommodation from individuals working in the oil and energy sectors was particularly strong in Q1 2014.

Rents rose or were unchanged in five of the seven areas covered by our index in the first quarter of the year. In addition to a 4.9% rise in Guildford, there were rises of 3.6% in Beaconsfield, 3.5% in Virginia Water and 1.1% in Ascot. In Henley, rents were unchanged compared to the previous quarter.

The number of new applicants registering with Knight Frank lettings agents in the Home Counties rose by 38% in the first three months of 2014 compared to the same period last year. Viewings have increased by 11% over the same time.

This has contributed to a significant rise in the number of tenancies agreed over the course of the quarter, with deals 74% higher year-on-year.

Interestingly, in line with the strengthening sales market in the area as price rises begin to ripple out from London, agents have noted an increase in the number

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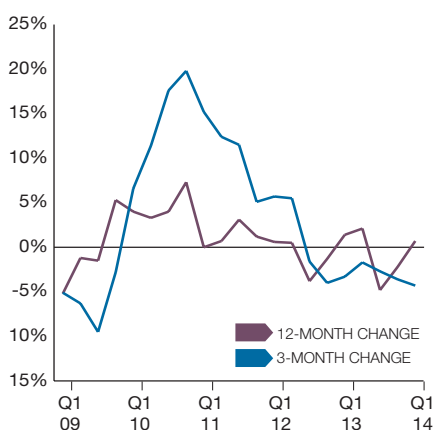
OLIVER KNIGHT
Residential Research

"The number of tenancies agreed in Q1 2014 across the Home Counties lettings market was 74% higher than the previous year."

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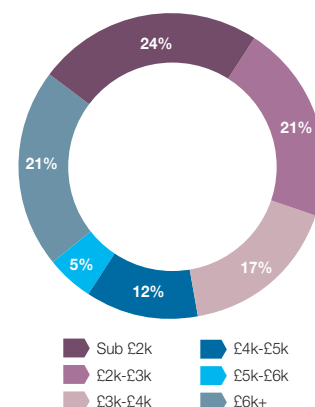
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FIGURE 1
12 month and 3 month rental change
Prime Home Counties residential rental change



Source: Knight Frank Residential Research

FIGURE 2
Tenancies agreed
Completed prime Home Counties tenancies, Q1 2014, by price band



Source: Knight Frank Residential Research

HOME COUNTIES LETTINGS INDEX

of 'try before you buy' family tenants in the Home Counties who want to get to know an area before making a commitment to purchase.

Activity has been focused on the sub-£3,000 per month price bracket so far in 2014, with tenancies agreed at this level accounting for almost half of the total

number of deals. However, as we enter the summer months, when corporate demand tends to be highest, rising demand from relocating executives, both from London and internationally, is likely to result in more deals being completed in the £3,000+ per month bracket.

"The improving economic environment is helping boost corporate lettings activity in the Home Counties."

Knight Frank Home Counties Prime Lettings Index results

	Annual % change	Six monthly % change	Quarterly % change
Q1 2013	-3.3%	0.1%	1.4%
Q2 2013	-1.7%	3.5%	2.1%
Q3 2013	-2.7%	-2.8%	-4.8%
Q4 2013	-3.6%	-6.9%	-2.2%
Q1 2014	-4.3%	-1.6%	0.7%

Source: Knight Frank Residential Research

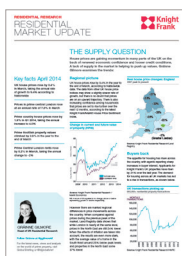
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