



AUGUST 2018

This report analyses the performance of single-unit rental properties in the second-hand prime central and prime outer London markets between £250 and £5,000+/- week. For an analysis of the build-to-rent market and the institutional private rented sector in London and the rest of the UK, please see our Private Rented Sector Update <http://www.knightfrank.co.uk/research>

PRIME CENTRAL LONDON

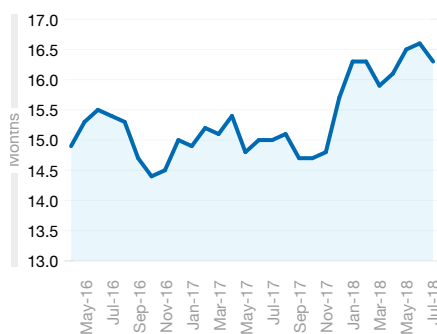
Prime central London index | **165.4**

Figure 1 The average length of tenancies in prime central London has risen to over 16 months over the last two years. Continuing uncertainty in the sales market around the trajectory for price growth means tenants are more prepared to commit to longer tenancy periods.

Figure 2 Annual rental value growth in Mayfair was 5% in July, making it the strongest performing market in prime central London. Public realm improvements and a series of high-quality new-build developments have led to increased demand in the area.

Annual rental value change | **0.9%**

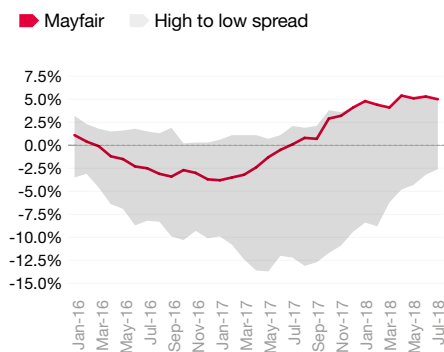
FIGURE 1
Tenancy length rises in PCL
 Average initial tenancy length



Source: Knight Frank Research

Quarterly rental value change | **0.8%**

FIGURE 2
Mayfair rental market outperforms PCL average
 Annual rental value growth by area



Source: Knight Frank Research

PRIME OUTER LONDON

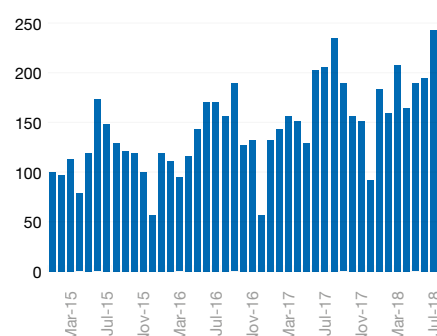
Prime outer London index | **172.2**

Figure 3 The number of tenancies agreed per Knight Frank office in prime outer London rose to a three-year high in July. Strengthening demand among corporate tenants, including oil and gas executives in south-west London in response to the higher oil price, has underpinned activity.

Figure 4 Rental values between £1,500 and £2,000 per week declined by 0.1% in the year to July in prime outer London. It was the most modest decline by price bracket and underlined the relative strength of demand for family houses on the back of strengthening corporate demand.

Annual rental value change | **-1.4%**

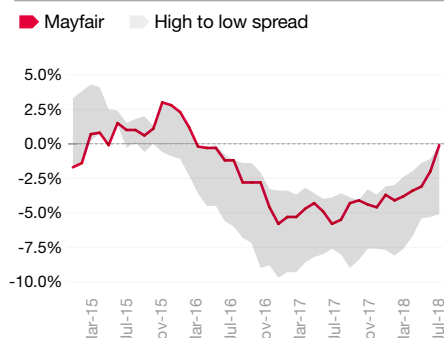
FIGURE 3
Tenancies agreed per office increases
 Rebased to 100 at January 2015



Source: Knight Frank Research

Quarterly rental value change | **0.5%**

FIGURE 4
Rental value declines most modest between £1,500 and £2,000 per week



Source: Knight Frank Research

ECONOMIC DATA

Figure 5 Despite a small rise at the end of August, the pound has weakened versus the US dollar in recent months for reasons that include uncertainty over Brexit. Between the last peak in mid-April and mid-August, dollar-denominated buyers would have benefitted from an effective discount of approximately 11% in prime central London.

