



Prime central London rents fall six months in a row due to poor city job prospects

Low hiring activity and weakening job prospects in the City's financial and business services sector appear to be at the heart of recent price falls in prime central London's rental market. Liam Bailey, Head of Knight Frank Residential Research, examines the figures.

Results for March 2012

Rents fell a further 0.1% in March, and have been falling since October 2011

The six consecutive monthly falls total just 0.8%

Q1 rents are still 1.2% higher than they were in Q1 2011

Prices in the £500 to £1,500 per week band performed better than the £1,500+ sector

While demand and supply over the past three months are both up on last year (new tenant registrations are up 15%, viewings are up 23% and property instructions are up 34%), the number of tenancies commenced has fallen by 7%, indicating that potential tenants are looking but are reluctant to commit to making an offer.

This can be explained, in part at least, by the relatively poor job prospects in the City – confidence was particularly low in late 2011 and this has continued through to 2012. According to the latest figures from Morgan McKinley's London Employment Monitor, job vacancies across London's financial services sector fell by 8% from February 2012 to March 2012. Compared to the same month last year, this was a decline of 57%.

As well as individuals reducing the amount they are willing or able to spend on rent each month, many companies have slashed their corporate relocation budgets. This could

explain why the £500 to £1,500 per week band has once again performed better than the £1,500+ sector (prices are up 1.5% and down 1.2% respectively over the past year).

Furthermore, tenants are increasingly choosing to renew existing contracts.

The market could however receive a welcome boost over the coming months as London hits the global spotlight and people from around the world choose to spend their summer here. Some international companies have even been enquiring about the availability of entire apartment blocks to short-let over the summer.

It is also important to note that rents hit an all-time high in October 2011, having risen by 26.9% since mid-2009. We therefore believe that these recent falls merely represent the market paring back a little, and that rents will have risen over the course of the year, by around 1%.

Figure 1
Monthly growth
Prime central London average residential rental change

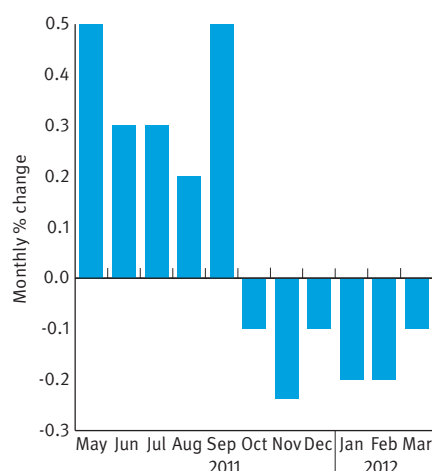
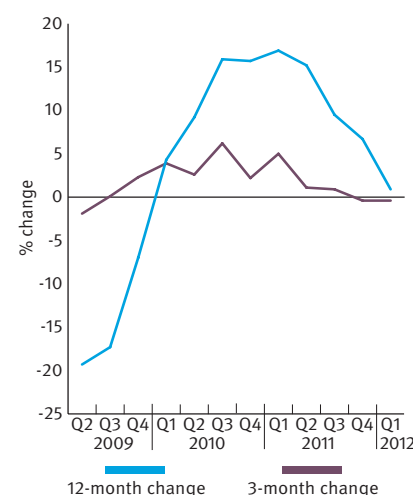


Figure 2
Annual and quarterly growth
Prime central London average residential rental change



“It is important to note that rents hit an all-time high in October 2011, having risen by 26.9% since mid-2009.”



Liam Bailey, Head of Residential Research

RESIDENTIAL RESEARCH PRIME CENTRAL LONDON RENTAL INDEX

Knight Frank



Know your tenant

Top 15 prime London tenant nationalities, past 12 months

United Kingdom	41%
US	14%
France	4%
Italy	3%
Russia	3%
Germany	3%
Spain	3%
Australia	2%
India	2%
Netherlands	2%
China	1%
Japan	1%
Canada	1%
Sweden	1%
Norway	1%

Asia-Pacific North America Europe

Source: Knight Frank Residential Research

Key market metrics

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

Demand	New tenant registrations	15% ▲
	Property viewings	23% ▲
Supply	New property instructions	34% ▲
Activity	Tenancies commenced	-7% ▲
Demand and supply balance	Ratio of new applicants/new instructions (2011)	3.9
	Ratio of new applicants/new instructions (2012)	3.0

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.

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 April 2011	Apr-11	175.7	n.a.	n.a.	n.a.
May-11		176.6	n.a.	n.a.	n.a.	0.5%
Jun-11		177.1	15.2%	6.1%	1.1%	0.3%
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%

Residential Research

Liam Bailey

Head of Residential Research
+44(0)20 7861 5133
liam.bailey@knightfrank.com

Press Office

Daisy Ziegler

+44 (0)20 7861 1031
daisy.ziegler@knightfrank.com

Recent market-leading research publications



UK Housing Market Forecast Q4 2011



Prime Central London Sales Index Mar 2011



City of London and City Fringe 2011/12



London Hotspots 2011

Knight Frank Research Reports are available at www.KnightFrank.com/Research

Notes to Editors

Knight Frank LLP is the leading independent global property consultancy. Headquartered in London, Knight Frank and its New York-based global partner, Newmark Knight Frank, operate from 242 offices, in 43 countries, across six continents. More than 7,067 professionals handle in excess of US\$817 billion (£498 billion) worth of commercial, agricultural and residential real estate annually, advising clients ranging from individual owners and buyers to major developers, investors and corporate tenants. For further information about the Company, please visit www.knightfrank.com.

© Knight Frank LLP 2012 - This report is published for general information only. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no legal responsibility can be accepted by Knight Frank Residential Research or Knight Frank LLP for any loss or damage resultant from 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 allowed with proper reference to Knight Frank Residential Research. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Registered office: 55 Baker Street, London, W1U 8AN

