



FEBRUARY 2019

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 | **164.4**

Annual rental value change | **1.4%**

Quarterly rental value change | **-0.4%**

PRIME OUTER LONDON

Prime outer London index | **170.5**

Annual rental value change | **0.2%**

Quarterly rental value change | **-0.4%**

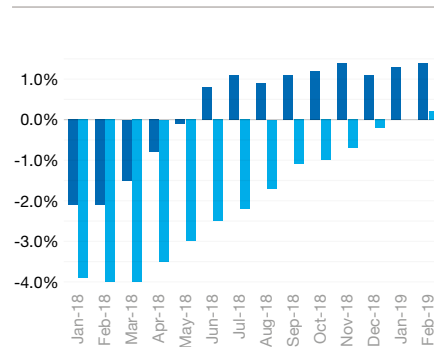
Figure 1 Annual rental value growth turned positive in prime outer London for the first time in three years in February. The tax changes introduced for landlords in recent years have put downwards pressure on supply levels across prime markets in London.

Figure 2 The ratio of new prospective tenants versus new supply in prime central and prime outer London rose to 5.4 in January. The increase, largely due to a seasonal rise in new prospective tenants, indicates continued upwards pressure on rental values.

Figure 3 As the number of new rental listings has declined, so has the number of tenancies agreed in PCL. There were 16.5% fewer tenancies agreed in the year to January 2019 than the previous 12-month period, LonRes data shows.

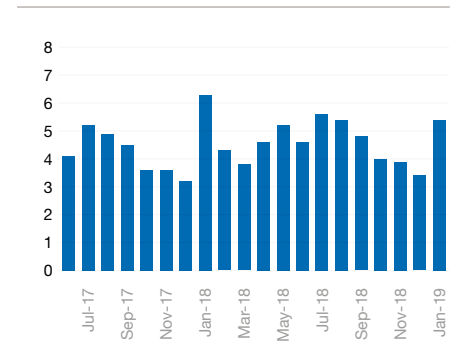
Figure 4 The number of new prospective tenants above £5,000 per week has plateaued since the middle of last year, in what may be a sign that demand will shift towards the sales market in the higher price brackets. The year-on-year change in the total number of £10 million-plus sales applicants was broadly flat in the first two months of 2019 after two years of declines.

FIGURE 1
Annual rental value growth returns to POL
 Annual % change in rental values



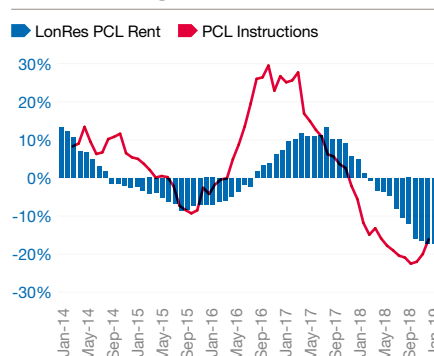
Source: Knight Frank Research

FIGURE 2
Ratio of demand versus supply strengthens
 New prospective tenants / new lettings listings



Source: Knight Frank Research

FIGURE 3
New lettings listings in PCL continue to decline
 Annualised % change



Source: Knight Frank Research / Rightmove

FIGURE 4
Tenancies agreed decline on lower supply
 Annualised % change



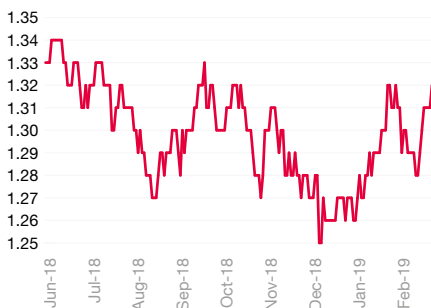
Source: Knight Frank Research / LonRes

ECONOMIC DATA

Figure 5 Sterling has strengthened against the US dollar in recent weeks as unfolding political events mean the prospect of the UK leaving the European Union without a Brexit deal begins to fade. A disorderly risk has always represented the biggest risk for property markets.

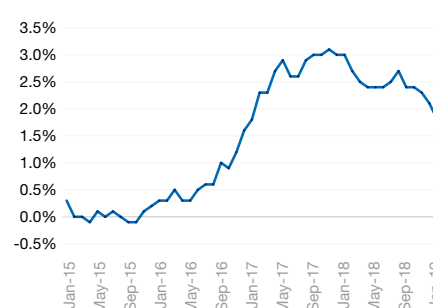
Figure 6 Inflation in the UK fell to a two-year low of 1.8% in January as a government cap on household energy prices took effect. As a result, the Bank of England is under less pressure to raise interest rates, which will help underpin mortgage demand.

FIGURE 5
Sterling rises as a deal inches closer
\$ per £



Source: Knight Frank Research

FIGURE 6
Inflation cools along with prospect of rate rise
CPI, annual % change



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%	-0.1%	0.1%	0.2%	-0.7%	0.0%	0.0%	0.0%
3 months	0.0%	-0.6%	-0.1%	-0.6%	-1.2%	-0.3%	-0.3%	-0.5%
6 months	0.5%	-0.4%	-0.4%	-1.1%	-1.7%	-1.7%	-0.1%	-1.1%
1 year	1.1%	0.0%	-0.3%	0.8%	-0.8%	-1.0%	0.6%	-0.4%
YTD	0.1%	-0.3%	0.2%	0.0%	-0.6%	0.1%	-0.1%	0.0%

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	0.2%	0.2%	0.0%	-0.2%	-0.1%	-0.1%	0.0%	-0.1%
3 months	0.5%	0.3%	-0.2%	-1.7%	-1.1%	-0.4%	-0.3%	-0.6%
6 months	1.0%	0.3%	0.1%	-1.9%	-1.4%	-1.5%	-0.4%	-1.2%
1 year	4.2%	1.4%	1.8%	0.0%	0.9%	1.0%	1.9%	0.4%
YTD	0.5%	0.5%	0.1%	-0.8%	-0.7%	0.0%	0.1%	-0.4%

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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