

RENTS TURN CORNER IN 2014

Despite a slight decline during the fourth quarter, annual growth for prime rents in the Home Counties rose to its highest level in nearly two years in 2014. Oliver Knight examines the latest figures.

Results for Q4 2014

Prime rents in the Home Counties fell by 0.5% in Q4 2014

On an annual basis, prime rents increased by 1.9% in 2014

The number of tenancies agreed across the Home Counties in Q4 2014 was 39% higher year-on-year

Nearly 60% of tenants in 2014 were from the UK

Prime rents in the Home Counties fell by 0.5% in the final three months of 2014 as a seasonal year-end slowdown and a desire from landlords to keep void periods to a minimum put downwards pressure on values.

In spite of the quarterly decline, the annual increase in rental values was 1.9%, the highest rate of annual growth in nearly two years, although this was not quite enough to reverse the 3.6% decline seen in 2013. Annual growth climbed in the second half of the year as the UK economy improved.

There are indications that such favourable economic conditions will continue in 2015 with a recent Deloitte survey of UK chief financial officers finding that almost all are optimistic about the prospects for the UK economy in 2015, a fact which could have a positive impact on corporate lettings activity across the Home Counties this year.

In 2014, over 40% of Knight Frank tenants in the Home Counties were from overseas, led by North Americans who accounted for 14% of all tenancies agreed and

Europeans who accounted for 11% of all tenancies agreed over the period.

The number of new potential tenants, both corporate and private, registering with Knight Frank lettings agents slowed on a quarterly basis in the run up to Christmas. However, on an annual basis new applicant numbers were 3% higher year-on-year in the fourth quarter and the number of viewings was 1% higher over the same time.

This contributed to a 39% year-on-year increase in the number of tenancies agreed over the three month period, indicating that demand for rental properties has remained high.

Flats and small houses up to £8,000 per month were in particular demand, accounting for over 80% of all tenancies agreed across the Home Counties in the fourth quarter at Knight Frank.

Looking at supply, the number of new instructions, which tends to be a good indicator of future stock coming to the market, was 41% higher in the fourth quarter year-on-year.



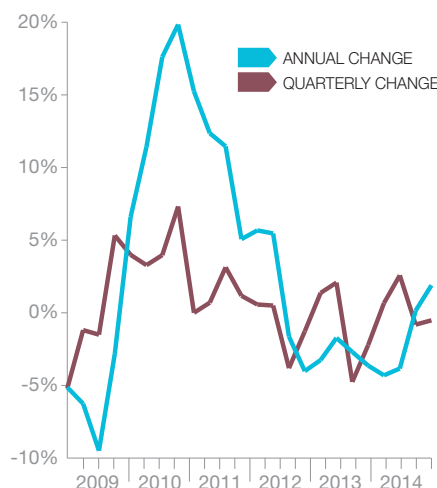
OLIVER KNIGHT
Residential Research

"Annual rental growth crept into positive territory during the second half of the year on the back of an improving UK economy and there are indications that such favourable economic conditions will continue."

Follow Oliver at [@oliverknightkf](https://twitter.com/oliverknightkf)

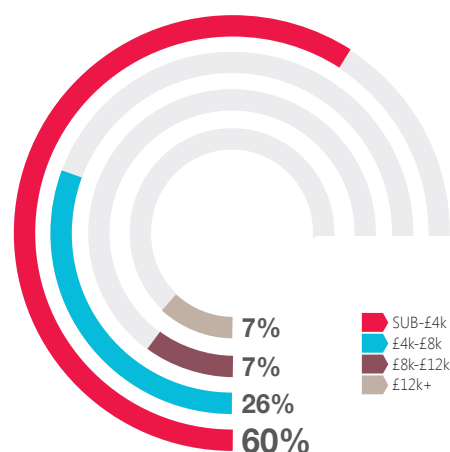
For the latest news, views and analysis on the world of prime property, visit Global Briefing or [@kfglobalbrief](https://twitter.com/kfglobalbrief)

FIGURE 1
12-month and 3-month rate of change
Home Counties average prime residential rents



Source: Knight Frank Residential Research

FIGURE 2
Tenancies agreed across the Home Counties
Completed tenancies in Q4 2014, by price band (per month)



Source: Knight Frank Residential Research

HOME COUNTIES LETTINGS INDEX

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	-0.4%	-6.9%	-2.2%
Q1 2014	-4.3%	-1.6%	0.7%
Q2 2014	-3.8%	3.3%	2.6%
Q3 2014	0.1%	1.7%	-0.8%
Q4 2014	1.9%	-1.3%	-0.5%

Source: Knight Frank Residential Research

“Nearly 60% of Knight Frank tenants in the Home Counties were from the UK in 2014.”

RECENT MARKET-LEADING RESEARCH PUBLICATIONS



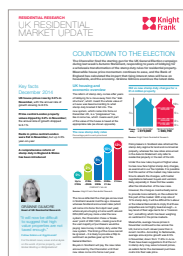
The Wealth Report 2014



Prime Country Review Winter 2014



The London Review Winter 2015



UK Residential Market Update Dec 2014



UK Prime Country House Index Q3 2014



Prime Central London Rental Index Dec 2014



Prime Central London Sales Index Dec 2014



Prime Outer London Index Q3 2014

Knight Frank Research Reports are available at KnightFrank.com/Research



GLOBAL BRIEFING

For the latest news, views and analysis on the world of prime property, visit KnightFrankblog.com/global-briefing

RESIDENTIAL RESEARCH

Liam Bailey

Global Head of Research

+44 20 7861 5133

liam.bailey@knightfrank.com

Oliver Knight

Residential Research

+44 20 7861 5134

oliver.knight@knightfrank.com

PRESS OFFICE

Daisy Ziegler

+44 20 7861 1031

daisy.ziegler@knightfrank.com



© Knight Frank LLP 2015 - 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.