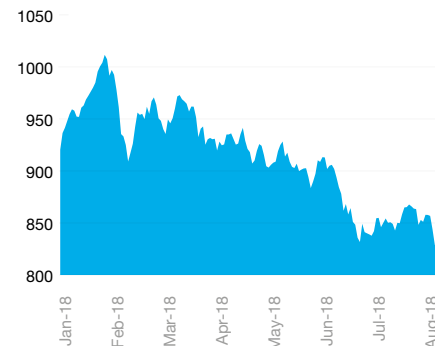
Figure 6 Stock markets in emerging economies have fallen following economic events in Turkey. Safe haven currencies and US government bonds have seen inflows in response to the uncertainty. London property has traditionally been a recipient of global capital at times of economic uncertainty.

FIGURE 5
Sterling slides over Brexit uncertainty
Pound vs US dollar, spot rate



Source: Knight Frank Research

FIGURE 6
Uncertainty spreads in emerging economies
MSCI emerging and frontier market equity index



Source: Knight Frank Research

FIGURE 7
PRIME CENTRAL LONDON Rental value growth by price band, time period and property type

	£250 - £500 pw	£500 - £750 pw	£750 - £1,000 pw	£1,000 - £1,500 pw	£1,500 - £2,000 pw	£2,000 + pw	Flat	House
1 month	0.3%	-0.5%	0.1%	0.4%	-0.6%	-0.5%	-0.1%	-0.2%
3 months	1.8%	0.1%	0.9%	0.8%	0.2%	1.3%	0.9%	0.6%
6 months	3.2%	1.1%	1.7%	2.0%	2.4%	2.5%	2.3%	1.6%
1 year	3.0%	0.1%	1.1%	-0.4%	0.4%	1.6%	1.4%	-0.1%
YTD	3.4%	0.8%	1.3%	1.2%	1.8%	2.2%	2.0%	1.1%

FIGURE 8
PRIME OUTER LONDON Rental value growth by price band, time period and property type

	£250 - £500 pw	£500 - £750 pw	£750 - £1,000 pw	£1,000 - £1,500 pw	£1,500 - £2,000 pw	£2,000 + pw	Flat	House
1 month	0.3%	0.4%	0.2%	-0.1%	-0.2%	0.1%	0.1%	0.2%
3 months	0.5%	0.4%	0.4%	0.0%	0.5%	1.2%	0.4%	0.6%
6 months	0.7%	0.8%	0.3%	2.3%	1.4%	1.0%	0.8%	1.2%
1 year	0.3%	-0.8%	-2.2%	-4.6%	-0.3%	-1.9%	-0.2%	-2.8%
YTD	0.9%	0.9%	0.3%	0.6%	0.9%	-0.3%	1.0%	0.1%

DATA DIGEST

The Knight Frank Prime Central London Index, established in 1976, is the longest running and most comprehensive index covering the prime central London residential marketplace. The index is based on a repeat valuation methodology that tracks capital values of prime central London residential property.

Prime central London is defined in the index as covering: Aldgate & the City, Belgravia, Chelsea, Hyde Park, Islington, Kensington, Knightsbridge, Marylebone, Mayfair, Notting Hill, Riverside, South Kensington, St John's Wood, Tower Bridge and Victoria.

Prime Outer London comprises Barnes, Battersea, Belsize Park, Canary Wharf, Chiswick, Clapham, Dulwich, Fulham, Hampstead, Queen's Park, Richmond, Wandsworth, Wapping and Wimbledon.

RESIDENTIAL RESEARCH

If you would like further insight into London residential markets please feel free to get in touch.



Tom Bill
Head of London Residential Research
+44 20 7861 1492
tom.bill@knightfrank.com



Important Notice
© Knight Frank LLP 2018 - 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 not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. 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.

PLEASE GET IN TOUCH

If you are a landlord or a tenant and would like some help or information, we would love to hear from you



Tim Hyatt
Head of Lettings
+44 20 7861 5044
tim.hyatt@knightfrank.com