



LONDON SUPER-PRIME LETTINGS INSIGHT SPRING | 2018

Price sensitivity in the sales market meant there was a record number of super-prime tenancies in 2017. However, an anticipated recovery in sale prices means there are more ‘try-before-you-buy’ tenants, as Tom Smith tells Tom Bill

There was a record number of super-prime tenancies agreed in London in 2017 as price-sensitivity in the sales market continued to boost demand.

Some 137 properties were rented out at £5,000-plus per week last year, which represented a 34% increase on the figure of 102 in 2016. In the three-month period between July and September there were 49 transactions, which is a record for a single quarter in 12 years of LonRes data.

“The momentum of recent years is still gathering pace,” said Tom Smith, Knight Frank’s head of super-prime lettings. “Demand is resilient due to higher rates of stamp duty and the associated uncertainty over the short-term prospects for price growth in the sales market. A lack of clarity regarding Brexit has also been a factor.”

As well as more transactions, the deals agreed are now on a longer-term basis as renting becomes more accepted as a tenure model in the super-prime market, said Tom. The average length of a tenancy in 2017 was 589 days, which compared to 548 in 2016 and 528 in 2015, an analysis of Knight Frank data shows.

There was also a record number of £15,000-plus per week deals last year, with 20 recorded

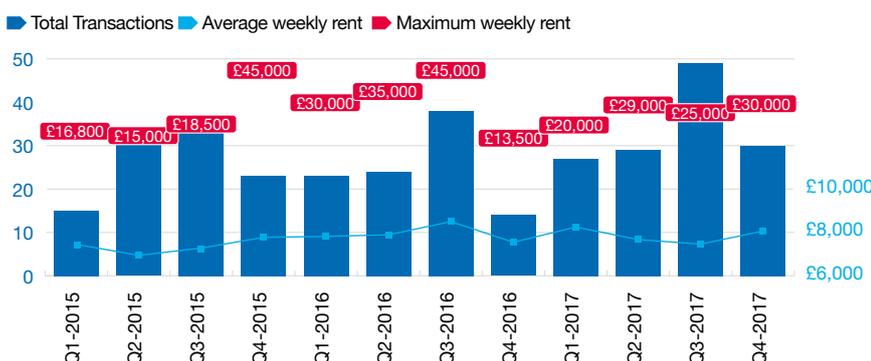
compared to 11 in 2016. “There is increasingly the opportunity to rent the sort of high-quality stock that has come from the sales market that historically did not exist on the lettings market,” said Tom. “The clear message for landlords is that super-prime tenants will not compromise on quality in the same way as buyers will not.”

The prime central London sales market is now moving towards recovery mode as higher transaction costs are absorbed. Average prices above £10 million rose 0.2% in the year to January 2018, the first annual increase in almost two years.

In a sign that more tenants are anticipating this recovery, there has been an increase in the number who have requested a clause in the tenancy agreement giving them first refusal to buy at the end of the tenancy.

“This option was rarely mentioned a few years ago but is now a frequent topic of conversation on viewings. Many landlords have nothing to lose with this ‘try-before-you-buy’ route,” says Tom. “The worst case scenario is that you have an income stream that covers your costs and the best is that you also have a sale at the other end.”

