



Residential rents on a downward trend, but some bright spots appear

Rents remained static in June, following a drop of 0.3% in May. But although the trend remains negative, with three-month, six-month and 12-month rents in negative territory, a few bright spots are bucking the trend. Liam Bailey, Head of Residential Research, looks at the numbers

Results for June 2012

Rents remained flat in June (0.0%), following a 0.3% fall in May

Rents were down on a three-month (-0.2%), six-month (-0.7%) and 12-month basis (-0.1%), indicating an overall downward trend

New tenant registrations and property viewings were down (-0.2% and -0.4%) in the three months to May compared to the same period last year

New property instructions were up 31%, while tenancies commenced were down 2.3%

The ratio of new applicants to new instructions has fallen, from 4.6 in 2011 to 3.6 in 2012

Central London's prime rental market is currently characterised by a shifting supply and demand balance. New tenant registrations and property viewings (demand) were both down in the three months to June compared with the same period last year, while the number of new instructions (supply) was up significantly.

Underpinning this dynamic is the financial sector job market. While the gap between new jobs and new candidates has narrowed a little in recent months, according to Morgan McKinley's London Employment Monitor, this is more to do with a decline in the number of candidates, rather than an increase in job vacancies. The central London employment market remains weak.

The upper end of the market has been more active, as it has been much less affected by job losses and corporate relocation budget cuts.

A number of areas are bucking the overall downward price trend, as outlined:

- St John's Wood (up 0.7% on the month, up 2.9% over three months, up 1.5% over six months, and down 0.4% over the year)
- Notting Hill (up 0.2% on the month, up 0.5% over three months, up 0.5% over six months, and up 3.9% over the year)
- Marylebone (up 1.4% on the month, up 1.1% over three months, down 0.1% over six months, and down 0.2% over the year)
- Belgravia (up 0.3% on the month, up 1.6% over three months, down -0.7% over six months, and up 0.2% over the year)
- The City (no change on the month, up 0.2% over three months, up 1% over six months, and up 0.9% over the year)

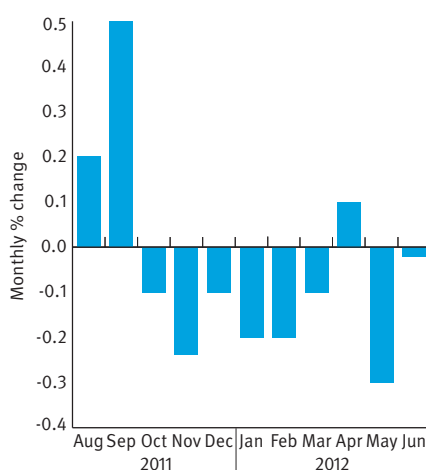
Demand is likely to pick up across the board in the coming months as families and foreign students seek to move into new accommodation ahead of the school and university terms beginning in September.

"Demand is likely to pick up across the board in the coming months."



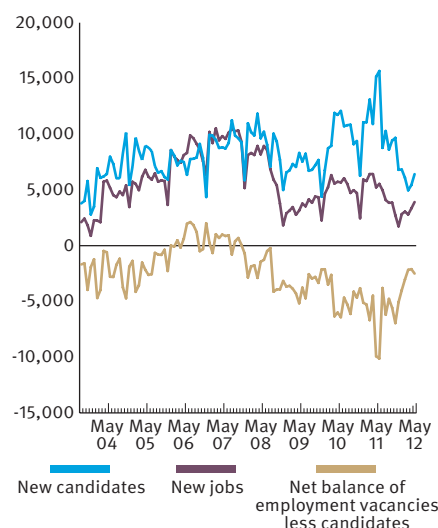
Liam Bailey, Head of Residential Research

Figure 1
Monthly growth
Prime central London average residential rental change



Source: Knight Frank Residential Research

Figure 2
Financial services employment



Source: Morgan McKinley

RESIDENTIAL RESEARCH PRIME CENTRAL LONDON RENTAL INDEX

Knight Frank



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 of London, Hyde Park, Kensington, Knightsbridge, Marylebone, Mayfair, Notting Hill, Hyde Park, South Kensington and St John's Wood. 'Prime London' comprises all areas in prime central London, and in addition Canary Wharf, Fulham, Hampstead, Richmond, Wandsworth, Wapping and Wimbledon.

Key market metrics

Prime central London rental market activity, three months to June 2012 compared to same period last year

Demand	New tenant registrations	-0.2% ▼
	Property viewings	-0.4% ▼
Supply	New property instructions	30.5% ▲
Activity	Tenancies commenced	-2.3% ▼
Demand and supply balance	Ratio of new applicants/new instructions (2011)	4.6
	Ratio of new applicants/new instructions (2012)	3.6

Knight Frank Prime Central London Rental Index

		KF Prime Central London Index	12-month change %	6-month change %	3-month change %	Monthly change %
Index quarterly to the end of Q1 2011	Q1 2009	143.5	-18.2%	-16.3%	-7.4%	n.a.
	Q2 2009	140.8	-19.3%	-9.2%	-1.9%	n.a.
	Q3 2009	140.9	-17.8%	-1.8%	0.1%	n.a.
	Q4 2009	144.2	-7.0%	2.4%	2.3%	n.a.
	Q1 2010	149.8	4.3%	6.3%	3.9%	n.a.
	Q2 2010	153.7	9.2%	6.6%	2.6%	n.a.
	Q3 2010	163.2	15.9%	9.0%	6.2%	n.a.
	Q4 2010	166.8	15.7%	8.5%	2.2%	n.a.
	Q1 2011	175.1	16.9%	7.3%	5.0%	n.a.
	Index monthly from June 2011	Jun-11	177.1	15.2%	6.1%	1.1%
Jul-11		177.5	n.a.	n.a.	1.0%	0.3%
Aug-11		177.9	n.a.	n.a.	0.7%	0.2%
Sep-11		178.7	9.5%	2.1%	0.9%	0.5%
Oct-11		178.5	n.a.	1.6%	0.6%	-0.1%
Nov-11		178.1	n.a.	0.9%	0.1%	-0.2%
Dec-11		178.0	6.7%	0.5%	-0.4%	-0.1%
Jan-12		177.7	n.a.	0.1%	-0.5%	-0.2%
Feb-12		177.3	n.a.	-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	176.8	-0.1%	-0.7%	-0.2%	0.0%	

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