

Record level of tenancies commenced in London

Despite rents falling in October, the number of new tenants moving into prime rented accommodation in London in the two months to October 2013 was at a record level.

Results for October 2013

Rents across prime central London fell by 0.5% month-on-month in October

The decline in rents so far this year now stands at 1.7%

...but there are areas of outperformance...

...rents in the City are unchanged in 2013 to date and in Marylebone rents have risen by 2.2% so far in 2013

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Rents across prime central London fell by 0.5% month-on-month in October, continuing a period of lacklustre rental growth seen since the end of 2011. The decline in rents so far this year stands at 1.7%.

However, despite an ongoing decline in average rents, demand for rented accommodation in prime central London remains high. The number of new applicants registering their interest in the prime central London lettings market is 10.1% higher over the first 10 months of 2013 than the same period last year. Property viewings by prospective tenants are also up over the same period, by 9.3%.

As a result of this increase in demand, our analysis of market activity shows that the number of new tenants moving into prime rented accommodation in London over the two months to October 2013 was at the highest level ever.

But in spite of the increase in lettings activity, rents in prime central London have been falling or unchanged for 18 consecutive months. While the decline in the number of tenants from the financial sector as a result of the global financial crisis is partly to blame for falling rents in the prime market, it is being offset by an increase in demand from tenants from other industries. The growth of the

technology, media and telecoms sectors and legal profession in London, for example, is boosting demand from tenants from within these sectors.

Assessing rental movements by price band we can confirm that the £500-£1,500 per week price bracket saw a 1% decline in October compared to the previous month, and a decline of 2.6% over the year-to-date. In comparison properties in the £1,500+ per week bracket fell by 0.3% in October and have fallen by 1.2% in 2013 to date.

While the headline figure indicates that rents in prime central London are declining, performance is varied across markets. In Mayfair, Hyde Park and Notting Hill rents have declined by 6%, 3% and 2.4% over the year-to-date. Rents in the City, however, are unchanged in 2013 and in Marylebone rents have risen by 2.2% so far in 2013.

Although prime residential rents have continued to fall so far this year, they are still almost 22% higher than they were during the market trough in the second half of 2009.

The improving economic and employment picture in London, with sharply rising economic sentiment, as evidenced by our recent [House Price Sentiment Index](#) informs our positive outlook for rental growth in 2014 and in 2015.

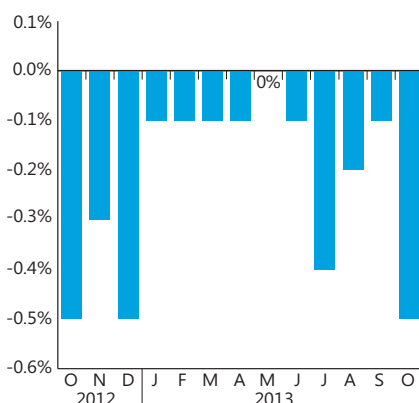


LIAM BAILEY
Global Head of Residential Research

"The number of new tenants moving into prime rented accommodation in London over the two months to October 2013 was at the highest level ever."

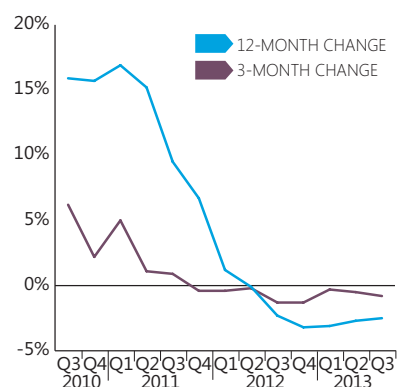
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Figure 1
Monthly growth
Prime central London average residential rental change



Source: Knight Frank Residential Research

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



Source: Knight Frank Residential Research

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

* Riverside covers the Thames riverfront from Battersea Bridge in the west running east to include London's South Bank. The City Fringe encompasses the half-mile fringe surrounding most of the City including Clerkenwell and Farringdon in the west and Shoreditch and Whitechapel in the east.

Knight Frank Prime Central London Rental Index

	KF Prime Central London Index	12-month change %	6-month change %	3-month change %	Monthly change %
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%
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%
Apr-13	171.7	-3.2%	-1.2%	-0.2%	-0.1%
May-13	171.7	-2.9%	-0.8%	-0.1%	0.0%
Jun-13	171.6	-3.0%	-0.4%	-0.1%	-0.1%
Jul-13	170.8	-2.7%	-0.7%	-0.5%	-0.4%
Aug-13	170.5	-2.5%	-0.8%	-0.7%	-0.2%
Sep-13	170.3	-2.5%	-0.9%	-0.7%	-0.1%
Oct-13	169.4	-2.5%	-1.4%	-0.8%	-0.5%

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