

Lettings activity rises as rents slip

Average rents in prime central London fell for the ninth consecutive month in March, but still stand 22% above the market trough in June 2009. Liam Bailey examines the key figures.

Results for March 2013

Rents in prime central London fell **0.1% in March**

Over the past **three months prime central London rents are down 0.3%**

The number of new tenancies agreed is 22.6% up so far in 2013 compared to last year

Rents **rose by 2.5%** in Marylebone over the course of the month

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“In spite of price falls the number of new tenancies agreed remains high, up 22.6% so far this year compared to the first three months of 2012.”



Liam Bailey, Global Head of Residential Research

Rents in prime central London have fallen 0.3% over the first three months of 2013, taking the annual decline to 3.1%.

In March, for the third consecutive month, average rents declined by 0.1%. The biggest changes over the course of the month were experienced in Mayfair (-1.2%) and Notting Hill (-0.9%).

Unsurprisingly, given the squeeze on financial sector jobs and continued uncertainty in the Eurozone, it was prices in the mid-market bracket of £500-£1,500 where the biggest falls were reported over the course of the month (-0.6%).

However, Morgan McKinley’s London Employment Monitor registered an 11% increase month-on-month in February in job availability across the financial services sector. While this represents a lower level of available jobs than in February 2012, it does indicate the emergence of a healthier jobs market so far this year.

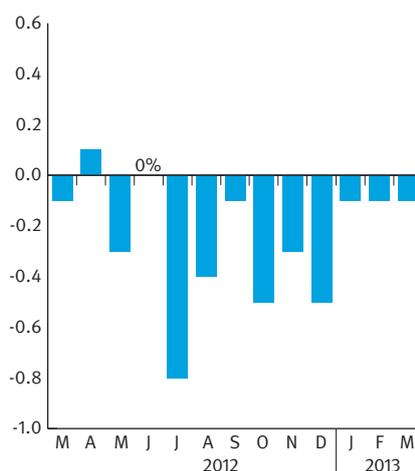
Any improvement in financial sector employment is likely to be mirrored in the rental sector over the rest of the year.

Improving news regarding financial sector employment in London will be welcomed by landlords who have seen rents in prime central London fall for nine consecutive months. The lacklustre jobs market has been one of the biggest contributors to this market slowdown as firms look to assess headcounts and make savings in the wake of the financial crisis.

In spite of the price falls the number of new tenancies agreed remains high, up 22.6% so far this year compared to the first three months of 2012. Additionally, further encouragement can be taken from news that the number of new applicants and applicant viewings are up over the first quarter, albeit by a more modest 9.8% and 0.7% respectively year-on-year.

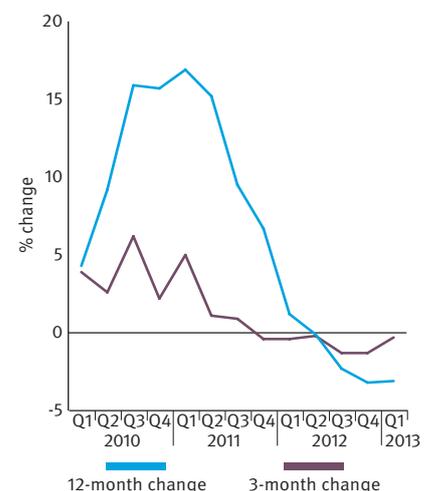
Our view remains that rents in prime central London will recover by the end of this year. We have forecast growth of 1% in 2013 followed by 3%, 5% and 3.9% in 2014, 2015 and 2016 respectively.

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

RESIDENTIAL RESEARCH PRIME CENTRAL LONDON RENTAL INDEX



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 %
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	176.9	-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%

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