



Prime London rents fall again as city reveals more job losses

Weaker conditions in the central London employment market are playing their part to ensure the slide in rents continues into the fourth quarter, argues Liam Bailey, Knight Frank's Head of Residential Research.

Results for October 2012

Prime London rents fall 0.5% in October

Rents fall 2.7% on an annual basis

The City and Notting Hill buck the trend with annual rental growth of 3.2% and 2.7% respectively

The volume of tenancies agreed over the past three months has risen 18%, compared to the same period in 2011

Prime central London rents continued on their downward trajectory in October with a fall of 0.5%, taking the annual rate of decline to 2.7%.

While the general trend is for weaker rents, some central London locations bucked the trend, with rents in the City of London, for example, climbing 1.6% in the three months to October and 3.2% over the past year. Notting Hill also experienced a 0.5% growth in rents in the three months to the end of October and a 2.7% rise over the year.

The state of the London economy remains the main factor impacting on rents, with the Eurozone crisis reinforcing the downward pressure on growth, confidence and recruitment.

The prime central rental market in London has been particularly hit by the downturn in financial sector employment caused by the lacklustre UK economy and the ongoing problems in the Eurozone. News that UBS is to cut up to 3,000 jobs in its London offices, combined with similar moves by Credit

Suisse and Deutsche Bank, mean this trend is likely to continue.

Affordability is a central issue for tenants at the moment, and landlords should expect a continuation of weak growth over the next few months, as demand fails to keep pace with supply. Unsurprisingly, this is most evident in the £1,000 to £2,000 per week bracket due to the fact that mid-level city jobs that have been most affected by cutbacks.

The strongest part of the central London rental market remains the lower price ranges, with average rents in the £500 to £1,500 per week bracket down by only 0.1% in the three months to October, compared to a decline of 1.2% in the £1,500+ per week bracket.

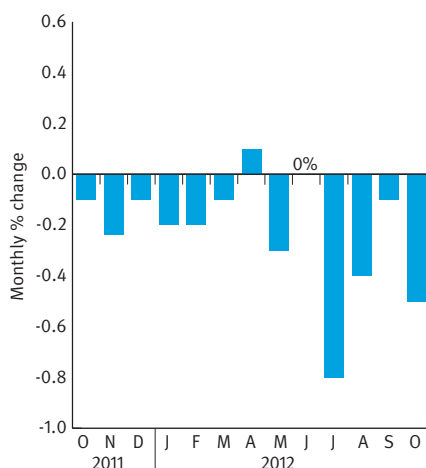
As we commented last month falling rents only tell half the story and despite the weakness of the headline rental statistics, overall letting volumes are up strongly, with an 18% increase in the volume of tenancies agreed over the past three months to end September versus the same period in 2011.

"Affordability is a central issue for tenants at the moment, and landlords should expect a continuation of weak growth over the next few months, as demand fails to keep pace with supply."



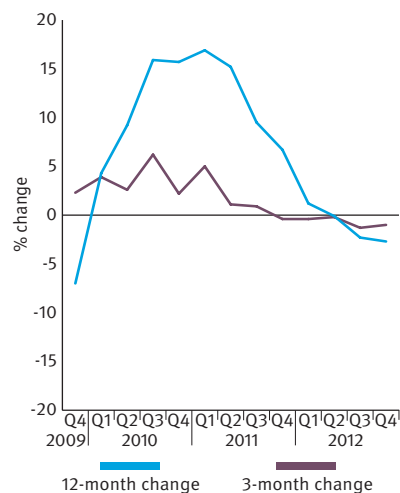
Liam Bailey, Head of Residential Research

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

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.

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	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 September 2011	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	176.9	-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%	

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

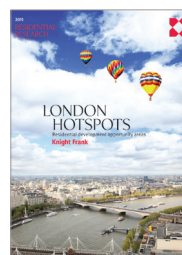
Recent market-leading research publications



[UK Housing Market Forecast Q4 2011](#)



[City of London and City Fringe 2011/12](#)



[London Hotspots 2011](#)



[Prime Central London Sales Index Oct 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 244 offices, in 43 countries, across six continents. More than 7,067 professionals handle in excess of US\$817 billion (£498 billion) 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 and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to 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 LLP Residential Research. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.

