

LONDON SUPER-PRIME LETTINGS INSIGHT AUTUMN | 2019

London's super-prime lettings market continues to benefit from political and global economic uncertainty, while the spending power of overseas tenants rises, as Tom Smith tells Tom Bill

Demand for prime London property continues to be influenced by political events in 2019.

While the uncertainty surrounding Brexit and the stability of the government has led to hesitation in some sales markets, it has caused demand for super-prime (£5,000+ per week) lettings property to strengthen.

There were a total of 40 transactions agreed in this price bracket during the second quarter of the year, which was the highest figure for the period in more than seven years. Furthermore, there were 153 super-prime tenancies agreed in the year to June, the highest annual total over the same period.

"People are watching and waiting for the political situation to play out and some have decided to rent," said Tom Smith, head of super-prime lettings at Knight Frank. "People tell me they want to remain flexible, not just because of Brexit but because of their concerns around global trade tensions and the state of the world economy."

Demand has increased in areas like Notting Hill and St John's Wood, says Tom, as figure 3 shows. "Demand in both areas is driven by the quality of the schools and they have been

particularly popular among US tenants. The weakening pound means overseas tenants have been able to increase their budgets."

A tenant denominated in US dollars with a budget of £5,000 per week has seen this grow to the equivalent of more than £6,000 since the EU referendum, as figure 1 shows.

The emergence of high-quality super-prime developments has also helped drive tenants into areas like Mayfair, says Tom.

However, the supply of super-prime new-build properties is tightening, as the whole-market data in figure 4 shows. The number of new super-prime lettings listings declined to 209 in the second quarter of this year compared to 284 a year ago.

"The shortage of supply, particularly for the most in-demand new-build developments, means there can be a premium for the rental values paid," says Tom. "There are several examples where this has pushed the rental yield to in excess of 4% in the best schemes, which is high by the standards of prime central London."



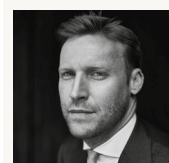
Upper Phillimore Gardens, guide price £25,000 per week



Elm Park Road, guide price £10,000 per week

Please get in touch

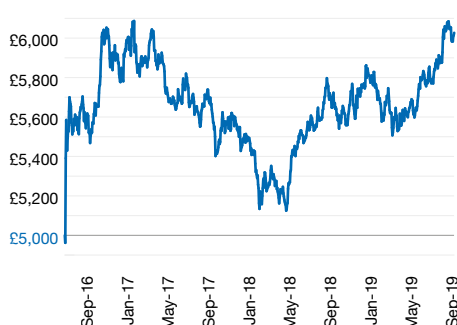
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FIGURE 1
The rising spending power of US tenants

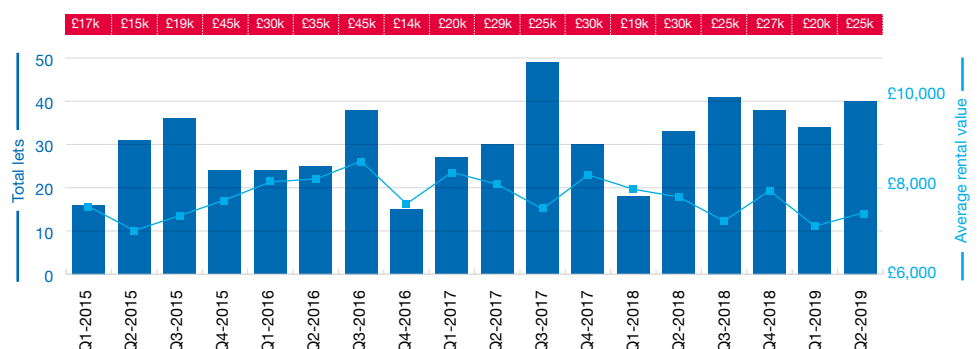
How the equivalent of £5,000 in June 2016 has changed over time for US\$ denominated tenants



