

## JANUARY 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 | **1.3%**

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

### PRIME OUTER LONDON

Prime outer London index | **170.6**

Annual rental value change | **0.0%**

Quarterly rental value change | **-0.5%**

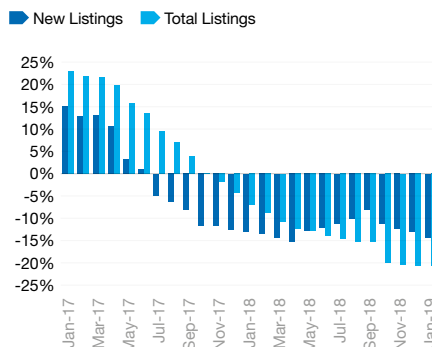
**Figure 1** Declining supply continues to put upwards pressure on rental values in prime London markets. The number of new listings in PCL and POL was 13% lower in 2018 than 2017, Rightmove data shows. Meanwhile, the total number of listings fell by a fifth over the same period.

**Figure 2** A decrease in supply is due to more landlords leaving the sector following tax changes. As a result, average rental values increased 1.3% in prime central London in the year to January, while in prime outer London rental values were flat on an annual basis, suggesting positive growth will return in the short-term.

**Figure 3** Average rents in Marylebone increased by 7% in the year to January 2019, the biggest rise in prime central London. Rental values have been supported by declining second-hand stock while the area's revitalisation and arrival of new-build developments has attracted tenants, in particular students from nearby universities.

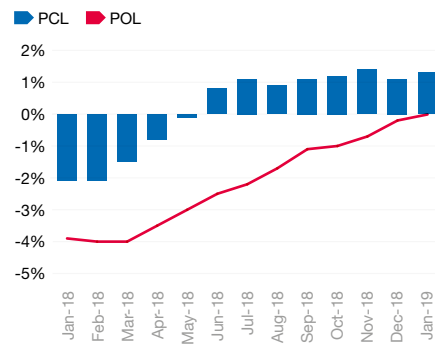
**Figure 4** As a result of declining sales values and rising rents, the negative annual total return in PCL was -1.4% in January. However, this means that PCL residential outperformed a range of other asset classes including gold, stock markets, commodities and Bitcoin.

**FIGURE 1**  
**Lettings listings fell over the course of 2018**  
 Annualised % change in PCL and POL



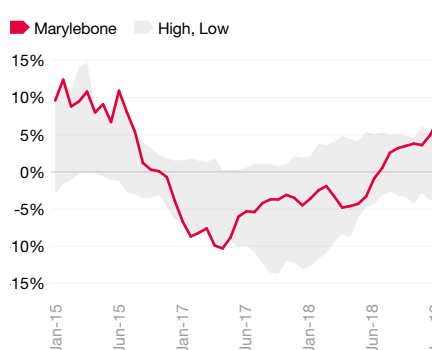
Source: Knight Frank Research / Rightmove

**FIGURE 2**  
**Rental values strengthen in PCL and POL**  
 Annual % change



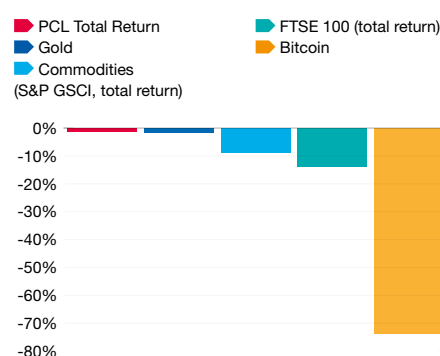
Source: Knight Frank Research

**FIGURE 3**  
**Marylebone outperforms the rest of PCL**  
 Annual % change



Source: Knight Frank Research

**FIGURE 4**  
**PCL residential outperform other assets**  
 Annual % change in 2018



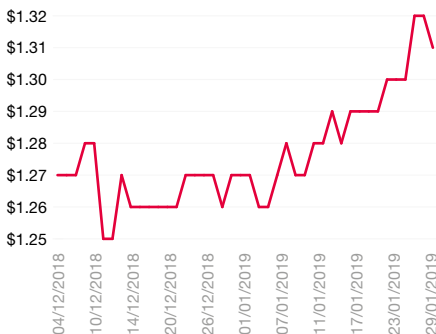
Source: Knight Frank Research

ECONOMIC DATA

**Figure 5** The pound showed tentative signs of strengthening against the US dollar in recent weeks as the prospect of the UK leaving the EU without a deal appeared to recede following interventions from lawmakers. However, the current ability of Parliament to prevent a “no-deal” Brexit is unclear. A disorderly exit represents the primary risk for prime London property markets.

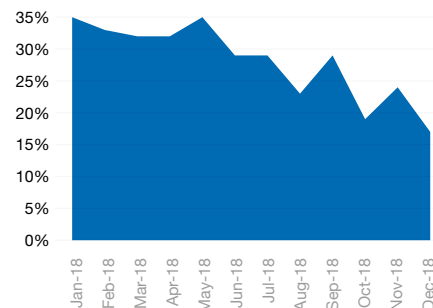
**Figure 6** Declining sentiment over the course of 2018 had an impact on a range of economic indicators as well as property markets. The Lloyds Business Barometer fell from 35% at the start of the year to 17% by the end of the year.

**FIGURE 5**  
**Pound shows tentative signs of strengthening**  
 Pound versus US dollar



Source: Knight Frank Research

**FIGURE 6**  
**Business confidence dips during 2018**  
 The Lloyds Business Barometer, net balance of positive vs negative



Source: Knight Frank Research / Lloyds Bank

**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
<b>1 month</b>	0.3%	0.3%	0.1%	-0.7%	-0.6%	0.2%	0.1%	-0.3%
<b>3 months</b>	0.2%	-0.2%	-0.6%	-1.6%	-0.7%	-0.5%	-0.5%	-0.7%
<b>6 months</b>	1.0%	-0.4%	0.2%	-1.4%	-2.0%	-1.8%	-0.6%	-1.3%
<b>1 year</b>	4.2%	1.2%	1.5%	-0.2%	0.6%	1.0%	1.7%	0.3%
<b>YTD</b>	0.3%	0.3%	0.1%	-0.7%	-0.6%	0.2%	0.1%	-0.3%

**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
<b>1 month</b>	0.0%	-0.2%	0.1%	-0.2%	0.0%	0.1%	0.0%	0.0%
<b>3 months</b>	0.2%	-0.5%	-0.5%	-1.1%	-0.8%	-0.8%	-0.2%	-0.8%
<b>6 months</b>	0.7%	0.1%	-0.3%	-1.4%	-1.3%	-1.6%	0.1%	-0.9%
<b>1 year</b>	1.2%	0.1%	-0.4%	-0.1%	-0.2%	-1.9%	0.7%	-0.9%
<b>YTD</b>	0.0%	-0.2%	0.1%	-0.2%	0.0%	0.1%	0.0%	0.0%

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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**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



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