FIGURE 1
London super-prime lettings volumes and rental values



Source: Knight Frank Research / LonRes



Prince Albert Road, let, guide price £12,000 p/w



Kensington Park Gardens, let, guide price £15,950 p/w

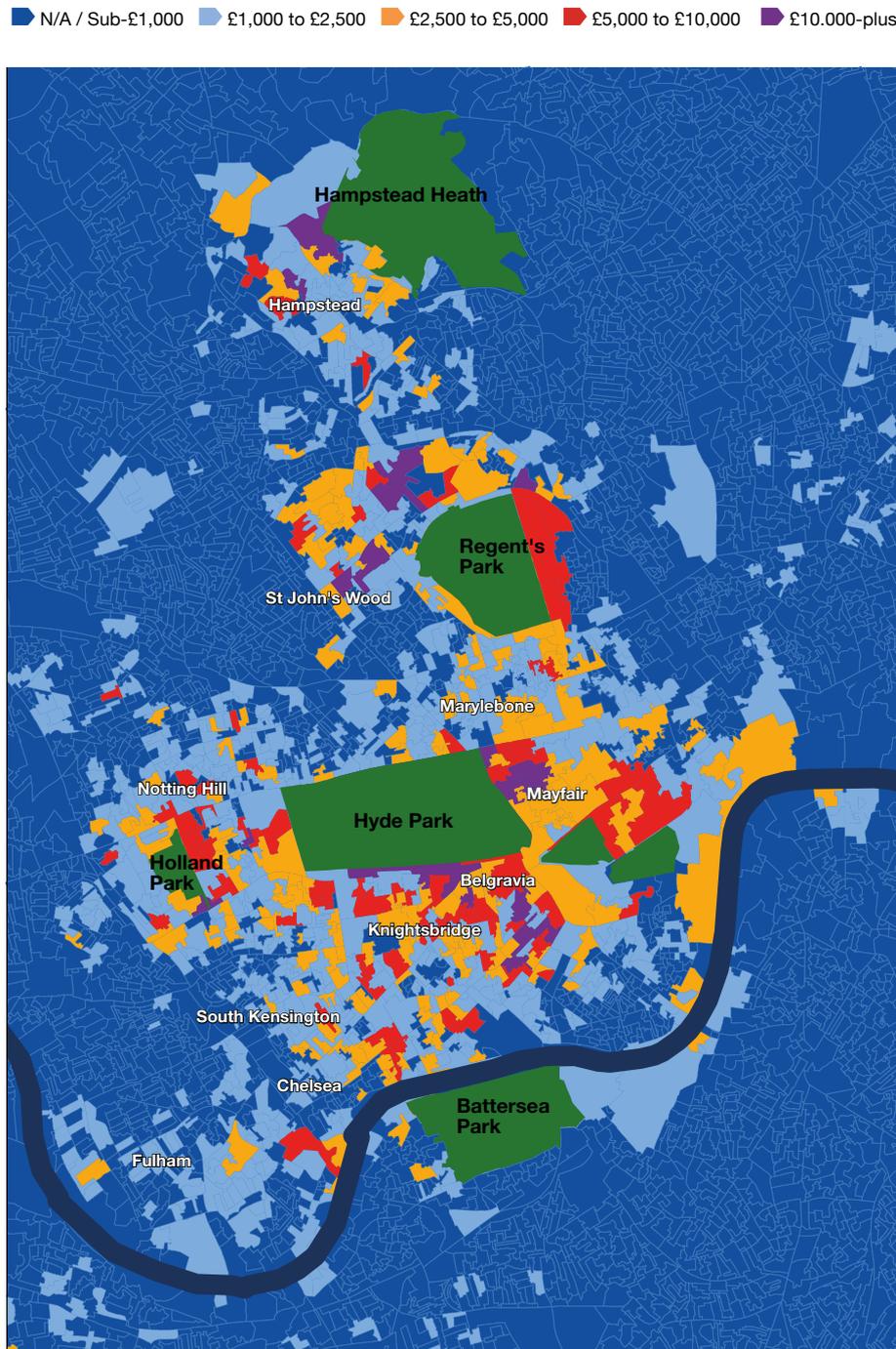
Super-Prime Lettings Team

The Knight Frank Super-Prime Lettings team provides a bespoke service to clients with property interests of £5,000-plus per week in prime central London. Led by Tom Smith, the team consists of 12 local specialists with over 130 years of collective experience and has a dominant market share in London. It completed twice as many super-prime lettings deals in London as its nearest competitor in 2017, LonRes data shows. The team members are based in Belgravia, Belsize Park, Chelsea, Hampstead, Hyde Park, Kensington, Knightsbridge, Marylebone, Mayfair, Notting Hill, South Kensington and St John’s Wood. Knight Frank’s global real estate network gives the team access to London’s most exclusive properties on and off the market.



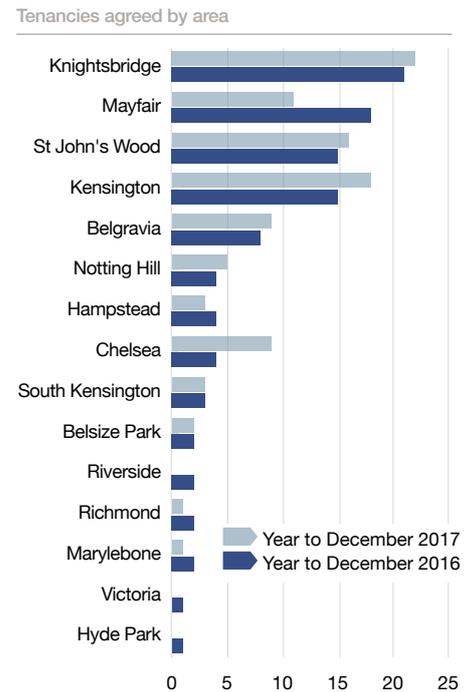
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FIGURE 2
Highest achieved weekly rental value 12 months to December 2017



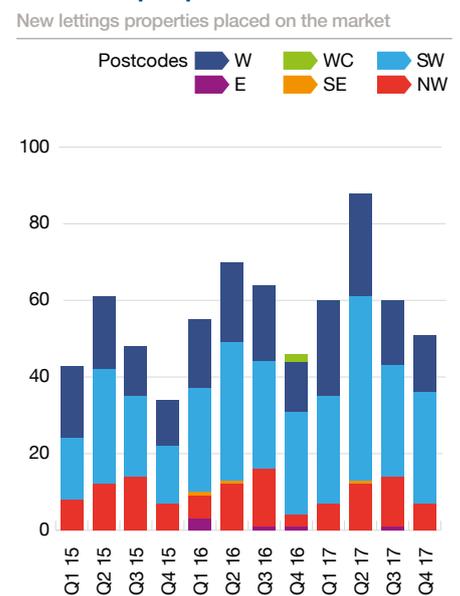
Source: Knight Frank Research / LonRes

FIGURE 3
Super-prime lettings market share



Source: Knight Frank Research / LonRes

FIGURE 4
London super-prime stock levels



Source: Knight Frank Research / LonRes



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