

ACTIVITY STRONG IN Q1 2017 DESPITE RENTAL FALLS

Demand for rental property across the Home Counties has been strong but, as the latest figures suggest, it remains a tenant's market

Results for Q1 2017

Prime rental values **fell by 2.3% in the first quarter of 2017**

On an annual basis, **prime rents were 3.9% lower**

The volume of new prospective tenants **rose 15% year-on-year** between January and March and the number of tenancies agreed **increased by 23%**

Demand is **highest in the sub-£2,000** per month price bracket

Enquiries from individuals **relocating to the Home Counties for work increased by 17% year-on-year** between January and March

Prime rental values across the Home Counties fell by 2.3% between January and March following a 1.8% decline the previous quarter. On an annual basis, prime rents were 3.9% lower.

The primary reason behind the slowdown in rental values over the last year has been a rise in stock levels at the top end of the market, a trend that has been fuelled by greater uncertainty in the sales market following a series of tax changes – something we have noted in previous updates.

Knight Frank was instructed to let 33% more properties in Q1 2017 compared with the previous year, and the number of market appraisals – a good indicator of future stock levels – was up by 39% over the same period.

However, demand is also increasing, the number of new prospective tenants registering with Knight Frank rose 15% year-on-year between January and March. Meanwhile, the number of tenancies agreed increased by 23% over the same period. Some 61% of new tenants in Q1 were

from the UK, followed by tenants from North America, the data shows.

While this indicates a marked increase in activity, demand levels vary at different price points, reflecting the current two-tier nature of the lettings market in the Home Counties.

Agents note that below £2,000 per month, activity has been particularly strong, especially for flats and smaller family houses with such properties often letting faster than those in higher price brackets.

Above this price threshold demand has been less strong, with landlords willing to be more flexible with regards to rents especially if tenants offer up front rental payments or are able to commit to longer tenancies which minimise void periods.

Corporate enquiries from individuals relocating to the Home Counties for work were fairly robust over the course of the quarter, rising by 17% compared with the same point in 2016. Interest from corporate tenants is expected to increase over the summer months ahead of the start of the new US and UK school terms in August and September.



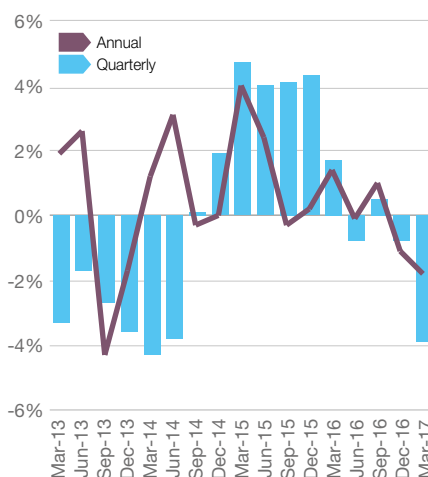
OLIVER KNIGHT
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“Demand levels vary at different price points, reflecting the current two-tier nature of the lettings market in the Home Counties.”

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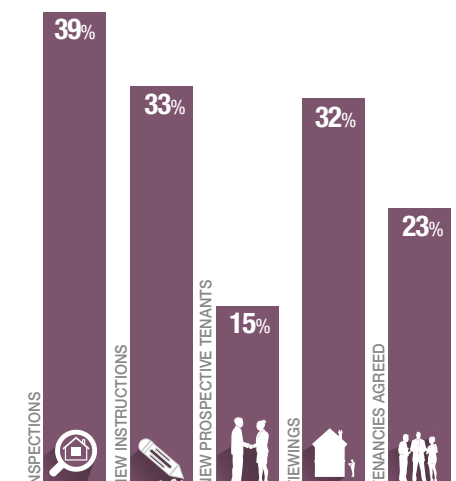
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FIGURE 1
Prime Home Counties rental change
Annual and quarterly % change



Source: Knight Frank Research

FIGURE 2
Prime rental supply and demand
Home Counties, Q1 2017 v Q1 2016



Source: Knight Frank Research

HOME COUNTIES LETTINGS INDEX Q1 2017

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%
Q1 2015	4.7%	2.9%	3.5%
Q2 2015	4.0%	5.4%	1.9%
Q3 2015	4.1%	1.1%	-0.8%
Q4 2015	4.3%	-1.1%	-0.3%
Q1 2016	1.7%	0.6%	0.9%
Q2 2016	-0.8%	0.3%	-0.6%
Q3 2016	0.5%	0.0%	0.5%
Q4 2016	-0.8%	-1.1%	-1.6%
Q1 2017	-3.9%	-3.9%	-2.3%

Source: Knight Frank Research



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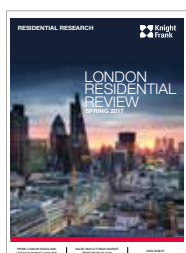
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