

JULY 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

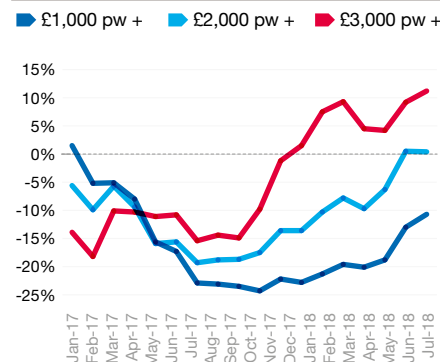
Prime central London index | **165.7**

Figure 1 The number of lettings listings above £2,000 per week rose 0.5% in the year to June compared to the previous 12 months, Rightmove data shows. This reversed a pattern of declines that occurred as more landlords listed their property for sale after tax changes. The reversal may indicate pricing expectations for some were not met in the sales market.

Figure 2 Annual rental value growth was 1.1% in June. It was the second successive month of growth following a 28-month run of declines. Rental values have strengthened as supply has declined as more landlords explore a sale following tax changes.

Annual rental value change | **1.1%**

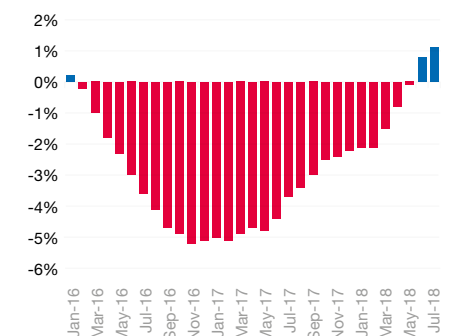
FIGURE 1
Decline in lettings listings reverses
 Annualised % change in listings by price bracket



Source: Knight Frank Research / Rightmove

Quarterly rental value change | **1.5%**

FIGURE 2
Positive annual rental value growth returns
 Annual % rental value change



Source: Knight Frank Research

PRIME OUTER LONDON

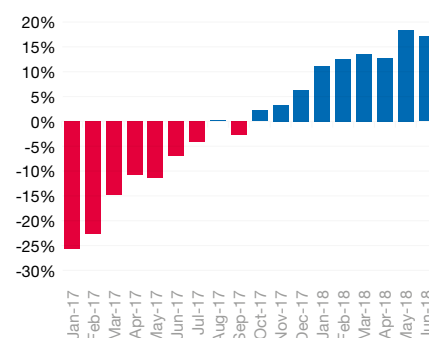
Prime outer London index | **171.9**

Figure 3 The number of tenancies agreed in prime outer London was 17% higher in the year to June than the previous 12-month period, Knight Frank data shows. The recent pattern of increases began in October 2017.

Figure 4 Rental values between £500 and £750 per week declined by less than any other price bracket in the year to June. It has been the strongest-performing price band since the start of the year and reflects the relative strength of demand for lettings properties at this price point.

Annual rental value change | **-1.8%**

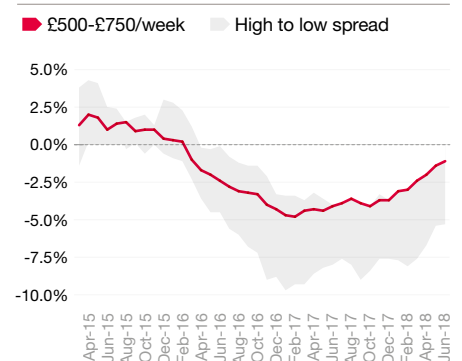
FIGURE 3
Number of tenancies agreed on the rise
 Annualised % change



Source: Knight Frank Research

Quarterly rental value change | **0.7%**

FIGURE 4
Lower price band outperforms
 Annual rental value change by price bracket



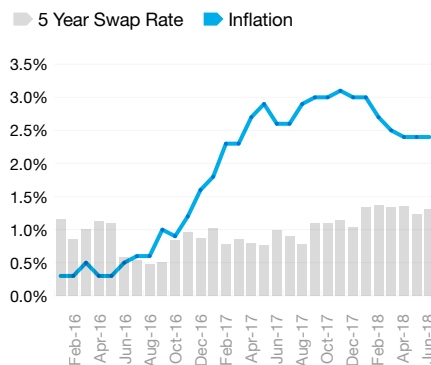
Source: Knight Frank Research

ECONOMIC DATA

Figure 5 UK inflation remained at 2.4% in June as the effects of a weaker pound following the Brexit vote exerted less of an influence on the figures. The chances of a rate rise are finely balanced but the five-year swap rate has been on an upwards trajectory in anticipation the Bank of England will raise the base rate in August.

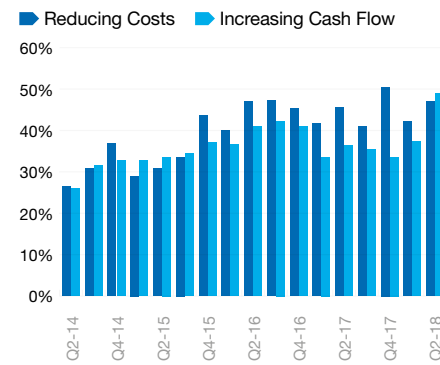
Figure 6 The Deloitte CFO survey showed businesses adopting a more defensive approach in Q2 as uncertainty rises in relation to Brexit negotiations. The number who said increasing cash flow was a strong priority rose to an eight-year high while reducing costs remained a high priority.

FIGURE 5
Market readies itself for an August rise
UK inflation falls as five-year swap rate rises



Source: Knight Frank Research

FIGURE 6
Businesses take defensive Brexit measures
Survey responses showing 'high priority' for CFO's



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	0.4%	0.2%	0.2%	-0.1%	0.4%	0.7%	0.3%	0.3%
3 months	1.8%	1.0%	1.3%	1.1%	1.2%	2.3%	1.7%	1.1%
6 months	3.2%	1.6%	1.4%	1.3%	2.6%	2.8%	2.3%	1.6%
1 year	2.6%	0.9%	1.5%	-0.9%	0.4%	2.0%	1.4%	0.3%
YTD	3.2%	1.3%	1.2%	0.8%	2.5%	2.7%	2.1%	1.4%

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%	-0.1%	-0.2%	0.2%	0.1%	0.0%	-0.1%
3 months	0.5%	0.3%	0.4%	1.2%	1.3%	1.6%	0.6%	0.9%
6 months	0.6%	0.4%	0.0%	1.8%	1.6%	0.1%	0.8%	0.5%
1 year	-0.5%	-1.2%	-2.5%	-5.1%	-0.1%	-2.1%	-0.7%	-3.2%
YTD	0.6%	0.5%	0.1%	0.8%	1.0%	-0.4%	0.9%	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