

PRIME RENTAL GROWTH ACROSS THE HOME COUNTIES MODERATES

Rising stock levels and a greater flexibility on rents from landlords has tipped the balance in the favour of the tenant.

Results for Q1 2016

Home Counties rents **rose by 0.9% in Q1 2016**, taking the **annual change in rental values to 1.7%**

The rental market has continued to be location specific with **Guildford** and **Beaconsfield** seeing the highest levels of rental growth

The number of tenancies agreed between January and March was nearly **10% higher year-on-year**

There was a **31% rise in enquiries from individuals relocating for work** both from London and internationally

Prime rents across the Home Counties rose by 0.9% in the first three months of 2016, according to Knight Frank's index. On an annual basis rents were 1.7% higher than a year previously, down from 4.7% in March 2015.

This moderation in annual rental growth reflects a desire from landlords to remain competitive in what is increasingly becoming a tenant's market.

However, behind these headlines a number of submarket trends exist.

While activity has been focused on the sub-£4,000 per month price bracket so far in 2016, with such tenancies accounting for over 50% of deals over the year to date, there has also been a pick-up in interest for lets of £10,000 and above after a fairly subdued 2015.

Landlords of larger properties have been more willing to negotiate on rents which reflects the relatively high levels of prime stock on the market, and a desire to keep void periods to a minimum.

This greater flexibility at the top end of the market, and the continued demand for smaller family homes close to good schools, underpinned a 9% increase in the number of tenancies agreed across the Home Counties between January and March compared to Q1 2015.

There was also an uptick in demand from individuals relocating for work both from London and internationally, with 31% more corporate enquiries compared to the previous three months.

However, more volatile economic conditions and a weaker financial services industry mean corporate budgets have been reduced. The EU referendum in June is likely to heighten this mood of uncertainty in the short-term.

Beyond the headline numbers, the rental market has continued to be location specific over the last year with the town markets of Guildford and Beaconsfield delivering the highest levels of growth.



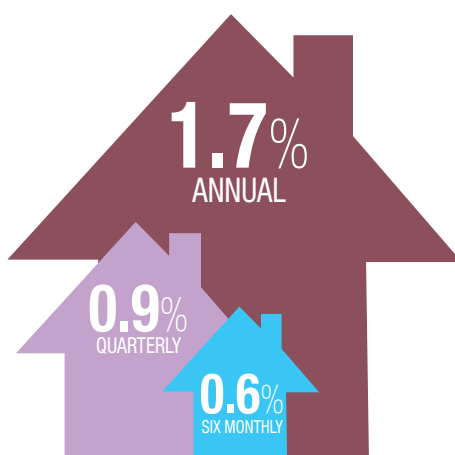
OLIVER KNIGHT
Senior Analyst

"Greater flexibility at the top end of the market, and continued demand for smaller family homes, helped underpin a 9% increase in the number of tenancies agreed in Q1 2016 compared to 2015."

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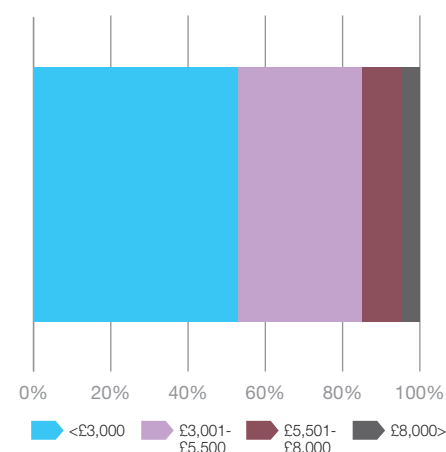
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FIGURE 1
Rental value growth in the Home Counties Q1 2016



Source: Knight Frank Research

FIGURE 2
Tenancies agreed in the Home Counties, by monthly rental value Q1 2015 v Q1 2016



Source: Knight Frank Research

HOME COUNTIES LETTINGS INDEX Q1 2016

Knight Frank Home Counties Prime Lettings Index results

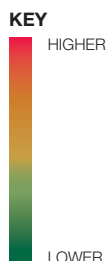
	Annual % change	Six monthly % change	Quarterly % change
Q1 2013	-3.3%	-3.3%	1.4%
Q2 2013	-1.7%	-1.7%	2.1%
Q3 2013	-2.7%	-2.7%	-4.8%
Q4 2013	-0.4%	-0.4%	-2.2%
Q1 2014	-4.3%	-4.3%	0.7%
Q2 2014	-3.8%	-3.8%	2.6%
Q3 2014	0.1%	0.1%	-0.8%
Q4 2014	1.9%	1.9%	-0.5%
Q1 2015	4.7%	4.7%	3.5%
Q2 2015	4.0%	4.0%	1.9%
Q3 2015	4.1%	4.1%	-0.8%
Q4 2015	4.3%	4.3%	-0.3%
Q1 2016	1.7%	1.7%	0.9%

Source: Knight Frank Residential Research

FIGURE 3

Prime rents across the Home Counties by area

Average asking rents in the Home Counties, Q1 2016



Source: Knight Frank Research / TwentyCI

*prime rents = £1,200+

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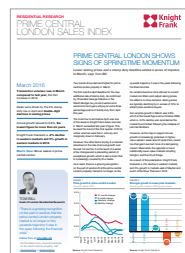
Global Corporate Lettings Review - 2015



UK Prime Country House Index - Q1 2016



Prime Central London Rents Index Mar 2016



Prime Central London Sales Index Mar 2016