

London Super-Prime Lettings Insight

knightfrank.com/research

Autumn 2021

The forces shaping the super-prime lettings market (£5,000-plus/week) in the capital are similar to those facing the wider market.

Demand has accelerated while supply has fallen sharply.

The result is that London has become a landlord's market. Average rental values in prime central London rose by 2.8% in the three months to September, the largest quarterly increase in a decade.

Supply remains low due to the fact a number of owners sold in order to capitalise on a resurgent sales market over the last 18 months, producing fewer so-called accidental landlords.

Meanwhile, demand for high-value lettings property has been driven by the desire for more space following successive lockdowns. Furthermore, many sectors of the global economy, including finance, have flourished, over the pandemic, further driving tenant demand.

These trends combined with another event this summer to produce a perfect storm of activity in recent months, according to Tom Smith, head of super-prime lettings at Knight Frank.

"A number of people in London were affected by flooding, which produced a spike in tenants needing a rental property for six to nine months," said Tom. "On top of that, people came back from holiday, there was a seasonal rush ahead of the schools re-opening and all that was happening just as international

travel was kicking back in."

The result, according to Tom, is that August was one of the highest months on record for the number of super-prime lettings deals agreed by Knight Frank.

Supply is so tight (see figure 4) that some tenants have resorted to signing pre-let agreements in order to secure the right property, something that Tom says has not previously been seen in the market.

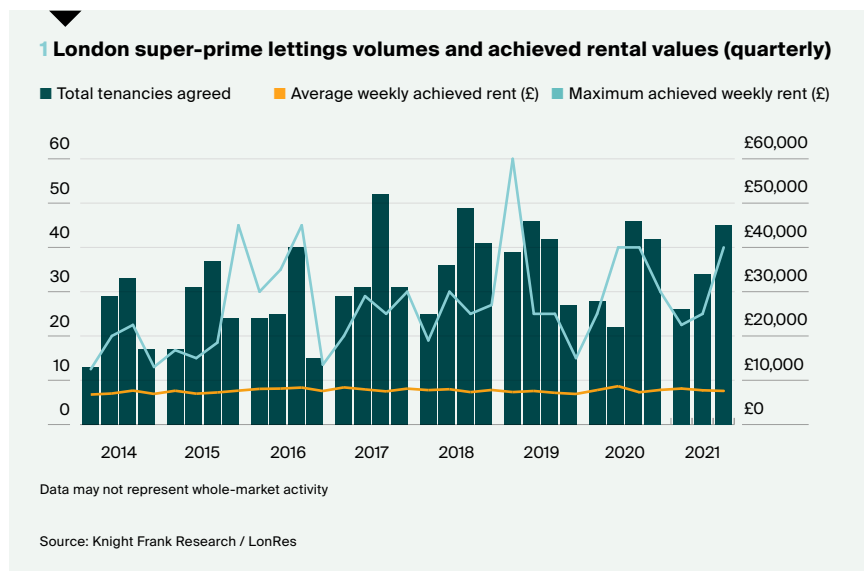
"To get around the supply shortage some have acted ahead of time and secured tenancies on the back of design drawings and the track record of the developer," said Tom.

Others who have been unable to find the right property have agreed short-let tenancies or have booked into hotels, said Tom.

Supply should pick up from early next year as more owners who have unsuccessfully tried to sell decide to let their property.

In the meantime, the imbalance between supply and demand has highlighted a gap in the market that existing and prospective landlords can take advantage of, said Tom.

"I'm not sure clients and investors have woken up to the size of the opportunity in the short-let super-prime market in London," he said. "We've had a £20 million penthouse on our sales register that has sought to take advantage of this market. When it was made available for short lets there have been very limited periods when they have struggled to find tenants."



2 Super-prime lettings map of London

Tenancies agreed, year to August 2021, maximum achieved weekly rent

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

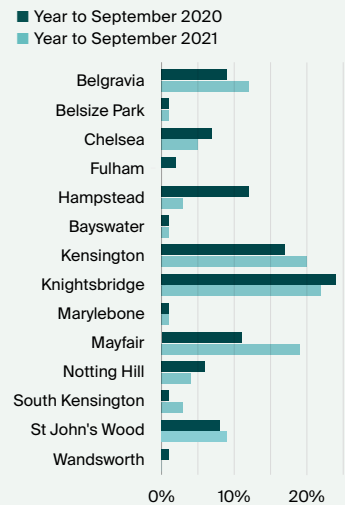


Data may not represent whole-market activity

Source: Knight Frank Research / LonRes

3 Super-prime lettings market share

Percentage of super-prime lettings deals agreed by neighbourhood

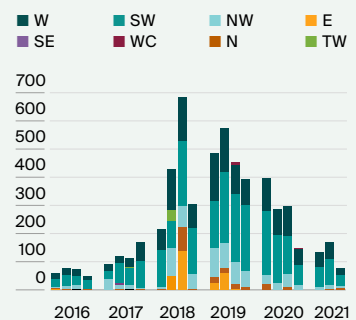


Data may not represent whole-market activity

Source: Knight Frank Research / LonRes

4 Super-prime supply

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



Data may not represent whole-market activity

Source: Knight Frank Research / LonRes

Please get in touch with us

If you're thinking of letting your property, renting in London or would just like some property advice, please do get in touch, we'd love to help



Tom Bill

Head of UK Residential Research
+44 20 7861 1492
tom.bill@knightfrank.com



Tom Smith

Head of Super-Prime Lettings
+44 20 7881 7730
tom.smith@knightfrank.com

Knight Frank Research Reports are available at knightfrank.com/research



Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs. Important Notice: © Knight Frank LLP 2020 This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.