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Eurozone crisis “brain-drain” boosts London’s rental market

Knight Frank London Lettings Index, May 2011 results

- The Eurozone crisis appears to have pushed more European tenants into the central London rental market since the beginning of the year, with European tenants taking 30.4% of all new lets between January to May 2011 compared to 25% during the same period in 2010
- Excluding very strong year-on-year growth in the number of new French tenants (up 80%), the biggest growth in new tenant volumes came from the so-called PIGS countries: Portugal (up 62% year-on-year), Ireland (76%), Greece (33%) and Spain (73%) pointing to a rise in professionals and high-ranking executives re-locating to London.
- UK tenants now comprise 39.4% of all prime London market tenants (Jan to May 2011), down from 45.3% in 2010
- Prime central London lettings volumes rose 7% year-on-year in May, after a weaker performance earlier in the year, aided by a slight rise in stocks and increased tenant demand
- European and overseas tenant demand helped to push rents higher by 0.5% in May, meaning that rents have risen by nearly 26% since the low point they hit in June 2009, to hit a record high.

Liam Bailey, Knight Frank’s Head of Residential Research, comments: “The prime London rental market has been one of the main beneficiaries of the nascent economic recovery in the City and Canary Wharf, with rents climbing by 25.4% compared to the low they hit in June 2009 during the UK recession.

“Demand from tenants for properties priced at between £500 to £1,500 per week has been a particularly strong area, pointing to rising requirements from financial and business service sector staff, who are strongly represented in this sector.

“European demand has been a constant feature of the central London lettings market, with French, Italian and German tenants taking substantial shares of lettings (5%, 4% and 3.4% respectively).



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"But anecdotally, the recent surge in demand from European tenants reflects staff transfers into London's financial and business service firms. The big uplift in demand from countries which are mired in economic difficulties suggests that some professionals have sought refuge in London, leading to a form of "brain-drain" from these countries.

"Demand from newly arrived European workers in London is likely to continue to rise through this year - meaning out rental growth forecast of 5 to 10% for central London is expected to be achieved."

Knight Frank Prime Central London Lettings Index

	KF Prime Central London Rental Index	12 month % change	6 month % change	3 month % change	monthly % change
Mar-08	175.5	12.2%	4.1%	1.0%	
Jun-08	174.5	7.3%	0.4%	-0.5%	
Sep-08	171.4	1.7%	-2.3%	-1.8%	
Dec-08	155.0	-10.8%	-11.2%	-9.6%	
Mar-09	143.5	-18.2%	-16.3%	-7.4%	
Jun-09	140.8	-19.3%	-9.2%	-1.9%	
Sep-09	140.9	-17.8%	-1.8%	0.1%	
Dec-09	144.2	-7.0%	2.4%	2.3%	
Mar-10	149.8	4.3%	6.3%	3.9%	
Jun-10	153.7	9.2%	6.6%	2.6%	
Sep-10	163.2	15.9%	9.0%	6.2%	
Dec-10	166.8	15.7%	8.5%	2.2%	
Mar-11	175.1	16.9%	7.3%	5.0%	
Apr-11	175.7				0.4%
May-11	176.6				0.5%

Prime Central London residential tenants split by nationality – top 30

Nationality Country	2011
United Kingdom	39.4%
US	13.6%
France	5.0%
Italy	4.0%
Germany	3.4%
Russia	3.0%
Spain	2.6%
Australia	2.4%
Ireland	2.2%
India	2.0%



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Poland	1.6%
Sweden	1.4%
Japan	1.2%
Netherlands	1.2%
Saudi Arabia	1.2%
Canada	1.0%
China	1.0%
Greece	1.0%
Switzerland	1.0%
Brazil	0.8%
Norway	0.8%
Bulgaria	0.6%
Denmark	0.6%
Iceland	0.6%
Morocco	0.6%
Turkey	0.6%
United Arab Emirates	0.6%
Portugal	0.4%
BVI	0.4%
Iran	0.4%

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Notes to Editors

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