



DECEMBER 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 | **164.5**

Annual rental value change | **1.1%**

Quarterly rental value change | **-0.6%**

PRIME OUTER LONDON

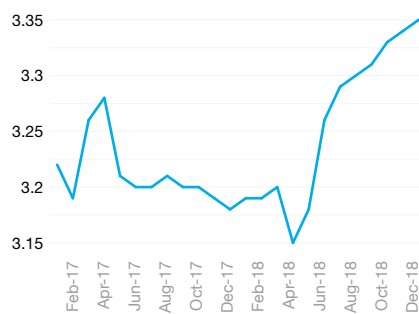
Prime outer London index | **170.6**

Annual rental value change | **-0.2%**

Quarterly rental value change | **-0.7%**

Figure 1 Average gross yields in prime central London have risen over the course of 2018 as a result of rising rents and downwards pressure on prices. A yield of 3.35% in December was the highest since April 2012 and compares to the yield on a 10-year UK government bond of less than 1.3% in early December.

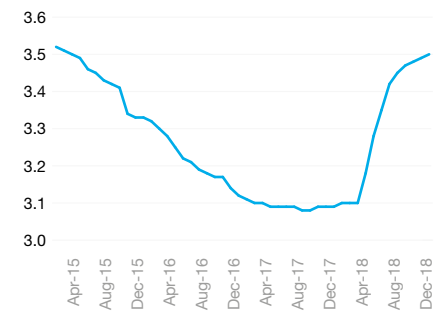
FIGURE 1
Rental value growth pushes PCL yields higher



Source: Knight Frank Research

Figure 2 There has been similar upwards pressure on yields in prime outer London as rental value declines bottom out. An average gross yield of 3.5% in December was the highest recorded since March 2015.

FIGURE 2
Yields rise in POL as rental value declines moderate

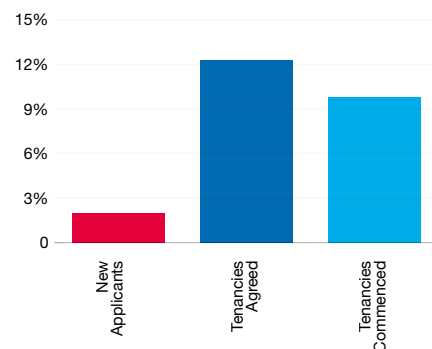


Source: Knight Frank Research

Figure 3 Lettings activity across prime London markets has been relatively resilient despite the uncertain political backdrop. The number of new tenancies agreed in November was 12.3% higher than the same month last year while the number of new prospective tenants was 2% higher.

FIGURE 3
Tenant demand remains resilient across London

% change November 2018 vs November 2017



Source: Knight Frank Research

Figure 4 Falling supply continues to put upwards pressure on rental values as landlords attempt to sell following recent tax changes. Despite a recent reversal of this trend as some owners failed to achieve their asking price, there were 12% fewer new listings in the year to November than the previous 12-month period in PCL.

FIGURE 4
Lower supply keeps upwards pressure on rents



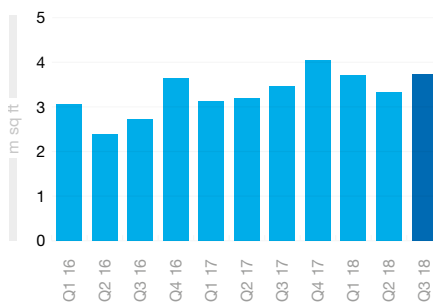
Source: Knight Frank Research / Rightmove

ECONOMIC DATA

Figure 5 Take-up of central London office space exceeded 3.7 million square feet in the third quarter of this year, the second highest figure since the middle of 2015, demonstrating the relative resilience of the London economy in the face of political uncertainty.

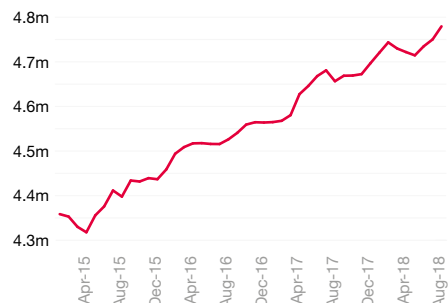
Figure 6 Employment figures for London paint a similarly resilient picture of the economy in the capital, which will underpin demand in prime sales and lettings markets. The number of people in employment in London reached a record figure of 4.8 million in August this year.

FIGURE 5
Central London office take-up rises
Quarterly office take-up since 2016



Source: Knight Frank Research

FIGURE 6
Employment hits a record rate in London
Number of people aged 16+ in employment in London



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	0.0%	-0.2%	-0.3%	-0.8%	-0.4%	-0.4%	-0.4%	-0.2%
3 months	0.5%	-0.4%	-0.1%	-1.5%	-0.6%	-1.3%	-0.7%	-0.6%
6 months	1.1%	-0.4%	0.2%	-0.9%	-1.0%	-1.3%	-0.4%	-0.7%
1 year	3.9%	0.6%	1.3%	0.1%	1.0%	0.7%	1.5%	0.4%
YTD	3.9%	0.6%	1.3%	0.1%	1.0%	0.7%	1.5%	0.4%

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	-0.1%	-0.3%	-0.4%	-0.6%	-0.6%	-0.4%	-0.2%	-0.5%
3 months	0.1%	-0.4%	-0.6%	-1.1%	-1.3%	-1.8%	-0.2%	-1.2%
6 months	0.7%	-0.1%	-0.5%	-1.4%	-1.2%	-1.6%	0.1%	-1.0%
1 year	1.2%	0.4%	-0.6%	-0.9%	-0.8%	-2.6%	0.8%	-1.5%
YTD	1.2%	0.4%	-0.6%	-0.9%	-0.8%	-2.6%	0.8%	-1.5%

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



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



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