



JUNE 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 | **164.5**

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

Quarterly rental value change | **0.2%**

PRIME OUTER LONDON

Prime outer London index | **171.1**

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

Quarterly rental value change | **0.3%**

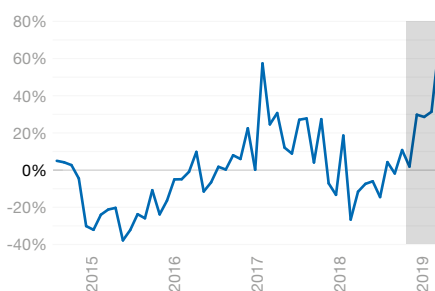
Figure 1 The number of new prospective tenants registering in PCL and POL rose by two-thirds in May compared to the same month last year. This was due to political uncertainty as some exercised caution by renting. In lower price brackets it has also been in response to the tenant fee ban, which came into effect in June.

Figure 2 The number of viewings also increased in May, rising 20% compared to the same month a year ago in PCL and POL. Despite the series of tax changes faced by landlords in recent years, the spike in viewings and new tenant registrations indicates the current strength of demand.

Figure 3 The number of tenancies agreed is also on an upwards trend. In the year to May 2019, Knight Frank agreed 19% more tenancies in PCL and POL compared to the previous 12-month period. It was the highest such rise recorded since 2010.

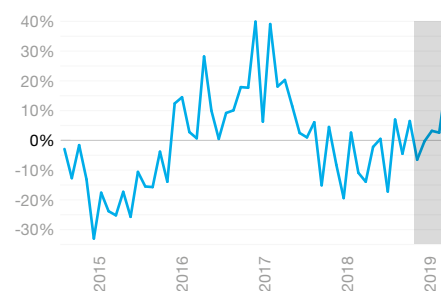
Figure 4 The super-prime (£5,000+/week) lettings market has had its strongest ever start to the year. There were 57 tenancies agreed in this price bracket across London between January and May, compared to 37 last year. The trend is unrelated to the tenant fee ban and highlights how political uncertainty has boosted tenant demand.

FIGURE 1
New tenants numbers have spiked in 2019
Year-on-year % change, PCL and POL



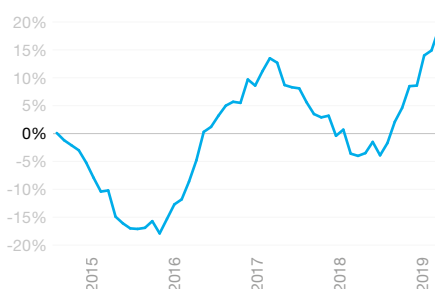
Source: Knight Frank Research

FIGURE 2
The number of viewings follows same pattern
Year-on-year % change, PCL and POL



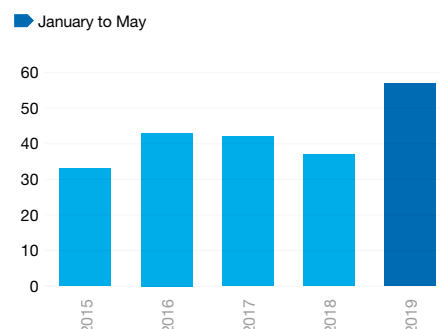
Source: Knight Frank Research

FIGURE 3
Tenancies agreed rise by the most since 2010
Annualised % change, PCL and POL



Source: Knight Frank Research

FIGURE 4
Super-prime lettings strongest start to a year
Number of tenancies agreed at £5,000+/week



Source: Knight Frank Research / LonRes

ECONOMIC DATA

Figure 5 Five-year swap rates, which are used by lenders to acquire fixed-price mortgage funding, have fallen in recent months. This is a response to a more benign global interest rate backdrop, with the US Federal Reserve signalling it may cut rates this year. Lower rates will underpin mortgage market liquidity and housing demand.

Figure 6 The effective discount for US buyers in PCL, which combines currency and property price changes, reached 24.7% at the end of May, the highest figure since the EU referendum. Sterling has weakened in recent weeks in response to uncertainty generated by the Conservative Party leadership election.

FIGURE 5
Cost of mortgage fixing falls for lenders
Five-year swap rate



Source: Knight Frank Research

FIGURE 6
Discount for US dollar buyers hits high
Currency and price % change since EU referendum



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%	-0.3%	0.3%	-0.1%	0.0%	-0.1%	0.0%	0.0%
3 months	0.7%	0.3%	0.4%	0.2%	-0.7%	0.0%	0.2%	0.0%
6 months	1.5%	0.8%	0.2%	-0.7%	-1.6%	-0.3%	0.3%	-0.8%
1 year	2.6%	0.3%	0.4%	-1.6%	-2.5%	-1.6%	0.0%	-1.5%
YTD	1.5%	0.8%	0.2%	-0.7%	-1.6%	-0.3%	0.3%	-0.8%

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%	0.0%	-0.3%	0.0%	-0.3%	0.1%	0.0%	-0.1%
3 months	0.6%	-0.1%	0.0%	0.4%	0.3%	0.7%	0.2%	0.4%
6 months	0.9%	-0.3%	0.1%	0.2%	-0.5%	1.1%	0.1%	0.4%
1 year	1.6%	-0.4%	-0.4%	-1.2%	-1.7%	-0.6%	0.2%	-0.6%
YTD	0.9%	-0.3%	0.1%	0.2%	-0.5%	1.1%	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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