

TWO-TIER MARKET EMERGES

A two-tier market is emerging across the Home Counties, with a sharp increase in the number of super-prime properties above £15,000 per month available for rent

Results for Q3 2016

Prime rents across the Home Counties increased by 0.5% between July and September

Annual rental growth **also stands at 0.5%**

There was a **22% increase** in new tenant registrations and a **13% rise** in viewings in Q3, compared with Q3 2015

Rental volumes are **expected to rise** over the autumn and winter

The number of super-prime properties placed on the market between July and September **was 81% higher year-on-year**

Prime rental values across the Home Counties increased by 0.5% between July and September, according to Knight Frank's rental index for the area.

This pick-up in rental growth reversed the trend seen in recent quarters, despite some of the wider economic uncertainty surrounding the Brexit vote.

Annual rental growth also remains positive, albeit largely unchanged, at 0.5%.

However, these headline figures do mask variations within the market. Activity has been more robust in lower price brackets, something which is reflected by stronger rental growth for smaller properties, as shown in figure 2.

Above this level, for larger properties, rising stock volumes have kept a lid on growth.

The number of new super-prime rental properties with an asking rent above £15,000 per month placed on the market across the Home Counties in the three months to September 2016 increased by 81% versus 2015.

Supply at the top end has been boosted by an increase in the number of vendors

deciding to rent out their property due to weaker conditions in the prime sales markets.

As a result, at this level of the market the balance of power remains tipped in favour of tenants. In some cases, landlords have had to be flexible in terms of negotiations around rents in order to minimise void periods.

This has contributed to an increase in the number of super-prime tenancies being agreed so far this year compared with 2015.

Agents note that demand has also grown among "try-before-you-buy" tenants opting to rent before purchase, especially given increased levels of stamp duty in the sales market.

The number of new prospective tenants increased by 22% in the third quarter compared with the previous year and there was a 13% increase in viewings.

As a result, there is an expectation that rental volumes will rise in the coming autumn and winter months.



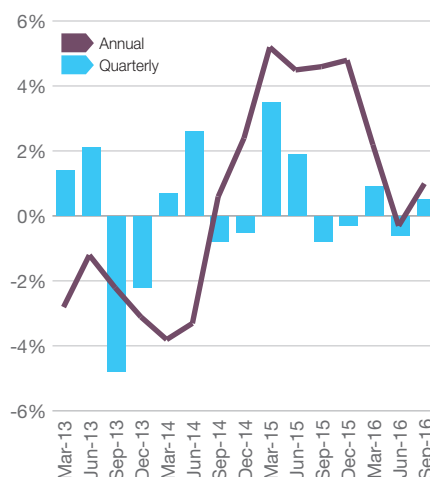
OLIVER KNIGHT
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"...the balance of power remains tipped in favour of tenants – in some cases landlords have shown flexibility around rents to minimise void periods..."

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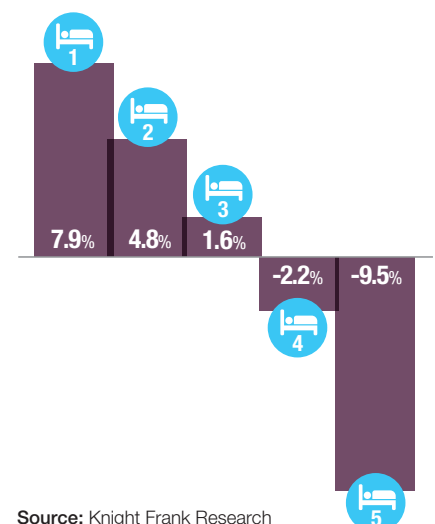
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FIGURE 1
Prime Home Counties rental change
Annual and quarterly % change



Source: Knight Frank Research

FIGURE 2
Home Counties rental growth by bedroom Year to Q3 2016



Source: Knight Frank Research

HOME COUNTIES LETTINGS INDEX Q3 2016

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%

Source: Knight Frank Research



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HOME COUNTIES LETTINGS

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