

Prime rental decline slows as banks enter hiring mode

Prime central London rents fell in 2013 but the outlook is brighter after banks had a happier year than 2011 or 2012, as Tom Bill explains.

Results for December 2013

Prime central London rents **fell 0.4% in December**

Rents fell 2.3% in 2013 versus 3.2% in 2012

Lowest annual decline since September 2012...

...as banks move slowly into hiring mode

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Prime central London rents fell 0.4% in December, taking the annual decline to 2.3%.

The fall was lower than in 2012, when rents fell 3.2%, and there are some grounds for confidence in a market that we expect to return to growth next year.

Though luxury rents have been falling or flat for 20 months, the annual decline was the lowest since September 2012 after shrinking steadily over the course of the year.

The health of the prime central London rental market is tied to the financial services sector. While 2011 and 2012 were marked by deep job cuts, many banks began to hire again last year, partly in response to greater regulation.

The result was increased activity among bankers in the rental market and one encouraging sign was that corporate relocation agents were a more common sight than 12 months ago.

In a further positive indication for the state of the banking industry, there was a noticeable pick-up in the number of bankers active in the Canary Wharf market versus 2012 at all levels of seniority.

The number of staff placed in permanent positions by London-based recruitment

consultancies rose for a sixth straight month in November, according to the Markit Economics Report on Jobs.

That said, there appears to be no recruitment explosion on the horizon, as tends to happen among banks when financial markets enter full-blown recovery mode.

Elsewhere, there is no sign of a slowdown in both the volume and spending power of students from the Far East, who tend to target core areas of prime central London when they first arrive in the UK.

Rental values fell in every prime central London market, with the exception of the City and City Fringe, which were flat, and Marylebone, where rents rose 1.4%, in part thanks to the success of a Crown Estate development on Regent Street.

By price band, the £500-£1,500 per week price bracket saw a 0.5% decline in December compared to the previous month, and a decline of 3.2% over the year. Properties in the £1,500+ per week bracket fell by 0.4% in December and declined 2% across the whole of 2013.

Demand remained strong and lettings volumes were up 19% on 2012.

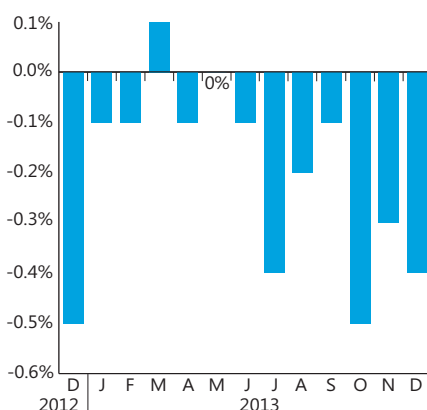


TOM BILL
Associate, Residential Research

"While 2011 and 2012 were marked by deep job cuts, many banks began to hire again in 2013."

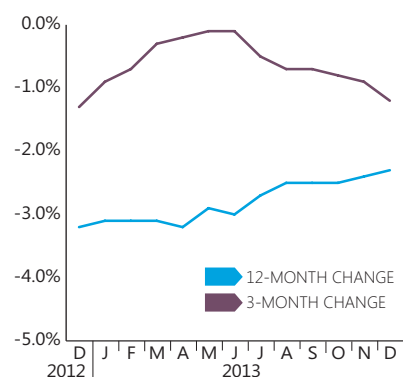
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Figure 1
Monthly growth
Prime central London average residential rental change



Source: Knight Frank Residential Research

Figure 2
Annual and quarterly growth
Prime central London average residential rental change



Source: Knight Frank Residential Research

DATA DIGEST

The **Knight Frank Prime Central London Rental Index**, established in 1995 is the most comprehensive index covering the prime central London residential marketplace. The index is based on a repeat valuation methodology that tracks rental values of prime central London residential property. 'Prime central London' is defined in the index as covering: Belgravia, Chelsea, The City & Fringe, Hyde Park, Islington, Kensington, Knightsbridge, Marylebone, Mayfair, Notting Hill, South Kensington and St John's Wood. 'Prime London' comprises all areas in prime central London, and in addition Canary Wharf, Fulham, Hampstead, Richmond, Riverside*, Wandsworth, Wapping and Wimbledon.

* Riverside covers the Thames riverfront from Battersea Bridge in the west running east to include London's South Bank. The City Fringe encompasses the half-mile fringe surrounding most of the City including Clerkenwell and Farringdon in the west and Shoreditch and Whitechapel in the east.

Knight Frank Prime Central London Rental Index

	KF Prime Central London Index	12-month change %	6-month change %	3-month change %	Monthly change %
Dec-11	178.0	6.7%	0.5%	-0.4%	-0.1%
Jan-12	177.7	0.0%	0.1%	-0.5%	-0.2%
Feb-12	177.3	0.0%	-0.3%	-0.4%	-0.2%
Mar-12	177.3	1.2%	-0.8%	-0.4%	-0.1%
Apr-12	177.3	0.9%	-0.7%	-0.2%	0.1%
May-12	176.9	0.2%	-0.7%	-0.3%	-0.3%
Jun-12	176.9	-0.1%	-0.6%	-0.2%	0.0%
Jul-12	175.6	-1.1%	-1.2%	-1.0%	-0.8%
Aug-12	174.9	-1.7%	-1.4%	-1.1%	-0.4%
Sep-12	174.6	-2.3%	-1.5%	-1.3%	-0.1%
Oct-12	173.8	-2.7%	-2.0%	-1.0%	-0.5%
Nov-12	173.2	-2.8%	-2.1%	-1.0%	-0.3%
Dec-12	172.3	-3.2%	-2.6%	-1.3%	-0.5%
Jan-13	172.1	-3.1%	-2.0%	-0.9%	-0.1%
Feb-13	171.9	-3.1%	-1.7%	-0.7%	-0.1%
Mar-13	171.8	-3.1%	-1.6%	-0.3%	-0.1%
Apr-13	171.7	-3.2%	-1.2%	-0.2%	-0.1%
May-13	171.7	-2.9%	-0.8%	-0.1%	0.0%
Jun-13	171.6	-3.0%	-0.4%	-0.1%	-0.1%
Jul-13	170.8	-2.7%	-0.7%	-0.5%	-0.4%
Aug-13	170.5	-2.5%	-0.8%	-0.7%	-0.2%
Sep-13	170.3	-2.5%	-0.9%	-0.7%	-0.1%
Oct-13	169.4	-2.5%	-1.4%	-0.8%	-0.5%
Nov-13	168.9	-2.4%	-1.6%	-0.9%	-0.3%
Dec-13	168.3	-2.3%	-1.9%	-1.2%	-0.4%

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