Source: Knight Frank Research / LonRes

FIGURE 2
London super-prime lettings volumes and achieved rental values

■ Total Transactions ■ Average weekly rental value ■ Maximum weekly rental value



Source: Knight Frank Research / LonRes

LONDON SUPER-PRIME LETTINGS INSIGHT

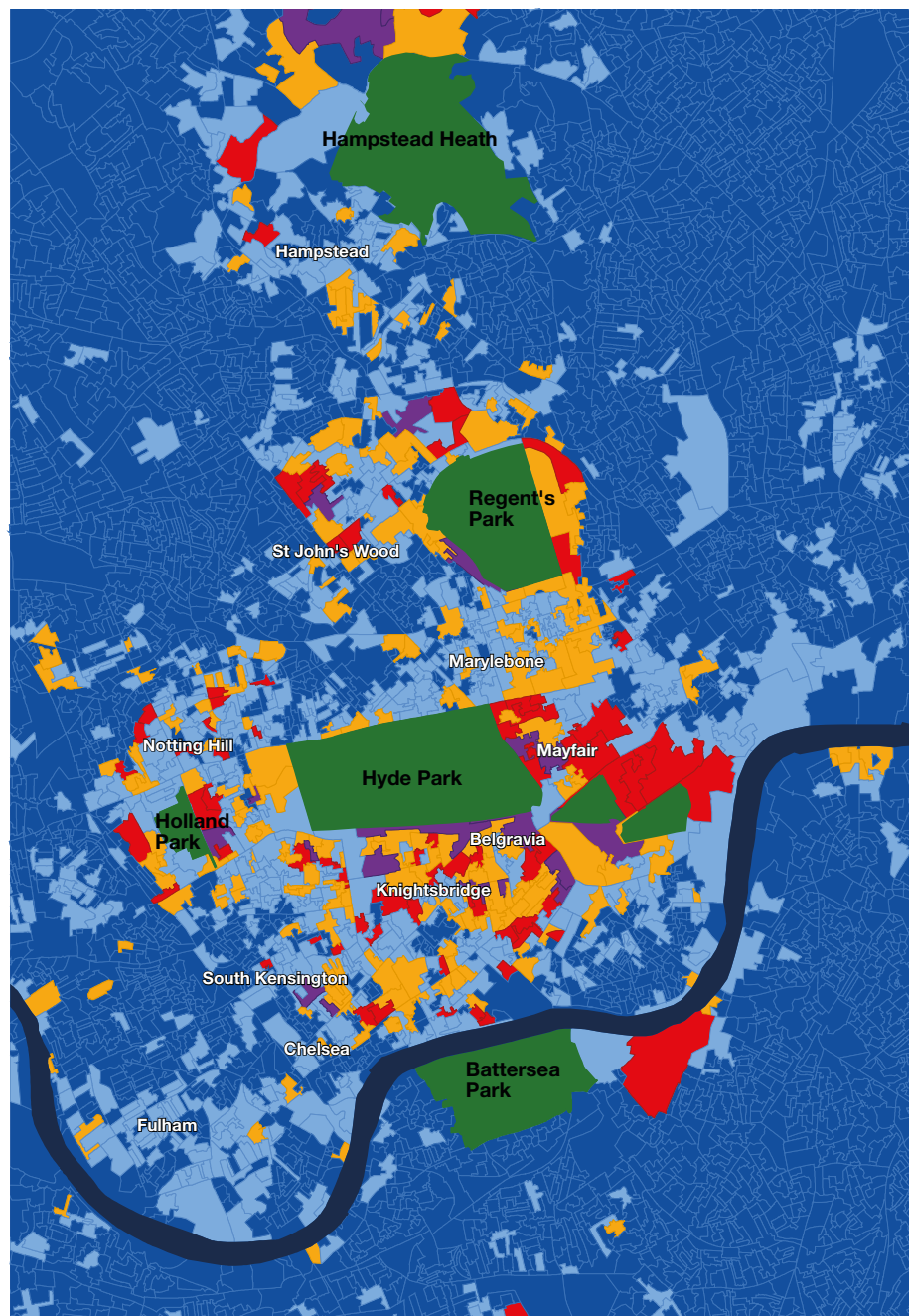
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FIGURE 3

Where do super-prime lettings deals take place?

Highest achieved weekly rental value, 12 months to August 2019

■ N/A / Sub-£1,000 ■ £1,000 to £2,500 ■ £2,500 to £5,000 ■ £5,000 to £10,000 ■ £10,000-plus

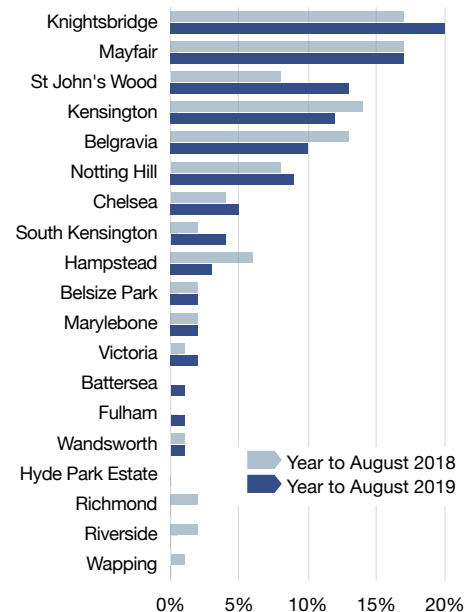


Source: Knight Frank Research / LonRes

FIGURE 4

Super-prime lettings market share

Percentage of super-prime lettings deals agreed by neighbourhood

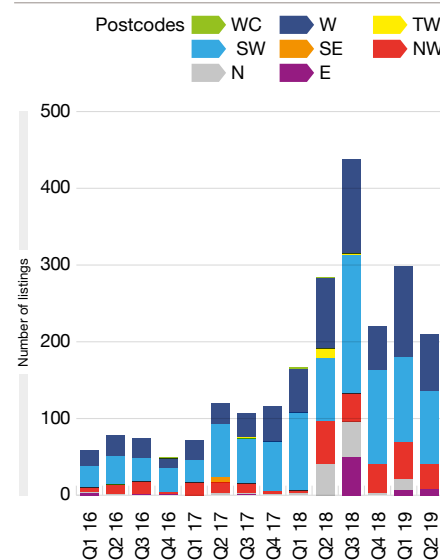


Source: Knight Frank Research / LonRes

FIGURE 5

Super-prime supply

New £5,000-plus per week listings by postcode



Source: Knight Frank Research / LonRes

RESIDENTIAL RESEARCH

If you would like further insight into London residential markets please feel free to get in touch



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